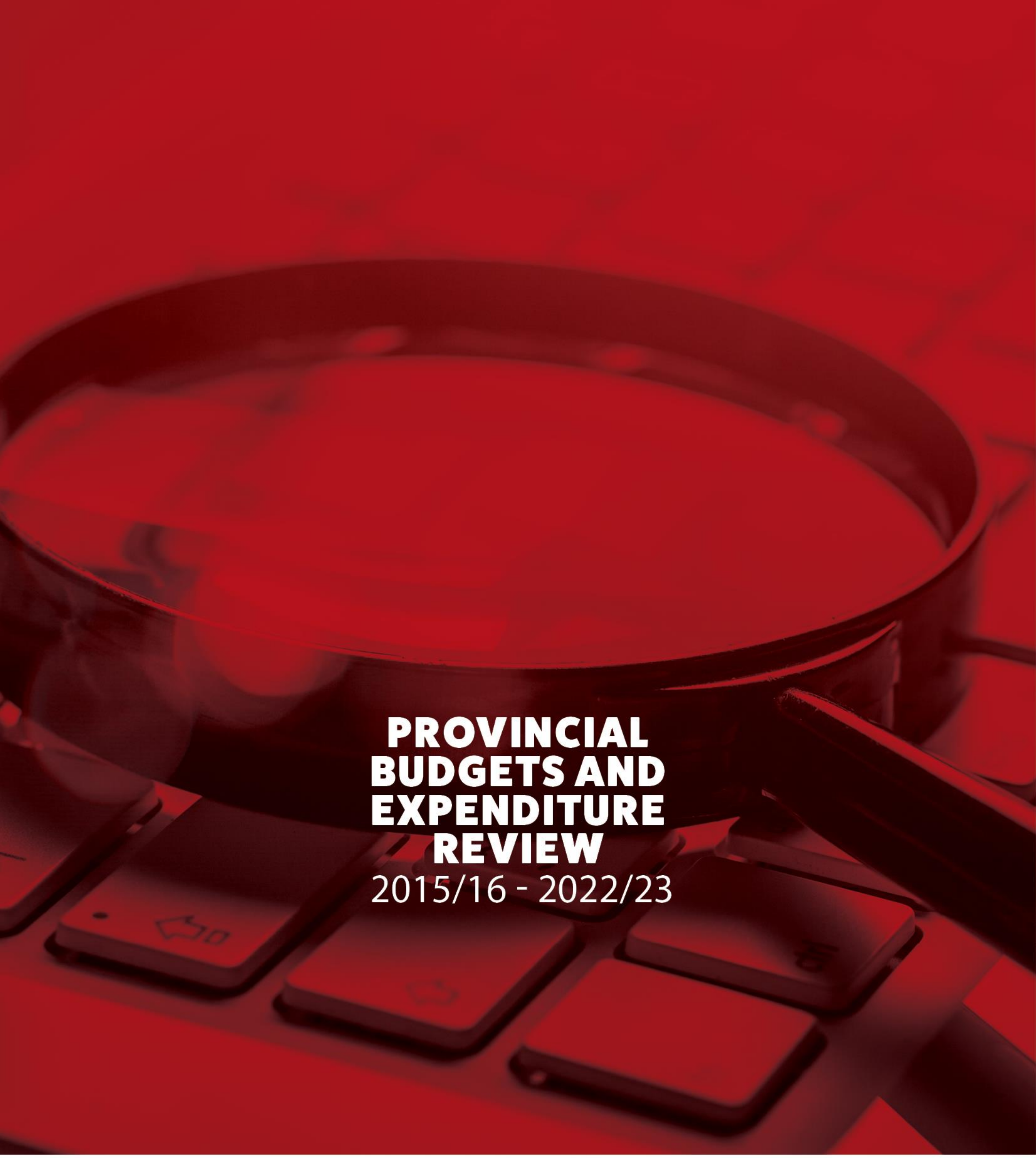

PROVINCIAL BUDGETS AND EXPENDITURE REVIEW

2015/16 - 2022/23

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Provincial Budgets and Expenditure Review

2015/16 – 2022/23

National Treasury

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Technical notes

The notes set out below are intended to assist readers and analysts.

General notes on numbers

Data on the eight-year trends set out in this document are drawn from provincial government publications such as annual reports and estimates of provincial revenue and expenditure documents as tabled in March 2020.

The expenditure outcome for 2019/20 is based on pre-audited provincial expenditure data for the period 1 April 2019 to 31 March 2020. Minor changes may occur when final audited statements are fully published.

Financial years

A financial year for the provincial and national spheres starts on 1 April and ends on 31 March the following year.

Real growth rates

When comparing monetary values from one year to another, it is common to adjust figures for inflation. Real growth rates in this publication are calculated using headline CPI inflation published in the 2019 *Budget Review*.

Rounding of numbers

Appropriation of funds and reporting of expenditure is done in terms of rand thousands. The majority of the tables in the publication are in rand millions. As a result of rounding off, some minor deviations may occur.

Contents

Tables

Figures

Abbreviations and acronyms

AARTO	Adjudication of Road Traffic Offences Amendment Act
ANA	Annual National Assessments
APAP	Agricultural Policy Action Plan
ART	Antiretroviral therapy
ARV	Antiretroviral
BEAC	Budget Examination and Analysis Course
BRT	Bus Rapid Transit
CASP	Comprehensive Agricultural Support Programme
CBO	Community based organisation
CCMDD	Centralised chronic medicines dispensing and distribution
CDS	Capacity Development Strategy
CHW	Community health worker
CIBD	Construction Industry Development Board
CoE	Compensation of employees
Coega	Coega Development Corporation
COLTO	Committee of Land Transport Officials
CPI	Consumer Price Index
CRPD	Convention on the Rights of Persons with Disabilities
DAFF	Department of Agriculture, Forestry and Fisheries
DALRRD	Department of Agriculture, Land Reform and Rural Development
DBE	Department of Basic Education
DDM	District Development Model
DHB	District Health Barometer
DHET	Department of Higher Education and Training
DHS	Department of Human Settlements
DoH	Department of Health
DoRA	Division of Revenue Act
DoT	Department of Transport
DPME	Department of Planning, Monitoring and Evaluation
DPWI	Department of Public Works and Infrastructure
DRDLR	Department of Rural Development and Land Reform
DSD	Department of Social Development
Dtic	Department of Trade, Industry and Competition
EC	Eastern Cape
ECD	Early childhood development
ECDG	Early childhood development grant
ECRDA	Eastern Cape Rural Development Agency
EIG	Education infrastructure grant
ELIDZ	East London Industrial Development Zone
EPWP	Expanded Public Works Programme
FDC	Free State Development Corporation
FLISP	Finance Linked Individual Subsidy Programme
FS	Free State
FTE	Full-time equivalent
GDP	Gross Domestic Product

GDP-R	Gross Domestic Product per Region
GEP	Gauteng Enterprise Propeller
GGDA	Gauteng Growth and Development Agency
GIAMA	Government Immovable Asset Management Act
GT	Gauteng
GTAC	Government Technical Advisory Centre
GVM	Gross vehicle mass
HFRG	Health facility revitalisation grant
HIV	Human immunodeficiency virus
HIV/Aids	Human immunodeficiency virus/Acquired immune deficiency syndrome
HoD	Head of Department
HPTDG	Health professions training and development grant
HRCG	Human resources capacitation grant
HRTDG	Human resources, training and development grant
HSDG	Human settlements development grant
ICT	Information and communications technology
IDIP	Infrastructure Development Improvement Programme
IDM	Infrastructure Delivery Management
IDMS	Infrastructure Delivery Management System
IDMSBOK	Infrastructure Delivery Management System Body of Knowledge
IDP	Integrated development plan
IDZ	Industrial Development Zone
IGR	Intergovernmental relations
IPAP	Industrial Policy Action Plan
IPTN	Integrated public transport network
IRDP	Integrated Residential Development Programme
IUDF	Integrated Urban Development Framework
JTTT	Joint Technical Task Team
KZN	KwaZulu-Natal
KZNFC	KwaZulu-Natal Film Commission
LEDA	Limpopo Economic Development Agency
LIM	Limpopo
LSPID	Learners with severe to profound intellectual disabilities
LTSM	Learner and teacher support materials
LURITS	Learner Unit Record Information Tacking System
m^2	Square metre
MEC	Member of the Executive Council
MEGA	Mpumalanga Economic Development Agency
MFMA	Municipal Finance Management Act
MinMEC	Ministers and Members of Executive Councils
MPU	Mpumalanga
MTBPS	Medium Term Budget Policy Statement
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NC	Northern Cape
NDBE	National Department of Basic Education
NCEDA	Northern Cape Economic Development, Trade and Investment Promotion Agency
NDoH	National Department of Health
NDP	National Development Plan
NEET	Not in employment, education or training
NGO	Non-governmental organisation
NGP	New Growth Path
NHFC	National Housing Finance Corporation
NHI	National Health Insurance
NIAMM	National Immovable Asset Maintenance Management
NLTA	National Land Transport Act

NPO	Non-profit organisation
NQF	National Qualifications Framework
NSG	National School of Government
NSNP	National School Nutrition Programme
NTSS	National Tourism Sector Strategy
NUSP	National Upgrade Support Programme
NW	North West
NWDC	North West Development Corporation
OECD	Organisation for Economic Co-operation and Development
OHSC	Office of Health Standards Compliance
OSD	Occupation Specific Dispensation
PBS	Performance-based system
PDFI	Project Development and Financing Initiative
PDFI	Provincial development finance institution
PEFA	Public expenditure and financial accountability
PES	Provincial equitable share
PFM	Public finance management
PFMA	Public Financial Management Act
PGDS	Provincial growth and development strategy
PHC	Primary healthcare
PIRLS	Progress in International Reading Literacy Study
PLS	Project-linked subsidy
PMTE	Property Management Trading Entity
PRMG	Provincial roads maintenance grant
PTOG	Public transport operations grant
Q/Q	Quarter on quarter
RAMP	Road Asset Management Plan
RAMS	Road Asset Management System
RBIDZ	Richards Bay Industrial Development Zone
RDP	Reconstruction and Development Plan
RISFSA	Road Infrastructure Strategic Framework for South Africa
RTMC	Road Traffic Management Corporation
SACMEQ	Southern and Eastern Africa Consortium for Monitoring Education Quality
SA-GAP	South African Good Agricultural Practice
SAICE	South African Institute of Civil Engineers
SALGA	South African Local Government Association
SANRAL	South African National Roads Agency Limited
SAPS	South African Police Service
SAQA	South African Qualifications Authority
SDG	Sustainable Development Goal
SEZ	Special Economic Zone
SIAS	Screening, identification, assessment and support
SMME	Small, medium or micro enterprise
SOE	State-owned enterprise
Stats SA	Statistics South Africa
TB	Tuberculosis
TIKZN	Trade and Investment KwaZulu-Natal
TIMSS	Trends in International Mathematics and Science Study
UA	Universiteit Antwerpen
U-AMP	User asset management plan
UHC	Universal health coverage
UNDP	United Nations Development Programme
VAWC	Violence against women and children
VCI	Visual Condition Index
VOC	Vehicle operating cost
VUB	Vrije Universiteit Brussel

WBPHCOT	Ward-based primary health care outreach team
WC	Western Cape
Y/Y	Year on year

1

Introduction

Introduction

This *Provincial Budgets and Expenditure Review* describes how government has worked to maintained the strength of public finances while protecting social services in the context of poor global economic performance, a weak rand and unstable inflation. The global financial crisis that began in 2008 and resulted in the 2009 recession in South Africa produced a structural budget deficit whose consequences, including worsened levels of unemployment, have been far reaching. The country's economy grew by 0.5 per cent in 2016, 1.3 per cent in 2017 and 0.7 per cent in 2018.

South Africa is still recovering from the effects of the 2009 recession.

The 2020 Budget Review estimated growth of 0.9 per cent in 2020, increasing to 1.3 per cent in 2021 and 1.6 per cent in 2022. This has since been revised downwards due to the effects of the Covid-19 pandemic. The main factors supporting the expected increase before the pandemic included stabilising commodity process, higher global growth, improved electricity supply, recovering business and consumer confidence and improved labour relations. The slight increase presently projected will not be sufficient to reduce unemployment, poverty and inequality substantially. The country needs to boost economic growth by removing policy uncertainties, working to improve the countries investment grade ratings and improving service delivery. The South African government is committed to achieving these objectives.

The National Development Plan (NDP) outlines the medium- and long-term reforms needed to boost investment, expand employment and remove constraints to economic growth. To build a South Africa in which all people have a decent standard of living and access to economic opportunities, government continues to explore ways in which to grow the economy. It is committed to remaining within an expenditure ceiling, cost-cutting, efficiency gains through procurement reforms and stabilising spending on compensation of employees (CoE).

Provincial expenditure is closely aligned with government's seven priority outcomes.

Provincial expenditure is closely aligned with government's seven priority outcomes. National transfers to provinces have grown rapidly, from R490 billion in 2015/16 to R633.1 billion in 2019/20, in line with government's priorities. Over the 2020 Medium Term Expenditure Framework (MTEF), these transfers are projected to rise from R670 billion to R753 billion or an increase of 6 per cent. The purpose of these increases is to enable provinces to provide and expand social services and in particular education and health.

About the Review

This *Review*, the fourteenth report on provincial budget and expenditure trends, contains consolidated information on provincial government performance from 2015/16 to 2019/20 and projections for the period 2020/21 to 2022/23. It is thus both a review of the recent past and a forward-looking document and forms part of the National Treasury's commitment to budget transparency.

The *Review* provides the public, elected officials, policy analysts and public servants with information about the use of public resources. It has four broad objectives:

- To provide a consolidated picture of provinces' financial performance and plans.
- To assess provincial governments' performance in providing critical social services and supporting economic growth through increased investment in strategic and economic infrastructure.
- To assess provinces' financial management capacity.
- To highlight challenges and the recommendations, possible solutions and policy initiatives designed to address them.

The *Review* thus gives Parliament and provincial legislatures a comprehensive picture of what government is spending on provincial functions such as education, health, social development, human settlements, roads, public works and agriculture. It also enables them to compare and benchmark provinces against one another and to assess the extent to which their budgets give effect to national priorities.

Key observations from the Review

- Although there is improvement in the number of children attending school and Grade R, attaining matric and bachelor passes and passing with 50 per cent or more in mathematics and physics, much more needs to be done to improve the quality of education.
- Limited budgets make it difficult to provide health services to a growing population with an increased disease burden. Spending pressures in the health sector include skills shortages, inflation in the cost of medicines, unpaid invoices and medical negligence claims.
- Economic growth during the period under review was below expected levels and far below those needed to reduce unemployment significantly. High unemployment leads to an increased demand for social welfare services such as income support and maintenance and services for children and young people.
- Constructing and maintaining roads to ensure the efficient movement of goods and services and reduce the cost of doing business remains a challenge. According to the Department of Transport (DoT), the provincial roads maintenance backlog is currently estimated at R185.9 billion.
- Provision of public infrastructure, addressing the backlog on building maintenance and creating jobs remains one of the key priorities to resuscitate the economy.
- There have been improvements in infrastructure planning and delivery. However, ongoing challenges include gaps in alignment between infrastructure planning, budgeting and implementation; lack of skills; and the capacity to plan and manage infrastructure delivery in client departments and with implementing agents.
- Minimal strides have been made in reducing personnel expenditure. This is set to rise from R417.3 billion in 2019/20 to R466.8 billion in 2022/23, increasing at an average annual rate of 6.6 per cent over the 2020 MTEF.

Provinces and national policy

The National Development Plan (NDP)

The objectives of the plan which include eliminating poverty and reducing inequality. The country can realise these goals by growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society. By 2030, it aims to have:

- United South Africans of all races and classes around a common programme to eliminate poverty and reduce inequality.
- Encouraged citizens to be active in their own development in strengthening democracy and holding their government accountable.
- Raised economic growth, promoted exports and made the economy more labour absorbing.
- Focused on key capabilities of both people and the country.
- Developed capabilities including skills, infrastructure, social security, strong institutions and partnerships within the country and with key international partners.
- Built a capable and developmental state.
- Displayed strong leadership in society that works to solve our problems.

In 2019, acknowledging that fiscal constraints and the time factor meant that government would not be able to deliver everything visualised in the NDP by 2030, the president listed seven priorities:

1. Economic transformation and job creation
2. Education, skills and health
3. Consolidating the social wage through reliable and good quality basic services
4. Spatial integration, human settlements and local government
5. Social cohesion and safe communities
6. A capable, ethical and developmental state
7. A better Africa and world.

National and provincial functions

Provinces implement nationally agreed upon policies.

The Constitution allocates functions to national, provincial and local government. Some are concurrent; others are exclusive. Provinces are responsible for social services including pre-tertiary education; health; social development; economic functions such as agriculture and roads; provincial governance and administration, which includes legislatures and provincial treasuries; local government; and human settlements. National government sets the policies which provinces implement in the agreed priority areas.

Provinces play a central role in delivering and improving the quality of socio-economic services; reducing inequality; increasing investment in communities; ensuring sustainable livelihoods; developing skills that the economy needs; ensuring efficient government; combating corruption; and regional economic development.

Economic activity and employment

Following the 2009 recession, the global economy remained fragile. However, some sectors of the South African economy slowly gathered steam. In 2017, the main drivers of growth were the primary sectors and especially agriculture and mining, with growth weak in other sectors. Job creation and wage growth are impossible to achieve in the context of low economic growth. In 2019, formal non-agricultural employment fell 0.7 per cent, bringing total employment to 11.3 million. In the first nine months of 2019, annual private-sector wage growth per worker was 2.4 per cent compared with public-sector wage growth of 7.2 per cent.

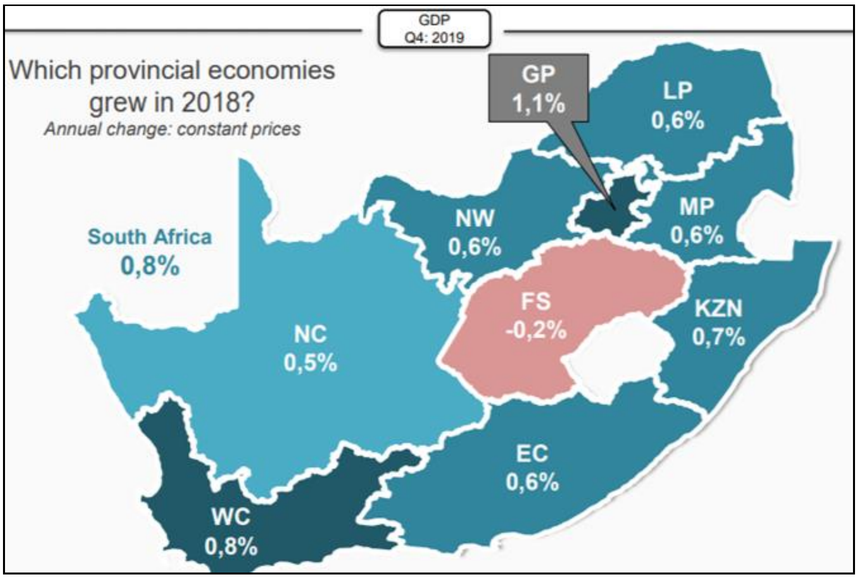
In 2019, the economy grew by 0.2 per cent. However, in per capita terms it stagnated and did not provide additional income to reduce poverty. The impact of low growth on revenue collection has been considerable and government has continued to under-collect on its revenue targets. The state is borrowing at an increased rate to fund operations. In 2019/20, debt service costs absorbed 15.2 cents of every rand that government collected compared with 9.8 per cent in 2010/11, making these costs the fastest-growing area of government spending. Over the same period, the public sector wage bill grew to an average of 35.4 per cent of total consolidated expenditure.

Economic activity

Following a contraction of 0.8 per cent (revised) in the third quarter of 2019, in the fourth quarter the South African economy contracted by 1.4 per cent. Finance, mining and personal services showed an increase but this was not sufficient to prevent the country from slipping into its third recession since 1994. At 0.6 percentage points, transport and communication contributed the most to the decline. Retail trade sales and the restaurant trade increased in the fourth quarter but this was not enough to offset the fall in the motor trade, wholesale and accommodation which pulled the trade industry lower by 3.8 per cent; the industry was the second largest contributor to the reduction in GDP. Manufacturing was also hard hit as production of cars, transport equipment, wood and paper declined. Petroleum production increased; however, this was not sufficient to reverse the previous quarter’s reductions. Construction continues to be hard hit; with the exception of one quarter in 2017, it declined throughout the review period. Agriculture also was not spared from negative growth, recording its fourth consecutive quarter of negative growth. The sector has been affected by the drought in Eastern Cape and Free State, made worse by the late rains and heatwaves experienced across the country. Driven by platinum group metals, iron ore and gold, mining sector growth of 1.8 per cent contributed only 0.11 of a percentage point to the growth of the economy. Coal production fell as a result of lower demand and of heavy rains; the contributions to growth by manganese and diamonds were also negative.

The figure below shows economic growth in the provinces as at the end of 2019. At 1.1 per cent, Gauteng had the highest growth, followed by the Western Cape at 0.8 per cent and Kwa-Zulu Natal at 0.7 per cent. The main contributors to this growth were the finance, mining and personal services industries.

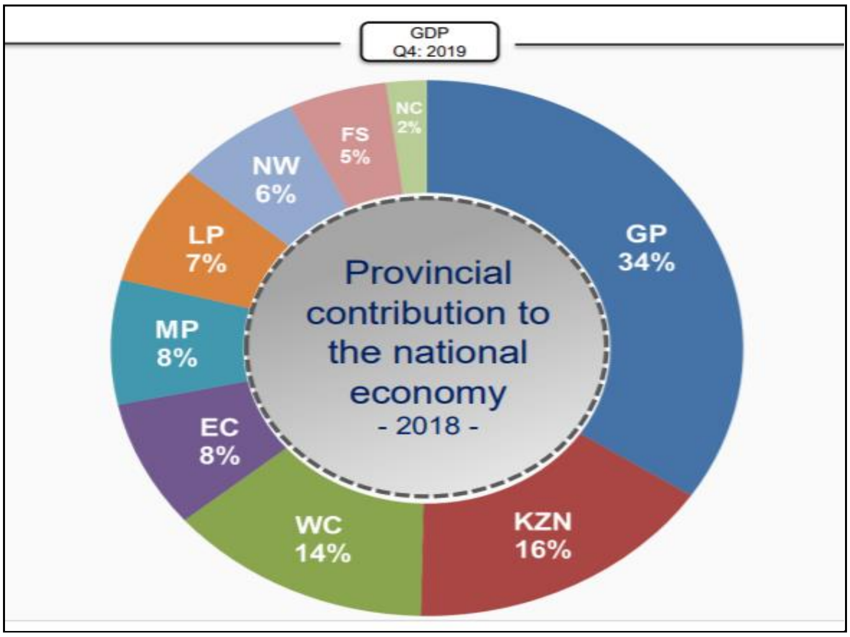
Figure 1.1: Economic growth per province in 2019



Source: Statistics South Africa, 2018

As Figure 1.2 shows, in 2019 three provinces accounted for 62 per cent of the national GDP of R4.65 trillion: Gauteng (34 per cent), KwaZulu-Natal (16 per cent) and Western Cape (14 per cent). Gauteng dominated, with finance, manufacturing, construction and government heavily represented in the province. National agriculture production is concentrated in KwaZulu-Natal, Free State and the Western Cape while the bulk of national mining activity takes place in North West, Mpumalanga and Limpopo.

Figure 1.1: Contribution of each province to GDP: Q4, 2019



Source: Statistics South Africa

Table 1.1 indicates the relative size of the various sectors in the provinces' economies and complements the information about the contributions of provinces to GDP in Figure 1.2.

Table 1.1: Relative size of provincial economy by industry, March 2017

	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape
Agriculture, forestry and fishing	1,9%	4,8%	0,5%	3,7%	2,5%	2,8%	7,1%	2,6%	3,8%
Mining and quarrying	0,1%	10,0%	2,3%	1,5%	25,5%	20,7%	20,2%	30,1%	0,3%
Manufacturing	11,5%	9,5%	13,9%	15,9%	2,8%	12,2%	3,1%	4,7%	13,8%
Electricity, gas and water	2,3%	3,8%	3,0%	3,6%	3,9%	7,0%	3,5%	3,2%	2,6%
Construction	3,6%	2,3%	3,6%	3,9%	2,7%	2,9%	2,7%	2,2%	4,9%
Wholesale, retail and motor trading catering and accomodation	18,2%	13,0%	12,3%	13,6%	13,6%	12,9%	10,7%	10,5%	15,5%
Transport, storage and communication	8,2%	9,1%	9,2%	11,9%	4,4%	5,9%	10,8%	5,7%	9,8%
Finance, real estate and business services	16,8%	14,8%	21,7%	15,3%	13,0%	10,3%	11,9%	11,9%	22,7%
Personal services	6,5%	7,2%	4,6%	5,5%	3,8%	3,5%	4,8%	6,9%	6,1%
General government services	20,5%	15,2%	18,8%	15,0%	17,3%	11,1%	15,5%	11,7%	10,4%
All industries at basic prices	**89,6%**	**89,7%**	**89,9%**	**89,9%**	**89,5%**	**89,3%**	**90,3%**	**89,5%**	**89,9%**
Taxes less subsidies on products	10,4%	10,3%	10,3%	10,2%	10,5%	10,9%	9,8%	10,5%	10,2%
GDP at market prices	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

Source: Statistics South Africa, GDP estimates 2018

Employment

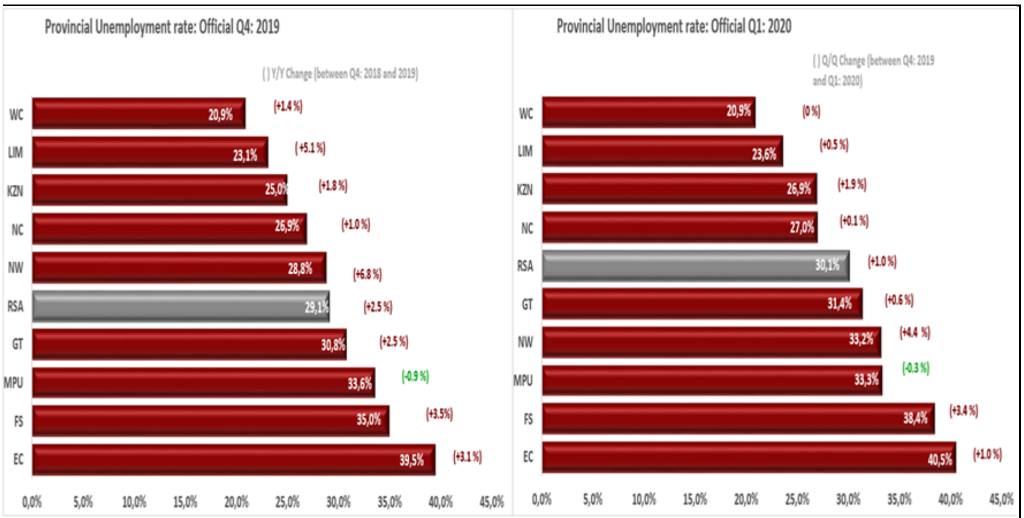
Unemployment in South Africa is still high, at 30.1 per cent in Q1:2020.

The national unemployment rate remains very high. As Figure 1.3 shows, between the fourth quarter of 2019 and the first quarter of 2020 it had increased from 29.1 per cent to 30.1 per cent, with the number of people unemployed increasing by 344 000 to 7.1 million over the same period; in the third quarter of 2019, it had decreased by 8 000. Employment in seven of the ten industries (listed in Table 1.1) fell during this period, with the largest decreases in finance (50 000), community and social services (33 000) and agriculture (21 000). Employment in trade (71 000), private households (30 000) and mining (6 000) increased. In five of the nine provinces, employment numbers dropped over the same period.

Figure 1.3 shows that, in the first quarter of 2020, unemployment rates in the Western Cape, Limpopo, KwaZulu-Natal, North West and the Northern Cape were below the national average of 30.1 per cent. The largest employment decreases from the previous quarter were in the Free State (decline of 29 000), North West (decline of 23 000), Western Cape (decline of 17 000) and Limpopo (decline of 13 000). Employment in Gauteng and KwaZulu-Natal increased by 36 000 and 8 000 respectively. In seven of the nine provinces, the number of unemployed people increased between the fourth quarter of 2019 and the first quarter of 2020, with the largest increase in North West (up by 4.4 per cent) followed by the Free State (up by 3.4 per cent) and KwaZulu-Natal (up by 1.9 per cent). In Mpumalanga in the same period, the number was down by 0.3 per cent.

Stats SA data on the educational qualifications of those unemployed show that 34.6 per cent have less than matric, 29.7 per cent have matric, 7.6 per cent are graduates and 18.3 per cent have some other form of tertiary qualification.

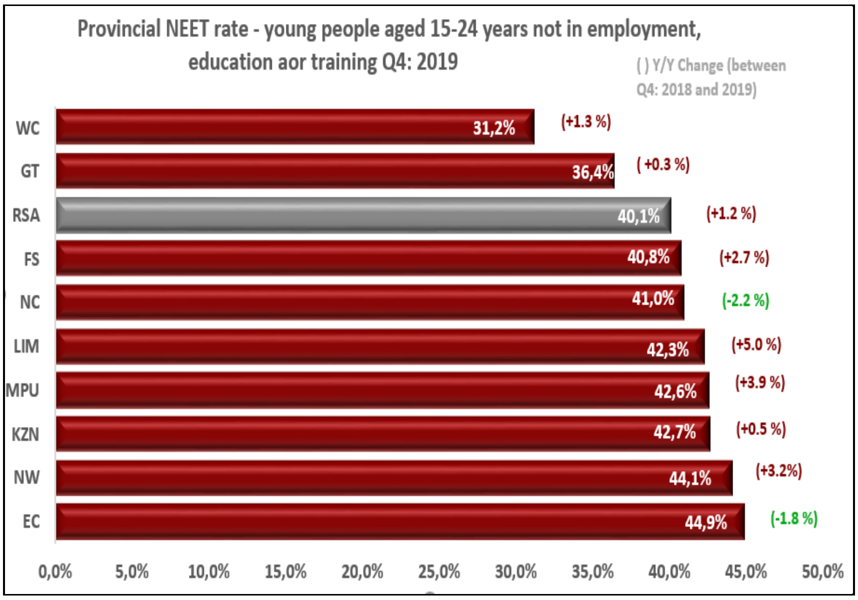
Figure 1.3: Employment rate in Q4:2019 (Y/Y) and Q1:2020 (Q/Q)



Source: Statistics South Africa, 2019 and 2020

From 2018 to 2019, the official unemployment rate grew by 2.5 percentage points, increasing in all provinces except in Mpumalanga where it fell by 0.9 of a percentage point. The largest increase was in North West (6.8 percentage point) followed by Limpopo (5.1 percentage point) and the Free State (3.5 percentage point).

Figure 1.4: Young people aged 15-24 years not in employment, education or training: Q4, 2019



Source: Statistics South Africa, 2019

Joblessness among young people is still very high.

Figure 1.4 shows that, in the fourth quarter of 2019, the percentage of young people aged 15 to 24 who were not in employment, education or training (NEET) was 1.2 percentage points higher than in the same quarter in the previous year.
The NEET rate increased in seven provinces, with the largest increase in Limpopo (5 percentage points) followed by Mpumalanga (3.9 percentage points) and North West (3.2 percentage points). Northern Cape and the Eastern Cape recorded decreases of 2.2 and 1.8 percentage point respectively.

Seven provinces were below the national average of 40.1 per cent, with only Gauteng and the Western Cape above the national average. The ailing economy is a contributing factor to high unemployment rates among 18 to 29 year olds, particularly given the difficulty of finding work with only a matric certificate rather than a university qualification.

Fiscal context

Provinces receive three forms of revenue, including own revenue.

Provinces' allocations are made up of three forms of revenue: the provincial equitable share (PES), provincial conditional grants and own revenue. The national budget process precedes the provincial allocations. A determination is made based on the PES formula; this is then allocated to the provinces from the National Revenue Fund through the National Treasury, including allocations for conditional grants. Based on policy priorities, provinces have the discretion to allocate the equitable share funding to their departments. The national departments are responsible for the transfer of the conditional grants.

Government's policy priorities for the 2019 MTEF period funded through reprioritisations in the division of revenue included:

- Improving government's responsiveness to housing disasters through the introduction of an *emergency housing grant*.
- Intensifying the role of home-based carers in improving national health through earmarked supplementary funds from the *comprehensive HIV, AIDS and TB grant.*
- Protecting the school nutrition initiative by ensuring that allocations continue to feed children who need the service.
- Providing free basic services to poor households.
- Promoting access to social housing by boosting subsidies.

Table 1.2 Consolidated Provincial Fiscal Framework, 2015/16 - 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20 Preliminary Outcomes	2020/21	2021/22	2022/23
	Outcomes					Medium-term estimates		
Transfers from national	**472 409**	**500 384**	**538510**	**571 965**	**612 982**	**649 231**	**692 654**	**731 581**
Equitable share	**386 802**	**410 699**	**441 331**	**470 287**	**505 554**	**538 472**	**573 990**	**607 554**
% share of total receipts	*78,9%*	*79,2%*	*79,1%*	*79,3%*	*79,7%*	*80,4%*	*80,4%*	*80,6%*
Conditional Grant	**85 607**	**89 685**	**97 179**	**101 678**	**107 428**	**110 759**	**118 664**	**124 028**
% share of total receipts	*17,5%*	17,3%	17,4%	17,2%	16,9%	16,5%	16,6%	16,5%
Provincial Own Revenue	**17 617**	**18 338**	**19 166**	**20 808**	**21 475**	**20 505**	**21 382**	**22 285**
% share of total receipts	*3,6%*	3,5%	3,4%	3,5%	3,4%	3,1%	3,0%	3,0%
Total reciepts	**490 026**	**518 722**	**557 676**	**592 773**	**634 456**	**669 736**	**714 036**	**753 866**
Expenditure	**486 449**	**520 240**	**555 997**	**590 757**	**632 400**	**638 794**	**630 163**	**669 881**
Budget Balance	**3 577**	**(1 518)**	**1 679**	**2 016**	**2 056**	**30 942**	**83 874**	**83 984**

Source: National Treasury provincial database

Table 1.2 gives the breakdown of allocations for provinces over the 2019 MTEF. Collectively, R633.1 billion was received by provinces in 2019/20, increasing to R669.7 billion in 2020/21, R714 billion in 2021/22 and R753.8 billion in 2022/23.

Provincial equitable share

The PES formula that informs the allocations to the nine provinces takes into account population numbers; population growth; economic activity; poverty; demand for services such as education and health; and migration patterns. Provinces with growing populations receive increased allocations. Smaller provinces are compensated for the fixed costs of maintaining provincial institutions.

Allocations to provinces are informed by the provincial equitable share formula.

The six components of the provincial equitable share formula are:

- The education component (48 per cent) based on the size of the school-age population (ages 5 to 17) and the number of learners (Grades R to 12) enrolled in public ordinary schools;
- The health component (27 per cent) based on each province's risk profile and health system caseload;
- The basic component (16 per cent) derived from each province's share of the national population;
- The institutional component (5 per cent) divided equally between the provinces;
- The poverty component (3 per cent) based on income data; this component reinforces the redistributive bias of the formula;
- And the economic output component (1 per cent) based on Gross Domestic Product per Region (GDP-R) as measured by Statistics South Africa (Stats SA).

In 2019/20, the provincial equitable share accounted for 79.7 per cent of national transfers to provinces. Over the three years of the 2020 MTEF, the allocations are R538.4 billion, R574 billion and R607.5 billion respectively. Robust increases reflect not only the priority placed on health, education and basic services but the rising cost of these services as a result of higher wages, and of bulk electricity and water costs.

The mechanisms for allocating funds to provinces are continuously reviewed to improve their efficiency. The latest review began at the end of 2016, with the first phase starting with an assessment of the appropriateness of the datasets which inform the formula. To improve recording and tracking of scholar numbers, the Department of Basic Education (DBE) introduced the Learner Unit Record Information Tracking System (LURITS). These changes were phased in during the 2018 MTEF.

Conditional grants

In 2019/20, conditional grants accounted for 16.9 per cent of national transfers to provinces. Growth in conditional grant transfers to provinces averages 6.2 per cent over the 2020 MTEF, with allocations of R110.7 billion in 2020/21, R118 billion in 2021/22 and R124 billion in 2022/23. Conditional grants are funds set aside for specific purposes and have conditions which must be adhered to. There are four types of conditional grants to provinces:

Conditional grants account for 16.9 per cent of national transfers to provinces.

- *Schedule 4, part A grants supplement various programmes partly funded by provinces*

- *Schedule 5, part A grants fund specific responsibilities of, and programmes implemented by, provinces*
- *Schedule 6, part A grants provide in-kind allocations through which a national department implements projects in provinces*
- *Schedule 7, part A grants provide for the swift allocation and transfer of funds to a province to help it deal with a disaster or housing emergency.*

In the period under review, a number of new provincial conditional grants were introduced:

- The *early childhood development grant* to expand access and improve facilities for young learners (age 0-4).
- The *learners with profound intellectual disabilities grant* to provide funding for learners with intellectual disabilities.
- The *title deeds restoration grant* to eradicate the pre-2014 title deeds registration backlogs and the professional fees associated with doing so.
- Funding to employ additional social workers through the *social worker employment grant.*
- Conversion of the *school infrastructure backlogs grant* into the *direct infrastructure grant* to enable projects underway to be completed.
- Expansion of the scope of the *comprehensive HIV and Aids grant* to cover the treatment of tuberculosis.

Own revenue

Provinces have limited capacity in terms of own revenue generation.

National government has the main revenue-raising powers. Those of provinces are limited and relate mainly to casino taxes, horse racing taxes, liquor licences, motor vehicle licences and health patient fees. Given their limited revenue-raising powers and their responsibility for implementing government's priorities, provinces receive a larger share of nationally-raised revenue than does local government. In the constrained fiscal environment, provinces are encouraged to continuously consider new revenue streams or to enhance their current ones.

Fiscal outlook

In 2018, the South African economy grew by 0.8 per cent, a decline of 0.6 per cent from 1.3 per cent in 2017. This decline was mainly due to contraction in the economy in the first and second quarters. Factors hampering growth included the unreliable power supply, challenges with the governance and running of Eskom, fluctuations in and instability of the rand, the political landscape and the effects of drought. This had a negative effect on job creation and transformation of the economy. In 2019, real GDP growth was 0.2 per cent. It was estimated that this would improve moderately to 0.6 per cent in 2020 and to 1.6 per cent in 2022. However, due to the effects of the COVID-19 pandemic, these estimates have been revised downwards.

Attempts have been made to narrow the budget deficit and stabilise debt, including raising VAT by one percentage point, lowering government's expenditure ceiling and slightly increasing personal income tax rates. Despite the fact that, after the short recession in 2017, the economy recovered slightly, there is an urgent need for more rapid growth, investment and job creation and revenue generation. Evident from large revenue shortfalls, problems in tax administration have significantly affected revenue generation. The ongoing need to bail out state-owned entities (SOEs) has also put pressure on the fiscus.

Over the 2020 MTEF period, transfers to provinces are projected to continue to grow in real terms at an average annual rate of 7 per cent, from R649.2 billion in 2020/21 to R731.5 billion in 2022/23. Over the 2020 MTEF, the emphasis in education is on meeting norms and standards; dealing with infrastructure backlogs; addressing the need for early childhood development; and teacher development and training. In health, the emphasis is on ensuring that the sector has the necessary personnel; providing funding for medicines in spite of continuous price increases; and centralising some contracts to gain economies of scale. These additions are aligned with provinces' role in achieving government's priority outcomes and in preparation for the implementation of the national health insurance.

Pressures on the fiscal system

Various strategies are being used to manage pressure on the fiscus.

National government's ability to fund service delivery at provincial level are affected by a range of issues. The deficit needs to be reduced and measures have been put in place to do this. National government has implemented expenditure ceilings to maintain expenditure. Cost containment measures introduced by provinces continue and some gains have been realised. The public sector wage bill continues to create pressure, with wage negotiation outcomes often in excess of what has been budgeted for. Rising medico-legal costs and accruals place pressure on the budget of the Department of Health (DoH). Providing bailouts to keep a number of SOEs afloat puts pressure on the fiscus.

Chapter overview

This *Review* has 11 chapters:

- Chapter 2 discusses trends in provincial revenues and expenditure for the eight year period covered in the *Review*. The trends show that, to enable the state to sustain growth in expenditure on social services and investments, provincial governments will have to manage the constrained funds.
- Chapters 3, 4 and 5 analyse trends in expenditure in the social sectors of education, health and social development. Government policy and spending initiatives have successfully ensured greater access to these services. The 2019 budget and expenditure review reflects major expenditure commitments and expenditure reprioritisation in line with new policy initiatives. Over the eight years under review, 76 per cent of government spending in provinces has been allocated to basic education, health and social development. However, outcomes are not improving at a commensurate rate.
- Chapter 6 examines human settlements funding and delivery. While government has established a wide array of policies and systems to address the needs in this sector, implementation has not kept pace.
- Chapter 7 covers roads and transport. The *provincial roads maintenance grant* (PRMG) requires provinces to follow best practices when planning and promotes sound asset management practices through the use, and regular updating of, road asset management systems. The lack of modal integration continues to hinder efficient provision of public transport services.
- Chapter 8 reviews the role of public works. Increased investment over the years has contributed to improved infrastructure and a considerable number of Expanded Public Works Programme (EPWP) jobs have been created. However, lack of capacity continues to affect efficient implementation of the Government Immovable Asset Management Act (GIAMA) and the Infrastructure Delivery Management System (IDMS). This in turn delays achievement of the social and economic benefits intended to follow from implementation of the GIAMA and the IDMS.
- Chapter 9 discusses agricultural issues. It looks at the extent to which food production is able to meet the demands of the expanding population; discusses how government supports farmers and emerging farmers; and examines the challenges created by recent droughts.
- Chapter 10 looks at the contribution made by Project Development and Financing Initiatives (PDFIs), investment promotion agencies and Special Economic Zones (SEZs) to implementing policies that contribute to faster economic growth and development.
- Chapter 11 gives an overview of government spending and future resource allocation geared towards building state capacity through training and development.
- Chapter 12 looks at government support to provinces, including the sustainability of IDMS training and capacitation strategies; and reflects on how government has delivered over the period under review.

2

Revenue and expenditure trends

Introduction

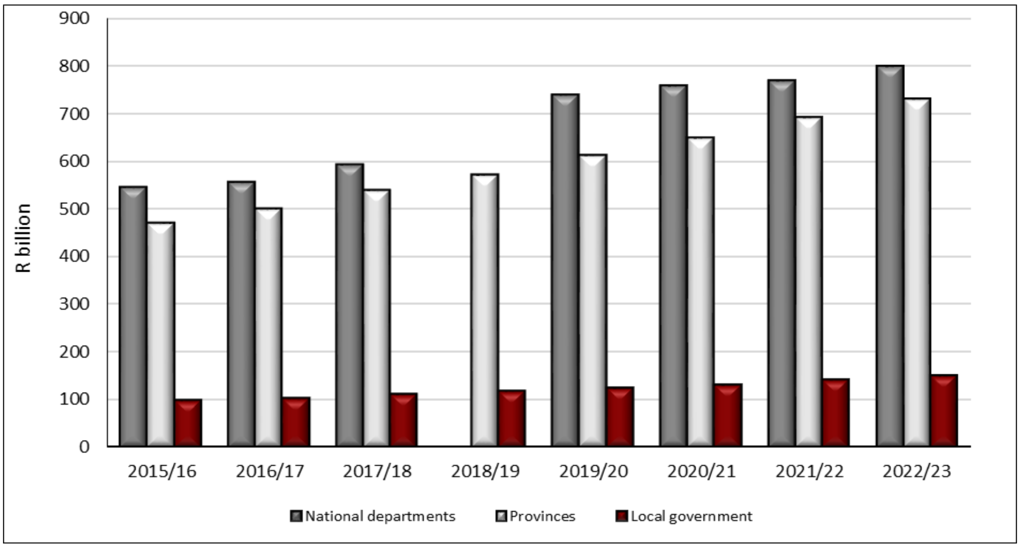
This chapter discusses the overall trends in provincial revenue and expenditure for the eight-year period covered in the *Provincial Budgets and Expenditure Review*.

Government's focus is on education, health, human settlements, rural development and sustainable job creation.

Provinces play a central role in the intergovernmental system, with the country's ability to raise living standards directly linked to their performance. Planning for the 2020 MTEF period reflects government's continued commitment to create jobs, grow the economy, promote equity and accelerate access to good quality services. The growth in spending is directed towards education and skills development, improved health outcomes, integrated and sustainable human settlements and rural development. These priorities are among government's 14 priority outcomes.

Figure 2.1 shows the division of nationally raised revenue for the eight year period. Over the 2020 MTEF, an estimated 43 per cent of this revenue will be transferred to provinces. They will also receive conditional grants to help them to fulfil their mandates. Provinces do not have significant taxation powers; thus, through transfers, the division of revenue compensates them for the cost of the services they provide. These transfers account for over 90 per cent of provincial revenue.

Figure 2.1: Division of nationally raised revenue, 2015/16 – 2022/23



Source: 2020 Budget Review

Significant departmental spending has not always translated into improved service delivery.

The rapid growth in national transfers to provinces has not always translated into improved service delivery. The public sector therefore needs to develop a culture of efficiency, effectiveness and transparency in the use of public resources. Effective management will improve the quality of service delivery. Maintenance of infrastructure assets has to be prioritised and training enhanced. Growth in public sector employment and improvements in conditions of service have to be accommodated within an affordable wage bill.

Provincial revenue trends

National transfers form the largest share of provincial revenue.

Provinces' total revenue consists of national transfers and provincial own revenue. National transfers form the largest share and are made up of each province's equitable share and conditional grants. In 2019/20, provincial own revenue constituted only 3.4 per cent of total provincial revenue.

The 2019 MTBPS indicated that provincial transfers have been reduced by R20.3 billion over the MTEF period and transfers to local government by R20.5 billion. Following the 2019 MTBPS, further changes were made. In total, the provincial equitable share has been reduced by R7.3 billion through a 2 per cent reduction in all non-compensation spending per year and a R5.2 billion reduction in compensation of employees (CoE). As the reduction of R16.2 billion is partly offset by reprioritisations of R2.9 billion, direct conditional grants to provinces have been reduced by a net R13.3 billion.

Provincial equitable share

The equitable share is the largest source of funding through which provinces meet their spending responsibilities. They use it to finance essential services including education, health and social development. Each province's equitable share, which is redistributive to poorer provinces, is largely determined by its demographics.

The equitable share is broadly redistributive to poorer provinces.

Government is committed to protecting provincial allocations and to ensuring that spending is protected from the effects of inflation over the medium term.

For the 2020 MTEF, revisions to the provincial fiscal framework reflect a combination of reductions and reprioritisations. These respond to the fiscal pressures faced by government while ensuring that provinces are able to deliver on their mandates. Taking into account the revisions to the provincial fiscal framework, national transfers to provinces increase from R612.2 billion in 2019/20 to R649.3 billion in 2020/21. Over the MTEF period, the transfers will grow at an average annual rate of 6 per cent to R730.7 billion in 2022/23.

The provincial equitable share formula

The provincial equitable share formula has six components. These take account of the relative demand for services and of each province's demographics. The structure of the two largest components, education and health, is based on the demand and need for education and health services. The other four components enable provinces to perform their other functions, taking into consideration each province's population size and proportion of poor residents, its level of economic activity and the costs associated with running a provincial administration.

For the 2020 MTEF, the formula has been updated with data from Statistics South Africa's 2019 mid-year population estimates of population and age cohorts and the 2019 preliminary data on school enrolment published by the Department of Basic Education drawing on the Learner Unit Record Information and Tracking System (LURITS) database. Data from the health sector, the 2018 General Household Survey of medical aid coverage and the Risk Equalisation Fund for the risk-adjusted capitation index is also used to update the formula. Allocation changes tend to mirror shifts in population across provinces which result in changes in the relative demand for public services across these areas. The impact of these data updates on the provincial equitable shares will be phased in over the three years 2020/21 to 2022/23.

Source: Annexure W1 2020 Budget Review

Table 2.1: Provincial revenue and expenditure, 2015/16 – 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million		**Outcome**			**Preliminary Outcome**		**Medium-term estimates**	
Transfers from nation	472 409	500 384	538 510	571 965	611 431	649 256	691 951	730 690
of which:								
Equitable share	*386 802*	*410 699*	*441 331*	*470 287*	*505 554*	*538 472*	*573 990*	*607 554*
Conditional grants	*85 607*	*89 685*	*97 179*	*101 678*	*105 877*	*110 785*	*117 962*	*123 137*
Provincial own reveni	17 617	18 338	19 166	20 808	21 759	20 505	21 382	22 285
Total revenue	**490 026**	**518 722**	**557 676**	**592 773**	**633 190**	**669 761**	**713 334**	**752 975**
of which:								
Unallocated	–	–	–	–	–	*433*	*4 695*	*4 903*
Total expenditure	**486 449**	**520 240**	**555 997**	**630 163**	**630 163**	**669 881**	**703 995**	**739 155**
Surplus(+)/deficit(-)	**3 577**	**-1 518**	**1 679**	**-37 390**	**3 027**	**-553**	**4 643**	**8 917**
Share of total provincial revenue								
Transfers from nation	96,4%	96,5%	96,6%	96,5%	96,6%	96,9%	97,0%	97,0%
of which:								
Equitable share	*78,9%*	*79,2%*	*79,1%*	*79,3%*	*79,8%*	*80,4%*	*80,5%*	*80,7%*
Conditional grants	*17,5%*	*17,3%*	*17,4%*	*17,2%*	*16,7%*	*16,5%*	*16,5%*	*16,4%*
Provincial own reveni	3,6%	3,5%	3,4%	3,5%	3,4%	3,1%	3,0%	3,0%
Total revenue	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

Source: National Treasury provincial database

Conditional grants

Conditional grants were introduced to meet the minimum needs of specific programmes.

In addition to the provincial equitable share, provinces receive a proportion of their transfers from national government in the form of conditional grants. These were introduced to meet the minimum needs of specific programmes. Each conditional grant has a descriptive framework which provides information to Parliament and the public and which details the objectives and intended performance of each grant over its lifespan.

There are four main types of provincial conditional grants:

- Schedule 4, Part A grants are general grants that supplement various programmes partly funded by provinces, such as infrastructure and central hospitals. Transfer and spending accountability arrangements differ as more than one national or provincial department may be responsible for different outputs.
- Schedule 5, Part A grants fund specific responsibilities of, and programmes implemented by, provinces.
- Schedule 6, Part A grants provide allocations-in-kind through which a national department implements projects in provinces.
- Schedule 7, Part A grants provide for swift allocation and transfer of funds to provinces to help with disaster-management.

As indicated in the 2019 MTBPS, most conditional grants have been reduced as part of efforts to limit growth in government expenditure and ensure that public debt is sustainable. To manage the effect on services, these reductions take into account:

- Past spending and performance
- Whether the grant funds salaries, medicines and/or food
- Whether there has been significant real growth in allocations in recent years.

Overall growth in direct conditional grants to provinces averages 4.7 per cent per year over the medium term. Conditional grant allocations amount to R110.8 billion in 2020/21, R118.0 billion in 2021/22 and R123.1 billion in 2022/23. Indirect conditional grants amount to R4.1 billion, R4.8 billion and R5.1 billion respectively for each year of the same period. Table 2.2 gives a summary of the conditional grants by sector for the 2020 MTEF.

Table 2.2: Conditional grants to provinces, 2019/20 – 2022/23

R million	2019/20	2020/21	2021/22	2022/23
Agriculture, Forestry and Fisheries	**2 085**	**2 153**	**2 320**	**2 392**
Comprehensive agricultural support programme	1 491	1 522	1 620	1 672
Ilima/Letsema projects	503	549	614	632
Land care programme: Poverty relief and	91	82	86	88
Arts and Culture	**1 362**	**1 479**	**1 584**	**1 667**
Community library services	1 362	1 479	1 584	1 667
Basic Education	**18 502**	**19 564**	**20 773**	**21 738**
Education infrastructure	10 573	11 008	11 710	12 255
HIV and Aids (life skills education)	261	247	259	262
National school nutrition programme	215	243	256	266
Maths, science and technology	319	401	423	438
Learners with profound intellectual disabilities	7 133	7 666	8 125	8 516
Cooperative Governance and Traditional Affairs	**0**	**138**	**146**	**153**
Provincial disaster	0	138	146	153
Health	**45 816**	**49 267**	**53 917**	**56 537**
HIV, TB, Malaria and Community Outreach Grant	22 074	24 387	27 931	29 405
Health Facility Revitalisation Grant	6 278	6 368	6 658	7 034
National Health Insurance Grant	224	289	300	311
National Tertiary Services Grant	13 279	14 069	14 694	15 294
Statutory Human Resources, Training and Development Grant	3 961	4 155	4 333	4 494
Human Settlements	**19 130**	**17 493**	**17 614**	**18 317**
Human settlements development	18 548	16 621	13 414	13 871
Informal Settlements Upgrading Partnership	–	–	3 890	4 121
Provincial emergency housing	206	295	311	326
Title deeds restoration	376	578	–	–
Public Works	**839**	**834**	**871**	**903**
Expanded public works programme integrated for provinces	416	421	440	456
Social sector expanded public works programme incentive for provinces	422	414	432	447
Social Development	**503**	**915**	**1 057**	**1 192**
Early childhood development	503	915	1 057	1 192
Sport and Recreation South Africa	**537**	**597**	**621**	**640**
Mass participation and sport development	537	597	621	640
Transport	**17 103**	**18 343**	**19 058**	**19 597**
Provincial roads maintenance	11 232	11 593	11 938	12 507
Public transport operations	5 871	6 750	7 121	7 090
Total	**105 877**	**110 785**	**117 962**	**123 137**

Source: National Treasury provincial database

To align them better with government's evolving policy objectives, changes are made to the structure of conditional grants. The *human resources capacitation grant* (HRCG) and the *health professions training and development grant* (HPTDG) have been merged to create *Statutory human* *resources, training and development grant* (SHRTDG) from 2020/21. Allocated R4.2 billion in 2020/21, R4.3 billion in 2021/22 and R4.5 billion in 2022/23, this conditional grant has two components; The health professions training and development component funds the training of health sciences professionals including specialists, registrars and their supervisors (previously funded from the HPTDG). The statutory human resources component will fund intern and community service posts (previously funded from the HRCG) as well as some posts previously funded from the equitable share. When the HRCG was introduced, it was primarily meant to fund the shortfall in funding for interns and community service posts. However, its scope expanded to include other vacant posts in the health sector. These non-statutory posts will now be funded through the provincial equitable share. The grant will therefore be able to fund some additional internship and community service posts previously funded from the equitable share.

Over the 2020 MTEF period, similarly to the *national tertiary services grant*, R65 million has been ring-fenced in the health professions training and development component of this grant for the development and expansion of tertiary services in the Eastern Cape, Limpopo, Mpumalanga, the Northern Cape and North West. The funds have been allocated to these provinces for 2020/21 and are left unallocated for the outer two years of the MTEF period.

The *national health insurance grant* continues to fund all preparatory work for universal health coverage. Over the 2020 MTEF period, this will be done through three components: health facility revitalisation and two integrated components (personal services and nonpersonal services). The personal services component funds priority services for national health insurance. These include:

- Expanding access to school health services, focusing on optometry and audiology.
- Contracting general practitioners based on a set annual amount per patient instead of fees per service provided.
- Providing community mental health services, maternal care for high-risk pregnancies, screening and treatment for breast and cervical cancer, hip and knee arthroplasty, cataract surgeries and wheelchairs.

In 2019/20, the structure of the *human settlements development grant* was changed to intensify efforts to upgrade informal settlements in partnership with communities. To promote this objective, a new component was introduced with specific conditions relating to such upgrades. The new component amounts to 15 per cent of the formula-based grant allocation to each province. The funds ring-fenced for each province are a minimum expenditure requirement, allowing them to invest more if necessary. The component requires the use of a partnership approach that promotes community ownership and participation in the upgrades. Provinces are required to work with municipalities to identify and prioritise informal settlements for upgrading and to submit a plan for each settlement to be upgraded, prepared in terms of the National Upgrading Support Programme's methodology.

Provincial own revenue

Provincial departments are responsible for functions that account for a large share of government spending. However, these functions do not lend themselves to significant revenue-raising opportunities.

Provincial functions do not lend themselves to significant revenue-raising opportunities.

Provinces are allowed to raise their own revenue through certain taxes, levies and duties but their ability to do so is limited. Between 2015/16 and 2019/20, the percentage share of provincial own revenue declined from 3.6 per cent to 3.4 per cent, with the percentage decline mainly due to the increase in other sources of revenue (equitable share and conditional grants). Own revenue contributions are expected to decline further, to 3 per cent, in 2022/23.

Table 2.3 shows that own revenue is made up of tax receipts (casino taxes, horse-racing taxes, liquor licences and motor vehicle licences), non-tax receipts, transfers received, sales of capital assets and other own revenue categories.

To improve revenue collection, provinces are implementing revenue enhancement plans and strategies. Between 2015/16 and 2019/20, tax receipts as a share of provincial own revenue increased from 62.5 per cent to 64.1 per cent and are projected to increase to 71.5 per cent by 2022/23. This trend is mainly due to increases in motor vehicle licence fees, the most significant tax, which increased from 47.6 per cent in 2015/16 to 52 per cent in 2019/20 and is expected to rise to 58.1 per cent by 2022/23.

Table 2.3: Provincial own revenue by category, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary Outcome	Medium-term estimates		
Tax receipts	11 008	11 233	12 335	13 186	13 945	14 488	15 127	15 739
Casino taxes	*2 295*	*1 873*	*1 958*	*2 093*	*1 992*	*2 187*	*2 316*	*2 428*
Horse racing taxes	*215*	*204*	*213*	*224*	*570*	*231*	*244*	*256*
Liquor licences	*109*	*70*	*71*	*68*	*63*	*91*	*97*	*101*
Motor vehicle licences	*8 390*	*9 085*	*10 092*	*10 801*	*11 320*	*11 979*	*12 470*	*12 954*
Sale of goods and	2 879	3 105	3 190	3 491	3 338	3 593	3 745	3 908
Transfers received	171	148	91	125	119	46	46	46
Fines, penalties and forfeits	278	296	233	251	290	271	284	299
Interest, dividends and	2 236	2 568	2 581	2 813	3 248	1 642	1 734	1 824
Sales of capital assets	122	133	177	122	111	102	63	67
Financial transactions in	923	856	560	820	708	364	383	401
Total	**17 617**	**18 338**	**19 166**	**20 808**	**21 759**	**20 505**	**21 382**	**22 285**
Percentage of total provincial own revenue								
Tax receipts	62,5%	61,3%	64,4%	63,4%	64,1%	70,7%	70,7%	70,6%
Casino taxes	*13,0%*	*10,2%*	*10,2%*	*10,1%*	*9,2%*	*10,7%*	*10,8%*	*10,9%*
Horse racing taxes	*1,2%*	*1,1%*	*1,1%*	*1,1%*	*2,6%*	*1,1%*	*1,1%*	*1,1%*
Liquor licences	*0,6%*	*0,4%*	*0,4%*	*0,3%*	*0,3%*	*0,4%*	*0,5%*	*0,5%*
Motor vehicle licences	*47,6%*	*49,5%*	*52,7%*	*51,9%*	*52,0%*	*58,4%*	*58,3%*	*58,1%*
Sale of goods and	16,3%	16,9%	16,6%	16,8%	15,3%	17,5%	17,5%	17,5%
Transfers received	1,0%	0,8%	0,5%	0,6%	0,5%	0,2%	0,2%	0,2%
Fines, penalties and forfeits	1,6%	1,6%	1,2%	1,2%	1,3%	1,3%	1,3%	1,3%
Interest, dividends and	12,7%	14,0%	13,5%	13,5%	14,9%	8,0%	8,1%	8,2%
Sales of capital assets	0,7%	0,7%	0,9%	0,6%	0,5%	0,5%	0,3%	0,3%
Financial transactions in	5,2%	4,7%	2,9%	3,9%	3,3%	1,8%	1,8%	1,8%
Total	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

Source: National Treasury provincial database

Provinces have also identified a number of new initiatives that can boost revenue such as moving revenue-collection functions from municipalities that are not paying back revenue collected to the South African Post Office. The drop in non-tax revenue is due to a sharp decline in the "other" category of non-taxes which includes interest on bank balances and investments. This is mainly due to provinces' conservative revenue-collection projections.

Provincial own revenue forecasting is generally conservative.

Table 2.3. shows that own revenue collected between 2015/16 and 2019/20 grew at an average annual rate of 5.4 per cent and is projected to grow at an annual average rate of 0.8 per cent over the 2020 MTEF.

Between 2019/20 and 2020/21, own revenue is projected to decline by 5.8 per cent. The decline is mainly due to once-off revenue collection in 2019/20 and the revenue collected under interest on rent and land as a result of the cash invested in commercial banks and the South African Reserve Bank.

Table 2.4: Own revenue by province, 2015/16 – 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million	Outcome				Preliminary Outcome	Medium-term estimates		
Eastern Cape	1 641	1 925	1 944	1 979	2 335	1 552	1 620	1 703
Free State	975	1 046	1 115	1 155	1 097	1 250	1 234	1 275
Gauteng	5 422	5 732	6 092	6 830	7 154	6 699	7 073	7 415
KwaZulu-Natal	3 261	3 202	3 335	3 549	3 805	3 553	3 727	3 890
Limpopo	1 260	1 469	1 325	1 334	1 405	1 391	1 461	1 538
Mpumalanga	836	931	1 321	1 396	1 506	1 700	1 785	1 875
Northern Cape	331	347	350	385	412	428	468	501
North West	1 015	1 228	1 189	1 310	1 220	1 312	1 383	1 449
Western Cape	2 876	2 460	2 495	2 871	2 825	2 620	2 632	2 638
Total	**17 617**	**18 338**	**19 166**	**20 808**	**21 759**	**20 505**	**21 382**	**22 285**

Percentage growth (average annual)	**2015/16 – 2019/20**	**2019/20 – 2020/21**	**2019/20 – 2022/23**
Eastern Cape	9,2%	-33,6%	-10,0%
Free State	3,0%	13,9%	5,1%
Gauteng	7,2%	-6,3%	1,2%
KwaZulu-Natal	3,9%	-6,6%	0,7%
Limpopo	2,8%	-1,0%	3,1%
Mpumalanga	15,9%	12,8%	7,6%
Northern Cape	5,7%	3,8%	6,7%
North West	4,7%	7,6%	5,9%
Western Cape	-0,5%	-7,2%	-2,3%
Total	**5,4%**	**-5,8%**	**0,8%**

Source: National Treasury provincial database

Provincial expenditure trends

2019/20 preliminary spending outcomes

By the end of March 2020, provinces reported preliminary spending of R628.6 billion or 98.4 per cent of their adjusted budgets of R638.7 billion; underspending of the adjusted budgets thus amounted to R10.1 billion or 1.6 per cent of the total. This underspending was an improvement on the 6.4 per cent of 2018/19.

Table 2.5: Preliminary revenue and spending outcomes as at 31 March 2020

R thousand	Adjusted budget	Pre-audited outcome as at 31 March 2020	*Pre-audited outcome as % of adjusted*	(Over) /Underspending against the Adjusted	*% (Over)/ under of adjusted budget*	*% share of total provincial expenditure*	2018/19 outcome	*Year-on-year growth*
Eastern Cape	83 689 766	83 598 004	*99,9%*	91 762	*0,1%*	*13,3%*	79 046 652	*5,8%*
Free State	37 603 992	37 269 350	*99,1%*	334 642	*0,9%*	*5,9%*	34 962 736	*6,6%*
Gauteng	132 452 121	128 217 133	*96,8%*	4 234 988	*3,2%*	*20,4%*	119 486 098	*7,3%*
KwaZulu-Natal	131 943 410	130 154 645	*98,6%*	1 788 765	*1,4%*	*20,7%*	122 094 593	*6,6%*
Limpopo	70 435 522	69 083 959	*98,1%*	1 351 563	*1,9%*	*11,0%*	65 917 448	*4,8%*
Mpumalanga	51 671 018	51 487 027	*99,6%*	183 991	*0,4%*	*8,2%*	48 007 505	*7,2%*
Northern Cape	18 415 973	18 289 671	*99,3%*	126 303	*0,7%*	*2,9%*	17 510 626	*4,4%*
North West	44 470 636	42 944 263	*96,6%*	1 526 374	*3,4%*	*6,8%*	40 869 132	*5,1%*
Western Cape	68 008 564	67 576 521	*99,4%*	432 043	*0,6%*	*10,7%*	62 979 967	*7,3%*
Total	**638 691 003**	**628 620 572**	***98,4%***	**10 070 432**	***1,6%***	***100,0%***	**590 874 757**	***6,4%***

Source: National Treasury provincial database

Provincial budgets and expenditure trends, 2015/16 – 2022/23

Provincial expenditure trends and budgets over the eight-year period show growth in funding of and spending in key sectors. Over the 2020 MTEF, provincial spending is expected to grow by an average annual rate of 5.5 per cent, reaching R739.2 billion in 2022/23.

Provincial expenditure trends by economic classification, 2015/16 – 2022/23

Government expenditure is divided into current and capital expenditure. Transfers and subsidies to private institutions or other organs of state are also classified as either current or capital.

The rate of growth in provincial capital expenditure picks up over the medium term.

The difference between current and capital spending is crucial. Current expenditure refers to recurrent spending on items used in providing goods or services. Major cost drivers of current expenditure are salaries and wages, and consumables such as stationery and medicines. Capital expenditure refers to spending on physical assets such as the construction and maintenance of buildings, roads and other immovable assets but excludes capital transfers. Capital expenditure, which has a lasting impact on the economy, is expected to be one of the fastest-growing spending categories over the medium term.

Table 2.6: Provincial expenditure by economic classification, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary Outcome	Medium-term estimates		
Current payments	380 541	411 780	445 218	478 328	514 435	552 162	583 734	614 621
of which:								
Compensation of	*288 493*	*311 404*	*334 094*	*358 193*	*384 815*	*417 258*	*443 021*	*466 774*
Goods and services	*91 873*	*100 336*	*111 036*	*120 046*	*129 572*	*134 897*	*140 706*	*147 839*
Transfers and subsidies	69 216	73 648	75 465	79 206	83 196	81 705	83 650	86 677
Payments for capital asse	36 314	34 254	34 996	32 984	32 474	36 007	36 603	37 850
Payments for financial ass	378	559	319	239	58	7	7	8
Total	**486 449**	**520 240**	**555 997**	**590 757**	**630 163**	**669 881**	**703 995**	**739 155**
Percentage of total provincial expenditure								
Current payments	78,2%	79,2%	80,1%	81,0%	81,6%	82,4%	82,9%	83,2%
of which:								
Compensation of	*59,3%*	*59,9%*	*60,1%*	*60,6%*	*61,1%*	*62,3%*	*62,9%*	*63,1%*
Goods and services	*18,9%*	*19,3%*	*20,0%*	*20,3%*	*20,6%*	*20,1%*	*20,0%*	*20,0%*
Transfers and subsidies	14,2%	14,2%	13,6%	13,4%	13,2%	12,2%	11,9%	11,7%
Payments for capital	7,5%	6,6%	6,3%	5,6%	5,2%	5,4%	5,2%	5,1%
Payments for financial ass	0,1%	0,1%	0,1%	0,0%	0,0%	0,0%	0,0%	0,0%
Total	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

Percentage growth (average annual)	**2015/16–2019/20**	**2019/20–2020/21**	**2019/20–2022/23**
Current payments	7,8%	7,3%	6,1%
of which:			
Compensation of	*7,5%*	*8,4%*	*6,6%*
Goods and services	*9,0%*	*4,1%*	*4,5%*
Transfers and subsidies	4,7%	-1,8%	1,4%
Payments for capital assets[1]	-2,8%	10,9%	5,2%
Payments for financial assets	-37,4%	-88,3%	-49,4%
Total	**6,7%**	**6,3%**	**5,5%**

1. Excludes unallocated infrastructure conditional grants over the 2019 MTEF

Source: National Treasury provincial database

Current expenditure

Compensation of employees

Employee compensation is the largest item in provincial budgets.

Provinces employ a large number of personnel including educators, health professionals, administrators and general support staff. Spending on CoE makes up the largest share of provincial spending.

Over the 2020 MTEF, spending on compensation of employees is projected to grow at an average annual rate of 6.6 per cent.

Between 2015/16 and 2019/20, in nominal terms CoE grew at an average annual rate of 7.5 per cent from R288.5 billion to R384.5 billion. Over the 2020 MTEF, this is projected to grow at an average annual rate of 6.6 per cent, from R417.3 billion in 2020/21 to R466.8 billion in 2022/23.

Limpopo, the Eastern Cape, the Free State and KwaZulu-Natal account for the largest share of CoE, collectively accounting for an average of about 64.5 per cent of total provincial CoE expenditure. Although CoE makes up a growing share of provincial budgets, provinces generally manage to remain within their planned spending on COE. However, without changes to the provincial wage bill slower growth in transfers implies that spending on CoE is likely to rise from 60 per cent of provincial budgets in 2019/20 to 63 per cent by the end of the 2020 MTEF period.

Table 2.7: Provincial expenditure on compensation of employees by province, 2015/16 – 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million	**Outcome**				**Preliminary Outcome**	**Medium-term estimates**		
Eastern Cape	41 557	44 010	47 490	50 943	54 349	57 449	60 645	63 382
Free State	17 799	18 964	20 168	21 660	23 508	25 160	26 790	28 256
Gauteng	51 980	57 845	62 913	67 589	73 008	82 577	90 416	96 124
KwaZulu-Natal	62 390	67 386	71 446	75 766	81 307	88 598	92 289	96 813
Limpopo	37 753	40 108	42 582	45 742	48 756	50 818	53 788	56 737
Mpumalanga	22 837	24 675	26 584	28 422	30 403	33 038	34 887	36 730
Northern Cape	7 805	8 507	9 226	9 988	10 654	11 599	12 287	12 858
North West	19 082	20 468	22 140	24 218	26 307	28 428	29 929	31 652
Western Cape	27 289	29 441	31 545	33 864	36 525	39 591	41 990	44 221
Total	**288 493**	**311 404**	**334 094**	**358 193**	**384 815**	**417 258**	**443 021**	**466 774**
Percentage of total expenditure								
Eastern Cape	63,8%	63,3%	63,6%	64,4%	64,8%	66,9%	68,2%	68,8%
Free State	60,5%	61,4%	61,3%	62,1%	63,2%	64,0%	64,6%	64,9%
Gauteng	54,7%	55,4%	56,8%	56,6%	56,9%	58,0%	59,0%	59,3%
KwaZulu-Natal	59,8%	61,5%	61,5%	62,1%	62,5%	64,1%	64,2%	64,3%
Limpopo	71,3%	69,2%	68,7%	69,4%	69,2%	69,8%	70,5%	70,6%
Mpumalanga	58,1%	59,6%	59,4%	59,2%	59,0%	61,2%	61,8%	62,0%
Northern Cape	53,8%	56,1%	55,5%	56,9%	58,3%	60,6%	61,7%	61,7%
North West	56,0%	57,0%	57,2%	59,3%	61,1%	61,1%	60,9%	60,9%
Western Cape	52,9%	53,0%	53,2%	53,8%	54,1%	55,2%	56,0%	56,4%
Total	**59,3%**	**59,9%**	**60,1%**	**60,6%**	**61,1%**	**62,3%**	**62,9%**	**63,1%**
Percentage growth (average annual)		**2015/16–2019/20**			**2019/20–2020/21**		**2019/20–2022/23**	
Eastern Cape		6,9%			5,7%		5,3%	
Free State		7,2%			7,0%		6,3%	
Gauteng		8,9%			13,1%		9,6%	
KwaZulu-Natal		6,8%			9,0%		6,0%	
Limpopo		6,6%			4,2%		5,2%	
Mpumalanga		7,4%			8,7%		6,5%	
Northern Cape		8,1%			8,9%		6,5%	
North West		8,4%			8,1%		6,4%	
Western Cape		7,6%			8,4%		6,6%	
Total		**7,5%**			**8,4%**		**6,6%**	

Source: National Treasury provincial database

Goods and services

Goods and services is the second-largest current expenditure item after compensation of employees.

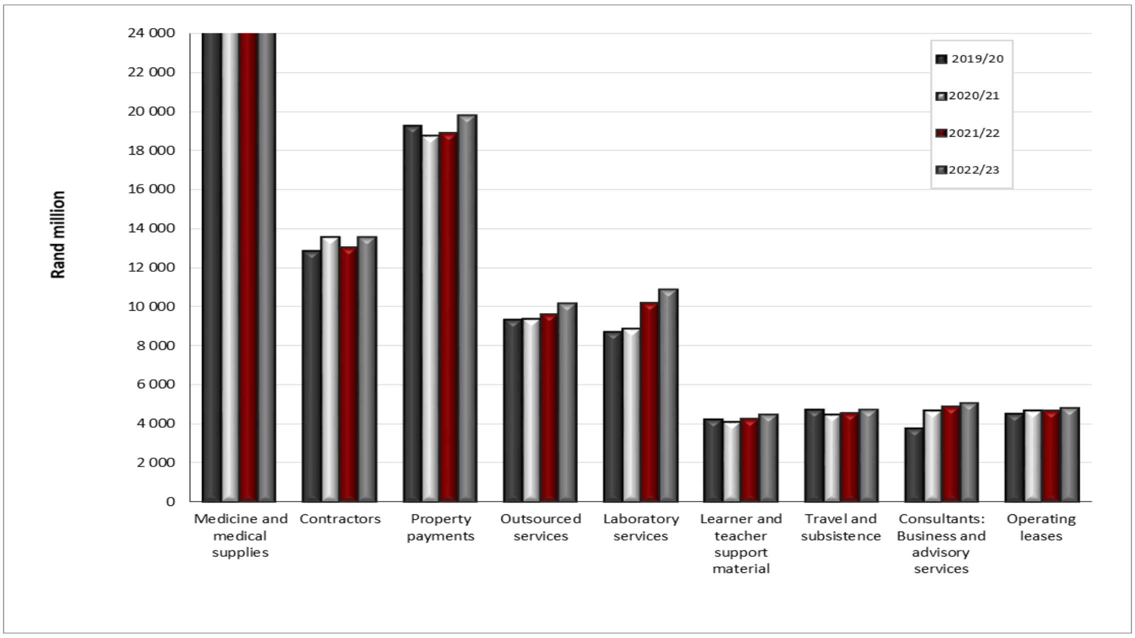
Goods and services is the second-largest current expenditure item and, between 2018/19 and 2020/21, is projected to account for an average of about 20.1 per cent of total provincial expenditure. Goods and services includes spending on advertising, consultants, contract labour, maintenance of state-owned buildings, learner and teacher support material and medicines and medical supplies.

Between 2015/16 and 2019/20, provincial expenditure on goods and services grew from R91.9 billion to R129.6 billion, an average annual rate of 12.1 per cent. Over the 2020 MTEF, this rate of growth is expected to slow to an average annual rate of 4.5 per cent.

Items designated as non-negotiable are required to be protected when

Figure 2.2 shows the nominal growth in nine selected categories of goods and services expenditure between 2019/20 and 2022/23. The 2020 Budget maintained tight control of goods and services budgets; these should therefore decline in real terms over the 2020 MTEF period. From 2019/20 to 2022/23, the largest spending areas are medicine and medical supplies, contractors, property payments, outsourced services, laboratory services, and learner and teacher support material. Most of these items are designated as non-negotiable and departments are required to protect or prioritise them when budgeting. Expenditure on travel and subsistence, consultants (business and advisory services) and operating leases is projected to decline as a percentage of the total.

Figure 2.2: Provincial expenditure on selected items of goods and services, 2019/20 – 2022/23



Source: National Treasury provincial database

Capital expenditure

To stimulate economic growth, government has prioritised investment in economic and social infrastructure. Economic infrastructure includes transport, communications, power generation, water supply and sanitation facilities. Social infrastructure includes education, health and recreation facilities.

Infrastructure investment has increased sharply since the mid-2000s. Many of the provincial investments have been made with the assistance of the Infrastructure Development Improvement Programme (IDIP), designed to address problems with planning and managing public sector infrastructure delivery.

Government has stepped up infrastructure spending since the mid-2000s.

Provincial capital expenditure is expected to grow at an average annual rate of 5.2 per cent over the 2020 MTEF. The rate of growth is partially due to reallocations made to provincial infrastructure grants, buildings and maintenance as announced in the 2019 Budget.

Table 2.8: Capital expenditure by province, 2015/16 – 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million[1]	**Outcome**				**Preliminary Outcome**	**Medium-term estimates**		
Eastern Cape	3 869	4 783	4 738	4 432	4 293	4 638	4 506	4 298
Free State	2 456	2 225	2 337	2 066	2 006	2 071	2 042	2 040
Gauteng	6 127	5 882	5 074	4 689	4 944	5 747	6 325	6 299
KwaZulu-Natal	8 640	7 869	8 002	7 238	6 961	8 138	8 882	9 635
Limpopo	2 098	1 884	2 278	1 842	1 833	2 553	2 544	2 746
Mpumalanga	3 535	3 082	3 729	4 047	3 974	4 188	3 594	3 717
Northern Cape	1 385	1 330	1 511	1 260	1 142	1 140	1 152	1 171
North West	3 184	2 282	2 520	2 134	1 917	2 596	2 720	2 941
Western Cape	5 021	4 916	4 807	5 277	5 404	4 937	4 841	5 005
Total	**36 314**	**34 254**	**34 996**	**32 984**	**32 474**	**36 007**	**36 603**	**37 850**

Percentage growth (average annual)	**2015/16 – 2019/20**	**2019/20 – 2020/21**	**2019/20 – 2022/23**
Eastern Cape	2,6%	8,0%	0,0%
Free State	-4,9%	3,3%	0,6%
Gauteng	-5,2%	16,3%	8,4%
KwaZulu-Natal	-5,3%	16,9%	11,4%
Limpopo	-3,3%	39,3%	14,4%
Mpumalanga	3,0%	5,4%	-2,2%
Northern Cape	-4,7%	-0,2%	0,8%
North West	-11,9%	35,4%	15,3%
Western Cape	1,9%	-8,7%	-2,5%
Total	**-2,8%**	**10,9%**	**5,2%**

1. Excludes capital transfers and subsidies and unallocated infrastructure conditional grants over the 2019 MTEF
Source: National Treasury provincial database

In 2019/20, with expenditure at R10.1 billion or 32.6 per cent of the total, the public works, roads and transport sector was the largest element of provincial capital spending. This was followed by education at R9.6 billion and health at R9.2 billion. Expenditure on road infrastructure involves investing in roads and carrying out preventative, routine and emergency maintenance on provincial networks. Expenditure on health infrastructure entails providing and maintaining provinces' health facilities. Expenditure on education infrastructure funds the construction, maintenance, upgrading and rehabilitation of new and existing school infrastructure. Developing and maintaining this infrastructure contributes to job creation.

Social and non-social services

The focus of public expenditure is on developing people through education, health and social investment.

To maintain healthy economic growth while bridging the country's economic divide, public expenditure focuses on developing people through the social services of education, health and social development. Between 2015/16 and 20189/20, provincial expenditure on social services grew from R367.6 billion to R489.4 billion, an average annual rate of 6.7 per cent. In 2020/21, provinces have budgeted to spend R521.5 billion on social services or 6.3 per cent more than in 2019/20. Over the 2020 MTEF, provinces' budgets for providing social services total R1.6 trillion.

Table 2.9: Provincial expenditure by sectors, 2015/16 – 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million		**Outcome**			**Preliminary Outcome**	**Medium-term estimates**		
Education	196 983	211 313	225 235	239 403	256 916	272 587	288 016	303 892
Health	154 074	166 062	180 836	195 477	210 750	224 881	239 695	252 141
Social development	16 560	17 539	18 763	19 794	21 755	24 076	25 346	26 621
Total social services	**367 617**	**394 913**	**424 835**	**454 674**	**489 420**	**521 543**	**553 057**	**582 654**
Non-social services	118 832	125 327	131 163	136 084	140 742	148 338	150 938	156 501
Total	**486 449**	**520 240**	**555 997**	**590 757**	**630 163**	**669 881**	**703 995**	**739 155**
Percentage growth (average annual)		**2015/16 – 2019/20**			**2019/20 – 2020/21**		**2019/20 – 2022/23**	
Social services		7,4%			6,6%		6,0%	
Education		*6,9%*			*6,1%*		*5,8%*	
Health		*8,1%*			*6,7%*		*6,2%*	
Social development		*7,1%*			*10,7%*		*7,0%*	
Non-social services		4,3%			5,4%		3,6%	
Total		**6,7%**			**6,3%**		**5,5%**	

Source: National Treasury provincial database

The range of non-social services for which provinces are responsible include provincial roads and transport, public works, human settlements and local government, agriculture, economic development and sports. These functions account for an average of about 25 per cent of total provincial expenditure and play an important role in economic growth and job creation. Provincial expenditure on non-social services is expected to increase over the 2020 MTEF at an average annual rate of 5.5 per cent.

Non-social service spending shows healthy growth.

Conclusion

To enable the state to sustain growth in expenditure on social services and investment in the period ahead, provincial governments will have to manage the tight fiscal envelope carefully. Government as a whole will continue to focus on programmes that alleviate poverty and strengthen the social safety net and on other core priorities to lay the foundations for faster economic growth and a better life for all South Africans.

Managing public sector expenditure involves balancing a range of competing priorities. A better mix between personnel, capital and goods and services spending is needed as is a conscious effort to cost expenditure categories properly and to improve the link between planning and budgeting.

3

Education

Introduction

Education plays a crucial role in transforming societies and improving economies. South Africa therefore continues to prioritise spending on education to improve the lives of all South Africans and especially of the poorest. Numerous policy initiatives have been implemented to improve access to education as well as the effectiveness of the schooling system. These include:

Education plays a crucial role in transforming societies and improving the economy

- Fast-tracking provision of Grade R in schools to improve learners' literacy in the foundation phase.
- Introducing electronic and technology-based learning and teaching platforms.
- Improving school infrastructure.
- Allocating special funds to eradicate mud or "inappropriate" schools.

Through these and other initiatives, the education sector contributes to improving literacy; an increased overall skills and knowledge base; assisting the poor and marginalised to participate in the economy; and creating a sound foundation for economic growth.

There has been an increase in the percentage of children attending school, including Grade R, attaining matric and Bachelor passes and passing with 60 per cent or more in mathematics and science. However, much more still needs to be done to improve the quality of education. In particular, the sector needs urgently to:

- Increase enrolment of learners by addressing educator vacancies in schools.
- Address the shortfalls in school allocations, in some provinces, in terms of norms and standards requirements.
- Improve the delivery of school infrastructure.
- Increase investment in educator training and development.
- Address the lack of qualified Grade R teachers.
- Ensure that the large percentage of aging educators does not result in a skills shortage for the sector.

This chapter reviews expenditure and performance in the education sector from the provincial perspective. The focus is therefore on basic education. The chapter discusses the sector's current landscape, budget and expenditure trends, service delivery achievements and medium-term outlook.

Current landscape

Spending

South Africa spends 14.2 per cent of total government expenditure on basic education

In 2018/19, South Africa spent R256.9 billion, or 13.9 per cent of government's total expenditure, on Grade R-12 education. This was equivalent to 4.7 per cent of GDP. By 2022/23, spending on basic education is projected to increase slightly to 5.0 per cent of GDP and 14.2 per cent of total government expenditure. The increase in expenditure is evidence of government's commitment to continued improvement of the quality of education.

By international standards, South Africa's expenditure on basic education is relatively high. However, despite substantial investment in education, the quality is poor compared with that of other countries. To address this, government has committed to reprioritising expenditure towards areas including teacher training and development and the quality and accessibility of early learning and Grade R programmes. Other areas in critical need of improvement are better performance management systems for teachers and principals and renewed focus on the foundation phase.

Although it makes up a relatively small part of the overall budget, the prioritisation of early childhood development (ECD), and Grade R in particular, is reflected in its rising budget share over the medium term, from 1.9 per cent in 2019/20 to 2.2 per cent in 2022/23.

Table 3.1 shows the components of South African basic education and its allocated share of funding for the years 2015/16 to 2022/23. In 2019/20, primary and secondary school education, administered by the provinces, received the largest combined share (77.5 per cent) of the total education budget. Because of an increased allocation to ECD, this share is expected to decline slightly to 76.8 per cent over the 2020 MTEF.

Table 3.1 Education components and shares in provinces, 2015/16 - 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million	Outcome				Preliminary outcomes	Medium-term estimates		
Education	**196 878**	**211 313**	**225 235**	**239 403**	**256 916**	**272 587**	**288 016**	**303 892**
of which								
Primary school education	82 336	89 392	96 194	103 882	111 121	116 491	122 596	129 273
Secondary school education	67 466	72 441	77 317	81 954	87 938	94 046	98 838	104 249
Early childhood development	3 289	3 757	3 872	4 298	4 794	5 673	6 264	6 708
Percentage share of total education								
Primary school education	41,8%	42,3%	42,7%	43,4%	43,3%	42,7%	42,6%	42,5%
Secondary school education	34,3%	34,3%	34,3%	34,2%	34,2%	34,5%	34,3%	34,3%
Early childhood development	1,7%	1,8%	1,7%	1,8%	1,9%	2,1%	2,2%	2,2%
GDP (R billion)	**4 127**	**4 413**	**4 721**	**5 059**	**5 414**	**5 812**	**6 249**	**6 126**
Provincial Education total as % of GDP	4,8%	4,8%	4,8%	4,7%	4,7%	4,7%	4,6%	5,0%

Source: National Treasury provincial database

Enrolment

In terms of school enrolment, South Africa is doing well, with over 96 per cent of children having access to schools and learner enrolment increasing between 2013 and 2019 from 12 489 648 to 13 041 198. The number of children with access to schools continues to increase in both public and independent schools. Previously, learner enrolment at independent schools increased faster than at public schools. Between 2015 and 2019, for example, enrolment at independent schools increased at an annual average rate of 3.3 per compared with 0.3 per cent in public schools.

Over 96 per cent of children in South Africa have access to schools

Public schools

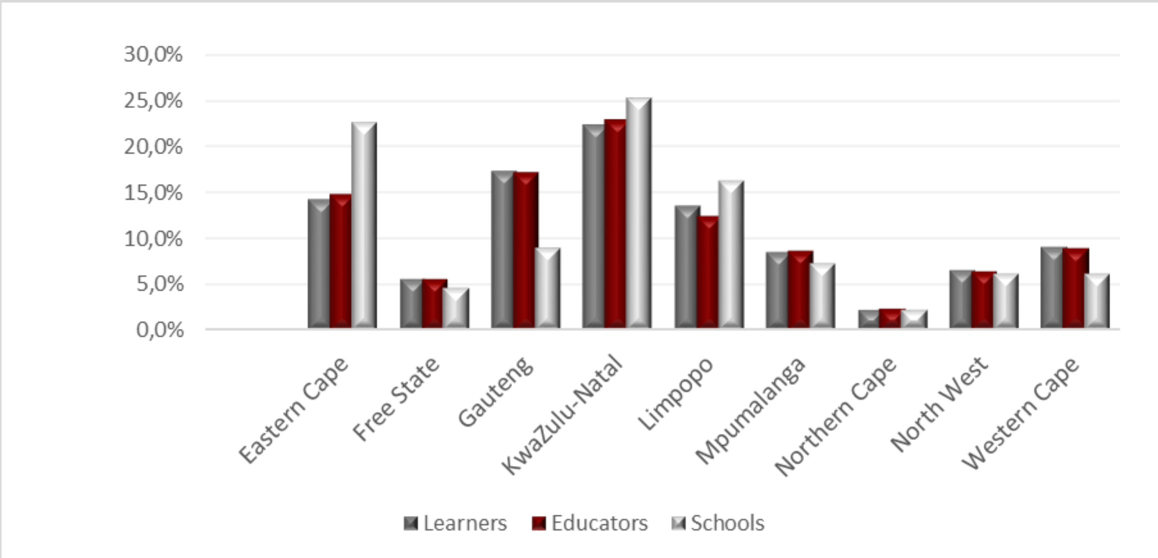
Between 2015 and 2019, public school enrolments increased moderately, at an annual average rate of 0.51 per cent. Although enrolment growth has been slow at public schools, they continue to enrol the largest proportion of the country's learners. In 2019, 12 407 755 learners in 23 076 public ordinary schools were taught by 444 857 educators: an average of 543

In 2019, 12 407 755 learners enrolled at 23 076 public ordinary schools were taught by 444 857 educators learners per school and 30.8 learners per educator. At 1 039:1 and 823:1 respectively, Gauteng and the Western Cape, which are predominantly urban provinces, have the highest learner to school ratios. The ratios for largely rural provinces such as the Eastern Cape (340:1) and Limpopo (447:1) are lower, mainly due to the larger number of small schools in these provinces.

Source: School Realities 2019, Department of Basic Education

Figure 3.1 shows the percentage distribution of learners, educators and schools by province for 2019. The largest proportion of South Africa's learners (22.4 per cent), educators (25.2 per cent) and schools (23 per cent) are in KwaZulu-Natal. The smallest proportions of learners (2.4 per cent), educators (2.4 per cent) and schools (2.5 per cent) are in the Northern Cape. This aligns with the national demographics in which Gauteng and KwaZulu-Natal account for the largest shares of the population. The figure also shows that the Eastern Cape has the lowest ratio of learners to schools, with 22.6 per cent of the country's schools but only 14.3 per cent of its learners.

Figure 3.1: Percentage distribution of learners, teachers and schools, 2019

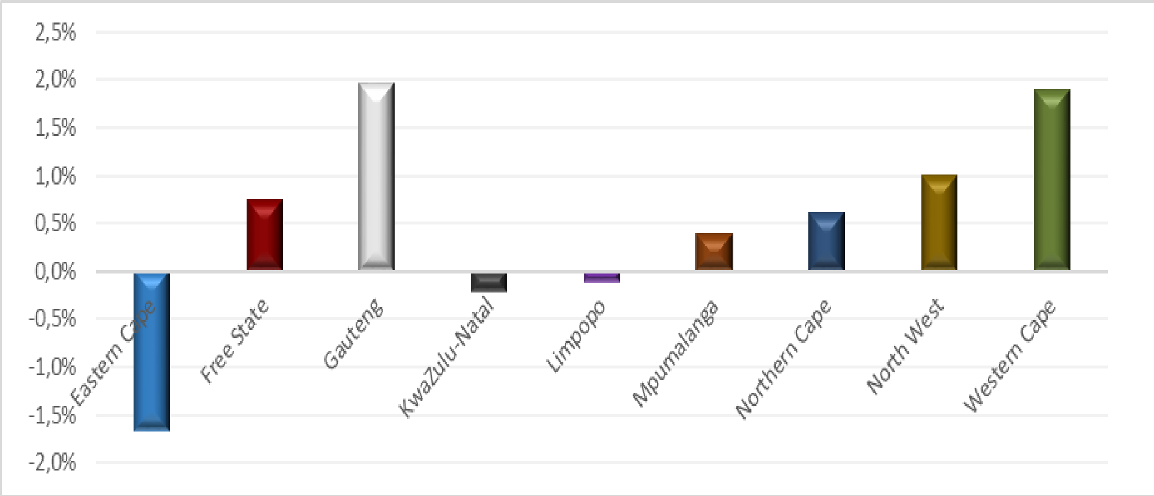


Source: School Realities 2019, Department of Basic Education

Gauteng has the fastest enrolment growth, with an annual average of 2.0 per cent between 2015 and 2019

Figure 3.2 shows provincial average enrolment trends from 2015 to 2019. Gauteng had the fastest enrolment growth, with an average of 2.0 per cent between 2015 and 2019. The Western Cape followed, with an average annual increase of just below 1.9 per cent. Enrolments in KwaZulu-Natal, Limpopo and the Eastern Cape declined by 0.3 per cent, 0.1 and 1.7 per cent respectively. This indicates an increasing burden on Gauteng and Western Cape to provide education to learners in cases where learners have relocated to these regions. Declining numbers in other provinces create problems for infrastructure planning and the allocation of educators and other resources.

Figure 3.2: Provincial public enrolment growth trends, 2015-2019



Source: School Realities 2015 - 2019, Department of Basic Education

In the foundation phase, at 50.7 per cent of the total the majority of learners enrolled in public schools are boys. However, girls make up more than 50 per cent in Grades 11 (52.1 per cent) and 12 (54.1 per cent). This suggests that there are high drop-out or repetition rates among boy learners and that the sector needs to introduce programmes that increase retention of boys in school. For girls, the purpose of providing sanitary towels in schools is to ensure that girl learners do not miss school days during their menstrual cycle.

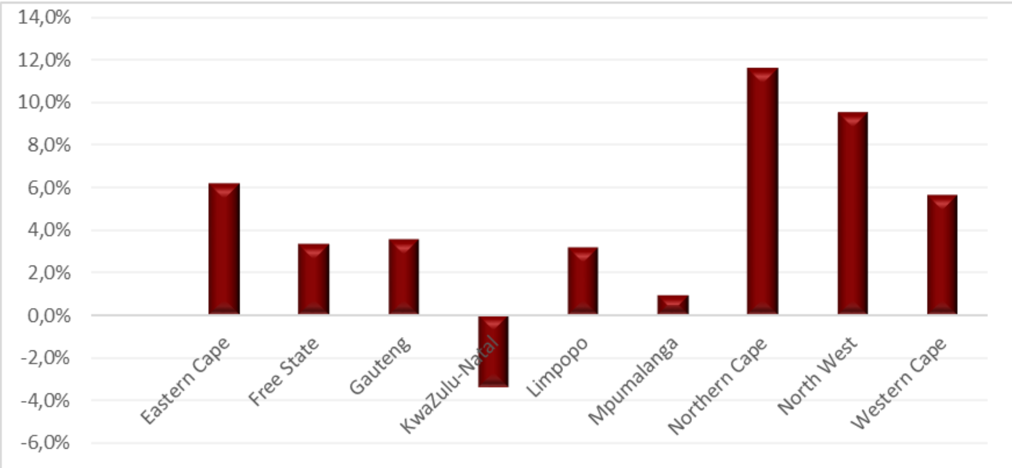
The data shows that relatively low numbers of learners reach Matric. In 2008, 1 122 114 learners enrolled for Grade 1; by the time this cohort had reached Grade 10 in 2017, their numbers had declined to 1 052 080 and in 2019, when they were in Grade 12, only 606 208 remained in the system. The decrease of 42.4 per cent between Grades 10 and 12 indicates that learners remained in Grades 10 and 11, moved to the Technical and Vocational Education Training (TVET) sector or dropped out of school. The provinces with the highest apparent dropout rates among the 2019 cohort between Grades 10 and 12 were Limpopo, at 48.2 per cent, followed by the Eastern Cape at 45.3 per cent. The Western Cape had the lowest apparent dropout rate, at 16.4 per cent for the same cohort.

Independent schools

The number of independent schools has risen significantly over the years, especially in Gauteng.

The number of independent schools has risen significantly over the years, increasing between 2014 and 2019 from 1 786 to 1 992. Gauteng, the province with the most, had 700 in 2015 and 742 in 2019. The growing number of independent schools can substantially be attributed to government's inability to meet the demand for schools particularly in urban areas, such as Gauteng, where the population is increasing. However, some of the growth relates to choices by middle-to-high income earners, particularly in urban areas, to enrol their children at independent schools based on a perception that the quality of education at these schools is better than in the public sector. Enrolment in independent schools increased from 566 994 in 2015 to 632 443 in 2019, an annual average growth rate of 3.3 per cent compared with the 0.3 per cent growth rate in public school enrolments in the same period. Gauteng has the largest number of learners enrolled in private schools although, off a lower numerical base, between 2015 and 2019 enrolment in independent schools in Northern Cape province increased at an annual average rate of 11.5 per cent, as Figure 3.3 shows.

Figure 3.3: Annual average growth rate: independent school enrolment, 2015-2019



Source: School realities 2015 - 2019, Department of Basic Education

In 2019, the learner to educator ratio at independent schools was considerably lower than at public schools, averaging 16:1. The smaller classes made possible by the relatively high school fees and the use of part-time teachers for certain subjects underlies such learner: educator ratios. In most of these schools, the cost of learner and teacher support materials and maintenance of infrastructure is borne by the parents and sponsors. Smaller classes enable the educators to give more attention to each learner, another advantage that these schools have over often overcrowded public schools.

Budget and expenditure trends

Averaging 40 per cent between 2015/16 and 2019/20, education is the largest single component of provincial expenditure.

Table 3.2: Provincial expenditure on education by province, 2015/16-2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary Outcome	Medium-term estimates		
Eastern Cape	28 426	30 967	32 808	35 032	37 346	37 769	39 293	40 917
Free State	11 307	11 834	12 891	13 619	14 847	15 935	16 984	17 845
Gauteng	36 297	39 410	41 414	44 724	48 068	53 593	58 467	62 583
KwaZulu-Natal	42 888	45 663	48 316	50 344	54 415	57 247	59 650	62 627
Limpopo	25 118	26 845	29 020	30 679	32 516	33 894	35 628	37 703
Mpumalanga	17 098	17 809	19 284	20 734	22 413	23 498	24 621	25 905
Northern Cape	5 101	5 512	6 006	6 456	6 911	7 222	7 530	7 884
North West	13 006	13 972	14 929	15 703	16 953	18 380	19 389	20 530
Western Cape	17 637	19 301	20 567	22 112	23 446	25 050	26 455	27 899
Total	**196 878**	**211 313**	**225 235**	**239 403**	**256 916**	**272 587**	**288 016**	**303 892**

Percentage growth (average annual)	2015/16 – 2019/20	2019/20 – 2022/23
Eastern Cape	7,1%	3,1%
Free State	7,0%	6,3%
Gauteng	7,3%	9,2%
KwaZulu-Natal	6,1%	4,8%
Limpopo	6,7%	5,1%
Mpumalanga	7,0%	4,9%
Northern Cape	7,9%	4,5%
North West	6,9%	6,6%
Western Cape	7,4%	6,0%
Total	**6,9%**	**5,8%**

Includes conditional grant expenditure
Source: National Treasury provincial database

Table 3.2 shows provincial expenditure on education by province from 2015/16 to 2022/23. The total increased over the period by R43 billion, from R196.8 billion to R256.9 billion, an average annual increase of 6.9 per cent. The increase was mainly for inflation-related and wage adjustments. Over these years, there were additional allocations for extending the National School Nutrition Programme (NSNP) to the poorest 60 per cent of primary and secondary schools; expanding the Grade R programme; improving the provision of education to learners with severe to profound intellectual disabilities (LSPID); and improving school infrastructure.

The MTEF allocation includes a new grant for learners with severe to profound intellectual disabilities (LSPID)

Provinces' budget for education, including provision for estimated inflation, is expected to grow by R46.9 billion between 2019/20 and 2022/23 to reach R303.9 billion, an average annual growth rate of 5.8 per cent. The MTEF allocation includes a conditional grant for implementing the policy of inclusive education, the purpose of which is to include LSPID learners and to increase access to and the quality of ECD.

Between 2015/16 and 2019/20, education's share of provincial budgets remained constant at an average of 40.0 per cent. Through cost-saving measures implemented by the sector and savings resulting from improved logistical and procurement arrangements, the expenditure was contained to prevent crowding out expenditure on other sectors. By 2022/23, education's share is projected to have increased slightly to 41.1 per cent, largely due to an expected increase in enrolment of new learners, particularly with the expansion of ECD.

Expenditure and budgets by programme

Table 3.3 shows provincial expenditure on education by programme for the years 2015/16 to 2022/23.

Table 3.3: Provincial expenditure on education by programme, 2015/16-2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary Outcome	Medium-term estimates		
Administration	12 712	13 805	14 416	15 183	16 143	17 115	18 772	19 829
Public ordinary school	155 461	167 819	179 825	192 634	206 242	218 105	229 247	241 725
of which:								
Primary schools	*81 714*	*88 690*	*95 420*	*103 053*	*110 217*	*115 549*	*121 599*	*128 227*
Secondary schools	*67 001*	*71 960*	*76 834*	*81 431*	*87 372*	*93 406*	*98 160*	*103 538*
Other subprogrammes	*6 746*	*7 169*	*7 570*	*8 150*	*8 653*	*9 150*	*9 487*	*9 960*
Independent school subsidies	1 088	1 183	1 257	1 351	1 470	1 581	1 675	1 757
Public special school	6 169	6 798	7 403	8 233	9 211	10 446	11 750	12 523
Early childhood development	3 289	3 757	3 872	4 298	4 794	5 673	6 264	6 708
Infrastructure development	12 807	12 383	12 555	11 629	12 528	12 254	12 598	13 303
Examination and education	5 353	5 568	5 908	6 074	6 528	7 412	7 711	8 047
Total	**196 878**	**211 313**	**225 235**	**239 403**	**256 916**	**272 587**	**288 016**	**303 892**

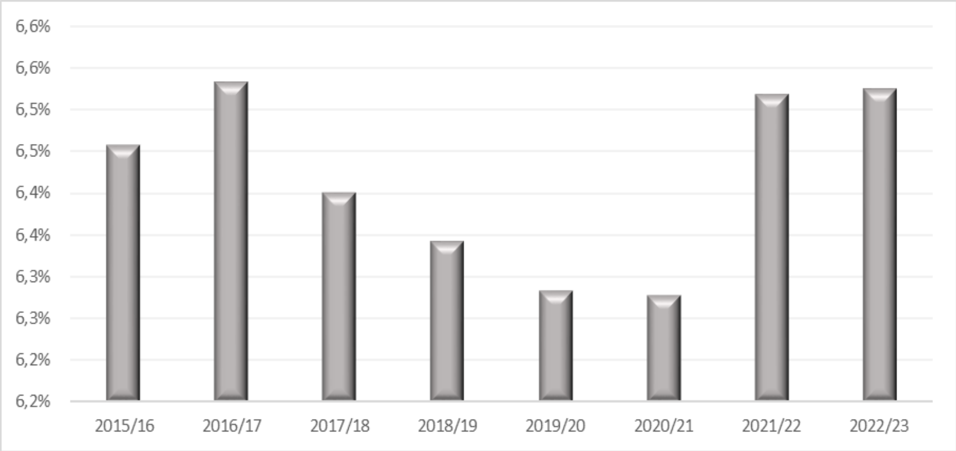
Percentage growth (average annual)	2015/16–2019/20	2019/20–2020/21	2019/20–2022/23
Administration	6,2%	6,0%	7,1%
Public ordinary school	7,3%	5,8%	5,4%
Independent school subsidies	7,8%	7,6%	6,1%
Public special school education	10,5%	13,4%	10,8%
Early childhood development	9,9%	18,3%	11,8%
Infrastructure development	-0,5%	-2,2%	2,0%
Examination and education related serv	5,1%	13,5%	7,2%
Total	**6,9%**	**6,1%**	**5,8%**

Source: National Treasury provincial database

Administration

Figure 3.4 shows expenditure (actual and projected) on administration as a percentage of education expenditure between 2015/16 and 2022/23.

Figure 3.4 Proportion of provincial education expenditure on administration, 2015/16-2022/23



Source: National Treasury provincial database

From 2015/16 to 2019/20, across the provinces expenditure on administration as a percentage of total education expenditure declined slightly from 6.5 per cent to 6.3 per cent. This was due to cost saving measures implemented by the sector, including reduced expenditure on travelling and catering and on improving supply chain systems. Between 2019/20 and 2022/23, as a percentage of the total this expenditure will increase slightly to reach 6.5 per cent again. Although the sector prioritises core programmes, high wage settlements make it difficult to reduce expenditure on administration.

Public ordinary school education

The largest proportion of the provincial education budget is spent on the Public Ordinary School Education Programme. This consists of public primary and secondary schools and includes the per learner allocations to schools. Expenditure on public ordinary school education is expected to grow at an annual average of 5.4 per cent over the medium term, reaching R241.7 billion by 2022/23. This growth will provide for inflation-related increases as well as the expected increase in learner enrolment.

Expenditure on public ordinary schools, the largest budget allocation, will increase by 5.4 per cent over the MTEF

Independent schools

From 2015/16 to 2019/20, expenditure on independent schools increased at an annual average of 7.8 per cent; this is higher than the annual average growth of 7.3 per cent on public ordinary schools. As discussed above, this was due to the more rapid growth rate in the number of learners in independent schools. Over the medium term, because of the sector's prioritisation of ECD and the general reduction in the amount of money available for sector and government as a whole this expenditure is expected to decrease slightly to 6.1 per cent, reaching R1.8 billion by 2023/23. This growth should be adequate to provide for the effects of inflation.

Public special schools

Between 2015/16 and 2019/20, spending on the Public Special School Education Programme increased by an annual average of 10.5 per cent. This significant rate of increase was due mainly to a conditional grant for LSPID learners as well as growth in learner numbers. Over the medium term, growth is estimated at an average annual rate of 10.8 per cent. The sector prioritises learners with special needs, including the appointment of therapists for these learners.

Early childhood development and Grade R

Provision of early childhood development continues to be a priority, with its budget allocation growing at an annual average rate of 11.8 per cent

The education sector set a target of universal Grade R enrolment by 2014. Although the target has not been achieved, there has been significant improvement, with enrolment increasing from 544 000 in 2015 to 775 820 in 2019. Between 2015/16 and 2019/20, expenditure on ECD and Grade R increased at an annual average rate of 9.9 per cent, reflecting the government's commitment to expanding the programme. At 22.0 per cent, KwaZulu-Natal had the highest rate of expenditure growth followed by Mpumalanga with 15.3 percent; the Eastern Cape had the lowest growth rate, at 1.3 per cent. Over the medium term, expenditure is projected to grow at an annual average rate of 11.8 per cent, reaching R6.7 billion in 2022/23. It is expected that new enrolments will continue to grow as schools make provision for more Grade R infrastructure and resources. Gauteng will lead in terms of expenditure growth, with an annual average growth rate of 27.5 per cent, followed by the Eastern Cape at 17.4 per cent.

Table 3.4: Expenditure and budgets by economic classification

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million		**Outcome**			**Preliminary Outcome**		**Medium-term estimates**	
Current payments	170 775	183 749	197 826	211 370	227 119	241 906	256 057	270 223
of which:								
Compensation of	*153 164*	*164 838*	*177 444*	*189 369*	*202 852*	*217 143*	*230 523*	*243 538*
Goods and services	*17 470*	*18 903*	*20 380*	*21 993*	*24 260*	*24 763*	*25 533*	*26 685*
Transfers and subsidies	15 285	16 543	16 839	18 396	19 700	21 152	21 887	22 946
Payments for capital asse	10 675	10 835	10 488	9 595	10 073	9 522	10 065	10 715
Payments for financial ass	144	185	82	41	23	6	7	7
Total	**196 878**	**211 313**	**225 235**	**239 403**	**256 916**	**272 587**	**288 016**	**303 892**
Percentage of provincial education expenditure								
Current payments	86,7%	87,0%	87,8%	88,3%	88,4%	88,7%	88,9%	88,9%
of which:								
Compensation of	*77,8%*	*78,0%*	*78,8%*	*79,1%*	*79,0%*	*79,7%*	*80,0%*	*80,1%*
Goods and services	*8,9%*	*8,9%*	*9,0%*	*9,2%*	*9,4%*	*9,1%*	*8,9%*	*8,8%*
Transfers and subsidies	7,8%	7,8%	7,5%	7,7%	7,7%	7,8%	7,6%	7,6%
Payments for capital	5,4%	5,1%	4,7%	4,0%	3,9%	3,5%	3,5%	3,5%
Payments for financial ass	0,1%	0,1%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Total	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**
Percentage growth (average annual)		**2015/16–2019/20**			**2019/20–2020/21**		**2019/20–2022/23**	
Current payments		7,4%			6,5%		6,0%	
of which:								
Compensation of		*7,3%*			*7,0%*		*6,3%*	
Goods and services		*8,6%*			*2,1%*		*3,2%*	
Transfers and subsidies		6,5%			7,4%		5,2%	
Payments for capital assets		-1,4%			-5,5%		2,1%	
Payments for financial assets		-36,7%			-72,6%		-33,0%	
Total		**6,9%**			**6,1%**		**5,8%**	

Source: National Treasury provincial database

Table 3.4 shows the proportion of provincial expenditure on education by economic classification as well as the percentage growth for 2015/16 to 2022/23. Compensation of employees (CoE) is the main cost driver of provincial education budgets. As a proportion of total expenditure, it is projected to increase from 79.7 per cent in 2020/21 to 80.1 per cent in 2022/23.

Compensation of employees

Table 3.5 Expenditure on compensation of education employees by province, 2015/16 - 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20 Preliminary Outcome	2020/21	2021/22	2022/23
	Outcome					Medium-term estimates		
Eastern Cape	22 632	23 872	25 833	27 385	29 266	30 371	32 065	33 342
Free State	9 181	9 699	10 299	10 974	11 847	12 724	13 648	14 392
Gauteng	25 982	28 660	31 428	33 714	36 272	40 573	44 534	47 935
KwaZulu-Natal	34 527	37 608	40 061	42 270	45 415	48 845	50 897	53 324
Limpopo	20 722	21 744	23 183	24 726	26 268	27 050	28 511	30 216
Mpumalanga	13 212	14 247	15 307	16 458	17 584	18 712	19 646	20 690
Northern Cape	3 911	4 289	4 609	4 948	5 281	5 578	5 878	6 153
North West	9 880	10 585	11 544	12 543	13 444	14 377	15 286	16 255
Western Cape	13 117	14 134	15 179	16 352	17 475	18 912	20 057	21 232
Total	**153 164**	**164 838**	**177 444**	**189 369**	**202 852**	**217 143**	**230 523**	**243 538**

Percentage growth (average annual)	2015/16 – 2019/20	2019/20 – 2022/23
Eastern Cape	6,6%	4,4%
Free State	6,6%	6,7%
Gauteng	8,7%	9,7%
KwaZulu-Natal	7,1%	5,5%
Limpopo	6,1%	4,8%
Mpumalanga	7,4%	5,6%
Northern Cape	7,8%	5,2%
North West	8,0%	6,5%
Western Cape	7,4%	6,7%
Total	**7,3%**	**6,3%**

Source: National Treasury provincial database

Growth in CoE spending over the medium term is projected to increase at an annual average rate of 6.3 per cent, lower than the rate of 7.3 between 2015/16 and 2019/20. This is because salaries are expected to increase in line with inflation until new negotiations in 2021/22.

The challenge relating to the education CoE budget is that it has been growing more slowly than wage settlements. It is therefore difficult for the sector to manage expenditure downwards and it struggles to fill vacant posts because funds are used to accommodate the shortfall from wage settlements that are higher than budgeted. Given the budgetary pressures, the sector continues to implement personnel management strategies, including reducing the number of excess teachers and substitute teachers and the amount of incapacity leave.

Goods and services

The percentage share of goods and services declines over the MTEF, mainly due to the growing wage bill

The main items under goods and services in education are learner and teacher support materials (LTSM) such as textbooks, stationery and sports equipment; the NSNP; teacher development programmes; and learner transport costs. Over the medium term, expenditure on goods and services will grow at an average annual rate of 3.2 per cent; this is 5.4 percentage points lower than the growth rate between 2015/16 and 2019/20. The higher growth rate in previous years was due to provision of additional resources to schools and, in particular, for Grade R. The introduction of efficiency strategies in procurement and logistics have been partly responsible for the lower growth in goods and services over the medium term. However, the percentage share of expenditure on goods and services remains low, declining to 8.8 per cent by 2022/23 from 9.4 per cent in 2019/20. This indicates the pressure on expenditure on goods and services, especially in relation to provision of the NSNP and LTSM, as the sector struggles to keep up with a growing wage bill and declining fiscal position. The limited budget for goods and services is also a challenge for investment in new priorities such as information and communications technology (ICT).

Transfers and subsidies

Transfers and subsidies, which are mostly payments to schools for their operations, are projected to increase at an average annual rate of 5.2 per cent over the medium term, reaching R22.9 billion in 2022/23. Between 2015/16 and 2019/20, when Quintile 3 schools were converted to no-fee schools, the average annual growth rate was 6.5 per cent. The increase in transfers and subsidies provides for the amendment of the per learner allocation.

Payments for capital assets

Between 2015/16 and 2019/20, expenditure on capital assets decreased at an average annual rate of 1.4 per cent from R10.6 billion to R10.1 billion. This was mainly due to the Education Infrastructure Grant (EIG) budget cut. Between 2019/20 and 2022/23, expenditure on capital assets increases at an average annual rate of 2.1 per cent, from R10.1 billion to R10.7 billion. This increase is minimal and the sector will therefore focus on maintaining existing infrastructure, with new construction taking place only where absolutely necessary. This will require the department to reprioritise the budget to accommodate any essential new construction within the reduced budget and to find innovative ways of addressing infrastructure delivery challenges.

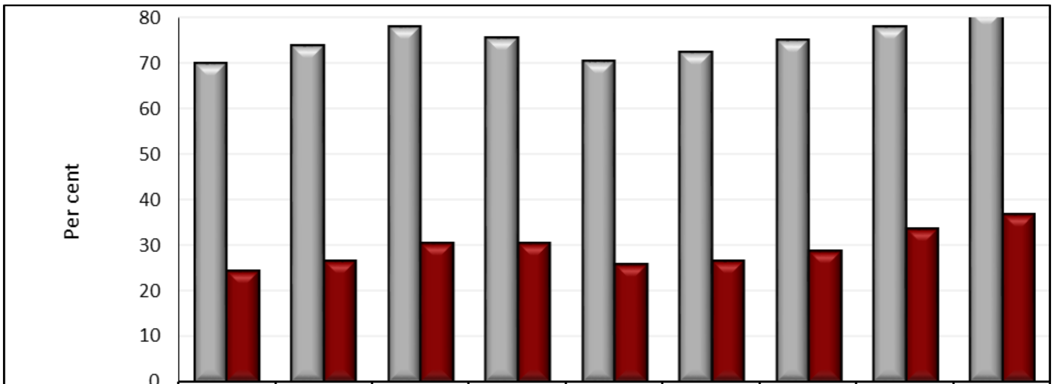
Service delivery achievements

Grade 12 performance

78.2 per cent of matric students passed matric in 2018, with 33.6 per cent obtaining Bachelor passes

In 2019, 606 207 learners were enrolled in Grade 12. Of these, 504 303 sat for the matriculation examination and 409 906 passed. The overall matriculation pass rate was 81.3 per cent, of which 36.9 per cent were Bachelor degree passes. As Figure 3.5 shows, the Free State had the highest matric pass rate, at 88.4 per cent, while Limpopo had the lowest, at 73.2 per cent. Gauteng had the largest percentage of Bachelor degree passes, at 43.7 per cent; Limpopo had the lowest percentage, at 23.5 per cent. The Bachelor degree pass rate is a key performance indicator in education as it measures the quality of the matric results. The sector is striving to improve the number of Bachelor degree passes, especially in Quintile 1 to 3 schools which are normally located in rural areas or previously disadvantaged communities.

Figure 3.5: Matric and Bachelor degree passes per province, 2011-2019



	2011	2012	2013	2014	2015	2016	2017	2018	2019
Matric pass rate	70,2	73,9	78,2	75,8	70,7	72,5	75,1	78,2	81,3
Bachelor passes	24,3	26,6	30,6	30,6	25,8	26,6	28,7	33,6	36,9

Source: National Senior Certificate Report 2011 to 2019, Department of Basic Education

Between 2011 and 2019, matric passes increased by 11.1 per cent. The 2019 matric results show the most improvement after the decline that occurred after 2015; the rate of Bachelor passes was 6.3 per cent higher than the 30.6 per cent achieved in 2013 and 3.3 per cent higher than the 2018 percentage.

The Annual National Assessments

The Annual National Assessments (ANA) were nationally standardised tests for evaluating numeracy and literacy from Grades 1 to 9. According to the 2014 results, the percentages of learners who achieved at least 50 per cent in mathematics for Grades 3, 6 and 9 were 65 per cent, 35 per cent and 3 per cent respectively. First language results for the same grades were 66 per cent, 77 per cent and 48 per cent. Although the ANA results improved over the years, there is a clear deterioration of performance as learners progress to the higher grades. It is particularly concerning that the ANA assessments have been suspended. However, the sector plans to introduce and implement a new standardised measure in the near future.

South African learners continue to perform very poorly in international benchmark assessments such as the Progress in International Reading Literacy Study (PIRLS), Trends in International Mathematics and Science Study (TIMSS) and the Southern and Eastern Africa Consortium for Monitoring Education Quality (SACMEQ). The TIMSS results released in 2015 shows South Africa's poor performance in maths and science compared to 38 other countries. The average scores obtained by the country's Grade 4 and 8 learners were the lowest for mathematics and second lowest for science. However, the results showed that South Africa was the most improved of the sample, indicating that some progress is being made.

International benchmark studies such as TIMSS indicate that South Africa is the most improved of the sample countries in terms of maths and science

Overall, the results show that the education sector still needs to invest significantly in improving literacy and numeracy. National standardised assessments provide an opportunity to ensure that interventions are directed at appropriate areas and schools. The education sector therefore urgently needs to put in place a replacement for the ANAs.

Table 3.6 Learner and teacher support materials (LTSM), 2019/20

Province	Retention and retrieval percentage	Universal coverage	Workbooks delivered
Eastern Cape	71,5%	N/A	100,0%
Free State	90,0%	85,0%	100,0%
Gauteng	92,0%	89,0%	100,0%
Kwa-Zulu Natal	95,0%	83,0%	100,0%
Limpopo	91,1%	95,0%	100,0%
Mpumalanga	92,0%	95,0%	100,0%
Northern Cape	92,0%	98,0%	100,0%
North West	97,0%	97,0%	100,0%
Western Cape	91,4%	92,5%	100,0%

Over the years, the sector has made strides in improving the delivery of textbooks and other support material to schools on time and of the right quality and quantity; the goal is to provide learning and support materials to every school learner. As the table 3.6 shows, all required workbooks were delivered to all schools in 2019/20 and the sector has been reporting fewer incidences of late delivery or non-delivery of learning materials. This achievement is critical, given that good quality LTSM is essential for effective education. With an overall average of 91.8 per cent, universal coverage for every child in every classroom has varied between provinces. In 2019/20, Free State, Gauteng and KwaZulu-Natal had the lowest percentages at 85 per cent, 89 per cent and 83 per cent respectively. Work continues to ensure universal coverage in all provinces.

As part of its plan to improve provision of LTSM, the sector has had to address the loss of textbooks and workbooks already in schools. Provincial education departments have allocated more funding to new LTSM requirements and less to replacing lost material; as a result, they have been able to extend their reach to schools with inadequate LTSM. The greatest challenge in tracking progress in retention and retrieval is the lack of reporting and capturing of information accurately and in a timely way by schools.

As Table 3.6 shows, in 2019/20 eight provinces reported retrieval and retention rates of above 90 per cent for textbooks and workbooks. At 71.5 per cent, Eastern Cape reported the lowest retention and retrieval rate. This information about coverage, retrieval and retention is reported in the Department of Education's SA-SAM database.

National School Nutrition Programme (NSNP)

Table 3.7: NSNP Grant budgets and expenditure per province, 2019/20

R thousand	Total available	Expenditure	% spent	Number of schools served	Average number of learners served
Eastern Cape	1 281 510	1 280 039	99,89%	5 055	1 624 696
Free State	408 148	406 531	99,60%	937	592 581
Gauteng	849 075	794 077	93,52%	1 167	1 146 152
KwaZulu-Natal	1 638 181	1 628 447	99,41%	5 312	2 292 620
Limpopo	1 306 917	1 287 854	98,54%	3 723	1 655 069
Mpumalanga	703 563	686 695	97,60%	1 597	910 978
Northern Cape	189 224	190 617	100,74%	471	137 386
North West	482 427	481 354	99,78%	1 334	728 656
Western Cape	385 202	375 515	97,49%	1 010	484 771
Total payments	**7 244 247**	**7 131 129**	**98,40%**	**20 606**	**9 572 909**

Source: Conditional Grants quarter 4 report

The NSNP has made a profound contribution to the sector's goal of universal access to quality education. The programme addresses hunger and malnutrition and has reduced absenteeism and improved learner participation in class. In 2019/20, the sector spent the R7.1 billion NSNP grant on providing meals for 9 572 909 learners in 20 606 schools. At 2 292 620 learners in 5 312 schools, KwaZulu-Natal had the highest number of learners on the programme, spending R1.6 billion in 2019/20.

Medium-term outlook

Improving the quality of Grade R

As noted above, the sector has made strides in ensuring universal access to Grade R; this is illustrated by the significant increase in Grade R enrolment numbers since its inception. Extending effective ECD, and Grade R in particular, as a foundation for learning is the primary objective. The focus over the medium term will be on improving the quality of teaching and learning in this grade, intensifying training of Grade R teachers through focusing on content and on the skills needed to identify barriers to learning at the earliest possible stage. Funding has been prioritised to provide Grade R teaching with the necessary infrastructure, equipment and resources.

Addressing school infrastructure backlogs

With some provinces still facing critical challenges of infrastructure that does not meet the minimum norms and standards, providing adequate school infrastructure continues to be a priority for the sector. At the same time, the growing number of learners is creating increased demand for additional schools and classrooms. As budgets are declining because of the country's weak economic performance, through budget reprioritisation the sector will focus on maintaining existing infrastructure and constructing additional classrooms where these are urgently required. Funding to address inappropriate and unsafe schools will come from the Department of Basic Education's indirect Infrastructure Backlogs Grant; this is allocated R6.1 million over the MTEF and provides for R2.8 billion to eradicate pit latrines in 717 schools.

Teacher training and development

Given the close link between teacher content knowledge and school learners' performance, the importance of training and development, including continued development and support of teachers, cannot be over-emphasised. As is evident in the increased number of teachers with a degree or diploma, much has been done by the sector to support teacher development while the number of teachers with only a matric or lower qualification has decreased significantly. Through the Funza Lushaka bursary scheme, the sector plans to ensure a continuous supply of appropriately trained and qualified teachers, particularly in priority subjects such as mathematics, science and technology, including robotics.

Advancing inclusive education

As a signatory to the United Nations Convention on the Rights of Persons with Disabilities (CRPD), South Africa is obliged to ensure an inclusive education system at all levels. This means that all children of school-going age who face barriers to learning and who are disabled must be able to access inclusive, good quality, free primary and secondary education on an equal basis with other young people in the communities in which they live. Consequently, the sector is prioritising training on a screening, identification, assessment and support (SIAS) policy to help early detection of learning barriers. The plan provides for increasing the number of full service schools.

As part of the drive towards inclusive education, the sector will also focus on providing good quality education to LSPID learners. The LSPID grant makes provision for the appointment of LSPID outreach teams that provide special care centres with training on the LSPID learning programme. This will continue to be a priority over the medium term.

Conclusion

With the sector continuing to make up the single largest percentage of government expenditure, government is committed to improving the quality of basic education. Increased investment over the years has contributed to this improvement, especially in relation to meeting the goal of universal access to education. There have also been major achievements in making Grade R universally accessible, although in some instances infrastructure problems have hampered progress. Prioritising provision for learners with special needs is another indication of government's commitment to equity of access to and quality of education.

Despite these improvements, South Africa's performance on international standards is of concern and needs to be given special attention. The ANA was a valuable tool for measuring progress towards achieving learning outcomes; the current absence of such a tool makes it difficult for the sector to identify areas of weakness that need to be addressed to achieve international levels of performance.

Teachers are the most important resource in the provision of good quality education. The aim of government's commitment to providing teachers with appropriate and adequate training and development and with the resources that they need is to create a positive working environment and to encourage teachers to be partners in providing good quality education for the country's learners.

Over the next three years, expenditure will continue to grow in real terms although at a slower rate than in the recent past. Reduced spending over the medium term will affect national, provincial and local government. While this will involve difficult choices, pro-poor expenditure in areas such as education, health and social services will be protected and the reductions, while substantial, will be small relative to total government spending. Improvements in service delivery will come through efficiency gains and reduction of wasteful expenditure.

4

Health

Introduction

Various measures are being deployed to deal with declining budgets.

This chapter presents the latest published provincial health budgets for the period 2015/16 and 2022/23. These show a slowdown in health spending over the MTEF. The slowdown, following the global recession in 2009, was initially delayed as government followed a counter-cyclical fiscal course by protecting social sector spending. However, continued sluggish economic growth, which exceeded 1 per cent in only one of the past four years, and declining tax revenues negatively affected the growth of the health budget.

To counteract the effects of the muted budget growth, the sector developed various strategies such as limiting personnel numbers, centralising tenders for medicines, prioritising non-negotiable core budget items over non-essential items, prioritising primary health care and temporarily reducing capital expenditure. Over the past years, delays in filling critical posts emerged as a problem in several provinces. Partly to address this problem, especially in relation to statutory posts such as those for interns, the 2019 budget reprioritised R2.8 billion to form a new *human resources capacitation grant.*

Although centralised procurement of medicine has resulted in sizeable savings over recent years, these savings have been partly offset by the weaker rand which has driven up the cost of imported medicines and medical equipment.

Many challenges continue to face the health sector but there has also been remarkable progress. This includes:

- Improved life expectancy which increased from 57.1 years in 2009 to 64.8 years in 2018[1].
- An infant mortality rate which decreased from 39 per 1000 live births in 2009 to 25 per 1 000 in 2018. In addition, the mortality rate of children under the age of 5 years decreased from 56 to 34 per 1 000 live births.

These achievements are largely attributed to the expansion of the antiretroviral (ARV) treatment programme, better prevention of mother-to-child transmission of HIV and the introduction of new vaccines, such as the pneumococcal and rotavirus vaccines, for children.

Current landscape: policy

The Health Systems Trust reports that South Africa is scoring reasonably well on universal health coverage (UHC), with an overall UHC coverage index score of 66.2 per cent; and that the country also does fairly well on financial protection, with only 1.4 per cent of households spending more than 10 per cent of their expenditure on health.[2,3] Despite this, the roll out of national health insurance (NHI) has been slower than expected, with substantial under-spending of the conditional *national health insurance indirect grant* in 2018/19. The National Health Insurance Policy White Paper was released on 30 June 2017 and the National Health Insurance (NHI) Bill was published for public comment in June 2018. The White Paper sets out government's proposal to introduce a universal health coverage system. Broadly, the NHI aims to pool funds to provide access to good quality, affordable health services for all South Africans based on their health needs and irrespective of their socio-economic status.

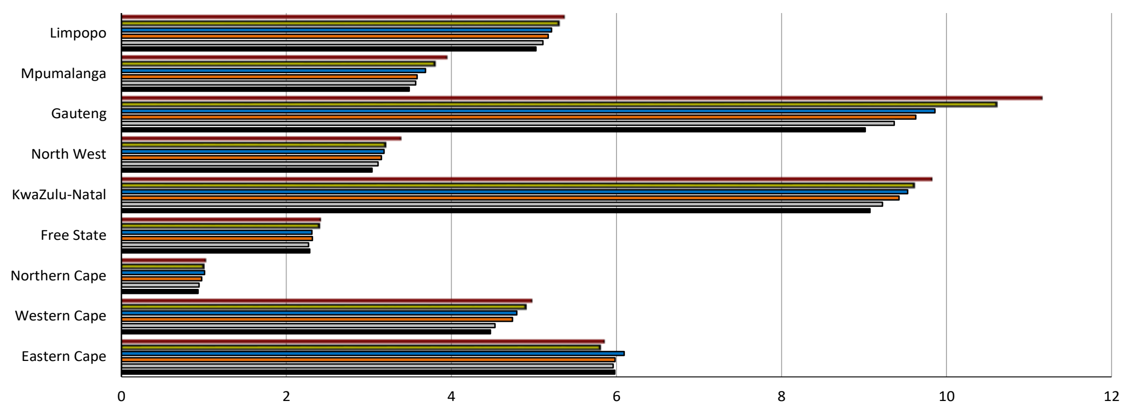
The NHI represents a substantial policy shift that will demand a massive reorganisation of the current health care system.

The NHI represents a substantial policy shift that will demand a massive reorganisation of the current health care system. The policy is intended to address health financing through reforms in raising revenue, pooling funds, purchasing and providing health services. With its implementation consistent with the global vision for UHC, it will have implications for the public and the private sectors.

[1] Medical Research Council (2019). Rapid Mortality Surveillance report 2017.
[2] Health Systems Trust. Annual Health Review 2018.
[3] World Health Organisation. World Health Statistics, 2018.

The NDP Vision 2030 aims for everyone to have access to an equal standard of health care, regardless of income, by 2030. The increasing number of people without medical aid coverage shown in Figure 4.1 demonstrates the need for more equitable access to affordable health care cover and wider options for care. The NHI White Paper proposes public financing of a mixed public and private health service delivery platform.

Figure 4.1: Population without medical aid coverage by province, 2013 - 2018



	Eastern Cape	Western Cape	Northern Cape	Free State	KwaZulu-Natal	North West	Gauteng	Mpumalanga	Limpopo
2018	5,857	4,98	1,031	2,422	9,824	3,395	11,157	3,953	5,373
2017	5,8	4,9	1	2,4	9,6	3,2	10,6	3,8	5,3
2016	6,093	4,792	1,009	2,31	9,529	3,184	9,859	3,687	5,214
2015	5,984	4,74	0,974	2,316	9,424	3,152	9,627	3,585	5,174
2014	5,96	4,528	0,941	2,268	9,225	3,111	9,367	3,567	5,109
2013	5,981	4,474	0,929	2,282	9,073	3,039	9,015	3,487	5,025

Population (million)

Source: Statistics South Africa

In 2012, eleven pilot districts (OR Tambo, Thabo Mofutsanyane, Tshwane, Vhembe, Amajuba, uMzinyathi, uMgungundlovu, Gert Sibande, Dr Pixley Ka Seme, Kenneth Kaunda and Eden) were chosen to test a number of initiatives to strengthen the health system including:

- Providing information management and systems support.
- Appointing district clinical specialist teams.
- Putting in place school-based primary health care services.
- Rolling out ward-based primary health care outreach teams.
- Strengthening human resources for health.
- Increasing the capacity to manage the NHI by strengthening district health authorities.

The NHI pilots experienced a range of challenges such as inadequate planning, lack of resources, inconsistent communication, a lack of coordination where necessary and insufficient mechanisms to monitor progress to ensure course correction[4]. In 2017/18, the direct grant to provinces was converted to an indirect grant, with the Department of Health (DoH) taking responsibility for the roll out of the NHI-related programmes in provinces. Some of the areas of progress are shown in Figure 4.2. However, there are widespread views among stakeholder groups that the evolution of NHI is proceeding too slowly and in a way that is not sufficiently clear. This needs attention in the period ahead.

Figure 4.2: Progress in the roll out of NHI-related programmes

Quality of care
- Ideal Clinic status reached: **106**
- OHSC inspections completed: **1518**

Access to medicine
- facilities with stock visiblity system installed: **632**
- availability of medicine improved to above **90 per cent (**ARVs) and **85 per cent** for vaccines

Information systems
- facilities with electronic patient registration: **721**
- number of patients registered: **3.6** million

Human Resources
- facilities with general practioners contracted: **510**
- number of general practioners contracted: **270**

Source: Department of Health

Budget and expenditure trends

Provincial health budgets have been under some pressure.

Between 2007/08 and 2012/13, in real *per capita* terms expenditure grew quite strongly. Key pressures on provincial health budgets have been wage costs including Occupation Specific Dispensations (OSDs), HIV/Aids and medical inflation, with personnel numbers in the sector peaking in 2012/13.

Between 2015/16 and 2019/20, there was slight real growth in expenditure, averaging 2 per cent per annum as shown in Table 4.1 below. However, Figure 4.3 shows that this arose mainly from increases in the adjustment budgets, especially in Gauteng, when provincial health departments indicated substantial pressures by midyear.

[4] Evaluation of Phase 1 implementation of interventions in the National Health Insurance (NHI) pilot districts in South Africa, NDOH 10/2017-2018. Final Evaluation Report, 2019.

Table 4.1: Provincial expenditure on health by province, 2015/16 - 2022/23

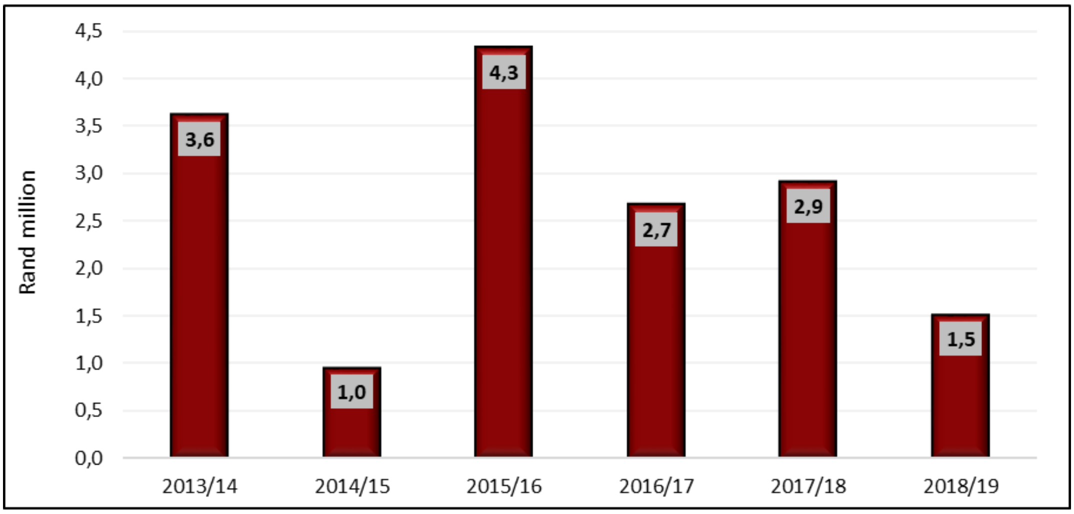
R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
Eastern Cape	18 944	20 506	22 273	24 472	26 233	26 391	27 760	28 935
Free State	8 694	9 077	9 802	10 239	11 074	11 951	12 692	13 326
Gauteng	34 865	37 440	42 013	46 011	50 670	55 728	60 065	63 649
KwaZulu-Natal	34 111	37 026	39 911	42 550	45 232	48 058	50 892	53 394
Limpopo	15 432	17 218	18 387	19 720	20 912	22 143	23 620	24 845
Mpumalanga	10 080	10 580	12 083	13 056	14 259	15 568	16 626	17 496
Northern Cape	4 168	4 369	4 567	4 878	5 184	5 593	5 969	6 254
North West	9 043	9 767	10 303	11 508	12 440	13 197	14 262	15 145
Western Cape	18 737	20 078	21 496	23 044	24 744	26 252	27 811	29 098
Total	**154 074**	**166 062**	**180 836**	**195 477**	**210 750**	**224 881**	**239 695**	**252 141**

Percentage growth (average annual)	2015/16 - 2019/20	2019/20 - 2020/21	2019/20 - 2022/23
Eastern Cape	8,5%	0,6%	3,3%
Free State	6,2%	7,9%	6,4%
Gauteng	9,8%	10,0%	7,9%
KwaZulu-Natal	7,3%	6,2%	5,7%
Limpopo	7,9%	5,9%	5,9%
Mpumalanga	9,1%	9,2%	7,1%
Northern Cape	5,6%	7,9%	6,5%
North West	8,3%	6,1%	6,8%
Western Cape	7,2%	6,1%	5,6%
Total	**8,1%**	**6,7%**	**6,2%**

Source: National Treasury provincial database

Between 2015/16 and 2019/20, provincial spending on health grew from R154 billion to R210 billion, an average annual rate of increase of 8.1 per cent. Table 4.1 shows that, over the MTEF, the total health budget is expected to increase by an annual average of 6.2 per cent.

Figure 4.3: Provincial health in-year adjustments, 2013/14 - 2019/20



Source: National Treasury provincial database

Main drivers of budgets and expenditure, and related challenges

A number of factors directly and indirectly influence expenditure patterns in the sector.

Economic growth and population patterns

The impact of population patterns remains the key driver of budgets and expenditure.

Population dynamics (including age, sex, gender and deprivation and socio-economic status) and migration patterns remain one of the biggest drivers of health expenditure. South Africa's population has increased by 12.9 million since 2002 (Table 4.2). During the same period, economic growth has been on a downward trajectory and thus has not been creating jobs for the available workforce. An increasing number of people have therefore become reliant on the public health system.

Table 4.2: Provincial population growth and interprovincial migration, 2002 - 2019

Year	EC	WC	NC	FS	KZN	NW	GP	MP	LIM	RSA
2002	6 290	4 851	1 056	2 724	9 326	3 101	10 048	3 560	4 852	45 808
2003	6 316	4 951	1 066	2 725	9 420	3 141	10 273	3 610	4 907	46 409
2004	6 343	5 051	1 075	2 726	9 517	3 182	10 501	3 661	4 964	47 020
2005	6 371	5 153	1 085	2 728	9 616	3 223	10 731	3 711	5 022	47 640
2006	6 400	5 256	1 095	2 729	9 715	3 266	10 965	3 762	5 081	48 269
2007	6 431	5 360	1 105	2 732	9 816	3 310	11 202	3 814	5 141	48 911
2008	6 460	5 466	1 114	2 735	9 918	3 355	11 446	3 866	5 201	49 561
2009	6 491	5 573	1 124	2 737	10 023	3 401	11 694	3 917	5 262	50 222
2010	6 522	5 682	1 134	2 740	10 129	3 448	11 946	3 970	5 325	50 896
2011	6 554	5 792	1 143	2 744	10 237	3 497	12 202	4 022	5 388	51 579
2012	6 586	5 904	1 153	2 749	10 346	3 547	12 464	4 075	5 452	52 276
2013	6 620	6 017	1 163	2 753	10 457	3 598	12 728	4 128	5 518	52 982
2014	6 656	6 131	1 173	2 758	10 571	3 650	12 996	4 182	5 585	53 702
2015	6 693	6 246	1 182	2 763	10 688	3 703	13 268	4 236	5 654	54 433
2016	6 731	6 362	1 192	2 769	10 807	3 758	13 543	4 290	5 724	55 176
2017	6 499	6 510	1 214	2 866	11 074	3 856	14 278	4 444	5 778	56 519
Net migration (2011-2016)	-326 171	292 372	3 311	-20 913	(62 360)	97 764	981 290	64 003	(143 767)	-
Estimated Net migration (2016-2021)	-324 213	309 729	5 670	-12 860	(53 706)	109 599	1 050 230	73 407	(138 606)	-

Source: General Household Survey 2019

The extent and patterns of interprovincial migration between 2002 and 2019 shown in Table 4.2 compound many of the problems facing the country's public health system, with people moving to provinces with stronger economies, such as Gauteng and the Western Cape, in search of jobs and better health care and education. These migration patterns affect the levels of *per capita* expenditure across the provinces and the quality of care that they are able to provide.

Macroeconomic factors: Exchange rate volatility and inflation

Budgets for and expenditure on most of the sector's core goods and services items have been affected by inflation and exchange rates.

Budgets for and expenditure on most of the sector's core goods and services items such as medicine and medical supplies have been affected by inflation and by varying exchange rates. Figure 4.4 and figure 4.5 show these trends for the years 2013 to 2017. Medical inflation is normally set at between 2 and 3 percentage points above the consumer price index (CPI).

Figure 4.4: Rand/dollar exchange rate, 2013 - 2017

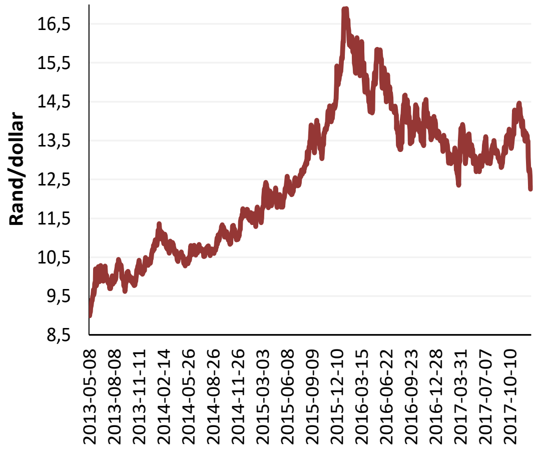
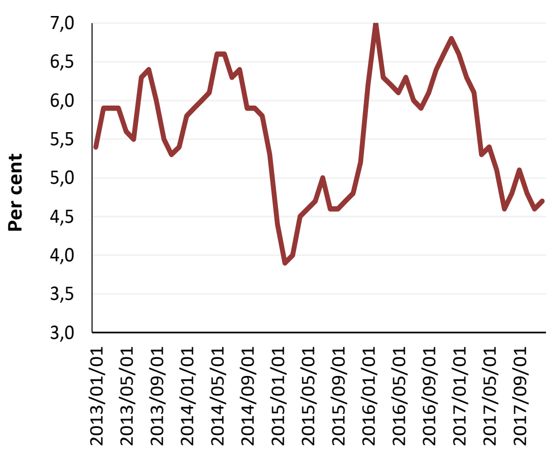


Figure 4.5: Rate of inflation, 2013 - 2017



Source: Statistics South Africa

Although the CPI is not the only factor affecting expenditure on medicine and medical supplies, it seems to strongly correlate with expenditure performance. For example, the lowest rate of inflation in 2015, shown in Figure 4.5 corresponded with the net under-expenditure on medicine and medical supplies shown in Table 4.3. Conversely, high CPI levels correspond with net over-expenditure. Furthermore, some medical equipment, medical supplies and medicines are imported and their prices are therefore vulnerable to fluctuations in the exchange rate.

Table 4.3: Net medicine and medical (over-)/under expenditure, 2012/13 - 2019/20

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Provinces								
Eastern Cape	-525 595	-256 264	-453 747	311 902	-159 792	-236 135	28 110	-37 666
Free State	19 079	45 751	50 858	51 257	-46 912	-125 178	-110 737	43 532
Gauteng	-112 519	-218 773	34 632	274 842	118 534	-57 589	-48 117	24 145
KwaZulu-Natal	-102 646	-152 989	175 578	171 316	-391 924	-292 710	-106 057	-342 537
Limpopo	75 039	192 861	72 071	131 370	-3 882	20 238	122 451	-127 062
Mpumalanga	-202 436	-123 511	-130 842	-63 660	247 909	-126 873	-118 717	-175 822
Northern Cape	-2 478	-25 536	18 811	-8 293	-11 732	-16 019	9 487	-46 132
North West	30 183	-73 596	-42 959	17 147	-139 982	72 836	14 554	54 007
Western Cape	-1 751 483	-1 916 582	-136 815	-80 181	-105 939	13 483	63 070	-36 197
Total	**-2 572 856**	**-2 528 639**	**-412 413**	**805 700**	**-493 720**	**-747 947**	**-145 956**	**-643 732**

Source: National Treasury provincial database

Measures to offset these macroeconomic effects have included:

- A R1 billion allocation to the provinces in 2019/20 to reduce the impact of rand volatility on imported medicine and medical supplies.

- Negotiations by the Office of the Chief Procurement Officer on national transversal contracts for selected goods and services such as pharmaceuticals, ICT and medical equipment and devices. By participating in the contracts, provinces benefit from economies of scale that result in lower contract prices.

Skills shortage

Health facilities need a diverse medical skills and support staff in order to deliver quality health services.

To deliver good quality services, health facilities need a diverse medical skill set and support staff. Until recently, the number of clinical staff was protected and maintained despite constrained budgets. However, it is of concern that in recent years the number of medical specialists has decreased. Table 4.4 shows the number of medical specialists, doctors and professional nurses across provinces. Retention of medical specialist has been a challenge in the public health sector. Between 2017 and 2020, the number of medical specialists in the country decreased by 167 from 4 888 to 4 721. Western Cape and Gauteng have accounted for the largest decline over the same period. KwaZulu-Natal also had difficulties in retaining oncologists which left cancer patients with limited services[5].

Table 4.4: Distribution of critical health skills by province, March 2017 - March 2020

	Specialists					Doctors					Professional Nurses				
Provinces	March 2016	March 2017	March 2018	March 2019	March 2020	March 2016	March 2017	March 2018	March 2019	March 2020	March 2016	March 2017	March 2018	March 2019	March 2020
Eastern Cape	164	173	177	195	218	1 691	1 732	1 885	2 019	2 061	10 273	10 362	10 822	11 156	11 668
Free State	302	281	293	289	292	622	589	654	637	642	2 225	2 177	2 288	2 255	2 156
Gauteng	2 003	1 972	1 938	1 846	1 841	3 423	3 565	3 636	3 604	3 975	12 976	14 079	14 365	14 196	14 535
KwaZulu Natal	742	761	743	830	818	3 738	3 386	3 384	3 588	3 855	16 713	16 889	17 017	17 250	17 188
Mpumalanga	76	78	78	72	72	1 020	1 048	1 073	1 145	1 145	5 233	5 369	5 444	6 090	6 090
Northern Cape	26	19	21	24	40	463	452	462	436	410	1 453	1 436	1 511	1 500	1 553
Limpopo	70	72	63	72	77	1 302	1 295	1 289	1 357	1 373	9 654	9 520	9 259	9 243	9 188
North West	109	107	114	124	150	758	838	935	929	1 034	4 314	4 268	4 494	4 730	5 097
Western Cape	1 492	1 425	1 324	1 240	1 213	1 632	1 527	1 675	1 958	2 234	5 200	5 171	5 298	5 402	5 519
RSA	**4 984**	**4 888**	**4 751**	**4 692**	**4 721**	**14 649**	**14 432**	**14 993**	**15 673**	**16 729**	**68 041**	**69 271**	**70 498**	**71 822**	**72 994**

Source: Vulindlela

Another factor in the skewed distribution of medical specialists is that six of the country's ten central hospitals are in Gauteng and the Western Cape. Other factors underlying the unequal distribution of medical specialists include:

- Their preference for living in the cities where there is access to good schools for their children and to recreational activities.
- Lack of specialised hospitals, such as tertiary hospitals, in some provinces.

[5] South African Human Rights Commission Report, 2017.

Table 4.5 shows that the number of doctors in South Africa and especially in the public sector is below that of other upper-middle income countries such as China, Brazil and Turkey.

Table 4.5: Number of doctors per 10 000 population in South Africa compared with other upper-middle income countries

Country	Year	Per 10,000 (population)	Doctors
South Africa public sector	2019	4,1	19 827
South Africa public sector target	2025	6,2	
South Africa	2017	9,1	51 616
Turkey	2014	17,6	135 616
China	2015	17,9	2 508 408
Brazil	2018	21,5	453 351
Russia	2016	40,1	577 856

Source: World health organisation physician density

Medico-legal claims

Table 4.6 shows that, between 2012/13 and 2019/20, expenditure on medico-legal claims increased substantially from R265 million to R1.7 billion while contingent liabilities[6] grew from R28 billion to R111 billion. Gauteng and KwaZulu-Natal incurred the highest expenditure; with the Eastern Cape, these two provinces accounted for R81 billion or 73 per cent of the total contingent liability. Most of the medico-legal cases resulted from obstetrics and gynaecology, paediatrics, orthopaedic surgery and trauma cases. Generally, provincial budgets for medico-legal payments were conservative or not budgeted for.

Generally, provincial budgets for medico-legal payments were conservative or not budgeted for.

[6] Total medico-legal claims against the state.

Table 4.6: Medico-legal claims – contingent liability as at 31 March 2019

R thousand	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	% Share of 2019/20	Year-on-year increase	% Year-on-year increase
Eastern Cape	8 210 838	13 421 136	16 772 732	24 193 619	32 864 497	36 751 207	33,0%	3 886 710	11,8%
Free State	540 365	940 545	1 306 928	1 842 917	2 874 754	3 429 585	3,1%	554 831	19,3%
Gauteng	10 079 281	13 452 064	17 844 047	21 701 514	19 625 835	21 038 799	18,9%	1 412 964	7,2%
KwaZulu-Natal	6 724 865	9 957 126	10 292 463	16 638 734	20 110 314	23 440 969	21,0%	3 330 655	16,6%
Limpopo	1 196 787	1 606 657	2 115 529	4 874 800	8 265 440	10 327 987	9,3%	2 062 547	25,0%
Mpumalanga	1 459 497	2 366 010	5 242 757	7 472 985	9 451 927	9 457 321	8,5%	5 395	0,1%
Northern Cape	174 111	342 829	1 220 527	1 605 291	2 104 584	1 629 962	1,5%	-474 622	-22,6%
North West	33 881	855 737	1 285 126	1 697 205	1 982 272	5 395 624	4,8%	3 413 352	172,2%
Western Cape	193 395	182 025	135 700	90 350	110 599	33 155	0,0%	-77 444	-70,0%
Total	**28 613 020**	**43 124 129**	**56 215 809**	**80 117 415**	**97 390 222**	**111 504 609**	**100%**	**14 114 388**	**14,5%**

Payment trend on claims against health departments

R thousand	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Growth rates 2012/13 - 2019/20
Eastern Cape	63 359	74 775	74 868	255 561	208 503	423 263	797 434	762 810	42,7%
Free State	440	700	196	1 728	1 560	376	3 600	22 654	75,6%
Gauteng	145 071	181 802	241 085	572 815	751 082	358 230	586 453	501 130	19,4%
KwaZulu-Natal	20 679	97 433	103 536	90 367	251 278	461 919	438 819	180 444	36,3%
Limpopo	8 040	25 022	35 073	9 622	74 830	26 773	7 045	83 571	39,7%
Mpumalanga	13 918	44 080	7 628	15 211	34 255	67 782	39 268	45 534	18,5%
Northern Cape	1 437	10 705	3 828	4 844	823	9 493	3 550	40 735	61,3%
North West	5 502	10 896	13 246	6 422	29 539	33 274	14 450	18 912	19,3%
Western Cape	6 928	23 015	19 272	28 073	38 381	86 984	62 140	60 140	36,2%
Total	**265 374**	**468 428**	**498 732**	**984 643**	**1 390 251**	**1 468 094**	**1 952 759**	**1 715 930**	**30,6%**

Source: National Treasury provincial database

Significant increases in these claims may signal two issues that need attention: deteriorating levels of care at public health facilities and/or that the sector has become a soft target for claims made by patients who are assisted by law firms.

The DoH requested the South African Law Reform Commission to conduct an investigation into medico-legal claims with the aim of finding better ways of dealing with the claims.

The purpose of the Office of Health Standards Compliance, a public entity, is to monitor quality standards in the sector. Provincial capacity to deal with medico-legal claims is receiving attention from provinces. In 2015, the DoH, together with the Minister of Justice, requested the South African Law Reform Commission to conduct an investigation into medico-legal claims with the aim of finding better ways of dealing with such claims. The DoH has also established a central expert medical specialist team to assist provinces with medico-legal matters. Budget 2018 made R25.5 million available over three years for this purpose. The National Prosecuting Authority and the Hawks have taken action against certain legal practitioners who are abusing the system. However, much remains to be done to stabilise medico-legal expenditure.

National Health Laboratory Services

As Table 4.7 shows, between 2015/16 and 2019/20 national health laboratory services expenditure increased from R4.8 billion to R8.7 billion. This expenditure is expected to increase by an annual average of 7.7 per cent over the MTEF.

Table 4.7: Provincial health expenditure on laboratory services by province, 2015/16 - 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Average annual growth (nominal) 2015/16 - 2019/20	Average annual growth (nominal) 2019/20 - 2022/23
	Outcome				Preliminary Outcome	Medium-term estimates				
Eastern Cape	573	505	634	737	826	944	991	992	9,6%	6,3%
Free State	281	255	327	355	447	368	437	445	12,3%	-0,1%
Gauteng	966	875	1 535	2 138	2 563	2 660	3 112	3 461	27,6%	10,5%
KwaZulu-Natal	1 356	1 619	2 044	2 063	2 314	2 290	2 490	2 609	14,3%	4,1%
Limpopo	332	388	478	467	596	519	621	670	15,7%	4,0%
Mpumalanga	329	374	411	495	581	589	744	798	15,3%	11,2%
Northern Cape	112	125	116	101	135	158	191	201	4,9%	14,1%
North West	335	289	312	391	452	535	764	799	7,7%	20,9%
Western Cape	555	557	656	704	767	772	831	876	8,4%	4,5%
Total	**4 839**	**4 986**	**6 514**	**7 451**	**8 681**	**8 835**	**10 181**	**10 851**	**15,7%**	**7,7%**

Source: Vulindlela

Disease burden

Spending on comprehensive HIV/Aids and TB management remained relatively high between 2015/16 and 2019/20. However, as Table 4.8 shows, the impact of other diseases such as diabetes and cerebrovascular diseases increased significantly. TB remained the number one cause of death in the country while HIV fell from number three in 2013 to number five in 2017. The prevalence of diabetes also worsened rapidly, rising from number five in 2013 to number two in 2017. This shows that HIV/Aids was no longer the only disease causing large-scale deaths in the country. Increasingly, chronic diseases are becoming a major cause of death and a range of interventions is needed in this area. These include the tax on sugar-sweetened beverages implemented on 1 April 2018.

Table 4.8: Top ten causes of death, 2013 - 2017

Causes of death	2013			2014			2015			2017		
	Rank	Number	%	Rank	Number	%	Rank	Number	%	Rank	Number	%
TB	1	41 904	8,8%	1	39 495	8,3%	1	33 063	7,2%	1	28 678	6,6%
Diabetes	5	23 133	4,9%	3	23 966	5,0%	2	25 070	5,4%	2	25 336	5,8%
Cerebrovascular diseases	4	23 158	4,9%	2	24 131	5,1%	3	22 879	5,0%	3	22 259	5,1%
Other forms of heart diseases	6	22 189	4,7%	4	22 928	4,8%	4	22 215	4,8%	4	22 098	5,1%
HIV	3	23 825	5,0%	6	22 729	4,8%	5	21 926	4,8%	5	21 439	4,9%
Influenza and pneumonia	2	24 345	5,1%	5	22 813	4,8%	6	20 570	4,5%	7	18 837	4,3%
Hypertensive diseases	7	17 104	3,6%	7	18 319	3,9%	7	19 443	4,2%	6	19 900	4,6%
Other viral diseases	9	14 101	3,0%	9	14 508	3,1%	8	16 097	3,5%	10	12 622	2,9%
diseases	10	12 384	2,6%	10	12 690	2,7%	9	12 667	2,8%	8	13 167	3,0%
Interstinal infectious diseases	8	16 163	3,4%	8	14 795	3,1%	10	12 239	2,7%		51 164	11,8%
causes		257 204	54,0%		258 285	54,4%		254 067	55,1%		198 278	45,7%
All causes		**475 510**	**100,0%**		**474 659**	**100,0%**		**460 236**	**100,0%**		**433 778**	**100,0%**

Source: Statistics South Africa

Governance and financial management

The sector's audit performance has not been good since 2010/11.

As Table 4.9 shows, the sector's audit performance over the nine financial years to 2019/20 has not been good. The Auditor-General has consistently raised financial management and governance, high levels of unpaid invoices, non-compliance with legislative prescripts and instability in leadership as challenges. In some provinces, the audit outcomes have regressed, with only two provincial departments of health receiving unqualified audit opinions in 2018/19 compared with four in 2017/18.

Table 4.9: Health sector audit trends, 2010/11 - 2018/19

Province	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Eastern Cape	Qualified	Qualified	Qualified	Qualified	Qualified	Unqualified with findings	Unqualified with findings	Unqualified with findings	Qualified
Free State	Qualified	Qualified	Qualified	Qualified	Qualified	Qualified	Unqualified with findings	Unqualified with findings	Qualified
Gauteng	Qualified	Qualified	Qualified	Qualified	Qualified	Qualified	Qualified	Unqualified with findings	Unqualified with findings
KwaZulu-Natal	Qualified	Qualified	Qualified	Qualified	Qualified	Qualified	Qualified	Qualified	Qualified
Limpopo	Disclaimer	Disclaimer	Disclaimer	Qualified	Unqualified with findings	Qualified	Qualified	Qualified	Qualified
Mpumalanga	Qualified	Qualified	Qualified	Qualified	Qualified	Qualified	Qualified	Qualified	Qualified
Northern Cape	Disclaimer	Disclaimer	Qualified	Qualified	Qualified	Qualified	Qualified	Qualified	Qualified
North West	Unqualified with findings	Qualified	Unqualified with findings	Unqualified with findings	Unqualified with findings	Qualified	Qualified	Audit not finalised at legislated	Qualified
Western Cape	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with no findings

Source: National Treasury provincial database

Table 4.10 shows that, overall, the value of unpaid invoices remained relatively unchanged between 2016/17 and 2019/20. However, by the end of 2019/20, there had been noticeable improvements in Gauteng, Limpopo and Mpumalanga.

Table 4.10: Accruals and payables not recognised (unpaid accounts), 2016/17 - 2019/20

	2016/17	2017/18	2018/19	2019/20			Year-on-Year growth
R'000				30 days	More than 30 days	Total	
Eastern Ca	1 914 103	2 324 926	3 304 284	1 331 709	2 476 459	3 808 168	503 884
Free State	375 337	625 410	690 106	333 130	339 162	672 292	(17 814)
Gauteng	7 023 682	6 794 134	4 842 169	2 063 610	2 029 663	4 093 273	(748 896)
KwaZulu-Na	1 306 421	901 094	1 426 926	1 077 922	507 862	1 585 784	158 858
Limpopo	1 099 444	1 093 772	702 732	353 106	37 765	390 871	(311 861)
Mpumalan	794 682	851 071	574 464	229 329	10 497	239 826	(334 638)
Northern C	294 518	448 020	501 160	101 492	402 180	503 672	2 512
North Wes	751 711	812 612	1 198 610	451 781	789 299	1 241 080	42 470
Western Ca	301 119	280 057	347 294	515 282	36 070	551 352	204 058
Total	**13 861 017**	**14 131 096**	**13 587 745**	**6 457 361**	**6 628 957**	**13 086 318**	**(501 427)**

Source: National Treasury provincial database

Spending by programme

The composition of the budget is increasingly in line with the NHI objective of strengthening the health system and service delivery platform at primary healthcare (PHC) facilities. Table 4.11 shows that, between 2015/16 and 2019/20, the district health services' share of provincial health expenditure remained above 45 per cent and is expected to reach 47.4 per cent in 2022/23.

Table 4.11: Provincial expenditure on health by programme, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary Outcome	Medium-term estimates		
Administration	4 310	4 452	4 689	5 127	5 433	5 631	5 718	6 046
District Health Services	70 492	76 964	84 173	90 965	98 578	105 269	113 818	119 407
Emergency Medical	6 025	6 441	7 380	7 668	8 384	8 736	9 271	9 748
Provincial Hospital	29 197	29 251	31 757	34 564	36 427	39 443	41 805	43 486
Central Hospital	29 530	33 736	37 470	40 802	44 720	46 704	49 182	52 544
Health Sciences and	4 514	5 103	4 911	5 059	5 026	5 874	6 723	7 118
Health Care Support	1 491	1 796	1 806	2 283	2 496	2 703	2 942	3 169
Health Facilities	8 513	8 317	8 650	9 010	9 686	10 519	10 237	10 622
Total	**154 074**	**166 062**	**180 836**	**195 477**	**210 750**	**224 881**	**239 695**	**252 141**
Percentage of provincial health expenditure								
Administration	2,8%	2,7%	2,6%	2,6%	2,6%	2,5%	2,4%	2,4%
District Health Services	45,8%	46,3%	46,5%	46,5%	46,8%	46,8%	47,5%	47,4%
Emergency Medical	3,9%	3,9%	4,1%	3,9%	4,0%	3,9%	3,9%	3,9%
Provincial Hospital	19,0%	17,6%	17,6%	17,7%	17,3%	17,5%	17,4%	17,2%
Central Hospital	19,2%	20,3%	20,7%	20,9%	21,2%	20,8%	20,5%	20,8%
Health Sciences and	2,9%	3,1%	2,7%	2,6%	2,4%	2,6%	2,8%	2,8%
Health Care Support	1,0%	1,1%	1,0%	1,2%	1,2%	1,2%	1,2%	1,3%
Health Facilities	5,5%	5,0%	4,8%	4,6%	4,6%	4,7%	4,3%	4,2%
Total	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

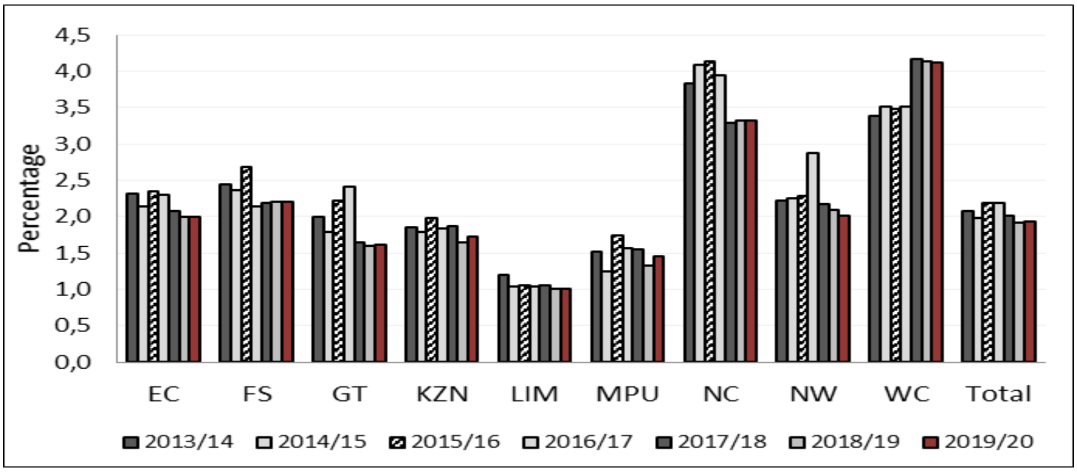
Percentage growth (average annual)	2015/16 – 2019/20	2019/20 – 2020/21	2019/20 – 2022/23
Administration	6,0%	3,6%	3,6%
District Health Services	8,7%	6,8%	6,6%
Emergency Medical	8,6%	4,2%	5,2%
Provincial Hospital	5,7%	8,3%	6,1%
Central Hospital	10,9%	4,4%	5,5%
Health Sciences and	2,7%	16,9%	12,3%
Health Care Support	13,8%	8,3%	8,3%
Health Facilities	3,3%	8,6%	3,1%
Total	**8,1%**	**6,7%**	**6,2%**

Source: National Treasury provincial database

Administration

On average, expenditure on Administration remained above 2 per cent of total expenditure between 2015/16 and 2019/20 and is anticipated to remain at the same level over the MTEF. However, as Figure 4. shows, in the Northern Cape and the Western Cape Administration's percentage was notably higher than the national average. In all the other provinces, this percentage remained below 2.5 per cent.

Figure 4.6: Administration expenditure as a percentage of provinces' total health expenditure, 2013/14 - 2019/20



Source: National Treasury provincial database

The main reason why the Northern Cape and the Western Cape had the highest percentage expenditure on Administration was because of the large number of clerks and cleaners paid under this programme. In other provinces, these categories of personnel are spread across various programmes.

Primary health care

PHC growth was in line with the growing number of people on ARV treatment.

PHC is the country's fastest growing health programme, with annual increases averaging 7.5 per cent between 2015/16 and 2019/20. This growth was in line with the increased number of people on ARV treatment and a general shift towards primary care.

Table 4.12: Provincial expenditure on primary health care by subprogramme, 2015/16 – 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million	**Outcome**				**Preliminary Outcome**	**Medium-term estimates**		
District Management	3 578	3 775	3 797	4 137	4 412	4 363	4 608	4 825
Community Health	14 267	15 425	16 645	17 950	18 927	19 581	21 011	21 895
Community Health	7 953	8 726	9 363	10 223	10 926	11 972	12 750	13 404
Community-Based	2 960	3 015	3 590	3 941	4 153	5 033	5 067	5 244
Other Community	1 382	1 520	1 667	1 722	2 025	2 198	2 429	2 548
Nutrition	199	199	202	205	197	285	294	308
Primary Health Care	87	80	90	91	80	123	132	139
Community Health	1 902	1 882	2 245	2 310	2 516	3 596	2 983	3 222
Total	**32 327**	**34 623**	**37 599**	**40 580**	**43 236**	**47 151**	**49 275**	**51 584**
Rand per capita	305	372	438	504	546	579	610	611
PHC[1] as a percentage of	21,0%	20,8%	20,8%	20,8%	20,5%	21,0%	20,6%	20,5%

Percentage growth (average annual)	**2015/16 – 2018/19**	**2019/20 – 2020/21**	**2019/20 – 2022/23**
District Management	5,4%	-1,1%	3,0%
Community Health	7,3%	3,5%	5,0%
Community Health	8,3%	9,6%	7,1%
Community-Based	8,8%	21,2%	8,1%
Other Community	10,0%	8,6%	8,0%
Nutrition	-0,3%	44,3%	15,9%
Primary Health Care	-1,9%	53,2%	19,9%
Community Health	7,2%	42,9%	8,6%
Total	**7,5%**	**9,1%**	**6,1%**

1. Primary health care.

Source: National Treasury provincial database

A critical component of PHC that has gained considerable attention since 2015/16 is ward-based primary health care outreach teams (WBPHCOTs). These consist of community health workers (CHWs) led by nurses and linked to PHC facilities. The CHWs provide health promotion education; identify those in need of preventive, curative or rehabilitative services and health-related counselling; refer those in need to the relevant PHC facility; and deliver medication to some patients. Expenditure on the community-based services subprogramme grew by an annual average of 8.8 per cent between 2015/16 and 2019/20.

Table 4.13: Community health workers, 2019

Thousand	Headcount	Current stipend (Rands)	% Total headcount
Eastern Cape	4 129	3 000	8,2%
Free State	2 327	2 500	4,6%
Gauteng	6 837	2 500	13,6%
KwaZulu-Natal	10 080	1 936	20,1%
Limpopo	8 388	1 700	16,7%
Mpumalanga	6 120	1 500	12,2%
Northern Cape	1 978	2 500	3,9%
North West	6 568	2 500	13,1%
Western Cape	3 799	2 155	7,6%
Total/Average	**50 226**	**2 255**	**100%**

Source: District health information system

Since 2018/19, the budgets for community health services have been partly incorporated into the *HIV, TB, malaria and community outreach grant*. The aim has been to integrate community health care into the health services provision platform and to harmonise and standardise the work of the WBPHCOTs. Table 4.13 shows that, in 2019, there were 50 226 community health workers in the country, each receiving an average stipend of R2 255. The 2019 budget allocated R1 billion to increase this to a minimum wage of R3 500 per month.

Table 4.14 shows that, between 2015/16 and 2019/20, expenditure on the HIV/Aids programme increased from R13.9 billion to R22.1 billion. The increase partly reflected the introduction of the universal test and treat programme which replaced the CD4 count treatment threshold. Since 2016, all HIV-infected people have been eligible for treatment regardless of their CD4 count.

Table 4.14: Provincial expenditure on HIV and AIDS by province, 2015/16 – 2022/23

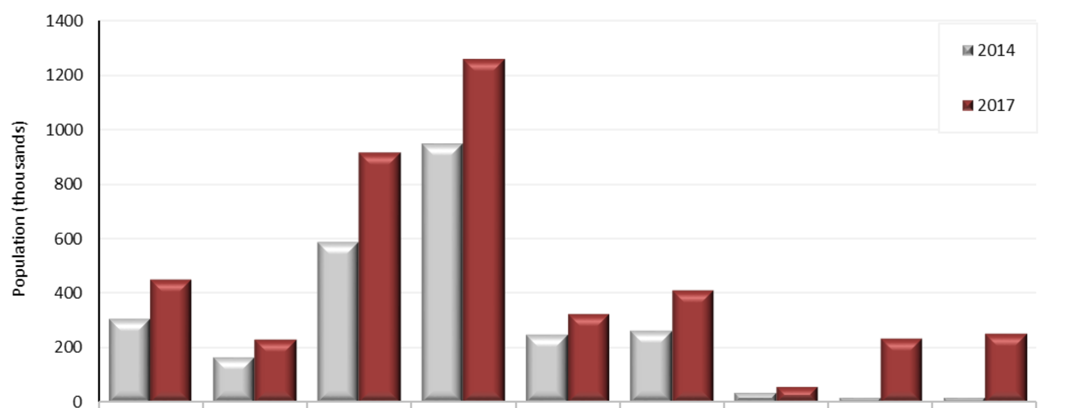
R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary Outcome	Medium-term estimates		
Eastern Cape	1 583	1 745	2 046	2 090	2 393	2 667	3 037	3 197
Free State	969	1 028	1 164	1 225	1 273	1 527	1 733	1 827
Gauteng	3 003	3 425	3 890	4 096	4 814	5 495	6 236	6 535
KwaZulu-Natal	3 814	4 499	5 019	5 716	5 942	6 454	7 345	7 734
Limpopo	1 066	1 170	1 354	1 574	1 974	2 179	2 455	2 585
Mpumalanga	936	1 120	1 421	1 889	2 015	2 340	2 643	2 782
Northern Cape	361	419	453	559	482	693	773	810
North West	1 014	1 151	1 291	1 360	1 502	1 641	1 848	1 946
Western Cape	1 209	1 388	1 528	1 608	1 755	1 959	2 217	2 334
Total	**13 955**	**15 945**	**18 166**	**20 116**	**22 149**	**24 956**	**28 288**	**29 749**

Percentage growth (average annual)	2015/16 - 2019/20	2019/20 - 2020/21	2019/20 - 2022/23
Eastern Cape	10,9%	11,5%	10,1%
Free State	7,1%	20,0%	12,8%
Gauteng	12,5%	14,1%	10,7%
KwaZulu-Natal	11,7%	8,6%	9,2%
Limpopo	16,7%	10,4%	9,4%
Mpumalanga	21,1%	16,1%	11,4%
Northern Cape	7,5%	43,9%	18,9%
North West	10,3%	9,3%	9,0%
Western Cape	9,8%	11,6%	10,0%
Total	**12,2%**	**12,7%**	**10,3%**

South Africa has the largest HIV/Aids treatment programme in the world.

South Africa has the largest HIV/Aids treatment programme in the world, with the number of people receiving ARVs increasing from 2.6 million in 2014 to 4.9 million in 2019. Figure 4.7 shows that KwaZulu-Natal and Gauteng had the largest numbers of people on ARVs. The increased treatment coverage is believed to have contributed to the increased national life expectancy from 57.1 years in 2009 to 64.8 years in 2018.

Figure 4.7: Number of people on ART, 2014 and 2020



	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape
2014	309153	168872	587570	949339	248500	263637	39158	19069	19 069
2017	451712	232980	917746	1260919	327114	411510	57460	234605	253 807

Source: National Treasury provincial database

Emergency medical services

Table 4.11 shows that expenditure on emergency medical services increased from R6 billion in 2015/16 to R8.3 billion in 2019/20. This was driven mainly by the increase in the petrol price and implementation of danger allowances for paramedics.

Hospital services

As table 4.15 shows, spending on hospital services increased from R90.4 billion in 2015/16 to R122 billion in 2019/20. The increased spending was driven mainly by the cost of personnel, medicines, medical supplies and laboratory services. Expenditure on district hospitals increased from R25.7 billion to R35 billion over the same period, mainly due to the size of wage agreements and the increased cost of medicines and medical supplies.

Table 4.15: Provincial expenditure on hospital services by sub-programme, 2015/16 – 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million	Outcome				Preliminary Outcome	Medium-term estimates		
District Hospitals	25 684	27 815	30 101	31 999	35 088	36 081	38 471	40 491
General (Regional) Hospita	21 804	21 601	23 665	25 936	27 410	29 351	30 933	32 085
Tuberculosis Hospitals	1 837	1 770	1 868	1 879	1 832	2 288	2 312	2 420
Psychiatric/Mental Hospita	4 351	4 608	4 842	5 292	5 678	6 063	6 651	6 976
Sub-acute, Step down and Chronic Medical Hospitals	528	558	576	615	664	717	761	802
Dental Training Hospitals	604	633	722	750	748	914	1 041	1 090
Other Specialised Hospitals	74	81	83	92	96	111	107	113
Central Hospitals	19 883	21 807	23 984	26 012	28 191	29 788	31 368	33 646
Provincial Tertiary Hospital	9 647	11 929	13 486	14 790	16 529	16 916	17 814	18 899
Subtotal hospitals	**84 412**	**90 802**	**99 328**	**107 364**	**116 235**	**122 229**	**129 458**	**136 522**
District Hospital Services	2 169	2 418	2 503	2 466	2 422	2 818	3 007	3 194
Provincial Hospital Services	3 033	2 582	2 364	2 455	2 708	2 003	2 160	2 260
Central Hospital Services	752	645	594	705	1 103	858	969	916
Subtotal facilities	**5 954**	**5 646**	**5 461**	**5 626**	**6 233**	**5 679**	**6 136**	**6 370**
Total	**90 366**	**96 448**	**104 789**	**112 990**	**122 468**	**127 908**	**135 593**	**142 892**

Source: National Treasury provincial database

TB remains the leading cause of death in the country, often underpinned by HIV.

TB, often underpinned by HIV, remains the leading cause of death in the country. As Table 4.8 shows, the number of deaths caused by TB fell from 41 904 in 2013 to 33 063 in 2015. However, at approximately R1.8 billion, annual expenditure on TB hospitals remained relatively static during the period. Expenditure on psychiatric/mental hospitals increased from R4.3 billion in 2015/16 to R5.6 billion in 2019/20 and is expected to reach R6 billion in 2021/22. It should be noted that the majority of TB and psychiatric services are not provided in specialised hospitals but in designated wards in general district, regional and tertiary hospitals. Expenditure on central hospital services, which is partly funded by the *national tertiary services grant*, increased from R19.8 billion in 2015/16 to R28.1 billion in 2019/20.

Health Sciences and Training

per cent over the MTEF.

Table 4.16 shows that expenditure on health sciences and training increased from R4.5 billion in 2015/16 to R5 billion in 2019/20 and is expected to grow by an annual average of 12.3 per cent over the MTEF.

Table 4.16: Provincial expenditure on health sciences and training by sub-programme, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary Outcome	Medium-term estimates		
Nurse Training Colleges	2 041	2 148	2 098	2 128	1 975	2 419	2 579	2 719
Emergency Medical Services Training Colleges	121	135	143	142	144	167	178	186
Bursaries	954	1 183	914	951	842	755	1 153	1 192
Primary Health Care Traini	87	80	90	91	80	123	132	139
Training Other	1 311	1 558	1 666	1 746	1 984	2 410	2 682	2 883
Total	**4 514**	**5 103**	**4 911**	**5 059**	**5 026**	**5 874**	**6 723**	**7 118**
Other related:								
Health professions training and	2 375	–	–	20	6 183	22	23	24

Percentage growth (average annual)	2015/16 - 2019/20	2019/20 - 2020/21	2019/20 - 2022/23
Nurse Training Colleges	-0,8%	22,5%	11,2%
Emergency Medical Services Training Colleges	4,5%	15,9%	9,0%
Bursaries	-3,1%	-10,3%	12,3%
Primary Health Care Training	-1,9%	53,2%	19,9%
Training Other	10,9%	21,5%	13,3%
Total	**2,7%**	**16,9%**	**12,3%**
Other related:		0,0%	0,0%
Health professions training and development grant	27,0%	-99,6%	-84,3%

Source: National Treasury provincial database

Expenditure on health sciences and training has been driven largely by changes in the exchange rate and in student uptake. This is because expenses related to students studying abroad are paid in foreign currency. However, in 2016 a directive from the DoH instructed provinces to stop recruiting for the Cuban programme[7]. Expenditure on nursing training colleges fell from R2 billion to R1.9 billion between 2015/16 and 2019/20 but is expected to grow by an annual average of 11.2 per cent over the MTEF.

Health Facilities Management

Table 4.17 shows that expenditure on health facilities management increased from R8.5 billion in 2015/16 to R9.6 billion in 2019/20 and is

[7] A programme devised to train medical students from disadvantaged backgrounds in Cuba to meet the needs of rural and under-served urban areas.

expected to increase by an annual average of 4.3 per cent over the MTEF. It is of concern that budget limitations are leading to cuts in much-needed capital investment in new facilities. Capital spending is being redirected to maintenance and upgrades/replacements, leaving little room for expansion.

Full operationalisation of new facilities has been a challenge for some provinces

Table 4.17: Provincial expenditure on health facilities management by sub-programme, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary Outcome	Medium-term estimates		
Community Health Facilities	1 902	1 882	2 245	2 310	2 516	3 596	2 983	3 222
Emergency Medical Rescue Services	24	25	12	9	33	53	31	37
District Hospital Services	2 169	2 418	2 503	2 466	2 422	2 818	3 007	3 194
Provincial Hospital Services	3 033	2 582	2 364	2 455	2 708	2 003	2 160	2 260
Central Hospital Services	752	645	594	705	1 103	858	969	916
Other Facilities	634	764	932	1 065	904	1 190	1 086	993
Total	**8 513**	**8 317**	**8 650**	**9 010**	**9 686**	**10 519**	**10 237**	**10 622**
Other related:								
Health Facility Revitalisation Component	5 113	1 267	1 455	1 704	21 915	1 981	2 902	3 068

Percentage growth (average annual)	2015/16 - 2019/20	2019/20 - 2020/21	2019/20 - 2022/23
Community Health Facilities	7,2%	8,9%	8,9%
Emergency Medical Rescue Services	8,5%	279,3%	53,7%
District Hospital Services	2,8%	-1,8%	6,8%
Provincial Hospital Services	-2,8%	10,3%	-4,2%
Central Hospital Services	10,1%	56,5%	11,2%
Other Facilities	9,3%	-15,1%	0,7%
Total	**3,3%**	**7,5%**	**4,3%**
Other related:	0,0%		
Health Facility Revitalisation Component	43,9%	1185,9%	19,4%

Source: National Treasury provincial database

Problems affecting health infrastructure include:

- In some provinces, slow progress in filling posts specifically for infrastructure.
- Delays in the procurement process and in project approval.
- Operationalisation of new facilities such as those at the Albert Nzula Hospital in Trompsburg, the Senorita Nhlabathi Hospital in Ladybrand, the De Aar and Upington hospitals, Dr Pixley ka Seme Hospital, Boitumelo Hospital and Brits Hospital.
- Provinces' poor completion of projects leading to delays in their transfer to the asset registers.

Budget and expenditure trends by economic classification

Compensation of employees

As Table 4.18 shows, compensation of employees increased by 7.9 per cent from 2015/16 to R131 billion in 2019/20, due mainly to above-inflation annual salary increases.

Table 4.18: Expenditure on compensation of employees by province, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary Outcome	Medium-term estimates		
Eastern Cape	12 562	13 454	14 559	15 981	17 136	18 348	19 352	20 371
Free State	5 539	5 815	6 263	6 679	7 413	7 961	8 431	8 882
Gauteng	20 648	23 290	25 085	26 902	29 204	33 265	36 444	38 175
KwaZulu-Natal	21 793	23 355	24 615	26 336	28 192	30 750	31 912	33 508
Limpopo	11 352	12 218	12 979	14 199	15 231	16 127	17 168	17 993
Mpumalanga	6 102	6 687	7 217	7 663	8 281	9 390	10 007	10 510
Northern Cape	2 151	2 322	2 572	2 864	3 065	3 375	3 598	3 771
North West	5 610	6 051	6 412	7 166	8 046	8 553	8 838	9 263
Western Cape	10 950	11 834	12 660	13 515	14 748	15 793	16 653	17 426
Total	**96 707**	**105 026**	**112 362**	**121 306**	**131 315**	**143 562**	**152 403**	**159 899**

Percentage growth (average annual)	2015/16 - 2019/20	2019/20 - 2020/21	2019/20 - 2022/23
Eastern Cape	8,1%	7,1%	5,9%
Free State	7,6%	7,4%	6,2%
Gauteng	9,1%	13,9%	9,3%
KwaZulu-Natal	6,6%	9,1%	5,9%
Limpopo	7,6%	5,9%	5,7%
Mpumalanga	7,9%	13,4%	8,3%
Northern Cape	9,3%	10,1%	7,1%
North West	9,4%	6,3%	4,8%
Western Cape	7,7%	7,1%	5,7%
Total	**7,9%**	**9,3%**	**7,9%**

Source: National Treasury provincial database

Table 4.19 shows that personnel numbers decreased by 8 293 between 2011/12 and 2019/20, partly because provinces filled only critical posts to contain expenditure. It should be noted that it is difficult to distinguish between critical and non-critical posts in the health system because a range of skill sets is required to provide a good service. For example, cleaners play a vital role in ensuring that facilities comply with good hygiene practices which reduce the risk of hospital-acquired infections.

Table 4.19: Health personnel numbers by province, 2011/12 – 2019/20

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Change 2011/12
Eastern Cape	41 230	39 615	38 531	39 471	40 123	39 137	40 461	41 105	41 565	335
Free State	18 821	18 970	19 061	18 291	17 744	17 109	17 256	17 594	20 605	1 784
Gauteng	64 878	61 205	62 784	62 688	65 079	67 655	66 309	64 095	64 546	-332
KwaZulu-Natal	78 716	82 616	72 653	71 867	72 192	69 255	67 962	66 497	65 043	-13 673
Limpopo	38 138	37 120	36 411	37 204	36 830	35 637	34 592	33 384	33 016	-5 122
Mpumalanga	18 573	18 357	19 845	19 447	20 209	20 146	20 379	20 896	20 896	2 323
Northern Cape	6 373	6 475	6 783	6 782	6 814	6 860	6 924	6 840	6 751	378
North West	17 637	18 280	19 391	18 956	17 982	17 393	17 703	17 934	20 343	2 706
Western Cape	30 495	31 144	31 548	31 884	32 018	31 667	32 152	32 973	33 803	3 308
Total	**314 861**	**313 782**	**307 007**	**306 590**	**308 991**	**304 859**	**303 738**	**301 318**	**306 568**	**-8 293**

Source: Vulindlela

Personnel numbers decreased by 8 293 between 2011/12 and 2019/20

In almost all provinces, filling clinical posts does not require approval by the provincial treasury and the Office of the Premier. There has recently been much public and media concern about delays in filling critical posts and, in a number of provinces, the lack of clear processes for addressing critical personnel shortfalls. The distribution of critical health personnel is shown in Table 4.4.

Goods and services

Table 4.20 shows that, between 2015/16 and 2019/20, expenditure on goods and services increased by an annual average of 9.9 per cent, with an expected annual average increase of 5.8 per cent over the MTEF. Between 2015/16 and 2019/20, this item accounted for approximately 29 per cent of total expenditure. In general, the departments protected non-negotiable items such as medicines, medical supplies and laboratory services, with expenditure on medicines increasing from R11.4 billion in 2015/16 to R17.7 billion in 2019/20. The increase was largely due to the roll-out of ARV, with the cost of medical supplies increasing at an annual average rate of 11.4 per cent from R6.7 billion to R10.3 billion.

Table 4.20: Provincial health expenditure on selected goods and services by item, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Average annual growth (nominal) 2015/16 - 2019/20	2019/20 - 2022/23
	Outcome				Preliminary Outcome	Medium-term estimates				
Bursaries: Employees	28	31	35	35	31	45	45	47	2,6%	15,1%
Consultants and professional services: Business and advisory	369	489	750	704	791	879	1 090	1 171	21,1%	13,9%
Infrastructure and planning	35	25	14	20	45	39	136	175	6,5%	57,0%
Laboratory services	4 839	4 986	6 514	7 451	8 681	8 835	10 181	10 851	15,7%	7,7%
Legal costs	705	1 010	528	352	474	201	217	244	-9,5%	-19,8%
Contractors	1 899	1 917	1 986	2 541	2 102	2 484	2 557	2 701	2,6%	8,7%
Agency and support / outsourced	3 187	3 141	3 294	3 160	3 115	3 113	3 163	3 345	-0,6%	2,4%
Inventory: Food and food supplies	734	780	897	933	986	1 142	1 327	1 361	7,7%	11,3%
Inventory: Fuel, oil and gas	474	557	446	525	656	637	698	722	8,5%	3,2%
Inventory: Materials and supplies	127	134	113	123	103	140	126	138	-5,1%	10,2%
Inventory: Medical supplies	6 752	7 110	8 066	9 433	10 399	10 349	10 579	11 631	11,4%	3,8%
Inventory: Medicine	11 388	13 394	15 552	16 583	17 699	19 104	21 454	22 636	11,7%	8,5%
Consumable supplies	1 655	1 817	1 418	1 544	1 554	1 795	1 952	2 029	-1,6%	9,3%
Operating leases	711	710	699	737	903	951	812	775	6,2%	-5,0%
Property payments	6 233	6 663	7 560	8 144	9 917	9 195	9 485	9 975	12,3%	0,2%
Transport provided: Departmental	121	103	124	96	99	95	108	113	-4,9%	4,6%
Travel and subsistence	574	549	527	545	650	718	665	668	3,1%	0,9%
Training and development	133	108	104	138	119	324	337	347	-2,8%	42,9%
Operating payments	147	131	133	177	166	215	256	268	3,2%	17,2%
Total	**40 111**	**43 655**	**48 758**	**53 241**	**58 490**	**60 259**	**65 188**	**69 198**	**9,9%**	**5,8%**

Source: National Treasury provincial database

Payments for capital assets

Expenditure on payments for capital assets increased from R7.7 billion in 2015/16 to R9.4 billion in 2019/20 and is expected to increase by 5.1 per cent over the MTEF.

Table 4.21: Provincial health expenditure on payments for payments for capital assets by province, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
Eastern Cape	1 280	1 278	1 236	1 287	1 445	1 587	1 412	1 198
Free State	621	714	654	686	694	796	792	793
Gauteng	1 481	1 582	1 476	1 572	2 303	2 683	2 691	2 684
KwaZulu-Natal	1 258	1 106	1 593	1 758	2 047	1 686	2 073	2 315
Limpopo	499	422	457	426	397	750	644	834
Mpumalanga	596	509	1 057	1 029	877	1 402	1 162	1 231
Northern Cape	583	395	468	360	196	287	301	316
North West	675	600	641	651	511	491	600	615
Western Cape	747	785	751	1 004	1 000	893	905	1 010
Total	**7 741**	**7 392**	**8 334**	**8 773**	**9 470**	**10 575**	**10 581**	**10 996**

Percentage growth (average annual)	2015/16 - 2019/20	2019/20 - 2020/21	2019/20 - 2022/23
Eastern Cape	3,1%	9,8%	-6,1%
Free State	2,8%	14,7%	4,5%
Gauteng	11,7%	16,5%	5,2%
KwaZulu-Natal	13,0%	-17,6%	4,2%
Limpopo	-5,6%	89,1%	28,1%
Mpumalanga	10,1%	59,9%	12,0%
Northern Cape	-23,9%	46,2%	17,2%
North West	-6,7%	-4,0%	6,4%
Western Cape	7,6%	-10,7%	0,3%
Total	**5,2%**	**11,7%**	**5,1%**

Source: National Treasury provincial database

In some provinces, facilities have been built or are under construction without having clearly defined operational budgets.

Health outcomes and service delivery

In recent years, health sector budgets have been under considerable financial strain. However, the data in Table 4.22 suggest this has not had a major impact on key health outcomes such as life expectancy which, across all provinces, increased from 57.1 years in 2009 to 64.8 years in 2018.

Table 4.22: Life expectancy, 2001/06 - 2016/21

	2001-2006		2006-2011		2011-2016		2016-2021	
Province	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
Eastern Cape	46,7	50,2	48,2	53,6	53,0	59,0	59,6	67,1
Free State	42	45,4	45,4	48,6	50,7	53,6	54,6	61,3
Gauteng	56,1	60,2	58,7	62,2	62,9	66,4	63,8	69,2
KwaZulu-Natal	45,7	50,2	49,2	53,8	54,4	59,4	57,1	63,7
Limpopo	51,5	58,6	55,1	59,8	58,3	62,5	61,8	67,4
Mpumalanga	49	52,5	51,5	55,5	56,9	60,1	60,4	66,2
North West	46,7	49	49,7	53,2	56,6	58,8	57,8	65,2
Northern Cape	50,4	56,1	51,8	56,9	52,9	57,5	59,1	59,1
Western Cape	57,9	63,8	61	65,7	63,7	67,9	65,7	65,7

Source: Statistics South Africa

The improvement in life expectancy is largely attributable to the significant increase in HIV/Aids expenditure discussed in the section of this document dealing with primary health care. The 2016/17 District Health Barometer (DHB) showed that the number of HIV/Aids related deaths, which peaked at 325 241 in 2006, had more than halved to 150 759 by 2016. According to the 2017/18 DHB, deaths associated with TB decreased from 69 918 in 2009 to 29 399 in 2016. Maternal mortality also improved across all provinces during the same period

The child-under-5-years diarrhoea case fatality rate measures diarrhoea deaths in children in this age group as a proportion of diarrhoea separations (admissions) in health facilities for the age group. The 2017/18 DHB showed that, between 2010/11 and 2017/18, this fatality rate fell from 7 per cent to 2 per cent. For the same age group over the same period, the number of in-facility deaths from acute malnutrition fell from 1 605 to 831.

Medium-term outlook

National Health Insurance (NHI)

The NHI fund will purchase personal healthcare services on behalf of all South Africans. This will be realised through the establishment of a fully functional administrative structure which will include a governance function. The fund will be the strategic purchaser of accreditation and risk mitigation systems, health technology assessments and systems for monitoring and evaluation. Additional resources will be mobilised to generate revenue for the NHI fund through the introduction of mandatory prepayment[8] in the latter phases of implementation.

Primary health care

The role of CHWs is critical for improving the country's district health system and PHC. They are not intended to replace mainstream health professionals but to complement them and to reduce human resources pressures. The validity of this approach is supported by the observed decline in the number of PHC visits. This suggests that the outreach service is having an impact, with people not having to travel long distances to collect their medicines. The roll out of the Centralised Chronic Medicines Dispensing and Distribution (CCMDD) system is also helping to reduce congestion in hospitals. In the sectoral bargaining chamber, the Minister of Health agreed

[8] Mandatory prepayment means compulsory payment for health services before they are needed in accordance with income levels. National Health Insurance Bill (2019).

to a minimum wage of R3 500 for CHWs and a component for community-based care has been included in the HIV grant.

The Presidential Health Compact (2018) and the Joint Health Action Plan

In October 2018, a Presidential Health Summit was convened to diagnose and propose solutions to the continuing problems that hamper progress towards a unified, people-centred and responsive health system that leaves no one behind. The summit led to the development of the Presidential Health Compact, an agreement consented to by government and by key stakeholders whose work affects the health system. The compact consists of nine thematic pillars including the need to augment human resources for health; ensure improved access to medicines, vaccines and other medical products; improve the efficiency of public sector financial management systems and processes; and strengthen governance and leadership within the sector.

On the issue of strengthening financial management and improving efficiencies, priorities emphasised by the compact include addressing wastage and corruption in the sector; dealing with the high level of unpaid invoices; distributing budgetary resources equitably across national, provincial and district levels; improving revenue management; and the need for strengthening collaboration between the National Treasury, the DoH and provincial treasuries. Subsequently, the health sector together with 'Team Finance" (National Treasury and the provincial treasuries) initiated the Joint Health Action Plan to assist the sector to devise accrual intervention strategies; better align procurement plans with approved budgets and cash flow projections; and address procurement, supply chain, medico-legal and infrastructure issues. The plan is expected to be fully implemented from 2020/21.

Conclusion

The health sector has been under considerable strain in recent years due to a range of external and internal factors including population growth, migration patterns, a weak economic environment, tight fiscal constraints and poor governance and financial management. The sector has nevertheless performed well in reducing child mortality and improving life expectancy; and, despite the growth in population, real *per capita* expenditure in the sector has also improved.

Emerging structural issues that need to be addressed include the declining number of clinicians and medical specialists and the increasing number of medico-legal cases. These issues are highly interdependent, with the decline in the number of clinicians and medical specialists contributing to the marked escalation in medico-legal cases.[9]

The move towards NHI is intended to eliminate the large disparities in access to health care services in the public and private sectors and address legacy challenges.

[9] South African Law Reform Commission, (2017). Issue Paper 33. Project 141 Medico-Legal Claims

5

Social development

Introduction

Social development is a major priority of the South African government and contributes to Outcome 13 of the NDP (an inclusive and responsive social protection system). During the period under review, government has increased efforts to achieve this outcome and improve the social welfare of all South Africans.

Economic development is not simply about the pursuit of faster growth but is also about creating a more equitable future. Economic growth has been slower and more inequitable than anticipated for the period under review and it is evident that the country needs more inclusive growth that recognises the interrelatedness of economic and social development.

South Africa needs more inclusive growth that recognises the interrelatedness of economic and social development

South Africa's population increased from R54.9 million in 2015 to 57.5 million in 2018, outstripping the sluggish growth in GDP. This has resulted in a decrease in *per capita* income, thus increasing poverty inequality.

The provincial level is instrumental in achieving government's outcomes

By investing in key social sectors and effective redistributive mechanisms, government aims to improve the lives of the country's people, and particularly those of the poor and marginalised, as measured across a range of human development indicators. Provincial social development expenditure can be highly instrumental in achieving these aims, especially those related to social protection.

This chapter reviews the social development landscape and describes budget and expenditure trends and service delivery achievements for the period 2015/16 to 2022/23.

Current landscape

Policy background

The Department of Social Development (DSD) is responsible for developing legislation, policies, norms and standards and for monitoring implementation of policy and service delivery at provincial level. Provincial departments are responsible for implementation. In response to the demand for social welfare services, provincial social development projects a budget of R76 billion over 2020 MTEF for the sector.

The review of the White Paper for Social Welfare has been concluded and is expected to be submitted to Cabinet for consideration by the end of 2020/21

Legislative progress related to the social development sector has been made. The review of the White Paper for Social Welfare has been concluded and is expected to be submitted to Cabinet for consideration by the end of 2020/21. Once approved, there will be clarity on the minimum services for social development services to be provided by the state and norms and standards will be aligned with the requirements of the White Paper.

The DSD is developing a sector funding policy and guidelines which will streamline the process to be followed by government in funding non-profit organisations (NPOs).

Socio-economic climate

Critical to government's fiscal policy is to improve the lives of the poor. The 'social wage' has been used as a redistributive mechanism within the national budget to achieve this. Additional mechanisms include free primary health care, no-fee-paying schools, old age and child support grants, housing and free basic services to poor households. These policies and interventions have resulted in notable gains in poverty reduction since 1994. However, the country continues to face high levels of poverty, widespread unemployment, growing inequality and large disparities between low and high income groups.

Table 5.1 Selected demographic indicators by province

Province	Total population (thousand)	Percentage of children (aged 0-19 years)	Percentage of youth (age 15-34 years)	Percentage of older persons (=> age 60 years)	Percentage of disabled persons (=> age 5 years)
Eastern Cape	6 734 001	41,9%	31,2%	11,4%	5,0%
Free State	2 928 903	37,0%	33,9%	9,9%	5,3%
Gauteng	15 488 137	30,4%	37,3%	8,5%	3,0%
KwaZulu-Natal	11 531 628	40,8%	35,2%	8,1%	4,0%
Limpopo	5 852 553	42,9%	32,8%	8,9%	3,4%
Mpumalanga	4 679 786	37,9%	35,5%	7,9%	6,5%
Northern Cape	1 292 786	37,2%	33,0%	10,2%	6,4%
North West	4 108 816	37,2%	33,1%	9,0%	6,4%
Western Cape	7 005 741	31,6%	33,8%	10,3%	3.,%
Total	**59 622 350**	**36,6%**	**34,7%**	**9,1%**	**4,4%**

Source: Mid-year population estimates 2020

The information in Table 5.1 helps with understanding the demand for social development services. Gauteng and KwaZulu-Natal have the largest populations and the Northern Cape and Free State the smallest. More than 40 per cent of the residents of Limpopo, KwaZulu-Natal and the Eastern Cape are aged 19 or below. At 37.3 per cent of the province’s total, young people aged 15 to 34 are Gauteng’s largest population group.

More than 40 per cent of the residents of Limpopo, Eastern Cape and KwaZulu-Natal are aged 19 or below.

At 11.4 per cent, 10.3 per cent and 10.2 per cent respectively of their overall populations, the Eastern Cape, Western Cape and Northern Cape have the highest percentages of older persons while Mpumalanga has the lowest at 7.9 per cent. With the ever-growing population and increased demand for social services, capacity in provincial departments of social development is highly constrained and it is a challenge to meet the increasing demand.

The Quarterly Labour Force Survey for the first quarter of 2020, published by Statistics South Africa (Stats SA), indicated that the country’s unemployment rate in that quarter was 30.1 per cent. The rates were highest in the Eastern Cape, Free State, and Mpumalanga, at 40.5 per cent, 38.4 per cent and 33.3 per cent respectively and lowest in Limpopo and the Western Cape, at 23.6 per cent and 20.9 per cent respectively.

Economic growth for the period under review was below expected levels and remains far below what is needed to reduce the unemployment rate significantly. Growing unemployment leads to increased demand for social welfare services such as income support and maintenance and services for children and young people.

There was a significant increase in the appointment of social workers and related professionals, mainly between

Table 5.2 shows the numbers of permanent employees in critical social service-related occupations per province for the years 2015/16 to 2019/20. Following the introduction of the social work graduates' conditional grant in 2017/18, which provides for the employment of social workers, the number of social workers and related professionals employed increased. The increase was also due to departments prioritising critical posts.

Table 5.2 Employment in critical occupations, 2015/16 - 2019/20

Headcount	2015/16	2016/17	2017/18	2018/19	2019/20
Eastern Cape					
Social work and related professionals, Permanent	1 884	1 869	2 042	2030	2008
Social sciences supplementary workers, Permanent	190	192	186	180	181
Auxiliary and related workers, Permanent	267	263	253	251	262
Community development workers, Permanent	754	755	609	591	578
Free State					
Social work and related professionals, Permanent	432	415	422	443	433
Social sciences supplementary workers, Permanent	89	84	83	79	79
Auxiliary and related workers, Permanent	138	128	126	118	115
Community development workers, Permanent	100	98	93	88	92
Gauteng					
Social work and related professionals, Permanent	1 739	1 715	1 685	1952	2131
Social sciences supplementary workers, Permanent	244	236	227	203	194
Auxiliary and related workers, Permanent	599	589	580	522	506
Community development workers, Permanent	38	36	35	51	50
KwaZulu-Natal					
Social work and related professionals, Permanent	1 808	1 762	1 939	1886	1838
Social sciences supplementary workers, Permanent	99	99	23	2	2
Auxiliary and related workers, Permanent	209	205	232	306	292
Community development workers, Permanent	214	231	227	241	234
Limpopo					
Social work and related professionals, Permanent	1 514	1 476	1 663	1645	1633
Social sciences supplementary workers, Permanent	172	169	165	165	165
Auxiliary and related workers, Permanent	383	393	389	235	144
Community development workers, Permanent	362	355	344	337	333
Mpumalanga					
Social work and related professionals, Permanent	536	523	557	548	541
Social sciences supplementary workers, Permanent	462	453	446	440	431
Auxiliary and related workers, Permanent	-	-	-	-	-
Community development workers, Permanent	205	197	195	193	190
North West					
Social work and related professionals, Permanent	730	824	857	857	837
Social sciences supplementary workers, Permanent	85	26	26	26	25
Auxiliary and related workers, Permanent	370	379	383	384	381
Community development workers, Permanent	252	263	268	262	258
Northern Cape					
Social work and related professionals, Permanent	276	262	267	297	278
Social sciences supplementary workers, Permanent	124	123	120	130	120
Auxiliary and related workers, Permanent	94	95	87	121	174
Community development workers, Permanent	89	85	84	89	88
Western Cape					
Social work and related professionals, Permanent	817	841	867	889	932
Social sciences supplementary workers, Permanent	138	135	130	122	125
Auxiliary and related workers, Permanent	414	429	433	453	596
Community development workers, Permanent	33	30	29	29	26
Total					
Social work and related professionals, Permanent	9 736	9 687	10 299	10 547	10 631
Social sciences supplementary workers, Permanent	1 603	1 517	1 406	1 347	1 322
Auxiliary and related workers, Permanent	2 474	2 481	2 483	2 390	2 470
Community development workers, Permanent	2 047	2 050	1 884	1 881	1 849

Source: Vulindela human resource reports

Budgets and expenditure trends

Provincial departments of social development are funded through the provincial equitable share and conditional grants. Provincial budgets and expenditure have grown significantly during the period under review with the growth, mainly under the equitable share, reflecting government's commitment to strengthening the delivery of social welfare services. Table 5.3 shows social development budgets and expenditure per province between 2015/16 and 2022/23.

Table 5.3: Provincial budget and expenditure on social development by province, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
Eastern Cape	2 254	2 360	2 516	2 721	2 967	3 228	3 370	3 519
Free State	1 003	1 091	1 142	1 247	1 367	1 473	1 502	1 573
Gauteng	3 942	4 252	4 482	4 242	5 042	5 776	6 196	6 475
KwaZulu-Natal	2 610	2 754	2 916	3 297	3 542	3 836	3 965	4 175
Limpopo	1 585	1 662	1 817	2 035	2 182	2 360	2 474	2 625
Mpumalanga	1 271	1 370	1 474	1 524	1 628	1 838	1 962	2 071
Northern Cape	714	730	839	859	911	1 012	1 056	1 107
North West	1 289	1 361	1 472	1 636	1 685	1 878	1 992	2 112
Western Cape	1 892	1 960	2 104	2 231	2 432	2 673	2 828	2 965
Total	**16 560**	**17 539**	**18 763**	**19 794**	**21 755**	**24 076**	**25 346**	**26 621**

Percentage growth (average annual)	2015/16 – 2019/20	2019/20 – 2020/21	2019/20 – 2022/23
Eastern Cape	7,1%	8,8%	5,9%
Free State	8,0%	7,8%	4,8%
Gauteng	6,3%	14,6%	8,7%
KwaZulu-Natal	7,9%	8,3%	5,6%
Limpopo	8,3%	8,2%	6,3%
Mpumalanga	6,4%	13,0%	8,4%
Northern Cape	6,3%	11,1%	6,7%
North West	6,9%	11,5%	7,8%
Western Cape	6,5%	9,9%	6,8%
Total	**7,1%**	**10,7%**	**7,0%**

Source: National Treasury provincial database

Between 2015/16 and 2019/20, expenditure on social welfare increased at an average annual rate of 7.1 per cent. Over the medium term, it is projected to increase by an average annual rate of 7 per cent. The increases in some provinces were mainly under compensation of employees because of the increased number of social workers and the construction of substance abuse treatment centres in the Northern Cape, Free State, the Eastern Cape and North West.

Table 5.4 Proportion of social development expenditure to total provincial expenditure by province, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
Eastern Cape	3,5%	3,4%	3,4%	3,4%	3,6%	3,8%	3,8%	3,8%
Free State	3,4%	3,5%	3,5%	3,6%	3,6%	3,7%	3,6%	3,6%
Gauteng	4,1%	4,1%	4,0%	3,6%	3,9%	4,1%	4,0%	4,0%
KwaZulu-Natal	2,5%	2,5%	2,5%	2,7%	2,7%	2,8%	2,8%	2,8%
Limpopo	3,0%	2,9%	2,9%	3,1%	3,1%	3,2%	3,2%	3,3%
Mpumalanga	3,2%	3,3%	3,3%	3,2%	3,2%	3,4%	3,5%	3,5%
Northern Cape	4,9%	4,8%	5,1%	4,9%	5,0%	5,3%	5,3%	5,3%
North West	3,8%	3,8%	3,8%	4,0%	3,9%	4,0%	4,1%	4,1%
Western Cape	3,7%	3,5%	3,5%	3,5%	3,6%	3,7%	3,8%	3,8%
Total	**3,4%**	**3,4%**	**3,4%**	**3,4%**	**3,4%**	**3,6%**	**3,6%**	**3,6%**

Source: National Treasury provincial database

Table 5.4 shows social development expenditure as a proportion of provincial totals between 2015/16 and 2022/23. At an annual average of 3.4 per cent, the proportion of social development expenditure and allocations in relation to total provincial allocations was consistent between 2015/16 and 2018/19. However, the allocated proportion varies per province due to discretion and each provincial government's priorities.

There is considerable variation in the average growth rates of provincial social development expenditure, from 2.7 per cent in KwaZulu-Natal to 5 per cent in the Northern Cape which consistently shows the highest proportion of social development expenditure to total provincial expenditure. The Northern Cape increase was mainly due to the introduction of the new conditional grants, particularly the *substance abuse treatment grant*, the *early childhood development grant* (ECDG) and other allocations from the DSD for specific purposes such addressing gender-based violence, food relief programmes and the appointment of social workers.

Table 5.5 shows that the allocated proportion is lower in KwaZulu-Natal. However, in absolute terms the province's expenditure is second only to Gauteng's, while the Northern Cape's is the lowest. This is consistent with the sizes of the provinces' populations. Table 5.5 also shows that provincial social development adjusted appropriation increased from R16.8 billion in 2015/16 to R22.4 billion in 2019/20 and that spending in that period increased from R16.5 billion to R21.8 billion.

Table 5.5: Provincial expenditure on social development by province, 2015/16 – 2019/20

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2015/16	2016/17	2017/18	2018/19	2019/20 Preliminary Outcome
	Adjusted budget					Outcome				
Eastern Cape	2 262	2 404	2 642	2 858	3 044	2 254	2 516	2 721	2 967	2 967
Free State	1 018	1 137	1 197	1 316	1 412	1 003	1 142	1 247	1 367	1 367
Gauteng	3 997	4 272	4 586	4 661	5 443	3 942	4 482	4 242	5 042	5 042
KwaZulu-Natal	2 713	2 782	2 986	3 311	3 576	2 610	2 916	3 297	3 542	3 542
Limpopo	1 609	1 680	1 829	2 065	2 182	1 585	1 817	2 035	2 182	2 182
Mpumalanga	1 295	1 436	1 484	1 538	1 647	1 271	1 474	1 524	1 628	1 628
Northern Cape	720	776	870	868	925	714	839	859	911	911
North West	1 316	1 393	1 525	1 638	1 722	1 289	1 472	1 636	1 685	1 685
Western Cape	1 899	1 964	2 111	2 247	2 461	1 892	2 104	2 231	2 432	2 432
Total	**16 829**	**17 843**	**19 231**	**20 503**	**22 412**	**16 560**	**18 763**	**19 794**	**21 755**	**21 755**

	2015/16	2016/17	2017/18	2018/19	2019/20	Total under exp	Total (-)over exp	Total under spending as %
	(-)Over/under spending							
Eastern Cape	8	-113	-79	-109	77	85	-300	0,6%
Free State	15	-5	-50	-50	46	61	-105	1,0%
Gauteng	55	-210	344	-381	401	800	-591	3,5%
KwaZulu-Natal	103	-134	-311	-231	33	136	-675	0,9%
Limpopo	23	-137	-206	-117	0	23	-461	0,2%
Mpumalanga	24	-38	-39	-89	19	43	-167	0,6%
Northern Cape	6	-64	11	-43	14	31	-106	0,7%
North West	27	-80	-111	-47	37	65	-238	0,8%
Western Cape	7	-140	-121	-185	30	37	-446	0,3%
Total	**268**	**-920**	**-563**	**-1 252**	**658**	**1 281**	**-3 089**	**1,3%**

Source: National Treasury provincial database

Budget and expenditure trends by programme

Table 5.6 shows actual and projected provincial expenditure on social development by programme between 2015/16 and 2022/23.

Table 5.6: Provincial expenditure on social development by programme, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20 Preliminary outcome	2020/21	2021/22	2022/23
	Outcome					Medium-term estimates		
Administration	2 646	2 713	2 851	3 151	3 405	3 661	3 851	4 050
Social welfare	3 845	4 092	4 364	4 745	5 091	5 459	5 609	5 870
Children and	6 197	6 672	7 214	7 429	8 141	9 271	9 894	10 439
Restorative Services	2 195	2 252	2 470	2 633	3 050	3 355	3 614	3 780
Development and	1 677	1 810	1 864	1 836	2 068	2 331	2 377	2 483
Total	**16 560**	**17 539**	**18 763**	**19 794**	**21 755**	**24 076**	**25 346**	**26 621**
Percentage of total								
Administration	16,0%	15,5%	15,2%	15,9%	15,7%	15,2%	15,2%	15,2%
Social welfare	23,2%	23,3%	23,3%	24,0%	23,4%	22,7%	22,1%	22,0%
Children and	37,4%	38,0%	38,4%	37,5%	37,4%	38,5%	39,0%	39,2%
Restorative Services	13,3%	12,8%	13,2%	13,3%	14,0%	13,9%	14,3%	14,2%
Development and	10,1%	10,3%	9,9%	9,3%	9,5%	9,7%	9,4%	9,3%
Total	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

Percentage growth (average annual)	2015/16 – 2019/20	2019/20 – 2021/22	2019/20 – 2022/23
Administration	6,5%	7,5%	6,0%
Social welfare	7,3%	7,2%	4,9%
Children and	7,1%	13,9%	8,6%
Restorative Services	8,6%	10,0%	7,4%
Development and	5,4%	12,7%	6,3%
Total	**7,1%**	**10,7%**	**7,0%**

Source: National Treasury provincial database

The provincial departments of social development render services through the following programmes: administration, social welfare services, children and families, restorative services and development and research.

Table 5.7 shows that, between 2015/16 and 2019/20, two core programmes - social welfare services and children and families – received the largest proportions of the departments' allocation at average annual percentages of 23.5 per cent and 37.9 per cent respectively. To ensure the sustainability of the services delivered by these core programmes, these percentage shares are sustained over the MTEF with a slight increase in the allocation to children and families.

The large share of funds allocated to Programme 3: Children and Families focuses on Early Childhood Development (ECD), with the ECD and Partial Care sub-programme having received significant additional allocations in recent years. The ECD grant, which contributes to the higher percentage share, provides ECD services to poor children by improving the health and safety of the conditions in which early learning takes place. The 2020 MTEF allocation for the ECD grant is R3.1 billion.

Spending on Programme 4: Restorative Services increased by 8.6 per cent between 2015/16 and 2019/20, remaining at an average percentage of 13.3 per cent of the total over the period. This is ascribed to the construction and operationalisation of substance abuse treatment facilities in the Eastern Cape, Free State, North West and the Northern Cape with completion and full operationalisation of the Free State centre scheduled for 2020.

Between 2015/19 and 2019/20, the allocation to Programme 5: Development and Research declined slightly from 10.1 per cent to 9.2 per cent of the total. As a result of increased focus on and allocations to other programmes, this decline is expected to continue during the MTEF.

Table 5.7: Percentages of provincial expenditure on social development by programme and by province, 2015/16 – 2022/23

	Administration		Social welfare services		Children and Families		Restorative Services		Development and research	
Province	**2015/16 - 2019/20**	**2019/20 - 2022/23**	**2015/16 - 2019/20**	**2019/20 - 2022/23**	**2015/16 - 2019/20**	**2019/20 - 2022/23**	**2015/16 - 2019/20**	**2019/20 - 2022/23**	**2015/16 - 2019/20**	**2019/20 - 2022/23**
Eastern Cape	17,8%	17,2%	26,8%	26,5%	28,5%	31,7%	15,3%	15,2%	11,7%	9,4%
Free State	23,1%	20,8%	17,4%	17,1%	36,7%	38,2%	10,9%	13,4%	11,9%	10,6%
Gauteng	13,1%	13,0%	17,6%	16,5%	47,1%	44,4%	11,0%	13,8%	11,2%	12,2%
Kwa-Zulu Natal	17,0%	15,4%	24,6%	21,0%	41,5%	45,6%	10,2%	10,7%	6,6%	7,2%
Limpopo	16,7%	16,6%	18,5%	18,7%	43,9%	43,4%	10,6%	11,5%	10,4%	9,8%
Mpumalanga	19,3%	23,7%	17,9%	16,8%	37,1%	37,0%	13,7%	12,4%	12,0%	10,1%
Northern Cape	16,4%	16,9%	14,5%	13,9%	31,9%	32,3%	20,2%	20,9%	17,0%	16,0%
North-West	14,0%	11,9%	31,6%	32,8%	26,6%	29,0%	16,5%	16,1%	11,3%	10,2%
Western Cape	9,6%	9,7%	39,3%	39,1%	31,1%	30,7%	17,1%	18,1%	2,9%	2,4%
Total	**15,6%**	**15,3%**	**23,5%**	**22,5%**	**37,9%**	**38,6%**	**13,1%**	**14,1%**	**9,9%**	**9,5%**

Source: National Treasury provincial database

It is projected that, as a proportion of provinces' total expenditure, administration will remain at an average of 15.3 per cent over the MTEF, with most provinces marginally reducing the share of expenditure that they allocate to administration over the period.

Expenditure on the children and families programme is expected to increase between 2019/20 and 2022/23. This is explained by the additional allocation to the ECD grant as indicated above and by the focus on children and families as a priority.

Budget and expenditure trends by economic classification

Table 5.8 shows provincial expenditure on social development by economic classification between 2015/16 and 2022/23.

Table 5.8: Provincial expenditure on social development by economic classification, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
Current payments	9 517	10 212	11 656	12 442	13 616	15 204	16 018	16 815
of which:								
Compensation of	*7 283*	*7 822*	*8 486*	*9 295*	*10 096*	*11 360*	*12 042*	*12 659*
Other current payments	*2 234*	*2 391*	*3 170*	*3 147*	*3 520*	*3 844*	*3 976*	*4 156*
Transfers and subsidies	6 299	6 574	6 329	6 611	7 335	8 117	8 551	9 020
of which:								
Non-profit institutions	*6 162*	*6 429*	*6 219*	*6 516*	*7 229*	*7 974*	*8 411*	*8 874*
Payments for capital assets	726	718	763	737	798	754	777	786
Payments for financial assets	18	35	15	4	6	–	–	–
Total	**16 560**	**17 539**	**18 763**	**19 794**	**21 755**	**24 076**	**25 346**	**26 621**
Percentage of total								
Current payments	57,5%	58,2%	62,1%	62,9%	62,6%	63,2%	63,2%	63,2%
of which:								
Compensation of	*44,0%*	*44,6%*	*45,2%*	*47,0%*	*46,4%*	*47,2%*	*47,5%*	*47,6%*
Other current payments	*13,5%*	*13,6%*	*16,9%*	*15,9%*	*16,2%*	*16,0%*	*15,7%*	*15,6%*
Transfers and subsidies	38,0%	37,5%	33,7%	33,4%	33,7%	33,7%	33,7%	33,9%
of which:								
Non-profit institutions	*37,2%*	*36,7%*	*33,1%*	*32,9%*	*33,2%*	*33,1%*	*33,2%*	*33,3%*
Payments for capital assets	4,4%	4,1%	4,1%	3,7%	3,7%	3,1%	3,1%	3,0%
Payments for financial assets	0,1%	0,2%	0,1%	0,0%	0,0%	0,0%	0,0%	0,0%
Total	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**
Percentage growth (average annual)		**2015/16 – 2019/20**			**2019/20 – 2020/21**		**2019/20 – 2022/23**	
Current payments		9,4%			11,7%		7,3%	
of which:								
Compensation of		8,5%			*12,5%*		*7,8%*	
Other current payments		12,0%			*9,2%*		*5,7%*	
Transfers and subsidies		3,9%			10,7%		7,1%	
of which:								
Non-profit institutions		4,1%			*10,3%*		*7,1%*	
Payments for capital assets		2,4%			-5,5%		-0,5%	
Payments for financial assets		-22,6%			-100,0%		-100,0%	
Total		**7,1%**			**10,7%**		**7,0%**	

Source: National Treasury provincial database

The largest spending items for provincial departments of social development are compensation of employees and transfers and subsidies to non-profit organisation (NPOs), at 46.4 per cent and 33.2 per cent respectively in 2019/20.

Spending on current payments increased by 9.4 per cent between 2015/16 and 2019/20, with compensation of employees being the main contributor. During this period, compensation of employees increased from R7.3 billion to R10.1 billion, an average annual increase of 8.5 per cent. This was primarily driven by the appointment of social workers, referred to above; the social work graduates from the scholarship programme; and above-inflation annual wage adjustments. The increased compensation of employees' budget was insufficient for the number of social work graduates that needed to be absorbed. The DSD therefore amended the contracts with the students to allow them to be employed by NPOs, other government departments and provincial departments of social development.

The increased compensation of employees' budget was insufficient for the number of social work graduates that needed to be absorbed

To address the number of unemployed social work graduates, in 2017/18 the DSD introduced the *social worker employment grant,* a conditional grant to the value of R591.3 million over the 2017 MTEF. This reduced the backlog of 3 187 by 582. The grant allocation for 2018/19 of R196.7 million aimed to sustain the appointments made in 2017/18. The grant was phased into the equitable share over the MTEF.

Over the same period, transfers and subsidies to NPOs grew by 4.1 per cent and are expected to grow at an average annual rate of 7.1 per cent between 2019/20 and 2022/23. The growth in the outer years of the MTEF is intended to offset the impact of inflation on current funding.

Budget, expenditure and service delivery trends for social welfare services

Table 5.9: Provincial expenditure on social welfare services by sub-programme, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
Management and Support	1 252	1 141	1 217	1 375	1 408	1 512	1 547	1 643
Services to Older Persons	1 130	1 221	1 308	1 386	1 482	1 557	1 636	1 711
Services to Persons with Disabilities	627	738	794	864	963	1 038	1 095	1 142
HIV and AIDS	777	898	955	986	1 099	1 168	1 127	1 169
Social Relief	58	94	91	134	140	184	205	204
Total	**3 845**	**4 092**	**4 364**	**4 745**	**5 091**	**5 459**	**5 609**	**5 870**
Percentage of total								
Management and Support	32,6%	27,9%	27,9%	29,0%	27,7%	27,7%	27,6%	28,0%
Services to Older Persons	29,4%	29,8%	30,0%	29,2%	29,1%	28,5%	29,2%	29,2%
Services to Persons with Disabilities	16,3%	18,0%	18,2%	18,2%	18,9%	19,0%	19,5%	19,5%
HIV and AIDS	20,2%	21,9%	21,9%	20,8%	21,6%	21,4%	20,1%	19,9%
Social Relief	1,5%	2,3%	2,1%	2,8%	2,7%	3,4%	3,6%	3,5%
Total	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**
Percentage growth (average annual)	**2015/16 – 2019/20**				**2019/20 – 2020/21**	**2019/20 – 2022/23**		
Management and Support	3,0%				7,4%	5,3%		
Services to Older Persons	7,0%				5,1%	4,9%		
Services to Persons with Disabilities	11,3%				7,8%	5,9%		
HIV and AIDS	9,1%				6,3%	2,1%		
Social Relief	24,4%				31,6%	13,5%		
Total	**7,3%**				**7,2%**	**4,9%**		

Source: National Treasury provincial database

Table 5.9 shows that, between 2015/16 and 2019/20, the management and support sub-programme accounted for the greatest share of the budget allocation to the social welfare services programme. This was due to personnel spending from the old social welfare services programme which was not correctly allocated to social service professional salaries across the sub-programmes and according to area of work. By 2022/23, the allocated proportion is projected to have declined to 22 per cent as a result of the reallocation of the personnel budget to the correct sub-programmes.

Spending on services to older persons increased between 2015/16 and 2019/20 by an average annual rate of 7 per cent and is projected to increase by an annual average rate of 4.9 per cent over the MTEF. This is in keeping with the objectives of the Older Persons Act (2006) which are to maintain and promote the status, well-being, safety and security of older persons with a shift from an emphasis on institutional care to community based care, with older people remaining in their homes. However, there will always be a need for residential care.

Children and families

Table 5.10: Provincial expenditure on children and families by sub-programme, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
Management and	348	348	288	308	329	296	329	349
Care and Services to	366	366	451	435	474	555	590	620
Child Care and	1 616	1 616	1 694	1 708	2 086	2 181	2 349	2 578
ECD and Partial Care	2 154	2 154	2 413	2 736	2 957	3 172	3 334	3 453
Child and Youth	1 014	1 014	1 118	1 351	1 265	1 480	1 621	1 879
Community-Based	700	700	713	701	326	767	789	798
Total	**6 197**	**6 197**	**6 677**	**7 239**	**7 437**	**8 452**	**9 013**	**9 677**
Percentage of total								
Management and	5,6%	5,6%	4,3%	4,3%	4,4%	3,5%	3,7%	3,6%
Care and Services to	5,9%	5,9%	6,8%	6,0%	6,4%	6,6%	6,6%	6,4%
Child Care and	26,1%	26,1%	25,4%	23,6%	28,0%	25,8%	26,1%	26,6%
ECD and Partial Care	34,8%	34,8%	36,1%	37,8%	39,8%	37,5%	37,0%	35,7%
Child and Youth	16,4%	16,4%	16,8%	18,7%	17,0%	17,5%	18,0%	19,4%
Community-Based	11,3%	11,3%	10,7%	9,7%	4,4%	9,1%	8,8%	8,2%
Total	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**
Percentage growth (average annual)		**2015/16 – 2019/20**			**2019/20 – 2020/21**		**2019/20 – 2022/23**	
Management and		-3,0%			-10,0%		1,9%	
Care and Services to		4,4%			17,1%		9,4%	
Child Care and		1,4%			4,6%		7,3%	
ECD and Partial Care		6,2%			7,3%		5,3%	
Child and Youth		7,4%			17,0%		14,1%	
Community-Based		0,0%			135,3%		34,7%	
Total		**5,3%**			**13,6%**		**9,2%**	

Source: National Treasury provincial database

The budget for the children and families programme, the largest spending area in the social development budget, is an indication of government's commitment to giving effect to the Children's Act (2005). As Table 5.6 shows, by 2022/23 it will make up 39.2 per cent of the total. The programme includes ECD and partial care, some prevention and early intervention programmes, childcare and protection, foster care, adoption, drop-in centres and child and youth care centres.

Table 5.10 shows that, between 2015/16 and 2019/20, expenditure on the programme grew at an average annual rate of 5.3 per cent; this rate of growth is forecast to increase to 9.2 per cent over the MTEF period, reaching R9.7 billion in 2022/23. The increase over the medium term provides mainly for access to ECD and for the effects of inflation. Growth for the period under review was mainly the result of increased allocations for ECD and other services related to the Children's Act.

Early childhood development

There has been an increase in the number of children accessing ECD facilities; however, there is still a lot to be done to further reduce the large number not accessing these facilities.

Early childhood is the phase in which the building blocks for a person's future development are laid. Without good nutrition, health care, support from family and encouragement to learn and achieve goals, children tend to perform poorly in school, develop personal and social problems and fall short of their potential.

There is strong international evidence, including from low- and middle-income countries, that increased investment in ECD can significantly improve education, health, social and economic outcomes. In terms of human capital development, it leads to improved school performance, more years of completed education and higher earnings in adulthood. Health-wise, it leads to better adult physical health and mental well-being and lower rates of chronic disease. In respect of social inclusion, it leads to better personal and social adjustment, lower levels of interpersonal violence and a more equitable society. It helps to break the intergenerational cycle of poverty and to reduce dependence on social assistance.

In the short term, investment in good quality ECD results in considerable cost savings and efficiency gains in the health and education sectors. Children who benefit from ECD are more likely to be healthy and ready to learn on entering primary school, to stay in school longer and to perform well throughout their schooling.

ECD services provided by the provincial departments of social development include the development and registration of programmes for children below five years of age, and monitoring and evaluation of services.

Table 5.11: Population aged 0-4 years attending/not attending early childhood learning facilities by province, 2015-2018

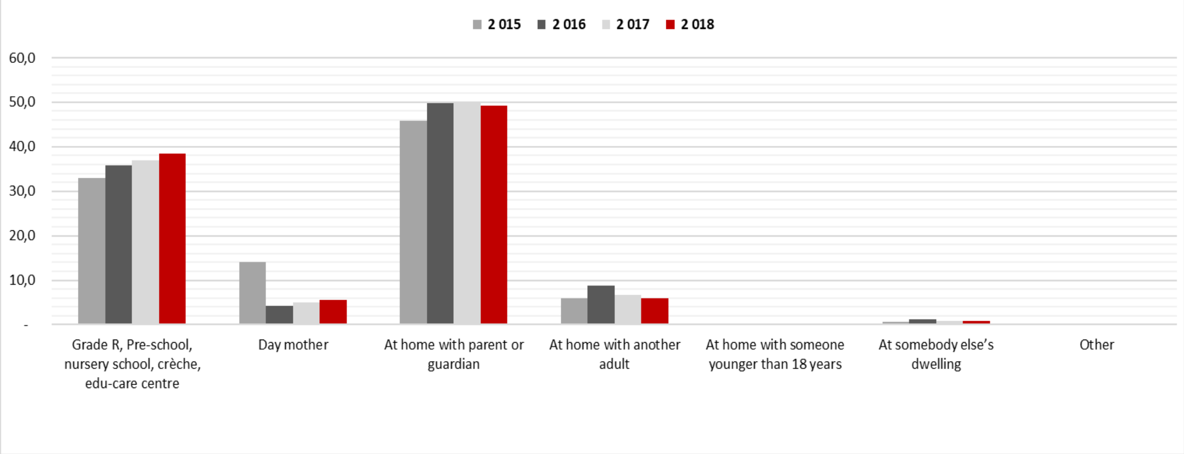
Figures in thousands

	Attend				Do not Attend			
Provinces	**2015**	**2016**	**2017**	**2018**	**2015**	**2016**	**2017**	**2018**
Eastern Cape	206	226	245	257	504	456	485	460
Free State	107	94	119	128	139	131	152	144
Gauteng	415	469	556	621	550	506	712	691
KwaZulu-Natal	210	297	314	279	865	759	867	877
Limpopo	222	227	265	284	393	394	490	464
Mpumalanga	115	149	186	184	325	298	330	315
North West	113	121	136	132	268	262	282	288
Northern Cape	31	36	31	27	87	74	94	97
Western Cape	191	181	227	247	349	356	361	347
Total	**1 610**	**1 800**	**2 079**	**2 159**	**3 480**	**3 236**	**3 773**	**3 683**

Source: Statistical release, General household survey

Figure 5.11 shows that for the years 2015 to 2018, 45.5 per cent of children aged 0 to 4 years old were at home with parents or guardians and 36.9 were attending various types of ECD facilities or care arrangements; these included Grade R, pre-school, nursery school, crèche and educare centres. The figure 5.1 shows an increasing proportion of the children in this age group accessing ECD facilities.

Figure 5.1: Percentage of children aged 0-4 years accessing child care facilities, 2015-2018



Source: General Household Survey for each year

According to the General Household Survey, the number of children accessing child care facilities increased from 1.6 million in 2015 to 2.1 million in 2018 while the number of those not attending increased from 3.5 million to 3.7 million. The improvement reflects government's commitment to ensuring that all children have access to ECD services in registered centres. The aim of the ECD subsidy is ultimately to ensure access for all eligible children. However, much remains to be done to reduce the number of those not attending; their increasing number reflects the overall growth in population.

In 2017/18, R240 million was transferred to provinces to increase the provision of ECD services to poor children through partial care facilities. This resulted in an additional 168 868 children benefitting from this subsidy.

Over the 2020 MTEF period, the grant baseline for the ECD, which includes an additional R1.4 billion, totals R3.2 billion. For 2020/21, the additional allocations will be used to increase the per-child subsidy from R15 to R17 per day. The subsidy is projected to increase in line with inflation to R17.77 in 2021/22 and R18.57 in 2022/23.

Over the MTEF period, R280 million is allocated for minor upgrades to conditionally-registered facilities to enable them to comply with the norms and standards

Many early childhood development centres find it difficult to meet the minimum infrastructure requirements to become fully registered in terms of the Children's Act and therefore provide lower quality services. Over the 2020 MTEF period, R280 million is allocated for minor upgrades to conditionally-registered facilities to assist them to comply with the norms and standards, improve the quality of their services and qualify for full registration.

Restorative services

Table 5.12 shows that, between 2015/16 and 2019/20, spending on the restorative programme increased by 8.6 per cent. The crime and prevention and support sub-programme received the largest single portion of the programme's allocation. Provincial social development departments are responsible for providing probation officers with assessments of children who have been arrested and before they appear in court. Expenditure is mainly driven by the number of children arrested. This sub-programme also provides for secure care centres.

Table 5.12: Provincial expenditure on restorative services by sub-programme, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
Management and Support	208	131	136	153	178	173	178	185
Crime and Prevention and Support	1 075	1 020	1 041	1 097	1 241	1 350	1 467	1 535
Victim Empowerment	328	399	423	503	575	728	794	829
Substance Abuse, Prevention and Rehabilitation	585	703	869	880	1 055	1 103	1 174	1 230
Total	**2 195**	**2 252**	**2 470**	**2 633**	**3 050**	**3 355**	**3 614**	**3 780**
Percentage of total								
Management and Support	9,5%	5,8%	5,5%	5,8%	5,9%	5,2%	4,9%	4,9%
Crime and Prevention and Support	49,0%	45,3%	42,2%	41,7%	40,7%	40,3%	40,6%	40,6%
Victim Empowerment	14,9%	17,7%	17,1%	19,1%	18,8%	21,7%	22,0%	21,9%
Substance Abuse, Prevention and Rehabilitation	26,6%	31,2%	35,2%	33,4%	34,6%	32,9%	32,5%	32,5%
Total	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**
Percentage growth (average annual)		**2015/16 – 2019/20**			**2019/20 – 2020/21**		**2019/20 – 2022/23**	
Management and Support		-3,7%			-3,0%		1,3%	
Crime and Prevention and Support		3,7%			8,8%		7,3%	
Victim Empowerment		15,1%			26,6%		13,0%	
Substance Abuse, Prevention and Rehabilitation		15,9%			4,6%		5,2%	
Total		**8,6%**			**10,0%**		**7,4%**	

Source: National Treasury provincial database

Substance abuse

Additional public treatment centres were constructed in the Free State, Eastern Cape, Northern Cape and North West to address the challenges of substance abuse.

The Prevention and Treatment of Substance Abuse Act (2008) prescribes that each province must have at least one substance abuse treatment centre and one halfway house. However, provision of treatment, prevention, early intervention, reintegration and after-care services are far below the requirements of the Act and the National Drug Master Plan. Treatment services are costly to provide and are mainly available in urban areas. In the past, public treatment centres were located only in the Western Cape, Mpumalanga, KwaZulu-Natal, Limpopo and Gauteng. However, as indicated below, during the period under review new public treatment centres were constructed, via a conditional grant, in the other four provinces to address the challenges of substance abuse.

Between 2015/16 and 2019/20, expenditure on substance abuse prevention and treatment increased from R585 million to R1.5 billion, with a projected increase to R1.2 billion in 2022/23. In the 2014 MTEF, R124 million was allocated to construct 40-bed substance abuse treatment centres in the Free State, Eastern Cape, Northern Cape and North West. The construction of these centres have been completed and the allocation for operationalising these centres is incorporated into the provincial equitable share.

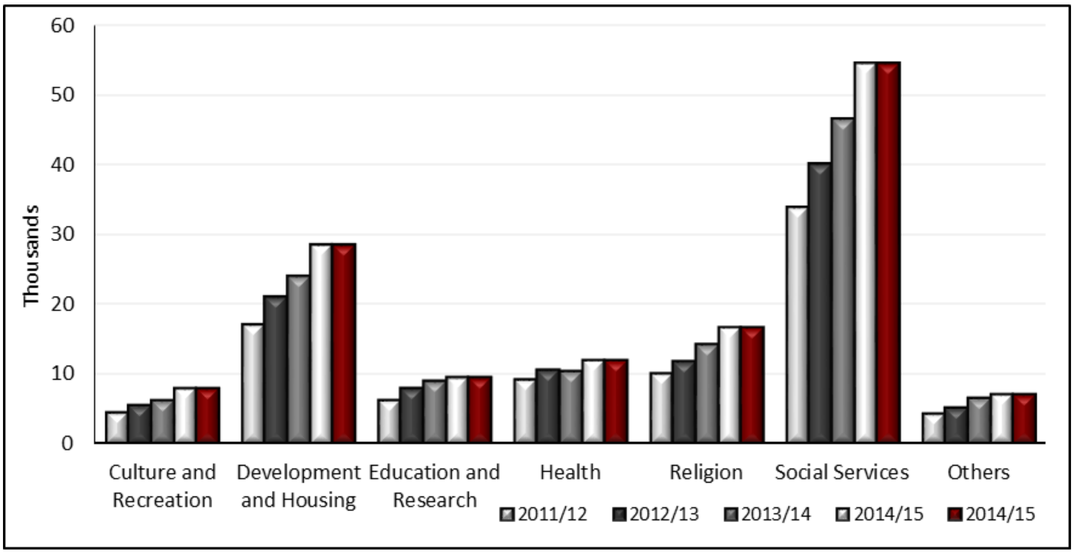
The Eastern Cape’s facility is complete and operational. A certificate of completion was handed over to the department on 17 September 2015 and registration of the facility in terms of the Prevention of and Treatment for Substance Abuse Act was finalised in January 2017. The treatment facility in the North West is operational and was registered in June 2018. By September 2018, 24 patients had used the centre.

Registration and funding of NPOs

There has been a significant increase in NPO registration in all sectors, with social services being the fastest growing sector

NPOs are a major delivery arm of social welfare services and the social development sector relies heavily on them. The White Paper for Social Welfare (1997) describes social development as the collective responsibility of government and civil society, defined as including all institutions and organisations outside government and primarily driven by NPOs. To receive government funding, NPOs must be registered in terms of the Non-profit Organisations Act (1997) and in terms of the relevant registration requirements; these depend on the type of service being delivered. Figure 5.2 shows the number of registered NPOs by sector for the years 2011/12 to 2015/16; at the time of writing, data was not available for the years 2016/17 to the present.

Figure 5.2: Number of registered non-profit institutions by sector, 2012/13 – 2014/15



Source: Social Development 2015/16 State of South African registered non-profit organisations

As of March 2016 and following the promulgation of the Non-profit Organisations Act, 153 677 organisations had been registered; 48 per cent of them, the largest single percentage, were in social services but there was growth in all sectors.

Most of the registered NPOs are in Gauteng, followed by KwaZulu-Natal; the Northern Cape has the smallest number. This is in line with the population numbers per province. Provincial departments of social development have a budget allocation to assist NPOs to build institutional capacity.

Table 5.13 shows that throughout the period 2015/16 to 2022/23 Gauteng's allocation was substantially larger than other provinces'; this relates to the number of its NPOs. The Western Cape has a history of well-established NPOs and this is reflected in the relatively small budget allocation.

Table 5.13: Provincial expenditure on institutional capacity building and support for NPO by province, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
Eastern Cape	49	63	36	34	40	45	44	45
Free State	13	13	13	13	13	13	15	15
Gauteng	154	190	180	183	191	235	244	255
KwaZulu-Natal	15	31	2	9	21	15	16	17
Limpopo	6	15	13	15	25	21	9	9
Mpumalanga	5	3	3	2	2	3	3	3
Northern Cape	29	23	22	21	39	27	29	30
North West	17	20	17	27	19	18	10	11
Western Cape	1	1	2	2	2	3	3	3
Total	**288**	**358**	**287**	**307**	**352**	**380**	**372**	**389**

Percentage growth (average annual)	2015/16 – 2019/20	2019/20 – 2020/21	2019/20 – 2022/23
Eastern Cape	-4,7%	10,3%	4,0%
Free State	-0,5%	4,2%	6,6%
Gauteng	5,5%	23,1%	10,1%
KwaZulu-Natal	9,3%	-28,2%	-7,3%
Limpopo	42,7%	-15,4%	-28,2%
Mpumalanga	-19,9%	45,5%	20,0%
Northern Cape	7,8%	-30,0%	-8,0%
North West	2,8%	-6,2%	-17,5%
Western Cape	23,6%	16,6%	9,7%
Total	**5,2%**	**7,8%**	**3,4%**

Source: National Treasury provincial database

Provincial departments of social development are highly reliant on NPOs to deliver services on their behalf. Table 5.14 shows transfer payments to NPOs by service delivery area. Transfers to the ECD sub-programme has the largest share. This is in line with the sector's focus on expanding access to ECD. Transfers to child and youth care centres and to child protection services support implementation of the Children's Act. Transfers for the care of and services to older persons support NPO-managed residential facilities.

Table 5.14: Transfers to non-profit organisations by sub-programme, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
Care and Services to Families	366	451	442	474	616	611	644	674
Care and Services to Older Persons	1 130	1 221	1 308	1 386	1 482	1 557	1 636	1 711
Child and Youth Care Centres	1 014	1 118	1 323	1 268	1 502	1 611	1 730	1 817
Child Care and Protection Services	1 616	1 694	1 724	2 083	2 181	2 421	2 704	2 832
Community Based Care Services to Children	700	713	701	321	429	625	651	679
Crime Prevention and Support	1 075	1 020	1 041	1 097	1 241	1 350	1 467	1 535
District Management	1 194	1 146	1 214	1 316	1 395	1 475	1 549	1 646
ECD and Partial Care	2 154	2 407	2 718	2 954	3 053	3 661	3 824	4 080
HIV and AIDS	777	898	955	986	1 099	1 168	1 127	1 169
Institutional Capacity Building and Support for NPOs	288	358	287	307	352	380	372	389
Management and Support	2 117	2 117	2 230	2 440	2 544	2 651	2 729	2 876
Poverty Alleviation and Sustainable Livelihoods	454	493	553	481	598	773	782	820
Services to Persons with Disabiities	627	738	794	864	963	1 038	1 095	1 142
Substance abuse, Prevention. Treatment and Rehabilitation	585	703	869	880	1 055	1 103	1 174	1 230
Victim Empowerment	328	399	423	503	575	728	794	829
Women Development	24	46	61	58	63	71	74	77
Youth Development	189	255	276	290	306	331	323	336
Total	**14 637**	**15 777**	**16 920**	**17 706**	**19 454**	**21 553**	**22 676**	**23 843**

Source: National Treasury provincial database

Table 5.15 shows transfers to NPOs as percentages of total social development expenditure by province. Provinces differ in terms of the proportion of their budgets spent on transfer payments to NPOs. Mainly due to the number of NPOs registered in the two provinces, those of the Western Cape and Gauteng are higher than those of the other provinces.

Table 5.15: Transfers to NPOs as proportion of social development expenditure by province, 2015/16 – 2022/23

Province	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
Eastern Cape	20,2%	17,1%	18,8%	20,4%	21,2%	21,2%	21,9%	22,4%
Free State	36,7%	37,7%	36,5%	35,8%	34,5%	35,4%	35,9%	36,0%
Gauteng	53,1%	52,6%	39,3%	43,1%	44,2%	40,9%	39,9%	39,8%
KwaZulu-Natal	30,8%	31,6%	31,6%	28,3%	26,7%	29,9%	30,9%	31,6%
Limpopo	30,6%	30,9%	29,2%	26,8%	27,1%	26,2%	25,9%	26,4%
Mpumalanga	34,3%	35,4%	33,2%	33,9%	33,2%	34,0%	33,2%	33,2%
Northern Cape	28,8%	28,2%	24,4%	22,8%	20,7%	18,9%	19,0%	18,9%
North West	20,3%	18,8%	19,4%	18,9%	20,3%	23,2%	23,7%	23,7%
Western Cape	55,6%	53,4%	54,0%	53,1%	53,1%	51,7%	52,1%	51,6%
Total	**37,2%**	**36,7%**	**33,1%**	**32,9%**	**33,2%**	**33,1%**	**33,2%**	**33,3%**

Source: National Treasury provincial database

Focus on the state's response to violence

A diagnostic review of the state's response to violence, carried out by the Department of Planning, Monitoring and Evaluation (DPME) in 2016, found that government funding for addressing violence was focused largely on immediate response and policing, leaving the areas of prevention and psychosocial services underfunded. The review found that the state could be more effective in responding to violence by closing the 'implementation gap' through improved integration and collaboration.

The review also recommended that administrative data collection and management should be strengthened to enable a clear understanding of the size, geographic spread and nature of the problem of violence against women and children (VAWC) in the country. This would facilitate better case management for victims and potential victims of VAWC. The review also recommended that, through evaluations of government and NPO implemented programmes, a stronger evidence base of what works best should be built so that VAWC can be addressed The final recommendation was that the DSD should take the lead in comprehensively defining psychosocial response services for victims of VAWC, establishing minimum core services and identifying the funding implications of their implementation.

Government allocated additional funds over the 2018 MTEF towards addressing the challenges of violence against women and children (VAWC) in South Africa per province

Over the 2019 MTEF, R788.3 million is allocated to the provinces for addressing VAWC. A portion of the allocation will go to Isibindi, a community based child and youth care prevention and early intervention service that provides support to vulnerable children in their homes, at community level through safe parks and through life skills programmes. Table 5.16 shows the breakdown of the R788.3 million by province.

Table 5.16: Social development allocations to address violence against women and children, 2019/20 – 2021/22

	2019/20	2020/21	2021/22	Total
R million	**Medium-term estimates**			
Eastern Cape	28,0	39,5	41,4	108,9
Free State	11,2	15,9	16,7	43,8
Gauteng	39,9	57,1	60,6	157,6
KwaZulu-Natal	42,4	60,2	63,4	166,0
Limpopo	23,6	33,5	35,3	92,4
Mpumalanga	16,4	23,4	24,8	64,6
Northern Cape	5,3	7,6	8,0	20,9
North West	13,8	19,7	20,8	54,3
Western Cape	20,3	28,9	30,6	79,8
Average	**200,9**	**285,8**	**301,6**	**788,3**

Source: National Treasury provincial database

Social worker employment

583 social work graduates were absorbed by the nine provincial DSDs through the Social Worker Graduate Grant in 2017/18

The backlog in employment of social workers, particularly those who received scholarships from the DSD through the National Student Financial Aid Scheme, has come under scrutiny in recent years. To address this, in 2017/18 funds were made available by reducing the annual social worker scholarships to create a new conditional grant allocation of R181.8 million to enable provinces to employ social work graduates. By the end of 2017/18, the provinces had recorded significant progress, with 583 social worker graduates appointed across provinces through the grant.

For the 2020 MTEF period, R398 million has been reprioritised from national government to continue to employ social workers in areas with a high prevalence of gender-based violence, substance abuse and issues affecting children.

Determining the service delivery gap over the medium term

Policy making and planning in the social services sector is difficult when data sources about demand, supply and thus the service delivery gap are weak. Furthermore, service conditions (demand and supply) change continuously. An effective system must therefore constantly respond to signals coming from up-to-date information and analysis. Porous information and insufficient analysis of data and evidence are fundamental challenges.

Medium-term outlook

A key area requiring attention over the medium term is a comprehensive sector response to the following:

- Improving access to good quality ECD by working closely with the Department of Education.
- Implementing the national anti-substance abuse programme of action. Substance abuse continues to plague South Africa and especially its poor communities, entrenching poverty and violence.
- Strengthening social welfare delivery through legislative and policy reforms and capacity building.
- Strengthening community development interventions and building the capacity of the NPO sector which continues to play a critical role in community development.
- Continuing to provide social relief through programmes to ensure the provision of care, support and protection of individuals, families and communities in distress. This function is currently provided by both the DSD and provincial social development departments. In

the medium term, to avoid duplication and improve coordination the function will only be provided provincially.

Conclusion

Government’s commitment to strengthening the delivery of social welfare services is reflected in the increased resources allocated to provinces. With the introduction of new conditional grants between 2015/16 to 2019/20, the budgets of provincial departments of social development have grown considerably. Over the MTEF, accumulation of additional and better-quality data about the impact of this expenditure will enable improved planning and implementation.

Provincial departments of social development play an essential role in addressing the human development needs of society’s most vulnerable members. However, despite the achievements during the period under review, there are still challenges that confront the sector nationally and provincially and that need to be addressed.

High levels of inequality persist and are often linked to social pathologies such as substance abuse and violence against women and to the gap in NPO funding.

Provincial departments need to continuously strengthen their capacity to deliver services in line with the applicable legislation. Cementing relationships with viable NPOs and building capacity in emerging organisations will be a step in the right direction.

While funding has been earmarked through different programmes to address some of sector challenges, it is noted that the ever-increasing population and slow economic growth continue to impact negatively on the planned targets to swiftly improve South African social welfare.

6

Human settlements

Introduction

Between 1994 and 2016, the South African state provided about 4.3 million housing opportunities. These included houses built, sites serviced, individual subsidies disbursed and loans from human settlements development finance institutions approved. However, despite the huge strides made in housing delivery, the lack of adequate and affordable housing continues to be one of the main problems facing the country. The 2017 General Household Survey showed that 13.6 per cent of all dwellings are informal. This is lower than the 14.1 per cent of 2012 but, as will be shown later in this chapter, at the current rate of delivery the eradication of informal settlements is unlikely to be achieved by 2030.

Despite huge strides in housing delivery, the lack of adequate and affordable housing continues to be one of the main problems facing the country.

In addition, the human settlements space has been plagued by weak spatial planning and intergovernmental coordination, poor governance capabilities and the high cost of well-located land for human settlements development which has driven development to the periphery and perpetuated apartheid-era planning.

These are long standing issues which government intends to resolve through the NDP. The objectives for human settlements include a strong and efficient spatial system that is well integrated across all spheres of government; upgrading all informal settlements on suitable, well located land by 2030; and more people living closer to their places of work. Chapter

8 of the NDP, "Transforming Human Settlements", identifies many action points with the objective of developing sustainable human settlements in identified regions that support spatial restructuring.

Since 2004, government's comprehensive plan for the development of sustainable human settlements, Breaking New Ground (BNG), has shifted the state's focus from delivering standardised housing to supporting the entire property market and ensuring that housing is delivered in sustainable and habitable settlements.

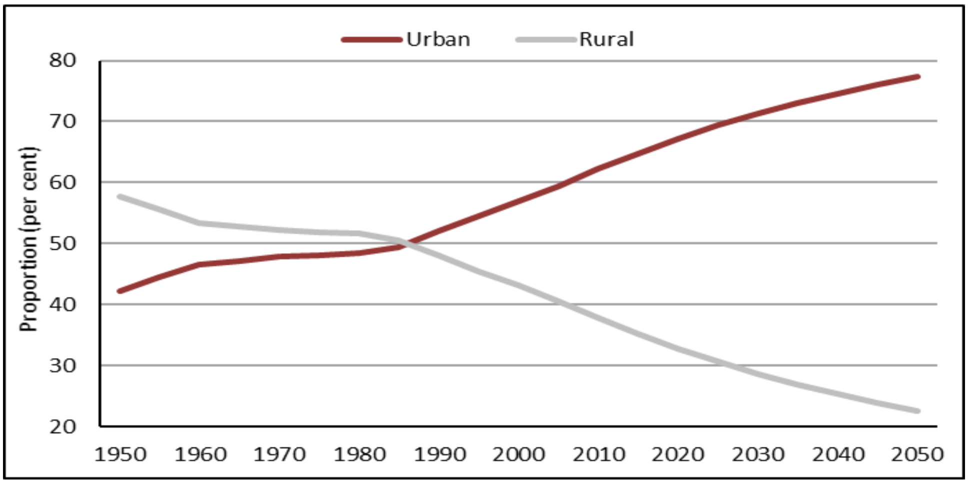
This chapter assesses the state of low-income human settlements delivery, reviews expenditure and delivery performance and describes the medium-term focus.

Current landscape

South African settlement patterns are consistent with global urbanisation trends.

South Africa's settlement patterns are consistent with global urbanisation trends. Figure 6.1 shows how the country's rural/urban patterns have changed since 1950 and how it expected that they will evolve by 2050.

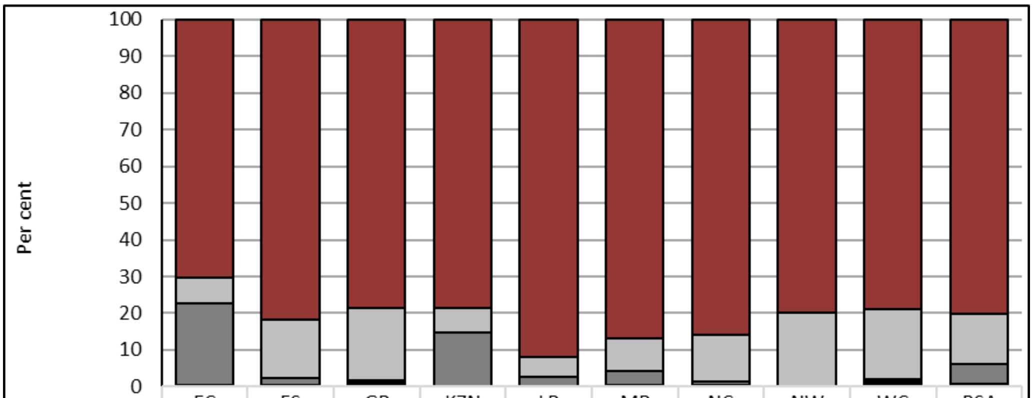
Figure 6.1 Proportion of urban and rural settlement patterns in South Africa, 1950 – 2050



Source: United Nations, World Urbanization Prospects, 2014

In line with the United Nations estimate that 80 per cent of the world's population will be urban by 2050, the estimate for South Africa is 77.4 per cent. As soon as 2030, this percentage is expected to reach approximately 70 per cent of the country's population and will, most likely, be concentrated in the country's eight metros and secondary cities as people move closer to economic opportunities. However, while they are expected to move to urban areas in increasing numbers, they will struggle to find housing and will either take up informal accommodation or settle on the urban periphery. As settlements on the periphery are generally located far from economic opportunities, people have to spend a significant portion of their wages on transport. Time spent in transit, often in more than one mode, affects passengers' health, safety and family life.

Figure 6.2 Proportion of households living in formal, informal and traditional dwellings by province, 2017



	EC	FS	GP	KZN	LP	MP	NC	NW	WC	RSA
Formal	70,4	81,7	78,5	78,6	91,7	86,9	86	79,9	78,9	80,1
Informal	7	16	19,8	6,8	5,5	9	12,6	19,8	19	13,6
Traditional	22,3	1,9	0,1	14,4	2,7	3,8	1,1	0,2	0,1	5,5
Other	0,3	0,4	1,5	0,2	0	0,4	0,4	0	2	0,8

Source: Statistics South Africa

Figure 6.2 shows that, although the country has taken huge strides towards providing formal dwellings, in 2017 13.6 per cent of dwellings were informal. This was a slight improvement on 2015 when the percentage was 14 per cent. One of the main reasons for this is the proliferation of informal settlements brought about by people migrating to provinces such as Gauteng and the Western Cape to look for work and for other socio-economic benefits. When demand for subsidised or other affordable housing outstrips the number of available government or private sector housing units, it increases provinces' difficulty in providing adequate housing and reducing the backlog.

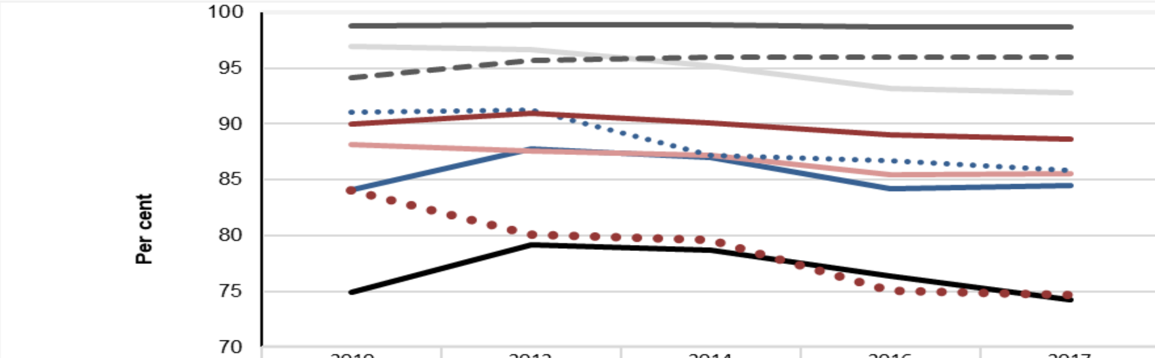
However, according to Stat SA data, as a percentage of the total, between 2015 and 2017 formal dwellings increased from 78.1 per cent to 80.1 per cent. The Eastern Cape and KwaZulu-Natal contributed the most to the overall increase, with Gauteng's and the Western Cape's percentages decreasing. It can be assumed that the reason for the decreases is the increase in informal dwellings over this period as a result of migration from other provinces, with these dwellings making up a growing percentage of the totals.

As Figure 6.2 shows, traditional dwellings make up a larger percentage of the totals in more rural provinces such as the Eastern Cape, KwaZulu-Natal (primarily under traditional authorities) and Mpumalanga. In 2015, however, according to Stat SA data, they made up 6.9 per cent of all dwellings in the country. This had dropped by 1.4 percentage points to 5.5

Traditional dwellings are more prominent in provinces that are more rural in nature.

per cent by 2017, a decrease that could be explained by an increase in informal and formal dwellings over the period. Limpopo is an exception; considered rural, in 2017 it had the highest percentage of formal dwellings (91.7 per cent) with informal dwellings at 5.5 per cent.

Figure 6.3 Households with access to piped or tap water in their dwellings by province, 2010 - 2017

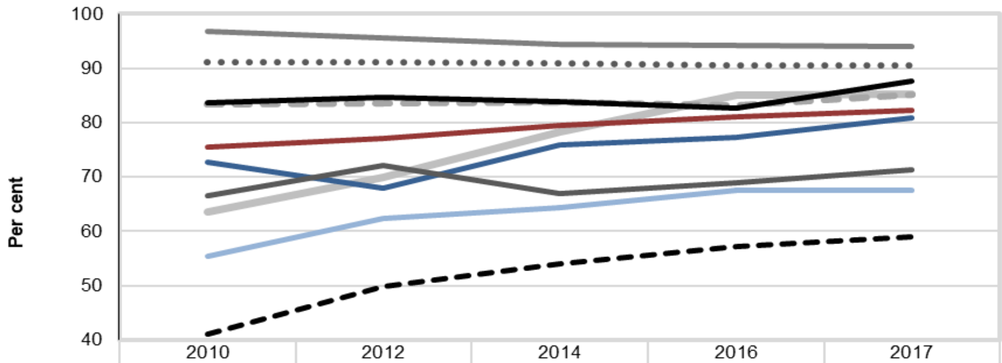


	2010	2012	2014	2016	2017
Eastern Cape	74,9	79,2	78,7	76,4	74,2
Free State	96,9	96,6	95,2	93,2	92,8
Kwa-Zulu Natal	84,1	87,8	87	84,2	84,5
Limpopo	84	80,1	79,6	75,1	74,7
Mpumalanga	88,1	87,6	87,2	85,4	85,5
Northern Cape	94,1	95,7	96	96	96
North West	91	91,2	87,2	86,7	85,8
Western Cape	98,8	98,9	98,9	98,7	98,7
South Africa	90	90,9	90,1	89	88,6

Source: Statistics South Africa

Provision of housing includes basic services such as water, electricity and sanitation. Figure 6.3 shows the percentage of households, by province, with access to piped or tap water in their dwellings. Between 2010 and 2017, six of the nine provinces maintained or increased the percentage of households with such access. Nationally, however, the percentage decreased from 90 percent to 88.6 per cent; this was largely because of the percentage decreases in Limpopo, Mpumalanga and the Eastern Cape. The reasons for the decline are not clear and need to be investigated and understood.

Figure 6.4 Households with access to improved sanitation by province, 2010 – 2017



	2010	2012	2014	2016	2017
Eastern Cape	63,6	70	78,2	85,1	85,3
Free State	83,4	83,5	83,8	83,2	85,1
Gauteng	91,2	91,1	90,9	90,5	90,5
Kwa-Zulu Natal	72,7	68	75,9	77,2	80,8
Limpopo	41,1	49,8	54	57,1	58,9
Mpumalanga	55,4	62,4	64,4	67,5	67,6
Northern Cape	83,7	84,6	83,9	82,6	87,7
North West	66,5	72,2	67	69	71,3
Western Cape	96,7	95,5	94,5	94,3	94,1
South Africa	75,4	77	79,5	81	82,2

Source: Statistics South Africa

Figure 6.4 shows the percentages of households per province with access to improved sanitation for the years 2010 to 2017. This is defined as flush toilets connected to a public sewerage system, a septic tank or a pit toilet with a ventilation pipe. Overall, there was an encouraging positive trend, from 75.4 per cent to 82.2 per cent, with only Gauteng and the Western Cape registering slight declines. Migration into these two provinces is the likely cause for this as the more people move into a province the more the percentage declines, even if there has been an increase in the absolute numbers. On the other hand, provinces that experience out-migration have fewer people; hence the increase in access in percentage terms.

Overall, there has been an encouragingly positive trend in household access to sanitation.

Expenditure trends and delivery performance

Table 6.1 shows key expenditure trends for the years 2015/16 to 2019/20, with medium-term projections to 2022/23.

Table 6.1: Provincial expenditure on human settlements by programme, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
Administration	1 404	1 487	1 505	1 692	2 003	1 876	1 976	2 113
Housing Needs, Research and Planning	362	255	302	460	370	427	529	561
Housing	19 041	19 602	20 745	19 032	19 923	18 021	18 061	18 746
Housing Asset Management, Property	431	473	608	705	639	705	463	468
Total	**21 237**	**21 817**	**23 160**	**21 888**	**22 934**	**21 029**	**21 029**	**21 888**
Economic classification								
Current payments	2 566	2 690	2 992	3 127	3 454	3 568	3 604	3 811
of which:								
Compensation of employees	1 799	1 885	2 046	2 207	2 366	2 536	2 682	2 822
Goods and services	767	805	946	920	1 088	1 032	922	988
Transfers and	18 618	19 044	19 943	18 700	19 411	17 378	17 380	18 030
Payments for capital a	50	46	205	45	68	83	45	47
Payments for financial	4	37	20	16	2	0,3	0,3	0,3
Total	**21 237**	**21 817**	**23 160**	**21 888**	**22 934**	**21 029**	**21 029**	**21 888**

Percentage growth (average annual)	**2015/16–2019/20**	**2019/20–2020/21**	**2019/20–2022/23**
Administration	9,3%	-6,3%	1,8%
Housing Needs, Research and Planning	*0,5%*	*15,5%*	*14,9%*
Housing	*1,1%*	*-9,5%*	*-2,0%*
Housing Asset Management, Property	*10,3%*	*10,3%*	*-9,8%*
Total	**1,9%**	**-8,3%**	**-1,5%**
Economic classification			
Current payments	7,7%	3,3%	3,3%
of which:			
Compensation of employees	7,1%	7,2%	6,1%
Goods and services	9,1%	-5,1%	-3,1%
Transfers and	1,0%	-10,5%	-2,4%
Payments for capital assets	8,0%	22,2%	-11,3%
Payments for financial assets	-9,6%	-87,9%	-50,6%
Total	**1,9%**	**-8,3%**	**-1,5%**

Source: National Treasury provincial database

Provincial expenditure on human settlements increased from R21.2 billion in 2015/16 to R22.9 billion in 2019/20 at an average annual growth rate of 1.9 per cent. After a number of years of muted growth, allocations decline over the MTEF with conditional grants to provinces reduced because of the fiscal consolidation measures.

In terms of programmes, the bulk of the budget allocations and expenditure reside in housing development, the purpose of which is to provide individual subsidies and housing opportunities to beneficiaries. Over the MTEF, allocations to this programme are slightly decreased, by 2 per cent.

Expenditure on transfers and subsidies remained relatively flat between 2015/16 and 2018/19 while allocations decrease over the MTEF. Compensation of employees increased appreciably over the first four years under review but, as a percentage of the total, moderates slightly in the last years of the MTEF.

Table 6.2: human settlements development grant per province, 2015/16 - 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million	**Outcome**				**Preliminary outcome**	**Medium-term estimates**		
Eastern Cape	2 458	1 996	2 339	1 908	1 853	1 803	1 491	1 542
Free State	1 059	1 099	1 193	1 064	975	951	786	813
Gauteng	4 048	4 979	5 303	4 988	4 857	4 625	3 825	3 955
KwaZulu-Natal	3 544	3 123	3 679	3 202	3 634	3 379	2 464	2 547
Limpopo	1 128	1 518	1 254	1 223	1 363	1 061	877	907
Mpumalanga	1 335	1 303	1 508	1 278	1 395	1 081	894	924
Northern Cape	477	366	481	500	422	320	265	274
North West	2 163	1 951	2 051	1 953	1 874	1 493	1 235	1 277
Western Cape	1 975	2 001	2 327	2 019	2 176	1 908	1 577	1 631
Total	**18 188**	**18 336**	**20 134**	**18 136**	**18 548**	**16 621**	**13 414**	**13 871**

Percentage growth (average annual)	**2015/16–2019/20**	**2019/20–2020/21**	**2019/20–2022/23**
Eastern Cape	-6,8%	-2,7%	-5,9%
Free State	-2,1%	-2,5%	-5,9%
Gauteng	4,7%	-4,8%	-6,6%
KwaZulu-Natal	0,6%	-7,0%	-11,2%
Limpopo	4,8%	-22,2%	-12,7%
Mpumalanga	1,1%	-22,5%	-12,8%
Northern Cape	-3,0%	-24,1%	-13,4%
North West	-3,5%	-20,3%	-12,0%
Western Cape	2,4%	-12,3%	-9,2%
Total	**0,5%**	**-10,4%**	**-9,2%**

Source: National Treasury provincial database

The budget make-up in the human settlements sector is quite different from other sectors in that the largest source is not the provincial equitable share but conditional grant funding. When comparing table 6.2 to table 6.1, this makes up approximately 78 per cent of the total provincial budget for human settlements over the review period. The *human settlements development grant* (HSDG), a conditional grant allocated to provinces based on allocation criteria determined by the Department of Human Settlements (DHS), provides funding to create sustainable and integrated human settlements.

As a result of weak economic growth and its negative effect on South Africa's fiscal position, government embarked on fiscal consolidation measures that

As a result of weak economic growth, government's fiscal consolidation measures included reducing conditional grant allocations to

include reducing conditional grant allocations to provinces. This was the main reason for the low percentage growth between 2015/16 and 2018/19. Allocations after 2018/19 continue to decrease over the MTEF as fiscal consolidation measures remain in place.

Spending across provinces has been varied, with some performing well. In others, challenges have hampered performance. During 2015/16, for example, Gauteng experienced serious difficulties which resulted in under-performance and under-expenditure. Anticipating this, the DHS reallocated around R900 million from Gauteng to four other provinces that had shown their ability to perform. The effect of this shift can be seen in the positive growth rate for Gauteng between 2015/16 and 2018/19 (because the province was then working off a lower base) and negative growth in the Eastern Cape and KwaZulu-Natal (because they were then working off a higher base).

Capacity and personnel

Personnel expenditure as a percentage of total spending on human settlements is small. However, it provides insights into how provinces implement national programmes and deliver sites and housing units.

Table 6.3: Human settlements expenditure on compensation of employees per province, 2015/16 – 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million		**Outcome**			**Preliminary outcome**		**Medium-term estimates**	
Eastern Cape	282	303	328	349	357	399	421	441
Free State	135	149	160	180	190	196	203	202
Gauteng	356	382	421	440	451	504	545	586
KwaZulu-Natal	266	280	299	321	374	389	399	414
Limpopo	164	189	214	240	259	244	259	285
Mpumalanga	162	172	192	220	232	249	266	277
Northern Cape	95	105	108	109	117	124	131	136
North West	163	109	115	123	141	163	171	179
Western Cape	177	196	209	225	243	267	287	301
Total	**1 799**	**1 885**	**2 046**	**2 207**	**2 366**	**2 536**	**2 682**	**2 822**
Percentage growth (average annual)		**2015/16–2019/20**			**2019/20–2020/21**		**2019/20–2022/23**	
Eastern Cape		6,1%			11,7%		7,3%	
Free State		9,0%			2,9%		2,1%	
Gauteng		6,1%			11,6%		9,1%	
KwaZulu-Natal		8,9%			3,9%		3,4%	
Limpopo		12,2%			-5,7%		3,2%	
Mpumalanga		9,5%			7,5%		6,1%	
Northern Cape		5,4%			5,9%		5,2%	
North West		-3,6%			15,7%		8,3%	
Western Cape		8,3%			9,9%		7,4%	
Total		**7,1%**			**7,2%**		**6,1%**	

Source: National Treasury provincial database

Between 2015/16 and 2019/20, personnel expenditure by provincial human settlements departments increased from R1.8 billion to R2.3 billion, an average annual growth rate of 7.1 per cent. Expenditure on personnel is expected to increase to R2.8 billion in 2022/23, at a slightly lower average annual rate of 6.1 per cent. Assuming no increase in headcount, the increase exceeds the budget guidelines for compensation of employees. However, the averages conceal some significant differences. Table 6.3 shows that the average annual growth rate in North West will increase but will decrease in the Free State and KwaZulu-Natal. In this context, it is important to note that a number of human settlements departments have historically been combined with other departments (most notably local government and traditional affairs). This makes trend analysis difficult, particularly in years where a departmental change is proclaimed by the Premier, requiring the movement of staff from one department to another.

The Western Cape to a large extent uses municipalities as developers; project and contract management risks therefore reside with the municipalities. Consequently, the province does not need to continually build capacity to manage these risks and provincial budgets are therefore not significantly affected. In contrast, Gauteng, the Eastern Cape and the Free State act as developers and carry the associated risks. These provinces must continue to build capacity to manage projects and programmes.

Table 6.4: Administration expenditure per province, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
Eastern Cape	135	134	151	154	163	163	164	171
Free State	80	98	123	126	140	139	146	157
Gauteng	365	462	414	475	594	537	570	619
KwaZulu-Natal	198	205	218	227	232	255	268	280
Limpopo	127	151	182	235	265	257	276	291
Mpumalanga	125	137	141	162	167	161	170	180
Northern Cape	98	101	85	100	121	126	130	142
North West	186	109	91	105	199	123	129	141
Western Cape	88	91	99	107	122	116	123	132
Total	**1 404**	**1 487**	**1 505**	**1 692**	**2 003**	**1 876**	**1 976**	**2 113**

Percentage growth (average annual)	2015/16–2019/20	2019/20–2020/21	2019/20–2022/23
Eastern Cape	4,8%	-0,3%	1,6%
Free State	15,0%	-0,7%	3,7%
Gauteng	12,9%	-9,5%	1,4%
KwaZulu-Natal	4,0%	10,0%	6,5%
Limpopo	20,1%	-3,0%	3,2%
Mpumalanga	7,6%	-4,0%	2,5%
Northern Cape	5,3%	4,1%	5,5%
North West	1,7%	-38,5%	-10,8%
Western Cape	8,4%	-4,6%	2,7%
Total	**9,3%**	**-6,3%**	**1,8%**

Source: National Treasury provincial database

The administration programme in the human settlements sector provides the departments with support services and overall management in accordance with all applicable acts and policies.

At 9.3 per cent, overall growth in the administration budget between 2015/16 and 2019/20 was quite substantial, driven mainly by the Free State, Gauteng and Limpopo. The increase in Gauteng was due to the shift of a portion of the compensation of employees budget from the housing development programme. Limpopo's increase was caused by the reconfiguration of provincial departments. The growth rate does, however, stabilise over the MTEF.

Between 2015/16 and 2019/20, provinces spent an average of 8.3 per cent of their budgets on administration. This increases to around 9.4 per cent over the MTEF. While the rate of growth in administration budgets appears to be tapering off, provinces are planning to allocate a larger portion of their budgets to administration when compared to table 6.1. Ideally, the bulk of resources should be allocated to core service delivery programmes, such as housing development, rather than administration. Compared to housing development, housing needs, research and planning and housing asset management, administration budgets grow at a higher rate. This, coupled with administration receiving a larger share of the total budget, is not desirable as it diverts resources from core service delivery areas.

Table 6.5: Housing needs, research and planning expenditure per province, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
Eastern Cape	18	16	16	20	19	23	24	25
Free State	17	22	18	17	19	21	22	24
Gauteng	22	18	45	17	15	22	22	24
KwaZulu-Natal	16	16	17	17	17	20	21	22
Limpopo	172	64	65	57	57	58	277	294
Mpumalanga	35	39	45	257	171	193	68	72
Northern Cape	37	32	37	13	11	14	15	15
North West	23	26	35	35	33	49	50	53
Western Cape	21	21	25	25	27	28	29	33
Total	**362**	**255**	**302**	**460**	**370**	**427**	**529**	**561**

Percentage growth (average annual)	2015/16–2019/20	2019/20–2020/21	2019/20–2022/23
Eastern Cape	1,7%	19,0%	9,5%
Free State	3,1%	6,0%	7,6%
Gauteng	-9,4%	43,0%	16,2%
KwaZulu-Natal	1,0%	18,5%	8,9%
Limpopo	-24,0%	1,6%	72,5%
Mpumalanga	48,6%	13,4%	-25,1%
Northern Cape	-26,5%	27,3%	12,1%
North West	9,3%	48,1%	17,0%
Western Cape	7,2%	1,2%	6,1%
Total	**0,5%**	**15,5%**	**14,9%**

Source: National Treasury provincial database

The purpose of the housing needs, research and planning programme is to:

- Provide administrative and/or transversal project management services.
- Provide a regulatory framework for housing delivery.
- Develop policy guidelines.
- Proclaim acts and amendments.
- Develop provincial multi-year housing delivery plans.
- Conduct research into the demand for housing.

As a percentage of the overall allocation, the programme's allocation increases markedly over the MTEF after a minimal percentage increase in the first four years of the review period. In that period, Mpumalanga and the North West received the largest percentages of the total allocation, with Mpumalanga receiving a once-off allocation of R165 million in 2018/19 for maintenance of bulk water infrastructure and sanitation in five municipalities, according to the departments 2018/19 annual report and Limpopo's allocation increasing in 2015/16 when cuts in the previous year were reallocated. Mpumalanga is only province where the average annual growth decreases from 2019/20 to 2022/23.

Given the importance of the housing needs, research and planning programme, a reduction in its budget could pose a risk to future performance.

Between 2015/16 and 2019/20, provinces spent around an annual average of 2.3 per cent of their total allocations on housing needs, research, and planning. This increases marginally to an average of 2.7 per cent over the

MTEF. Given the importance of this programme and of multi-year integrated planning, it is crucial that departments maintain these allocations.

Housing development

The objective of the housing development programme is to provide individual subsidies, such as the finance linked subsidy programme, and housing opportunities to beneficiaries in accordance with housing policy. The bulk of service delivery in the human settlements sector is implemented under this programme.

Table 6.6: Housing development expenditure per province, 2015/16 – 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million		**Outcome**			**Preliminary outcome**	**Medium-term estimates**		
Eastern Cape	2 636	2 201	2 569	2 159	2 120	2 051	2 180	2 267
Free State	1 123	1 180	1 280	1 163	1 099	1 114	1 143	1 182
Gauteng	4 279	5 348	5 333	4 991	4 993	4 925	5 164	5 368
KwaZulu-Natal	3 675	3 114	3 652	3 305	3 766	3 487	3 184	3 315
Limpopo	1 027	1 511	1 275	1 257	1 395	1 094	947	992
Mpumalanga	1 539	1 789	1 653	1 400	1 503	1 139	1 212	1 260
Northern Cape	487	368	360	527	478	350	371	386
North West	2 215	2 001	2 102	2 045	2 071	1 630	1 680	1 742
Western Cape	2 060	2 090	2 520	2 184	2 498	2 231	2 179	2 233
Total	**19 041**	**19 602**	**20 745**	**19 032**	**19 923**	**18 021**	**18 061**	**18 746**

Percentage growth (average annual)	2015/16–2019/20	2019/20–2020/21	2019/20–2022/23
Eastern Cape	-5,3%	-3,3%	2,2%
Free State	-0,5%	1,3%	2,5%
Gauteng	3,9%	-1,4%	2,4%
KwaZulu-Natal	0,6%	-7,4%	-4,2%
Limpopo	7,9%	-21,5%	-10,7%
Mpumalanga	-0,6%	-24,2%	-5,7%
Northern Cape	-0,4%	-26,9%	-6,9%
North West	-1,7%	-21,3%	-5,6%
Western Cape	4,9%	-10,7%	-3,7%
Total	**1,1%**	**-9,5%**	**-2,0%**

National Treasury provincial database

Flat growth in expenditure in the first four years of the review period was mainly due to the fiscal consolidation measures and to negative annual average percentage growth rates in the Eastern Cape, the Free State, Mpumalanga, the Northern Cape and North West. In line with the overall budget decline, allocations decrease over the MTEF. This is likely to result in provinces scaling down their equitable share contributions at an increasing rate.

The negative growth rates in provinces mentioned above over the period 2015/16 to 2019/20 were because of additional allocations taken from other provinces; this increased their bases. For example, Limpopo’s average annual rate of growth increased quite significantly over the period. On average, when compared to table 6.1, provinces spend and allocate around 85.4 per cent of their budgets on housing development, with the Northern Cape allocating 70.5 per cent and the Eastern Cape around 92 per cent.

Table 6.7: Housing asset management: property management expenditure per province, 2105/16 - 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
		Outcome			Preliminary outcome		Medium-term estimates	
Eastern Cape	11	11	13	18	13	79	15	16
Free State	1	1	0	1	1	1	1	1
Gauteng	77	130	172	314	177	256	173	169
KwaZulu-Natal	242	194	180	185	247	168	156	158
Limpopo	35	62	48	57	88	79	44	46
Mpumalanga	3	–	–	75	54	60	22	23
Northern Cape	21	33	156	21	22	24	13	14
North West	–	–	–	–	–	–	–	–
Western Cape	42	43	39	36	37	38	39	41
Total	**431**	**473**	**608**	**705**	**639**	**705**	**463**	**468**

Percentage growth (average annual)	2015/16–2019/20	2019/20–2020/21	2019/20–2022/23
Eastern Cape	5,3%	511,8%	7,8%
Free State	11,9%	0,2%	-17,3%
Gauteng	23,2%	44,7%	-1,5%
KwaZulu-Natal	0,5%	-31,9%	-13,8%
Limpopo	25,8%	-9,6%	-19,3%
Mpumalanga	98,7%	0,0%	0,0%
Northern Cape	1,3%	5,2%	-15,4%
North West	0,0%	0,0%	0,0%
Western Cape	-3,1%	3,6%	3,7%
Total	**10,3%**	**10,3%**	**-9,8%**

Source: National Treasury provincial database

The housing asset management programme provides for the effective management of housing, including the sale and transfer of stock, devolution of housing and housing property maintenance.

Rental properties under this programme are supposed to be transferred to individual occupants in terms of the Extended Enhanced Discount Benefit Scheme; be disposed of in the open market; or be devolved to the relevant municipality. Where none of these three options is possible, the properties remain as rental stock which the department has to manage and maintain.

Expenditure on this programme has been rather uneven across provinces.

Over the entire review period, expenditure on the programme has been uneven across provinces. For example, KwaZulu-Natal spent an average of R190 million per year, mostly due to a transfer to the KwaZulu-Natal Housing Fund which owns the properties and pays for maintenance, rates and similar outgoings. In step with overall growth, over the MTEF the annual average growth rate decreases markedly, with the Free State, KwaZulu-Natal, Limpopo, and the Northern Cape, in particular, contributing to the decline. However, the programme's share of the total budget allocation, when compared to table 6.1, remains relatively stable over the MTEF, declining in the last year of the period.

Service delivery quality

The comprehensive human settlements delivery strategy consists of a number of programmes including integrated residential development, upgrading of informal settlements, rental housing and emergency housing assistance. Performance indicators are used to gauge each programme's performance. Two indicators - sites serviced and units/houses delivered - cut across programmes. They consume most of the sector's resources and effort and are described below.

Table 6.8: Sites serviced per province, 2015/16 – 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Province	**Outcome**				**Preliminary outcome**	**Medium-term estimates**		
Eastern Cape	10 388	9 947	8 649	7 511	6 754	3 760	5 056	5 413
Free State	4 106	2 816	6 661	2 915	6 371	3 778	1 000	1 000
Gauteng	10 048	8 313	7 910	12 395	10 104	13 851	9 977	10 177
KwaZulu Natal	6 879	6 408	6 280	5 078	5 952	5 208	13 898	14 833
Limpopo	1 437	4 067	3 148	1 768	5 807	2 839	2 500	2 500
Mpumalanga	5 987	8 182	4 230	2 318	3 902	3 426	4 400	5 000
Northern Cape	660	2 099	1 440	2 179	931	2 335	4 352	2 470
North West	6 564	5 978	3 670	4 164	5 472	3 692	5 198	7 663
Western Cape	6 342	8 533	7 947	8 402	5 842	5 697	10 823	6 694
Total	**52 411**	**56 343**	**49 935**	**46 730**	**51 135**	**44 586**	**57 204**	**55 750**

Source: Department of Human Settlements

A serviced site is a plot of land that has an electricity connection, water and sanitation and provides security of tenure. A site must be serviced before building housing units can begin.

In 2017/18 and 2018/19, the number of sites serviced was lower than in the preceding two reporting years, these decreases are, however, expected to be reversed over the MTEF with the number of serviced sites reaching 57 204 and 55 750 in 2021/2022 and 2022/23 respectively.

It is important to note that recording of serviced sites delivered may be imprecise. This is because, whereas in the case of informal settlement upgrading *in situ* they are the final component, in other programmes they are an intermediary deliverable. An example is the IRDP in terms of which houses have still to be built on the site. The lack of accuracy in reporting means that performance is not clear and there may be double counting.

Table 6.9: Units delivered per province, 2015/16 – 2021/22

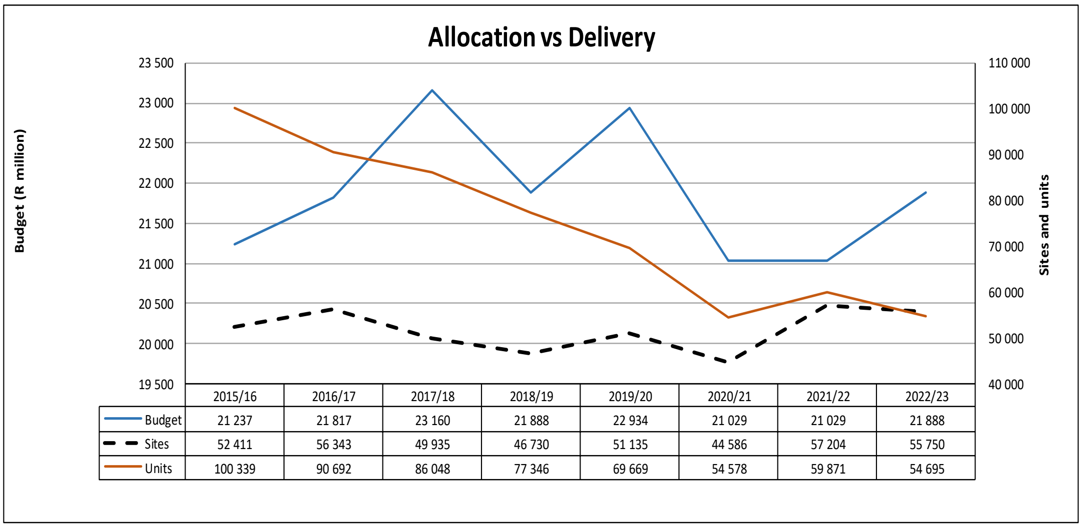
Province	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
		Outcome			Preliminary outcome	Medium-term estimates		
Eastern Cape	10 388	9 947	8 649	7 511	6 754	3 760	5 056	5 413
Free State	4 106	2 816	6 661	2 915	6 371	3 778	1 000	1 000
Gauteng	10 048	8 313	7 910	12 395	10 104	13 851	9 977	10 177
KwaZulu Nata	6 879	6 408	6 280	5 078	5 952	5 208	13 898	14 833
Limpopo	1 437	4 067	3 148	1 768	5 807	2 839	2 500	2 500
Mpumalanga	5 987	8 182	4 230	2 318	3 902	3 426	4 400	5 000
Northern Cap	660	2 099	1 440	2 179	931	2 335	4 352	2 470
North West	6 564	5 978	3 670	4 164	5 472	3 692	5 198	7 663
Western Cape	6 342	8 533	7 947	8 402	5 842	5 697	10 823	6 694
Total	**52 411**	**56 343**	**49 935**	**46 730**	**51 135**	**44 586**	**57 204**	**55 750**

Source: Department of Human Settlements

Following a similar trend in relation to serviced sites, the number of housing units delivered has been steadily decreasing across provinces, with the trend continuing to the end of the review period. The budget cuts to the sector as a result of fiscal consolidation have impacted negatively on the number of units delivered. The subsidy amount remained relatively unchanged in the earlier part of the review period. However, although allocations were reduced the grant grew at more or less the rate of inflation over the period. The decrease in the number of units therefore cannot be fully explained by the budget cuts. Other causes may include inefficiencies in the delivery chain and large transfers, classified as expenditure in a province's accounts, made to entities during the reporting period that did not yield units.

The budget cuts to the sector as a result of fiscal consolidation have impacted negatively on the number of units delivered.

Figure 6.5: Total Allocations vs Outputs, 2015/16-2022/23



Source: Department of Human Settlements

Between 2015/16 and 2017/18, allocation through the HSDG increased by around R1.5 billion. In contrast, the number of sites serviced and units built

While number of sites completed increases over the MTEF, the decreasing trend in provision of housing units continues to the end of the review period.

decreased, a trend that continues to 2020/21; in 2015/16, 100 339 houses were built but only 69 669 in 2019/20 while the budget increased by about R1.7 billion. Between 2020/21 and 2022/23, the number of sites completed is expected to increase from 44 586 to 55 750 (a slight decrease from 2021/22). In the same years, the number of housing units completed is expected to be similar (54 578 in 2020/21 and 54 695 in 2022/23). As the budget allocated for the period remains fairly stable, assuming no significant increases in building costs the sector should be able to maintain the number of units built. One possible reason is the phenomenon of transfers (classified as expenditure in provincial departments' accounts) to implementing agents late in the financial year that cannot be linked to outputs or traced in subsequent years – essentially fiscal dumping. The National Treasury is currently reviewing the classification of spending on the grant; this would require departments to capture their spending on categories such as goods and services. This is intended to assist with monitoring performance.

Title deeds

Issuing title deeds is the last step in the housing delivery process and one of the most important. A title deed protects the rights of a titleholder to a property; records changes in ownership; facilitates property and financial transactions; and, using the title deed as collateral, enables its holder to borrow for purposes such as upgrading the property.

In a parliamentary reply on 12 February 2015, the Minister of Human Settlements stated that, between 1994 and 2010, provinces and municipalities had approved 2 247 736 beneficiaries of state subsidised housing. However, of these 873 673, or 39 per cent, had not been issued with title deeds for their properties. The persistence of this problem prompted the Minister to declare in July 2014 that issuing of title deeds is a priority. Accordingly, the Estate Agency Affairs Board (EAAB) was tasked to drive the eradication of the backlog in issuing title deeds and to ensure that beneficiaries in all new housing developments are issued with title deeds when they receive their completed housing units. Over 2016/17 and 2017/18, R793 million was ring-fenced in the HSDG to fund the process of dealing with the backlog. Although there has been progress, spending and performance have been very weak; for example, in 2016/17 only 67 000 title deeds were issued out of a target of 100 000. The reasons for this weak performance include delays in the process of establishing townships; poor administrative capacity in provinces and municipalities; and problems with verifying beneficiaries. Backlogs from previous years compound the problem.

In 2018/19, a new grant called the *title deeds restoration grant* came into effect. This is a specific purpose grant and is intended to accelerate delivery of outstanding title deeds. However, with fewer than 50 per cent of targets being consistently achieved, expenditure of and performance related to this grant have been very poor.

Medium-term outlook

Integrated Urban Development Framework (IUDF)

To address the issues described earlier relating to poor spatial planning, fragmented residential settlement patterns and long travel times between home and work, government has put in place the Integrated Urban Development Framework (IUDF). This is intended to assist significantly with restructuring the country's urban system. Given the inexorable move of people to urban areas in the future, it is vitally important that this restructuring happens and that urban settlements are well connected to essential and social services and to work opportunities.

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Affordable housing – the Finance Linked Individual Subsidy Programme (FLISP)

The FLISP was established to assist low to middle income households to access adequate housing by providing subsidies to those who qualify neither for fully subsidised houses nor, because they earn too little, for home loans from banks. For a number of reasons, this programme's performance been poor, with most provinces underperforming on their targets. For example, in 2016/17 only 2 660 out of a target of 17 231 subsidies to beneficiaries were achieved. The sector identified the need to review policy, institutional arrangements and implementation to speed up delivery. Consequently, the administration of FLISP subsidies was moved to the National Finance Housing Corporation (NHFC) from 2019/20. The NHFC's streamlined services and linkages with commercial banks are expected to deliver better results.

Classification of spending

The bulk of the HSDG deliverables are of a capital nature, consisting of the construction of low-cost houses. However, because it is essentially a social transfer rather than capital asset accumulation by the state, spending is classified as 'transfers and subsidies' in government's accounts. This makes it difficult to determine the unit cost of housing in each province and municipality and how these costs are affected by factors such as location and the cost of materials. To address these issues, the classification system is currently being reviewed.

The bulk of the grant deliverables are of a capital nature, consisting of the construction of low-cost houses.

Upgrading informal settlements

The requirement for provinces to have prioritised programmes for upgrading informal settlements and for municipalities to have transformational project plans should ensure alignment with national programmes and speed up the upgrading of informal settlements. However, many provincial departments lack programmatic approaches to upgrading, choosing instead project-linked subsidies (PLS). These provided for Reconstruction and Development Programme (RDP)-type units on urban peripheries away from economic opportunities.

PLS were supposed to be replaced in 2005 by the more integrated and holistic human settlements programme, the Integrated Residential Development Programme (IRDP), after the BNG programme was initiated. However, provinces continued to deliver PLS under the guise of the IRDP programme, perpetuating socio-economic inequalities. Influenced by provincial political priorities, these actions are often *ad hoc* and reactive rather than proactive. A more proactive approach by provinces and municipalities will enable them to harness resources better, broaden their bases of experience and innovation and implement housing programmes on an appropriate scale.

A number of programmes have been introduced to assist municipalities with upgrading informal settlements.

A number of programmes have been introduced to assist municipalities with the skills and techniques needed to increase and improve the upgrading of informal settlements. The 2009 MTSF set a target of upgrading 400 000 households in informal settlements by 2014 and the 2014 MTSF set a target of upgrading a further 750 000 by 2019. Despite the BNG's emphasis on the need to upgrade informal settlements, this has not been done at scale.

The National Upgrade Support Programme (NUSP) is another initiative to assist municipalities with upgrading informal settlements. Its upgrading resource toolkit gives examples of implementation solutions and good practice and a capacity-building programme for provinces, municipalities and communities.

Value for money

The mismatch between steady growth in allocations and declining housing delivery indicates that there are problems in implementing the national housing programme, with variances between projected and actual expenditure showing that provinces are not implementing projects according to plan. A pattern showing a spending surge in the fourth quarter of the financial year does not appropriately reflect the three-year project implementation cycle. Such trends, together with provincial over-commitments and poor contract management, raise questions about provinces' ability to administer the HSDG effectively.

Over the medium term, government must focus on strengthening accountability and oversight to ensure improved planning and delivery. This will require a review of planning frameworks, better reporting and improved efficiency of allocations.

Conclusion

The human settlements space is highly complex and dynamic. While government has established a wide array of policies and systems to address the needs of the sector, implementation has not kept pace. The IRDP has lagged while provinces focus on provision of housing, on which they have made significant progress. Integration that creates spaces in which citizens can live, work and play is key for the success of the sector.

The human settlements space is highly complex and dynamic. While government has established a wide array of policies and systems to address the needs of the sector, implementation has not kept pace.

Providing adequate human settlements is a powerful part of the economy and contributes to social cohesion; and many developed and developing countries are grappling with challenges similar to those in South Africa. Until recently, a range of functional misalignments and the absence of a broad view of the housing mandate have frustrated this country's policy objective in this area. These shortcomings have been recognised and, as indicated in this chapter, remedial measures are in place.

However, the available data does not provide information about many of the important issues that affect the delivery of human settlements such as community relations, consultation, tradition, spatial efficiency and integration.

Fast-tracking the delivery of sustainable human settlements requires a bold acknowledgement of South Africa's increasingly urban nature and a commitment to proper planning, particularly in the large cities.

7

Roads and transport

Introduction

Transport systems connect citizens to places of work, schools, health care facilities and other social amenities and services. Transportation is key to sustainable economic growth in any country.

Transportation is key to sustainable economic growth in any country.

The NDP 2030's vision for transport is for South Africa to have "a transport system that supports economic development, job creation and growth, provides equitable access to opportunities and services for all and reduces poverty. This includes the provision of sustainable transport services that are efficient and inclusive, and inextricably linked to the need for spatial change in South Africa's cities and related transport corridors".

The roads and transport sector is guided by Outcome 6 of the MTSF which seeks to promote "an efficient, competitive and responsive economic infrastructure network". There are three main areas in which provincial governments play a critical role in this sector:

Delivery and maintenance of provincial roads infrastructure: Construction and maintenance of transport infrastructure contribute to job creation and poverty reduction and supports the development of small and emerging contractors.

Public transport services: Provinces provide public transport such as commuter bus services. They also issue vehicle operating licences and provide public transport infrastructure on provincial roads. Government subsidises public transport (bus and rail) to make it affordable for the poor and unemployed.

Numerous road safety interventions are being implemented in provinces with the aim of curbing road accident fatalities in South Africa.

Safety and law enforcement: Provinces are responsible for transport safety and traffic law enforcement. Numerous road safety interventions are being implemented in provinces with the aim of curbing road accident fatalities in South Africa. However, challenges remain.

Over the 2020 MTEF, provincial government spending in these three areas (excluding special projects such as the Gautrain) amounts to R123.4 billion. About R81.1 billion will be spent on the delivery and maintenance of transport infrastructure, R25.5 billion on public transport subsidies and R16.8 billion on transport safety and law enforcement. These areas and their associated challenges and interventions are discussed in detail in the relevant sections below.

This chapter reviews the current roads and transport landscape, discusses budget and expenditure trends and presents the medium-term outlook for the sector.

Current landscape

Institutional arrangements

The Constitution of the Republic of South Africa (1996) (Constitution) assigns various transport and road infrastructure functions to different spheres of government. Part A of Schedule 4 of the Constitution indicates that public transport, road traffic regulation and vehicle licensing are concurrent functions of national and provincial legislative competence; Part B covers municipal public transport. In terms of Part A of Schedule 5, provincial roads and traffic are an exclusive function of provincial legislative competence while municipal roads, traffic and parking are municipal functions in terms of Part B of Schedule 5.

The Road Infrastructure Strategic Framework for South Africa (RISFSA), approved by Cabinet in 2006, provides policy direction for the planning and development of road infrastructure. The key strategic aim is to ensure that the road network is delivered and maintained in an integrated manner. The RISFSA road classification system considers the importance of each road in the network and its contribution to achieving the country’s economic and social objectives.

South Africa's total road network is estimated at 750 000 kilometres, the longest of any African country and the tenth longest in the world. According to the South African National Roads Agency Limited (SANRAL), the network is valued at more than R2.1 trillion. The Department of Transport (DoT) is responsible for overall policy formulation for the sector. Responsibility for building and maintaining the network is divided between SANRAL and provincial and local government authorities.

South Africa has the tenth longest road network in the world, valued at more than R2.1 trillion.

SANRAL manages national roads and has a network of 22 197 kilometres of paved roads. Provinces are responsible for 222 951 kilometres while, according to the DoT, the municipal network is estimated at 275 661 kilometres of the proclaimed network. The rest are unproclaimed gravel roads (mainly serving rural communities) and are therefore not owned or maintained by any road authority.

The National Land Transport Act (NLTA) (2009) and the Public Transport Strategy (2007) are the guiding documents for public transport in South Africa. The Public Transport Strategy aims to achieve accelerated implementation of integrated public transport networks (IPTNs) in metropolitan cities, smaller cities and rural districts. The strategy plans to transform and integrate rail, taxi and bus services and to implement integrated fare structures through a common electronic fare system on all modes on the network. The Bus Rapid Transit (BRT) public transport system is being operated in the cities of Nelson Mandela Bay, Johannesburg, Tshwane, Ekurhuleni, Cape Town and Rustenburg.

In terms of the NLTA, provinces are responsible for formulating their transport policies and strategies; planning and coordinating transport functions in their provinces; preparing provincial land transport frameworks; and capacitating municipalities that lack capacity and resources to perform their land transport functions. Provinces and municipalities may also enter into intergovernmental relations agreements to jointly perform land transport functions or establish provincial or municipal entities to perform this function.

The Road Traffic Management Corporation (RTMC) is the lead agency for road safety in South Africa and is increasing education and enforcement initiatives on roads. In cooperation with the RTMC, the South African Police Service (SAPS) and metropolitan police departments, the provinces are responsible for traffic law enforcement including monitoring road behaviour, operating traffic control centres, setting up roadblocks and issuing licences for transporting abnormal and hazardous loads.

Provincial road network

Provincial gravel roads make up 77 per cent of the provincial road network.

The country has more than 12 million motor vehicles with an average density of 16 motor vehicles per kilometre. The provincial road network is about 222 951 kilometres in length, consisting of 170 837 kilometres of unpaved and 52 114 kilometres of paved roads. Provincial gravel roads make up 77 per cent of the provincial road network.

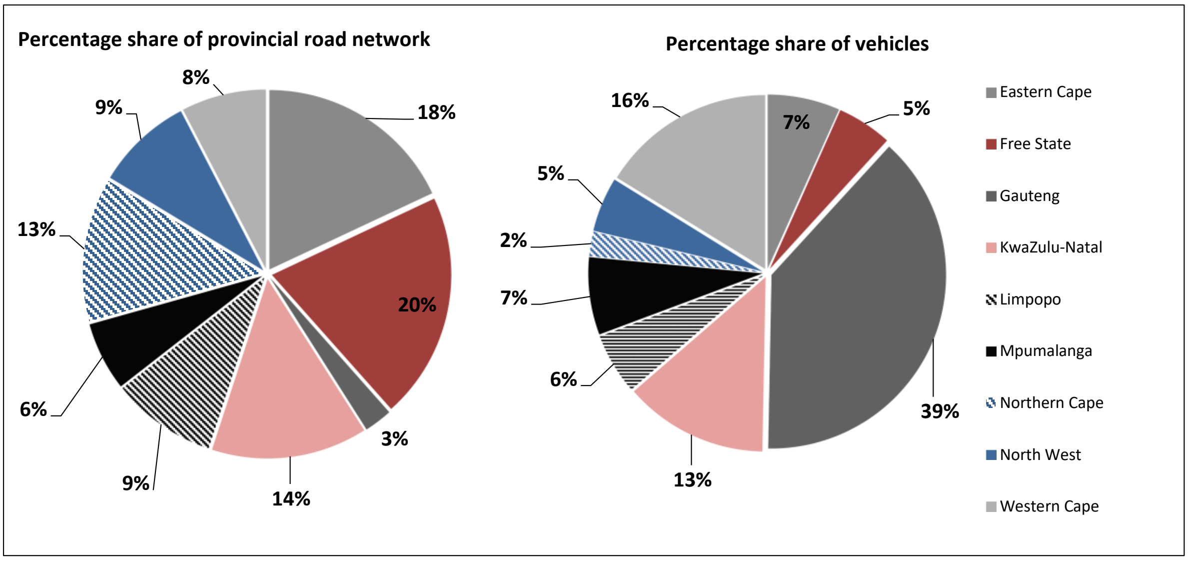
As Table 7.1 shows, the average density on the provincial road network (excluding national and municipal road networks) is 55 vehicles per kilometre. The higher the density, the higher the traffic congestion on roads. Gauteng and the Western Cape have the highest densities on their roads; these increase the frequency of the need for maintenance activities. In contrast, traffic density in the Northern Cape and Free State, at 10 and 14 vehicles per kilometre respectively. The Eastern Cape and Free State have the longest road networks at more than 40 000 kilometres each.

Table 7.1 Extent of provincial road network (in kilometres) by province, March 2018

Province	Paved Extent	Unpaved Extent	Total provincial road network	Total number of vehicles	% share of vehicles	Road densities*
Eastern Cape	3 808	36 345	40 153	816 898	6,6%	20
Free State	6 370	39 149	45 519	628 885	5,1%	14
Gauteng	4 284	1 356	5 640	4 737 590	38,5%	840
KwaZulu-Natal	8 084	23 254	31 338	1 638 774	13,3%	52
Limpopo	7 583	13 473	21 056	698 340	5,7%	33
Mpumalanga	5 453	8 373	13 826	882 585	7,2%	64
Northern Cape	4 987	23 963	28 950	278 182	2,3%	10
North West	4 929	14 550	19 479	620 393	5,0%	32
Western Cape	6 616	10 374	16 990	1 991 566	16,2%	117
Total	**52 114**	**170 837**	**222 951**	**12 293 213**	**100,0%**	**55**

** Vehicles per kilometre*
Source: National and provincial Departments of Transport (Road Asset Management System)

Figure 7.1: Percentage share of provincial road network (left) and share of vehicles (right) by province, March 2018



Source: National and provincial Departments of Transport (Road Asset Management System)

Condition of provincial roads

The World Economic Forum's *Global Competitiveness Report 2018-19* ranked the quality of South Africa's road network 47th out of the 141 countries surveyed. This was an improvement, by three places, from 58th in the 2017-18 report. For the country to remain competitive, investment in the construction and maintenance of road infrastructure needs to be improved. However, this must be coupled with developing the capacity necessary to plan and spend the allocated resources efficiently and effectively.

Provincial paved roads are at risk of failure, while unpaved roads are unfit for purpose.

The 2017 Infrastructure Report Card of the South African Institute of Civil Engineers (SAICE) noted a slight improvement in the paved provincial road network although, at "D", it was still rated low and at risk of failure. Provincial unpaved roads were rated at "E": unfit for purpose. According to the report, provinces have suffered from a loss of experienced road professional expertise over two decades, the results of which are reflected in the overall deterioration of the provincial road networks. Road safety is also compromised by the condition of the road network.

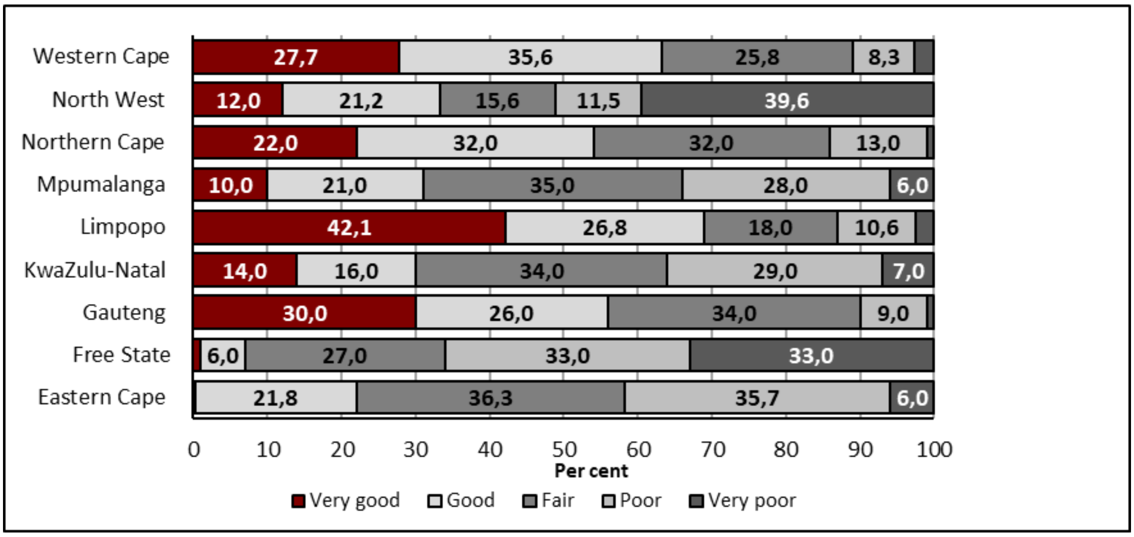
The transport sector, through the Committee of Land Transport Officials (COLTO), has developed various technical guidelines or standards for pavement management systems to guide road authorities in managing their road assets. Figure 7.2 and Figure 7.3 show the conditions of the provincial road network and the estimated maintenance backlog for each province. Provincial roads are currently in a variety of conditions.

Based on the Visual Condition Indices (VCI) used by road engineers to assess road conditions, the overall provincial road network is in a less than optimal condition.

A large proportion (about 80 per cent) of the network is older than its original design life of 20 years. Consequently, most of the roads are beyond the stages of routine and preventative maintenance and instead require heavy rehabilitation. The level of deterioration is also caused by defects that are neglected and by lack of maintenance prioritisation which results in increased Vehicle Operating Costs (VOCs). Provincial roads maintenance budgets remain insufficient, with most provinces relying heavily on the *provincial roads maintenance grant* (PRMG) and allocating little from their own budgets.

In aggregate, about 31 per cent of the provincial road network is in poor to very poor condition. This is a substantially larger percentage than the international benchmark of 10 per cent. Gauteng and the Western Cape have large percentages (almost 90 per cent) of their roads in fair, good or very good condition. However, the condition in other provinces remains largely poor to very poor. Roads in the Free State and North West have deteriorated significantly, with more than 50 per cent of their networks in a state of collapse.

Figure 7.2 Provincial road conditions, September 2017



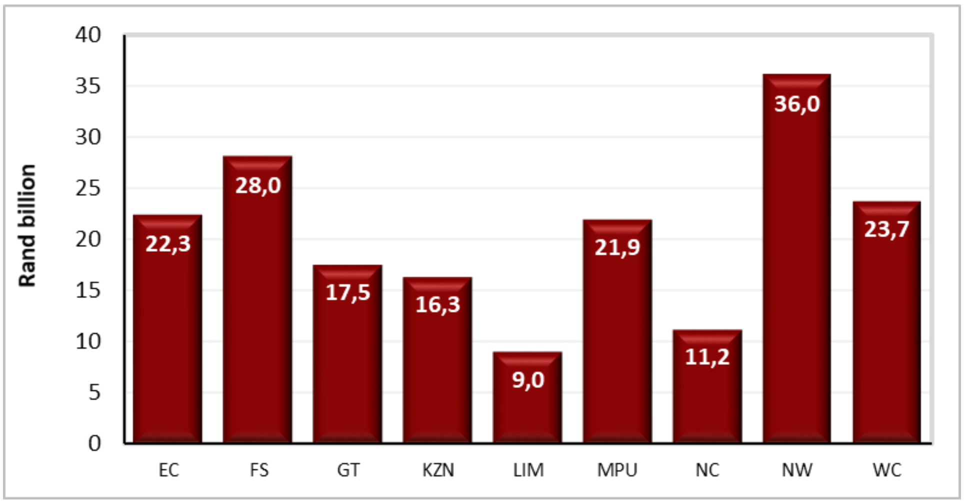
Source: National Department of Transport

The provincial road maintenance backlog was estimated in 2018 at R185.9 billion.

The provincial road maintenance backlog was estimated in 2018 at R185.9 billion. The DoT and SANRAL estimate that, where maintenance has been delayed by five years, the cost of reconstructing a road is up to 18 times higher than that of routine maintenance.

Overloading, high traffic volumes, heavy rains, poor storm water management, insufficient maintenance and the reduction of skilled personnel in provincial departments are some of the main factors contributing to the decline in the provincial road network. In addition, road transport is the dominant mode for freight movement as, compared to freight rail, it offers flexible and cheap transport solutions. According to the Land Transport Survey released by Statistics South Africa in 2020, more than 75 per cent of land freight is conveyed by road and this compounds the road maintenance backlog.

Figure 7.3 Total estimated provincial road backlog, 2018



Source: National Department of Transport

Budget and expenditure trends

Transport infrastructure programme

The objective of this programme is to promote accessible, safe and affordable movement of people, goods and services through the delivery and maintenance of transport infrastructure. This infrastructure should be sustainable, integrated and environmentally sensitive and should support and facilitate social empowerment and economic growth. Expenditure incurred in this programme relates to the planning, design, construction, rehabilitation, maintenance and repair of infrastructure supporting all modes of transport. The programme includes project expenditure on the Expanded Public Works Programme (EPWP) designed to support job creation initiatives and to develop the skills of small and emerging contractors.

Table 7.2 shows that provinces plan to spend R81.1 billion on transport infrastructure over the 2020 MTEF. Over the same period, the PRMG accounts for R36 billion or 44.4 per cent of the total. The grant supplements provincial investments in road infrastructure maintenance and assists provinces to address backlogs and to implement and

Provinces plan to spend R81.1 billion on transport infrastructure over the 2020 MTEF.

maintain the Road Asset Management System (RAMS). In 2018/19, provinces spent R24.8 billion and R24 billion in 2019/20 on transport infrastructure. This represents a 2.9 per cent or R719 million annual decrease in transport infrastructure expenditure.

In 2011, the DoT introduced the S'hamba Sonke (meaning "moving together") flagship project. This aims to improve the provincial road infrastructure and create jobs through labour intensive forms of road maintenance. The programme is being implemented through the PRMG. Before the beginning of the new financial year, each province tables a detailed project list covering a period of three years and a road asset management plan (RAMP). The purpose of these plans is to promote transparency and forward planning on road infrastructure.

Through investment in roads, major improvements are expected to be carried out on provincial road infrastructure and backlogs are expected to reduce. However, inefficiencies in spending remain a concern as evidenced by the deteriorating road conditions in provinces.

Table 7.2: Transport infrastructure expenditure by province, 2015/16 - 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million	**Outcome**				**Revised estimate**	**Medium-term estimates**		
Eastern	2 021	2 073	2 236	2 149	2 130	2 270	2 099	2 129
Free State	1 518	1 623	1 624	1 621	1 752	1 722	1 813	1 886
Gauteng	2 177	1 961	2 246	2 741	2 159	3 022	3 371	3 328
KwaZulu-Na	6 977	7 054	7 102	7 103	6 060	8 317	8 256	8 612
Limpopo	1 642	1 873	2 093	2 198	2 537	2 557	2 026	2 096
Mpumalan	2 315	2 352	2 376	2 636	2 622	2 083	2 012	2 098
Northern C	1 067	1 137	1 452	1 354	1 393	1 477	1 352	1 419
North West	1 336	1 329	1 603	1 428	1 806	1 981	1 867	2 045
Western Ca	3 174	3 244	3 429	3 527	3 578	3 798	3 717	3 771
Total	**22 226**	**22 646**	**24 161**	**24 757**	**24 038**	**27 226**	**26 513**	**27 386**

Percentage growth (average annual)	**2015/16 – 2019/20**	**2019/20 – 2020/21**	**2019/20 – 2022/23**
Eastern	1,3%	6,6%	0,0%
Free State	3,6%	-1,7%	2,5%
Gauteng	-0,2%	39,9%	15,5%
KwaZulu-Natal	-3,5%	37,2%	12,4%
Limpopo	11,5%	0,8%	-6,2%
Mpumalanga	3,2%	-20,6%	-7,2%
Northern Cape	6,9%	6,1%	0,6%
North West	7,8%	9,6%	4,2%
Western Cape	3,0%	6,2%	1,8%
Total	**2,0%**	**13,3%**	**4,4%**

Source: National Treasury provincial database

KwaZulu-Natal's spending and budgeting shows a strong focus on road infrastructure. In 2018/19, the province spent about 28.7 per cent of the national total on its road infrastructure and this trend is consistent throughout the 2020 MTEF period. With an average of R27 billion per year, the overall provincial transport infrastructure budget remains relatively stable over the 2020 MTEF.

KwaZulu-Natal's budget shows a strong focus on road infrastructure.

The transport infrastructure budgets of Limpopo and Mpumalanga decline in nominal terms over the MTEF. Mpumalanga has in the past benefitted from a special coal haulage allocation (R501 million in 2018/19 and R526 million in 2019/20) which is now distributed according to the PRMG formula. Over the same period, aggregate expenditure is expected to increase by 4.4 per cent. The infrastructure allocations in Gauteng and KwaZulu-Natal show substantial growth over the MTEF. The declining expenditure in some provinces will increase backlogs in road construction and maintenance.

Provincial road maintenance

Maintenance of provincial road networks includes activities related to routine, preventative and periodic maintenance of road and transport infrastructure of a current nature that preserve the asset in its original condition. This includes all maintenance activities such as rehabilitation and resealing of surfaced roads, re-gravelling and blading of gravel roads and blacktop patching.

The rate of deterioration in the condition of the provincial road network is determined largely by the level of maintenance provided; this depends on the age and condition of the road. Maintenance reduces the rate of road deterioration and lowers the cost of operating vehicles. Other benefits of properly maintained roads are time saving, reduction in traffic congestion, improved access to facilities and safety. When a road is allowed to deteriorate from good to poor condition, the economic costs are borne primarily by road users as vehicle operating costs increase.

On average, provinces are investing more than 55 per cent of their transport infrastructure programme allocations in maintenance. At 23.9 per cent of the province's transport infrastructure programme budget over the MTEF, North West's investment in maintenance is the lowest. As stated above, the condition of the province's roads has greatly deteriorated, with about 52 per cent of them in poor or very poor condition; the province also has the highest maintenance backlog, estimated at R36 billion. Its underinvestment in maintenance will only exacerbate the situation.

Despite the extraordinary deterioration in its roads, North West is investing the lowest percentage of its transport infrastructure programme budget in maintenance.

About R36 billion is available through the Provincial Roads Maintenance Grant over the 2020 MTEF.

As shown in Table 7.3, provinces plan to spend R44.6 billion on the road maintenance sub-programme over the 2020 MTEF. Of this total, the PRMG accounts for R36 billion or about 80.7 per cent. The grant provides road maintenance funding to provinces based on the extent of the provincial road network (paved and unpaved), traffic volumes, road conditions and geo-climatic and topographic factors.

Maintenance and rehabilitation projects identified and prioritised through the provincial RAMS are funded by the grant. The allocation also includes funding for road networks supporting electricity generation infrastructure and for rehabilitation and repair of roads and bridges damaged by unforeseen incidents. In support of electricity generation infrastructure, Mpumalanga was allocated R501 million in 2018/19 and R526.2 million in 2019/20 for coal haulage road projects.

Table 7.3: Roads maintenance expenditure by province, 2015/16 - 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary Outcome	Medium-term estimates		
Eastern Cape	918	787	840	1 001	1 358	1 142	1 018	1 067
Free State	1 489	1 595	1 574	1 581	1 627	1 625	1 726	1 749
Gauteng	912	1 088	1 003	1 592	1 427	1 526	1 738	1 869
KwaZulu-Natal	2 638	3 208	3 103	3 420	3 258	3 705	3 287	3 315
Limpopo	1 642	1 873	2 093	2 198	2 537	2 547	2 020	2 089
Mpumalanga	980	1 121	1 306	1 476	1 388	947	1 016	1 056
Northern Cape	912	936	1 349	1 248	1 281	1 351	1 189	1 246
North West	372	419	371	391	452	467	489	524
Western Cape	1 606	1 504	1 421	1 560	1 678	2 106	1 924	1 924
Total	**11 469**	**12 531**	**13 058**	**14 468**	**15 005**	**15 415**	**14 407**	**14 839**
of which: Provincial Roads Maintenance Grant								
Eastern Cape	1 367	1 306	1 389	1 470	1 510	1 629	1 446	1 515
Free State	1 140	1 259	1 270	1 248	1 390	1 447	1 285	1 346
Gauteng	455	501	656	742	767	745	661	693
KwaZulu-Natal	1 749	1 925	1 829	1 827	1 883	2 077	1 843	1 931
Limpopo	970	993	1 131	975	873	1 295	1 149	1 204
Mpumalanga	1 719	1 639	1 461	1 524	1 572	1 043	926	970
Northern Cape	822	905	1 084	1 112	1 146	1 231	1 092	1 144
North West	788	745	914	678	1 050	1 059	940	985
Western Cape	859	831	940	1 007	1 040	1 067	947	992
Unallocated*	–	–	–	–	–	–	1 648	1 727
Total	**9 869**	**10 104**	**10 674**	**10 583**	**11 231**	**11 593**	**11 938**	**12 507**

Provincial roads maintenance expenditure			
Percentage growth (average annual)	**2015/16 – 2019/20**	**2019/20 – 2020/21**	**2019/20 – 2022/23**
Eastern Cape	10,3%	-15,9%	-7,7%
Free State	2,2%	-0,1%	2,5%
Gauteng	11,8%	6,9%	9,4%
KwaZulu-Natal	5,4%	13,7%	0,6%
Limpopo	11,5%	0,4%	-6,3%
Mpumalanga	9,1%	-31,7%	-8,7%
Northern Cape	8,9%	5,5%	-0,9%
North West	5,0%	3,3%	5,0%
Western Cape	1,1%	25,5%	4,7%
Total	**6,9%**	**2,7%**	**-0,4%**

** Incentive portion of the grant*
Source: National Treasury provincial database

Job creation

As already discussed, to increase the labour content of road maintenance projects the DoT is rolling out S'hamba Sonke and similar programmes. The Department of Public Works (DPW) provides technical support and assists provinces to design and implement labour intensive programmes and projects; the department uses "full-time equivalent" (FTE) as the unit for calculating the number of jobs created.

140 988 work opportunities were created in the provincial road construction and maintenance sector in 2018/19.

Table 7.4 shows that there were 1 135 EPWP projects in provincial road and transport departments in 2018/19. In that year, about 140 988 people were employed in the provincial roads construction and maintenance sector compared with 135 476 in 2017/18; and 44 199 full-time equivalents were created, with each person spending an average of 49 days on a project.

Table 7.4: Provincial roads expanded public works programme by province, 2018/19

	2017/18	2018/19					
Province	Number of work opportunities	Number of EPWP Projects	Number of work opportunities	Number of full time equivalents	Person days* of work	Average number of person days	Year-on-year change
Eastern Cape	50 378	41	49 571	12 962	1 255 002	25	-807
Free State	5 096	16	4 943	1 385	54 219	11	-153
Gauteng	2 371	49	3 961	1 652	447 835	113	1 590
KwaZulu-Natal	48 242	275	44 008	14 877	3 383 886	77	-4 234
Limpopo	4 289	57	6 289	2 313	256 293	41	2 000
Mpumalanga	7 929	490	8 901	3 304	352 369	40	972
Northern Cape	3 835	85	6 648	2 740	87 958	13	2 813
North West	6 531	33	8 795	2 643	565 955	64	2 264
Western Cape	6 805	89	7 872	2 323	521 804	66	1 067
Total	**135 476**	**1 135**	**140 988**	**44 199**	**6 925 321**	**49**	**5 512**

Provincial road construction and maintenance outputs, 2018/19
Source: National Department of Public Works, Expanded Public Works Programme Reporting System

277 kilometres of gravel roads were upgraded to surfaced roads and a further 407 202 kilometres of gravel roads were bladed in 2018/19.

Table 7.5 shows the construction and maintenance outputs by provincial roads and transport departments in 2017/18 and 2018/19. KwaZulu-Natal had the largest transport infrastructure budget (R7.1 billion in 2018/19) and delivered more outputs across most transport infrastructure indicators than any other province. Across all provinces, in 2018/19 about 277 kilometres of gravel roads were upgraded to surfaced roads compared to 485 kilometres in 2017/18. Between the two years (2017/18 and 2018/19), there was a shift in focus on gravel roads from upgrading to maintenance of the existing road network.

Maintenance of paved or surfaced roads is measured in square metres. In 2018/19, about 8.5 million square metres of surfaced roads were resealed, 6.2 million rehabilitated and 3.0 million of surfaced roads patched. In the same year, 407 202 kilometres of gravel roads were bladed and 2 566 kilometres regravelled.

Table 7.5: Road construction and maintenance outputs by province, 2018/19

	Construction		Maintenance									
	Kilometres of gravel roads upgraded to surfaced roads		Square metres of surfaced roads rehabilitated		Square metres of surfaced roads resealed		Square metres of blacktop patching		Kilometres of gravel roads regravelled		Kilometres of gravel roads bladed	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
Eastern Cape	109	23	1 800	–	–	–	37 242	20 374	551	410	24 850	24 565
Free State	16	26	796 511	1 330 458	975 487	509 700	382 542	184 263	219	146	44 515	41 536
Gauteng	–	11	396 610	643 687	610 894	351 776	178 190	182 724	158	138	2 315	2 075
KwaZulu-Natal	115	60	1 683 719	1 874 219	764 222	993 961	819 659	1 925 151	1 413	850	77 938	65 412
Limpopo	88	55	106 708	248 566	214 079	337 593	130 188	150 201	166	141	74 858	77 512
Mpumalanga	13	19	553 200	528 900	1 193 414	1 729 550	275 980	398 811	497	321	36 481	28 603
Northern Cape	77	15	250 000	300 000	2 253 478	1 880 000	42 246	38 543	389	324	73 485	74 389
North West	45	47	304 493	687 035	216 434	569 845	119 545	101 857	462	65	4 132	47 617
Western Cape	22	20	915 772	560 019	2 430 380	2 150 874	92 582	38 817	180	173	45 997	45 494
Total	**485**	**277**	**5 008 813**	**6 172 884**	**8 658 388**	**8 523 299**	**2 078 175**	**3 040 742**	**4 035**	**2 566**	**384 572**	**407 202**

Source: National Treasury provincial database

Traffic volumes

Table 7.6 shows the number of registered vehicles on South African roads as at 31 March 2020. Traffic volumes are a major determinant of pressure on a road network and influence how the PRMG is allocated to provinces. The volumes determine the pavement structure required, type of road surface, frequency of maintenance actions and design life of the road. Heavy vehicles impose higher stresses on roads which therefore require stronger pavement structures and more frequent maintenance.

High traffic volumes increase the frequency of road maintenance activities.

Table 7.6: Number of registered vehicles on South African roads by province, March 2020

Province	Total number of vehicles, March 2017	Total number of vehicles, March 2018	Total number of vehicles, March 2019	Self propelled vehicles	Trailers	All other unknown vehicles	Total number of vehicles, March 2020	Vehicles year-on-year growth
Eastern Cape	801 885	816 898	832 875	775 188	70 964	3 040	849 192	16 317
Free State	623 264	628 885	634 521	546 158	90 068	3 753	639 979	5 458
Gauteng	4 648 786	4 737 590	4 829 383	4 471 705	441 980	4 562	4 918 247	88 864
KwaZulu-Natal	1 610 144	1 638 774	1 670 496	1 582 048	113 367	2 872	1 698 287	27 791
Limpopo	678 843	698 340	719 985	676 732	59 711	2 314	738 757	18 772
Mpumalanga	859 640	882 585	906 892	797 412	116 429	3 613	917 454	10 562
Northern Cape	274 160	278 182	282 766	246 640	38 189	1 350	286 179	3 413
North West	611 025	620 393	630 945	562 913	71 683	4 158	638 754	7 809
Western Cape	1 939 657	1 991 566	2 033 704	1 868 126	195 228	4 346	2 067 700	33 996
Total	**12 047 404**	**12 293 213**	**12 541 567**	**11 526 922**	**1 197 619**	**30 008**	**12 754 549**	**212 982**

Of which:	Heavy load vehicles GVM* > 3500 KG			Percentage share of heavy vehicles	Percentage share of vehicle population
	Trucks	Trailers	Total		
Eastern Cape	22 451	7 397	29 848	5,1%	6,7%
Free State	22 569	19 440	42 009	7,1%	5,0%
Gauteng	140 766	64 824	205 590	34,9%	38,6%
KwaZulu-Natal	50 214	24 150	74 364	12,6%	13,3%
Limpopo	26 451	10 224	36 675	6,2%	5,8%
Mpumalanga	45 049	39 878	84 927	14,4%	7,2%
Northern Cape	9 053	5 762	14 815	2,5%	2,2%
North West	17 472	11 164	28 636	4,9%	5,0%
Western Cape	46 762	25 112	71 874	12,2%	16,2%
Total	**380 787**	**207 951**	**588 738**	**100,0%**	**100,0%**

**GVM = Gross vehicle mass*
Source: National Treasury provincial database

Between 2018/19 and 2019/20, the number of vehicles in South Africa grew from 12.5 million to 12.8 million, an increase of 212 982 or 1.7 per cent. The largest number of vehicles (4.9 million or 39 per cent) were in Gauteng, followed by the Western Cape with 2.1 million. Heavy trucks and trailers with a gross vehicle mass (GVM) greater than 3 500 kilogrammes accounted for only 4.6 per cent of the vehicle population but they generate significant stress on the road network.

Transport operations programme

Improvements in public transport is one of the strategic focus areas in improving service delivery.

The 2014-2019 MTSF highlights improvements in public transport as one of the strategic focus areas in improving service delivery. Investment in public transport should contribute to narrowing spatial divisions by making it quicker, safer and more affordable for people to access work opportunities. Public transport planning and alignment with residential development is a key element in achieving social and economic transformation in urban areas.

The objective of this programme is to plan, regulate and facilitate the provision of integrated land transport services through co-ordination and co-operation between national planning authorities, community based organisations (CBOs), non-governmental organisations (NGOs) and the private sector to improve mobility for all communities and particularly those currently without, or with limited, access.

Provincial bus services

Government subsidises public transport to ensure that all South Africans, including the poor and the unemployed, have access to affordable public transport. In 2009/10, the role of funding bus subsidies was assigned from national government to provinces. Provinces are the contracting authorities; the services are funded through the *public transport operations grant* (PTOG) and the provincial equitable share.

Government subsidises public transport to make it accessible and affordable.

Five provinces (the Eastern Cape, Gauteng, Limpopo, Mpumalanga and North West) supplement the grant funding with the provincial equitable share. Over the 2020 MTEF, government plans to spend R25.5 billion on provincial bus subsidies; the PTOG amounts to R21.0 billion or 82.2 per cent of the provincial bus subsidies allocation over the same period.

Table 7.7: Public transport services expenditure by province, 2015/16 - 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million	Outcome				Revised estimate	Medium-term estimates		
Eastern Cape	425	464	487	539	545	572	601	614
Free State	218	241	256	264	279	297	314	312
Gauteng	1 960	2 341	2 053	2 239	2 168	2 751	2 928	2 868
KwaZulu-Natal	993	1 011	1 112	1 391	1 382	1 246	1 315	1 309
Limpopo	652	692	697	697	728	801	859	880
Mpumalanga	525	575	610	626	669	715	754	791
Northern Cape	43	49	54	54	57	61	64	64
North West	640	626	637	677	660	647	683	708
Western Cape	797	871	923	953	1 006	1 074	1 133	1 128
Total	**6 254**	**6 870**	**6 829**	**7 439**	**7 493**	**8 163**	**8 650**	**8 674**
of which: Public Transport Operations Grant								
Eastern Cape	200	218	231	239	252	269	284	283
Free State	218	241	256	264	279	297	314	312
Gauteng	1 850	2 035	1 906	2 078	2 015	2 599	2 742	2 731
KwaZulu-Natal	925	1 011	1 071	1 106	1 168	1 246	1 315	1 309
Limpopo	298	326	346	357	360	402	424	422
Mpumalanga	501	549	582	597	632	677	714	711
Northern Cape	43	50	52	54	57	61	64	64
North West	92	99	109	192	102	124	131	131
Western Cape	797	871	923	953	1 006	1 074	1 133	1 128
Unallocated*	–	–	–	–	–	–	–	–
Total	**4 924**	**5 400**	**5 476**	**5 840**	**5 871**	**6 750**	**7 121**	**7 090**

Provincial public transport services expenditure			
Percentage growth (average annual)	**2015/16 – 2019/20**	**2019/20 – 2020/21**	**2019/20 – 2022/23**
Eastern Cape	6,4%	4,9%	4,1%
Free State	6,3%	6,7%	3,9%
Gauteng	2,6%	26,9%	9,8%
KwaZulu-Natal	8,6%	-9,8%	-1,8%
Limpopo	2,8%	9,9%	6,5%
Mpumalanga	6,2%	6,9%	5,7%
Northern Cape	7,0%	6,7%	3,9%
North West	0,8%	-2,0%	2,4%
Western Cape	6,0%	6,7%	3,9%
Total	**4,6%**	**8,9%**	**5,0%**

Source: National Treasury provincial database

Through 108 provincial contracts, a total of 6 351 vehicles were subsidised in 2018/19.

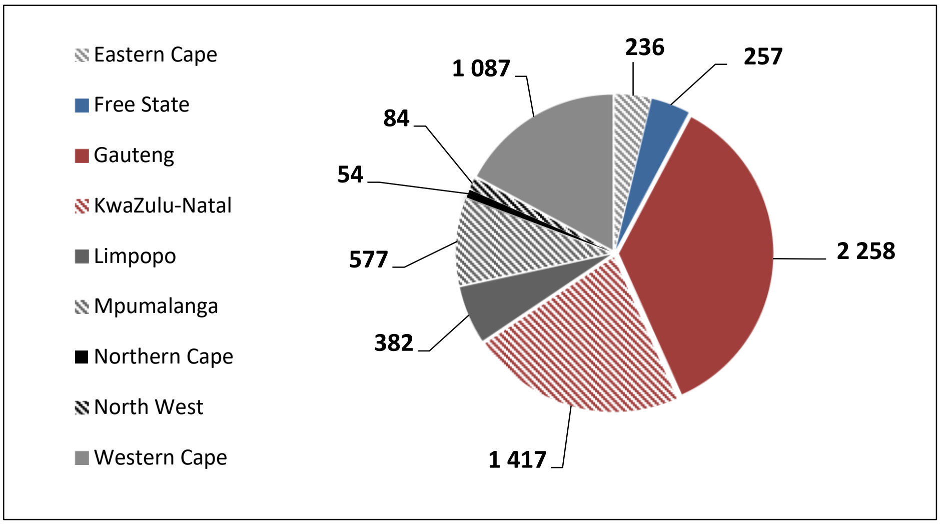
In 2018/19, the PTOG subsidised 108 provincial contracts covering 6 351 vehicles and 12 137 routes, providing 6.6 million trips and covering 266.7 million kilometres during the year. Gauteng and KwaZulu-Natal managed more than 30 contracts each and received the largest share of PTOG allocations. The PTOG framework requires the contracting authorities of bus services to supervise, monitor and verify the correctness of operators' claims in terms of the number of kilometres of service provided and to submit monthly summary reports to the transferring officer.

Table 7.8: Provincial subsidised bus services by province, 2018/19

Province	Number of contracts	Number of vehicles subsidised	Number of routes subsidised	Number of trips subsidised	Number of kilometers subsidised
Eastern Cape	1	277	2 020	351 989	9 951 285
Free State	9	257	234	265 311	11 933 884
Gauteng	32	2 237	3 349	1 498 429	79 665 112
KwaZulu-Natal	37	1 379	2 074	1 165 396	41 360 571
Limpopo	9	380	882	658 990	32 461 772
Mpumalanga	7	577	154	820 764	26 932 110
Northern Cape	6	54	61	40 454	1 673 766
North West	6	85	781	529 554	25 979 535
Western Cape	1	1 105	2 582	1 312 790	36 791 412
Total	**108**	**6 351**	**12 137**	**6 643 677**	**266 749 447**

Source: National Treasury provincial database

Figure 7.4 Number of vehicles subsidised, 2018/19



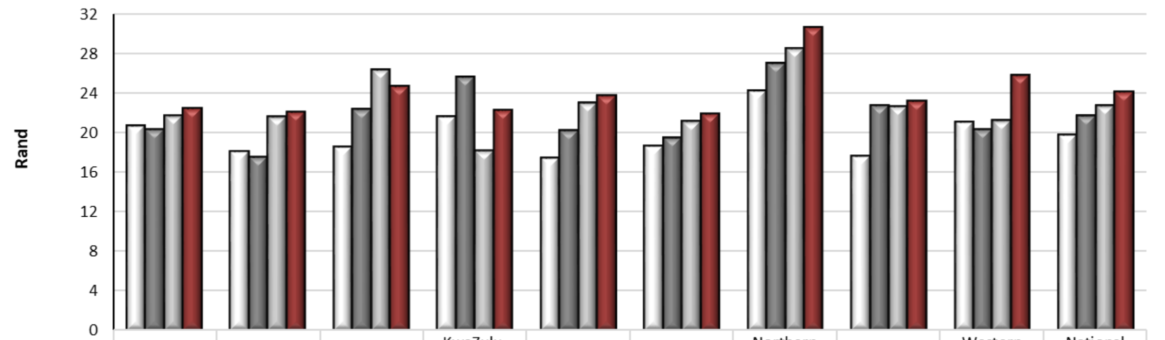
Source: National Treasury provincial database

Provincial bus subsidies per kilometre

The average subsidy per kilometre increased from R19.83 in 2015/16 to R24.17 in 2018/19.

Provincial bus subsidies are kilometre-based. Revenue generated from fares only partially covers public transport costs; hence, the need for subsidisation. Between 2015/16 and 2018/19, the average subsidy per kilometre increased from R19.83 per kilometre to R24.17. In 2018/19, the Northern Cape paid the highest subsidy per kilometre (R30.73 per kilometre); KwaZulu-Natal (R22.39 per kilometre) and Mpumalanga (R21.96 per kilometre) paid the lowest subsidies per kilometre in the same period. The mode of transport used and the condition of roads can influence the subsidy paid per kilometre.

Figure 7.5 Bus subsidies per kilometre per province as at 31 March: 2015/16 - 2018/19



	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape	National Average
2015/16	20,72	18,13	18,6	21,73	17,47	18,68	24,28	17,73	21,1	19,82666667
2016/17	20,35	17,57	22,45	25,69	20,32	19,59	27,11	22,82	20,37	21,80777778
2017/18	21,78	21,68350709	26,41	18,22408648	23,04252778	21,2618476	28,59024581	22,75901906	21,33	22,78680376
2018/19	22,49	22,18	24,75	22,39	23,84	21,96	30,73	23,25	25,9	24,16555556

Source: Public Transport Operations Grant (PTOG) quarterly reports

Public transport plans and arrangements between provinces and municipalities

The Eastern Cape is planning to recapitalise the ageing fleet of the Mayibuye Transport Corporation's (MTC) over the MTEF.

Gauteng has completed a comprehensive survey of the majority of contracts and is signing intergovernmental agreements with municipalities for joint delivery of public transport services in the province.

KwaZulu-Natal is negotiating with mainstream bus operators to increase the participation of Black-owned bus operations to 50 per cent.

In the Western Cape, a memorandum of understanding was signed between the Department of Public Works and Transport and the City of Cape Town to cooperate on the integration of the provincial and MyCiti services.

Municipal IPTNs either exist or are being developed across various provinces. Within the IPTNs, provincial contracts can also be managed by cities. As part of the development of the IPTNs, municipalities' capacity to manage these contracts and the financial sustainability of bus subsidies are considered by provinces and municipalities.

Transport regulation programme

The objective of the transport regulation programme is to ensure that provincial transport departments provide a safe transport environment through regulation of traffic on public infrastructure; traffic law enforcement; implementation of road safety education and awareness programmes; and registration and licensing of vehicles and drivers. Provinces provide traffic safety services through roads and transport or community safety departments.

Table 7.9 shows that provincial expenditure on traffic safety and law enforcement rose at an average annual rate of 5.4 per cent between 2015/16 and 2019/20. Over the 2020 MTEF, this expenditure is projected to grow at an average annual rate of 5.2 per cent.

Table 7.9: Transport regulation expenditure by province, 2015/16 - 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million		**Outcome**			**Revised estimate**		**Medium-term estimates**	
Eastern	297	318	337	394	364	352	369	396
Free State	351	393	473	530	561	471	487	525
Gauteng	262	319	300	292	289	398	412	440
KwaZulu-Na	738	778	850	891	896	1 033	1 093	1 160
Limpopo	492	526	580	611	737	678	716	746
Mpumalang	661	569	537	585	648	696	765	790
Northern C	87	82	94	88	92	104	110	115
North Wes	562	551	585	572	594	657	685	718
Western Ca	661	682	794	841	884	920	968	1 006
Total	**4 110**	**4 219**	**4 549**	**4 804**	**5 066**	**5 308**	**5 605**	**5 897**
Percentage growth (average annual)		**2015/16 – 2019/20**			**2019/20 – 2020/21**		**2019/20 – 2022/23**	
Eastern		5,2%			-3,6%		2,8%	
Free State		12,5%			-16,0%		-2,2%	
Gauteng		2,5%			37,6%		15,0%	
KwaZulu-Natal		5,0%			15,3%		9,0%	
Limpopo		10,6%			-8,0%		0,4%	
Mpumalanga		-0,5%			7,4%		6,9%	
Northern Cape		1,4%			13,7%		7,8%	
North West		1,4%			10,5%		6,5%	
Western Cape		7,6%			4,0%		4,4%	
Total		**5,4%**			**4,8%**		**5,2%**	

Source: National Treasury provincial database

The latest road safety initiatives aim to change the behaviour of road users.

According to the 2018 Global Status Report on Road Safety, the global rate for road traffic deaths is 18 per 100 000 inhabitants. In South Africa, the figure is 25.9 per 100 000 inhabitants (2016 data). Based on the current trends (reported in Figure 7.6 below), Target 3.6 of the

Sustainable Development Goals (SDGs) - to halve road traffic deaths by 2020 - will not be met.

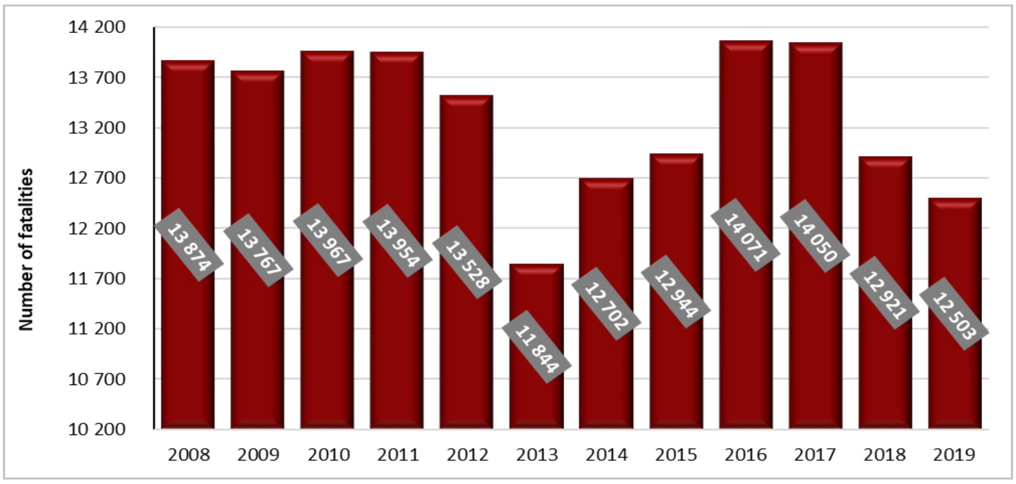
The aim of the National Road Safety Strategy 2016-2030 developed by the DoT is to reduce road fatalities, promote road safety and improve road traffic management. Related to this, through a demerit system which can result in serial traffic offenders losing their driver's licences, the Administrative Adjudication of Road Traffic Offences Amendment Act (AARTO) (2019) seeks to improve driver behaviour and reduce the number of road fatalities.

Road fatalities in South Africa

Figure 7.6 shows that there were 12 503 fatalities on South African roads in 2019, 418 fewer than the 12 921 of the previous year or a 3.2 per cent reduction. However, the numbers of fatalities in 2016 and 2017 were higher than any of the years between 2008 to 2015. The increase in 2016 and 2017 indicated that the awareness campaigns and law enforcement initiatives aimed at curbing road fatalities did not work well enough and required policy makers to evaluate them. Lack of law enforcement also contributes to the rising number of road fatalities

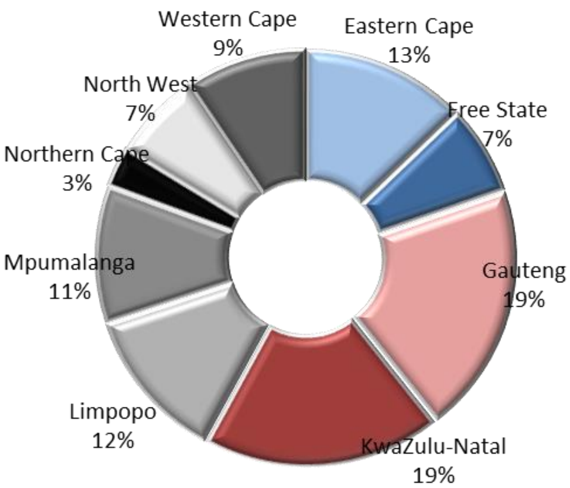
There were 12 503 road fatalities in South Africa in 2019.

Figure 7.6 South African road fatality trends, 2008 - 2019



Source: Road Traffic Management Corporation Report: 1 January - 31 December 2019

Figure 7.7 South African road fatalities by province, 2019



Source: Road Traffic Management Corporation Report: 1 January - 31 December 2019

Despite the slight improvements in 2018 and 2019 shown in Figure 7.6, fatalities on South Africa's roads are still far too high. Figure 7.7 shows that Gauteng and KwaZulu-Natal accounted for the highest percentages of fatalities at 19 per cent each, while the lowest percentage was in Eastern Cape at 3 per cent. Policy makers therefore need to assess the effectiveness of awareness campaigns, law enforcement initiatives and other current preventative measures to curb fatalities. The country needs to improve infrastructure, such as pedestrian bridges, for non-motorised transport facilities and rigorously enforce the traffic laws.

Road safety education and awareness programmes outputs

Provinces conducted 5 719 road safety awareness programmes in 2018/19.

Table 7.10 shows that, in 2018/19, over 5 700 road safety awareness campaigns were carried out across all nine provinces. The largest number was in Limpopo, with 3 283, followed by Gauteng with 1 371. More than 8 900 schools took part in road safety education programmes to increase learners' awareness in road safety.

Law enforcement outputs

Table 7.10 gives information about the activities undertaken by provincial roads and transport or community safety departments to check compliance with traffic regulations and thereby promote road safety.

Table 7.10: Provincial transport safety, compliance and law enforcement outputs by province, 2018/19

	Safety and compliance		Law enforcement				2016	2017	2018	Change
Province	Number of road safety awareness programme	Number of schools involved in road safety education	Number of speed operations conducted	Drunken driving operations conducted	Number of vehicles weighed	Number of vehicles stopped and checked	Number of unroadworthy and unlicenced vehicles*			from 2017 to 2018
Eastern Cape	3	438	2 338	530	15 773	1 228 304	53 220	68 569	79 064	10 495
Free State**	283	868	8 000	87	–	747 771	50 089	60 350	65 754	5 404
Gauteng	1 371	2 310	12 816	1 258	289 729	1 006 236	516 548	445 565	488 933	43 368
KwaZulu-Natal	6	1 252	16 003	520	159 409	1 100 274	117 521	130 986	143 785	12 799
Limpopo	3 283	1 659	16 995	4 112	815 298	2 751 037	39 877	60 747	66 802	6 055
Mpumalanga	20	1 344	2 773	72	968 250	1 669 680	71 251	84 121	89 611	5 490
Northern Cape	171	122	1 718	1 216	43 072	167 331	14 016	21 723	24 576	2 853
North West	4	493	11 246	907	237 234	1 082 426	47 407	57 141	63 701	6 560
Western Cape	578	426	6 295	6 683	653 584	1 534 086	125 520	135 421	147 940	12 519
Total	**5 719**	**8 912**	**78 184**	**15 385**	**3 182 349**	**11 287 145**	**1 035 449**	**1 064 623**	**1 170 166**	**105 543**

Source: National Treasury provincial database
Road Traffic Management Corporation 1 January – 31 December 2018

Over 11.3 million vehicles were stopped and checked for roadworthiness in 2018/19.

In 2018/19, over 11.3 million vehicles were stopped and checked for roadworthiness by law-enforcement officers at various roadblocks in provinces. Roadblocks are one of the means used in the attempt to reduce fatalities and reduce lawlessness on roads. The largest number. of vehicles stopped and checked was in Limpopo (2.8 million vehicles), with a peak during the festive season. This was followed by Mpumalanga, at 1.7 million vehicles. The 2019 RTMC Road Traffic Report shows that, nationally, the number of vehicles found to be unlicensed, unroadworthy or both increased by 105 543 from 1 064 623 in December 2017 to 1 170 166 in December 2018. Among the strategies needed to address this severe problem is to monitor the quality of vehicle testing centres' work to ensure that certificates are issued only to roadworthy vehicles.

In 2018/19, provinces carried out 78 184 speed operations. The largest number was in Limpopo, with 16 995, followed by KwaZulu-Natal and Gauteng at 16 003 and 12 816 respectively. Drivers whose blood alcohol content exceeds the legal limit, operate their vehicles recklessly or exceed speed limits by 40 kilometres per hour or more can be arrested on the spot. There were 15 385 driver alcohol blood content checks, with the Western Cape (6 683) carrying out the largest number followed by Limpopo (4 112). More detailed information about the reasons for differences and/or similarities between provinces' road traffic law enforcement would be valuable.

Overload control

The National Road Traffic Act (1996) and the National Road Traffic Regulations (2000) prescribe limits on vehicle dimensions and axle and vehicle masses with which vehicles using public roads must comply.

Overloaded vehicles cause serious damage to roads. Certain vehicles and loads that cannot be moved on public roads without exceeding the limits (such as vehicles or loads that cannot be dismantled without disproportionate effort, expense or risk of damage) are registered by provinces as abnormal vehicles and are issued with exemption permits to enable them to use the road network.

Overload control is carried out at a number of weighbridges throughout the country. Although up-to-date statistics are not available, there are an estimated 123 weighbridges (of which 69 are operational) being used to weigh vehicles and their loads. Weighbridges are intended to protect and optimise the life span of the road asset and to improve road safety. Weighbridges should operate on a 24-hour basis to prevent being bypassed by overloaded vehicles and should be resourced with the facilities needed to screen vehicles. Effectively used, weighbridges can result in huge savings in road maintenance through control of overloading.

Over 3 million vehicles were weighed for overload along provincial roads in 2018/19.

Table 7.10 shows that over 3 million heavy vehicles were weighed for overloading along provincial roads in 2018/19. The largest number (968 250) was weighed along the major routes in Mpumalanga followed by Limpopo (875 298) and the Western Cape (653 584). In 2018/19, SANRAL closed the Free State weighbridges for renovation. Traffic officers are required to issue heavy fines to discourage overloading.

Medium-term outlook

Transport infrastructure

The R81.1 million MTEF investment in transport infrastructure construction and maintenance is expected to boost economic growth through job creation; increase household income; reduce poverty; and support contractor development across provinces.

Transport operations

Government will continue to subsidise public transport to ensure that all South Africans, especially the poor and the unemployed, have access to affordable public transport.

The NLTA provides for provincial public transport contracting and regulatory functions to be assigned to metropolitan municipalities, for which funds from the PTOG will be transferred directly to the assigned municipality.

Transport regulations

Although road fatalities in South Africa are starting to show a (minimal) downward trend, the country's road fatality rate is markedly above the global average. Provincial departments will continue to work with the RTMC and metropolitan municipalities on road safety awareness programmes and on enforcing compliance with traffic regulations to improve safety and reduce fatalities on the country's roads.

Conclusion

The quality of the provincial road network is less than optimal. Investment in the PRMG is largely focused on the maintenance of provincial roads to improve their quality and condition and to reduce maintenance backlogs. Provinces need to improve the efficiency of their spending and use RAMS data to prioritise investment in roads projects and particularly in maintenance.

The public transport strategy aims to address the current lack of modal integration which hinders the provision of an efficient public transport system involving rail, taxi and bus services.

National and provincial governments and municipalities need to work together to give effect to the NLTA and the public transport strategy so that transportation services and systems are integrated efficiently.

The effectiveness and value for investment of current interventions to reduce road fatalities need to be reviewed and assessed. The sector will continue to focus on stronger law enforcement to change driver behaviour, removing unsafe vehicles from the road, continuing with road safety awareness campaigns, prioritising preventative maintenance, operating weighbridges on a 24-hour basis and prosecuting offenders.

8

Public Works

Introduction

The public works sector manages government's immovable asset and accommodation portfolio. The functions of the sector include the acquisition, leasing, maintenance and disposal of immovable and related non-fixed assets held by the state. The sector also creates work opportunities and facilitates skills development. In terms of the Constitution, public works is a function and responsibility shared by national, provincial and local government.

Public works contribute to the NDP's vision by facilitating job creation and improving public infrastructure (economic and social infrastructure). It also contributes to Priority 1 (a capable, ethical and developmental state) and Priority 2 (economic transformation and job creation) of the 2019-2024 MTSF. The construction and maintenance of economic infrastructure and of social infrastructure (schools, community libraries, hospital and clinics) create opportunities for labour-intensive and technical or professional employment. This directly addresses Outcome 4 of the NDP (decent employment through inclusive economic growth) and includes work opportunities reported through the EPWP.

Public works contribute to Priorities 1 and 2 of the 2019-2024 MTSF.

One of the roles of public works is to provide office and institutional accommodation for national and provincial departments so that they can function effectively. It also provides residential accommodation for members of Parliament and provincial legislatures. The size of government's portfolio of immovable assets makes it a significant player in the built environment. The Department of Public Works and Infrastructure (DPWI) develops and enforces rules and regulations for the built environment and the use of fixed assets in the public sector.

Public works helps to empower individuals and communities from historically disadvantaged backgrounds.

Public works is also mandated to support the transformation of the construction industry and the development of small, medium and micro-enterprises, cooperatives and non-profit organisations. In doing so, it helps to empower individuals and communities from historically disadvantaged backgrounds. Public works contributes directly to government's economic growth and employment creation plans.

Despite the tight fiscal space, the public works sector is working towards a number of opportunities.

The prevailing tight fiscal environment presents the public works sector with the opportunity to:

- Provide more efficient solutions to government's infrastructure requirements by eliminating fruitless and wasteful expenditure.
- Correctly value government's immovable assets portfolio.
- Update immovable asset registers and dispose of immovable assets at market-related prices.
- Budget for and provide accommodation by using market-related prices.
- Eradicate lease contract price increases that are markedly above the inflation rate and ensure fair prices for leased accommodation.
- Fight fraud and corruption and achieve the optimal mix of state-owned and leased accommodation.
- Professionalise the management of government's immovable assets portfolio.

Departments of public works are also expected to play an effective role in growing and enhancing the economy through infrastructure projects.

This chapter reviews the current public works landscape, budget and expenditure trends, service delivery achievements and plans for the sector over the medium term.

Current landscape

The Constitution defines the roles and responsibilities of national, provincial and local government in the public works sector.

National

- As set out in the Government Immovable Asset Management Act (GIAMA) (2007), the DPWI is mandated to be the custodian and portfolio manager of government's immovable assets. Since the creation of the Property Management Trading Entity (PMTE) in 2015/16, the department's role consists of policy formulation, coordination, regulation and oversight relating to the provision of accommodation; expert built environment services to client departments at national level; and, through the entity, planning for, acquiring, managing and disposing of immovable assets in the department's custody. The department is also mandated to coordinate and provide strategic leadership in initiatives to create jobs through the EPWP.

The functions of the DPWI and of the PMTE were redefined as part of the 2015/16 turnaround strategy.

This functional separation clarifies and emphasises the department's wide responsibilities in the public works sector and addresses the conflicts between the department's earlier roles as policy maker, regulator and implementer. Since 2015/16, the budgets of the DPWI and the PMTE have been restructured to reflect their functions.

The DPWI carries out its oversight function through a range of structures including the Ministers and Members of Executive Councils (MinMEC) forum, the Government Immovable Asset Management Act Implementation Technical Committee, the Chief Financial Officers' Forum, the Asset Register Management and Infrastructure Delivery Management System Committee and the national Planning, Monitoring and Evaluation Forum. The purpose of decisions taken by these intergovernmental structures is to ensure alignment of policies and strategies.

The DPWI provides an oversight role through various forums.

The GIAMA provides for effective and efficient management of government's fixed asset portfolio. Through the DPWI's project management facility, with technical support from the Construction Industry Development Board (CIBD) and the National Treasury and in consultation with national and provincial government structures, the DPWI has developed the National Immovable Asset Maintenance Management (NIAMM) framework. This forms part of government's national infrastructure maintenance strategy and was endorsed by the DPWI MinMEC in July 2017 as the policy that guides the public works sector. The framework emphasises the importance of planning and of providing for the management and maintenance of immovable assets using full-life costing

The DPWI, in partnership with the CIBD and the National Treasury, has developed a draft NIAMM framework.

principles. Implementation of the infrastructure maintenance strategy, with more efficient use of infrastructure budgets, is expected to help to reduce the maintenance backlog and, over time, to enable government to acquire the capacity needed to efficiently maintain its immovable assets.

The PMTE is responsible for planning, acquiring, managing, maintaining and disposing of immovable assets under the custodianship of the DPWI.

The PMTE is responsible for planning, acquiring, managing, maintaining and disposing of national immovable assets under the custodianship of the DPWI. To do this, the entity needs an accurate and reliable immovable assets register. This register has been updated and, in the view of the DPWI, has on record about 99 per cent of the national government's immovable assets. The quality of the assets register continues to be improved by updating the asset values and space measurements in accordance with norms and standards. Similarly, provincial and municipal governments' immovable assets registers are being updated by the respective public works or property management entities.

Expanded Public Works Programme

The DPWI is responsible for coordinating implementation of the EPWP.

The DPWI developed the policy relating to and coordinates the implementation of the EPWP, a nationwide government-led initiative with the objective of providing work opportunities and income support to poor and unemployed people through labour-intensive delivery of public and community assets and services. The programme also aims to empower urban and rural communities and aspiring contractors from historically disadvantaged backgrounds, many of whom lack relevant skills. The programme identifies opportunities in the infrastructure, economic, environment, culture, social and non-state sectors. The Minister of Public Works and Infrastructure has been mandated by the Cabinet to champion the EPWP. The department is responsible for:

- Coordinating and supporting implementation of the EPWP
- Providing technical support for designing labour-intensive programmes in particular
- Reporting on the department's implementation of the EPWP
- Monitoring achievement of the EPWP's targets
- Evaluating the impact of the programme
- Documenting and publicising EPWP best practices
- Reporting on the EPWP reporting system
- Managing and monitoring the utilisation of EPWP conditional grants.

Implementation of the EPWP began in 2004 and is now in Phase 4 which will end in 2024.

Introduced in 2004, the EPWP is now in its fourth phase; this started in 2019 and will end in 2024. Phase 1 was implemented from 2004 to 2009 with a target of 1 million work opportunities. The target of Phase 2, implemented from 2010 to 2014, was 4.5 million work opportunities and of Phase 3 (2015 to 2019) 6 million work opportunities or 2.5 million full-time equivalent (FTE) jobs. Phase 4 of the EPWP builds on lessons learned over the preceding fifteen years and on international experience. It aims to take public employment to the next level by expanding the programme through replicating and improving programmes across all sectors; implementing projects and programmes attractive to young people who are not in education, employment or training (NEET); and increasing women's participation in all programmes and sectors. Guided by the targets set out in the 2019 MTSF, the goal is to realise the EPWP's developmental potential.

Debts owed to municipalities

The DPWI is leading a project to verify debts, reported in terms of Section 71 of the Municipal Finance Management Act (MFMA) (2003), that national and provincial departments owe to municipalities and to facilitate settlement of these debts. The national intergovernmental task team on debt is made up of representatives of the Office of the Presidency, the DPWI, provincial departments of public works, the Department of Rural Development and Land Reform, the Department of Cooperative Governance and Traditional Affairs, the National Treasury and the South African Local Government Association (SALGA) and was established to coordinate and oversee the government debt verification and settlement process. Debts to municipalities relate mainly to the services offered by municipalities including water, electricity and waste management and to tax charges such as property rates.

As at 30 July 2020, government owed municipalities R14.8 billion. Of this, national departments accounted for 39.2 per cent (R5.8 billion), provincial departments for 51 per cent (R7.5 billion) and other organs of state for 10.1 per cent (R1.5 billion).

As at the end of July 2020, government owed about R14.8 billion to municipalities

Table 8.1: Debtors age analysis for provinces as at 30 July 2020

R' 000	0 -30 days	31 - 180 days	180 days to 1 year	Over 1 year	Total
Eastern Cape	30 078	259 816	40 704	116 287	446 885
Free State	414 350	214 498	161 279	1 039 416	1 829 543
Gauteng	251 553	215 139	65 118	98 122	629 932
KwaZulu-Natal	182 302	195 659	178 327	568 301	1 124 589
Limpopo	26 635	85 958	59 710	530 280	702 583
Mpumalanga	29 189	82 383	54 758	711 771	878 102
Northern Cape	27 172	109 041	95 451	569 183	800 847
North West	37 892	81 141	146 536	669 709	935 278
Western Cape	73 908	59 503		17 947	151 358
Total	1 073 080	1 303 137	801 884	4 321 016	7 499 118

Source: National Treasury Database

Table 8.1 gives the age analysis of debt that provinces owed to municipalities as at 30 July 2020. While 0-30-day debt stood at R1.1 billion, over-one-year debt amounted to R4.3 billion.

Public works sector planned policy reviews

The process of reviewing the 1997 and 1999 Public Works White Papers began in the fourth quarter of 2017/18 and was completed in March 2019. The main purpose of the review process was to:

- Clarify the roles and functions of the national and provincial public works departments including concurrent functions in Schedule 4, Part A of the Constitution
- Reinforce the DPWI's role in driving transformation in the construction and property sectors
- Review and update policy goals for and approaches to addressing current events in the local and global construction and property sectors.

The intention of the review was to enable more effective and efficient functioning of the departments. Key stakeholders in the Construction Industry Development Board Act (2000) and the Council for the Built Environment Act (2000) were consulted to provide inputs on the existing policies. The aim was to identify policy gaps needing amendment. Draft policy is in the process of development.

Provincial

There is an increasing demand for office accommodation.

The Constitution assigns concurrent powers to provinces for the construction, maintenance and management of fixed, or immovable, assets. These activities are carried out in support of services provided by other provincial departments. Provincial public works departments provide, maintain and lease property for office accommodation for provincial departments and agencies that provide government services. The sector has significant responsibility as implementing agent for constructing and maintaining facilities for social and economic sectors areas such as health, education, social development, community safety and agriculture.

Municipalities

The role of municipal public works departments is to provide services such as water, sanitation, municipal roads and electricity distribution.

The Constitution gives concurrent functions to municipalities for municipal public works. In line with applicable norms and standards, national and provincial governments regulate how they carry out these functions. Most municipalities carry out infrastructure planning and delivery functions for the services that they provide such as water, sanitation, municipal roads and electricity distribution. Municipal planning, which includes spatial, economic and social planning, is supported through five-year integrated development plans.

The *expanded public works programme integrated grant* to municipalities, managed nationally, encourages local government to increase labour-intensive employment through infrastructure programmes that maximise job creation and skills development. The grant is allocated by the DPWI through a formula based on municipalities' past performance in creating jobs. Poor and rural municipality allocations are given an extra weighting. In 2018/19, the grant amounted to R693 million, 100 per cent of which was transferred to 245 eligible municipalities and created 223 789 work opportunities.

Provincial public works departments institutional arrangements

Table 8.2 shows the institutional arrangements for provincial public works departments. The Eastern Cape, the Free State, Gauteng and KwaZulu-Natal have stand-alone public works departments. In other provinces, they are combined with roads and transport; in the case of these departments, this chapter analyses only their public works expenditure.

Provincial public works departments generally have two broad spending programmes:

- Public works infrastructure
- The EPWP (known as community-based programmes in some provinces).

Table 8.2: Public works, roads and transport functions per province, 2019/20

Public Works, Roads and Transport	Public Works and Roads	Public Works
Mpumalanga	Limpopo	Eastern Cape
Western Cape	Northern Cape	Free State
	North West	Gauteng (Infrastructure Development)
		KwaZulu-Natal

Source: National Treasury provincial database

Public works infrastructure

Provincial public works departments provide, manage and maintain non-moveable assets.

Through the Public Works Infrastructure Programme, provincial public works departments operate as implementing agents and/or appoint other service providers to fulfil their mandate of planning, designing, constructing and maintaining provincial non-moveable assets and of providing office accommodation for provincial departments and entities.

With its mandate derived from the GIAMA, this aspect of the public works sector became applicable to provinces in April 2010. As noted above, the GIAMA provides a uniform framework for the efficient management of immovable assets and for coordinating the use of these assets with service delivery objectives; and provides guidance on the provision of accommodation to provincial departments using government and privately-owned properties.

Subject to the relevant provincial land administration laws and to the GIAMA, public works departments acquire, manage and dispose of immovable assets. Public works departments act as caretakers or custodians of government properties and are required to have Custodian Asset Management Plans (C-AMPs) in place for the life cycle of all immovable assets in their custody.

Provincial public works departments are working to improve implementation of the GIAMA.

To improve the roll-out of and compliance with the GIAMA, provincial departments have prioritised filling critical posts. However, challenges that provinces face in complying with the GIAMA, including limited budgets, have meant that only certain government buildings have been identified for condition assessment.

Budget and expenditure trends

Provincial public works infrastructure

Expenditure per province

The infrastructure budgets for public work departments relate to their roles as implementing agents while client departments' infrastructure budgets are within their own baselines and managed by them. Table 8.3 indicates that between 2015/16 and 2019/20, provincial expenditure on the public works infrastructure programme increased by R3.7 billion from R9.3 billion to R13 billion, an average annual increase of 8.6 per cent. There were particularly notable increases in Mpumalanga (15.5 per cent), Gauteng (12.5 per cent) and KwaZulu-Natal (10.4 per cent), largely attributable to inflation-related adjustments, wage adjustments, filling posts critical to the delivery of infrastructure, an additional allocation for addressing the backlog in building maintenance and settling property rates and tax debts.

Provincial public works infrastructure expenditure increased by R3.6 billion between 2015/16 and 2019/20.

Between 2019/20 and 2020/21, the budget for the public works infrastructure programme is expected to decline by 0.8 per cent, with marked decreases in the following provinces:

- Northern Cape (23.9 per cent)
- KwaZulu-Natal (16.3 per cent)
- Gauteng (2.9 per cent)
- Mpumalanga (1.6 per cent)
- Limpopo (1.3 per cent).

The reduction in the 2020/21 budget allocation in the Northern Cape and KwaZulu-Natal is due to a once-off allocation in 2019/20 for property rates paid to municipalities to settle old municipality debts. The reduction in Mpumalanga's 2020/21 budget allocation is due to non-allocation of the coal-haulage portion of the *provincial road maintenance grant* (PRMG) allocated in the previous years and ending in 2019/20. The declines in Gauteng and Limpopo are due mainly to budget cuts implemented by the provinces. The allocations to North West and the Eastern Cape are expected to increase above inflation, with the increase of 12.7 per cent in North West largely due to expected appointments to strengthen capacity. The Eastern Cape's expected increase of 8.1 per cent is mainly due to provision for filling critical positions to build capacity and for settlement of old municipal debts. The Western Cape 2020/21 allocation increases by 2 per cent due to an additional provision for planned urgent maintenance and construction, acquiring office accommodation and increased municipal services costs.

Provincial public works infrastructure expenditure is expected to reach R13.4 billion in 2021/22.

Over the 2019/20 medium term, the budget for the provincial public works infrastructure programme is expected to grow slightly by 1.2 per cent, or

R481 million, from 2019/20 to 2022/23. This increase does not allow for the growing pressure to pay municipal rates and taxes. The annual rate at which the budgets for the Free State, Gauteng, Limpopo and the Western Cape increase over the 2020 MTEF is below the expected rate of inflation. The equivalent rates for the Northern Cape and KwaZulu-Natal decline by 5.7 per cent and 3.6 per cent respectively. The 2020 MTEF allocations thus do not cover the pressure on budgets from municipal rates and taxes.

Table 8.3: Provincial public works infrastructure expenditure by province, 2015/16 - 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million	Outcome				Revised estimate	Medium-term estimates		
Eastern Cape	1 255	1 359	1 548	1 698	1 775	1 918	1 995	2 065
Free State	1 207	1 216	1 200	1 408	1 503	1 506	1 563	1 639
Gauteng	1 677	1 797	2 237	2 402	2 687	2 609	2 704	2 762
KwaZulu-Natal	1 053	1 083	1 152	1 260	1 565	1 310	1 347	1 404
Limpopo	701	749	794	777	887	875	1 029	1 009
Mpumalanga	669	756	798	978	1 193	1 173	964	984
Northern Cape	178	190	138	158	237	180	190	199
North West	1 025	931	1 033	1 004	1 003	1 130	1 156	1 235
Western Cape	1 566	1 696	1 843	1 911	2 146	2 189	2 134	2 182
Total	**9 330**	**9 777**	**10 743**	**11 595**	**12 997**	**12 891**	**13 082**	**13 478**

Percentage growth (average annual)	2015/16–2019/20	2019/20–2020/21	2019/20–2022/23
Eastern Cape	9,1%	8,1%	5,2%
Free State	5,6%	0,2%	2,9%
Gauteng	12,5%	-2,9%	0,9%
KwaZulu-Natal	10,4%	-16,3%	-3,6%
Limpopo	6,1%	-1,3%	4,4%
Mpumalanga	15,5%	-1,6%	-6,2%
Northern Cape	7,4%	-23,9%	-5,7%
North West	-0,5%	12,7%	7,2%
Western Cape	8,2%	2,0%	0,5%
Total	**8,6%**	**-0,8%**	**1,2%**

Source: National Treasury provincial database

Expenditure per subprogramme

Table 8.4 shows provincial public works infrastructure expenditure by subprogramme for the years 2015/16 to 2022/23.

Programme support

Funding for management and operational support is expected to decline by 8.3 per cent in 2020/21.

The subprogramme provides administrative and professional support services to ensure effective implementation of the GIAMA Between 2015/16 and 2019/20, expenditure increased by 8.6 per cent. The increased costs for programme support from 2015/16 to 2019/20 were the result of wage adjustments, the appointment of officials in accordance with occupation specific dispensation (OSD) salary scales and provision for improving infrastructure support. Some provinces, such as KwaZulu-Natal, appointed consultants to assist the department with preparing its immovable asset register; conduct its financial statement audit; and assist with training and development. The budget for this subprogramme is expected to decline by 8.3 per cent between 2019/20 and 2020/21 and to increase slightly, by 0.4 per cent, over the 2020 MTEF.

Table 8.4: Provincial public works infrastructure expenditure by subprogramme, 2015/16 - 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million		**Outcome**			**Preliminary Outcome**	**Medium-term estimates**		
Programme	365	1 417	1 556	1 654	1 991	1 827	1 932	2 013
Planning	58	152	142	124	181	175	199	197
Design	117	78	93	58	54	69	74	78
Construction	1 355	1 290	1 262	1 163	1 461	1 468	1 113	1 001
Maintenance	1 217	1 582	1 734	1 835	1 664	2 020	2 123	2 229
Immovable Asset Management	5 534	4 378	4 931	5 605	6 612	6 179	6 438	6 687
Facility Operations	685	879	1 025	1 156	1 034	1 154	1 203	1 273
Total	**9 330**	**9 777**	**10 743**	**11 595**	**12 997**	**12 891**	**13 082**	**13 478**

Percentage growth (average annual)	**2015/16–2019/20**	**2019/20–2020/21**	**2020/21–2022/23**
Programme	52,8%	-8,3%	0,4%
Planning	33,1%	-3,4%	2,8%
Design	-17,7%	28,9%	13,4%
Construction	1,9%	0,5%	-11,8%
Maintenance	8,1%	21,4%	10,2%
Immovable Asset Management	4,6%	-6,5%	0,4%
Facility Operations	10,8%	11,6%	7,2%
Total	**8,6%**	**-0,8%**	**1,2%**

Source: National Treasury provincial database

Planning

The budget for the planning subprogramme grew by 33.1 per cent between 2015/16 and 2019/20. The main purpose of the increase was to assist provincial public works departments to comply with the GIAMA, to assist client departments with the development of user asset management plans (U-AMPs) and to develop and monitor norms and standards in line with GIAMA requirements. Over the 2020 MTEF, the budget is expected to grow slightly, at an average annual rate of 2.8 per cent.

The budget for the planning subprogramme is expected to reach R197 million in 2022/23.

Design

Table 8.4 indicates that, between 2015/16 and 2019/20, the budget for infrastructure projects at the design stage declined at an average annual rate of 17.7 per cent. The decline was due to reprioritisation to cater for planned maintenance of buildings and settlement of property rates and taxes. The budget for projects at the design stage increases by 28.9 per cent between 2019/20 and 2020/21. The largest increases are in the Free State, Mpumalanga and North West.

Construction

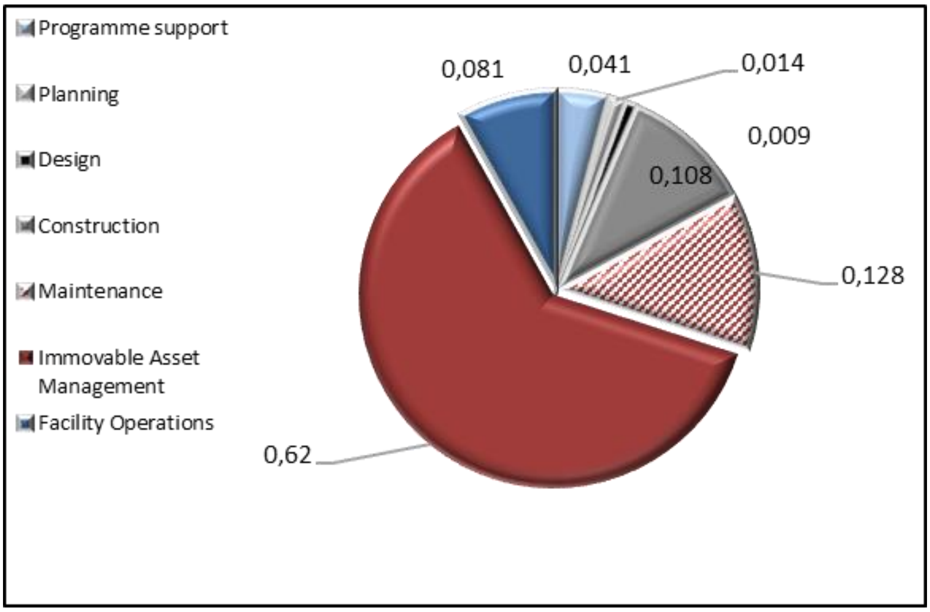
Over the 2020 MTEF, the budget for the construction sub-programme, which includes upgrading and refurbishing of immovable assets, is expected to decrease by 11.8 per cent. This decline is due to the need in 2019/20 to allocate R141 million for the demolition of the Bank of Lisbon building in Gauteng, severely damaged by fire in September 2018, and a decrease in the allocation for the Mpumalanga Parliamentary Village from R215 million in 2019/20 to R90 million in 2020/21.

Maintenance

To address the maintenance backlog, the provincial public works sector maintenance budget is expected to increase by 10.2 per cent over the 2020 MTEF.

Figure 8.1 shows that the maintenance subprogramme has the public works infrastructure programme's second largest budget, accounting for approximately 13 per cent of the total. The maintenance allocation caters for routine and scheduled maintenance, alterations and condition assessments for provincial buildings. Table 8.4 shows that, from 2015/16 to 2019/20, the maintenance budget grew by R447 million, an average annual rate of 8.1 per cent. Over the 2020 MTEF, this budget is expected to increase by R564 million, an average annual growth rate of 10.2 per cent; this is above the expected rate of inflation. The increase is largely informed by reprioritisation to cater for maintenance of and repairs to buildings to address the maintenance backlog.

Figure 8.1 Proportion of public works infrastructure budget by subprogramme, 2019/20



Source: National Treasury provincial database

Immovable asset management

Immovable asset management is the largest subprogramme in the public works infrastructure programme and, as Figure 8.1 indicates, accounts for 62 per cent of the budget. The purpose for the programme is in line with the sector's core focus which is to:

- Manage provincial property portfolios
- Provide accommodation for all provincial departments and other institutions
- Acquire and dispose of properties
- Manage leasing-in and leasing-out
- Monitor and evaluate the utilisation of provincial government facilities
- Monitor property rates payments.

As Table 8.4 shows, between 2015/16 and 2019/20 expenditure on immovable asset management increased by R1.1 billion or an average annual rate of growth of 4.6 per cent. The increase in expenditure is attributed to an additional allocation for rates and taxes and departments' constantly increasing demand for office space. Between 2019/20 and 2020/21, the budget for this subprogramme declines by 6.5 per cent mainly due to a once-off allocation in 2019/20 during the adjustments for municipal rates and taxes. The 2020/21 allocation does not cater for the pressure to settle property rates and taxes; over the MTEF, the budget is only expected to increase at an average annual rate of 0.4 per cent, or by R76 million. Payment of rates and taxes thus remains a challenge.

Between 2015/16 and 2019/20, the increase in immovable asset expenditure is attributed to an additional allocation for rates and taxes.

The subprogramme's allocation for providing accommodation for all provincial department and other government institutions includes the cost of monthly rentals for office accommodation leased from private owners. During 2017/18, the Government Technical Advisory Centre (GTAC) carried out an expenditure review of 645 leases of commercial office accommodation in provinces; 473 were current leases and 172 expired. The review excluded expenditure on rental of agricultural land and on facilities such as schools, hospitals, clinic and police stations.

Table 8.5: Total office rental expenditure per month by province, including above market rentals as at July 2016

Province	Number of leases analysed	Extent m2	Total rental expenditure per month (Rands)	Total rental expenditure per month above market (Rands)	Percentage share of expenditure above market
Eastern Cape	80	146 052	18 904 566	4 788 780	25%
Free State	56	118 764	18 191 828	8 419 841	46%
Gauteng	45	351 372	41 280 818	9 271 914	22%
KwaZulu-Natal	149	222 014	28 186 758	6 305 610	22%
Limpopo	59	114 890	20 780 150	8 748 207	42%
Mpumalanga	49	49 108	10 960 285	5 114 678	47%
Northern Cape	50	71 976	6 733 828	1 016 002	15%
North West	52	57 613	6 666 296	1 597 651	24%
Western Cape	105	93 452	11 573 547	2 769 571	24%
Total	**645**	**1 225 241**	**163 278 076**	**48 032 254**	**29%**

Source: National Treasury: GTAC

Table 8.5 summarises the findings of the review and shows the number of leases analysed, monthly rental expenditure and monthly rental expenditure above the market (including current and expired leases) per province. Based on the data analysed, as at July 2017 provincial governments were leasing 1.2 million square metres of office accommodation at an average cost of R120/m^2. Total monthly rental expenditure was R163.3 million or approximately R1.96 billion per year. R48 million was expenditure above the market, of which R8.1 million per month was for expired leases (R97.2 million per year). The review thus concluded that reverting expired leases to market rates could save R97.2 million annually.

Facility operations

The facility operations sub-programme manages operations of buildings. Table 8.4 shows that, between 2015/16 and 2019/20, the budget increased by R349 million, an average annual increase of 10.8 per cent. Between 2019/20 and 2020/21, it is expected to increase by 11.6 per cent and, over the 2020 MTEF, by an annual average of 7.2 per cent.

Expanded Public Works Programme (EPWP)

Expenditure per province

The EPWP budget in some provinces is expected to decline.

The purpose of this programme is to provide poverty and income relief by creating temporary work opportunities for unemployed people through socially beneficial activities. The public works sector is responsible for implementing, monitoring and reporting on the EPWP for the DPWI and provinces. The budget for the programme consists of a conditional grant from the DPWI and an equitable share allocated to the provinces by the National Treasury. To maximise job creation opportunities, provinces are encouraged to supplement the grant from the equitable share.

Table 8.6 shows that, from 2015/16 to 2019/20, EPWP expenditure increased at an annual average rate of 3.4 per cent. Between 2019/20 and 2020/21, there is an overall decline of 7 per cent with marked decreases in the Free State and North West but some significant increases in KwaZulu-Natal, Limpopo, Mpumalanga and Gauteng. Over the 2020 MTEF, the EPWP budget is expected to grow at an annual average rate of 0.1 per cent, below the anticipated rate of inflation. There will be above-inflation increases in KwaZulu-Natal (16.4 per cent), Mpumalanga (11 per cent), Limpopo (6 per cent) and Gauteng (5.4 per cent); the budgets of the other provinces are expected to increase at rates below inflation or to decline.

Table 8.6 Expenditure on the Expanded Public Works Programme by province, 2015/16 - 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Revised estimate	Medium-term estimates		
Eastern Cape	620	644	796	741	776	787	723	755
Free State	186	162	180	159	172	151	146	149
Gauteng	296	317	286	285	267	305	298	313
KwaZulu-Natal	30	32	34	53	30	42	44	47
Limpopo	38	40	51	48	58	69	66	69
Mpumalanga	71	76	73	75	66	87	86	90
Northern Cape	92	107	103	120	124	130	122	122
North West	163	134	84	128	213	122	198	158
Western Cape	47	56	53	56	57	58	62	64
Total	**1 543**	**1 569**	**1 660**	**1 665**	**1 763**	**1 750**	**1 743**	**1 766**
Percentage growth (average annual)		**2015/16–2019/20**			**2019/20–2020/21**		**2019/20–2022/23**	
Eastern Cape		5,8%			1,4%		-0,9%	
Free State		-1,9%			-12,3%		-4,6%	
Gauteng		-2,5%			13,9%		5,4%	
KwaZulu-Natal		0,0%			40,6%		16,4%	
Limpopo		10,9%			18,7%		6,0%	
Mpumalanga		-2,0%			32,5%		11,0%	
Northern Cape		7,6%			5,4%		-0,4%	
North West		7,0%			-42,7%		-9,6%	
Western Cape		5,1%			2,4%		4,1%	
Total		**3,4%**			**-0,7%**		**0,1%**	

Source: National Treasury provincial database

Community development subprogramme

This subprogramme is responsible for managing the implementation of programmes that empower impoverished communities. The objective is to ensure that, by supporting individual beneficiaries and enterprises, the construction sector is a catalyst for skills development, job creation and the development of sustainable communities. Government encourages departments to create jobs and support communities through the incentive-based EPWP grant. In 2019/20, the community development

The budget for the community development programme is expected to decrease over the 2020 MTEF.

subprogramme accounted for 72 per cent of the EPWP budget. Between 2015/16 and 2019/20, this subprogramme increased at an average annual rate of 4.6 per cent and is expected to decline at an average growth of 3.4 per cent over the medium term as indicated in table 8.7.

Table 8.7 Provincial expenditure on the Expanded Public Works Programme by subprogramme, 2015/16 - 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Revised estimate	Medium-term estimates		
Programme Support	224	238	100	125	197	265	275	289
Community Based/EPWP Community Development	1 059	1 091	1 320	1 258	1 266	1 175	1 143	1 139
Innovation and Empowerm	182	165	160	196	228	220	229	238
Co-ordination and Compliance Monitoring	77	74	80	85	72	91	96	99
Total	**1 543**	**1 569**	**1 660**	**1 665**	**1 763**	**1 750**	**1 743**	**1 766**
Percentage growth (average annual)	**2015/16–2019/20**				**2019/20–2020/21**	**2019/20–2022/23**		
Programme Support	-3,2%				34,7%	13,7%		
Community Development	4,6%				-7,2%	-3,4%		
Innovation and Empowerment	5,8%				-3,6%	1,5%		
Co-ordination and Compliance Monitoring	-1,7%				26,1%	11,3%		
Total	**3,4%**				**-0,7%**	**0,1%**		

Source: National Treasury provincial database

Service delivery achievements

Provincial public works infrastructure

One of key purposes of the public works infrastructure programme is to ensure that construction and maintenance of social facilities projects such as schools, hospitals and clinics are completed on time and within budget. Table 8.8 gives information about provincial performance in 2019/20. It shows that provincial public works departments completed 222 of 462 targeted construction projects on time and 328 of 467 within budget. All provinces thus underperformed in terms of these two indicators.

During the year, against a target of 396 the sector completed 280 maintenance projects on time and 298 within budget. Due to projects carried over from the previous financial year and completed in 2019/20, the KwaZulu-Natal department of public works recorded more completed maintenance projects than the target for the year.

Table 8.8: Public works infrastructure projects, 2019/20 (pre-audited)

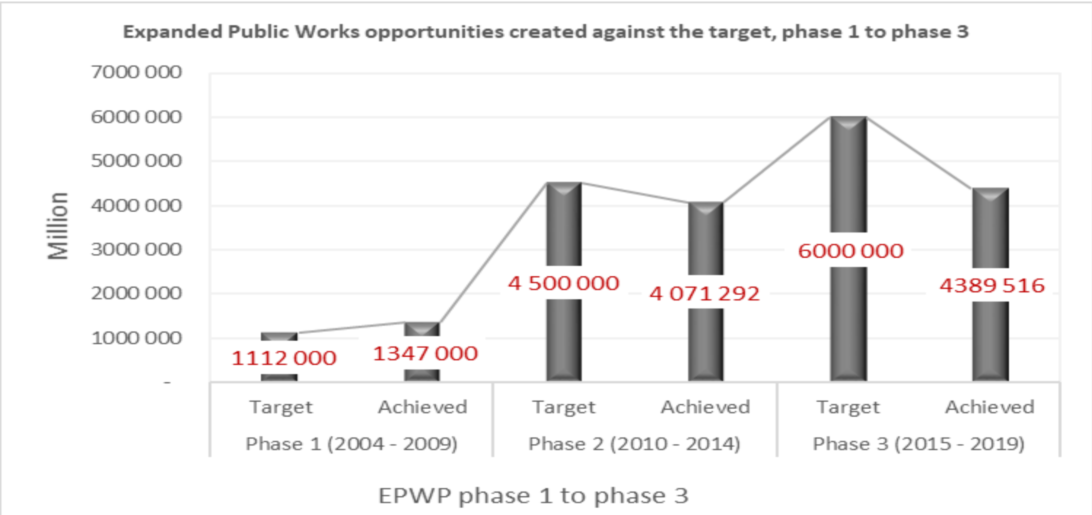
	Construction				Maintenance			
	Number of projects completed within the contract period		Number of projects completed within budget		Number of projects completed within the contract period		Number of projects completed within budget	
Province	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Eastern Cape	7	2	7	3	6	3	6	3
Free State	26	18	26	18	28	7	28	7
Gauteng	33	15	33	20	70	70	69	69
KwaZulu-Natal	14	2	14	12	20	23	20	28
Limpopo	8	7	13	23	47	27	47	30
Mpumalanga	254	152	254	202	16	18	16	16
Northern Cape	24	12	24	18	30	13	30	17
North West	54	6	54	8	23	7	23	11
Western Cape	42	8	42	24	156	112	156	117
Total	**462**	**222**	**467**	**328**	**396**	**280**	**395**	**298**

Source: Department of Public Works and Infrastructure (quarterly performance reporting System)

Expanded Public Works Programme

The target of Phase 1 of the EPWP programme, from 2004 to 2009, was to create one million work opportunities. The figure 8.2 shows that the target was exceeded. The target for Phase 2, implemented from 2010 to 2014, had a target of 4.5 million works opportunities; only 4 million were achieved.

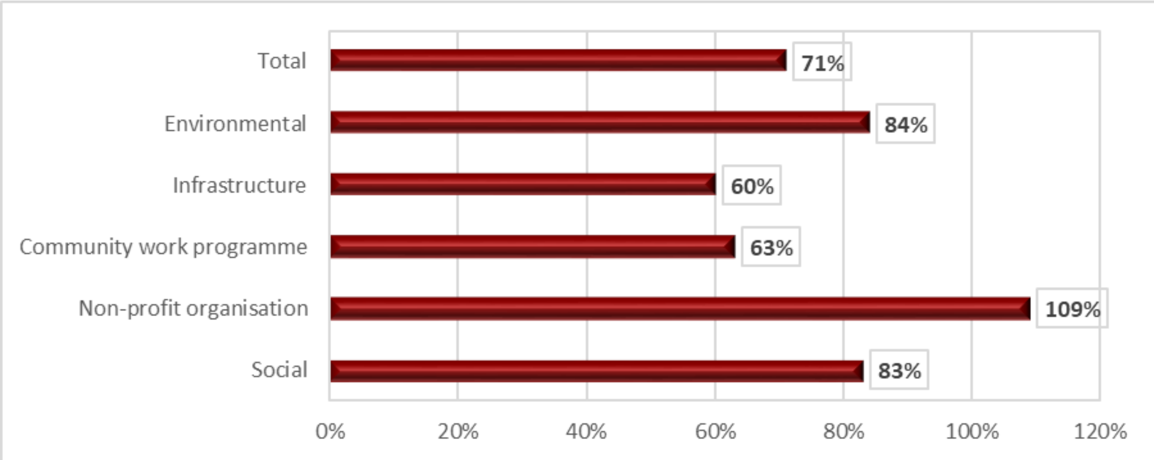
Figure 8.2: EPWP work opportunities created against target, Phase1 to Phase 3, 2004 - 2019



Source: Department of Public Works and Infrastructure

Phase 3 reported 4.5 million work opportunities against a target of 6 million, or 75 percent of the target. In terms of FTEs, Phase 3 created 1.7 million against a target of 2.5 million, or 69 per cent of the target. The underperformance on FTEs can be attributed to the short duration of the work opportunities reported. Based on the number of FTE jobs created, provincial departments may become eligible for the *EPWP integrated grant* and the *social sector EPWP incentive grant* which incentivises provinces to create jobs.

Figure 8.3: EPWP Phase 3 work opportunities created per sector against target, 2015 – 2019



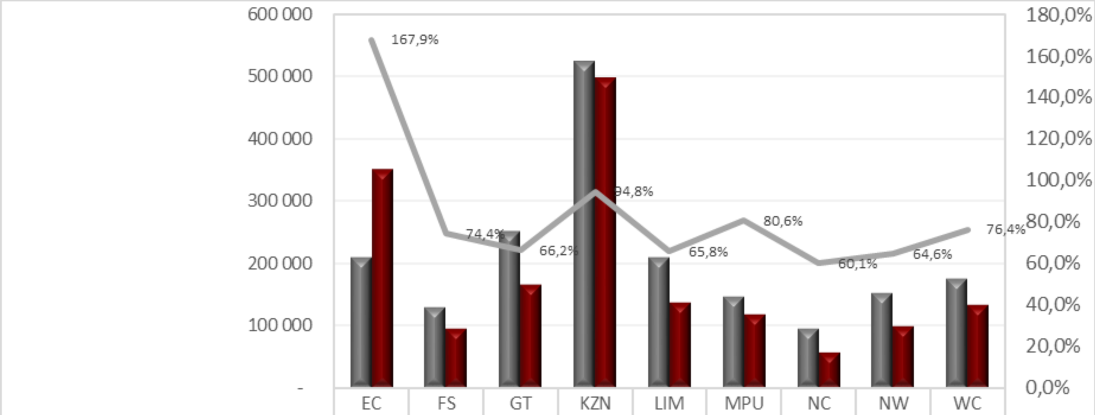
Source: National Department of Public Works and Infrastructure

The work opportunities created through the EPWP were delivered by the following sectors:

- Environmental
- Infrastructure
- Social
- Non-profit organisations
- Community works programme.

Figure 8.3 shows that, between 2015 and 2019, 71 per cent of the total planned EPWP work opportunities were created. At 109 per cent, non-profit organisations created more jobs than targeted; environment created 84 per cent of its target and social 83 per cent. The lowest performing sectors were infrastructure and the community work programme, at 60 per cent and 63 per cent respectively.

Figure 8.4: Work opportunities created against target per province, 2015 - 2019



	EC	FS	GT	KZN	LIM	MPU	NC	NW	WC
Target	208 341	128 532	250 474	524 552	209 319	146 661	94 016	151 652	174 170
Work opportunities reported	349 908	95 690	165 852	497 154	137 640	118 192	56 493	97 899	133 151
Percentage against the target	167,9%	74,4%	66,2%	94,8%	65,8%	80,6%	60,1%	64,6%	76,4%

Source: Department of Public Works and Infrastructure, 2018/19

The national sphere contributed 1 774 301 work opportunities, the provincial sphere 1 651 979 and the municipal sphere 963 236. Figure 8.4 shows the performance during Phase 3 across the provinces. KwaZulu-Natal created the most work opportunities at 497 154, followed by the Eastern Cape at 349 908.

Medium-term outlook

The provincial public works departments plan to spend approximately R44.7 billion over the 2020 MTEF, of which R39.5 billion will be spent on public works infrastructure and R5.2 billion on the EPWP. This investment is expected to contribute to inclusive growth by providing public infrastructure, addressing the backlog on building maintenance and creating jobs. By building the capacity and skills needed for effective implementation of the GIAMA and the IDMS, the provincial public works sector will improve human resource capacity. The sector will also strive to ensure that critical posts are filled.

The provincial public works sector plans to spend about R39.5 billion on public works infrastructure over the 2020 MTEF.

The provincial public works infrastructure programme has a strong focus on maintaining government buildings as well as continuing with implementation of GIAMA-compliant projects, including condition assessments and ensuring compliance with occupational health and safety standards. Approximately R6.4 billion will be made available for these purposes over the 2020 MTEF, an investment that is expected to improve the condition of buildings and reduce maintenance backlogs.

The provincial public works sector plans to spend about R19.3 over the medium term on providing office space for provincial departments and settling property rates and taxes.

The provincial public works sector will continue to provide office accommodation for all provincial departments; it will also cater for property rates. About R19.3 billion will be made available over the 2020 MTEF.

The sector will continue to ensure that the EPWP generates work opportunities and FTEs towards creating sustainable jobs. Approximately R5.2 billion will be made available over the 2020 MTEF to ensure implementation of the EPWP in the provinces.

The DPWI will continue to focus on:

- Creating jobs
- Building a capable and developmental state by strengthening its governance, risk and compliance functions
- Fighting corruption by strengthening its oversight of the public works sector
- Strengthening its research and policy development capacity.

These aims support the realisation of Outcome 4 (decent employment through inclusive growth), Outcome 6 (an efficient, competitive and responsive economic infrastructure network) and Outcome 12 (an efficient, effective and development-orientated public service) of the 2019-2024 MTSF.

The DPWI has established an intergovernmental coordination branch to promote and facilitate collaboration and cooperative decision-making within the public works sector. The branch aims to ensure that policies and priorities across all three spheres of government encourage service delivery that effectively meets the needs of the citizenry. The branch will oversee the development of appropriate tools for guiding integrated development planning and reporting to enable better governmental coordination. Over the medium term, the department intends to sign 60 joint service delivery agreements with provinces and municipalities to foster better coordination for more effective service delivery. It will also continue to provide support and guidance to the public works sector on planning and performance management and will establish monitoring mechanisms to address negative audit outcomes and improve performance.

The national department is playing a leading role in the transformation of the built environment in consultation with stakeholders.

The national department is playing a leading role in the transformation of the built environment in consultation with its entities, built environment professional councils, charter councils and other stakeholders. Over the medium term, the DPWI will continue its review of the Construction Industry Development Board Act and the founding Acts for the six built environment professional councils. The development of a property management empowerment policy will serve as the overarching framework for the department's empowerment initiatives and programmes to promote transformation of the property industry. The department will also review relevant policies, such as the 1997 and 1999 White Papers on Public Works, and will consult with the public works community in working towards the proposed Public Works Act which will focus on the concurrent nature of the public works function and seek agreement on the functions to be carried out by the national and provincial spheres of government, including providing accommodation for national and provincial departments. Once the Act is promulgated, the department will be empowered to perform oversight and performance management functions in relation to the activities and programmes of the provincial public works departments.

Conclusion

Increased investment over the years has contributed to improved government infrastructure delivery to the public and to the creation of EPWP jobs. However, lack of capacity continues to hamper efficient implementation of the GIAMA and operationalisation of the IDMS. Provincial public works departments need to improve the efficiency of their spending, prioritise maintenance projects and ensure compliance with the Occupational Health and Safety Act (1993). They also need to address property rates arrears and renegotiate expired leases to realise savings.

Over the medium term, expenditure will grow at below-inflation rates. To fund maintenance, immovable asset management, property rate payments and filling of critical posts, the sector has reprioritised across programmes and economic classifications.

9

Agriculture, land reform and rural development

Introduction

Agriculture is the foundation of many developing economies. The South African agriculture sector is one of the mainstays of the country's economy and offers opportunities for small, large, commercial and emerging farmers in areas such as capital investment, training and the supply of equipment and services.

The South African agriculture sector is one of the mainstays of the country's economy and offers opportunities for small, large, commercial and emerging farmers.

South Africa's total land area is approximately 122.3 million hectares, of which farmland makes up 100.6 million hectares. Of this, 83.3 per cent is grazing land with only 16.7 million hectares considered potential arable land according to the Development Bank of Southern Africa. 1.35 million hectares of the country's potential arable land is available for irrigation and accounts for more than one third of total output in the agriculture sector (Kirstern & Vink, 2003)[1]. Unfavourable climatic and soil conditions leave only 12 per cent of the country suitable for the production of rain-fed crops, with only 3 per cent considered genuinely fertile land. About 69 per cent of South Africa's land surface is suitable for grazing and livestock farming is the largest agricultural sector in the country[2].

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[1] Vink & Kirsten, 2003

[2] Pienaar, 2013

86.2 million hectares of the available farmland is used for commercial agriculture, with the smallholder sector using only 14.5 million hectares[3]. There are approximately 36 000 commercial farmers in the country. South Africa classifies commercial farmers as those with more than 1 000 hectares of land.

The agricultural sector contributed about 2 per cent to the South African economy in the first quarter of 2020, with a further 12 per cent from peripheral agricultural activities.

Agriculture plays an important role in South Africa's economic development and contributes significantly to household food security[4]. In the first quarter of 2020, the sector contributed about 2 per cent to the country's economy, with a further approximately 12 per cent from peripheral agricultural activities. It contributes 10 per cent of formal employment[5].

The agriculture sector is gradually recovering from the drastic impact of the drought of 2014/15. The health of the sector depends on the sustainability of farming practices, the long-term productivity of the land, profitable yields and the well-being of farmers and farmworkers.

South Africa's population is growing at approximately 1.4 per cent a year and is expected to reach 67 million by 2030. To feed this population, food production will have to double. Increasing production using the same or fewer agricultural inputs will demand extreme efficiency. According to the 2018 General Household Survey, fewer than one-fifth of South African households (14.8 per cent) were involved in agricultural production activities during the review period. Of these, 10 per cent cultivated farmland while 90 per cent had backyard gardens. These numbers are insufficient to meet the increasing demand for agricultural products and the sector is under pressure to respond to this demand.

Current landscape

Agricultural activity is up to 3.2 times better at reducing poverty than non-agriculture activities.

The NDP 2030 identifies land and agriculture as key to driving inclusive growth in rural areas and as having significant job creation potential. Agriculture can support inclusive growth and become a major contributor to poverty alleviation by generating the low-skilled jobs needed to address unemployment and provide rural communities with increased opportunities to participate in the overall economy. Research has shown that agricultural activity is up to 3.2 times better at reducing poverty than non-agriculture activities. Agricultural income growth has an especially beneficial impact on expenditure by the poorest; a one per cent increase in GDP due to agriculture results in a more than six per cent increase in expenditure by the poorest 10 per cent. South Africa's well-developed agricultural sector thus plays a vital role in the country's socio-economic development.

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[3] Fenyes & Meyer, 2003; DAFF, 2012

[4] Global Health Strategies, 2017

[5] Pienaar, 2013

To revive the agriculture sector, the Agricultural Policy Action Plan (APAP) was approved in March 2015. With a focus on commodities with high growth potential and high labour absorption capacity, the plan takes a commodity value chain approach to agricultural production. Recently, through the Operation Phakisa: Agriculture, Land Reform and Rural Development programme, efforts have been made to increase development in the sector through revitalisation of under-utilised land, increased participation by emerging farmers and the development of competitive and inclusive value chains in rural areas through agri-parks that link smallholder producers to markets. These efforts are expected to increase agriculture's contribution to GDP from the current level of below 3 per cent, which is low compared to that of developed economies.

Historically, market access limited small emerging and rural farmers' contribution

Historically, small emerging and rural farmers' contributions to economic growth and their own sustainability have been limited by market access. The Department of Agriculture, Land Reform and Rural Development (DALRRD) is rolling out nine agri-parks nationally. Their purpose is to establish and maintain infrastructure that supports producers, such as markets and agro-processing facilities, networks, logistics and input suppliers; and to coordinate activities to support producers, create jobs and develop and expand rural economies. Market access will also be boosted by implementation of South African Good Agricultural Practice (SA-GAP) and by increasing intra-African trade and other global trade opportunities. Drought in recent years has increased the risk of food insecurity, mostly in rural households, with slightly over 20 per cent of households affected. However, government is developing mechanisms to increase food production such as the 'One household, one hectare' programme, together with the Fetsa Tlala integrated food production initiative. This aims to promote food security, address the structural causes of food insecurity and ultimately eradicate hunger and reduce poverty.

Concerns over post-settlement support for beneficiaries of land reform have led the DALRRD to intensify support for these farmers through the recapitalisation programme and through infrastructure, marketing, finance and extension services. The DALRRD continues to acquire productive land for the benefit of black South Africans thus addressing historical injustices regarding ownership of land.

By 2011, approximately 79 696 claims had been lodged with the Commission on Restitution of Land Rights.

Lodgement of land restitution claims opened in 1995; by 2011, 79 696 claims had been lodged with the Commission on Restitution of Land Rights. According to a progress report in 2012, about 76 000 land claims had been settled, benefiting 2 045 412 people from 410 049 households. 3 673 claims still needed to be settled. A significant portion of this settlement took the form of financial compensation, with R12.1 billion transferred from the fiscus to beneficiaries. After the reopening of the lodgement of claims as proposed in the Restitution of Land Rights Amendment Act (2014), the

Constitutional Court found in 2016 that the Act was void. However, more than 160 000 claims had been lodged before the declaration of invalidity.

A 2018 report indicated that, since 1994, government had bought 11 000 million hectares, making up about 12 per cent of total farmland.

In a report on land reform in 2018, official figures supplied by the then Department of Rural Development and Land Reform (DRDLR) indicated that, since 1994, government had bought 11 000 million hectares or about 12 per cent of total farmland. By 2013, around 500 000 hectares had been transferred to beneficiaries of restitution or redistribution. At the time, government had spent R12 billion on buying nearly 5 000 farms for redistribution to nearly 250 000 households and a further R16 billion on land claims, including cash compensation to beneficiaries of redistribution. In February 2018, the former DRDLR released figures that suggested that Africans now owned 4 per cent of individually owned farms, or 37 per cent of total farmland[6].

Budget and expenditure trends

Aggregate national budget and expenditure trends

Between 2016/17 and 2019/20, national government spent about R64.4 billion on agriculture, rural development and land reform. Spending between 2020/21 and 2022/23 is estimated at R53.3 billion; hence aggregate spending over the review period is estimated at R117.7 billion.

[6] Lodge, 2018

Table 9.1: National expenditure on agriculture and land reform by programme, 2016/17 – 2022/23

R million	Outcome			Adjusted Appropriation	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)
	2016/17	2017/18	2018/19	2019/20	2016/17 - 2019/20		2020/21	2021/22	2022/23	2019/20 - 2022/23	
Administration	2 240	1 982	2 551	2 633	5,5%	14,6%	2 732	2 890	3 002	4,5%	16,0%
Agricultural Production, Health, Food Safety, Natural Resources and	2 436	2 607	3 248	3 054	7,8%	17,6%	3 221	3 463	3 523	4,9%	18,8%
Food Security, Land Reform and Restitution	7 909	7 718	7 870	8 776	3,5%	50,1%	8 117	8 678	9 147	1,4%	49,2%
Rural Development	1 203	1 195	1 107	1 151	-1,5%	7,2%	1 098	1 160	1 010	-4,2%	6,3%
Economic Development, Trade and Marketing	901	1 056	1 196	901	0,0%	6,3%	886	944	989	3,2%	5,3%
Land Administration	669	618	627	714	2,2%	4,1%	757	811	849	6,0%	4,4%
Total	**15 357**	**15 176**	**16 600**	**17 229**	**3,9%**	**100,0%**	**16 810**	**17 947**	**18 521**	**2,4%**	**100,0%**
Economic classification											
Current payments	**5 706**	**5 883**	**6 482**	**7 286**	**8,5%**	**39,4%**	**8 034**	**8 583**	**8 802**	**6,5%**	**46,4%**
Compensation of	3 291	3 398	3 624	4 059	7,2%	22,3%	4 444	4 724	4 930	6,7%	25,8%
Goods and services	2 415	2 481	2 857	3 227	10,1%	17,1%	3 589	3 859	3 872	6,3%	20,6%
of which:											
Consultants: Business and	*229*	*188*	*126*	*467*	*26,9%*	*1,6%*	*315*	*345*	*381*	*-6,5%*	*2,1%*
Contractors	*39*	*27*	*28*	*50*	*8,0%*	*0,2%*	*767*	*923*	*772*	*149,7%*	*3,6%*
Inventory: Farming supplies	*218*	*228*	*533*	*208*	*-1,5%*	*1,8%*	*384*	*412*	*441*	*28,5%*	*2,0%*
Operating leases	*301*	*270*	*401*	*291*	*-1,1%*	*2,0%*	*297*	*313*	*324*	*3,6%*	*1,7%*
Property payments	*244*	*219*	*344*	*374*	*15,3%*	*1,8%*	*364*	*387*	*400*	*2,3%*	*2,2%*
Travel and subsistence	*355*	*327*	*354*	*464*	*9,3%*	*2,3%*	*293*	*311*	*324*	*-11,2%*	*2,0%*
Interest and rent on land	1	4	1	0	-42,9%	0,0%	0	0	0	-81,3%	0,0%
Transfers and subsidies	**8 781**	**8 463**	**9 212**	**9 198**	**1,6%**	**55,4%**	**8 411**	**8 979**	**9 309**	**0,4%**	**50,9%**
Provinces and	2 318	2 460	3 072	2 342	0,3%	15,8%	2 236	2 407	2 482	2,0%	13,4%
Departmental agencies	2 389	2 455	2 568	2 844	6,0%	15,9%	2 383	2 524	2 485	-4,4%	14,5%
Foreign governments and international organisations	45	38	38	42	-1,8%	0,3%	44	46	48	4,3%	0,3%
Public corporations and private enterprises	94	146	169	404	62,4%	1,3%	407	437	465	4,8%	2,4%
Non-profit institutions	3	4	4	4	5,5%	0,0%	4	4	4	4,2%	0,0%
Households	3 931	3 360	3 362	3 561	-3,2%	22,1%	3 337	3 560	3 824	2,4%	20,3%
Payments for capital assets	**844**	**826**	**903**	**745**	**-4,1%**	**5,2%**	**365**	**385**	**410**	**-18,1%**	**2,7%**
Buildings and other fixed structures	621	617	744	645	1,3%	4,1%	307	329	350	-18,4%	2,3%
Machinery and equipment	117	78	122	96	-6,3%	0,6%	55	53	58	-15,8%	0,4%
Heritage assets	–	–	–	2	0,0%	0,0%	–	–	–	-100,0%	0,0%
Biological assets	0	0	0	–	-100,0%	0,0%	–	–	–	0,0%	0,0%
Land and subsoil assets	104	111	25	0	-83,9%	0,4%	–	–	–	-100,0%	0,0%
Software and other	2	20	11	1	-16,0%	0,1%	3	3	2	15,1%	0,0%
Payments for financial	**26**	**4**	**3**	**–**	**-100,0%**	**0,1%**	**–**	**–**	**–**	**0,0%**	**0,0%**
Total	**15 357**	**15 176**	**16 600**	**17 229**	**3,9%**	**100,0%**	**16 810**	**17 947**	**18 521**	**2,4%**	**100,0%**

Note: the 2015/16 figures are not available due to the reconfiguration of national departments after the 2019 elections
Source: Estimates of National Expenditure 2020

DALRRD spent R15.4 billion in 2016/17 and R17.2 billion in 2019/20. The equivalent of an annual average growth rate of 3.9 per cent, it was driven mainly by increased allocations for dealing with natural disasters and to the forestry and natural resources management programme (at the time, the function formed part of the department). As a result of the once-off allocation for disaster management, the department's baseline grows by an average annual rate of 2.4 per cent over the MTEF. The department will reprioritise R1.2 billion over the period to provide loans for commercialisation of black farmers through the Land and Agricultural Development Bank of South Africa; the aim of this reprioritisation is to increase financial support for emerging commercial producers.

As a proportion of the national department's budget, the budget for the administration programme increased from R2.2 billion (14.6 per cent share) in 2016/17 to R2.6 billion (15.3 per cent share) in 2019/20. This share is projected to increase to R3 billion or 16.2 per cent in 2022/23. The growth is largely driven by ring fencing 5 per cent of the *comprehensive agricultural support programme* (CASP) grant to increase provinces' focus on monitoring and evaluating provincial performance.

Provincial budget and expenditure trends

Table 9.2: Expenditure on agriculture by province, 2015/16 – 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million	Outcome				Preliminary outcome	Medium-term outcomes		
Eastern Cape	1 968	2 185	2 201	2 306	2 383	2 413	2 520	2 598
Free State	742	734	699	736	789	814	854	903
Gauteng[1]	521	432	433	558	610	638	669	709
KwaZulu-Natal[1]	2 199	2 216	2 033	2 127	2 532	2 548	2 663	2 785
Limpopo	1 620	1 690	1 708	1 936	1 955	2 031	2 140	2 254
Mpumalanga	920	879	1 040	1 074	1 060	1 121	1 204	1 258
Northern Cape	554	540	604	773	566	560	593	617
North West	959	1 004	1 017	1 139	940	1 223	1 294	1 389
Western Cape	751	808	867	1 109	929	971	980	1 023
Total	**10 233**	**10 487**	**10 603**	**11 757**	**11 762**	**12 319**	**12 916**	**13 536**
Percentage of total provincial expenditure								
Eastern Cape	3,0%	3,1%	2,9%	2,9%	3,0%	2,9%	2,9%	3,0%
Free State	2,5%	2,4%	2,1%	2,1%	2,3%	3,1%	2,2%	2,3%
Gauteng	0,5%	0,4%	0,4%	0,5%	0,5%	0,5%	0,5%	0,5%
KwaZulu-Natal	2,1%	2,0%	1,7%	1,7%	2,1%	3,4%	1,9%	2,0%
Limpopo	3,1%	2,9%	2,8%	2,9%	3,0%	3,1%	2,9%	3,1%
Mpumalanga	2,3%	2,1%	2,3%	2,2%	2,2%	3,0%	2,2%	2,4%
Northern Cape	3,8%	3,6%	3,6%	4,4%	3,2%	3,1%	3,1%	3,3%
North West	2,8%	2,8%	2,6%	2,8%	2,3%	2,8%	2,8%	3,0%
Western Cape	1,5%	1,5%	1,5%	1,8%	1,5%	1,4%	1,4%	1,5%
Total	**2,1%**	**2,0%**	**1,9%**	**2,0%**	**2,0%**	**2,3%**	**1,9%**	**2,0%**

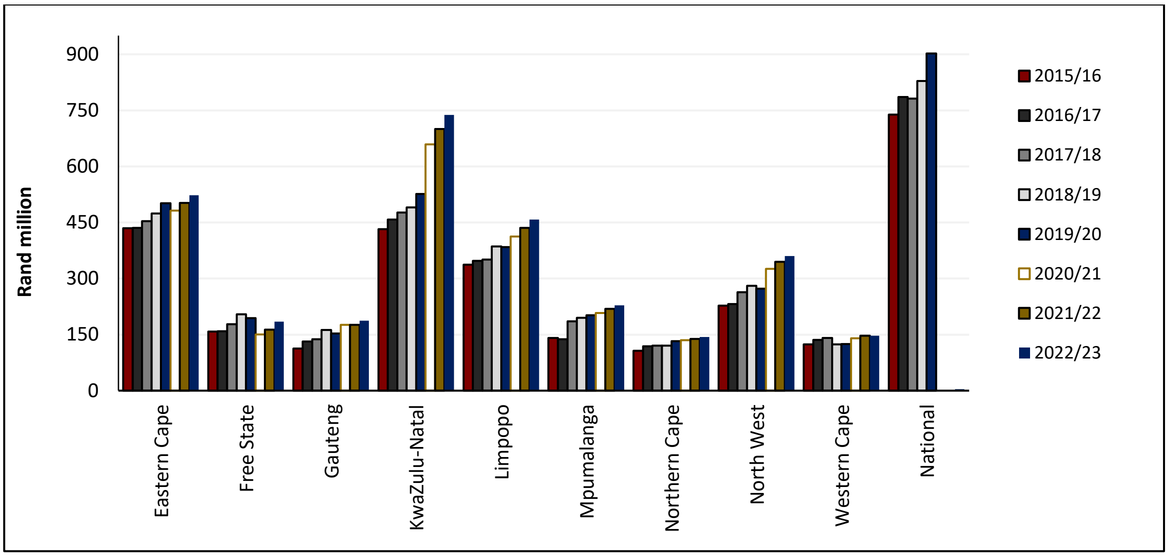
Percentage growth (average annual)	**2015/16 – 2019/20**	**2019/20 – 2020/21**	**2019/20 – 2022/23**
Eastern Cape	6,6%	1,3%	2,9%
Free State	2,1%	3,2%	4,6%
Gauteng	5,4%	4,6%	5,1%
KwaZulu-Natal	4,8%	0,6%	3,2%
Limpopo	6,5%	3,9%	4,9%
Mpumalanga	4,8%	5,8%	5,9%
Northern Cape	0,7%	-1,1%	2,9%
North West	-0,7%	30,1%	13,9%
Western Cape	7,4%	4,5%	3,3%
Total	**4,8%**	**4,7%**	**4,8%**

1. Programme 1: Administration has been calculated on a pro rata basis as a result of the combination of the agriculture function with other provincial functions.

Source: National Treasury provincial database

In seven provinces, the departments of agriculture and rural development are combined; Limpopo and the Western Cape have standalone agriculture departments. Provincial expenditure increased by an average annual rate of 4.8 per cent from R10.2 billion in 2015/16 to R11.8 billion in 2019/20 and is projected to grow at the same rate over the MTEF to R13.5 billion. The above-inflation growth in the review period was driven mainly by national government's R400 million allocation to provinces in 2018/19 to address disasters.

Figure 9.1: Provincial administration budgets, 2015/16 - 2022/23



Source: National Treasury provincial database

Figure 9.1 shows that KwaZulu-Natal, Limpopo and the North West have markedly increased their administration budgets over the review period. It is noticeable that the rural provinces generally are spending a larger portion of their budgets on administration than the urban or semi-urban provinces. This is an indication that rural provinces invest more in support functions than other provinces.

Rural provinces are spending a larger portion of their budgets on administration than are the urban or semi-urban provinces.

Table 9.2 gives information about provinces' expenditure on agriculture. The largest budgets are those of KwaZulu-Natal, the Eastern Cape and Limpopo; combined, they accounted for 58.4 per cent of the national total in 2019/20. The number of provinces with agriculture budgets of over a billion rand increased from three in 2015/16 to four in 2019/20; this number is projected to increase to six over the MTEF.

With average annual growth rates of 7.4 per cent, 6.6 per cent and 6.5 per cent, the Western Cape, Eastern Cape and Limpopo were the main contributors to the 4.8 per cent national average annual growth rate in agriculture expenditure between 2015/16 and 2019/20. The Northern Cape spent 3.2 per cent of its overall budget on agriculture in 2019/20; this was the largest percentage in the country while Gauteng's was the smallest, at 0.5 per cent. However, over the MTEF the Northern Cape's average annual growth rate of 2.9 per cent is expected to be among the lowest in the country due to cuts to the baseline allocation; this is mainly because the *LandCare programme grant* was reduced as the national fencing scheme is no longer funded. Coupled with North West's increase of 21.6 per cent in the agriculture budget, this increases the overall provincial average growth to 7.3 per cent over the MTEF. In 2019/20, Gauteng and the Western Cape were the only two provinces spending less than 2 per cent of their total provincial budgets on agriculture.

Budget and expenditure trends by programme

Table 9.3: Provincial expenditure on agriculture by programme, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term outcomes		
Administration[1]	2 073	2 155	2 307	2 436	2 490	2 688	2 827	2 970
Sustainable resource	616	615	571	1 079	632	666	669	707
Farmer support and	4 801	4 917	4 805	5 212	5 335	5 357	5 689	5 958
Veterinary services	957	1 018	1 070	1 122	1 238	1 296	1 354	1 415
Technology, research and development services	761	757	720	730	800	900	939	997
Agricultural economics	186	142	215	230	216	218	229	238
Structured agricultural training	511	557	565	580	618	698	710	742
Rural Development	327	326	350	367	433	497	499	509
Total	**10 233**	**10 487**	**10 603**	**11 757**	**11 762**	**12 319**	**12 916**	**13 536**
Percentage of provincial agriculture expenditure								
Administration[1]	20,3%	20,5%	21,8%	20,7%	21,2%	21,8%	21,9%	21,9%
Sustainable resource management	6,0%	5,9%	5,4%	9,2%	5,4%	5,4%	5,2%	5,2%
Farmer support and development	46,9%	46,9%	45,3%	44,3%	45,4%	43,5%	44,0%	44,0%
Veterinary services	9,4%	9,7%	10,1%	9,5%	10,5%	10,5%	10,5%	10,5%
Technology, research and development services	7,4%	7,2%	6,8%	6,2%	6,8%	7,3%	7,3%	7,4%
Agricultural economics	1,8%	1,4%	2,0%	2,0%	1,8%	1,8%	1,8%	1,8%
Structured agricultural	5,0%	5,3%	5,3%	4,9%	5,3%	5,7%	5,5%	5,5%
Rural Development	3,2%	3,1%	3,3%	3,1%	3,7%	4,0%	3,9%	3,8%
Total	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

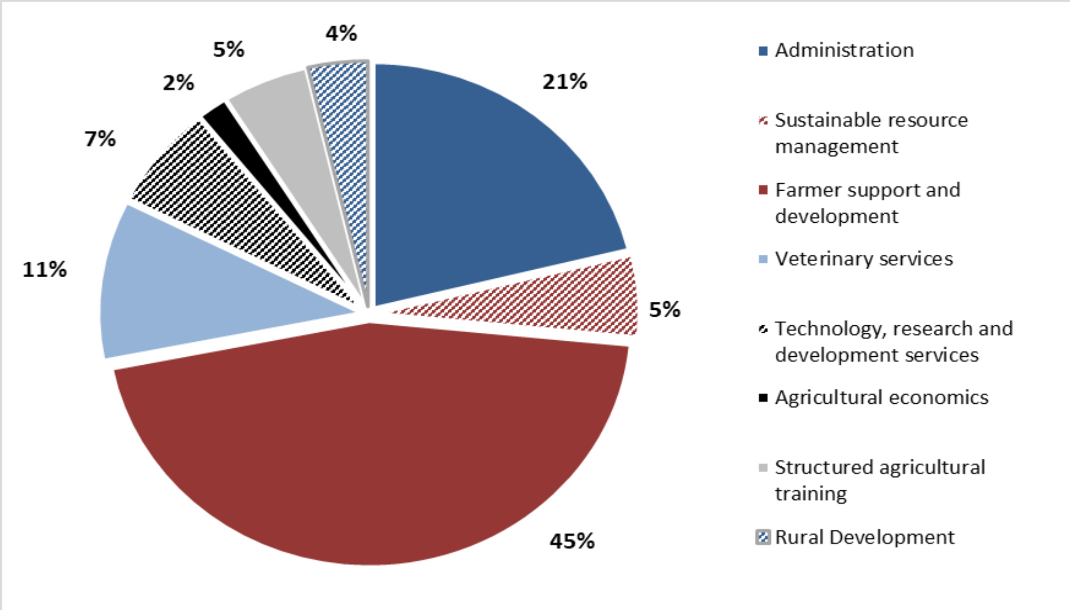
Programme 1: Administration has been calculated on a pro rata basis as a result of the combination of the agriculture function with other provincial functions.
Source: National Treasury provincial database

Over the review period, the average provincial budget growth rate for the sector was 4.8 per cent.

Between 2015/16 and 2019/20, the average provincial budget growth rate for the sector was 4.8 per cent. The single largest item of expenditure in 2019/20 was the farmer support and development programme, with a share of 45.4 per cent, followed by the administration programme at 21.2 per cent. The large proportional allocation to farmer support confirms government's policy direction of supporting smallholder and subsistence farmers to transform into economically contributing entities.

Administration

Figure 9.2: Composition of provincial agriculture budgets, 2019/20

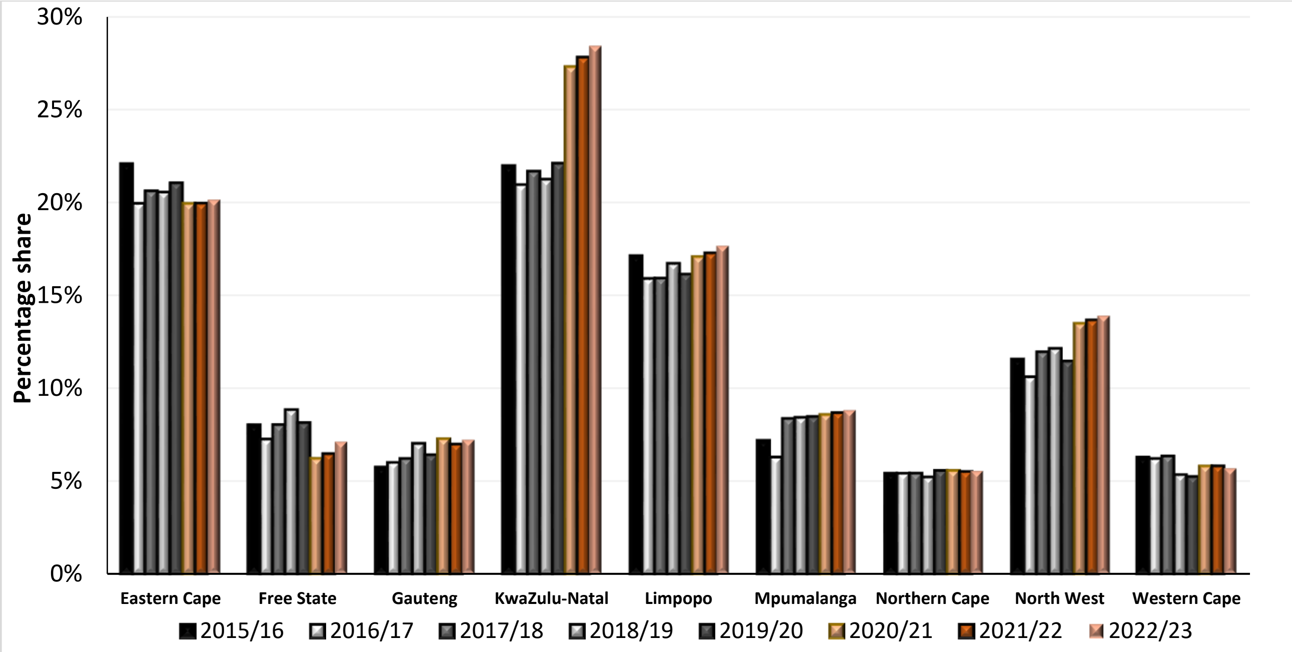


Source: National Treasury provincial database

Spending on the administration programme increased by 6.3 per cent from R2.1 billion in 2015/16 to R2.5 billion in 2019/20 and will grow by an annual average of 9.2 per cent over the MTEF. This is despite cost containment measures to reduce spending on non-core service delivery programmes. The growth in the administration programme is driven particularly by Mpumalanga and Gauteng, with annual growth rates of 19.6 per cent and 16.3 per cent respectively, as the programme includes a number of centralised administrative functions on behalf of the agriculture department.

Despite cost containment measures, spending on the administration programme increased by 6.3 per cent from R2.1 billion in 2015/16 to R2.5 billion in 2019/20 and will grow by 9.2 per cent over the MTEF.

Figure 9.3: Administration budgets as percentages of provinces' total agricultural budgets, 2015/16 – 2022/23



Source: National Treasury provincial database

Historically, rural provinces have spent the highest proportionate shares of their agriculture budgets on administration. However, over the review period the trend in the more urban provinces is increasingly in line with the national trend. An example of this is North West which is moving from a proportionate share of 11.5 per cent in 2015/16 to a projected 13.8 per cent in 2022/23 as opposed to Gauteng and Western Cape with a low but flat projected share of approximately 7.2 and 6.2 per cent respectively in 2022/23 compared to 7.2 and 5.6 per cent in 2015/16. The largest contributors to the administration budgets are spending on the corporate services and financial management services sub-programmes.

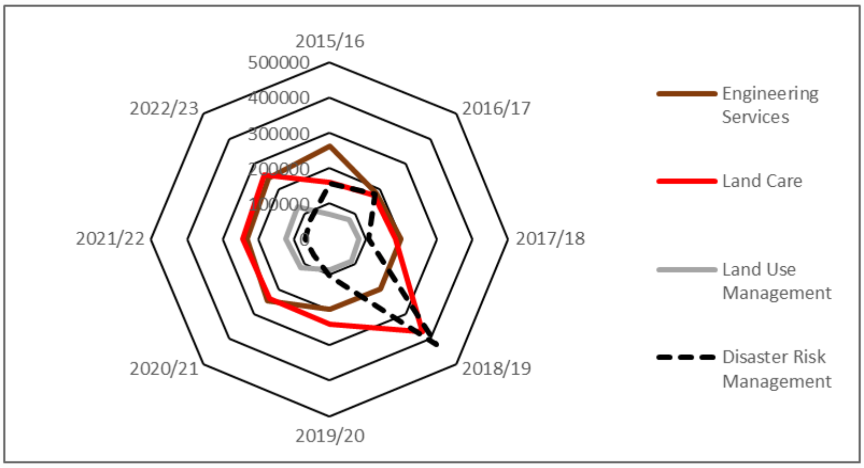
The Western Cape has consistently spent a smaller percentage (13.4 per cent) of its sectoral budget on administration than the other provinces. In 2019/20, Gauteng (25 per cent) and North West (29 per cent) spent the highest proportions of their agriculture budgets on administration.

Sustainable resource management

The sustainable resource management programme provides for agricultural support services to farmers through the sub-programmes of engineering services, land care and land use management. Expenditure on this programme increased by annual average of 0.9 per cent from R616 million in 2015/16 to R632 million in 2019/20; this included a once-off allocation of R400 million for the *LandCare* and *provincial disaster relief* grants in 2018/19. Table 9.3 confirms that, over the review period, the budget for agricultural resource management is R5.5 billion.

From 2015/16 to 2022/23, provinces collectively allocated R1.7 billion to engineering support for irrigation technology, on-farm mechanisation, farm structures, resource conservation management, operation and maintenance of farm equipment, machinery, tools and implements solutions. R773 million was allocated to promoting the sustainable use and management of natural agricultural resources and particularly of land.

Figure 9.4: Provincial sustainable resource management expenditure (R'000), 2015/16 – 2022/23



Source: National Treasury provincial database

Figure 9.4 shows that, with the exception of the Disaster Risk Management and LandCare sub-programmes, spending on all the other sub-programmes remains fairly consistent. During the 2014/15 and 2015/16 droughts, the sector suffered major losses; 38.2 per cent of the total investment over the past period was allocated in 2018/19. Between 2015/16 and 2019/20, approximately R1.49 billion was allocated to the Disaster Risk Management and LandCare sub-programmes.

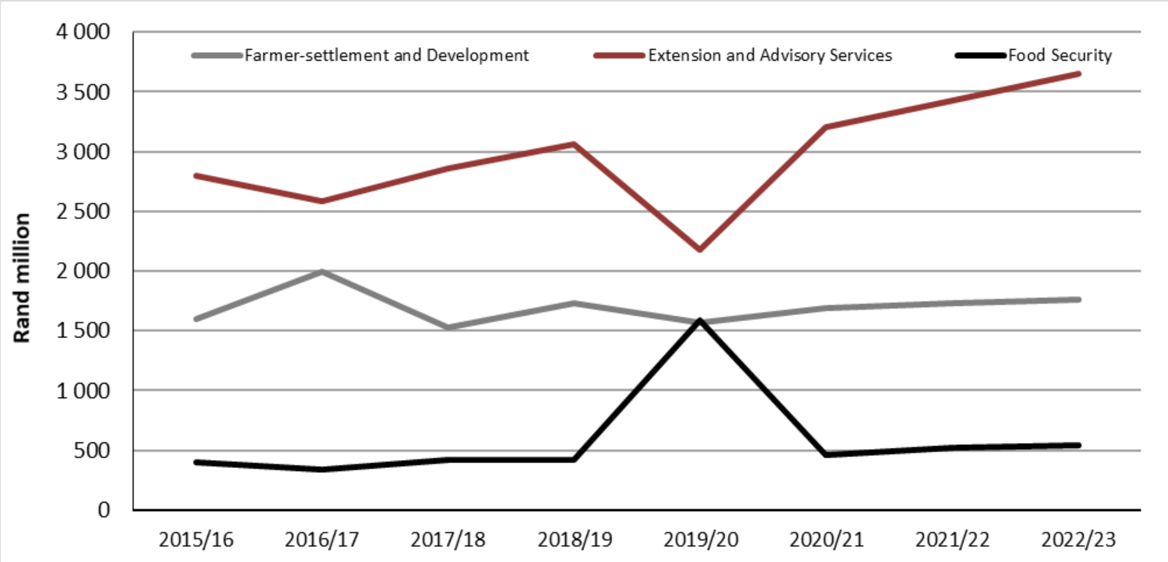
Farmer support and development

The farmer support and development programme supports farmers through agricultural development programmes, receives the bulk of the conditional grant allocations and accounts for most of the sector's budget. Figure 9.5 shows that expenditure increased by 3.6 per cent from R4.8 billion in 2015/16 to R5.3 billion in 2019/20 and is expected to grow by 5.7 per cent to R6 billion in 2022/23. This growth is partly due to centralisation of the infrastructure budget under this programme.

The farmer support and development programme accounts for most of the sector's budget.

The programme spent 46.9 per cent of the provincial agriculture allocation in 2015/16 and is projected to spend 44 per cent in 2022/23. This is a nominal increase in expenditure, mainly driven by extension and advisory services and the farmer settlement and development sub-programme.

Figure 9.5: Provincial farmer support and development expenditure, 2015/16 – 2022/23



Source: National Treasury provincial database

Extension services refer to the systematic process of working with farmers or communities to help them to acquire knowledge and skills relevant to agriculture and to increasing farm productivity, competitiveness and sustainability. In 2015/16, provinces collectively spent R2.8 billion on extension and advisory services; this amount declined by 8 per cent to R2.2 billion in 2019/20. Figure 9.5 shows the budget for extension services growing by 29.5 per cent over the 2020 MTEF to R3.7 billion in 2022/23. Since the implementation of the extension support and development programme in 2008/09, the number of extension officers has increased substantially from 2 210 to the current 3 100. According to the National Food and Nutrition Security Plan, extension services will be able to assist effectively if the number is increased to 5 600.

Pursuing Outcome 7 of the NDP stimulated a renewed emphasis on developing smallholder agriculture.

In pursuit of achieving Outcome 7 of the NDP as one of government's strategic goals, the focus is on developing vibrant, equitable and sustainable rural communities and food security for all. This has stimulated a renewed emphasis on developing smallholder agriculture. The NDP targets 300 000 households in smallholder schemes by 2030. The 2018 General Household Survey estimated that there are about 2.5 million farming households in the country. Figure 9.5 illustrates the attempt by the sector to direct funds towards developing sustainable smallholder farmers. Since 2015/16, provinces collectively invested R1.6 billion annually in this sector; this declined by 1 per cent in 2019/20 to R1.5 billion. Over the 2020 MTEF period, expenditure on smallholder farming will increase by 6.6 per cent to R1.8 billion. Despite this renewed focus, many smallholder farmers remain excluded from farmer support and development programmes while over 31 900 farmers per year receive support through the CASP. Although the sector seems to be on track to meeting the NDP target of 300 000, a vast number of smallholder farmers in the country are still not recognised by the current policy. Most are located in rural areas where the lack of physical and institutional infrastructure limits their expansion; for example, lack of access to good roads limits their ability to transport inputs and produce. It is difficult for them to acquire the required agricultural resources and to supply potential markets. These limitations translate into high transaction costs which constrain smallholder farmers' growth.

Veterinary services

This programme provides veterinary services to clients to the agricultural sector to ensure healthy animals, safe animal products and consumer welfare. Expenditure in 2015/16 was R957 million and accounted for 9.4 per cent of the sector's budget. The programme's expenditure increased by an annual average of 5.87 per cent to R1.2 billion in 2019/20 and is projected to increase by 3.6 per cent on average to R1.4 billion in 2022/23 when it will account for 10.5 per cent of the sector allocation.

The provinces allocating the smallest amounts to veterinary services in 2019/20 were the Free State, Limpopo and the Northern Cape, at under R72 million.

The provinces allocating the smallest amounts to veterinary services in 2019/20 were the Free State, Limpopo and the Northern Cape (under R72 million each); the budgets in the other provinces were over R100 million, with Eastern Cape the largest at R339.7 million. Major challenges are the unequal spread of training for veterinary science professionals across provinces; an overall shortage of veterinary scientists and animal health professionals; and an extreme shortage of food production hygienists and abattoir inspectors.

Technology, research and development services

The purpose of this programme is to provide expert and needs based research, development and technology transfer services impacting on the development objectives. The programme expenditure increased by an annual average of 1.0 per cent from R761 million in 2015/16 to R800 million in 2019/20 and is projected to increase on average by 6.15 per cent to R997 million in 2022/23. While the proportionate share of the expenditure decreased from 7.4 per cent in 2015/16 to 6.8 per cent in 2019/20, it is projected to increase to 7.4 per cent of the sector allocation in 2022/23, highlighting the importance attached to investing in technology, research and development in the sector.

Agricultural economics

The agricultural economics programme provides timely and relevant agricultural economics services to the sector in support of sustainable agricultural and agribusiness development to increase economic growth. The programme spent R186 million and accounted for 1.8 per cent of the sector budget in 2015/16; this increased by an annual average of 3.23 per cent to R216 million in 2019/20 with a proportionate share of 1.8 per cent. While the programme is projected to grow by 2.55 per cent to R238 million over the MTEF, the proportionate share remains unchanged at 1.8 per cent.

Structured agricultural training

In line with the Agricultural Education and Training Strategy, this programme facilitates and provides structured agricultural education and training to all participants in the agricultural sector in order to establish a knowledgeable, prosperous and competitive sector. The programme spent R511 million in 2015/16 and accounted for 5 per cent of provincial agricultural expenditure; this increased on average by 4.18 per cent to R618 million in 2019/20 and is projected to grow by an annual average of 5 per cent to R742 million in 2022/23, with the proportionate share increasing to 5.5 per cent.

Eleven agricultural colleges, most of which are in the Eastern Cape, KwaZulu-Natal, Limpopo and the North West, provide structured agricultural education and training. Lowveld College in Mpumalanga has been incorporated into the University of Mpumalanga. The province therefore joins Gauteng and the Northern Cape as provinces with no agricultural colleges.

Table 9.4: South Africa's agricultural colleges

Province	Name of college
Eastern Cape	Grootfontein Agricultural Development Institute (GADI)
	Tsolo College
	Fort Cox College
Free State	Glen College
KwaZulu Natal	Cedara College
	Owen Sithole College
Limpopo	Madzivhandila College
	Tompi Seleka College
Mpumalanga	Lowveld College
North West	Taung College
	Potchestroom College
Western Cape	Elsenberg College

Source: National Department of Agriculture

Ten of the eleven agriculture colleges receive allocations from provincial departments. Grootfontein Agricultural Development Institute (GADI) in the Eastern Cape receives funding from DALRRD.

As of 2020/21, with the exception of the Grootfontein Agricultural Development Institute (GADI) which falls under DALRRD, all colleges receive allocations from their provincial departments. Previously disadvantaged colleges receive larger allocations than those that were previously better resourced. The colleges also receive funding from the CASP for infrastructure and equipment.

In March 2014, Cabinet decided to transfer responsibility for agricultural colleges from provincial agriculture departments to Department of Agriculture, Forestry and Fisheries (DAFF) (now Department of Agriculture, Land Reform and Rural Development (DALRRD)) and to incorporate them fully into the Department of Higher Education and Training's (DHET) (now Department of Higher Education, Science and Innovation (DHESI)) post-school education and training (PSET) system. Cabinet subsequently approved the establishment of a Joint Technical Task Team (JTTT) consisting of DAFF and DHET officials to develop mechanisms and propose institutional framework models to guide the transition. The agricultural colleges are transferred from the provincial sphere of government to the national sphere with effect from 1 April 2021.

Rural development

This programme coordinates stakeholder development programmes in rural areas. The programme expenditure, which accounted for 3.2 per cent of the total sector budget in 2015/16, increased on average by 6.5 per cent from R327 million in 2015/16 to R433 million in 2019/20. Over the MTEF, average expenditure is projected to increase by 4.4 per cent to R509 million, increasing the proportionate share to 3.8 per cent of the sector budget as government intensifies its efforts to grow an inclusive rural economy. In absolute terms, the more urbanised provinces of Gauteng and the Western Cape spend more on the rural development programme than does Limpopo, which is one of the country's more rural provinces; it only funds the facilitation and coordination of rural development projects and not their implementation.

Provincial expenditure by economic classification

Expenditure on compensation of employees, accounting for 50.6 per cent share of total expenditure in 2019/20, increased on average by 4.9 per cent from R4.9 billion in 2015/16 to R5.9 billion in 2019/20. Expenditure on this item is projected to increase on average by 6.8 per cent to R7.25 billion in 2022/23, increasing its proportionate share to 53.5 per cent. Thus more than half of the sector's budget will be used to pay salaries, a factor that is related to increases in the administration budget.

The largest increase in expenditure over the historical review period relates to goods and services; this increased by R724 million or 9.5 per cent on average from R2.8 billion in 2015/16 to R3.6 billion in 2019/20. There was also a substantial increase in the proportionate expenditure in the same period, from 27.8 per cent to 30.3 per cent. This large increase was as a result of intensified provision of goods and services to support farmers and to provide assistance to address natural disasters. However, expenditure is projected to grow moderately at 2.6 per cent per year to R3.85 billion in 2022/23, with proportionate expenditure also moderating to 28.4 per cent. Major drivers of this expenditure relate to travel and subsistence and to

The largest increase in expenditure over the historical review period relates to goods and services.

inventory: farming supplies. These expenditure items are indicative of the endeavour to provide support to smallholder and subsistence farmers in the form of extension services.

Spending on transfers and subsidies declined by an average of 4 per cent or R65.7 million between 2015/16 and 2019/20. Expenditure over the MTEF is expected to increase slightly by an average of 0.6 per cent to R1.486 billion in 2022/23, with the proportionate expenditure declining from 16.8 per cent in 2015/16 to 11 per cent in 2022/23.

Expenditure on capital assets increased on average by 1.9 per cent from R720 million in 2015/16 to R776 million in 2019/20 and is projected to grow at an average of 7.1 per cent over the MTEF to R953 million in 2022/23. The proportionate share of expenditure decreased from 7 per cent in 2015/16 to 6.6 per cent in 2019/20 and remains flat until 2021/22 before increasing to 7.0 per cent in 2022/23. The interim decline relates to a once-off allocation to repair infrastructure damaged by natural disasters; reprioritisation of budget to goods and services for implementation of the Agricultural Economic Transformation Strategy; and the fact that the Extension Recovery Plan (ERP) portion of the CASP grows minimally over the MTEF as provision is only made for replacement of existing equipment such as computers and office furniture.

Table 9.5: Provincial expenditure on agriculture by economic classification, 2015/16 – 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million	Outcome				Preliminary outcome	Medium-term outcomes		
Current payments	7 756	8 017	8 546	9 106	9 523	10 075	10 623	11 097
of which:								
Compensation of employees	*4 913*	*5 145*	*5 415*	*5 714*	*5 956*	*6 489*	*6 897*	*7 246*
Goods and services	*2 842*	*2 871*	*3 129*	*3 392*	*3 566*	*3 586*	*3 725*	*3 850*
Transfers and subsidies	1 724	1 517	1 231	1 771	1 461	1 447	1 442	1 486
Payments for capital assets	720	940	816	867	776	798	852	953
Payments for financial assets	33	14	10	13	3	–	–	–
Total	**10 233**	**10 487**	**10 603**	**11 757**	**11 762**	**12 319**	**12 916**	**13 536**
Percentage of provincial agriculture expenditure								
Current payments	75,8%	76,4%	80,6%	77,4%	81,0%	81,8%	82,2%	82,0%
of which:								
Compensation of employees	*48,0%*	*49,1%*	*51,1%*	*48,6%*	*50,6%*	*52,7%*	*53,4%*	*53,5%*
Goods and services	*27,8%*	*27,4%*	*29,5%*	*28,8%*	*30,3%*	*29,1%*	*28,8%*	*28,4%*
Transfers and subsidies	16,8%	14,5%	11,6%	15,1%	12,4%	11,7%	11,2%	11,0%
Payments for capital assets	7,0%	9,0%	7,7%	7,4%	6,6%	6,5%	6,6%	7,0%
Payments for financial assets	0,3%	0,1%	0,1%	0,1%	0,0%	0,0%	0,0%	0,0%
Total	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

Percentage growth (average annual)	**2015/16 –**	**2019/20 – 2020/21**	**2019/20 –**
Current payments	5,3%	5,8%	5,2%
of which:			
Compensation of employees	4,9%	8,9%	6,8%
Goods and services	5,8%	0,5%	2,6%
Transfers and subsidies	-4,0%	-1,0%	0,6%
Payments for capital assets	1,9%	2,8%	7,1%
Payments for financial assets	-46,7%	-100,0%	-100,0%
Total	**3,5%**	**4,7%**	**4,8%**

Source: National Treasury provincial database

Agriculture conditional grants

DALRRD administers three conditional grants: the CASP, the *Ilima/Letsema projects grant* and the *Land Care programme grant*. The grants provide targeted farmer support, support food production and contribute to the eradication of hunger and poverty.

DAFF administers three conditional grants which amounted in total to R10.5 billion between 2015/16 and 2019/20.

Table 9.6 shows a total of R10.5 billion spent between 2015/16 and 2019/20 across the three grants, with another R6.9 billion projected to be spent over the 2020 MTEF. The largest portion of the total grant funds (71.4 per cent) in 2019/20 were vested in the CASP grant which supports smallholder and subsistence farmers in particular to become economically sustainable.

Table 9.6: Provincial agriculture conditional grants expenditure by grant, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term outcomes		
Comprehensive Agricultural Support Programme Grant	1 641	1 381	1 407	1 769	1 491	1 522	1 620	1 672
Ilima/Letsema Projects Grant	470	427	455	481	503	549	614	632
Land Care Programme Grant: Poverty Relief and Infrastructure	66	59	60	220	93	82	86	88
Total	**2 177**	**1 868**	**1 922**	**2 470**	**2 087**	**2 153**	**2 320**	**2 392**
Percentage growth (average annual)	**2015/16 – 2019/20**				**2019/20 – 2020/21**	**2019/20 – 2022/23**		
Comprehensive Agricultural Support Programme Grant	-2,4%				2,1%	3,9%		
Ilima/Letsema Projects Grant	1,7%				9,1%	7,9%		
Land Care Programme Grant: Poverty Relief and Infrastructure	9,0%				-11,1%	-1,6%		
Total	**-1,1%**				**3,2%**	**4,7%**		

Source: National Treasury provincial database

The CASP has been implemented since 2004/05 and has the primary aim of providing effective agricultural support and streamlining the provision of services to targeted beneficiaries of restitution and redistribution programmes as well as to other producers who have acquired land through private means and are engaged in value-adding enterprises domestically or are involved with exports.

Between 2015/16 and 2019/20, expenditure through the CASP decreased by an annual average of 2.4 per cent from R1.6 billion to R1.5 billion due to once-off disaster allocations in the previous financial years. It is projected to increase by an annual average of 3.9 per cent to R1.67 billion over the 2020 MTEF.

With regard to the CASP grant, farmers are mainly supported with infrastructure for production, marketing and agro-processing, land preparation, establishment of orchards, production inputs, training and mentorship as well as being assisted with SA-GAP certification.

DAFF initiated the Ilima/Letsema programme in 2008/9 with the objective of reducing poverty and unemployment in vulnerable households through increased food production initiatives. The programme aims to ensure that food surpluses have a market, thus increasing the incomes of these households and farmers; and to establish projects that have maximum impact on the eradication of poverty, job creation and economic growth, with a special focus on vulnerable groups such as women and young people.

Between 2015/16 and 2019/20, Ilima/Letsema programme expenditure increased at an average annual rate of 1.7 per cent from R470 million to

R503 million. Over the 2020 MTEF, the grant allocation is projected to increase by an average annual rate of 7.9 per cent to R632 million.

The *LandCare programme grant* promotes the sustainable use and management of natural resources through community-based activities. Between 2015/16 and 2019/20, expenditure through the grant increased by an annual average of 9 per cent from R66 million to R93 million due to once-off disaster allocations in 2018/19. The grant allocation is projected to decrease by an annual average of 1.6 per cent to R88 million in 2022/23.

Table 9.7 shows expenditure of these grants by province between 2015/16 and 2022/23.

The Eastern Cape, KwaZulu-Natal and Limpopo jointly accounted for 46 per cent of the 2019/20 CASP budget while, during the same period, jointly accounting for 53.7 per cent of the *LandCare programme grant*. The Eastern Cape, Free State and KwaZulu-Natal accounted for 40.9 per cent of the *Ilima/Letsema programme grant*. The proportionate percentage budgets for these provinces are projected to remain approximately the same as in 2021/22.

Table 9.7: Provincial agriculture conditional grants expenditure by province, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20 Preliminary outcome	2020/21	2021/22	2022/23
	Outcome					Medium-term outcomes		
Comprehensive Agricultural Support Programme Grant	**1 641**	**1 381**	**1 407**	**1 769**	**1 491**	**1 522**	**1 620**	**1 672**
Eastern Cape	254	263	248	282	244	240	254	262
Free State	169	174	169	193	172	176	188	195
Gauteng	82	85	87	92	69	100	107	110
KwaZulu-Natal	226	222	210	224	222	206	220	227
Limpopo	262	–	–	–	223	234	248	255
Mpumalanga	170	172	155	173	161	157	168	173
Northern Cape	136	128	233	312	156	123	131	135
North West	195	171	169	176	92	174	186	193
Western Cape	147	164	136	316	152	112	119	123
Ilima/Letsema Projects Grant	**470**	**427**	**455**	**481**	**503**	**549**	**614**	**632**
Eastern Cape	50	64	67	71	65	68	76	78
Free State	61	59	63	67	73	68	77	79
Gauteng	24	26	28	30	30	31	35	36
KwaZulu-Natal	69	64	67	71	68	73	82	84
Limpopo	50	–	–	–	54	70	79	81
Mpumalanga	46	49	52	58	56	57	64	66
Northern Cape	69	55	58	61	63	63	70	72
North West	50	59	63	67	46	67	75	78
Western Cape	50	51	55	56	47	50	56	58
Land Care Programme Grant: Poverty Relief and Infrastructure	**66**	**59**	**60**	**220**	**93**	**82**	**86**	**88**
Eastern Cape	10	11	12	47	22	12	13	13
Free State	5	6	6	8	8	8	9	9
Gauteng	5	5	4	5	5	5	5	5
KwaZulu-Natal	11	11	12	12	15	13	13	13
Limpopo	10	–	–	–	13	13	13	14
Mpumalanga	6	6	7	19	9	10	10	10
Northern Cape	7	9	7	43	8	8	8	8
North West	8	8	8	40	8	9	9	9
Western Cape	4	4	4	47	5	5	5	6
Total	**2 177**	**1 868**	**1 922**	**2 470**	**2 087**	**2 153**	**2 320**	**2 392**

Percentage growth (average annual)	**2015/16 – 2019/20**	**2019/20 – 2020/21**	**2019/20 – 2022/23**
Comprehensive Agricultural Support	-2,4%	2,1%	3,9%
Ilima/Letsema Projects Grant	1,7%	9,1%	7,9%
Land Care Programme Grant: Poverty	9,0%	-11,1%	-1,6%
Total	**-1,1%**	**3,2%**	**4,7%**

Source: National Treasury provincial database

Service delivery achievements

The NDP identifies agriculture as one of the key sectors for driving economic growth. To achieve this growth, through the Industrial Policy Action Plan (IPAP) government seeks to increase the productivity of core sectors of the economy including agriculture.

Table 9.8: Key agriculture performance indicators, 2015/16 – 2017/18

Key Agriculture Performance Indicators	2015/16	2016/17	2017/18	Total	Concentration of achievements in 2017/18		
					Provinces	Total	Percent
Number of hectares protected / rehabilitated to improve agricultural production	74 185	61 748	53 223	189 156	LP, NC & WC	29 500	55,4%
Number of green jobs created	9 948	8 364	7 569	25 881	EC, KZN & LP	6 223	82,2%
Number of smallholder producers receiving support	41 403	31 569	26 692	99 664	KZN, LP &MP	13 856	51,9%
Number of hectares cultivated for food production in communal areas and land reform projects	90 373	84 893	78 977	254 243	EC & MP	44 028	55,7%
Number of households benefiting from agricultural food security initiatives	77 687	53 745	97 635	229 067	KZN	42171	43,2%
Number of Agri-Businesses supported with agricultural economic services to access markets	1 212	806	859	2 877	EC, LP & WC	541	63,0%
Number of participants trained in agricultural skills development programmes	21 024	21 400	20 289	62 713	MP	9 125	45,0%
					EC, KZN & WC	6 632	32,7%

Source: Department of Planning, Monitoring and Evaluation – Electronic Quarterly Performance Reporting System (eQPRS)

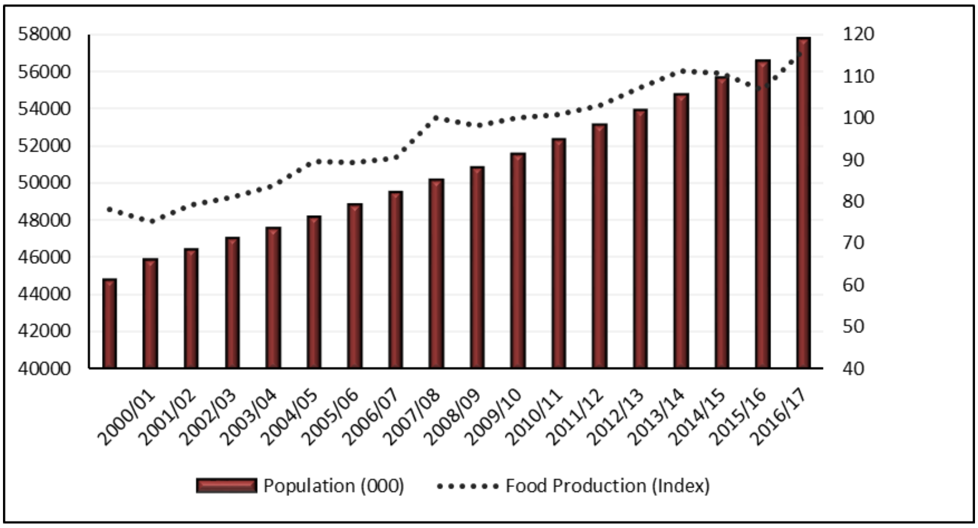
Between 2015/16 and 2019/20, 328 837 hectares of land were protected or rehabilitated to improve agricultural production. Approximately 40 060 or 57.7 per cent of the protected or rehabilitated hectares in 2019/20 were in the Western Cape, Limpopo and KwaZulu-Natal. As a result of this land protection and rehabilitation, Stats SA has reported that the value of agricultural production increased by an average of 8.7 per cent from R82.6 billion in 2014 to R106.4 billion at the end of 2017, with the agricultural sector making a 2.6 per cent contribution to the country's GDP.

Expanded agricultural production should enable job creation and achieve inclusive economic growth in the rural economy. The NDP has set a target of one million jobs to be created in the sector by 2030, particularly through the green economy. Between 2015/16 and 2019/20, 48 281 green economy jobs were created. In 2019/20, 5 600 or 53.5 per cent of the jobs created were in Limpopo alone. Green economy jobs created are in the areas of biodiversity conservation, ecosystem restoration, green energy generation, energy and resource efficiency as well as emissions and pollution mitigation. The sector employs around 850 000 people or 5.3 per cent of the country's labour force of whom approximately 770 000 are farm workers and domestic workers on farms.

The MTSF identifies development and technical, financial and infrastructure support for smallholder producers as key to increasing agricultural production and transforming the agrarian sector. Between 2015/16 and 2019/20, 154 540 smallholder producers received support from government. In 2019/20, 18 909 or 80.4 per cent of these were in Limpopo, the Eastern Cape and KwaZulu-Natal. Support is especially directed to beneficiaries of land reform programmes and takes the form of irrigation schemes, seed provision, training for SMMEs, extension services, mechanisation and other supports provided through the CASP, the *Ilima/Letsema programme grant* and the *LandCare grant*. The number of agricultural households declined over the review period but, according to Stats SA, the number of smallholder households selling their produce increased slightly by an annual average of 0.4 per cent from 187 999 in 2015/16 to 189 528 in 2017/18.

Underlying government support for smallholder producers and the land reform programme is the key principle of ensuring sustainable food security. The government is committed to ensuring this by improving the food production system as well as subsistence and smallholder farming.

Figure 9.6: Food production compared to population growth, 2000/01 - 2016/17



Source: Statistics South Africa

Table 9.7 shows that, between 2015/16 and 2019/20, 439 951 hectares were cultivated for food production in communal areas and land reform projects. In 2019/20, approximately 55 251 or 59.8 per cent of the cultivated hectares were in the Eastern Cape, KwaZulu-Natal and North West. Consequently, the value of food production increased from an index of 110.6 in 2015 to 116.1 in 2017. According to the 2018 General Household Survey, 84 per cent of agricultural households use farming as either their main or an extra source of household food; the percentages range from 47.9 per cent in the Western Cape to 89.6 per cent in Limpopo. However, during the review period the 2.5 per cent average annual growth in food production did not keep pace with the 1.4 per cent average annual growth in population; there was a 6.5 per cent average annual growth in per capita maize consumption from 70.8kg per year in 2015 to 80.3kg per year in 2017.

Increased food production can increase the availability of food for vulnerable households. Between 2015/16 and 2019/20, 369 222 households benefited from food security initiatives. In 2019/20, 49 110 or 62.3 per cent of these households were in KwaZulu-Natal and the Eastern Cape. The food security initiatives included programmes such as Fetsa Tlala, the integrated food security strategy and the comprehensive food security and nutrition strategy; these all form part of the national policy on food and nutrition security. According to the 2018 General Household Survey, the percentage of households with inadequate access to food decreased from 23.6 per cent in 2010 to 20.2 per cent in 2018. Access to food still poses challenges in North West and the Northern Cape, where over 30 per cent of households have inadequate access in contrast to only 7.4 per cent in Limpopo.

Accessing markets is important for the expansion of agricultural production and for job creation by small-scale farmers, particularly in agribusinesses. Table 9.8 indicates that, over the review period (2015/16-2019/20), 6 248 agribusinesses were supported with agricultural economic services to access markets. More than two thirds (1 640 or 69.9 per cent) of the agribusinesses supported in 2019/20 were based in the Eastern Cape. The services through which these agri-businesses were supported included entrepreneurial development, marketing services, value adding, production and resource economics.

To minimise risks to the expansion of the sector, the NDP calls for improvements to and extension of skills development. Between 2015/16 and 2019/20, 104 452 people were trained in agricultural skills development programmes; in the 2019/20 financial year, 10 699 or 54.1 per cent of the participants were from Mpumalanga and the Western Cape. The skills development programmes included farmer training, extension officer training, the EPWP Working for Fisheries Programme (WFFP) and formal National Qualifications Framework (NQF) qualifications training. These all form part of the Agricultural Education and Training Strategy.

Rural development is one of government’s key priorities in working to achieve an integrated and inclusive rural economy by 2030 as envisaged by the NDP. Provinces carry out rural development through their own strategies which are linked to the national Comprehensive Rural Development Programme (CRDP). Agriculture-focused projects implemented as part of provinces’ rural development strategies include Masibuyele Emasimini and Masibuyele Esibayeni in Mpumalanga, Tshimo Ya Kgosi in North West and Mohoma Mobung in the Free State. The main types of rural development projects implemented relate to land reform, infrastructure development, job creation, poverty alleviation, agroindustry, agri-parks, tourism, small enterprises and fisheries.

A successful land reform programme is at the heart of achieving sustainable rural and socio-economic development in South Africa. The land reform programme is implemented through land redistribution, restitution and tenure. Between 2015/16 and 2018/19, 680 777 hectares were acquired by government for land reform purposes and 3 088 land claims were finalised. Land ownership in South Africa still reflects the inequalities between the racial groups. The 2017 Land Audit Report found that Whites owned 72 per cent of the 37 million hectares of farmland and agricultural holdings, followed by Coloureds with 15 per cent, Indians with 5 per cent and Africans with 4 per cent.

Medium-term outlook

A sizable proportion (45.9 per cent) of the sector's budget goes towards supporting and developing smallholder producers and emerging farmers. This support is largely provided through the CASP conditional grant. The aims of the CASP include providing effective agricultural support services; promoting and facilitating agricultural development by targeting beneficiaries of land reform and other black producers; and restitution and redistribution.

An evaluation report on the impact of the CASP, published in 2015, found that although progress has been made in achieving some of the programme's objectives it was insufficient to promote commercialisation of farmers and particularly of emerging black producers. For this reason, and in line with the Operation Phakisa initiative which aims to implement priority programmes better, faster and more effectively, the DALRRD has launched a new programme to support commercialisation of black producers' enterprises in the agriculture, forestry and fisheries sectors.

This programme will be financed by a blended model in which, in addition to a government grant, private funds will be leveraged in the form of loans administered by the Land Bank. Since this initiative would mean less reliance on government grants, it could mean that instead of transferring all CASP funds to provinces the DALRRD could transfer a portion of CASP funding to the Land Bank to kick-start the programme. Although it is evident that this is how farmer support will be funded over the medium term, the details of exactly how this will be done are still under consultation and being discussed with relevant stakeholders.

Conclusion

To feed South Africa's expanding population, food production or imports must double over the medium to long term; production needs to increase using the same or fewer natural resources; and new technologies such as hydro-seeding, a planting process that uses a slurry of seed and mulch, need to be explored.

Factors restraining the growth of South African agriculture are:

- Inadequate financing, especially for smallholder farmers, their organisations and small and medium agro-enterprises which lack basic financial services.
- The gap between farmers' changing needs and the required research and development.
- Pests and diseases: fruit and vegetable farmers are particularly affected by these.
- Rising input costs: currently, feed makes up most of farm expenditure, followed by fuel and fertilisers. The prices of these inputs are linked to the price of oil and to the rand's international exchange rate, both of which are beyond farmers' control.
- Adverse climatic conditions such as drought.
- Reliable access to water.

10

Economic Development and Tourism

Introduction

Between 2009 and 2019 average real economic growth in South Africa was 1.4 percent. Following two successive quarters of shrinking GDP, the country entered a technical recession in the second quarter of 2018. In the following quarter, GDP grew by 2.2 per cent, moving the economy out of the technical recession. However, as the 2020 Medium Term Budget Policy Statement (MTBPS) stated, due to the impact of the COVID-19 pandemic the economy was expected to contract by 7.8 per cent in 2020. GDP growth is expected to rebound to 3.3 per cent in 2021 and to average 2.1 per cent over the medium term. Based on these projections, the economy will only recover to 2019 levels in 2024. The low growth rate and the current sharp decline have meant that some objectives that were conditional on achieving a given level of growth remain aspirations. It is essential that policies complement one another to enable these aspirations to be realised.

During the second quarter of 2017, a 2.5 per cent growth in GDP was recorded, moving the economy out of the technical recession.

The route to achieving South Africa's economic development objectives is set out in a number of interconnected policy documents including the New Growth Path (NGP), the National Development Plan (NDP) as operationalised by the Medium-Term Strategic Framework (MTSF), the annual State of the Nation address, the Nine Point Plan to revive the economy, and fiscal policy expressed through the annual budget speech. Industrialisation is, a key driver of economic development, the 2019-2024 MTSF focuses on re-industrialising the economy through the creation of an environment that enables national priority sectors to support industrialisation and localisation, leading to increased exports, employment, and youth- and women-owned SMME participation as well as providing support for localisation through government procurement strategies. The 2019-2024 MTSF is supported by other policies such as the special economic zones (SEZs) that support industrialisation and the development of industrial capabilities, and the recently launched one -stop shop concept to facilitate and promote foreign direct investment.

Development trends in South Africa are influenced by the global environment. Weak global economic performance has thus had a significant bearing on domestic developments. Regional integration plays a key role in supporting economic development. South African exports between August 2019 and 2020 export increased by R8.87 billion from R117 billion to R126 billion. In 2017, exports to the rest of Africa made up 26 per cent of total exports of which over 50 per cent were manufactured goods. To further leverage the opportunities offered by Africa, in July 2016 government launched the Trade Invest Africa programme to implement an outward investment-led trade strategy towards the rest of the continent.

The need for a mix of policy interventions as well as short- and long-term responses has characterised the way in which government has responded to the country's economic challenges. This approach is necessary so that quick wins, on which long-term reforms can be structured, can be realised. Examples of this approach are interventions to stabilise productive sectors and thereby generate jobs. Other short-term interventions include building confidence between business and labour as well as facilitating investment.

The need for a mix of policy interventions as well as short- and long-term responses has characterised the way in which government has responded to the country's economic challenges.

Policy landscape

The NDP, the country's overarching development policy framework, aims to eliminate poverty and reduce inequality by 2030. Notable in the NDP is the acknowledgment that development is not the product of one sector. It proposes a multi-dimensional framework and development cycle in which progress in one area supports advances in others. Similarly, development in the local sphere becomes the foundation for development at provincial and national levels. The order in which these interactions take place is not the main issue; the key requirement is interaction between the three spheres as they complement each other in the development agenda.

National Development Plan (NDP)

The NDP spells out development as an inter-disciplinary concept for the benefit of everyone in society. It demonstrates how each of the disciplines contributes to the improvement of welfare through addressing the triple challenges of unemployment, poverty and inequality. Its areas of focus include the economy and employment, infrastructure development, environmental sustainability, the rural economy, South Africa in relation to the global environment, training and innovation, health, social protection, safety and security, transformation and fighting corruption. Critical to making progress in these areas is coordinated planning in the various disciplines so that they complement each other. Successfully achieving the objectives of the NDP is intended to lead to better education outcomes, a healthy population, good infrastructure, a sound social safety net and less corruption.

The NDP envisages the creation of 11 million jobs and the reduction of unemployment to 6 per cent by 2030

When the NDP was launched, the aim was to create an additional 11 million jobs by 2030; this would reduce unemployment from 25 per cent to 6 per cent. However, it increased from 25.2 per cent in 2013 to 30.8 percent in the third quarter of 2020; the target of creating an additional 11 million jobs by 2030 is thus not being met.

The NDP regards the NGP as the key programme for propelling the country into a higher growth mode. The NDP and the NGP therefore complement each other and aim to maximise the synergies between available resources.

Linked to the NDP is the MTSF, government's strategic plan which operationalises specific actions related to the priorities in the NDP. Economic development requires successful synergies between a range of interconnected factors and priorities. Failure to create and sustain these synergies has negative implications for overall development.

New Growth Path (NGP)

Government launched the NGP economic framework in 2010 with the aim of boosting employment. It identifies areas where employment could be generated on a large scale and visualised creating five million additional jobs by 2020. However, the COVID-19 pandemic has increased unemployment. Addressing unemployment requires a multi-pronged approach with short-, medium- and long-term solutions including interventions able to respond to a range of economic challenges.

Alignment of economic development policies across the three spheres of government is key to ensuring complementarity between them. The then

Department of Economic Development, subsequently combined to create the Department of Trade, Industry and Competition (dtic), therefore prioritised engagements with a range of stakeholders to ensure that this alignment took place.

Nine point plan

In the 2015 State of the Nation address, the President announced a nine point plan aimed at stimulating economic growth. The nine key areas were:

- Resolving energy challenges.
- Revitalising agriculture and the agro-processing value chain.
- Advancing beneficiation or adding value to the country's mineral wealth.
- Effective implementation of a higher impact policy.
- Private sector investment.
- Moderating workplace conflict.
- Promoting small, medium and micro enterprises, cooperatives and township and rural enterprises.
- Elevating the role of state-owned companies, information and communications technology (ICT) infrastructure, broadband roll out, water, sanitation and transport infrastructure.
- Implementation of Operation Phakisa to grow the ocean economy and other sectors.

The Reimagined Industrial Strategy

Industrialisation is a key part of economic development. Implementation of the 2007 National Industrial Policy Framework through the annual iterations of the Industrial Policy Action Plan (IPAP) has contributed positively in various sectors such as clothing and the automotive sector. Based on lessons from successful programmes that were underpinned by the IPAP, as well as lessons from what has worked, a better more focussed industrial strategy was proposed. The new Reimagined Industrial Strategy was adopted and approved by Cabinet in June 2019 as a centre piece of government's vision and puts emphasis on concrete actions. The strategy presents a multipronged approach to industrial development with emphasis on building partnerships with the private sector in order to unleash job-creating investment. The modality to operationalise the Reimagined Industrial Strategy is the application of a master-planning process that seeks to create a shared vision together with industry, government and labour. The strategy envisages that the adoption of masterplans will harness the commitment by all role-players, stakeholders and beneficiaries towards implementing the actions required to fulfil the vision.[1]

The new Reimagined Industrial Strategy was adopted and approved by Cabinet in June 2019 as a centre piece of government's vision and puts emphasis on concrete actions.

[1] Obtained from: http://www.thedtic.gov.za/industrial-competitiveness-and-growth/. Accessed on 04 February 2021.

The Economic Reconstruction and Recovery Plan

The Economic Reconstruction and Recovery Plan was tabled in Parliament by the President on 15 October 2020 with the aim of restoring economic activity and rebuild the economy in a manner that ensures sustainability, resilience and inclusiveness. It brings together the work of government departments, the Economic Recovery Action Plan agreed by social partners at NEDLAC and contributions from the Presidential Economic Advisory Council. The core elements of the plan are as follows:

- Priority interventions for economic recovery: the plan sets out eight priority interventions that will ignite South Africa's recovery and reconstruction effort. These are the flagship initiatives that all of society will rally around to build a new economy.
- Enabling conditions for growth: these are the growth-enhancing reforms and other preconditions for an inclusive, competitive and growing economy.
- Macroeconomic framework: economic reconstruction and recovery requires careful mobilisation of resources to ensure fiscal sustainability.
- Institutional arrangements: the plan focuses on execution and is supported by enhanced institutional arrangements to ensure implementation and accountability.

The National Tourism Sector Strategy (NTSS) 2016-2026

A sector-wide ten-year strategy, the NTSS 2016-2026 was approved by Cabinet in December 2017. Its aim is to increase tourism's direct contribution to the economy through partnerships, research-based collaborative planning and implementation of agreed priority actions. In 2015, the Department of Tourism commissioned a review of the existing policy; the purpose was to ensure that policy remains relevant to the changing domestic and global environment and to make use of lessons learned from the implementation process. Targets in the revised NTSS include:

The NTSS 2016-2026 aims to increase job creation in the tourism sector to one million and the sector's export earnings to R359 billion by 2026.

- Increasing the sector's direct contribution to the GDP from R118 billion in 2015 to R302 billion by 2026.
- Increasing the number of jobs directly supported by the sector from 702 824 in 2015 to 1 000 000 by 2026.
- Increasing the sector's export earnings from R115 billion in 2015 to R359 billion by 2026.
- Increasing capital investment in the sector from R64 billion in 2015 to R148 billion by 2026.

The sector has identified five pillars as a framework for putting the strategy into action: facilitating ease of access, improved visitor experience, destination management, broad-based benefits and effective marketing. The strategy acknowledges the need for intergovernmental coordination, an integrated planning approach and private sector involvement for successful implementation and for realisation of inclusive and high-quality growth of the South African tourism economy. The strategy also requires that effective coordinating mechanisms be established at provincial and local government levels to synergise efforts and optimise the allocation and use of resources. However most of these targets will be negatively impacted by the COVID-19 pandemic which resulted in restrictions on international and domestic travelling as a result of higher levels of lockdown.

Provincial growth and development strategies (PGDS)

Provinces have developed their regional economic development and growth strategies to synergise with the national strategies and objectives which guide planning and implementation of the broader social and economic development mandates at provincial level. The PGDS are implemented within the scope and framework of the NDP and the spatial development frameworks and with reference to municipal integrated development plans (IDPs).

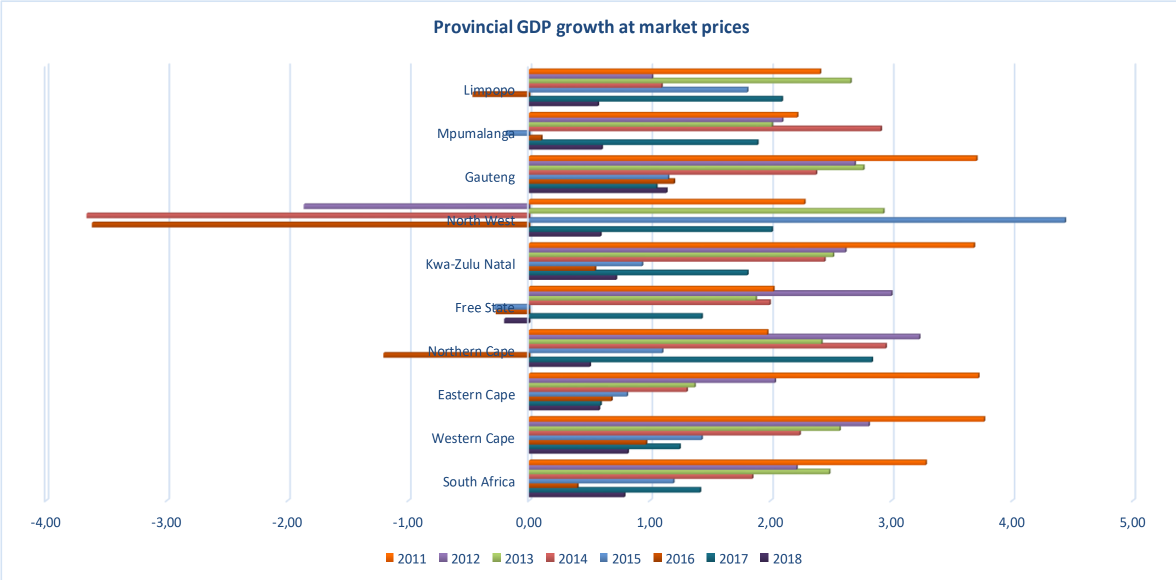
Provincial socio-economic situation

South African GDP grew by 1.5 per cent in 2014 but only by 0.8 per cent in 2018.

Figure 10.1 shows GDP growth rates by province between 2011 and 2018. The South African economy recorded an average growth of 1.5 per cent in the fourth quarter of 2014, down from 2.2 per cent in 2013. The overall growth rate in 2018 was 0.8 percent. In 2011, growth rates in Gauteng, the Eastern Cape, KwaZulu-Natal and the Western Cape were higher than the national rate. However, in 2017 the North West, Free State, the Northern Cape, Mpumalanga and Limpopo were the only provinces whose growth rates grew above the national rate; other provinces, including Gauteng and the Western Cape, contracted to below the national rate. In 2016, the growth rates of North West, the Free State and Limpopo decreased, with the North West experiencing the highest decline at 3.7 per cent, mainly as a result of contraction in the mining sector.

The COVID-19 pandemic profoundly affected growth prospects for 2020. As noted above, the overall economy is estimated to have contracted by 7.8 per cent during the year, with a rebound of 3.3 per cent expected in 2021.

Figure 10.1: Provincial GDP growth at market prices, 2011 - 2018



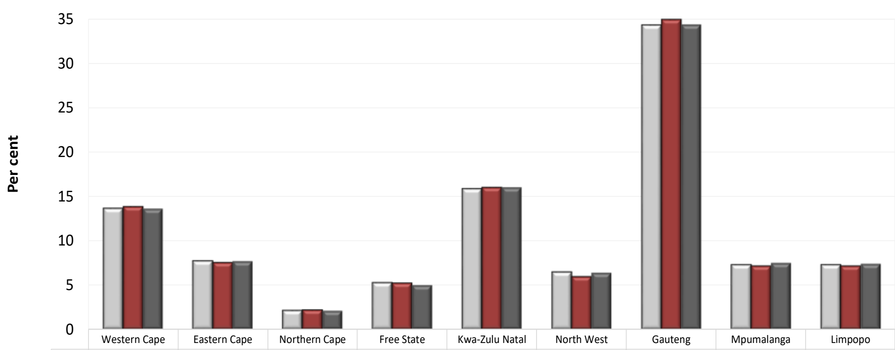
Source: IHS Markit

Figure 10.2 shows the provinces' GDP growth in 2011, 2017 and 2018. Between 2017 and 2018, the growth of the Eastern Cape, Gauteng, KwaZulu-Natal, Limpopo and Mpumalanga increased with those of the other provinces declining slightly. Gauteng has by far the largest economy in South Africa with it making up over third of the economy. It is more than double the size of the second biggest province in South Africa in terms of economic output, which is KwaZulu Natal.

Provincial investments in SEZs amounted to approximately R6.5 billion between 2015/16 and 2021/22.

Figure 10.3 shows the percentage share of the population by province between 2011 and 2018. Gauteng's growth increased from 22.4 per cent in 2011 to 26 per cent in 2018 which is the largest out of the eight provinces.

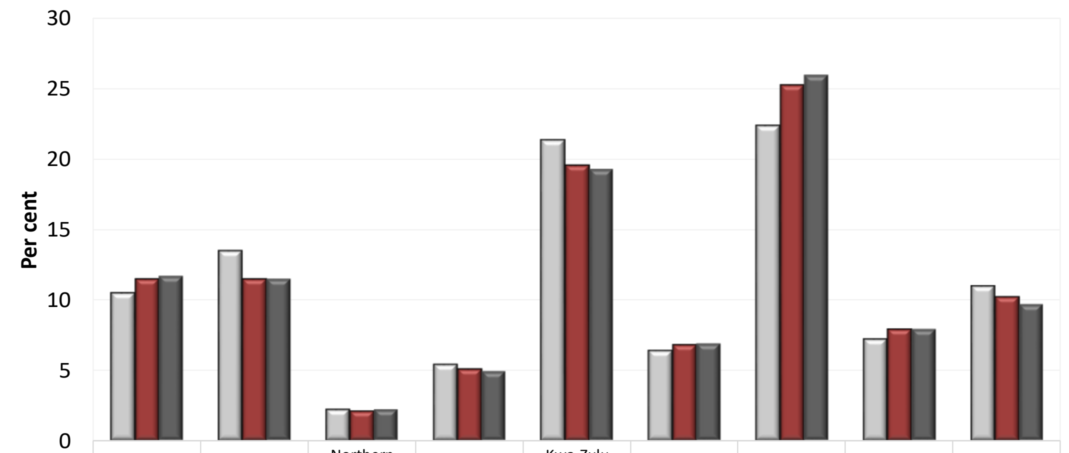
Figure 10.2: Provinces' percentage shares of GDP: 2011, 2017, 2018



	Western Cape	Eastern Cape	Northern Cape	Free State	Kwa-Zulu Natal	North West	Gauteng	Mpumalanga	Limpopo
2011	13,63	7,73	2,16	5,29	15,85	6,49	34,24	7,31	7,30
2017	13,84	7,54	2,20	5,23	15,99	5,98	34,87	7,19	7,16
2018	13,60	7,70	2,10	5,00	16,00	6,40	34,30	7,50	7,40

Source: Statistics South Africa and IHS Markit

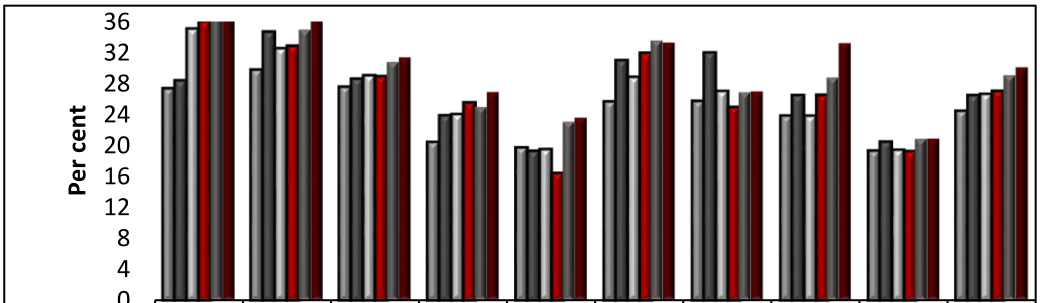
Figure 10.3: Provinces' percentage shares of total population: 2011, 2017, 2018



	Western Cape	Eastern Cape	Northern Cape	Free State	Kwa-Zulu Natal	North West	Gauteng	Mpumalanga	Limpopo
2011	11	14	2	5	21	6	22	7	11
2017	12	12	2	5	20	7	25	8	10
2018	12	12	2	5	19	7	26	8	10

Source: Statistics South Africa

Figure 10.4: Provincial unemployment rates, 2015/16 - Q1 2020/21



	Eastern Cape	Free State	Gauteng	Kwa-Zulu Natal	Limpopo	Mpumala nga	Northern Cape	North West	Western Cape	South Africa
2015/16	27,4	29,8	27,6	20,5	19,8	25,7	25,8	23,9	19,4	24,5
2016/17	28,4	34,7	28,6	23,9	19,3	31,0	32,0	26,5	20,5	26,5
2017/18	35,1	32,6	29,1	24,1	19,6	28,9	27,1	23,9	19,5	26,7
2018/19	36,1	32,9	29,0	25,6	16,5	32,0	25,0	26,6	19,3	27,1
2019/20	39,5	35,0	30,8	25,0	23,1	33,6	26,9	28,8	20,9	29,1
2020/21 Q1	40,5	38,4	31,4	26,9	23,6	33,3	27,0	33,2	20,9	30,1

Source: Statistics South Africa

Between 2015/16 and the first quarter of 2020, the unemployment rate in Gauteng increased from 27.6 per cent to 31.4 per cent. Over the same period, the rate in Limpopo decreased while the rate in the Eastern Cape increased from 27.4 per cent to 40.5 per cent. Nationally, unemployment in Q1 of 2020/21 was higher than in the previous financial year; it was at this time that the effects of the COVID-19 pandemic were beginning to be felt.

To address the pandemic's impact on livelihoods, government has committed to implementing an employment stimulus package to support and create over 800 000 employment opportunities over the next three years. It is visualised that over 60 000 of these will be in labour intensive maintenance and construction projects; 300 000 will be school assistants in the education system; 6 000 will be nursing assistants and community health care workers to support the health system; 100 000 will be in early childhood development; and 75 000 will be small scale farmers whose production was disturbed by the pandemic.

Provincial governments invest in promoting their economies although there are challenges with aligning these investments so that they address the legacies of racial and spatial exclusion. Work seeker migration from some provinces has had a negative impact on provincial equitable shares2. Over the medium term, there are plans to increase investment in SEZs to attract foreign and domestic investment for regional growth and employment creation. Total provincial government investment in SEZs is expected to have reached over R7 billion between 2015/16 and 2022/23, with the Musina-Makhado SEZ in Limpopo expected to secure investment estimated at R56.9 billion from Chinese consortia. By the end of 2017/18, R15.5 billion had been invested in four SEZs: Coega Special Economic Zone, East London Industrial Development Zone (ELIDZ), Richards Bay Industrial Development Zone and Dube Tradeport.

The 2019-2024 MTSF indicates that interventions being explored to grow regional economies include the need to complete revitalisation of 15 industrial parks in several parts of the country. The aim is to accelerate economic development in areas that are lagging behind by attracting investment, supporting job creation in manufacturing and assisting regions to build, strengthen and develop strategic industrial capabilities.

Budgets and expenditure

Table 10.1 shows that provinces' total expenditure on economic development increased from R7.1 billion in 2015/16 to R9.1 billion in 2019/20. Between 2019/20 and 2020/21, rates of growth ranged from 30.9 per cent (Mpumalanga) to -19.1 per cent in Limpopo; the sector average was 8.9 per cent. Overall, this expenditure is expected to increase at an average annual rate of 3.5 per cent over the 2020 MTEF. However, these numbers do not take account of the two adjustments made to provincial budgets in the 2020/21 financial year which resulted in reprioritising these budgets to respond to the COVID-19 pandemic.

[2] Interprovincial migration affects provinces' population numbers which in turn affects the need factors in the equitable share formula components.

Table 10.1 Provincial expenditure on economic development by province, 2015/16 – 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million	Outcome				Preliminary outcome	Medium-term estimates		
Eastern Cape	909	690	717	761	937	1 160	1 095	733
Free State	261	263	293	330	386	380	396	409
Gauteng	1 271	1 359	1 410	1 496	1 560	1 840	1 678	1 743
KwaZulu-Natal	2 042	1 746	1 750	1 901	2 092	2 128	2 227	2 336
Limpopo	780	812	1 104	1 098	1 376	1 113	1 260	1 297
Mpumalanga	795	999	1 110	1 159	1 034	1 353	1 401	1 479
Northern Cape	280	272	303	313	303	352	368	386
North West	353	620	792	799	929	998	1 026	1 069
Western Cape	394	559	399	424	499	605	627	659
Total	**7 084**	**7 321**	**7 879**	**8 283**	**9 116**	**9 928**	**10 078**	**10 109**

Percentage growth (average annual)	2015/16 – 2019/20	2019/20 – 2020/21	2019/20 – 2022/23
Eastern Cape	0,8%	23,7%	-7,9%
Free State	10,3%	-1,6%	1,9%
Gauteng	5,3%	17,9%	3,8%
KwaZulu-Natal	0,6%	1,7%	3,7%
Limpopo	15,2%	-19,1%	-2,0%
Mpumalanga	6,8%	30,9%	12,7%
Northern Cape	2,0%	16,2%	8,4%
North West	27,4%	7,5%	4,8%
Western Cape	6,1%	21,2%	9,7%
Total	**6,5%**	**8,9%**	**3,5%**

Source: National Treasury provincial database

Table 10.2 shows that, by economic classification, the largest elements in provinces' expenditure on economic development between 2015/16 and 2022/23 were administration, integrated economic development services and economic planning. Over 60 per cent of provinces' budget for economic development consists of transfers and subsidies. Between 2019/20 and 2022/23, current payments' share increases from 28 per cent in to 37.5 per cent.

Table 10.2 Provincial expenditure on economic development by economic classification, 2015/16 - 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
		Outcome			Preliminary outcome		Medium-term estimates	
Administration	1 063	1 227	1 266	1 292	1 350	1 591	1 671	1 755
Integrated Economic Development Services	1 674	1 744	2 190	2 396	2 203	2 268	2 507	2 590
Trade and Sector Development	2 233	1 943	2 105	2 202	2 834	3 173	2 932	2 644
Business Regulation and Governance	597	678	740	753	837	884	902	947
Economic Planning	476	603	450	437	496	582	589	618
Tourism	1 041	991	983	1 046	1 241	1 246	1 283	1 353
Total	**7 084**	**7 186**	**7 735**	**8 126**	**8 960**	**9 744**	**9 885**	**9 907**
Current payments	2 260	2 323	2 409	2 465	2 554	3 446	3 604	3 793
Compensation of employees	*1 140*	*1 211*	*1 310*	*1 423*	*1 481*	*1 801*	*1 959*	*2 070*
Goods and services	*1 120*	*1 112*	*1 100*	*1 043*	*1 073*	*1 645*	*1 645*	*1 723*
Transfers and subsidies	4 664	4 817	5 019	5 453	6 346	6 007	5 988	5 805
Payments for capital assets	158	177	440	363	213	476	487	512
Payments for financial assets	2	4	12	1	4	–	–	–
Total	**7 084**	**7 321**	**7 879**	**8 283**	**9 116**	**9 928**	**10 078**	**10 109**
Percentage of total expenditure								
Administration	15,0%	16,8%	16,1%	15,6%	14,8%	16,0%	16,6%	17,4%
Integrated Economic Development Services	23,6%	23,8%	27,8%	28,9%	24,2%	22,8%	24,9%	25,6%
Trade and Sector Development	31,5%	26,5%	26,7%	26,6%	31,1%	32,0%	29,1%	26,2%
Business Regulation and Governance	8,4%	9,3%	9,4%	9,1%	9,2%	8,9%	9,0%	9,4%
Economic Planning	6,7%	8,2%	5,7%	5,3%	5,4%	5,9%	5,8%	6,1%
Tourism	14,7%	13,5%	12,5%	12,6%	13,6%	12,5%	12,7%	13,4%
Total	**100,0%**	**98,2%**	**98,2%**	**98,1%**	**98,3%**	**98,1%**	**98,1%**	**98,0%**
Current payments	31,9%	31,7%	30,6%	29,8%	28,0%	34,7%	35,8%	37,5%
Compensation of employees	*16,1%*	*16,5%*	*16,6%*	*17,2%*	*16,2%*	*18,1%*	*19,4%*	*20,5%*
Goods and services	*15,8%*	*15,2%*	*14,0%*	*12,6%*	*11,8%*	*16,6%*	*16,3%*	*17,0%*
Transfers and subsidies	65,8%	65,8%	63,7%	65,8%	69,6%	60,5%	59,4%	57,4%
Payments for capital assets	2,2%	2,4%	5,6%	4,4%	2,3%	4,8%	4,8%	5,1%
Payments for financial assets	0,0%	0,1%	0,1%	0,0%	0,0%	0,0%	0,0%	0,0%
Total	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

Percentage growth (average annual)	**2015/16 – 2019/20**	**2019/20 – 2020/21**	**2019/20 – 2022/23**
Administration	6,1%	17,9%	9,2%
Integrated Economic Development Services	*7,1%*	*3,0%*	*5,5%*
Trade and Sector Development	*6,1%*	*12,0%*	*-2,3%*
Business Regulation and Governance	8,8%	5,6%	4,2%
Economic Planning	1,0%	17,3%	7,6%
Tourism	4,5%	0,4%	2,9%
Total	**6,1%**	**8,8%**	**3,4%**
Current payments	3,1%	34,9%	14,1%
Compensation of employees	*6,8%*	*21,6%*	*11,8%*
Goods and services	*-1,1%*	*53,3%*	*17,1%*
Transfers and subsidies	8,0%	-5,3%	-2,9%
Payments for capital assets	7,7%	123,5%	34,0%
Payments for financial assets	21,1%	-100,0%	-100,0%
Total	**6,5%**	**8,9%**	**3,5%**

Source: National Treasury provincial database

Over the 2020 MTEF, integrated economic development services and trade and sector development account for 51.8 per cent of the total budget.

The biggest share of the sector budget is transferred to public entities

The largest portion of the sector's budget is transferred to public entities as provincial economic development mandates are generally implemented through such entities. Provincial economic development agencies such as provincial development finance institutions (PDFIs), SEZs and trade and investment promotion agencies account for approximately 60 per cent of the total transfers to provincial public entities.

Provincial transfers to PDFIs amount to R14.5 billion between 2015/16 and 2022/23. Their mandates go beyond development financing.

These agencies are mainly responsible for industrial development, agro-processing, property management, transportation and improving access to finance for small, medium and micro enterprises (SMMEs). According to their 2016/17 annual reports, on aggregate these agencies created approximately 25 000 job opportunities, supported approximately 11 000 SMMEs and funded approximately 1 500 SMMEs. They also attracted approximately 35 investments projects with an estimated value of R10.4 billion.

Integrated Economic Development Services programme

The purpose of this programme is to promote and support an enabling business environment that creates opportunities for growth and jobs by ensuring the sustainability and growth of SMMEs.

Table 10.3 shows that, between 2015/16 and 2019/20, provincial expenditure on integrated economic development services increased by an average annual rate of 7.1 per cent. Between 2019/20 and 2020/21, it increased by only 3 per cent with particularly significant decreases in the Free State (-47.1 per cent) and Limpopo (-30.4 per cent). The decline in the Free State relates to the reduction in the grant made in term of the Special Economic Zone Act 2014 and upgrading social infrastructure in QwaQwa and Botshabelo; in Limpopo, the budget was reprioritised for procurement of an IT reservation system for wildlife resorts. The Free State's significant increase between 2015/16 and 2019/20 was due to the increase in transfers to the Free State Development Corporation (FDC) relating to funding for economic transformation initiatives and the Maluti-a-Phofung SEZ.

Over the 2020 MTEF, Limpopo has the largest budget for integrated economic development services. It includes transfers to the Limpopo Economic Development Agency (LEDA), although its percentage growth is declining by -5.8 percent over the 2020 MTEF due to once-off funding that was allocated to the entity in the 2019/20 adjustment.

Limpopo accounts for the largest share of integrated economic development services budget.

Because of transfers to the Mpumalanga Economic Development Agency (MEGA) and funding for the construction of the Mpumalanga International Fresh Produce Market (MIFPM), over the 2020 MTEF Mpumalanga has the second largest budget for integrated economic development services.

Over the 2020 MTEF, the Northern Cape has the second largest increase in the budget for this programme due to funding for the provincial Economic Growth and Development Fund for supporting and developing SMMEs and cooperatives.

Table 10.3 Expenditure on integrated economic development services by province, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
Eastern Cape	145	160	160	229	50	137	146	149
Free State	17	23	33	52	102	54	72	75
Gauteng	302	246	257	254	246	231	247	254
KwaZulu-Natal	428	312	390	536	384	350	410	429
Limpopo	313	380	651	634	880	612	729	735
Mpumalanga	262	443	529	533	388	664	677	713
Northern Cape	100	87	84	65	34	71	72	74
North West	53	52	49	48	52	71	75	75
Western Cape	54	42	37	46	66	79	81	85
Total	**1 674**	**1 744**	**2 190**	**2 396**	**2 203**	**2 268**	**2 507**	**2 590**

Percentage growth (average annual)	2015/16 – 2019/20	2019/20 – 2020/21	2019/20 – 2022/23
Eastern Cape	-23,4%	174,4%	44,0%
Free State	56,1%	-47,1%	-9,8%
Gauteng	-5,0%	-6,1%	1,1%
KwaZulu-Natal	-2,7%	-8,8%	3,8%
Limpopo	29,5%	-30,4%	-5,8%
Mpumalanga	10,3%	71,1%	22,5%
Northern Cape	-23,3%	105,0%	29,2%
North West	-0,5%	36,1%	12,8%
Western Cape	5,3%	18,7%	8,8%
Total	**7,1%**	**3,0%**	**5,5%**

Source: National Treasury provincial database

Provincial development finance institutions (PDFIs)

As part of their developmental activities, PDFIs provide loans and equity financing. A review of the PDFIs by the Government Technical Advisory Centre (GTAC) noted that, with the exception of the Gauteng Enterprise Propeller (GEP), they all originate in entities created in the former Bantustans to stimulate economic development.

The review also found that, while enabling legislation for these entities exists, it does not explicitly define their roles as PDFIs. PDFIs promote and carry out various economic financial and other non-financial activities such as property development, transportation, mining and agriculture. For example, in its 2018/19 corporate plan the Ithala Development Finance Corporation in KwaZulu-Natal indicates that its mandate includes acting as government's agent for carrying out development-related tasks and responsibilities that the government may consider to be more efficiently and effectively performed by the entity.

As well as providing development finance, the responsibilities of the FDC, LEDA, MEGA, and the North West Development Corporation (NWDC) include trade and investment promotion through their SEZ programmes. These entities are also the implementing agents for broadband projects in their respective provinces and generate own revenue through commercial property rentals. LEDA is responsible for transportation services through its subsidiary Great North Transport. Rationalising various entities to form the PDFIs has contributed to the enlargement of their mandates. For example, LEDA was formed by the amalgamation of Trade and Investment Limpopo, Limpopo Economic Development Enterprise, Limpopo Business Support Agency and Agri-Business Development Corporation.

Table 10.4 shows transfers of approximately R14.5 billion transfers to PDFIs over the period under review. The transfers decrease by 2.3 per cent over the 2020 MTEF, with the largest decreases relating to ECDC, NWDC and FDC.

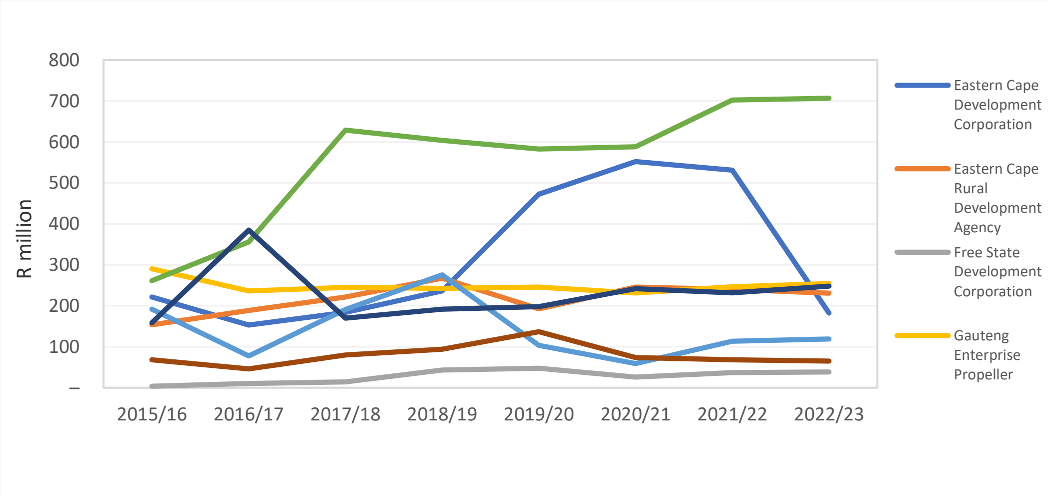
Table 10.4 Transfers to Provincial Development Finance Institutions, 2015/16 – 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million	**Outcome**				**Preliminary outcome**	**Medium-term estimates**		
Eastern Cape Development Corporation	221	153	184	236	472	552	531	183
Eastern Cape Rural Development Agency	154	189	221	267	193	246	240	231
Free State Development Corporation	4	10	14	43	48	26	37	39
Gauteng Enterprise Propeller	290	237	245	243	246	231	247	254
Ithala Development Finance Corporation	192	78	191	276	103	59	113	119
Limpopo Economic Development Agency	261	356	629	604	582	588	702	707
Mpumalanga Economic Development Agency	159	385	170	191	198	242	232	248
North West Development Corporation	68	46	80	94	137	74	68	65
Total	**1 349**	**1 453**	**1 734**	**1 954**	**1 978**	**2 018**	**2 170**	**1 844**

Percentage growth (average annual)	2015/16 – 2019/20	2019/20 – 2020/21	2019/20 – 2022/23
Eastern Cape Development Corporation	20,9%	16,9%	-27,2%
Eastern Cape Rural Development Agency	5,8%	27,7%	6,2%
Free State Development Corporation	89,3%	-45,3%	-6,8%
Gauteng Enterprise Propeller	-4,1%	-5,9%	1,1%
Ithala Development Finance Corporation	-14,4%	-42,7%	4,9%
Limpopo Economic Development Agency	22,2%	1,0%	6,7%
Mpumalanga Economic Development Agency	5,7%	22,2%	7,8%
North West Development Corporation	19,1%	-46,2%	-22,0%
Total	**10,0%**	**2,0%**	**-2,3%**

Source: National Treasury provincial database

Figure 10.5: Transfers to provincial development finance institutions, 2015/16 – 2022/23



Source: National Treasury provincial database

Over the period 2015/16 to 2022/23, LEDA's total transfers amount to approximately R4.4 billion, the largest of the provincial budgets for development finance institutions. Other than transfers for its operational needs, it also received funding for implementing the province's broadband project and for SEZs (mainly Musina-Makhado).

The purpose of NWDC's MTEF is to implement programmes that address unemployment, poverty alleviation and mining beneficiation. The FSDC received funding for the Maluti-A-Phofung SEZ and for implementing economic transformation initiatives.

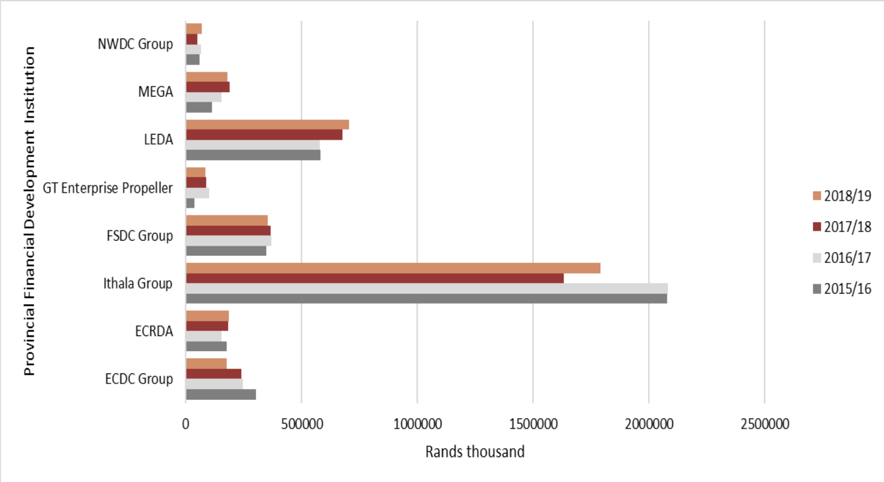
Over the MTEF, of the provincial development finance institutions the Eastern Cape Rural Development Agency (ECRDA) has the third largest budget. The purpose is to fund rural enterprise development hubs relating to agro-processing, expansion of a macadamia nut plantation in Willowvale, rehabilitation of the Magwa Tea Estate and infrastructure support for farmers participating in the Berlin Beef project.

Transfers to the ECDC fluctuate over the 2020 MTEF due to stimulus funding coming to an end in 2021/22; the allocation to the entity therefore normalises in the outer year. Projects funded by the transfers the entity include fencing for Dimbaza Industrial Park, revitalisation of Mdantsane Mall, Queenstown Industrial Park electrification and schools' ecological resource management.

GEP's increase is mainly for its enterprise support programme which provides financial and non-financial support to SMMEs, cooperative township enterprises and the youth accelerator programme.

By the end of 2018/19, PDFIs had a total loan book (loans issued) of R3.5 billion, a slight increase from R3.4 billion in 2017/18. Figure 10.6 shows that Ithala Group had the largest loan book of the PDFIs, accounting for approximately 50 per cent of the total loans issued by PDFIs.

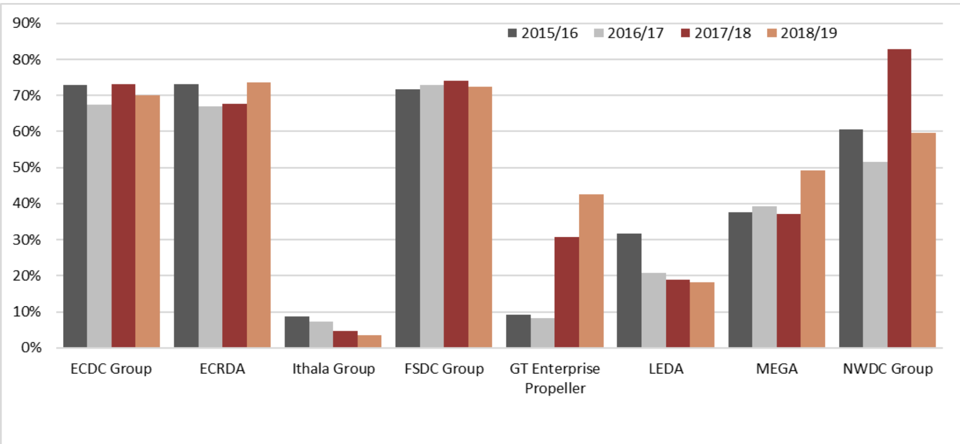
Figure 10.6: PDFI loans issued, 2015/16 – 2018/19



Source: Provincial annual reports, 2015/16 – 2018/19

Total loan impairments (non-performing loans) amounted to R873.1 million in 2018/19, a decrease from R1 billion in 2015/16 (Figure 10.7). FSDC also has a large impairment, though there had been some improvement since 2016/17.

Figure 10.7: PDFI loan impairment rates, 2015/16 – 2018/19



Source: Provincial annual reports, 2015/16 – 2018/19

Approximately 6 405 SMMEs were financially supported by PDFIs between 2015/16 and 2018/19.

Between 2015/16 and 2018/19, approximately 6 400 SMMEs were supported by PDFIs (Table 10.). In 2016/17, over R508 million or approximately 15 per cent of the total loans disbursed went to 1 531 SMMEs in provinces.

Table 10.5: Number of SMMEs supported financially by PDFIs, 2015/16 - 2018/19

	2015/16	2016/17	2017/18	2018/19
R million		**Outcome**		
Eastern Cape Development Corporation	260	268	163	228
Free State Development Corporation	41	48	33	26
Gauteng Enterprise Propeller	661	708	614	620
Ithala Development Corporation	336	266	619	914
Limpopo Economic Development Agency	132	116	140	74
Mpumalanga Economic Development Agency	9	26	10	11
North West Development Corporation	–	72	10	-
Total	**1 439**	**1 504**	**1 589**	**1 873**

Source: Annual reports, corporate plans and Annual Performance Plans

Between 2015/16 and 2018/19, the GEP supported the largest number of SMMEs followed by Ithala and the ECDC. The FDC funded the smallest number over the period. In its 2014/15 annual report, the FDC acknowledged a lack of funding for SMMEs and cooperatives, with demand exceeding supply. The entity also indicated that the business environment in the province was economically less competitive compared to Gauteng, KwaZulu-Natal and the Western Cape.

According to a 2019 SMME quarterly update report by the Small Enterprise Development Agency (SEDA), there was a slight increase in the number of SMMEs from 2.5 million in the 2018 third quarter to about 2.6 million in the first quarter of 2019. Employment in the SMME sector increased by 22 per cent between 2018 and 2019. The number of jobs increased from 10.1 million in the third quarter of 2018 to 15.1 million in the same quarter of 2019. The economy contracted sharply in 2020, with the SMME sector badly affected by the pandemic-related lockdown. Many closed down, with resultant unemployment. Over the medium term, government needs to strengthen its SMME support and development efforts by reducing red tape and creating an environment in which they can grow. At present, across provinces PDFI support to SMMEs remains minimal.

Trade and sector development programme

The purpose of this programme is to facilitate trade and export promotion and to attract investment by implementing strategies that position the economic development sector as key to economic growth and development.

Table 10.6 shows that the allocated budget for the programme increased from R2.2 billion in 2015/16 to R2.8 billion in 2019/20. The increase related mainly to the Eastern Cape, KwaZulu-Natal, Gauteng and North West. The budget for the programme declines by 2.3 per cent over the MTEF. The Eastern Cape shows the greatest decrease, followed by North West. The programme caters for transfers to some of the major entities. In KwaZulu-Natal, it caters for transfers to Dube TradePort Corporation, Trade and Investment KwaZulu-Natal (TIKZN), Richards Bay Industrial Development Zone (RBIDZ) and the KwaZulu-Natal Film Commission (KZNFC). Gauteng transfers provide funds to the Gauteng Growth and Development Agency (GGDA) and the Gauteng Tourism Authority. In the Eastern Cape, funds are transferred to the ECDC under this programme; the decrease in 2022/23 relates to the economic stimulus fund coming to an end.

Table 10.6 Expenditure on trade and sector development by province, 2015/16 – 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million		**Outcome**			**Preliminary outcome**		**Medium-term estimates**	
Eastern Cape	493	232	262	218	573	684	604	222
Free State	39	22	29	50	36	58	63	66
Gauteng	578	677	738	864	876	1 028	857	881
KwaZulu-Natal	940	801	807	762	978	1 005	1 006	1 052
Limpopo	13	15	18	17	21	19	20	21
Mpumalanga	18	23	15	17	18	24	26	30
Northern Cape	29	33	45	64	51	59	62	64
North West	13	30	80	94	155	114	99	100
Western Cape	110	110	111	117	127	182	195	207
Total	**2 233**	**1 943**	**2 105**	**2 202**	**2 834**	**3 173**	**2 932**	**2 644**

Percentage growth (average annual)	**2015/16 – 2019/20**	**2019/20 – 2020/21**	**2019/20 – 2022/23**
Eastern Cape	3,8%	19,3%	-27,1%
Free State	-2,1%	64,6%	22,8%
Gauteng	10,9%	17,4%	0,2%
KwaZulu-Natal	1,0%	2,7%	2,5%
Limpopo	13,8%	-10,4%	0,1%
Mpumalanga	-0,2%	35,4%	18,2%
Northern Cape	15,2%	16,3%	8,0%
North West	85,8%	-26,5%	-13,7%
Western Cape	3,5%	43,7%	17,8%
Total	**6,1%**	**12,0%**	**-2,3%**

Source: National Treasury provincial database

In the Western Cape, the allocations for trade and sector development and for skills development and innovation programmes were consolidated under this programme. The province also funds its tourism and trade and investment promotion agency, Wesgro, through the programme. There is an allocation to implement the Apprenticeship Game Changer initiative under the skills development and innovation programme.

The significant increase in the North West from 2017/18 relates to the function shift of the NWDC from the Office of the Premier to the Department of Economy and Enterprise Development. The larger allocation in 2019/20 compared to the two outer years of the MTEF relates to a once-off allocation to assist one of its subsidiaries, the Golden Leopard Resorts SOC Ltd to meet its liabilities.

The Northern Cape allocates transfers to its provincial economic development agency, the Northern Cape Economic Development, Trade and Investment Promotion Agency (NCEDA), under this programme. That provinces use a range of programmes to cater for transfers to their economic development agencies shows that standardisation is lacking in the sector.

Special economic zones

The Special Economic Zones programme, introduced in 2000, led to the establishment of industrial development zones (IDZs) in terms of the Manufacturing Development Act (1993).

After Cabinet had endorsed the programme, six IDZs were designated: Coega, East London, OR Tambo, Dube TradePort, Saldanha Bay and Richards Bay. The aim in locating IDZs near ports or airports was to facilitate the creation of industrial complexes with strategic economic advantages, provide locations for strategic investments and generate employment and other economic and social benefits.

A new SEZ policy was introduced with the Special Economic Zones Act (2014). This provides a framework for the development, operation and management of these entities, including addressing challenges experienced with the IDZ programme. The revised policy aims to:

- Expand the strategic focus to address a range of regional development needs.
- Provide a clear, predictable and systemic planning framework for the development of a variety of SEZs to support industrial policy objectives.
- Clarify and strengthen governance arrangements.
- Expand the range and quality of support measures apart from infrastructure.
- Provide for predictable funding arrangements.

To complement the SEZ strategy, the programme provides a number of investment incentives. These include a preferential 15 per cent corporate tax rate, a building allowance, employment incentives and customs-controlled areas.

Table 10.7 Departmental funding of special economic zones, 2015/16 – 2022/23

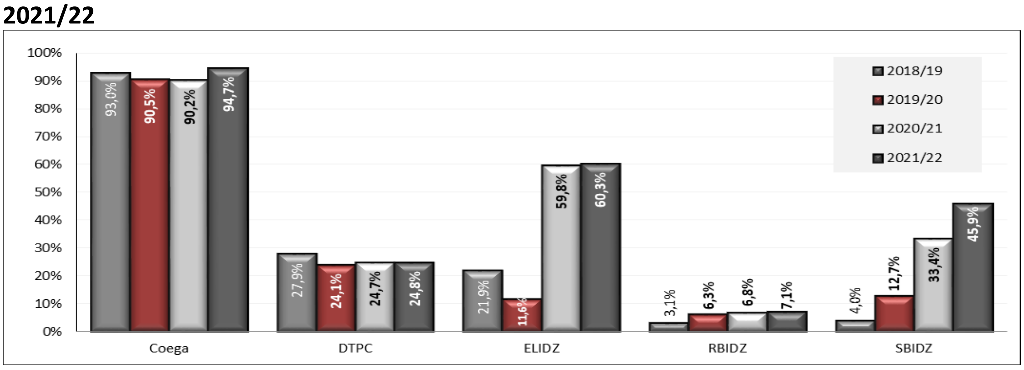
R million	2015/16	2016/17	2017/18	2018/19	2019/20 Preliminary Outcomes	2020/21	2021/22	2022/23
	Outcome					Medium-term estimates		
COEGA	53	43	40	31	57	82	35	–
Dube Tradeport	478	387	393	357	478	480	511	534
ELIDZ	95	153	184	236	472	113	115	118
Maluti-A-Phofung	–	–	–	4	20	20	20	20
Musina-Makhado	–	–	–	58	58	260	274	220
Richards Bay IDZ	199	126	133	130	137	120	131	138
Saldanha Bay IDZ	29	130	48	56	74	43	40	42
Atlantis SEZ	–	–	–	8	24	35	37	39
Total	**854**	**840**	**797**	**879**	**1 320**	**1 152**	**1 164**	**1 110**

Percentage growth (average annual)	2015/16 – 2019/20	2019/20 – 2020/21	2019/20 – 2022/23
COEGA	1,7%	44,0%	-100,0%
Dube Tradeport	0,0%	0,3%	3,7%
ELIDZ	49,3%	-76,0%	-37,1%
Maluti-A-Phofung	0,0%	0,0%	0,0%
Musina-Makhado	0,0%	348,3%	56,0%
Richards Bay IDZ	0,0%	0,0%	0,0%
Saldanha Bay IDZ	-8,9%	-12,4%	0,2%
Atlantis SEZ	26,5%	-42,6%	-17,3%
Total	**11,5%**	**-12,7%**	**-5,6%**

Source: National Treasury provincial database and estimates of provincial revenue and expenditure. For Musina-Makhado, the source is Limpopo Provincial Treasury and (2022/23) LEDA's EPRE chapter.

The SEZ fund provides funding for capital expenditure on infrastructure. The SEZ Act brought a ring-fenced and cost sharing approach to the funding of SEZ entities. Previously, transfers from national government were not ring-fenced and the entities were able to use funds for capital projects and for related operational costs.

Figure 10.8: SEZs' own revenue as a percentage of total receipts, 2018/19 - 2021/22



Source: National Treasury, estimates of provincial revenue and expenditure

As at the end of 2017/18, four SEZs were fully operational with a total of 95 investors (Table 10.). The total value of operational investments in the four

SEZs was approximately R338.8 billion, resulting in 12 186 direct employment opportunities.

Table 10.8: Performance of the designated and operational SEZs, 2017/18

SEZ entity	Year of designatio	Total size (ha)	Land allocated	Number of operationa	Value of operational	Total direct	Revenue (Rands)	Exports (Rands)	Value of secured but	Total employme
Coega	2 001	9003 ha(SEZ)	388 ha	45	9.53 billion	7 815	532.8 million	363 million	16.6 billion	8 016
ELIDZ	2 002	462 ha	7.9 ha	32	8.0 billion	3 645	720.7 million	3.9 billion	4.3 billion	5 758
Richards Bay	2 002	383 ha	5.5 ha	2	320.0 billion	93	2.9 million	-	12.4 billion	1 925
Dube Tradeport	2 016	303 ha	54.5 ha	16	1.3 billion	432	137.6 million	363 million	1.4 billion	550
		10406 ha	**455.9 ha**	**95**	**338.83 billion**	**11 985**	**1.3 billion**	**4.6 billion**	**34.71 billion**	**16 249**

Source: Special economic zones advisory annual report, 2017/18

According to 2017/18 data, total exports sales in amounted to R4.6 billion while R1.3 billion in revenue was generated by the four SEZ entities. Only 4.4 per cent of total SEZ land had been allocated to investors.

Table 10.9: Designated but non-operational SEZs, 2017/18

SEZ entity	Year of designatio	Total size (ha)	Signed Investors	Estimated value of
O.R Tambo (Gauteng)	2 002	7,5	4	400
Saldanha Bay (Western Cape)	2 013	356,0	12	323
Maluti-A-Phofung (Free State)	2 014	1 039,0	3	320
Musina-Makhado (Limpopo)	2 017	7 262,0	10	10 000
Total		**8 664,5**	**29**	**11 043**

Source: Special Economic Zones Advisory Board Annual Report, 2017/18

By the end of 2017/18, investment pipelines to the value of R11 billion in the designated SEZs had been signed with 29 investors but were not yet operational.

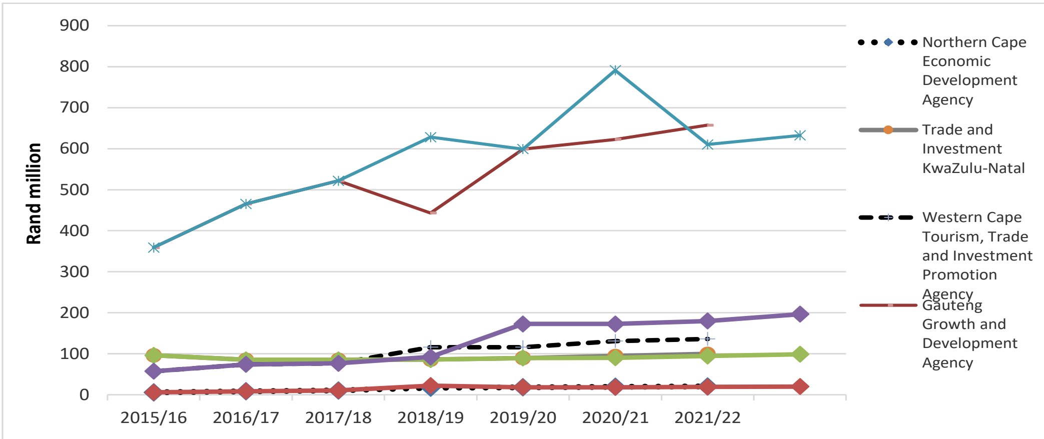
Trade and investment promotion agencies

In most provinces, trade and investment promotion are not standalone entities but form part of provincial economic development agencies which include provincial development finance institutions. The Western Cape and Northern Cape do not have PDFIs and have trade and investment promotion agencies as standalone entities: the Western Cape Tourism, Trade and Investment Promotion Agency (referred to as Wesgro) and NCEDA. KwaZulu-Natal has established TIKZN as a separate entity.

Approximately R6.4 billion is transferred to trade and investment promotion agencies between 2015/16 and 2022/23.

Figure 10.9 shows transfers of over R6.4 billion to standalone trade and investment promotion agencies in the Northern Cape, KwaZulu-Natal, Western Cape and Gauteng between 2015/16 and 2021/22. SEZs are located within these entities in Gauteng and the Northern Cape. The significant increase in the Western Cape between 2017/18 and 2019/20 relates to allocations including hosting 321 international association conferences and initiatives to attract investment.

Figure 10.9: Transfers to provincial trade and investment promotion agencies, 2015/16 – 2022/23



Source: National Treasury provincial database

The objectives of Wesgro, an entity owned by the Western Cape provincial government and the City of Cape Town, include attracting and retaining direct investment in the province, growing exports and marketing the province as a sustainable tourism destination globally. Wesgro's allocation from the provincial government between 2015/16 and 2022/23 is R1.02 billion. One of its strategic targets is to attract and facilitate direct investment of between R5.3 billion and R9.4 billion. The entity indicated that it had secured investment of over R2.22 billion in 2018/19. With the aim of driving exports and facilitating foreign direct investment, the agency signed 37 business agreements with an economic impact of R4.9 billion resulting in 973 job opportunities in the 2019/20 financial year.

The strategic objectives of the GGDA include facilitating investment, global trade activities, partnerships between government and the private sector, revitalising and modernising township economies and implementing strategic economic infrastructure projects that support re-industrialisation in the province. The entity is allocated over R4.6 billion by the provincial government between 2015/16 and 2022/23. Its mandate is carried out through its subsidiaries the Automotive Industry Development Centre (AIDC), the Innovation Hub, Gauteng IDZ and the Greater Newtown Development Company. In the 2018/19 financial year, GGDA attracted and facilitated investments to the value of R5.9 billion (approximately R3.1 billion in foreign direct investment and R2.8 billion in local investment). Of the 2 197 jobs created, 1 262 were permanent and 935 temporary.

Transfers to TIKZN over the eight year period will total R726 million. The entity's mandate is to promote KwaZulu-Natal as a premier investment destination and leader in export trade. Its target is to attract investments to the value of R8.2 billion by 2020/21. In the 2018/19 financial year, it attracted R2.66 billion, creating approximately 2 536 jobs in the province. The 2017/18 annual report shows that the entity facilitated a total of 15 investment projects valued at R2.18 billion and cutting across a number of economic sectors including agriculture, health, manufacturing, property and tourism. The investment was expected to create a total of 3 650 employment opportunities. The largest over-achievement was in 2016/17 when approximately R10 billion investment in the tourism infrastructure sector was secured.

Between 2015/16 and 2022/23, NCEDA's transfers will amount to approximately R124 million. The purpose of the entity is to attract direct investment to the province and to facilitate business through site location, access to incentives and finance and market support. From 2018/19, the entity is responsible for overseeing the establishment of the Upington SEZ.

Economic Planning programme

The purpose of the programme is to develop provincial economic policies and strategies to achieve and measure sustainable economic development. This is done through policy and planning, research and development, development of the knowledge economy and monitoring and evaluation.

Table 10.10 shows expenditure on the programme growing at an annual average rate of 7.6 per cent between 2019/20 and 2022/23, with a 17.3 per cent increase between 2019/20 and 2020/21. Expenditure by the Western Cape, the Free State and Gauteng makes up over 80 per cent of the total allocation between 2019/20 and 2022/23. Projects undertaken in the Western Cape within the programme include the broadband project, the green economy project and funding for leasing of land for the Saldanha Bay IDZ. In the Free State, significant transfers for the operational costs of the province's gambling, liquor and tourism authorities are included in the programme. Eastern Cape and North West spending on economic planning is the lowest among the seven provinces.

Table 10.10 Expenditure on economic planning by province, 2015/16 – 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million	Outcome				Preliminary outcome	Medium-term estimates		
Eastern Cape	6	6	5	2	5	8	8	9
Free State	121	68	139	120	149	146	139	146
Gauteng	133	136	77	94	88	159	169	176
KwaZulu-Natal	29	36	24	29	17	39	35	37
Limpopo	11	10	10	10	10	10	11	12
Mpumalanga	17	14	15	19	18	20	20	22
Northern Cape	17	18	21	21	21	26	27	28
North West	4	19	29	7	6	3	5	11
Western Cape	139	296	129	134	182	172	173	177
Total	**476**	**603**	**450**		**496**	**582**	**589**	**618**

Percentage growth (average annual)	2015/16 – 2019/20	2019/20 – 2020/21	2019/20 – 2022/23
Eastern Cape	-2,4%	58,0%	23,2%
Free State	5,4%	-1,9%	-0,7%
Gauteng	-9,8%	80,6%	26,0%
KwaZulu-Natal	-12,6%	124,7%	28,9%
Limpopo	-1,2%	-2,5%	6,3%
Mpumalanga	2,1%	8,1%	6,1%
Northern Cape	5,4%	22,7%	9,9%
North West	9,4%	-49,4%	24,3%
Western Cape	7,0%	-5,5%	-1,0%
Total	**1,0%**	**17,3%**	**7,6%**

Source: National Treasury provincial database

Business Regulation and Governance programme

The programme promotes a socially responsible and predictable business environment through good governance across public entities and agencies; lobbies against and addresses barriers in the broader business environment that inhibit business development; and implements and promotes measures that ensure consumers' rights and interests. The programme is also responsible for regulating the liquor, gambling and betting industries, with a significant portion of the expenditure in most provinces being transfers to their liquor, gambling and betting boards. The Western Cape's low expenditure is due to the fact that it relates only to consumer protection as its gambling and racing board and liquor authority fall under different departments. In the Free State, the gambling board and liquor authority are operated jointly with tourism under the economic planning programme.

Table 10.11 Expenditure on business regulation and governance by province, 2015/16 – 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million	Outcome				Preliminary outcome	Medium-term estimates		
Eastern Cape	112	120	132	139	141	157	164	173
Free State	–	–	–	–	–	–	–	–
Gauteng	55	73	66	58	105	114	93	98
KwaZulu-Natal	133	144	170	162	176	182	195	203
Limpopo	88	101	107	114	134	126	132	139
Mpumalanga	83	93	103	114	114	120	126	132
Northern Cape	31	34	38	41	43	45	46	48
North West	83	102	114	116	114	132	137	144
Western Cape	11	10	11	10	9	9	9	9
Total	**597**	**678**	**740**	**753**	**837**	**884**	**902**	**947**

Percentage growth (average annual)	2015/16 – 2019/20	2019/20 – 2020/21	2019/20 – 2022/23
Eastern Cape	5,9%	11,2%	7,2%
Free State	0,0%	0,0%	0,0%
Gauteng	17,5%	8,3%	-2,2%
KwaZulu-Natal	7,2%	3,7%	4,9%
Limpopo	11,0%	-6,5%	1,1%
Mpumalanga	8,1%	5,6%	5,1%
Northern Cape	8,5%	2,6%	3,6%
North West	8,3%	15,5%	7,9%
Western Cape	-4,5%	-4,8%	0,7%
Total	**8,8%**	**5,6%**	**4,2%**

Source: National Treasury provincial database

Tourism programme

Provincial government investment in tourism amounts to R9.1 billion between

The purpose of the programme is to stimulate sustainable tourism-based and economic growth by creating an enabling environment through legislation, policy and strategies; encouragement of demand and supply; and transformation of the sector.

The NDP recognises tourism as a highly labour intensive sector with the potential to stimulate the development of small businesses and generate significant export earnings[3].

Between 2015/16 and 2022/23, provincial government expenditure on tourism development is expected to total R9.1 billion. There was a dip in expenditure between 2015/16 and 2019/20; however, it increases somewhat over the MTEF. Gauteng does not indicate expenditure under the programme; transfers to its tourism agency are budgeted for under its trade and sector development programme.

[3] Tourism grows a country's national output and increases foreign currency earnings. Export Strategies for Tourism. International Trade Centre (2017).

Table 10.12 Expenditure on tourism development by province, 2015/16 – 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million	Outcome				Preliminary outcome	Medium-term estimates		
Eastern Ca	4	4	10	10	10	12	12	13
Free State	7	75	9	9	10	11	11	11
Gauteng	–	–	–	–	–	–	–	–
KwaZulu-Na	376	247	208	245	350	321	329	349
Limpopo	186	117	132	132	118	127	133	140
Mpumalan	335	350	358	384	395	413	433	455
Northern C	49	47	54	59	87	79	86	93
North West	43	101	158	148	213	188	180	185
Western Ca	40	49	53	59	58	96	100	108
Total	**1 041**	**991**	**983**	**1 046**	**1 241**	**1 246**	**1 283**	**1 353**

Percentage growth (average annual)	2015/16 – 2019/20	2019/20 – 2020/21	2019/20 – 2022/23
Eastern Cape	23,8%	14,4%	8,1%
Free State	8,1%	9,1%	2,7%
Gauteng	0,0%	0,0%	0,0%
KwaZulu-Natal	-1,8%	-8,3%	-0,1%
Limpopo	-10,8%	7,4%	5,8%
Mpumalanga	4,2%	4,6%	4,8%
Northern Cape	15,3%	-9,2%	2,2%
North West	49,4%	-11,8%	-4,5%
Western Cape	9,9%	64,4%	22,8%
Total	**4,5%**	**0,4%**	**2,9%**

Source: National Treasury provincial database

According to Statistics South Africa, the 2016 Tourism Satellite Account showed the sector contributing approximately 2.9 per cent to GDP and 3 per cent to Gross Value Added (GVA). About 4.5 per cent of the national workforce is in the sector.

In most provinces funding for tourism is transferred to public entities responsible for implementing their provinces' tourism strategies. As indicated above, not all of these entities are located this programmes. The Free State and Gauteng do not transfer funds to their entities through this programme; hence the transfers to tourism and related agencies are higher than the total allocation for the programme over the MTEF.

Transfers to the tourism entities are expected to total R19.6 billion between 2015/16 and 2022/23. Between 2015/16 and 2022/23, the Mpumalanga Tourism and Parks Agency receives the largest amounts in transfers followed by the Eastern Cape Parks and Tourism Agency. In the Free State, tourism is jointly operated with the gambling and liquor boards and in the Western

Cape with trade and investment promotion. The transfers increase at above the expected rate of inflation in 2019/20 and 2020/21 and over the MTEF.

Table 10.13 Transfers to provincial tourism and related agencies, 2015/16 - 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
Tourism agencies								
Eastern Cape Parks and Tourism Agency	193	196	196	234	215	220	221	226
Gauteng Tourism Authority	94	105	108	120	103	138	145	139
KwaZulu Natal Tourism Authority	118	117	117	151	162	149	143	149
Limpopo Tourism and Parks Board	156	89	103	102	99	96	101	107
Mpumalanga Tourism and Parks Board	309	346	354	379	390	408	427	448
Northern Cape Tourism Authority	20	21	21	23	24	24	25	26
North West Tourism Board	–	93	92	107	100	102	109	114
Other Tourism related agencies								
Free State Gambling, Liquor and Tourism	105	121	113	112	118	115	118	129
Western Cape Tourism, Trade and	58	74	77	92	116	173	180	197
Total	**1 052**	**1 163**	**1 182**	**1 321**	**1 326**	**1 425**	**1 470**	**1 535**

Percentage growth (average annual)	2015/16 – 2019/20	2019/20 – 2020/21	2019/20 – 2022/23
Tourism agencies			
Eastern Cape Parks and Tourism Agency	2,7%	2,5%	1,6%
Gauteng Tourism Authority	2,3%	34,4%	10,7%
KwaZulu Natal Tourism Authority	8,3%	-8,1%	-2,7%
Limpopo Tourism and Parks Board	-10,7%	-3,0%	2,5%
Mpumalanga Tourism and Parks Board	5,9%	4,5%	4,8%
Northern Cape Tourism Authority	5,3%	0,2%	2,8%
North West Tourism Board	0,0%	2,0%	4,6%
Other Tourism related agencies			
Free State Gambling, Liquor and Tourism	3,0%	-2,1%	3,1%
Western Cape Tourism, Trade and	19,2%	48,7%	19,2%
Total	**6,0%**	**7,4%**	**5,0%**

Source: National Treasury provincial database

Medium-term outlook

The NDP envisages reducing the unemployment rate to 6 per cent by 2030. This means that the economy needs to grow by approximately 5.4 per cent every year. According to the 2020 MTBPS, in real terms it was expected to contract by 7.8 per cent in that year due to the COVID-19 pandemic. It is expected to rebound to 3.3 per cent in 2021 and to average 2.1 per cent over the medium term. However, even if these growth rates are achieved, the economy is only expected to recover to 2019 levels in 2024.

The economy's weak rate of growth is reflected in the rising unemployment rate. There is an urgent need for interventions that trigger growth and employment over the medium to long term.

To increase the ease of doing business, through the dtic government has introduced the one-stop shop initiative. One-stop shops serve as entry points for investors needing information about applicable laws and regulations and all other relevant matters; and perform pre- and post-investment screening for appropriate investors and investments into the country on a project by project basis. The national one-stop shop, launched in March 2017, is key to housing all relevant regulatory and administrative departments and agencies in a single location and thus providing investors with an integrated service. It is vital that the three spheres of government work to improve the country's attractiveness as a destination of choice for doing business. Between 2018 to 2019, out of 190 countries South Africa dropped two places (from 82nd to 84th) in the world ranking of ease of doing business.

Conclusion

Between 2015/16 and 2022/23, provinces' budgets for economic development and tourism are expected to total R49.6 billion. Most programmes in the sector are implemented through public entities. Approximately 60 per cent of the total is transferred to these entities, with PDFIs receiving over R14.4 billion during the period. These critical provincial agencies contribute to the drive for sustainable regional economic development and growth through support for SMMEs, attracting and facilitating investment and developing economic infrastructure.

11

Capacity Development

Introduction

Building state capacity is understood as the efforts by governments to professionalise the public sector at the political and administrative levels. The NDP identifies critical interventions needed to build a professional public service and a state capable of playing transformative and developmental roles.

To realise the vision for 2030, the NDP identifies critical interventions needed to build a professional public service and a state capable of playing transformative and developmental roles.

A capable state creates an efficient, effective and development-oriented environment so that its public service can have a positive effect on the lives of all in the country. Having such a state in place should translate into poverty alleviation, reduced unemployment and inequality and an environment for inclusive economic growth.

This chapter deals with the concept of capacity building, the desired policy context and the practices required to build a capable state. It includes information about the present state of capacity and about provincial government expenditure on capacity development for employees and non-employees towards building a capable state.

The chapter also looks at the National Treasury's Public Finance Management (PFM) capacity building initiatives for provinces as led by the Intergovernmental Relations (IGR) division. Lastly, it makes recommendations for improving present efforts to build and measure the effectiveness of a capable state.

Background

Public sector institutions worldwide face a profound challenge. On the one hand, their budgets are under pressure as government finances face economic growth challenges and rising public debt. On the other hand, they are asked to deliver the same outputs and outcomes, and sometimes more, under these macro-economic conditions.

This raises the important question about how public sector institutions can maintain and develop their capacity to deliver services, and strengthen their resilience, when so much effort is being focused on reducing costs rather than building capacity. To survive in a climate of economic uncertainty, public sector institutions are constantly required to adapt to these changes.

In constantly adapting, a central question is whether an institution has the right cultural tools to adapt and to build capacity.

In constantly adapting, a central question is whether an institution has the right cultural tools to adapt and to build capacity. A crucial element in government's financial management reform agenda must therefore be to strengthen individual and institutional capacity in public institutions so that they can successfully carry out their service delivery mandates.

Concept of capacity development

The concept of capacity development has evolved over the years from human resource development of individuals to a concept that encapsulates not only individuals but organisations and the wider society in which they function.

The Organisation for Economic Co-operation and Development (OECD) defines capacity as "the ability of people, organisations and society as a whole to manage their affairs successfully". According to the United Nations Development Programme (UNDP), capacity development is the process through which individuals, organisations and societies obtain, strengthen and maintain the capacity to set and achieve their own development objectives over time.

For an activity to meet the standard of capacity development as practised and promoted by the UNDP, it must bring about transformation that is generated and sustained over time from within. Transformation of this kind goes beyond performing tasks; rather, it is about changing mindsets and attitudes[1].

For an activity to meet the standard of capacity development, it must bring about transformation that is generated and sustained over time from within.

A report compiled for the United Nations Department of Economic and Social Affairs states that the term "capacity development" is preferred to that of "capacity building".[2] "Capacity development" starts from the premise that capacity exists and can be strengthened while "capacity building" can appear to assume that capacity does not exist.

Policy context for state capacity

State capacity is defined as the "degree of control that state agents exercise over persons, activities, and resources within their government's territorial jurisdiction".[3]

For a democratic political system to be successful over time, a high capacity state is critical. This applies also in the global context, where capable states are essential for the developments advocated in the Sustainable Development Goals (SDGs) and the African Agenda 2063. Without a capable state, these goals cannot be realised.

A capable state is critical for sustainable development as promoted in the African Agenda 2063 and the SDGs

In South Africa, government has prioritised transformation of the public sector so that it can meet peoples' needs through a developmental and transformational agenda resulting in inclusive economic growth.

The policy imperatives for building the capacity of the state in South Africa are clearly spelled out in the NDP 2030. They are geared towards enabling the state to respond to challenges and to manage public resources effectively and efficiently to deliver on its mandate to the people of South Africa.

Chapter 13 of the NDP, "Building a capable state", identifies five key areas in which action is particularly important:

- Stabilising the political-administrative interface (MEC and HoD PFM leadership): a focus on highly skilled professionals at political and administrative level and on building a professional public service that is insulated from political patronage.

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[1] *Capacity Development: A UNDP Primer*, 2009, p. 5.

[2] *https://www.un.org/en/ecosoc/qcpr/pdf/sgr2016-deskreview-capdev.pdf*

[3] McAdam, Tarrow and Tilly as cited by Lindvall and Teorell in *State Capacity As Power: A Conceptual Framework*, 2016, p.6

- Making the public service and local government careers of choice: South Africa needs to focus on building a skilled and professional public service at all levels. This means that, at junior levels, the state needs to focus on producing the skills and expertise necessary for future public service cohorts. At senior levels, recruitment and management should be based on experience and expertise.
- Developing technical and specialist professional skills: the state needs to reinvigorate its role in producing the specialised technical skills essential to fulfilling its core functions and must provide appropriate career paths for technical specialists.
- Improving relations between the three spheres of government: South Africa needs a shared vision across the three spheres of government. The state's capacity deficit needs to be recognised at all levels of government and, where capacity exists, greater responsibility must be devolved in these areas while capacity in others is built.
- Effectively managing state-owned enterprises (SOEs): the major SOEs need effective governance structures that enable them to balance their economic and social objectives.

To eradicate the challenges of poverty, inequality and unemployment, the state must have capable institutions that deliver high quality services.

In essence, to deal with the triple challenges (poverty, inequality and unemployment) to its democracy, a capable South African state must have well-run institutions that consistently provide high quality services.

Provincial budgets and expenditure: 2015/16 – 2022/23

Overview

Resources deployed for training and development should be geared towards the development of a capable state.

This section provides an analysis of budgets and expenditure for each province between 2015/16 and 2022/23 with a focus on expenditure on bursaries, training and development for employees and non-employees.

Expenditure on training and development by province

Table 11.1 gives details of expenditure on training and development by province between 2015/16 and 2022/23.

Table 11.1 Expenditure on training and development by province, 2015/16 - 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
R million								
Eastern Cape	101	168	166	164	236	271	204	208
Free State	53	49	58	62	102	109	109	116
Gauteng	123	152	582	190	117	403	433	457
KwaZulu-Natal	121	87	106	82	131	211	215	224
Limpopo	49	55	76	53	77	109	123	119
Mpumalanga	157	201	129	168	186	194	186	172
Northern Cape	37	33	38	45	29	81	87	95
North West	92	59	76	75	55	129	145	152
Western Cape	116	110	113	135	140	142	151	158
Total	**848**	**914**	**1 344**	**974**	**1 074**	**1 649**	**1 653**	**1 700**

Percentage growth (average annual)	2015/16 – 2019/20	2019/20 – 2020/21	2019/20 – 2022/23
Eastern Cape	23,6%	14,7%	-4,2%
Free State	18,1%	7,0%	4,2%
Gauteng	-1,1%	244,1%	57,5%
KwaZulu-Natal	1,9%	60,9%	19,6%
Limpopo	11,8%	41,6%	15,5%
Mpumalanga	4,3%	4,2%	-2,6%
Northern Cape	-5,7%	176,9%	48,1%
North West	-11,9%	133,0%	40,1%
Western Cape	4,9%	1,6%	4,2%
Total	**6,1%**	**53,5%**	**16,5%**

Source: National Treasury provincial database

Between 2015/16 and 2019/20, provinces' expenditure on training and development increased by an average annual rate 6.1 per cent. Between 2019/20 and 2022/23, this rate is expected to increase to 16.5 per cent.

In 2019/20, at R236 million Eastern Cape had the highest expenditure on training and development. Between 2015/16 and 2019/20, this expenditure grew at an average annual rate of 23.6 per cent due to investment in teacher development and in health professionals. Over the medium term, the average annual growth rate is expected to decline by 4.2 per cent due to the effect of fiscal consolidation.

Gauteng spent R582 million on training and development in 2017/18. There was a sharp increase in the transfer for Sci-Bono training at the Mathew Goniwe School of Leadership and Governance. This was previously paid for under goods and services but Classification Circular 21 of 2018 required this arrangement to be reviewed. The 2016/17 figure for training and development was restated to R391 million in the 2017/18 annual report; this was not captured in the database and it therefore appears as though there was a sharp increase.

Total expenditure on training and development has grown by 8.2 per cent since 2015/16 and is expected to grow by 25.6 per cent over the medium term.

Between 2019/20 and 2022/23, this expenditure is expected to increase at an average annual rate of 57.5 per cent, the highest rate of increase of any of the provinces due to an increased focus on training health professionals, staff and community health workers. Expenditure under Education will include programmes related to the skills required by the Fourth Industrial Revolution and for continuing to build an ethical and professional public service.

The combined allocations of the education and health sectors' make up more than half of the total allocations for training and development.

In 2019/20, at R186 million Mpumalanga's expenditure on training and development was the second largest of the provinces. Demand for training and development, some of which was provided outside the province, was high. Between 2019/20 and 2022/23, this expenditure is expected to decrease by an average annual rate of 2.6 per cent. North West's expenditure decreased by 11.9 percent between 2015/16 and 2019/20 but is expected to increase by 133 per cent between 2019/20 and 2020/21, an average annual rate of 40.1 per cent over the medium term. This is mainly due to planned training for office-based employees and senior managers in Education following the skills audit report and to efforts to strengthen teacher development programmes in accounting, physical science and mathematics. Other increases relate to the training of health professionals.

Provincial expenditure on training and development by sector

This section provides an analysis of training and development budgets and expenditure for each province by sector between 2015/16 and 2022/23. Table 11.2 gives details.

Table 11.2 Provincial expenditure on training and development by sector, 2015/16 - 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
R million								
Education	311	315	639	290	311	511	511	535
Health	133	108	104	138	119	324	337	347
Social Development	54	65	137	90	88	128	135	138
Office of the Premier	19	31	25	42	61	105	92	87
Provincial Legislature	10	10	15	5	11	14	15	16
Provincial Treasury	27	34	37	37	40	44	47	50
Agriculture and Rural Development	57	86	105	88	118	142	139	127
Human Settlements	15	14	11	14	15	20	19	20
Cooperative Governance and	12	24	19	16	27	36	36	48
Public Works and Transport	123	128	149	133	169	155	148	157
Sport, Arts and Culture	27	24	25	24	32	45	38	40
Economic Development and Tourism	39	44	50	67	61	58	60	64
Other*	23	30	28	29	21	66	74	72
Total	**848**	**914**	**1 344**	**974**	**1 074**	**1 649**	**1 653**	**1 700**

Percentage growth (average annual)	**2015/16 – 2019/20**	**2019/20 – 2020/21**	**2019/20 – 2022/23**
Education	0,0%	64,3%	19,9%
Health	-2,8%	172,2%	42,9%
Social Development	13,1%	44,7%	16,2%
Office of the Premier	34,4%	72,1%	12,5%
Provincial Legislature	3,3%	23,5%	12,4%
Provincial Treasury	11,0%	9,4%	7,3%
Agriculture and Rural Development	20,0%	21,0%	2,6%
Human Settlements	0,5%	32,3%	9,4%
Cooperative Governance and	22,8%	36,5%	21,2%
Public Works and Transport	8,2%	-8,1%	-2,4%
Sport, Arts and Culture	4,6%	39,3%	7,4%
Economic Development and Tourism	12,1%	-5,9%	1,2%
Other*	-2,0%	215,2%	50,8%
Total	**6,1%**	**53,5%**	**16,5%**

**Includes provincial departments of Environmental Affairs and Community Safety and Liaison*
Source: National Treasury provincial database

The education sector had the largest expenditure on training and development over the period.

Expenditure on training and development in the education sector increases from R311 million in 2015/16 to R535 million in 2022/23, with some fluctuations during that period. Between 2019/20 and 2022/23, this category of expenditure is expected to increase at an average annual rate of 19.9 per cent.

The health sector spent R119 million on training and development in 2019/20, an increase of 172 per cent over the two years. Between 2019/20 and 2022/23, the average annual rate of increase is 42.9 per cent. Social Development sector expenditure on training and development increased from R54 million in 2015/16 to R88 million in 2019/20 and is expected to stand at R138 million in 2022/23.

Provincial expenditure on bursaries by province

This section provides an analysis of expenditure on bursaries and the number of beneficiaries for each province between 2015/16 and 2022/23.

Table 11.3 shows that provinces' expenditure on bursaries increased from R285 million in 2015/16 to R321 million in 2019/20 and is set to increase to R425 million or 9.7 percent over the MTEF period.

Between 2015/16 and 2018/19, expenditure on bursaries decreased from R285 million to R253 million.

Between 2015/16 and 2019/20, expenditure on bursaries exceeded the budget allocation. This was mainly due to significant overspending by Gauteng, KwaZulu-Natal and the Northern Cape on bursaries for non-employees who upon completion of their tertiary studies are expected to apply for vacant positions and participate in graduate or internship programmes.

In the period 2015/16 to 2019/20, only North West allocated a budget to bursaries for research and development; the province marginally underspent the allocations each year. Over the same period, only the Northern Cape fully spent its allocation for Premier's bursaries.

The number of bursaries offered to employees is expected to continue to grow over the medium term.

Between 2015/16 and 2019/20, the number of bursaries offered to employees increased from 30 477 to 34 854, with KwaZulu Natal and Gauteng providing the largest number of bursaries.

Table 11.3 Provincial expenditure on bursaries by province, 2015/16 - 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
Eastern Cape	81	78	121	89	118	118	146	154
Free State	11	14	18	16	18	32	33	34
Gauteng	21	22	36	30	47	52	57	59
KwaZulu-Natal	99	78	71	21	26	43	44	47
Limpopo	21	27	29	31	41	43	44	47
Mpumalanga	15	27	32	23	25	25	27	29
Northern Cape	9	7	6	9	7	8	9	9
North West	11	20	12	13	14	14	16	17
Western Cape	16	17	19	21	26	28	29	30
Total	**285**	**291**	**343**	**253**	**321**	**361**	**406**	**424**
Percentage growth (average annual)		**2015/16 – 2019/20**			**2019/20 – 2020/21**		**2019/20 – 2022/23**	
Eastern Cape		9,9%			-0,2%		9,2%	
Free State		13,4%			71,6%		22,1%	
Gauteng		21,6%			11,6%		8,1%	
KwaZulu-Natal		-28,6%			65,6%		21,9%	
Limpopo		17,7%			4,0%		4,5%	
Mpumalanga		12,7%			0,6%		5,1%	
Northern Cape		-3,8%			10,7%		8,1%	
North West		5,3%			0,0%		7,7%	
Western Cape		12,1%			7,7%		5,1%	
Total		**3,0%**			**12,4%**		**9,7%**	
Number of bursaries offered								
Eastern Cape	3 802	2 825	4 066	4 265	4 303	4 615	4 585	4 630
Free State	1 344	2 324	1 885	2 191	2 309	2 383	2 985	2 968
Gauteng	9 172	7 094	9 918	6 797	6 802	6 433	6 386	6 436
KwaZulu-Natal	8 435	9 914	10 573	10 533	11 813	12 526	12 509	12 512
Limpopo	2 217	2 180	2 198	3 284	2 391	2 546	2 547	2 549
Mpumalanga	2 126	1 448	2 010	2 126	2 215	2 316	2 316	2 316
Northern Cape	917	949	1 031	1 054	1 119	1 139	1 155	1 171
North West	1 570	1 794	1 961	1 846	1 522	1 591	1 591	1 591
Western Cape	894	2 665	2 555	2 459	2 306	2 124	2 441	2 470
Total	**30 477**	**31 193**	**36 196**	**34 555**	**34 780**	**35 673**	**36 515**	**36 643**

Source: National Treasury provincial database

Training opportunities by gender and category

This section provides information about the numbers trained in provinces between 2015/16 and 2022/23. Table 11.4 gives details by gender and categories, including tertiary education, workshops, seminars, learnerships and internships.

Table 11.4 Number of training opportunities by gender and category, 2015/16 - 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Headcount	Outcome				Preliminary outcome	Medium-term estimates		
Personnel and trained staff								
Number of staff	989 745	989 745	972 362	1 171 379	1 008 910	1 048 423	1 051 543	1 053 593
Number of personnel trained	364 202	364 202	396 548	423 694	417 544	420 966	435 686	438 698
of which:								
Male	*151 717*	*151 717*	*153 379*	*167 896*	*168 942*	*168 982*	*176 345*	*177 267*
Female	*212 485*	*212 485*	*243 169*	*255 798*	*248 603*	*251 984*	*259 341*	*261 431*
Number of training opportunities	186 353	186 353	212 381	220 832	154 340	177 515	178 712	181 352
of which:								
Tertiary	*23 552*	*23 552*	*32 157*	*47 430*	*43 094*	*34 729*	*35 826*	*36 502*
Workshops	*65 086*	*65 086*	*70 285*	*102 843*	*51 702*	*30 231*	*29 398*	*31 041*
Seminars	*2 208*	*2 208*	*1 714*	*1 955*	*2 056*	*2 480*	*2 621*	*2 687*
Other	*95 507*	*95 507*	*108 225*	*68 603*	*57 488*	*110 075*	*110 867*	*111 122*
Number of bursaries offered	31 193	31 193	36 196	34 555	34 780	35 673	36 515	36 643
Number of interns appointed	11 149	11 149	11 224	12 459	13 069	13 865	14 018	14 154
Number of learnerships	8 628	8 628	8 647	10 505	6 831	8 008	8 133	8 071
Number of days spent on training	37 551	37 551	39 404	39 880	43 921	43 808	44 631	45 386

Source: National Treasury provincial database

In each of the years between 2015/16 and 2019/20, more female than male employees were trained.

Between 2015/16 and 2019/20, the number of staff trained increased significantly from 346 527 to 417 544. In each of these years, more female than male employees were trained. This pattern is expected to continue over the MTEF period, with the number of staff trained increasing moderately.

Types of training provided include tertiary studies, workshops, seminars and other short courses. Workshops and other short courses are the main modes of training; their numbers are expected to grow over the medium term. Training at tertiary institutions increased over the period 2015/16 to 2019/20 and is expected to increase over the medium term.

The number of internships and learnerships increased over the period 2015/16 to 2019/20 and is expected to grow over the medium term.

Capacity Development Strategy – perspectives of the National Treasury

Overview

In terms of section 6(2)(d) of the Public Financial Management Act (1999) (PFMA), the National Treasury is responsible for assisting departments and constitutional institutions to build their capacity for efficient, effective and transparent financial management. The ability to provide this support has been limited by capacity issues.

Capacity Development Strategy (CDS)

Building a capable state is a necessary condition for a developmental and transformational agenda.

In the context of a changing PFM landscape, the National Treasury has developed a Capacity Development Strategy (CDS) to address financial management capacity issues in the public sector. These include the need for critical and scarce skills including planning, budgeting, supply chain management, assets and liabilities management, monitoring and evaluation, reporting, risk management, auditing and oversight.

The four strategic objectives of the CDS are to:

1. Support the development of an enabling environment
2. Enhance organisational capacity
3. Develop and empower a corps of competent and committed high-performance employees
4. Create an environment that enables and sustains mutually beneficial stakeholder relationships.

Below are described two of the capacity development initiatives that make up the CSD.

The Essentials of Budget Formulation course and the Budget Examination and Analysis course

Overview

The purpose of the Essentials of Budget Formulation (EBF) course and the Budget Examination and Analysis Course (BEAC) is to assist public sector officials at national and provincial levels to develop their public finance management skills and thus to build the capacity of the state.

The target groups for these two courses are public sector officials responsible for preparing budgets and for overseeing their implementation. The training is also provided to other officials wishing to increase their understanding of public sector budgeting. The assessments are formative and summative and successful participants are certified by the Director-General of the National Treasury; the required pass mark is 65 per cent.

With the South African Qualification Authority (SAQA) and the National School of Government (NSG), the National Treasury has developed unit standards for public sector budget preparation, budget review, examination and analysis.

As part of continually improving the courses and taking into account the relative costs of contact and remote learning, online training is being developed for piloting in 2021 and rollout to all provinces thereafter.

The EBF and BEAC courses

The Essentials of Budget Formulation and Analysis course (EBFAC) had a pass rate of 100 per cent in 2017/18.

Between 2014 and 2017, 88 officials took part in the EBF course. Most were from provincial departments such as health, transport, social development, education and local government and from provincial treasuries. Staff from the National Treasury also participated.

Between 2015 and 2016, the pass rate increased from 60 per cent to 94 per cent and in the 2017/18 financial year was 100 per cent.

Between 2014 and 2017, 236 staff across the provinces took part in the BEAC course, with 227 or 96.2 per cent successfully completing the course. In 2018 and 2019, training targets for the course were overachieved as extra sessions were provided; some of these focused on participants from the South African Social Security Agency (SASSA) and the Department of Women and others provided PFM support for the departments of health in the Eastern Cape and North West.

Revenue Management Training

Revenue management practitioners have indicated improved motivation, confirming the need for further promotion of sustainable revenue management capacity among senior staff in provinces.

As part of its competency framework, the National Treasury has developed a revenue management competencies dictionary which has been made available to provinces' revenue generating sector departments.

The purpose of this non-credit bearing programme is to ensure that revenue practitioners have the knowledge and skills that they need to manage revenue streams successfully. Staff who have completed the programme have reported increased motivation and the National Treasury intends to seek funding to extend the training to supervisors and senior managers to improve revenue management at provincial level.

Public Expenditure and Financial Accountability (PEFA) outcome review conference/workshop

Following assessments by the National Treasury of public expenditure and financial accountability (PEFA) in all provinces, in March 2017 public sector officials representing the National Treasury, the nine provincial treasuries and selected national and provincial departments met to review the assessment findings. The purpose of the review was to:

- Critically assess provinces' PFM strengths and weaknesses and introduce appropriate reforms. The focus was on the interpretation of consolidated PEFA results per strategic outcome and on developing short-, medium- and long-term intervention strategies to strengthen PFM systems.

- Capacitate officials from the National Treasury and provincial treasuries to conduct assessments of the state of PFM in provinces using the upgraded 2016 PEFA methodology.
- Identify transversal issues and introduce PEFA reforms to address them.

PEFA skills-development: collaboration with the Public Expenditure and Financial Accountability secretariat

In July and August 2020, officials from the Public Expenditure and Financial Accountability (PEFA) secretariat, based in Washington USA, offered training using videoconferencing to National Treasury officials. The background to this was twofold; firstly, in 2019 the PEFA secretariat reviewed the guidelines and methodology for subnational government assessments and wanted to check if the amendments were suitable for provincial and local government in South Africa. Findings would be included in the final framework.

Secondly, in 2014 the National Treasury had undertaken provincial or subnational PEFA assessments. In the processes of appointing service providers, it was found that the number of local experts in the field were minimal and that international experts had to be brought in. Putting the programme in place took longer than expected. The aim of the training in 2020 was to build on this background and to create a skilled workforce of government officials able to undertake self-government PEFA assessments.

It is anticipated that the first self-assessment will take place in the 2021/22 financial year, starting with one province and with assistance and guidance from PEFA Secretariat officials. Other provinces will then follow.

PFM training: collaboration with the Belgian Development Agency

With the support of its International Development Cooperation (IDC) division, the National Treasury accessed donor funding from the Belgian Development Agency (BDA) to develop and pilot an international PFM programme to develop a pool of PFM experts who would adapt lessons learned to the South African context and contribute to the ever-changing PFM environment.

In 2016, officials from the National Treasury went on a benchmark study to Belgium to develop the programme with the Vrije Universiteit Brussel (VUB) and Universiteit Antwerpen (UA). In October 2017, 30 delegates took part in piloting the programme in Belgium followed by another session in South

Africa the next month. Those successfully completing the programme, which included compiling a research paper, received certificates of competency from VUB.

Issues emerging from participants' research papers were adapted to the South African context.

Following this successful pilot, the National Treasury sent another delegation of 32 officials to attend PFM training in Belgium in November 2018, with a second leg in South Africa in April 2019. This was followed by another session in Antwerp, involving on this occasion two South African universities with the aim of developing academic partnerships and extending the programme to South African universities.

After endorsement of the programme by provincial treasuries' HoDs at the Technical Committee on Finance (TCF), issues emerging from participants' research papers were adapted for use in the South African context. To extend the partnership with VUB and UA, the National Treasury will be coordinating a process through which further partnerships can be formed with local universities during and beyond this programme.

PFM Leadership Programme for MECs and HoDs

In 2017, in line with the NDP's objective of creating stability in the political-administrative interface and at the request of the Premier and the provincial treasury, the National Treasury piloted a donor-funded PFM induction workshop for MECs, HoDs and top management in Limpopo. The PFM and leadership experts who served as facilitators were former government officials with expertise in PFM and Adaptive Leadership.

Following this successful event, the National Treasury solicited further donor funding to conduct two pilots, in the Eastern Cape and Mpumalanga, in 2018/19. The MECs and HoDs in these provinces were not available but the pilots, conducted by two experts, were carried out with senior management from the Eastern Cape and National Treasury officials.

From 2021 onwards, the National Treasury will be running a series of PFM Leadership and African Thought Leadership workshops for MECs, HoDs and other senior managers across provinces.

Key conclusions

There has been considerable progress towards achieving sustainable and solid financial reform in government and thus reaching the objective of a capable state. However, much remains to be done. Issues still to be addressed include:

- Linking investment in capacity building of the state to productivity (service delivery): this is critical to achieving an efficient, effective and development-oriented public service.
- Political buy-in and exemplary leadership: these are essential to the success of any capacity development programme
- Defining capacity development and putting it into effect through political leadership and political and governance systems
- Designing future initiatives which maximise learning and measure impact at all four levels of capacity development: individual, organisational, enabling environment and societal/network
- Improving the enabling environment: high priority should be given to building shared understanding about what does and does not work
- Directing bursaries for employees and non-employees to acquiring priority skills necessary for building a capable state
- Carrying out impact assessments that measure the effectiveness of training and other interventions to develop state capability.

12

Infrastructure delivery and support

Introduction

One of the visions of the NDP is to scale up infrastructure investment. Investment in infrastructure can create economic growth and benefit society, particularly the poor and vulnerable. Infrastructure for health and education, for example, has a direct impact on the quality of health and on education outcomes. The delivery of infrastructure is, therefore, critical for achieving socio-economic growth, good quality basic education and healthy lives for all South Africans.

Realising this vision requires shifting away from pure capital project outputs to focusing on the strategic synergies of the infrastructure sector, other sectors and government functions. It also requires using a more comprehensive inter-governmental, rules-based approach to infrastructure planning, management, monitoring and reporting to optimise the value of infrastructure development. As well as increasing value for money, this approach regards infrastructure delivery as a public good. To help to achieve this, government developed a comprehensive Infrastructure Delivery Management System (IDMS) to guide, direct and enable public sector infrastructure delivery. The IDMS takes into account three core legislative requirements, all of which have forward and backward linkages:

- Planning and budgeting
- Supply chain management

- Asset management.

The IDMS addresses portfolio, programme, operations and maintenance and project management processes. Performance and risk management are integrated into its Infrastructure Delivery Management (IDM) processes while the institutional system provides organisations with guidance on a generic approach to building institutional arrangements to implement the IDMS effectively.

This chapter reviews current provincial infrastructure performance and support through the IDMS and describes the medium-term outlook.

Current landscape

Under the auspices of the National Treasury, government initiated the IDIP in 2004. Its purpose is to build capacity to plan, procure for and manage infrastructure delivery at provincial level. Implemented in four phases, it focuses on improving systems and capacity development in the provincial departments of education, health, public works and treasury.

Since the initiation of the IDIP, a number of activities and initiatives have been undertaken to support the institutionalisation and sustainability of the IDMS in the provinces. These have included:

- Establishing infrastructure units in the provincial departments of health and education. For education, funding for infrastructure forms part of the *education infrastructure grant* (EIG); for health, it forms part of the *health facility revitalisation grant* (HFRG) in the annual Division of Revenue Act (DoRA).
- Thirty-nine technical assistants deployed in provinces and national departments to assist with implementation of the IDMS.
- A performance-based system (PBS), a new approach, introduced for the education and health infrastructure conditional grants in the 2012 MTBPS by the Minister of Finance. The aim is to improve and institutionalise good infrastructure planning to achieve better value for money by awarding financial incentives to provincial education and health departments demonstrating good planning.
- A requirement that provinces submit planning documentation (including User Asset Management Plans and Infrastructure Programme Management Plans) and other relevant reports (including Human Resource Capacitation Reports) in line with the minimum bidding requirements set out in the annual DoRA. The incentivised planning approach has evolved to include assessing the financial and non-financial performance of projects and programmes to ensure alignment with IDMS principles.
- Development and introduction of the Framework for Infrastructure Delivery and Procurement Management (FIDPM) in the 2019/20 financial year as Instruction Note 3 of 2019/20; this

relates to implementation of the minimum requirements of the IDMS. The prescribed minimum requirements consist of the IDM processes (portfolio, programme, operations and maintenance and project management processes) and infrastructure procurement gates.

Budget and expenditure trends

Consolidated provincial infrastructure budget and expenditure

Provincial infrastructure spending is focused on constructing, maintaining, upgrading and rehabilitating new and existing infrastructure and is funded through conditional grants and the equitable share. Between 2015/16 and 2019/20, provincial expenditure on infrastructure amounted to R303.9 billion. Expenditure over the five-year period was highest in KwaZulu-Natal, followed in descending order by Gauteng, the Western Cape and the Eastern Cape; the Northern Cape, Mpumalanga and the Free State recorded the lowest expenditure over the same period. Table 12.1 shows that education, health and roads, public works and transport account for over 70 per cent of total provincial infrastructure expenditure between 2015/16 and 2022/23.

Between 2015/16 and 2019/20, provinces spent R303.9 billion on infrastructure.

Table 12.1: Provincial infrastructure expenditure, 2015/16 – 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	*% Growth rates: Estimated actual*		
	Outcomes				Preliminary outcome	Medium-term estimates			*2015/16-2019/20*	*2019/20-2020/21*	*2019/20-2022/23*
R thousand											
Payments for Infrastructure by province											
Eastern Cape	7 803 823	8 112 200	8 703 747	7 658 836	8 063 832	8 440 636	7 851 829	8 136 113	0,8%	4,7%	0,3%
Free State	4 185 011	4 043 571	4 443 824	3 982 914	3 999 981	4 372 508	4 477 667	4 686 797	(1,1%)	9,3%	5,4%
Gauteng	8 169 740	12 329 077	12 249 219	6 289 573	10 882 148	5 258 049	5 783 412	5 600 911	7,4%	-51,7%	-19,9%
KwaZulu-Natal	12 173 981	12 395 419	12 637 686	12 512 129	12 403 020	13 878 706	13 917 274	14 627 206	0,5%	11,9%	5,7%
Limpopo	5 118 186	4 002 458	6 078 386	5 131 799	5 175 987	7 104 179	6 647 694	6 693 543	0,3%	37,3%	8,9%
Mpumalanga	4 201 745	4 167 047	4 537 807	5 057 278	5 454 906	5 302 027	5 485 352	5 752 313	6,7%	-2,8%	1,8%
Northern Cape	2 244 943	2 365 627	2 684 308	2 547 808	2 465 235	2 855 961	2 729 061	2 821 828	2,4%	15,8%	4,6%
North West	6 121 263	5 785 004	6 102 673	5 215 066	3 523 939	5 391 513	5 048 261	5 330 485	-12,9%	53,0%	14,8%
Western Cape	7 882 204	8 158 035	8 587 958	8 649 046	9 615 121	8 894 178	8 754 081	9 132 786	5,1%	-7,5%	-1,7%
Total Infrastructure	**57 900 896**	**61 358 438**	**66 025 608**	**57 044 449**	**61 584 169**	**61 497 756**	**60 694 629**	**62 781 983**	**1,6%**	**-0,1%**	**0,6%**
Payments for Infrastructure by category											
Existing infrastructure assets	**34 025 035**	**34 064 870**	**36 604 670**	**33 462 945**	**32 201 735**	**36 701 145**	**37 398 697**	**39 226 087**	-1,4%	14,0%	*6,8%*
Maintenance and repair	11 709 162	12 187 736	13 945 460	14 539 180	14 614 882	15 707 382	14 234 835	15 805 869	5,7%	7,5%	2,6%
Upgrades and additions	12 623 612	12 429 547	13 988 935	10 894 596	10 092 614	11 462 301	13 687 894	14 115 270	-5,4%	13,6%	11,8%
Refurbishment and rehabilitatioı	9 692 261	9 447 586	8 670 275	8 029 169	7 494 239	9 531 462	9 475 968	9 304 948	-6,2%	27,2%	7,5%
New infrastructure assets	**11 828 410**	**14 550 616**	**15 586 276**	**8 672 232**	**11 605 237**	**8 849 681**	**8 585 602**	**8 156 641**	-0,5%	-23,7%	-11,1%
Infrastructure transfers	**10 247 095**	**10 547 757**	**11 000 248**	**10 256 934**	**11 511 997**	**9 255 643**	**8 932 368**	**9 037 237**	3,0%	-19,6%	-7,8%
Current	164 502	196 125	217 955	681 109	9 422 633	1 804 403	1 484 332	1 518 482	175,1%	-80,9%	-45,6%
Capital	10 082 593	10 351 632	10 782 293	9 575 825	2 089 364	7 451 240	7 448 036	7 518 755	-32,5%	256,6%	53,2%
Infrastructure: Payments for financia	–	–	–	–	–	–	–	–	–	–	–
Infrastructure: Leases	**256 837**	**531 355**	**560 462**	**559 492**	**417 450**	**548 194**	**557 734**	**511 477**	12,9%	31,3%	7,0%
Non Infrastructure	**1 543 519**	**1 663 840**	**2 273 952**	**4 092 846**	**5 847 750**	**6 143 093**	**5 220 229**	**5 850 542**	39,5%	5,1%	0,0%
Total Infrastructure	**57 900 896**	**61 358 438**	**66 025 608**	**57 044 449**	**61 584 169**	**61 497 756**	**60 694 629**	**62 781 983**	**1,6%**	**-0,1%**	**0,6%**
Payments for Infrastructure by department											
Education	10 003 489	12 635 381	12 615 521	11 678 640	12 226 313	12 328 495	12 671 355	13 381 139	5,1%	0,8%	3,1%
Health	8 414 518	8 478 568	9 372 301	9 117 080	9 884 830	10 593 650	10 409 444	10 777 063	4,1%	7,2%	2,9%
Roads,Public Works and Transport	22 450 998	21 465 495	23 962 145	23 103 332	22 033 895	26 022 953	25 395 787	26 128 470	-0,5%	18,1%	5,8%
Other	17 031 891	18 778 994	20 075 641	13 145 397	17 439 131	12 552 658	12 218 044	12 495 311	0,6%	-28,0%	-10,5%
Total Infrastructure	**57 900 896**	**61 358 438**	**66 025 608**	**57 044 449**	**61 584 169**	**61 497 756**	**60 694 629**	**62 781 983**	**1,6%**	**-0,1%**	**0,6%**

Source: National Treasury provincial database

Spending per infrastructure category (nature of investment) shows that, between 2015/16 and 2019/20, R170.4 billion was spent on existing infrastructure assets and R62.2 billion on new infrastructure assets. Infrastructure transfers over the same period amounted to R53.6 billion; these are mainly allocated to departments of human settlements which service stands and transfer completed houses to households or transfer funds to municipalities for implementation of housing projects. Human settlements projects are largely funded from the HSDG. The remaining spend, amounting to R17.7 billion between 2015/16 and 2019/20, was for infrastructure leases and non-infrastructure items. Non-infrastructure items are not buildings or other fixed structures but include items such as machinery, equipment, furniture and compensation of employees. Spending on compensation of employees involved with infrastructure development for departments of health and education is funded from the EIG and the HFRG.

Funds are made available through conditional grants for the appointment of permanent staff in the infrastructure units of provincial education and health departments.

Table 12.1 shows that, between 2015/16 and 2019/20, the provincial education sector spent R59.2 billion on infrastructure. The focus was on accelerating constructing, maintaining, upgrading and rehabilitating new and existing education infrastructure, including district and circuit facilities. It is estimated that the sector will spend R38.4 billion on infrastructure over the 2020 MTEF. The EIG allows for the appointment of public servants on a permanent basis in the departments' infrastructure units.

Between 2015/16 and 2019/20, R45.3 billion was spent on provincial health sector infrastructure and it is expected that R31.8 billion will be spent over the 2020 MTEF. The focus is on accelerating the construction, maintenance, upgrading and rehabilitating and existing infrastructure including health technology, organisational development systems and quality assurance. The HFRG allows for the appointment of public servants on a permanent basis for these departments' infrastructure units.

Between 2015/16 to 2019/20, the provincial transport sector spent R67.3 billion on road infrastructure, including maintaining, rehabilitating, upgrading and constructing new roads but with the main focus on maintenance. Over the 2020 MTEF, the sector is planning to spend R54.7 billion and will continue to focus on maintenance; this is supported through the PRMG.

Despite improvements in infrastructure planning and delivery, challenges remain. These include:

- Lack of alignment between infrastructure planning, budgeting and implementation
- Deficiencies in the institutional environment supporting infrastructure delivery

- Lack of skills and capacity to plan and manage infrastructure delivery in client departments and with implementing agents
- Poor information management and reporting
- Under-expenditure of infrastructure budgets, despite the growing need for infrastructure delivery.

The IDMS is key to addressing these challenges as it describes the processes to be followed to derive value for money when managing infrastructure delivery.

Consolidated number of projects per nature of investment

Table 12.2 shows the consolidated number of infrastructure projects implemented by departments from the nine provinces between 2015/16 and 2019/20. Projects implemented by departments of education, health and transport accounted for 60 per cent of the total.

Over the five financial years, the percentage of the total that related to existing infrastructure increased from 66.3 per cent to 75.3 per cent, with the percentage expenditure on maintenance and repairs (18 per cent of the total), upgrades and additions (17.7 per cent) and refurbishment and rehabilitation (17.7 per cent) quite evenly balanced. Expenditure on new infrastructure assets accounted for 18.3 per cent of the total over this period.

Table 12.2: Consolidated number of projects per nature of investment, 2015/16 – 2019/20

R thousand	2015/16	2016/17	2017/18	2018/19	2019/20
	Outcome				Preliminary Outcome
Existing infrastructure assets	**6 155**	**8 200**	**10 753**	**8 903**	**10 259**
Maintenance and repairs	1 127	1 286	2 523	2 103	2 456
Upgrades and additions	3 528	4 656	5 872	4 454	5 397
Refurbishment and	1 500	2 258	2 358	2 346	2 406
New infrastructure assets	**3 076**	**5 286**	**3 826**	**2 166**	**2 486**
Infrastructure transfers	**51**	**155**	**243**	**196**	**331**
Current	27	129	151	114	58
Capital	24	26	92	82	273
Infrastructure: Payments for	–	–	–	–	–
Infrastructure: Leases	–	–	2	3	2
Non infrastructure	–	278	408	680	539
Total	**9 282**	**13 919**	**15 232**	**11 948**	**13 617**
Existing infrastructure assets	**66,3%**	**58,9%**	**70,6%**	**74,5%**	**75,3%**
Maintenance and repairs	12,1%	9,2%	16,6%	17,6%	18,0%
Upgrades and additions	38,0%	33,5%	38,6%	37,3%	17,7%
Refurbishment and	16,2%	16,2%	15,5%	19,6%	17,7%
New infrastructure assets	**33,1%**	**38,0%**	**25,1%**	**18,1%**	**18,3%**
Infrastructure transfers	**0,5%**	**1,1%**	**1,6%**	**1,6%**	**2,4%**
Current	0,3%	0,9%	1,0%	1,0%	0,4%
Capital	0,3%	0,2%	0,6%	0,7%	2,0%
Infrastructure: Payments for	0,0%	0,0%	0,0%	0,0%	0,0%
Infrastructure: Leases	0,0%	0,0%	0,0%	0,0%	0,0%
Non infrastructure	0,0%	2,0%	2,7%	5,7%	4,0%
Total	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

Source: National Treasury infrastructure reporting model

The purpose of expenditure on maintenance is to avoid asset deterioration and an increased maintenance backlog.

The purpose of expenditure on maintenance is to avoid asset deterioration and an increased maintenance backlog. NDBE and NDoH are encouraging provincial departments to assign at least 20 per cent of each financial year's budget to maintenance.

Table 12.3: Consolidated number of projects per nature of investment: education, health and transport, 2015/16 – 2019/20

	Education					Health					Transport				
	2015/16	2016/17	2017/18	2018/19	2019/20	2015/16	2016/17	2017/18	2018/19	2019/20	2015/16	2016/17	2017/18	2018/19	2019/20
Existing infrastructure assets	**3 857**	**5 063**	**6 780**	**5 129**	**6 044**	**676**	**969**	**1 663**	**1 581**	**1 801**	**748**	**1 151**	**1 192**	**1 035**	**972**
Maintenance and Repairs	422	249	854	555	673	161	271	718	728	842	291	330	390	297	442
Upgrading and Additions	2 726	3 430	4 612	3 233	4 055	250	464	506	468	420	222	475	420	341	307
Rehabilitation, Renovations & Refurbisl	709	1 384	1 314	1 341	1 316	265	234	439	385	539	235	346	382	397	223
New or Replaced Infrastructure	**1 720**	**1 423**	**448**	**550**	**936**	**316**	**537**	**542**	**420**	**350**	**99**	**156**	**485**	**364**	**144**
Infrastructure transfers	**12**	**6**	**19**	**7**	**4**	**4**	**3**	**-**	**5**	**3**	**11**	**10**	**3**	**4**	**2**
Capital	3	1	6	6	2	1	3	-	2	1	4	3	2	3	1
Current	9	5	13	1	2	3	-	-	3	2	7	7	1	1	1
Infrastructure Leases	-	-	1	2	1	-	-	-	-	-	-	-	1	1	1
Non-Infrastructure	-	25	53	60	71		244	267	329	283		5	36	52	40
Totals	5 589	6 517	7 301	5 748	7 056	996	1 753	2 472	2 335	2 437	858	1 322	1 717	1 456	1 159
Existing infrastructure assets	**69%**	**78%**	**93%**	**89%**	**86%**	**68%**	**55%**	**67%**	**68%**	**74%**	**87%**	**87%**	**69%**	**71%**	**84%**
Maintenance and Repairs	8%	4%	12%	10%	10%	16%	15%	29%	31%	35%	34%	25%	23%	20%	38%
Upgrading and Additions	49%	53%	63%	56%	57%	25%	26%	20%	20%	17%	26%	36%	24%	23%	26%
Rehabilitation, Renovations & Refurbisl	13%	21%	18%	23%	19%	27%	13%	18%	16%	22%	27%	26%	22%	27%	19%
New or Replaced Infrastructure	**31%**	**22%**	**6%**	**10%**	**13%**	**32%**	**31%**	**22%**	**18%**	**14%**	**12%**	**12%**	**28%**	**25%**	**12%**
Infrastructure transfers	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**1%**	**1%**	**0%**	**0%**	**0%**
Capital	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Current	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%	1%	0%	0%	0%
Infrastructure Leases	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Non-Infrastructure	**0%**	**0%**	**1%**	**1%**	**1%**	**0%**	**14%**	**11%**	**14%**	**12%**	**0%**	**0%**	**2%**	**4%**	**3%**

Source: National Treasury infrastructure reporting model

The education, health and transport sectors have increased their focus on maintenance, rehabilitation and refurbishment to reduce the backlogs.

Table 12.3 gives information about provinces' education, health and transport infrastructure projects for the years 2015/16 to 2019/20. The education sector focused on projects relating to existing infrastructure (mainly upgrades or additions to improve compliance with school infrastructure norms and standards). Averaged across the five financial years, these projects accounted for 56 per cent of the sector's infrastructure budget. Maintenance and refurbishment accounted for approximately 9 per cent.

Over the five financial years, an annual average of 66 percent of the health sector's infrastructure expenditure went to existing infrastructure. The number of new infrastructure projects increased in 2015/16 and 2016/17 but decreased between 2017/18 and 2019/20. Thus, to reduce the backlog in this area, the focus in the sector has increasingly been on maintenance and refurbishment.

In the transport sector, from 2015/16 to 2019/20 an average of 80 percent of projects related to existing infrastructure. New or replacement projects included bridges, access roads, causeways and gravel roads and on average accounted for 18 percent annually over the five financial years.

Consolidated number of projects per project status

Table 12.3 shows the consolidated number of projects implemented in the nine provinces across the different departments between 2015/16 and 2019/20. Large projects can take place over more than one financial year.

The number of projects in the initiation, pre-feasibility, feasibility and design phases increased from 1 278 in 2015/16 to 3 530 in 2019/20 (as noted above, completion of some projects may take place over more than one financial year). These increasing numbers indicate that provincial forward planning has been improving.

Construction projects accounted for the largest number of projects across all the financial years:

- 3 081 in 2015/16
- 3 490 in 2016/17
- 4 293 in 2017/18
- 4 080 in 2018/19
- 4 530 in 2019/20.

Practical completion status indicates that construction has been completed and the structure has been handed over for use but the close-out report, final completion certificate and defects certificate have not been issued and the final account has not been submitted. Between 2015/16 and 2019/20, 11 779 projects had reached practical completion stage. Departments must put more effort into ensuring that all projects achieve final completion status (close-out report, final completion and defects certificates issued and final accounts submitted). After final completion stage is reached, the asset register needs to be updated with the details of the completed project. Between 2015/16 and 2019/20, 4 020 projects were closed off.

Over the five financial years, projects terminated or put on hold numbered 213 and 419 respectively. Terminated projects were mainly due to non-performance by contractors. Projects' on hold status was due to factors including lack of financial resources, community unrest and disruptions on site.

Table 12.3 Number of projects per project status, 2015/16 – 2019/20

	2015/16	2016/17	2017/18	2018/19	2019/20
Project Initiation	354	580	1 520	1 168	923
Pre-feasibility	215	141	241	189	254
Feasibility	253	1 072	620	687	897
Design	456	972	1 181	1 063	1 456
Tender	390	781	1 714	1 124	1 160
Site Handed Over to Contractor	90	164	210	203	153
Construction 1% - 25%	674	932	1 075	1 045	1 141
Construction 26% - 50%	451	500	677	639	646
Construction 51% - 75%	654	509	778	660	759
Construction 76% - 99%	1 302	1 549	1 763	1 736	2 014
Practical Completion (100%)	2 600	2 759	2 297	1 712	2 411
Final Completion	1 026	856	910	460	768
On Hold	67	90	71	51	140
Terminated	81	53	38	27	14
Other - Compensation of Employ	80	46	37	41	48
Other - Packaged Ongoing Project	589	2 915	2 100	1 143	843
Totals	**9 282**	**13 919**	**15 232**	**11 948**	**13 627**

Source: National Treasury infrastructure reporting model

Other - Compensation of Employees in Table 12.4 relates to salaries and consultants' fees paid under the infrastructure budgets. Some infrastructure grants such as the EIG or the HFRG allow for departments to pay salaries. The Other - Packaged Ongoing Project budget item shown in Table 12.4 relates mainly to unplanned maintenance.

Table 12.4 Number of projects per project status: education, health and transport, 2015/16 – 2019/20

	Education					Health					Transport				
	2015/16	2016/17	2017/18	2018/19	2019/20	2015/16	2016/17	2017/18	2018/19	2019/20	2015/16	2016/17	2017/18	2018/19	2019/20
Project Initiation	255	242	975	776	214	37	29	196	139	171	15	35	85	51	143
Pre-feasibility	192	100	179	104	56	16	3	43	46	113	1	217	3	28	4
Feasibility	90	835	295	336	488	55	52	178	139	162	34	95	62	90	68
Design	172	527	606	417	897	113	114	254	285	275	54	179	167	75	128
Tender	259	563	1 203	573	772	28	28	132	222	188	16	2	155	145	65
Site Handed Over to Contracto	51	72	85	77	67	18	36	67	73	44	4	52	27	18	4
Construction	1 856	1 632	1 979	1 998	2 589	177	610	544	848	601	277	357	798	423	442
Practical Completion (100%)	562	341	158	74	1 688	205	44	659	247	190	90	383	28	3	100
Final Completion	1 992	1 980	1 582	1 199	112	140	229	224	167	516	178	30	204	116	9
On Hold	27	58	45	15	30	3	3	-	-	-	5	27	6	6	17
Terminated	18	12	12	12	3	3	10	2	-	-	6	-	11	10	2
Other - Compensation of Empl	6	13	9	11	8	71	2	25	26	24	1	160	-	-	-
Other - Packaged Ongoing Pro	109	144	171	156	132	130	162	148	143	153	177	216	171	491	177
Totals	**5 589**	**6 519**	**7 299**	**5 748**	**7 056**	**996**	**1 322**	**2 472**	**2 335**	**2 437**	**858**	**1 753**	**1 717**	**1 456**	**1 159**

Source: National Treasury infrastructure reporting model

Table 12.4 shows the number of education, health and transport sector infrastructure projects in the various project stages in all provinces for the years 2015/16 to 2019/20. Over the five financial years, education projects accounted for on average 40 per cent of the total.

During the period, most of the projects in the three sectors were reported as being under construction. As percentages of the totals, these increased by 57 percent from 2 310 in 2015/16 to 3 632 in 2019/20, with the increase driven mainly by the health and transport sectors.

The number of projects in the construction phase grew by 57 per cent from 2 310 in 2015/16 to 3 632 in 2019/20, with the increase driven mainly by the health and transport sectors.

In the education sector, 6 865 projects reached final completion stage between 2015/16 and 2019/20; in the health and transport sectors, the numbers were 1 276 and 537 respectively. During the period, the three sectors reduced the number of projects on hold and the number of projects terminated.

Medium-term outlook

The development of the Infrastructure Delivery Management System Body of Knowledge (IDMSBOK) was driven by the need to advance and sustain the work already done in terms of the IDMS. The purpose of the IDMSBOK is to structure, expand and enhance the IDMS in order to support institutionalisation of the IDMS methodology. A knowledge hub, supported by an interactive IT platform, will be accessible to all spheres of government. Its objective is to standardise infrastructure service delivery and ensure that the infrastructure value chain is auditable in accordance with the IDMS methodology. It will also give infrastructure practitioners access to the most up to date and relevant infrastructure documentation to assist them with managing public sector infrastructure delivery. Achieving the objectives of the IDMSBOK will include the development of structured IDMS training; communities of practice (CoPs); the IDMS interactive IDMSBOK IT platform; a Helpdesk and Support facility; and IDMS curriculum development for higher education institutions.

The District Development Model (DDM) introduced by government is intended to enable all three spheres of government to work together, with communities and stakeholders, to plan, budget and implement in an integrated way. In addition, infrastructure institutional arrangements have been introduced in relation to DPWI, the main department responsible for coordinating infrastructure development nationally. To implement these changes successfully, synergy amongst departments is vital. The National Treasury's focus over the 2020 MTEF is on capacitating provincial treasury infrastructure units to sustain the IDMS. A total of R135 million (R45 million in each year of the MTEF) has been allocated for this.

In total, the provinces are projected to spend R185 billion on infrastructure over the MTEF. The intention is to accelerate maintenance to reduce backlogs; refurbish and rehabilitate; upgrade; and construct new infrastructure assets. There will be less focus on constructing new infrastructure and an increased focus on maintenance, refurbishment and rehabilitation.

The National Treasury, through the PBS, will continue to incentivise the provincial departments of education and health to improve their planning and performance over the MTEF. In 2019/20, R1.1 billion was allocated to departments of education and R624 million to departments of health qualifying for the incentives provided for in the PBS. Unallocated amounts of R1.1 billion in 2020/21 and R1.2 billion in 2021/22 are reserved for departments of education. Incentives to departments of health for planning and performance are set at R660 million in 2020/21 and R712 million in 2021/22.

Conclusion

The IDIP provides for capacitation of the provinces' education and health departments and makes use of the PBS and the IDMS toolkit. Sustaining the IDMS beyond the IDIP requires provinces to implement their capacitation strategies.

The IDMS is key to addressing infrastructure delivery challenges. It describes the processes to be followed when managing infrastructure delivery to derive value for money and makes clear that collaboration between national and provincial sector departments is essential in planning, implementing, monitoring and overseeing infrastructure development and maintenance.

The focus over the MTEF will also be on developing the IDMSBOK and capacitating provincial treasury departments to fulfil their IDMS roles and responsibilities. This will be essential for successful institutionalisation of the IDMS.

PROVINCIAL BUDGETS AND EXPENDITURE REVIEW
2015/16 - 2022/23

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