PROVINCIAL BUDGETS AND EXPENDITURE REVIEW

2020/21 - 2026/27

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Provincial Budgets and Expenditure Review
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Republic of South Africa

March 2025

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To obtain copies, please contact:

Communications Directorate
National Treasury
Private Bag X 115
Pretoria
0001
South Africa
Tel: +27 12 315 5944
Fax: +27 12 406 9055

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General notes on numbers

Data on the seven-year trends set out in this document are drawn from provincial government publications such as annual reports and estimates of provincial revenue and expenditure, as tabled in March 2024.

The expenditure outcome for 2023/24 is based on the audited provincial expenditure data for the period 1 April 2023 to 31 March 2024.

Financial years

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

Rounding of numbers

Appropriating funds and reporting expenditure are done in terms of rand thousands. Most of the tables in this publication are in rand millions. As a result of rounding off (to one decimal place), some minor deviations may occur.

ABBREVIATIONS AND ACRONYMS

AIDS	Acquired immune deficiency syndrome
DSBD	Department of Small Business Development
DTIC	Department of Trade, Industry and Competition
ECD	Early childhood development
EPWP	Expanded public works programme
GDP	Gross domestic product
GDPR	Gross domestic product per region
GVM	Gross vehicle mass
HIV	Human immunodeficiency virus
IDMS	Infrastructure delivery management system
IDZ	Industrial development zone
MTBPS	Medium-term Budget Policy Statement
MTEF	Medium-term expenditure framework
NDP	National Development Plan
NHI	National health insurance
NPO	Non-profit organisation
PDFI	Provincial development finance institution
PFMA	Public Financial Management Act (1999)
PIRLS	Progress in International Reading Literacy Study
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Finance Agency
SEZ	Special economic zone
SMMEs	Small, medium and micro enterprises
TB	Tuberculosis
TIMSS	Trends in International Mathematics and Science Study
Wesgro	Western Cape Tourism, Trade and Investment Promotion Agency

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Introduction

Overview

This *Provincial Budgets and Expenditure Review* describes how government has worked to maintain healthy public finances while protecting social services in the context of the effects of the COVID-19 pandemic, weak structural domestic growth, poor global economic performance and rising unemployment. The surge in unemployment after the pandemic led to a significant increase in demand for assistance from government. This was compounded by the constraints that weak domestic and global economic conditions placed on the fiscal resources available for such support. Government faced difficult trade-offs during this period, where balances needed to be struck between expanding provisions for social welfare to mitigate the effects of the pandemic and investing in economic stimulus measures aimed at promoting recovery to pre-pandemic levels.

South Africa is still recovering from the effects of the COVID-19 pandemic

South Africa faced significant economic headwinds between 2020 and 2023, exacerbated by record-high unemployment rates, stagnant GDP growth and persistent and prolonged energy shortages. Unemployment surged to more than 34 per cent and youth unemployment to more than 60 per cent, reflecting a structural crisis that deepened inequality and eroded household income. The COVID-19 pandemic caused a sharp contraction in the country's GDP in 2020. Although it recovered modestly in subsequent years, it failed to reach pre-pandemic levels because of weak domestic demand, global economic slowdowns and structural inefficiencies.

Load shedding added significantly to these challenges, reaching its peak in 2022 and 2023 as Eskom's aging infrastructure and operational inefficiencies struggled to meet energy demand. The relentless power crisis crippled businesses, deterred investment and placed a stranglehold on economic activity, particularly in energy-intensive sectors such as mining and manufacturing. Together, these factors undermined South Africa's growth potential and highlighted the urgent need for structural reforms and targeted interventions to drive sustainable recovery.

The National Development Plan (NDP) remains the overarching guiding framework for reforms aimed at boosting investment, expanding employment and addressing barriers to economic growth by 2030. However, the aftermath of the pandemic required South Africa to adapt to the immediate and long-term challenges and persistent structural economic constraints. In response, the reconstruction and economic recovery plan was introduced. While it aligned with the NDP's vision, it placed greater emphasis on key drivers for sustainable economic growth. These included addressing critical infrastructure backlogs, resolving energy shortages, revitalising industrial growth and creating jobs through presidential employment intervention programmes, strengthening social protection through expanded social relief measures and improving access to basic services such as health and education. However, considering the fiscal constraints, these recovery measures had to be funded from available resources to remain within an expenditure ceiling. This required the fiscal stance to be focused on cost-cutting, efficiency gains through procurement reforms and stabilising spending on compensation of employees.

Provincial expenditure is closely aligned with the government's priorities, as informed by the NDP and reconstruction and economic recovery plan

Provincial expenditure is closely aligned with government's priorities. As a result, national transfers to provinces increased at an annual average rate of 4.1 per cent, from R617.3 billion in 2020/21 to R697 billion in 2023/24. To enable provinces to provide for the wages of teachers, nurses, doctors and other critical staff, particularly in the social development sector, these transfers were projected to increase at an average annual rate of 4.1 per cent, from R729.5 billion to R790.8 billion, over the 2024/25 to 2026/27 medium-term expenditure framework (MTEF) period.

About the publication

This review, the 15th report on provincial budget and expenditure trends, contains consolidated information on provincial government performance for the 2020/21 to 2023/24 period and projections for the 2024/25 to 2026/27 period (also referred to as the period under review, the MTEF period and the medium term) from a historical standpoint. As such, it reviews both expenditure in the recent past as well as medium-term budget projections, and forms part of the National Treasury's commitment to budget transparency.

The publication provides the public, elected officials, policy analysts and public service employees with information about the use of public resources. Its four broad objectives are to:

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

This publication gives Parliament and provincial legislatures a comprehensive view of government spending on the nine provincial functions: education, health, social development, human settlements, roads and transport, public works, agriculture and land reform, economic development and tourism, and infrastructure delivery and support. It enables them to compare and benchmark provinces against one another and assess the extent to which their budgets give effect to national priorities.

Key observations

- In terms of the quality of education, the COVID-19 pandemic caused a regression of many of the improvements made before it. Although the sector had since implemented strategies to address the pandemic's impact and other existing performance issues, as evident in improved matric results, more work still needed to be done. In addition, government's fiscal consolidation had severely limited the sector's ability to provide the necessary resources to support its plans.
- The COVID-19 pandemic exacerbated service pressures in the health sector. Routine health care services were paused as resources were redirected to emergency responses, creating significant backlogs. To tackle this and other legacy issues, national health insurance (NHI) was proposed to address disparities in access to health care between the public and private sectors.
- Economic stagnation and high unemployment during the period under review increased demand for social welfare services. Financing varied significantly across provinces, with funding increasing in some programmes while decreases were absorbed by others, which reflected shifts in priorities and allocations. Strengthening collaboration with non-governmental organisations was identified as critical towards enhancing the delivery of social welfare services.
- Despite the economic policies implemented by national and provincial government, structural challenges persisted and caused economic stagnation. More recent policy initiatives emphasise innovation, public-private partnerships and improved access to finance to address structural reforms, enhance state capacity and leverage opportunities. These policies include the African Continental Free Trade Agreement, which aligns with the NDP, to foster sustainable and inclusive economic growth.
- More than half of provincial roads were estimated to be in poor condition. Maintenance backlogs grew, driven by funding constraints, heavy freight usage and limited law enforcement. Strategic investments were required to sustain the sector's contribution to economic and social development.
- The provision of public infrastructure, including addressing the backlog on building maintenance, remained a priority and was expected to resuscitate the economy by creating jobs. Ongoing challenges in this regard included gaps in alignment between infrastructure planning, budgeting and implementation; a lack of technical skills; limited capacity to plan and manage infrastructure delivery in client departments and with implementing agents; and criminal syndicates operating within the construction industry.

Provinces and national policy

The NDP aims to eliminate poverty and reduce inequality by 2030 through fostering inclusive economic growth and partnerships across society and building the capacity of the state. The plan envisages uniting South Africans to work towards shared goals and encourages active citizenship to strengthen democracy and hold the government accountable. It focuses on increasing economic growth, promoting exports, creating a labour-absorbing economy and developing key capabilities such as skills, infrastructure, social security and strong institutions.

Recognising the fiscal and time constraints to achieve the NDP's vision, government's 2019-2024 medium-term strategic framework was characterised by seven priorities:

- a capable, ethical and developmental state
- economic transformation and job creation
- education, skills and health
- consolidating the social wage through reliable and quality basic services
- spatial integration, human settlements and local governance
- social cohesion and safer communities
- a better Africa and world.

Just as these priorities were set up, the COVID-19 pandemic emerged, leading to the development of the reconstruction and economic recovery plan, which focuses on revitalising South Africa's economy and addressing challenges created by slow growth, inequality and the effects of the pandemic. Its key pillars include driving job creation through aggressive infrastructure investment and industrialisation, supporting economic reforms to unlock growth, fostering energy security and promoting green economic initiatives. The plan emphasises protecting provisions for social welfare, enhancing public services and creating a more inclusive economy by prioritising small businesses and local production. It seeks to build a capable state, improve governance and strengthen partnerships between government, business and civil society to ensure that economic recovery is sustainable and equitable. All provinces were expected to align their budgets and strategies with the plan.

National and provincial functions

Provinces adopt and implement policies that are agreed on at the national level

The Constitution allocates functions to national, provincial and local governments. Some are concurrent, that is, they are interlinked and their performance outcomes co-dependent; and others are exclusive, meaning the different spheres operate within the level to achieve context-specific goals. Provinces are responsible for social services, including pre-tertiary education, health and social development; economic functions such as agriculture and roads; and provincial governance and administration, which includes legislatures and provincial treasuries and local government. National government sets the policies that provinces implement in the agreed priority areas.

Provinces play a central role in delivering and improving the quality of socioeconomic services, reducing inequality, increasing investment in communities, ensuring sustainable livelihoods, developing skills needed for economic growth, ensuring efficient government, combating corruption and facilitating regional economic development.

Economic activity and employment

Although the South African economy contracted by 0.6 per cent in 2020, GDP growth reached 4.7 per cent in 2021 – higher than before the pandemic. This relatively high growth was attributed to the lifting of COVID-19 restrictions, which was followed by increased global demand and export growth. Growth then slowed down to 0.6 per cent again in 2023, mainly due to the impact of the energy crisis, bottlenecks in transportation and supply chains, and low commodity prices. Low economic growth is not conducive for job creation and wage increases. Formal, non-agricultural employment grew by 0.9 per cent in 2023, bringing total employment to 10.7 million. Whereas the average annual increase in private sector wages in the first nine months of 2023 was 4.8 per cent, average wages in the public sector decreased by 0.4 per cent.

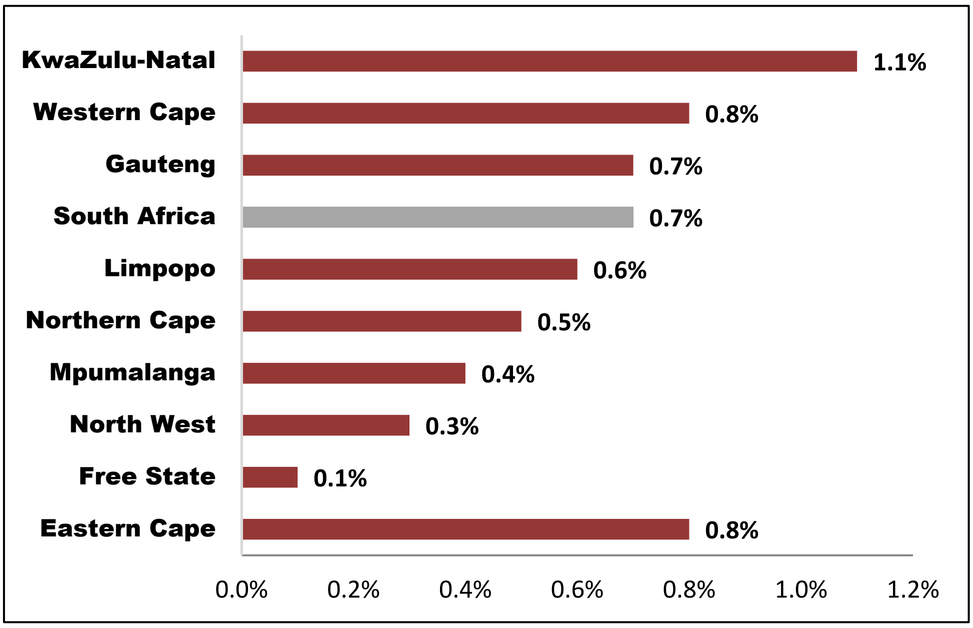
Although marginal economic growth was recorded in 2023, in per capita terms there was decline and no notable additional income to reduce poverty. The impact of the decline on revenue collection was considerable, with government also failing to meet its collection targets. Although government debt decreased between 2020/21 and 2023/24, the state was still borrowing at a very high rate to fund operations over that period. In 2023/24, debt service costs absorbed 20.7 cents of every rand that government collected compared with 8.6 cents in 2013/14, making these costs the fastest-growing area of government spending. As part of government's plan to manage debt, spending on the public sector wage bill decreased from an average of 35.7 per cent of total consolidated expenditure in 2013/14 to 32 per cent in 2023/24.

Economic activity

Following a contraction of 0.2 per cent in the third quarter of 2023, the South African economy grew by 0.1 per cent in the fourth quarter, supported by growth in the tertiary sector, including a rebound in industrial production. Mining increased in the fourth quarter, but not by enough to offset the decrease in agriculture, the largest contributor to the reduction in GDP, which lowered the primary sector by 5 per cent. The sector was badly affected by the drought in Eastern Cape and Free State, exacerbated by late rains and heatwaves across the country. Finance, real estate and business services had the second largest decrease at 0.6 per cent. Wholesale and retail trade, catering and accommodation decreased as slow economic activity negatively affected demand. Except for the first quarter of 2023, construction decreased throughout 2023.

At 1.1 per cent, KwaZulu-Natal had the highest growth, followed by Western Cape and Eastern Cape at 0.8 per cent and Gauteng at 0.7 per cent (as shown in Figure 1.1.). Northwest (0.3 per cent) and Free State (0.1 per cent) recorded the lowest growth rates. The main contributors to this were the finance, real estate, business services and personal services industries.

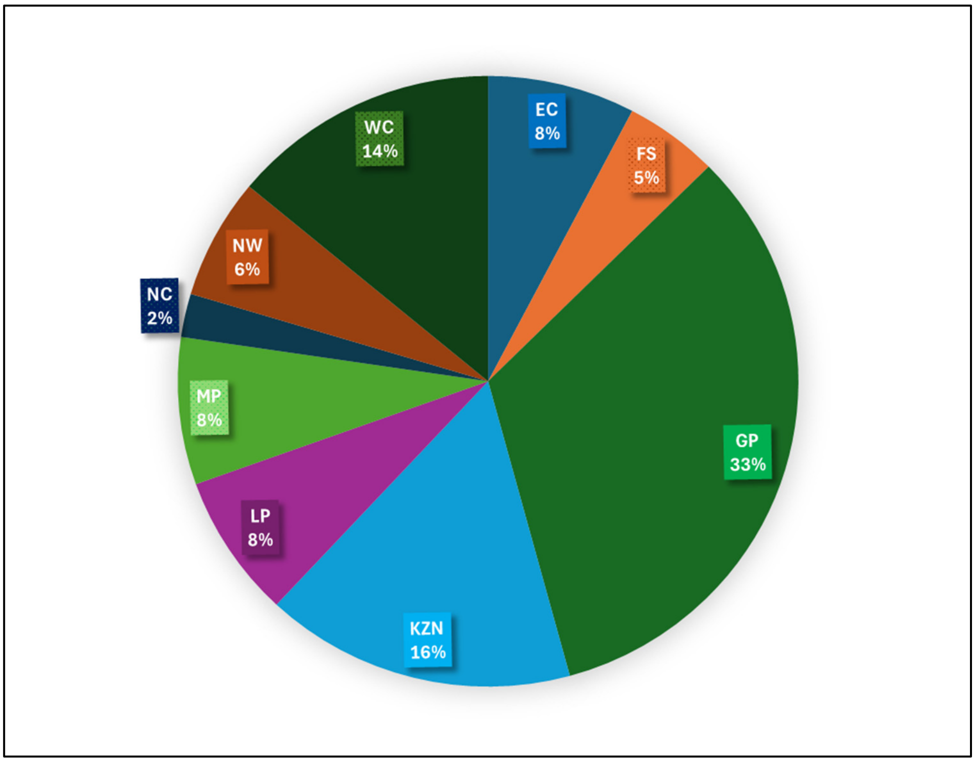
Figure 1.1 National and provincial economic growth (2023)



Source: Statistics South Africa (2023)

Three provinces accounted for 63 per cent of the national GDP of R4.65 trillion in 2023: Gauteng (33 per cent), KwaZulu-Natal (16 per cent) and Western Cape (14 per cent). Gauteng dominated, with strong representation from finance, manufacturing, trade and personal services. National agriculture production was concentrated in Northern Cape, Free State and Western Cape, while the bulk of national mining activity took place in North West, Limpopo and Mpumalanga.

Figure 1.2 Provincial contribution to GDP (Q4 2023)



Source: Statistics South Africa

Table 1.1 shows the relative size of sectors in provincial economies and complements the information on provincial contributions to GDP in Figure 1.2.

Table 1.1 Relative size of provincial economy by industry (2023)

Construction	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape
Agriculture, forestry and fishing	0.2%	0.5%	0.1%	0.4%	0.3%	0.3%	0.7%	0.3%	0.4%
Mining and quarrying	0.0%	0.8%	0.2%	0.1%	2.0%	1.8%	1.7%	2.5%	0%
Manufacturing	1.3%	1.1%	1.6%	1.6%	0.4%	1.2%	0.4%	0.5%	1.5%
Electricity and water	0.2%	0.4%	0.3%	0.3%	0.3%	0.5%	0.3%	0.3%	0.3%
Construction	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	0.3%
Wholesale and retail trade; hotels and restaurants	1.5%	1.2%	1.2%	1.2%	1.2%	1.2%	1.1%	1.1%	1.4%
Transport and communication	0.5%	0.6%	0.8%	0.9%	0.4%	0.4%	0.8%	0.5%	0.9%
Finance, real estate and business services	1.6%	1.8%	2.7%	1.7%	1.3%	1.4%	1.3%	1.4%	2.6%
Personal services	2.3%	1.6%	1.0%	1.9%	2.1%	1.5%	1.6%	1.6%	1.1%
General government services	1.0%	0.9%	0.9%	0.7%	0.8%	0.4%	1.0%	0.6%	0.5%
All industries at basic prices	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Taxes less subsidies on products	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
GDPR at market prices	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%

Source: Statistics South Africa, GDP estimates (2023)

Employment

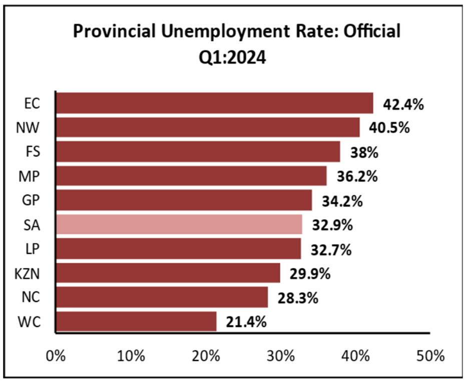
Unemployment in South Africa is still high, having reached 33.5 per cent in the second quarter of 2024

The national unemployment rate remains very high. Figure 1.3 shows that it increased from 32.9 per cent to 33.5 per cent between the first and second quarters of 2024, representing an increase of 158 000 unemployed people to reach 8.4 million in total. Employment during this period decreased in five of the 10 industries listed in Table 1.1, with the largest decreases in trade (111 000), agriculture (45 000) and private households (18 000). Employment in manufacturing (49 000), community and social services (36 000) and utilities (9 000) increased. Employment numbers also decreased over the same period in five of the nine provinces.

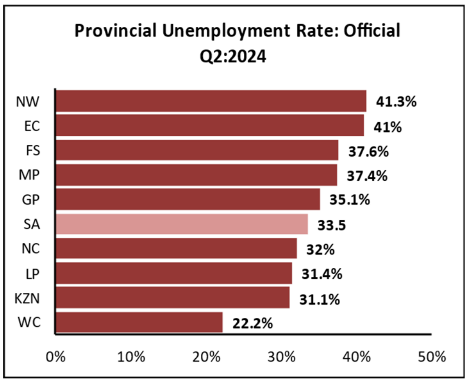
Figure 1.3 shows that unemployment rates increased in six of the nine provinces in the second quarter of 2024. The largest increase was recorded in Northern Cape (3.7 per cent), followed by KwaZulu-Natal and Mpumalanga (1.2 per cent each). Provinces that recorded decreases in unemployment were Eastern Cape (1.4 per cent), Limpopo (1.3 per cent) and Free State (0.4 per cent). Employment increased in Gauteng by 42 000, Limpopo by 31 000 and Eastern Cape by 25 000.

Data from Statistics South Africa on the educational qualifications of those who were unemployed showed that 39.3 per cent had less than matric, 35.8 per cent had matric, 23.3 per cent had some form of tertiary qualification and 9.7 per cent were graduates.

Figure 1.3 Unemployment rates (Q1 2024 and Q2 2024)

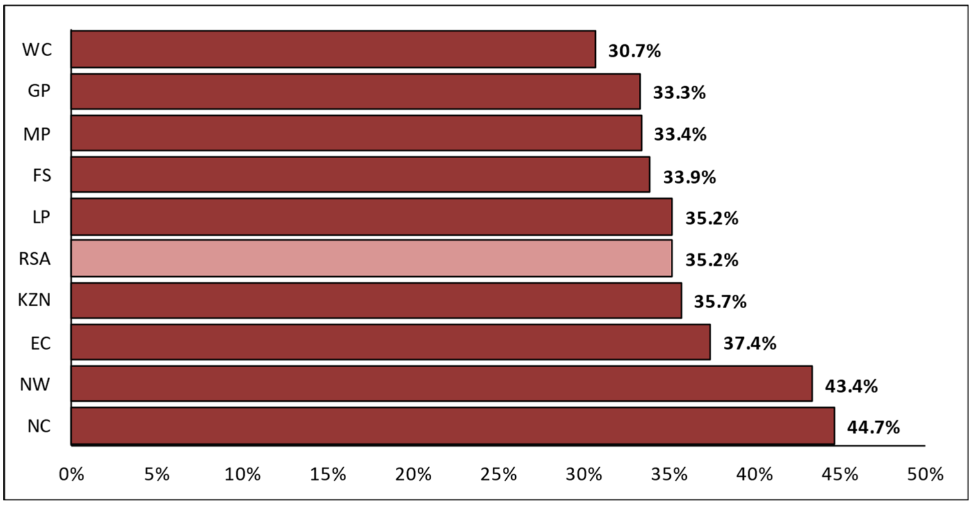


Source: Statistics South Africa (Q1 2024)



Source: Statistics South Africa (Q2 2024)

Figure 1.4 Young people aged 15 to 24 not in employment, education or training (Q4 2024)



Source: Statistics South Africa (Q4 2024)

Joblessness among young people remained very high during the period under review

Figure 1.4 shows that the percentage of young people aged 15 to 24 who were not in employment, education or training in the fourth quarter of 2024 was 1 per cent higher than in the fourth quarter of 2023. The provinces with the largest increases in the rate of people not in employment, education or training were Eastern Cape (4.8 per cent), Northern Cape (4.7 per cent) and North West (2.6 per cent), whereas those with the largest decreases were Mpumalanga (2.4 per cent) and KwaZulu-Natal (2 per cent).

Four provinces were below the national average of 35.2 per cent while four were above it. The ailing economy contributes to the high unemployment rate in the 18 to 29 age bracket, compounded by the difficulty of finding work with only a matric certificate.

Fiscal context

Provinces receive three forms of revenue

Provinces have three sources of income: the provincial equitable share, provincial conditional grants and their own revenue. The national budget process precedes provincial allocations. A determination is made based on the provincial equitable share formula, and this is allocated to provinces from the National Revenue Fund through National Treasury, including allocations for conditional grants. Based on policy priorities, provinces may allocate funding received through the equitable share to their departments. National departments are responsible for transferring conditional grants.

Government's policy priorities for the MTEF period were funded mainly through reprioritisation. This fiscal policy stance was in place to balance development and sustainable public finances by:

- stabilising debt through the primary surplus, which will continue to anchor fiscal policy over the next three years
- maintaining higher levels of investment by directing an increasing share of public spending towards capital projects

- protecting critical services in the context of constrained resources, especially the social wage, which supports the most vulnerable through spending on health, education, social protection, community development and employment programmes
- focusing on growth in the public sector wage bill by ensuring that public service employees are compensated fairly while implementing measures to contain overall costs.

Table 1.2 Consolidated provincial fiscal framework (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Transfers from national	**617 274**	**649 534**	**679 187**	**696 971**	**729 459**	**760 853**	**790 802**
Equitable share	**520 717**	**536 930**	**574 678**	**583 076**	**600 476**	**627 442**	**655 704**
Percentage share of total receipts	*81.6%*	*80.0%*	*81.6%*	*80.5%*	*79.5%*	*79.7%*	*80.1%*
Conditional grants	**96 557**	**112 603**	**104 509**	**113 895**	**128 984**	**133 411**	**135 098**
Percentage share of total receipts	15.1%	16.8%	14.8%	15.7%	17.1%	16.9%	16.5%
Provincial own revenue	**20 500**	**21 658**	**25 477**	**27 135**	**25 658**	**26 687**	**27 837**
Percentage share of total receipts	3.2%	3.2%	3.6%	3.7%	3.4%	3.4%	3.4%
Total receipts	**637 774**	**671 191**	**704 664**	**724 106**	**755 117**	**787 540**	**818 639**
Expenditure	**645 930**	**678 915**	**706 214**	**741 335**	**760 082**	**779 506**	**806 631**
Budget balance	**(8 156)**	**(7 723)**	**(1 550)**	**(17 229)**	**(4 965)**	**8 034**	**12 008**

Source: National Treasury provincial database

Table 1.2 gives a breakdown of allocations to provinces over the 2024 MTEF period. Collectively, provinces were allocated R755.1 billion in 2024/25, R787.5 billion in 2025/26 and R818.6 billion in 2026/27.

Provincial equitable share

Allocations to provinces are calculated based on the provincial equitable share formula

The formula for calculating the provincial equitable share informs allocations to provinces. It factors in population numbers and 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.

Six components of the provincial equitable share formula

- Education (48 per cent), based on the size of the school-age population (ages five to 17) and the number of learners (grades R to 12) enrolled in public ordinary schools.
- Health (27 per cent), based on each province’s risk profile and health system caseload.
- Basic (16 per cent), derived from each province’s share of the national population.
- Institutional (5 per cent), divided equally among provinces.
- Poverty (3 per cent), based on income data. This component reinforces the redistributive bias of the formula.
- Economic output (1 per cent), based on GDP per region (GDPR) as measured by Statistics South Africa.

The provincial equitable share accounted for 79.5 per cent of national transfers to provinces in 2024/25, with allocations over the MTEF period amounting to almost R1.9 trillion. Robust increases in the average annual rate of these allocations reflect not only the priority placed on health, education and basic services, but also the rising cost of providing these services because of higher wages and the prices of bulk electricity and water.

The mechanisms for allocating funds to provinces are continually reviewed to improve their efficiency. In 2022, a redesigned risk-adjusted index was introduced into the formula to inform the allocation methodology of the health component. The index of each province's risk profile accounts for the relative cost of providing health care services to members of the general population. It also accounts for the general burden of disease, additional costs associated with providing health care services to women and services in areas with low populations.

The focus of the most recent review of the formula, changes emanating from which are expected to be included in the 2026 budget process, was to explore options to improve the structure of the education component. Extensive work was carried out on how different funding needs of different types of schools and learners may be accounted for in the formula. The Department of Basic Education has endorsed this.

Conditional grants

Conditional grants accounted for an estimated 17.1 per cent of national transfers to provinces

Conditional grants accounted for 17.1 per cent of national transfers to provinces in 2024/25, amounting to R397.5 billion over the MTEF period. These funds are set aside for specific purposes and have conditions that must be adhered to. There are four types of conditional grants to provinces:

- Schedule 4, Part A: 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 that fund the specific responsibilities of, and programmes implemented by, provinces.
- Schedule 6, Part A: Grants that provide allocations in kind through which a national department implements projects in provinces.
- Schedule 7, Part A: Grants that provide for the swift allocation and transfer of funds to provinces to help with disaster management.

In the period under review, the *learners with profound intellectual disabilities grant* was introduced and the *early childhood development grant* was shifted from the Department of Social Development to the Department of Basic Education.

Own revenue

Provinces have limited capacity to generate their own revenue

The ability of provinces to raise their own revenue is limited and relates mainly to taxes on gambling, liquor and motor vehicle licences, and health care-related fees. Given their limited revenue-raising powers and responsibility for implementing government's priorities, provinces receive a larger share of nationally raised revenue than municipalities. In the constrained fiscal environment, provinces are encouraged to consider new revenue streams or enhance their existing ones.

Fiscal outlook

In 2023, the South African economy grew by 0.7 per cent, lower than the projected growth of 1 per cent. Economic growth was affected by inefficient power supply, inflationary pressure and poor rail and ports infrastructure. The economy was expected to improve moderately over the medium term to an average of 1.6 per cent, driven mainly by the addition of energy-generation capacity that was expected as part of government's plan to create a competitive electricity market. Global inflationary pressures and interest rates were also expected to start decreasing and, as such, support economic growth.

In the 2024 Budget, government continued to focus on reducing the budget deficit and stabilising debt by reducing borrowing. The implementation of cost-containment measures was expected to continue to keep spending growth in check. Alongside reforms to support economic growth, this was expected to ultimately create fiscal space. The most important public spending programmes that help poor South Africans, contribute to growth and create jobs were not to be affected by cost-containment measures over the period under review.

Transfers to provinces were projected to continue to grow in real terms, at an average annual rate of 7 per cent, from R696.9 billion in 2023/24 to R790.8 billion in 2026/27. In the education sector, the emphasis was on meeting norms and standards, dealing with infrastructure backlogs and addressing the need for early childhood development (ECD). In health, the emphasis was on ensuring that the sector had the necessary personnel and providing funding for medicines despite continual price increases. These additions were aligned with provinces' roles in achieving government's priority outcomes and in preparation for the implementation of NHI.

Pressures on the fiscal system

A number of strategies are implemented to manage pressures on the fiscus

National government's ability to fund service delivery at the provincial level is 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, and the cost-containment measures introduced by provinces continue to realise some gains. However, the public sector wage bill continues to create pressure, with the outcomes of wage negotiations often being more than what is budgeted for. Rising medico-legal costs and accruals place pressure on the budget of the Department of Health.

Chapter overview

- Chapter 2 discusses provincial expenditure and revenue trends for the period under review. The trends show that, to enable the state to sustain growth in expenditure on social services and investments, provincial governments must manage funding constraints.
- Chapters 3, 4 and 5 analyse trends in expenditure in the education, health and social development sectors. Government policy and spending initiatives have successfully ensured greater access to these services. New policy initiatives have led to major expenditure commitments and reprioritisation, reflected by an average allocation of 79 per cent in provinces towards basic education, health and social development over the period under review. However, outcomes did not improve at a commensurate rate.
- Chapter 6 examines the funding and delivery of human settlements. Although government has established an 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* requires provinces to follow best practice when planning. It promotes sound asset management practices through the use, and regular updating of, systems to manage road assets. The biggest concern during the period under review was that maintenance backlogs had grown, driven by funding constraints, heavy freight usage and limited enforcement. Road safety remained a pressing concern, with fatalities surpassing the global average.
- Chapter 8 reviews the performance of the public works sector over the period under review. Increased investment over the years has contributed to improved infrastructure and the creation of a considerable number of jobs through the expanded public works programme (EPWP). However, a lack of capacity continued to affect the implementation of the Government Immovable Asset Management Act (2007) and the infrastructure delivery management system. This, in turn, delayed the achievement of the social and economic benefits intended to flow from implementing the act and the system. Budget constraints, supply chain management challenges and obstructions by illicit construction syndicates also contributed to slow implementation.
- Chapter 9 discusses the state of the agriculture sector, highlighting its importance in terms of employment, food security and economic growth while emphasising the need for focused reforms, innovative methods and investment in infrastructure. The sector faces challenges such as climate change, infrastructure limitations and inequities in land ownership.
- Chapter 10 looks at the contribution of the economic development sector at the provincial level in implementing policies, driving growth and enhancing local economies. Despite progress, challenges such as energy shortages, infrastructure inefficiencies and slow reforms persisted over the period.

- Chapter 11 looks at infrastructure delivery and government support to provinces, including the sustainability of strategies to provide training and capacity on the infrastructure delivery management system, and reflects on how government has delivered over the period under review.

2

Revenue and expenditure trends

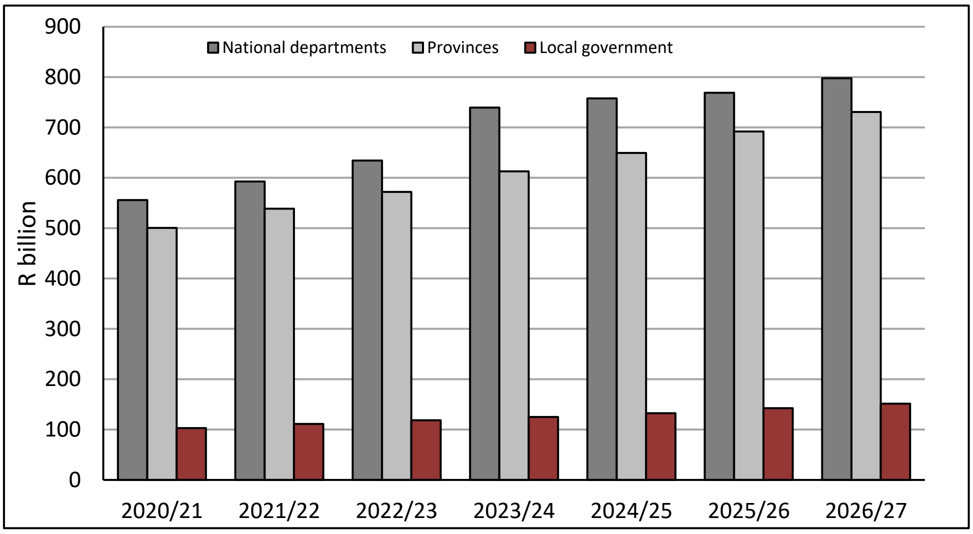
Introduction

This chapter discusses overall trends in provincial revenue and expenditure for the seven-year period covered in this publication.

Provinces play a central role in the intergovernmental system because the country's ability to raise the standard of living is directly linked to their performance. Planning for the MTEF period reflects government's continued commitment to creating jobs, growing the economy, promoting equity and accelerating access to quality services. Increases in spending are directed towards education and skills development, improved health outcomes, integrated and sustainable human settlements, and rural development. These are among the seven priority outcomes of government's 2014-2019 medium-term strategic framework. Provinces face spending pressures from the increasing costs of basic and social services, and revenue pressures from lower economic growth and high borrowing costs, underscoring the need for efficient spending and strong financial management.

Figure 2.1 shows the division of nationally raised revenue for 2020/21 to 2026/27. An estimated 42 per cent of this revenue was set to be transferred to provinces over the MTEF period (2024/25 to 2026/27), excluding the conditional grants they receive to help them to fulfil their mandates. Because provinces do not have significant taxation powers, the division of revenue compensates them through transfers for the cost of the services they provide. These transfers account for more than 90 per cent of provincial revenue.

Figure 2.1 Division of nationally raised revenue (2020/21 to 2026/27)



Source: 2024 Budget Review

The rapid growth in national transfers to provinces has not always translated into improved service delivery. In response to this, a stronger culture of efficiency and transparency needs to be cultivated in the public sector's use of resources. Infrastructure maintenance must be prioritised along with enhanced training on planning, budgeting and infrastructure delivery. At the same time, increases in public sector employment and improvements in conditions of service must be accommodated within an affordable wage bill.

Provincial revenue trends

Provinces' revenue comprises national transfers and the revenue they generate themselves through certain taxes, levies and duties, as well as motor vehicle licences and health patient fees. National transfers form the largest share and comprise each province's equitable share and conditional grants. In 2023/24, provincial own revenue constituted only 3.7 per cent of total provincial revenue.

The 2023 Medium-term Budget Policy Statement (MTBPS) indicated that provincial transfers increased by an average of 4.1 per cent (R68.2 billion) over the MTEF period to cover the implementation of the costs associated with the 2023 public sector wage agreement, mainly in the education and health sectors. However, further changes were made after the 2023 MTBPS and the provincial equitable share was increased by an average of 5.3 per cent (R105.5 billion). These additional funds cushioned the pressures that emerged from the wage agreement and freed resources for provinces to make capital investments and procure goods and services. An amount of R3.9 billion, which was previously added to the provincial equitable share for costs associated with the wage bill, was shifted to conditional grants in the education and health sectors, and previous reductions to several grants were reversed. Restoring the baselines of these grants helped to maintain important services for the most vulnerable and provide for critical capital investments.

Provincial equitable share

The provincial equitable share is the largest source of funding through which provinces meet their spending responsibilities. These funds are used to finance essential services including education, health and social development. Each province's equitable share is redistributive in that poorer provinces receive higher allocations, largely determined by demographics. The equitable share formula is updated annually to ensure each province's allocation is fair and reflects demographic changes and demand for services based on need. Government is committed to protecting provincial allocations over the medium term and ensuring that spending is protected from the effects of inflation.

Reductions are made to several grant baselines because of reprioritisations and reductions in the context of fiscal consolidation

Formula for calculating the provincial equitable share

The formula has six components, accounting for the relative demand for services and each province's demographics. Based on demand and need, the two largest components are education and health. The basic component enables provinces to perform their other functions, taking into consideration each province's population size and proportion of residents living below the poverty line (poverty component), its level of economic activity (economic component) and the costs associated with running a provincial administration (institutional component).

The formula has been updated for the MTEF period with data from Statistics South Africa's 2022 mid-year population and age estimates. The Department of Basic Education's 2023 preliminary data on school enrolment, drawing on the learner unit record information and tracking system database, was also used. For the health component, data was used from the 2022 general household survey of medical aid coverage and, for the risk-adjusted capitation index, data was used from the Risk Equalisation Fund. Changes to allocations are representative of provinces' population size, resulting in relative higher demand for public services in more populated provinces. The impact of these data updates on the provincial equitable share will be phased in between 2024/25 and 2026/27.

Source: Annexure W1 of the 2024 Budget Review

Revisions to the provincial fiscal framework over the MTEF period 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. Considering the revisions to the provincial fiscal framework, national transfers to provinces increased from R696.9 billion in 2023/24 to R729.5 billion in 2024/25, and were set to increase at an average annual rate of 4.3 per cent to reach R790.8 billion in 2026/27.

Table 2.1 Provincial revenue and expenditure (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Transfers from national	617 274	649 534	679 187	696 971	729 459	760 853	790 802
of which:							
Equitable share	*520 717*	*536 930*	*574 678*	*583 076*	*600 476*	*627 442*	*655 704*
Conditional grants	*96 557*	*112 603*	*104 509*	*113 895*	*128 984*	*133 411*	*135 098*
Provincial own revenue	20 500	21 658	25 477	27 135	25 658	26 687	27 837
Total revenue	**637 774**	**671 191**	**704 664**	**724 106**	**755 117**	**787 540**	**818 639**
of which:							
Unallocated conditional grants	–	–	–	–	*149*	*7 877*	*8 218*
Total expenditure	**645 930**	**678 915**	**706 214**	**741 335**	**760 082**	**779 506**	**806 631**
Surplus(+)/deficit(-)	**-8 156**	**-7 723**	**1 550**	**-17 229**	**-5 114**	**157**	**3 789**
Share of total provincial revenue							
Transfers from national	96.8%	96.8%	96.4%	96.3%	96.6%	96.6%	96.6%
of which:							
Equitable share	*81.6%*	*80.0%*	*81.6%*	*80.5%*	*79.5%*	*79.7%*	*80.1%*
Conditional grants	*15.1%*	*16.8%*	*14.8%*	*15.7%*	*17.1%*	*16.9%*	*16.5%*
Provincial own revenue	3.2%	3.2%	3.6%	3.7%	3.4%	3.4%	3.4%
Total revenue	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: National Treasury provincial database

Conditional grants

In addition to the provincial equitable share, provinces receive a portion 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 that provides information to Parliament and the public and that details their objectives and intended performance over their lifespan. The four main types of provincial conditional grants are detailed in the introduction.

The 2023 MTBPS detailed reductions to some of the conditional grant baselines as part of efforts to limit growth in government expenditure and ensure that public debt remains 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.

Direct conditional grants to provinces were projected to increase at an average annual rate of 5.9 per cent over the medium term to reach R135.1 billion in 2026/27, with indirect conditional grants amounting to R12.1 billion over the MTEF period. Table 2.2 provides a summary of allocations to conditional grants by sector over the MTEF period.

Table 2.2 Conditional grants to provinces (2023/24 to 2026/27)

R million	2023/24	2024/25	2025/26	2026/27
Agriculture, Forestry and Fisheries	**1 967**	**2 280**	**2 526**	**2 581**
Comprehensive agricultural support programme grant	1 326	1 741	1 754	1 774
Ilima/Letsema projects grant	577	448	677	708
Land care programme grant: Poverty relief and infrastructure development	64	90	94	99
Arts and Culture	**1 397**	**1 612**	**1 643**	**1 719**
Community library services grant	1 397	1 612	1 643	1 719
Basic Education	**21 618**	**26 041**	**27 505**	**28 251**
Education infrastructure grant	11 443	13 681	14 234	14 373
HIV and Aids (life skills education) grant	208	250	261	273
National school nutrition programme grant	250	279	291	304
Maths, science and technology grant	374	444	459	480
Learners with profound intellectual disabilities grant	8 161	9 798	10 314	10 786
Early childhood development grant	1 183	1 589	1 946	2 035
Cooperative Governance and Traditional Affairs	**–**	**149**	**151**	**158**
Provincial disaster response grant	–	149	151	158
Health	**50 313**	**56 351**	**57 450**	**60 087**
HIV, TB, malaria and community outreach grant	24 261	27 963	28 228	29 523
Health facility revitalisation grant	6 411	7 152	7 243	7 575
National health insurance grant	665	1 648	1 648	1 713
National tertiary services grant	13 496	14 072	14 734	15 421
Health professions training and development grant	5 480	5 517	5 598	5 855
Human Settlements	**15 400**	**16 906**	**16 919**	**15 262**
Human settlements development grant	12 121	13 655	14 149	14 332
Informal settlements upgrading partnership grant	3 279	3 251	2 770	930
Provincial emergency housing grant	–	–	–	–
Title deeds restoration grant	–	–	–	–
Public Works	**668**	**617**	**625**	**654**
Expanded public works programme integrated grant for provinces	334	312	316	330
Social sector expanded public works programme incentive grant for provinces	335	306	310	324
Sport and Recreation	**510**	**618**	**626**	**655**
Mass participation and sport development grant	510	618	626	655
Transport	**22 022**	**24 408**	**25 965**	**25 731**
Provincial roads maintenance grant	14 722	16 672	17 883	17 279
Public transport operations grant	7 300	7 735	8 082	8 452
Total	**113 895**	**128 984**	**133 411**	**135 098**

Source: National Treasury provincial database

There are 25 provincial conditional grants across nine sectors, the bulk of which are in the education and health sectors in terms of number of grants and total allocation. The *early childhood development grant*, was moved from the social development sector to the education sector in 2021/22. Funds from the grant are intended to provide poor children with access to subsidised early childhood development programmes. The key change in the health sector's grant allocations was the incorporation of the *HIV, TB, malaria and community outreach grant* into the *district health programmes grant* in 2022/23. The main components (HIV and TB) remain unchanged, but there is a new district health component comprising human papillomavirus, malaria and community outreach services. The *provincial emergency housing grant* was discontinued in 2023/24 and allocated to the national Department of Human Settlements for the implementation of housing projects. The *informal settlements upgrading partnership grant* was a component of the *human settlements development grant* but became a standalone grant in 2021/22.

Pledging of conditional grants

Grant pledging, which refers to committing all or part of a conditional grant over one or many years towards the repayment of a loan to finance infrastructure, has been used in local government for many years. Along with provincial treasuries and other stakeholders, National Treasury extended pledging to provinces to help mitigate cuts in provincial allocations. Pledging can occur only for projects that have passed the necessary planning stages and are ready for construction. Strong leadership, planning and coordination are needed to unlock the benefits of pledging. To date, the Northern Cape provincial government has applied to pledge R600 million over three years to build 2 500 housing units through the *human settlements development grant*. This is expected to take just one year through pledging as opposed to three to four years without pledging. National Treasury has introduced a practice note to guide provinces on how to pledge their conditional grant allocations to leverage financing for faster infrastructure delivery.

Provincial own revenue

Despite the responsibility provincial departments have for functions that account for a large share of government spending, these functions do not lend themselves to significant revenue-raising opportunities.

Provinces can raise their own revenue through certain taxes, levies and duties, but their capacity is limited

Provinces' abilities to raise their own revenue is limited. The share of provincial own revenue increased from 3.2 per cent (R20.5 billion) in 2020/21 to 3.7 per cent (R27.1 billion) in 2023/24. Despite this growth, own revenue contributions were expected to stabilise at 3.4 per cent over the MTEF period.

Table 2.3 shows that own revenue comprises 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.

Provinces implement various strategies to improve revenue collection

Provinces are implementing various strategies to improve revenue collection. These include refurbishing provincial reserves and resorts, charging parking fees and appointing case managers in health, online liquor and gambling license applications and renewals. Tax receipts as a share of provincial own revenue decreased from 69.9 per cent in 2020/21 to 63.5 per cent in 2023/24, but were projected to increase to 75.1 per cent by 2026/27. The upward trend over the MTEF period is largely attributed to recovery from the pandemic's impact on revenue collection across all sources of tax receipts.

Table 2.3 Provincial own revenue by category (2020/21 to 2026/27)

R million	Outcome			Audited outcome	Medium-term estimates		
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Tax receipts	14 336	15 594	17 029	17 236	19 277	20 052	20 900
Casino taxes	*1 255*	*1 942*	*2 356*	*1 948*	*2 467*	*2 556*	*2 674*
Horse racing taxes	*725*	*1 042*	*1 594*	*1 465*	*2 126*	*2 219*	*2 292*
Liquor licences	*99*	*111*	*122*	*75*	*225*	*237*	*250*
Motor vehicle licences	*12 257*	*12 500*	*12 957*	*13 748*	*14 459*	*15 040*	*15 685*
Sale of goods and services other than capital assets	2 685	2 824	3 267	3 218	3 600	3 755	3 903
Transfers received	61	35	566	66	27	28	29
Fines, penalties and forfeits	329	402	355	417	297	311	326
Interest, dividends and rent on land	2 366	2 000	3 233	5 119	2 057	2 157	2 258
Sales of capital assets	96	128	180	195	95	70	72
Financial transactions in assets and liabilities	628	674	846	883	305	314	349
Total	**20 500**	**21 658**	**25 477**	**27 135**	**25 658**	**26 687**	**27 837**
Percentage of total provincial own revenue							
Tax receipts	69.9%	72.0%	66.8%	63.5%	75.1%	75.1%	75.1%
Casino taxes	*6.1%*	*9.0%*	*9.2%*	*7.2%*	*9.6%*	*9.6%*	*9.6%*
Horse racing taxes	*3.5%*	*4.8%*	*6.3%*	*5.4%*	*8.3%*	*8.3%*	*8.2%*
Liquor licences	*0.5%*	*0.5%*	*0.5%*	*0.3%*	*0.9%*	*0.9%*	*0.9%*
Motor vehicle licences	*59.8%*	*57.7%*	*50.9%*	*50.7%*	*56.4%*	*56.4%*	*56.3%*
Sale of goods and services other than capital assets	13.1%	13.0%	12.8%	11.9%	14.0%	14.1%	14.0%
Transfers received	0.3%	0.2%	2.2%	0.2%	0.1%	0.1%	0.1%
Fines, penalties and forfeits	1.6%	1.9%	1.4%	1.5%	1.2%	1.2%	1.2%
Interest, dividends and rent on land	11.5%	9.2%	12.7%	18.9%	8.0%	8.1%	8.1%
Sales of capital assets	0.5%	0.6%	0.7%	0.7%	0.4%	0.3%	0.3%
Financial transactions in assets and liabilities	3.1%	3.1%	3.3%	3.3%	1.2%	1.2%	1.3%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: National Treasury provincial database

Provinces have invested in projects aimed at improving revenue collection. However, there has been a decrease in the sale of goods and services other than capital, mainly because of a significant decrease in patient fees. This is in large part attributed to the non-payment of Road Accident Fund claims, which constitute a significant portion of the provincial patient fee debt owed by the fund to provincial departments of health.

Provinces are experiencing a decrease in the sale of goods and services because of decreases in patient fees, primarily caused by the non-payment of Road Accident Fund claims

Table 2.4 Own revenue by province (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	1 576	1 405	1 836	2 219	1 746	1 805	1 886
Free State	1 119	1 096	1 308	1 305	1 169	1 153	1 164
Gauteng	6 741	6 681	7 576	8 686	8 079	8 445	8 839
KwaZulu-Natal	3 376	3 646	3 992	4 505	4 177	4 360	4 544
Limpopo	1 298	1 536	2 389	2 191	1 854	1 940	2 032
Mpumalanga	1 708	2 062	2 438	3 132	2 869	2 978	3 096
Northern Cape	402	438	478	542	534	541	566
North West	1 159	1 312	1 580	1 467	1 335	1 396	1 459
Western Cape	3 120	3 482	3 880	3 089	3 895	4 069	4 251
Total	**20 500**	**21 658**	**25 477**	**27 135**	**25 658**	**26 687**	**27 837**

Percentage growth (average annual)	**2020/21 to 2023/24**	**2023/24 to 2024/25**	**2023/24 to 2026/27**
Eastern Cape	12.1%	-21.3%	-5.3%
Free State	5.2%	-10.4%	-3.7%
Gauteng	8.8%	-7.0%	0.6%
KwaZulu-Natal	10.1%	-7.3%	0.3%
Limpopo	19.0%	-15.4%	-2.5%
Mpumalanga	22.4%	-8.4%	-0.4%
Northern Cape	10.5%	-1.4%	1.5%
North West	8.2%	-9.0%	-0.2%
Western Cape	-0.3%	26.1%	11.2%
Total	**9.8%**	**-5.4%**	**0.9%**

Source: National Treasury provincial database

Table 2.4 shows own revenue by province from 2020/21 to 2026/27, with audited outcomes up to 2023/24 and estimates for 2024/25 to 2026/27. The figures reveal significant growth in certain provinces, particularly Mpumalanga and Limpopo, with the former achieving an average annual growth rate of 22.4 per cent between 2020/21 and 2023/24.

Provinces such as Gauteng and KwaZulu-Natal are also expected to demonstrate robust revenue growth, whereas others such as Free State and Northern Cape are projected to have modest to negative growth. Total provincial own revenue is expected to increase from R20.5 billion in 2020/21 to R27.8 billion in 2026/27.

Provincial own revenue recovered strongly after the COVID-19 pandemic, at an average annual rate of 11.4 per cent between 2020/21 and 2023/24. This was driven by increased revenue collections and the reopening of the South African economy

The percentage growth in provincial own revenue reflects fluctuations over the MTEF period. Annual growth averaged a robust 9.8 per cent between 2020/21 and 2023/24, attributed mainly to recovery from the effects of the COVID-19 pandemic driven by the reopening of economic activities and provincial efforts to stabilise their financial positions.

However, provincial own revenue was projected to decrease by 5.4 per cent from 2023/24 to 2024/25. This may reflect the exhaustion of short-term recovery efforts after the pandemic or the limited capabilities of some provinces to generate revenue. Provinces that relied heavily on short-term boosts could see slower growth, or negative figures, as stimulus efforts wind down or economic conditions fail to support sustained growth. This divergence is a result of factors such as differences in the effectiveness of each province's revenue management strategies.

The average annual growth rate was projected to recover to 0.9 per cent by 2026/27. This modest increase suggests that while some provinces will gradually stabilise, they are unlikely to experience the same high growth rates seen during the immediate post-pandemic recovery phase, mainly because of structural economic challenges and ongoing fiscal constraints.

Fluctuations in provincial own revenue growth point to ongoing economic uncertainties and fiscal challenges, leaving them unable to maintain the high immediate growth after the pandemic

Provincial expenditure trends

2023/24 audited spending outcomes

Provinces reported audited spending of R741.3 billion, or 99.2 per cent of their total adjusted budgets of R747.3 billion, for 2023/24. The remaining 0.8 per cent (R6 billion) of the adjusted budgets was declared unspent.

This underspending was a slight improvement on the 1.8 per cent reported for 2022/23

Table 2.5 Audited revenue and spending outcomes as at 31 March 2024

R million	Adjusted budget	Audited outcome as at 31 March 2024	*Audited outcome as % of adjusted budget*	(Over) /Under-spending against the Adjusted budget	*% (over)/ under of adjusted budget*	*% share of total provincial expenditure*	2022/23 outcome	*Year-on-year growth*
Eastern Cape	92 478	91 936	*99.4%*	542	*0.6%*	*12.4%*	88 673	*3.7%*
Free State	43 059	42 849	*99.5%*	210	*0.5%*	*5.8%*	40 710	*5.3%*
Gauteng	163 496	160 113	*97.9%*	3 383	*2.1%*	*21.6%*	150 322	*6.5%*
KwaZulu-Natal	150 096	150 936	*100.6%*	-840	*-0.6%*	*20.4%*	145 633	*3.6%*
Limpopo	81 633	80 865	*99.1%*	768	*0.9%*	*10.9%*	76 491	*5.7%*
Mpumalanga	60 012	59 618	*99.3%*	394	*0.7%*	*8.0%*	56 731	*5.1%*
Northern Cape	22 061	21 732	*98.5%*	330	*1.5%*	*2.9%*	20 205	*7.6%*
North West	52 716	52 204	*99.0%*	512	*1.0%*	*7.0%*	49 954	*4.5%*
Western Cape	81 831	81 082	*99.1%*	748	*0.9%*	*10.9%*	77 495	*4.6%*
Total	**747 381**	**741 334**	***99.2%***	**6 046**	***0.8%***	***100%***	**706 214**	***5.0%***

Source: National Treasury provincial in-year management, monitoring and reporting model

Provincial budgets and expenditure trends (2020/21 to 2026/27)

Provincial expenditure trends and budgets over the seven-year period show growth in funding and spending in key sectors. Provincial spending was projected to increase at an average annual rate of 3 per cent over the MTEF period to reach R806.6 billion in 2026/27.

Provincial expenditure trends by economic classification (2020/21 to 2026/27)

Government expenditure is divided into current and capital spending. Transfers and subsidies to private institutions or other organs of state are also classified as either current or capital. The difference between these forms of 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, was projected to be one of the fastest-growing spending categories over the medium term.

Table 2.6 Provincial expenditure by economic classification (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Current payments	528 858	556 807	579 451	609 602	628 145	651 094	678 530
of which:							
Compensation of employees	*393 649*	*416 211*	*428 771*	*450 711*	*471 676*	*493 053*	*513 682*
Goods and services	*135 104*	*140 486*	*150 543*	*159 185*	*156 431*	*158 036*	*164 843*
Transfers and subsidies	84 387	88 410	91 730	93 938	90 797	91 974	92 233
Payments for capital assets[1]	32 409	33 538	34 732	37 330	41 136	36 432	35 863
Payments for financial assets	277	160	223	340	5	5	6
Total	**645 930**	**678 915**	**706 137**	**741 210**	**760 082**	**779 506**	**806 631**
Percentage of total provincial expenditure							
Current payments	81.9%	82.0%	82.1%	82.2%	82.6%	83.5%	84.1%
of which:							
Compensation of employees	*60.9%*	*61.3%*	*60.7%*	*60.8%*	*62.1%*	*63.3%*	*63.7%*
Goods and services	*20.9%*	*20.7%*	*21.3%*	*21.5%*	*20.6%*	*20.3%*	*20.4%*
Transfers and subsidies	13.1%	13.0%	13.0%	12.7%	11.9%	11.8%	11.4%
Payments for capital assets[1]	5.0%	4.9%	4.9%	5.0%	5.4%	4.7%	4.4%
Payments for financial assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Percentage growth (average annual)		**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2023/24 to 2026/27**	
Current payments		4.9%		3.0%		3.6%	
of which:							
Compensation of employees		4.6%		*4.7%*		*4.5%*	
Goods and services		5.6%		*-1.7%*		*1.2%*	
Transfers and subsidies		3.6%		-3.3%		-0.6%	
Payments for capital assets[1]		4.8%		10.2%		-1.3%	
Payments for financial assets		7.1%		-98.5%		-74.4%	
Total		**4.7%**		**2.5%**		**2.9%**	

1. Excludes unallocated infrastructure conditional grants over the 2020 MTEF period.

Source: National Treasury provincial database

Compensation of employees

Provinces employ a large number of personnel, including teachers, health professionals, administrators and general support staff. Because of this, spending on compensation of employees constitutes the largest share of provincial spending.

Between 2020/21 and 2023/24, in nominal terms, spending on compensation of employees increased at an average annual rate of 3.4 per cent, from R393.6 billion to R450.7 billion. The projected average annual increase over the MTEF period was 4.5 per cent, from R471.6 billion in 2024/25 to R513.6 billion in 2026/27.

Spending on compensation of employees was highest in Eastern Cape, Free State, KwaZulu-Natal and Limpopo, which collectively account for about 64.1 per cent

(R234.5 billion) of total provincial spending on this item. Although compensation of employees constitutes a growing share of provincial budgets, provinces generally manage to remain within their planned spending on it. However, as a result of the growing provincial wage bill and relatively low increases in national transfers to provinces, spending on compensation of employees was projected to increase from 60.8 per cent of provincial budgets in 2023/24 to 63.7 per cent in 2026/27.

Table 2.7 Expenditure on compensation of employees by province (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	55 260	56 205	57 103	59 767	62 882	65 681	66 797
Free State	23 607	25 192	26 227	27 413	27 888	29 531	30 939
Gauteng	76 508	83 746	86 478	92 437	99 269	103 611	108 321
KwaZulu-Natal	83 185	88 853	91 444	95 194	95 103	99 123	103 498
Limpopo	48 048	49 065	50 506	52 058	55 812	58 729	61 926
Mpumalanga	31 241	32 859	33 935	35 621	38 615	40 608	42 512
Northern Cape	10 845	11 245	11 513	12 115	12 469	12 999	13 556
North West	27 751	29 555	30 264	32 102	33 949	35 566	37 372
Western Cape	37 205	39 491	41 300	43 952	45 690	47 204	48 762
Total	**393 649**	**416 211**	**428 771**	**450 505**	**471 676**	**493 053**	**513 682**
Percentage of total expenditure							
Eastern Cape	66.1%	65.7%	64.4%	65.0%	65.9%	66.9%	66.6%
Free State	62.8%	64.1%	64.6%	64.0%	63.8%	65.9%	66.6%
Gauteng	55.5%	58.1%	57.5%	57.7%	59.9%	60.4%	61.3%
KwaZulu-Natal	62.1%	62.9%	62.8%	63.1%	63.2%	63.7%	64.0%
Limpopo	69.7%	66.8%	66.0%	64.3%	67.2%	68.5%	69.1%
Mpumalanga	61.0%	59.8%	59.8%	59.7%	62.7%	65.0%	65.5%
Northern Cape	59.0%	57.0%	56.8%	55.7%	56.3%	60.3%	60.3%
North West	63.0%	62.5%	60.6%	61.5%	63.2%	64.6%	65.2%
Western Cape	52.9%	53.9%	53.3%	54.0%	54.4%	55.9%	56.1%
Total	**60.9%**	**61.3%**	**60.7%**	**60.7%**	**62.1%**	**63.3%**	**63.7%**
Percentage growth (annual average)		**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2023/24 to 2026/27**	
Eastern Cape		2.0%		5.2%		3.8%	
Free State		3.8%		1.7%		4.1%	
Gauteng		4.8%		7.4%		5.4%	
KwaZulu-Natal		3.4%		-0.1%		2.8%	
Limpopo		2.0%		7.1%		5.9%	
Mpumalanga		3.3%		8.4%		6.1%	
Northern Cape		2.8%		2.9%		3.8%	
North West		3.7%		5.8%		5.2%	
Western Cape		4.3%		4.0%		3.5%	
Total		**3.4%**		**4.7%**		**4.5%**	

Source: National Treasury provincial database

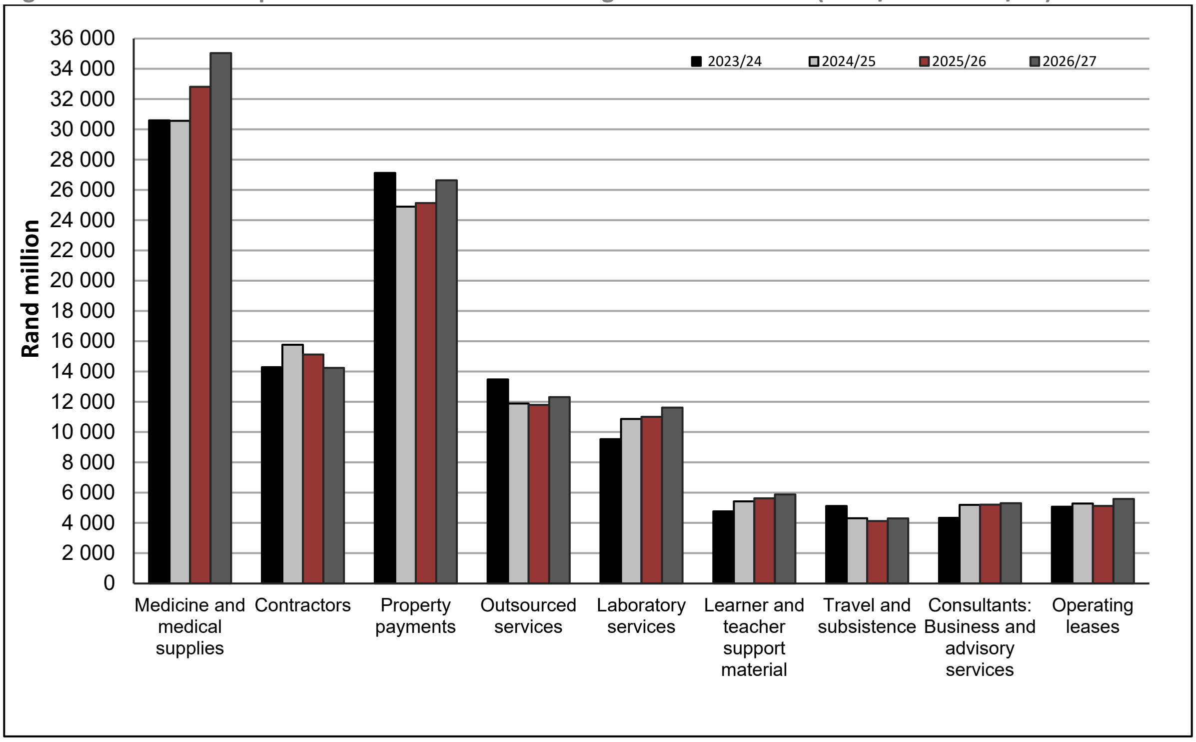
Goods and services

Goods and services is the second-largest current expenditure item after compensation of employees. It includes spending on advertising, consultants, contract labour, the maintenance of state-owned buildings, learner and teacher support materials, and medicines and medical supplies. Spending on goods and services increased by 17.9 per cent between 2020/21 and 2022/23 as it recovered from low baselines after the COVID-19 pandemic. However, this rate is expected to slow to 1.2 per cent, well below inflation, over the MTEF period, and account for an average of 1.5 per cent of total provincial expenditure.

Figure 2.2 shows the nominal growth in nine selected categories of spending on goods and services between 2023/24 and 2026/27. The 2024 Budget maintained tight control of goods and services budgets and, as such, these were projected to decrease in real terms over the MTEF period.

From 2023/24 to 2026/27, the largest goods and services spending areas were medicine and medical supplies, property payments, contractors, outsourced services and laboratory services. Most of these items were designated as non-negotiable and departments were required to protect or prioritise them when budgeting. Expenditure on travel and subsistence, consultants (business and advisory services) and operating leases was projected to decrease as a percentage share of the total goods and services budget.

Figure 2.2 Provincial expenditure on selected items of goods and services (2023/24 to 2026/27)



Source: National Treasury provincial database

Capital expenditure

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

Infrastructure investment has increased sharply since the mid-2000s. Many provincial investments have been made with the help of the infrastructure development improvement programme, which is designed to address problems with planning and managing public sector infrastructure delivery.

Although provincial capital expenditure was expected to increase at an average annual rate of 10.1 per cent in 2024/25, it was projected to decrease at an average annual rate of 1.4 per cent over the MTEF period. The overall decrease is partially due to reallocations to provincial infrastructure grants, buildings and maintenance, as announced in the 2024 Budget.

Table 2.8 Capital expenditure by province (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	3 411	3 632	4 224	3 440	4 131	3 928	3 942
Free State	1 980	1 888	2 050	2 171	2 296	1 844	1 998
Gauteng	6 922	5 524	5 557	5 790	6 576	6 161	5 510
KwaZulu-Natal	8 109	8 732	7 248	7 132	8 622	8 435	8 722
Limpopo	1 757	1 938	2 608	3 299	3 275	2 995	2 785
Mpumalanga	3 774	4 224	3 898	4 937	4 734	3 441	3 413
Northern Cape	880	1 084	1 329	1 457	1 517	1 455	1 541
North West	1 274	1 808	2 004	3 146	3 054	2 610	2 575
Western Cape	4 302	4 708	5 814	5 983	6 930	5 561	5 377
Total	**32 409**	**33 538**	**34 732**	**37 355**	**41 136**	**36 432**	**35 863**
Percentage growth (average annual)		**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2023/24 to 2026/27**	
Eastern Cape		0.2%		20.1%		4.6%	
Free State		2.3%		5.8%		-2.7%	
Gauteng		-4.4%		13.6%		-1.6%	
KwaZulu-Natal		-3.2%		20.9%		6.9%	
Limpopo		17.1%		-0.7%		-5.5%	
Mpumalanga		6.9%		-4.1%		-11.6%	
Northern Cape		13.4%		4.1%		1.9%	
North West		25.4%		-2.9%		-6.5%	
Western Cape		8.6%		15.8%		-3.5%	
Total		**3.6%**		**10.1%**		**-1.4%**	

1. *Excludes capital transfers and subsidies and unallocated infrastructure conditional grants over the MTEF period.*

Source: National Treasury provincial database

The combined infrastructure expenditure of the public works and roads and transport sectors accounted for 27.2 per cent (R10.2 billion) of total spending in 2023/24. Expenditure on road infrastructure involves investing in roads and carrying out preventative, routine and emergency maintenance on provincial networks. Spending in the education sector amounted to R10.1 billion and spending in the health sector amounted to R9.6 billion. Spending on health infrastructure is for building new health facilities and maintaining existing ones. Expenditure on education infrastructure funds the construction, maintenance, upgrading and rehabilitation of new and existing school infrastructure. Ultimately, spending on infrastructure contributes to job creation and stimulates the economy.

Social and non-social services

To maintain healthy economic growth while bridging the country's economic divide, public expenditure focuses on developing people through providing education, health care and social development. Between 2020/21 and 2023/24, this spending increased at an average annual rate of 3 per cent, from R517.7 billion to R581.5 billion. Provinces spending on social services was projected to amount to R1.9 trillion over the MTEF period.

Table 2.9 Provincial expenditure by sector (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Education	266 048	280 906	293 822	309 735	316 462	328 824	343 534
Health	231 406	236 042	242 462	250 580	259 248	268 116	280 170
Social development	20 280	21 334	21 102	21 274	22 275	23 225	24 234
Total social services	**517 734**	**538 282**	**557 386**	**581 588**	**597 985**	**620 165**	**647 939**
Non-social services	128 197	140 633	148 751	159 746	162 098	159 341	158 692
Total	**645 930**	**678 915**	**706 137**	**741 335**	**760 082**	**779 506**	**806 631**
Percentage growth (average annual)		**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2023/24 to 2026/27**	
Social services		3.0%		2.8%		3.7%	
Education		3.9%		*2.2%*		*3.5%*	
Health		2.0%		*3.5%*		*3.8%*	
Social development		1.2%		*4.7%*		*4.4%*	
Non-social services		5.7%		1.5%		-0.2%	
Total		**3.5%**		**2.5%**		**2.9%**	

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, local government, agriculture, economic development, and sport, arts and culture. These functions account for a projected average of 21.6 per cent (R160.1 million) of total provincial expenditure over the MTEF period and play an important role in economic growth and job creation. Although provincial expenditure on non-social services is expected to increase by 1.2 per cent in 2024/25, this spending is expected to decrease at an average annual rate of 0.3 per cent over the MTEF period as more funding is directed towards social services.

Conclusion

To enable government to sustain growth in expenditure on social services and investment over the period ahead, provincial governments will have to carefully manage their already tight budgets. This entails balancing a range of competing priorities. A better mix between spending on compensation of employees, capital expenditure and goods and services is needed, as is a conscious effort to cost expenditure categories properly and improve the link between planning and budgeting.

3

Education

Introduction

In recognising that education is an essential tool for transforming societies and driving economic growth, government prioritises spending on it to improve the lives of all South Africans. To this end, it successfully provides near universal access to education, especially for the compulsory grades (1 to 9), as well as learner and teacher support materials and meals to all learners in no-fee schools through the national school nutrition programme. Recent efforts to improve access to education and resources for learners with special needs have been strengthened and remain focal, as does building more classrooms and maintaining and upgrading existing facilities. These initiatives collectively contribute to enhancing the quality of education.

However, despite government's considerable investment in education, studies highlight ongoing concerns about poor learning outcomes, which have declined further since the COVID-19 pandemic. A number of policy initiatives have been undertaken in response to this, including the learning recovery plan and the reading literacy strategy, as well as a greater focus on the ECD function, which was transferred from the Department of Social Development to the Department of Basic Education to ensure better policy development, coordination and resource allocation.

These initiatives have resulted in some noticeable improvements, such as the increased attainment of matric and bachelor's degree passes, and more learners achieving 60 per cent or more in physical science and mathematics. However, significant efforts are still needed to enhance the quality of education, particularly in the early grades. More specifically, the sector urgently needs to address the shortage of teachers, as well as shortfalls in school allocations, in some provinces to meet norms and standards requirements; improve the delivery of school infrastructure; and increase investments in ICT, and educator training and development. This chapter reviews expenditure and performance in the education sector from the provincial perspective, focusing on basic education.

Current landscape

Spending

Compared to countries within the Organisation for Economic Cooperation and Development, South Africa's spending on basic education as a percentage of GDP is relatively high. In 2023/24, R309.7 billion was spent on education from grades R to 12, equivalent to 13.6 per cent of government's total expenditure for the year, or 4.4 per cent of GDP. Despite this, the quality of education remains unsatisfactory. To improve outcomes, work in the sector is focused on the foundation phase, as government prioritises investments in ECD and grade R programmes, and teacher development and training, particularly in literacy and numeracy.

Allocations for ECD and grade R represent a relatively small portion of the overall budget, primarily because of the lower number of learners in these phases compared to higher grades. However, the prioritisation of ECD is reflected in spending and the function's portion of the budget. Between 2020/21 and 2023/24, the share of ECD expenditure increased from 2.8 per cent to 3.1 per cent, and was projected to increase further to 3.4 per cent in 2024/25 and remain constant over the medium term.

By 2026/27, spending on basic education is projected to decrease slightly to 13.2 per cent of total government expenditure and 4.1 per cent of GDP. The slight decrease in the share of education in government expenditure is mainly due to allocations as part of the presidential employment intervention concluding in 2023/24.

Table 3.1 details the components of basic education and its share of funding from 2020/21 to 2026/27. Primary and secondary school education administered by provinces received the largest combined share (76.3 per cent) of the total education budget in 2020/21. Because of an increased allocation to ECD, this share is expected to decrease slightly, to 75.7 per cent, in 2026/27.

Table 3.1 Education components and shares in provinces (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Education	**266 048**	**280 906**	**293 822**	**309 740**	**316 462**	**328 824**	**343 534**
of which							
Primary school education	113 594	117 216	120 469	126 475	129 584	135 779	142 052
Secondary school education	89 272	93 622	98 057	102 990	107 448	113 227	118 010
Early childhood development	7 476	8 057	8 755	9 599	10 618	11 202	11 704
Percentage share of total education							
Primary school education	42.7%	41.7%	41.0%	40.8%	40.9%	41.3%	41.4%
Secondary school education	33.6%	33.3%	33.4%	33.3%	34.0%	34.4%	34.4%
Early childhood development	2.8%	2.9%	3.0%	3.1%	3.4%	3.4%	3.4%
GDP (R billion)	**5 616**	**6 312**	**6 722**	**7 049**	**7 452**	**7 914**	**8 422**
Provincial education total as a percentage of GDP	4.7%	4.5%	4.4%	4.4%	4.2%	4.2%	4.1%

Source: National Treasury provincial database

Enrolment

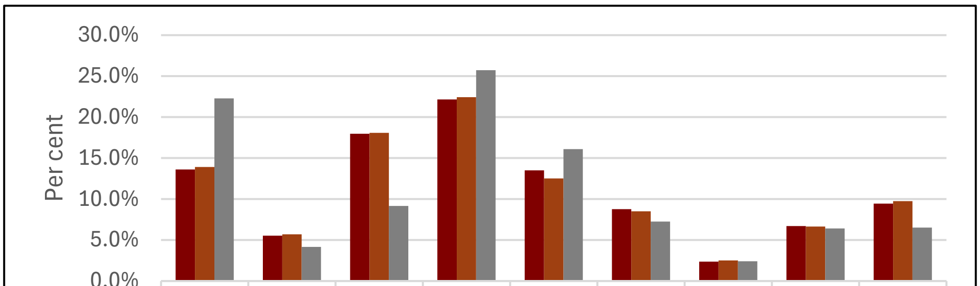
South Africa has successfully achieved near universal access to education for children aged 7 to 15 and more leaners are being enrolled in the schooling system each year. Enrolment in public and independent schools between 2020 and 2023 increased by 223 211, from 13.2 million to 13.4 million, at an average annual rate of 0.6 per cent. The number of children with access to schools also continues to increase, with those at independent schools increasing faster than public schools. Over the same period, enrolment at independent schools increased at an average annual rate of 3.1 per cent compared to 0.4 per cent in public schools as independent schools are able to be established more easily.

More than 99 per cent of children in South Africa have access to schooling

Public schools

Despite the slow growth in public school enrolments between 2020 and 2023, public schools continue to enrol more than 95 per cent of the country's learners. In 2023, 12.5 million learners in 22 511 public ordinary schools were taught by 409 488 educators, including those funded by governing bodies, representing an average of 564 learners per school and 30.8 learners per teacher. Gauteng and Western Cape, which are predominantly urban provinces, have the highest learner-to-school ratios at 1 107:1 and 818:1, respectively. The ratios for largely rural provinces such as Eastern Cape (345:1) and Limpopo (473:1) are lower. This is mainly because there are more small schools in these provinces as populations are dispersed, and geographic challenges, including learners having to walk long distances to school and a lack of infrastructure such as bridges to cross rivers.

Figure 3.1 Percentage distribution of learners, teachers and schools (2023)



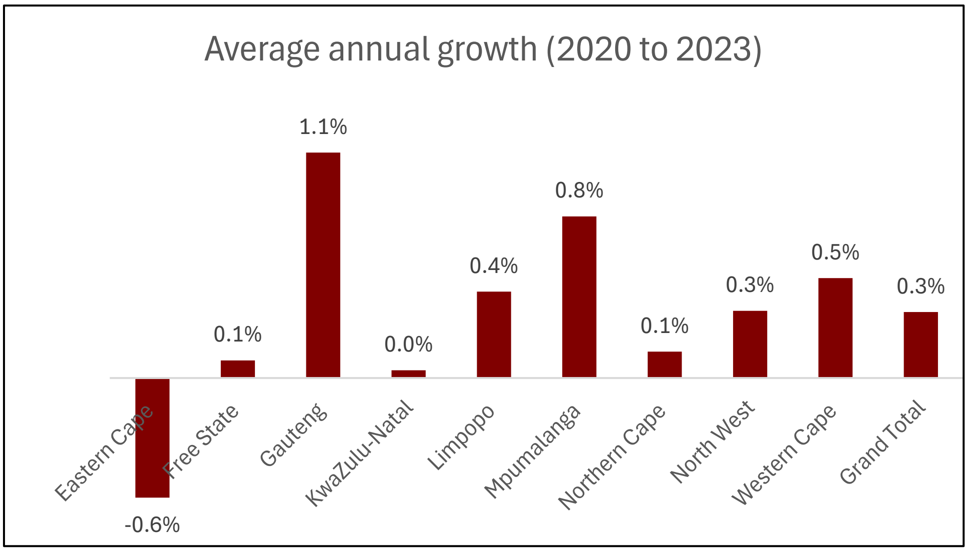
	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape
Leaners	13.6%	5.5%	18.0%	22.1%	13.5%	8.8%	2.4%	6.7%	9.4%
Educators	13.9%	5.7%	18.1%	22.4%	12.5%	8.5%	2.5%	6.6%	9.7%
Schools	22.3%	4.2%	9.2%	25.7%	16.1%	7.2%	2.4%	6.4%	6.5%

Source: School realities (2023), Department of Basic Education

KwaZulu-Natal has the largest proportion of learners (21.4 per cent), teachers (21.2 per cent) and schools (24.2 per cent)

Figure 3.1 shows the percentage distribution of learners, teachers and schools by province for 2023. KwaZulu-Natal has the largest proportions of South Africa's learners (22.1 per cent), teachers (22.4 per cent) and schools (25.7 per cent). Northern Cape has the smallest proportions of learners (2.4 per cent), teachers (2.5 per cent) and schools (2.4 per cent). These proportions align with national demographical statistics in that KwaZulu-Natal and Gauteng are the most populous provinces. Figure 3.1 also shows that Eastern Cape has the lowest ratio of learners to schools, with 22.3 per cent of the country's schools but only 13.6 per cent of its learners. Because the population in this province is dispersed, more schools are required to accommodate fewer learners in a particular area.

Figure 3.2 Provincial average enrolment growth trend (2020 to 2023)



Source: School realities (2023), Department of Basic Education

Mpumalanga needs to build 400 schools to meet demand

Figure 3.2 shows provincial average enrolment trends from 2020 to 2023. Gauteng had the fastest average annual enrolment growth over this period at 1.1 per cent. Mpumalanga had the second-highest average annual growth at 0.8 per cent, outpacing Western Cape, which is usually second. Enrolments in Eastern Cape decreased at an average annual rate of 0.6 per cent. Provinces with faster learner growth have a higher burden to provide additional school infrastructure. For example, according to a parliamentary brief to the National Council of Provinces on 1 April 2022, Mpumalanga needs to build 400 additional schools to accommodate its growth in learners. The influx of people to Gauteng and Western Cape poses similar challenges in terms of demand for additional resources. The decreasing number of learners in Eastern Cape also creates problems for infrastructure planning and the allocation of teachers and other resources. For instance, the province has had to close schools that are not viable because of low learner numbers. The closed schools are not usually repurposed, resulting in idle and vandalised buildings, which pose safety risks. Learners who remain also need to be transported to nearby schools, which is another cost.

In the foundation phase, an average of 51.7 per cent of the total learners enrolled in public schools are boys. However, girls make up more than half in grade 11 (53.1 per cent) and grade 12 (56.6 per cent). This suggests that there are high dropout or repetition rates among boys and that retention programmes need to be put in place for this segment of learners. Sanitary towels are provided for girls to ensure that they do not miss school days during their menstrual cycles.

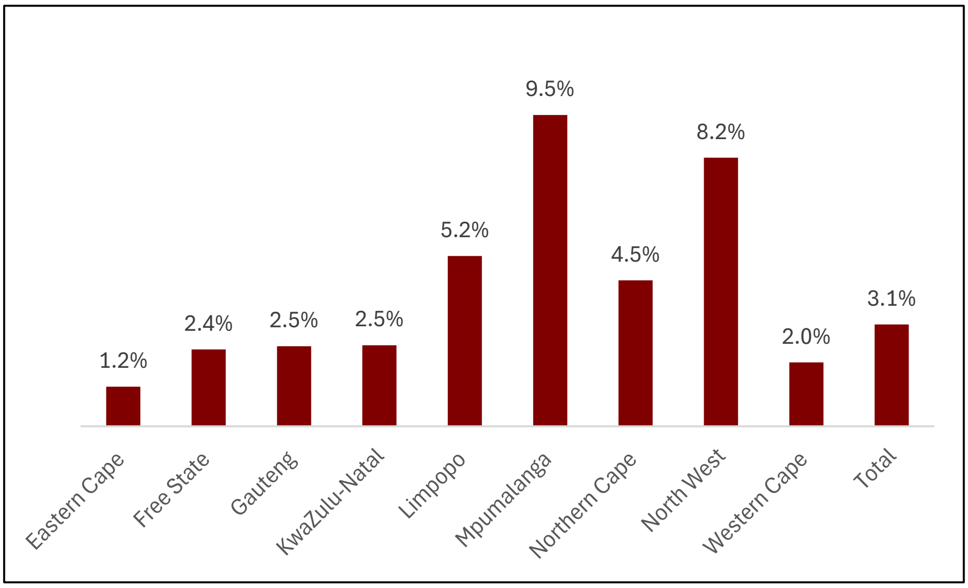
Independent schools

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

Between 2020 and 2023, the number of independent schools increased at an average annual rate of 1.9 per cent, from 2 195 to 2 325. Gauteng, the province with the most schools, had 834 in 2020 and 918 in 2023. The increasing number of independent schools in the province can be attributed to government's inability to meet demand for schools, particularly in urban areas, where the population is increasing. However, some of the growth relates to choices by middle- to high-income earners 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.

Enrolments in independent schools increased from 673 053 in 2020 to 738 108 in 2023, representing an average annual growth rate of 3.1 per cent compared with 0.3 per cent in public schools over the same period. Gauteng has the most learners enrolled in private schools, at 346 555, representing 50 per cent of total independent school enrolments nationally. Mpumalanga had the fastest growing enrolment rates in independent schools between 2020 and 2023, increasing at an average annual rate of 9.5 per cent, albeit off a low base.

Figure 3.3 Average annual growth rates in independent school enrolments (2020 to 2023)



Source: School realities (2023), Department of Basic Education

Because private schools are able to generate more income through higher school fees and the use of part-time teachers for certain subjects, the learner-to-educator ratio at independent schools in 2023 was considerably lower than at public schools, averaging 16:1. In most of these schools, the cost of learner and teacher support materials and infrastructure maintenance is covered by parents and sponsors. Smaller classes enable teachers to give more attention to each learner.

Budget and expenditure trends

Education is the largest component of provincial expenditure, averaging 40 per cent between 2020/21 and 2023/24.

Table 3.2 Provincial expenditure[1] on education (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	36 963	37 346	39 288	41 047	42 441	44 104	45 828
Free State	15 479	16 570	17 230	18 386	17 895	18 579	19 483
Gauteng	51 813	56 957	59 964	63 147	65 843	68 588	71 481
KwaZulu-Natal	57 391	58 661	60 342	62 915	62 989	65 708	68 629
Limpopo	32 939	35 203	37 084	38 638	40 029	41 808	44 163
Mpumalanga	22 355	23 829	24 225	25 156	26 369	27 424	28 650
Northern Cape	7 180	7 470	7 948	8 609	8 112	8 398	8 778
North West	17 481	19 119	19 613	21 493	21 932	22 865	24 023
Western Cape	24 446	25 752	28 129	30 344	30 850	31 350	32 500
Total	**266 048**	**280 906**	**293 822**	**309 735**	**316 462**	**328 824**	**343 534**

Percentage growth (average annual)	**2020/21 to 2023/24**	**2023/24 to 2026/27**
Eastern Cape	3.6%	3.7%
Free State	5.9%	2.0%
Gauteng	6.8%	4.2%
KwaZulu-Natal	3.1%	2.9%
Limpopo	5.5%	4.6%
Mpumalanga	4.0%	4.4%
Northern Cape	6.2%	0.6%
North West	7.1%	3.8%
Western Cape	7.5%	2.3%
Total	**5.2%**	**3.5%**

1. Includes conditional grant expenditure.

Source: National Treasury provincial database

The medium-term allocation includes provisions for extending the ECD and school nutrition programmes

Total provincial expenditure on education increased from R266 billion in 2020/21 to R309.7 billion 2023/24, representing an average annual increase of 5.2 per cent, mainly to accommodate inflationary increases. The sector also received additional funding during the period under review, as part of the presidential employment intervention, to augment the budget for the school nutrition programme, provide additional resources for learners with special needs, and rehabilitate damaged infrastructure caused by floods in Eastern Cape, KwaZulu-Natal and North West. However, government's fiscal consolidation strategy also led to budget reductions for the sector during the period under review.

The consolidated provincial budget for education was expected to increase at an average annual rate of 3.5 per cent over the MTEF period to reach R343.5 billion by 2026/27. This was slightly lower than the average annual growth rate of 3.9 per cent between 2020/21 and 2023/24, mainly due to the presidential employment intervention coming to an end in 2023/24. The medium-term projection included an allocation of R5.5 billion for the increase in the number of children accessing the subsidy component of the *early childhood development* *grant*, the provision of preregistration support to ECD centres, and carry-through costs arising from the 2023 public sector wage agreement.

The education sector's average share of provincial budgets remained at a constant 40 per cent between 2020/21 and 2023/24. However, to prevent the sector from crowding out expenditure in other sectors, cost-containment measures are implemented continually, including improvements to make logistical and procurement arrangements more efficient. The education sector's share was projected to have increased slightly to 42.6 per cent by 2026/27, mainly due to an expected increase in the enrolment of new learners in line with the expansion of the ECD service.

Expenditure and budgets by programme

Table 3.3 Provincial expenditure on education by programme (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Administration	15 408	15 898	16 889	17 777	19 449	19 455	20 315
Public ordinary school education	209 493	218 570	226 590	238 528	246 770	258 960	270 481
of which:							
Primary schools	*112 638*	*116 265*	*119 436*	*125 391*	*128 516*	*134 655*	*140 881*
Secondary schools	*88 656*	*93 003*	*97 271*	*102 264*	*106 748*	*112 491*	*117 243*
Other subprogrammes	*8 199*	*9 302*	*9 884*	*10 873*	*11 507*	*11 814*	*12 356*
Independent school subsidies	1 573	1 571	1 820	1 809	1 769	1 860	1 938
Public special school education	9 766	10 416	11 069	11 775	13 092	13 421	14 017
Early childhood development	7 476	8 057	8 755	9 599	10 618	11 202	11 704
Infrastructure development	11 364	12 397	14 195	15 199	15 713	15 095	15 736
Examination and education-related services	10 970	13 998	14 504	15 053	9 050	8 831	9 343
Total	**266 048**	**280 906**	**293 822**	**309 740**	**316 462**	**328 824**	**343 534**

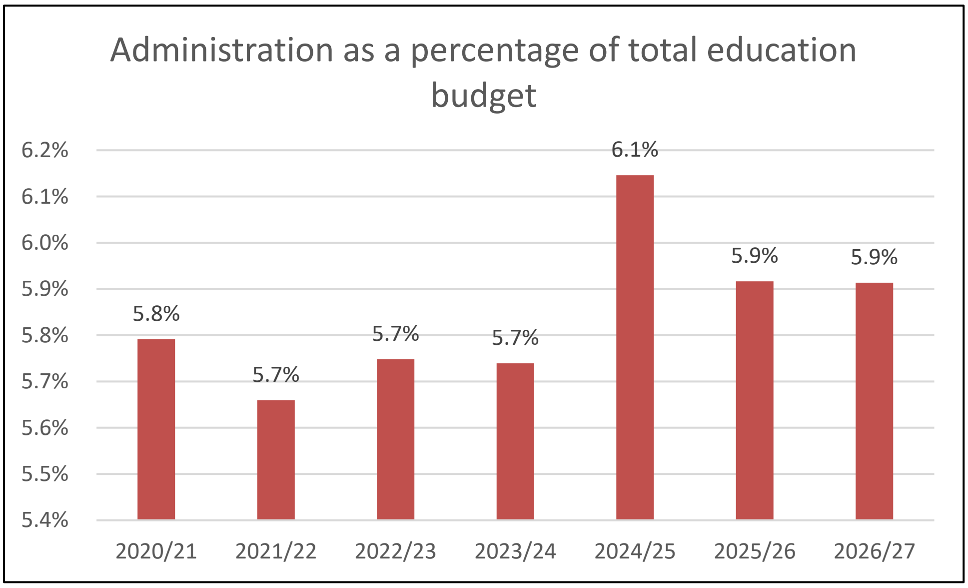
Percentage growth (average annual)	**2020/21 to 2023/24**	**2023/24 to 2024/25**	**2023/24 to 2026/27**
Administration	4.9%	9.4%	4.6%
Public ordinary school education	4.4%	3.5%	4.3%
Independent school subsidies	4.8%	-2.2%	2.3%
Public special school education	6.4%	11.2%	6.0%
Early childhood development	8.7%	10.6%	6.8%
Infrastructure development	10.2%	3.4%	1.2%
Examination and education-related services	11.1%	-39.9%	-14.7%
Total	**5.2%**	**2.2%**	**3.5%**

Source: National Treasury provincial database

Administration

Figure 3.4 shows expenditure on administration as a percentage of education expenditure between 2020/21 to 2026/27.

Figure 3.4 Proportion of provincial education expenditure on administration (2021/22 to 2026/27)



Source: National Treasury provincial database

Spending on administration as a percentage of total expenditure in the education sector decreased from 5.8 per cent in 2020/21 to 5.7 per cent in 2023/24, mainly due to the implementation of cost-containment measures and the prioritisation of allocations to core functions. This spending was projected to reach 5.9 per cent of total expenditure by 2026/27. Although the sector prioritises core programmes, high wage settlements make it difficult to reduce expenditure on administration significantly.

Public ordinary school education

Expenditure on public ordinary schools, which receive the largest budget allocation in the sector, was expected to increase at an average annual rate of 4.3 per cent over the MTEF period

The largest proportion of the provincial education budget is spent on the public ordinary school programme. This includes public primary and secondary schools as well as per-learner allocations to schools. To cover inflation-related increases and a projected increase in enrolments, expenditure on public ordinary school education was expected to increase at an average annual rate of 4.3 per cent over the medium term to reach R270.5 billion by 2026/27.

Independent schools

Expenditure on subsidies to independent schools increased at an average annual rate of 4.8 per cent, from R1.6 billion in 2020/21 to R1.8 billion in 2023/24, higher than the 4.4 per cent average annual increase for public ordinary schools over the same period. This was due to the rapid increase in the number of enrolments at independent schools. However, because of the sector's prioritisation of ECD and a general reduction in the amount of funds available as a result of fiscal consolidation, this expenditure was expected to slow down to 2.3 per cent over the MTEF period to reach R1.9 billion by 2026/27. This growth is not adequate to provide for inflationary increases and could pose budgetary risks. The sector will continue to implement cost-containment measures to augment budgets where possible.

Public special schools

Spending on the public special school education programme increased at an average annual rate of 6.4 per cent, from R9.8 billion in 2020/21 to R11.8 billion in 2023/24. This significant increase was mainly due to a conditional grant for learners with severe to profound intellectual disabilities and an increase in enrolment. The budget was projected to increase by 11.2 per cent, to R13.1 billion, between 2023/24 and 2024/25 and stabilise at an average annual rate of 6 per cent over the medium term to reach R14 billion by 2026/27. The sector prioritises the provision of resources for learners with special needs, including the appointment of occupational therapists.

ECD and grade R

Table 3.4 ECD expenditure by province (2020/21 to 2026/27)

		Outcome		Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	832	915	837	978	1 119	1 224	1 271
Free State	452	512	579	625	695	733	761
Gauteng	1 658	1 917	2 001	2 153	2 438	2 606	2 724
KwaZulu-Natal	1 894	1 978	1 912	1 956	2 089	2 197	2 298
Limpopo	164	144	577	635	760	839	877
Mpumalanga	717	820	870	952	1 055	976	1 021
Northern Cape	105	113	202	193	215	229	240
North West	611	652	791	901	1 050	1 120	1 171
Western Cape	1 042	1 006	986	1 207	1 197	1 277	1 34
Total	**7 476**	**8 057**	**8 755**	**9 599**	**10 618**	**11 202**	**11 704**
Percentage growth (average annual)		**2020/21 to 2023/24**			**2023/24 to 2026/27**		
Eastern Cape		5.5%			9.1%		
Free State		11.4%			6.8%		
Gauteng		9.1%			8.2%		
KwaZulu-Natal		1.1%			5.5%		
Limpopo		56.9%			11.4%		
Mpumalanga		9.9%			2.3%		
Northern Cape		22.6%			7.5%		
North West		13.8%			9.1%		
Western Cape		5.0%			3.6%		
Total		**8.7%**			**6.8%**		

Source: National Treasury provincial database

The ECD programme continues to be a priority. Its budget increased by 10.6 per cent between 2023/24 and 2024/25

Enrolments in the ECD programme increased from 744 899 in 2020/21 to 762 540 in 2023/24, and expenditure on ECD and grade R increased at an average annual rate of 8.7 per cent over the same period. This is reflective of government's commitment to expanding the ECD programme to reach more children and strengthen support to ECD centres, and the shift of the ECD function from social development to education.

Limpopo's expenditure on ECD increased at the highest average annual rate (56.9 per cent), followed by Northern Cape at 22.6 per cent. KwaZulu-Natal had the lowest average annual growth rate at 1.1 per cent. Total provincial ECD expenditure was projected to increase at an average annual rate of 6.8 per cent to reach R11.7 billion in 2026/27. New enrolments were expected to continue growing as schools made provision for more grade R infrastructure and resources. This is in line with the requirements of the Basic Education Law Amendment Act (2024), which makes grade R compulsory. Average annual growth rates for expenditure on ECD over the medium term were projected to be highest in Limpopo at 11.4 per cent, followed by Eastern Cape and North West at 9.1 per cent.

Table 3.5 Expenditure and budgets by economic classification (2020/21 to 2026/27)

	Outcome			Audited Outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Current payments	229 906	242 718	253 680	268 242	276 463	288 063	300 844
of which:							
Compensation of employees	*205 363*	*215 308*	*223 035*	*235 766*	*244 834*	*256 631*	*267 820*
Goods and services	*24 541*	*27 407*	*30 637*	*32 470*	*31 629*	*31 432*	*33 024*
Transfers and subsidies	29 038	29 133	30 035	31 262	28 675	30 094	31 668
Payments for capital assets	6 873	9 030	10 014	10 124	11 319	10 662	11 017
Payments for financial assets	231	26	93	107	5	5	6
Total	**266 048**	**280 906**	**293 822**	**309 735**	**316 462**	**328 824**	**343 534**
Percentage of provincial education expenditure							
Current payments	86.4%	86.4%	86.3%	86.6%	87.4%	87.6%	87.6%
of which:							
Compensation of employees	*77.2%*	*76.6%*	*75.9%*	*76.1%*	*77.4%*	*78%*	*78%*
Goods and services	*9.2%*	*9.8%*	*10.4%*	*10.5%*	*10.0%*	*9.6%*	*9.6%*
Transfers and subsidies	10.9%	10.4%	10.2%	10.1%	9.1%	9.2%	9.2%
Payments for capital assets	2.6%	3.2%	3.4%	3.3%	3.6%	3.2%	3.2%
Payments for financial assets	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Percentage growth (average annual)		**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2023/24 to 2026/27**	
Current payments		5.3%		3.1%		3.9%	
of which:							
Compensation of employees		4.7%		3.8%		4.3%	
Goods and services		9.8%		-2.6%		0.6%	
Transfers and subsidies		2.5%		-8.3%		0.4%	
Payments for capital assets		13.8%		11.8%		2.9%	
Payments for financial assets		-22.7%		-95.2%		-62.6%	
Total		**5.2%**		**2.2%**		**3.5%**	

Source: National Treasury provincial database

Table 3.5 shows the proportion of provincial expenditure on education by economic classification and the percentage growth from 2020/21 to 2026/27. Compensation of employees, which constitutes the bulk of spending, was projected to increase from 76.1 per cent in 2023/24 to 78 per cent in 2026/27.

Compensation of employees

Table 3.6 Expenditure on compensation of education employees by province (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	29 464	29 709	30 287	31 404	33 719	35 157	36 171
Free State	11 745	12 416	13 140	13 912	13 529	14 729	15 480
Gauteng	37 539	40 309	41 810	45 244	48 689	50 856	53 253
KwaZulu-Natal	46 020	48 848	50 478	52 364	51 891	54 153	56 515
Limpopo	26 115	26 751	27 608	28 929	30 641	32 411	34 378
Mpumalanga	17 745	18 451	18 961	19 735	21 172	22 289	23 314
Northern Cape	5 348	5 552	5 716	6 075	5 962	6 234	6 513
North West	13 810	14 488	15 157	16 356	16 922	17 745	18 574
Western Cape	17 577	18 786	19 879	21 746	22 308	23 058	23 622
Total	**205 363**	**215 308**	**223 035**	**235 766**	**244 834**	**256 631**	**267 820**
Percentage growth (average annual)		**2020/21 to 2023/24**			**2023/24 to 2026/27**		
Eastern Cape		2.1%			4.8%		
Free State		5.8%			3.6%		
Gauteng		6.4%			5.6%		
KwaZulu-Natal		4.4%			2.6%		
Limpopo		3.5%			5.9%		
Mpumalanga		3.6%			5.7%		
Northern Cape		4.3%			2.3%		
North West		5.8%			4.3%		
Western Cape		7.4%			2.8%		
Total		**4.7%**			**4.3%**		

Source: National Treasury provincial database

Spending on compensation of employees was projected to increase at an average annual rate of 4.3 per cent over the medium term, slightly lower than the 4.7 per cent growth between 2020/21 and 2023/24 in response to the need for teacher and general assistants to cope with the effects of the COVID-19 pandemic. Despite projections of remaining within inflationary increases over the MTEF period, pending wage negotiations, this relatively slow growth has created budgetary pressures and operational challenges for the education sector. In particular, the sector has struggled to fill vacant posts and recruit additional teachers in response to the increase in the number of learners. Given these pressures, the sector continues to implement personnel management strategies, which entail rationalising teachers and the amount of incapacity leave. In addition, some provinces such as Eastern Cape, Free State and KwaZulu-Natal have had to shift funds from their operational budgets to fund compensation of employees.

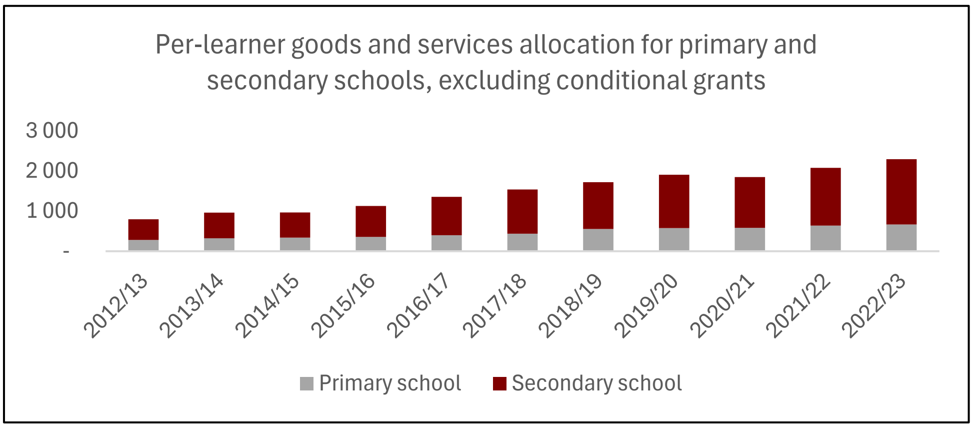
Goods and services

The percentage share of goods and services was set to decrease over the MTEF period, mainly because of the growing wage bill

The main spending items under the goods and services classification are learner and teacher support materials such as textbooks, stationery and sports equipment; the school nutrition programme; teacher development programmes; and learner transport costs. Spending on goods and services was projected to increase at an average annual rate of 0.6 per cent, from R32.4 billion in 2023/24 to R33 billion in 2026/27. This was 9.2 per cent less than the rate of increase between 2020/21 and 2023/24, which was mainly due to the provision of additional resources, such as personal protection equipment, in response to the

COVID-19 pandemic. Additional funding was also provided to meet nutritional needs for the school nutrition programme.

Figure 3.5 Per-learner allocation (2012/13 to 2022/23)



Source: National Treasury database

Figure 3.5 shows spending on goods and services per learner from 2012/13 to 2022/23 in primary and secondary schools. Secondary school learners are funded more than those in primary schools because secondary schools require more specialised resources, including teachers who can offer varied and complex curriculums, among other things.

In addition to the projected slow growth in spending on goods and services over the MTEF period, the percentage share of expenditure on goods and services against total spending was expected to decrease from 10.5 per cent in 2023/24 to 9.6 per cent in 2026/27. This was mainly due to the reprioritisation of funds towards compensation of employees to keep pace with the growing wage bill within the constraints of South Africa's tight fiscal position.

The limited budget for goods and services is also a challenge for investment in new priorities, including catch-up programmes to address learning losses that occurred during the pandemic; and makes it difficult for the sector to address persistent cash flow problems.

Transfers and subsidies

Transfers and subsidies, which mainly comprise payments to schools for their operations, were projected to increase at an average annual rate of 0.4 per cent over the medium term to reach R31.7 billion in 2026/27. The average annual growth rate was 2.5 per cent between 2020/21 and 2023/24, slightly higher than the medium-term projection because of additional allocations as part of the presidential employment intervention, which concluded in 2023/24.

Payments for capital assets

Between 2020/21 and 2023/24, spending on capital assets increased at an average annual rate of 13.8 per cent, from R6.9 billion to R10.1 billion, mainly because of provisions for COVID-19 response efforts. Additional funding was also provided for the rehabilitation of school infrastructure damaged by floods in Eastern Cape and KwaZulu-Natal in 2019 and 2020. Expenditure on capital assets between 2023/24 and 2024/25 was expected to increase by 11.8 per cent to R11.3 billion before stabilising to an average annual increase of 2.9 per cent to reach R11 billion by 2026/27. Although the medium-term budget included additional allocations from the budget facility for infrastructure to the *education infrastructure grant* to fund the building of new schools in Gauteng, the slow growth in payments for capital assets over the medium term signalled budget constraints that are likely to limit the sector to maintaining existing, rather than developing new, infrastructure.

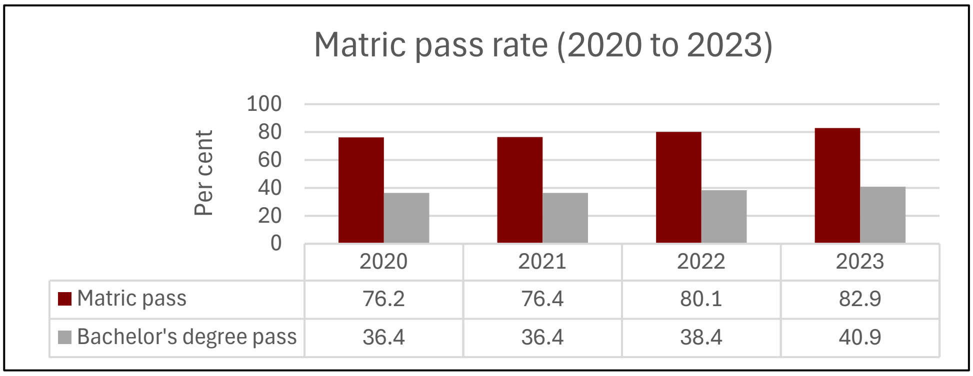
Service delivery achievements

Grade 12 performance

In 2023, 715 719 learners were enrolled in grade 12. Of these, 691 160 wrote the matric examinations and 572 983 passed. The overall matric pass rate was 82.9 per cent, of which 40.9 per cent obtained bachelor's degree passes. As shown in Figure 3.5, between 2020 and 2023, overall matric passes increased by 6.7 per cent while bachelor's degree passes increased by 4.5 per cent. Matric passes in 2020 and 2021 were low mostly due to learning losses during the COVID-19 pandemic.

82.9 per cent of matric students passed in 2023, with 40.9 per cent obtaining bachelor's degree passes

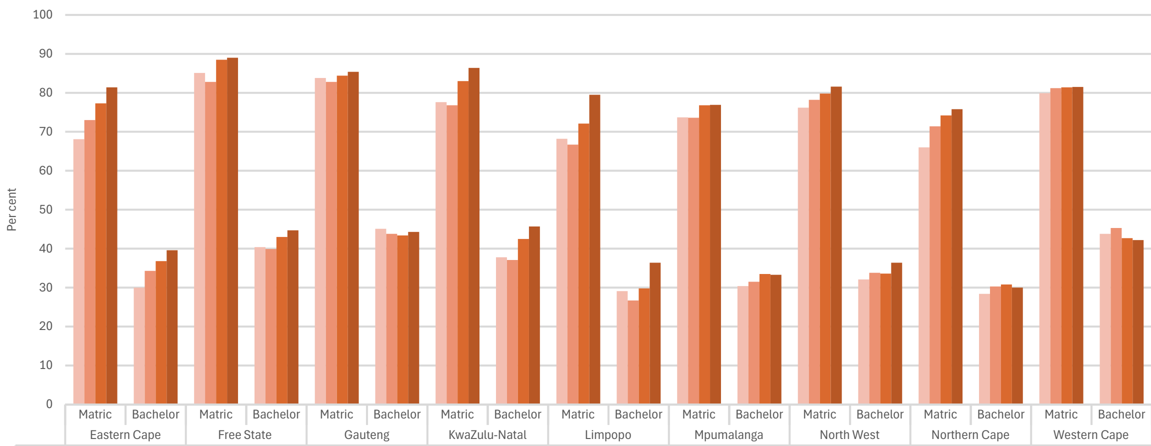
Figure 3.6 Matric and bachelor's degree pass rates (2020 to 2023)



Source: National senior certificate report (2020 to 2023), Department of Basic Education

Figure 3.7 shows the matric and bachelor's degree pass rates per province from 2020 to 2023. Free State has consistently had the highest matric pass rate, which increased from 85.1 per cent in 2020 to 89 per cent in 2023. Limpopo reported the lowest pass rates in 2021 and 2022, and Northern Cape reported the lowest pass rate in 2023. In 2023, KwaZulu-Natal had the highest percentage of bachelor's degree passes at 45.7 per cent, and Northern Cape had the lowest percentage at 30 per cent. The bachelor's degree pass rate is a key performance indicator in education as it measures the quality of matric results. The sector is striving to improve the number of bachelor's degree passes, especially in quintile 1 to 3 schools, which are normally in rural areas and historically disadvantaged communities. Bachelor's degree passes in quintile 1 to 3 schools increased from 26.2 per cent in 2020 to 37.2 per cent in 2023, suggesting that educational outcomes in these schools are improving.

Figure 3.7 Matric and bachelor's degree pass rates per province (2020 to 2023)



	Eastern Cape Matric	Eastern Cape Bachelor	Free State Matric	Free State Bachelor	Gauteng Matric	Gauteng Bachelor	KwaZulu-Natal Matric	KwaZulu-Natal Bachelor	Limpopo Matric	Limpopo Bachelor	Mpumalanga Matric	Mpumalanga Bachelor	North West Matric	North West Bachelor	Northern Cape Matric	Northern Cape Bachelor	Western Cape Matric	Western Cape Bachelor
2020	68.1	30	85.1	40.4	83.8	45.1	77.6	37.8	68.2	29.1	73.7	30.4	76.2	32.1	66	28.4	79.9	43.8
2021	73	34.3	82.8	39.9	82.8	43.8	76.8	37.1	66.7	26.7	73.6	31.5	78.2	33.8	71.4	30.3	81.2	45.3
2022	77.3	36.8	88.5	43	84.4	43.4	83	42.5	72.1	29.8	76.8	33.5	79.8	33.6	74.2	30.8	81.4	42.7
2023	81.4	39.6	89	44.7	85.4	44.3	86.4	45.7	79.5	36.4	76.9	33.3	81.6	36.4	75.8	30	81.5	42.2

Source: National senior certificate report (2020 to 2023), Department of Basic Education

Education outcomes below grade 12

Since the discontinuation of the annual national assessments in 2014, there are no national standardised tests for evaluating numeracy and literacy from grades 1 to 11. However, South Africa participates in the Progress in International Reading Literacy Study (PIRLS), the Trends in International Mathematics and Science Study (TIMSS) and the Southern and Eastern Africa Consortium for Monitoring Education Quality to provide benchmarking assessments.

International benchmark studies such as PIRLS indicate that South Africa has had more learning losses due to the COVID-19 pandemic than any other participating country

According to results based on the 2021 PIRLS, the progress made between 2006 and 2016 is being reversed. In 2016, 78 per cent of grade 4 learners were not able to read for meaning. By the time the study was conducted, this had risen to 81 per cent. According to the report, this decline was because South Africa made very little investment in recovery and catch-up programmes after the pandemic compared with other countries that participated in the study, with the no-fee and rural schools bearing most of the learning losses.

Overall, PIRLS results show that the education sector still needs to invest significantly in improving literacy and numeracy, and that much more work is needed to recover from learning losses. In response, the Department of Basic Education issued the learning recovery programme guidelines in 2023 to help schools and teachers identify and address learning gaps.

Table 3.7 Learner and teacher support materials (2023/24)

Province	Retention and retrieval provincial average percentage	Universal coverage provincial averages	Ordered workbooks delivered
Eastern Cape	97%	94%	100%
Free State	96%	92%	100%
Gauteng	98%	84%	100%
KwaZulu-Natal	92%	93%	100%
Limpopo	93%	93%	100%
Mpumalanga	89%	100%	100%
Northern Cape	92%	91%	100%
North West	96%	98%	100%
Western Cape	93%	83%	100%
National average	94%	92%	100%

Source: Department of Basic Education South African school administration and management system database

As part of creating an effective learning system for all learners, the education sector has made strides in improving the delivery of textbooks and other support material to ensure they are of the right quality and quantity and that schools receive them timeously. Table 3.6 shows that all schools received their required workbooks in 2023/24, a critical achievement because quality learning materials are essential for effective education. With an overall average of 92 per cent, provinces' provision of learning and teaching support materials for every child in every classroom has varied. The lowest coverage percentages in 2023/24 were in Western Cape (83 per cent) and Gauteng (84 per cent).

As part of its plan to improve the provision of learning and teaching support materials, the sector has had to address the loss of textbooks and workbooks in schools. Instead of simply replacing lost materials, provincial education departments have allocated more funding to provide new learner and teacher support materials to extend their reach to schools with inadequate materials. However, a lack of timeous and accurate reporting and data capturing accurately and timeously by schools makes it difficult to track progress in the retention and retrieval of materials. Table 3.6 shows that eight provinces reported retrieval and retention rates of above 90 per cent for textbooks and workbooks in 2023/24. Mpumalanga reported the lowest rate at 89 per cent. These rates are reported using the Department of Basic Education's South African school administration and management system database.

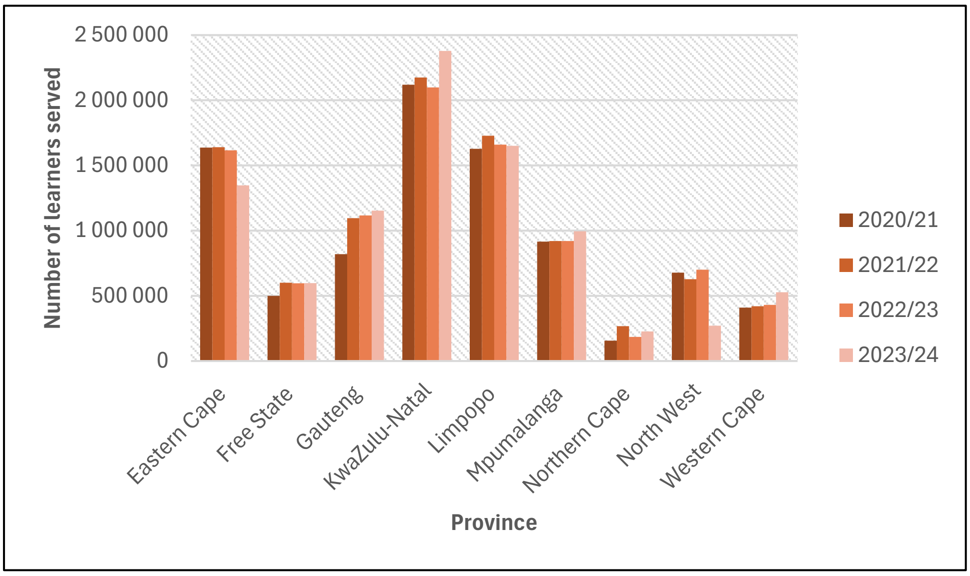
National school nutrition programme

Table 3.8 School nutrition programme budgets and expenditure per province (2023/24)

Province	Total available	Expenditure	Amount spent (%)	Number of schools served	Average number of learners served
Eastern Cape	1 647 454	1 630 918	99%	4 515	1 347 268
Free State	534 906	532 853	99.6%	804	597 157
Gauteng	1 094 224	1 094 215	100%	1 074	1 153 263
KwaZulu-Natal	2 088 759	2 252 693	107.8%	5 436	2 377 910
Limpopo	1 664 681	1 655 128	99.4%	3 562	1 650 407
Mpumalanga	886 378	871 528	98.3%	1 533	994 685
Northern Cape	244 451	249 834	102.2%	483	226 605
North West	621 287	621 964	100.1%	1 327	271 006
Western Cape	496 802	497 918	100.2%	1 051	527 234
Grand total	**9 278 942**	**9 407 051**	**101.4%**	**19 785**	**9 145 535**

Source: Basic education conditional grants quarter 4 report (2023/24)

Figure 3.8 School nutrition programme beneficiaries per province (2020/21 to 2023/24)



Source: Basic education conditional grants quarter 4 report (2020/21 to 2023/24)

The national school nutrition programme has continued to make progress towards achieving the sector's goal of providing universal access to quality education through, among other things, providing nutritional meals to learners. The programme is intended to address hunger and malnutrition, and has shown that it can contribute to reducing absenteeism and improving learner participation in class. The sector spent R9.2 billion in 2023/24 through the *national school nutrition programme grant* to provide nutritious meals to 9 145 535 learners in 19 785 schools. KwaZulu-Natal had the most learners in the programme in 2023/24 (2.4 million learners in 5 436 schools), spending R2.3 billion, and the fastest growth in learners who benefited from the programme. Where the expenditure is more than the allocated conditional grants, the province covers the difference with the equitable share. The only provinces in which the number of beneficiaries decreased were Eastern Cape, from 1.6 million learners in 2020/21 to 1.3 million in 2023/24, and Northern Cape, from 677 913 learners in 2020/21 to 271 006 in 2023/24. This was due to a combination of budget pressures and a decrease in learner numbers through migration.

Medium-term outlook

Strengthening ECD

The ECD function was shifted from social development to education in April 2022 to ensure a more dedicated focus on this critical phase, with universal access to effective ECD and grade R as a foundation for learning as the primary objective. As such, over the medium term, the sector planned to focus on increasing the number of children accessing ECD programmes. This made it urgent to accelerate the registration process for ECD centres and enhance support for them by maintaining and upgrading infrastructure. Such measures ensure greater compliance with established norms and standards, thereby enabling increased capacity to enrol more children.

The Basic Education Laws Amendment Act (2024) represents a significant step towards strengthening early childhood education in South Africa, particularly by formalising the role and standards of grade R within the national education system. The sector is already gearing up to place more grade R learners in primary school and the Department of Basic Education has developed the curriculum and assessment policy statements for all grade R subjects.

The sector was expected to continue focusing on improving the quality of teaching and learning over the MTEF period by training pre-grade R and grade R teachers, with an emphasis on content and the skills needed to identify barriers to learning at the earliest possible stage.

Early grade reading assessment

Studies such as TIMSS and PIRLS have found that most learners, especially those not in English or Afrikaans schools, struggle to read for meaning. To respond to reading and literacy-related issues in the early grades, the sector was expected to intensify its implementation of the early grade reading assessment, a reading diagnostic tool available in 11 home languages and English as a first additional language. The purpose of the assessment is to measure reading levels of grade 1 to 3 learners in the language of instruction at their schools and track proficiency in letter-sound and word recognition, passage reading, and comprehension.

The tool provides teachers with a means to assess reading abilities and group learners in grades 1 to 3 for guided reading lessons. In addition, during the period under review, the sector focused on training and developing teachers to support the tool's effective delivery. The Department of Basic Education has developed guidelines on teaching reading for meaning in the early grades, and teaching handwriting.

Language and literacy implementation plan/mother tongue-based reading literacy strategy

The department's revision of the integrated national reading sector plan led to the development of the 2024-2030 national reading and literacy strategy, which advocates for African home languages to be prioritised in the development and distribution of adequate resources, teaching, learning and assessments, as well as teacher training. The strategy is intended to lay a foundation for mother tongue-based bilingual education from grade 4.

Addressing school infrastructure backlogs

Providing adequate school infrastructure continues to be a priority for the sector. At the same time, the increasing number of learners is creating higher demand for additional schools and classrooms. As budgets shrink because of the country's weak economic performance, the sector will reprioritise funding to focus on maintaining existing infrastructure and constructing additional classrooms where they are urgently needed.

Conclusion

The sector faced many challenges during the period under review. These included the impact of the COVID-19 pandemic, floods that damaged schools, and continual budget cuts due to government's imperative for fiscal consolidation. Despite this, government has protected and prioritised the education sector as it continues to make up the largest portion of the national budget.

Before the pandemic, international assessments such as PIRLS and TIMSS indicated that South Africa was making gradual progress, with consistent improvements in international scores for mathematics and languages. However, disruptions caused by COVID-19 restrictions have resulted in the country losing ground on a decade's worth of advancements. Despite the education sector's efforts to protect learners through the introduction of learning recovery and catch-up initiatives, the implementation of these plans, as well as budget allocations, have varied across provinces and exacerbated educational inequalities and outcomes. Under-resourced schools in poor and rural areas were disproportionately affected. Further efforts are required to strengthen and standardise catch-up programmes across the sector.

Despite ongoing challenges, the sector remains committed to improving the quality of education in South Africa. Significant progress was seen in matric results between 2020 and 2023. Even within budgetary constraints, the sector has maintained near universal access to education, expanded support for learners with special needs, and extended ECD programmes to reach more children. The national school nutrition programme continues to provide nutritious meals to millions of disadvantaged learners and contributes to regular attendance and active participation in school.

Strong emphasis was placed on developing teachers over the MTEF period, particularly on upgrading the qualifications of ECD and grade R practitioners, and enhancing early grade reading instruction in response to widespread literacy concerns identified in various studies on South Africa's basic education system. To ensure the effectiveness of these initiatives, the sector should consider conducting regular evaluations to assess their impact on educational outcomes, particularly in grades 1 to 11.

4

Health

Introduction

This chapter presents the latest published provincial health budgets for the period 2020/21 to 2026/27. It discusses expenditure performance for the period 2020/21 to 2023/24 and spending that was projected for the MTEF period (2024/25 to 2026/27). Expenditure grew by just 2.7 per cent between 2020/21 and 2023/24 despite an increased population, which has compounded the sector's longstanding challenges. The minimal growth in spending was because of several factors, including economic and fiscal constraints. South Africa faced significant economic difficulties before the COVID-19 pandemic, including slow growth, high levels of debt and fiscal consolidation.

Spending has been lower because of economic and fiscal constraints that persisted even before the COVID-19 pandemic

During the peak of the pandemic, much of the health budget was reallocated towards immediate needs such as vaccinations, purchasing personal protective equipment and upgrading critical care facilities. This left fewer resources for broader health services and routine care. Other important but non-COVID priority health areas such as non-communicable diseases and infrastructure expansion received less attention and funding, creating severe backlogs for the sector.

Additional personnel were appointed in critical frontline positions between 2019/20 and 2021/22 to combat COVID-19. Despite the need for additional capacity to clear the backlog created during the pandemic, many of these positions have since been terminated across provinces because of a lack of funding.

South Africa saw a notable increase in non-communicable diseases, including diabetes, heart disease and hypertension, following COVID19. This was compounded by the aftermath of the COVID-19 pandemic, which intensified risk factors such as poor diet, lack of exercise and higher stress levels caused by lockdowns. Focus on the pandemic resulted in delays in diagnosing and treating non-communicable diseases, which remained the leading cause of death in the country during this period, followed by communicable diseases such as HIV/AIDS and TB. This trend highlights the importance of strengthening efforts to prevent and manage non-communicable and communicable diseases in the post-pandemic context.

Although the health sector continues to face many challenges, there has also been remarkable progress, including:

- the rapid expansion of vaccination programmes, which facilitated the immunisation of millions of South Africans against COVID-19
- innovative approaches such as the central chronic medicines dispensing and distribution programme and telehealth services
- improved life expectancy, which increased for women from 68.3 years in 2020 to 69.2 years in 2024, and for men from 62.8 years in 2020 to 63.6 years in 2024[1]
- a decrease in the infant mortality rate from 57 infant deaths per 1 000 live births in 2002 to 22.9 infant deaths per 1 000 live births in 2024. In addition, the mortality rate for children younger than five decreased from 79.7 per 1 000 live births in 2002 to 28.6 per 1 000 live births in 2024.

The expansion of the antiretroviral therapy programme has played a crucial role in reducing deaths related to HIV/AIDS. In addition, improving the prevention of mother-to-child HIV transmission has significantly reduced new infections in newborns.

Current landscape

South Africa's health policy is underpinned by a strong focus on achieving equitable and comprehensive health care for all its citizens. The policy landscape is characterised by a mix of progress and ongoing challenges. Although there has been great progress in the treatment of HIV/AIDS and TB, there is still a large unmet need, and the rise of drug-resistant TB poses an ongoing threat[2]. The burden of disease in the country has led to high levels of mortality and morbidity. However, the country continues to strengthen its health system, building resilience to ensure it can respond to health threats and address challenges effectively without exposing the population to system deficiencies.

The Health Systems Trust's 2023 Annual Health Review revealed that South Africa's performance in universal health coverage was commendable, with the country's overall universal health coverage index score rising from 66.2 per cent in 2020 to 71 per cent in 2021. It also showed that South Africa has strong financial protection, with just 1.4 per cent of households spending more than 10 per cent of their income on health.[3,4]

1 Statistics South Africa: Mid-year population estimates (2024).

2 Naidoo, Kogieleum et al. 2024. The epidemiology, transmission, diagnosis, and management of drug-resistant tuberculosis – lessons from the South African experience. The Lancet Infectious Diseases, 24(9).

3 Health Systems Trust Annual Health Review (2023).

4 World Health Organisation world health statistics report (2018).

National health insurance

The NDP 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, as shown in Figure 4.1, demonstrates the need for more equitable access to affordable health care cover and wider options for care. To achieve universal health coverage, South Africa has identified national health insurance (NHI) as the main vehicle to its realisation. It is a health-financing system designed to pool funds to provide access to quality, affordable personal health services for all South Africans. Although the National Health Insurance Act (2023) (NHI Act) was signed into law by the president in May 2024, its implementation will be gradual, with two key phases:

The first phase (2023 to 2026) focuses on establishing the necessary infrastructure, governance structures and systems to support the NHI. This includes the creation of the NHI Fund, which will purchase health care services for all registered users. The second phase (2026 to 2028) will involve full implementation to ensure universal access to health care services across the country.

The NHI Act envisions significant changes to provincial health functions, which are crucial to the strategy. The act still needs to be promulgated, and the NHI regulations must be gazetted for public comment.

Through the *national health insurance indirect grant* and the *national health insurance grant*, the Department of Health seeks to strengthen the public health care system in preparation for the implementation of NHI. The indirect grant had two components: health facility revitalisation and the health systems component.

The purpose of the indirect grant includes:

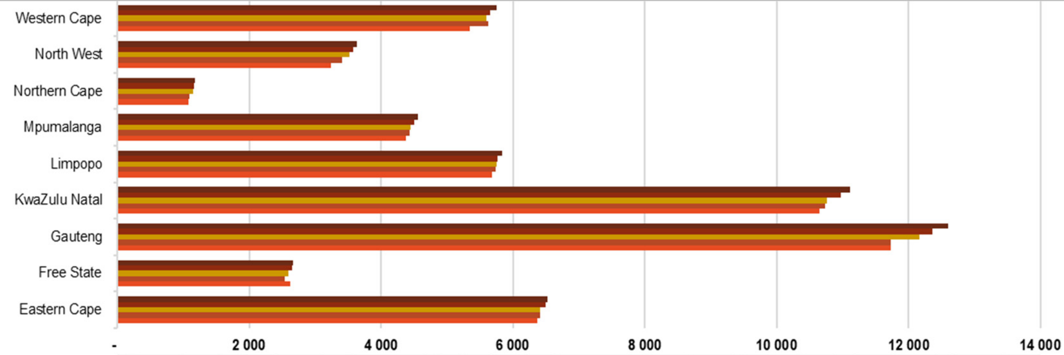
- designing NHI through innovative testing of new reforms and improving the quality of services at primary health care facilities
- ensuring appropriate health infrastructure in line with national and provincial policy objectives.

Key initiatives under the grant's health systems component include patient information systems, the ideal clinic programme, a medicines stock surveillance system, quality improvement measures and the central chronic medicines dispensing and distribution programme. These programmes have significantly improved the health system. For example, the chronic medicines dispensing and distribution programme had 6.5 million patients registered by the end of 2023/24[5], helping to reduce the burden on health facilities by bringing services closer to the community and indirectly addressing treatment defaulter rates.

Ultimately, the NHI Act aims to address barriers to access and promote the equitable and efficient use of resources to meet the health needs of all South Africans.

[5] Department of Health 2023/24 Annual Report.

Figure 4.1 Population without medical aid coverage by province (2020 to 2024)



	Eastern Cape	Free State	Gauteng	KwaZulu Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape
2024	6 523	2 666	12 610	11 120	5 834	4 565	1 177	3 632	5 752
2023	6 497	2 645	12 363	10 978	5 770	4 497	1 162	3 574	5 648
2022	6 408	2 597	12 174	10 770	5 748	4 445	1 145	3 518	5 595
2021	6 412	2 538	11 734	10 736	5 742	4 438	1 087	3 410	5 623
2020	6 375	2 620	11 727	10 651	5 685	4 381	1 075	3 241	5 344

Population (thousand)

Source: Statistics South Africa

All provinces, particularly Gauteng and KwaZulu-Natal, show a growing trend in the number of uninsured people over the period, reflecting the increasing pressure on and demand for public health care services. The rise in the uninsured population in South Africa is a complex issue shaped by various economic and social factors such as unemployment and migration patterns.

The health sector's budget during the period under review has not kept pace with the increasing demand for its services. As the uninsured population grows, public health care facilities face mounting pressure to provide adequate care despite the insufficient financial resources available to meet these needs. This mismatch between budget allocations and the actual service load exacerbates challenges within the health care system, leading to overcrowded facilities, longer waiting times and a general decline in the quality of care.

Budget and expenditure trends

Provincial health budgets have been under severe pressure

Despite considerable baseline reductions over the previous MTEF period (2021/22 to 2023/24) that were in line with fiscal consolidation and the freezing of wages, expenditure increased at an average annual rate of 2.7 per cent, from R231.6 billion in 2021/22 to R250.6 billion in 2023/24. The bulk of these funds were used in the fight against COVID-19.

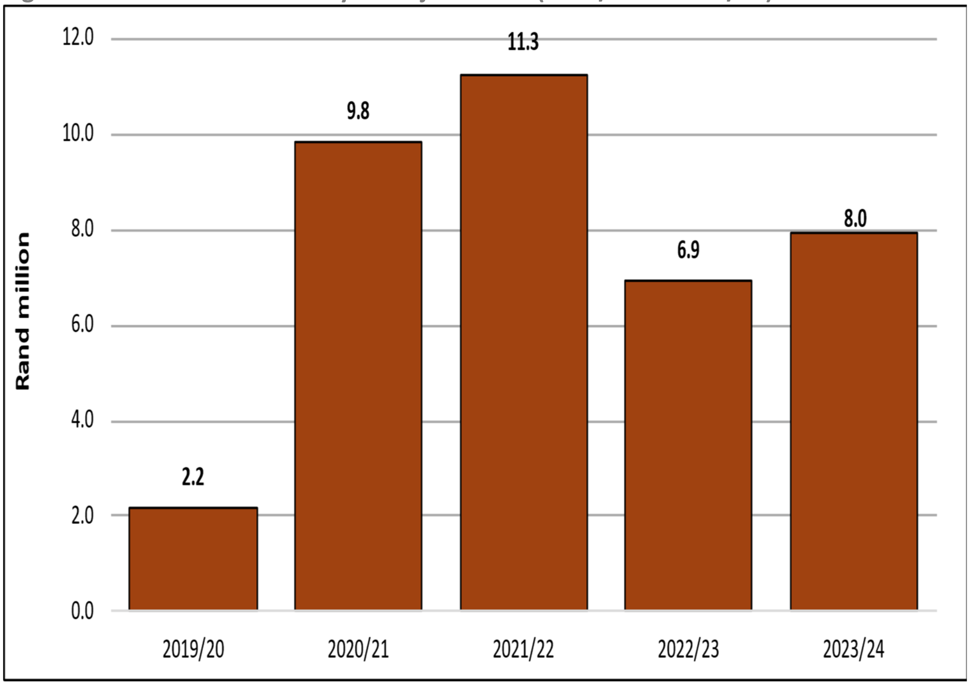
Table 4.1 Expenditure on health by province (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	27 994	27 579	28 116	29 127	30 107	31 030	31 887
Free State	11 950	12 201	13 186	13 016	13 718	14 080	14 665
Gauteng	57 712	57 049	58 640	61 314	64 837	67 362	70 461
KwaZulu-Natal	49 370	50 630	51 528	52 934	53 797	55 636	58 118
Limpopo	22 030	22 910	23 414	24 589	24 639	25 769	27 443
Mpumalanga	15 795	16 487	17 009	17 667	18 697	19 290	20 166
Northern Cape	5 538	5 883	5 907	6 397	6 442	6 647	6 946
North West	14 052	15 387	15 747	15 893	16 522	16 968	17 814
Western Cape	26 964	27 916	28 915	29 644	30 489	31 334	32 670
Total	**231 406**	**236 042**	**242 462**	**250 580**	**259 248**	**268 116**	**280 170**
Percentage growth(average annual)		**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2023/24 to 2026/27**	
Eastern Cape		1.3%		3.4%		3.1%	
Free State		2.9%		5.4%		4.1%	
Gauteng		2.0%		5.7%		4.7%	
KwaZulu-Natal		2.4%		1.6%		3.2%	
Limpopo		3.7%		0.2%		3.7%	
Mpumalanga		3.8%		5.8%		4.5%	
Northern Cape		4.9%		0.7%		2.8%	
North West		4.2%		4.0%		3.9%	
Western Cape		3.2%		2.9%		3.3%	
Total		**2.7%**		**3.5%**		**3.8%**	

Source: National Treasury provincial database

Figure 4.2 shows that budgets were increased during the adjustments budget process and all provinces' allocations were increased, driven mainly by salary adjustments and funds rolled over from the previous financial year.

Figure 4.2 Provincial health in-year adjustments (2019/20 to 2023/24)



Source: National Treasury provincial database

Main drivers of budget, expenditure and related challenges

Several factors directly and indirectly influence expenditure patterns in the sector.

Population patterns and economic growth

Population dynamics and migration patterns remain a key driver of budgets and expenditure

Population dynamics (including age, sex and socioeconomic status) and migration patterns remain two of the biggest drivers of health expenditure. South Africa's population increased from 45.9 million in 2002 to 62.3 million in 2023 – an increase of 16.4 million (as shown in Table 4.2). Over the same period, poor economic growth meant that there were not enough jobs for the available workforce. As a result, an increasing number of people became reliant on the public health system.

Table 4.2 Provincial population growth (2002 to 2023)

Year	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	North West	Northern Cape	Western Cape	Total
2002	6 514 968	2 644 706	9 764 301	9 660 462	5 018 715	3 477 540	3 054 438	1 029 692	4 756 009	**45 920 831**
2003	6 505 206	2 652 402	10 010 445	9 718 380	5 049 572	3 530 442	3 097 096	1 039 527	4 857 512	**46 460 581**
2004	6 498 155	2 660 809	10 258 444	9 782 818	5 084 720	3 585 603	3 140 774	1 049 645	4 959 745	**47 020 713**
2005	6 493 189	2 670 027	10 510 806	9 853 025	5 123 465	3 642 562	3 185 721	1 060 038	5 063 076	**47 601 909**
2006	6 488 856	2 680 113	10 771 579	9 927 652	5 164 836	3 700 718	3 232 303	1 070 700	5 168 132	**48 204 889**
2007	6 484 347	2 691 300	11 043 730	10 005 266	5 207 334	3 759 710	3 280 540	1 081 710	5 276 475	**48 830 411**
2008	6 480 499	2 703 674	11 324 544	10 087 106	5 251 923	3 820 154	3 330 395	1 093 092	5 387 882	**49 479 270**
2009	6 478 195	2 717 166	11 612 150	10 174 788	5 299 242	3 882 608	3 381 535	1 104 889	5 501 727	**50 152 301**
2010	6 476 827	2 731 765	11 909 589	10 267 543	5 348 587	3 946 542	3 434 165	1 117 056	5 618 309	**50 850 383**
2011	6 475 988	2 747 523	12 218 929	10 365 005	5 399 714	4 011 539	3 488 495	1 129 625	5 737 619	**51 574 437**
2012	6 475 831	2 764 400	12 539 071	10 467 821	5 453 254	4 078 112	3 544 669	1 142 627	5 859 648	**52 325 433**
2013	6 477 147	2 782 453	12 867 553	10 575 945	5 510 707	4 146 717	3 603 117	1 155 995	5 984 751	**53 104 386**
2014	6 480 615	2 801 676	13 203 215	10 690 747	5 572 642	4 217 873	3 663 481	1 169 777	6 112 340	**53 912 366**
2015	6 485 892	2 822 060	13 548 620	10 812 423	5 638 409	4 291 313	3 725 620	1 183 995	6 242 159	**54 750 491**
2016	6 492 418	2 843 693	13 906 335	10 940 668	5 707 230	4 366 765	3 789 697	1 198 723	6 374 411	**55 619 940**
2017	6 499 180	2 866 704	14 278 351	11 074 546	5 778 533	4 444 073	3 856 169	1 213 998	6 510 394	**56 521 948**
2018	6 508 138	2 891 248	14 660 744	11 215 218	5 853 756	4 523 433	3 925 218	1 229 794	6 650 261	**57 457 811**
2019	6 518 600	2 917 218	15 055 349	11 363 197	5 932 761	4 605 177	3 996 595	1 246 088	6 793 906	**58 428 891**
2020	6 529 521	2 944 516	15 465 027	11 518 695	6 015 273	4 689 445	4 070 306	1 262 858	6 940 975	**59 436 617**
2021	6 542 464	2 973 356	15 888 252	11 682 262	6 102 061	4 776 243	4 146 497	1 280 240	7 091 117	**60 482 490**
2022	6 539 054	3 000 437	16 266 595	11 822 042	6 167 519	4 857 210	4 206 408	1 294 044	7 230 858	**61 384 168**
2023	6 536 337	3 027 185	16 644 368	11 960 091	6 232 935	4 937 973	4 266 496	1 307 826	7 370 048	**62 283 259**

Source: 2023 general household survey (Statistics South Africa)

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

Macroeconomic factors: Exchange rate volatility and inflation

Budgets 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 fluctuating exchange rates. Medical inflation is normally between 2 and 3 per cent above what is presented in the consumer price index.

Although the index is not the sole determinant of spending on medicines and medical supplies, there is a strong correlation. As some medical equipment, supplies and medications are imported, their prices are susceptible to fluctuations in the exchange rate.

Table 4.3 highlights the overspending and underspending on medicines and medical supplies before and after the COVID-19 pandemic. The health sector has consistently overspent, primarily driven by factors such as higher than expected inflation and fluctuations in exchange rates.

Table 4.3 Net medicine and medical supplies (overspending)/underspending by province (2017/18 to 2023/24)

Provinces R'000	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Eastern Cape	-287 933	28 111	16 322	-801 712	-482 021	-512 749	-554 142
Free State	-118 348	-110 737	38 846	-392 853	211 523	53 913	-81 831
Gauteng	-32 955	-98 486	172 530	-719 554	375 606	21 426	600 190
KwaZulu-Natal	-123 114	427 574	-541 523	421 801	-93 085	-277 928	-542 803
Limpopo	10 283	60 390	-124 738	-108 255	85 739	-259 529	-129 905
Mpumalanga	-105 858	-79 217	-92 322	-157 059	-67 189	195 134	-145 760
Northern Cape	-10 760	1 245	-43 815	68 358	-54 104	96 812	-28 109
North West	71 808	-2 970	87 460	39 406	-351 427	32 073	345 692
Western Cape	-6 375	63 070	-36 204	-19 240	85 889	-111 299	27 664
Total	**-603 252**	**288 980**	**-523 444**	**-1 669 108**	**-289 069**	**-762 147**	**-509 004**

Source: National Treasury provincial database

Measures to offset these macroeconomic effects have included price negotiation by the Department of Health and the National Treasury's 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 these contracts, provinces benefit from economies of scale that result in lower contract prices. But despite the fiscal relief that these measures provide, pressures persisted during the period under review.

Skills shortage

The number of critical medical and support staff increased significantly during the pandemic

Health facilities require a range of medical skills and support staff to provide high-quality services. Whereas the number of critical medical and support staff increased significantly during the pandemic, it has since dropped sharply as the contracts of temporary personnel were terminated. Budget constraints over the period under review made it increasingly difficult for the sector to prioritise appointing and maintaining clinical staff.

Table 4.4 shows the number of medical specialists, doctors and professional nurses by province. The public health sector struggled to retain medical specialists: the number of specialists in the public sector decreased by 159 from 6 144 in 2022 to 5 985 in 2024, with the sharpest decreases in Western Cape and Gauteng. The number of professional nurses also decreased by 1 987 over the same period, although this was mainly attributed to the termination of contracts for COVID-19 staff.

Table 4.4 Distribution of critical health skills by province (March 2022 to March 2024)

	Specialists			Doctors			Professional nurses			Nurses		
Provinces	March 2022	March 2023	March 2024	March 2022	March 2023	March 2024	March 2022	March 2023	March 2024	March 2022	March 2023	March 2024
Eastern Cape	290	282	284	2 223	2 352	2 161	11 260	11 908	11 856	8 898	9 011	8 952
Free State	432	448	445	720	822	785	2 983	2 851	2 698	3 594	3 388	3 227
Gauteng	2 244	2 220	2 153	4 280	4 403	4 445	16 432	16 273	16 498	14 736	14 734	14 231
KwaZulu-Natal	1 191	1 158	1 175	3 927	3 893	3 821	19 150	18 737	18 161	15 767	15 545	15 480
Limpopo	78	72	74	1 523	1 725	1 614	8 141	7 863	7 548	8 477	8 267	8 068
Mpumalanga	65	67	77	1 298	1 400	1 382	6 496	6 538	6 502	4 048	3 829	3 617
North West	176	175	187	1 249	1 282	1 341	5 722	5 268	5 255	4 477	3 865	3 811
Northern Cape	44	42	46	453	446	458	1 579	1 535	1 515	1 125	1 089	1 018
Western Cape	1 624	1 580	1 544	1 999	2 121	2 018	5 754	5 824	5 497	7 201	7 230	7 020
National	**6 144**	**6 044**	**5 985**	**17 672**	**18 444**	**18 025**	**77 517**	**76 797**	**75 530**	**68 323**	**66 958**	**65 424**
Per 100 000 population												
Eastern Cape	4.43	4.31	3.96	34.00	35.98	30.11	172.20	182.18	165.21	136.07	137.86	124.75
Free State	14.40	14.80	14.62	24.00	27.15	25.79	99.42	94.18	88.63	119.78	111.92	106.01
Gauteng	13.80	13.34	13.51	26.31	26.45	27.90	101.02	97.77	103.55	90.59	88.52	89.32
KwaZulu-Natal	10.07	9.68	9.54	33.22	32.55	31.03	161.99	156.66	147.50	133.37	129.97	125.72
Limpopo	1.85	1.69	1.16	36.21	40.43	25.21	193.54	184.30	117.89	201.53	193.77	126.01
Mpumalanga	1.05	1.07	1.52	21.05	22.46	27.32	105.33	104.89	128.56	65.63	61.43	71.52
North West	3.62	3.54	4.50	25.71	25.96	32.27	117.80	106.68	126.46	92.17	78.27	91.71
Northern Cape	3.40	3.21	3.35	35.01	34.10	33.36	122.02	117.37	110.35	86.94	83.27	74.15
Western Cape	22.46	21.44	20.42	27.65	28.78	26.68	79.58	79.02	72.69	99.59	98.10	92.83
National	**10.01**	**9.70**	**9.50**	**28.79**	**29.61**	**28.60**	**126.28**	**123.30**	**119.86**	**111.30**	**107.51**	**103.82**

Source: PERSAL

As most of the country’s central hospitals are in Gauteng, KwaZulu-Natal and Western Cape, an average of 82 per cent of medical specialists were concentrated in these provinces between 2022 and 2024. Additional factors that contributed to the uneven distribution of specialists included disparities in infrastructure, resource allocation and opportunities for specialised training and career advancement.

Table 4.5 shows that the number of doctors per 10 000 people in South Africa (overall, including in the private sector) is lower than in many other upper-middle income countries, whereas we have a comparatively high number of nursing and midwifery personnel.

Table 4.5 Number of doctors, nurses and midwifery per 10 000 in South Africa compared with other upper-middle income countries

Country	Doctors	Nurses and midwifery
Algeria	16.6	25.1
Argentina	51.1	47.5
Botswana	3.8	30.2
Brazil	23.6	55.0
Chile	33.3	54.5
China	31.1	36.7
Indonesia	5.2	32.4
Iran (Islamic Republic of)	18.1	28.8
Malaysia	23.4	40.5
South Africa	7.9	63.9
Türkiye	22.4	34.8
Thailand	5.4	35.7

Source: World Health Organisation (physician density, 2024)

Medico-legal claims

Table 4.6 shows that expenditure on medico-legal claims decreased from R1.8 billion in 2019/20 to R1.5 billion in 2023/24. Despite this decrease, the contingent liability remained high, indicating that many claims were still being processed or waiting to be processed in courts across provinces.

Medico-legal payments continued to divert funds away from health care services, with provinces collectively paying R7.5 billion on these claims during the period under review. These funds could have been used for health care services. In general, provinces either conservatively estimated medico-legal payments or did not budget for them at all, exacerbating the financial strain on the health sector.

Medico-legal payments continued to divert funds away from health care services, with provinces collectively paying R7.5 billion on these claims during the period under review

Contingent liabilities decreased from R86.7 billion in 2018/19 to R61.6 billion in 2023/24, mainly driven by decreases in Gauteng, KwaZulu-Natal, Eastern Cape, Mpumalanga, North West and Northern Cape. Most medico-legal cases arose from obstetrics and gynaecology, paediatrics, orthopaedic surgery and trauma-related incidents.

Table 4.6.1 Medico-legal claim contingent liabilities balance as at 31 March 2024

R'000	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Annual average growth 2018/19 to 2023/24
Eastern Cape	21 230 300	35 425 811	26 008 334	24 485 761	24 922 539	22 325 447	1.0%
Free State	2 874 754	3 429 493	4 536 834	4 579 555	5 015 562	5 341 563	13.2%
Gauteng	21 230 300	21 227 633	21 877 868	21 343 579	18 359 387	12 251 241	-10.4%
KwaZulu-Natal	20 110 314	23 440 969	11 836 378	26 706 177	7 342 190	3 308 260	-30.3%
Limpopo	8 265 440	10 315 607	11 976 537	14 291 785	8 848 809	9 880 168	3.6%
Mpumalanga	9 405 893	9 474 227	9 539 117	9 936 103	7 049 098	5 735 365	-9.4%
Northern Cape	1 513 246	1 624 354	1 656 795	1 564 226	621 640	537 570	-18.7%
North West	1 982 272	5 395 624	5 582 950	3 356 241	3 339 470	3 047 516	9.0%
Western Cape	93 955	33 155	80 400	500	-	-	0%
Total	**86 706 474**	**110 366 873**	**93 095 213**	**106 263 927**	**75 990 482**	**61 631 793**	**-6.6%**

Source: Provincial departments of health annual reports

Table 4.6.2 Medico-legal claim payments by provinces

R'000	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Growth rates 2018/19 to 2023/24
Eastern Cape	797 434	766 399	920 981	38 683	363 449	339 928	(15.7%)
Free State	137 525	80 610	40 863	41 397	35 248	40 452	(21.7%)
Gauteng	586 453	502 148	392 126	369 697	512 203	696 337	3.5%
KwaZulu-Natal	438 819	182 260	115 933	293 588	205 393	119 475	(22.9%)
Limpopo	7 045	83 572	79 233	106 305	35 388	46 376	45.8%
Mpumalanga	39 268	45 534	18 632	40 081	163 489	82 703	16.1%
Northern Cape	3550	40 735	34 327	23 447	62 708	76 423	84.8%
North West	14 450	18 912	44 479	18 538	10 353	26 514	12.9%
Western Cape	62 140	60 140	131 729	64 433	163 463	119 557	14.0%
Total	**2 086 684**	**1 780 309**	**1 740 924**	**996 169**	**1 516 694**	**1 507 765**	**(6.3%)**

Source: Vulindlela

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 by patients who are assisted by law firms.

Provinces were strengthening their internal controls to manage medico-legal claims and payments through clinical, administrative and legal strategies

To manage this, provinces are strengthening their internal controls through clinical, administrative and legal strategies such as reinforcing legal units, improving record-keeping and enhancing patient safety. However, much more needs to be done to stabilise expenditure on medico-legal claims. Clinical errors and systemic issues within the health care system persist, including outdated equipment, understaffing and medication shortages, compounded by the ongoing challenges of fiscal consolidation.

National Health Laboratory Service

Table 4.7 shows that the National Health Laboratory Service's expenditure increased at an average annual rate of 0.7 per cent, from R9.3 billion 2020/21 to R9.5 billion in 2023/24. This spending was expected to increase at an average annual rate of 6.9 per cent over the MTEF period. Outstanding provincial debt to the entity by province increased to R7 billion as at 31 March 2024, which highlighted the financial strain its services place on provincial budgets.

Tariff increases for laboratory services were kept low to protect provincial health budgets that were already growing below inflation. To further improve efficiencies, it is essential to strengthen electronic gatekeeping. This includes implementing advanced digital systems for better management of laboratory requests and results, ensuring timely and accurate data processing, and reducing unnecessary tests. In addition, enhancing staff training on these systems and integrating them with other health information systems can streamline operations and improve overall service delivery.

Table 4.7 Health expenditure on laboratory services by province (2020/21 to 2026/27)

	Outcomes			Audited outcome	Medium-term estimates			Average annual growth (nominal)	
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2020/21 to 2023/24**	**2023/24 to 2026/27**
Eastern Cape	915	1 305	1 040	902	1 137	1 146	1 234	-0.5%	11.0%
Free State	474	551	510	386	418	468	481	-6.6%	7.6%
Gauteng	2 875	2 326	2 925	2 752	2 995	3 085	3 227	-1.4%	5.5%
KwaZulu-Natal	2 423	2 845	2 558	2 196	3 077	3 105	3 248	-3.2%	13.9%
Limpopo	526	549	605	729	694	598	720	11.5%	-0.4%
Mpumalanga	546	744	706	676	719	752	787	7.4%	5.2%
Northern Cape	127	117	145	179	247	258	275	12.1%	15.4%
North West	481	511	721	717	628	619	626	14.3%	-4.4%
Western Cape	924	1 153	1 010	959	941	969	1 008	1.2%	1.7%
Total	**9 291**	**10 102**	**10 221**	**9 496**	**10 856**	**11 001**	**11 605**	**0.7%**	**6.9%**

Source: Vulindlela

Disease burden

The burden of disease in South Africa had shifted notably between 2020 and 2023, influenced mainly by the COVID-19 pandemic. At the height of the pandemic in 2020 and 2021, COVID-19 became a leading cause of death, contributing 6.7 per cent of total national deaths, overtaking diabetes. However, as the pandemic subsided, non-communicable diseases such as heart disease, diabetes and cancer re-emerged as primary causes of natural deaths.

Table 4.8 Top 10 causes of death (2018 to 2020)

	2018			2019			2020		
Causes of death (based on ICD-10)	**Rank**	**Number**	**Percentage of total deaths**	**Rank**	**Number**	**Percentage of total deaths**	**Rank**	**Number**	**Percentage of total deaths**
COVID-19 (U071-U072)							1	32 757	6.7%
Diabetes mellitus (ElO-E14)	2	27 383	5.9%	1	26 315	5.7%	2	32 100	6.6%
Cerebrovascular diseases (160-169)	3	23 509	5.0%	3	23 247	5.0%	3	27 066	5.5%
Hypertensive diseases (110-115)	6	20 985	4.5%	5	20 602	4.4%	4	24 847	5.1%
Influenza and pneumonia (J09-J18)	7	18 009	3.9%	6	17 426	3.8%	5	19 805	4.0%
Tuberculosis (A15-A19)	1	28 315	6.1%	2	25 409	5.5%	6	19 757	4.0%
HIV (B20-B24)	5	22 533	4.8%	4	22 128	4.8%	7	19 382	4.0%
Ischaemic heart diseases (120-125)	8	13 863	3.0%	7	15 969	3.4%	8	15 759	3.2%
Other forms of heart disease (130-152)	4	23 301	5.0%	8	15 777	3.4%	9	15 057	3.1%
Other viral diseases (B25-B34)				9	13 257	2.9%	10	12 434	2.5%
Chronic lower respiratory diseases (J40-j47)	9	13825	3.0%	10	12 384	2.7%			
Other natural		208 498	44.6%		213 500	46.1%		223 594	45.7%
Non-natural		56 283	12.0%		57 604	12.4%		47 186	9.6%
Total		**467 565**	**100.0%**		**463 618**	**100.0%**		**489 774**	**100.0%**

Source: Statistics South Africa

South Africa had a significant decrease in deaths related to TB and HIV/AIDS over the period, largely because of improved access to treatment and effective public health interventions. These infectious diseases, which had long been the leading causes of death, were overtaken by non-communicable diseases. Despite government's interventions, which included a tax on sugar-sweetened beverages implemented in April 2018, deaths from non-communicable diseases continued to increase.

Governance and financial management

Table 4.9 shows the sector's audit performance for the period under review. The Auditor-General of South Africa highlighted challenges such as financial management and governance issues, high levels of unpaid invoices, noncompliance with legislative prescripts and instability in leadership. While some of these challenges persisted, the sector reduced the number of audit findings from 2021/22 onwards. This improvement yielded positive results, with five provinces, including KwaZulu-Natal, having obtained unqualified audit opinions in 2022/23 and Limpopo following suit in 2023/24. The sector achieved six unqualified audit opinions in 2023/24.

While governance challenges persist, the sector has reduced the number of audit findings since 2021/22

Table 4.9 Health sector audit trends (2018/19 to 2023/24)

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Eastern Cape	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings
Free State	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings
Gauteng	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings
KwaZulu-Natal	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings	Unqualified with findings	Unqualified with findings
Limpopo	Qualified with findings	Unqualified with findings	Qualified with findings	Qualified with findings	Qualified with findings	Unqualified with findings
Mpumalanga	Qualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings
Northern Cape	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings
North West	Qualified	Qualified	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings
Western Cape	Unqualified with no findings	Unqualified with no findings	Unqualified with no findings	Unqualified with no findings	Unqualified with no findings	Unqualified with no findings

Source: Provincial departments of health annual reports

Table 4.10 shows the overall value of unpaid invoices (accruals and payables not recognised) between 2018/19 and 2023/24.

Table 4.10 Accruals and payables not recognised (unpaid accounts, 2018/19 to 2023/24)

R'000	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Growth (2018/19 to 2023/24)	
Eastern Cape	3 304 284	3 808 167	4 433 170	4 659 982	4 764 773	6 222 586	2 918 302	88.3%
Free State	690 106	672 291	715 964	662 416	516 810	1 469 661	779 555	113.0%
Gauteng	4 842 169	4 093 272	5 036 544	6 322 118	6 827 872	6 943 715	2 101 546	43.4%
KwaZulu-Natal	1 426 926	1 585 783	1 783 115	1 485 045	1 838 121	2 803 857	1 376 931	96.5%
Limpopo	702 732	390 870	421 606	357 510	767 038	519 211	(183 521)	-26.1%
Mpumalanga	574 464	239 825	709 677	449 601	825 870	550 337	(24 127)	-4.2%
Northern Cape	501 160	503 671	590 186	1 156 592	1 220 123	958 862	457 702	91.3%
North West	1 198 610	1 240 479	1 114 976	1 322 914	959 137	1 505 345	306 735	25.6%
Western Cape	347 294	515 281	508 461	428 911	589 529	655 955	308 661	88.9%
Total	**13 587 745**	**12 876 978**	**15 313 699**	**16 845 089**	**18 309 273**	**21 629 529**	**8 041 784**	**59.2%**

Source: National Treasury provincial database

Accruals and payables not recognised grew by 58.8 per cent between 2018/19 and 2023/24

Accruals and payables not recognised increased by 59.2 per cent between 2018/19 and 2023/24, from R13.6 billion to R21.6 billion. This was a longstanding issue in the sector's public financial management, exacerbated by the fiscal consolidation measures that were implemented over the period. Accruals and unpaid obligations, mainly on goods and services, were carried over as the first charge against the following financial year's budget, which negatively affected that year's health services and performance targets. Additionally, the sector continues to pay suppliers outside the 30-day window mandated by the Public Finance Management Act (1999), putting further strain on supplier relationships. These figures increased over this period, as reflected in Table 4.10, for all provinces except Limpopo and Mpumalanga, which had experienced decreases.

Spending by programme

Table 4.11 shows that the district health services' share of provincial health expenditure remained at more than 47 per cent between 2020/21 and 2023/24, an increase from 45 per cent in the 2015/16 to 2019/20 period. It was expected that district health services would maintain its share of at least 47.3 per cent over the MTEF period. The composition of the budget is increasingly aligned with the NHI's objective of strengthening the health system and service delivery at primary health care facilities.

Table 4.11 Provincial expenditure on health by programme (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Administration	8 736	7 543	7 198	7 272	7 716	7 742	7 906
District health services	109 145	114 971	116 348	118 963	122 333	126 073	132 525
Emergency medical services	8 660	8 791	9 815	10 448	10 206	10 541	10 932
Provincial hospital services	37 596	39 025	40 563	43 442	44 584	46 467	48 345
Central hospital services	45 756	47 280	50 010	51 290	53 260	56 237	58 442
Health sciences and training	4 791	4 777	5 267	5 517	6 559	6 653	6 947
Health care support services	3 468	3 222	3 024	3 072	3 385	3 494	3 750
Health facilities management	13 254	10 433	10 236	10 574	11 203	10 909	11 324
Total	**231 406**	**236 042**	**242 462**	**250 580**	**259 248**	**268 116**	**280 170**
Percentage share of provincial health expenditure							
Administration	3.8%	3.2%	3.0%	2.9%	3.0%	2.9%	2.8%
District health services	47.2%	48.7%	48.0%	47.5%	47.2%	47.0%	47.3%
Emergency medical services	3.7%	3.7%	4.0%	4.2%	3.9%	3.9%	3.9%
Provincial hospital services	16.2%	16.5%	16.7%	17.3%	17.2%	17.3%	17.3%
Central hospital services	19.8%	20.0%	20.6%	20.5%	20.5%	21.0%	20.9%
Health sciences and training	2.1%	2.0%	2.2%	2.2%	2.5%	2.5%	2.5%
Health care support services	1.5%	1.4%	1.2%	1.2%	1.3%	1.3%	1.3%
Health facilities management	5.7%	4.4%	4.2%	4.2%	4.3%	4.1%	4.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Percentage growth (average annual)	**2020/21 to 2022/23**	**2023/24 to 2024/25**	**2023/24 to 2026/27**
Administration	-5.9%	6.1%	2.8%
District health services	2.9%	2.8%	3.7%
Emergency medical services	6.5%	-2.3%	1.5%
Provincial hospital services	4.9%	2.6%	3.6%
Central hospital services	3.9%	3.8%	4.4%
Health sciences and training	4.8%	18.9%	8.0%
Health care support services	-4.0%	10.2%	6.9%
Health facilities management	-7.3%	5.9%	2.3%
Total	**2.7%**	**3.5%**	**3.8%**

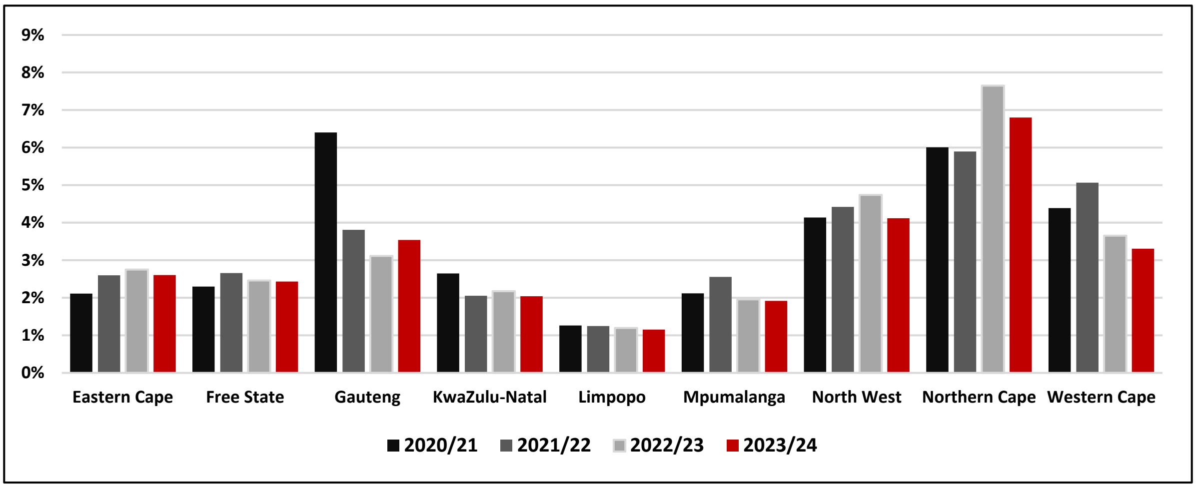
Source: National Treasury provincial database

Administration

Expenditure on administration as a percentage share of total spending decreased from 3.8 per cent in 2020/21 to 2.9 per cent in 2023/24. The percentage share was expected to decrease further to 2.8 per cent over the 2024 MTEF period. The decrease in spending on administration is because of cost-containment measures, fiscal consolidation and the reprioritisation of funds towards core programmes.

Provinces have reduced their spending on administration in favour of core programmes

Figure 4.3 Administration expenditure as a percentage of provinces' total health expenditure (2020/21 to 2023/24)



Source: National Treasury provincial database

Northern Cape and Western Cape's percentage of total expenditure on administration was higher than other provinces as some expenditure items were centralised under administration. These costs are distributed across various programmes in other provinces.

Primary health care

Table 4.12 Provincial expenditure on primary health care by subprogramme (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
District management	6 465	6 911	5 699	5 864	5 763	5 966	6 216
Community health clinics	19 443	19 893	20 452	22 139	22 570	23475	24 617
Community health centres	10 938	11 819	11 838	13 122	13 818	14 267	14 902
Community-based services	4 684	4 630	6 591	6 792	7 471	7 730	8 084
Other community services	3 898	5 552	5 570	3 069	3 109	3 284	3 440
Nutrition	175	221	244	232	273	282	294
Primary health care training	73	63	65	65	100	121	127
Community health facilities	2 867	3 160	3 268	3 594	3 824	3 845	4 216
Total	**48 543**	**52 248**	**53 727**	**54 876**	**56 929**	**58 970**	**61 895**
Percentage growth (average annual)		**2020/21 to 2022/23**		**2023/24 to 2024/25**		**2023/24 to 2026/27**	
District management		-3.2%		-1.7%		2.0%	
Community health clinics		4.4%		1.9%		3.6%	
Community health centres		6.3%		5.3%		4.3%	
Community-based services		13.2%		10.0%		6.0%	
Other community services		-7.7%		1.3%		3.9%	
Nutrition		9.9%		17.5%		8.2%	
Primary health care training		-3.7%		54.6%		25.1%	
Community health facilities		7.8%		6.4%		5.5%	
Total		**4.2%**		**3.7%**		**4.1%**	

Source: National Treasury provincial database

Expenditure on primary health care increased at an average annual rate of 4.2 per cent between 2020/21 and 2023/24, and was projected to continue to increase at an average annual rate of 4.1 per cent over the MTEF period. This growth aligned with the increasing number of people on antiretroviral therapy, as well as a general shift in the sector towards primary care.

Increased spending on public health care was in line with the growing number of people on antiretroviral therapy

Expenditure on community-based services increased at an average annual rate of 13.2 per cent during the period under review and was projected to continue to increase at an average annual rate of 6 per cent over the MTEF period. This is a critical component of public health care that comprises community health workers, led by nurses, and linked to public health care facilities. Community health workers 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 public health care facility; and deliver medication to some patients.

Table 4.13 Community health workers (Q3 2024)

Thousand	Headcount	Percentage share of total headcount
Eastern Cape	4 025	11.6%
Free State	2 391	3.5%
Gauteng	5 616	14.6%
KwaZulu-Natal	9 817	17.7%
Limpopo	7 196	19.2%
Mpumalanga	5 194	11.2%
Northern Cape	1 648	4.7%
North West	5 167	11.0%
Western Cape	3 943	6.5%
Total/Average	**44 997**	**100%**

Source: Health conditional grant report (Q3 2024)

The number of community health workers in South Africa decreased from 50 226 in 2019 to 45 340 in 2024. Most of these workers (22 per cent) were in KwaZulu-Natal. The 2024 Budget allocated R2.8 billion to ensure that these workers received remuneration, tools of trade and training in line with the scope of work. Table 4.14 shows that expenditure on HIV/AIDS decreased from R26.6 billion in 2020/21 to R25.2 billion in 2023/24. However, this spending was projected to increase to R28.4 billion in 2026/27, at an average annual rate of 4 per cent.

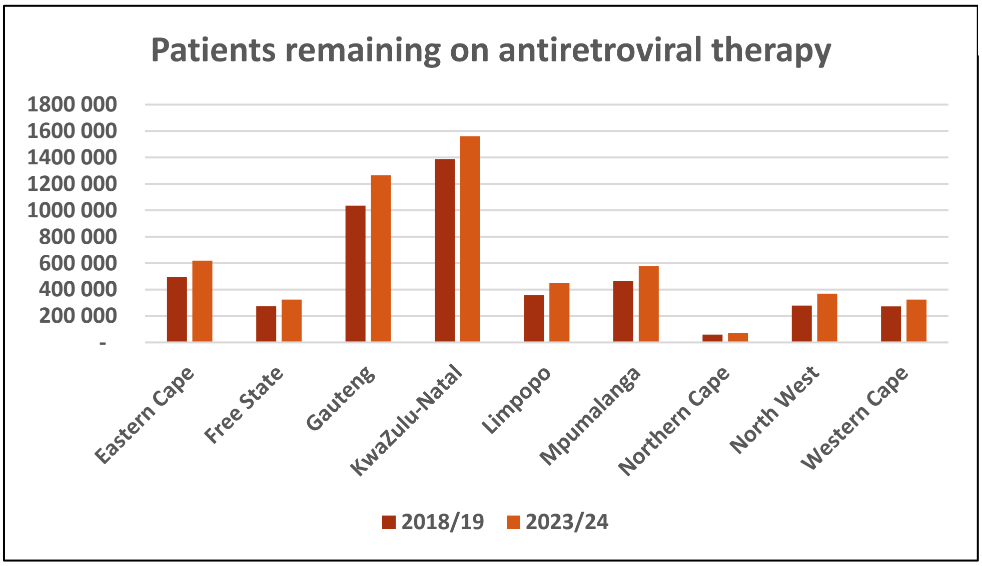
Table 4.14 Expenditure on HIV/AIDS by province (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Eastern Cape	3 082	2 851	2 796	2 697	2 833	2 860	3 131
Free State	2 183	2 228	1 996	1 922	1 805	1 812	1 882
Gauteng	5 987	5 996	6 056	5 853	6 455	6 508	6 806
KwaZulu-Natal	5 711	6 817	6 512	6 172	6 661	6 693	7 000
Limpopo	2 307	2 441	2 021	1 858	1 988	1 998	2 090
Mpumalanga	2 403	2 644	2 664	2 603	2 575	2 602	2 722
Northern Cape	589	669	773	561	678	673	704
North West	1 822	1 857	1 953	1 735	1 878	1 884	1 971
Western Cape	2 514	2 269	1 942	1 857	1 983	1 997	2 088
Total	**26 597**	**27 773**	**26 714**	**25 257**	**26 856**	**27 026**	**28 393**
Percentage growth (average annual)		**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2023/24 to 2026/27**	
Eastern Cape		-4.4%		5.1%		5.1%	
Free State		-4.2%		-6.1%		-0.7%	
Gauteng		-0.8%		10.3%		5.2%	
KwaZulu-Natal		2.6%		7.9%		4.3%	
Limpopo		-7.0%		7.0%		4.0%	
Mpumalanga		2.7%		-1.1%		1.5%	
Northern Cape		-1.6%		20.9%		7.9%	
North West		-1.6%		8.3%		4.3%	
Western Cape		-9.6%		6.8%		4.0%	
Total		**-1.7%**		**6.3%**		**4.0%**	

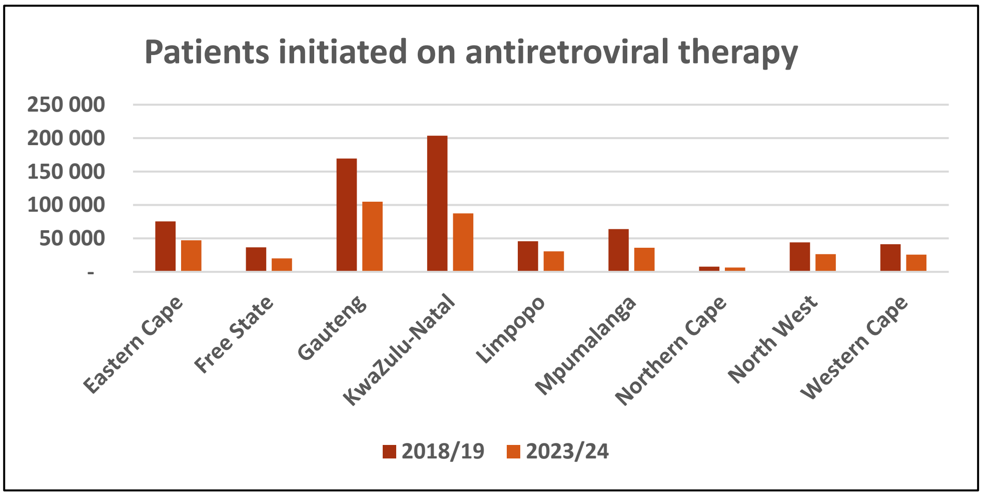
Source: National Treasury provincial database

South Africa has the world's most extensive HIV/AIDS treatment programme. The number of patients on antiretroviral therapy increased from 4.6 million in 2018/19 to 5.6 million in 2023/24, the bulk of which were in KwaZulu-Natal and Gauteng. The increased treatment coverage is believed to have contributed to the increased national life expectancy. However, there remained a considerable gap in the number of people who should have been receiving treatment but were not, as well as a notable number of new infections among young people despite their access to prevention information.

Figure 4.4 Number of people on antiretroviral therapy (2018/19 and 2023/24)



Source: Provincial departments of health annual reports



Source: Provincial departments of health annual reports

Emergency medical services

Table 4.11 shows that expenditure on emergency medical services increased at an average annual rate of 4.2 per cent, from R8 billion in 2020/21 to R10.4 billion in 2023/24. This was primarily driven by increasing petrol prices and rising inflation. Although expenditure increased in line with inflation, there was still much work to be done to improve overall response times in urban and rural areas.

Hospital services

Table 4.15 shows that spending on hospital services increased at an average annual rate of 3.6 per cent, from R119.5 billion in 2020/21 to R136.4 billion in 2023/24, driven mainly by spending on compensation of employees, medicines, medical supplies and laboratory services in public hospitals. Notably, expenditure on district hospitals increased from R36.2 billion to R41.6 billion over the same period, largely driven by cost-of-living adjustments and the rising costs of medicines and medical supplies.

Table 4.15 Provincial expenditure on hospital services by subprogramme (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
District hospitals	36 188	37 398	38 424	41 643	41 548	43 085	45 577
General (regional) hospitals	28 655	29 785	30 923	33 208	33 625	35 069	36 448
TB hospitals	1 827	1 767	1 845	1 870	2 009	2 101	2 197
Psychiatric/mental hospitals	5 694	5 988	6 194	6623	6 991	7 255	7 570
Sub-acute, step-down and chronic medical hospitals	559	565	626	752	897	928	967
Dental training hospitals	763	817	863	864	934	973	1 017
Other specialised hospitals	98	104	112	125	128	140	147
Central hospitals	28 597	29 279	31 088	32 486	33 454	34 968	36 456
Provincial tertiary hospitals	17 159	18 002	18 922	18 804	19 806	21 269	21 985
Subtotal hospitals	**119 540**	**123 704**	**128 997**	**136 376**	**139 393**	**145 789**	**152 363**
District hospital services	3 051	2 200	2 705	2 682	2 832	2 698	2 856
Provincial hospital services	3 474	2 352	2 085	2 091	2 184	2 058	2 110
Central hospital services	1 939	1 433	1 219	1 106	1 166	1 030	976
Subtotal facilities	**8 464**	**5 984**	**6 010**	**5 879**	**6 182**	**5 786**	**5 943**
Total	**128 004**	**129 688**	**135 006**	**142 255**	**145 575**	**151 575**	**158 306**

Source: National Treasury provincial database

TB as the leading cause of death has decreased significantly since 2018

Despite TB being the leading cause of death globally for many years, Table 4.8 shows that the number of deaths caused by TB in South Africa decreased from 28 315 in 2018 to 19 757 in 2020, going from the number one cause of death in 2018 to number six in 2020. The COVID-19 pandemic was the leading cause of death during the period. However, on average, expenditure on TB hospitals remained at R1.8 billion per year between 2020/21 and 2023/24. This was expected to increase to R2.1 billion by 2026/27.

Expenditure on psychiatric/mental hospitals increased from R5.6 billion in 2020/22 to R6.6 billion in 2023/24 and was expected to reach R7.6 billion in 2026/27. Expenditure on central hospital services, partly funded by the *national tertiary services grant*, increased from R28.6 billion in 2020/21 to R32.5 billion in 2023/24.

Health sciences and training

Table 4.16 shows that expenditure on health sciences and training increased from R4.8 billion in 2020/21 to R5.5 billion in 2023/24 and was expected to increase at an average annual rate of 8 per cent over the MTEF period.

Table 4.16 Provincial expenditure on health sciences and training by subprogramme (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Nurse training colleges	1 827	1 768	1 751	1 873	2 143	2 194	2 289
Emergency medical services training colleges	144	148	167	172	229	210	216
Bursaries	567	531	261	214	785	864	903
Primary health care training	73	63	65	65	100	121	127
Training other	2 180	2 268	3 024	3 193	3 302	3 264	3 412
Total	**4 791**	**4 777**	**5 267**	**5 517**	**6 559**	**6 653**	**6 947**

Percentage growth (average annual)	**2020/21 to 2023/24**	**2023/24 to 2024/25**	**2023/24 to 2026/27**
Nurse training colleges	0.8%	14.4%	6.9%
Emergency medical services training colleges	6.0%	33.2%	8.0%
Bursaries	-27.7%	266.3%	61.5%
Primary health care training	-3.7%	54.6%	25.1%
Training other	13.6%	3.4%	2.2%
Total	**4.8%**	**18.9%**	**8.0%**

Source: National Treasury provincial database

Expenditure on nursing training colleges remained at R1.8 billion per year over the period under review but was expected to increase at an average annual rate of 6.9 per cent over the MTEF period. Total expenditure on the health sciences and training programme was driven mainly by fluctuations in the exchange rate as students studying abroad were paid in foreign currency.

Health facilities management

The health facilities management programme facilitates the provision of new health facilities and the refurbishment, upgrading and maintenance of existing facilities. It is funded by conditional grants and through the provincial equitable share.

Some provinces have found it difficult to fully operationalise new facilities

Table 4.17 shows that expenditure on health facilities management decreased from R13.3 billion in 2020/21 to R10.6 billion in 2023/24, and that it was expected to increase at an average annual rate of 2.3 per cent over the period ahead. This decrease was primarily the result of a decrease in equitable share allocations, from R7.3 billion in 2020/21 to R3.5 billion in 2023/24, mainly arising from high spending on once-off COVID-19-related projects in 2020/21, particularly in Gauteng and KwaZulu-Natal, as well as fiscal consolidation efforts. This reduction is concerning, given the deteriorating condition of infrastructure for health facilities. Although there was a decrease across all programmes during the period under review, there was an overall increase of 5.9 per cent between 2022/23 and 2023/24 across all programmes.

Table 4.17 Provincial expenditure on health facilities management by subprogramme (2020/21 to 2026/27)

R million	Outcome			Audited outcome	Medium-term estimates		
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Community health facilities	2 867	3 160	3 268	3 594	3 824	3 845	4 216
Emergency medical rescue services	48	15	39	41	45	61	36
District hospital services	3 051	2 200	2 705	2 682	2 832	2 698	2 856
Provincial hospital services	3 474	2 352	2 085	2 091	2 184	2 058	2 110
Central hospital services	1 939	1 433	1 219	1 106	1 166	1 030	976
Other facilities	1 875	1 273	920	1 061	1 152	1 216	1 129
Total	**13 254**	**10 433**	**10 236**	**10 574**	**11 203**	**10 909**	**11 324**
Percentage growth(average annual)	**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2023/24 to 2026/27**		
Community health facilities	7.8%		6.4%		5.5%		
Emergency medical rescue services	-5.3%		9.1%		-3.8%		
District hospital services	-4.2%		5.6%		2.1%		
Provincial hospital services	-15.6%		4.5%		0.3%		
Central hospital services	-17.1%		5.5%		-4.1%		
Other facilities	-17.3%		8.6%		2.1%		
Total	**-7.3%**		**5.9%**		**2.3%**		

Source: National Treasury provincial database

Budget and expenditure trends by economic classification

Compensation of employees

Table 4.18 shows that spending on compensation of employees increased at an average annual rate of 4.8 per cent, from R138.3 billion in 2020/21 to R159.4 billion in 2023/24, mainly because of annual salary increases.

Table 4.18 Expenditure on compensation of employees by province (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	17 991	18 480	18 713	19 952	20 012	20 972	20 799
Free State	7 655	8 387	8 664	8 955	9 516	9 756	10 201
Gauteng	31 475	35 464	36 543	38 032	40 079	41 732	43 539
KwaZulu-Natal	29 537	31 983	32 699	34 070	32 976	34 312	35 859
Limpopo	14 966	15 406	16 155	16 231	17 501	18 306	19 130
Mpumalanga	9 009	9 717	10 122	10 793	11 706	12 261	12 810
Northern Cape	3 200	3 353	3 410	3 573	3 741	3 888	4 059
North West	9 132	10 071	10 099	10 548	11 281	11 788	12 486
Western Cape	15 338	16 180	16 720	17 204	18 055	18 523	19 257
Total	**138 303**	**149 042**	**153 125**	**159 359**	**164 868**	**171 539**	**178 141**
Percentage growth (average annual)		**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2023/24 to 2026/27**	
Eastern Cape		3.5%		0.3%		1.4%	
Free State		5.4%		6.3%		4.4%	
Gauteng		6.5%		5.4%		4.6%	
KwaZulu-Natal		4.9%		-3.2%		1.7%	
Limpopo		2.7%		7.8%		5.6%	
Mpumalanga		6.2%		8.5%		5.9%	
Northern Cape		3.7%		4.7%		4.3%	
North West		4.9%		7.0%		5.8%	
Western Cape		3.9%		4.9%		3.8%	
Total		**4.8%**		**3.5%**		**3.9%**	

Source: National Treasury provincial database

Table 4.19 shows that the number of personnel increased by 33 591 between 2018/19 and 2020/21 before decreasing by 17 671 between 2020/21 and 2023/24, resulting in an overall increase of 15 920 between 2018/19 and 2023/24. This significant spike occurred during the peak of the pandemic because of the appointment of temporary staff and decreased after the pandemic because their contracts were terminated. Temporary appointments were mainly for critical posts, however, it is often difficult to distinguish between critical and non-critical posts in the health system as a variety of skill sets is critical to delivering quality services. Cleaners, for instance, play a vital role in ensuring that facilities adhere to good hygiene practices, which helps reduce the risk of hospital-acquired infections.

Expenditure on compensation of employees was projected to increase at an average annual rate of just 3.9 per cent over the MTEF period. This is concerning, especially considering the increased service load and the decline in personnel numbers across provinces from 2020/21 to 2023/24 following the peak of the COVID-19 pandemic.

Table 4.19 Health personnel numbers by province (2017/18 to 2023/24)

Province	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Changes 2018/19 to 2022/23**
Eastern Cape	41 410	41 824	43 160	40 531	41 668	41 520	110
Free State	17 764	20 844	19 610	19 961	19 426	18 657	893
Gauteng	64 307	64 833	80 005	81 500	78 242	77 433	13 126
KwaZulu-Natal	66 946	65 578	69 059	70 181	68 586	67 494	548
Limpopo	33 651	42 295	37 973	31 504	30 829	29 363	-4 288
Mpumalanga	20 408	20 992	21 575	22 301	22 200	21 912	1 504
North West	18 063	20 501	22 467	23 000	22 288	21 705	3 642
Northern Cape	6 882	6 864	7 036	6 757	6 682	6 625	-257
Western Cape	33 858	34 469	35 995	36 252	35 437	34 500	642
Total	**303 289**	**318 200**	**336 880**	**331 987**	**325 358**	**319 209**	**15 920**

Source: Vulindlela

Approval from provincial treasuries or premiers' offices is not required to fill critical posts. Given the fiscal constraints, the filling of these posts depends on budgets available.

Goods and services

Table 4.20 shows that expenditure on goods and services increased at an average annual rate of 0.8 per cent between 2020/21 and 2023/24. The nominal increase between 2021/22 and 2023/24 was insufficient to meet service demands due to population growth. During this period, the sector reported significant increases in unpaid invoices, driven by challenges such as population growth, baseline reductions and higher-than-expected inflation.

Spending on goods and services was expected to increase at an average annual rate of 3.3 per cent over the MTEF period. As departments aimed to safeguard non-negotiable items, there were decreases in spending of 31.8 per cent on legal costs, 4.3 per cent on operating payments and 2.3 per cent on consumables. Overall, goods and services expenditure over the MTEF period is likely to face pressure due to persistent challenges in the sector.

Table 4.20 Health expenditure on selected goods and services items by province (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates			Average annual growth (nominal)	
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2020/21 to 2023/24**	**2023/24 to 2026/27**
Bursaries: Employees	46	71	46	84	84	71	70	21.7%	-5.6%
Consultants and professional services: Business and advisory services	847	597	730	884	1 092	1 280	1 319	1.4%	14.3%
Infrastructure and planning	27	40	29	39	13	22	22	12.7%	-17.2%
Laboratory services	9 291	10 102	10 221	9 496	10 856	11 001	11 605	0.7%	6.9%
Legal costs	444	534	558	983	390	330	312	30.3%	-31.8%
Contractors	2 013	2 611	2 672	2 501	3 579	3 689	3 850	7.5%	15.5%
Agency and support/outsourced services	3 321	3 346	3 561	3 335	3 450	3 550	3 702	0.1%	3.5%
Inventory: Food and food supplies	949	1 086	1 199	1 344	1 452	1 481	1 562	12.3%	5.1%
Inventory: Fuel, oil and gas	554	614	932	1 057	1 253	1 206	1 290	24.1%	6.9%
Inventory: Materials and supplies	114	142	162	193	185	156	158	19.1%	-6.5%
Inventory: Medical supplies	12 687	12 360	12 615	12 895	11 929	12 776	13 550	0.5%	1.7%
Inventory: Medicine	19 505	18 140	17 711	17 638	18 531	19 920	21 370	-3.3%	6.6%
Consumable supplies	4 792	2 879	2 575	2 496	2 165	2 223	2 325	-19.5%	-2.3%
Operating leases	1 251	1 345	1 199	1 259	1 450	1 253	1 332	0.2%	1.9%
Property payments	11 207	11 778	12 376	14 007	12 050	12 156	12 946	7.7%	-2.6%
Transport provided: Departmental activity	83	104	104	103	69	70	74	7.4%	-10.5%
Travel and subsistence	539	562	747	787	768	630	659	13.4%	-5.7%
Training and development	81	101	130	141	329	291	320	20.1%	31.5%
Operating payments	243	578	401	451	412	375	396	22.9%	-4.3%
Total	**67 995**	**66 992**	**67 968**	**69 691**	**70 057**	**72 479**	**76 861**	**0.8%**	**3.3%**

Source: National Treasury provincial database

Payments for capital assets

Provincial health departments spent a cumulative R44.8 billion on COVID-19 interventions during the period under review

Expenditure on capital assets decreased from R13.4 billion in 2020/21 to R9.6 billion in 2023/24 mainly on existing infrastructure, with all categories (such as maintenance and repairs, upgrades, and refurbishment and rehabilitation) affected. Although, expenditure was expected to increase at an average annual rate of 5.9 per cent over the MTEF period, in real terms, it was valued as below the levels recorded in 2020/21.

Table 4.21 Health expenditure on payments for capital assets by province (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	1 428	1 172	1 302	1 107	1 586	1 397	1 424
Free State	906	612	1 000	766	860	739	759
Gauteng	4 417	2 023	1 878	1 586	2 400	2 305	2 539
KwaZulu-Natal	3 046	1 896	1 460	1 222	2 155	2 355	2 381
Limpopo	726	615	744	1 126	716	700	731
Mpumalanga	1 305	1 250	1 166	1 494	1 512	1 436	1 489
Northern Cape	232	235	341	509	321	311	324
North West	291	496	569	712	637	541	609
Western Cape	1 090	1 008	1 113	1 134	1 236	1 288	1 212
Total	**13 442**	**9 308**	**9 572**	**9 656**	**11 423**	**11 071**	**11 467**
Eastern Cape		-8.1%		43.3%		8.8%	
Free State		-5.5%		12.3%		-0.3%	
Gauteng		-28.9%		51.3%		17.0%	
KwaZulu-Natal		-26.2%		76.3%		24.9%	
Limpopo		15.7%		-36.4%		-13.4%	
Mpumalanga		4.6%		1.2%		-0.1%	
Northern Cape		30.0%		-37.0%		-14.0%	
North West		34.7%		-10.5%		-5.1%	
Western Cape		1.3%		9.0%		2.2%	
Total		**-10.4%**		**18.3%**		**5.9%**	

Source: National Treasury provincial database

COVID-19 spending

Table 4.22 reflects provincial expenditure on the COVID-19 pandemic between 2019/20 and 2023/24. This spending surged from R27.3 million in 2019/20 to R19.2 billion in 2020/21 in response to the rapid increase in the number of infections reported. This period marked the height of the pandemic, where urgent interventions such as hospital expansions, the procurement of medical supplies and the implementation of emergency health measures were paramount. Spending decreased significantly from 2021/22 onwards as the pandemic stabilised. Vaccine rollouts gained momentum and were integrated into primary health care systems, and provinces became better equipped to manage the ongoing effects of the virus. By 2023/24, expenditure had dropped to R1.8 billion. Provincial health departments spent a collective R44.8 billion on COVID-19 interventions during the period under review.

Table 4.22 Health expenditure on COVID-19 interventions by province (2019/20 to 2023/24)

R'000	2019/20	2020/21	2021/22	2022/23	2023/24	Total expenditure 2019/20 to 2023/24
	Outcome					
Eastern Cape	–	1 905 753	1 549 511	1 086 319	218 234	4 759 816
Free State	–	886 272	632 992	587 471	486 343	2 593 079
Gauteng	–	6 339 992	3 287 496	1 671 026	609 597	11 908 111
KwaZulu-Natal	26 884	4 071 967	3 785 490	2 464 282	498 101	10 846 724
Limpopo	8	1 415 068	2 050 014	1 156 994	3 154	4 625 238
Mpumalanga	–	1 295 607	687 383	522 550	34 109	2 539 649
North West	–	1 055 938	1 457 483	657 675	(1 098)	3 169 998
Northern Cape	–	178 300	185 807	58 302	43 268	465 677
Western Cape	413	2 030 984	1 301 073	547 519	-	3 879 990
Total	**27 306**	**19 179 880**	**14 937 250**	**8 752 138**	**1 891 709**	**44 788 282**

Source: National Treasury provincial database

Service delivery achievements

The health sector has faced significant financial pressures in recent years because of budget cuts arising from fiscal consolidation imperatives. Despite this, there have been improvements in the key health outcome of life expectancy, which increased across all provinces during the period under review.

Table 4.23 Life expectancy by province (2001 to 2026)

Province	2001 to 2006		2006 to 2011		2011 to 2016		2016 to 2021		2021 to 2026	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Eastern Cape	46.7	50.2	48.2	53.6	53	59	58.7	65	61.4	67.2
Free State	42	45.4	45.4	48.6	50.7	53.6	55.5	61.4	57	63.8
Gauteng	56.1	60.2	58.7	62.2	62.9	66.4	63.1	67.7	65.1	70.6
KwaZulu-Natal	45.7	50.2	49.2	53.8	54.4	59.4	57.4	63.6	59.1	65.3
Limpopo	51.5	58.6	55.1	59.8	58.3	62.5	61.2	66.5	63.2	68.3
Mpumalanga	49	52.5	51.5	55.5	56.9	60.1	60.8	66	62.8	67.4
North West	46.7	49	49.7	53.2	56.6	58.8	57.6	64.3	59.5	66
Northern Cape	50.4	56.1	51.8	56.9	52.9	57.5	57.7	64.2	59.6	65.8
Western Cape	57.9	63.8	61	65.7	63.7	67.9	64.9	70.3	67.4	71.6

Source: Statistics South Africa

The improvement in life expectancy is largely attributable to the significant increase in spending on South Africa's extensive HIV/AIDS programme. The 2022/23 district health barometer shows that the number of HIV/AIDS-related deaths in South Africa more than halved from 325 241 in 2006 to 150 759 in 2016. This trend was also apparent for deaths associated with TB, which decreased from 224 per 100 000 people in 2010 to 110 per 100 000 people in 2018. Eight provinces also recorded a decrease in their maternal mortality in health facility ratio, with four achieving rates below the national average.

The diarrhoea case fatality rate for children younger than five measures deaths from diarrhoea in children in this age group as a proportion of diarrhoea admissions for the age group in health facilities. The 2022/23 district health barometer showed that this fatality rate dropped from 1.9 per cent in 2018 to 1.7 per cent in 2022, whereas in-facility deaths from acute malnutrition for the same age group increased from 7.1 per cent to 7.2 per cent over the same period.

Medium-term outlook

Balancing fiscal constraints and service delivery

Over the MTEF period, the provincial health department was expected to focus on balancing fiscal constraints with the rising demand for health care services, driven by population growth. Efforts were to be directed towards addressing inefficiencies and governance challenges identified by the Auditor-General of South Africa. Provinces were also set to conduct and implement spending reviews where necessary to enhance resource management, ensuring that limited funds are used prudently to deliver essential health care services effectively.

National health insurance

The Department of Health is in the process of developing the regulations needed to implement NHI. Phase 1 focuses on setting up the necessary governance and administrative frameworks, including the establishment of the NHI Fund. Phase 2, which is expected to be rolled out between 2026 and 2028, will focus on enhancing service delivery and beginning the process of purchasing health care benefits, with the goal of making health care accessible to all.

Primary health care

Provinces continue to prioritise primary health care as a fundamental pillar of the health care system while addressing challenges related to infrastructure, human resources, and other critical service needs to enhance overall service delivery.

HIV/Aids and TB

Provinces are committed to reducing new HIV infections by enhancing treatment outcomes and accelerating progress towards achieving the 95-95-95 strategy, which aims to ensure that, by 2030, 95 per cent of people living with HIV know their status, 95 per cent of those diagnosed receive antiretroviral therapy, and 95 per cent of those on ART achieve viral suppression. Given that HIV is a significant risk factor for TB, efforts to reduce HIV infections also contribute to lowering TB cases. Additionally, early diagnosis and effective management of TB and HIV co-infection are crucial in reducing the overall disease burden and preventing further transmission.

Non-communicable disease

Non-communicable diseases, such as diabetes and hypertension, remain among the leading causes of death in the country. To address this, government is strengthening routine screening for these conditions, which will help quantify their prevalence and the burden they place on the health care system. Enhanced screening efforts will support early detection, improved management and better resource allocation to mitigate the impact of these diseases.

Mental health

The prevalence of mental health challenges in South African communities has risen, and this is exacerbated by the lasting effects of the COVID-19 pandemic and compounded by social issues such as unemployment and substance abuse. Addressing these challenges requires a concerted effort to improve and expand access to mental health care as an integral part of primary and community health services. Priority should be on emphasising prevention, mental health promotion, and the protection of the rights of individuals with mental health conditions.

Medico-legal claims

Provinces face significant challenges related to medical and legal claims, as well as payments, which continue to divert funds away from essential health services. Addressing this issue requires a concerted effort to reduce claims and defence costs by enhancing the quality and safety of care, improving patient record management, strengthening human resources and building the state's capacity to effectively defend these claims. Strengthening these areas will help protect health care budgets and ensure that resources are directed toward improving health care service over the medium term.

Conclusion

The COVID-19 pandemic placed immense pressure on the health system, forcing the sector to direct resources towards saving lives. This meant that some services had to be paused, leading to a backlog in routine health care. The pandemic exacerbated many of the challenges that the sector was already facing, adding to the strain. These included population growth, a struggling economy, tight budgets and issues such as poor governance and financial mismanagement.

Despite these obstacles, the sector made significant progress in areas such as reducing child mortality and extending life expectancy. But there were still critical issues that needed attention. The decrease in the number of doctors and medical specialists, and the subsequent increase in medico-legal cases, for instance, was a serious concern.

To mitigate some of these concerns, the sector needs to make concerted efforts to improve its efficiency and protect core service delivery. The move towards the NHI is intended to eliminate the large disparities in access to health care services between the public and private sectors and address legacy challenges.

5

Social development

Introduction

Social development is a major priority of the South African government and contributes to outcome 13 (an inclusive and responsive social protection system) of the NDP. This recognises that as much as economic development is about the pursuit of faster growth, it is also about creating an equitable future.

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

Although government increased its efforts to achieve this and improve the welfare of all South Africans during the period under review, economic growth was slower and more inequitable than anticipated. This reiterated that the country needs more inclusive growth that recognises the interrelatedness of economic and social development.

The provincial level is instrumental in achieving government's outcomes

Government aims to enhance the lives of communities, especially the poor and marginalised, by investing in crucial social sectors and implementing effective redistributive measures. These efforts are evaluated through various human development indicators. Provincial social development spending plays a vital role in achieving these objectives, particularly in social protection.

This chapter reviews the landscape of the social development sector and details the budget and expenditure trends and service delivery achievements for the period 2020/21 to 2026/27.

Current landscape

Policy background

Work done in the sector involves developing legislation, policies, norms and standards, and monitoring the implementation of policy and service delivery at the provincial level. Provincial departments are responsible for implementing policies and delivering services to the community. Non-profit organisations (NPOs) play a vital role in assisting the government in fulfilling its constitutional mandate regarding social development. As such, provinces leverage their support to help promote socioeconomic rights and ensure the effective delivery of essential services.

To meet the growing demand for social welfare services, provinces were allocated R69.7 billion over the MTEF period. This was expected to cover costs related to compensation of employees, including the salaries of social workers and support staff; goods and services; payments for capital assets for the department; and transfers to NPOs. During the period under review, the sector was in the process of finalising a funding policy and guidelines to standardise and enhance government's funding of NPOs.

Socioeconomic climate

Government's fiscal policy continues to prioritise improving the lives of the poor through various redistributive mechanisms. The social wage is a key tool for this within the national budget, supplemented by initiatives such as free primary health care, no-fee schooling, old age and child support grants, housing support, and free basic services for low-income households.

Ongoing effort and innovation are necessary for social policy to address persistent inequalities

While these policies have contributed to significant reductions in poverty since 1994, South Africa still grapples with high poverty rates, widespread unemployment, increasing inequality and significant income disparities. Recent challenges, including economic disruptions and the impact of the COVID-19 pandemic, have further complicated these issues. As such, ongoing effort and innovation are required for social policy to address these persistent inequalities.

Table 5.1 Selected demographic indicators

Province	Total Population (thousand)	Percentage of population per province	Percentage of children aged 0-19	Percentage of youth aged 15-34	Percentage of older persons aged 60 and above
Eastern Cape	7 176 230	11.4%	41.2%	31.5%	12.0%
Free State	3 044 050	4.8%	36.9%	33.4%	10.3%
Gauteng	15 931 824	25.3%	30.6%	32.9%	9.6%
KwaZulu-Natal	12 312 712	19.5%	39.6%	34.6%	8.5%
Limpopo	6 402 594	10.2%	42.9%	32.7%	9.0%
Mpumalanga	5 057 662	8.0%	36.7%	34.1%	8.5%
Northern Cape	1 372 943	2.2%	37.6%	32.6%	10.4%
North West	4 155 303	6.6%	36.7%	33.2%	9.1%
Western Cape	7 562 588	12.0%	30.7%	32.1%	11.4%
Total	**63 015 906**	**100%**	**36.2%**	**33.1%**	**9.7%**

Source: Statistics South Africa – Mid-year population estimates (2024)

More than 40 per cent of the population of Limpopo and Eastern Cape were 19 or younger

The information in Table 5.1 helps clarify the demand for social services. Provincial estimates showed that Gauteng is the most populous province, followed by KwaZulu-Natal, Western Cape and Eastern Cape. At 2.2 per cent, Northern Cape has the smallest share of the population followed by Free State with 4.8 per cent.

The highest percentages of older people are in Eastern Cape (12 per cent), Western Cape (11.4 per cent) and Northern Cape (10.4 per cent). Mpumalanga and KwaZulu-Natal had the lowest percentage at 8.5 per cent each. With ever-growing populations and increasing demand for social services, provincial departments of social development faced significant capacity constraints and difficulties in meeting the growing needs of communities during the period under review.

Statistics South Africa's quarterly labour force survey for the second quarter of 2024 showed that unemployment increased from 32.9 per cent in the first quarter of 2024 to 33.5 per cent in the second quarter. North West had the highest unemployment rate in the second quarter with 54.2 per cent, followed by Eastern Cape with 49.7 per cent.

Economic growth for the period under review was below the level required to significantly reduce unemployment, which remains a pressing issue, particularly after the COVID-19 pandemic. This has led to increased demand for social services, including income support, maintenance and services for vulnerable groups such as children and young people.

Increased unemployment has escalated the demand for social welfare services

Table 5.2 Employment in critical occupations by province (2019/20 to 2023/24)

Headcount	2019/20	2020/21	2021/22	2022/23	2023/24
Eastern Cape					
Social work and related professionals (permanent)	2 200	2 200	2 149	2 057	2 073
Social sciences supplementary workers (permanent)	181	176	173	157	189
Auxiliary and related workers (permanent)	262	249	242	244	230
Community development workers (permanent)	576	575	558	546	530
Free State					
Social work and related professionals (permanent)	433	444	437	386	366
Social sciences supplementary workers (permanent)	78	76	74	70	70
Auxiliary and related workers (permanent)	115	103	95	90	81
Community development workers (permanent)	92	89	86	81	81
Gauteng					
Social work and related professionals (permanent)	2 129	2 187	2 189	2 088	2 024
Social sciences supplementary workers (permanent)	194	185	162	157	147
Auxiliary and related workers (permanent)	506	539	555	537	514
Community development workers (permanent)	50	47	259	257	35
KwaZulu-Natal					
Social work and related professionals (permanent)	1 841	1 889	1 818	1 749	1 672
Social sciences supplementary workers (permanent)	2	1	1	1	1
Auxiliary and related workers (permanent)	292	279	257	253	257
Community development workers (permanent)	234	236	231	228	236
Limpopo					
Social work and related professionals (permanent)	1 633	1 609	1 578	1 489	1 449
Social sciences supplementary workers (permanent)	165	164	162	159	157
Auxiliary and related workers (permanent)	143	87	62	78	27
Community development workers (permanent)	333	323	314	305	299
Mpumalanga					
Social work and related professionals (permanent)	541	554	430	514	424
Social sciences supplementary workers (permanent)	431	418	543	427	532
Community development workers (permanent)	190	187	186	183	185

Table 5.2 Employment in critical occupations by province (2019/20 to 2023/24) (continued)

Headcount	2019/20	2020/21	2021/22	2022/23	2023/24
North West					
Social work and related professionals (permanent)	838	868	828	770	754
Social sciences supplementary workers (permanent)	25	220	50	43	37
Auxiliary and related workers (permanent)	381	380	376	353	346
Community development workers (permanent)	258	252	249	247	238
Northern Cape					
Social work and related professionals (permanent)	283	316	303	305	297
Social sciences supplementary workers (permanent)	120	126	120	118	11
Auxiliary and related workers (permanent)	174	188	183	178	118
Community development workers (permanent)	88	85	80	83	79
Western Cape					
Social work and related professionals (permanent)	934	972	991	932	903
Social sciences supplementary workers (permanent)	125	139	143	146	–
Auxiliary and related workers (permanent)	590	610	631	647	266
Community development workers (permanent)	26	34	33	30	56
Total					
Social work and related professionals (permanent)	10 832	11 039	10 723	10 290	9 962
Social sciences supplementary workers (permanent)	1 321	1 505	1 428	1 278	1 144
Auxiliary and related workers (permanent)	2 463	2 435	2 401	2 380	1 839
Community development workers (permanent)	1 847	1 828	1 996	1 960	1 739

Source: Vulindlela human resources reports

There was a decrease in the number of permanent social workers between 2019/20 and 2023/24

Table 5.2 shows the number of permanent employees in critical social work roles. The slight decline in the number of permanent social workers between 2019/20 and 2022/23 was mainly because contracts for social work interns came to an end. This suggests potential challenges in sustaining the required workforce in this vital sector.

Budgets and expenditure trends

Provincial budgets for social development increased considerably during the review period

Provincial departments of social development are funded mainly through the provincial equitable share. Provincial budgets and expenditure increased considerably during the period under review, particularly their equitable shares. This highlights government's commitment to enhancing the delivery of social services. Table 5.3 presents social development budgets and expenditure by province between 2020/21 and 2026/27.

Table 5.3 Expenditure on social development (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	2 581	2 778	2 735	2 850	2 972	3 101	3 209
Free State	1 181	1 181	1 216	1 208	1 305	1 354	1 412
Gauteng	4 901	5 418	5 419	5 064	5 466	5 629	5 901
KwaZulu-Natal	3 142	3 269	3 369	3 296	3 412	3 538	3 696
Limpopo	2 200	2 236	1 879	2 008	2 077	2 256	2 344
Mpumalanga	1 435	1 508	1 596	1 703	1 715	1 804	1 912
Northern Cape	982	950	901	942	978	1 017	1 062
North West	1 617	1 685	1 630	1 728	1 811	1 893	1 979
Western Cape	2 241	2 309	2 356	2 475	2 539	2 635	2 719
Total	**20 280**	**21 334**	**21 102**	**21 274**	**22 275**	**23 225**	**24 234**
Percentage growth (average annual)		**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2024/25 to 2026/27**	
Eastern Cape		3.4%		4.3%		4.0%	
Free State		0.8%		8.0%		5.3%	
Gauteng		1.1%		7.9%		5.2%	
KwaZulu-Natal		1.6%		3.5%		3.9%	
Limpopo		-3.0%		3.4%		5.3%	
Mpumalanga		5.9%		0.7%		3.9%	
Northern Cape		-1.4%		3.8%		4.1%	
North West		2.2%		4.8%		4.6%	
Western Cape		3.4%		2.6%		3.2%	
Total		**1.6%**		**4.7%**		**4.4%**	

Source: National Treasury provincial database

Total provincial expenditure on social welfare programmes increased from R20.3 billion in 2020/21 to R21.3 billion in 2023/24 and was projected to increase at an average annual rate of 4.4 per cent over the MTEF period, reaching R24.2 billion in 2026/27. Expenditure in Free State, Gauteng and Limpopo was expected to increase at an average annual rate of more than 5 per cent from 2024/25 to 2026/27.

Total provincial expenditure on social welfare was expected to increase at an average annual rate of 4.4 per cent, and by more than 5 per cent in Free State, Gauteng and Limpopo

Key trends:

Eastern Cape: Expenditure was expected to increase consistently from R2.8 billion in 2023/24 to a projected R3.2 billion in 2026/27, at an average annual rate of 4 per cent.

Free State: Expenditure was projected to increase at an average annual rate of 5.3 per cent, from R1.2 billion in 2023/24 to a projected R1.4 billion 2026/27.

Gauteng: The province still had the highest expenditure, increasing from R5 billion in 2023/24 to a projected R5.9 billion in 2026/27, at an average annual rate of 5.2 per cent.

KwaZulu-Natal: Expenditure was expected to increase from R3.3 billion in 2023/24 to R3.6 billion in 2026/27, at an average annual rate of 3.9 per cent.

Limpopo: Expenditure was set to increase from R2 billion in 2023/24 to R2.3 billion in 2026/27, at an average annual rate of 5.3 per cent.

Mpumalanga: Spending was projected to stabilise and increase at an average annual rate of 3.9 per cent, from R1.7 billion in 2023/24 to R1.9 billion in 2026/27.

Northern Cape: Expenditure was expected to increase from R942 million in 2023/24 to just more than R1 billion in 2026/27, reflecting an average annual increase of 4.1 per cent.

North West: Expenditure was set to increase from R1.7 billion in 2023/24 to R1.9 billion in 2026/27, at an average annual rate of 4.6 per cent.

Western Cape: Expenditure was projected to increase from R2.4 billion in 2023/24 to R2.7 billion in 2026/27, at an average annual rate of 3.2 per cent over the MTEF period.

Table 5.4 Proportion of social development expenditure compared to total expenditure (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	3.1%	3.2%	3.1%	3.1%	3.1%	3.2%	3.2%
Free State	3.1%	3.0%	3.0%	2.8%	3.0%	3.0%	3.0%
Gauteng	3.6%	3.8%	3.6%	3.2%	3.3%	3.3%	3.3%
KwaZulu-Natal	2.3%	2.3%	2.3%	2.2%	2.3%	2.3%	2.3%
Limpopo	3.2%	3.0%	2.5%	2.5%	2.5%	2.6%	2.6%
Mpumalanga	2.8%	2.7%	2.8%	2.9%	2.8%	2.9%	2.9%
Northern Cape	5.3%	4.8%	4.4%	4.3%	4.4%	4.7%	4.7%
North West	3.7%	3.6%	3.3%	3.3%	3.4%	3.4%	3.5%
Western Cape	3.2%	3.2%	3.0%	3.0%	3.0%	3.1%	3.1%
Total	**3.1%**	**3.1%**	**3.0%**	**2.9%**	**2.9%**	**3.0%**	**3.0%**

Source: National Treasury provincial database

Table 5.4 provides a comprehensive view of social development expenditure as a proportion of total provincial expenditure from 2020/21 to 2026/27, revealing the trends and disparities in social development spending across provinces over this period. On average, spending on social development accounted for about 3 per cent of total provincial expenditure from 2020/21 onwards. This indicated a relatively uniform approach to allocating resources towards social development across provinces.

However, there were notable variations among provinces. Northern Cape consistently had the highest proportion of social development expenditure, with figures ranging from 4.3 per cent in 2023/24 to 4.7 per cent in 2026/27 . In contrast, KwaZulu-Natal had the lowest percentages, between 2.2 per cent in 2023/24 and 2.3 per cent in 2026/27. This suggested a more cautious approach to social development funding, and potentially different provincial priorities and budgetary constraints.

Gauteng and Limpopo displayed moderate variations in their proportions. Gauteng's expenditure increased marginally from 3.2 per cent in 2034/24 to 3.3 per cent in 2026/27. Limpopo's increase in expenditure was also marginal, from 2.5 per cent in 2023/24 to 2.6 per cent 2026/27. The slight increase was due to provisions for the filling of critical vacant positions, pay progression, grade progressions, youth brigades and contract workers. Provisions were also made to accommodate the rising costs of government vehicle fleet services due to increasing fuel prices and the annual escalation of lease payments for office buildings.

Budget and expenditure trends by programme

Table 5.5 Expenditure on social development by programme (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Administration	3 377	3 511	3 669	3 802	3 872	4 064	4 285
Social welfare services	5 349	5 476	5 483	5 437	5 777	5 974	6 209
Children and families	6 142	6 650	6 184	6 389	6 674	6 934	7 180
Restorative services	2 984	3 256	3 318	3 369	3 512	3 709	3 884
Development and research	2 427	2 441	2 449	2 277	2 439	2 545	2 676
Total	**20 280**	**21 334**	**21 102**	**21 274**	**22 275**	**23 225**	**24 234**
Percentage of total							
Administration	16.7%	16.5%	17.4%	17.9%	17.4%	17.5%	17.7%
Social welfare services	26.4%	25.7%	26.0%	25.6%	25.9%	25.7%	25.6%
Children and families	30.3%	31.2%	29.3%	30.0%	30.0%	29.9%	29.6%
Restorative services	14.7%	15.3%	15.7%	15.8%	15.8%	16.0%	16.0%
Development and research	12.0%	11.4%	11.6%	10.7%	10.9%	11.0%	11.0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Percentage growth (average annual)		**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2024/25 to 2026/27**	
Administration		4.0%		1.8%		4.1%	
Social welfare services		0.5%		6.3%		4.5%	
Children and families		1.3%		4.5%		4.0%	
Restorative services		4.1%		4.3%		4.9%	
Development and research		-2.1%		7.1%		5.5%	
Total		**1.6%**		**4.7%**		**4.4%**	

Source: National Treasury provincial database

Table 5.5 shows the distribution of allocations across various departmental programmes between 2020/21 and 2026/27, reflecting changes and trends in expenditure priorities.

The sector renders services through the following programmes: administration, social welfare services, children and families, restorative services and development and research.

Social welfare services and children and families continued to receive the largest allocations, with the former accounting for about 25.6 per cent of the sector's total expenditure over the period under review and the latter accounting for 29.6 per cent. These proportions reflected sustained focus on core areas of delivery, with the allocation to children and families increasing slightly over the period.

Spending on restorative services increased at average annual rates of 4.1 per cent between 2020/21 and 2023/24 to 4.9 per cent between 2024/25 and 2026/27. This growth was attributed to ongoing investments in substance abuse treatment facilities across various provinces. Expenditure on restorative services was projected to increase from R3 billion in 2020/21 to R3.3 billion in 2023/24 then to R3.9 billion in 2026/27. By 2026/27, this spending was expected to account for 16 per cent of total spending.

The share of the total budget allocated for development and research decreased from 12 per cent in 2020/21 to 11 per cent by 2026/27. Despite this, expenditure in this area was projected to increase from R2.3 billion in 2023/24 to R2.7 billion in 2026/27. The decrease from R2.4 billion in 2022/23 to R2.3 billion in 2023/24 was due to reprioritisations to fund the department's cost pressures.

Table 5.6 Percentage of provincial expenditure on social development by programme (2020/21 to 2026/27)

	Administration		Social welfare services		Children and families		Restorative services		Development and research	
Province	**2020/21 - 2023/24**	**2024/25 - 2026/27**	**2020/21 - 2023/24**	**2024/25 - 2026/27**	**2020/21 - 2023/24**	**2024/25 - 2026/27**	**2020/21 - 2023/24**	**2024/25 - 2026/27**	**2020/21 - 2023/24**	**2024/25 - 2026/27**
Eastern Cape	55.6%	18.8%	30.8%	30.9%	23.4%	23.1%	16.8%	17%	10.5%	10.1%
Free State	85.4%	25.2%	20.1%	20.2%	21.8%	25.6%	16.3%	17.3%	13.3%	11.6%
Gauteng	42.8%	15.1%	19.0%	15.6%	36.1%	39.0%	14.7%	15.1%	15.9%	15.2%
KwaZulu-Natal	54.2%	18.3%	27.1%	24.1%	34.0%	35.8%	12.9%	13.6%	7.9%	8.2%
Limpopo	51.9%	19.8%	21.4%	25.7%	40.7%	32.2%	9.1%	11.3%	11.5%	11.0%
Mpumalanga	73.6%	25.7%	19.5%	20.1%	29.6%	28.4%	13.5%	13.1%	12.9%	12.7%
Northern Cape	50.3%	19.0%	17.5%	18.3%	28.5%	24.1%	21.6%	23.4%	15.7%	15.3%
North West	39.5%	13.6%	32.7%	36.7%	25.4%	21.4%	17.0%	17.1%	11.7%	11.2%
Western Cape	30.5%	10.9%	45.1%	45.6%	19.2%	19.1%	20.2%	21.0%	5.4%	3.3%
Total	**16.8%**	**17.5%**	**26.0%**	**25.8%**	**30.3%**	**29.8%**	**15.2%**	**15.9%**	**11.7%**	**11.0%**

Source: National Treasury provincial database

Administration costs were anticipated to constitute an estimated 17.5 per cent of total provincial expenditure over the MTEF period. Provinces were advised to shift contractual obligations related to service delivery to core programmes, with Western Cape and North West successfully implementing this change over the period. Between 2020/21 and 2026/27, spending on children and families was projected to account for the largest share of expenditure compared to other programmes. This programme received funding for grants related to ECD and partial care. However, in the 2022 Budget, the ECD function was transferred to the Department of Basic Education, along with the associated budget, resulting in a slight increase in expenditure for that programme.

Budget and expenditure trends by economic classification

Table 5.7 Expenditure on social development by economic classification (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Current payments	13 964	14 789	14 733	15 080	16 110	16 836	17 665
of which:							
Compensation of employees	*10 128*	*11 125*	*11 131*	*11 505*	*12 204*	*12 758*	*13 380*
Other current payments	*3 836*	*3 664*	*3 603*	*3 575*	*3 906*	*4 078*	*4 285*
Transfers and subsidies	5 810	6 070	5 855	5 535	5 573	5 767	5 921
of which:							
Non-profit institutions	*5 664*	*5 954*	*5 741*	*5 415*	*5 464*	*5 662*	*5 813*
Payments for capital assets	504	474	502	633	592	622	648
Payments for financial assets	2	1	12	26	–	–	–
Total	**20 280**	**21 334**	**21 102**	**21 274**	**22 275**	**23 225**	**24 234**
Percentage of total							
Current payments	68.9%	69.3%	69.8%	70.9%	72.3%	72.5%	72.9%
of which:							
Compensation of employees	*49.9%*	*52.1%*	*52.7%*	*54.1%*	*54.8%*	*54.9%*	*55.2%*
Other current payments	*18.9%*	*17.2%*	*17.1%*	*16.8%*	*17.5%*	*17.6%*	*17.7%*
Transfers and subsidies	28.6%	28.4%	27.7%	26%	25%	24.8%	24.4%
of which:							
Non-profit institutions	*27.9%*	*27.9%*	*27.2%*	*25.5%*	*24.5%*	*24.4%*	*24%*
Payments for capital assets	2.5%	2.2%	2.4%	3%	2.7%	2.7%	2.7%
Payments for financial assets	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Table 5.7 Expenditure on social development by economic classification (2020/21 to 2026/27) (continued)

Percentage growth (average annual)	**2020/21 to 2023/24**	**2023/24 to 2024/25**	**2024/25 to 2026/27**
Current payments	2.6%	6.8%	5.4%
of which:			
Compensation of employees	4.3%	*6.1%*	*5.2%*
Other current payments	-2.3%	*9.3%*	*6.2%*
Transfers and subsidies	-1.6%	0.7%	2.3%
of which:			
Non-profit institutions	-1.5%	*0.9%*	*2.4%*
Payments for capital assets	7.9%	-6.5%	0.8%
Payments for financial assets	131%	-100%	-100%
Total	**1.6%**	**4.7%**	**4.4%**

Source: National Treasury provincial database

Table 5.7 shows provincial expenditure on social development by economic classification between 2020/21 and 2026/27. By 2026/27, compensation of employees was projected to account for 55.2 per cent of total spending across provinces, while transfers and subsidies to NPOs accounted for 24 per cent. The growth trends in these areas reflected the sector's response to increasing needs and financial pressures to ensure that social development initiatives remained sustainable and effective.

Expenditure on compensation of employees was projected to increase from R10.1 billion in 2020/21 to R13.4 million in 2026/27 and its share of total expenditure from 49.9 per cent to 55.2 per cent over the same period. The average annual growth rates for spending on compensation of employees were 4.3 per cent from 2020/21 to 2023/24, 6.1 per cent from 2023/24 to 2024/25 and 5.2 per cent from 2024/25 to 2026/27. This reflects continued investment in personnel, including social workers, driven by wage adjustments.

Despite the projection of expenditure on transfers and subsidies to NPOs having increased slightly, from R5.7 billion in 2020/21 to R5.8 billion in 2026/27, the share of total expenditure allocated to them was projected to decrease from 27.9 per cent to 24 per cent over the same period. Spending on transfers and subsidies to NPOs decreased at an average annual rate of -1.5 per cent between 2020/21 to 2023/24 before increasing at an average annual rate of 0.9 per cent from 2023/24 to 2024/25 and 2.4 per cent from 2024/25 to 2026/27. This marginal growth was aimed at counteracting inflationary pressures on funding and sustaining support for essential services provided by NPOs.

Table 5.8 Expenditure on social welfare services by subprogramme (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Management and support	1 331	1 522	1 502	1 597	1 720	1 790	1 867
Services to older persons	1 503	1 572	1 615	1 602	1 667	1 729	1 786
Services to persons with disabilities	935	1 003	997	1 043	1 075	1 124	1 172
HIV/AIDS	1 078	1 125	1 134	1 015	1 084	1 090	1 135
Social relief	502	255	235	179	230	241	249
Total	**5 349**	**5 476**	**5 483**	**5 437**	**5 777**	**5 974**	**6 209**
Percentage of total							
Management and support	24.9%	27.8%	27.4%	29.4%	29.8%	30%	30.1%
Services to older persons	28.1%	28.7%	29.5%	29.5%	28.9%	28.9%	28.8%
Services to persons with disabilities	17.5%	18.3%	18.2%	19.2%	18.6%	18.8%	18.9%
HIV/AIDS	20.1%	20.5%	20.7%	18.7%	18.8%	18.2%	18.3%
Social relief	9.4%	4.7%	4.3%	3.3%	4.0%	4.0%	4.0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Percentage growth (average annual)	**2020/21 to 2023/24**	**2023/24 to 2024/25**	**2024/25 to 2026/27**
Management and support	6.3%	7.7%	5.3%
Services to older persons	2.2%	4.0%	3.7%
Services to persons with disabilities	3.7%	3.1%	4.0%
HIV/AIDS	-2.0%	6.8%	3.8%
Social relief	-29.1%	28.8%	11.6%
Total	**0.5%**	**6.3%**	**4.5%**

Source: National Treasury provincial database

The budget for social welfare services was expected to grow from R5.3 billion in 2020/21 to R6.2 billion in 2026/27, and at an average annual increase of 4.5 per cent between 2024/25 and 2026/27. The social relief subprogramme, which receives the lowest allocation, is primarily funded to address emergency needs in communities affected by disasters. This limited allocation was due to the programme's specific focus on short-term, crisis-driven interventions rather than ongoing, large-scale service delivery. Other subprogramme budgetary adjustments reflect continuous efforts to align funding with the sector's growing priorities.

Funding for services to older persons increased from R1.5 billion in 2020/21 to R1.8 billion in 2026/27. This was aligned with the provisions of the Older Persons Act (2006), which emphasises transitioning from institutional to community-based care while addressing the need for residential care. The average annual growth rate for this subprogramme was projected to be 3.7 per cent from 2024/25 to 2026/27, which reflected a steady commitment to the wellbeing of older people. The proportion of the total budget allocated to this area was projected to decrease marginally from 29.5 per cent in 2023/24 to 28.8 per cent in 2026/27.

Funding for services to persons with disabilities was projected to increase from R935 million in 2020/21 to R1.2 billion in 2026/27, and at an average annual rate of 4 per cent from 2024/25 to 2026/27. This subprogramme's share of the total budget was projected to decrease marginally from 19.2 per cent in 2023/24 to 18.9 per cent in 2026/27.

Expenditure on HIV/AIDS decreased from R1.1 billion in 2020/21 to R1 billion in 2023/24 and was projected to increase to R1.1 billion again in 2026/27. This reflected an average annual increase of 3.8 per cent from 2023/24 to 2026/27. The proportion of the total budget allocated to HIV/AIDS decreased from 20.1 per cent in 2020/21 to 18.7 per cent in 2023/24 and was projected to decrease further to 18.3 per cent in 2026/27, reflecting shifts in priorities.

Funding for social relief decreased sharply from R502 million in 2020/21 to R179 million in 2023/24. This was due to high allocations in 2020/21 for social relief of distress provisions during the COVID-19 pandemic, which tapered off in the following years. Spending on social relief was projected to increase to R249 million in 2026/27, at an average annual rate of 11.6 per cent from 2024/25 to 2026/27. The proportion of the total budget allocated to social relief remains relatively small, increasing from 3.3 per cent in 2023/24 to a projected 4 per cent in 2026/27.

The budget for social relief remained the smallest portion of the programme's budget, increasing from 3.3 per cent in 2023/24 to a projected 4 per cent by 2026/27

Table 5.9 Expenditure on children and families by subprogramme (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Management and support	288	331	325	346	371	401	415
Care and services to families	680	825	809	835	796	810	821
Child care and protection	2 138	2 310	2 381	2 578	2 541	2 638	2 738
ECD and partial care	1 052	1 046	529	507	534	543	564
Child and youth care centres	1 490	1 580	1 624	1 604	1 784	1 859	1 941
Community-based care services for children	494	558	515	520	648	683	700
Total	**6 142**	**6 650**	**6 184**	**6 389**	**6 674**	**6 934**	**7 180**
Percentage of total							
Management and support	4.7%	5.0%	5.3%	5.4%	5.6%	5.8%	5.8%
Care and services to families	11.1%	12.4%	13.1%	13.1%	11.9%	11.7%	11.4%
Child care and protection	34.8%	34.7%	38.5%	40.3%	38.1%	38.1%	38.1%
ECD and partial care	17.1%	15.7%	8.6%	7.9%	8.0%	7.8%	7.9%
Child and youth care centres	24.3%	23.8%	26.3%	25.1%	26.7%	26.8%	27.0%
Community-based care services for children	8.0%	8.4%	8.3%	8.1%	9.7%	9.8%	9.8%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Percentage growth (average annual)		**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2024/25 to 2026/27**	
Management and support		4.1%		7.2%		6.2%	
Care and services to families		6.0%		-4.7%		-0.6%	
Child care and protection		3.6%		-1.4%		2.0%	
ECD and partial care		-20.5%		5.3%		3.6%	
Child and youth care centres		2.9%		11.3%		6.6%	
Community-based care services for children		1.4%		24.7%		10.5%	
Total		**0.2%**		**4.5%**		**4.0%**	

Source: National Treasury provincial database

Table 5.9 shows that expenditure on social welfare services was projected to increase from R6.1 billion in 2020/21 to R7.2 billion in 2026/27, and at an average annual rate of 4 per cent from 2024/25 to 2026/27. The increase in funding was primarily directed towards sustaining key services such as childcare and protection, community-based care and support for management functions. The lower rate of increase compared to previous years was partly due to the ECD function having been shifted to the Department of Basic Education from 1 April 2022. This aimed to streamline these services and address inflationary pressures while ensuring effective use of resources.

The budget for care and services to families was projected to increase from R680 million in 2020/21 to R821 million in 2026/27. However, expenditure decreased at an average annual rate of 0.6 per cent from 2024/25 to 2026/27. Similarly, the proportion of the total budget allocated to this area decreased from 13.1 per cent in 2023/24 to 11.4 per cent in 2026/27. This reduction is driven by fiscal consolidation and budgetary pressures, particularly the need for provinces to fund the wage bill.

Funding for childcare and protection increased from R2.1 billion in 2020/21 to R2.7 billion in 2026/27, and at a projected average annual rate of 2 per cent from 2024/25 to 2026/27. The budget share for this subprogramme has consistently been at about 38.1 per cent, reflecting its importance in the overall programme.

The budget for ECD and partial care reflected a significant decrease from R1.1 billion in 2020/21 to a projected R564 million in 2026/27. Between 2020/21 and 2023/24, the average annual decrease was 20.5 per cent following the shift of the ECD function to the Department of Education. However, spending in this area was projected to increase at an average annual rate of 3.6 per cent from 2024/25 to 2026/27 to cater for pay and grade progressions of social workers. As a result of the function shift, the share of the total budget allocates to this area decreased from 17.1 per cent in 2020/21 to 7.9 per cent in 2026/27.

Spending on child and youth care centres increased from R1.5 billion in 2020/21 to R1.9 billion in 2026/27, and at a projected average annual rate of 6.6 per cent from 2024/25 to 2026/27. The proportion of the total budget for child and youth care centres increased from 25.1 per cent in 2023/24 to 27 per cent in 2026/27, indicating a focus on improving care facilities.

Funding for community-based care services for children increased from R494 million in 2020/21 to R700 million in 2026/27, and at a projected average annual rate of 10.5 per cent from 2024/25 to 2026/27. The proportion of the total budget allocated to this area increased from 8.1 per cent in 2023/24 to 9.8 per cent in 2026/27, highlighting a significant investment in community-based services.

Table 5.10 Expenditure on restorative services by subprogramme (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Management and support	156	178	168	161	172	185	194
Crime and prevention and support	1 220	1 299	1 289	1 374	1 409	1 483	1 552
Victim empowerment	623	697	720	781	803	832	870
Substance abuse, prevention and rehabilitation	984	1 083	1 141	1 053	1 129	1 209	1 268
Total	**2 984**	**3 256**	**3 318**	**3 369**	**3 512**	**3 709**	**3 884**
Percentage of total							
Management and support	5.2%	5.5%	5.1%	4.8%	4.9%	5.0%	5.0%
Crime and prevention and support	40.9%	39.9%	38.8%	40.8%	40.1%	40.0%	40.0%
Victim empowerment	20.9%	21.4%	21.7%	23.2%	22.9%	22.4%	22.4%
Substance abuse, prevention and rehabilitation	33.0%	33.2%	34.4%	31.3%	32.1%	32.6%	32.7%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Table 5.10 Expenditure on restorative services by subprogramme (2020/21 to 2026/27) (continued)

Percentage growth (average annual)	2020/21 to 2023/24	2023/24 to 2024/25	2024/25 to 2026/27
Management and support	1.0%	6.7%	6.3%
Crime and prevention and support	4.0%	2.5%	4.2%
Victim empowerment	7.8%	2.8%	3.7%
Substance abuse, prevention and rehabilitation	2.3%	7.2%	6.4%
Total	**4.1%**	**4.3%**	**4.9%**

Source: National Treasury provincial database

Expenditure on crime prevention and support increased from R1.2 billion in 2020/21 to R1.6 billion in 2026/27, and at a projected average annual rate of 4.2 per cent from 2024/25 to 2026/27. The budget share for this area remained stable during the period under review and was expected to comprise 40 per cent of the programme's total expenditure in 2026/27.

Funding for victim empowerment increased from R623 million in 2020/21 to R870 million in 2026/27, and at an average annual rate of 3.7 per cent from 2024/25 to 2026/27. The proportion of the total budget for this area decreased from 23.2 per cent in 2023/24 to a projected 22.4 per cent in 2026/27.

Expenditure on substance abuse prevention and rehabilitation increased from R984 million in 2020/21 and to R1.3 billion in 2026/27, and at a projected average annual rate of 6.4 per cent from 2024/25 to 2026/27. The proportion of the total budget allocated to this area remained relatively stable over the period under review and was expected to comprise 32.7 per cent of the programme's total expenditure in 2026/27. Despite historical and ongoing challenges, spending over the period under review reflected continued investment in substance abuse treatment and related services.

Registration and funding of NPOs

NPOs play a crucial role in the collaborative work undertaken in the social development sector

According to the 1997 White Paper for Social Welfare, the role of NPOs in social development is key to the collective efforts of government and civil society. To receive government funding, NPOs must be registered in terms of the Non-profit Organisations Act (1997) and adhere to specific registration requirements based on the services they provide.

As at 1 August 2024, there were a total of 291 798 registered NPOs, 89 per cent of which were voluntary associations, followed by non-profit companies (10 per cent) and non-profit trusts (1 per cent). This represents an increase of more than 47 per cent in NPO registrations since March 2016.

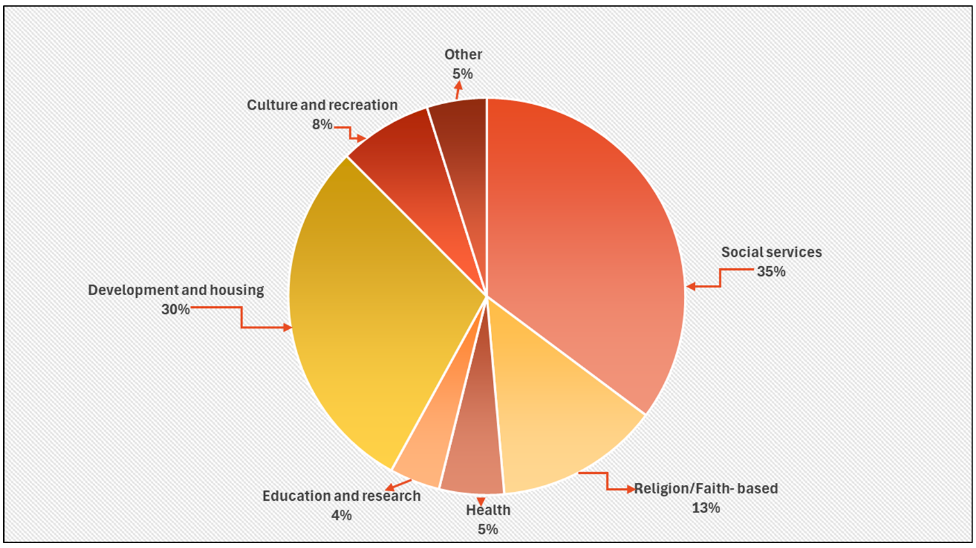
Table 5.11 Number of registered NPOs

Province	Registered NPOs	Proportion of registered NPOs
Eastern Cape	28 647	9.8%
Free State	15 004	5.1%
Gauteng	91 734	31.4%
KwaZulu-Natal	51 429	17.6%
Limpopo	29 075	10.0%
Mpumalanga	21 723	7.4%
Northern Cape	16 814	5.8%
North West	6 659	2.3%
Western Cape	30 713	10.5%
Total	**291 798**	**100%**

Source: Statistics South Africa

The distribution shows that urbanised provinces such as Gauteng (91 743, or 31 per cent), KwaZulu-Natal (51 429, or 18 per cent) and Western Cape (30 713, or 11 per cent) had the majority of NPOs. North West had the lowest, with only 6 659, or 2 per cent.

Figure 5.1 Percentage of NPOs by category



Source: Statistics South Africa

The figure above illustrates the distribution of registered NPOs across various categories.

- At 102 736, the social services category accounted for the largest share of total NPOs, highlighting their significant role in community support and welfare.
- There were 86 097 NPOs in the development and housing category, which indicated a strong focus on infrastructure and socioeconomic development.
- Religion/Faith-based organisations accounted for 39 071 of the total, reflecting the active role of religious institutions in social initiatives.
- Health-related NPOs accounted for 15 424 of the total, while culture and recreation represented 22 211. These NPOs focused on support for public health and community engagement activities.
- Education and research had 12 012 NPOs to channel investments in knowledge and skills development.
- Finally, 14 247 NPOs covered various additional categories.

Table 5.12 Expenditure on development and research by subprogramme (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Management and support	600	678	688	717	691	740	784
Community mobilisation	46	78	87	101	79	83	87
Institutional capacity building and support for NPOs	273	352	319	413	306	300	314
Poverty alleviation and sustainable livelihoods	1 112	881	873	657	885	912	960
Community-based research and planning	30	30	31	36	31	38	39
Youth development	261	311	320	239	307	327	341
Women development	63	64	85	81	91	97	101
Population policy promotion	43	46	45	32	48	48	51
Total	**2 427**	**2 441**	**2 449**	**2 277**	**2 439**	**2 545**	**2 676**
Percentage of total							
Management and support	24.7%	27.8%	28.1%	31.5%	28.3%	29.1%	29.3%
Community mobilisation	1.9%	3.2%	3.5%	4.4%	3.3%	3.3%	3.2%
Institutional capacity building and support for NPOs	11.2%	14.4%	13.0%	18.1%	12.6%	11.8%	11.7%
Poverty alleviation and sustainable livelihoods	45.8%	36.1%	35.6%	28.8%	36.3%	35.8%	35.9%
Community-based research and planning	1.2%	1.2%	1.3%	1.6%	1.3%	1.5%	1.5%
Youth development	10.7%	12.8%	13.1%	10.5%	12.6%	12.9%	12.7%
Women development	2.6%	2.6%	3.5%	3.6%	3.7%	3.8%	3.8%
Population policy promotion	1.8%	1.9%	1.8%	1.4%	2.0%	1.9%	1.9%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Percentage growth (average annual)		**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2024/25 to 2026/27**	
Management and support		4.7%		-3.7%		3.0%	
Community mobilisation		23.2%		-21.5%		-4.9%	
Institutional capacity building and support for NPOs		5.4%		-25.9%		-8.8%	
Poverty alleviation and sustainable livelihoods		-7.7%		34.7%		13.5%	
Community-based research and planning		1.7%		-13.4%		2.7%	
Youth development		7.1%		28.2%		12.5%	
Women development		10.6%		12.2%		7.5%	
Population policy promotion		1.3%		49.3%		16.6%	
Total		**0.3%**		**7.1%**		**5.5%**	

Source: National Treasury provincial database

Expenditure on research and development showed mixed trends, with significant increases in poverty alleviation and population policy promotion. Budget reprioritisations ensured that core programmes were not compromised. Total expenditure increased from R2.4 billion in 2020/21 to R2.7 billion by 2026/27. This represents an average annual growth rate of 5.5 per cent from 2024/25 to 2026/27, in line with inflation.

Although funding for community mobilisation increased from R46 million in 2020/21 to R101 million in 2023/24, it was projected to decrease to R87 million in 2026/27, reflecting a decrease of 21.5 per cent from 2023/24 to 2024/25. The decrease was projected to stabilise at an average annual rate of 4.9 per cent from 2024/25 to 2026/27, in line with inflation.

Despite expenditure on institutional capacity building and support for NPOs having increased from R273 million in 2020/21 to R413 million in 2023/24, it was projected to decrease to R314 million by 2026/27. This reflected a decrease of

25.9 per cent from 2023/24 to 2024/25 and an average annual decrease of 8.8 per cent from 2024/25 to 2026/27 because of reprioritisations to fund the wage bill.

Although spending on poverty alleviation and sustainable livelihoods decreased from R1.1 billion in 2020/21 to R657 million in 2023/24, it was projected to increase to R960 million by 2026/27, at an average annual rate of 13.5 per cent from 2024/25 to 2026/27. This indicated an increase in poverty alleviation initiatives and provisions for the wage bill over the MTEF period.

Funding for community-based research and planning increased from R30 million in 2020/21 to R36 million in 2023/24, and was projected to increase further to R39 million in 2026/27. This represented an average annual growth of 2.7 per cent from 2024/25 to 2026/27 to make provisions for pay progression.

Investment in youth development decreased from R261 million in 2020/21 to R239 million in 2023/24 and was projected to increase to R341 million in 2026/27. The average annual growth rate of 12.5 per cent from 2024/25 to 2026/27 indicated a strong focus on youth initiatives and provisions made to cover the wage bill over the MTEF period.

Expenditure on women development increased from R63 million in 2020/21 to R81 million in 2023/24 and was projected to increase further to R101 million in 2026/27, at an average annual rate of 7.5 per cent from 2024/25. Provisions were for ongoing support for women's development programmes and the wage bill.

Funding related to population policy promotion increased from R43 million in 2020/21 to R51 million by 2026/27, with a significant increase of 49.3 per cent from 2023/24 to 2024/25 and an average annual increase of 16.6 per cent from 2024/25 to 2026/27. The increases were in line with efforts to strengthen the implementation of population policy related to, among other things, addressing demographic trends, urbanisation and migration patterns; improving data collection and research; and increasing investments in demographic studies to inform policy decisions.

Provincial departments of social development were allocated funds specifically to help NPOs build institutional capacity

Table 5.13 Expenditure on institutional capacity building and support for NPOs (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	35	42	47	48	44	41	42
Free State	15	15	15	14	16	16	17
Gauteng	160	237	201	182	186	191	200
KwaZulu-Natal	1	9	8	12	12	13	13
Limpopo	24	14	14	14	12	5	5
Mpumalanga	1	2	2	2	3	3	3
Northern Cape	17	16	13	58	17	18	18
North West	17	15	16	17	13	11	11
Western Cape	3	2	3	67	3	3	3
Total	**273**	**352**	**319**	**413**	**306**	**300**	**314**

Table 5.13 Expenditure on institutional capacity building and support for NPOs (2020/21 to 2026/27) (continued)

Percentage growth (average annual)	2020/21 to 2023/24	2023/24 to 2024/25	2024/25 to 2026/27
Eastern Cape	10.5%	-7.9%	-4.1%
Free State	-1.8%	18.0%	7.6%
Gauteng	4.5%	1.8%	3.1%
KwaZulu-Natal	125.4%	3.2%	4.1%
Limpopo	-17.8%	-11.7%	-27.3%
Mpumalanga	12.8%	48.4%	11.4%
Northern Cape	50.9%	-71.1%	-31.8%
North West	0.8%	-20.5%	-12.6%
Western Cape	195.1%	-95.8%	-64.1%
Total	**14.8%**	**-25.9%**	**-8.8%**

Source: National Treasury provincial database

The allocation of funds across provinces varied considerably, with the lowest increases in Gauteng and KwaZulu-Natal and dramatic fluctuations in provinces such as Northern Cape and Western Cape. The shifts in funding reflect changes in priorities and, potentially, the strategic realignment of resources in response to changes in service demands.

Eastern Cape*:* Funding increased from R35 million in 2020/21 to R48 million in 2023/24, then was projected to decrease to R42 million in 2026/27. The average annual growth rate from 2020/21 to 2023/24 was 10.5 per cent, but this was expected to decrease at an average annual rate of 4.1 per cent between 2024/25 and 2026/27

Free State: Allocations were stable at R15 million between 2020/21 and 2022/23 but were projected to increase to R17 million in 2026/27. Allocations decreased at an average annual rate of 1.8 per cent from 2020/21 to 2023/24 before increasing by 18 per cent from 2023/24 to 2024/25. The average annual growth rate from 2024/25 to 2026/27 was projected to be 7.6 per cent, in line with inflation.

Gauteng: There was a substantial increase in funding from R160 million in 2020/21 to R182 million in 2023/24, with allocations expected to increase to R200 million in 2026/27. The average annual growth rate was 4.5 per cent from 2020/21 to 2023/24 and was projected to be 3.1 per cent from 2024/25 to 2026/27, as the province planned to capacitate more NPOs.

KwaZulu-Natal: Funding increased from R1 million in 2020/21 to R12 million in 2023/24 and was projected to increase further to R13 million in 2026/27. This translated to average annual growth rates of 125.4 per cent from 2020/21 to 2023/24, and 4.1 per cent from 2024/25 to 2026/27, in line with inflation.

Limpopo: Allocations decreased from R24 million in 2020/21 to R14 million in 2023/24 and were projected to decrease further to R5 million in 2026/27. This reflected decreases in allocations at average annual rates of 17.8 per cent from 2020/21 to 2023/24 and a projected decrease of 27.3 per cent from 2024/25 to 2026/27. This was due to reprioritisations to fund various cost pressures.

Mpumalanga: Funding increased from R1 million in 2020/21 to R2 million in 2023/24, with projections having indicated an increase to R3 million in 2026/27. The average annual growth rate was 12.8 per cent from 2020/21 to 2023/24 and was projected to be 11.4 per cent from 2024/25 to 2026/27, in line with inflation and the province having planned to build capacity in more NPOs.

North West: Funding amounted to R17 million in 2020/21, and was projected to decrease to R11 million in 2026/27. Allocations increased at an average annual rate of 0.8 per cent from 2020/21 to 2023/24 but were projected to decrease at an average annual rate of 12.6 per cent from 2024/25 to 2026/27. This was due to reprioritisation of the budget to fund cost pressures such as the wage bill.

Northern Cape: Allocations increased from R17 million in 2020/21 to R58 million in 2023/24 but were expected to decrease to R18 million in 2026/27. This translated into an average annual growth rate of 50.9 per cent from 2020/21 to 2023/24, but a decrease of 71.1 per cent from 2023/24 to 2024/25. This resulted in an average annual decrease of 31.8 per cent from 2024/25 to 2026/27. This was due to reprioritisations to fund various cost pressures.

Western Cape: Allocations surged from R3 million in 2020/21 to R67 million in 2023/24 but were projected to drop back to R3 million in 2026/27. As such, the average annual growth rate from 2020/21 to 2023/24 was 195.1 per cent but an average annual decrease of 64.1 per cent was projected from 2024/25 to 2026/27. This was due to reprioritisations to fund various cost pressures.

Table 5.14 Transfers to NPOs by subprogramme (2020/21 to 2026/27)

R million	Outcome			Audited outcome	Medium-term estimates		
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Care and services to families	680	825	809	835	796	810	821
Care and services to older persons	1 503	1 572	1 615	1 602	1 667	1 729	1 786
Child and youth care centres	1 490	1 580	1 624	1 604	1 784	1 859	1 941
Child care and protection services	2 138	2 310	2 381	2 578	2 541	2 638	2 738
Community-based care services to children	494	558	515	520	648	683	700
Crime prevention and support	1 220	1 299	1 289	1 374	1 409	1 483	1 552
District management	1 461	1 553	1 601	1 689	1 681	1 757	1 883
ECD and partial care	1 052	1 046	529	507	534	543	564
HIV/AIDS	1 078	1 125	1 134	1 015	1 084	1 090	1 135
Institutional capacity building and support for NPOs	273	352	319	413	306	300	314
Management and support	2 375	2 709	2 683	2 821	2 954	3 116	3 259
Poverty alleviation and sustainable livelihoods	1 112	881	873	657	885	912	960
Services to persons with disabilities	935	1 003	997	1 043	1 075	1 124	1 172
Substance abuse, prevention, treatment and rehabilitation	984	1 083	1 141	1 053	1 129	1 209	1 268
Victim empowerment	623	697	720	781	803	832	870
Women development	63	64	85	81	91	97	101
Youth development	261	311	320	239	307	327	341
Total	**17 742**	**18 967**	**18 637**	**18 813**	**19 695**	**20 508**	**21 406**

Table 5.14 Transfers to NPOs by subprogramme (2020/21 to 2026/27) (continued)

	Outcome			Audited outcome	Medium-term estimates		
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Percentage of total							
Care and services to families	3.8%	4.4%	4.3%	4.4%	4.0%	3.9%	3.8%
Care and services to older persons	8.5%	8.3%	8.7%	8.5%	8.5%	8.4%	8.3%
Child and youth care centres	8.4%	8.3%	8.7%	8.5%	9.1%	9.1%	9.1%
Child care and protection services	12.1%	12.2%	12.8%	13.7%	12.9%	12.9%	12.8%
Community-based care services to children	2.8%	2.9%	2.8%	2.8%	3.3%	3.3%	3.3%
Crime prevention and support	6.9%	6.8%	6.9%	7.3%	7.2%	7.2%	7.3%
District management	8.2%	8.2%	8.6%	9%	8.5%	8.6%	8.8%
ECD and partial care	5.9%	5.5%	2.8%	2.7%	2.7%	2.6%	2.6%
HIV/AIDS	6.1%	5.9%	6.1%	5.4%	5.5%	5.3%	5.3%
Institutional capacity building and support for NPOs	1.5%	1.9%	1.7%	2.2%	1.6%	1.5%	1.5%
Management and support	13.4%	14.3%	14.4%	15.0%	15.0%	15.2%	15.2%
Poverty alleviation and sustainable livelihoods	6.3%	4.6%	4.7%	3.5%	4.5%	4.4%	4.5%
Services to persons with disabilities	5.3%	5.3%	5.3%	5.5%	5.5%	5.5%	5.5%
Substance abuse, prevention, treatment and rehabilitation	5.5%	5.7%	6.1%	5.6%	5.7%	5.9%	5.9%
Victim empowerment	3.5%	3.7%	3.9%	4.2%	4.1%	4.1%	4.1%
Women development	0.4%	0.3%	0.5%	0.4%	0.5%	0.5%	0.5%
Youth development	1.5%	1.6%	1.7%	1.3%	1.6%	1.6%	1.6%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Percentage growth (average annual)	**2020/21 to 2023/24**	**2023/24 to 2024/25**	**2024/25 to 2026/27**
Care and services to families	7.0%	-4.7%	-0.6%
Care and services to older persons	2.0%	4.0%	3.7%
Child and youth care centres	2.0%	11.3%	6.6%
Child care and protection services	6.0%	-1.4%	2.0%
Community-based care services to children	2.0%	24.7%	10.5%
Crime prevention and support	4.0%	2.5%	4.2%
District management	5.0%	-0.5%	3.7%
ECD and partial care	-22%	5.3%	3.6%
HIV/AIDS	-2.0%	6.8%	3.8%
Institutional capacity building and support for NPOs	15.0%	-25.9%	-8.8%
Management and support	1.0%	4.7%	4.9%
Poverty alleviation and sustainable livelihoods	-16%	34.7%	13.5%
Services to persons with disabilities	4.0%	3.1%	4.0%
Substance abuse, prevention, treatment and rehabilitation	2.0%	7.2%	6.4%
Victim empowerment	8.0%	2.8%	3.7%
Women development	9.0%	12.2%	7.5%
Youth development	-3.0%	28.2%	12.5%
Total	**2.0%**	**4.7%**	**4.4%**

Source: National Treasury provincial database

The proportions of provinces' budgets spent on transfer payments to NPOs were varied mainly because Western Cape and Gauteng had more registered NPOs. However, these proportions had decreased noticeably due to the shift of the ECD function to the Department of Basic Education in 2022/23.

Despite the varying levels of support across the different NPO categories, which indicated specific regional priorities, the data reflected a broad commitment to social development with a strategic focus on key areas. As such, transfers to NPOs steadily increased from R17.7 billion in 2021/22 to R21.4 million in 2026/27. This reflected ongoing investment in various social services aimed at improving the wellbeing of individuals and communities across the country.

Although the care and services to families category saw a gradual increase in funding from R680 million in 2020/21 to R835 million in 2023/24, its budget was anticipated to decrease to R821 million in 2026/27. An average annual decrease of 0.6 per cent was projected from 2024/25 to 2026/27. This was due to reprioritisations to fund various cost pressures.

Funding for care and services to older persons was projected to increase from R1.5 billion in 2020/21 to R1.8 billion in 2026/27. An average annual increase of 3.7 per cent was projected from 2024/25 to 2026/27, in line with inflation.

The budget for child and youth care centres increased, especially from 2024/25 onwards, with projections reaching R1.9 billion by 2026/27. An average annual increase of 6.6 per cent was projected from 2024/25 to 2026/27. This growth highlighted a strong investment in services dedicated to the care and development of children and young people.

Funding for childcare and protection services increased from R2.3 billion in 2020/21 to a projected R2.7 billion in 2026/27. However, an average annual increase of 2 per cent was projected from 2024/25 to 2026/27. The increase indicated a sustained focus on safeguarding and supporting children.

The budget for crime prevention and support increased from R1.3 billion in 2020/21 to R1.6 billion in 2026/27. An average annual increase of 4.2 per cent was projected from 2024/25 to 2026/27, which reflected ongoing efforts to enhance safety and security through various programmes.

Despite a slight decrease in funding for HIV/AIDS services in 2023/24, allocations were expected to increase to R1.1 billion in 2026/27. An average annual increase of 3.8 per cent was projected from 2024/25 to 2026/27. This reflected a consistent level of support for HIV/AIDS projects.

The category for services to persons with disabilities saw an increase from R1 billion in 2021/22 to R1.2 billion in 2026/27. An average annual increase of 4 per cent was projected from 2024/25 to 2026/27, reflecting ongoing support to people with disabilities.

Although funding for substance abuse services fluctuated, it was expected to increase to R1.3 billion in 2026/27. An average annual increase of 6 per cent was projected from 2024/25 to 2026/27, in line with inflation and increasing provisions for continued support to victims of substance abuse.

Table 5.15 Transfers to NPOs as proportion of social development expenditure (2021/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
Province	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	12.4%	11.1%	12.1%	12.5%	13.2%	13.8%	13.6%
Free State	21.3%	23.7%	26.8%	26.9%	25.2%	25.8%	24.4%
Gauteng	40.1%	40.7%	42.3%	34.0%	34.0%	38.6%	37.4%
KwaZulu-Natal	20.0%	20.5%	21.7%	22.0%	21.1%	22.3%	22.1%
Limpopo	30.2%	24.3%	13.5%	14.0%	14.7%	15.6%	15.8%
Mpumalanga	21.2%	23.1%	23.0%	22.4%	25.3%	26.5%	25.2%
Northern Cape	20.7%	23.5%	18.8%	18.3%	20.8%	22.1%	22.1%
North West	18.6%	19.3%	14.4%	13.7%	13.8%	14.2%	14.2%
Western Cape	45.8%	45.3%	43.9%	43.9%	40.6%	42.4%	41.6%
Total	**27.9%**	**27.9%**	**27.2%**	**25.5%**	**24.5%**	**24.4%**	**24.0%**

Source: National Treasury provincial database

Transfers to NPOs as a percentage of total social development expenditure were projected to decrease from 27.9 per cent in 2020/21 to 24 per cent in 2026/27. This reflects changes in provincial allocations and shifts in funding priorities over the MTEF period.

Eastern Cape's share of funding for combating violence against women and children ranged from 12.4 per cent in 2020/21 to 13.6 per cent to 2026/27 due to provisions made to reach more victims of violence.

Free State's allocation increased from 21.3 per cent in 2020/21 to 26.9 per cent in 2023/24 before decreasing to a projected 24.4 per cent in 2026/27. This was due to reprioritisations to relieve departmental cost pressures.

Gauteng's share peaked at 42.3 per cent in 2022/23 but was projected to decrease to 37.4 per cent in 2026/27. Despite this reduction, Gauteng remained a major recipient because of the high demand for services for violence against women and children.

KwaZulu-Natal's allocation increased from 20 per cent in 2020/21 to 22.1 per cent in 2026/27, which was reflected in its continued focus on combating violence against women and children.

Limpopo's funding decreased from 30.2 per cent in 2020/21 to 13.5 per cent in 2022/23 before gradually increasing to a projected 15.8 per cent in 2026/27. This reduction reflected shifts in funding priorities and measures taken to alleviate departmental cost pressures.

Mpumalanga's allocation increased from 21.2 per cent in 2020/21 to 22.4 per cent in 2023/24 and was projected to increase to 25.2 per cent in 2026/27, as the province increased provisions to reach more beneficiaries.

Northern Cape's share increased from 20.7 per cent in 2020/21 to a projected 22.1 per cent in 2026/27, indicating consistent funding of NPOs and prioritising funding for drop-in centres.

North West's share decreased from 18.6 per cent in 2020/21 to a projected 14.2 per cent in 2026/27. This reduction reflected shifts in funding priorities and measures taken to alleviate departmental cost pressures.

Western Cape's share decreased from 45.8 per cent to 41.6 cent over the period. However, the allocation remained substantial and highlighted the province's extensive network of services for violence against women and children.

Social development allocations to address violence against women and children

The Department of Social Development leads the implementation of pillar 4 (response, care support and healing) of the national strategic plan on gender-based violence and femicide. This entails strengthening the care and support services of government and civil society organisations in ways that are victim-centred, survivor-focused and trauma informed to facilitate recovery and healing. Provincial departments of social development budget for these services within their victim empowerment subprogrammes.

The main indicator for these subprogrammes is the number of victims accessing support services, which was projected to increase from 163 252 in 2021/22 to 196 894 in 2024/25. These numbers differed widely across provinces. Gauteng aimed to reach 56 528 victims, while North West aimed for 54 659 in 2024/25, whereas Mpumalanga aimed to reach only 4 000. This could be due to different interpretations of how this indicator should be measured.

Government allocations to combat violence against women and children were critical in shaping the general response to this pressing issue. Despite improvements and increased funding during the period under review, challenges persisted in balancing the immediate response and policing with prevention and psychosocial services.

Social worker employment

The sector strategy for the employment of social service professionals (approved by Cabinet in February 2024) indicated that, in 2021, there were 76 634 social service professionals, and 11 546 child and youth care workers registered with the South African Council for Social Service Professionals. These professionals were employed in various government departments, metropolitan municipalities, NPOs and private organisations and companies, and self-employed in private practice. Many were also unemployed, not practising, practising outside South Africa or retired. Although the council was not able to provide accurate data on the employment status or setting of registered practitioners, the Department of Social Development estimated that there were about 9 000 unemployed social worker graduates over the reporting period, about 4 000 of whom benefited from a scholarship from the department.

The lack of accurate data on the workforce and the demand for social service professionals relative to the needs of the target population inhibited proper planning. As such, one of the objectives of the new strategy is to develop a model for mapping current social worker posts against population needs across all geographic regions and sectors (departments and institutions) to identify gaps and priority areas for the placement of social workers.

An estimated R452 million per year over the MTEF period was allocated for social worker employment through the provincial equitable share. About R285 million per year of this funding was previously a conditional grant for social worker employment. In 2017/18, the first year of the old conditional grant for social worker employment, provinces employed 583 social workers. It remains unknown whether these posts were retained or whether provinces had to reprioritise funds to accommodate the pressures on compensation of employees.

The other R167 million per year was shifted from the Department of Social Development and allocated for provinces to continue employing social workers in areas with a high prevalence of gender-based violence, substance abuse and issues affecting children.

Determining the service delivery gap

Policy-making and planning in the social services sector is difficult when data sources about demand and supply, and thus the service delivery gap, are weak. Service conditions also change continually. An effective system must respond to signals from updated information and analysis. Porous information and insufficient analysis of data and evidence are fundamental challenges.

Although funding is earmarked through various programmes to address some of the challenges in the sector, the increasing population and slow economic growth continue to negatively affect the achievement of planned targets and the subsequent improvements in South African social welfare.

Medium-term outlook

Key areas that require attention over the medium term included a comprehensive sector response to:

- Implementing the national anti-substance abuse programme of action to address the ongoing substance abuse crisis, particularly in impoverished communities, which perpetuates cycles of poverty and violence.
- Strengthening the delivery of social welfare with a focus on legislative and policy reforms, and capacity building efforts to enhance the effectiveness of social welfare services.
- Enhancing community-development interventions to build the capacity of the NPO sector in recognition of its vital role in community development and service delivery.
- Continuing social relief efforts to ensure the ongoing provision of care, support and protection for individuals, families and communities in distress. For improving coordination and avoiding the duplication of efforts between the national and provincial social development departments, this function will be streamlined to be delivered solely at the provincial level.

By prioritising these areas, the sector aims to create a more integrated and responsive social support system that effectively meets the needs of vulnerable sectors of society.

Conclusion

Government's commitment to strengthening the delivery of social welfare services is underscored by increased allocations to provinces, which was evident in spending trends during the period under review. Provincial departments play a vital role in addressing the development needs of society's most vulnerable members. Despite the progress made, challenges persist nationally and provincially that require targeted action. These include high levels of inequality continued to be a pressing issue, often linked to social pathologies such as substance abuse and violence against women, alongside gaps in NPO funding.

To effectively address these challenges, provincial departments must enhance their capacity to deliver services in line with applicable legislation. Strengthening partnerships with viable NPOs and investing in emerging organisations are crucial to fostering a more resilient and responsive social welfare system. An emphasis on community development interventions and the provision of social relief will further support individuals and families in distress, ensuring a coordinated and effective response to social needs in the years ahead.

6

Human settlements

Introduction

According to the Department of Human Settlements' 2020-2025 strategic plan, government has provided about 4.9 million housing opportunities since 1994. These included houses built, sites serviced, individual subsidies disbursed and loans from human settlements development finance institutions approved. However, despite such positive strides in housing delivery, a lack of adequate and affordable housing continues to be one of the main problems facing the country. Results from the 2017 general household survey showed that 13.6 per cent of all dwellings are informal, with a slight improvement to 12.2 per cent in 2023. Given the current rate of delivery, the eradication of informal settlements is unlikely to be achieved by 2030.

The South African government has provided about 4.9 million housing opportunities since 1994

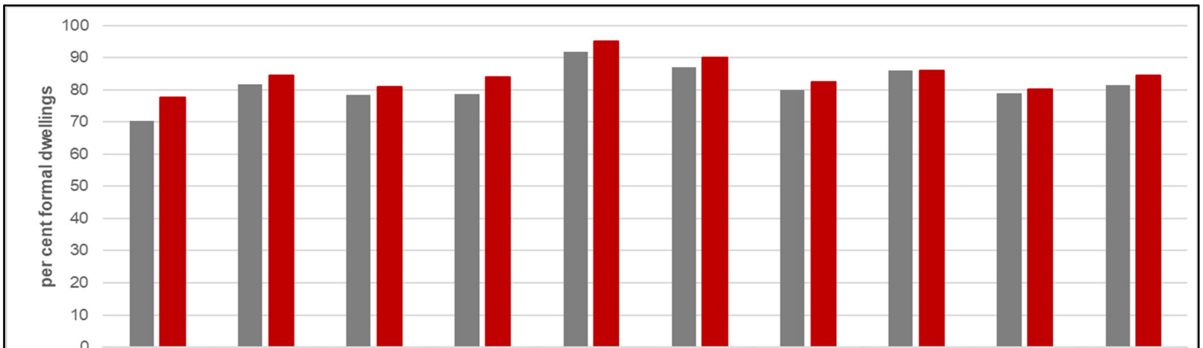
The human settlements sector continues to be plagued by weak spatial planning and intergovernmental coordination; poor governance; and the high cost of well-located land for the development of human settlements, which has driven development to the periphery and perpetuated the stifling effects of apartheid-era planning.

These are long-standing issues that government intends to resolve through its efforts to realise the NDP's Vision 2030. The plan's objectives for human settlements include instituting a strong and efficient spatial system that is well integrated across all spheres of government; upgrading all informal settlements on suitable, well-located land; and ensuring that more people live closer to their places of work. Chapter 8 of the plan, which deals with transforming human settlements, identifies action points for developing sustainable human settlements in identified regions.

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

Current landscape

Figure 6.1 Percentage of households living in formal dwellings (2017 vs 2023)



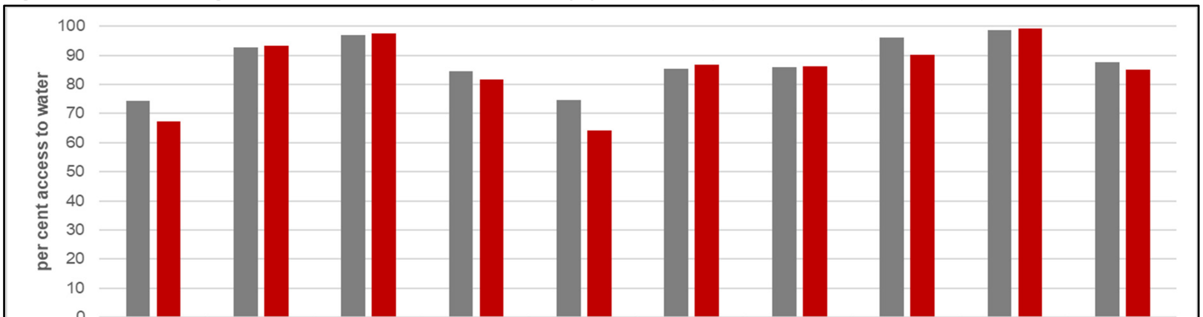
	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape	South Africa
2017	70.4	81.7	78.5	78.6	91.7	86.9	79.9	86	78.9	81.4
2023	77.7	84.4	81	83.9	95.1	90.1	82.4	86	80.3	84.5

Source: Statistics South Africa

Most provinces recorded an increase in formal dwellings between 2017 and 2023

Figure 6.1 shows an increase in the percentage of formal dwellings in all provinces except North West between 2017 and 2023, with notable increases in Eastern Cape and KwaZulu-Natal. However, Eastern Cape is still well below other provinces and the national average. Limpopo had the largest percentage of households with formal dwellings in 2017 and 2023.

Figure 6.2 Percentage of households with access to piped water (2017 vs 2023)

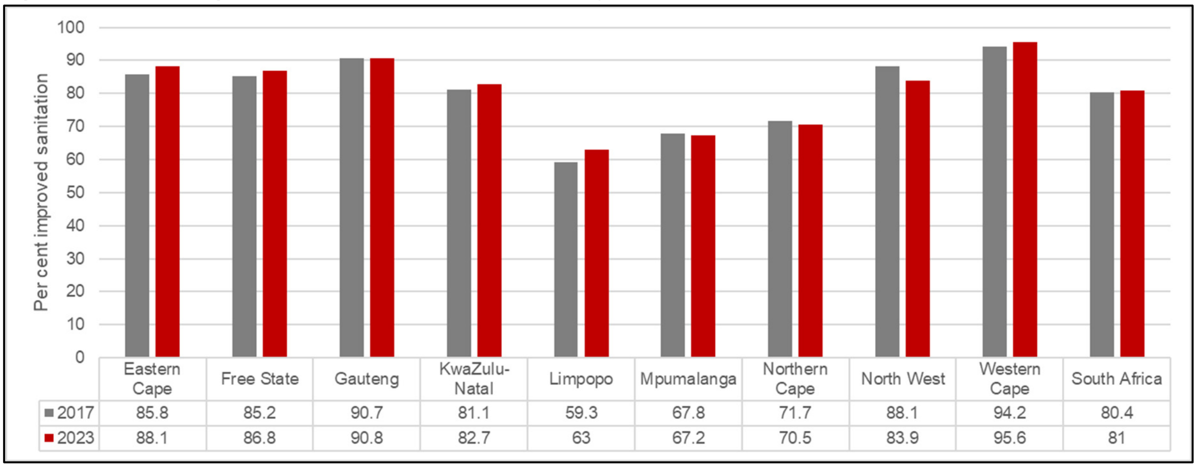


	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape	South Africa
2017	74.2	92.8	97.1	84.5	74.7	85.5	85.8	96	98.7	87.7
2023	67.2	93.4	97.6	81.6	64.2	86.6	86.2	90.1	99.3	85.1

Source: Statistics South Africa

An overall regression in the percentage of households with access to piped tap water within their homes was largely brought about by poor performance in Eastern Cape, KwaZulu-Natal, Limpopo and North West. Typically, there should be a positive correlation between an increase in the number of houses with access to water and the number of formal dwellings. A possible reason for the incongruence might be a lapse in planning that resulted in houses being built before municipalities installed bulk water services. So while reticulation may be in place in the units, taps in them are dry because bulk water is not available.

Figure 6.3 Percentage of households with access to improved sanitation (2018 vs 2023)



Source: Statistics South Africa

A marginal overall increase in the percentage of households' access to sanitation within their homes was noted between 2017 and 2023, although decreases were observed in Northern Cape and North West. Waterborne sanitation (flushing toilets) is the predominant form of sanitation. The discrepancy between the marginal increase in this indicator and the decrease in the indicator for access to piped water could be because of alternate forms of sanitation such as chemical toilets.

Budget and expenditure trends

Table 6.1 Provincial expenditure on human settlements by programme (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Administration	1 669	1 751	2 072	2 157	2 140	2 120	2 166
Housing needs, research and planning	363	366	362	298	329	288	299
Housing development	15 965	17 842	18 609	18 573	18 462	17 797	16 193
Housing asset management, property management	487	466	676	540	516	400	393
Total	**18 482**	**20 424**	**21 718**	**21 568**	**21 447**	**20 604**	**19 051**
Economic classification							
Current payments	3 059	3 122	3 431	3 671	3 805	3 694	3 781
of which:							
Compensation of employees	2 016	2 085	2 147	2 252	2 417	2 515	2 609
Goods and services	953	913	1 124	1 341	1 285	1 126	1 128
Transfers and subsidies	14 647	15 862	17 359	17 532	17 091	16 843	15 203
Payments for capital assets	775	1 439	928	364	551	67	66
Payments for financial assets	2	2	1	0	–	–	–
Total	**18 482**	**20 424**	**21 718**	**21 568**	**21 447**	**20 604**	**19 051**

Table 6.1 Provincial expenditure on human settlements by programme (2020/21 to 2026/27) (continued)

Percentage growth (average annual)	2020/21 to 2023/24	2023/24 to 2024/25	2023/24 to 2026/27
Administration	8.9%	-0.8%	0.1%
Housing needs, research and planning	-6.4%	*10.5%*	*0.2%*
Housing development	*5.2%*	*-0.6%*	*-4.5%*
Housing asset management, property management	3.6%	*-4.4%*	*-10.1%*
Total	**5.3%**	**-0.6%**	**-4.1%**
Economic classification			
Current payments	6.3%	3.7%	1.0%
of which:			
Compensation of employees	3.8%	7.3%	5.0%
Goods and services	12.1%	-4.2%	-5.6%
Transfers and subsidies	6.2%	-2.5%	-4.6%
Payments for capital assets	-22.2%	51.2%	-43.3%
Payments for financial assets	-39.4%	-100.0%	-100.0%
Total	**5.3%**	**-0.6%**	**-4.1%**

Source: National Treasury provincial database

Spending increased at a relatively low rate during the period under review, and even decreased in real terms as allocations did not keep pace with inflation. The recovery between 2020/21 and 2021/22 was due to the loosening of fiscal consolidation measures in response to the COVID-19 pandemic. However, the impact of budget cuts since then has not been fully reversed, resulting in the downward trend after 2022/23 and the projected allocations for 2026/27 being below R20 billion. At the programme level, housing development, the largest programme, recorded an initial gain and subsequent decrease, which aligns with the overall trend.

Administration was the only programme that was projected to register notable growth over the period. The key spending area in the programme was compensation of employees, which was also projected to register growth over MTEF period. This is not ideal, as it draws funds away from core service delivery areas. Spending on goods and services was expected to decrease over the MTEF period, particularly the latter part. This category constituted about 5 per cent of total spending. Transfers, the largest category, was set to decrease in line with the housing development programme's budget.

Table 6.2 Human settlements development grant per province, 2020/21 - 2026/27

	Outcome			Audited outcome	Medium-term estimates		
R million	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Eastern Cape	1 274	1 491	1 542	1 406	1 518	1 573	1 593
Free State	750	786	713	621	800	829	840
Gauteng	4 625	3 825	3 541	3 447	3 894	4 035	4 087
KwaZulu-Natal	3 021	2 455	2 935	2 894	2 508	2 599	2 632
Limpopo	1 873	1 607	1 693	–	893	925	937
Mpumalanga	1 104	894	1 024	960	910	943	955
Northern Cape	320	374	274	285	269	279	283
North West	1 235	1 235	1 277	1 167	1 257	1 302	1 319
Western Cape	1 855	1 575	1 628	1 340	1 606	1 664	1 685
Total	**16 058**	**14 242**	**14 628**	**12 121**	**13 655**	**14 149**	**14 332**
Percentage growth (average annual)		**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2023/24 to 2026/27**	
Eastern Cape		3.3%		8.0%		4.3%	
Free State		-6.1%		28.8%		10.6%	
Gauteng		-9.3%		13.0%		5.8%	
KwaZulu-Natal		-1.4%		-13.3%		-3.1%	
Limpopo		-100.0%		-		-	
Mpumalanga		-4.5%		-5.2%		-0.2%	
Northern Cape		-3.7%		-5.6%		-0.3%	
North West		-1.9%		7.7%		4.2%	
Western Cape		-10.3%		19.8%		7.9%	
Total		**-8.9%**		**12.7%**		**5.7%**	

Source: National Treasury provincial database

The *human settlements development grant* is a conditional grant allocated to provinces based on allocation criteria determined by the Department of Human Settlements. It provides funding for the progressive realisation of access to adequate housing through the creation of sustainable and integrated human settlements. The composition of the human settlements sector’s budget is different from other sectors in that its largest source of funding is conditional grants, not the provincial equitable share. As such, conditional grants constituted a projected 70 per cent of the total provincial budget for the sector over the MTEF period.

Before 2020/21, a portion of the grant was earmarked for upgrading informal settlements. However, from 2021/22, this portion was moved to the standalone *informal settlements upgrading partnership grant*. This explains the significant overall decrease of 6 per cent between 2020/21 and 2023/24. The overall recovery after 2023/24 was only because of a lower baseline in that year as a result of underspending.

All provinces’ allocations were reduced between 2020/21 and 2023/24, mainly because of budget cuts arising from government’s fiscal consolidation. Although some provinces recovered between 2023/24 and 2024/25, others registered decreases in spending. This inconsistency arose from Free State, Gauteng and Western Cape’s allocations being reduced and redirected to Limpopo and KwaZulu-Natal, which resulted in readjusted baselines.

Table 6.3 Informal settlements development partnership grant per province (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	–	432	458	493	361	308	103
Free State	–	208	192	219	191	162	55
Gauteng	–	1 109	548	887	927	790	265
KwaZulu-Natal	–	714	757	733	597	509	171
Limpopo	–	254	497	–	213	181	61
Mpumalanga	–	259	475	260	217	185	62
Northern Cape	–	137	81	85	64	55	18
North West	–	358	379	266	299	255	86
Western Cape	–	457	485	336	382	326	109
Total	**–**	**3 930**	**3 872**	**3 279**	**3 251**	**2 770**	**930**
Percentage growth (average annual)		**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2023/24 to 2026/27**	
Eastern Cape		-		-26.7%		-40.6%	
Free State		-		-13.1%		-37.1%	
Gauteng		-		4.5%		-33.1%	
KwaZulu-Natal		-		-18.6%		-38.5%	
Limpopo		-		-		-	
Mpumalanga		-		-16.7%		-38.0%	
Northern Cape		-		-24.4%		-40.0%	
North West		-		12.4%		-31.5%	
Western Cape		-		13.9%		-31.2%	
Total		**-**		**-0.9%**		**-34.3%**	

Source: National Treasury provincial database

The *informal settlements upgrading partnership grant* provides funding to facilitate a programmatic and inclusive approach to upgrading informal settlements. Budget reductions over the MTEF period resulted in an overall decrease in allocations to the grant, particularly in 2026/27. The growth in Gauteng, North West and Western Cape between 2023/24 and 2024/25 can be attributed to underspending in 2023/24, which lowered the baseline for calculation.

Table 6.4 Human settlements expenditure on compensation of employees per province (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	340	343	360	372	400	405	408
Free State	193	200	202	205	216	218	227
Gauteng	437	448	459	472	559	589	616
KwaZulu-Natal	337	351	352	360	355	366	374
Limpopo	211	199	214	226	244	260	272
Mpumalanga	224	225	233	240	267	283	300
Northern Cape	45	42	43	48	63	62	61
North West	87	127	142	149	155	159	167
Western Cape	142	150	142	180	159	173	184
Total	**2 016**	**2 085**	**2 147**	**2 252**	**2 417**	**2 515**	**2 609**
Percentage growth (average annual)		**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2023/24 to 2026/27**	
Eastern Cape		3.1%		7.3%		3.1%	
Free State		2.0%		5.7%		3.5%	
Gauteng		2.6%		18.5%		9.3%	
KwaZulu-Natal		2.3%		-1.4%		1.3%	
Limpopo		2.4%		7.6%		6.3%	
Mpumalanga		2.2%		11.3%		7.8%	
Northern Cape		2.2%		31.3%		8.3%	
North West		19.7%		3.8%		3.7%	
Western Cape		8.2%		-11.6%		0.8%	
Total		**3.8%**		**7.3%**		**5.0%**	

Source: National Treasury provincial database

Spending on compensation of employees accounts for about 11 per cent of the human settlements sector's total budget. The relatively low 3.8 per cent average annual increase between 2020/21 and 2023/24 was due to the implementation of fiscal consolidation measures after the COVID-19 pandemic, which included a wage freeze in 2020/21. The rate stabilised at 5.3 per cent between 2023/24 and 2026/27, with KwaZulu-Natal registering the lowest growth and Gauteng the highest. Critical posts were filled progressively in Northern Cape from 2021/22, with the province reporting the highest increase in 2024/25. Gauteng's increase can be attributed to underspending in 2023/24, which lowered the baseline for calculation for 2024/25.

Table 6.5 Administration expenditure per province (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	145	152	184	172	212	182	184
Free State	128	140	147	151	131	138	144
Gauteng	524	524	724	700	671	683	715
KwaZulu-Natal	236	271	279	271	265	277	289
Limpopo	199	161	194	228	233	269	266
Mpumalanga	150	160	175	202	197	203	214
Northern Cape	107	124	138	167	171	140	141
North West	93	147	156	166	176	141	141
Western Cape	86	71	73	100	84	87	71
Total	**1 669**	**1 751**	**2 072**	**2 157**	**2 140**	**2 120**	**2 166**
Percentage growth (average annual)		**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2023/24 to 2026/27**	
Eastern Cape		5.7%		23.7%		2.4%	
Free State		5.7%		-12.9%		-1.5%	
Gauteng		10.1%		-4.2%		0.7%	
KwaZulu-Natal		4.7%		-2.4%		2.2%	
Limpopo		4.6%		2.5%		5.4%	
Mpumalanga		10.4%		-2.6%		1.8%	
Northern Cape		15.9%		2.2%		-5.4%	
North West		21.5%		6.1%		-5.4%	
Western Cape		5.2%		-16.2%		-10.9%	
Total		**8.9%**		**-0.8%**		**0.1%**	

Source: National Treasury provincial database

The administration programme provides overall management in provincial departments in accordance with all applicable laws and policies, and accounts for about 10 per cent of provincial allocations. The programme's rate of growth between 2020/21 and 2023/24 was more than double that of the sector as a whole. A marginal average annual increase in spending of 0.1 per cent was projected for the MTEF period, driven mainly by growth in KwaZulu-Natal, Eastern Cape and Limpopo.

Table 6.6 Housing needs, research and planning expenditure per province (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	18	20	20	18	19	25	24
Free State	18	19	19	18	24	25	26
Gauteng	14	14	16	19	23	24	25
KwaZulu-Natal	16	18	20	21	19	20	21
Limpopo	37	49	118	28	91	33	34
Mpumalanga	206	186	96	131	83	88	91
Northern Cape	10	10	13	10	14	16	17
North West	19	25	31	30	29	31	32
Western Cape	24	25	27	23	25	27	29
Total	**363**	**366**	**362**	**298**	**329**	**288**	**299**
Percentage growth (average annual)	**2020/21 to 2023/24**			**2023/24 to 2024/25**	**2023/24 to 2026/27**		
Eastern Cape	-0.8%			7.5%	10.1%		
Free State	0.2%			32.5%	11.7%		
Gauteng	10.4%			21.6%	10.2%		
KwaZulu-Natal	8.7%			-7.8%	0.2%		
Limpopo	-9.0%			231.2%	7.1%		
Mpumalanga	-14.0%			-36.3%	-11.3%		
Northern Cape	0.2%			44.2%	18.8%		
North West	16.2%			-4.0%	2.6%		
Western Cape	-1.3%			9.0%	7.7%		
Total	**-6.4%**			**10.5%**	**0.2%**		

Source: National Treasury provincial database

The housing needs, research and planning programme facilitates and undertakes the planning of housing delivery. It focuses on conducting research on housing demand, aligning multiyear planning documents, and developing policies and guidelines. Spending in the programme accounted for about 2 per cent of the sector's total budget over the seven-year period under review, with a projected general decrease in spending. The decrease between 2020/21 and 2023/24 was largely due to Mpumalanga significantly scaling down on spending in this programme, which continued over the MTEF period. The recovery between 2023/24 and 2024/25 was because of Limpopo's allocations over the MTEF period being erratic because of lack of demand and the implementation of a once-off project, as seen in the steep decrease over the MTEF period.

Table 6.7 Housing development expenditure per province (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	1 450	2 357	2 264	2 151	2 140	2 144	1 960
Free State	836	1 079	376	938	1 111	1 112	1 018
Gauteng	4 534	4 975	5 292	4 595	4 887	5 053	4 591
KwaZulu-Natal	3 122	3 258	3 580	3 651	3 089	3 096	2 801
Limpopo	934	782	1 139	1 578	1 099	1 128	1 022
Mpumalanga	1 164	1 200	1 589	1 274	1 183	1 187	1 079
Northern Cape	427	601	575	423	1 228	373	341
North West	1 301	1 432	1 774	1 601	1 621	1 625	1 475
Western Cape	2 196	2 158	2 020	2 363	2 103	2 078	1 903
Total	**15 965**	**17 842**	**18 609**	**18 573**	**18 462**	**17 797**	**16 193**

Table 6.7 Housing development expenditure per province (2020/21 to 2026/27) (continued)

Percentage growth (average annual)	2020/21 to 2023/24	2023/24 to 2024/25	2023/24 to 2026/27
Eastern Cape	14.0%	-0.5%	-3.0%
Free State	3.9%	18.5%	2.8%
Gauteng	0.4%	6.4%	0.0%
KwaZulu-Natal	5.4%	-15.4%	-8.5%
Limpopo	19.1%	-30.4%	-13.5%
Mpumalanga	3.1%	-7.1%	-5.4%
Northern Cape	-0.3%	190.2%	-6.9%
North West	7.2%	1.3%	-2.7%
Western Cape	2.5%	-11.0%	-7.0%
Total	**5.2%**	**-0.6%**	**-4.5%**

Source: National Treasury provincial database

The housing development programme provides finance-linked subsidies, and rental and housing opportunities in rural areas to beneficiaries in accordance with housing policies. Allocations to this programme over the MTEF period accounted for an estimated 86 per cent (an average of R17.4 billion per year) of total allocations across provinces. After significant budget cuts in 2020/21 in line with government's fiscal consolidation, allocations recovered at an average annual rate of 5.2 per cent to reach R18.6 billion in 2023/24, driven mainly by Limpopo's high increases in spending because of additional funds that were reallocated from Western Cape.

Housing development, the largest programme, was negatively affected by budget cuts

Further budget cuts from 2023/24 to 2024/25 resulted in a projected negative growth rate over the MTEF period. However, Northern Cape reported a significant increase as a result of borrowing funds from the Development Bank of Southern Africa to fast-track projects, which would have taken about three years complete without the loan. The province used the pledging provision, which allows provinces to borrow funds by pledging future allocations towards the settlement of debt. Budget cuts to provincial allocations extend until the end of the MTEF period, which explains the constant decrease. Limpopo's decrease was steeper than other provinces as it received additional allocations in 2023/24, increasing the baseline calculation.

Table 6.8 Housing asset management, property management expenditure per province (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	43	16	22	20	13	14	14
Free State	1	1	1	1	2	2	2
Gauteng	157	166	316	185	187	42	44
KwaZulu-Natal	173	167	183	160	157	151	148
Limpopo	40	37	54	45	49	84	89
Mpumalanga	21	17	14	19	20	22	22
Northern Cape	16	16	13	24	15	16	16
North West	–	–	–	–	–	–	–
Western Cape	35	45	72	86	73	69	58
Total	**487**	**466**	**676**	**540**	**516**	**400**	**393**

Table 6.8 Housing asset management, property management expenditure per province (2020/21 to 2026/27) (continued)

Percentage growth (average annual)	2020/21 to 2023/24	2023/24 to 2024/25	2023/24 to 2026/27
Eastern Cape	-22.5%	-36.5%	-11.4%
Free State	0.1%	62.0%	19.2%
Gauteng	5.6%	1.2%	-37.9%
KwaZulu-Natal	-2.5%	-2.1%	-2.7%
Limpopo	4.6%	8.8%	25.2%
Mpumalanga	-3.1%	0.0%	0.0%
Northern Cape	13.7%	-36.3%	-11.6%
North West	0.0%	0.0%	0.0%
Western Cape	34.4%	-14.7%	-12.5%
Total	**3.6%**	**-4.4%**	**-10.1%**

Source: National Treasury provincial database

The housing management programme provides for the effective management of housing, including the sale and transfer of stock, the devolution of assets, and maintenance. Spending in the programme over the MTEF period accounted for an estimated 2.5 per cent (an average of R490 million per year) of the total budget. Spending in this programme was also projected to decrease during the period under review as a result of budget cuts made necessary by fiscal consolidation.

Service delivery achievements

The comprehensive human settlements delivery strategy includes supporting the integrated residential development programme, upgrading informal settlements, and providing 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 and absorb the bulk of the sector's resources.

Table 6.9 Sites serviced (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
Province	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	4 820	5 519	4 386	5 533	6 580	4 518	5 539
Free State	4 083	5 927	2 037	1 095	1 755	3 046	1 650
Gauteng	6 940	12 991	8 643	3 779	5 472	5 418	5 419
KwaZulu-Natal	4 838	1 752	1 371	600	423	400	442
Limpopo	1 426	2 525	379	2 285	593	–	–
Mpumalanga	2 102	3 357	3 830	4 452	3 149	2 940	982
Northern Cape	3 272	1 479	2 061	1 429	108	130	56
North West	6 588	6 723	7 245	356	2 748	2 433	2 279
Western Cape	5 204	4 210	872	450	2 801	2 892	6 422
Total	**39 273**	**44 483**	**30 824**	**19 979**	**23 629**	**21 777**	**22 789**

Source: Department of Human Settlements

A serviced site is a plot of land that has electricity, water and sanitation infrastructure, and provides security of tenure. Sites must be serviced before housing units can be built on them.

There was a decrease in the number of sites serviced between 2019/20 and 2022/23, driven mainly by decreases in Gauteng and North West. The highest decrease was in 2021/22, during the COVID-19 pandemic, when budget cuts were made as part of fiscal consolidation and service delivery was disrupted by pandemic restrictions. However, provinces recovered from 2023/24 as backlogs began to clear. Although more site servicing was anticipated over the MTEF period, additional fiscal consolidation measures took effect in 2024/25, which were expected to slow growth again.

There was a decrease in sites serviced and units delivered over the review period

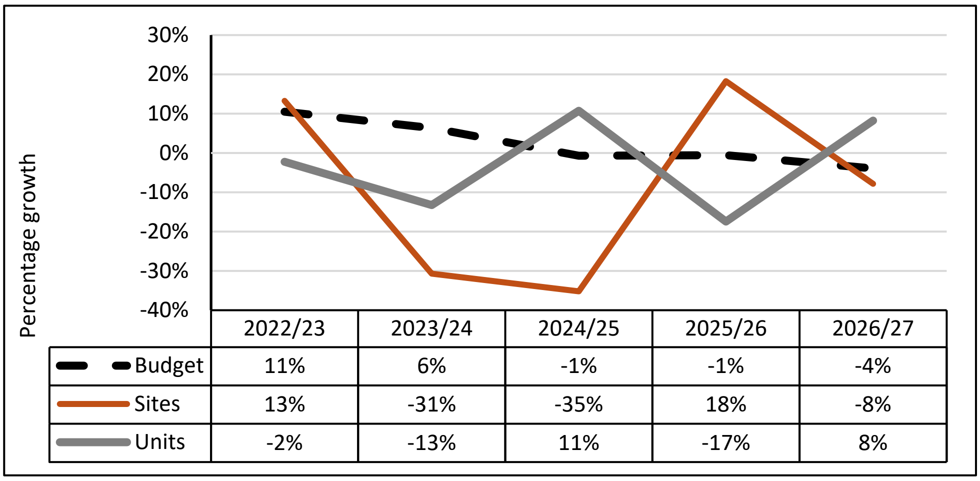
Table 6.10 Units delivered (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
Province	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	5 427	6 747	5 550	6 698	6 309	5 884	6 648
Free State	1 890	1 647	311	260	2 111	2 266	770
Gauteng	9 495	7 351	6 982	7 178	5 903	5 933	5 131
KwaZulu-Natal	10 315	12 033	9 325	10 724	6 846	8 050	7 735
Limpopo	4 518	4 269	4 808	7 382	4 555	3 250	3 770
Mpumalanga	4 522	2 955	1 900	1 598	2 352	2 577	974
Northern Cape	221	591	173	106	187	160	114
North West	2 847	2 734	3 918	3 827	3 285	3 555	4 025
Western Cape	6 316	6 200	5 655	4 998	3 760	6 540	5 795
Total	**45 551**	**44 527**	**38 622**	**42 771**	**35 308**	**38 215**	**34 962**

Source: Department of Human Settlements

Units delivered refers to completed housing units handed over to beneficiaries. Spending performance on this indicator followed the same downward trajectory as site servicing because of decreasing budget allocations over the MTEF period. KwaZulu-Natal had a significant decrease in 2022/23, while Mpumalanga and Western Cape yielded less than previous years despite insignificant budget decreases. The overall projected decrease over the MTEF period is line with the resumption of budget cuts made necessary by fiscal consolidation.

Figure 6.4 Expenditure vs performance over the MTEF period

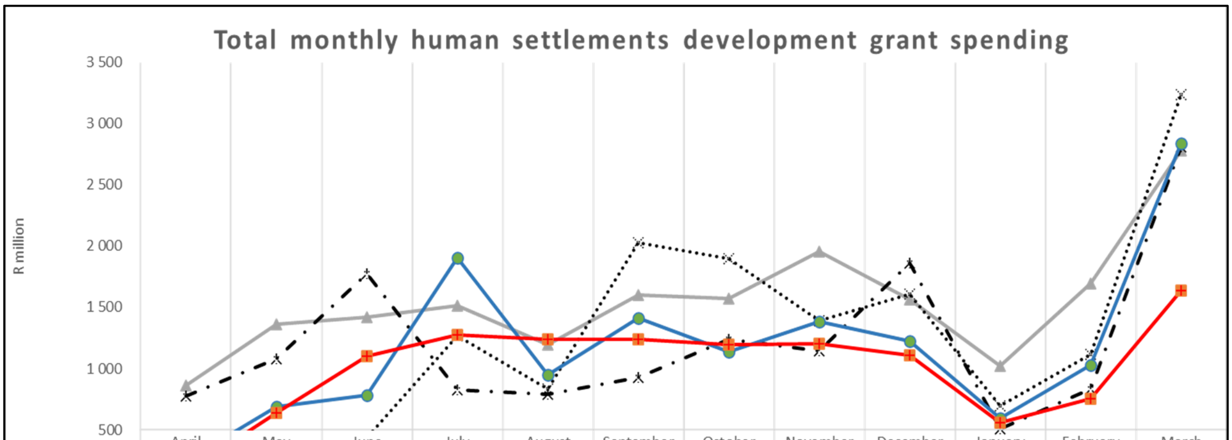


Source: Department of Human Settlements

There was a significant disjuncture between grant spending and performance

Figure 6.4 shows trends in spending against delivery. Despite a steady decrease in spending during the period under review, trends on the delivery of sites and units were erratic. Significant gaps between spending and performance were noted throughout the period. Although in 2023/24 and 2024/25 there were only marginal decreases in spending, there were sharp decreases of more than 30 per cent on sites delivered. The decreases in units in 2023/24 and 2025/26 far exceed the decreases in allocations, pointing to an efficiency gap, which is a persistent concern in the sector. A contributing factor is provinces making transfers to implementing agencies late in the financial year, which cannot be easily traced to outputs as even though these transfers are reflected as expenditure in provinces' accounts, they are not necessarily spent before the end of the financial year.

Figure 6.5 Spending and transfers (human settlements development grant)



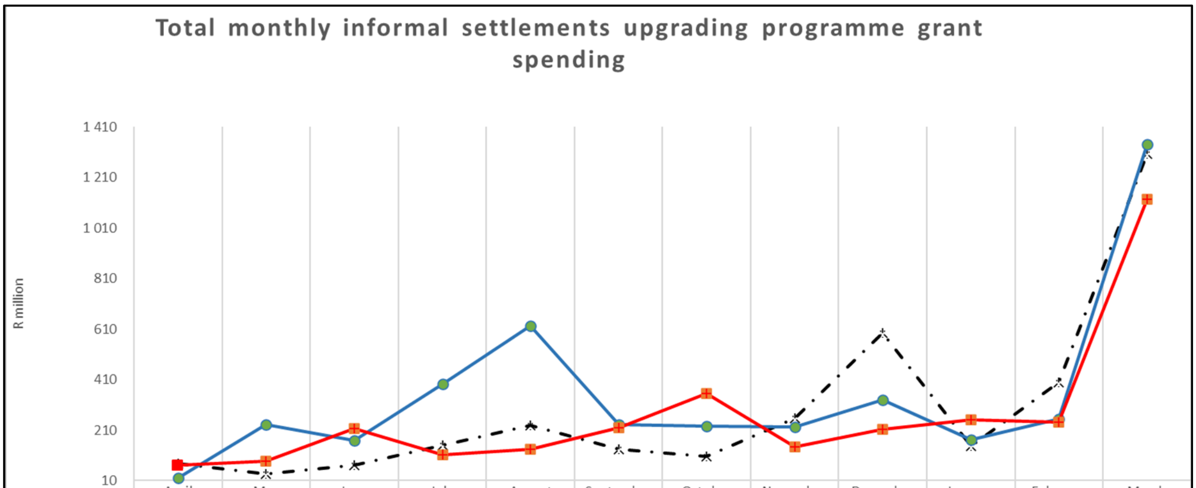
	April	May	June	July	August	September	October	November	December	January	February	March
2019-20	861	1 358	1 421	1 513	1 198	1 598	1 572	1 954	1 565	1 019	1 695	2 781
2020-21	444	437	436	1 269	831	2 031	1 895	1 388	1 607	695	1 116	3 237
2021-22	777	1 083	1 775	824	793	924	1 235	1 143	1 863	505	836	2 809
2022-23	249	691	782	1 907	951	1 409	1 140	1 380	1 222	594	1 029	2 838
2023-24	154	635	1 100	1 271	1 235	1 235	1 196	1 205	1 107	555	755	1 633

Source: National Treasury provincial database

There is a consistent spike in transfers in the last month of the financial year

Figure 6.5 shows provinces' monthly *human settlements development grant* spending between 2019/20 and 2023/24. Over the five-year period, they consistently ramped up spending in the last month of the financial year (by more than three times on average in some years), mainly on transfers to organs of state and implementing agents. Although transfers may not result in immediate expenditure, they are classified as expenditure in the accounts of provincial departments and reported as such. Transfers were made to several agencies, including municipalities (Figure 6.7), the Housing Development Agency and various provincial entities, some of which have different financial year ends. Late transfers to these entities and agencies is a concern because, despite departments reflecting fully spent budgets, outputs may not be realised or easily traced.

Figure 6.6 Spending and transfers (informal settlements upgrading partnership grant)

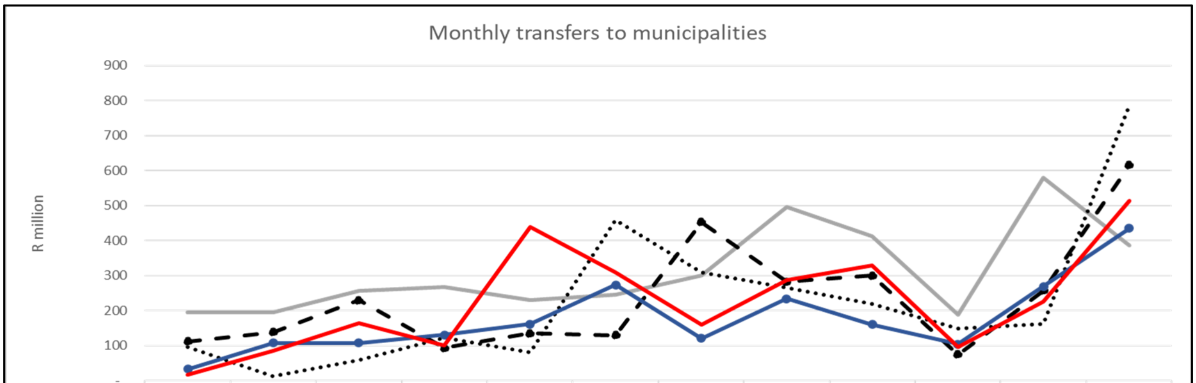


	April	May	June	July	August	September	October	November	December	January	February	March
2021-22	77	37	72	150	227	133	107	258	595	148	400	1 304
2022-23	20	231	168	393	622	233	224	222	329	173	254	1 340
2023-24	71	86	216	113	133	221	355	143	214	250	242	1 123

Source: National Treasury provincial database

Provinces' monthly *informal settlements upgrading partnership grant* spending followed a similar trend to that of the *human settlements development grant*. In some instances, provinces transferred up to five times more in March than the monthly average, raising similar concerns about tracing outputs. This mostly explains the disjunct between spending and performance. In addition, the funds that remain with entities incur interest that is not returned to provinces.

Figure 6.7 Monthly transfers to municipalities



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2019-20	195	195	256	268	231	245	301	495	413	188	579	388
2020-21	96	14	58	123	81	459	310	266	220	149	163	787
2021-22	112	139	230	94	136	130	453	283	301	75	257	615
2022-23	34	108	108	131	162	274	121	234	161	105	269	436
2023-24	18	86	165	102	439	309	161	287	329	96	225	515

Source: National Treasury provincial database

Again, Figure 6.7 shows a clear a ramping up of transfers in the last two months of the year. Municipalities' financial year end is 30 June, three months after the end of the provincial financial year end. As such, delivery outputs that may be within the municipalities' year end lie outside of provincial accounting periods, which creates difficulties for provinces to reconcile their own expenditure in relation to performance.

Title deeds

Issuing title deeds is the last and most important step in the housing delivery process. A title deed protects a holder's rights to a property, records changes in ownership, facilitates property and financial transactions, and provides collateral for borrowing.

The title deeds backlog, 1 193 222 as at November 2024, continues to grow

In a parliamentary reply to the National Assembly on 12 February 2015, the Minister of Human Settlements stated that provinces and municipalities approved 2 247 736 beneficiaries of state-subsidised housing between 1994 and 2010, but that 39 per cent (873 673) of these had not been issued with title deeds. The persistence of this problem prompted the minister to declare in July 2014 the issuing of title deeds a priority. Accordingly, the Estate Agency Affairs Board (now the Property Practitioners Regulatory Authority) was tasked with driving the eradication of the backlog and ensuring that beneficiaries in all new housing developments are issued with title deeds when they receive their completed units.

Between 2016/17 and 2017/18, R793 million was ring-fenced in the *human settlements development grant* to fund the reduction of the backlog. Although there has been progress, spending and performance have been weak. For example, in 2016/17, only 67 000 title deeds were issued out of targeted 100 000. The reasons for this weak performance included delays in the process of establishing townships, poor administrative capacity in provinces and municipalities, and difficulties verifying beneficiaries.

The backlog of title deeds not issued, as noted in a Human Settlements Portfolio Committee hearing on 13 November 2024, stands at 1 193 222, a large part of which was incurred between 1994 and 2014.

Medium-term outlook

Draft white paper for human settlements

The draft white paper for human settlements is still under review since the previous iteration was circulated for comment in December 2023. In that draft, National Treasury indicated policy gaps for the department to address:

- The white paper needs to clearly illustrate government's shift from a provider of human settlements to an enabler and regulator in the sector.
- There is no assessment on programme performance in terms of which should continue and which should be discontinued.
- The paper's policy position and statements on informal settlements do not sufficiently ensure or reflect the need for a change in the way they are being upgraded by municipalities.

- There must be a clear articulation of how the department intends to address the title deeds backlog and prevent factors that exacerbate it.
- The draft does not clearly articulate how the sector will ensure appropriate locations for future programmes and projects.
- More attention must be given to sustainable livelihoods, small-scale affordable rental units and the incremental upgrading of informal settlements.
- The policy does not propose any direct government activities involving the emerging private rental housing subsector to support small-scale landlords and backyard housing.
- The draft is silent on disaster risk reduction and mitigation, and improved preparedness for the most vulnerable households.

Dual implementation of the finance-linked individual subsidy programme

In 2019, Cabinet approved the centralisation of the finance-linked individual subsidy programme, which has been renamed the first home finance programme. The National Housing Finance Corporation was given the responsibility to administer the subsidy for all qualifying beneficiaries because of its existing relationships with financial institutions. However, despite the corporation's status as the preferred administrator for this programme, some provinces continue to implement it themselves, and have been underperforming.

Title deeds restoration programme

To reduce title deeds backlogs from between 1994 and 2010, the 2018 Budget reprioritised funds for the creation of the *title deeds restoration grant.* This, however, did not yield many results; the backlogs remained unresolved and even continued to grow.

Performance trends confirm that the title deeds backlog is not because of funding constraints, but rather issues related to programme implementation. As such, concerted efforts are required to address beneficiary administration and verification issues in terms of: unreported estates, family disputes and incomplete declaration forms; delays in obtaining property valuation certificates; outstanding township proclamations; delays in procurement processes to appoint panels of social facilitators and conveyancers; and municipal delays in signing registration documents.

Transfers to organs of state

Late transfers of funds to organs of state, who do not fully spend the funds

Provinces transfer funds to agencies and public entities in the human settlements sector to implement human settlements projects. Analysis shows that a significant portion of provincial grant transfers are made during the last quarter (and sometimes even in the last week) of the financial year, as shown in Figure 6.7. In response to this, the Department of Human Settlements issued an instruction note that prohibits provinces from transferring funds to other organs of state in the fourth quarter of the financial year. In addition, the Division of Revenue Act has been amended to compel provinces to account for unspent funds in entity accounts. If the entities are not able to prove that the funds are committed to projects, they have to return these unspent funds to the National Revenue Fund. However, provinces continue to make transfers that cannot be linked to performance. Although the number of transfers decreased over the past three years, this risk is still sufficiently material to pose a risk to the sector.

Conclusion

Integrated spaces in which citizens can live, work and play is key to the human settlements sector's success. Providing adequate human settlements is a powerful part of the economy and contributes to social cohesion. Until recently, a range of functional misalignments and the absence of a broad view of the housing mandate have frustrated the country's policy objectives in this area. These shortcomings have been recognised and, as indicated in this chapter, remedial measures are in place.

Although government has established policies and systems to address the sector's needs, implementation has not kept pace. The integrated residential development programme has lagged while provinces have not made significant progress on providing housing. Available data also does not provide adequate information and insights on many of the important issues that affect service delivery, including 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 and complex nature, and a commitment to planning accordingly, particularly in metropolitan areas.

7

Roads and transport

Introduction

Roads and transport play a critical role in connecting citizens to essential services such as work, education and health care, and are key to South Africa's sustainable economic growth. The NDP envisages a transport system that fosters economic development, job creation, equitable access to opportunities and spatial transformation to support efficiency and inclusivity. Transport is a central factor in determining a decent standard of living. Investing in transport systems benefits low-income households by enabling mobility and access to opportunities, as well as the movement of goods and services that drive economic growth.

Roads and transport are key to South Africa's sustainable economic growth

The roads and transport sector delivers services through three main programmes with the following objectives:

- *Transport infrastructure:* Ensure safe, affordable and accessible transport for people and goods and services through the delivery and maintenance of sustainable, integrated and environmentally friendly infrastructure that drives social empowerment and economic growth.
- *Transport operations:* Plan, regulate and facilitate integrated land transport services by coordinating with national authorities, community-based organisations, non-governmental organisations and the private sector to improve mobility for all communities, especially those with limited or no access.
- *Transport regulation:* Provide a safe transport environment by regulating traffic, enforcing laws, promoting road safety education and awareness campaigns, and managing vehicle and driver registration and licensing.

A total of R153.6 billion was allocated over the MTEF period for provincial roads and transport

A total of R153.6 billion was allocated over the MTEF period for spending on provincial roads and transport (excluding special projects such as the Gautrain). Spending on transport infrastructure was expected to amount to R87.9 billion over the same period; R41.2 billion was allocated for transport operations, including public transport services; and R24.5 billion was allocated for spending on traffic safety and law enforcement initiatives through the transport regulation programme.

Current landscape

Institutional arrangements

The Constitution assigns specific responsibilities for the delivery of transport and road infrastructure to the different spheres of government. Public transport, road traffic regulation and vehicle licensing are concurrent functions assigned to national and provincial governments in line with part A of schedule 4, while part B assigns responsibility for municipal public transport to local governments. Under part A of schedule 5, provincial roads and traffic fall exclusively within the mandate of provincial government. Municipal roads, traffic and parking are municipal functions under part B of schedule 5.

Road infrastructure

South Africa’s road infrastructure strategic framework, which was endorsed by Cabinet in 2006, guides the planning and development of road infrastructure. Its main goal is to ensure that the road network is delivered and maintained in an integrated manner. The framework’s classification system prioritises roads based on their significance to national economic and social objectives.

South Africa’s total road network spans more than 750 000 kilometres, the longest in Africa and the 10th longest in the world. The South African National Roads Agency values the network at more than R2.1 trillion. The Department of Transport oversees the formulation of policy for the sector, while the responsibility for constructing and maintaining roads is shared between the agency, provincial governments and local municipalities.

The agency manages 22 197 kilometres of national roads with a net value of about R450 billion. According to the department, provinces oversee roughly 207 951 kilometres, while municipalities are responsible for an estimated 292 207 kilometres. The remaining roads are unproclaimed gravel roads, mainly serving rural areas, and are not maintained by any official roads authority.

Public transport framework

The National Land Transport Act (2009) and the 2007 public transport strategy serve as the foundation for South Africa’s public transport system. The strategy focuses on accelerating the implementation of integrated public transport networks across metropolitan cities, smaller urban centres and rural areas in an effort to transform and integrate rail, taxi and bus services by creating a unified electronic ticketing system. Bus rapid transit systems are operational in Cape Town, Ekurhuleni, George, Johannesburg, Nelson Mandela Bay, Polokwane, Tshwane and Rustenburg.

In terms of the National Land Transport Act (2009), provincial governments are tasked with developing transport policies and strategies, coordinating transport planning, preparing provincial land transport frameworks and supporting municipalities that have limited capacity to manage their transport functions. Provinces and municipalities may also collaborate through intergovernmental agreements to manage transport functions jointly or establish dedicated entities for this purpose.

The act requires the establishment of provincial regulatory entities to monitor and oversee public transport in provinces, and receive and decide on applications for operating licences where this function has not been assigned to a municipality. Public transport operators are required by law to have valid operating licences when transporting people and goods.

Road safety and traffic management

The Road Traffic Management Corporation is the lead agency for road safety in South Africa, focusing on increasing road safety education and enforcement. Provincial governments are responsible for, among other things, traffic law enforcement, monitoring road behaviour, managing traffic control centres, setting up roadblocks and issuing licences to transport abnormal and hazardous loads. Provinces work in collaboration with other authorities such as the Road Traffic Management Corporation, the South African Police Service and metro police departments in performing their duties.

Provincial road network

According to provincial road asset management plans, the total provincial road network spans 238 345 kilometres, of which 51 865 kilometres are paved and 186 480 kilometres are unpaved or gravel. There are about 13.2 million vehicles in the country, equating to about 18 vehicles per kilometre across all road networks and 55 vehicles per kilometre on the provincial road network.

Although Gauteng has the most vehicles on its roads, it has the smallest road network compared to any other province, with a road density of approximately 900 vehicles per kilometre. This density results in higher traffic congestion and more frequent road maintenance requirements. In contrast, Northern Cape, Free State and Eastern Cape have some of the largest road networks, but lower road densities due to much smaller vehicle populations.

About 1 800 kilometres of Mpumalanga’s road network (1 560 kilometres paved and 240 unpaved) form part of the haulage routes for the transportation of coal to support electricity generation at power plants. These roads deteriorate much faster than ordinary roads because of the heavy vehicles travelling these routes and need to be maintained more frequently.

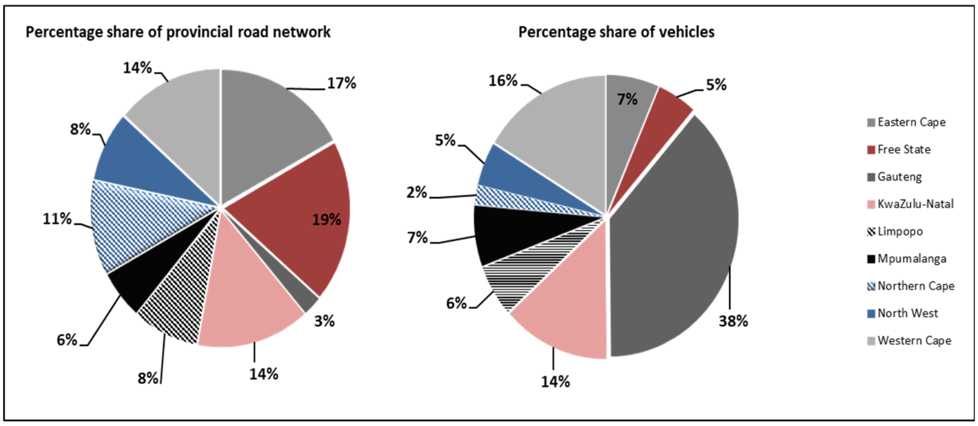
Table 7.1 Road network and vehicle population by province (as at 31 March 2024)

Province	Paved Extent	Unpaved Extent	Total provincial road network	Total number of vehicles	% share of vehicles	Road densities*
Eastern Cape	3 959	36 642	40 601	860 263	6.5%	21
Free State	6 696	39 149	45 845	647 154	4.9%	14
Gauteng	4 347	1 286	5 633	5 070 287	38.4%	900
KwaZulu-Natal	8 603	25 457	34 060	1 773 639	13.4%	52
Limpopo	6 658	13 197	19 855	792 815	6.0%	40
Mpumalanga	5 677	8 160	13 837	933 276	7.1%	67
Northern Cape	3 052	23 559	26 611	295 238	2.2%	11
North West	5 557	14 127	19 684	667 632	5.1%	34
Western Cape	7 316	24 902	32 218	2 155 489	16.3%	67
Total	**51 865**	**186 480**	**238 345**	**13 195 793**	**100.0%**	**55**

** Vehicles per kilometre*

Source: Provincial departments of transport road asset management plans, Natis live vehicle population report

Figure 7.1 Share of road network and vehicles by province



Source: Provincial departments of transport road asset management plans, eNatis live vehicle population report

Condition of the road network

The World Population Review's 2019 road quality index ranked South Africa 58 out of the 165 countries surveyed, down from 37 in 2015. Another statistic used by the review is the mean speed score, which considers travel time between major cities. As of 2022, South Africa ranked seventh, behind countries such as the United States, Canada and Saudi Arabia.

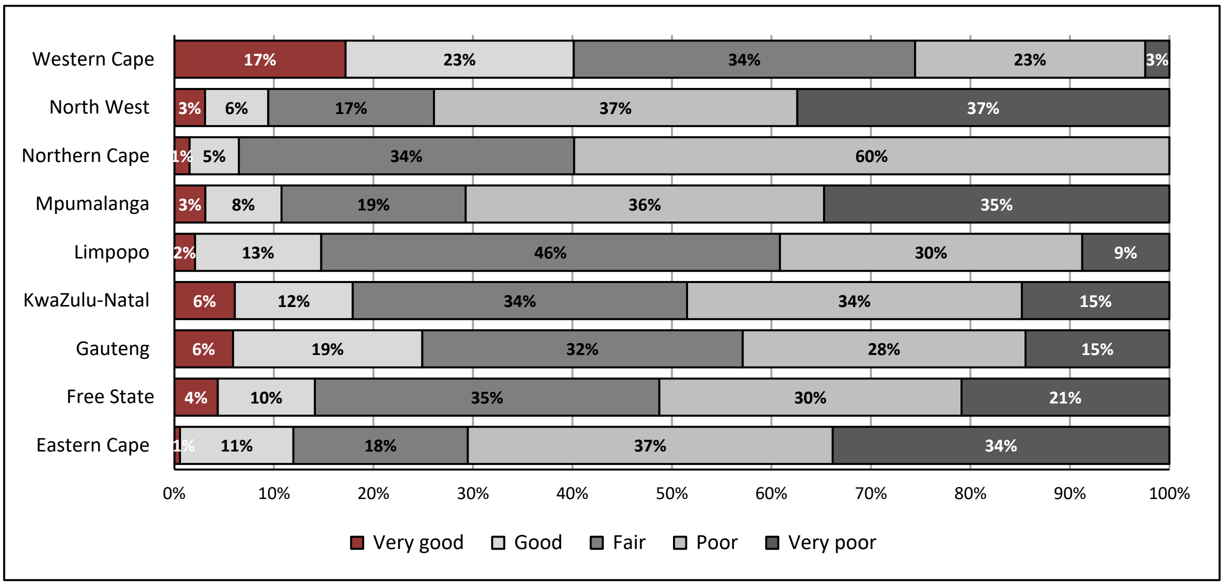
Locally, the 2022 infrastructure report card for South Africa, compiled by the South African Institute of Civil Engineers, notes that the provincial road network is rapidly deteriorating to the extent that road safety is compromised and the efficiency and cost of moving freight on the network faces severe challenges.

The report also raises concerns about the limited capacity of road authorities, which lack the necessary skills, experience and systems to properly assess, record and manage road conditions and maintenance. Widespread overloading of vehicles and poor stormwater management, which could be mitigated by better law enforcement and improved drainage systems, contribute to the deterioration of road conditions. The extensive gravel road network is difficult to maintain adequately because of a lack of capacity and budget constraints.

According to the road asset management plans of provincial departments of transport, in 2024, about 54.2 per cent of the provincial road network was reported to be in poor to very poor condition compared to the 30.8 per cent reported in the 2017 visual condition index, which is compiled by organisations including the South African Institute of Civil Engineers and the Council for Scientific and Industrial Research to assess and quantify the observable condition of infrastructure, particularly roads and pavements.

More than 60 per cent of the road networks in Eastern Cape, Mpumalanga, Northern Cape and North West are in poor to very poor condition. An estimated 24.9 per cent of Gauteng's road network is in good to very good condition, down from 56 per cent in 2017; and 40.1 per cent of Western Cape's road network is in good to very good condition, down from 63.3 per cent in 2017.

Figure 7.2 Road conditions by province



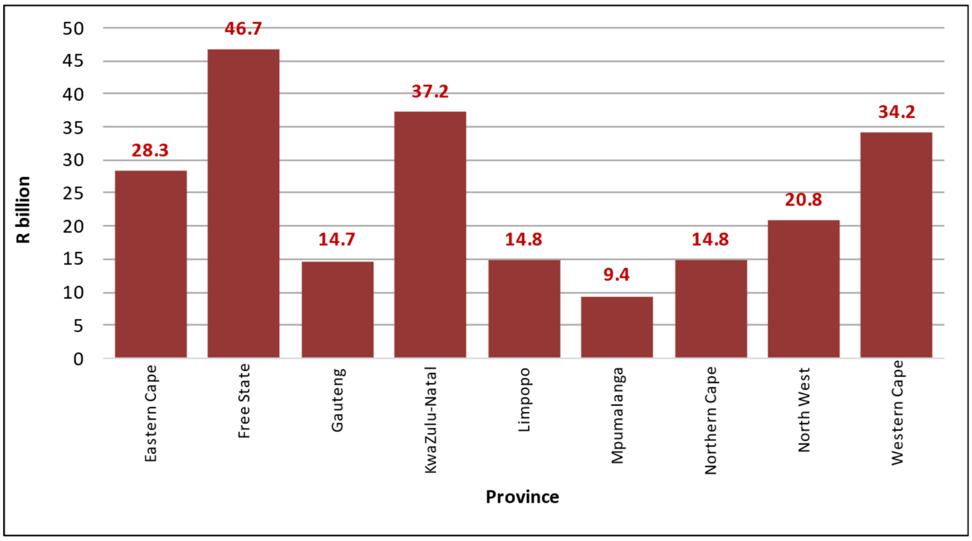
Source: Provincial departments of transport road asset management plans

The amount needed to reduce the provincial roads maintenance backlog was estimated at R185.9 billion in 2018. By 2024, this estimation had increased to R220.8 billion, as reported by the provincial departments of transport, with Free State, KwaZulu-Natal and Western Cape being the largest contributors (Figure 7.3). According to the Department of Transport and the South African National Roads Agency, delaying road maintenance by five years is estimated to cost up to 18 times more than if routine maintenance is conducted.

Statistics South Africa's December 2023 and June 2024 land transport survey reported that freight transported by road increased from about 852.7 million tons in 2022 to about 862.3 million tons in 2023. The movement of freight by road constitutes about 84 per cent of all freight transportation in the country. This increases the rate at which roads deteriorate and, consequently, maintenance requirements.

Most provinces depend heavily on the *provincial roads maintenance grant*, with minimal budget allocations from their own equitable shares. This results in insufficient maintenance budgets to address needs, which in turn causes road conditions to deteriorate.

Figure 7.3 Total estimated value of roads maintenance backlog by province (2024)



Source: National Treasury database

Bridges and culverts

In addition to their road networks, provinces are also responsible for managing and maintaining structures such as bridges and culverts. According to provincial road asset management plans, provinces are responsible for about 7 487 bridges and 8 851 culverts. Most of these structures are generally in good to very good condition, with about 8 per cent in poor to critical condition.

Table 7.2 Bridges and culverts

Province	Bridges	Culverts	Total
Eastern Cape	1 019	1 505	2 524
Free State	1 150	499	1 649
Gauteng	658	449	1 107
KwaZulu-Natal	1 676	2 046	3 722
Limpopo	638	265	903
Mpumalanga	650	421	1 071
Northern Cape	430	1 009	1 439
North West	389	857	1 246
Western Cape	877	1 800	2 677
Total	**7 487**	**8 851**	**16 338**

Source: Provincial departments of transport road asset management plans

Public transport services

The 2022 infrastructure report card for South Africa notes that about 73 per cent of South African households depend on public transport. Many of these users must walk long distances as part of their daily commute, with about 20 per cent walking entirely to and from work. This highlights the need for better public and non-motorised transport infrastructure to reduce the high number of road fatalities. According to the Road Traffic Management Corporation's 2023 state of road safety report, about 45.1 per cent of all road fatalities in South Africa in 2023 involved pedestrians. This is much higher than the global average of 21 per cent recorded in 2021 by the World Health Organisation's 2023 global status report on road safety.

Budget and expenditure trends

Aggregate spending in the roads and transport sector, as shown in Table 7.2, increased from R36.6 billion in 2020/21 to R51.1 billion in 2023/24. The budget over the MTEF period was expected to decrease from R53.5 billion in 2024/25 to R49.5 billion in 2026/27. This was mainly because the incentive portion of the *provincial roads maintenance grant*, which is allocated based on performance indicators relating to traffic loads, safety engineering and visual condition, was not given to any specific province in 2025/26 or 2026/27. These allocations amount to R5.2 billion in 2025/26 and R5.4 billion in 2026/27.

Table 7.3 Roads and transport expenditure by province (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	3 549	4 171	4 491	4 276	4 473	4 256	4 125
Free State	2 436	2 463	2 464	3 116	3 253	2 914	2 840
Gauteng	4 673	5 130	5 400	8 540	8 699	9 080	8 084
KwaZulu-Natal	8 347	11 079	12 103	12 044	12 147	11 934	12 223
Limpopo	3 236	4 424	4 561	5 314	5 594	5 136	4 951
Mpumalanga	3 720	4 113	3 984	4 469	5 005	4 548	4 511
Northern Cape	1 501	1 716	1 543	1 759	1 916	1 580	1 654
North West	3 452	3 087	4 176	4 357	4 324	4 001	3 981
Western Cape	5 721	6 383	6 858	7 213	8 118	7 178	7 117
Total	**36 636**	**42 566**	**45 579**	**51 089**	**53 529**	**50 628**	**49 485**
Programme							
Transport infrastructure	20 964	24 681	26 563	30 461	32 474	28 777	26 695
Transport operations	10 181	12 106	12 582	13 155	13 196	13 671	14 306
Transport regulation	5 492	5 780	6 435	7 473	7 859	8 180	8 485
Total	**36 636**	**42 566**	**45 579**	**51 089**	**53 529**	**50 628**	**49 485**

Source: Provincial departments of transport annual reports, National Treasury database

Transport infrastructure programme

This programme is geared towards the planning, design, construction, upgrading, rehabilitation and maintenance of not only roads infrastructure, but also infrastructure for all modes of transport, including non-motorised forms. The programme's objective also extends to promoting safety in transport infrastructure. Spending on transport infrastructure has a direct impact on reducing backlogs and preventing further deterioration in road conditions.

Funds from the *provincial roads maintenance grant* make up about 88 per cent of total spending in the programme. Among other things, the main purpose of the grant is to supplement provincial investments for road infrastructure maintenance, supplement provincial budgets for repair projects (roads and bridges damaged by unforeseen events) and improve road safety with a focus on pedestrian safety in rural areas.

Spending in the programme increased at an average annual rate of 13.3 per cent between 2020/21 and 2023/24, from R21 billion to R30.5 billion. Provinces planned to spend about R87.9 billion over the MTEF period on transport infrastructure, of which R41.2 billion was to be funded through the *provincial roads management grant* to supplement provincial spending on road infrastructure maintenance to address the backlogs.

This includes implementing the S'hamba Sonke project, which is aimed at improving provincial roads infrastructure and creating labour-intensive jobs. As part of the project, each province submits a three-year project plan and road asset management plan before the new financial year to ensure transparency and long-term planning.

Operation Vala Zonke was launched in 2022 by the Department of Transport with the aim of fixing potholes across South Africa. An app was launched to allow the public to report potholes, upload pictures and see real-time locations of potholes on an interactive map.

Heavy rains and floods in recent years have caused damage to roads and bridges, forcing learners to stay at home and impeding economic activity. In his 2022 State of the Nation Address, President Cyril Ramaphosa announced the Welisizwe rural bridges programme to expedite the construction of bridges in rural areas to ensure that rural communities are safe during floods. Allocations towards this programme are included as part of the *provincial roads maintenance grant*.

Table 7.4 Transport infrastructure expenditure by province (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	2 053	2 123	2 435	2 147	2 440	2 118	1 926
Free State	1 589	1 519	1 583	2 229	2 353	1 988	1 876
Gauteng	1 791	1 682	2 060	3 375	3 212	3 361	2 111
KwaZulu-Natal	5 786	8 182	8 688	8 717	8 760	8 398	8 525
Limpopo	1 664	2 810	2 821	3 499	3 647	3 199	2 941
Mpumalanga	1 928	2 094	1 918	2 303	2 764	2 223	2 072
Northern Cape	1 325	1 533	1 348	1 576	1 726	1 378	1 443
North West	1 758	1 330	1 811	2 308	2 386	1 991	1 880
Western Cape	3 071	3 409	3 899	4 308	5 186	4 120	3 919
Total	**20 964**	**24 681**	**26 563**	**30 461**	**32 474**	**28 777**	**26 695**
of which: Provincial roads maintenance grant		**12 264**	**12 604**	**14 722**	**16 672**	**12 692**	**11 850**

Percentage growth (average annual)	**2020/21 to 2023/24**	**2023/24 to 2024/25**	**2023/24 to 2026/27**
Eastern Cape	1.5%	13.6%	-3.5%
Free State	12.0%	5.5%	-5.6%
Gauteng	23.5%	-4.8%	-14.5%
KwaZulu-Natal	14.6%	0.5%	-0.7%
Limpopo	28.1%	4.2%	-5.6%
Mpumalanga	6.1%	20.0%	-3.5%
Northern Cape	5.9%	9.6%	-2.9%
North West	9.5%	3.4%	-6.6%
Western Cape	11.9%	20.4%	-3.1%
Total	**13.3%**	**6.6%**	**-4.3%**
of which: Provincial roads maintenance grant		**13.2%**	**-7.0%**

Source: Provincial departments of transport annual reports, National Treasury database

An average of 60 per cent of all spending in the roads and transport sector was on transport infrastructure. Free State, KwaZulu-Natal, Limpopo, Northern Cape and Western Cape spent more than this average, suggesting that they placed more emphasis on investment in roads infrastructure. Gauteng, KwaZulu-Natal and

Western Cape supplemented their grant allocations by more than 50 per cent with the provincial equitable share in 2024/25.

Provincial road maintenance

Spending on maintenance is usually for routine, preventative and periodic maintenance aimed at preserving transport infrastructure. This includes rehabilitating and resealing paved roads, regravelling and blading gravel roads, and repairing blacktop surfaces.

The rate at which provincial roads deteriorate depends on their age and condition, and is largely influenced by the quality and frequency of maintenance. Regular maintenance not only slows down deterioration, but also reduces vehicle operating costs. Well-maintained roads offer additional advantages such as time savings, reduced traffic congestion, better access to services and improved safety. If a road is allowed to degrade to a poor state, the economic burden falls mostly on road users because of increased vehicle operating costs.

Table 7.5 Roads maintenance expenditure by province (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	1 097	1 051	1 334	1 255	1 447	1 317	1 234
Free State	1 487	1 395	1 424	2 094	2 255	1 838	1 683
Gauteng	1 131	902	761	1 313	1 762	2 043	1 529
KwaZulu-Natal	2 892	3 711	5 358	4 712	4 006	4 105	4 055
Limpopo	1 664	2 810	2 821	3 499	3 647	3 199	2 941
Mpumalanga	883	1 008	1 071	1 331	1 330	1 090	1 046
Northern Cape	1 086	1 271	1 083	1 348	1 256	1 048	1 127
North West	385	440	392	399	406	441	461
Western Cape	1 638	2 154	2 527	2 422	2 725	2 131	2 428
Total	**12 263**	**14 742**	**16 770**	**18 372**	**18 836**	**17 211**	**16 504**
of which: Provincial roads maintenance grant							
Eastern Cape	1 501	1 678	2 055	1 835	2 090	1 746	1 574
Free State	1 302	1 250	1 287	1 889	1 970	1 607	1 472
Gauteng	677	622	631	1 052	1 272	715	749
KwaZulu-Natal	1 843	2 091	3 278	3 323	3 152	2 588	2 455
Limpopo	499	1 780	1 218	1 690	1 934	1 505	1 321
Mpumalanga	955	1 086	907	1 326	1 600	1 196	997
Northern Cape	1 111	1 296	1 065	1 338	1 476	1 119	1 172
North West	1 264	717	1 084	1 556	1 567	1 207	1 053
Western Cape	967	1 142	960	1 374	1 611	1 009	1 057
Unallocated*	–	–	–	–	–	5 191	5 429
Total	**10 119**	**11 662**	**12 485**	**15 383**	**16 672**	**17 883**	**17 279**

Provincial roads maintenance expenditure			
Percentage growth (average annual)	**2020/21 to 2023/24**	**2023/24 to 2024/25**	**2023/24 to 2026/27**
Eastern Cape	4.6%	15.3%	-0.6%
Free State	12.1%	7.7%	-7.0%
Gauteng	5.1%	34.2%	5.2%
KwaZulu-Natal	17.7%	-15.0%	-4.9%
Limpopo	28.1%	4.2%	-5.6%
Mpumalanga	14.6%	0.0%	-7.7%
Northern Cape	7.5%	-6.8%	-5.8%
North West	1.2%	1.7%	4.9%
Western Cape	13.9%	12.5%	0.1%
Total	**14.4%**	**2.5%**	**-3.5%**

** Incentive portion of the grant*

Source: Provincial departments of transport annual reports, National Treasury database, 2024 Division of Revenue Bill

Spending on roads maintenance increased at an average annual rate of 14.4 per cent, from R12.3 billion in 2020/21 to R18.3 billion in 2023/24. Maintenance budgets, however, were projected to decrease from R18.8 billion in 2024/25 to R16.5 billion in 2026/27. This excludes the unallocated incentive from the *provincial roads maintenance grant* amounting to R10.6 billion between 2025/26 and 2026/27.

At an estimated 21 per cent over the MTEF period, North West's investment in maintenance was the lowest. The bulk of the infrastructure budget in provinces was catered for under construction, which largely deals with upgrading and major rehabilitation. About 74 per cent of the province's roads are in poor to very poor condition, with a maintenance backlog estimated at about R20.8 billion.

Limpopo did not disaggregate its roads infrastructure budget into subprogrammes, making it difficult to compare investments in areas such as maintenance, construction, design and planning. The province transfers a large portion of its budget to Roads Agency Limpopo for implementation.

Job creation

The roads and transport sector plays an integral role in creating jobs on a large scale, particularly through infrastructure projects. The Department of Public Works and Infrastructure coordinates and implements the EPWP, which seeks to alleviate poverty by creating work opportunities for unemployed South Africans. The programme encourages the use of labour-intensive methods to draw large numbers of participants to do the required work.

Table 7.5 shows that about 89 415 work opportunities were created through the programme in 2022/23, increasing by 15 353 to reach 104 768 in 2023/24 across 1 171 projects in the roads and transport sector. Full-time equivalent jobs are a measure of the number of jobs created. About 44 199 of these were created in the sector in 2023/24. The sector employed an average of 35 476 full-time equivalents per year between 2018/19 and 2023/24 through the programme.

Table 7.6 Roads expanded public works programme by province (2022/23 to 2023/24)

	2022/23	2023/24					Year-on-year change
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**	
Eastern Cape	8 600	70	8 831	5 048	1 161 083	131	231
Free State	2 322	23	3 657	1 038	238 829	65	1 335
Gauteng	949	30	5 532	3 040	699 140	126	4 583
KwaZulu-Natal	47 430	138	46 363	20 439	4 700 993	101	-1 067
Limpopo	3 435	112	4 504	2 703	621 680	138	1 069
Mpumalanga	7 437	448	8 583	2 091	481 012	56	1 146
Northern Cape	5 063	238	12 296	1 178	270 982	22	7 233
North West	10 984	37	10 343	3 727	857 318	83	-641
Western Cape	3 195	75	4 659	1 202	276 464	59	1 464
Total	**89 415**	**1 171**	**104 768**	**40 467**	**9 307 501**	**89**	**15 353**

** Person days refers to the product of the total number of persons and the total number of days of work*

Source: Department of Public Works and Infrastructure expanded public works programme reporting system

The presidential employment intervention was launched in 2020 to create jobs as part of government's response to the COVID-19 pandemic. As part of it, provinces received a once-off R630 million allocation through special adjustments to the *provincial roads maintenance grant*. Most provinces had difficulty implementing the programme, resulting in targets not being achieved. Some of the challenges included delays with supply chain management processes, a lack of understanding of the programme's intentions and lockdown restrictions.

Transport infrastructure outputs

Table 7.6 shows the construction and maintenance outputs for the roads infrastructure programme for 2022/23 and 2023/24. Provinces increased the number of kilometres of gravel roads upgraded to surfaced roads from 148 in 2022/23 to 166 in 2023/24. About 4.7 million square metres of surfaced roads were rehabilitated in 2023/24, the bulk of which were in Gauteng. Western Cape seemingly prioritised road resealing, reporting that almost 2.8 million of the 5.1 million square metres of roads were resealed in the province in 2023/24.

Provincial departments conducted about 1.7 million square metres of blacktop (pothole) patching in 2022/23 compared to about 2.2 million in 2023/24. Gauteng, Limpopo and Western Cape more than doubled their pothole patching activities over this period. About half of the 5 296 kilometres of gravel roads that were re-gravelled over this period were in KwaZulu-Natal, with a slight decrease in kilometres of gravel roads bladed across most provinces.

Table 7.7 Roads construction and maintenance outputs by province (2022/23 to 2023/24)

	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	
Province	**2022/23**	**2023/24**	**2022/23**	**2023/24**	**2022/23**	**2023/24**	**2022/23**	**2023/24**	**2022/23**	**2023/24**	**2022/23**	**2023/24**
Eastern Cape	28	26	–	173 841	372 173	234 252	122 115	117 327	1 054	1 107	20 653	18 447
Free State	18	10	2 097 164	2 529 013	–	159 175	128 023	158 203	252	189	38 739	24 542
Gauteng	–	–	226 985	336 953	–	432 926	105 607	303 220	60	75	2 422	2 165
KwaZulu-Natal	7	28	262 720	287 178	138 876	111 527	610 285	474 336	2 365	2 448	60 328	54 655
Limpopo	8	N/A	1 163 611	N/A	1 303 028	N/A	318 371	603 057	158	132	45 271	50 356
Mpumalanga	7	13	141 000	394 470	574 360	860 821	204 612	243 109	284	338	16 792	22 526
Northern Cape	39	11	109 467	–	121 750	10 000	40 150	29 200	304	453	55 162	69 476
North West	31	65	394 000	930 046	12 284	573 037	151 353	138 015	101	468	31 904	15 570
Western Cape	10	11	247 658	–	2 514 352	2 751 858	46 052	95 976	96	69	45 861	41 117
Total	**148**	**166**	**4 642 605**	**4 651 502**	**5 036 823**	**5 133 596**	**1 726 569**	**2 162 442**	**4 674**	**5 279**	**317 131**	**298 854**

Source: Provincial departments of transport annual reports, Department of Planning, Monitoring and Evaluation electronic quarterly performance reporting system

Traffic volumes

The number and types of vehicles on South Africa's roads play a vital role in design, construction and maintenance activities. Heavier vehicles create greater pressure on road surfaces, which require stronger pavements to reduce the level of degradation and frequency of maintenance. Traffic volumes also have a direct impact on how the *provincial roads maintenance grant* is allocated to provinces.

Table 7.7 shows the number of registered vehicles on South African roads per province as at 31 March 2024. The total number of vehicles increased by 171 959 between 2023 and 2024, from 13 million to 13.2 million, with about 70 per cent of the total vehicles in the country in Gauteng, Western Cape and KwaZulu-Natal. About 4.8 per cent of vehicles are heavy load vehicles with a gross mass of more than 3 500 kilograms. These cause the most damage to roads.

Table 7.8 Number of registered vehicles on South Africa's roads by province (as at 31 March 2024)

Province	Self-propelled vehicles	Trailers	All other unknown vehicles	Total number of vehicles (31 March 2024)	Total number of vehicles (31 March 2023)	Vehicles (year-on-year growth)
Eastern Cape	785 300	72 304	2 659	860 263	857 643	2 620
Free State	550 318	93 509	3 327	647 154	646 258	896
Gauteng	4 627 440	438 685	4 162	5 070 287	4 997 033	73 254
KwaZulu-Natal	1 654 442	116 733	2 464	1 773 639	1 747 336	26 303
Limpopo	725 168	65 484	2 163	792 815	779 682	13 133
Mpumalanga	813 442	116 668	3 166	933 276	923 790	9 486
Northern Cape	254 045	39 936	1 257	295 238	293 659	1 579
North West	590 415	73 588	3 629	667 632	662 205	5 427
Western Cape	1 943 870	207 348	4 271	2 155 489	2 116 228	39 261
Total	**11 944 440**	**1 224 255**	**27 098**	**13 195 793**	**13 023 834**	**171 959**
Of which:	Heavy load vehicles GVM* > 3 500kg			Percentage share of total number of vehicles		
	Trucks	**Trailers**	**Total**	**March 2024**	**March 2023**	
Eastern Cape	22 113	7 845	29 958	6.5%	6.6%	
Free State	24 588	24 672	49 260	4.9%	5%	
Gauteng	147 163	73 976	221 139	38.4%	38.4%	
KwaZulu-Natal	53 869	28 286	82 155	13.4%	13.4%	
Limpopo	27 063	13 936	40 999	6%	6%	
Mpumalanga	43 817	41 718	85 535	7.1%	7.1%	
Northern Cape	9 408	6 404	15 812	2.2%	2.3%	
North West	18 158	12 176	30 334	5.1%	5.1%	
Western Cape	47 546	27 329	74 875	16.3%	16.2%	
Total	**393 725**	**236 342**	**630 067**	**100.0%**	**100.0%**	

**GVM = Gross vehicle mass*
Source: Natis live vehicle population reports

Transport operations programme

Public transport services seek to enhance mobility, particularly for communities with limited access, in an integrated manner. The objective of the transport operations programme is to plan, regulate and facilitate the provision of integrated land transport services by coordinating and cooperating with other spheres of government, and public and private stakeholders.

According to the 2020 national household travel survey, published by Statistics South Africa, 80.2 per cent of all people using public transport in the country use taxis as their mode of transport. About 17 per cent commute by bus and 3 per cent by rail. It typically takes public transport a long time to reach their workplaces in the morning. According to the survey, in 2020, train users took an average of 107 minutes to get to work, bus users 84 minutes, taxi commuters 63 minutes and private vehicle drivers 44 minutes.

Based on their institutional arrangements, some provinces make provision for scholar transport under this programme, whereas education departments are responsible for it in other provinces.

Provincial bus services

Public transport is subsidised by government to ensure that all South Africans, particularly the poor, have affordable access to it. It is funded through the *public transport operations grant* and the provincial equitable share. The grant provides supplementary funding to subsidise service contracts entered into between provincial departments of transport and public transport operators for the provision of affordable subsidised transport services.

Provincial spending on public transport services increased at an average annual rate of 8.2 per cent, from R8.9 billion in 2020/21 to R11.2 billion in 2023/24. About R34.9 billion was allocated over the MTEF period for public transport services, of which R24.3 billion was sourced from the *public transport operations grant*. The grant accounts for an average of 69 per cent of funding for public transport services. Eastern Cape and North West were the only provinces that supplemented the grant with about 50 per cent of funding from their equitable shares.

Table 7.9 Public transport services expenditure by province (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	555	645	659	764	727	752	786
Free State	307	325	323	337	356	373	373
Gauteng	2 057	2 549	2 259	2 880	3 243	3 392	3 537
KwaZulu-Natal	1 626	1 866	2 209	1 987	1 729	1 807	1 890
Limpopo	704	737	857	860	865	900	1 003
Mpumalanga	1 076	1 248	1 271	1 318	1 311	1 341	1 404
Northern Cape	59	64	62	65	73	76	80
North West	1 038	1 016	1 443	1 378	1 213	1 243	1 300
Western Cape	1 436	1 792	1 653	1 624	1 634	1 701	1 778
Total	**8 858**	**10 242**	**10 736**	**11 213**	**11 151**	**11 585**	**12 151**
of which: Public transport operations grant							
Eastern Cape	252	284	283	295	308	322	337
Free State	297	314	312	326	341	356	372
Gauteng	1 885	2 296	2 078	2 752	2 979	3 112	3 255
KwaZulu-Natal	1 234	1 401	1 309	1 367	1 428	1 492	1 561
Limpopo	385	419	422	441	461	481	503
Mpumalanga	644	710	707	742	776	811	848
Northern Cape	55	59	58	62	69	72	76
North West	124	131	228	136	143	149	156
Western Cape	1 074	1 133	1 128	1 178	1 230	1 286	1 344
Total	**5 950**	**6 747**	**6 525**	**7 299**	**7 735**	**8 081**	**8 452**

Provincial public transport services expenditure			
Percentage growth (average annual)	**2020/21 to 2023/24**	**2023/24 to 2024/25**	**2023/24 to 2026/27**
Eastern Cape	11.2%	-4.8%	1.0%
Free State	3.2%	5.6%	3.4%
Gauteng	11.9%	12.6%	7.1%
KwaZulu-Natal	6.9%	-13.0%	-1.7%
Limpopo	6.9%	0.6%	5.3%
Mpumalanga	7.0%	-0.5%	2.1%
Northern Cape	3.3%	12.3%	7.2%
North West	9.9%	-12.0%	-1.9%
Western Cape	4.2%	0.6%	3.1%
Total	**8.2%**	**-0.6%**	**2.7%**

Source: Provincial departments of transport annual reports, National Treasury database

Provinces provide public bus transport services through 94 subsidised bus contracts. The framework for the *public transport operations grant* requires provinces to establish public transport integration committees for planning purposes. These committees assess all new contracts, designs and business plans to ensure compliance with relevant legislation, and share information with municipalities where services are linked to integrated public transport networks.

KwaZulu-Natal and Gauteng manage the most contracts and receive a bigger share of the grant than other provinces. In 2023/24, 6 189 vehicles were subsidised, covering 10 181 routes, 5.3 million trips and 207.7 million kilometres. According to the grant framework, provinces must monitor and verify the accuracy of operators' claims in terms of kilometres operated, which need to be reported monthly to the national Department of Transport.

Table 7.10 Subsidised bus services (2023/24)

Province	Number of contracts	Number of vehicles subsidised	Number of routes	Number of trips	Number of kilometers	Number of passengers	Subsidy per passenger	Subsidy per kilometer
Eastern Cape	1	412	2 001	362 448	10 667 148	8 242 641	36.6	27.7
Free State	9	257	234	279 182	11 628 216	18 580 343	17.6	28.0
Gauteng	16	1 958	3 231	1 135 618	63 239 475	42 840 565	65.4	42.3
KwaZulu-Natal	37	1 348	2 073	1 108 696	39 680 288	52 617 171	31.4	41.5
Limpopo	11	443	377	278 456	14 862 685	12 872 093	30.9	28.1
Mpumalanga	7	574	154	816 294	25 020 855	49 074 928	15.2	34.0
Northern Cape	6	84	115	80 626	4 037 310	2 612 298	40.5	26.0
North West	6	55	61	39 510	1 670 550	1 443 841	47.6	34.3
Western Cape	1	1 058	1 935	1 155 444	36 873 671	50 281 055	23.5	31.4
Total	**94**	**6 189**	**10 181**	**5 256 274**	**207 680 196**	**238 564 935**	**34.3**	**32.6**

Source: 2023/24 public transport operations grant reports

Bus subsidies

Provincial bus subsidies are based on the number of kilometres serviced. Fare revenue is insufficient to cover the cost of providing public transport services, so they need to be subsidised. Provinces subsidised an average of R32.60 per kilometre in 2023/24. This rate is influenced by the mode of transport used and the condition of roads. Four provinces subsidised at a higher rate than the national average, with Gauteng and KwaZulu-Natal subsidising more than R41 per kilometre. The average subsidy per passenger amounted to R34.30. Four provinces (Eastern Cape, Gauteng, Northern Cape and North West) provided passenger subsidies above the national average.

Devolution of public transport services to municipalities

The *public transport operations grant* framework makes provision for the devolution of the contracting function to any municipality, as well as the appropriate portion of the grant. Where contracts are not devolved, provinces must continue performing the contracting function until this function is assigned to a municipality in terms of the provisions of the National Land Transport Act (2009). Transitional arrangements need to be made between provinces and municipalities to ensure that contractual obligations are met.

National Treasury's cities support programme provided support to all eight metropolitan municipalities in 2022/23 to enable them to have clear council-approved plans on transitioning to full contracting authorities in terms of the act.

The support intended to evaluate the readiness of cities to take over the contracting function. Although support was initially offered to all metropolitan municipalities, it was later withdrawn from Buffalo City and Ekurhuleni as they lacked capacity.

According to the support programme's assessment readiness toolkit, none of the remaining six metros were fully ready to take on the bus contracting function. However, Tshwane, Cape Town, Johannesburg and eThekwini were at advanced stages of readiness having obtained council approval to start the process to take over the bus contracts. These cities will require further support from national and provincial governments to get their contracts fully devolved and build capacity.

Transport regulation programme

The transport regulation programme makes provision for the regulation of traffic on public roads, law enforcement, road safety education and awareness campaigns, and the registration and licensing of vehicles and drivers.

Table 7.10 shows that expenditure on the programme increased at an average annual rate of 10.8 per cent, from R5.4 billion in 2020/21 to R7.4 billion in 2023/24, with allocations over the MTEF period amounting to R24.5 billion. The substantial budget increases in Gauteng from 2022/23 to 2023/24 and continuing over the MTEF period was for the appointment of more than 6 000 crime-prevention wardens, their tools of trade, training, vehicles, drones and the leasing of helicopters.

Table 7.11 Transport regulation expenditure by province (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	302	293	308	333	400	410	410
Free State	512	590	528	519	512	521	541
Gauteng*	798	827	1 050	2 246	2 217	2 299	2 404
KwaZulu-Natal	877	958	1 087	1 154	1 331	1 393	1 456
Limpopo	758	751	780	838	882	924	911
Mpumalanga*	634	682	708	753	788	823	867
Northern Cape	92	89	107	106	102	109	114
North West	572	644	823	586	623	643	670
Western Cape	946	947	1 044	939	1 004	1 060	1 112
Total	**5 492**	**5 780**	**6 435**	**7 473**	**7 859**	**8 180**	**8 485**

Percentage growth (average annual)	**2020/21 to 2023/24**	**2023/24 to 2024/25**	**2023/24 to 2026/27**
Eastern Cape	3.3%	20.0%	7.2%
Free State	0.5%	-1.3%	1.4%
Gauteng	41.2%	-1.3%	2.3%
KwaZulu-Natal	9.6%	15.4%	8.1%
Limpopo	3.4%	5.3%	2.8%
Mpumalanga	5.9%	4.7%	4.8%
Northern Cape	4.8%	-3.8%	2.5%
North West	0.8%	6.3%	4.6%
Western Cape	-0.2%	6.9%	5.8%
Total	**10.8%**	**5.2%**	**4.3%**

* Includes traffic management/transport regulation in community safety

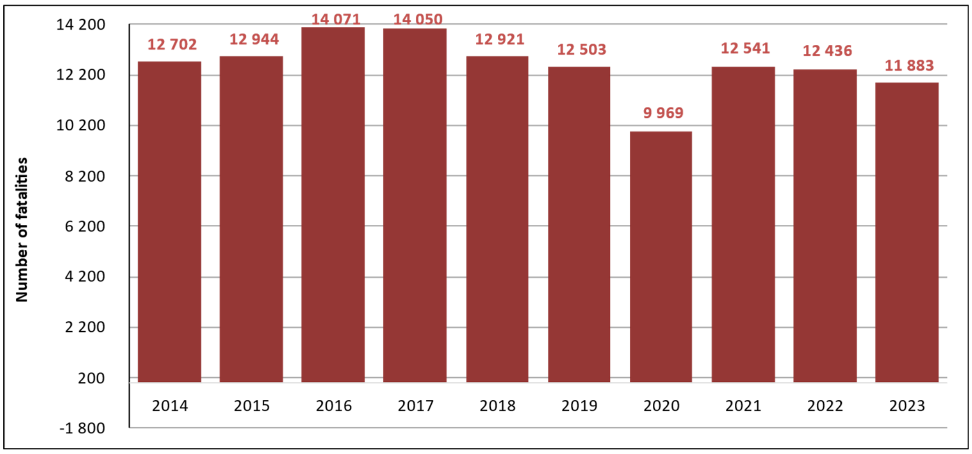
Source: Provincial departments of transport annual reports, National Treasury database

Road fatalities

According to the World Health Organisation's 2023 global road safety report, there were an estimated 1.2 million road fatalities globally in 2021. This translated to a rate of about 15 road traffic deaths per 100 000 people. According to 2022 census data published by Statistics South Africa, the country's total population stood at about 62 million, while recorded road fatalities in 2023 amounted to 11 883. This translates to about 19 deaths per 100 000 people – higher than the global average.

Road fatalities have fluctuated over the past 10 years, with an average of 12 602 fatalities recorded per year. The highest number of recorded fatalities over this period was in 2016. The lowest was in 2020 due to COVID-19 lockdown restrictions and the second lowest was in 2023.

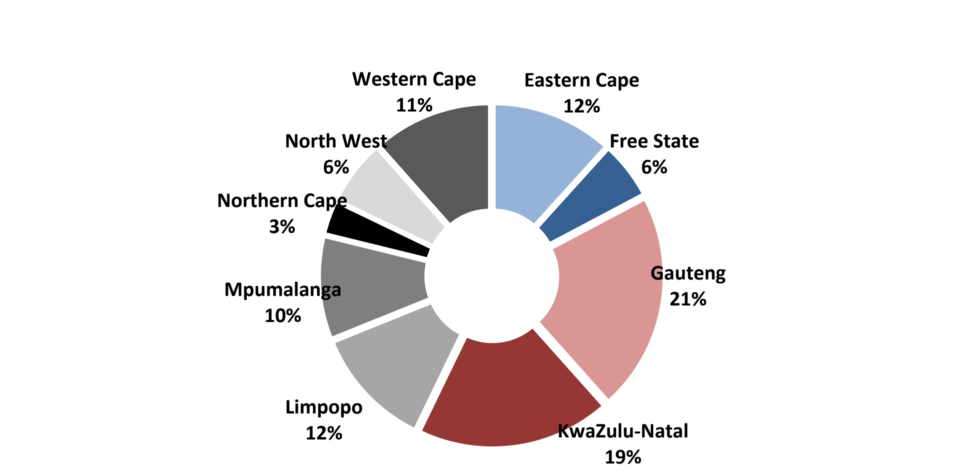
Figure 7.4 South African road fatality trends (2014 to 2023)



Source: Road Traffic Management Corporation

Figure 7.5 reflects road fatalities by province in 2023. Gauteng and KwaZulu-Natal far exceed those of other provinces, together accounting for 40 per cent of all road fatalities in the country. Eastern Cape and Limpopo share third at 12 per cent each, followed closely by Western Cape at 11 per cent. This demonstrates the need to intensify road safety awareness campaigns and law enforcement initiatives to reduce the number of deaths on our roads.

Figure 7.5 South African road fatalities by province (2023)



Source: Road Traffic Management Corporation

Transport regulation outputs

About 9 553 road safety awareness campaigns were conducted across the country in 2023/24 and 6 117 schools were involved in road safety education programmes. Limpopo intensified its road safety awareness and education campaigns, especially over the Easter period.

The enforcement of traffic laws through regular roadblocks and roadside checks aimed to ensure law and order for all modes of transport. In 2023/24, about 11.6 million vehicles were stopped and checked, and 72 320 speeding and 14 328 drunk driving operations were conducted. About 2.9 million vehicles were weighed for overloading, mostly in Limpopo and Mpumalanga. Penalty sanctions were issued to drivers for failing to display valid licence discs on their vehicles, unlicensed vehicles were impounded and unroadworthy vehicles were scrapped.

Table 7.12 Transport safety, compliance and law enforcement outputs by province (2023/24)

	Safety and compliance		Law enforcement			
Province	**Number of road safety awareness programmes**	**Number of schools involved in road safety education programmes**	**Number of speeding operations conducted**	**Number of drunk driving operations conducted**	**Number of vehicles weighed**	**Number of vehicles stopped and checked**
Eastern Cape	2	378	2 611	847	11 672	1 366 395
Free State	350	400	99	53	90 088	964 666
Gauteng	681	655	16 729	2 247	266 909	1 299 102
KwaZulu-Natal	1 761	1 266	15 182	653	137 167	920 794
Limpopo	6 079	2 007	17 867	4 476	791 072	2 864 381
Mpumalanga	40	1 077	2 311	32	709 556	804 045
Northern Cape	88	78	441	535	3 400	155 157
North West	3	323	12 895	1 210	282 173	1 334 210
Western Cape	552	256	4 205	4 275	608 558	1 870 463
Total	**9 556**	**6 440**	**72 340**	**14 328**	**2 900 595**	**11 579 213**

Source: Provincial departments of transport annual reports and Department of Planning, Monitoring and Evaluation electronic quarterly performance reporting system

Overload control

The National Road Traffic Act (1996) and the National Road Traffic Regulations (2000) set specific limits on vehicle dimensions, axle loads and total mass that must be adhered to by all vehicles using public roads. Overloaded vehicles cause significant damage to road infrastructure. Vehicles or loads that exceed these limits, such as those that cannot be disassembled without excessive effort, cost or risk, are classified as abnormal vehicles and issued exemption permits to allow their movement on the road network.

Overload control is carried out through 74 weighbridges across the country (as of 2022) that are managed by provinces, most in Mpumalanga and KwaZulu-Natal. Of these, 65 were reported to be functioning while the remaining 9 were not due to dilapidated structures, system problems, electricity failure and cable theft. Weighbridges should operate around the clock.

Table 7.13 Number of heavy load vehicles and weighbridges by province

	Heavy load vehicles GVM > 3 500kg (2023)			Weighbridges (2022)		
Province	**Trucks**	**Trailers**	**Total**	**Functional**	**Non-functional**	**Total**
Eastern Cape	22 113	7 845	29 958	2	0	2
Free State	24 588	24 672	49 260	2	1	3
Gauteng	147 163	73 976	221 139	3	1	4
KwaZulu-Natal	53 869	28 286	82 155	16	2	18
Limpopo	27 063	13 936	40 999	7	1	8
Mpumalanga	43 817	41 718	85 535	22	0	22
Northern Cape	9 408	6 404	15 812	2	2	4
North West	18 158	12 176	30 334	3	2	5
Western Cape	47 546	27 329	74 875	8	0	8
Total	**393 725**	**236 342**	**630 067**	**65**	**9**	**74**

Source: Road Traffic Management Corporation traffic report, National Treasury database

Medium-term outlook

Transport infrastructure

About R87.9 billion was projected to be invested into transport infrastructure over the medium term, of which R52.6 billion was earmarked for roads maintenance. This budget was expected to improve the overall condition of the provincial road network, reduce maintenance backlogs, create jobs, improve road safety and contribute towards improving economic growth by enabling the movement of people and goods.

Transport operations

Strengthening the provision of subsidised public transport services, especially to poor communities, is intended to provide South Africans with enhanced mobility, access to basic services, and work and economic opportunities. To this end, provinces projected to invest R34.9 billion over the medium term in public transport services, of which R24.3 billion was from the *public transport operations grant*.

Transport regulation

Provinces projected to spend about R24.5 billion over the MTEF period on road safety awareness and education campaigns and traffic law enforcement initiatives. This was to ensure the safety of all road users and compliance with traffic laws and regulations. By enforcing overload controls, the programme also played a role in reducing damage to road infrastructure caused by heavy load vehicles.

Conclusion

South Africa's roads and transport sector and extensive road network of 750 000 kilometres provides citizens with access to goods and services, work and economic activities, and freedom of movement. The 2007 public transport strategy aims to improve integration between various modes of public transport services.

However, the condition of the provincial road network continued to deteriorate over the period under review as maintenance backlogs increased at an alarming rate. The cost of deferring road maintenance increases exponentially within a matter of years. This required provinces to improve efficiencies and prioritise and increase investments in road maintenance as much as possible to prevent further deterioration.

Subsidised public transport services allow citizens, especially those in poor communities, to be more mobile. These services are the primary mode of transport for many South Africans to access institutions of learning and workplaces.

To address South Africa's high rate of road fatalities, provinces intensified road safety awareness and law enforcement initiatives to change driver behaviour, remove unsafe vehicles from roads and ensure that weighbridges were fully functioning.

8

Public works

Introduction

The public works sector ensures infrastructure-led economic growth. The Department of Public Works and Infrastructure is the main implementing agent for all national government infrastructure projects. The department is mandated to manage government's immovable assets and, as such, provide office accommodation for departments and ensure that public assets are well maintained. Because of government's limited ownership portfolio, the sector procures additional office space from the private sector, mostly through rentals.

The sector's functions include acquiring, leasing, maintaining and disposing of the state's immovable and related non-fixed assets. In terms of the Constitution, public works is a function and responsibility shared among the three spheres of government. Work in the sector aligns with the NDP's vision by facilitating job creation and improving public infrastructure. It also gives expression to priority 1 (a capable, ethical and developmental state), priority 2 (economic transformation and job creation) and priority 5 (spatial integration, human settlements and local government) of government's 2019-2024 medium-term strategic framework. This is critical in supporting the economic growth needed to address unemployment and poverty.

The 2023 Budget allocated infrastructure R42.7 billion over the MTEF period. The relatively high allocation, despite the tight fiscal environment, is an indication of government's commitment to investing in infrastructure as an enabler of economic growth.

The department develops and enforces rules and regulations for the built environment and the use of fixed assets in the public sector. This role enables it to deliver on its mandate to support the transformation of the construction industry and the development of small, medium and micro-enterprises, cooperatives and NPOs. One of the biggest challenges facing the sector is the emergence of illicit construction networks, commonly known as the construction mafia, that instil fear in the industry and cause delays by intimidating and in some cases harming the rightful contract owners for a portion or cash equivalent of the contract.

To deal with this, a national construction summit was organised by the Construction Industry Development Board on 19 November 2024. The summit was addressed by the Minister of Public Works and Infrastructure and attended by the deputy ministers of finance and public works, the Minister of Police and other leaders from all three spheres of government and organisations in the construction industry. According to the speakers, four provinces (Eastern Cape, Gauteng, KwaZulu-Natal and Western Cape) were the hardest hit by these syndicates. The Deputy Minister of Finance indicated that the syndicates had disrupted more than 180 construction projects since 2019 worth about R63 billion.

It was agreed at the summit that government would respond to this problem through stricter law enforcement and tighter cooperation between police departments and various other law enforcement agencies, including the Directorate for Priority Crime Investigations (the Hawks) and the National Prosecuting Authority. Improved governance through reformed public procurement and community engagement are critical to address the root causes of these disruptions.

The department provides policy leadership and direction on the design, framework and implementation of the EPWP, the objective of which is to create labour-intensive work opportunities, skills development and income support for poor and unemployed people.

Current landscape

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

National

Two important pieces of legislation guide the department's mandate and key deliverables: the Government Immovable Asset Management Act (2007), which aims to ensure competent immovable asset management in the national and provincial spheres to improve service delivery; and the Infrastructure Development Act (2014).

To centralise the planning and delivery of infrastructure, the Infrastructure Development Act (2014) was transferred from the Presidency to the Department of Public Works and Infrastructure in 2019. The act provides guidance for the coordination of the development of public infrastructure through the national infrastructure plan. Developed by Infrastructure South Africa and adopted by the Minister of Public Works and Infrastructure in 2022, the plan aims to contribute towards laying the foundations for achieving the NDP's vision for inclusive growth. More specifically, it is intended to foster integrated spatial planning and focused infrastructure delivery among organs of state. As such, it addresses institutional blockages and weaknesses that hinder success in the long term.

The department delivers on its infrastructure mandate alongside the Presidential Infrastructure Coordinating Commission, which is tasked with enabling the coordination, oversight and unblocking of strategic infrastructure projects and related investment.

The first phase of the plan was completed in 2022. The second phase offers a strategic vision to deliver high-priority distributed infrastructure networks by 2050. It focuses on distributing infrastructure in sectors such as human settlements, municipal electricity, water and sanitation, solid waste, passenger transport and roads, education and health that provides closer linkages between businesses and communities. In doing so, it connects the NDP's vision to practical steps and intermediate outcomes.

Property Management Trading Entity

The Property Management Trading Entity was established to apply professional business approaches in managing and optimising government's immovable asset portfolio for maximum return. It generates revenue mainly through charging management fees for the payment of municipal services and rental fees to national user departments for office accommodation.

The entity manages the largest real estate portfolio in South Africa. Given the critical role of well-functioning infrastructure in enabling service delivery, the entity's operations directly affect the efficiency of all national user departments. Its business model is based on an interdisciplinary approach with greater synergies between the department's traditional property and asset management functions and an integrated approach to delivery. Its core business comprises three operational divisions: real estate investment services, real estate management services and facilities management.

Expanded public works programme

The department is also mandated to coordinate and provide strategic leadership in initiatives to create jobs through the EPWP.

The EPWP's policy has four pillars that are intended to:

- tackle the trifecta of poverty, inequality and unemployment
- enable sustainable livelihoods and decent employment
- build assets and deliver services that serve the public
- build synergies for improved long-term development.

The EPWP is implemented through four sectors: infrastructure led by the Department of Public Works and Infrastructure; social development led by the Department of Social Development; environment and culture led by the Department of Forestry, Fisheries and the Environment; and the non-state sector, which includes the community work programme, led by the Department of Cooperative Governance, and the NPO programme, led by the Department of Public Works and Infrastructure.

To achieve its objectives, the EPWP set a target of creating 5 million work opportunities for the five years of the fourth phase of its implementation (1 April 2019 to 31 March 2024), disaggregated per financial year. A total of 4 120 307 work opportunities were created in the fourth phase, slightly below the target but within a healthy range.

Provincial public works departments' institutional arrangements

Table 8.1 shows the institutional arrangements for provincial public works departments. Eastern Cape, Free State, Gauteng and KwaZulu-Natal have standalone public works departments. In other provinces, the public works function is combined with those of roads, transport and human settlements. Analysis for these combined departments will be provided only on the financial and non-financial plans and performance of public works and infrastructure.

Provincial public works departments generally have two broad spending programmes, public works infrastructure and the EPWP (known as community-based programmes in Mpumalanga, Northern Cape, North West and Western Cape).

Table 8.1 Public works, roads and transport functions per province (2023/24)

Public works and infrastructure	Public works and roads	Public works, roads and transport	Public works, transport and human settlements
Eastern Cape Free State Gauteng KwaZulu-Natal	Limpopo North West Northern Cape	Mpumalanga	Western Cape

Source: National Treasury provincial database (2023/24)

Budget and expenditure trends

Provincial public works infrastructure

The Government Immovable Asset Management Act (2007) empowers provincial public works departments, through the public works infrastructure programme, to manage government-owned properties to support government's social, economic and service delivery needs. Key elements for managing government properties include:

- providing accommodation (office space or facilities) and integrated property management services through the planned property life cycle (acquisition, management, maintenance and disposal)
- using immovable assets optimally for all government-owned properties
- conducting assessments to evaluate the state of government properties
- paying property rates and coordinating maintenance to ensure that government properties are managed and function well
- maintaining the fixed asset register for all government-owned properties, including value, condition and capacity.

Provincial public works departments are further empowered by the act to work as an infrastructure implementing agent for government. This mandate requires the sector to render professional services such as architecture, quantity surveying, engineering and project management.

Expenditure per province

The public works infrastructure programme's activities include providing office accommodation or facilities to client departments and entities, maintaining and managing government and leased properties and acting as an implementing agent for government infrastructure. The budgets of client departments for the delivery of infrastructure are not included in this programme.

Table 8.2 Public works infrastructure expenditure by province (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	1 750	1 855	2 033	1 764	1 906	1 982	2 019
Free State	1 470	1 617	1 797	1 834	1 876	2 055	2 125
Gauteng	2 658	2 630	2 671	2 954	2 499	2 597	2 732
KwaZulu-Natal	1 347	1 593	1 603	1 281	1 306	1 365	1 435
Limpopo	869	1 009	935	949	1 092	1 029	1 021
Mpumalanga	1 134	951	1 209	1 312	922	923	965
Northern Cape	145	137	218	246	181	189	197
North West	1 038	960	1 135	1 021	1 075	1 126	1 179
Western Cape	2 309	2 389	2 247	2 403	2 406	2 437	2 550
Total	**12 720**	**13 142**	**13 848**	**13 762**	**13 263**	**13 702**	**14 224**

Percentage growth (average annual)	**2020/21 to 2023/24**	**2023/24 to 2024/25**	**2023/24 to 2026/27**
Eastern Cape	0.3%	8.1%	4.6%
Free State	7.6%	2.3%	5.0%
Gauteng	3.6%	-15.4%	-2.6%
KwaZulu-Natal	-1.7%	2.0%	3.8%
Limpopo	3.0%	15.1%	2.5%
Mpumalanga	5.0%	-29.7%	-9.7%
Northern Cape	19.3%	-26.5%	-7.0%
North West	-0.5%	5.3%	4.9%
Western Cape	1.3%	0.2%	2.0%
Total	**2.7%**	**-3.6%**	**1.1%**

Source: National Treasury provincial database (2024/25)

Provinces planned to spend R41.2 billion on public works infrastructure over the MTEF period, representing a nominal average annual growth rate of 1.1 per cent over the MTEF period when compared to 2023/24. This minimal increase did not allow for growing budgetary pressures that resulted from paying municipal rates and taxes, and providing office accommodation for provincial government departments. The only provinces whose budgets grew above inflation were Eastern Cape at an average annual rate of 4.6 per cent, Free State at an average annual rate of 5 per cent, and North West at an average annual rate of 4.9 per cent. Other provinces' budgets were projected to grow either below inflation (KwaZulu-Natal, Limpopo and Western Cape) or decrease (Gauteng, Mpumalanga and Northern Cape) due to once-off allocations for filling critical vacant posts, paying municipal rates or providing office accommodation.

Table 8.2 shows that the provincial public works infrastructure programme's expenditure increased at an average annual rate of 2.7 per cent, from R12.7 billion in 2020/21 to R13.8 billion in 2023/24. Although there were healthy increases in expenditure in Northern Cape and Free State over this period, this trend did not carry over into the period under review for Northern Cape, as the province had a once-off allocation of R70 million in 2023/24 to reduce rates and taxes debts to municipalities. This high baseline resulted in a diminished projected average annual increase over the MTEF period.

Free State maintained its growth trajectory as it received a further additional allocation of R179.5 million in 2025/26 to fund the budget shortfall on municipal services. Marginal growth in Gauteng was also due to an additional once-off allocation of R283 million in 2023/24 to address municipal and security pressures, while growth of R361.2 million in Mpumalanga was due to completing the construction of the Mkhondo boarding school and the fire safety system for the Riverside government complex between 2022/23 and 2023/24. Growth in Limpopo was due to the purchase of the Limpopo Gambling Board building in 2021/22. The decrease in expenditure in KwaZulu-Natal was due to a once-off allocation of R245.9 million in 2021/22 to fund a shortfall in municipal property rates resulting from tariff increases. The decrease in expenditure in North West was due to a once-off allocation of R174.7 million in 2022/23 for the same purpose.

Public works infrastructure programme expenditure per subprogramme

Table 8.3 details provincial public works infrastructure expenditure by subprogramme for the period 2020/21 to 2026/27.

Table 8.3 Provincial public works infrastructure expenditure by subprogramme (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Programme support	494	634	540	477	454	472	480
Planning	146	165	176	144	102	100	110
Design	47	49	54	56	63	66	69
Construction	1 463	1 298	1 412	1 503	1 479	1 475	1 562
Maintenance	1 902	1 945	2 049	2 132	2 160	2 163	2 263
Immovable asset management	6 650	6 908	7 621	7 564	6 901	7 264	7 524
Facility operations	2 018	2 142	1 997	1 886	2 104	2 161	2 216
Total	**12 720**	**13 142**	**13 848**	**13 762**	**13 263**	**13 702**	**14 224**
Percentage growth (average annual)		**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2023/24 to 2026/27**	
Programme support		-1.1%		-4.9%		0.2%	
Planning		-0.5%		-28.7%		-8.6%	
Design		6.2%		12.4%		7.2%	
Construction		0.9%		-1.6%		1.3%	
Maintenance		3.9%		1.3%		2.0%	
Immovable asset management		4.4%		-8.8%		-0.2%	
Facility operations		-2.2%		11.6%		5.5%	
Total		**2.7%**		**-3.6%**		**1.1%**	

Source: National Treasury provincial database (2024/25)

Programme support

This subprogramme provides administrative support, particularly finance and supply chain management, to the professional services component. Spending in the subprogramme was expected to decrease from R634 million in 2021/22 to reach R480 million in 2026/27, at an average annual rate of 1.1 per cent.

Planning

Activities carried out through this subprogramme are geared towards helping provincial departments develop user asset management and infrastructure implementation plans. Spending in this subprogramme decreased at an average annual rate of 0.5 per cent between 2020/21 and 2023/24, and was expected to continue to decrease at over the MTEF period, from R144 million in 2023/24 to R110 million in 2026/27, at an average annual rate of 8.6 per cent. If not managed carefully, this reduction could lead to inadequate planning and prioritisation.

Design

This subprogramme investigates project inception, concept design, design development and documentation. Table 8.3 shows that spending on designing new public infrastructure and upgrading building projects increased at an average annual rate of 6.2 per cent, from R47 million in 2020/21 to R56 million in 2023/24. This spending was also expected to increase over the MTEF period at an average annual rate of 7.2 per cent, from R56 million in 2023/24 to R69 million in 2026/27. This meant that new projects were prioritised as projects that have gone through the design stage should be ready for funding.

Construction

Work done through this subprogramme is aimed at constructing, upgrading and refurbishing provincial government buildings. Spending in this subprogramme increased at a moderate average annual rate of 1.3 per cent over the MTEF period as there was a focus on completing existing projects in most provinces. For example, the budget for construction in Gauteng was expected to decrease by about R350 million over the MTEF period due to the receipt of additional funding in 2023/24 for alternative energy projects. Mpumalanga's budget for construction was also reduced from R400 million in 2023/24 to R35 million in each year over the MTEF period due to the completion of key projects such as the Mkhondo boarding school and the Riverside government complex. The construction of child and youth care centres in Western Cape explains the budget increase of R49.1 million over the MTEF period.

Maintenance

Investments in the provincial public works sector are increasing

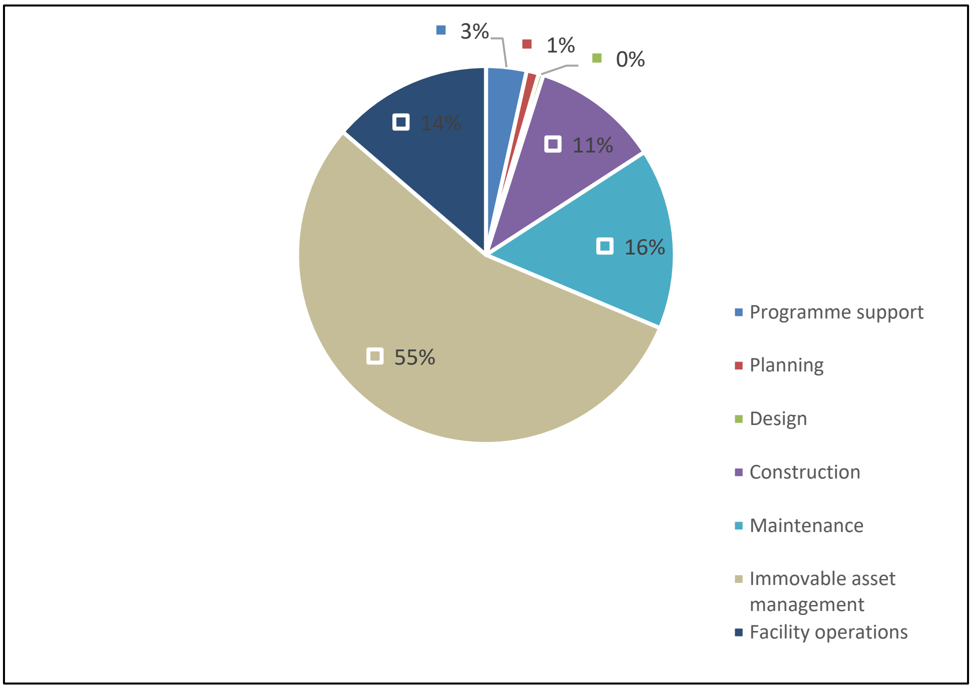
This subprogramme is focused on the maintenance of provincial government buildings in terms of day-to-day, routine or preventative maintenance; scheduled and emergency maintenance; and the assessments of building conditions. Poor maintenance has led to the dilapidation of many properties in government's portfolio. On average, provincial investment on maintenance as a share of total infrastructure investment increased, but only from 13 per cent in 2019/20 to 16 per cent in 2023/24. Spending on the maintenance of state buildings and condition assessments increased at an average annual rate of 3.9 per cent between 2020/21 and 2023/24. This included maintenance and refurbishment projects in KwaZulu-Natal to address damage caused during the civil unrest in July 2021. To ensure that existing government buildings were adequately maintained over the MTEF period, this subprogramme's budget was expected to grow at an average annual rate of at least 2 per cent.

Immovable asset management

The this subprogramme towards designing new projects and improving the maintenance of existing buildings

This subprogramme manages provinces' property portfolios, provides accommodation for all provincial departments and other institutions, and acquires and disposes of immovable assets in terms of the Land Administration Act (1995). It is the largest subprogramme in the public works infrastructure programme, accounting for 55 per cent of the budget in 2023/24, although this reflected a decrease from the 62 per cent share recorded in 2019/20.

Figure 8.1 Proportion of public works infrastructure budget by subprogramme (2023/24)



Source: Department of Public Works and Infrastructure EPWP quarterly reporting system

Table 8.3 shows that the budget for immovable asset management increased at an average annual rate if 4.4 per cent between 2020/21 and 2023/24, largely due to the allocations made towards rates and taxes and municipal services. Spending in this subprogramme was expected to decrease at an average annual rate of 0.2 per cent over the MTEF period, mainly driven by once-off allocations in 2023/24 in Gauteng and Northern Cape for the payment of rates and taxes and municipal services. Spending in other provinces, including Eastern Cape, Free State, KwaZulu-Natal, Limpopo and Western Cape, was expected to show substantial growth over the MTEF period, mainly for municipal utilities (water, electricity, waste management), security services, and rates and taxes to local municipalities.

Facility operations

This subprogramme manages the operations of buildings, including facilities management, cleaning and greening, interior decoration and design, and the day-to-day preventative maintenance of electronic and mechanical equipment. Spending was expected to increase at an average annual rate of 5.5 per cent over the MTEF period.

Expanded public works programme

Expenditure per province

The EPWP provides poverty and income relief by creating temporary work opportunities through socially beneficial activities. The public works sector is responsible for implementing, monitoring and reporting on the EPWP. The budget for the programme comprises a conditional grant from the Department of Public Works and Infrastructure and a portion of the provincial equitable share. Table 8.4 shows that spending on the EPWP increased at an annual average rate of 13.5 per cent from 2020/21 to 2023/24. The programme's budget was expected to decrease at an average annual rate of 4 per cent over the MTEF period.

Table 8.4 Provincial expenditure on the EPWP by subprogramme (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Programme support	158	153	177	642	259	230	240
Community development	1 099	1 317	1 212	1 219	1 316	1 265	1 333
Innovation and empowerment	170	186	197	212	244	274	275
Coordination and compliance monitoring	66	91	74	111	85	80	84
Total	**1 492**	**1 748**	**1 659**	**2 183**	**1 904**	**1 849**	**1 932**
Percentage growth (average annual)		**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2023/24 to 2026/27**	
Programme support		59.7%		-59.7%		-28%	
Community development		3.5%		8.0%		3.0%	
Innovation and empowerment		7.7%		15.4%		9.1%	
Coordination and compliance monitoring		19.0%		-22.7%		-8.9%	
Total		**13.5%**		**-12.8%**		**-4.0%**	

Source: National Treasury provincial database (2024/25)

Programme support

This subprogramme manages and supports the EPWP. Table 8.4 shows that spending on the subprogramme increased at an average annual rate of 59.7 per cent between 2020/21 and 2023/24, and that this spending was set to decrease at an average annual rate of 28 per cent over the MTEF period. This fluctuation is the result of an additional allocation of R407 million in 2023/24 in KwaZulu-Natal to ensure alignment with the programme structure.

Community development

This subprogramme manages the implementation of programmes that empower impoverished communities and promote and create decent work opportunities by providing accredited training and implementing community development initiatives. The objective is to ensure that the construction sector serves as a catalyst for skills development, job creation and the development of sustainable communities. Spending in this subprogramme increased at an average annual rate of 3.5 per cent between 2020/21 and 2023/24, and was projected to maintain an average annual increase of 3 per cent over the MTEF period.

Innovation and empowerment

This subprogramme facilitates contractor development, empowerment and training, including through learnerships and apprenticeships. Spending in this subprogramme increased at an average annual rate of 7.7 per cent between 2020/21 and 2023/24, and was projected to continue to increase at an average annual rate of 9.1 per cent over the MTEF period.

Coordination and compliance monitoring

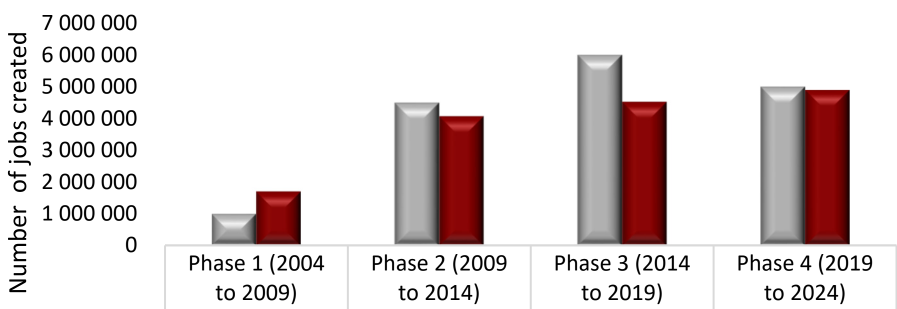
This subprogramme manages and coordinates the implementation of EPWP projects, and monitors sectoral compliance with EPWP guidelines. Spending in the subprogramme increased at an average annual rate of 19 per cent between 2020/21 and 2023/24, but was expected to decrease at an average annual rate of 8.9 per cent over the MTEF period.

Service delivery achievements

Expanded public works programme

Over the 20-year period since its inception in 2004, 15.2 million work opportunities have been created through the EPWP against a targeted 16.5 million. The only overachievement was in the first phase (2004 to 2009).

Figure 8.2 EPWP performance (phases 1 to 4, 2004 to 2024)



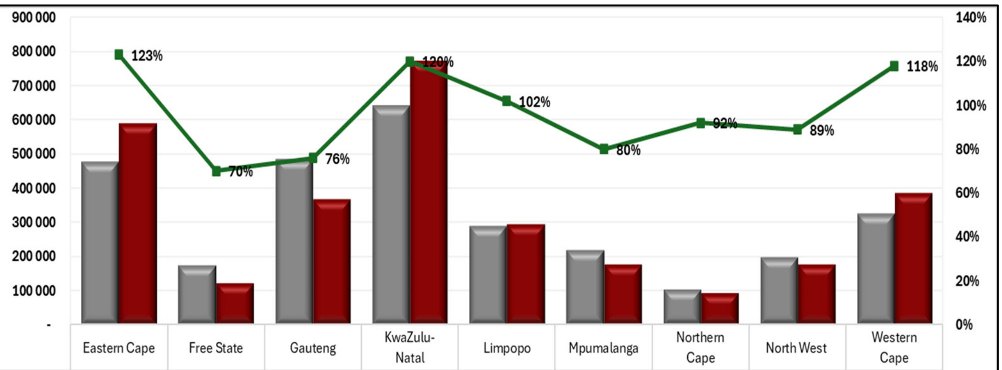
	Phase 1 (2004 to 2009)	Phase 2 (2009 to 2014)	Phase 3 (2014 to 2019)	Phase 4 (2019 to 2024)
Target	1 000 000	4 500 000	6 000 000	5 000 000
Achieved	1 709 675	4 071 292	4 522 288	4 901 377

Source: Department of Public Works and Infrastructure EPWP quarterly reporting system

Phase 4 reported 4.9 million work opportunities against a targeted 5 million (98 per cent achievement), and about 1.9 million full-time equivalent work opportunities were created in the fourth phase against a targeted 2 million (95 per cent achievement). Funding provided through the *expanded public works* *programme integrated grant for provinces* and the *social sector expanded public works programme incentive grant for provinces* incentivises provinces to create work opportunities.

During the fourth phase, the national sphere contributed 1.9 million work opportunities, the provincial sphere contributed 1.8 million and the municipal sphere contributed 1.1 million. Figure 8.3 shows performance during the fourth phase of the EPWP across provinces. KwaZulu-Natal created the most work opportunities with 772 226, followed by Eastern Cape with 590 223. Gauteng (with 76 per cent) and Free State (with 70 per cent) recorded the lowest performance against their targets.

Figure 8.3 Work opportunities created per province (2019 to 2024)



	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape
Target	478 266	175 758	486 602	643 269	290 943	220 575	104 031	198 286	328 167
Work opportunities reported	590 223	123 884	369 585	772 226	296 570	177 188	95 684	177 353	387 572
Percentage against the target	123%	70%	76%	120%	102%	80%	92%	89%	118%

Source: Department of Public Works and Infrastructure EPWP quarterly reporting system

The EPWP entered its fifth phase on 1 April 2024. The shift was envisaged to be a significant leap towards a more comprehensive and strategic approach to public employment programmes by providing participants with work experience and enhancing their capacity. South Africa's socioeconomic landscape demands a reinvigorated EPWP that can better respond to the prevailing employment crisis, especially among young people, and foster a conducive environment for sustainable employment and entrepreneurship.

Provincial public works infrastructure

Public works as an implementing agent

Infrastructure delivery is a fundamental lever for enabling economic recovery and reform, and a contributor to job creation and sustainable livelihoods. The NDP's vision is to scale up infrastructure investment to boost economic growth and benefit society. Table 8.5 indicates the number of projects, budgets and expenditure implemented by provincial public works departments between 2020/21 and 2023/24 to deliver sustainable infrastructure that meets the service delivery objectives of client departments.

Table 8.5 Public works projects, budget and expenditure per province (2020/21 to 2023/24)

	2020/21				2021/22				2022/23				2023/24			
	Number of Projects	Current budget	Actual expen-diture as at 31 March 2021	Per-centage spent as at 31 March 2021	Number of Projects	Current budget	Actual expen-diture as at 31 March 2022	Per-centage spent as at 31 Mar 2022	Number of Projects	Current budget	Actual expen-diture as at 31 March 2023	Per-centage spent as at 31 Mar 2023	Number of Projects	Current budget	Actual expen-diture as at 31 March 2024	Per-centage spent as at 31 March 2024
Eastern Cape	321	2 047 474	795 588	38.86%	359	1 009 362	855 885	84.79%	359	1 009 362	855 885	84.79%	372	823 420	720 718	87.53%
Free State	92	645 590	314 340	48.69%	90	332 203	277 610	83.57%	90	332 203	277 610	83.57%	98	422 856	371 192	87.78%
Gauteng	539	7 494 057	4 411 138	58.86%	542	3 017 979	2 507 832	83.10%	542	3 017 979	2 507 832	83.10%	480	2 599 762	2 405 683	92.53%
KwaZulu-Natal	1 222	4 532 660	2 362 899	52.13%	1 541	1 819 341	1 778 475	97.75%	1 541	1 819 341	1 778 475	97.75%	1 170	1 400 921	1 294 648	92.41%
Limpopo	452	3 457 183	1 663 370	48.11%	415	2 349 682	2 128 383	90.58%	415	2 349 682	2 128 383	90.58%	320	2 076 040	2 066 434	99.54%
Mpumalanga	1 076	7 166 877	2 950 479	41.17%	1 365	4 061 348	3 144 070	77.41%	1 365	4 061 348	3 144 070	77.41%	701	4 170 991	3 876 653	92.94%
Northern Cape	53	3 089 590	1 328 434	43.00%	65	1 974 219	2 105 511	106.65%	65	1 974 219	2 105 511	106.65%	93	1 648 056	1 777 610	107.86%
North West	250	1 904 494	745 478	39.14%	269	1 223 408	813 871	66.52%	269	1 223 408	813 871	66.52%	267	1 702 346	1 773 474	104.18%
Western Cape	289	7 644 969	3 685 371	48.21%	209	3 582 481	3 621 201	101.08%	209	3 582 481	3 621 201	101.08%	141	3 084 448	3 054 381	99.03%
Total	**4 294**	**37 982 894**	**18 257 097**	**46.46%**	**4 855**	**19 370 023**	**17 232 839**	**87.94%**	**4 855**	**19 370 023**	**17 232 839**	**87.94%**	**3 642**	**17 928 840**	**17 340 793**	**95.98%**

Source: National Treasury infrastructure reporting model

The number of projects implemented by the sector decreased due to a shortage of technical skills

The total number of projects implemented by the provincial public works sector decreased from 4 294 in 2020/21 to 3 642 in 2023/24, during which time the budget more than halved, from R37.9 billion to R17.4 billion. This indicates that the public works sector faced multiple challenges, including:

- a lack of technical capacity, which led to some sector departments taking over the implementation of other projects
- a lack of planning by client departments, which affected delivery timelines
- the non-payment or late payment of invoices by client departments, which resulted in contractors abandoning work in some instances
- disruptions by communities and business forums, which led to work being subcontracted.

Along with provincial treasuries, the public works sector has been developing and implementing strategies to deal with poor planning and a lack of technical skills. These strategies include enforcing the full institutionalisation of the infrastructure delivery management system, which was designed to address or respond to infrastructure delivery inefficiencies by ensuring integration between planning, budgeting, implementation, reporting and monitoring and outlining steps to be followed at each stage. Training is provided to client and public works departments as implementing agents. Departments are mandated to have payment schedules that correspond to cash flow schedules to ensure that constructors are paid as per the agreed timelines and other terms.

Medium-term outlook

Provincial public works departments planned to spend R46.9 billion over the MTEF period, of which R41.2 billion was earmarked for infrastructure and R5.7 billion for the EPWP. This investment was expected to contribute to inclusive growth by providing office accommodation; maintaining government buildings, including paying municipal utility bills; and building capacity in the sector.

The provincial public works infrastructure programme has a strong focus on maintaining existing government buildings, including conducting condition assessments to ensure compliance with the Government Immovable Asset Management Act (2007). Roughly R6.6 billion was made available for these purposes over the MTEF period.

The fifth phase of the EPWP aims to create 5 million work opportunities over the next five years, of which provinces are expected to create 2 million. The strategy of this phase advocates improved alignment and collaboration with other government initiatives that share the goal of helping unemployed people.

Conclusion

The mandate of the Department of Public Works and Infrastructure is to improve government's delivery of infrastructure to the public and create jobs through the EPWP. The sector includes the national department of public works and infrastructure and provincial public works departments, which implement infrastructure projects for other sectors.

Despite the need for efficiency within the sector as it is trusted with billions of rands, it continues to face substantial challenges as an implementing agent, including shortages of technical skills, poor planning, late payments and criminal disruptions at construction sites.

The sector is implementing strategies to deal with skills shortages through technical internships in essential competencies such as electrical, mechanical and civil engineering. Specialised sectoral project management units help to guide client departments in improving infrastructure planning and the timely processing of payments to contractors. Criminal disruption is being dealt with through collaboration with law enforcement agencies.

9

Agriculture, land reform and rural development

Introduction

Agriculture is central to economic development in many countries, especially developing economies, where it serves as a primary source of employment, income and food security. South Africa is no exception. The sector has historically been vital for economic growth by contributing to job creation and GDP.

In developing economies, agriculture serves as a primary source of employment, income and food security. South Africa is no exception

But neither the sector nor South Africa were spared from the effects of the COVID-19 pandemic. Measures taken to contain its spread, such as lockdowns and other restrictions, negatively affected production, trade, finance and investment during the period under review. The South African economy recorded a 7.6 per cent decline in GDP in real terms between March 2020 and March 2021, which was cited as the worst performance in a century.

In recent years, the sector had also been affected by unexpected heavy rains, which resulted in flooding in Eastern Cape, Free State, KwaZulu-Natal, Limpopo, North West and Western Cape. This led to crop damage and delayed planting in some regions, which was followed by another year of higher-than-average moisture.

South Africa has a diverse agricultural landscape, including large commercial and emerging farms. This creates opportunities such as capital investment, training and skills development and supply of equipment and services. However, emerging and small-scale farmers need to be empowered to access resources that can help them compete in larger markets and improve their productivity, efficiency and sustainability.

Results from Census 2022[1] indicated that 416 161 fewer households were engaged in agricultural activities compared to Census 2011 results, particularly in

[1] https://www.statssa.gov.za/?s=agricultural+production

KwaZulu-Natal (167 726), Eastern Cape (114 846) and Free State (65 522), provinces that are predominantly rural and have traditionally depended on agriculture for livelihoods. This lower participation could reflect urbanisation, changes in economic opportunities, land access issues or the increasing mechanisation and commercialisation of farming. Additionally, socioeconomic shifts, including improvements in access to formal employment or social grants, could have reduced the need for households to engage in subsistence farming.

More than 69 per cent of South Africa's total land area is used for livestock farming

South Africa's total agricultural land remains substantial. However, although an estimated 100.6 million hectares is designated for farming, only about 12 per cent of this land is considered arable. The percentage of land dedicated to grazing remains high, with more than 69 per cent of South Africa's total land area being used for livestock farming, which reflects the dominance of this sector. Only about 1.4 million hectares of arable land is equipped for irrigation. This area contributes to more than one-third of total agricultural output, particularly in water-stressed regions with less viable rain-fed agriculture.

The importance of irrigated land has grown as climate change affects rain-fed farming. Climate and soil limitations continue to constrain crop production, with only 3 per cent of the total land area genuinely fertile and just 12 per cent suitable for rain-fed crops. This limits South Africa's ability to expand arable farming without further irrigation. Despite these constraints, the agriculture sector has grown in value, with gross farming income having increased by 17.3 per cent in 2023/24 mainly because of improvements in efficiency, mechanisation and crop and livestock management practices.

South Africa's agriculture sector reflects a complex balance between commercial and smallholder farming. Commercial agriculture dominates the sector, using about 86.2 million hectares of land, while the smallholder sector uses an estimated 14.5 million hectares. South Africa's commercial farmers, classified as managing more than 1 000 hectares of land, number about 36 000. These larger-scale operations contribute significantly to national production, particularly for export crops such as maize and citrus.[2]

Smallholder farmers are critical to rural livelihoods and food security, but they face several challenges such as limited access to markets, insufficient infrastructure and constrained financial and technical resources. Despite government support and financial assistance through mechanisms such as the *comprehensive agricultural support programme grant*, smallholder farmers struggle with access to land, rising input costs and inadequate access to modern technologies and market information. Whereas initiatives such as the agriculture and agro-processing master plan and industry-specific trusts (in maize and citrus, for example) aim to integrate black farmers into commercial value chains, challenges such as climate change, economic instability and land tenure issues continue to hinder the growth of smallholder agriculture.

[2] RegenZ (2024).

Although agriculture remains a vital part of South Africa's economy, providing about 10 per cent of formal jobs, particularly in rural areas, it contributed only about 2.5 per cent to GDP in 2023. This is largely because the sector faces persistent energy shortages, which are particularly disruptive to irrigation-dependent farming; rising input costs; and regulatory inefficiencies.

Current landscape

There is a need for existing policies and projects to be implemented more effectively to overcome problems in crucial infrastructure sectors such as water, transport and energy. These sectors support agricultural exports and enhance biosecurity, particularly in the livestock and poultry industries, which are critical for domestic consumption and exports. Rural safety and crime, especially stock theft, remain pressing concerns that affect investment and growth. Better strategies are required to prevent criminal activity in these areas.[3]

Agriculture can play a transformative role in inclusive growth and poverty alleviation in South Africa. Research indicates that the potential of agriculture to provide jobs and income directly to people in rural communities is up to 3.2 times more effective at reducing poverty than non-agricultural activities, especially in areas where poverty is more concentrated.[4] By generating low-skilled jobs, the sector offers a path to reducing the country's high unemployment rate, particularly in rural areas where opportunities are typically scarce. In addition, the multiplier effect of agricultural income growth on poverty is significant. For every 1 per cent increase in GDP as a result of agriculture, there is a corresponding 6 per cent increase in expenditure by the poorest 10 per cent of the population.[5] This shows how vital agriculture is to improving the livelihoods of the most vulnerable people in society as it generates income and, in turn, enables increased consumption to stimulate the broader economy.

South Africa has a well-developed agriculture sector with strong export markets and advanced commercial farming that offers substantial opportunities to drive socioeconomic development. The Department of Agriculture prioritises the expansion of market access, especially for horticultural products and livestock, to increase trade value and find new markets, which helps generate economic growth and ensure sustainable development. Government has also expanded its blended finance model to include commercial banks, aiming to improve access to affordable finance for farmers. This initiative is critical to modernise agriculture and support smallholders, particularly black farmers, to enable them to integrate into the broader value chain.

Government has expanded its blended finance model to include commercial banks in an effort to improve access to affordable finance for farmers

Land reform remains a central focus, with policies aimed at addressing historical inequities by facilitating access to land for disadvantaged communities. Government has also made efforts to turn underused communal land into productive commercial farming areas.[6] These efforts were expected to increase

[3] AgriSA™ (2024).
[4] World Bank (2024).
[5] World Bank (2024).
[6] Farming South Africa (2024).

agriculture's contribution to GDP of less than 3 per cent over the period under review, which was low compared to developed economies.

The Restitution of Land Rights Act (1994) allowed individuals and communities dispossessed of land due to racist apartheid policies to file claims for restitution. In 2014, government amended the act, reopening the land claims process for five more years until 2019, allowing new claimants to submit. The Commission on Restitution of Land Rights was working to process its backlog of 160 000 claims that were lodged before the 2016 court ruling.

There is an ongoing focus on transferring land to beneficiaries

However, the pace of resolution is influenced negatively by various factors, including legal complexities and a lack of administrative capacity. In 2016, the Constitutional Court ruled that the amendment to the Restitution of Land Rights Act (1994) in 2014 was invalid because Parliament had not followed proper public consultation procedures when passing the law. Financial compensation is provided in cases where direct land transfers are not feasible. There is an ongoing focus on transferring land to beneficiaries, with efforts to expedite the process and ensure that land is productive and beneficial to recipients. Government has been reviewing and updating land restitution policies and initiatives are in place to improve the efficiency of the process, including better integration with other land reform efforts and increased support for claimants.

Land acquisition and redistribution

By 2024, government had redistributed an estimated 600 000 hectares

By 2024, government had redistributed an estimated 600 000 hectares. It continued to acquire land for redistribution and spent roughly R32.7 billion on land reform over the period under review. Of this amount, an estimated R13.4 billion was allocated for land claims, including financial compensation to beneficiaries in the form of cash settlements and support for land management and development. Black South Africans now own about 5 per cent of individually owned farms, reflecting incremental progress in land ownership. Just more than 5.1 million hectares of the 82 million hectares of previously white-owned agricultural land in South Africa in 1994 have been earmarked for land redistribution through 5 583 projects.

Of the 5.1 million hectares, more than 790 000 hectares have been redistributed, mainly for settlement, through the *settlement/land acquisition grant*; and more than 850 000 hectares have been redistributed through municipal commonage grants. More than 340 000 hectares have been redistributed mainly for agricultural purposes through the land redistribution for agricultural development programme (out of a total of 1.1 million hectares) and the proactive land acquisition strategy (out of a total of 2.2 million hectares). In addition, about 22 000 hectares of land have been transferred in terms of the Transformation of Certain Rural Areas Act (1998).

To complement these achievements, government has introduced policies and legislation aimed at improving the effectiveness of land reform programmes, including streamlined processes for transfers and increased support for beneficiaries. There are continued efforts to enhance support mechanisms for land reform beneficiaries, including agricultural training, infrastructure development and financial assistance.

Recent land redistribution efforts have focused on acquiring high-value agricultural land to maximise economic benefits. During the period under review, the then Department of Agriculture, Land Reform and Rural Development focused on enhancing its monitoring and evaluation processes to ensure that support programmes were effective and that beneficiaries achieved desired outcomes. This included tracking progress, assessing impact and making necessary adjustments to the available support mechanisms.

Budget and expenditure trends

Aggregate national budget and expenditure trends

National government spent about R64.7 billion on agriculture, land reform and rural development between 2020/21 and 2023/24, and was projected to spend a further R52.2 billion between 2024/25 and 2026/27, bringing total expenditure over the review period to an estimated R116.9 billion.

Table 9.1 National expenditure on agriculture, land reform and rural development by programme (2020/21 to 2026/27)

	Outcome			Audited Outcome	Average growth rate (%)	Average: Expen-diture/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expen-diture/ Total (%)
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2020/21-2023/24**		**2024/25**	**2025/26**	**2026/27**	**2023/24-2026/27**	
Administration	3 120	3 304	3 212	2 948	-1.9%	19.5%	2 715	2 940	3 067	1.3%	17.0%
Agricultural production, biosecurity and natural resources management	2 405	2 471	3 123	2 376	-0.4%	16.0%	2 276	2 486	2 556	2.5%	14.0%
Food security, land reform and restitution	6 354	8 610	8 710	9 054	12.5%	50.6%	9 398	9 365	9 803	2.7%	55.0%
Rural development	715	920	580	841	5.5%	4.7%	780	919	960	4.5%	5.0%
Economic development, trade and marketing	538	804	834	795	13.9%	4.6%	792	881	924	5.1%	5.0%
Land administration	977	651	648	700	-10.5%	4.6%	749	780	813	5.1%	4.0%
Total	**14 109**	**16 760**	**17 106**	**16 714**	**5.8%**	**100.0%**	**16 708**	**17 371**	**18 123**	**2.7%**	**100%**

Table 9.1 National expenditure on agriculture, land reform and rural development by programme (2020/21 to 2026/27) (continued)

Economic classification	Outcome			Audited Outcome	Average growth rate (%)	Average: Expen-diture/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expen-diture/ Total (%)
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2020/21-2023/24**		**2024/25**	**2025/26**	**2026/27**	**2023/24-2026/27**	
Current payments	**7 516**	**7 545**	**7 836**	**7 650**	**0.6%**	**47.2%**	**8 494**	**8 356**	**8 696**	**4.4%**	**48%**
Compensation of employees	3 764	3 837	4 075	4 172	3.5%	24.5%	4 120	4 307	4 463	2.3%	25.0%
Goods and services	3 744	3 708	3 761	3 479	(0.0)	0.2	4 374	4 049	4 232	0.1	0.2
of which:											
Consultants: Business and advisory services	*224*	*134*	*510*	*256*	*4.6%*	*1.7%*	*308*	*356*	*364*	*12.4%*	*2.0%*
Property payments	*572*	*614*	*527*	*524*	*-2.9%*	*3.5%*	*225*	*338*	*355*	*-12.2%*	*2.0%*
Travel and subsistence	*186*	*316*	*509*	*500*	*39.1%*	*2.3%*	*270*	*278*	*291*	*-16.6%*	*2.0%*
Interest and rent on land	*8*	*0*	*0*	*0*	-84.4%	–	–	–	–	-100.0%	–
Transfers and subsidies	**5 679**	**7 464**	**7 313**	**8 037**	**12.3%**	**44.0%**	**7 628**	**8 441**	**8 817**	**3.1%**	**48%**
Provinces and municipalities	1 866	2 460	2 606	2 468	9.8%	14.5%	2 374	2 634	2 706	3.1%	15.0%
Departmental agencies and accounts	2 231	2 429	1 972	2 146	-1.3%	13.6%	2 153	2 409	2 478	4.9%	13.0%
Higher education institutions	–	–		–	–	–	–	–	–	–	–
Foreign governments and international organisations	29	36	43	39	10.0%	0.2%	50	53	55	12.1%	0.0%
Public corporations and private enterprises	14	564	599	482	225.2%	2.6%	420	491	513	2.2%	3.0%
Non-profit institutions	4	4	4	8	27.4%	–	9	9	9	3.1%	0.0%
Households	1 534	1 971	2 089	2 895	23.6%	13.1%	2 623	2 847	3 056	1.8%	17.0%
Payments for capital assets	**1 749**	**1 950**		**1 027**	**4.1%**	**8.7%**	**586**	**574**	**611**	**-15.9%**	**4%**
Buildings and other fixed structures	787	1 048	493	434	-18.0%	4.3%	153	124	131	-33.0%	1.0%
Machinery and equipment	94	84	154	175	23.0%	0.8%	80	83	87	-20.8%	1.0%
Heritage assets	–	–	–	–	–	–	–	–	–	–	–
Specialised military assets	–	–		0	–	–	–	–	–	-100.0%	–
Biological assets	0	–	–	410	1522.6%	0.6%	–	–	–	-100.0%	1.0%
Land and subsoil assets	27	617	1 303	4	-49.1%	3.0%	350	364	391	377.5%	2.0%
Software and other intangible assets	1	–	0	4	59.7%	–	2	3	2	-14.7%	–
Payments for financial assets	**4**	**2**	**8**	–	**-100.0%**	–	–	–	–	–	–
Total	**14 109**	**16 760**	**17 106**	**16 714**	**5.8%**	**100.0%**	**16 708**	**17 371**	**18 123**	**2.7%**	**100%**

Source: 2024 Estimates of National Expenditure

The previous Department of Agriculture, Land Reform and Rural Development's expenditure increased from R14.1 billion in 2020/21 to R16.7 billion in 2023/24, at an average annual rate of 5.8 per cent. More than half of this spending was in the food security, land reform and restitution programme, driven by increases in compensation of employees due to cost-of-living adjustments, the settlement of land claims, purchases and municipal rates and taxes.

Although spending on land restitution decreased from R977 million in 2020/21 to R700 million in 2023/24 at an average annual rate of -10.5 per cent, it was projected to increase at an average annual rate of 5.1 per cent over the MTEF period to reach R813 million in 2026/27. This was expected to help address the slow pace of restoring the rights of dispossessed communities and individuals. The sector's baseline was projected to increase at an average annual rate of 2.7 per cent over the MTEF period.

Spending on transfers and subsidies increased at an average annual rate of 12.3 per cent, from R5.6 billion in 2020/21 to R8 billion in 2023/24. This spending was projected to increase at an average annual rate of 3.1 per cent over the MTEF period to reach R8.8 billion in 2026/27, driven mainly by conditional grant transfers to provinces, municipalities and departmental agencies.

Provincial budget and expenditure trends

Table 9.2 Provincial expenditure on agriculture, land reform and rural development (2020/21 to 2026/27)

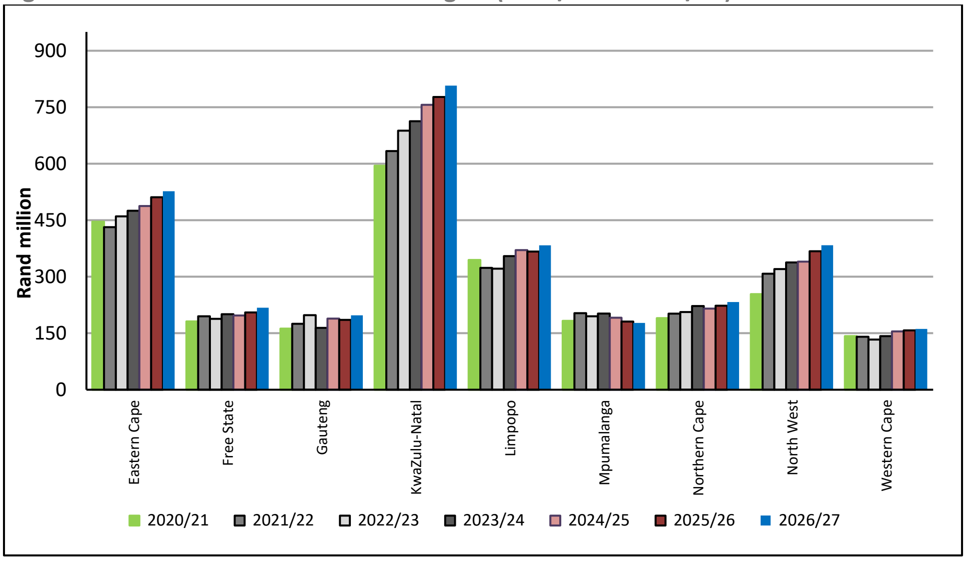
	Outcome			Audited outcome	Medium-term outcomes		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Administration	2 497	2 612	2 709	2 811	2 901	2 974	3 087
Sustainable resource management	620	578	714	655	763	713	745
Farmer support and development	4 755	4 862	4 912	4 947	4 896	5 175	5 413
Veterinary services	1 118	1 259	1 380	1 422	1 463	1 527	1 583
Technology, research and development services	709	762	832	930	952	969	1 008
Agricultural economics	198	179	245	347	403	365	379
Structured agricultural training	524	571	593	633	652	700	742
Rural development	424	437	430	431	513	502	463
Total	**10 846**	**11 259**	**11 815**	**12 176**	**12 543**	**12 927**	**13 419**
Percentage of provincial agriculture expenditure							
Administration[1]	23%	23.2%	22.9%	23.1%	23.1%	23%	23%
Sustainable resource management	5.7%	5.1%	6.0%	5.4%	6.1%	5.5%	5.5%
Farmer support and development	43.8%	43.2%	41.6%	40.6%	39.0%	40.0%	40.3%
Veterinary services	10.3%	11.2%	11.7%	11.7%	11.7%	11.8%	11.8%
Technology, research and development services	6.5%	6.8%	7.0%	7.6%	7.6%	7.5%	7.5%
Agricultural economics	1.8%	1.6%	2.1%	2.8%	3.2%	2.8%	2.8%
Structured agricultural training	4.8%	5.1%	5.0%	5.2%	5.2%	5.4%	5.5%
Rural development	3.9%	3.9%	3.6%	3.5%	4.1%	3.9%	3.5%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

1. Administration has been calculated on a pro rata basis because the agriculture function was combined with other provincial functions.

Source: National Treasury provincial database

Provincial expenditure increased at an average annual rate of 3.9 per cent, from R10.8 billion in 2020/21 to R12.2 billion in 2023/24, and was projected to increase at an average annual rate of 3.3 per cent over the MTEF period. The below-inflation growth during the period under review was mainly a result of fiscal consolidation measures.

Figure 9.1 Provincial administration budgets (2020/21 to 2026/27)



Source: National Treasury provincial database

Figure 9.1 shows that most provinces' administration budgets increased over the period. Notably, rural provinces spend a greater proportion of their budgets on administration than urban or semi-urban provinces, indicating that rural provinces invest more in support functions.

Table 9.2 shows provinces' expenditure on agriculture. Eastern Cape, KwaZulu-Natal and Limpopo had the largest budgets, together accounting for 53.5 per cent of total national expenditure on agriculture in 2023/24. The number of provinces with agriculture budgets of more than R1 billion increased from three in 2020/21 to five in 2023/24, and this number is projected to increase to six over the MTEF period.

National expenditure on agriculture increased at an average annual rate of 5.8 per cent between 2020/21 and 2023/24

The national average annual growth rate in agriculture expenditure of 5.8 per cent between 2020/21 and 2023/24 was driven mainly by average annual growth rates of 13.9 per cent in Mpumalanga, 13 per cent in North West and 8.1 per cent in Gauteng. Northern Cape spent 2.9 per cent of its total budget on agriculture in 2020/21, the largest percentage in the country, while Gauteng's was the smallest at 0.4 per cent.

Mpumalanga's expenditure is expected to decrease at an average annual rate of 3.2 per cent, making it the only province to reduce its agriculture budget over the MTEF period. However, over the MTEF period, Free State's agriculture budget was expected to increase at an average annual rate of 6.6 per cent to reach 2 per cent of total provincial spending by 2026/27, and Eastern Cape's at an average annual rate of 4.8 per cent to account for 2.7 per cent of total provincial spending by 2026/27.

Table 9.3 Expenditure on agriculture (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term outcomes		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	2 235	2 245	2 305	2 335	2 452	2 584	2 691
Free State	706	760	784	756	829	879	916
Gauteng	540	]557	586	681	649	673	707
KwaZulu-Natal	2 437	2 545	2 549	2 467	2 608	2 706	2 768
Limpopo	1 616	1 546	1 633	1 714	1 783	1 887	1 962
Mpumalanga	960	1 094	1 175	1 419	1 359	1 237	1 288
Northern Cape	582	606	664	634	635	677	708
North West	851	1 013	1 140	1 229	1 210	1 283	1 339
Western Cape	918	893	979	940	1 019	999	1 041
Total	**10 846**	**11 259**	**11 815**	**12 176**	**12 543**	**12 927**	**13 419**
Percentage of total provincial expenditure							
Eastern Cape	2.7%	2.6%	2.6%	2.5%	2.6%	2.6%	2.7%
Free State	1.9%	1.9%	1.9%	1.8%	1.9%	2.0%	2.0%
Gauteng	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
KwaZulu-Natal	1.8%	1.8%	1.8%	1.6%	1.7%	1.7%	1.7%
Limpopo	2.3%	2.1%	2.1%	2.1%	2.1%	2.2%	2.2%
Mpumalanga	1.9%	2.0%	2.1%	2.4%	2.2%	2.0%	2.0%
Northern Cape	3.2%	3.1%	3.3%	2.9%	2.9%	3.1%	3.1%
North West	1.9%	2.1%	2.3%	2.4%	2.3%	2.3%	2.3%
Western Cape	1.3%	1.2%	1.3%	1.2%	1.2%	1.2%	1.2%
Total	**1.7%**	**1.7%**	**1.7%**	**1.6%**	**1.7%**	**1.7%**	**1.7%**
Percentage growth(average annual)		**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2023/24 to 2026/27**	
Eastern Cape		1.5%		5.0%		4.8%	
Free State		2.3%		9.6%		6.6%	
Gauteng		8.1%		-4.8%		1.3%	
KwaZulu-Natal		0.4%		5.7%		3.9%	
Limpopo		2.0%		4.0%		4.6%	
Mpumalanga		13.9%		-4.2%		-3.2%	
Northern Cape		2.9%		0.1%		3.7%	
North West		13.0%		-1.6%		2.9%	
Western Cape		0.8%		8.4%		3.4%	
Total		**3.9%**		**3.0%**		**3.3%**	

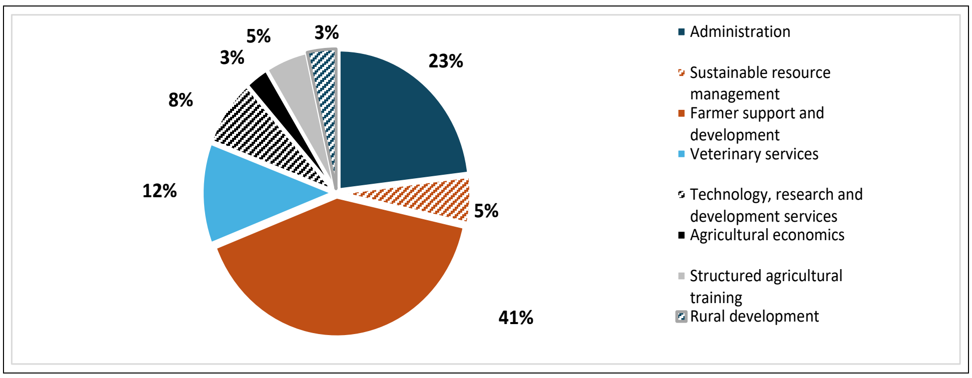
Source: National Treasury provincial database

The average annual provincial growth rate for the sector was 3.9 per cent between 2020/21 and 2023/24. The bulk of this spending in 2023/24 was in the farmer support and development programme, with a share of 40.6 per cent, followed by administration at 23.1 per cent. The large proportional allocation to farmer support confirmed government's policy direction of supporting smallholder and subsistence farmers to transform into economically contributing entities.

The large allocation to farmer support confirmed government's policy direction of supporting smallholder and subsistence farmers

Administration

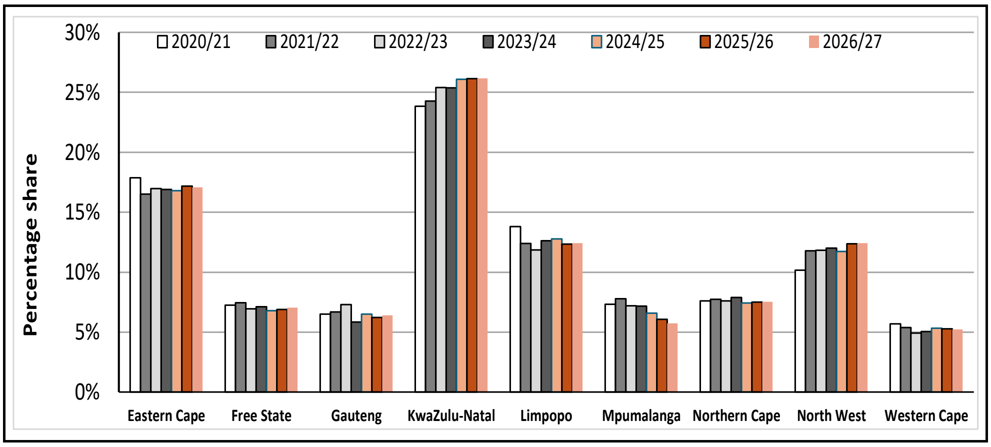
Figure 9.2 Provincial expenditure budgets (2023/24)



Source: National Treasury provincial database

Spending on administration increased at an average annual rate of 4 per cent, from R2.5 billion in 2020/21 to R2.8 billion in 2023/24, and was projected to continue to increase at an average annual rate of 3.2 per cent over the MTEF period despite cost-containment measures to reduce spending on non-core service delivery programmes. The projected growth in administration was driven particularly by Gauteng, in which spending was set to increase at an average annual rate of 6.4 per cent over the MTEF period as it houses multiple centralised administrative functions on behalf of the provincial Department of Agriculture and Rural Development.

Figure 9.3 Administration budgets as a proportion of total agriculture budgets (2020/21 to 2023/24)



Source: National Treasury provincial database

Rural provinces have historically spent the highest shares of their agriculture budgets on administration. The trend in urban provinces over the review period is increasingly in line with the national trend on administration. An example of this is KwaZulu-Natal, which was moving from a proportionate share of 23.8 per cent in 2020/21 to a projected 26.2 per cent in 2026/27, whereas Gauteng's share decreased from 6.5 per cent in 2020/21 to a projected 6.2 per cent in 2026/27 and Western Cape's decreased from 5.7 per cent in 2020/21 to a projected 5.2 per cent in 2026/27. The largest contributors to administration budgets were corporate services and financial management services.

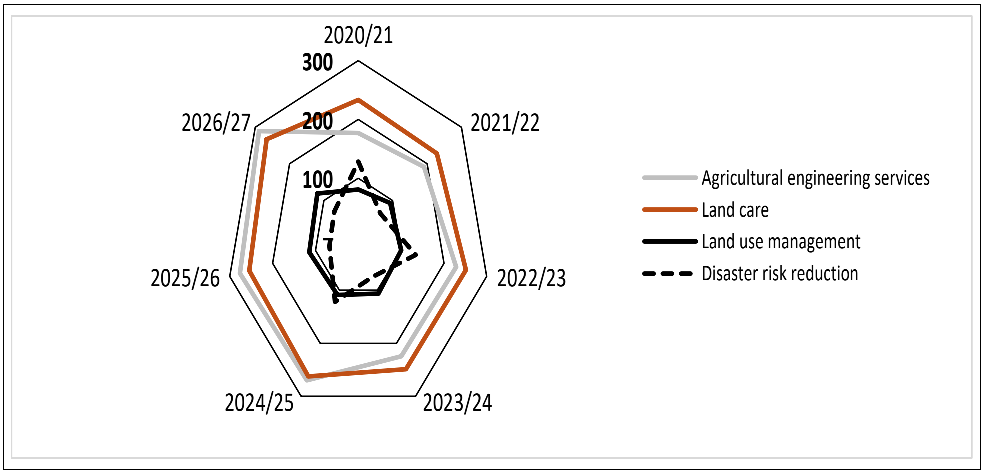
Western Cape consistently spent a smaller share of its sectoral budget on administration than other provinces for the period 2020/21 to 2022/23. In 2024/25, Mpumalanga spent the least (14.2 per cent of its budget) on administration, and this spending is expected to remain low over the MTEF period. Northern Cape spent the highest proportion of its agriculture budget on administration (32.9 per cent), followed by KwaZulu-Natal with 29.2 per cent.

Sustainable resource management

The sustainable resource management programme provides agricultural support services to farmers through the engineering services, land care and land use management subprogrammes. Expenditure in this programme increased at an average annual rate of 4 per cent, from R620 million in 2020/21 to R655 million in 2023/24.

From 2020/21 to 2026/27, provinces contributed a combined R1.7 billion to engineering support for irrigation technologies, on-farm mechanisation, farm structures, resource conservation management, the operation and maintenance of farm equipment, machinery, tools and implementation solutions. An estimated R723 million was provided to promote the sustainable use and management of natural agricultural resources, particularly land.

Figure 9.4 Provincial expenditure on sustainable resource management (2020/21 to 2026/27)



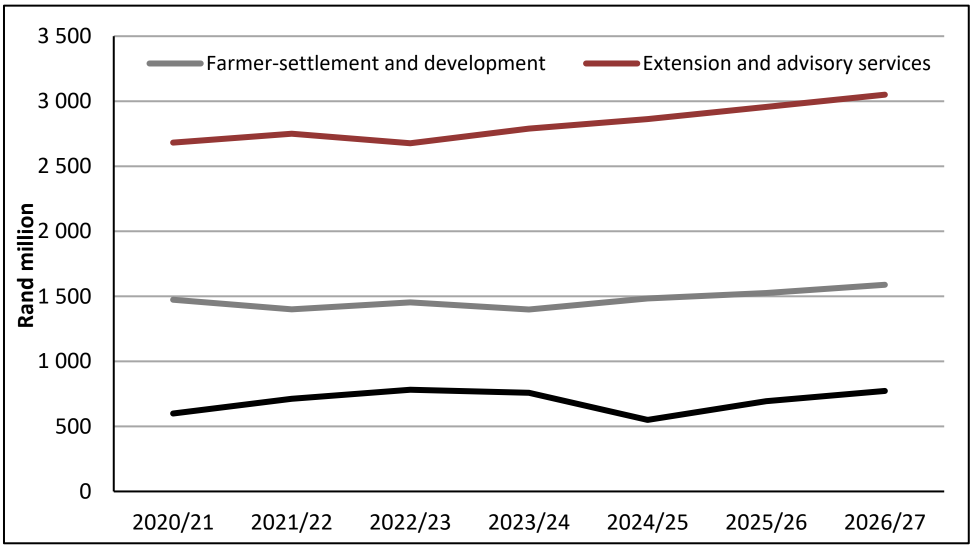
Source: National Treasury provincial database

Figure 9.4 shows that spending on all subprogrammes excluding disaster risk reduction was projected to remain consistent at an increasing rate over the reporting period. The sector suffered major losses during the 2014/15 and 2015/16 droughts, the worst to hit the country in 30 years. To mitigate the effects of other potential droughts, an estimated R1.3 billion was allocated to disaster risk management and land care between 2020/21 and 2023/24. Over the MTEF period, R259 million was allocated for disaster risk management and R836 million was allocated for agricultural engineering services.

Farmer support and development

The bulk of the conditional grant allocations go towards the farmer support and development programme, which accounts for most of the sector's budget. Figure 9.5 shows that expenditure increased at an average annual rate of 1.3 per cent, from R4.8 billion in 2020/21 to reach R5 billion in 2023/24, and was expected to increase at an average annual rate of 3 per cent to R5.4 billion in 2026/27. This growth is partly due to the centralisation of this programme's infrastructure budget.

Figure 9.5 Provincial farmer support and development expenditure (2020/21 to 2026/27)



Source: National Treasury provincial database

The farmer support and development programme is critical to empowering smallholder farmers with the relevant knowledge and skills to improve their productivity. Ultimately, this is intended to ensure the sustainable agricultural growth that South Africa needs. Extension practitioners play a pivotal role in knowledge transfer to farmers with the latest research, technology and best practices in soil management, irrigation and crop production. However, due to capacity contracts, since the implementation of the extension recovery programme in 2008/09, the number of extension practitioners decreased from 2 210 to 1 942 in 2023/24, mainly because of diminished capacity.

Eastern Cape, KwaZulu-Natal and Limpopo remain focal areas for the deployment of extension practitioners because of the high concentration of smallholders and emerging farmers in these provinces. The 2018-2023 national food and nutrition security plan targeted the employment of 5 600 extension practitioners in the sector to improve food security by 2023/24. According to Statistics South Africa's 2024 general household survey, about 3.3 million households were involved in agriculture. Based on the current number of extension practitioners, the extension-to-producer ratio is 1:1 706 – substantially higher than the ratio of 1:250 recommended by norms and standards for extension and advisory services.

An estimated 30 000 farmers per year receive support through the comprehensive agricultural support programme grant

The pursuit of vibrant, equitable and sustainable rural communities and food security for all has stimulated a renewed emphasis on developing smallholder agriculture. The NDP targets 300 000 households in smallholder schemes by 2030. Despite this renewed focus, many smallholder farmers remain excluded from farmer support and development programmes and only an estimated 30 000 farmers per year receive support through the *comprehensive agricultural support programme grant*. Although the sector seems to be on track to meet the NDP target, most smallholder farmers in the country are still not recognised by the current policy. This is because most are in rural areas, where the lack of physical and institutional infrastructure, such as roads, limits their expansion. 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 their growth.

Figure 9.5 illustrates the sector's attempts to direct funding towards developing sustainable smallholders. Provinces collectively invested R1.5 billion per year in this sector between 2020/21 and 2022/23, and R1.4 billion in 2023/24. Expenditure on smallholder farming was projected to increase at an average annual rate of 4.2 per cent over the MTEF period to reach R1.6 billion in 2026/27.

Veterinary services

This programme provides veterinary services to clients in the agriculture sector to ensure healthy animals, safe animal products and consumer welfare. Expenditure in 2020/21 was R1.1 billion, accounting for 10.3 per cent of the sector's budget. The programme's expenditure increased at an average annual rate of 8.4 per cent to R1.4 billion in 2023/24. It was projected to grow at an average annual rate of 3.6 per cent to reach R1.5 billion in 2026/27, accounting for 11.8 per cent of the sector's allocation by then.

Northern Cape, Free State and Gauteng had the lowest provincial allocations to veterinary services in 2023/24 (less than R98 million each). Eastern Cape had the largest budget at R343.9 million. Major challenges included the unequal spread of training for veterinary science professionals across provinces, a general shortage of veterinary scientists and animal health professionals, and an extreme shortage of food production hygienists and abattoir inspectors. Most veterinary laboratories in provinces were not fully functional and needed rehabilitation and maintenance to adhere to South African National Accreditation System requirements.

Technology, research and development services

This programme provides expert and needs-based research, development and technology transfer services. The programme's expenditure increased at an average annual rate of 9.5 per cent, from R709 million in 2020/21 to R930.1 million in 2023/24, and was projected to increase at an average annual rate of 2.7 per cent to reach R1 billion in 2026/27. Despite the programme's proportionate share of total percentage growth in expenditure, increasing from 6.5 per cent in 2020/21 to 7.6 per cent in 2023/24, it was projected to decrease to 7.5 per cent in 2026/27. This highlights the need to invest in technology, research and development to support long-term innovation and position the sector for success in an increasingly competitive global economy.

Agricultural economics

The agricultural economics programme provides timely and relevant agricultural economics services to the sector to develop sustainable agriculture and agribusiness so as to increase economic growth. The programme spent R198 million and accounted for 1.8 per cent of the sector's budget in 2020/21.

This spending increased at an average annual rate of 20.5 per cent to reach R347 million in 2023/24, reflecting a proportionate share of 2.8 per cent. The share was projected to remain unchanged over the MTEF period despite expenditure being set to increase at an average annual rate of 3 per cent to R379 million in 2026/27.

Structured agricultural training

In line with the agricultural education and training strategy, this programme facilitates the establishment of a knowledgeable, prosperous and competitive sector. It spent R524 million in 2020/21, accounting for 4.8 per cent of provincial agricultural expenditure. This increased at an average annual rate of 6.4 per cent to R633 million in 2023/24 and was projected to grow at an annual average rate of 5.4 per cent to reach R742 million in 2026/27, with the proportionate share increasing to 5.5 per cent.

There are 11 agricultural colleges in South Africa – concentrated in Eastern Cape (3), KwaZulu-Natal (2), Limpopo (2) and North West (2) – that provide structured agricultural education and training. Mpumalanga recently incorporated its only college with the University of Mpumalanga, joining Gauteng and Northern Cape as provinces with no standalone agricultural colleges.

Table 9.4 Agricultural colleges

Province	Name of college
Eastern Cape	Grootfontein Agricultural Development Institute Tsolo College Fort Cox College
Free State	Glen College
KwaZulu-Natal	Cedara College Owen Sithole College
Limpopo	Madzivhandila College Tompi Seleka College
North West	Taung College Potchefstroom College
Western Cape	Elsenburg College

Source: Department of Agriculture

All colleges except the Grootfontein Agricultural Development Institute in Eastern Cape, which fell under the former Department of Agriculture, Land Reform and Rural Development, have received allocations from their provincial departments since 2023/24. Historically disadvantaged colleges receive larger allocations than those that were previously better resourced. The colleges also receive funding through the *comprehensive agricultural support programme grant* for infrastructure and equipment. The allocation ringfenced for the implementation of colleges' revitalisation plans amounted to R95 million in 2023/24.

Rural development

Government is finding it difficult to grow an inclusive rural economy despite the urgent need to

This programme coordinates stakeholder development programmes in rural areas. Its expenditure accounted for 3.9 per cent of the sector's total budget in 2020/21, increasing at an average annual rate of 0.6 per cent, from R424 million in 2020/21 to R431 million in 2023/24. Expenditure was projected to increase at an average annual rate of 2.4 per cent over the MTEF period to reach R463 million in 2026/27. The proportionate share is set to decrease to 3.5 per cent, indicating the difficulties government faces in its efforts to grow an inclusive rural economy despite the urgent need to. In absolute terms, Eastern Cape spent more than any other province on rural development, followed by KwaZulu-Natal. Limpopo spent the least despite being one of the more rural provinces, suggesting that it funds only the facilitation and coordination of rural development projects and not their implementation.

Provincial expenditure by economic classification

Compensation of employees accounted for 51.2 per cent of total expenditure in 2023/24, after increasing at an average annual rate of 1.8 per cent from R5.8 billion in 2020/21 to R6.2 billion in 2023/24. Expenditure on this item was projected to increase at an average annual rate of 5.3 per cent to reach R7.2 billion in 2026/27, increasing its proportionate share to 54.3 per cent. This means that more than half of the sector's budget will be used to pay salaries, a major reason for increases in the administration budget.

Spending on goods and services increased at an average annual rate of 6.2 per cent between 2020/21 and 2023/24, from R2.9 billion to R3.6 billion. The proportionate expenditure of this spending area also increased from 27.2 per cent to 30.2 per cent over the same period, in line with an increase in the provision of support to farmers and assistance after natural disasters. This expenditure was projected to increase at an average annual rate of 5.5 per cent to reach R4.3 billion in 2026/27, with proportionate expenditure reaching 32.2 per cent. Major drivers of this expenditure are travel and subsistence and farming supplies, indicating efforts to provide support to smallholder and subsistence farmers in the form of extension services.

Spending on transfers and subsidies decreased at an average annual rate of 2.7 per cent between 2020/21 and 2023/24, from R1.3 billion to R1.2 billion. Expenditure over the MTEF period was expected to decrease at an average annual rate of 8.1 per cent to reach R934 million in 2026/27, with proportionate expenditure declining from 12.4 per cent in 2020/21 to 7 per cent in 2026/27.

Expenditure on capital assets increased at an average annual rate of 9.3 per cent, from R740 million in 2020/21 to R1.1 billion in 2023/24. This spending was projected to decrease at an average annual rate of 5.8 per cent over the MTEF period to reach R884 million in 2026/27. The proportionate share of this expenditure increased from 6.8 per cent in 2020/21 to 8.7 per cent in 2023/24 but was projected to decrease over the MTEF period to reach 6.6 per cent in 2026/27.

Table 9.5 Provincial expenditure on agriculture by economic classification (2020/21 to 2026/27)

		Outcome		Audited outcome	Medium-term outcomes		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Current payments	8 759	9 218	9 663	9 915	10 625	11 170	11 601
of which:							
Compensation of employees	*5 810*	*5 941*	*6 049*	*6 232*	*6 715*	*7 020*	*7 283*
Goods and services	*2 949*	*3 277*	*3 614*	*3 680*	*3 910*	*4 150*	*4 318*
Transfers and subsidies	1 341	1 322	1 311	1 202	962	908	934
Payments for capital assets	740	710	834	1 058	957	848	884
Payments for financial assets	5	10	7	1		–	–
Total	**10 846**	**11 259**	**11 815**	**12 176**	**12 543**	**12 927**	**13 419**
Percentage of provincial agriculture expenditure							
Current payments	80.8%	81.9%	81.8%	81.4%	84.7%	86.4%	86.5%
of which:							
Compensation of employees	*53.6%*	*52.8%*	*51.2%*	*51.2%*	*53.5%*	*54.3%*	*54.3%*
Goods and services	*27.2%*	*29.1%*	*30.6%*	*30.2%*	*31.2%*	*32.1%*	*32.2%*
Transfers and subsidies	12.4%	11.7%	11.1%	9.9%	7.7%	7.0%	7.0%
Payments for capital assets	6.8%	6.3%	7.1%	8.7%	7.6%	6.6%	6.6%
Payments for financial assets	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%
Total	**100%**	**100%**	**100%**	**100%**	**100.0%**	**100.0%**	**100.0%**
Percentage growth (average annual)		**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2023/24 to 2026/27**	
Current payments		3.1%		7.2%		5.4%	
of which:							
Compensation of employees				7.8%		5.3%	
Goods and services		5.7%		6.2%		5.5%	
Transfers and subsidies		-2.7%		-20.0%		-8.1%	
Payments for capital assets		9.3%		-9.6%		-5.8%	
Payments for financial assets		-26.9%		-100.0%		-100.0%	
Total		**2.9%**		**3.0%**		**3.3%**	

Source: National Treasury provincial database

Agriculture conditional grants

The Department of Agriculture administers three conditional grants: the *comprehensive agricultural support programme grant*, the *Ilima/Letsema projects grant* and the *land care programme grant: poverty relief and infrastructure development*. These provide targeted farmer support, support food production and contribute to the eradication of hunger and poverty.

Table 9.6 shows that R8.2 billion was spent between 2020/21 and 2023/24 across the three grants, with another R7.4 billion projected to be spent over the MTEF period. The *comprehensive agricultural support programme grant* accounted for 67.4 per cent of this allocation in 2023/24 to support smallholder and subsistence farmers to become economically sustainable.

Table 9.6 Provincial agriculture expenditure by grant (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term outcomes		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Comprehensive agricultural support programme grant	1 192	1 567	1 609	1 326	1 741	1 754	1 774
Ilima/Letsema projects grant	424	599	612	577	448	677	708
Land care programme grant: Poverty relief and infrastructure development	79	88	88	64	90	94	99
Total	**1 695**	**2 253**	**2 309**	**1 967**	**2 280**	**2 526**	**2 581**
Percentage growth (average annual)		**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2023/24 to 2026/27**	
Comprehensive agricultural support programme grant		2.7%		31.3%		10.2%	
Ilima/Letsema projects grant		8.0%		-22.2%		7.1%	
Land care programme grant: Poverty relief and infrastructure development		-5.2%		40.7%		15.4%	
Total		**3.8%**		**15.9%**		**9.5%**	

Source: National Treasury provincial database

The *comprehensive agricultural support programme grant* has been implemented since 2004/05 with 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 producers who have acquired land privately and are engaged in value-adding enterprises domestically or are involved in export. Support includes infrastructure for production, marketing, agro-processing, land preparation, the establishment of orchards, production inputs, training and mentorship, and help with certification for good agricultural practices. Expenditure through the grant increased at an average annual rate of 2.7 per cent between 2020/21 and 2023/24, from R1.1 billion to R1.3 billion, mainly attributed to the once-off allocations for disaster management over the period. It was projected to increase at an average annual rate of 10.2 per cent over the MTEF period to reach R1.7 billion in 2026/27.

The former Department of Agriculture, Forestry and Fishery initiated the *Ilima/Letsema projects grant* in 2008/09 to reduce poverty and unemployment in vulnerable households by focusing on initiatives that increase food production. The grant aims to ensure that a market exists for food surpluses, 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, focusing on vulnerable groups such as women and young people. Expenditure through the grant increased at an average annual rate of 8 per cent between 2020/21 and 2023/24, from R424 million to R577 million. It was projected to increase at an average annual rate of 7.1 per cent over the MTEF period to reach R708 million in 2026/27.

Funds from the *land care programme grant* are intended to promote the sustainable use and management of natural resources through community-based activities. Allocations to the grant decreased at an average annual rate of

5.2 per cent between 2020/21 and 2023/24, from R79 million to R64 million, due to once-off reductions on conditional grants in 2022/23. The grant's allocations were projected to increase at an average annual rate of 15.4 per cent to reach R99 million in 2026/27.

Table 9.7 shows expenditure through these grants by province between 2020/21 and 2026/27. Eastern Cape, KwaZulu-Natal and North West jointly accounted for 48.1 per cent of the *comprehensive agricultural support programme grant* in 2023/24 and 54.2 per cent of the *land care programme grant: poverty relief and infrastructure development*. Limpopo, Mpumalanga and North West jointly accounted for 38.1 per cent of the *Ilima/Letsema projects grant*.

Table 9.7 Agriculture conditional grants (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term outcomes		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Comprehensive agricultural support programme grant	**1 192**	**1 567**	**1 609**	**1 326**	**1 741**	**1 754**	**1 774**
Eastern Cape	178	247	251	237	261	268	280
Free State	142	186	190	154	198	203	212
Gauteng	82	99	104	116	105	108	113
KwaZulu-Natal	161	214	219	213	314	291	244
Limpopo	172	236	248	41	247	253	265
Mpumalanga	131	161	165	155	172	176	184
Northern Cape	100	120	125	114	128	131	137
North West	137	191	185	188	192	197	206
Western Cape	89	113	122	108	124	128	133
Ilima/Letsema projects grant	**424**	**599**	**612**	**577**	**448**	**677**	**708**
Eastern Cape	50	75	76	70	56	85	88
Free State	51	72	73	51	54	81	85
Gauteng	25	36	37	37	28	42	46
KwaZulu-Natal	54	74	75	70	55	84	88
Limpopo	52	74	77	77	55	84	87
Mpumalanga	46	69	70	71	52	78	82
Northern Cape	51	69	70	69	52	78	82
North West	52	73	73	73	54	81	82
Western Cape	41	58	59	59	43	65	68
Land care programme grant: Poverty relief and infrastructure development	**79**	**88**	**88**	**64**	**90**	**94**	**99**
Eastern Cape	12	12	13	13	13	14	15
Free State	8	8	9	7	9	10	10
Gauteng	5	5	5	3	6	6	6
KwaZulu-Natal	13	13	13	13	14	15	15
Limpopo	10	15	16	–	14	14	15
Mpumalanga	10	9	10	9	10	10	11
Northern Cape	8	8	8	5	8	9	9
North West	9	11	9	9	9	10	10
Western Cape	5	5	6	5	7	7	7
Total	**1 695**	**2 253**	**2 309**	**1 967**	**2 280**	**526**	**2 581**

Percentage growth (average annual)	**2020/21 to 2023/24**	**2023/24 to 2024/25**	**2023/24 to 2026/27**
Comprehensive agricultural support programme grant	2.7%	31.3%	10.2%
Ilima/Letsema projects grant	8.0%	-22.2%	7.1%
Land care programme grant: Poverty relief and infrastructure development	-5.2%	40.7%	15.4%
Total	**3.8%**	**15.9%**	**9.5%**

Source: National Treasury provincial database

Service delivery achievements

The NDP envisages agriculture as a major lever of economic expansion. In response to this, the agriculture and agro-processing master plan aims to boost economic growth and employment, expand exports and integrate small-scale farmers into commercial value chains.

Table 9.8 Selected key performance indicators

Key agriculture performance indicators	2020/21	2021/22	2022/23	2023/24	Total	Concentration of achievements in 2023/24		
						Province	Total	Percent
Number of hectares protected/rehabilitated to improve agricultural production	72 237	55 846	70 058	59 703	257 844	Western Cape	31 471	52.7%
Number of green jobs created	6 773	7 040	6 712	6 359	26 884	Limpopo, Western Cape	3 628	57.1%
Number of smallholder producers receiving support	12 226	34 544	18 964	15 698	81 432	Eastern Cape, Limpopo	13 121	83.6%
Number of hectares of cultivated land under conservation agriculture practices	500	8 326	8 130	15 390	32 346	Limpopo, Mpumalanga, North West	12 239	79.5%
Number of households benefiting from agricultural food security initiatives	16 962	37 351	33 514	21 110	108 937	Limpopo, Mpumalanga	17 180	81.4%
Number of agribusinesses supported with agricultural economic services to access markets	9 050	6 966	8 097	962	25 075	KwaZulu-Natal	785	81.6%
Number of participants trained in agricultural skills development programmes	8 741	17 681	18 575	17 984	62 981	Mpumalanga, North West, Western Cape	10 729	59.7%
				137 206	**595 499**	**Limpopo, Mpumalanga, Western Cape**	**89 153**	**65.0%**

Source: Department of Planning, Monitoring and Evaluation's electronic quarterly performance reporting system and provincial departments of agriculture annual reports

Roughly 257 844 hectares of land were protected or rehabilitated between 2020/21 and 2023/24 to improve agricultural production, and about 52.7 per cent of protected or rehabilitated hectares in 2023/24 were in Western Cape.

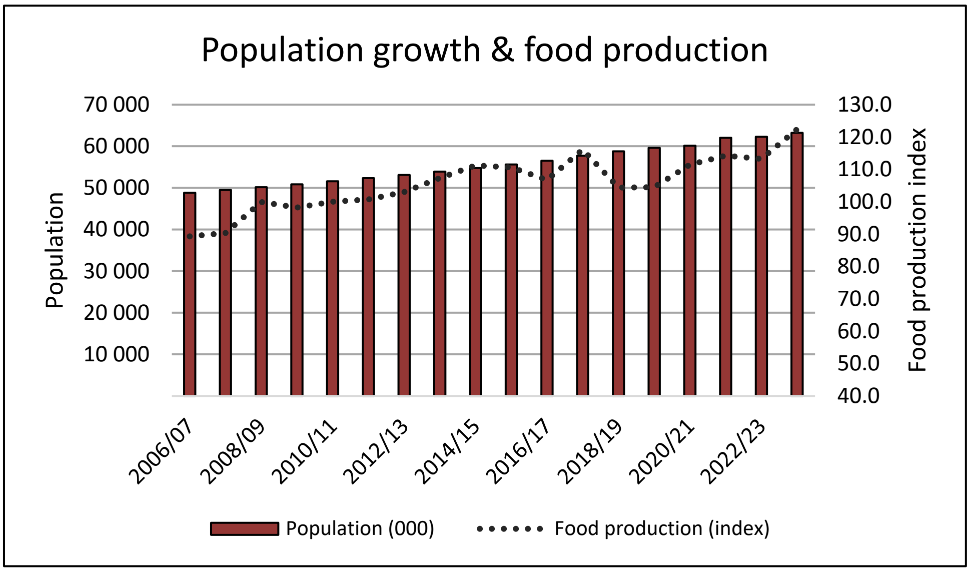
Expanded agricultural production will create jobs and boost inclusive economic growth

Expanded agricultural production will create jobs and boost inclusive economic growth in the rural economy and help achieve the NDP's target of creating 1 million jobs in the sector by 2030, particularly through the green economy. An estimated 26 884 jobs in the green economy were created between 2020/21 and 2023/24. In 2023/24, 57.1 per cent of the jobs created were in Limpopo and Western Cape alone. Green economy-related jobs are in the areas of biodiversity conservation, ecosystem restoration, green energy generation, energy and resource efficiency and emissions and pollution mitigation. According to Statistics South Africa, the sector employs about 820 000 people, 5.7 per cent of the country's labour force.

Government's 2019-2024 medium-term strategic framework identified development and technical, financial and infrastructure support for smallholder producers as key to increasing agricultural production and transforming the sector. To this end, between 2020/21 and 2023/24, 81 432 smallholder producers received support from government. In 2023/24, 83.6 per cent (13 121) of these people were in Eastern Cape and Limpopo. Support was especially directed to beneficiaries of land reform programmes and took the form of irrigation schemes; the provision of seeds; training for small, medium and micro enterprises; extension services; mechanisation; and other forms of support provided through the department's conditional grants.

The provision of government support for smallholder producers and the land reform programme is a key principle to ensure sustainable food security by improving the food production system, and subsistence and smallholder farming.

Figure 9.6 Population growth and food production



Source: Statistics South Africa

Table 9.8 shows that 32 346 hectares were cultivated under conservation agriculture between 2020/21 and 2023/24. In 2023/24, about 79.5 per cent (12 239 hectares) of these were in Limpopo, Mpumalanga and North West. Consequently, food production increased from an index of 111.4 to 122.4 over the same period. According to the Statistics South Africa's 2022 general household survey, 60 per cent of agricultural households used farming either as their main or extra source of food. However, during the period under review, the 1.9 per cent average annual growth in food production did not keep pace with the 1.5 per cent average annual growth in population as there was a 0.7 per cent average annual growth in per capita maize consumption between 2020 and 2023.

Increased food production can increase the availability of food for vulnerable households. An estimated 108 937 households benefited from food security initiatives between 2020/21 and 2023/24. In 2023/24, 81.4 per cent (17 180) of these households were in Limpopo and Mpumalanga. Food security initiatives included programmes such as Fetsa Tlala, the integrated food security strategy and the comprehensive food security and nutrition strategy, all of which form part of the national policy on food and nutrition security.

According to the 2007 Household Food Insecurity Access Scale for Measurement of Food Access, about 17.5 per cent of households in South Africa experience severe food insecurity and 26.7 per cent of households are moderately food insecure, meaning they frequently consume low-quality or undesirable food and occasionally reduce meal sizes or the number of meals consumed. Access to food still poses difficulties for populations in Northern Cape, North West, Free State and Mpumalanga. In 2019, these provinces had estimates that were notably higher than the national food insecurity average of 17.3 per cent.

Accessing markets is important for the expansion of agricultural production and for job creation by small-scale farmers, particularly in agribusinesses. Table 9.8 shows that 25 075 agribusinesses were supported over the period under review with agricultural economic services to access markets. About 81.6 per cent (785) of the agribusinesses supported in 2023/24 were in KwaZulu-Natal, mainly through entrepreneurial development, marketing and value-adding services, and production and resource economics.

To minimise risks to the expansion of the sector, the NDP calls for improvements to and extension of skills development. An estimated 62 981 people were trained in agricultural skills development programmes between 2020/21 and 2023/24. In 2023/24, 59.7 per cent (10 729) of the participants were from Mpumalanga, North West and Western Cape. The programmes included training for farmers, the appointment of extension officers, the Working for Fisheries programme (part of the EPWP), and formal qualifications. These all formed part of the agricultural education and training strategy.

Rural development is one of government's key priorities

Rural development is one of government's key priorities in working to achieve an integrated and inclusive rural economy by 2030, in line with the NDP's vision. Provinces carry out rural development through their own strategies linked to the national comprehensive rural development programme. 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 Free State. The main types of projects implemented relate to land reform, infrastructure development, job creation, poverty alleviation, agro-industry, agri-parks, tourism, small enterprises and fisheries.

A successful land reform programme implemented through land redistribution, restitution and tenure is central to achieving sustainable rural and socioeconomic development in South Africa. The South African government acquired about 1.1 million hectares of land for reform purposes between 2020/21 and 2023/24. About 5 000 land claims were finalised, reflecting ongoing efforts to address historical injustices related to land ownership in South Africa, which still reflects inequalities among racial groups. The 2017 land audit report[7] found that white people owned about 72 per cent of the 37 million hectares of farmland and

7. 2017 Land audit report (https://www.gov.za/documents/other/land-audit-report-2017-05-feb-2018).

agricultural holdings, followed by coloured people with 15 per cent, people of Indian descent with 5 per cent and black African people with 4 per cent.

Presidential employment intervention

The former Department of Agriculture, Land Reform and Rural Development began implementing the presidential employment intervention in 2020/21. Within the agriculture sector, the intervention was aimed at supporting subsistence producers with agricultural inputs to retain self-employment and strengthen local food availability towards boosting food security. It was introduced as part of the interventions to mitigate the impacts of the COVID-19 pandemic. The agriculture sector has spent more than R1 billion through the intervention to date and has enabled more than 148 000 South Africans to remain self-employed in the agricultural sector. Input support is for commodities such as fruit, vegetables, grain, poultry and livestock, and specifically targets women, young people, child-headed households, people living with disabilities and military veterans. The department's allocation through the intervention in 2024/25 amounted to R750 million.

Medium-term outlook

A sizable portion (40.3 per cent) of the sector's budget goes towards supporting and developing smallholder producers and emerging farmers, mainly through the *comprehensive agricultural support programme grant*. Funds from the grant are intended to provide effective agricultural support services; promote and facilitate agricultural development by targeting beneficiaries of land reform and other black producers; and enable restitution and redistribution.

Conclusion

While South African agriculture demonstrated extraordinary resilience during the period under review and strong potential for expansion, it still faced major issues that required immediate attention from all stakeholders. It is critical to address these concerns through effective policy implementation, assistance for both commercial and smallholder farmers, and proactive climate mitigation measures to preserve the country's agricultural future.

To feed South Africa's expanding population, food production or imports need to double over the medium to long terms; production needs to increase using the same or fewer natural resources; and new technologies such as hydroseeding, a planting process that uses a slurry of seed and mulch, need to be explored.

Factors restraining the growth of South African agriculture included:

- Climate change leads to unpredictable weather patterns, including prolonged droughts and extreme weather events.
- Rising input costs while product prices remain stagnant, which has a severe impact on profitability. This economic strain is exacerbated by high levels of

crime and inadequate infrastructure, further complicating operations for farmers across the country.

- Inadequate financing, especially for smallholder farmers, their organisations and small and medium agro-enterprises.
- The gap between farmers' changing needs and the required research and development.
- Pests and diseases, which particularly affect fruit and vegetable farmers.

10

Economic development and tourism

Introduction

The economic development sector in South Africa has been shaped by a dynamic and evolving policy landscape that reflects government's efforts to address economic inequalities, boost industrial growth and stimulate entrepreneurship while fostering transformation and inclusivity.

The Department of Trade, Industry and Competition (DTIC), the Department of Tourism and the Department of Small Business Development (DSBD) play pivotal roles in achieving this vision. These departments are integral to implementing national strategies aimed at job creation, economic inclusivity and the long-term sustainability of South Africa's economy.

Each department contributes to South Africa's goals, with the DTIC focusing on industrial growth and trade, the Department of Tourism on revitalising a crucial economic sector and the DSBD on strengthening the critical small, medium and micro enterprise (SMME) sector.

At the provincial level, economic development departments and their entities are tasked with implementing national policies while addressing local needs. There were significant shifts during the period under review, with an increased emphasis on inclusive growth, sustainable industrialisation and the development of SMMEs.

Current landscape

South Africa's economic policy framework is shaped by several overarching strategies aimed at achieving inclusive growth, job creation and sustainable development. The NDP serves as the long-term vision, aiming to reduce poverty and inequality, aspiring to create 24 million jobs, reduce unemployment to 6 per cent and grow an inclusive economy through investment in infrastructure, education and skills development by 2030. In response, government has introduced several policy frameworks.

The new growth path, introduced in 2010, focuses on facilitating inclusive economic growth and job creation, and addressing structural economic challenges. It prioritises sectors such as infrastructure, agriculture and green energy. Although an estimated 1.9 million jobs had been created through the plan by 2020, this was an achievement of only 38 per cent against a target of 5 million. This shortfall was due to lower than anticipated economic activity and constraints such as energy shortages.

Government introduced the economic reconstruction and recovery plan in 2020 in response to the COVID-19 pandemic. With an overarching aim of building a sustainable and inclusive economy, it focuses on investing in infrastructure, expanding renewable energy and creating jobs.

Launched in 2019, the reimagined industrial strategy aims to promote inclusive growth, create jobs and boost industrial development. It focuses on collaboration among government, the private sector and labour organisations, with master plans that target key industries such as automotive, textiles and renewable energy. The strategy replaced the DTIC's industrial policy action plan.

The adoption of new energy vehicles is central to South Africa's goal of reducing its reliance on fossil fuels. The DTIC has been instrumental in promoting the production of these vehicles and the associated infrastructure, such as charging stations, needed to run them. South Africa aims for 60 per cent of local automotive production to comprise new energy vehicles by 2035, supported by government incentives and public-private partnerships.

The DSBD's national integrated small enterprise development master plan seeks to enhance the growth and sustainability of SMMEs and address historical challenges such as limited access to finance, data scarcity and policy uncertainty. Through this master plan, government has introduced targeted support for underrepresented groups, including women and young people. Strengthening public-private partnerships, improving access to finance through more streamlined funding mechanisms and offering digital skills training are some of the key means of ensuring resilient SMMEs. Public-private partnerships are crucial for supporting growth of SMMEs, with the goal of creating 100 000 new jobs through targeted programmes. The plan aims to increase the contribution of SMMEs to GDP and employment by 50 per cent by 2030.

The national tourism sector strategy serves as a guiding tool for economic growth and job creation in the tourism sector. It aims to increase the sector's contribution to the economy from R118 billion in 2016 to R302 billion in 2026. The strategy emphasises effective marketing, improving visitor experience and promoting broad-based benefits.

The tourism sector recovery plan was introduced after the COVID-19 pandemic as part of government's economic reconstruction and recovery plan. It focuses on reigniting demand, strengthening supply, fostering regional integration, protecting infrastructure, marketing globally and creating an enabling policy environment for growth in the sector.

Persistent electricity shortages have significantly affected productivity across all sectors, costing the economy up to R600 billion and contributing significantly to low GDP growth. The energy crisis, particularly load shedding and inadequate energy infrastructure, including infrastructure for producing renewable energy, poses a critical challenge to both small businesses and the tourism sector. To address this, the integrated resource plan and the renewable energy independent power producer procurement programme focus on investments in renewable energy. However, delays in implementing large-scale infrastructure projects continue to hinder progress in this regard. Accelerating investment in energy-efficient technologies and the green economy is critical for reducing energy constraints, ensuring the resilience of small businesses and unlocking further growth in tourism.

Global economic challenges, including fluctuations in commodity prices and trade disruptions, have affected industries such as mining and manufacturing. Increasingly protectionist policies in key export markets and the slow recovery of global trade, particularly since the COVID-19 pandemic, have constrained South Africa's export-reliant sectors.

The African Continental Free Trade Agreement, however, offers significant opportunities for South African businesses. By enhancing intra-African trade, this agreement could open new markets for small businesses and larger industries. The DTIC's reimagined industrial strategy and export promotion policies will be critical in driving the country's industrial competitiveness to ensure that it benefits fully from the agreement.

Provincial socioeconomic situation

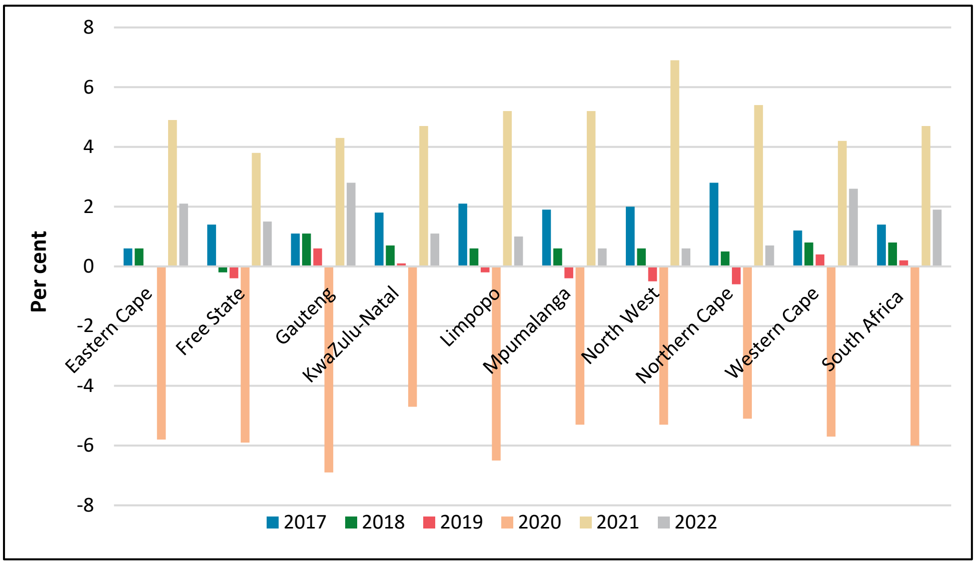
Figure 10.1 shows GDP growth rates by province between 2017 and 2022. The South African economy grew by 1.9 per cent in 2022, slightly up from 1.4 per cent in 2017. The country reported a concerning overall decrease of 6 per cent in 2020 as the shockwaves of the COVID-19 pandemic began to ripple through the economy. Provinces were not spared, with Gauteng and Limpopo hit harder than the national decrease, mainly as a result of contractions in industries such as manufacturing, trade, catering, accommodation, transport, storage and communication.

Figure 10.1 shows that in 2017, GDP growth in most provinces was higher than the national GDP growth rate of 1.4 per cent. However, in 2022, only a few provinces recorded growth above the national rate of 1.9 per cent.

The structure of each provincial economy is unique

In 2022, finance, real estate, business services and manufacturing, the largest industries in Western Cape, contributed 46 per cent of provincial value. The finance, real estate and business services industry was also the most productive in Free State and Gauteng in that year. Mining was the largest industry in Northern Cape, North West, Mpumalanga and Limpopo. Personal services, which include activities related to health and education, were the most significant economic contributors in Eastern Cape and KwaZulu-Natal. Manufacturing was an important economic driver in Western Cape, Eastern Cape, KwaZulu-Natal, Gauteng and Mpumalanga, with 90 per cent of the national manufacturing workforce employed in these five provinces.

Figure 10.1 National and provincial GDP growth (2017 to 2022)



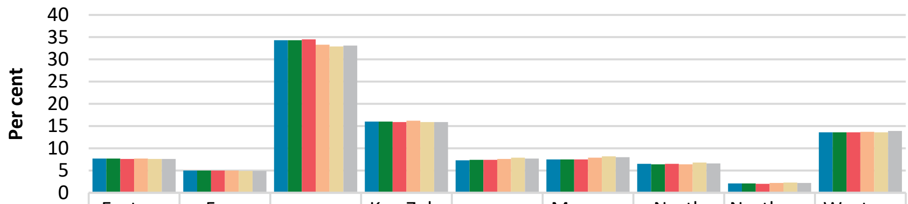
Source: Statistics South Africa

Figure 10.2 shows provinces' percentage share of national GDP from 2017 to 2022. Gauteng has by far the largest economy in South Africa, followed by KwaZulu-Natal and Western Cape.

Gauteng, KwaZulu-Natal and Western Cape constituted an aggregated 62.9 per cent of the country's GDP in 2022

These three provinces consistently reported the highest percentage share of GDP between 2017 and 2022 (an average of 33.7 per cent for Gauteng, 16 per cent for KwaZulu-Natal and 13.7 per cent for Western Cape). However, between 2017 and 2022, the percentage shares of Gauteng and KwaZulu-Natal decreased slightly while Western Cape's percentage share slightly increased. Northern Cape reported the lowest average annual percentage share of 2.2 per cent over the period. All other provinces reported average annual percentage shares above 5 per cent.

Figure 10.2 Provinces' percentage contributions to national GDP (2017 to 2022)



	Eastern Cape	Free State	Gauteng	KwaZulu -Natal	Limpopo	Mpuma-langa	North West	Northern Cape	Western Cape
2017	7.7	5	34.3	16	7.3	7.5	6.5	2.1	13.6
2018	7.7	5	34.3	16	7.4	7.5	6.4	2.1	13.6
2019	7.6	5	34.5	15.9	7.4	7.5	6.5	2	13.6
2020	7.7	5	33.3	16.2	7.6	7.9	6.4	2.2	13.7
2021	7.6	4.9	32.9	15.9	7.9	8.2	6.8	2.3	13.6
2022	7.6	4.9	33.1	15.9	7.7	8	6.6	2.2	13.9

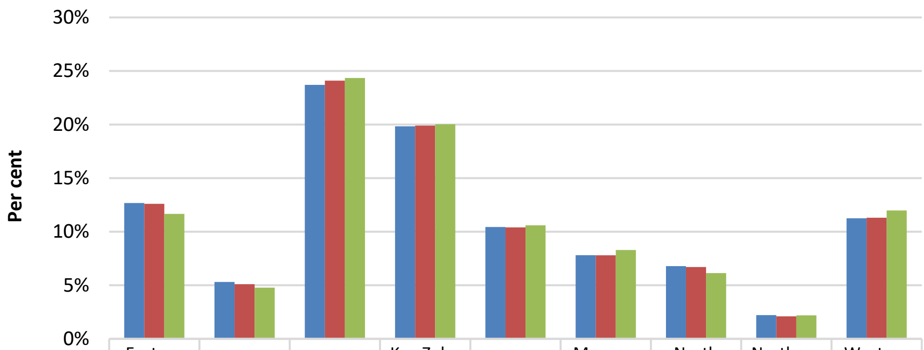
Source: Statistics South Africa

Figure 10.3 shows the percentage share of the population by province in the years that Statistics South Africa conducted the comprehensive census (2011, 2016 and 2022). Gauteng's population accounted for the largest share of all provinces over the period, followed by KwaZulu-Natal and Eastern Cape. However, Western Cape became the third most populous province in 2022, overtaking Eastern Cape, mainly due to people from Eastern Cape seeking better opportunities in other provinces.

High migration from Limpopo and KwaZulu-Natal was also recorded in the 2022 census. Eastern Cape, Free State and North West were the only provinces that had decreasing percentage population shares over the period. This has negatively affected these provinces' equitable shares as their revenue allocations are determined in part by population size.

Gauteng's population continued to grow due to migration from other provinces

Figure 10.3 Provinces' percentage shares of total population (2011, 2016, 2022)

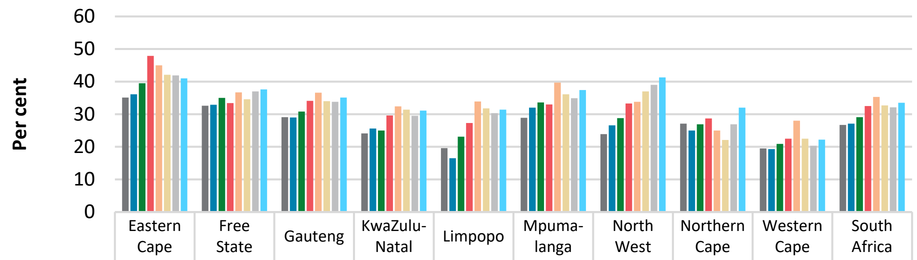


	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpuma-langa	North West	Northern Cape	Western Cape
2011	12.7%	5.3%	23.7%	19.8%	10.4%	7.8%	6.8%	2.2%	11.2%
2016	12.6%	5.1%	24.1%	19.9%	10.4%	7.8%	6.7%	2.1%	11.3%
2022	11.7%	4.8%	24.3%	20.0%	10.6%	8.3%	6.1%	2.2%	12%

2011 2016 2022

Source: Statistics South Africa

Figure 10.4 Provincial unemployment rates (2017 to Q2 2024)



	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpuma-langa	North West	Northern Cape	Western Cape	South Africa
2017	35.1	32.6	29.1	24.1	19.6	28.9	23.9	27.1	19.5	26.7
2018	36.1	32.9	29	25.6	16.5	32	26.6	25	19.3	27.1
2019	39.5	35	30.8	25	23.1	33.6	28.8	26.9	20.9	29.1
2020	47.9	33.4	34.1	29.6	27.3	33	33.3	28.7	22.5	32.5
2021	45	36.7	36.6	32.4	33.9	39.7	33.8	25	28	35.3
2022	42.1	34.6	34	31.4	31.8	36.1	37	22.1	22.5	32.7
2023	41.9	37	33.8	29.5	30.3	34.9	39	26.9	20.3	32.1
2024 (Q2)	41	37.6	35.1	31.1	31.4	37.4	41.3	32	22.2	33.5

Source: Statistics South Africa

Figure 10.4 shows provincial and overall unemployment rates in South Africa between 2017 and the second quarter of 2024. The overall unemployment rate increased from 26.7 per cent in 2017 to 33.5 per cent in the second quarter of 2024. Provinces with rates above the national rate include Eastern Cape, Free State, Gauteng and Mpumalanga. KwaZulu-Natal, Limpopo, Northern Cape (except in 2017) and Western Cape reported unemployment rates below the national rate. North West reported rates below the national rate from 2017 to 2019, but the rate in this province increased sharply over the rest of the period.

The unemployment rates from 2022 onwards show that most provinces did not fully recover from the effects of the COVID-19 pandemic

Unemployment increased drastically in 2020 compared with the previous years as the effects of the COVID-19 pandemic began to set in. In the second quarter of 2024, North West (41.3 per cent) and Eastern Cape (41 per cent) reported the highest unemployment rates, followed by Free State (37.6 per cent) and Mpumalanga (37.4 per cent). The pandemic exacerbated the unemployment rate, resulting in the loss of a staggering 2 million jobs.

To mitigate the pandemic's impact, the presidential employment intervention has created more than 1.5 million work and livelihood opportunities for unemployed South Africans since October 2020. These were in various areas, such as labour-intensive maintenance and construction projects, school assistants in the education system, nursing assistants and community health care workers to support the health system, ECD, and the expansion of production and output for small-scale farmers.

During the period under review, provinces explored interventions to grow regional economies. These included revitalising industrial parks with the aim of accelerating economic development in targeted areas by attracting investment, supporting job creation in manufacturing, and helping regions to build, strengthen and develop strategic industrial capabilities. Some of the country's mature industries have more to offer in refurbishing its industrial and manufacturing potential. New avenues for economic growth, such as the emergence of the hemp and cannabis industry, have the potential to create more new jobs, leading government to streamline its regulatory processes.

The presidential employment intervention was launched as part of government's response to the pandemic, but its success in enabling employment creation continues to benefit many

Provinces continued with their plans to increase investment in special economic zones (SEZs) to attract foreign and domestic investment for employment creation and regional growth. The social economy, which includes ECD, nursing, social work and community services, has significant potential not only to create jobs, but also to provide vital services to communities.

Budgets and expenditure trends

Over the past few years, provincial budgets for economic development and tourism have faced constraints due to broader fiscal challenges, including low economic growth and decreasing revenue collection. Nevertheless, provincial departments and their entities have remained central to efforts aimed at supporting job creation, alleviating poverty and developing regional economies.

This section provides an overview of the provincial budget and expenditure trends for these key departments against the backdrop of policy initiatives spearheaded by the DTIC, the DSBD and the Department of Tourism.

Table 10.1 Expenditure on economic development by province (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	936	989	921	1 547	1 709	1 803	1 214
Free State	349	387	336	373	359	368	380
Gauteng	1 887	1 734	1 751	1 830	1 760	1 883	1 621
KwaZulu-Natal	1 696	2 103	2 054	1 956	2 081	2 174	2 278
Limpopo	949	1 220	1 210	1 183	1 366	1 133	855
Mpumalanga	1 072	1 484	1 572	1 566	1 414	1 223	1 278
Northern Cape	276	328	330	351	360	350	366
North West	591	598	661	566	582	608	635
Western Cape	517	476	488	474	480	465	485
Total	**8 273**	**9 319**	**9 322**	**9 846**	**10 111**	**10 007**	**9 111**
Percentage growth (average annual)		**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2023/24 to 2026/27**	
Eastern Cape		18.2%		10.5%		-7.8%	
Free State		2.2%		-3.7%		0.6%	
Gauteng		-1.0%		-3.8%		-4.0%	
KwaZulu-Natal		4.9%		6.4%		5.2%	
Limpopo		7.6%		15.5%		-10.3%	
Mpumalanga		13.5%		-9.7%		-6.6%	
Northern Cape		8.4%		2.5%		1.3%	
North West		-1.4%		2.8%		3.9%	
Western Cape		-2.8%		1.3%		0.7%	
Total		**6.0%**		**2.7%**		**-2.6%**	

Source: National Treasury provincial database

Table 10.1 shows that provinces' total expenditure on economic development increased at an average annual rate of 6 per cent, from R8.3 billion in 2020/21 to

R9.8 billion in 2023/24. Average annual rates over the period ranged from an increase of 18.2 per cent (Eastern Cape) to a decrease of 2.8 per cent (Western Cape). Insignificant growth in some provinces was mainly a result of slow recovery from government's fiscal consolidation in response to the COVID-19 pandemic. Between 2023/24 and 2024/25, rates ranged from an increase of 15.5 per cent (Limpopo) to a decrease of 9.7 per cent (Mpumalanga). The growth rate in the sector was a marginal 2.7 per cent.

Overall, expenditure was expected to decrease at an average annual rate of 2.6 per cent over the MTEF period. Decreases of 10.3 per cent in Limpopo and 7.8 per cent in Eastern Cape contributed largely to the overall average annual decrease over the period, followed by decreases of 6.6 per cent in Mpumalanga and 4 per cent in Gauteng.

Table 10.2 Provincial expenditure on economic development by economic classification (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Administration	1 190	1 294	1 394	1 481	1 558	1 608	1 649
Integrated economic development services	2 296	2 921	2 511	2 610	2 386	1 961	1 742
Trade and sector development	2 272	2 517	2 493	2 884	3 228	3 341	2 863
Business regulation and governance	782	794	931	951	965	989	1 025
Economic planning	658	654	678	693	761	853	538
Tourism	993	1 069	1 220	1 128	1 115	1 149	1 192
Skills development and innovation	82	71	96	98	98	105	102
Total	**8 273**	**9 319**	**9 322**	**9 846**	**10 111**	**10 007**	**9 111**
Current payments	2 155	2 302	2 440	2 603	2 960	3 117	3 242
Compensation of employees	*1 406*	*1 445*	*1 485*	*1 532*	*1 829*	*1 962*	*2 027*
Goods and services	*749*	*856*	*955*	*1 071*	*1 132*	*1 155*	*1 215*
Transfers and subsidies	5 799	6 394	6 248	6 710	6 876	6 777	5 747
Payments for capital assets	318	599	626	531	275	112	121
Payments for financial assets	1	23	8	2	–	–	–
Total	**8 273**	**9 319**	**9 322**	**9 846**	**10 111**	**10 007**	**9 111**
Percentage of total expenditure							
Administration	14.4%	13.9%	15.0%	15.0%	15.4%	16.1%	18.1%
Integrated economic development services	27.7%	31.3%	26.9%	26.5%	23.6%	19.6%	19.1%
Trade and sector development	27.5%	27.0%	26.7%	29.3%	31.9%	33.4%	31.4%
Business regulation and governance	9.5%	8.5%	10.0%	9.7%	9.5%	9.9%	11.3%
Economic planning	8.0%	7.0%	7.3%	7.0%	7.5%	8.5%	5.9%
Tourism	12%	11.5%	13.1%	11.5%	11%	11.5%	13.1%
Skills development and innovation	1.0%	0.8%	1.0%	1.0%	1.0%	1.1%	1.1%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Current payments	26.1%	24.7%	26.2%	26.4%	29.3%	31.1%	35.6%
Compensation of employees	*17.0%*	*15.5%*	*15.9%*	*15.6%*	*18.1%*	*19.6%*	*22.3%*
Goods and services	*9.1%*	*9.2%*	*10.2%*	*10.9%*	*11.2%*	*11.5%*	*13.3%*
Transfers and subsidies	70.1%	68.6%	67%	68.1%	68%	67.7%	63.1%
Payments for capital assets	3.8%	6.4%	6.7%	5.4%	2.7%	1.1%	1.3%
Payments for financial assets	0.0%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: National Treasury provincial database

Table 10.2 shows that the programmes with the largest percentage share of provincial expenditure on economic development between 2020/21 and 2026/27 were integrated economic development services, trade and sector development, administration and tourism. Trade and sector development accounted for an average of 32.2 per cent of the budget over the MTEF period, and integrated economic development services constituted an average of 20.8 per cent.

Transfers to public entities constituted the largest share of the sector's budget

More than 60 per cent of the annual provincial budget for economic development comprised transfers and subsidies, while the percentage share of spending on current payments increased from 26.1 per cent in 2020/21 to 35.6 per cent in 2026/27. The largest portion of the sector's transfers were to public entities, which are crucial in supporting government's service delivery and economic development objectives.

Public entities implement provincial economic development mandates

Transfers to economic development agencies such as provincial development finance institutions (PDFIs), SEZs, and trade and investment promotion agencies account for roughly 63 per cent of total transfers to provincial public entities. According to their 2022/23 annual reports, on average, these entities created an estimated 50 000 job opportunities, supported about 9 000 SMMEs and attracted about 80 investment projects with an estimated value of R166 billion.

Integrated economic development services programme

The purpose of this programme is to promote and support economic development through shared partnerships by enabling a sustainable business environment, mainly for SMMEs, that creates opportunities for growth.

Table 10.3 Expenditure on integrated economic development services by province (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	141	131	153	312	158	163	160
Free State	100	139	92	125	123	123	127
Gauteng	478	309	224	221	191	190	198
KwaZulu-Natal	372	567	338	330	340	343	361
Limpopo	512	753	706	684	854	599	329
Mpumalanga	467	825	823	740	518	332	344
Northern Cape	62	66	50	59	63	65	67
North West	74	76	79	86	96	101	106
Western Cape	89	53	47	54	45	46	49
Total	**2 296**	**2 921**	**2 511**	**2 610**	**2 386**	**1 961**	**1 742**

Percentage growth (average annual)	**2020/21 to 2023/24**	**2023/24 to 2024/25**	**2023/24 to 2026/27**
Eastern Cape	30.2%	-49.5%	-20%
Free State	7.6%	-1.0%	0.7%
Gauteng	-22.6%	-13.8%	-3.6%
KwaZulu-Natal	-4.0%	3.0%	3.1%
Limpopo	10.1%	25%	-21.6%
Mpumalanga	16.6%	-30.1%	-22.6%
Northern Cape	-1.8%	6.3%	4.6%
North West	5.1%	11.1%	7.0%
Western Cape	-15.7%	-16.7%	-2.8%
Total	**4.4%**	**-8.6%**	**-12.6%**

Source: National Treasury provincial database

Table 10.3 shows that provincial expenditure on integrated economic development services increased at an average annual rate of 4.4 per cent between 2020/21 and 2023/24, mainly due to substantial increases in Eastern Cape (30.2 per cent) and Mpumalanga (16.6 per cent). However, between 2023/24 and 2024/25, headline expenditure decreased by 8.6 per cent, with significant decreases in Eastern Cape (49.5 per cent), Mpumalanga (30.1 per cent) and Western Cape (16.7 per cent).

The decrease in Eastern Cape was mainly due to once-off additional allocations in 2023/24 for provincial enterprise development and business support services, and seed funding for the Economic Development Fund. The decrease in Mpumalanga related to a reduction in allocations in 2024/25 and over the MTEF period (relative to 2023/24) to complete the construction of the Mpumalanga international fresh produce market, while the decrease in Western Cape was a result of funding in 2023/24 to support alternative energy for SMMEs. Limpopo and North West reported significant increases between 2023/24 and 2024/25. Limpopo's increase was mainly due to additional allocations for Great North Transport, a public transport service provider in the province, and SEZ projects in Fetakgomo and Musina. North West's increase was related to allocations in support of existing and new start-up business incubation hubs.

Limpopo, Mpumalanga and KwaZulu-Natal reported the largest share of this programme's budget, each with an average allocation of more than R1 billion over the MTEF period

Limpopo had the largest share of the budget for the integrated economic development services programme over the MTEF period. This allocation mainly included transfers to entities. However, it decreased at an average annual rate of 21.6 per cent over the MTEF period due to large allocations for SEZ projects in 2024/25. Mpumalanga had the second largest share of the programme's budget over the period, mainly because of once-off allocations for the completion of the Mpumalanga international fresh produce market and the commissioning of key operating systems. This contributed to the sharp decrease in its share of the programme's budget (at an average annual rate of 22.6 per cent).

Provincial development finance institutions

Part of provinces' developmental activities involve funding PDFIs to provide loans and equity financing to businesses, including SMMEs. In most instances, these small businesses have little chance of securing such loans from traditional financial institutions. As such, in addition to providing financial support, PDFIs carry out various non-financial activities such as property development, transportation services and agro-processing. As with any development finance institution, PDFIs also need to ensure investment in areas in which the market fails to invest sufficiently.

PDFIs play a pivotal developmental role in issuing loans and providing business support to SMMEs

There are eight PDFIs, represented in all provinces but Northern Cape and Western Cape. Besides providing development finance, some of these entities are responsible for activities such as promoting exports, trade and investment through their SEZ programmes; acting as implementing agents for various provincial projects (such as expanding broadband internet services); and providing transportation and commercial property rental services.

Table 10.4 Transfers to PDFIs (2020/21 to 2026/27)

R million	Outcome			Audited outcome	Medium-term estimates		
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Eastern Cape Development Corporation	267	321	328	597	337	310	277
Eastern Cape Rural Development Agency	256	233	222	226	227	223	232
Free State Development Corporation	26	42	29	26	46	46	46
Gauteng Enterprise Propeller	478	309	224	198	191	190	198
Ithala Development Finance Corporation	162	138	132	112	99	102	115
Limpopo Economic Development Agency	487	537	667	456	835	577	306
Mpumalanga Economic Development Agency	222	220	235	262	281	259	270
North West Development Corporation	67	67	73	103	73	76	80
Total	**1 966**	**1 867**	**1 910**	**1 979**	**2 089**	**1 784**	**1 525**
Percentage growth (average annual)	**2020/21 to 2023/24**			**2023/24 to 2024/25**	**2023/24 to 2026/27**		
Eastern Cape Development Corporation	30.7%			-43.5%	-22.6%		
Eastern Cape Rural Development Agency	-4.1%			0.6%	0.9%		
Free State Development Corporation	-0.3%			76.9%	20.9%		
Gauteng Enterprise Propeller	-25.5%			-3.6%	0.1%		
Ithala Development Finance Corporation	-11.5%			-11.4%	0.9%		
Limpopo Economic Development Agency	-2.2%			82.9%	-12.4%		
Mpumalanga Economic Development Agency	5.6%			7.1%	1.0%		
North West Development Corporation	15.6%			-29.1%	-8.2%		
Total	**0.2%**			**5.5%**	**-8.3%**		

Source: National Treasury provincial database

Table 10.4 shows that transfers to PDFIs amounted to about R13.1 billion between 2020/21 and 2026/27. Total transfers increased at an average annual rate of 0.2 per cent between 2020/21 and 2023/24, mainly driven by increased transfers to the Eastern Cape and North West development corporations. The increase to the Eastern Cape Development Corporation was due to a once-off additional allocation in 2023/24 (for provincial enterprise development and business support to help SMMEs with trade, investment promotion and agro-processing) that resulted in a sharp rate of decrease over the MTEF period. The main contributing factor to the North West Development Corporation's reduction in 2024/25 was a once-off allocation in 2023/24 for alternative energy infrastructure planning.

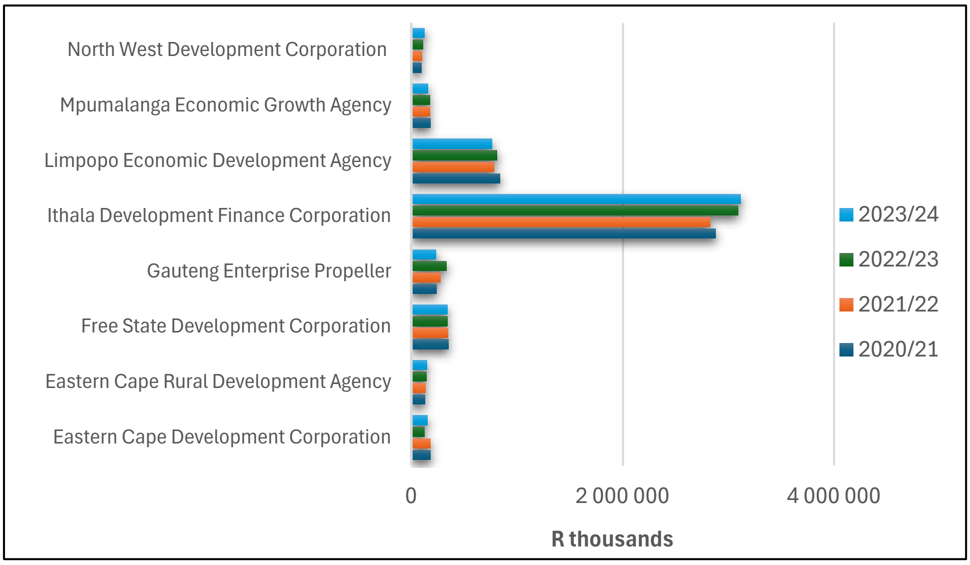
Total transfers to PDFIs decreased at an average annual rate of 8.3 per cent over the MTEF period, mainly due to a sharp decrease in transfers to the Eastern Cape Development Corporation and the Limpopo Economic Development Agency. The agency's decrease was mainly due to the phasing out of transfers for its operational budget. The Free State Development Corporation was the only entity that reported substantial average annual growth (20.9 per cent) over the MTEF period, mainly to address inadequate funding for SMMEs.

The Limpopo Development Agency had the largest budget share of the aggregated allocation for PDFIs over the MTEF period, which includes earmarked funds for Great North Transport and SEZ projects in the province. The Eastern Cape Development Corporation's allocation over the MTEF period included projects related to enterprise development financing, automotive industry support, the recapitalisation of its investment portfolio and property modernisation. Allocations to the Eastern Cape Rural Development Agency over the MTEF period were mainly to implement the newly established blended finance scheme, make provisions for rural enterprise development hubs, roll out interventions to support citrus farmers and provide funds for the agency's operations.

Allocations over the MTEF period to the Gauteng Enterprise Propeller were aimed at continuing to implement financial and non-financial interventions, mainly through partnership programmes for youth accelerators and investment management, regional operations and enterprise support. In KwaZulu-Natal, allocations to Ithala Development Finance Corporation catered for the continuation of various projects for which the entity was appointed as implementing agent, as well as the recapitalisation of the Ithala state-owned company subsidiary to address the requirements of its minimum capital adequacy ratio requirements.

Allocations over the MTEF period to the Mpumalanga Economic Development Agency included funding for refurbishing factories and implementing a loan management system to improve the agency's operations. An allocation of R74.4 million over the MTEF period for the implementation of the Bojanala SEZ project was included in the North West Development Corporation's budget.

Figure 10.5 PDFI loans issued (2020/21 to 2023/24)



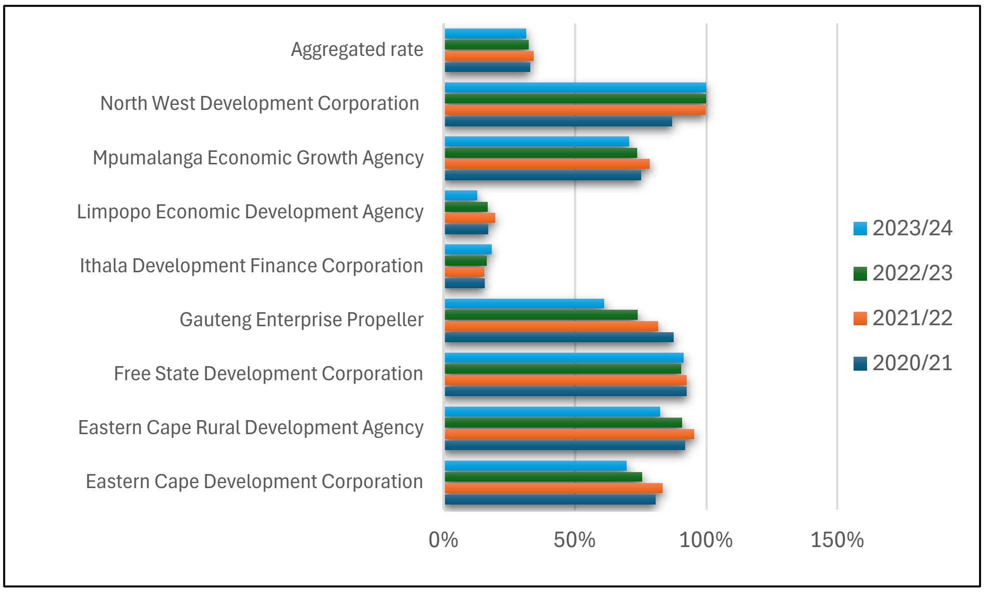
Source: PDFI annual reports

Most PDFIs' loan books show an increase during the period under review

PDFIs' loan books show an aggregated balance of about R19.9 billion between 2020/21 and 2023/24, mainly on loans issued to support SMMEs. Ithala Development Finance Corporation had the largest loan book, accounting for roughly 60 per cent of the aggregated loans issued by PDFIs, and the Limpopo

Economic Development Agency had the second largest, accounting for about 16 per cent. The loan books for Free State Development Corporation and the Gauteng Economic Propeller ranged between 5 per cent and 7 per cent (R230 million and R350 million) of PDFIs' aggregated loan books, while loan books for the PDFIs in North West, Mpumalanga and Eastern Cape ranged between 2 per cent and 4 per cent (R96 million and R185 million) in each year over the period.

Figure 10.6 PDFI loan impairment rates (2020/21 to 2023/24)



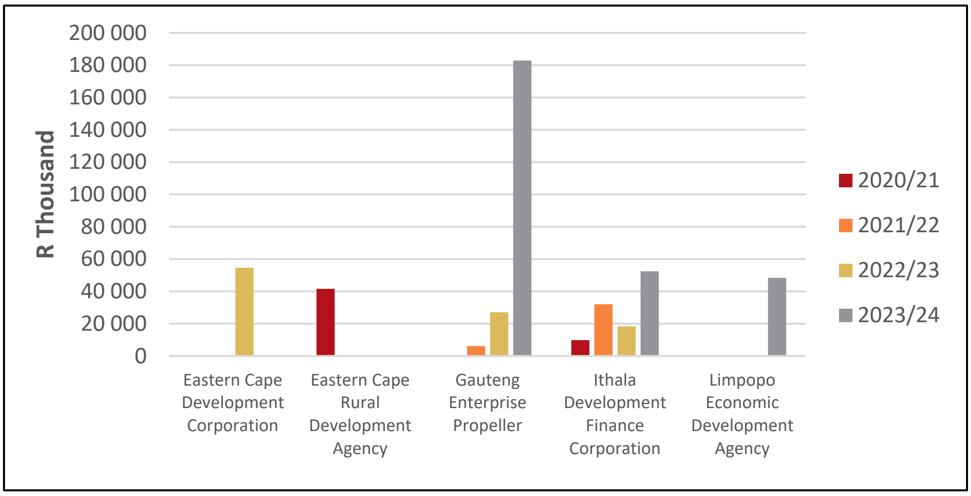
Source: PDFI annual reports

PDFIs' aggregated impairment rate decreased from 32.9 per cent in 2020/21 to 31.5 per cent in 2023/24, mainly because of improved debt recovery in most PDFIs. Despite having the largest loan book, Ithala Development Finance Corporation had the lowest impairment rate at less than 20 per cent over the period. North West Development Corporation reported the highest impairment rate (100 per cent in 2022/23 and 2023/24), followed by the Eastern Cape Rural Development Agency and Free Sate Development Corporation with rates above 80 per cent.

The high rate of impairments and debt written off can be attributed to fiscal leakage, which hinders PDFIs from expanding their scope to help more SMMEs. It is imperative that PDFIs balance their core work of providing support to SMMEs with recovering loans as this could erode their fiscal sustainability. In addition, their operational inefficiencies and inadequate lending controls lead to overreliance on government funding and, as such, restricts their ability to fulfil their developmental mandates.

As a mitigating measure, PDFIs should consider renegotiating the contractual repayment terms with debtors whose loans are long overdue. This could include applying agreed terms that involve collateral and other assurances. Other measures could include, among other things, strengthening SMME capacity through non-financial support to enable them to become lucrative by competing in domestic and international markets.

Figure 10.7 PDFI loan write-offs (2020/21 to 2023/24)



Source: PDFI annual reports

Figure 10.7 shows the PDFIs that reported loan amounts written off within the period under review. About R51.4 million in aggregated debt was written off in 2020/21 compared to about R283.6 million in 2023/24. This was mainly attributed to write-offs by the Gauteng Economic Propeller (R182.9 million in 2023/24). Ithala Development Finance Corporation wrote off debt in each year during the period, whereas most other PDFIs wrote off debt in isolated years.

Table 10.5 Number of SMMEs supported by national and provincial departments or entities (2020/21 to 2022/23)

Provinces	Support provided by provinces						Support provided by national								
	2020/21		2021/22		2022/23		2020/21			2021/22			2022/23		
	Depart of economic dev	Enterprise dev entities	Depart of economic dev	Enterprise dev entities	Depart of economic dev	Enterprise dev entities	Tourism	DTIC	SEFA	Tourism	DTIC	SEFA	Tourism	DTIC	SEFA
Eastern Cape	168	758	5	943	2	1 061	751	6	14 128	452	8	16 249	683	10	22 093
Free State	758	160	566	115	827	128	229	3	540	102	2	726	182	2	855
Gauteng	611	2 990	547	735	881	273	1 242	58	1 402	374	36	1 999	677	45	2 577
KwaZulu-Natal	2 136	515	4 581	510	5 830	664	811	16	17 952	375	12	19 093	668	18	10 154
Limpopo	150	122	22	156	261	205	442	3	23 085	221	6	22 471	366	4	19 530
Mpumalanga	153	64	26	187	167	186	380	2	11 172	281	7	10 125	373	3	10 795
Northern Cape	165	-	499	-	511	-	197	1	158	146	-	328	338	1	148
North West	932	-	1 775	1 189	1 573	684	254	2	3 489	121	1	4 314	232	-	7 759
Western Cape	220	42	272	18	270	71	1 412	43	528	759	20	749	995	26	825
Total	**5 293**	**4 651**	**8 293**	**3 853**	**10 322**	**3 272**	**5 718**	**134**	**72 454**	**2 831**	**92**	**76 054**	**4 514**	**109**	**74 736**

Source: National and provincial department/entity annual reports

The SMME 2023 third quarter report compiled by the Small Enterprise Development Agency (SEDA) shows that the total number of SMMEs increased by 148 000, a 5.9 per cent year-on-year increase, representing a return to pre-COVID-19 levels. Between 2020/21 and 2022/23, SMMEs in provinces were supported by national (DTIC, Department of Tourism and the DSBD through the Small Enterprise Finance Agency [SEFA]) and provincial departments of economic development/entities.

During this time, an average of 11 890 SMMEs per year were supported at the provincial level and an average of 78 880 per year were supported at the national level. SMMEs contribute roughly 40 per cent to South Africa's GDP, operating in various industries and playing a vital role in reducing unemployment. Most

SMMEs face challenges in terms of access to finance and markets, poor infrastructure and skill shortages.

For this purpose, during the period under review, SMMEs received different kinds of non-financial support (such as incubation programmes) and financial support through loan facilities or grants. At the provincial level, KwaZulu-Natal supported the most SMMEs, followed by Gauteng and North West. National support was mostly provided by SEFA (through the DSBD) in the form of loans, credit guarantees and other financial instruments.

Along with SEFA, SEDA plays a pivotal role in promoting entrepreneurship, economic growth and job creation by offering a range of financial and non-financial services to SMMEs. Most of the support provided at the national level during the period under review was in Limpopo, KwaZulu-Natal and Eastern Cape.

SMMEs need a supportive environment to realise their potential

The onset of the COVID-19 pandemic was in the context of a pre-existing economic slump and threatened the sustainability of many SMMEs across the country. During the pandemic, departments and agencies facilitated the pooling of resources to cushion the impact for SMMEs. Most provinces also developed SMME relief programmes as part of strategies for supporting small businesses and informal traders. Given the fiscal constraints and budget shortfalls over the medium term, pooling resources and forging key partnerships remain critical for departments and entities.

Trade and sector development programme

Table 10.6 Expenditure on trade and sector development by province (2020/21 to 2026/27)

	Outocome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	503	551	437	830	1 145	1 252	662
Free State	–	–	–	–	–	–	–
Gauteng	794	823	799	841	728	698	731
KwaZulu-Natal	759	899	982	868	975	1 028	1 087
Limpopo	13	13	14	12	15	16	17
Mpumalanga	18	20	30	27	82	87	90
Northern Cape	47	65	80	118	106	84	88
North West	69	73	77	107	84	88	92
Western Cape	69	74	74	80	93	88	95
Total	**2 272**	**2 517**	**2 493**	**2 884**	**3 228**	**3 341**	**2 863**
Percentage growth (average annual)		**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2023/24 to 2026/27**	
Eastern Cape		18.2%		37.9%		-7.3%	
Free State		0.0%		0.0%		0.0%	
Gauteng		2%		-13.4%		-4.6%	
KwaZulu-Natal		4.6%		12.2%		7.8%	
Limpopo		-1.1%		22.6%		11.2%	
Mpumalanga		13.9%		208.3%		50.5%	
Northern Cape		35.8%		-9.8%		-9.3%	
North West		15.8%		-21.5%		-5.0%	
Western Cape		4.8%		16.3%		6.0%	
Total		**8.3%**		**11.9%**		**-0.2%**	

Source: National Treasury provincial database

This programme stimulates economic growth by developing industries, and promoting trade and investment. Expenditure in the programme increased at an average annual rate of 8.3 per cent between 2020/21 and 2023/24, from

R2.3 billion to R2.9 billion, mainly because of significant increases in Northern Cape, Eastern Cape, North West and Mpumalanga. Northern Cape's increase was due to the provision of more funds for provincial priorities implemented by the Northern Cape Economic Development Agency; Eastern Cape's increase was mainly due to funding received from the budget facility for infrastructure to implement water effluent projects; and increases in North West and Mpumalanga were mainly due to the implementation of SEZ projects.

However, the programme's budget was set to decrease at an average annual rate of 0.2 per cent over the MTEF period, with Northern Cape reporting the highest decrease followed by Eastern Cape, North West and Gauteng. Northern Cape's decrease over the period was mainly due to the allocation of additional funding of R22 million in 2023/24 and 2024/25 for the sheep feedlot project and economic recovery initiative; Eastern Cape's decrease was mainly due to the once-off allocation of R58.6 million in 2023/24 for a data centre implemented by the East London industrial development zone (IDZ); the decrease in North West was mainly due to an once-off allocation of R30 million in 2023/24 for planning for alternative energy solutions; and the decrease in Gauteng was mainly due to a wage freeze and reductions in non-personnel expenditure due to fiscal consolidation measures enforced on entities.

Mpumalanga and Limpopo were projected to report considerable budget increases over the MTEF period, with KwaZulu-Natal and Western Cape showing steady growth. In Mpumalanga, the increase over the MTEF period was mainly linked to the implementation of SEZ projects and the Mpumalanga stainless steel initiative. The high increase in Limpopo was related to increased funding for operational costs. In KwaZulu-Natal, spending through the programme was focused on the various SEZ projects. The increase in Western Cape was mainly for funding activities around stimulating the development of green industries and provisions of the just energy transition implementation plan.

Special economic zones

The designation of SEZs is geared towards supporting a broad-based industrial growth path while helping to realise the NDP's vision

All of South Africa's key development blueprints emphasise the need for intensified industrialisation to achieve the objectives of eliminating poverty, reducing inequality and stimulating socioeconomic development. To reposition the country as a strong player in the global economy by attracting foreign direct investment and increasing the export of value-added commodities, government introduced the IDZ programme in 2000, in terms of the Manufacturing Development Act (1993). However, the IDZ programme was then transitioned to SEZs in 2007 and a new SEZ policy was introduced as the Special Economic Zones Act (2014) came into effect. The policy provides a framework for the development, operation and management of SEZs, including addressing challenges experienced with the IDZ programme. SEZs are designated areas set aside for targeted economic activities, supported through special arrangements and systems that are often different from those that apply in the rest of the country. SEZs may either be sector-specific or multisectoral.

A new, integrated approach was adopted in 2019 to help struggling SEZs. The strategy emanating from this approach resulted in government's reimagined industrial strategy with the central aim of facilitating the progress of SEZs. As part of the strategy, the three spheres of government are required to contribute equally to the development of the SEZs. The following categories of SEZs have been defined as per the Special Economic Zones Act (2014):

- Industrial development zone: A purpose-built industrial estate that leverages domestic and foreign fixed direct investment in value-added and export-oriented manufacturing industries and services.
- Free port: A duty-free area adjacent to a port of entry where imported goods may be unloaded for value-adding activities within SEZs for storage, repackaging or processing, subject to customs import procedures.
- Free trade zone: A duty-free area offering storage and distribution facilities for value-adding activities within SEZs for subsequent export.
- Sector development zone: An area where activities are focused on the development of a specific sector or industry through the facilitation of general or specific industrial infrastructure, incentives, and technical and business services primarily for the export market.

Government has spent about R26 billion on the SEZ programme since its inception (as the IDZ programme) in 2000. Most of the programme's funding is provided through allocations from the DTIC, mainly for infrastructure (top structures and bulk infrastructure). Provincial governments fund operational and capital expenditure in some cases.

Table 10.7 Departmental funding of SEZs listed in terms of the PFMA (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Coega SEZ	177	192	61	372	786	941	375
Dube Tradeport	400	478	489	505	488	512	536
East London IDZ	111	119	147	165	114	98	97
Richards Bay IDZ	87	107	110	130	130	136	143
Saldanha Bay IDZ	43	40	42	13	20	–	–
Atlantis SEZ	29	44	39	41	39	40	42
Total	**846**	**980**	**888**	**1 225**	**1 578**	**1 727**	**1 192**
Percentage growth (average annual)		**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2023/24 to 2026/27**	
Coega SEZ		28.1%		111.3%		0.2%	
Dube Tradeport		8.1%		-3.3%		2.0%	
East London IDZ		14.2%		-30.9%		-16.3%	
Richards Bay IDZ		14.3%		0.2%		3.1%	
Saldanha Bay IDZ		-33.2%		57.5%		-100%	
Atlantis SEZ		11.9%		-3.9%		0.5%	
Total		**13.1%**		**28.8%**		**-0.9%**	

Source: National Treasury provincial database

Table 10.7 reflects only the provincial transfers made to SEZs listed in terms of the Public Finance Management Act (1999) (PFMA) between 2020/21 and 2026/27. Funds are allocated to SEZs in line with their operational costs and capital infrastructure projects. PFMA-listed SEZs received a total of R846 million in 2020/21, which increased at an average annual rate of 13.1 per cent to R1.2 billion in 2023/24. These transfers were projected to decrease at an average annual rate of 0.9 per cent, to R1.1 billion, over the MTEF period due to once-off allocations to Coega for infrastructure through the budget facility for infrastructure and East London IDZ for purchasing equipment for its data centre project.

Compared to other provinces, Western Cape made minimal provisions to its SEZs (Saldanha Bay and Atlantis). However, there were several promising investments projected over the MTEF period in Saldanha Bay IDZ. These were expected to provide much-needed momentum for converting the investment pipeline into revenue-generating contracts.

Table 10.8 Performance of designated and operational SEZs (2023/24)

Special economic zone	Year of designation	Total size (ha)	Number of operational investors	Value of operational investors (R'000)	Total direct employment created
Coega SEZ	2001	9 003	63	11 526 000	10 527
East London IDZ	2002	400	40	5 825 200	4 418
Dube Tradeport SEZ	2016	3 800	57	3 010 063	5 159
Richards Bay SEZ	2002	240	4	1 940 703	147
OR Tambo IDZ	2002	725	5	359 000	2 700
Tshwane automotive SEZ	2019	204	10	4 850 200	3 206
Maluti-a-Phofung SEZ	2016	1 038	4	1 025 000	172
Atlantis SEZ	2018	101	7	815 000	423
Saldanha Bay IDZ	2013	356	16	268 000	107
Nkomazi SEZ	2019	673	-	-	-
Musina-Makhado SEZ	2018	7 263	-	-	
Namakwa SEZ	2024	1 270	-	29 600 000	-
			206	**59 219 166**	**26 859**

Source: SEZ unit master spreadsheet

Table 10.8 shows that 10 SEZs are already designated and operational, two are designated but not operational (Namakwa and Nkomazi), and four are yet to be designated (Fetakgomo-Tubatse, Vaal, Wild Coast and Bojanala). The total value of operational investments in SEZs in 2023/24 was about R59.2 billion from about 206 investors, resulting in an estimated 26 859 direct employment opportunities. Of the 12 designated SEZs, Coega, East London and Dube Tradeport account for the largest number of investors, while Namakwa accounts for the highest value of operational pipeline investment as the SEZ was designated only in 2024.

Most SEZ operators were unable to generate sufficient revenue to be financially self-sustaining. They relied on fiscal support from provinces for operational expenditure and the DTIC's SEZ Fund for most capital expenditure. SEZs' performance reports are also a concern, as the information contained in them was inconsistent and not standardised, which made it difficult to track key data.

Table 10.9 Status of SEZs approved for tax incentives at end of 2023/24

Special economic zone	Zones incentivised (ha)	Year incentive approved	Type of incentive
Coega SEZ	9003 ha	2018	Preferential 15% corporate income tax rate, building allowance, employment tax incentive and customs controlled area
East London IDZ	462.1164 ha		
Maluti-a-Phofung SEZ	1039.42 ha		
Dube Tradeport SEZ	302.9607 ha		
Richards Bay SEZ	467.03 ha		
Saldanha Bay SEZ	356.11 ha		

Source: Government Gazette, volume 637, no. 41758 (6 July 2018)

Several incentives have been made available to ensure that SEZs are able to grow, generate revenue, create jobs, attract foreign direct investment and remain internationally competitive. As at July 2018, only six SEZs had been granted tax incentives[1]. These include:

- Preferential 15% corporate income tax rate: A reduced corporate income tax rate of 15 per cent instead of the normal 27 per cent.
- Building allowance: An accelerated depreciation allowance of 10 per cent on the cost of any new and unused buildings or improvement owned by the qualifying company.
- Employment tax incentive: Businesses and operators within SEZs may be eligible for the employment tax incentive subject to the requirements of the Employment Tax Incentive Act (2013). However, the employee age restriction stipulated in this act does not apply for the employment tax incentive in SEZs.
- Customs controlled area: Companies within these areas are eligible for VAT and customs relief in accordance with VAT and customs legislation.

Over and above these benefits, a qualifying company can claim other benefits as per some incentives listed in the Income Tax Act (1962) – sections 11D and 13I, for example – provided they meet the qualifying criteria.

Provincial industrial parks

Industrial parks are effective instruments for promoting industrialisation and structural transformation. Like many developing countries, South Africa recognises industrial development as a critical pathway to sustainable economic prosperity and success. Key economic sectors across industrial parks focus on manufacturing, specifically chemicals (cleaning products), food and beverages (home-based food processing such as jams and confectionaries), wood and metal works (furniture and security features), textiles, and machinery and appliances.

Mainly through the SMMEs operating in them, industrial parks provide significant employment opportunities. Jobs in industrial parks are predominantly in light and medium manufacturing sectors (such as textiles) and agro-processing. But the average occupancy of the gross leasable area of industrial parks remained low during the period under review. The need for improvement was identified in these key areas: ownership, governance and management, marketing, funding, stakeholder coordination, local incentives, and environmental considerations.

Allocations to industrial parks between 2020/21 and 2023/24 were mainly to fund capital infrastructure projects (such as bulk infrastructure). Several parks were at different stages of implementing the industrial parks revitalisation programme, which was rolled out in 2016/17 in an effort to improve industrial infrastructure while attracting investment and increasing employment opportunities.

1. Government Gazette (volume 637, 6 July 2018). Available: https://archive.opengazettes.org.za/archive/ZA/2018/government-gazette-ZA-vol-637-no-41758-dated-2018-07-06.pdf

The operating model of industrial parks needs to be revised to unlock their full potential

A total of 32 industrial parks across provinces have been supported since inception with aggregated spending amounting to R527.7 million against allocations of R909.9 million. KwaZulu-Natal supported the most parks, followed by Eastern Cape and Mpumalanga. In terms of investments in these parks, Eastern Cape reported the largest allocation, followed by KwaZulu-Natal and Gauteng. Despite the provision of considerable funds to support these parks, spending concerns persisted. Gauteng reported no spending from its allocation of R62.4 million in 2021/22, which was supposed to support four industrial parks. Western Cape was the only province that did not support industrial parks.

Table 10.10 Industrial parks supported by provinces (2020/21 to 2023/24)

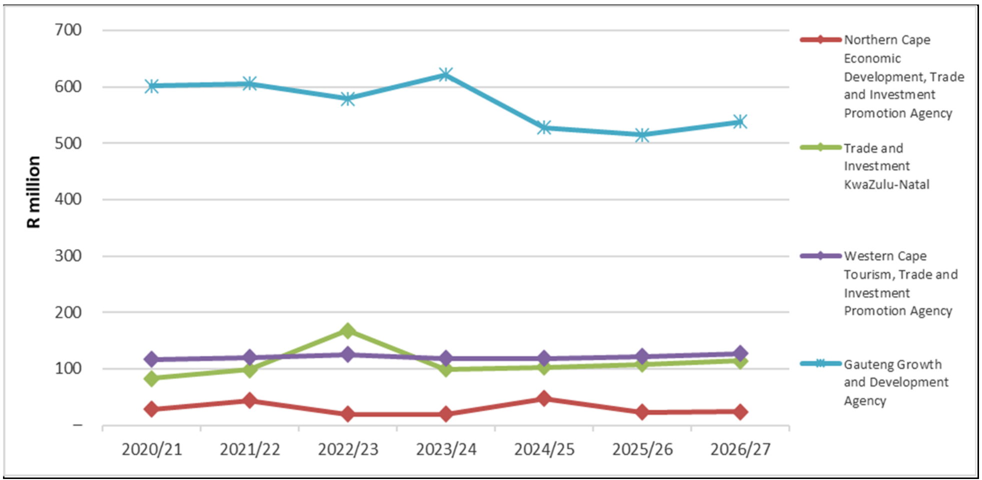
	2020/21			2021/22			2022/23			2023/24			Total since inception		
R'000	No of IPs	Budget	Spending	No of IPs	Budget	Spending	No of IPs	Budget	Spending	No of IPs	Budget	Spending	No of IPs	Budget	Spending
Eastern Cape	2	41 288	41 288	4	136 010	136 010	3	81 690	81 690	1	15 000	15 000	7	457 710	315 990
Free State	-	-	-	1	3 000	2 889	-	-	-	2	3 610	2 785	3	6 610	5 674
Gauteng	-	-	-	-	62 412	-	3	-	1 722	3	50 000	44 390	3	112 412	46 112
KwaZulu-Natal	4	24 643	5 059	4	53 000	5 247	5	55 910	1 912	5	42 780	12 231	10	187 923	32 859
Limpopo	-	-	-	2	3 844	3 844	-	-	-	1	193	193	2	35 541	35 541
Mpumalanga	-	-	-	-	-	-	-	-	-	5	10 000	7 898	5	10 000	7 898
Northern Cape	-	-	-	-	-	-	1	8 000	7 996	1	33 990	31 977	1	41 990	39 973
North West	1	7 271	2 606	1	-	4 103	1	18 110	8 332	1	32 363	28 564	1	57 745	43 606
Western Cape	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**7**	**73 202**	**48 953**	**12**	**258 266**	**152 093**	**13**	**163 710**	**101 652**	**19**	**187 936**	**143 038**	**32**	**909 931**	**527 653**

Source: Provincial submissions

Trade and investment promotion agencies

The trade and sector development programme makes transfers to some of the entities responsible for promoting trade and investment. In KwaZulu-Natal, it makes transfers to Trade and Investment KwaZulu-Natal; in Gauteng, it makes transfers to the Gauteng Growth and Development Agency; in Northern Cape, these transfers fund the Northern Cape Economic Development, Trade and Investment Promotion Agency; and transfers in Western Cape fund the Western Cape Tourism, Trade and Investment Promotion Agency (Wesgro). In most provinces, trade and investment promotion agencies are not standalone entities but form part of provincial economic development agencies, including provincial development finance institutions. Western Cape and Northern Cape do not have PDFIs, but rather trade and investment promotion agencies as standalone entities.

Figure 10.8 Transfers to provincial trade and investment promotion agencies (2020/21 to 2023/24)



Source: National Treasury provincial database

Between 2020/21 and 2026/27, total transfers to standalone trade and investment promotion agencies were estimated at R5.8 billion in Northern Cape, KwaZulu-Natal, Western Cape and Gauteng. Aggregated transfers to these agencies increased at an average annual rate of about 1.1 per cent, from R830 million in 2020/21 to R859 million in 2023/24, mainly due to a significant increase in transfers to Trade and Investment KwaZulu-Natal for allocations to the KZN Growth Coalition. These funds were aimed at fostering relationships between business and the provincial government to build investment confidence, establish partnerships and support the province's export competitiveness programme to train emerging exporters. Transfers to the Northern Cape Economic Development, Trade and Investment Promotion Agency reflected inconsistent trends over the period as a result of once-off allocations to implement various projects.

Transfers to the Gauteng Growth and Development Agency accounted for the highest share (an average of 69 per cent) of allocations to trade and investment promotion agencies over the period

The Gauteng Growth and Development Agency's strategic objectives include facilitating investment, global trade activities and public-private partnerships, and revitalising and modernising township economies in the province. Its mandate is carried out through its subsidiaries, the Automotive Industry Development Centre, the Innovation Hub, OR Tambo SEZ, Vaal SEZ and Constitutional Hill. Through the agency, the province is committed to creating an inclusive and transformed economy focused on creating jobs, developing skills, developing innovative and sustainable enterprises, developing strategic economic infrastructure, increasing exports to the continent, and increasing foreign and domestic direct investment. The agency's budget of R1.6 billion over the MTEF period include to reindustrialise Gauteng's economy by targeting 10 identified high-growth industries as levers for achieving high economic growth, jobs and infrastructure investment. The agency successfully secured 21 investments in 2022/23 valued at about R35.9 billion in foreign and domestic direct investment, and facilitated about 10 100 jobs.

As Western Cape's official trade and investment promotion agency, Wesgro and its partners drive inclusive and sustainable economic growth to create jobs, and promote and position Western Cape as a globally competitive regional economy.

The agency's allocation of about R368 million over the MTEF period was intended to support export growth and initiatives to promote trade and investment. The agency rolled out 14 investment projects in 2022/23 valued at R4.1 billion, resulting in the creation of 1 507 jobs. In the same year, it signed 83 trade agreements valued at an estimated R3.1 billion, resulting in 906 jobs.

Transfers to Trade and Investment KwaZulu-Natal during the period under review amounted to roughly R775 million. The agency's mandate includes identifying, developing and packaging investment opportunities, and driving export trade through identifying new markets, facilitating export deals and developing the province's export capacity. In 2022/23, the agency facilitated 30 investment opportunities and secured R2.8 billion in domestic and foreign investment commitments, creating an estimated 3 800 potential jobs through targeted investment support.

The Northern Cape Economic Development, Trade and Investment Promotion Agency is mandated to provide competitive investment supported by value-added business services that enable socioeconomic development. Transfers to the agency were expected to amount to R94 million over the MTEF period, which include allocation of about R15 million in 2024/25 to fund the sheep feedlot project and the province's economic recovery initiative. In 2022/23, the entity facilitated or hosted and presented at 27 platforms (including investment conferences, summits, energy exhibitions and forums, skills workshops and meetings) to support investment opportunities, as well as three trade promotion initiatives.

Business regulation and governance programme

Table 10.11 Expenditure on business regulation and governance by province (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	146	148	161	190	177	171	169
Free State	–	–	–	–	–	–	–
Gauteng	94	62	143	126	137	157	165
KwaZulu-Natal	180	184	199	217	217	229	239
Limpopo	98	111	120	117	109	114	119
Mpumalanga	104	119	131	127	148	133	139
Northern Cape	38	42	45	45	45	47	49
North West	116	119	122	117	121	125	131
Western Cape	7	9	10	12	12	13	14
Total	**782**	**794**	**931**	**951**	**965**	**989**	**1 025**
Percentage growth (average annual)		**2020/21 to 2023/24**		**2023/24 to 2024/25**		**2023/24 to 2026/27**	
Eastern Cape		9.1%		-6.9%		-3.7%	
Free State		0.0%		0.0%		0.0%	
Gauteng		10.4%		8.3%		9.2%	
KwaZulu-Natal		6.4%		0.1%		3.3%	
Limpopo		6.2%		-7.5%		0.5%	
Mpumalanga		7.0%		16.1%		3.0%	
Northern Cape		5.8%		0.8%		3.0%	
North West		0.2%		3.5%		3.9%	
Western Cape		19.6%		-4.5%		3.4%	
Total		**6.7%**		**1.4%**		**2.5%**	

Source: National Treasury provincial database

The programme aims to ensure an enabling and socially responsible business environment that allows for predictability through good governance across public entities, lobbies against and addresses barriers in the broader business environment that inhibit business development, and implements and promotes measures that ensure consumer rights and interests.

The programme is also responsible for regulating the liquor, gambling and betting industries, with a significant portion of most provinces' expenditure being transferred to liquor and gambling regulatory agencies. In Free State, gambling and liquor functions are implemented under the economic planning programme. Western Cape's generally low expenditure is mainly on consumer protection as its gambling and racing board and liquor authority fall under its provincial treasury.

KwaZulu-Natal reported the highest expenditure and allocation between 2020/21 and 2026/27, followed by Eastern Cape. Table 10.11 shows that spending in the programme increased at an average annual rate of 6.7 per cent between 2020/21 and 2023/24, mainly driven by high increases in Western Cape (19.6 per cent) and Gauteng (10.4 per cent). Allocations for business regulation and governance were expected to amount to R3 billion over the MTEF period. Gauteng reported the highest increase at an average annual rate of 9.2 per cent over the period, mainly to implement various projects, including consumer education for young entrepreneurs. Eastern Cape was the only province that reported a budget decrease over the MTEF period.

Economic planning programme

Table 10.12 Expenditure on economic planning by province (2020/21 to 2026/27)

R million	Outcome			Audited outcome	Medium-term estimates		
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Eastern Cape	4	6	6	6	6	6	6
Free State	143	120	119	118	119	123	124
Gauteng	310	325	346	386	432	540	215
KwaZulu-Natal	19	20	25	30	55	53	56
Limpopo	7	5	5	4	–	–	–
Mpumalanga	16	17	18	18	21	21	22
Northern Cape	17	17	18	18	20	20	21
North West	13	3	11	8	10	10	11
Western Cape	130	140	130	104	99	79	83
Total	**658**	**654**	**678**	**693**	**761**	**853**	**538**
Percentage growth (average annual)	**2020/21 to 2023/24**			**2023/24 to 2024/25**	**2023/24 to 2026/27**		
Eastern Cape	14.7%			-1.8%	-0.7%		
Free State	-6.3%			0.8%	1.6%		
Gauteng	7.6%			11.9%	-17.7%		
KwaZulu-Natal	16.4%			80.5%	22.4%		
Limpopo	-14.2%			-100%	-100%		
Mpumalanga	4.2%			12.2%	6.2%		
Northern Cape	2.3%			9.1%	4.9%		
North West	-13.7%			23.9%	10.7%		
Western Cape	-7.0%			-5.2%	-7.2%		
Total	**1.7%**			**9.7%**	**-8.1%**		

Source: National Treasury provincial database

The programme develops provincial economic policies and strategies to achieve and measure sustainable economic development through policy and planning, research and development, the development of the knowledge economy, and monitoring and evaluation.

Table 10.12 shows that expenditure in the programme increased at an average annual rate of 1.7 per cent between 2020/21 and 2023/24. Gauteng reported the highest expenditure and allocation between 2020/21 and 2026/27, followed by Free State. Allocations through this programme were the lowest in Eastern Cape, Limpopo and North West over the period. The programme's allocation was expected to decrease at an average annual rate of 8.1 per cent over the MTEF period, mainly driven by decreases in Limpopo, Gauteng and Western Cape. Allocations to this programme in Limpopo were discontinued over the MTEF period; the decrease in Gauteng was because the allocation for infrastructure projects in the Tshwane automotive SEZ are set to be discontinued from 2026/27; and the decrease in Western Cape was because allocations for Saldanha Bay IDZ's licencing were discontinued from 2025/26.

KwaZulu-Natal and North West reported significant increases during the period under review. Allocations through the programme in KwaZulu-Natal were mainly to fund interventions as part of the iLembe rural economic development strategy and to fill critical vacant posts in the knowledge management subprogramme. Increases in North West related to research and economic planning initiatives such as youth employment services and enterprise development, as well as the implementation of interventions to be identified in partnership with various institutions.

Tourism programme

Table 10.13 Expenditure on tourism by province (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Eastern Cape	9	13	12	17	14	13	13
Free State	7	14	12	14	14	14	15
Gauteng	–	–	–	–	–	–	–
KwaZulu-Natal	222	248	311	287	274	300	304
Limpopo	91	81	101	105	110	117	122
Mpumalanga	385	413	465	538	521	517	543
Northern Cape	55	77	67	38	40	42	43
North West	147	149	180	59	69	72	75
Western Cape	77	74	72	71	74	74	76
Total	**993**	**1 069**	**1 220**	**1 128**	**1 115**	**1 149**	**1 192**
Percentage growth (average annual)	**2020/21 to 2023/24**			**2023/24 to 2024/25**	**2023/24 to 2026/27**		
Eastern Cape	21.5%			-17.3%	-7.3%		
Free State	24.7%			0.0%	2.1%		
Gauteng	0.0%			0.0%	0.0%		
KwaZulu-Natal	9.0%			-4.5%	1.9%		
Limpopo	5.0%			4.8%	5.1%		
Mpumalanga	11.8%			-3.2%	0.4%		
Northern Cape	-11.3%			4.6%	4.1%		
North West	-26.5%			17.3%	8.5%		
Western Cape	-2.6%			4.1%	2.6%		
Total	**4.4%**			**-1.2%**	**1.9%**		

Source: National Treasury provincial database

This programme stimulates sustainable tourism-based and economic growth by creating an enabling environment through legislation, policy and strategies; creating adequate supply and demand; and ensuring the sustainability of and transformation in the sector. Gauteng had no allocations to the programme over the MTEF period as this function is entirely entrusted to the province's tourism authority. Eastern Cape and Free State reported the lowest allocations during the period under the review, while Mpumalanga and KwaZulu-Natal reported the highest, with aggregated shares of 43 per cent and 25 per cent, respectively.

The programme's aggregated expenditure across all provinces between 2020/21 and 2023/24 was R4.4 billion, while allocations over the MTEF period were estimated to be R3.5 billion. The programme's budget increased at an average annual rate of 4.4 per cent between 2020/21 and 2023/24, mainly driven by considerable allocations in Mpumalanga and KwaZulu-Natal. Allocations in Mpumalanga were mainly for transfers to the Mpumalanga Tourism and Parks Agency, which is responsible for promoting tourism enterprises and inclusivity in the province. Allocations over the MTEF period included provisions for tourism development, marketing and the maintenance of provincial nature reserves. In KwaZulu-Natal, allocations were for various projects such as the review of KwaZulu-Natal Tourism Authority's master plan, the Tourism and Entrepreneurship Career Expo, and the provision of support for emerging tour operators.

The NDP recognises tourism as a highly labour-intensive industry with the potential to stimulate small business development and generate significant export earnings

Tourism and related agencies

Table 10.14 Transfers to tourism and related agencies (2020/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R million	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Tourism agencies							
Eastern Cape Parks and Tourism Agency	252	245	235	220	232	211	212
Gauteng Tourism Authority	98	124	124	110	113	104	109
KwaZulu-Natal Tourism and Film Authority	111	142	187	151	155	164	168
Limpopo Tourism Agency	66	67	75	80	83	87	90
Mpumalanga Tourism and Parks Agency	368	409	457	514	512	508	534
Northern Cape Tourism Authority	23	25	26	26	27	28	29
North West Tourism Board	233	266	237	222	222	232	242
Other Tourism related agencies							
Free State Gambling, Liquor and Tourism Authority	100	106	110	104	104	104	104
Western Cape Tourism, Trade and Investment Promotion Agency	117	121	126	127	118	122	127
Total	**1 369**	**1 505**	**1 577**	**1 554**	**1 565**	**1 559**	**1 615**

Table 10.14 Transfers to tourism and related agencies (2020/21 to 2026/27) (continued)

Percentage growth (average annual)	2020/21 to 2023/24	2023/24 to 2024/25	2023/24 to 2026/27
Tourism agencies			
Eastern Cape Parks and Tourism Agency	-4.4%	5.4%	-1.3%
Gauteng Tourism Authority	4.0%	2.3%	-0.3%
KwaZulu-Natal Tourism and Film Authority	10.7%	2.7%	3.7%
Limpopo Tourism Agency	6.6%	3.8%	4.0%
Mpumalanga Tourism and Parks Agency	11.8%	-0.5%	1.3%
Northern Cape Tourism Authority	4.4%	1.7%	3.6%
North West Tourism Board	-1.6%	0.0%	2.9%
Other Tourism related agencies			
Free State Gambling, Liquor and Tourism Authority	1.2%	0.0%	0.0%
Western Cape Tourism, Trade and Investment Promotion Agency	2.7%	-6.7%	0.1%
Total	**4.3%**	**0.7%**	**1.3%**

Source: National Treasury provincial database

Statistics South Africa's 2022 Tourism Satellite Account for South Africa revealed that, between 2021 and 2022, tourism direct gross value added increased by 70.2 per cent, from R128.7 billion to R219.1 billion, while tourism direct GDP increased by 67.5 per cent, from R140.1 billion to R234.7 billion. The tourism industry directly employed 733 385 people in 2022, an increase of 48.9 per cent (240 824 employees) from 2021. This was a resurgence in employment after the pandemic, but still below the pre-pandemic high of 777 686 in 2019. Tourism's share of total employment increased from 3.4 per cent in 2021 to 4.7 per cent in 2022.

In most provinces, funding for tourism is transferred to public entities responsible for implementing their provinces' tourism strategies, and not all these entities are in this programme's spending framework. Eastern Cape, Free State, Gauteng and North West do not transfer funds to their entities through this programme. As such, transfers to tourism and related agencies (Table 10.14) are higher than the total allocation for the programme (Table 10.13) as the transfers are not made through this programme.

Table 10.14 shows that transfers to tourism and related entities were expected to amount to R10.7 billion between 2020/21 and 2026/27. The largest transfers were allocated to the Mpumalanga Tourism and Parks Agency, followed by the Eastern Cape Parks and Tourism Agency and the North West Tourism Board. In Free State, tourism is jointly operated with the gambling and liquor boards, and with Wesgro in Western Cape.

Except for decreases in transfers to the Eastern Cape and Gauteng tourism authorities, each entity's transfers were set to increase slightly, albeit at rates below expected inflation over the MTEF period. The Eastern Cape Parks and Tourism Agency's allocation over the MTEF period funded the N2 biodiversity offset fund project, and the Gauteng Tourism Authority was expected to continue implementing support services for the protection of core tourism infrastructure and strategic community-based assets.

Allocations to the: KwaZulu-Natal Tourism and Film Authority included provisions for incubation programmes aimed at supporting SMMEs involved in leisure and business tourism; Limpopo Tourism Agency were to enable it to serve as an implementing agency for tourism functions on behalf of the department; Mpumalanga Tourism and Parks Agency were to fund tourism development and marketing, and the maintenance of provincial national reserves. The North West Tourism Board used its allocation to continue to create job opportunities and support SMMEs through preferential procurement contracts required in and around protected areas and hotel schools while continuing to support other tourism initiatives in the province.

State nature reserves and resorts

Provincial governments own and manage nature reserves and resorts through departments and/or schedule 3C public entities. Whereas some nature reserves have been claimed by communities through communal property associations, some have been declared protected areas and are managed by the state through agreement with these associations. Through visits to these facilities in 2024, National Treasury and provincial treasuries found that, despite their significant growth potential, nature reserves and resorts were not functioning at full capacity, mainly because of infrastructure and funding constraints, leading to a decrease in occupancy rates. Reversing this trend requires investment in eco-tourism; partnerships with private operators; initiatives to enhance revenue; upgrades to internal, local and provincial access roads; and alternative water (borehole and reservoir) and energy (solar) supply.

Departmental allocations to public entities were insufficient to support the mandates of reserves and resorts. Because some reserves focus more on biodiversity conservation than economic stimulation, they are not expected to generate revenue, but this carries budgetary risks such as a shortage of staff and a lack of maintenance. Some reserves and resorts also lack comprehensive marketing strategies, resulting in very little revenue generation. If issues such as these are not resolved, the opportunity to attract more visitors and collect revenue on a large scale will be lost. Provinces should consider investing more in these reserves and resorts to improve revenue collection, with a view to them becoming self-sustaining in the future. Some of these reserves and resorts don’t charge market-related tariffs, which should be reviewed. Additionally, the entities or departments managing these reserves and resorts in some provinces, such as Eastern Cape, do not pay the collected revenue to the Provincial Revenue Fund, as required by the PFMA.

Rationalisation of provincial public entities (schedules 3C and 3D)

In the context of South Africa’s ongoing fiscal constraints, it is critical to rationalise public entities to streamline their operations, reduce redundancy and ensure that they operate efficiently and with fiscal responsibility. By merging or restructuring these entities, provinces can optimise their use of resources, enhance service delivery and reduce their financial burden. These measures are part of a broader strategy to respond to budgetary pressures while preserving essential public services. The 2012 presidential review commission on state-owned entities highlighted several challenges facing public entities, including excessive politicisation, multiple and conflicting objectives, inadequate financing policies and frameworks, a lack of adequate oversight, severe weaknesses in the composition and functioning of their boards, and a general lack of transparency and accountability.

In his 2018 State of the Nation Address, President Cyril Ramaphosa stated that a strong and capable state is necessary for transformation, growth and development. It is crucial that the state's size and organisational design are tailored to serve the needs of citizens and ensure the most effective distribution of resources. Reviewing the organisation, quantity and size of public bodies and national government departments would result in some departments and public entities changing their names or merging.

Compensation of employees accounts for the largest share of spending in schedule 3C public entities. Revised governance structures in line with the 2019 national macro organisation of government were established to support the reconfiguration process, under the direction of the presidential office, the Department of Public Service and Administration and National Treasury.

National and provincial governments have been rationalising entities at varying rates. Although most provinces have been engaging in efforts to merge, disestablish and repurpose some of their entities since 2016, very few have seen this process to fruition. A few successful examples include Free State's merger of its liquor and gambling entities, followed by Mpumalanga's establishment of its economic regulator in 2017. KwaZulu-Natal has begun rationalising entities to drastically reduce their numbers in the economic and creative sectors. However, rationalisation efforts have stalled in Gauteng, Northern Cape and Eastern Cape.

There is no legislative mandate to list the subsidiaries of public entities in terms of the PFMA

Table 10.15 reflects the number of provincial public entities before and after the planned rationalisation processes. There were 68 provincial public entities as at 1 October 2024. This latest PFMA schedules listing did not include the rationalisation still under review in some provinces. When provinces successfully finalise their rationalisation processes, the total number of provincial public entities is expected to decrease to 61.

Table 10.15 Number of public entities before and after rationalisation

Provinces	Number of public entities (as per PFMA listing as at 24 May 2019)			Number of public entities (as per PFMA listing as at 1 October 2024)			Estimated number of public entities post rationalisation		
	Total	Schedule 3C	Schedule 3D	Total	Schedule 3C	Schedule 3D	Total	Schedule 3C	Schedule 3D
Eastern Cape	10	7	3	11	7	4	10	5	5
Free State	2	1	1	2	1	1	2	1	1
Gauteng	7	7	0	7	7	0	9	9	0
KwaZulu-Natal	19	13	6	16	12	4	13	9	4
Limpopo	5	3	2	5	3	2	5	3	2
Mpumalanga	5	4	1	4	3	1	4	3	1
Northern Cape	6	6	0	5	5	0	3	3	0
North West	9	7	2	8	6	2	5	4	1
Western Cape	9	7	2	10	7	3	10	7	3
Total	**72**	**55**	**17**	**68**	**51**	**17**	**61**	**44**	**17**

Source: Public institutions listed in PFMA schedules

Provincial status of rationalisation

By streamlining public entities, provinces aim to optimise their use of resources, enhance governance and align operations with developmental priorities. Whereas some provinces have advanced significant reforms, others have maintained existing structures.

- **Eastern Cape**: With support from the Government Technical Advisory Centre, the province's rationalisation is advancing. This includes amalgamating the Eastern Cape liquor and gambling boards, drafting legislation for the Mayibuye Transport Corporation, listing the Eastern Cape Rural Development Agency as a schedule 3D entity, and building capacity for the Eastern Cape Provincial Arts and Culture Council.
- **Free State**: Following an organisational review, Free State proposed a new entity, FreeGrow, focused on integrating trade, investment and tourism as part of a reimagined structure to enhance efficiency.
- **Gauteng**: A study by the Government Technical Advisory Centre supported Gauteng's rationalisation initiatives, including formalising the Gauteng Film Commission as a schedule 3C entity and planning new entities such as a provincial state bank and a provincial pharmaceutical company to address specific economic needs.
- **KwaZulu-Natal**: Major legislative amendments have led to the consolidation of regulatory and service entities, including the KwaZulu-Natal Economic Regulatory Authority through the merger of the province's liquor and gambling boards, and the KwaZulu-Natal Tourism and Film Authority through the merger of the province's tourism authority and film commission. Acts have also been gazetted to establish the Growth Fund as a provincial public entity.
- Neither **Limpopo** nor **Mpumalanga** have initiated any active rationalisation processes.
- **Northern Cape**: Legislative amendments have been completed to merge the Northern Cape Economic Development, Trade and Investment Promotion Agency with the Northern Cape Tourism Authority and the Kalahari Kid Corporation.
- **North West**: Efforts are under way to merge the North West Housing Corporation and North West Transport Investments into the North West Development Corporation, as well as to consolidate the Mmabana Arts, Culture and Sports Foundation with the provincial arts and culture council.
- **Western Cape**: The province is reviewing the Cape Agency for Sustainable Integrated Development in Rural Areas as a schedule 3D business enterprise and updating its broader public entity review to assess restructuring opportunities.

Rationalisation across provinces illustrates a dedicated effort to improve financial sustainability and operational efficiency in the context of tight fiscal constraints. By consolidating and restructuring public entities, provincial governments are positioning themselves to optimise resources and enhance service delivery.

Continued progress in these initiatives is essential for building a leaner, more responsive provincial governance structure.

Medium-term outlook

GDP growth is expected to average 1.8 per cent from 2025 to 2027, up from 1.2 per cent in the preceding three years. A tentative return to confidence has been evident in a rebound in financial markets, a stronger rand and comparatively lower sovereign borrowing costs. New energy projects are expected to improve fixed investment and business sentiment.

Long-term growth is highly dependent on improving capacity in energy, freight rail and ports, and on continuing to reduce structural barriers to economic activity. The economic growth strategy prioritises macroeconomic stability, structural reforms and improvements in the state's ability to increase growth sustainably. South Africa's prospects for economic growth are closely tied to the success of structural reforms, including those led by Operation Vulindlela, to improve competitiveness and productivity and boost investment.

South Africa's unemployment rate increased from 32.9 per cent in the first quarter of 2024 to 33.5 per cent in the second quarter, the highest in two years. Although joblessness remains extremely high, by the end of 2024, the unemployment rate had decreased to 31.9 per cent. To date, the jobs recovery has been led by the manufacturing, finance, private households and transport industries. However, faster economic growth is necessary for a significant and sustainable increase in private sector jobs if South Africa is to have even a remote chance of realising the NDP's vision of reducing the unemployment rate to 6 per cent by 2030.

Government is making steady progress on the balanced fiscal strategy first outlined in the 2023 Medium-term Budget Policy Statement. The 2025 Budget aims to stabilise debt at 76.2 per cent of GDP by 2025/26 and promote sustained growth through higher capital spending. Government's medium-term strategy remains focused on achieving fiscal sustainability, supporting economic growth and critical social services, and addressing significant fiscal and economic risks.

South Africa needs large-scale private investment to accelerate GDP growth after an extended period of weak economic performance. Government is working to improve its fiscal position, complete structural reforms and bolster its capacity to reduce borrowing costs, raise confidence, increase investment and accelerate economic growth while creating jobs.

Conclusion

South Africa's economic development over the past five years reflects a concerted effort to address structural challenges, foster inclusive growth and position the economy for long-term sustainability. The efforts of the DTIC, the Department of Tourism and the DSBD have laid the groundwork for revitalising critical sectors.

Despite significant achievements, challenges persist that impede the realisation of South Africa's full economic potential. These include energy shortages, infrastructure inefficiencies and slow structural reforms. Initiatives such as the economic reconstruction and recovery plan, the reimagined industrial strategy and the national integrated small enterprise development master plan underscore the importance of leveraging public-private partnerships, improving access to finance and promoting innovation.

A dual focus on implementing structural reforms and enhancing state capacity will be vital in the coming years. Priorities such as investing in renewable energy, modernising infrastructure and reducing barriers to economic activity are essential for fostering a resilient, inclusive economy. Moreover, the African Continental Free Trade Agreement presents transformative opportunities for intra-African trade and industrial competitiveness, reinforcing the need for the provision of targeted support to SMMEs.

The path ahead demands sustained commitment to fiscal discipline, the acceleration of policy implementation and the alignment of economic strategies with South Africa's long-term NDP vision. By addressing critical constraints and capitalising on emerging opportunities, South Africa can set a trajectory towards economic inclusivity, reduced unemployment and sustainable growth.

11

Infrastructure delivery and support

Introduction

The NDP offers a long-term perspective by defining a desired destination and the roles that different sectors must play to achieve the desired results. Its broad vision is the elimination of poverty and a reduction in inequality by 2030. This vision can be achieved by, but is not limited to, developing the economy, and building the state's capacity and its capabilities. Within this context, the government adopted the national infrastructure plan in 2012 to home in on the role and contribution of each sector, with specific emphasis on the implementation and strengthening of infrastructure delivery services.

There are concerns with the current state of public infrastructure pertaining to issues such as the identification of the primary causes of overspending or underspending, the completion of projects being delayed, protracted community protests, the poor management of contractor contracts, the uncontrolled expansion of the scope of projects during implementation, problems related to the procurement of public infrastructure, a lack of proper and integrated planning, ongoing project budget rollovers, a lack of maintenance, land issues at project implementation, strings of qualified audits, and other problems related to delivery management. These problems suggest that government needs to invest appropriately to ensure that infrastructure is delivered effectively and efficiently, in an integrated way, to ensure value for money and public value. If these concerns are not fully addressed, they stand to retard rather than accelerate the realisation of the national infrastructure plan's goals and the NDP's vision.

It is critical to provide clearly defined processes to ensure proper procurement and delivery management practices. The infrastructure delivery management system (IDMS) was developed and updated in 2009 with the aim of providing good practice guidelines based on standardised methodology and well-defined processes, supported by a comprehensive body of knowledge, to ensure effective infrastructure delivery across government. This chapter reviews provincial infrastructure performance and support through the system and describes the medium-term outlook.

Current landscape

The IDMS was focused on organs of state at the national and provincial levels to ensure the effective delivery of infrastructure. Its initial iteration, the infrastructure delivery improvement programme, was focused on building capacity and improving infrastructure systems to ensure that departments, municipalities and entities spent their infrastructure budgets efficiently. The following initiatives were undertaken:

- The IDMS body of knowledge was developed for government to access best practice methodologies, guidelines and tools to help with the management of infrastructure delivery. The IDMS body of knowledge information includes enhanced IDMS modules, websites, a knowledge management framework, an updated IDMS management companion and helpdesk support. To build capacity for organs of state and provide accredited training, three IDMS modules (supply chain management, planning and budgeting, and performance and risk management) have been aligned to Public Service Sector Education and Training Authority unit standards.
- A total of 24 service providers were appointed to help with the development of the IDMS body of knowledge.
- A performance-based system was introduced for education and health infrastructure conditional grants. It was aimed at improving and institutionalising good infrastructure planning and implementation to achieve better value for money by offering financial incentives to provincial education and health departments demonstrating good planning and implementation.
- To ensure greater transparency and accountability, infrastructure reporting reforms were introduced for all organs of state that implemented infrastructure projects and programmes, requiring them to report on the infrastructure reporting model. Only provincial departments were previously required to report their projects and programmes on the model.
- The local government infrastructure delivery management system toolkit was developed and inducted in eight pilot municipalities and entities such as the Municipal Infrastructure Support Agent and the Development Bank of Southern Africa because of their roles in supporting infrastructure delivery in local government. The induction entailed building municipal and provincial officials’ capacity on the toolkit, and targeted infrastructure portfolio committees to clarify their roles and responsibilities in ensuring effective infrastructure delivery in municipalities. The main outcome of the induction

was the formulation of baseline maturity assessment reports to indicate areas of focus for each pilot municipality.

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. It is funded through conditional grants and the provincial equitable share. Provincial expenditure on infrastructure between 2020/21 and 2023/24 amounted to R280.2 billion. KwaZulu-Natal, Gauteng, Western Cape and Eastern Cape recorded the highest spending over this period while North West, Northern Cape and Free State recorded the lowest. Table 11.1 shows that education, health, public works and roads and transport accounted for more than 77 per cent of total provincial infrastructure spending over this period.

Table 11.1 Infrastructure expenditure by province (2021/21 to 2026/27)

	Outcome			Audited outcome	Medium-term estimates		
R thousand	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Payments for infrastructure by province							
Eastern Cape	6 955 876	7 637 172	8 276 302	8 104 302	9 109 235	9 035 912	8 443 638
Free State	3 726 710	3 948 264	4 466 576	4 796 440	5 154 747	4 647 989	4 536 992
Gauteng	11 598 725	10 062 869	11 491 880	11 926 885	14 026 112	14 523 449	13 112 314
KwaZulu-Natal	16 049 969	17 649 384	17 873 766	17 876 640	17 102 207	17 321 974	17 386 702
Limpopo	6 071 777	7 575 803	7 964 776	6 267 331	7 851 831	7 111 206	6 724 339
Mpumalanga	4 605 478	5 720 342	5 080 093	6 303 476	7 109 010	6 144 202	6 080 760
Northern Cape	2 401 954	2 615 500	2 986 660	3 036 222	3 180 366	2 784 162	2 863 860
North West	4 445 338	4 540 067	5 201 090	5 733 137	6 013 021	5 450 798	5 234 843
Western Cape	8 342 855	8 531 947	10 000 981	10 298 687	11 224 076	9 486 585	9 414 865
Total	**64 198 681**	**68 281 348**	**73 342 123**	**74 343 120**	**80 770 605**	**76 506 277**	**73 798 313**
Payments for infrastructure by category							
Existing infrastructure assets	**33 308 579**	**35 901 183**	**39 652 962**	**42 952 072**	**44 512 904**	**41 088 501**	**40 528 103**
Maintenance and repairs	14 556 780	16 114 812	18 247 525	21 163 278	20 128 702	19 842 900	19 894 214
Upgrades and additions	9 709 820	11 530 236	13 574 445	12 696 850	13 489 013	12 516 460	11 666 750
Refurbishment and rehabilitation	9 041 978	8 256 135	7 830 992	9 091 944	10 895 188	8 729 140	8 967 139
New infrastructure assets	**10 503 719**	**10 273 802**	**10 859 918**	**12 152 619**	**13 765 321**	**14 013 573**	**13 566 294**
Infrastructure transfers	**11 824 006**	**14 118 958**	**14 142 529**	**11 891 929**	**15 827 996**	**14 685 015**	**13 028 095**
Current	630 318	305 105	265 329	303 131	473 798	141 827	140 700
Capital	11 193 688	13 813 853	13 877 200	11 588 798	15 354 198	14 543 188	12 887 395
Infrastructure: Payments for financial assets	–	–	–	–	–	–	–
Infrastructure: Leases	**753 356**	**886 572**	**751 692**	**785 161**	**803 841**	**821 957**	**863 754**
Non- infrastructure	**7 809 022**	**7 100 833**	**7 935 022**	**6 561 339**	**5 860 543**	**5 897 232**	**5 812 067**
Total	**64 198 681**	**68 281 348**	**73 342 123**	**74 343 120**	**80 770 605**	**76 506 277**	**73 798 313**
Payments for infrastructure by sector							
Education	11 487 172	12 521 881	14 386 763	15 405 351	15 907 650	15 113 123	15 755 032
Health	13 429 885	10 324 338	10 319 022	10 421 517	11 169 047	11 035 123	11 461 910
Public works, roads and transport	24 500 469	27 137 564	29 722 327	31 563 307	31 275 942	27 710 614	25 760 562
Other	14 781 156	18 297 565	18 914 011	16 952 945	22 417 966	22 647 417	20 820 809
Total	**64 198 681**	**68 281 348**	**73 342 123**	**74 343 120**	**80 770 605**	**76 506 277**	**73 798 313**

Table 11.1 Infrastructure expenditure by province (2021/21 to 2026/27) (continued)

Percentage growth rates: Estimated and actual	2023/24 to 2024/25	2024/25 to 2025/26	2025/26 to 2026/27
Payments for infrastructure by province			
Eastern Cape	12.40%	-0.8%	-6.6%
Free State	7.5%	-9.8%	-2.4%
Gauteng	17.6%	3.6%	-9.7%
KwaZulu-Natal	-4.3%	1.3%	0.4%
Limpopo	25.3%	-9.4%	-5.4%
Mpumalanga	12.8%	-13.6%	-1.0%
Northern Cape	4.8%	-12.5%	2.9%
North West	4.9%	-9.4%	-4.0%
Western Cape	9.0%	-15.5%	-0.8%
Total	**8.7%**	**-5.3%**	**-3.5%**
Payments for infrastructure by category			
Existing infrastructure assets	**3.6%**	**-7.7%**	**-1.4%**
Maintenance and repairs	-4.9%	-1.4%	0.3%
Upgrades and additions	6.2%	-7.2%	-6.8%
Refurbishment and rehabilitation	19.8%	-19.9%	2.8%
New infrastructure assets	**13.8%**	**1.8%**	**-3.2%**
Infrastructure transfers	**33.1%**	**-7.2%**	**-11.3%**
Current	56.3%	-70.1%	-0.8%
Capital	32.5%	-5.3%	-11.4%
Infrastructure: Payments for financial assets	–	–	–
Infrastructure: Leases	**2.4%**	**2.3%**	**5,1%**
Non - infrastructure	**-10.7%**	**0.6%**	**-1.4%**
Total	**8.7%**	**-5.3%**	**-3.5%**
Payments for infrastructure by sector			
Education	3.3%	-5%	4.3%
Health	7.8%	-1.2%	3.9%
Public works, roads and transport	-0.9%	-11.4%	-7.0%
Other	32.2%	1.0%	-8.1%
Total	**8.7%**	**-5.3%**	**-3.5%**

Source: Estimates of Provincial Revenue and Expenditure

Between 2020/21 and 2023/24, R151 billion was spent on existing infrastructure and R43.8 billion on new infrastructure. Infrastructure transfers over the same period amounted to R51.9 billion, mainly to departments of human settlements that service stands or transfers of completed houses or funds to municipalities for implementation of housing projects. The remaining spend, amounting to R38.9 billion between 2020/21 and 2023/24, was for infrastructure leases and non-infrastructure items, which included machinery, equipment, furniture and compensation of employees. Spending on compensation of employees (for human resource capacitation) involved in the development of infrastructure for the departments of health and education is funded from the *education infrastructure grant* and the *health facility revitalisation grant*.

The provincial education sector spent R53.8 billion on infrastructure between 2020/21 and 2023/24. The focus was on accelerating the construction of new education infrastructure; and the maintenance, upgrading and rehabilitation of existing infrastructure, including district and circuit facilities. It was estimated that the sector would spend R46.8 billion on infrastructure over the MTEF period. The *education infrastructure grant* allows for the permanent appointment of public service officials in these departments' infrastructure units.

The provincial health sector spent R44.5 billion on infrastructure between 2020/21 and 2023/24 and was expected to spend a further R33.7 billion over the

MTEF period. The focus was on accelerating the construction of new infrastructure, and the maintenance, upgrading and rehabilitation of existing infrastructure, including health technology, organisational development systems and quality assurance. The *health facility revitalisation grant* allows permanent appointments of public service employees in these departments' infrastructure units.

The provincial transport sector spent R112.9 billion on road infrastructure, the maintenance, rehabilitation and upgrading of existing roads, as well as the construction of new roads, between 2020/21 and 2023/24. The sector was planning to spend R84.7 billion over the MTEF period and will continue to focus on maintenance. This was supported through the *provincial roads maintenance grant*.

Consolidated number of projects per nature of investment

Table 11.2 shows the consolidated number of infrastructure projects implemented by provincial departments between 2020/21 and 2023/24. Projects implemented by the departments of education, health and transport accounted for 80.5 per cent of total infrastructure spending by provinces.

The share of expenditure on existing infrastructure over this period increased from 76.5 per cent to 78.3 per cent, comprising 36.3 per cent upgrades and additions, 27.2 per cent maintenance and repairs, and 14.8 per cent refurbishment and rehabilitation. Expenditure on new infrastructure assets accounted for 10.4 per cent. In total, existing and new infrastructure amounted to 88.7 per cent, while infrastructure transfers, leases and non-infrastructure accounted for 11.3 per cent.

Table 11.2 Total infrastructure projects by nature of investment (2020/21 to 2023/24)

	Outcome			Audited outcome
R thousand	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Existing infrastructure assets	**11 691**	**11 314**	**12 534**	**10 608**
Maintenance and repairs	2 984	3 112	4 013	3 682
Upgrades and additions	6 319	6 367	6 066	4 918
Refurbishment and rehabilitation	2 388	1 835	2 455	2 008
New infrastructure assets	**2 098**	**2 072**	**1 692**	**1 405**
Infrastructure transfers	**481**	**595**	**704**	**777**
Current	68	243	21	58
Capital	413	352	683	719
Infrastructure: Payments for financial assets	–	–	–	–
Infrastructure: Leases	14	64	62	59
Non-infrastructure	598	603	610	692
Total	**14 882**	**14 648**	**15 602**	**13 541**
Existing infrastructure assets	**78.6%**	**77.2%**	**80.3%**	**78.3%**
Maintenance and repairs	20.1%	21.2%	25.7%	27.2%
Upgrades and additions	42.5%	43.5%	38.9%	36.3%
Refurbishment and rehabilitation	16.0%	12.5%	15.7%	14.8%
New infrastructure assets	**14.1%**	**14.1%**	**10.8%**	**10,4%**
Infrastructure transfers	**3.2%**	**4.1%**	**4.5%**	**5.7%**
Current	0.5%	1.7%	0,1%	0.4%
Capital	2.8%	2.4%	4.4%	5.3%
Infrastructure: Payments for financial assets	0.0%	0.0%	0.0%	0.0%
Infrastructure: Leases	0.1%	0.4%	0.4%	0.4%
Non-infrastructure	4.0%	4.1%	3.9%	5.1%
Total	**100%**	**100%**	**100%**	**100%**

Source: National Treasury infrastructure reporting model

The purpose of expenditure on maintenance is to avoid the deterioration of assets and a large maintenance backlog. The national departments of basic education and health encourage provincial departments to allocate at least 20 per cent of their total budgets in each financial year to maintenance.

Table 11.3 gives information about provinces' education, health and transport infrastructure projects between 2020/21 and 2023/24, with all three sectors investing more in existing infrastructure than new infrastructure. The education sector, for example, focused on upgrades or additions to improve compliance with norms and standards for school infrastructure. Over the four financial years, these projects accounted for about 64 per cent of the sector's infrastructure budget, whereas maintenance and repairs accounted for about 19 per cent.

An average of 64 per cent of the health sector's infrastructure expenditure between 2020/21 and 2023/24 was on existing infrastructure. Unlike the education sector, 22 per cent of this spending was on maintenance and repairs and 14 per cent was on upgrades and additions, indicating the sector's focus on clearing infrastructure backlogs. This was confirmed by a decrease in the number of new infrastructure projects between 2020/21 and 2023/24.

The transport sector spent an average of 65 per cent of its infrastructure budget between 2020/21 and 2023/24 on existing infrastructure. Maintenance and repairs accounted for 32 per cent of this spending, and upgrades and additions for 14 per cent.

Table 11.3 Provincial sector infrastructure projects by nature of investment (2020/21 to 2023/24)

	Education				Health				Transport			
	2020/21	2021/22	2022/23	2023/24	2020/21	2021/22	2022/23	2023/24	2020/21	2021/22	2022/23	2023/24
Existing infrastructure assets	**7 537**	**7 324**	**7 950**	**5 967**	**2 030**	**1 885**	**2 184**	**2 141**	**1 040**	**865**	**879**	**922**
Maintenance and repairs	1 092	1 306	1 936	1 588	962	976	997	1 025	484	326	355	341
Upgrades and additions	5 100	5 101	4 599	3 398	539	480	628	660	306	309	328	308
Refurbishment and rehabilitation	1 345	917	1 415	981	529	429	559	456	250	230	196	273
New infrastructure assets	**662**	**550**	**446**	**446**	**421**	**329**	**171**	**164**	**217**	**212**	**241**	**107**
Infrastructure transfers	**2**	**–**	**1**	**–**	**5**	**3**	**4**	**4**	**–**	**–**	**–**	**1**
Current	1	–	–	–	3	3	4	4	–	–	–	–
Capital	1	–	1	–	2	–	–	–	–	–	–	1
Infrastructure: Payments for financial assets	–	–	–	–	–	–	–	–	–	–	–	–
Infrastructure: Leases	1	1	1	2	–	2	1	1	8	8	8	8
Non-infrastructure	81	113	82	84	396	301	377	449	63	47	45	39
Total	**8 283**	**7 988**	**8 480**	**6 499**	**2 852**	**2 520**	**2 737**	**2 759**	**1 328**	**1 132**	**1 173**	**1 077**

Table 11.3 Provincial sector infrastructure projects by nature of investment (2020/21 to 2023/24) (continued)

	Education				Health				Transport			
	2020/21	2021/22	2022/23	2023/24	2020/21	2021/22	2022/23	2023/24	2020/21	2021/22	2022/23	2023/24
Existing infrastructure assets	**91.0%**	**91.7%**	**93.8%**	**91.8%**	**71.2%**	**74.8%**	**79.8%**	**77.6%**	**78.3%**	**76.4%**	**74.9%**	**85.6%**
Maintenance and repairs	13.2%	16.4%	22.8%	24.4%	33.7%	38.7%	36.4%	37.2%	36. 5%	28.8%	30.3%	31.7%
Upgrades and additions	61.6%	63.9%	54.2%	52.3%	18.9%	19.1%	22.9%	23.9%	23.0%	27.3%	28.0%	29.0%
Refurbishment and rehabilitation	16.2%	11.5%	16.7%	15.1%	18.6%	17.0%	20.4%	16.5%	18.8%	20.3%	16.8%	25.4%
New infrastructure assets	**8.0%**	**6.9%**	**5.3%**	**6.9%**	**14.8%**	**13.1%**	**6.3%**	**5.9%**	**16.3%**	**18.7%**	**20.6%**	**9.9%**
Infrastructure transfers	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.2%**	**0.1%**	**0.2%**	**0.1%**	**0.0%**	**0.0%**	**0.0%**	**0.1%**
Current	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%
Capital	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Infrastructure: Payments for financial assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Infrastructure: Leases	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.6%	0.7%	0.7%	0.7%
Non-infrastructure	1.0%	1.4%	1.0%	1.3%	13.9%	11.9%	13.8%	16.3%	4.7%	4.2%	3.8%	3.6%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: National Treasury infrastructure reporting model

Consolidated number of projects by status

Table 11.4 shows the consolidated number of projects implemented in all provinces across the different departments between 2020/21 and 2023/24. The number of projects in the initiation, pre-feasibility, feasibility and design phases increased from 3 111 in 2020/21 to 4 274 in 2023/24, with some spanning over more than one financial year. These increasing numbers indicated improvements in provincial planning. Construction projects accounted for the bulk of projects:

- 4 268 in 2020/21
- 4 305 in 2021/22
- 3 799 in 2022/23
- 3 820 in 2023/24.

Practical completion status indicates that construction has been completed, and the structure has been handed over for use. Final completion status includes the submission of a close-out report and final account, and the issuing of final completion and defects certificates. Between 2020/21 and 2023/24, 10 614 projects were practically completed, of which 7 176 projects were at the final account stage. Departments must put more effort into ensuring that all projects achieve final completion status. Once this is reached, the asset register needs to be updated with the details of the completed project.

Over the four financial years, 225 projects were terminated, mainly because of non-performance by contractors, and 646 were put on hold because of factors such as a lack of financial resources, community unrest or disruptions on site.

Table 11.4 Total infrastructure projects by project status (2020/21 to 2023/24)

	2020/21	2021/22	2022/23	2023/24
Project Status				
Project initiation	936	1 145	1 477	1 516
Prefeasibility	913	926	1 057	1 061
Feasibility	110	123	93	61
Design	1 152	1 023	1 863	1 636
Tender	587	686	1 055	743
Site handed over to contractor	279	329	327	382
Construction (1% to 25%)	829	955	1 033	1 215
Construction (26% to 50%)	560	637	687	723
Construction (51% to 75%)	1 039	1 140	1 103	1 049
Construction (76% to 99%)	1 840	1 573	976	833
Practical completion (100%)	3 068	2 955	2 842	1 749
Final completion	2 234	2 036	1 717	1 189
On hold	167	142	194	143
Terminated	82	46	55	42
Not applicable	170	190	339	377
Other: Compensation of employees	56	50	47	46
Other: Packaged ongoing project	860	692	737	776
Total	**14 882**	**14 648**	**15 602**	**13 541**
Percentage share of total				
Project initiation	6.3%	7.8%	9.5%	11.2%
Prefeasibility	6.1%	6.3%	6.8%	7.8%
Feasibility	0.7%	0.8%	0.6%	0.5%
Design	7.7%	7.0%	11.9%	12.1%
Tender	3.9%	4.7%	6.8%	5.5%
Site handed over to contractor	1.9%	2.2%	2.1%	2.8%
Construction (1% to 25%)	5.6%	6.5%	6.6%	9.0%
Construction (26% to 50%)	3.8%	4.3%	4.4%	5.3%
Construction (51% to 75%)	7.0%	7.8%	7.1%	7.7%
Construction (76% to 99%)	12.4%	10.7%	6.3%	6.2%
Practical completion (100%)	20.6%	20.2%	18.2%	12.9%
Final completion	15.0%	13.9%	11.0%	8.8%
On hold	1.1%	1.0%	1.2%	1.1%
Terminated	0.6%	0.3%	0.4%	0.3%
Not applicable	1.1%	1.3%	2.2%	2.8%
Other: Compensation of employees	0.4%	0.3%	0.3%	0.3%
Other: Packaged ongoing project	5.8%	4.7%	4.7%	5.7%
Total	**100%**	**100%**	**100%**	**100%**

Source: National Treasury infrastructure reporting model

Other: Compensation of employees relates to salaries and consultants' fees paid from infrastructure budgets. Grants such as the *education infrastructure grant* or the *health facility revitalisation grant* allow departments to pay salaries. Other: Packaged ongoing project relates mainly to unplanned maintenance.

Table 11.5 shows the number of infrastructure projects at various stages in the education, health and transport sectors across all provinces between 2020/21 and 2023/24. These sectors account for a combined 46 828 projects – 65 per cent of total provincial projects over the past four years. Of this percentage, education accounts for 43.3 per cent, health for 15.1 per cent and transport for 6.5 per cent.

Table 11.5 Provincial sector specific infrastructure projects by project status (2020/21 to 2023/24)

	Education				Health				Transport			
	2020/21	2021/22	2022/23	2023/24	2020/21	2021/22	2022/23	2023/24	2020/21	2021/22	2022/23	2023/24
Project initiation	332	579	716	641	190	155	199	257	97	112	182	152
Prefeasibility	566	526	611	629	102	123	153	154	145	147	120	99
Feasibility	27	46	23	4	68	60	53	53	–	1	2	–
Design	643	524	1 304	1 067	268	237	256	260	108	86	110	87
Tender	376	453	767	455	132	134	170	169	36	44	50	53
Site handed over to contractor	133	93	69	127	91	88	126	108	28	32	38	62
Construction (1% to 25%)	425	392	456	609	84	82	95	135	108	114	122	141
Construction (26% to 50%)	299	285	301	326	63	92	95	109	55	54	58	75
Construction (51% to 75%)	275	268	215	187	488	541	531	546	58	68	66	72
Construction (76% to 99%)	1 101	928	447	361	344	166	156	126	127	131	103	81
Practical completion (100%)	2 374	2 353	2 233	1 256	272	190	184	158	132	112	91	60
Final completion	1 523	1 383	1 103	637	447	327	291	223	96	75	52	40
On hold	75	40	110	74	–	–	–	–	17	10	12	6
Terminated	38	19	30	15	–	–	–	–	7	10	10	11
Not applicable	25	26	30	34	142	156	275	316	1	2	27	19
Other: Compensation of employees	12	8	8	8	31	31	30	30	–	–	–	–
Other: Packaged ongoing project	59	65	57	69	130	138	123	115	313	134	130	119
Total	**8 283**	**7 988**	**8 480**	**6 499**	**2 852**	**2 520**	**2 737**	**2 759**	**1 328**	**1 132**	**1 173**	**1 077**

Source: National Treasury infrastructure reporting model

Most projects in these three sectors were reported as being under construction between 2019/20 and 2023/24. During this period, 6 062 projects reached the final completion stage in the education sector, 2 065 in the health sector and 310 in the transport sector. The was a decrease in the number of projects on hold or terminated across all these sectors over these years.

Medium-term outlook

Infrastructure development is key to economic growth. Government needs to prioritise social and economic infrastructure, with a focus on strengthening infrastructure delivery services. The IDMS needs to be institutionalised across government to ensure that infrastructure is managed more effectively, and that the infrastructure value chain is auditable.

As provincial governments continue to implement the IDMS, it will become more institutionalised at the national and local levels. The development of the local government IDMS toolkit was expected to be completed by 2027/28. Its full implementation and institutionalisation will require a collaborative approach between National Treasury, the Municipal Infrastructure Support Agent, the Development Bank of Southern Africa, the South African Local Government Association, the Department of Cooperative Governance and the Department of Traditional Affairs.

Because it is critical to build the capacity of organs of state to effectively deliver infrastructure, ongoing training is required to equip officials to use the IDMS. The development of an IDMS curriculum for higher education institutions will focus on capacity building and offer accredited training to government officials and private sector practitioners.

Provinces were projected to spend R231 billion on infrastructure over the MTEF period, mainly on refurbishing, rehabilitating and upgrading existing infrastructure. National Treasury, through the performance-based system, will continue to incentivise the provincial departments of education and health to improve their planning and performance over the MTEF period.

Conclusion

Government needs to invest more in building the capacity and capability of the public sector to ensure that infrastructure is delivered effectively and efficiently. The IDMS enables this by providing processes that need to be followed in planning, implementing, monitoring and overseeing infrastructure development.

The focus over the MTEF period will be on capacitating national and local government on infrastructure delivery processes and continuing to improve on the institutionalisation of the IDMS in provincial government. Transparency and accountability in reporting on infrastructure projects and programmes across government is also key.

PROVINCIAL BUDGETS AND EXPENDITURE REVIEW

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Private Bag X115, Pretoria, 0001 | 40 Church Square, Pretoria, 0002 | Tel: +27 12 315 5944 | Fax: +27 12 406 9055 | www.treasury.gov.za

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REPUBLIC OF SOUTH AFRICA