



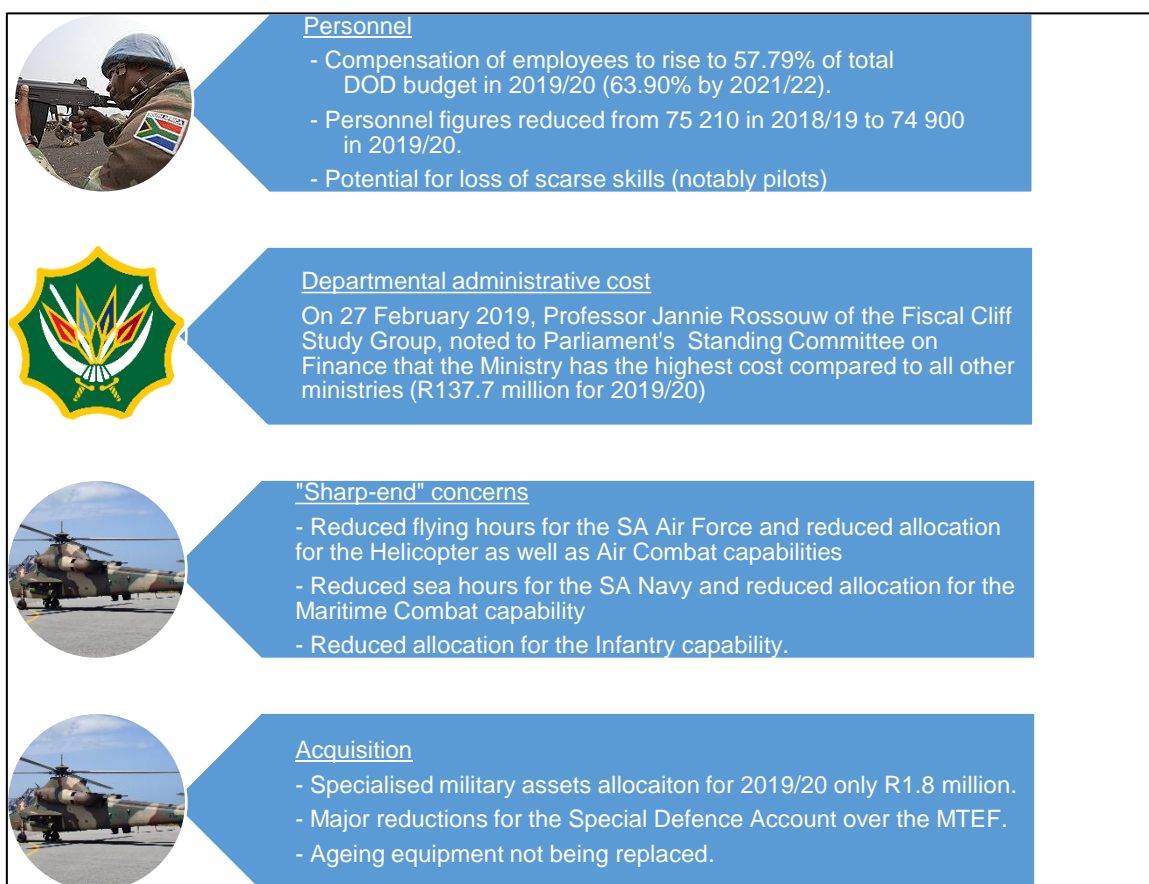
1 March 2019

THE DEPARTMENT OF DEFENCE BUDGET FOR 2019/20: A MACRO OVERVIEW

1. INTRODUCTION

On 20 February 2019, the Minister of Finance presented the 2019 budget and National Treasury released the Estimates of National Expenditure (ENE) that includes estimated expenditure by the Department of Defence (DOD). This document provides a macro overview of the DOD budget allocation for 2019/20 and also reviews allocations per programme. The document identifies a number of significant shifts in allocations and raises subsequent questions for further interrogation by the Portfolio Committee on Defence and Military Veterans (PCDMV).

Figure 1: Key focus areas emanating from the DOD's 2019/20 budget





2. BROAD FINANCIAL OVERVIEW

The total allocation for the DOD for 2019/20 is R50.513 billion, which is only slightly higher than the revised estimate of R48.496 billion allocated in 2018/19. The DOD budget therefore increases by 4.2% in nominal terms, but decreases by 0.99% in real terms¹ from 2018/19 to 2019/20.

The defence allocation for 2019/20 represents 3.06% of the country's total expenditure of R1.646 trillion (3.17% in 2018/19). However, as a percentage of GDP for 2019/20 (R5.414 trillion), defence expenditure stands at 0.93% (0.95% in 2017/18).²

Table 1 reflects the nominal and real percentage changes per programme for the DOD's 2019/20 budget. The real percentage changes are adjusted for Consumer Price Inflation (CPI) and do not take into account other forms of inflation such as medical³ or the concept of 'defence inflation' which are generally considered higher than CPI.⁴ Individual programmes will be discussed in subsequent sections.

Table 1: Increase/decrease per programme from 2018/19 to 2019/20

Programme	Budget		Nominal Increase / Decrease in 2019/20	Real Increase / Decrease in 2019/20	Nominal Percent change in 2019/20	Real Percent change in 2019/20
	2018/19	2019/20				
R million						
Programme 1: Administration	5 653,3	6 187,1	533,8	228,0	9,44%	4,03%
Programme 2: Force employment	3 375,6	3 620,7	245,1	66,1	7,26%	1,96%
Programme 3: Landward Defence	16 271,2	16 464,3	193,1	- 620,7	1,19%	-3,81%
Programme 4: Air Defence	6 650,8	6 977,7	326,9	- 18,0	4,92%	-0,27%
Programme 5: Maritime Defence	4 699,4	4 517,9	- 181,5	- 404,8	-3,86%	-8,61%
Programme 5: Military Health Support	4 714,1	5 375,3	661,2	395,5	14,03%	8,39%
Programme 7: Defence Intelligence	950,4	1 020,5	70,1	19,7	7,38%	2,07%
Programme 8: General Support	6 181,6	6 349,5	167,9	- 146,0	2,72%	-2,36%
TOTAL	48 496,2	50 513,0	2 016,8	- 480,0	4,2%	-0,99 per cent

Key cost drivers and other concerns of the DOD 2019/20 budget include the following (in terms of broad economic classifications):

- **Compensation of employees.** The total expenditure on compensation of employees increased to R29.194 billion which equates to 57.79% of total defence expenditure for 2019/20 (revised estimates by National Treasury for 2018/19 reveals that spending on compensation of employees during that year was 55.92%). This portrays an ongoing increase in spending on compensation of employees which is not aligned to the 2015 Defence Review that calls for a maximum of 40% spending on personnel. The National Treasury further notes that spending on compensation of employees will stand at a total of 59% of total expenditure over the MTEF with a high of 63.90% by 2021/22.

¹ Real percentage takes into account a Consumer-Price Inflation of 5.2% for 2019/20.

² National Treasury (2019). p. xvii

³ See for example Khumalo (2017)

⁴ See Solomon and Hartley (2016)



- **Limited spending on buildings and fixed structures.** Spending on buildings and fixed structures are reduced from R529.7 million in 2018/19 to R351.3 in 2019/20. While a total of R2.4 billion is allocated to the Defence Works Formation over the medium-term to conduct repair and maintenance, the reduction on spending on buildings is of major concern. This will likely lead to the further degradation of defence infrastructure.
- **Capital acquisition.** For 2019/20, only R1.8 million is allocated for spending on specialised military assets. This is down from R2.8 million in 2018/19. More significantly, transfers to *Departmental Agencies and Accounts* (that largely consist of transfers to the SDA) is set to decrease significantly over the MTEF from R5.977 billion in 2019/20 to R1.583 billion in 2021/22. This may have a lasting impact on force modernisation and defence capabilities.
- **The high cost of administering the DOD.** In a briefing to Parliament's Standing Committee on Finance on 27 February 2019, Professor Jannie Rossouw of the Fiscal Cliff Study Group lamented the exorbitant cost of ministries in South Africa. He also noted that the DOD Ministry has the highest ministerial cost of all ministries (R137.7 million for 2019/20), compared to National Treasury with the lowest ministerial cost of R4.4 million).⁵

3. FINANCIAL OVERVIEW PER PROGRAMME

3.1 Programme 1 (Administration)

The Administration programme received a significant nominal increase from R5.65 billion in 2018/19 to R6.19 billion in 2019/20. This increase results in a real percentage increase of R4.03%. The largest nominal increase was for the *Financial Services* subprogramme which allocation increases from R369.4 million in 2018/19 to R435.6 million in 2019/20. Other subprogrammes that saw their allocation increase in real terms include *Departmental Direction* (14.2%), *Human Resources Services* (13.87%), *Defence Reserve Direction* (13.16%) and *Religious Services* (27.38%). Of major concern is the reduction in the allocation for *Acquisition Services* (50.77%). This is indicative of the limited ability of the DOD to do capital acquisition and ensure the replacement of ageing equipment.

In terms of economic classifications, three clear increases from 2018/19 to 2019/20 raise concern:

- *Advertising* increases from R76.0 million to R89.2 million. This significant increase can be questioned in light of the DOD's limited recruitment capacity.
- *Computer services* increases from R75.5 million to R114.1 million. This increase should be seen in the context of a limited allocation for software which only received an allocation of R100 000 over the MTEF. It thus raises a question with what software the new computer services will run?

⁵ Omarjee (2019).



- *Property payments* increases from R976.5 million to R1.127 billion. This signifies an increase of 15.37%. If the lease of properties for the DOD is included in this figure, it brings into question the DOD's ability to negotiate favourable annual lease increases.

Table 2: Nominal and real increases/decreases in the Administration Programme

Programme	Budget		Nominal Increase / Decrease in 2019/20	Real Increase / Decrease in 2019/20	Nominal Percent change in 2019/20	Real Percent change in 2019/20
R million	2018/19	2019/20				
Sub-programme 1: Ministry	125,6	137,7	12,1	5,3	9,63%	4,21%
Sub-programme 2: Departmental Direction	43,2	51,9	8,7	6,1	20,1 %	14,20%
Sub-programme 3: Policy and Planning	114,9	123,6	8,7	2,6	7,57%	2,25%
Sub-programme 4: Financial Services	369,4	435,6	66,2	44,7	17,92%	12,09%
Sub-programme 5: Human Resources Support Services	800,3	958,7	158,4	111,0	19,79%	13,87%
Sub-programme 6: Legal Services	318,1	364,1	46,0	28,0	14,46%	8,80%
Sub-programme 7: Inspection and Audit Services	138,8	154,6	15,8	8,2	11,38%	5,88%
Sub-programme 8: Acquisition Services	173,4	89,8	- 83,6	- 88,0	-48,21%	-50,77%
Sub-programme 9: Communications Services	116,5	129,9	13,4	7,0	11,50%	5,99%
Sub-programme 10: SANDF Command and Control	165,0	185,8	20,8	11,6	12,61%	7,04%
Sub-programme 11: Religious Services	15,0	20,1	5,1	4,1	34,00%	27,38%
Sub-programme 12: Defence Reserve Direction	29,4	35,0	5,6	3,9	19,05%	13,16%
Sub-programme 13: Defence Foreign Relations	278,9	303,3	24,4	9,4	8,75%	3,37%
Sub-programme 14: Office Accommodation	2 337,7	2 534,7	197,0	71,7	8,43%	3,07%
Sub-programme 15: Military Veterans Management	627,1	662,6	35,5	2,7	5,66%	0,44%
TOTAL	5 653,3	6 187,1	533,8	228,0	9,4%	4,03%

The Committee may seek further clarity on:

- What are the reasons for the high cost of the Ministry (R137.7 million) compared to other state departments? What can be done to cut this administrative cost?
- The allocation for the *Human Resources Services* subprogramme increases by 13.87% in real terms from 2018/19 to 2019/20. How does this correlate with the reduction in personnel in the DOD?
- Why is there a need to increase advertising from R76.0 million to R89.2 million in 2019/20? What additional advertising activities will be done in 2019/20?
- What is the reason for increasing the allocation for *Computer services* from R75.5 million to R114.1 million in 2019/20?
- *Property payments* increases from R976.5 million to R1.127 billion in 2019/20. What is included in property payments? If leases are included, why can more favourable leases not be negotiated for the DOD? Does the DOD plan to reduce its number of leases by developing its own buildings on state-owned land?



3.2 Programme 2 (Force employment)

The allocation for the Force Employment programme increased by a total of R245.1 million from 2018/19 to 2019/20, resulting in a real percentage increase of 1.96%. The largest increase was to the *Support to the People* subprogramme that received a real percentage increase of 11.23%. This likely relates, among others, to the SANDF's assistance in the restoration of sewage plants along the Vaal River as well as deployments during the upcoming general elections. The *Regional Security* subprogramme received a real percentage reduction of 10.21% over the same period.

In terms of economic classifications, several increases and decreases in allocation between 2018/19 and 2019/20 should be noted:

- *Fleet services* increases from R27 million to R46.6 million.
- *Food and food supplies* increases from R150.1 million to R215.7 million.
- *Fuel, oil and gas* increases from R53.7 million to R93.6 million.
- *Travel and subsistence* increases from R182.6 million to R227.8 million.
- *Machinery and equipment* decreases from R89 million to R34 million.

Table 3: Nominal and real increases/decreases in the Force Employment Programme

Programme	Budget		Nominal Increase / Decrease in 2019/20	Real Increase / Decrease in 2019/20	Nominal Percent change in 2019/20	Real Percent change in 2019/20
	2018/19	2019/20				
R million						
Sub-programme 1: Strategic Direction	175,5	191,3	15,8	6,3	9,00%	3,61%
Sub-programme 2: Operational Direction	340,1	378,2	38,1	19,4	11,20%	5,71%
Sub-programme 3: Special Operations	844,3	936,4	92,1	45,8	10,91%	5,43%
Sub-programme 4: Regional Security	1 081,1	1 021,2	- 59,9	- 110,4	-5,54%	-10,21%
Sub-programme 5: Support to the people	934,6	1 093,6	159,0	104,9	17,01%	11,23%
TOTAL	3 375,6	3 620,7	245,1	66,1	7,3%	1,96%

The Committee may seek further clarity on:

- Will the reduction for the *Regional Security* subprogramme (10.21% in real terms) impact on SANDF operations in the DRC? Will this negatively affect the capacity of the SANDF to ensure UN reimbursements?
- What is the reason for the increase in *Fleet services* from R27 million to R46.6 million?
- The allocation for *Food and food supplies* increases significantly from R150.1 million to R215.7 million in 2019/20. What is the reason for this?
- The allocation for *Travel and subsistence* increases from R182.6 million to R227.8 million. How many additional soldiers will be deployed during the year to justify this increase?
- The allocation for *Machinery and equipment* decreases from R89 million to R34 million. How will this impact on the ability of the SANDF to effectively conduct deployments?



3.3 Programme 3 (Landward Defence)

The Landward Defence programme is the largest programme in the DOD and includes the SA Army with a personnel component of 37 593 in 2019/20. For 2019/20, the programme received only a marginal nominal increase resulting in a real percentage decrease of 3.81%. The most significant decrease is reflected in the *Air Defence Artillery Capability* subprogramme (14.23%). However, this should be seen in the context of an increase in previous years for the upgrading of equipment. The allocation for the *Infantry capability* subprogramme also decreases by 10.21% in real terms. Subprogramme 4 (Artillery Capability), in turn, receives a major increase of 41.46% in real terms from 2018/19 to 2019/20.

In terms of economic classifications, the following increases and decreases from 2018/19 to 2019/20 can be noted:

- The allocation for *contractors* increases from R266.9 million to R297.9 million.
- The allocation for *fleet services* increases from R81.4 million to R187.1 million.
- The allocation for *Departmental agencies and accounts* decreases from R2.483 billion to R1.873 billion.

Table 4: Nominal and real increases/decreases in the Landward Defence Programme

Programme	Budget		Nominal Increase / Decrease in 2019/20	Real Increase / Decrease in 2019/20	Nominal Percent change in 2019/20	Real Percent change in 2019/20
	2018/19	2019/20				
R million						
Sub-programme 1: Strategic Direction	396,2	395,1	- 1,1	- 20,6	-0,28%	-5,21%
Sub-programme 2: Infantry Capability	6 663,6	6 294,5	- 369,1	- 680,2	-5,54%	-10,21%
Sub-programme 3: Armour Capability	472,8	497,0	24,2	- 0,4	5,12%	-0,08%
Sub-programme 4: Artillery Capability	482,8	718,5	235,7	200,2	48,82%	41,46%
Sub-programme 5: Air Defence Artillery Capability	547,8	494,3	- 53,5	- 77,9	-9,77%	-14,23%
Sub-programme 6: Engineering Capability	795,3	814,0	18,7	- 21,5	2,35%	-2,71%
Sub-programme 7: Operational Intelligence	233,5	246,4	12,9	0,7	5,52%	0,31%
Sub-programme 8: Command and Control Capability	218,1	235,1	17,0	5,4	7,79%	2,47%
Sub-programme 9: Support Capability	4 595,5	4 816,7	221,2	- 16,9	4,81%	-0,37%
Sub-programme 10: General Training Capability	528,2	544,6	16,4	- 10,5	3,10%	-1,99%
Sub-programme 11: Signal Capability	1 337,6	1 408,1	70,5	0,9	5,27%	0,07%
TOTAL	16 271,2	16 464,3	193,1	- 620,7	1,2%	-3,81%

The Committee may seek further clarity on:

- What are the major contributors to the 10.21% real reduction in the allocation to the *Infantry capability*? How will this practically impact on the SANDF's infantry units?
- What is the reason for the R235.7 million additional allocation to the *Artillery capability* in 2019/20?



- The allocation for *contractors* increases from R266.9 million to R297.9 million in 2019/20. Why is this increase necessary? Members should request some practical examples of the type of contractors used under the Landward Defence programme.
- The allocation for *fleet services* increases from R81.4 million to R187.1 million in 2019/20. What are the reasons for this increase?
- The allocation for *Departmental agencies and accounts* decreases significantly from R2.483 billion to R1.873 billion in 2019/20. It is further set to decrease to only R103.4 million by 2021/22. Given that this payment generally refers to payments to the SDA for the acquisition of equipment, Members may request specific details of what the impact on equipment will be.

3.4 Programme 4 (Air Defence)

The Air Defence programme has taken significant strain in recent years in terms of its budget allocation. By 2015/16, the programme's allocating stood at R7.086 billion, but since then it has not breached the R7 billion ceiling again. For the period under scrutiny, the allocation for the programme increased slightly from R6.651 billion in 2018/19 to R6.978 billion in 2019/20. This translates to a real percentage reduction of 0.27%. The *Operational direction* subprogramme received a significant increase from R97.3 million in 2018/19 to R189 million in 2019/20 (84.64% in real terms). Similarly, the *Transport and maritime capability* received an additional R480 million, resulting in a real percentage increase of 62.6%. The *Command and control* capability also received an additional R184.6 million, resulting in a real percentage increase of 20.41%. Two concerning reductions should also be noted. Key to the "sharp end" of the SA Air Force is its *Helicopter* and *Air combat* capabilities. These subprogrammes have received real reductions of 29.8% and 17.77% respectively. These concerns are further compounded by the indication in the ENE that flying hours in the SA Air Force will decrease from a target of 25 000 in 2018/19 to 17 200 in 2019/20.

In terms of economic classifications, the following increases and decreases from 2018/19 to 2019/20 can be noted:

- The allocation for *Property payments* increases from R56.6 million to R82.1 million.
- The allocation for *Operating payments* increases from R107.8 million to R171.7 million.
- The allocation for *Departmental agencies and accounts* increases from R1.020 billion to R1.255 billion. This is in contrast to, for example, significant reductions in the allocation for Departmental agencies and accounts in the Landward Defence programme.



Table 5: Nominal and real increases/decreases in the Air Defence Programme

Programme	Budget		Nominal Increase / Decrease in 2019/20	Real Increase / Decrease in 2019/20	Nominal Percent change in 2019/20	Real Percent change in 2019/20
R million	2018/19	2019/20				
Sub-programme 1: Strategic Direction	31,0	32,0	1,0	- 0,6	3,23%	-1,88%
Sub-programme 2: Operational Direction	97,3	189,0	91,7	82,4	94,24%	84,64%
Sub-programme 3: Helicopter Capability	948,5	700,5	- 248,0	- 282,6	-26,15%	-29,80%
Sub-programme 4: Transport and Maritime Capability	675,8	1 156,0	480,2	423,1	71,06%	62,60%
Sub-programme 5: Air Combat Capability	840,1	726,7	- 113,4	- 149,3	-13,50%	-17,77%
Sub-programme 6: Operational Support and Intelligence Capability	343,3	370,1	26,8	8,5	7,81%	2,48%
Sub-programme 7: Command and Control Capability	692,0	876,6	184,6	141,3	26,68%	20,41%
Sub-programme 8: Base Support Capability	1 803,8	1 763,9	- 39,9	- 127,1	-2,21%	-7,05%
Sub-programme 9: Command Post	68,9	73,7	4,8	1,2	6,97%	1,68%
Sub-programme 10: Training Capability	586,3	509,0	- 77,3	- 102,5	-13,18%	-17,48%
Sub-programme 11: Technical Support Services	563,9	580,3	16,4	- 12,3	2,91%	-2,18%
TOTAL	6 650,8	6 977,7	326,9	- 18,0	4,9%	-0,27%

The Committee may seek further clarity on:

- The increased allocation for the SA Air Force's transport and maritime capability should be welcomed. The following questions may be posed:
 - How will the increased allocation affect the operational capacity of the SA Air Force's C-130 fleet?
 - Will the increased allocation assist in reviving the maritime patrol capability of the SA Air Force?
- What are the reasons for the significant increase from R97.3 million in 2018/19 to R189 million in 2019/20 for *Operational direction*?
- The reduced allocation for the Helicopter and Air Combat capability is of major concern. During a previous PCDMV visit to AFB Makhado, fighter pilots lamented the fact that they have very limited flying hours available. The latest reductions will likely compound the problem. This may invariably lead to the exit of skilled pilots and other personnel for the civilian sector. How will the SA Air Force ensure skills retention?
- Why does the allocation for *Operating payments* increase from R107.8 million to R171.7 million?
- Why is there an increase in the allocation for *Departmental agencies and accounts* from R1.020 billion to R1.255 billion in 2019/20? Other programmes saw a decrease in this regard. What acquisition plans are envisaged under the SDA?



3.5 Programme 5 (Maritime Defence)

The overall allocation to the Maritime defence programme has remained relatively constant over the past three financial years and continue to do so in 2019/20. This does, however, mean that inflation impacts negatively on its budget. The general allocation for the programme decreased slightly from R4.699 billion in 2018/19 to R4.518 billion in 2019/20. This translates to a real percentage reduction of 8.61%. Two programmes show major shifts in their allocation. The *Maritime Combat capability* subprogramme received a reduced allocation of R395.5 million, resulting in a 25.32% real reduction as adjusted for inflation. Furthermore, the *Base Support Capability* received a real percentage increase of 12.69%.

In terms of economic classifications, the following increases and decreases from 2018/19 to 2019/20 can be noted:

- The allocation for *Fuel, oil and gas* decreases from R109.2 million to R97.5 million.
- The allocation for *Other supplies* decreases from R126.8 million to R94.0 million.
- The allocation for *Departmental agencies and accounts* decreases from R1.232 billion to R866.6 million.

Table 6: Nominal and real increases/decreases in the Maritime Defence Programme

Programme	Budget		Nominal Increase / Decrease in 2019/20	Real Increase / Decrease in 2019/20	Nominal Percent change in 2019/20	Real Percent change in 2019/20
R million	2018/19	2019/20				
Sub-programme 1: Maritime Direction	569,3	594,9	25,6	- 3,8	4,50%	-0,67%
Sub-programme 2: Maritime Combat Capability	1 845,0	1 449,5	- 395,5	- 467,1	-21,44%	-25,32%
Sub-programme 3: Maritime Logistics support Capability	1 133,1	1 184,3	51,2	- 7,3	4,52%	-0,65%
Sub-programme 4: Maritime HR and Training Capability	545,2	570,1	24,9	- 3,3	4,57%	-0,60%
Sub-programme 5: Base Support Capability	606,6	719,1	112,5	77,0	18,55%	12,69%
TOTAL	4 699,4	4 517,9	- 181,5	- 404,8	-3,9%	-8,61%

The Committee may seek further clarity on:

- What will the increased allocation for *Base Support Capability* be utilised for? What is the status of refurbishment projects at the Durban Naval Base?
- The 25.32% real reduction for the SA Navy's *Maritime combat capability* is of major concern. This concern should be read along the fact that the target for sea hours are reduced from 12 000 in 2018/19 to 10 000 in 2019/20. How will this reduced allocation impact on the SA Navy's combat readiness?
- The allocation for '*Other supplies*' decreases from R126.8 million to R94.0 million in 2019/20. What supplies does this refer to and how will this impact on the SA Navy?
- What are the reasons for the reduced allocation for *Departmental agencies and accounts* from R1.232 billion to R866.6 million in 2019/20? How will this affect procurement of special naval equipment through the SDA?



3.6 Programme 6 (Military Health Support)

The Military health support programme received an additional R661.2 million in 2019/20, bringing its total allocation to R5.375 billion. This reflects an 8.39% increase in real terms. Two subprogrammes were the major beneficiaries of this increase. Firstly, the *Mobile Military Health Support* subprogramme received an 88.16% increase in 2019/20 compared to the previous year. Secondly, the *Military Health Maintenance* subprogramme also saw its allocation increase by 19.71% over this period. Finally, the *Area Military Health Support* subprogramme received an 11.21% increase in real terms.

In terms of economic classifications, the following increases from 2018/19 to 2019/20 can be noted:

- The allocation for *Medical supplies* increases from R109.5 million to R159.4 million.
- The allocation for *Medicine* increases from R194.5 million to R352.1 million.
- The allocation for *Departmental agencies and accounts* increases from R100 000 to R62.7 million.

Table 7: Nominal and real increases/decreases in the Military Health Support

Programme	Budget		Nominal Increase / Decrease in 2019/20	Real Increase / Decrease in 2019/20	Nominal Percent change in 2019/20	Real Percent change in 2019/20
R million	2018/19	2019/20				
Sub-programme 1: Strategic Direction	191,7	206,7	15,0	4,8	7,82%	2,49%
Sub-programme 2: Mobile Military Health Support	131,6	260,5	128,9	116,0	97,95%	88,16%
Sub-programme 3: Area Military Health Support	1 672,2	1 956,3	284,1	187,4	16,99%	11,21%
Sub-programme 4: Specialist Health Services	1 876,5	2 049,2	172,7	71,4	9,20%	3,81%
Sub-programme 5: Military Health Product Support	295,0	302,5	7,5	- 7,5	2,54%	-2,53%
Sub-programme 6: Military Health Maintenance	175,8	221,4	45,6	34,7	25,94%	19,71%
Sub-programme 7: Military Health Training Capability	371,3	378,6	7,3	- 11,4	1,97%	-3,07%
TOTAL	4 714,1	5 375,3	661,2	395,5	14,0%	8,39%

The Committee may seek further clarity on:

- The PCDMV has, in the past, raised significant concern regarding the availability of medical stock. An allocation increase for 'Medical stock' and 'Medicine' should thus alleviate much of the concern. Members may inquire as to what the target for the percentage level of medical stock is for 2019/20?
- The *Mobile Military Health Support* subprogramme receives an 88.16% increase in 2019/20 compared to the previous year. How will this increased be used?



- The *Military Health Maintenance* subprogramme also saw its allocation increase by 19.71% in 2019/20. How will this improve medical services in the SANDF?
- The allocation for *Departmental agencies and accounts* increases from R100 000 in 2018/19 to R62.7 million in 2019/20. What are the reasons for this increase?

3.7 Programme 7 (Defence Intelligence)

The allocation for Defence Intelligence in 2019/20 reflects a slight increase resulting in a real percentage increase of 2.07%. The major benefactor is subprogramme 2 (Defence intelligence support Services) that received a real percentage increase of 7.85%. No major shifts are visible in terms of the economic classifications, except for a reduction in the allocation for *Households* from R4.5 million in 2018/19 to R1.7 million in 2019/20.

Table 8: Nominal and real increases/decreases in the Defence Intelligence Programme

Programme	Budget		Nominal Increase / Decrease in 2019/20	Real Increase / Decrease in 2019/20	Nominal Percent change in 2019/20	Real Percent change in 2019/20
	2018/19	2019/20				
Sub-programme 1: Operations	529,2	542,5	13,3	- 13,5	2,51%	-2,55%
Sub-programme 2: DI Support Services	421,2	477,9	56,7	33,1	13,46%	7,85%
TOTAL	950,4	1 020,5	70,1	19,7	7,4%	2,07%

The Committee may seek further clarity on:

- The PCDMV has, in the past, raised questions regarding the capacity of Defence Intelligence to establish a fully functioning and effective cyber warfare capability. How will the current budgetary allocation affect the ability of Defence intelligence to establish this function? What is the status of this establishment at Defence Intelligence?

3.8 Programme 8 (General Support)

The General Support programme received an additional allocation of R167.9 for 2019/20 compared to the previous year. However, this translates to a real percentage reduction of 2.36% when inflation is factored in. Allocations per subprogramme remained relatively stable, except for the Joint Logistics Services subprogrammes that saw its allocation remain stable, resulting in a real percentage decrease of 4.73%.

In terms of economic classifications, the following increases and decreases from 2018/19 to 2019/20 can be noted:

- The allocation for *Food and food supplies* increases from R35.9 million to R68.2 million.
- The allocation for *Departmental agencies and accounts* increases from R416.2 million to R473.1 million.
- The allocation for *Buildings and fixed structures* decreases from R523.9 million to R347.7 million.



It should further be noted that refurbishing and maintenance work by the Defence Works Formation (DWF) are also funded under the General Support programme. Over the MTEF, a total of R2.4 billion is allocated for projects by the DWF.

Table 9: Nominal and real increases/decreases in the General Support Programme

Programme	Budget		Nominal Increase / Decrease in 2019/20	Real Increase / Decrease in 2019/20	Nominal Percent change in 2019/20	Real Percent change in 2019/20
	2018/19	2019/20				
R million						
Sub-programme 1: Joint Logistics Services	2 898,9	2 905,5	6,6	- 137,0	0,23%	-4,73%
Sub-programme 2: Command and Maintenance Information Systems	978,2	1 048,0	69,8	18,0	7,14%	1,84%
Sub-programme 3: Military Police	671,6	704,5	32,9	- 1,9	4,90%	-0,29%
Sub-programme 4: Technology Development	466,0	487,7	21,7	- 2,4	4,66%	-0,52%
Sub-programme 5: Departmental Support	1 167,0	1 203,8	36,8	- 22,7	3,15%	-1,95%
TOTAL	6 181,6	6 349,5	167,9	- 146,0	2,7%	-2,36%

The Committee may seek further clarity on:

- The allocation for *Food and food supplies* increases from R35.9 million in 2018/19 to R68.2 million in 2019/20. Why is this increase necessary and how does this correlate with the need for austerity?
- What are the reasons for the reduction of the allocation for *Buildings and fixed structures* from R523.9 million in 2018/19 to R347.7 million in 2019/20?
- From which subprogramme is the DWF's projects funded? Members may ask for further clarity as to the work of the DWF, whether sufficient funds are available and whether funds are being shifted from the DPW to the DWF for rendering services.

4. CONCLUSION

The continued real percentage reduction of the DOD's budgetary allocation, as well as the reduction as a percentage of the GDP, hold significant concerns for the SANDF. While the DOD is aiming to arrest the decline of critical capabilities, this will prove extremely difficult with the current financial allocation. Furthermore, it will not allow for the implementation of any expansion programmes planned under the 2015 Defence Review. The most significant threat of the continued reduced allocation is that it has the potential to threaten specialised skills within the SANDF. Most concerning is the SA Air Force capabilities and pressure on pilots and related posts through limited flying hours. Capability maintenance is extremely important as it is expensive and time consuming to rebuild such capacity. The limited funds allocated to the SDA over the MTEF will further impact on the ability of the SANDF to maintain its capabilities. The overall problem is compounded by rising personnel costs and an ageing workforce. As such, there is a clear need at policy level to decide exactly what the purposes of the SANDF will be, to fund the Force accordingly and to ensure that effective exit mechanisms exist to prevent further ageing of the workforce.



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