2012 BUDGET PRESENTATION

Presenter: Pravin Gordhan | **Minister of Finance** | **23** February 2012

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Key Messages – Budget 2012

1. SA is on the right track
2. Fiscal framework continues to be countercyclical and support growth and investment.
3. 2012 Budget is about growth, job creation, infrastructure investment, education and better service delivery
4. The economy requires effective levers of economic change to accelerate development
   - Expanding construction of economic and social infrastructure,
   - enhancing economic competitiveness
   - moderating remuneration and consumption,
   - sustaining investment in people and skills,
   - supporting rural development and
   - job creation are among the levers of economic change at our disposal.

Key Messages – Budget 2012

5. Infrastructure – public-sector capital investment as a foundation for long term growth, employment and development
6. Over the medium term, the deficit will be reduced and public debt stabilised as a percentage of GDP
7. Total government spending in the next year will reach R1.06 trillion
8. Continue to strengthen financial management and rooting out corruption in the public sector
9. Maintaining the value of social expenditure while shifting emphasis to capital investment
10. Promoting a more competitive economy

Budget highlights

Economic recovery and employment

- Economic growth forecast to be 2.7% in 2012, 3.6% in 2013, increasing to 4.2% by 2014
- Consumer price inflation to rise to 6.2% in 2012, declining to 5.1% in 2014
- Employment is growing – 365 000 jobs were created in the year to December 2011

Budget framework

- Real growth in non-interest expenditure of 2.6% over MTEF
- Budget deficit of 4.8% this year, 4.6% in 2012/13, 4% in 2013/14 and 3% in 2014/15
- Debt stock and interest costs as percentage of GDP to stabilise over medium term

Tax proposals

- Personal income tax relief of R9.5 billion
- Tax incentive to encourage savings
- Tax relief for micro and small businesses

Additional spending plans over next three years

- R9.5 billion for the economic competitiveness and support package
- R6.2 billion for job creation
- R1 billion for national health insurance pilot projects
- R3.9 billion for upgrading informal settlements

The macroeconomic forecast

- Growth slows to 2.7% in 2012, before rising to 3.6% in 2013 and 4.2% in 2014
- Downward revision due to weaker domestic demand and lower export growth
- Inflation rises above 6% in 2012, before averaging 5.3% in 2013, 5.1% in 2014
- Current account deficit to average 4.4% over the MTEF as import demand rises

Macroeconomic projections, 2008 – 2014

Calendar year	2008	2009	2010	2011	2012	2013	2014
		Actual		Estimate		Forecast	
Percentage change unless otherwise indicated							
Final household consumption	2.2	-1.6	3.7	4.9	3.6	3.8	4.2
Final government consumption	4.5	4.7	4.9	4.6	4.1	4.1	4.1
Gross fixed capital formation	13.3	-3.2	-1.6	4.3	4.1	4.5	6.0
Gross domestic expenditure	3.5	-1.6	4.2	4.1	3.9	4.2	4.9
Exports	1.8	-19.5	4.5	6.0	2.9	5.8	6.6
Imports	1.5	-17.4	9.6	9.4	7.2	7.1	8.3
Real GDP growth	**3.6**	**-1.5**	**2.9**	**3.1**	**2.7**	**3.6**	**4.2**
GDP inflation	8.3	7.7	7.9	7.2	6.1	6.2	6.1
GDP at current prices (R billion)	**2,263**	**2,398**	**2,661**	**2,941**	**3,204**	**3,526**	**3,897**
Headline CPI inflation	9.9	7.1	4.3	5.0	6.2	5.3	5.1
Current account balance (% of GDP)	-7.2	-4.0	-2.8	-3.3	-4.3	-4.5	-4.4

A weaker global outlook for 2012

IMF growth outlook, 2011 – 2013

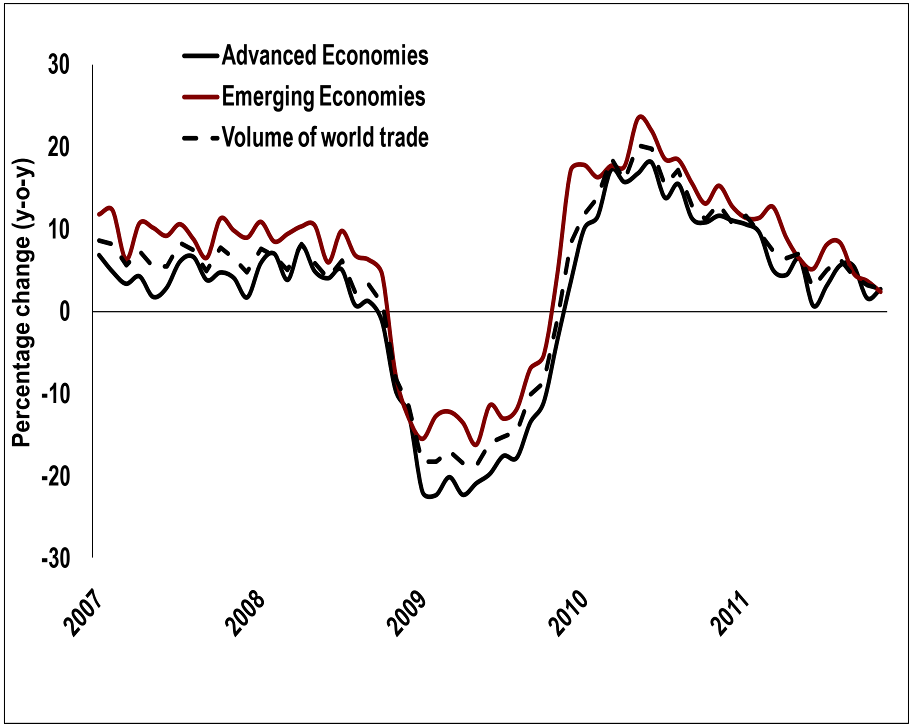
Region / Country	2011	2012	2013
Percentage	GDP projections		
World	**3.8**	**3.3**	**3.9**
Advanced economies	**1.6**	**1.2**	**1.9**
US	1.8	1.8	2.2
Euro area	1.6	-0.5	0.8
UK	0.9	0.6	2.0
Japan	-0.9	1.7	1.6
Emerging and developing economies	**6.2**	**5.4**	**5.9**
Developing Asia	**7.9**	**7.3**	**7.8**
China	9.2	8.2	8.8
India	7.4	7.0	7.3
Latin America and the Caribbean	**4.6**	**3.6**	**3.9**
Brazil	2.9	3.0	4.0
Sub-Saharan Africa	**4.9**	**5.5**	**5.3**
South Africa	3.1	2.7	3.6

Source: IMF and National Treasury

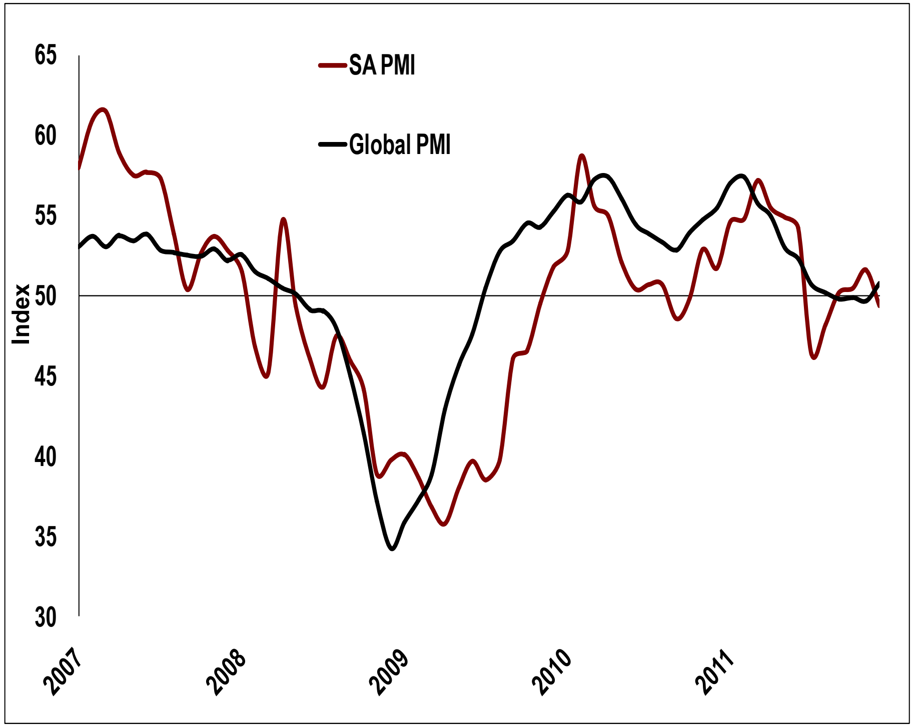
- **Global growth in 2012 revised down from 4.0% to 3.3% (IMF)**
- **Slow growth in advanced economies**
  - **Euro area recession in 2012 as a result of sovereign debt crisis**
  - **Fragile financial conditions**
- **Robust expansion in emerging economies but below recent growth rates**
- **Geopolitical tensions pose upside risks to oil prices**

Global slowdown evident in flattening trade volumes and manufacturing indicators

World trade volumes, 2007 – 2011



PMIs*, 2007 – 2011



** A reading above 50 indicates an expansion compared with the previous month*

Sources: CPB Netherlands Bureau for Economic Policy Analysis, JP Morgan, Kagiso

But nascent signs of improvement in the global and domestic economy

Recent global developments

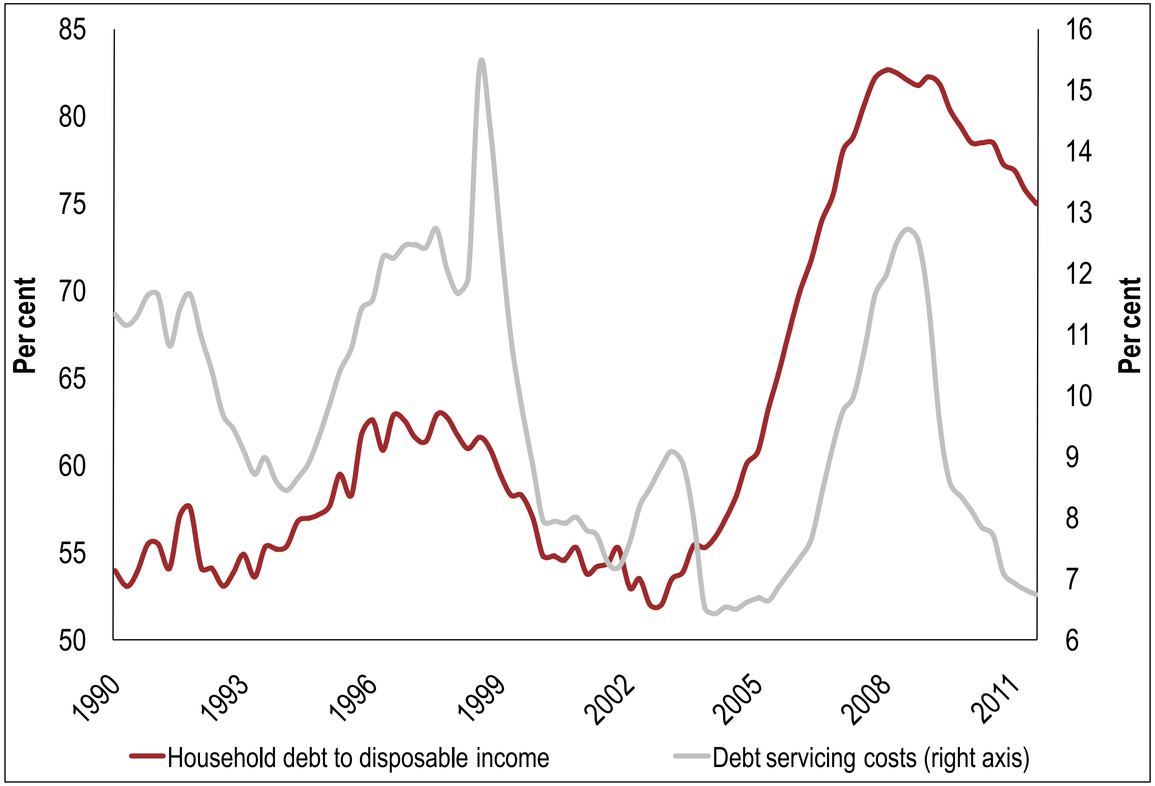
- Interventions by the European Central Bank to provide liquidity to banks have helped to calm markets, buying time for a resolution of the debt crises facing Greece, Italy, Spain and Portugal
- Euro-zone finance ministers agreed on the €130bn 2nd tranche of the Greek bailout
- US Federal Reserve has said interest rates will remain near-zero until late 2014
- Better-than-expected US growth and jobs data
  - GDP growth of 2.5% in Q4 2011; 1 million non-farm jobs created since July 2011

Recent domestic developments

- 365 000 jobs created over the past 12 months, mostly in the formal private sector
- Mining and manufacturing production expanded in the fourth quarter of 2011
- Near-term manufacturing outlook has improved
  - Kagiso PMI at a 7-month high as a result of strong business activity and new sales orders

Household consumption should remain supportive of growth

Ratios of household debt and debt-service costs to disposable income, 1990 – 2011

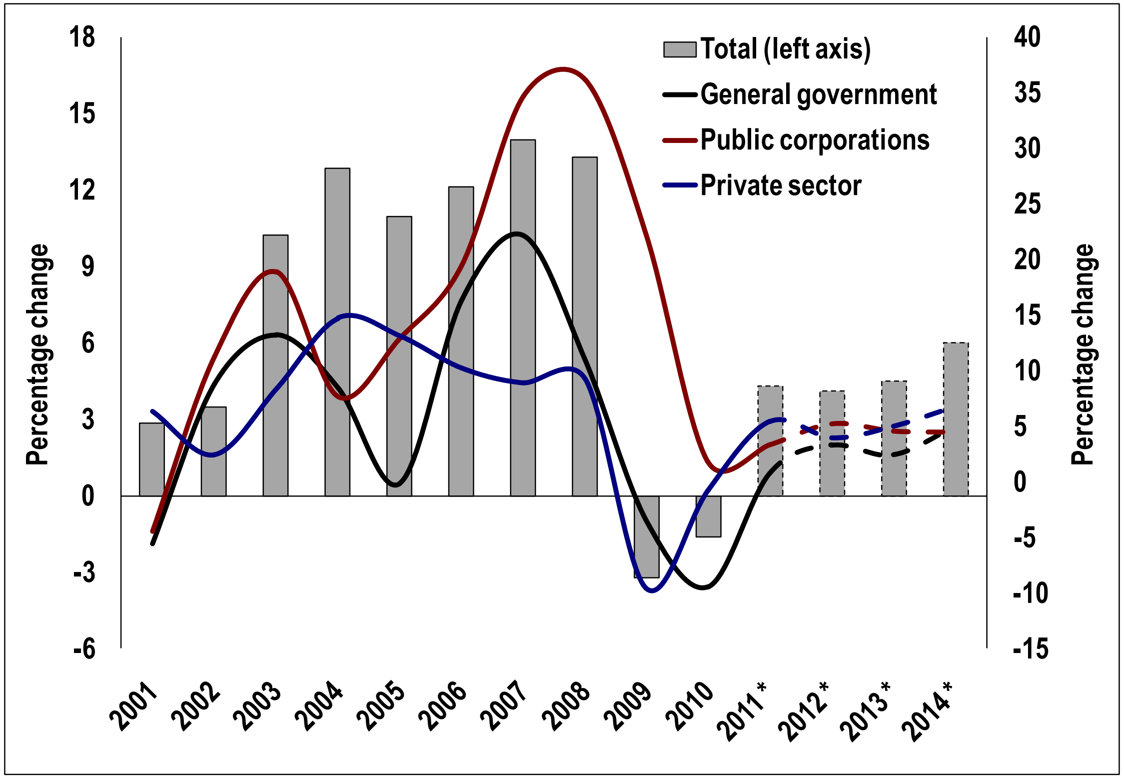


Source: Reserve Bank

- **Strong growth in real disposable incomes and low interest rates support households in reducing debt and durable goods purchases**
- **Real interest rates are now negative**
- **Government spending remains supportive**
- **Banking sector remains well capitalised**

Investment growth rises gradually over the medium term

Growth in gross fixed capital formation, 2001 – 2014



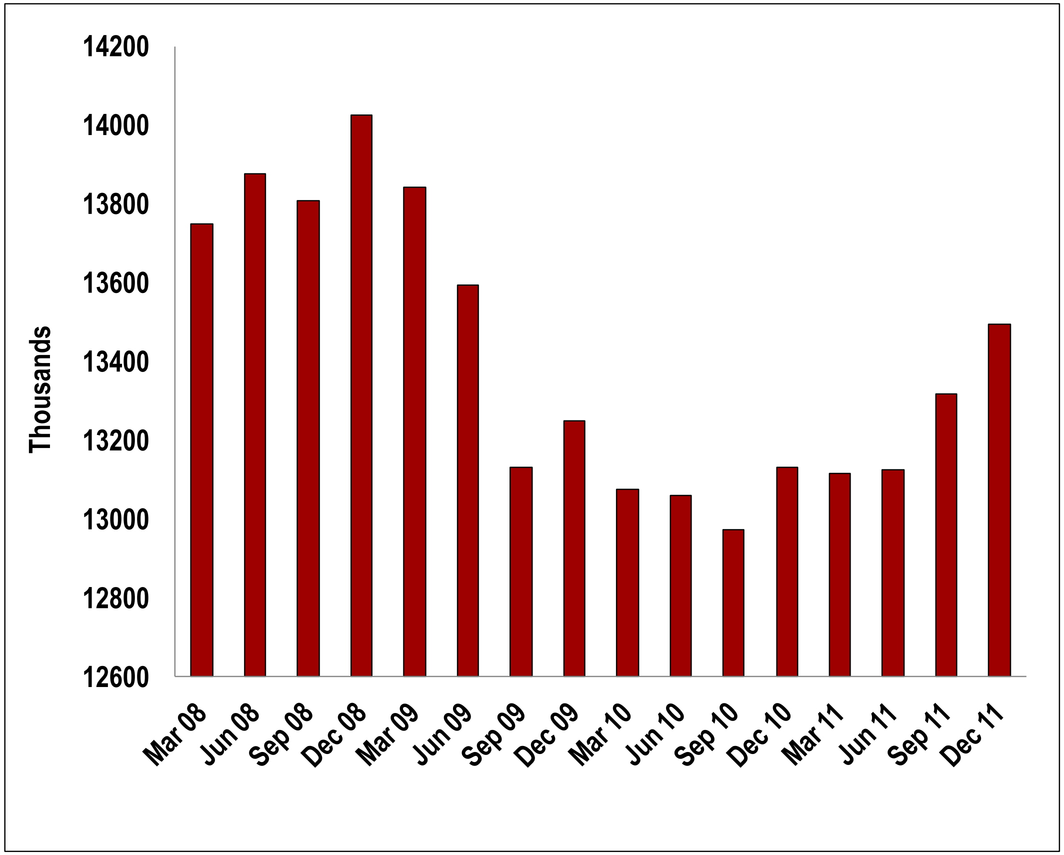
Source: Reserve Bank and National Treasury

** Forecasts generated for 2012 Budget*

- Fixed capital formation has improved steadily over the past 18 months
- Mining and manufacturing have led the increase in private investment
- Private-sector investment expected to slow in the near-term, constrained by weaker domestic growth and low business confidence
- Public-sector investment in network infrastructure will ease bottlenecks and reduce cost of doing business

Signs of recovery in the labour market

Total employment, 2008 – 2011



Source: Statistics SA, Quarterly Labour Force Survey

Improvements in the SA labour market

- **365 000 net jobs created in 2011**
- **Job creation concentrated in formal private sector**
- **Better educated and older workers have recovered job lost during crisis**

BUT …

- **Employment is 550 000 below pre-crisis levels**
- **Young and less skilled workers have realised few job gains in recovery**

Fiscal policy

- **Principles of countercyclicality, debt sustainability and intergenerational fairness guide fiscal policy**

- **Maintain government's countercyclical fiscal stance**

- **Composition of spending shifts from consumption to investment**
  - Since 2009, government has been borrowing to finance recurrent spending
  - From 2014/15, new borrowing will support productive capital investment
  - Reduce real growth in wages to slow consumption spending
  - Shift will support fiscal principle of intergenerational equity

- **A clear and realistic path towards the stabilisation of national debt**

- **National Treasury will publish its long-term fiscal report in 2012**

Countercyclical fiscal policy

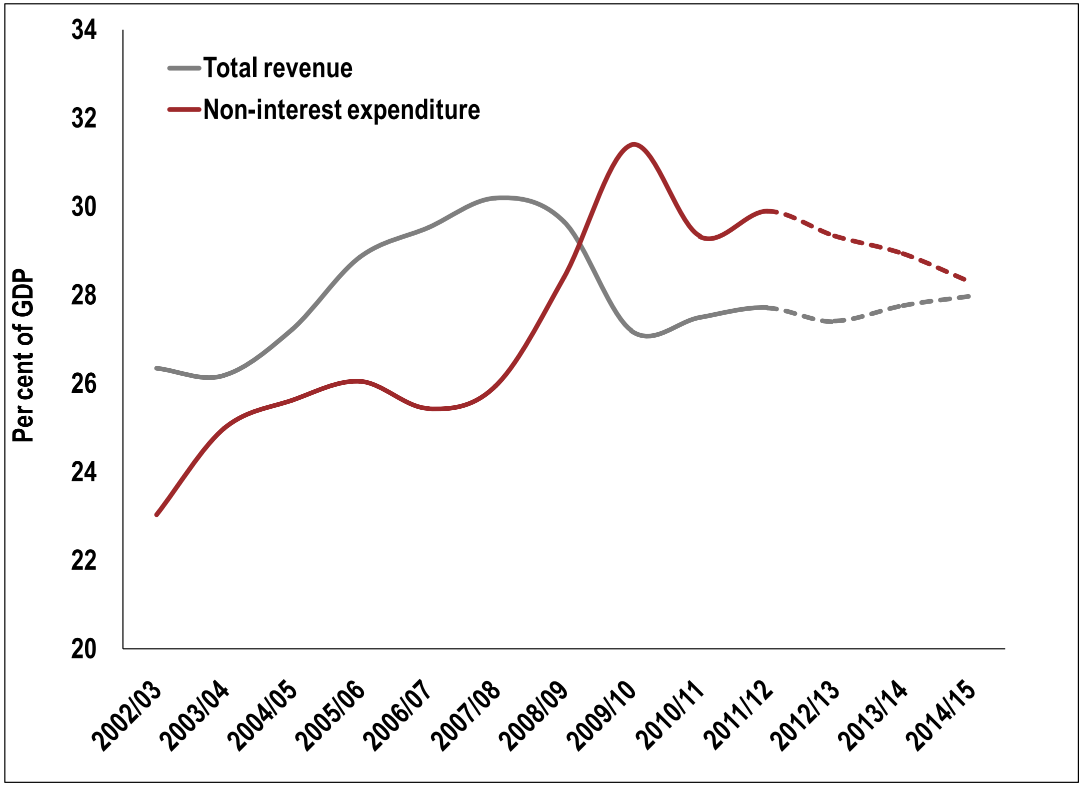
- **Budget deficit narrows from 4.8% in 2011/12 to 3% by 2014/15 in line with the expected improvement in the economy**
- **Primary deficit narrows to 0.3% of GDP in 2014/15, debt-service costs stabilise and begin to decline by 2014/15**

Budget 2012: Consolidated government framework, 2010/11 – 2014/15

R million	2010/11	2011/12 Estimate	2012/13	2013/14 Projections	2014/15	Average real growth 2011/12 – 2014/15
Revenue	**757 513**	**830 210**	**904 830**	**1005 871**	**1118 183**	4.8%
Percentage of GDP	*27.5%*	*27.7%*	*27.4%*	*27.8%*	*28.0%*	
Expenditure	**874 172**	**972 547**	**1058 321**	**1149 125**	**1239 699**	2.9%
Percentage of GDP	*31.7%*	*32.5%*	*32.1%*	*31.7%*	*31.0%*	
Non-interest expenditure	807 945	895 903	968 933	1048 319	1130 660	2.6%
Percentage of GDP	*29.3%*	*29.9%*	*29.3%*	*28.9%*	*28.3%*	
Debt-service cost	66 227	76 645	89 388	100 806	109 039	6.7%
Percentage of GDP	*2.4%*	*2.6%*	*2.7%*	*2.8%*	*2.7%*	
Budget balance	**-116 659**	**-142 337**	**-153 491**	**-143 255**	**-121 516**	
Percentage of GDP	*-4.2%*	*-4.8%*	*-4.6%*	*-4.0%*	*-3.0%*	

Long-term sustainability

Consolidated non-interest expenditure and revenue as a percentage of GDP, 2002/03 – 2014/15



- **Slower growth in consolidated government spending and rising revenue will strengthen fiscal sustainability**
- **Revenue stabilises at 28% of GDP over the medium term**
- **Non-interest spending growth averages 2.6% in real terms**

Tax revenue estimates

- **Estimated tax revenue for 2011/12 revised to R738.7 billion with strong annual growth in customs duties (21%), corporate income tax (14%) and personal income tax (10%)**
  - R64.6 billion (9.6%) higher than 2010/11, R10.1 billion above 2011 MTBPS estimate
- **Gross tax revenue for 2012/13 is estimated at R826.4 billion (11.9% above 2011/12).**

2011/12 tax revenue estimates

R million	Feb 2011 Budget	Oct 2011 MTBPS	Feb 2012 Budget 2012	Budget 2012 vs. Budget 2011	Budget 2012 vs. MTBPS 2011
Persons and individuals	252,750	252,620	249,700	-3,050	-2,920
Companies	144,165	144,000	152,000	7,835	8,000
Secondary tax on companies / Dividend Tax	18,100	19,000	19,500	1,400	500
Skills Development Levy	9,150	10,000	10,100	950	100
Securities Transfer Tax	3,640	2,820	2,840	-800	20
Transfer duties	5,590	4,200	3,870	-1,720	-330
Value added tax	200,880	188,027	190,815	-10,065	2,788
Specific excise duties	25,085	24,840	25,880	795	1,040
Fuel levy	36,900	37,000	37,180	280	180
Customs duties	29,860	31,000	32,260	2,400	1,260
TOTAL TAX REVENUE	**741,620**	**728,592**	**738,735**	**-2,885**	**10,142**
Non Tax Revenue	10,071	11,717	14,083	4,012	2,366
of which Mineral Royalties	*4,890*	*4,890*	*5,500*	*610*	*610*
Less: SACU Payments	-21,763	-21,763	-21,763		
TOTAL BUDGET REVENUE	**729,928**	**718,546**	**731,054**	**1,127**	**12,508**

2012 tax proposals (1)

Individuals

- R9.5 billion personal income tax relief
- Proposed tax incentives for savings accounts
- Conversion of medical scheme contributions deductions into tax credits at R230 per month for the first two beneficiaries and R154 per month for each additional beneficiary
- Second phase to convert out of pocket medical expense to a tax credit postponed to 1 March 2014
- Deductions for contributions to retirement savings set at 22.5% and 27.5% for taxpayers and annual caps of R250 000 and R300 000 for taxpayers below 45 years and for those 45 years and older respectively
- Withholding dividends tax introduced at 15%
- Increase in the capital gains inclusion rate from 25% to 33.3%
- Monetary thresholds related to the exclusions from capital gains are increased

2012 tax proposals (2)

Business taxes

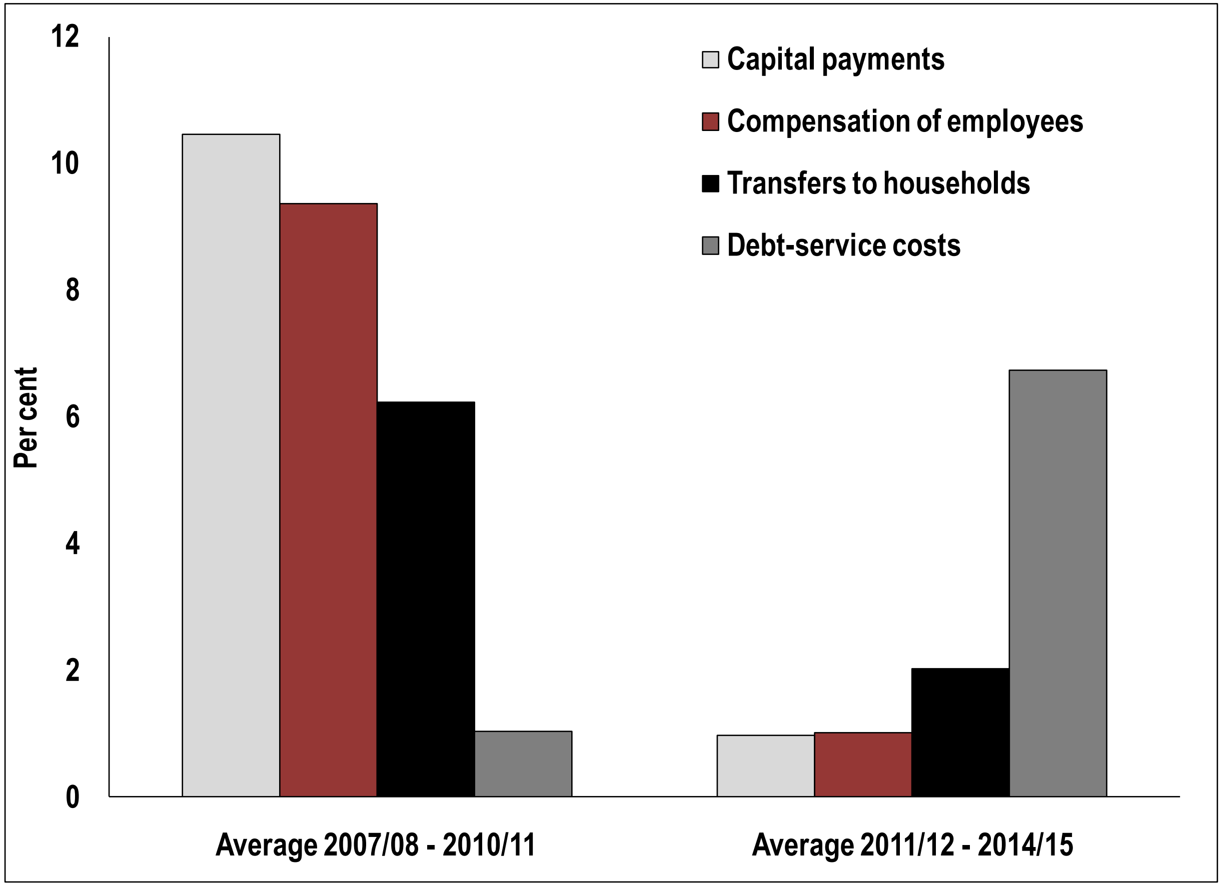
- Termination of the secondary tax on companies
- Tax relief for small businesses and reduced tax compliance burden for micro businesses
- Allow interest payment deductions when acquiring controlling interest in a company (at least 70%)
- Explore tax incentives for special economic zones
- Increase capital gains inclusion rate from 50% to 66.6%

Indirect taxes

- Increase in taxes on alcohol and tobacco
- Increase in fuel taxes and the electricity levy
- Proposed carbon tax design and revised discussion paper
- Reforms to security transfer tax (financial transaction tax)
- VAT relief for the SKA (Square Kilometre Array) project
- Revised national gambling tax

Changing the composition of spending

Average real growth in expenditure, 2007/08 – 2014/15



- **Average real growth of spending on wages is expected to decline from 9.4% between 2007/08 and 2010/11, to 1% over the MTEF period**
- **Debt-service costs remain the fastest growing area of expenditure**
- **Over the long term, declining debt-service costs allows a greater share of resources to be allocated to productive investment and social priorities**

Public-sector borrowing requirement (PSBR)

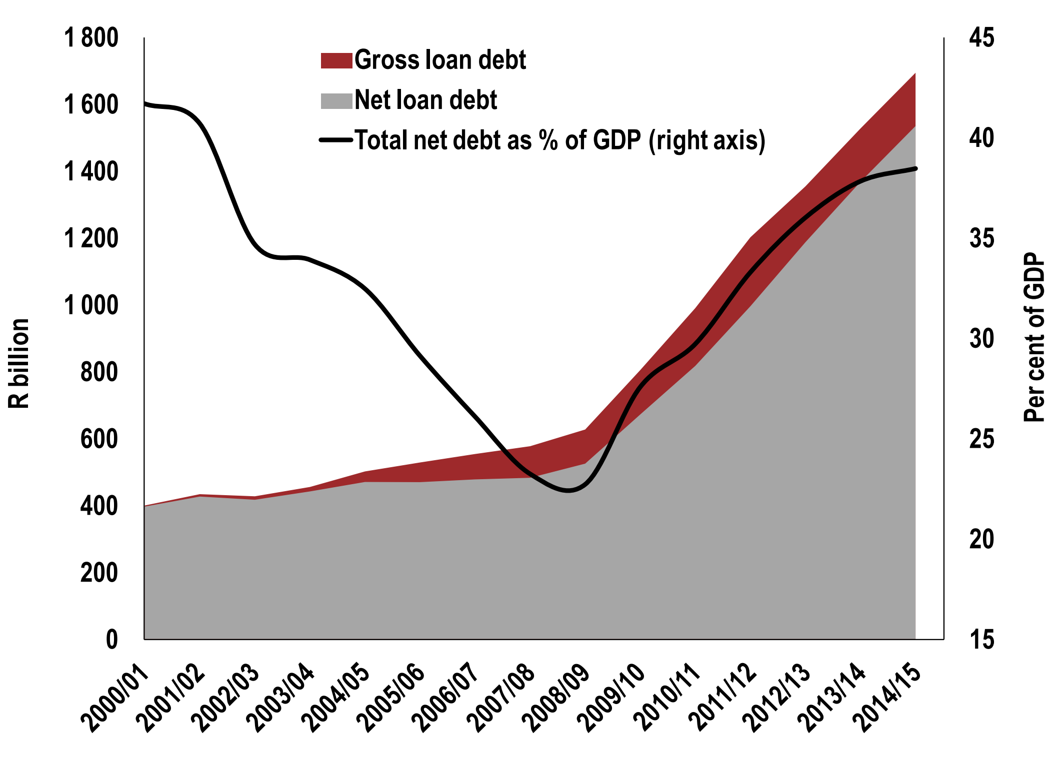
- The PSBR falls from 7.1% in 2011/12 to 5% in 2014/15 as state-owned enterprises are better able to collect internally generated funds

Public-sector borrowing requirement[1], 2008/09 – 2014/15

R million	2008/09	2009/10	2010/11	2011/12 Estimate	2012/13	2013/14 Projections	2014/15
National net government borrowing	**23 238**	**161 755**	**133 232**	**152 743**	**168 849**	**158 036**	**140 858**
Social security funds	-12 362	-10 624	-11 797	-13 510	-13 091	-13 546	-14 201
Provinces	8 690	- 108	-5 270	-2 522	-7 432	-7 293	-9 626
Public entities	1 534	2 801	-1 677	1 721	3 988	4 558	2 985
Consolidated government borrowing	**21 101**	**153 824**	**114 488**	**138 432**	**152 315**	**141 755**	**120 016**
Percentage of GDP	*0.9%*	*6.3%*	*4.2%*	*4.6%*	*4.6%*	*3.9%*	*3.0%*
Local authorities	9 971	11 119	8 441	7 268	5 925	6 043	6 669
General government borrowing	**31 072**	**164 943**	**122 929**	**145 700**	**158 240**	**147 798**	**126 684**
Percentage of GDP	*1.3%*	*6.8%*	*4.5%*	*4.9%*	*4.8%*	*4.1%*	*3.2%*
State-owned enterprises[2]	60 074	70 446	55 964	68 159	76 868	77 539	74 133
Percentage of GDP	*2.6%*	*2.9%*	*2.0%*	*2.3%*	*2.3%*	*2.1%*	*1.9%*
Public sector borrowing requirement	**91 146**	**235 389**	**178 893**	**213 859**	**235 108**	**225 337**	**200 817**
Percentage of GDP	*4.0%*	*9.6%*	*6.5%*	*7.1%*	*7.1%*	*6.2%*	*5.0%*

Debt sustainability

National government debt, 2000/01 – 2014/15



- Government's response to the 2008/09 crisis pushes up the net national debt ratio:
  - 23.3% of GDP (2007/08)
  - 33.3% of GDP (2011/12)
  - 38.5% of GDP (2014/15)
- Improvements in the fiscal position will create the fiscal space to respond to future crises
- Investors remain supportive of government debt issuance

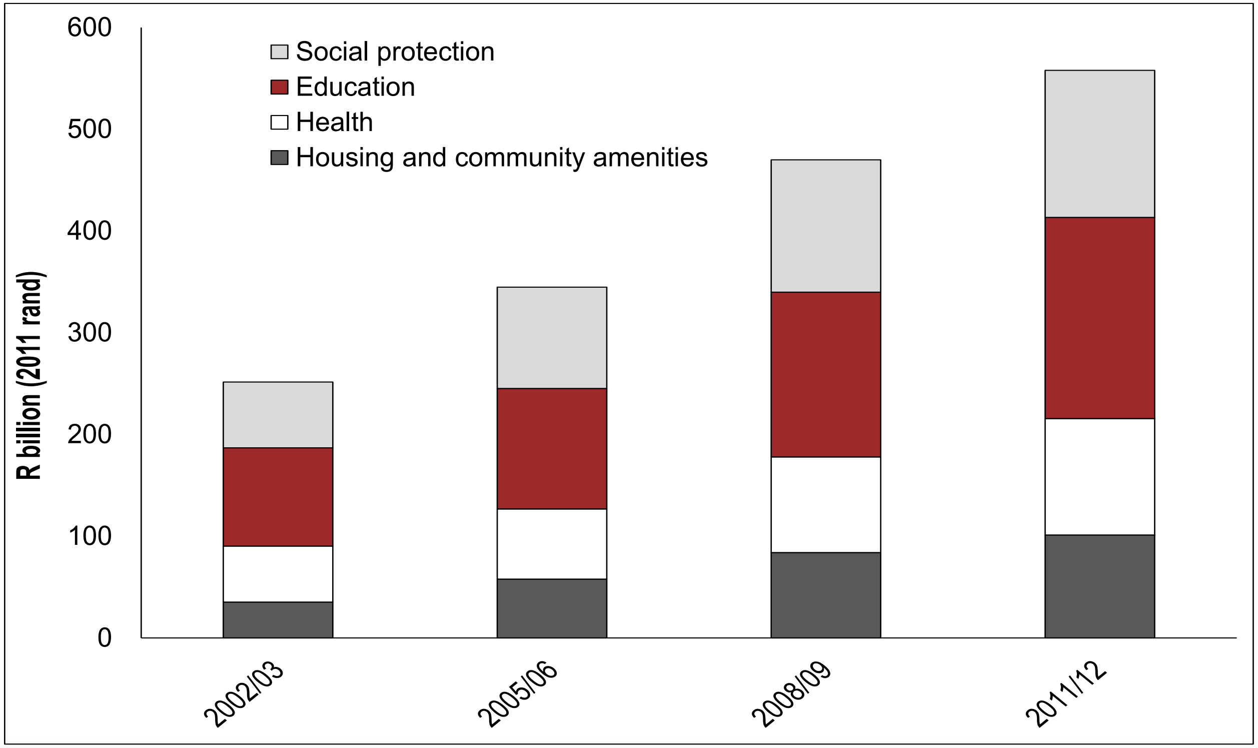
Social security

- **The first phase of national health insurance will begin in 2012/13**
  - Pilot projects will be established in selected districts – focus on primary health care, improved facilities and skilled managers
- **A discussion paper on a wide-ranging reform of social security will be published this year for consultation**

  The main proposals include:
  - The establishment of a new statutory fund which pays pensions, life insurance and disability benefits
  - Institutional consolidation across current social security arrangements
  - Raising means test thresholds for social assistance and aligning grant values with personal income tax rebates
- **Treasury will this year consult on reforms to improve the efficiency and equity of the retirement industry**
  - Proposals focus on reducing costs, improving annuity options, improving fund governance and encouraging the preservation of retirement savings

Social wage

- Number of social grant beneficiaries to reach 15.6 million by March 2012
- Social spending (social assistance, education, health, housing, recreation and community amenities) accounts for 58% of government expenditure, up from 49% a decade ago



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Infrastructure investment

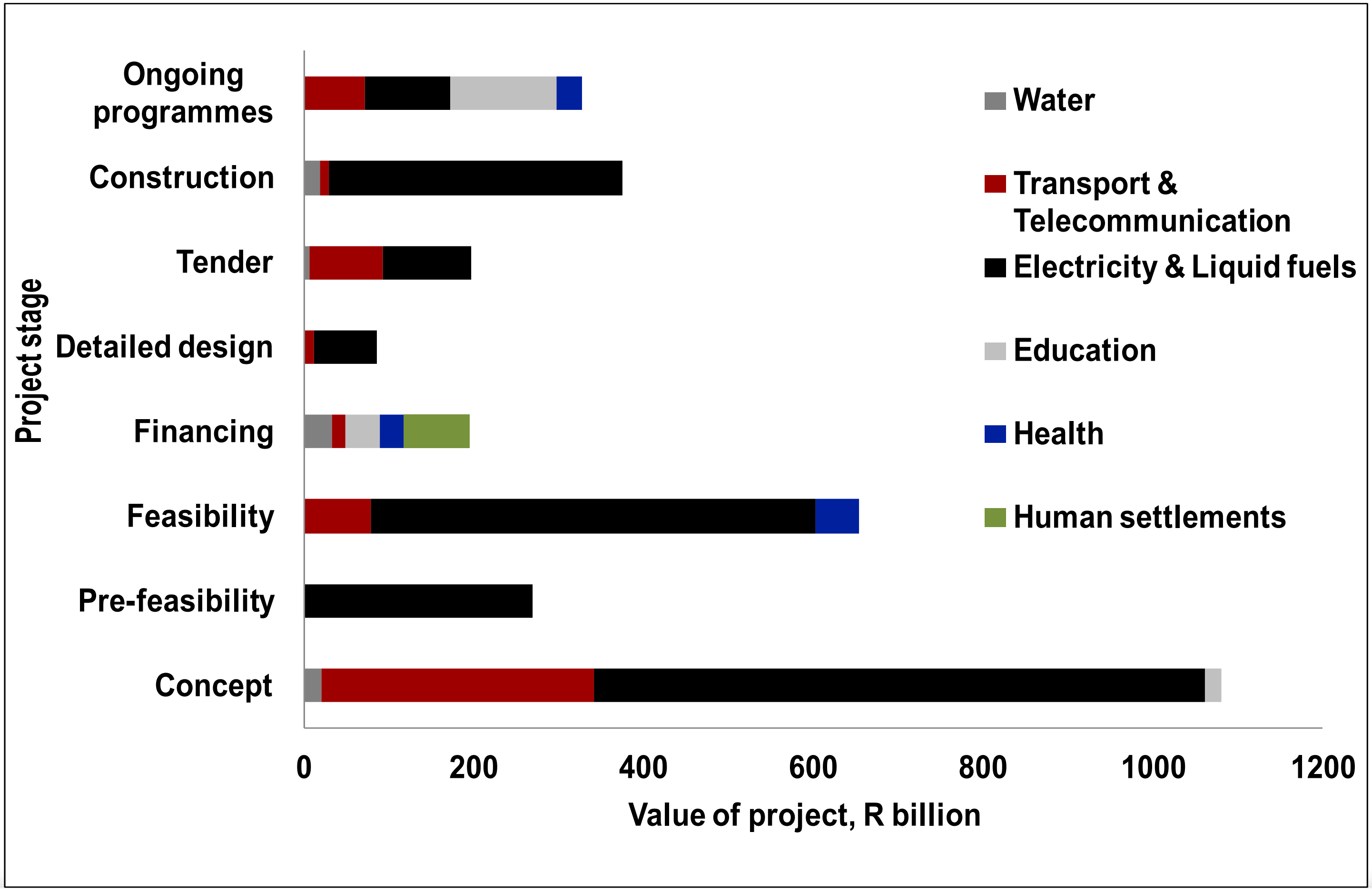
- Infrastructure investment to support long-term growth and development
- R844.5 billion in infrastructure expenditure over next three years

Public-sector infrastructure expenditure and estimates by sector, 2010/11 – 2014/15

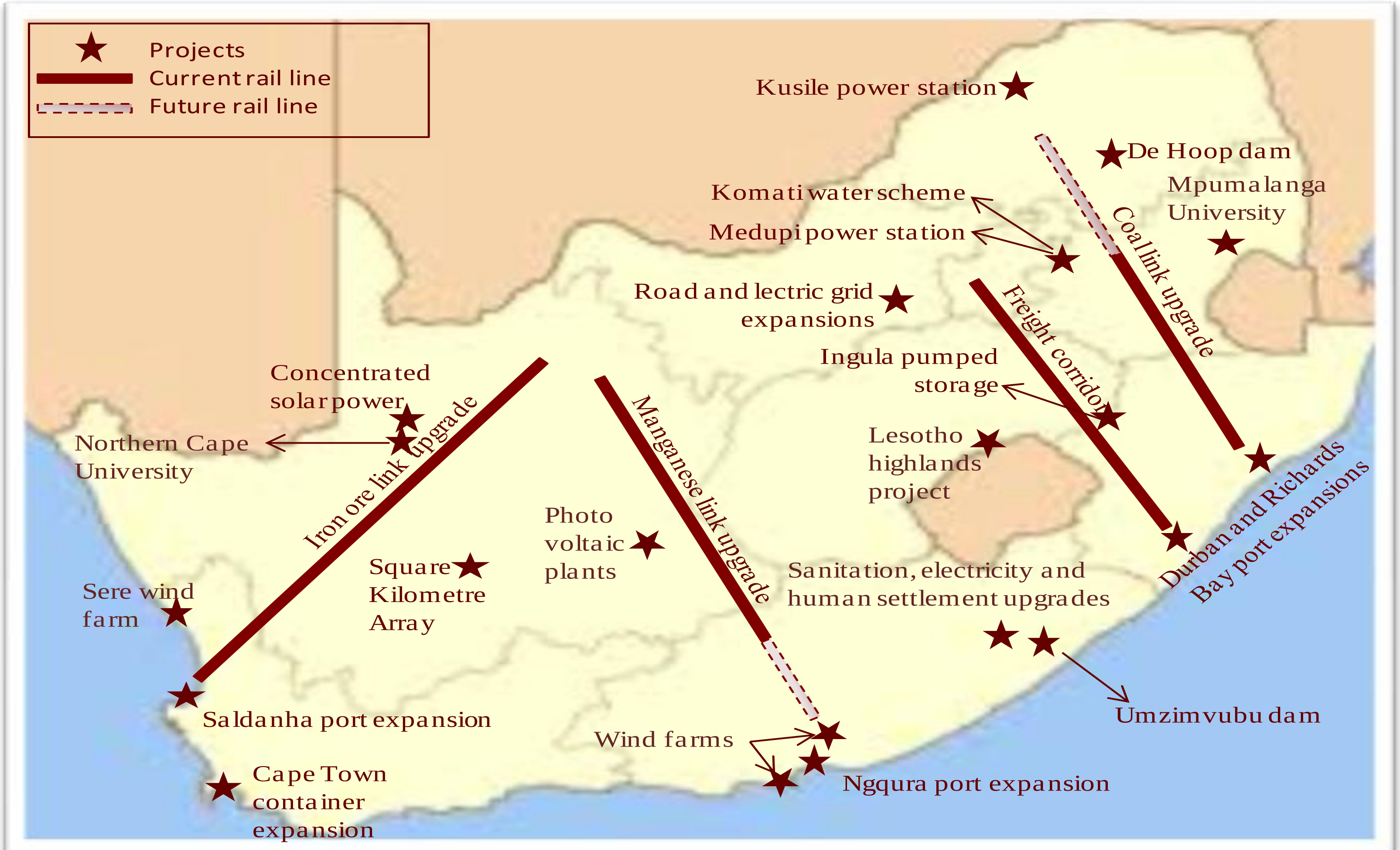
R billion	2010/11 Budget	2010/11 Actual	2011/12	2012/13	2013/14	2014/15	MTEF Total	Percentage of total
Economic services	**218.0**	**147.1**	**184.0**	**211.7**	**228.3**	**237.1**	**677.1**	**80.2%**
Energy	102.8	52.2	73.1	91.7	100.2	104.3	296.2	35.1%
Water and sanitation	21.0	14.9	22.0	25.5	24.7	25.0	75.2	8.9%
Transport and logistics	80.5	68.6	75.3	81.2	88.6	92.3	262.0	31.0%
Other economic services	13.7	11.3	13.6	13.3	14.8	15.5	43.6	5.2%
Social services	**36.9**	**25.6**	**34.9**	**38.6**	**48.5**	**53.1**	**140.2**	**16.6%**
Health	8.5	6.7	7.7	8.1	13.1	14.8	36.0	4.3%
Education	6.8	6.1	8.1	10.9	14.5	15.3	40.7	4.8%
Community facilities	16.7	11.6	17.5	17.7	18.9	21.0	57.6	6.8%
Other social services	4.9	1.1	1.7	1.9	1.9	2.0	5.9	0.7%
Justice and protection services	**3.1**	**3.0**	**3.2**	**3.4**	**3.5**	**3.7**	**10.6**	**1.3%**
Central government and	**2.0**	**1.7**	**3.8**	**7.9**	**3.5**	**2.8**	**14.2**	**1.7%**
Financial services	**0.1**	**0.3**	**0.7**	**0.7**	**0.7**	**0.9**	**2.4**	**0.3%**
Total	**260.1**	**177.8**	**226.6**	**262.3**	**284.6**	**297.6**	**844.5**	**100.0%**
% of GDP	*9.4*	*6.5*	*7.6*	*7.9*	*7.9*	*7.4*		

Public infrastructure projects pipeline

- Infrastructure mega-project pipeline worth about R3.2 trillion by 2020



The Presidential Infrastructure Coordinating Commission – regional based investment plans



Major economic infrastructure projects

- **Energy**
  - Kusile and Medupi are under construction – first units will be operational in 2013 and 2014 respectively
  - 1 415 MW of the 3 725 MW renewable energy programme has been procured
- **Transport**
  - Transport constitutes 31% of the total infrastructure budget
  - SANRAL to spend R25 billion on new roads and R18 billion on maintenance
  - PRASA to spend R80 billion over 20 years on commuter rail
- **Water and sanitation**
  - R75 billion to be spent on water infrastructure over the MTEF
  - The Komati water augmentation scheme scheduled to be completed in 2012
  - Olifants river water resource scheduled to be completed in 2016
  - R433 million allocated to acid mine drainage
- **Telecommunications**
  - Sentech's digitalization of the television terrestrial network
  - Infraco's projects to increase broadband capacity

Other major infrastructure projects

- **Education**
  - R40 billion allocated to education infrastructure
  - Funding for the development of two new universities
- **Human settlements**
  - More than 3 million units delivered since 1994 but demand still rising due to urbanisation
  - R77.5 billion to be spent on low-income housing and upgrading informal settlements
- **Health**
  - R29 billion allocated to health infrastructure
  - Feasibility studies for five large hospitals – new and upgrading
- **Special economic zones (SEZs)**
  - Draft bill released for creating SEZs
  - R2.3 billion allocated over the MTEF

Improving infrastructure delivery

Financing infrastructure investment

- While financing can be raised for projects, it is important to ensure that there is the means to repay the costs that have been incurred. Only the taxpayer or user can do so
- A careful balance has to be found on who bears the burden of repayment. The sustainability of the fiscal deficit and debt levels, institutions' ability to invest, and of large tariff increases, all need to be balanced

Capacity improvement programmes

- The Infrastructure Delivery Improvement Programme
- Cities Support Programme
- The Neighborhood Development Programme
- Infrastructure development skills grant
- A municipal infrastructure support agency
- All levels of government benefit from training, leadership and mentoring programmes as well as experience on big projects such as the soccer world cup

Government spending and division of revenue

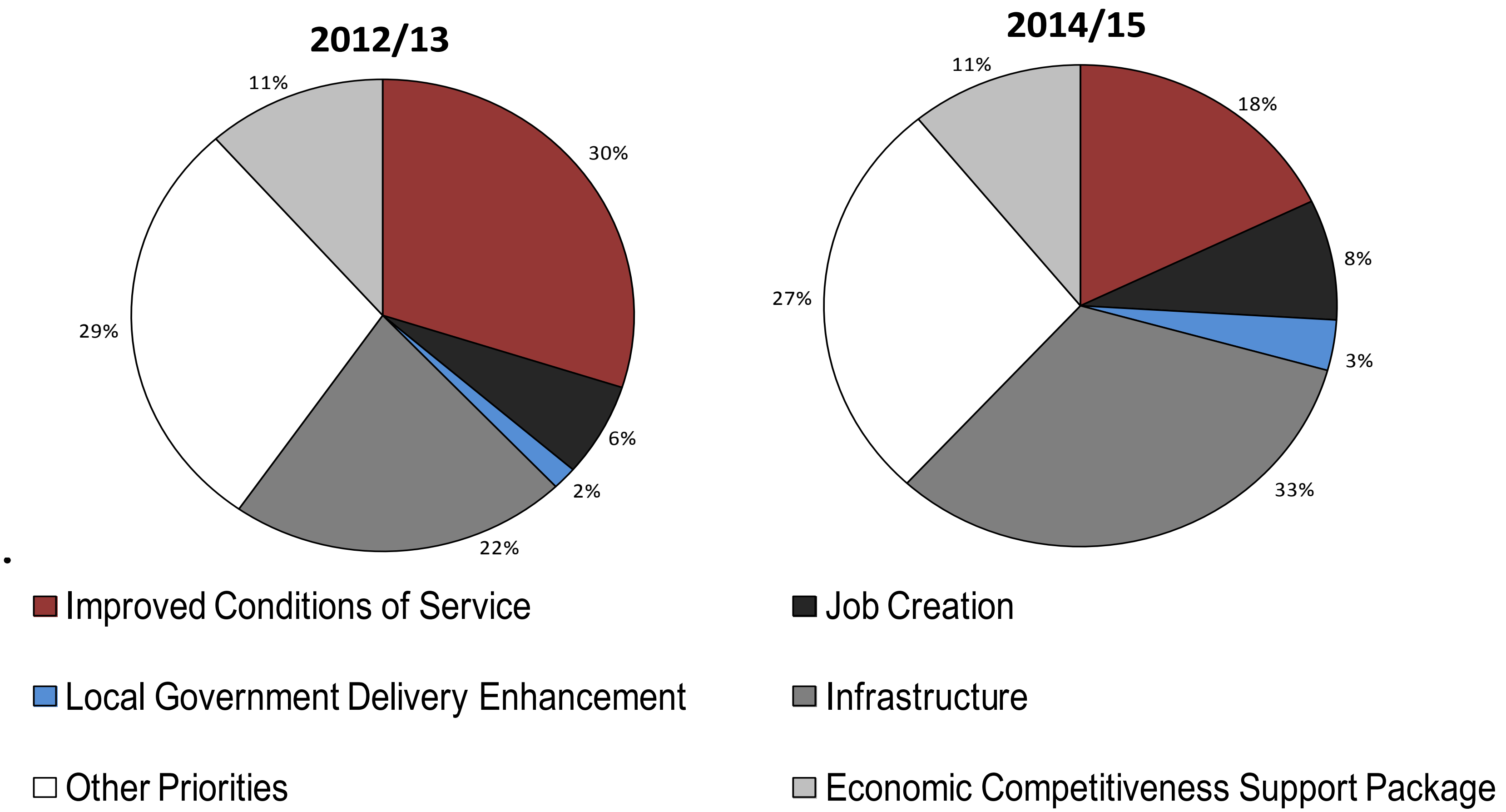
- **Consolidated government spending grows on average by 8.2% per year over the MTEF compared with 11.1% between 2008/09 and 2011/12**
- **R83 billion added to the budget baseline over the 2012 MTEF including R27bn of budget reductions**
    - R9.2 billion from a general budget baseline reduction of 0.4%; and
    - R17.8 billion identified through a budget reprioritisation exercise

- **Division of revenue:**

– **National government:**	**R51.4**	**billion is added**
– **Provincial government:**	**R18.0**	**billion to the equitable share**
	R6.8	**billion to conditional grants**
– **Local government:**	**R2.2**	**billion to the equitable share**
	R4.5	**billion for conditional grants**

- **Expenditure is channeled towards infrastructure development, job creation, local government service delivery enhancement and economic support**

Composition of additional spending over the MTEF



Main additional spending plans over the MTEF

- **Job Creation**
  - R3.5 billion for Community Work Programme for creating over 250 000 jobs
  - R1.1 billion for Working for Water and Working on Fire
  - R300 million for Mzansi Golden Economy (Arts and Culture sector)
  - R200 million for national rural youth service corps
  - R1.1 billion for other job-related programmes
- **Education**
  - R235 million to strengthen annual national assessments for grades 3 and 6 and to extend to grade 9
  - R850 million to improve university infrastructure including student housing
- **Health**
  - R1 billion for national health insurance pilot projects and increasing primary healthcare visits
  - R968 million to expand provision of antiretroviral drugs
  - R426 million for revitalisation of hospital infrastructure
- **Human settlements and Community Amenities**
  - R620 million to subsidise investment in social housing projects for households earning between R1 500 and R7 500 per month

Main additional spending plans over the MTEF (2)

- **Economic infrastructure**
  - R4 billion to the Passenger Rail Agency of South Africa to purchase more than 200 coaches as the start of the rolling stock procurement programme
  - R1 billion for building 3 depots and upgrading signalling infrastructure
  - R4.7 billion to Eskom to install 1 million solar water geysers
- **Economic services and environmental protection**
  - R5.8 billion for Manufacturing Competitiveness Enhancement Programme
  - R2.3 billion to finance Special Economic Zones
  - R800 million for Green Fund
  - R350 million to SA National Parks to acquire and upgrade tourism infrastructure
- **General Public Services**
  - R774 million for integrating the IT system to process identity documents at the Department of Home Affairs
  - R400 million for border post infrastructure upgrading
- **Defence, Public Order and Safety**
  - R600 million for the completion of strategic defence procurement processes
  - R300 million for court infrastructure
  - R749 million for border control

Economic and competitiveness support package

Department	Programme	Objective
Trade and Industry	Manufacturing competitiveness enhancement programme: R5.8 billion Special economic zones: R2.3 billion	Provide strengthened financial support to manufacturers to enhance competitiveness. To finance special economic zones.
Agriculture, Forestry and Fisheries	Provincial and rural agricultural colleges: R150 million	For research, facilities improvement, equipment acquisition and increasing student intake.
	Agricultural Research Council: R400 million	Research and production of animal vaccines; support to smallholder farmers.
Mineral Resources	Council for Geoscience: R200 million	Upgrade laboratory equipment and facilities.
	Council for Mineral Technology: R150 million	For mineral projects: semi-precious gemstones, rare earth pilot plant, metal atomising plant, mining discharge and exposed rocks facilities.
Science and Technology	Technology localisation: R60 million	Support local and technology-intensive manufacturers.
	Internship programme: R110 million	Placement of postgraduate students at small companies.
	Research: R180 million	Commercialise new technology such as satellite development, titanium, nanotechnology, renewable energy and waste technology.

Provincial government spending plans

Main funding items to provincial government:

Equitable share:

- R10.5 billion over the MTEF for the 6.8% wage agreement
- R1 billion in 2013/14 and R1.9 billion in 2014/15 for expanding access to Grade R and equalisation of subsidies per learner to no fee schools
- R686 million and R741 million in the two outer years for improved subsidies for early childhood development and victim empowerment

Conditional grants:

Direct transfers (excluding budget reductions made)

- R52 million in 2012/13, R55 million in 2013/14 and R58 million in 2014/15 for wage agreements in Further Education and Training colleges
- R439 million in 2012/13, R863 million in 2013/14 and R2.2 billion in 2014/15 for initial stage of a large-scale revitalisation project on five major tertiary hospitals, national health insurance pilot projects, and HIV and Aids prevention and treatment
- R1.3 billion in 2012/13, R1.1 billion in 2013/14 and R665 million in 2014/15 for repair of flood damaged infrastructure in education, roads, human settlements and agriculture
- R139 million in 2012/13, R526 million in 2013/14 and R363 million in 2014/15 for upgrading informal settlements

Local government spending plans

Main funding items to local government:

Equitable share:

- R300 million in 2012/13, R621 million in 2013/14 and R1.3 billion in 2014/15 for above inflation costs for basic services and to support councilor remuneration

Conditional grants (excluding budget reductions):

Direct transfers

- R950 million and R1.93 billion in the two outer years for upgrading informal settlements
- R100 million and R200 million in the outer two years for public lighting as part of informal settlements upgrading
- R200 million in 2012/13, R200 million in 2013/14 and R200 million in 2014/15 to continue energy efficiency programmes in municipalities

Indirect transfers

- R382 million, R606 million and R896 million for bulk infrastructure necessary to connect more households to water and sanitation

THANK YOU