

**Table 12**  
**Financial estimate of the total expenditure**  
**within the South African social security system**

		Total	Contributory				Non-contributory			
	<i>R' billion</i>	270,6	157,8				112,8			
	<i>% of GDP</i>	30,1%	17,6%				12,6%			
Contingency		Voluntary	Mandatory		Means tested		Universal			
	<i>R' billion</i>	270,6	152,4		5,5		54,8		58,0	
	<i>% of GDP</i>	30,1%	17,0%		0,6%		6,1%		6,5%	
			Not regulated	Regulated	Social Insurance	National Insurance	Social transfers	In-kind benefits	Social transfers	In-kind benefits
Total	<i>R' billion</i>	270,6	117,4	35,0	3,3	2,1	22,8	32,0	0,0	58,0
	<i>% of GDP</i>	30,1%	13,1%	3,9%	0,4%	0,2%	2,5%	3,6%	0,0%	6,5%
Education	<i>R' billion</i>	52,8	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	52,8
	<i>% of GDP</i>	5,9%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	5,9%
Health	<i>R' billion</i>	68,5	0,7	35,0	0,3	0,5	0,0%	32,0	0,0%	0,0%
	<i>% of GDP</i>	7,6%	0,1%	3,9%	0,0%	0,1%	0,0%	3,6%	0,0%	0,0%
Housing	<i>R' billion</i>	5,2	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	5,2
	<i>% of GDP</i>	0,6%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,6%
Retirement	<i>R' billion</i>	62,5	50,2	0,0%	0,0%	0,0%	12,3	0,0%	0,0%	0,0%
	<i>% of GDP</i>	7,0%	5,6%	0,0%	0,0%	0,0%	1,4%	0,0%	0,0%	0,0%
Disability	<i>R' billion</i>	14,1	8,7	0,0%	0,3	0,8	4,2	0,0%	0,0%	0,0%
	<i>% of GDP</i>	1,6%	1,0%	0,0%	0,0%	0,1%	0,5%	0,0%	0,0%	0,0%
Children	<i>R' billion</i>	6,4	0,0%	0,0%	0,0%	0,0%	6,4	0,0%	0,0%	0,0%
	<i>% of GDP</i>	0,7%	0,0%	0,0%	0,0%	0,0%	0,7%	0,0%	0,0%	0,0%
Adult poverty	<i>R' billion</i>	0,0	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
	<i>% of GDP</i>	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Unem-ployed,	<i>R' billion</i>	32,4	29,8	0,0%	2,6	0,0%	0,0%	0,0%	0,0%	0,0%
	<i>% of GDP</i>	3,6%	3,3%	0,0%	0,3%	0,0%	0,0%	0,0%	0,0%	0,0%
Survivors	<i>R' billion</i>	28,8	27,9	0,0%	0,1	0,8	0,0%	0,0%	0,0%	0,0%
	<i>% of GDP</i>	3,2%	3,1%	0,0%	0,0%	0,1%	0,0%	0,0%	0,0%	0,0%

billion in 2001/02 but increases substantially to R8 billion by 2003/04. This contingency reserve is an unallocated amount.

Although interest payments appear to be rising, in real terms they are decreasing significantly over the period of the MTEF. In theory this should improve the capacity for improved Government services.

Social services receive a declining share of overall GDP over the MTEF period, from 13,3 per cent of GDP in 2000/01 to 12,7 per cent in 2003/04. Of all the most significant sectors, this decline is the largest reprioritisation (table 13).

Over the period interest payments decline significantly as a percentage of GDP, from 5,3 per cent of GDP in 2000/01 to 4,5 per cent in 2003/04 (figure 21). If Government expenditure were to remain a constant proportion of GDP, this in itself would have provided an additional 0,9 per cent of GDP for Government services.

Overall consolidated expenditure has also declined as a proportion of GDP, reflecting the position that increased economic growth should not be translated into additional public goods and services.

When the national allocation is added to the contingency reserve, and expressed as a percentage of the overall consolidated expenditure, the national allocation rises from 31,7 per cent in 2000/01 to 34,8 per cent in 2003/04. This substantially outstrips the changes in the provincial allocation which reduces from 46,3 per cent of the total consolidated expenditure in 2000/01 to 45,4 per cent in 2003/04.

Of interest is the decision to leave a substantial portion of the gains from the reduced interest payments unallocated. According to the medium-term budget, all reductions in debt service costs are effectively added to the Contingency Reserve. (The space calculated here is an estimate, and could in fact be larger or smaller depending on what in fact transpires.)

**Table 13**  
**Consolidated provincial and national expenditure from**  
**2000/01 to 2003/04 (nominal prices) R' million**

	1997/98	2000/01	2001/02	2002/03	2003/04
R' million	Estimated outcome	Revised estimate	Medium-term estimates		
Protection services	31 214	40 975	45 778	49 221	52 031
Social services	99 230	116 577	126 242	135 444	144 156
Economic services	18 123	19 589	22 645	24 409	25,574
General Government services and unallocated expenditure	17 020	22 276	25 046	26 795	28 760
Interest	38 820	46 186	48 138	49 651	51 022
Subtotal: Votes and statutory amounts	204 407	245 603	267 849	285 520	301 543
Contingency reserves	0	0	2 523	4 378	8 766
Consolidated expenditure	204 407	245 603	270 372	289 898	310 309

Overall there is evidence of sufficient fiscal capacity for improved social sector spending without adverse macro-economic impacts.

The following potential sources of improved fiscal capacity (expressed in nominal terms) are noted by the Committee:

- **Economic growth:** If consolidated expenditure was to remain at 28 per cent of GDP for the MTEF, an additional R3,7 billion would be available in the 2002/03 financial year, and R6,1 billion in the 2003/04 financial year.
- **Reduced debt servicing:** Effectively this is the allocation provided within the Contingency Fund. In 2002/03 this amounts to R4,4 billion, while in 2003/04 it rises to R8,8 billion.
- **Expenditure increased as a percentage of GDP:** If Government were to increase targeted expenditure to 29 per cent of GDP a further R9 billion would be available in 2002/03 and R9,7 billion in 2003/04.

Thus, in 2002/03 the combined additional funds would amount to R8,1 billion and in 2003/04

**Figure 21**  
**Consolidated provincial and national expenditure from 2001/02 to 2004/05.**

