

WHAT IS THE BUDGET?

In February of each year, the Finance Minister tables the national budget, whereby he announces government's spending, tax and borrowing plans for the next three years. The national budget divides money between national departments, provinces and municipalities.

BUDGET FOCUSES ON ECONOMIC GROWTH



The 2014 Budget focuses on interventions that are aimed at placing the economy on a new growth trajectory.

Government's primary goal, as expressed in the National Development Plan (NDP), is to raise real economic growth to between 5 and 6 per cent per year. This higher level of economic growth would boost revenue and enable government to increase the amount of money it spends on improving people's lives by dealing with unemployment, poverty and inequality.

The economy grew at an estimated 1.8 per cent in 2013. Domestic conditions, combined with a slow recovery in the global economy, led to a moderation in output and employment growth. The economy is expected to grow by 2.7 per cent in 2014 and reach 3.5 per cent in 2016.

Several factors will support this expected improvement. Public investment in infrastructure – expected at R847.3 billion over the next 3 years - should reduce bottlenecks in electricity and

transport and encourage private investment, while stronger employment growth will support household spending. South Africa

should also benefit from the improved export opportunities presented by a stronger global outlook.

‘ THE STRONG GROWTH EXPECTED IN SUB-SAHARA AFRICA WILL HELP IMPROVE SOUTH AFRICA'S ECONOMIC PROSPECTS OVER THE NEXT THREE YEARS ’

The building of new infrastructure and upgrading of the existing stock - including the expansion of electricity supply, investment in integrated public transport networks and the rehabilitation of the country's five large water transfer schemes - is at the centre of government's plan.

South Africa will also draw strength from the rapid expansion of trade and investment on the African continent. The strong growth expected in sub-Saharan Africa will help improve South Africa's economic prospects over the next three years. Government will therefore, increasingly align its policies to support economic integration with the African continent.

WHAT THE BUDGET DOES FOR YOU

● **INDUSTRY SUPPORT**

R10.3 billion will go towards manufacturing development incentives; R15.2 billion for the economic competitiveness and support package for businesses; R3.6 billion for job creation at special economic zones.

● **JOB CREATION**

Over the next 5 years, government aims to create 6 million jobs through the Expanded Public Works Programme, from 4 million compared to the previous 5 years.

● **FIGHTING CORRUPTION**

Work by the Chief Procurement Officer to reform the procurement system and ensure that money is spent prudently has begun in earnest. These efforts are aimed at reducing corruption.

● **AGRICULTURE SUPPORT**

The Agricultural Policy Action Plan will support the NDP's target of creating jobs in the agricultural sector. Government will spend over R7 billion on grants to provinces to support about 435 000 subsistence and 54 500 small farmers.

● **EDUCATION & TRAINING**

Spending on education is higher than any other category. Over the next 3 years, R78 billion will go towards university subsidies and R34.3 billion for building schools.

● **INFRASTRUCTURE**

Government is committed to investing in infrastructure that improves lives. In 2014, for example, R11 billion will go to the PRASA for new rolling stocks and upgrade of signalling infrastructure.



1. Minister's message
2. 20 years of freedom
3. Social Spending Impact
4. Social grants



1. Improving primary health care
2. Job creation initiatives
3. Where the money comes from
4. How it will be spent



1. Tax relief for individuals
2. Boost for small businesses
3. Saving plans tax breaks
4. Excise duties to rise

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JOB CREATION INITIATIVES

GOVERNMENT SUPPORTS EMPLOYMENT THROUGH VARIOUS INTERVENTIONS:

EXPANDED PUBLIC WORKS PROGRAMME

Since its launch in 2004, this programme has created more than 5 million mostly short-term and part-time jobs. The next phase should create 6 million jobs.

COMMUNITY WORK PROGRAMME

This programme guarantees participants 2 days of work a week, or 8 days a month, with a strong focus on generating local economic activity.



EMPLOYMENT TAX INCENTIVE

Launched in January 2014, the incentive subsidises the salaries of newly recruited 18 to 29 year old workers.

NATIONAL YOUTH SERVICE PROGRAMME

The programme trains youth to be artisans for the built environment.

WHERE THE MONEY COMES FROM

TAX REVENUE	2014/15	%
PERSONAL INCOME TAX	335,9 BN	33,8
CORPORATE INCOME TAX	198,9 BN	20,0
VAT	267,2 BN	26,9
CUSTOMS AND EXCISE DUTIES	81,4 BN	8,2
FUEL LEVIES	47,5 BN	4,8
OTHER	62,7 BN	6,3
TOTAL	993,7 BN	100,0

HOW MUCH WE BORROW/PAY BACK

South Africa raises revenue through taxes. If the revenue collected is less than planned expenditure, the government borrows the difference.

For the 2014/15 year, government estimates tax collections to be R1.099 trillion while expenditure is estimated at R1.25 trillion. Government will have to borrow R153.1 billion from investors both locally and abroad by issuing bonds. Due to weak tax revenue, government debt has increased from R5.26 billion in 2008/09 to R1.6 trillion by the

end of 2014/15.

Debt service costs have increased substantially from R54.4 billion in 2008/09 and will reach R139.2 billion by 2016/17. This increasing debt burden means more money is being spent on servicing debt instead of financing priority projects such as infrastructure, education, health and job-creation initiatives.

Government is cognisant of the risks associated with accumulated debt and would like departments to work more efficiently with public funds and reduce wastage.



IMPROVING THE QUALITY OF PRIMARY HEALTH CARE

The government provides primary health care free of charge and other health services at subsidised rates for poor South Africans. Over the next three years, government will:

- 1 Spend R77 billion on primary health care services and R240 billion on public hospitals.
- 2 Launch the Office of Health Standards Compliance in 2014/15 as an independent public entity responsible for inspecting health facilities.
- 3 Allocate R600 million for the introduction of the new Human Papilloma Virus (HPV) vaccine, which prevents cancer of the cervix.

4 Allocate a further R1 billion for the HIV and AIDS conditional grant in 2016/17 to continue the rollout of antiretroviral treatment. A total of 2.5 million people are currently under treatment, and 500 000 new patients are expected to join the programme each year.

5 Accelerate the provision of infrastructure in the pilot districts for the National Health Insurance and contracting general practitioners. R19.3 billion will be for refurbishing clinics and hospitals and R1.2 billion for contracts of general practitioners.



HOW IT WILL BE SPENT



