

Vote 21

Defence

	2005/06			2006/07	2007/08
	To be appropriated				
MTEF allocations of which:	R22 459 432 000			R22 587 704 000	R22 152 268 000
	Current payments	Transfers	Capital payments		
	R12 837 175 000	R9 357 388 000	R264 869 000		
Statutory amounts	-			-	-
Responsible minister	Minister of Defence				
Administering department	Department of Defence				
Accounting officer	Secretary of Defence				

Aim

The aim of the Department of Defence is to defend and protect the Republic of South Africa, its territorial integrity and its people, in accordance with the Constitution and the principles of international law regulating the use of force.

Programme purpose and measurable objective

Programme 1: Administration

Purpose: Conduct the policy development, management and administration of the department.

Programme 2: Landward Defence

Purpose: Provide prepared and supported landward defence capabilities for the defence and protection of South Africa.

Measurable objective: Defend and protect South Africa by maintaining and providing prepared and supported landward combat forces, services and facilities that meet government's requirements.

Programme 3: Air Defence

Purpose: Provide prepared and supported air defence capabilities for the defence and protection of South Africa.

Measurable objective: Defend and protect South Africa by maintaining and providing prepared and supported air combat forces, services and facilities that meet government's requirements.

Programme 4: Maritime Defence

Purpose: Provide prepared and supported maritime defence capabilities for the defence and protection of South Africa.

Measurable objective: Defend and protect South Africa by maintaining and providing prepared and supported maritime combat forces, services and facilities that meet government's requirements.

Programme 5: Military Health Support

Purpose: Provide prepared and supported medical combat support elements and services.

Measurable objective: In support of the defence of South Africa, provide prepared and supported military medical health capabilities, services and facilities that meet government's requirements.

Programme 6: Defence Intelligence

Purpose: Provide a defence intelligence and counter-intelligence capability.

Measurable objective: Defend and protect South Africa by the provision of defence intelligence and counter-intelligence products and services that meet government's requirements.

Programme 7: Joint Support

Purpose: Provide joint support capabilities and services to the department.

Measurable objective: Support departmental activities through the preparation, maintenance and provision of joint logistic, technological and military policing capabilities, services and facilities that meet government's requirements.

Programme 8: Force Employment

Purpose: Provide an operational capability to successfully conduct all operations, joint and multinational military exercises as well as the management of defence capabilities.

Measurable objective: Contribute to national and regional security by initiating, planning, commanding and co-ordinating support for all operations and joint and multinational military exercises, as directed and meeting government's requirements.

Programme 9: Special Defence Account

Purpose: Provide for special defence activities and purchases.

Measurable objective: Meet South Africa's defence needs through the acquisition and maintenance of appropriate defence equipment and through activities that meet government's requirements.

Strategic overview and key policy developments: 2001/02–2007/08

The Department of Defence carries out its mandate of defending and protecting South Africa, its territorial integrity and its people in accordance with the Constitution and the principles of international law. It regulates the use of force by pursuing the following military strategic objectives:

- improving and maintaining comprehensive defence capabilities
- promoting peace, security and stability in the region and on the African continent
- supporting the people of South Africa
- developing policy.

Policy shifts

Two major policy documents, the White Paper on Defence (1996) and the Defence Review (1998) currently guide the defence function. The White Paper gives guidance on the conduct of defence in a democracy, and the Defence Review details the required force design and structure. Global developments and recent legislation, such as the Public Finance Management Act (1999) (PFMA) and the Defence Act (2002), passed after the promulgation of the White Paper and the Defence Review, require that the White Paper and the review be updated. The aim is to close the gap between policy and funding. The update is to be completed during March 2005, when it will be submitted to Cabinet and Parliament for approval. A comprehensive study on organisational structures and processes will also be conducted with a view to improving productivity, affordability and sustainability.

In line with amendments to provisions in the National Key Points Act (1980), the management of the security of national key points was transferred to the South African Police Service (SAPS) in 2004. With identified assets and liabilities also being transferred, this function is no longer the responsibility of the Department of Defence.

In accordance with the PFMA, responsibilities previously vested in National Treasury were passed on to accounting officers of departments. During 2004, National Treasury requested that the Defence Special Account Act (1974) be reviewed to bring it in line with the PFMA. Recommended amendments, aimed at holding the executive authority and accounting officer of the department accountable for determining priorities, have been submitted to Parliament. The Act should be amended during the 2005/06 parliamentary session.

Human resources

The department's human resources strategy envisages a new way for members to serve. These consist of three career stages: the military skills development system (MSDS), the core service system and the senior career system. The MSDS was implemented from January 2003. Members from that intake completed their term of service in December 2004. The core service system has been developed and was implemented in January 2005. Members who have completed the MSDS stage have been offered service contracts and are the first to serve in the new core service system.

More than 3 600 members have already undergone basic training as part of the MSDS and are currently either employed or undergoing further training in the South African National Defence Force (SANDF). An intake of approximately 4 200 is planned for 2005. The combination of the MSDS and, when approved, an employer-initiated exit mechanism, will enable the department to renew the SANDF's human resources component and simultaneously reduce related costs. Some 47 members have been redeployed to the SAPS during 2004 as part of rightsizing the SANDF. Another 168 completed training in February 2005.

The human resources profile of the SANDF will continue to change with the implementation of the human resources strategy, which also seeks to rejuvenate and improve representivity in the SANDF. Project Siyandiza, an aviation awareness campaign among school-leavers from historically disadvantaged communities, complements these efforts.

Capital investment

To ensure a credible defence force, significant capital investments have been made to update specific capabilities. The department will ensure that the weapon systems acquired through the strategic defence procurement programme are delivered on time and efficiently integrated into the existing structures. The transfer of sufficient skills and technology to the SANDF to ensure future readiness supports this. The four delivered corvettes are in the process of being fitted with weapon systems. Delivery of the other systems is on track, with the exception of the light utility helicopters where there are some delays in developing the communication and auto pilot systems.

The SANDF's core capabilities will be maintained so that it can execute its mandate and play a meaningful role in peace missions. The arrival of corvettes, submarines, helicopters and fighter and trainer aircraft will go a long way to ensuring credible defence capabilities. The South African Army will require capital investment in its capabilities to comply with the increased demand for peace missions. Although contractual commitments have not been finalised, significant capital investment in this environment is envisaged from 2009/10 onwards. The increased ability of the judiciary and law enforcement agencies to deal with crime has resulted in a decline in the need for the SANDF to assist the SAPS. The SANDF is therefore continuing with its phased withdrawal from routine support to the SAPS. The planned completion date is March 2009.

The development of the Rooivalk combat helicopter is progressing well and it is envisaged that the first helicopters will be deployed in peace missions during the second half of 2005.

Foreign policy initiatives

The Department of Defence will continue to engage with its regional and other counterparts on the African continent about the security-related objectives of the AU and NEPAD. This will promote security in the region and support government's foreign policy initiatives. Specific developments include the Mutual Defence Pact, the Africa Standby Force and the establishment of early warning centres. The UN requested the SANDF's continued participation in peace support operations in the Democratic Republic of Congo and Burundi. Military observers and staff officers are attached to UN missions in Eritrea, Ethiopia/Somalia and Liberia. Funds have now been allocated to the Defence budget to sustain increased involvement in the Sudan. The department currently deploys more than 3 000 members in external peace support missions, which is three times the number envisaged in the Defence Review.

Budget priorities

The Department of Defence will focus on an increased investment in IT systems to support government initiatives. To achieve the budgetary priorities, additional allocations of R791 million, R944 million and R1,3 billion were made for the 2005 MTEF period. These allocations focus on:

- R65 million for disposing of obsolete and redundant ammunition in an environmentally sensitive manner
- R310 million towards increased investment in the maintenance and repair of facilities
- R61 million to achieve the comprehensive acceptance and integration of the corvette and submarine platforms as part of the maritime defence capability
- R46 million to comply with national health legislation and improved military health service delivery
- R900 million towards peace support operations
- R1,6 billion to adjust employment benefits.

Expenditure estimates

Table 21.1: Defence

Programme	Expenditure outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome			2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05				
1. Administration	406 357	467 150	566 326	616 893	492 526	681 398	713 758	749 506
2. Landward Defence	3 288 288	3 402 517	3 150 985	3 363 097	3 422 033	3 575 142	3 812 705	4 084 934
3. Air Defence	2 005 439	2 086 904	2 176 210	2 239 940	2 265 319	2 395 243	2 505 087	2 681 812
4. Maritime Defence	914 826	981 805	1 025 679	1 097 461	1 108 683	1 211 774	1 274 453	1 357 906
5. Military Health Support	1 061 599	1 235 152	1 354 674	1 316 781	1 328 536	1 577 578	1 669 439	1 813 910
6. Defence Intelligence	138 842	132 258	133 907	135 743	136 666	148 786	155 999	164 233
7. Joint Support	1 853 106	1 975 975	2 111 236	2 354 730	2 370 617	2 490 426	2 728 844	3 143 608
8. Force Employment	544 600	746 322	1 291 195	1 242 174	1 242 439	1 363 706	1 406 121	1 484 698
9. Special Defence Account	5 831 592	7 807 718	8 015 772	7 045 000	7 045 000	9 015 379	8 321 298	6 671 661
Total	16 044 649	18 835 801	19 825 984	19 411 819	19 411 819	22 459 432	22 587 704	22 152 268
Change to 2004 Budget estimate				(845 507)	(845 507)	335 815	227 020	(1 326 450)

Economic classification

	9 395 106	10 186 101	10 969 228	11 581 117	11 581 117	12 837 175	13 630 926	14 729 105
Current payments								
Compensation of employees ¹	6 309 150	6 754 068	7 192 733	7 770 087	7 770 087	8 604 458	9 067 114	9 557 506
Goods and services	3 066 909	3 404 827	3 751 342	3 811 030	3 811 030	4 232 717	4 563 812	5 171 599
of which:								
Computer services	490 478	501 448	462 525	422 713	422 713	550 075	578 597	605 457
Foreign daily allowance	28 971	107 163	238 260	191 799	191 799	184 228	184 228	184 228
Consultants and contractors	9 781	15 454	19 338	14 078	14 078	22 531	23 292	23 754
Travel and subsistence	127 983	151 300	171 537	313 794	313 794	171 007	173 790	173 720
Communication	131 109	126 812	145 416	104 249	104 249	115 177	120 958	127 360
Inventory	1 226 348	1 373 286	1 397 070	1 329 428	1 329 428	1 044 207	1 136 639	1 218 928
Financial transactions in assets and liabilities	19 047	27 206	25 153	-	-	-	-	-
Transfers and subsidies to:	6 052 940	8 040 747	8 291 648	7 354 033	7 354 033	9 357 388	8 682 156	7 049 881
Provinces and municipalities	10 859	11 960	14 234	16 024	16 024	16 632	16 710	16 828
Departmental agencies and accounts	6 037 860	8 022 559	8 271 184	7 335 198	7 335 198	9 337 845	8 662 405	7 029 876
Non-profit institutions	4 221	6 228	6 230	2 811	2 811	2 911	3 041	3 177
Payments for capital assets	596 603	608 953	565 108	476 669	476 669	264 869	274 622	373 282
Buildings and other fixed structures	70 826	55 026	43 672	71 613	71 613	70 203	74 065	77 768
Machinery and equipment	525 633	553 892	521 347	405 056	405 056	193 019	199 217	294 232
Cultivated assets	144	35	89	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	1 647	1 340	1 282
Total	16 044 649	18 835 801	19 825 984	19 411 819	19 411 819	22 459 432	22 587 704	22 152 268

¹ Social contributions for retired employees included in compensation.

Expenditure trends

Trends in overall expenditure are heavily influenced by the pattern of payments for the strategic armaments procurement programme. In turn, these payments are heavily affected by the exchange rate. Due to the strengthened rand over the last two years, expenditure on the procurement programme was about R2 billion lower than expected over the two years.

Overall expenditure increased from R16 billion in 2001/02 to R19,8 billion in 2003/04, before falling slightly to R19,4 billion in 2004/05. A jump in expenditure is expected in 2005/06, to R22,5 billion, as payments for the strategic armaments procurement programme rise from R4,5 billion in 2004/05 to R6,6 billion in 2005/06. Expenditure is then expected to decline very slowly, reaching R22,2 billion in 2007/08.

In the 2005 Budget, additional allocations of R361 million for 2005/06, R394 million for 2006/07 and R627 million for 2007/08 were made for the integration of defence systems, military health services, the upgrading and maintenance of facilities and ammunition disposal. These allocations include R300 million in each year for peace support operations.

Departmental receipts

This is derived mainly from the sale of redundant or obsolete equipment and defence material, the rental of accommodation to personnel, as well as board and lodging.

Table 21.2: Departmental receipts

	Receipts outcome			Adjusted appropriation	Medium-term receipts estimate			
	Audited	Audited	Preliminary outcome		2004/05	2005/06	2006/07	2007/08
	2001/02	2002/03	2003/04					
R thousand								
Sales of goods and services produced by department	124 647	188 844	193 943	201 701	209 769	218 158	229 067	
Fines, penalties and forfeits	1 245	1 350	15 651	3 510	3 650	3 796	3 987	
Interest, dividends and rent on land	700	1 309	833	885	921	958	1 005	
Sales of capital assets	160 775	202 111	258 026	200 000	150 000	100 000	105 000	
Total	287 367	393 614	468 453	406 096	364 340	322 912	339 059	

Programme 1: Administration

Administration oversees the activities of the department by formulating policy, providing strategic direction, and organising the department in terms of its structure and force design. It provides services in the areas of: corporate management, planning, finance, human resources, legal issues, audit and inspection, procurement and acquisition, religious guidance, corporate communications and defence foreign relations.

Expenditure estimates

Table 21.3: Administration

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
Minister ¹	646	685	745	791	843	898	942
Deputy Minister ²	525	557	606	643	685	730	766
Political Direction	9 260	11 662	12 565	10 660	12 472	12 874	13 311
Departmental Direction	3 281	4 280	5 502	5 534	5 193	6 267	6 662
Policy and Planning	34 905	39 508	51 280	50 938	54 181	56 495	59 057
Financial Services	124 800	139 469	159 536	170 618	177 428	183 994	193 919
Human Resources Support Services	68 119	93 835	131 051	136 425	184 348	195 635	207 061
Legal Services	47 325	54 689	60 165	66 565	72 747	76 532	80 431
Inspection Services	16 808	19 425	27 723	39 050	41 550	43 439	45 383
Acquisition Services	38 305	26 161	30 106	34 989	37 649	39 442	41 289
Corporate Communications	14 678	15 815	17 981	20 342	21 379	22 211	23 064
South African National Defence Force Command and Control	5 937	5 655	6 619	6 281	6 632	6 860	7 095
Religious Services	3 010	2 977	2 618	4 153	4 398	4 559	4 725
Reserve Component	6 381	6 959	8 243	9 518	10 084	10 489	10 906
Defence Foreign Relations	32 377	45 473	51 586	60 386	51 809	53 333	54 895
Total	406 357	467 150	566 326	616 893	681 398	713 758	749 506
Change to 2004 Budget estimate				(102 807)	(75 493)	(65 225)	(68 426)

¹ Payable as from 1 April 2004. Salary: R633 061. Car allowance: R158 265.

² Payable as from 1 April 2004. Salary: R514 537. Car allowance: R128 634.

Economic classification

Current payments	387 813	445 680	558 079	607 824	673 319	706 135	743 711
Compensation of employees	296 314	339 600	402 956	463 965	511 237	542 317	574 208
Goods and services	84 983	100 579	147 164	143 859	162 082	163 818	169 503
of which:							
Computer services	1 675	796	715	3 603	54 102	53 989	57 036
Travel and subsistence	13 999	20 030	18 507	20 330	12 406	12 312	12 760
Communication	3 775	6 492	6 855	7 706	6 909	7 178	7 453
Inventory	34 676	44 961	32 989	35 430	20 882	21 756	22 646
Financial transactions in assets and liabilities	6 516	5 501	7 959	–	–	–	–
Transfers and subsidies to:	537	625	848	940	968	977	986
Provinces and municipalities	537	625	848	940	968	977	986
Payments for capital assets	18 007	20 845	7 399	8 129	7 111	6 646	4 809
Machinery and equipment	18 007	20 845	7 399	8 129	7 024	6 555	4 712
Software and other intangible assets	–	–	–	–	87	91	97
Total	406 357	467 150	566 326	616 893	681 398	713 758	749 506

Expenditure trends

Expenditure is expected to increase at an annual average rate of 10,7 per cent between 2001/02 and 2007/08.

Expenditure on the *Human Resources Support Services* subprogramme is expected to increase by 35,1 per cent in 2005/06, due to the spending on and improvement of the Perso system. Expenditure on the *Legal Services* subprogramme increased at an annual average of 12 per cent

between 2001/02 and 2004/05. This was because a reserve force component was set up to alleviate the increased workload caused by more operational commitments to support the NEPAD and SADC initiatives. Expenditure on *Inspection Services* doubled between 2002/03 and 2004/05 due to the establishment of the anti-fraud directorate and supplementary funding for crime prevention. The 17,1 per cent increase in expenditure in 2004/05 on the *Defence Foreign Relations* subprogramme is because of the one-off additional allocation of R11 million in 2004/05 to set up military attaché offices abroad in support of government's foreign policy initiatives.

The substantial increase in expenditure on goods and services in 2005/06 is to go to improving the human resources and financial management systems.

Programme 2: Landward Defence

Landward Defence provides landward defence capabilities for South Africa in the areas covered by its ten subprogrammes:

- *Strategic Direction* directs, orchestrates and controls the South African Army in the achievement of its mission.
- *Infantry Capability* provides the infantry capability of the programme.
- *Armour Capability* provides the armour capability of the programme.
- *Artillery Capability* provides the artillery capability of the programme.
- *Air Defence Artillery Capability* provides the air defence artillery capability of the programme.
- *Engineering Capability* provides the engineering capability of the programme.
- *Operational Intelligence* provides the operational intelligence capability of the programme.
- *Command and Control Capability* provides a tactical command and control capability for higher order user systems force preparation and employment for the programme.
- *Support Capability* provides operational level command and control for the support capability of the programme.
- *General Training Capability* provides operational level command and control for the general training capability of the programme.

Expenditure estimates

Table 21.4: Landward Defence

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2004/05	2005/06	2006/07
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Strategic Direction	204 449	183 175	94 504	138 630	282 542	295 639	312 953
Infantry Capability	1 319 026	1 333 714	1 154 568	1 454 252	1 388 656	1 469 863	1 572 129
Armour Capability	97 454	111 749	117 205	124 270	124 708	131 470	139 207
Artillery Capability	80 524	92 481	92 688	102 930	97 864	102 245	107 810
Air Defence Artillery Capability	59 298	70 405	75 631	82 285	84 092	86 153	91 031
Engineering Capability	157 975	173 437	164 554	178 496	179 790	190 864	202 335
Operational Intelligence	45 143	49 875	53 196	59 896	66 238	69 586	73 083
Command and Control Capability	37 662	113 539	41 344	38 904	47 818	50 687	53 640
Support Capability	1 173 494	1 164 587	1 246 223	1 033 857	1 088 074	1 191 407	1 298 053
of which:							
Maintenance of facilities	8 245	6 865	31 146	9 784	18 396	22 984	19 400
General Training Capability	113 263	109 555	111 072	149 577	215 360	224 791	234 693
Total	3 288 288	3 402 517	3 150 985	3 363 097	3 575 142	3 812 705	4 084 934
Change to 2004 Budget estimate				37 589	121 052	326 081	423 989
Economic classification							
Current payments	3 201 765	3 340 333	3 093 295	3 347 964	3 561 133	3 790 820	4 067 320
Compensation of employees	2 495 360	2 560 290	2 570 031	2 758 183	3 048 414	3 240 066	3 437 703
Goods and services	699 899	765 059	516 657	589 781	512 719	550 754	629 617
of which:							
Computer services	24 489	49 020	41 210	38 819	46 803	49 422	49 482
Travel and subsistence	41 314	44 897	48 552	46 370	54 019	51 777	50 383
Communication	38 895	41 813	46 180	12 331	20 549	20 560	24 333
Inventory	439 624	404 038	267 642	273 236	195 557	203 701	207 531
Financial transactions in assets and liabilities	6 506	14 984	6 607	-	-	-	-
Transfers and subsidies to:	4 530	4 745	6 452	7 116	6 259	6 318	6 377
Provinces and municipalities	4 530	4 745	6 452	7 116	6 259	6 318	6 377
Payments for capital assets	81 993	57 439	51 238	8 017	7 750	15 567	11 237
Machinery and equipment	81 849	57 404	51 149	8 017	7 750	15 567	11 237
Cultivated assets	144	35	89	-	-	-	-
Total	3 288 288	3 402 517	3 150 985	3 363 097	3 575 142	3 812 705	4 084 934

Expenditure trends

Expenditure is expected to increase slowly over the next three years, rising from R3,4 billion in 2004/05 to R4,1 billion in 2007/08. The 10,5 per cent increase in compensation of employees in 2005/06 is largely due to the new home owners allowance dispensation and the increase in the contribution to the Government Employees Pension Fund.

The 103,8 per cent increase in expenditure on *Strategic Direction* subprogramme in 2005/06 is mainly due to the centralisation of all funds for rations. The 22,9 per cent increase in expenditure on the *Command and Control Capability* subprogramme in 2005/06 is due to the expansion of the structures of the operational headquarters (43 and 46 Brigade) to support external operations.

Service delivery objectives and indicators

Recent outputs

External and internal operations and training exercises

Landward Defence continued to provide combat ready soldiers to the Chief of the SANDF for deployment during internal and external operations in 2004/05. The South African Army provided VIP protection services on a number of occasions. During 2003/04, 11 regular force companies and 23 reserve force platoons were constantly deployed during four internal operations, during which the following operations were executed: 4 581 roadblocks, 5 518 vehicle control points, 40 843 foot patrols, 31 980 vehicle patrols, 758 motorcycle patrols, 1 705 equestrian patrols, 105 air patrols, 23 539 farm visits, 364 town visits, 860 national key point visits, 18 719 observation posts, 3 411 listening posts, 9 196 standing patrols, 4 bus protections, 1 494 stationary protections and 6 498 cordon and search operations.

The Army hosted or participated in four single, joint and multinational military training exercises, during which at least 252 troops were used. At least 6 503 troops were deployed for internal operations, while at least 2 593 troops were deployed in external operations (as described under the *Force Employment* programme). Planned combat ready status and force preparation levels were achieved. Sixteen countries from Africa, Asia and Europe participated in the Airborne Africa exercise during September 2004. The SANDF's high standard of training is endorsed by the fact that the SANDF team won this prestigious competition.

Selected medium-term output targets

Landward Defence

Measurable objective: Defend and protect South Africa by maintaining and providing prepared and supported landward combat forces, services and facilities that meet government's requirements.

Subprogramme	Output	Measure/Indicator	Target
Strategic Direction	Landward defence strategic direction	The degree to which landward defence policies, strategies and plans are implemented	100%
Infantry Capability	Combat ready infantry units	The degree to which the required combat readiness states are achieved	100% as specified in the readiness schedules
Armour Capability	Combat ready armoured units	The degree to which the required combat readiness states are achieved	100% as specified in the readiness schedules
Artillery Capability	Combat ready artillery units	The degree to which the required combat readiness states are achieved	100% as specified in the readiness schedules
Air Defence Artillery Capability	Combat ready air defence artillery units	The degree to which the required combat readiness states are achieved	100% as specified in the readiness schedules
Engineering Capability	Combat ready engineering units	The degree to which the required combat readiness states are achieved	100% as specified in the readiness schedules
Operational Intelligence	Combat ready operational intelligence units	The degree to which the required combat readiness states are achieved	100% as specified in the readiness schedules
Command and Control Capability	Centralised brigade command and control of forces	The degree to which the required combat readiness states are achieved	100% as specified in the readiness schedules
Support Capability	Logistic support	The degree of compliance with service level agreements	100%
General Training Capability	Trained South African Army personnel	The degree to which the planned training is achieved	5 310 learners for 2005/06

Programme 3: Air Defence

Air Defence provides air defence capabilities for South Africa in the areas covered by its 11 subprogrammes:

- *Strategic Direction* provides strategic direction to the *Air Defence* Programme by formulating and controlling strategies, policies and plans by the Air Force Office to prepare and provide the capabilities required by Chief of the SANDF.
- *Operational Direction* provides operational direction to the *Air Defence* programme by means of an air command.
- *Helicopter Capability* provides and sustains operationally ready light utility helicopters, medium transport helicopters and combat support helicopters, crewed by appropriately qualified personnel.
- *Transport and Maritime Capability* provides and sustains operationally ready transport and maritime aircraft crewed by appropriately qualified personnel.
- *Air Combat Capability* provides and sustains operationally ready advanced light fighter aircraft, light fighter training aircraft, long-range transport, in-flight refuelling and electronic warfare aircraft, crewed by appropriately qualified personnel.
- *Operational Support and Intelligence Capability* prepares, develops, provides and supports protection support, intelligence systems and counter intelligence support to the South African Air Force (SAAF) through protection squadrons, intelligence subsystems and air force-unique intelligence training.
- *Command and Control Capability* supplies and maintains operationally ready command and control elements in support of air battle space operations.
- *Base Support Capability* provides air base infrastructure facilities to squadrons and resident units on bases, including maintenance of all relevant systems and personnel, to support flying operations.
- *Command Post* renders command and control over all missions flown.
- *Training Capability* provides for the general education, training and development of SAAF personnel.
- *Technical Support Services* establishes, maintains and prepares optimised technical and tactical logistic support capabilities to provide support to system groups and manage air service units.

Expenditure estimates

Table 21.5: Air Defence

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Strategic Direction	34 260	2 925	6 244	5 816	8 467	8 873	9 300
Operational Direction	345 952	68 349	68 891	27 612	34 542	37 249	38 512
Helicopter Capability	215 549	240 658	204 400	268 216	270 840	280 975	298 776
Transport and Maritime Capability	149 270	171 883	148 342	205 061	217 105	228 120	239 738
Air Combat Capability	197 010	232 705	234 296	196 758	230 492	253 954	302 510
Operational Support and Intelligence Capability	88 840	98 292	102 955	103 029	114 383	117 590	123 457
Command and Control Capability	136 260	130 684	129 325	144 442	143 070	149 944	157 141
Base Support Capability	412 794	522 397	593 501	537 833	691 217	721 402	781 071
of which:							
Maintenance of facilities	2 451	4 453	4 431	3 843	8 459	8 200	8 486
Command Post	15 247	29 662	35 704	35 413	29 063	30 421	31 848
Training Capability	205 773	198 879	169 121	226 580	184 672	192 954	202 298
Technical Support Services	204 484	390 470	483 431	489 180	471 392	483 605	497 161
Total	2 005 439	2 086 904	2 176 210	2 239 940	2 395 243	2 505 087	2 681 812
Change to 2004 Budget estimate				17 644	65 987	48 936	102 853
Economic classification							
Current payments	1 712 577	1 822 497	1 938 707	1 987 694	2 366 484	2 479 281	2 654 922
Compensation of employees	927 765	1 040 400	1 119 041	1 183 607	1 277 454	1 335 089	1 395 571
Goods and services	783 848	780 374	815 599	804 087	1 089 030	1 144 192	1 259 351
of which:							
Computer services	23 413	25 224	28 259	15 828	28 121	28 090	29 419
Travel and subsistence	28 696	35 811	41 610	37 540	38 993	40 779	41 750
Communication	9 578	9 071	10 728	7 165	8 103	8 610	9 155
Inventory	216 794	248 796	251 244	260 731	218 903	225 743	247 452
Financial transactions in assets and liabilities	964	1 723	4 067	–	–	–	–
Transfers and subsidies to:	1 656	1 923	1 544	1 813	2 482	2 469	2 457
Provinces and municipalities	1 656	1 923	1 544	1 813	2 482	2 469	2 457
Payments for capital assets	291 206	262 484	235 959	250 433	26 277	23 337	24 433
Machinery and equipment	291 206	262 484	235 959	250 433	26 277	23 337	24 433
Total	2 005 439	2 086 904	2 176 210	2 239 940	2 395 243	2 505 087	2 681 812

Expenditure trends

Expenditure is expected to increase steadily between 2001/02 and 2007/08, at an annual average rate of 5 per cent.

The 45,6 per cent increase in expenditure on the *Strategic Direction* subprogramme in 2005/06 is due to the additional funding provided for internal communication within the South African Air Force, facilitated through the Ad Astra magazine. It also includes increased funding for air power development studies, strategic decision support, operational research and weapon system analysis and process reviews provided for under the Armscor Defence Institute contract.

The very large decrease in expenditure on the *Operational Direction* subprogramme in 2002/03 is mainly due to a redistribution of funds to all the relevant subprogrammes. The increase in 2005/06

reflects the relocation of the test flight and development centre from the *Base Support Capability* subprogramme and the funding of additional Gripen/Hawk flight safety manuals.

Expenditure on the *Air Combat Capability* subprogramme is expected to increase at an annual average rate of 15,4 per cent over the next three years, to fund the preparation for the acceptance of the Gripen fighter aircraft and the Hawk training aircraft. The large expected increase in expenditure on the *Base Support Capability* subprogramme in 2005/06 is due to the introduction of a technical incentive scheme to retain highly qualified technical personnel to service the newly acquired aircraft, the implementation of the improved homeowners allowance dispensation, the increase in the state's contribution to the Government Employees' Pension Fund, the centralisation of common commodities (rations and clothing) and to improve and maintain system integrity at bases to prepare for the acceptance of the training and fighter aircraft.

Service delivery objectives and indicators

Recent outputs

External and internal operations and training exercises

As part of its support to South African citizens, the South African Air Force, was involved in air transport, humanitarian operations and coastal patrol missions during 2003/04. More than 1 800 hours were flown to support the deployments in the Democratic Republic of the Congo and Burundi, and 1 356 hours in support of the SAPS on crime prevention and border-line control operations. The SAAF flew a total of 35 472 hours on 3 384 force employment missions during 2003/04. Disaster relief was provided to Iran for rescue operations after the earthquake at Bam. Aircraft and helicopters were deployed to Madagascar in March 2004 to assist in disaster relief operations after widespread flooding.

The South African Air Force hosted the bi-annual Africa Aerospace and Defence exhibition in September 2004. The Air Force also hosted and participated in an international training exercise, together with participants and observers from India, Germany, Sweden and Zimbabwe in September 2004. Wings were awarded to 25 newly qualified pilots at the wings parade in July 2004. Great success has been achieved with Siyandiza, the Air Force's aviation awareness programme. A total of 55 schools were visited during 2003/04 and it is estimated that about 60 000 learners were reached.

Selected medium-term output targets

Air Defence

Measurable objective: Defend and protect South Africa by maintaining and providing prepared and supported air combat forces, services and facilities that meet government's requirements.			
Subprogramme	Output	Measure/Indicator	Target
Strategic Direction	Air defence strategic direction	The degree to which air defence policies, strategies and plans are implemented	100%
Operational Direction	Air defence operational direction	The degree to which the required combat readiness states are achieved	100% as specified in the readiness schedule
Helicopter Capability	Combat ready helicopter squadrons	Planned flying hours	12 620 flying hours for 2005/06
Transport and Maritime Capability	Combat ready transport, VIP transport, maritime and reserve squadrons	Planned flying hours	18 826 flying hours for 2005/06

Subprogramme	Output	Measure/Indicator	Target
Air Combat Capability	Operationally ready advanced light fighter aircraft, light fighter training aircraft, long range transport aircraft, in-flight refuelling aircraft and electronic warfare aircraft	Planned flying hours	5 563 flying hours for 2005/06
Operational Support and Intelligence Capability	Operationally ready air space control, protection squadrons and air intelligence systems	The degree to which operational support and intelligence requirements is met	Full compliance with all requirements
Command and Control Capability	Operationally ready command and control elements	The degree to which command and control elements support air operations	Full support for all air operations
Base Support Capability	Operationally ready air base infrastructure facilities	The degree to which air base infrastructure supports flying operations	Full support for all flying operations
Command Post	Operationally ready command post capabilities	The degree to which command post capabilities provide command and control over flying missions	Effective command and control over all planned flying missions
Training Capability	Trained South African Air Force personnel	Planned number of trainees	9 061 learners in 2005/06
Technical Support Services	Optimised technical and tactical logistic support capabilities	The degree to which technical and tactical logistic support capabilities support flying operations	Full support for all flying operations

Programme 4: Maritime Defence

Maritime Defence provides maritime defence capabilities for South Africa in the areas covered by its five subprogrammes:

- *Maritime Direction* provides strategic direction within the *Maritime Defence* programme by formulating and controlling strategies, policies, plans and advice in order to prepare and provide the maritime capabilities required by the Chief of the SANDF.
- *Maritime Combat Capability* provides prepared and supported maritime combat capabilities in accordance with the approved Department of Defence force design.
- *Maritime Logistic Support Capability* provides a maritime logistic support capability to maintain and sustain the approved force design and comply with ordered operational commitments.
- *Maritime Training Capability* makes sure that the maritime combat capability requirements are met in providing trained full-time and reserve personnel.
- *Base Support Capability* provides a general base support capability in support of the fleet, ships, shore units and other identified clients to maintain and sustain the approved force design and force structure.

Expenditure estimates

Table 21.6: Maritime Defence

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
Maritime Direction	159 310	192 389	221 498	214 566	254 254	265 644	277 899
Maritime Combat Capability	209 380	234 354	294 109	280 514	339 103	348 009	403 573
<i>of which:</i>							
Hydrographic service	9 081	9 236	9 778	9 157	9 122	9 202	9 281
Maritime Logistic Support Capability	161 899	168 359	149 679	167 900	185 717	197 762	195 779
Maritime Training Capability	136 482	98 601	90 000	140 685	115 749	122 035	127 029
Base Support Capability	247 755	288 102	270 393	293 796	316 951	341 003	353 626
<i>of which:</i>							
Maintenance of facilities	5 710	3 696	5 743	3 544	16 979	17 735	18 531
Navy administrative unit German	–	3 773	5 516	5 656	1 127	1 127	1 127
Total	914 826	981 805	1 025 679	1 097 461	1 211 774	1 274 453	1 357 906
Change to 2004 Budget estimate				4 890	62 368	54 682	77 146

Economic classification

Current payments	891 643	948 954	983 069	1 060 858	1 186 204	1 253 081	1 334 812
Compensation of employees	631 569	630 712	644 271	697 740	726 314	771 326	814 352
Goods and services	259 643	317 807	337 981	363 118	459 890	481 755	520 460
<i>of which:</i>							
Computer services	8 423	18 925	22 754	19 611	29 287	34 781	23 161
Travel and subsistence	7 558	11 293	16 058	15 343	18 903	20 630	19 033
Communication	8 506	12 141	12 268	9 565	10 710	10 853	11 162
Inventory	134 035	161 424	134 367	183 799	189 814	193 173	215 300
Financial transactions in assets and liabilities	431	435	817	–	–	–	–
Transfers and subsidies to:	935	975	1 353	1 604	1 554	1 567	1 580
Provinces and municipalities	935	975	1 353	1 604	1 554	1 567	1 580
Payments for capital assets	22 248	31 876	41 257	34 999	24 016	19 805	21 514
Machinery and equipment	22 248	31 876	41 257	34 999	23 436	19 279	20 955
Software and other intangible assets	–	–	–	–	580	526	559
Total	914 826	981 805	1 025 679	1 097 461	1 211 774	1 274 453	1 357 906

Expenditure trends

Expenditure is expected to increase at an annual average rate of 7,4 per cent over the next three years, taking it to R1,4 billion.

The programme's most immediate priority is to prepare for the full acceptance of the 4 MEKO Class Patrol Corvettes in 2005/06 acquired through the Strategic Defence Procurement Programme. The expected 20,9 per cent increase in expenditure in 2005/06 on the *Maritime Combat Capability* subprogramme will help fund the support contract for the 4 Corvettes. The 16,0 per cent increase in 2007/08 is mainly to provide for the full operational utilisation of the four corvettes and three submarines.

The decrease in expenditure on the *Maritime Training Capability* subprogramme in 2005/06 reflects the movement of training posts to the *Maritime Direction Capability* subprogramme. The 49,3 per cent increase in expenditure on computer services in 2005/06 is due to the improvement of the operational support information system to accommodate the codification of equipment and

spares for the corvettes and submarines that are acquired through the strategic defence procurement process.

Service delivery objectives and indicators

Recent outputs

Operations, patrols and training exercises

The South African Navy provided a total of 12 491 sea hours during 2003/04 against the target of 30 314 hours. Its not meeting the target was primarily because of some planned sea hours not used by the joint operations division, including hours for the Navy's assistance to the SAPS and the Department of Environmental Affairs and Tourism to curb the illegal smuggling of marine resources. The Navy successfully deployed vessels and personnel in 23 training exercises, operations, hydrographical surveys and fishery patrols. At the request of the Australian government, the navy was deployed for a second time to support the Australian Navy, and successfully apprehended a vessel illegally fishing in the Southern Ocean. Elements of the operational boat squadron were deployed to Lake Tanganyika, Burundi, in support of peacekeeping initiatives.

The four patrol corvette platforms arrived in South Africa during 2003 and 2004, and the installation of the combat suites has begun. Capacity has been built to prepare personnel, facilities and equipment for integrating the newly acquired vessels, inventories have been reduced and measures implemented to retain personnel.

The last Daphne class submarine was decommissioned in 2004. No submarine combat capability exists until the scheduled arrival of the new type 209 class submarines in January 2006. Two surplus harbour patrol boats were donated and delivered to the Mozambican Navy in 2004.

Selected medium-term output targets

Maritime Defence

Measurable objective: Defend and protect South Africa by maintaining and providing prepared and supported maritime combat forces, services and facilities that meet government's requirements.

Subprogramme	Output	Measure/Indicator	Target
Maritime Direction	Maritime defence strategic direction	The degree to which maritime defence policies, strategies and plans are implemented	100%
Maritime Combat Capability	Combat ready maritime capabilities	Planned sea hours The degree to which the stated readiness levels have been achieved	18 421 sea hours for 2005/06 100%
Maritime Logistic Support Capability	Operationally ready logistic support	The degree to which stated logistic outputs and targets have been achieved	100%
Maritime Training Capability	Trained SA Navy personnel	Planned trainees	6 492 learners in 2005/06
Base Support Capability	Operationally ready maritime support bases	The degree to which the stated base support outputs and targets have been achieved	100%

Programme 5: Military Health Support

The Military Health Support Programme provides medical combat support and other medical services. It maintains military health and training facilities, including specialist facilities such as the institutes for maritime and aviation medicine. It provides various support functions to, among others, the departments of health and of agriculture, when required.

It has seven subprogrammes:

- *Strategic Direction* provides strategic direction to the *Military Health Support* programme by formulating and controlling strategy, policies and plans, and giving advice from the surgeon general's office in order prepare and provide the capabilities required by the Chief of the SANDF.
- *Military Health Support* provides for the warehousing of pharmaceuticals, sundries, military health mobilisation equipment and unique stock.
- *Area Military Health Service* provides a comprehensive, self-supporting, multidisciplinary area military health service through a formation headquarters commanding and controlling nine Area Military Health units to ensure a healthy military community.
- *Specialist/Tertiary Health Service* provides a specialist health service to ensure the development, establishment and maintenance of tertiary military health capabilities within the parameters of relevant legislation as contained in the SA Military Health Service strategy.
- *Product Support Capability* provides for the procurement of unique military health products, materials and services, an asset management service, military health product systems and co-operative common military health logistics.
- *Base Support Capability* provides general base support services to identified units and other identified clients to sustain and maintain the approved force design and structure.
- *Military Health Training Capability* provides a military health training service to ensure the development, establishment and maintenance of military health training capabilities within the parameters of relevant legislation and policies.

Expenditure estimates

Table 21.7: Military Health Support

Subprogramme	Expenditure outcome				Medium-term expenditure estimate		
	Audited	Audited	Preliminary	Adjusted			
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Strategic Direction	84 331	94 169	87 017	90 067	104 137	112 511	114 236
Military Health Support	27 841	45 425	47 337	43 825	47 329	51 711	54 356
Area Military Health Service	357 707	425 101	484 340	442 484	530 696	574 226	642 087
of which:							
New Medical Depot	–	–	–	–	14 000	–	–
Specialist/Tertiary Health Service	464 417	491 263	508 692	522 980	600 672	607 362	646 628
of which:							
Military Psychological Institute	4 997	6 624	8 586	6 219	9 814	9 893	9 973
Institute for Aviation Medicine	6 773	8 513	9 741	9 162	9 808	9 943	10 019
Institute for Maritime Medicine	7 788	7 746	10 636	7 561	11 144	11 234	11 325
Product Support Capability	44 292	69 006	68 737	49 290	104 731	122 027	129 408
Base Support Capability	24 964	32 160	76 660	68 917	93 334	99 976	120 284
of which:							
Maintenance of facilities	30	53	167	–	5 135	5 135	5 135
Military Health Training Capability	58 047	78 028	81 891	99 218	96 679	101 626	106 911
Total	1 061 599	1 235 152	1 354 674	1 316 781	1 577 578	1 669 439	1 813 910
Change to 2004 Budget estimate				11 222	199 260	214 790	286 529

R thousand	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
	2001/02	2002/03	2003/04	2004/05			
Economic classification							
Current payments	1 026 326	1 171 823	1 300 865	1 283 686	1 541 687	1 641 698	1 745 839
Compensation of employees	699 165	785 233	886 444	951 321	1 110 067	1 153 180	1 209 910
Goods and services	323 046	382 264	408 918	332 365	431 620	488 518	535 929
<i>of which:</i>							
<i>Computer services</i>	982	2 269	150	6	31 308	34 295	31 516
<i>Travel and subsistence</i>	8 248	12 478	13 431	12 699	13 175	13 322	13 634
<i>Communication</i>	7 203	6 976	9 213	6 685	7 588	7 575	7 613
<i>Inventory</i>	220 931	268 736	277 966	211 059	225 780	290 266	308 194
Financial transactions in assets and liabilities	4 115	4 326	5 503	–	–	–	–
Transfers and subsidies to:	1 260	1 444	1 466	1 647	1 997	2 015	2 034
Provinces and municipalities	1 260	1 444	1 466	1 647	1 997	2 015	2 034
Payments for capital assets	34 013	61 885	52 343	31 448	33 894	25 726	66 037
Machinery and equipment	34 013	61 885	52 343	31 448	33 565	25 396	65 707
Software and other intangible assets	–	–	–	–	329	330	330
Total	1 061 599	1 235 152	1 354 674	1 316 781	1 577 578	1 669 439	1 813 910

Expenditure trends

Expenditure is expected to increase strongly over the next three years, rising from R1,3 billion in 2004/05 to R1,8 billion in 2007/08, an annual average increase of 11,3 per cent.

The expected 19,9 per cent increase in expenditure on the *Area Military Health Service* subprogramme in 2005/06 is mainly due to increased spending on the purchase of pharmaceuticals and for the presidential medical team. It also includes an additional allocation of R14 million to comply with health legislation that regulates the safekeeping, storage and dispensing of medicine.

The expected 112,5 per cent increase in expenditure on the *Product Support Capability* subprogramme in 2005/06 is because of the need to maintain the medical reserve stock used for deployments. The increases in expenditure on the *Base Support Capability* subprogramme in 2005/06 are mainly due to the establishment of the General Support Base at Thaba Tshwane.

Service delivery objectives and indicators

Recent outputs

Hospitalisation of members and provision of medication

The South African Military Health Service (SAMHS) provides a comprehensive health service and healthcare to members of the SANDF and their dependants. During 2003/04, SAMHS healthcare professionals issued approximately 1,2 million prescriptions resulting in the dispensing of approximately 3,6 million medical items at an average of three items per prescription. The SAMHS was able to limit the cost to an average of R33,59 per prescription through the active use of generic medication and reliance on a code list limiting the number of choices on similar medication. A total of 32 711 members were hospitalised in SAMHS facilities, resulting in 111 176 inpatient days at an average stay of 3,4 days. The average cost per inpatient day

was R572,43. The SAMHS footprint resulted in the hospitalisation of 7 598 members and dependants in other public and private health facilities in areas where the SAMHS lacks capacity. The figures provided exclude the number of patients treated in occupational groups that concentrate on rehabilitative processes spread over several months.

Providing support

The SAMHS provided support during more than 1 645 unit activities such as shooting exercises. During 2003/04 emergency medical assistance was provided to 995 officials who fell ill while on duty. Onboard health support was provided to all the newly acquired naval vessels during their delivery voyages. The presidential medical team provided support at 316 Gauteng venues, 92 provincial venues and 46 foreign venues. The SAMHS, and the South African Society for Aviation and Environmental Medicine hosted the 52nd International Congress of Aviation and Space Medicine at Sun City in September 2004. Delegates from 44 countries participated in the congress.

Selected medium-term output targets

Military Health Support

Measurable objective: In support of the defence of South Africa, provide prepared and supported military medical health capabilities, services and facilities that meet government's requirements.			
Subprogramme	Output	Measure/Indicator	Target
Strategic Direction	Military health strategic direction	The degree to which military health service policies, strategies and plans are implemented	100%
Military Health Support	Combat ready medical elements	The degree to which the required combat readiness states are achieved	100% as specified in the readiness schedules
Area Military Health Service	Local multidisciplinary health facilities and services	Degree of compliance with departmental health requirements	100%
Specialist/Tertiary Health Service	Tertiary military health services	Degree of adherence to codes of conduct	100%
Product Support Capability	Logistic support	Degree of compliance with service level agreements	100%
Base Support Capability	Management of medical bases	Degree to which health regulatory requirements are met	100%
Military Health Training Capability	Trained South African Military Health Service (SAMHS) personnel	Degree to which planned training is achieved	100% as per SAMHS training plan

Programme 6: Defence Intelligence

Defence Intelligence provides defence intelligence and counter-intelligence for operational security in support of the department. It also provides for personnel vetting.

It has three subprogrammes:

- *Strategic Direction* provides defence intelligence policy, doctrine and intelligence advice in support of the decision-making and policy formulation processes of the Department of Defence.
- *Operations* provides leading edge defence intelligence and counter-intelligence capabilities and services to warn, inform, predict and advise clients timeously.
- *Defence Intelligence Support Services* provides human resource, logistic, planning, security, labour relations, training and information support services to the defence intelligence community.

Expenditure estimates

Table 21.8: Defence Intelligence

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
Strategic Direction	383	214	170	156	130	131	138
Operations	10 990	11 991	12 685	11 510	7 965	8 045	8 448
Defence Intelligence Support Services	127 469	120 053	121 052	124 077	140 691	147 823	155 647
Total	138 842	132 258	133 907	135 743	148 786	155 999	164 233
Change to 2004 Budget estimate				(10 077)	(5 210)	(6 795)	(6 701)
Economic classification							
Current payments	133 505	127 855	128 035	130 925	144 479	151 237	159 294
Compensation of employees	105 381	105 224	107 889	109 922	120 224	127 231	134 453
Goods and services	27 928	22 564	20 095	21 003	24 255	24 006	24 841
<i>of which:</i>							
Computer services	3 448	2 280	3 102	3 643	572	578	607
Travel and subsistence	4 423	3 175	3 064	1 526	975	984	1 034
Communication	1 163	1 312	1 080	1 853	1 837	1 855	1 948
Inventory	9 785	9 040	9 648	11 752	6 309	6 924	7 170
Financial transactions in assets and liabilities	196	67	51	–	–	–	–
Transfers and subsidies to:	191	195	254	181	246	248	251
Provinces and municipalities	191	195	254	181	246	248	251
Payments for capital assets	5 146	4 208	5 618	4 637	4 061	4 514	4 688
Machinery and equipment	5 146	4 208	5 618	4 637	4 061	4 514	4 688
Total	138 842	132 258	133 907	135 743	148 786	155 999	164 233

Expenditure trends

Expenditure is expected to increase steadily over the next three years, rising from R135,7 million in 2004/05 to R164,2 million in 2007/08, an annual average increase of 6,6 per cent.

The expected decreases in expenditure on the *Operations* subprogramme in 2005/06 is mainly due to the relocation of projected expenditure on various sensitive projects in the intelligence and counter-intelligence area of responsibility to the Special Defence Account.

Service delivery objectives and indicators

Recent outputs

The defence intelligence division closely co-operates with intelligence structures of the SADC region. The main focus is on producing intelligence in support of operations in the region and developing strategic partnerships with SADC member countries. Its core function is to disseminate military-related intelligence products to the department, other national clients such as the National Intelligence Co-ordinating Committee and international partners. The number of products has increased as the number of external missions increased over the past few years. A number of counter-intelligence surveillance and technical operational tasks were successfully completed, and once again more than a 1 000 special collection requests were successfully dealt with during 2003/04.

Selected medium-term output targets

Defence Intelligence

Measurable objective: Defend and protect South Africa by the provision of defence intelligence and counter-intelligence products and services that meet government's requirements.

Subprogramme	Output	Measure/Indicator	Target
Strategic Direction	Defence intelligence strategic direction	The degree to which defence intelligence policies, strategies and plans are implemented	100%
Operations	Defence intelligence and counter-intelligence	Proportion of intelligence reports generated according to the approved intelligence schedule	100%
Defence Intelligence Support Services	Trained defence intelligence personnel	Degree to which planned training is achieved	100% as per training plan

Programme 7: Joint Support

Joint Support provides support capabilities, facilities and services to the department. It establishes, provides training in, and maintains the following areas: joint logistics, ICT, military police, vocational training, joint training and acquisition services. It assists organisations related to the Department, such as the Armaments Corporation of South Africa (Armcor), the Part-time Force Council, the South African First Aid League, St Johns Ambulance Brigade, the Medical Fund for Military Members retired before 1964, and the Defence, Intelligence, Diplomacy and Trade, Education and Training Authority (DIDTETA).

It has 10 subprogrammes:

- *Strategic Direction* provides strategic direction to the *Joint Support* programme.
- *Joint Logistic Services* provides logistic services to the Department of Defence.
- *Command and Management Information Services* provides a command and management information and related service to the Department of Defence in support of the department's objectives.
- *Military Police* provides a military policing capability to the department.
- *Service Corps* provides a demilitarisation service to individual members of the department.
- *Acquisition Services* provides for project-related day-to-day expenditure associated with the armament acquisition programmes.
- *Joint Training* provides the department with professional developmental and non-combat/mission common functional learning opportunities.
- *Assistance* provides for financial support to the St Johns Ambulance Brigade and the medical fund established for defence members who retired before 1964.
- *Departmental Support* provides for the payment of corporate departmental obligations such as claims against the department, external audits and bank charges.
- *British Peace Support and Training Team* provides for the personnel from the United Kingdom Department of Defence who render services to the SANDF.

Expenditure estimates

Table 21.9: Joint Support

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Strategic Direction	10 403	8 562	5 896	5 237	5 651	5 912	6 180
Joint Logistic Services	468 979	543 028	573 455	646 034	769 305	871 428	1 170 625
<i>of which:</i>							
<i>Capital works</i>	70 826	55 026	43 672	71 613	70 203	74 065	77 768
<i>Maintenance of facilities</i>	6 751	3 471	6 054	1 238	24 201	67 701	269 053
<i>National codification</i>	10 537	8 102	4 944	10 874	10 920	10 920	10 920
<i>Ammunition disposal plant</i>	–	–	–	–	5 000	10 000	50 000
Command and Management Information Services	773 990	799 764	818 690	825 938	889 841	937 476	999 042
<i>of which:</i>							
<i>Cryptographic security</i>	10 074	12 075	14 346	12 520	13 740	14 314	15 285
Military Police	188 496	192 658	209 927	215 650	237 428	250 570	264 260
Service Corps	46 119	46 592	48 276	50 040	53 909	56 430	59 026
Acquisition Services	3 547	1 860	2 392	2 488	272	287	287
Joint Training	105 867	104 778	101 906	104 437	108 791	113 857	119 075
Assistance	2 322	3 710	3 930	350	315	315	315
Departmental Support	246 658	261 647	334 911	504 556	418 456	486 111	518 340
British Peace Support and Training Team	6 725	13 376	11 853	–	6 458	6 458	6 458
Total	1 853 106	1 975 975	2 111 236	2 354 730	2 490 426	2 728 844	3 143 608
Change to 2004 Budget estimate				51 332	196 386	306 256	599 891
Economic classification							
Current payments	1 533 740	1 647 556	1 719 298	1 944 333	2 059 156	2 269 377	2 624 396
Compensation of employees	829 828	959 441	1 045 889	1 128 941	1 288 680	1 366 753	1 448 022
Goods and services	703 593	688 019	673 368	815 392	770 476	902 624	1 176 374
<i>of which:</i>							
<i>Computer services</i>	425 697	401 134	364 993	339 796	358 130	375 647	412 283
<i>Consultants and contractors</i>	5 177	13 138	10 102	8 600	15 026	14 518	14 628
<i>Travel and subsistence</i>	14 824	16 726	19 856	18 678	21 317	22 341	23 032
<i>Communication</i>	57 718	43 658	54 172	54 094	52 501	57 140	58 295
<i>Inventory</i>	94 248	114 750	104 575	221 658	85 624	91 458	102 954
Financial transactions in assets and liabilities	319	96	41	–	–	–	–
Transfers and subsidies to:	211 972	222 806	263 630	295 396	328 043	346 839	364 108
Provinces and municipalities	1 483	1 737	1 988	2 387	2 666	2 691	2 716
Departmental agencies and accounts	206 268	214 841	255 412	290 198	322 466	341 107	358 215
Non-profit institutions	4 221	6 228	6 230	2 811	2 911	3 041	3 177
Payments for capital assets	107 394	105 613	128 308	115 001	103 227	112 628	155 104
Buildings and other fixed structures	70 826	55 026	43 672	71 613	70 203	74 065	77 768
Machinery and equipment	36 568	50 587	84 636	43 388	32 373	38 170	77 040
Software and other intangible assets	–	–	–	–	651	393	296
Total	1 853 106	1 975 975	2 111 236	2 354 730	2 490 426	2 728 844	3 143 608

R thousand	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
	2001/02	2002/03	2003/04	2004/05			
Details of transfers and subsidies:							
Departmental agencies and accounts							
Current	206 268	214 841	255 412	290 198	322 466	341 107	358 215
Armaments Corporation of South Africa Ltd	194 875	209 441	249 635	284 098	315 364	333 584	350 263
Defence, Intelligence, Diplomacy and Trade Sector Education and Training Authority	11 393	5 400	5 777	6 100	7 102	7 523	7 952
Total departmental agencies and accounts	206 268	214 841	255 412	290 198	322 466	341 107	358 215
Non-profit institutions							
Current	4 221	6 228	6 230	2 811	2 911	3 041	3 177
SAN Community	2 000	3 400	3 600	–	–	–	–
St Johns Ambulance Brigade	40	95	45	40	40	40	40
SA First-Aid League	32	95	35	35	–	–	–
Medical Fund	249	700	250	275	275	275	275
Part Time Force Council	1 900	1 938	2 300	2 461	2 596	2 726	2 862
Total non-profit institutions	4 221	6 228	6 230	2 811	2 911	3 041	3 177

Expenditure trends

Expenditure on the programme is expected to continue to increase steadily, rising from R1,9 billion in 2001/02 to R3,1 billion in 2007/08, an annual average increase of 9,2 per cent.

Expenditure on the *Joint Logistic Services* subprogramme is expected to continue to increase rapidly, at an annual average rate of 16,5 per cent per year between 2001/02 and 2007/08. This increase goes towards providing joint logistical support and equipment for peace support operations in Africa. The increase in expenditure on goods and services in 2004/05 was because of a one-off provision for medical consumables.

Within the additional allocations announced in the 2005 Budget was R10 million for 2005/06, R50 million for 2006/07 and R250 million for 2007/08 for the repair and maintenance of the department's infrastructure facilities.

The annual average increase in the *Departmental Support* subprogramme of 13,2 per cent between 2001/02 and 2007/08 reflects the increased provision for Armscor and DIDTETA. The spike in expenditure on the subprogramme in 2004/05 was due to a one-off provision for medical consumables and the replacement of mainframe hardware.

The British military support and training team completed their task in 2003/04 and no services were provided during 2004/05. A smaller team was tasked to assist in training with peace support operations, and will start functioning in 2005/06.

Service delivery objectives and indicators

Recent outputs

Training

The department's youth foundation training programme is progressing well. By the end of 2003, 243 learners completed their training. In February 2004, 225 learners reported for training. At the Military Academy, 73 per cent of third-year B.Mil students graduated. Three students from Botswana are presently studying at the Military Academy, and three students from France completed their Masters degree studies there in 2004. A joint warrant officers' academy has been established at the Wonderboom military base. During the first half of 2004/05, 84 foreign learners have been given training opportunities at Department of Defence training institutions, while 53 members of the department have been given foreign training opportunities. At the Centre for Advanced Training, 144 supernumerary officials, with potential for redeployment, were trained.

Community involvement

The Service Corps is involved in projects like the agricultural food security project, the Mukula stone crushing project, the hydroponic irrigation scheme and the Working for Water project to help with community upliftment and the provision of job opportunities for Service Corps clients.

Crime prevention

The military police successfully finalised 2 273 criminal cases during 2003/04, and the electronic crime administration system was successfully implemented in the southern military police region in December 2003. Crime prevention roving squads were also instituted in the southern and central military police regions.

Facilities and stores

A new concept of preventative maintenance has been introduced at all new and upgraded defence facilities. This is a big step towards the sustainable use of the department's facilities. Six auctions were held in 2003/04 resulting in the disposal of unserviceable, obsolete and redundant equipment and stores to the value of R21,4 million.

Land restitution

The eastern and southern parts of the Walmanstal military area have been handed over to the Land Claims and Restitution Commission.

Selected medium-term output targets

Joint Support

Measurable objective: Support departmental activities through the preparation, maintenance and provision of joint logistic, technological and military policing capabilities, services and facilities that meet government's requirements.

Subprogramme	Output	Measure/Indicator	Target
Strategic Direction	Joint support strategic direction	The degree to which joint support policies, strategies and plans are implemented	100%
Joint Logistic Services	Integrated logistic system support	The degree to which service and performance agreements are achieved	100%
Command and Management Information Services	Centralised command and management information services	The degree to which service and performance agreements are achieved	100%

Subprogramme	Output	Measure/Indicator	Target
Military Police	Military policing capability	The degree to which service and performance agreements are achieved	100%
Service Corps	Reskilling service for department personnel	The degree to which service and performance agreements are achieved	100%
Acquisition Services	Procurement of defence equipment	Degree of adherence to time schedules	At least 90% on time
Joint Training	Professional and non-combat functional learning services	The degree to which planned training is achieved	2 942 learners for 2005/06
Assistance	Assistance to defence-related organisations	Degree of adherence to time schedules	At least 90% on time
Departmental Support	Legal services	Degree of adherence to time schedules	At least 90% on time
British Peace Support and Training Team	Peace support training advice	The degree to which planned training advice is accepted	100%

Programme 8: Force Employment

Force Employment provides an operational capability to conduct operations and joint and multinational military exercises, and manages defence capabilities. It also provides special operations capability.

There are five subprogrammes:

- *Strategic Direction* provides strategic direction to the *Force Employment* programme by formulating and controlling strategies, policies and plans for the employment of forces
- *Operational Direction* provides operational direction to joint and multinational task forces and joint tactical headquarters by means of operational level headquarters
- *Special Operations* provides and employs a special operations capability within the approved Special Forces mandate for the SANDF
- *Regional Security* provides for the deployment of forces in support of South Africa's commitment to peace, regionally, continentally and globally
- *Support to the People* provides for the internal deployment of forces in support of the South African Police Service and other government departments.

Expenditure estimates

Table 21.10: Force Employment

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
Strategic Direction	29 113	32 124	43 104	48 271	55 722	60 312	73 168
Operational Direction	71 279	79 349	72 057	70 806	81 735	88 469	107 325
Special Operations	100 812	117 028	130 340	137 036	156 881	162 996	174 328
Regional Security							
UN Peace Mission in the DRC	45 686	38 712	307 867	367 462	383 132	388 936	414 842
Protection Support Detachment in Burundi (FIBER)	118 170	261 935	422 882	332 538	347 500	347 500	347 501
World Summit on Sustainable Development	–	9 424	–	–	–	–	–
Destruction of Small Arms and Ammunition	342	–	–	–	–	–	–
Military Observers	–	–	–	–	885	885	885
African Union Mission in Sudan	–	–	–	–	69 144	75 644	75 644
Support to the People	179 198	207 750	314 945	286 061	268 707	281 379	291 005
Total	544 600	746 322	1 291 195	1 242 174	1 363 706	1 406 121	1 484 698
Change to 2004 Budget estimate				23 308	341 951	353 718	379 675

Economic classification

	507 737	681 403	1 247 880	1 217 833	1 304 713	1 339 297	1 398 811
Current payments							
Compensation of employees	323 768	333 168	416 212	476 408	522 068	531 152	543 287
Goods and services	183 969	348 161	831 560	741 425	782 645	808 145	855 524
of which:							
Foreign daily allowance	27 925	107 163	238 260	191 799	184 228	184 228	184 228
Travel and subsistence	8 921	6 890	10 459	161 308	11 219	11 645	12 094
Communication	4 271	5 349	4 920	4 850	6 980	7 187	7 401
Inventory	76 255	121 541	318 639	131 763	101 338	103 618	107 681
Financial transactions in assets and liabilities	–	74	108	–	–	–	–
Transfers and subsidies to:	267	316	329	336	460	425	427
Provinces and municipalities	267	316	329	336	460	425	427
Payments for capital assets	36 596	64 603	42 986	24 005	58 533	66 399	85 460
Machinery and equipment	36 596	64 603	42 986	24 005	58 533	66 399	85 460
Total	544 600	746 322	1 291 195	1 242 174	1 363 706	1 406 121	1 484 698

Expenditure trends

Expenditure is expected to continue to increase rapidly, with an annual average increase of 18,2 per cent between 2001/02 and 2007/08. The large increase in expenditure in 2002/03 and 2003/04 went towards preparing equipment for peace support operations.

The increases in expenditure on the *Special Operations* subprogramme relate to procuring highly specialised equipment and ammunition, and introducing an incentive scheme to attract and retain special forces personnel.

There were significant increases in expenditure on the *Support to the People* subprogramme between 2001/02 and 2003/04, because of the expanded internal deployment of defence forces. However, a gradual withdrawal from routine internal operations in support of the SAPS is now

under way and the resulting savings will be redistributed in line with the department's strategy and budget priorities.

Service delivery objectives and indicators

Recent outputs

External operations

The SANDF deployed a number of observers and staff officers to the UN and AU missions in Ethiopia and Eritrea, the UN mission in Liberia, the UN/South African third party verification mechanism in the Democratic Republic of Congo, and the AU observer mission in the Comoros. Ad hoc assistance was given, such as: support for the French-led interim emergency multinational force, mandated by the UN and the EU to attend to the situation at Bunia in the Ituri province in the DRC; deploying a search and rescue team of 32 SANDF and 44 civilian personnel for humanitarian assistance during the earthquake in Algeria in May 2003; deploying a search and rescue team to the earthquake disaster in Iran at the end of December 2003; and deploying the SAS Drakensberg, an Oryx helicopter, and 156 personnel for the biannual centenary in Haiti from December 2003 to January 2004.

Ongoing peace support operations are: Operation Mistral - the deployment of approximately 1 400 personnel, forming specialised elements and a task force to the UN mission in the DRC (MONUC); and Operation Fibre - the deployment of approximately 700 personnel providing VIP protection services to returned political leaders until April 2003; Operation ONUB - the multinational African mission in Burundi (AMIB) was established in May 2003 and has been under the auspices of the UN since June 2004, with South African force levels increased to approximately 1 500 personnel until April/May 2004.

Internal operations

Eleven subcommittees are planning the gradual withdrawal of the SANDF from the following two internal operations in support of the SAPS: Operation Intexo (border-line control) and Operation Stipper (rural safeguarding). The SAPS is, however, still reliant on the military for support, especially for the deployment of specialist equipment exclusively used by the military.

The execution of the two internal operations in 2003/04 resulted in the confiscation of 2 451 weapons, 70 450kg of dagga, 3 930 Mandrax tablets, 73kg of cocaine/crack and 2 252 grey tablets. During the same period, 1 961 kg of gold dust, 1 055 kg of copper, 3 360 stolen livestock and 863 stolen vehicles were recovered, and 74 067 illegal immigrants were apprehended.

Successful ad hoc operations include three humanitarian assistance operations in support of the Algerian, Iranian and Madagascan governments. Additional support was given to the SAPS during the Cricket World Cup, the national elections and the inauguration of the president.

Multinational military exercises

The SANDF conducted six multinational exercises to build capacity during 2003/04 and 2004/05, involving forces from the USA, France and the UK.

Selected medium-term output targets

Force Employment

Measurable objective: Contribute to national and regional security by initiating, planning, commanding and co-ordinating support for all operations and joint and multinational military exercises, as directed and meeting government's requirements.

Subprogramme	Output	Measure/Indicator	Target
Strategic Direction	Force employment strategic direction	The degree to which force employment policies, strategies and plans are implemented	100%
Operational Direction	Force employment operational direction	The degree to which force employment combat readiness states are achieved	100% as specified in the readiness schedules
Special Operations	Combat ready and supported special forces	The degree to which special forces combat readiness states are achieved	100% as specified in the readiness schedules
Regional Security	Peace missions	The degree to which external ordered operations are successfully executed	100%
Support to the People	Military support to other entities	The degree to which internal ordered operations are successfully executed	100%

Programme 9: Special Defence Account

The *Special Defence Account* programme provides for special defence activities and purchases, including procuring defence main equipment and strategic armaments, operating and maintaining defence main equipment, and financing sensitive defence activities.

It has four subprogrammes:

- *Procurement Services* provides for the acquisition of armament required by the department.
- *Strategic Defence Procurement* provides for the acquisition of strategic armament by the department.
- *Operating* provides for the acquisition of equipment, spares and ammunition required to maintain and operate defence main equipment.
- *Intelligence Related* provides for the financing of sensitive defence activities.

Expenditure estimates

Table 21.11: Special Defence Account

Subprogramme	Expenditure outcome				Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome					
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	
Procurement Services	1 394 338	1 071 407	1 414 781	1 956 567	1 769 249	2 486 031	2 417 963	
Strategic Defence Procurement	4 223 384	6 475 900	5 889 034	4 501 866	6 571 469	5 169 248	3 482 757	
Operating	172 299	209 313	661 299	521 141	599 285	589 828	686 460	
Intelligence Related	41 571	51 098	50 658	65 426	75 376	76 191	84 481	
Total	5 831 592	7 807 718	8 015 772	7 045 000	9 015 379	8 321 298	6 671 661	
Change to 2004 Budget estimate				(878 608)	(570 486)	(1 005 423)	(3 121 396)	

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
Economic classification							
Transfers and subsidies to:	5 831 592	7 807 718	8 015 772	7 045 000	9 015 379	8 321 298	6 671 661
Departmental agencies and accounts	5 831 592	7 807 718	8 015 772	7 045 000	9 015 379	8 321 298	6 671 661
Total	5 831 592	7 807 718	8 015 772	7 045 000	9 015 379	8 321 298	6 671 661

Details of transfers and subsidies:

Departmental agencies and accounts							
Current	5 831 592	7 807 718	8 015 772	7 045 000	9 015 379	8 321 298	6 671 661
Special Defence Account	5 831 592	7 807 718	8 015 772	7 045 000	9 015 379	8 321 298	6 671 661
Total departmental agencies and accounts	5 831 592	7 807 718	8 015 772	7 045 000	9 015 379	8 321 298	6 671 661

Expenditure trends

Expenditure on the *Special Defence Account* grew from R5,8 billion in 2001/02 to R8 billion in 2003/04, it then fell to R7 billion in 2004/05, but is expected to increase again to R9 billion in 2005/06. It is then expected to decline steadily to R6,7 billion in 2007/08.

The bulk of this expenditure is on the *Strategic Defence Procurement* subprogramme, which is expected to cost R45,6 billion in total, over 13 years, with the final payment due in 2011/12. The following table reflects the revised annual cost projections.

Projected costs in relation to the strategic armaments procurement programme

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	
R million	2 901	4 223	6 342	5 864	4 503	6 571	
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Total
R million	5 169	3 483	2 958	1 322	1 178	1 101	45 615

There is no expenditure on compensation of employees associated with the *Special Defence Account* programme. It is a holding account for financing equipment acquisition (including some without military specifications), strategic armaments acquisition and sensitive military activities.

The significant increase in expenditure on the *Procurement Services* subprogramme in 2004/05 was due to additional funding for combat support helicopters, upgrading Casspir armoured personnel carriers and the purchase of portable ground to air missiles. An additional R300 million is allocated in 2006/07 for the general improvement of capacity.

The very large increase in expenditure on the *Operating* subprogramme in 2003/04 was due to the migration from the 1800MHz radio-communication frequency and the repair of military soft-skin vehicles.

Financing defence intelligence foreign visits and certain sensitive activities under the special defence account resulted in an increase of 29,2 per cent in expenditure on the *Intelligence Related* subprogramme in 2004/05 and a 15,2 per cent increase in 2005/06.

Service delivery objectives and indicators

Recent outputs

Progress with the *Strategic Defence Procurement* programme has been satisfactory. South Africa took delivery of all four corvettes during 2004/05. They are currently being fitted with combat systems. Submarine S101 was launched, and the construction of the others is proceeding as planned. The Hawk aircraft started flying in South Africa in February 2004 under the avionics development contract with British Aerospace Systems. Assembly at Denel Aviations is proceeding well and is on schedule for the first aircraft delivery in July 2005. The first Augusta A109 light utility helicopter produced by Denel Aviation was unveiled at the Africa Aerospace and Defence exhibition in September 2004. Other armament acquisition projects completed recently include: upgrading the tank transporter trailers and the air defence artillery mobile fire control system and five C-130 transport aircraft; the new rapid deployment vehicles; handing over the presidential intercontinental aircraft for service; and the delivery of six multipurpose workboats to the Navy.

Selected medium-term output targets

Special Defence Account

Measurable objective: Meet South Africa's defence needs through the acquisition and maintenance of appropriate defence equipment and through activities that meet government's requirements.

Subprogramme	Output	Measure/Indicator	Target
Procurement Services	Procurement of defence equipment	The degree of timely delivery of equipment according to the acquisition master plan	100%
Strategic Defence Procurement	Procurement of strategic defence equipment	The degree of timely delivery of equipment according to the acquisition master plan	100%
Operating	Maintenance of defence equipment	The degree of timely maintenance of equipment according to the acquisition master plan	100%
Intelligence Related	Defence intelligence products	Proportion of intelligence reports generated according to the approved intelligence schedule	100%

Public entities reporting to the minister

Castle Control Board

The objectives of the Castle Control Board, as provided by the Castle Management Act (1993), are to preserve and protect the military and cultural heritage of the Castle of Good Hope, to optimise its tourism potential and to maximise public access to the parts which are not used by the Department of Defence. The Department of Public Works is responsible for restoring and maintaining the Castle.

Since its inception, the Castle Control Board has received no direct contribution from any government department or agency. The board raises funds by charging entrance fees to patrons, and offering catering services and conference facilities to the public. It also receives donations from the general public. Its costs include those associated with the operation of the military museum in the castle.

Armaments Corporation of South Africa

The primary function of the Armaments Corporation of South Africa (Armscor), established in terms of Section 2 of the Armaments Development and Production Act (1968), is to acquire defence products and services for the SANDF, and to co-manage, with the Department of Defence,

the development of technologies for future weapon systems and products. South African development and production of military defence equipment was transferred to Denel (Pty) Ltd in 1992, which required that Parliament pass the new Armscor Act in September 2003, to accommodate this function shift.

Armscor is responsible for undertaking the acquisition process related to the strategic armaments procurement programme and facilitating the defence industrial participation programme. Defence Export Support Services provides export support to the South African defence-related industry.

Armscor also manages subsidiary companies, which directly support defence technology and acquisition strategies as well as the disposal of excess, forfeited or redundant defence material for the SANDF. Armscor is the sole shareholder of Armscor Business (Pty) Ltd and has the following divisions:

- Defence, Science and Technology Institute Group, comprising seven subsidiary companies
- Test and Evaluation Group, comprising three subsidiary companies
- Defence Support Group, comprising three subsidiary companies.

On 31 March 2004, the value of the Armscor Group's capital and reserves was R391,2 million, largely unchanged from the R381,3 million stated on 31 March 2003. Capital and reserves are expected to fund 57,8 per cent of assets during 2005/06 and are reserved for financing specific future needs, such as replacing capital equipment and shortfalls on expenditure. The decrease in non-tax revenue, of 24,4 per cent in 2006/07, or 9,4 per cent over the MTEF period, is directly linked to the reduced contractual milestone payments for the strategic armaments procurement programme acquisition. This is echoed by the estimated 12,1 per cent decrease in spending on goods and services, over the same period.

Table 21.12 Financial summary for the Armaments Corporation of South Africa (Armscor)

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
INCOME STATEMENT SUMMARY							
Revenue							
Non-tax revenue	456 300	721 039	859 586	1 069 801	1 199 166	906 128	794 158
Sale of goods and services	416 700	666 600	807 118	1 021 748	1 152 194	855 131	740 848
Other non-tax revenue	39 600	54 439	52 468	48 053	46 972	50 997	53 310
Transfers received	194 875	209 441	249 635	284 098	315 364	333 584	350 263
Total revenue	651 175	930 480	1 109 221	1 353 899	1 514 530	1 239 712	1 144 421
Expenses							
Current expense	619 792	880 798	1 080 045	1 350 116	1 508 682	1 228 302	1 136 401
Compensation of employees	220 037	239 841	298 451	332 447	364 412	397 589	433 558
Goods and services	377 455	625 257	763 937	997 369	1 124 870	808 713	676 743
Depreciation	22 300	15 700	17 657	20 300	19 400	22 000	26 100
Transfers and subsidies	18 008	18 686	19 349	20 600	21 800	23 108	24 495
Total expenses	637 800	899 484	1 099 394	1 370 716	1 530 482	1 251 410	1 160 896
Surplus / (Deficit)	13 375	30 996	9 827	(16 817)	(15 952)	(11 698)	(16 475)

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	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited				
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
BALANCE SHEET SUMMARY							
Carrying value of assets	183 621	192 126	195 798	200 200	199 300	193 900	186 900
<i>of which: Acquisition of assets</i>	27 001	41 996	22 613	24 700	18 500	16 600	16 100
Inventory	2 510	3 571	2 226	3 000	4 000	6 000	8 000
Receivables and prepayments	88 122	80 026	205 757	180 000	190 000	200 000	210 000
Cash and cash equivalents	188 619	260 219	263 272	236 200	222 200	214 400	203 000
Total assets	462 872	535 942	667 053	619 400	615 500	614 300	607 900
Capital and reserves	350 304	381 298	391 217	371 500	355 600	343 900	327 500
Trade and other payables	105 758	134 155	250 343	220 400	230 400	240 400	250 400
Provisions	6 810	20 489	25 493	27 500	29 500	30 000	30 000
Total equity and liabilities	462 872	535 942	667 053	619 400	615 500	614 300	607 900

Data provided by the Armaments Corporation of South Africa

Annexure

Vote 21: Defence

Table 21.A: Summary of expenditure trends and estimates per programme and economic classification

Table 21.B: Summary of personnel numbers and compensation of employees per programme

Table 21.C: Summary of expenditure on training per programme

Table 21.D: Summary of information and communications technology expenditure per programme

Table 21.E: Summary of official development assistance expenditure

Table 21.F: Summary of expenditure on infrastructure

Table 21.G: Summary of departmental public-private partnership projects

Table 21 H: Details of allocations to Special Defence Account per programme

Table 21 I: Details of expenditure on capital assets classified as goods and services

Table 21.A: Summary of expenditure trends and estimates per programme and economic classification

Programme	Appropriation		Preliminary outcome	Appropriation			Revised estimate
	Main	Adjusted		Main	Additional	Adjusted	
R thousand	2003/04			2004/05			
1. Administration	544 437	558 367	566 326	594 275	22 618	616 893	492 526
2. Landward Defence	3 152 778	3 169 531	3 150 985	3 383 144	(20 047)	3 363 097	3 422 033
3. Air Defence	2 157 466	2 172 143	2 176 210	2 243 258	(3 318)	2 239 940	2 265 319
4. Maritime Defence	1 022 793	1 024 862	1 025 679	1 103 793	(6 332)	1 097 461	1 108 683
5. Military Health Support	1 346 694	1 349 171	1 354 674	1 317 113	(332)	1 316 781	1 328 536
6. Defence Intelligence	141 476	133 856	133 907	146 743	(11 000)	135 743	136 666
7. Joint Support	2 082 665	2 111 195	2 111 236	2 323 005	31 725	2 354 730	2 370 617
8. Force Employment	758 108	1 265 107	1 291 195	1 222 387	19 787	1 242 174	1 242 439
9. Special Defence Account	8 843 661	8 015 772	8 015 772	7 923 608	(878 608)	7 045 000	7 045 000
Total	20 050 078	19 800 004	19 825 984	20 257 326	(845 507)	19 411 819	19 411 819
Economic classification							
Current payments	10 902 164	11 448 162	10 969 228	11 552 716	28 401	11 581 117	11 581 117
Compensation of employees	7 130 703	7 314 457	7 192 733	7 770 087	–	7 770 087	7 770 087
Goods and services	3 771 461	4 133 705	3 751 342	3 782 629	28 401	3 811 030	3 811 030
Financial transactions in assets and liabilities	–	–	25 153	–	–	–	–
Transfers and subsidies	9 092 153	8 294 264	8 291 648	8 232 641	(878 608)	7 354 033	7 354 033
Municipalities	14 234	14 234	14 234	16 024	–	16 024	16 024
Departmental agencies and accounts	9 071 689	8 273 800	8 271 184	8 213 806	(878 608)	7 335 198	7 335 198
Non-profit institutions	6 230	6 230	6 230	2 811	–	2 811	2 811
Payments for capital assets	55 761	57 578	565 108	471 969	4 700	476 669	476 669
Buildings and other fixed structures	55 761	57 578	43 672	66 913	4 700	71 613	71 613
<i>Buildings</i>	55 761	57 578	43 672	66 913	4 700	71 613	71 613
Machinery and equipment	–	–	521 347	405 056	–	405 056	405 056
<i>Transport equipment</i>	–	–	104 105	30 940	–	30 940	30 940
<i>Other machinery and equipment</i>	–	–	417 242	374 116	–	374 116	374 116
Cultivated assets	–	–	89	–	–	–	–
Total	20 050 078	19 800 004	19 825 984	20 257 326	(845 507)	19 411 819	19 411 819

Table 21.B: Summary of personnel numbers and compensation of employees per programme¹

Programme	2001/02	2002/03	2003/04	2004/05	2005/06
1. Administration	2 174	3 505	3 476	4 457	3 939
2. Landward Defence	38 646	34 067	33 952	35 384	31 499
3. Air Defence	10 979	10 662	10 346	10 496	9 784
4. Maritime Defence	7 821	6 223	6 338	6 601	5 613
5. Military Health Support	7 739	7 136	6 862	7 366	6 960
6. Defence Intelligence	835	793	853	705	645
7. Joint Support	9 147	11 486	11 387	11 283	11 963
8. Force Employment	1 383	1 418	1 385	1 173	1 302
Total	78 724	75 290	74 599	77 465	71 705
Total personnel cost (R thousand)	6 309 150	6 754 068	7 192 733	7 770 087	8 604 458
Unit cost (R thousand)	80	90	96	100	120

¹ Budgeted full-time equivalent

Table 21.C: Summary of expenditure on training per programme

R thousand	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
	2001/02	2002/03	2003/04				
1. Administration	5 085	6 286	8 872	6 731	7 312	5 926	6 181
2. Landward Defence	7 951	7 974	11 503	38 644	12 756	13 663	13 040
3. Air Defence	24 884	13 265	17 997	21 452	23 526	22 933	22 441
4. Maritime Defence	6 494	8 590	10 889	17 139	18 276	19 259	20 356
5. Military Health Support	4 631	2 693	3 659	2 788	3 193	3 212	3 235
6. Defence Intelligence	1 102	946	1 603	1 196	809	817	858
7. Joint Support	15 161	7 310	7 774	6 970	6 722	6 918	6 861
8. Force Employment	216	276	962	961	1 358	1 328	1 409
Total	65 524	47 340	63 259	95 881	73 952	74 056	74 381

Table 21.D: Summary of information and communications technology expenditure per programme

R thousand	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
	2001/02	2002/03	2003/04				
1. Administration	8 099	12 845	5 616	8 245	57 492	57 115	59 201
Technology	6 838	12 095	5 152	4 928	3 499	3 237	2 278
IT services	1 261	750	464	3 317	53 993	53 878	56 923
2. Landward Defence	68 382	67 710	48 274	44 002	52 007	55 830	59 780
Technology	44 021	18 690	7 064	5 233	5 204	6 408	10 298
IT services	24 361	49 020	41 210	38 769	46 803	49 422	49 482
3. Air Defence	25 994	35 543	36 392	26 191	34 008	35 430	37 491
Technology	2 617	10 319	8 134	10 912	7 977	8 467	8 807
IT services	23 377	25 224	28 258	15 279	26 031	26 963	28 684
4. Maritime Defence	2 003	6 377	2 523	2 762	4 074	4 281	2 661
IT services	2 003	6 377	2 523	2 762	4 074	4 281	2 661
5. Military Health Support	3 571	21 003	1 057	1 082	32 440	35 161	32 384
Technology	2 599	18 734	907	1 082	1 173	907	909
IT services	972	2 269	150	–	31 267	34 254	31 475
6. Defence Intelligence	5 224	3 816	5 285	5 706	1 759	1 777	1 864
Technology	1 776	1 536	2 206	2 063	1 296	1 309	1 373
IT services	3 448	2 280	3 079	3 643	463	468	491
7. Joint Support	355 374	421 657	373 059	291 383	320 203	323 887	327 370
Technology	11 408	22 427	8 085	5 583	5 653	6 412	6 538
IT services	343 966	399 230	364 974	285 800	314 550	317 475	320 832
8. Force Employment	5 505	4 008	5 012	1 718	3 627	4 043	13 223
Technology	3 154	2 208	3 670	316	1 880	2 253	11 276
IT services	2 351	1 800	1 342	1 402	1 747	1 790	1 947
Total	474 152	572 959	477 218	381 089	505 610	517 524	533 974

Table 21.E: Summary of official development assistance expenditure

Donor R thousand	Project	Cash/ kind	Outcome				Medium-term expenditure estimate		
			2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Local									
Denel	Marketing		199	-	-	-	-	-	-
Armscor	Marketing		84	-	-	-	-	-	-
			115	-	-	-	-	-	-
Foreign									
Netherlands	Humanitarian aid in Mozambique	Cash	3 464	-	-	-	-	-	-
Denmark	Humanitarian aid in Mozambique	Cash	82	-	-	-	-	-	-
Norway	Humanitarian aid in Mozambique	Cash	17	-	-	-	-	-	-
British Aero Space Systems	Air tickets and travel cost	Kind	82	-	-	-	-	-	-
France	Training assistance	Kind	17	-	-	-	-	-	-
Netherlands	Humanitarian aid in Mozambique	Cash	56	-	-	-	-	-	-
Germany	Training assistance	Kind	12	-	-	-	-	-	-
Netherlands	Humanitarian aid in Mozambique	Cash	49	-	-	-	-	-	-
Various	Improving service delivery	Kind	139	103	-	-	-	-	-
Beckman Coulter	CX Delta machine to improve medical core	Kind	500	-	-	-	-	-	-
United States of America	Aids awareness	Kind	400	4 653	-	-	-	-	-
United States of America	Training assistance	Kind	146	-	-	-	-	-	-
Unknown	Promotional Items	Kind	-	2	-	-	-	-	-
Netherlands	African mission in Burundi (ROE\$1=R6.39)	Cash	-	-	4 792	1 980	-	-	-
Total			5 362	4 758	4 792	1 980	-	-	-

Table 21.F: Summary of expenditure on infrastructure

Projects R thousand	Description	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate			
		Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08	
		2001/02	2002/03	2003/04	2004/05				
Small project groups									
Buildings and other fixed structures	Upgrading and installations of facilities	70 826	55 026	43 672	66 913	-	-	-	
Security facilities	Upgrading	-	-	-	-	1 050	1 050	1 650	
Kitchens	Renovations	-	-	-	-	2 600	2 600	5 500	
Disability access	Upgrading	-	-	-	-	900	900	900	
Hospital	Upgrading	-	-	-	-	29 100	33 900	36 800	
Offices	Construction and upgrading	-	-	-	-	20 000	20 000	20 500	
Undercover facilities	Upgrading	-	-	-	-	8 000	8 000	4 000	
Pullet tower	Construction	-	-	-	-	800	-	-	
Sickbays	Construction	-	-	-	-	4 000	4 000	4 000	
Minor works	Renovations	-	-	-	-	3 753	3 615	4 418	
Maintenance on infrastructure									
Buildings	Maintenance and repairs	19 366	18 513	6 054	4 825	28 280	71 292	273 326	
Total		90 192	73 539	49 726	71 738	98 483	145 357	351 094	

Table 21.G: Summary of departmental public-private partnership projects

R thousand	Total cost of project	Budget expenditure 2004/05	Medium-term expenditure estimate		
			2005/06	2006/07	2007/08
Projects signed in terms of Treasury Regulation 16	–	–	32 806	34 988	37 074
Advisory fees	–	–	32 806	34 988	37 074
Total	–	–	32 806	34 988	37 074

1. Only projects that have received Treasury Approval: 1

Table 21 H: Details of allocations to Special Defence Account per programme

Programme	Expenditure outcome				Adjusted appropriation 2004/05	Medium-term expenditure estimate		
	Audited 2001/02	Audited 2002/03	Preliminary outcome 2003/04			2005/06	2006/07	2007/08
R thousand								
1. Administration	406 357	467 150	566 326		616 893	681 398	713 758	749 506
Programme Allocation	406 357	467 150	566 326		616 893	681 398	713 758	749 506
2. Landward Defence	3 848 925	4 008 183	4 211 850		4 553 238	4 887 587	5 406 020	5 715 512
Programme Allocation	3 288 288	3 402 517	3 150 985		3 363 097	3 575 142	3 812 705	4 084 934
Procurement Services	556 204	589 891	698 305		870 346	907 377	1 193 151	1 148 056
Operations	4 433	15 775	362 560		319 795	405 068	400 164	482 522
3. Air Defence	4 136 868	5 473 237	5 063 684		5 162 620	7 823 122	7 445 899	6 341 546
Programme Allocation	2 005 439	2 086 904	2 176 210		2 239 940	2 395 243	2 505 087	2 681 812
Procurement Services	660 990	410 895	566 515		787 992	490 465	831 120	843 164
Strategic Defence	1 455 542	2 954 360	2 302 361		2 115 180	4 917 321	4 089 184	2 795 486
Procurement Operations	14 897	21 078	18 598		19 508	20 093	20 508	21 084
4. Maritime Defence	3 802 546	4 504 738	4 749 616		3 613 979	3 000 486	2 487 388	2 219 844
Programme Allocation	914 826	981 805	1 025 679		1 097 461	1 211 774	1 274 453	1 357 906
Procurement Services	94 079	93 632	70 949		68 851	84 253	90 732	129 222
Strategic Defence	2 759 281	3 376 541	3 586 673		2 386 686	1 654 148	1 080 064	687 271
Procurement Operations	34 361	52 760	66 314		60 981	50 311	42 139	45 445
5. Military Health Support	1 061 599	1 235 152	1 374 674		1 322 006	1 577 578	1 669 439	1 813 910
Programme Allocation	1 061 599	1 235 152	1 354 674		1 316 781	1 577 578	1 669 439	1 813 910
Procurement Services	–	–	20 000		5 225	–	–	–
6. Defence Intelligence	268 936	275 670	323 101		360 078	219 132	227 161	243 684
Programme Allocation	138 842	132 258	133 907		135 743	148 786	155 999	164 233
Procurement Services	97 590	102 200	143 915		163 889	–	–	–
Operations	32 504	41 212	45 278		60 446	70 346	71 162	79 451
7. Joint Support	1 942 478	2 084 977	2 210 660		2 481 385	2 774 660	3 094 025	3 521 433
Programme Allocation	1 853 106	1 975 975	2 111 236		2 354 730	2 490 426	2 728 844	3 143 608
Procurement Services	5 000	5 500	11 807		30 131	197 522	284 870	297 514
Operations	84 372	103 502	87 617		96 524	86 712	80 311	80 311
8. Force Employment	576 939	786 694	1 326 073		1 301 620	1 495 469	1 544 014	1 546 833
Programme Allocation	544 600	746 322	1 291 195		1 242 174	1 363 706	1 406 121	1 484 698
Procurement Services	–	–	–		30 131	101 903	107 408	28 248
Operations	32 339	40 372	34 878		29 315	29 860	30 485	33 887
Total	16 044 649	18 835 801	19 825 984		19 411 819	22 459 432	22 587 704	22 152 268

Table 21 I: Details of expenditure on capital assets classified as goods and services

Programme	Expenditure outcome				Medium-term expenditure estimate		
	Audited	Audited	Audited	Adjusted appropriation	2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
1. Administration							
Machinery and equipment	17 795	20 538	7 106	7 911	7 024	6 555	4 712
Transport equipment	8 079	5 634	2 568	2 437	2 956	2 860	2 004
Other machinery and equipment	9 716	14 904	4 538	5 474	4 068	3 695	2 708
Specialised military assets	212	307	293	218	-	-	-
Software and other intangible assets	-	-	-	-	87	91	97
Total Administration	18 007	20 845	7 399	8 129	7 111	6 646	4 809
2. Landward Defence							
Machinery and equipment	67 588	35 300	48 744	6 365	7 750	15 567	11 237
Transport equipment	20 560	22 673	30 209	-	-	7 832	3 418
Other machinery and equipment	47 028	12 627	18 535	6 365	7 750	7 735	7 819
Specialised military assets	14 261	22 104	2 405	1 652	-	-	-
Cultivated assets	144	35	89	-	-	-	-
Total Landward Defence	81 993	57 439	51 238	8 017	7 750	15 567	11 237
3. Air Defence							
Machinery and equipment	23 163	26 191	22 866	22 430	23 203	20 987	22 083
Transport equipment	3 072	4 577	6 042	7 209	2 230	2 810	3 355
Other machinery and equipment	20 091	21 614	16 824	15 221	20 973	18 177	18 728
Specialised military assets	268 043	236 293	213 093	228 003	3 074	2 350	2 350
Total Air Defence	291 206	262 484	235 959	250 433	26 277	23 337	24 433
4. Maritime Defence							
Machinery and equipment	21 471	29 882	33 185	33 992	22 603	18 396	19 649
Transport equipment	6 479	9 463	2 438	4 728	10 572	11 222	11 914
Other machinery and equipment	14 992	20 419	30 747	29 264	12 031	7 174	7 735
Specialised military assets	777	1 994	8 072	1 007	833	883	1 306
Software and other intangible assets	-	-	-	-	580	526	559
Total Maritime Defence	22 248	31 876	41 257	34 999	24 016	19 805	21 514
5. Military Health Support							
Machinery and equipment	33 577	61 457	50 978	31 448	33 565	25 396	65 707
Transport equipment	2 593	11 125	9 500	-	10 500	2 000	17 000
Other machinery and equipment	30 984	50 332	41 478	31 448	23 065	23 396	48 707
Specialised military assets	436	428	1 365	-	-	-	-
Software and other intangible assets	-	-	-	-	329	330	330
Total Military Health Support	34 013	61 885	52 343	31 448	33 894	25 726	66 037
6. Defence Intelligence							
Machinery and equipment	5 065	4 063	5 425	4 562	4 061	4 514	4 688
Transport equipment	2 891	1 865	2 490	1 963	2 398	2 617	2 712
Other machinery and equipment	2 174	2 198	2 935	2 599	1 663	1 897	1 976
Specialised military assets	81	145	193	75	-	-	-
Total Defence Intelligence	5 146	4 208	5 618	4 637	4 061	4 514	4 688
7. Joint Support							
Buildings and other fixed structures	70 826	55 026	43 672	71 613	70 203	74 065	77 768
Machinery and equipment	35 113	49 390	83 812	41 736	32 373	38 170	77 040
Transport equipment	7 383	11 272	16 073	13 025	9 068	9 496	8 668
Other machinery and equipment	27 730	38 118	67 739	28 711	23 305	28 674	68 372
Specialised military assets	1 455	1 197	824	1 652	-	-	-
Software and other intangible assets	-	-	-	-	651	393	296
Total Joint Support	107 394	105 613	128 308	115 001	103 227	112 628	155 104

Programme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Audited		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
8. Force Employment							
Machinery and equipment	35 368	64 062	42 659	23 802	57 982	65 848	84 909
Transport equipment	27 787	18 049	34 785	1 578	25 917	33 696	43 742
Other machinery and equipment	7 581	46 013	7 874	22 224	32 065	32 152	41 167
Specialised military assets	1 228	541	327	203	551	551	551
Total Force Employment	36 596	64 603	42 986	24 005	58 533	66 399	85 460
9. Special Defence Account							
Specialised military assets	5 584 786	7 520 432	7 684 083	6 689 874	8 828 461	8 139 340	6 478 012
Landward Defence	560 637	605 666	1 060 865	1 190 414	1 312 445	1 593 315	1 630 578
Air Defence	2 131 429	3 386 333	2 887 474	2 922 680	5 427 879	4 940 812	3 659 734
Maritime Defence	2 887 720	3 522 933	3 723 937	2 516 518	1 788 712	1 212 935	861 938
Joint Support	5 000	5 500	11 807	30 131	197 522	284 870	297 514
Force Employment	–	–	–	30 131	101 903	107 408	28 248
Total Special Defence Account	6 181 389	8 129 385	8 249 191	7 166 543	9 093 330	8 413 962	6 851 294

