

BUDGET 2011

A People's Guide



national treasury

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In February of each year, the Minister of Finance announces government's spending, tax and borrowing plans for the next three years. This is called the national budget. It describes how government will raise money and how it will be spent. The national budget divides money between national departments, provinces and municipalities.



GOVERNMENT PUMPS BILLIONS INTO JOB CREATION

Government is pumping billions of rands over the next three years into initiatives to create jobs for South Africans, especially for young people who make up the majority of the unemployed.

This is over and above the jobs that will be created by our planned investment of R809 billion into building roads, dams, electricity plants, and ports and rail systems. Government will also expand the creation of short-term job opportunities, by investing a further R70 billion into the Expanded Public Works Programme.

"We have declared 2011 a year of job creation through meaningful economic transformation and inclusive growth," said President Jacob Zuma in his 2011 state of the nation address. "We urge every sector and every business entity... to focus on job creation. Every contribution counts in this national effort."

President Zuma then announced the creation of a R9 billion jobs fund. This fund will finance specific job-creation projects, especially those that will

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increase chances of employment for young people. Proposals for such projects will come from both public state and private sector organisations, and will include non-governmental organisations (NGOs) and civil society institutions. Government hopes that this will create between 50 000 and 100 000 jobs over the next three years.

A further R5 billion is being used to introduce a youth employment subsidy. The subsidy is a government support measure which will make it cheaper for employers to hire young inexperienced workers. At the same time, it will ensure that the young workers will receive a minimum

wage. The on-the-job training and work experience they gain will increase their chances of finding full-time jobs.

"Employment is not only about earning an income – it also promotes dignity, independence, achievement and innovation. Bringing more people into economic activity is at the centre of government's agenda," Finance Minister Pravin Gordhan said.

Almost half of all people below the age of 25 who can work were unemployed in 2010. The subsidy aims to address this unemployment challenge, and will create about 178 000 jobs.

Government also hopes to help create more jobs from the launch of an incentive programme for manufacturers. The programme will help businesses transform their production processes, to reduce costs and become more efficient. This transformation will require workers to be trained and will result in workers improving their skills.

The jobs that will be created by the investment in building new and maintaining existing infrastructure will also help to increase the capacity and the efficiency of the economy. A faster growing economy could contribute to further job creation in the future.

With these initiatives, government aims to reduce the level of unemployment in the country and to improve the standard of living of all citizens.

BUDGET HIGHLIGHTS 2011

The main changes to the budget for the next three years are as follows:

SPENDING PLANS OVER THE NEXT THREE YEARS

- R10 billion for job creation, small enterprise development, and youth employment
- R9.5 billion to increase enrolment at FET colleges and skills development
- R8.2 billion to improve school facilities
- R7.9 billion to improve primary health care, revitalise hospitals and combat HIV and Aids
- R10.4 billion for public transport, roads and rail infrastructure
- R7.2 billion to upgrade human settlements, municipal services and water infrastructure
- R2.8 billion for rural development and emerging farmer support
- R8.9 billion for social security benefits and social grants
- Old age and disability grants increase by R60 to R1 140 a month and the child support grant will increase to R260 in April and R270 in October
- R1.8 billion for municipalities and provinces to deal with immediate disaster needs

TAX PROPOSALS

- Personal income tax relief of R8.1 billion
- Increase in the tax-free lump sum benefit upon retirement from R300 000 to R315 000
- A packet of 20 cigarettes will cost 80 cents more
- A 750 ml bottle of liquor (spirits) will cost R2.73 more
- A litre of sparkling wine will cost 30 cents more
- A 340 ml can of beer will cost 1 cent more and a 340 ml can of cider will cost 6 cents more
- Taxation of gambling winnings above R50 000
- General fuel levy increase of 10c a litre, and 8c a litre more for the Road Accident Fund

SOCIAL GRANTS VALUE

	2010/11	2011/12
State old age pension	1 080	1 140
Disability grant	1 080	1 140
Child support grant	250	270
Foster care grant	710	740
Care dependency grant	1 080	1 140
War veterans grant	1 100	1 160

NEW PLAN TO IMPROVE EDUCATION IN SOUTH AFRICA

Improving education is one of the priorities government has set itself to achieve. In his state of the nation address this year, President Zuma announced a triple T concept for basic education. The three Ts stand for Teachers, Textbooks and Time. Teachers must be in class, on time, teaching for at least seven hours a day.

Over a number of years, education has been the largest share of our country's budget. This year is no different. Government knows that for poverty and unemployment to be reduced, a country needs educated people. When people are educated they are able to find work and improve the quality of their lives and the lives of their families.

Some of the money (R8.2 billion) will be used to build classrooms. Learners taught in poor conditions tend to do worse than those in proper teaching structures,

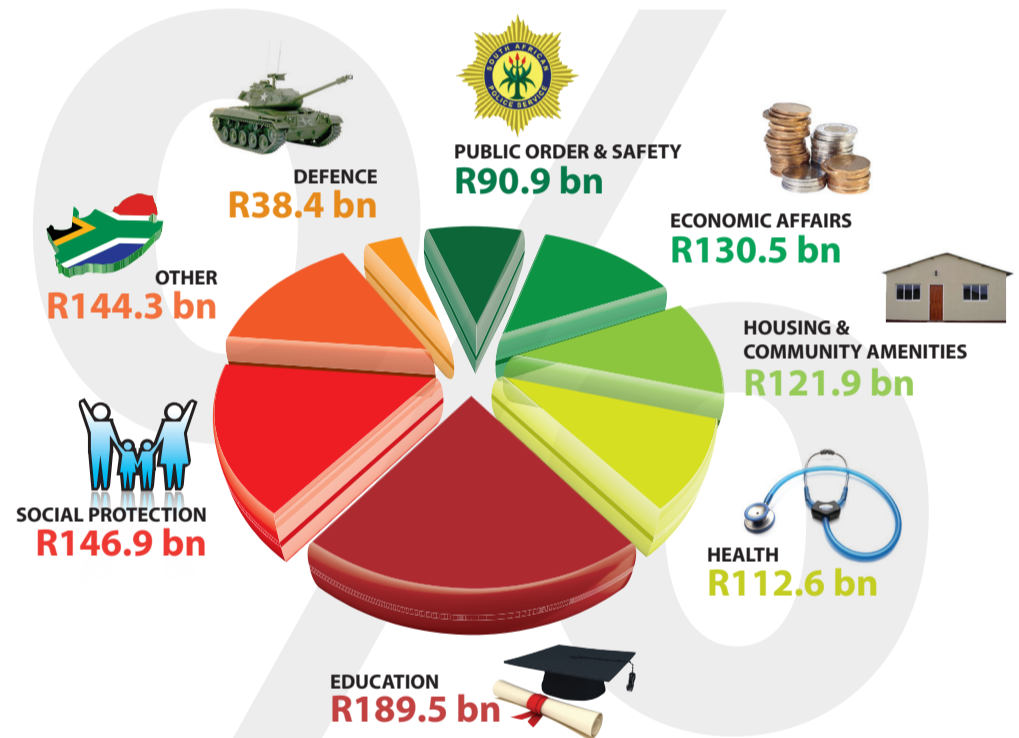
and government aims to ensure that all children have the opportunity to learn in decent school conditions.

Other education related areas that receive additional funds in this budget are:

- R596 million over the next three years for Funza Lushaka bursaries, providing bursaries for up to 15 217 teachers by 2013
- R3.6 billion goes to the National Student Financial Aid Scheme for additional university loans and bursaries
- To increase the number of students at FET colleges, R1.4 billion is added to the FET colleges conditional grant over the next three years
- The state bursary scheme for FET colleges receives a further R3.9 billion

Education is the responsibility of us all. Government cannot do it alone. Learners, parents, communities and businesses all have a role to play.

HOW MUCH IS GOING TO BE SPENT?



IMPROVING THE QUALITY OF LIFE FOR SOUTH AFRICANS

Health is high on the agenda of government which aims to achieve a longer and healthier life for its people. The 2011 budget allocates R360.6 billion to health over the next three years. Government wants to ensure that there is a fully functioning social security net in South Africa, including introducing the National Health Insurance (NHI). Work has already begun on this, and the NHI will be rolled out over the next 14 years.

A step toward the NHI is to start improving primary health care services. Such services focus on preventing people from getting sick, rather than only on treating people when they are already ill. To achieve this, R1.2 billion will be used to set up family health teams, made up of nurses, doctors and community health workers who will look after families in facilities and communities. The money will also be used to improve the quality of care in hospitals.

Other steps toward the NHI include an NHI component in the Department of Health's budget (R8 million), and

a new Health Infrastructure grant which receives R1.7 billion this year. The grant will be used to build and maintain health facilities.

Government's efforts to fight HIV and Aids also continue. In this budget, R2.5 billion goes toward increased HIV counselling and testing, and extending the threshold for people to receive antiretroviral (ARV) treatment. This means the total number of people on ARV treatment will increase from 1.2 million in 2010/11 to 2.6 million by 2013/14.

Maternal and child health services will also be improved, with R1.4 billion given to training 400 nurses and midwives, improving health services at schools, and improving services at mother and child wards at district hospitals.

An allocation of R2.7 billion has been made to improve health facilities and medical equipment available across the country.