



**NATIONAL TREASURY
REPUBLIC OF SOUTH AFRICA**

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**Provincial Budgets 2002/03
Third Quarterly Expenditure and Revenue Report**

SUMMARY

Provincial spending is on track after nine months of the financial year. Provinces spent R104,5 billion, or 71,1 per cent of their total budget. This is R16,8 billion more than the expenditure at the same time last year. Provincial expenditure is now comparable with national departments expenditure of R87,5 billion or 73,8 per cent spent (or transferred) for the same nine-month period. Provinces are also performing well on their capital spending compared to last year, spending R8,3 billion or 50,9 per cent of their capital budgets. This analysis is based on the statement on revenue and expenditure published by the National Treasury yesterday on 30 January 2003, and is available on the treasury website www.treasury.gov.za.

Highlights include:

- National government transferred R88,8 billion of the equitable share grant, and R9,7 billion in conditional grants, to provinces in the first nine months.
- Social development expenditure of R23,8 billion compared to R17,1 billion at same period last year.
- Health expenditure of R23,8 billion or 74,2 per cent of budget.
- Strong growth in education capital spending. Present expenditure of R1 billion already equals the total capital expenditure for last year, and far exceeds the R350 million spent in the first nine months of last year.
- Provinces have, to date, collected 93 per cent of budgeted own revenue.

This assessment focuses on overall spending by provinces. It must be borne in mind that this masks individual performance by provincial departments. For any figure produced, individual provincial departments in that sector may be doing better, or worse, than the average picture. It is critical that no generalisations are drawn to cover all provincial departments as such an approach undermines the system of accountability, where each head of department is responsible for the spending in that department. Where more information is required on any provincial information, the accounting officer of that provincial department should be contacted, or alternatively, the head of the provincial treasury.

PROGRESS WITH IMPLEMENTATION OF THE 2002/03 BUDGET

This report on the preliminary outcome of the 2002/03 provincial budgets after nine months into the financial year (from 1 April 2002 to 31 December 2002) is based on their budgets as adjusted (through their Adjustments Budgets). Table 1 indicates their revised budget against which the nine-month figures are compared.

Table 1: Provincial Adjustments Budgets: Expenditure at 31 December 2002

Province	Adjusted Budget 2002/03			Expenditure as at 31 December 2002			
	R'000	Current	Capital	Total	Current	Capital	Total
Eastern Cape		21 575 365	2 659 669	24 235 034	15 861 290	1 318 407	17 179 697
Free State		9 407 289	1 090 941	10 498 230	6 613 093	443 533	7 056 626
Gauteng		20 600 045	3 760 079	24 360 124	15 572 736	1 757 729	17 330 465
KwaZulu-Natal		25 764 870	3 219 077	28 983 947	19 356 130	1 606 513	20 962 643
Limpopo		17 554 824	1 585 365	19 140 189	12 569 107	891 128	13 460 234
Mpumalanga		9 002 277	1 001 848	10 004 125	6 432 774	602 240	7 035 014
Northern Cape		3 114 394	350 502	3 464 896	2 335 990	197 484	2 533 474
North West		10 485 681	1 034 532	11 520 213	7 850 177	522 689	8 372 866
Western Cape		13 265 027	1 551 690	14 816 717	9 651 153	935 132	10 586 285
Total Expenditure		130 769 772	16 253 703	147 023 475	96 242 449	8 274 855	104 517 304

Expenditure

- Provinces have spent R104,5 billion or 71,1 per cent of budgeted expenditure of R147,0 billion after nine months. This compares well with the 69 per cent spent for the same period last year, and is R16,8 billion more than the R87,3 billion for the same period last year.
- Personnel expenditure is at R55,2 billion or 75,5 per cent of the budgeted R73,2 billion for the year 2002/03.
- Provinces have budgeted R117,6 billion for social services, which include spending on education, health and social development¹. Spending on social services is at R86,5 billion or 74 per cent of the social services budget. This is marginally higher than projected expenditure and is mainly due to:
 - **School Education:** Education expenditure is at R39 billion or 74,2 per cent of the adjusted budget of R52,5 billion. The education budget is largely personnel driven and expenditure on personnel is R34,2 billion or 77 per cent of the budget of R44,5 billion.
 - **Health:** Health expenditure is R23,8 billion or 72 per cent of the adjusted budget of R33 billion. This amount compares well with the R21,3 billion or 71,3 per cent spent for the same period last year. The spending represents a healthy increase over the amount of R34,2 billion or 71,4 per cent for the same period last year.
 - **Social Development:** Provinces spent R23,8 billion or 74,3 per cent of their revised budget on social development in the first nine months of the year. This represents a massive increase over the R17,1 billion spent for the same period last year. The reason for this is the acceleration in the take-up of the Child Support and Disability Grants, as well as payment of the R2 billion social grant arrears (transferred on the last day of the previous financial year) during the first

¹ It should be noted that education, health and social development expenditure is by department, and not functional expenditure classification as presented in the Budget Review.

nine months of the year. Provinces are estimated to have spent R1,2 billion or 60,2 per cent on Social Grant Arrears of R2 billion for the first nine months of 2002/03.

Table 2: Expenditure on Social Services

Social Services R'000	Adjusted Budget 2002/03	Expenditure as at 31 Dec 2002	Expenditure as percentage of Budget
Education	52,540,064	38,969,049	74.2%
Health	33,024,685	23,776,602	72.0%
Social Development	32,037,850	23,795,335	74.3%
Total	117,602,599	86,540,987	73.6%

Capital

- Capital expenditure² after nine months is R8,3 billion or 50,9 per cent of the capital budget. This is a significant improvement on last year, as provinces have spent R2,7 billion more compared to the same period last year, when provinces had spent 46,7 per cent. Typically, most capital spending has a slow uptake and most spending takes place in the last quarter of the year, so it is early to project on whether provinces will spend their full capital budgets at the end of the year.
- It must be noted that the capital budget for 2002/03 of R16,2 billion is significantly higher than the actual R11,1 billion spent on capital last year. Given the higher amount of R16,2 billion, spending of 50,9 per cent is a remarkable achievement, and indicates that provinces have improved their spending on capital.
- Provincial spending compares favourably with national departments. Spending on capital by the justice and protection sectors (correctional services, safety and security, justice and defence) was R1,2 billion or 50,6 per cent of their total adjusted budget of R2,4 billion. Other national departments with significant capital budgets are transport, which spent or transferred R1,4 billion or 74 per cent of its budget of R1,9 billion, and public works which spent R309,2 million (or 34,4%) of their R985,3 billion.
- The provinces with the most rapid rate of capital spending are Western Cape and Mpumalanga at 60 per cent of their budgets, with the lowest being Free State at 41 per cent. In absolute terms, the highest capital expenditure is in Gauteng at R1,8 billion, followed by KwaZulu-Natal (R1,6 billion) and Eastern Cape at R1,3 billion. KwaZulu-Natal, for example, improved its spending capacity from 30 per cent last year to 50,2 per cent for the same period this year.

² It is not clear to what proportion of the capital spending numbers are transfers, and what proportion of these transfers reflect actual spending.

Table 3: Provincial Capital Expenditure

Province	2002/03 Adjusted Budget	Expenditure as at 31 Dec 2002	% Actual vs. Budget	2001/02 Estimated actual	Expenditure as at 31 Dec 2001
	R'000	R'000	%	R'000	R'000
Eastern Cape	2 659 669	1 318 407	49.6%	1 131 596	634 009
Free State	1 090 941	443 533	40.7%	622 367	278 815
Gauteng	3 760 079	1 757 729	46.7%	2 291 877	1 041 081
KwaZulu-Natal	3 219 077	1 606 513	49.9%	2 715 532	836 282
Limpopo	1 585 365	891 128	56.2%	1 248 689	848 567
Mpumalanga	1 001 848	602 240	60.1%	959 060	559 646
Northern Cape	350 502	197 484	56.3%	269 675	188 840
North West	1 034 532	522 689	50.5%	670 433	397 758
Western Cape	1 551 690	935 132	60.3%	1 147 165	789 574
Total	16 253 703	8 274 855	50.9%	11 056 394	5 574 572

The biggest provincial capital budgets are for public works, roads and transport. These departments are performing the best, having spent R2,9 billion, or 68 per cent, of their R4,2 billion budget. The spending compares well with the R2,0 billion spent last year for the same period, and to the full-year spending of R3,2 billion last year. Between provinces, the lowest spending is North West (42,3%), whilst Gauteng records 116,5 per cent³.

Table 4: Capital: Public Works, Roads and Transport

Province	2002/03 Adjusted Budget	Expenditure (Excluded Suspense Accounts)	% Actual vs. Budget	2001/02 Estimated actual	Expenditure as at 31 Dec 2001
	R'000	R'000	%	R'000	R'000
Eastern Cape	721 882	395 880	54.8%	266 763	198 070
Free State	281 576	179 034	63.6%	216 951	64 230
Gauteng	582 380	678 592	116.5%	428 763	369 030
KwaZulu-Natal	816 412	504 976	61.9%	793 583	429 887
Limpopo	394 613	261 485	66.3%	355 872	197 598
Mpumalanga	344 909	255 002	73.9%	344 060	221 608
Northern Cape	159 101	104 224	65.5%	123 302	73 892
North West	232 953	98 529	42.3%	94 278	46 033
Western Cape	712 706	407 656	57.2%	580 111	401 212
Total	4 246 532	2 885 378	67.9%	3 203 683	2 001 560

1) Some public works capital expenditure reports include some health and education capital spending, e.g. Western Cape and Gauteng.

Education departments have spent 47,6 per cent of their budget, or R1,1 billion. This compares well to the R350,1 million spent for the same period last year, and even exceeds the full-year spending of R1,069 billion. The spending in Northern Cape (7,4%) and Free State (20,7%) is relatively low, whilst Mpumalanga (74,4%), North West, Eastern Cape and Western Cape all record over 70 per cent spending.

³ Some of the public works reports contain some of the capital spending for education and health. This is the case in Western Cape and Gauteng, hence the “overspending” in Guateng. The monthly reports are not always fully reconciled when submitted for publication.

Table 5: Capital Expenditure : Education

Province	2002/03	Expenditure	% Actual vs.	2001/02	Expenditure as
	Adjusted Budget	(Excluded Suspense Accounts)	Budget	Estimated actual	at 31 Dec 2001
	R'000	R'000	%	R'000	R'000
Eastern Cape	401,257	281,871	70.2%	206,337	44,572
Free State	255,497	52,933	20.7%	59,446	16,483
Gauteng	521,186	225,355	43.2%	190,576	110,394
KwaZulu-Natal	504,715	171,062	33.9%	307,412	22,114
Limpopo	245,340	111,500	45.4%	96,675	69,338
Mpumalanga	149,685	111,303	74.4%	92,676	45,411
Northern Cape	14,941	1,109	7.4%	2,250	976
North West	135,356	95,567	70.6%	62,392	17,862
Western Cape	42,058	29,303	69.7%	51,470	22,950
Total	2,270,035	1,080,003	47.6%	1,069,234	350,100

Expenditure in the health sector is lower as a share, at 41,9 per cent, or 1,1 billion. This amount may be understated by some health spending being classified under the public works vote (e.g. in Gauteng). The total amount spent still compares well with the R878,5 million spent for the same period last year. Total spending for full-year in 2001/02 was R2,2 billion. Between provinces, the lowest share of spending is in North West (26,5%) and Northern Cape (28,6%), with Free State recording the highest share at 64,7 per cent.

Table 6: Capital Expenditure: Health

Province	2002/03	Expenditure	% Actual vs.	2001/02	Expenditure as
	Adjusted Budget	(Excluded Suspense Accounts)	Budget	Estimated actual	at 31 Dec 2001
	R'000	R'000	%	R'000	R'000
Eastern Cape	541 715	222 303	41.0%	240 915	152 427
Free State	48 239	31 213	64.7%	62 298	28 089
Gauteng	469 101	210 423	44.9%	530 014	122 080
KwaZulu-Natal	827 519	321 104	38.8%	783 785	267 495
Limpopo	291 368	148 092	50.8%	224 837	172 698
Mpumalanga	94 470	55 168	58.4%	89 818	51 068
Northern Cape	49 212	14 093	28.6%	34 211	28 423
North West	207 494	54 933	26.5%	132 096	19 074
Western Cape	60 104	28 560	47.5%	63 924	37 151
Total	2 589 222	1 085 889	41.9%	2 161 898	878 505

Expenditure in housing is at 46,1 per cent, or R2,3 billion. The total amount spent still compares well with the R1,8 billion spent for the same period last year, or 50 per cent of their total spending of R3,6 billion for 2001/02. Gauteng records the lowest share at 24,9 per cent, with Eastern Cape at 35,9 per cent, compared to a high of 69,1 per cent in Western Cape.

Table 7: Capital Expenditure: Housing

Province	2002/03	Expenditure	% Actual vs.	2001/02	Expenditure as
	Adjusted Budget	(Excluded Suspense Accounts)	Budget	Estimated actual	at 31 Dec 2001
	R'000	R'000	%	R'000	R'000
Eastern Cape	802 951	288 489	35.9%	296 198	163 965
Free State	367 086	164 459	44.8%	267 090	162 652
Gauteng	1 302 740	324 365	24.9%	778 047	353 506
KwaZulu-Natal	878 365	534 383	60.8%	672 421	5 767
Limpopo	449 969	243 649	54.1%	429 670	269 067
Mpumalanga	306 368	166 222	54.3%	400 435	226 471
Northern Cape	105 091	72 929	69.4%	78 084	70 428
North West	379 892	229 662	60.5%	336 046	286 742
Western Cape	404 840	279 813	69.1%	330 460	275 515
Total	4 997 302	2 303 971	46.1%	3 588 451	1 814 113

Revenue

- Provinces have collected 93 per cent of budgeted own budgeted revenue of R4,4 billion for the year, collecting R4,1 billion after nine months.
- The high 93 per cent collection may be an indication of provinces being modest in their revenue projections in their initial budgets, as the R4,3 billion budgeted amount is still less than the R4,5 billion actually collected in the previous year (2001/02). The collection varies from a low of 77,3 per cent in Gauteng, to a high of 148,8 per cent collected in Eastern Cape.
- The national government transferred R88,8 billion of the equitable share, and R9,7 billion in conditional grants, to provinces in the first nine months.
- After nine months in the 2002/03 financial year provincial revenue received or collected was therefore R102,5 billion or 72,5 per cent of budgeted revenue.

LOCAL GOVERNMENT TRANSFERS BY NATIONAL DEPARTMENTS

- The capital budgets of departments like Provincial and Local Government, Water Affairs and Forestry and Mineral and Energy reflect the major capital transfers to local government. Information on actual spending by municipalities is not available.
- The Department of Provincial and Local Government transferred (or spent) R1 billion, or 56 per cent, of its capital budget of R1,8 billion. About R1,67 billion is for the Consolidated Municipal Infrastructure Programme (CMIP).
- The Department of Water Affairs and Forestry spent or transferred R871 million or 63 per cent of its budgeted capital of R1,4 billion (of which R1 billion is budgeted for local government).
- The recurrent budgets for the departments of provincial and local government and water affairs also contain significant operating grants for local government, consisting of R4 billion for the equitable share and R700 million for the water operating grant. Most of the recurrent expenditure on these budgets will therefore be for local services, including free basic services, mainly via local government budgets.