



**NATIONAL TREASURY
REPUBLIC OF SOUTH AFRICA**

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**Provincial Budgets 2004/05
Mid-Term Provincial Budget Report**

SUMMARY

1. The mid-term provincial budget report covers spending for the first six months of the 2004/05 financial year, from 1 April 2004 until 30 September 2004.
2. Provinces have spent 46,8 per cent of their (unadjusted) budget, or R87,4 billion of R186,6 billion. For the same six month period, national government also spent a similar proportion of 47 per cent, or R70,7 billion of the R150,3 billion voted national budget.
3. Provinces have spent 29,5 per cent or R3,3 billion of their R11,3 billion capital budgets. This is lower than the percentage spent by national departments (36,9 per cent) but R1,4 billion more in absolute terms given national spending of R1,9 billion.
4. Personnel expenditure by provinces is R42 billion or 47,7 per cent of the R88,1 billion budget, excluding the recent public service increases which were backdated to 1 July 2004 and implemented during October 2004.
5. The projected aggregated provincial budget deficit is R2,2 billion if the additional national adjustments allocation of R4,3 billion is taken into account. For most provinces, this deficit will be funded from last year's provincial rollovers and cash balances, accumulated by provinces in previous years.
6. Other key highlights include:
 - The greatest spending pressure is in social development departments, where provinces have spent 52 per cent or R24,6 billion of their R47,3 billion budget, an increase of R4,6 billion or 22,9 per cent over the same period last year.
 - Education expenditure for the first six months in 2004/05 totalled R30,1 billion or 46,7 per cent of the R64,5 billion total education budget, and is R2,2 billion or 7,9 per cent higher compared with the same period in 2003/04. Capital spending in education is relatively low at 23,2 per cent or R714,1 million for the first six months.
 - Health expenditure totalled R18,3 billion (45,6 per cent), which is R1,4 billion higher compared with the same period last year. Capital expenditure in health is relatively low at 27,2 per cent or R763,7 million.

- The highest share (38,1%) of provincial capital budgets is for roads, transport and public works departments, which spent R1,6 billion or 36,1 per cent against its total R4,3 billion budget.
- Provincial own revenue collected is R2,7 billion or 50,9 percent of the total own revenue budget of R5,4 billion. National government transferred R83,2 billion of the equitable share, and R10,1 billion in conditional grants, during the first six months of 2004/05.

DETAILED ANALYSIS OF FIRST SIX-MONTHS OF 2004/05 BUDGET

7. Except where explicitly stated, the figures in this mid-term report excludes the additional funds totalling R4,3 billion allocated to provinces last week by the Minister of Finance in the Medium Term Budget Policy Statement on 26 October 2004. The budgeted figures for provinces are based on the 2004/05 provincial budgets tabled in February/March 2004, and includes the addendum to the budgets of KwaZulu-Natal and Mpumalanga presented after the elections to their provincial legislatures on 27 May and 24 June 2004 respectively.
8. This analysis is based on the statement of receipts and payments published by the National Treasury on 29 October 2004, and is available on the treasury website www.treasury.gov.za. The information is based on the section 40(4) PFMA reports submitted (and signed) by each head of provincial department to their provincial treasury by 15 October 2004, and submitted to the National Treasury by 22 October 2004. Queries on any spending or budget numbers should therefore, in the first instance, be referred to the relevant head of the provincial department, and in the second instance to the head of the provincial treasury. Provincial heads of department failing to sign and confirm their section 40(4) PFMA monthly reports will be in breach of the Public Financial Management Act (PFMA). Queries on conditional grants may also be referred to the relevant head of the administering national department.
9. The information presented here is restricted to financial information only, but provincial departments should be in a position to provide complementary non-financial performance information at least up to the first quarter (as such information comes with a longer lag of 2 to 4 months). Such information is necessary to measure outputs and performance, and to assess value for money – it is hoped that provincial legislatures will request such information from relevant provincial departments when discussing this section 32 PFMA report on the budget for the first six months of the 2004/05 financial year, from 1 April 2004 to 30 September 2004. This half-yearly information also provides a valuable basis for determining what overspending pressures provinces must take into account when tabling their adjustments budget during November 2004.

Total Expenditure

10. Table 1 indicates that provinces have spent 46,8 per cent or R87,4 billion of budgeted expenditure after six months into the financial year. Though almost identical to the 47,3 percentage spent in 2003/04 (for the same six month period), spending increased by 11,9 per cent or R9,3 billion compared to last year as provinces spent R78,1 billion. Between provinces, average spending ranges from the lowest share of 44,2 per cent in Western Cape to the highest at 49,1 per cent in Northern Cape.

Table 1: Provincial Budgets: Payments as at 30 September 2004

R thousand	Annual budget 2004/05				Payments as at 30 September 2004				Actual payments as % of annual budget	2003/04: Payments as at 30 September 2003
	Current payments	Transfers and subsidies	Payments for capital assets	Total	Current payments	Transfers and subsidies	Payments for capital assets	Total		
Eastern Cape	18 376 107	10 697 297	2 075 608	31 149 012	8 466 687	5 699 641	831 579	14 997 907	48,1%	13 477 233
Free State	8 265 629	3 671 255	606 926	12 543 810	3 668 700	2 004 542	160 638	5 833 880	46,5%	5 444 150
Gauteng	18 446 623	9 489 608	1 849 591	29 785 822	8 921 030	4 327 375	177 208	13 425 614	45,1%	12 652 602
KwaZulu-Natal	23 483 811	11 403 619	2 919 495	37 806 925	11 064 225	6 514 809	752 429	18 331 463	48,5%	15 584 953
Limpopo	16 114 579	7 181 891	998 882	24 295 352	7 247 176	3 713 498	600 242	11 560 915	47,6%	9 835 016
Mpumalanga	8 564 262	3 704 520	809 014	13 077 796	3 817 407	1 885 621	237 335	5 940 363	45,4%	5 470 624
Northern Cape	2 824 551	1 337 636	273 706	4 435 893	1 318 074	788 921	71 231	2 178 226	49,1%	1 914 790
North West	9 622 948	4 822 956	786 701	15 232 605	4 327 548	2 532 007	204 487	7 064 042	46,4%	6 172 078
Western Cape	11 788 277	5 498 650	1 005 445	18 292 372	5 256 517	2 518 592	306 031	8 081 140	44,2%	7 556 456
Total	117 486 787	57 807 432	11 325 368	186 619 587	54 087 365	29 985 005	3 341 180	87 413 549	46,8%	78 107 902

Social Services

11. Social services budgets total R151,9 billion, and comprise 81,4 per cent of the total R186,6 billion provincial budget in 2004/05. Table 2 indicates that provinces spent R73 billion or 48,1 per cent of budgeted R151,9 billion for the three social services (education, health and social development). This is R8,2 billion or 12,6 per cent more than the same period in 2003/04.

Table 2: Provincial Social Services Expenditure

R thousand	Annual budget	Actual payments as at 30 September 2004	Actual payments as % of annual budget	2003/04: Payments as at 30 September 2003	Year-on-year growth (as at September)
Education	64 456 935	30 133 443	46,7%	27 914 783	7,9%
Health	40 068 710	18 267 401	45,6%	16 889 564	8,2%
Social Development	47 336 742	24 603 675	52,0%	20 022 200	22,9%
Total	151 862 387	73 004 519	48,1%	64 826 547	12,6%

Social Development

12. Social development budgets at R47,3 billion comprises 25,4 per cent of provincial budgets.

13. The mid-year spending trends indicate that provinces face their greatest spending pressure from social development budgets, which registered spending of 52 per cent or R24,6 billion of their R47,3 billion budget (Table 3). This represents a 22,9 per cent increase of R4,6 billion over the R20 billion spent for the same period last year.

14. The pressure is from sharp growth in beneficiary numbers for disability and foster care, which is beyond budgeted projects (unlike the high growth in the child support grant, which is largely budgeted for). It should be noted that most of the additional adjustment allocations is expected to increase social development budgets in order to ensure that provinces can deal with these pressures.

Table 3: Provincial Social Development Expenditure

R thousand	Annual budget	Actual payments as at 30 September 2004	Actual payments as % of annual budget	2003/04: Payments as at 30 September 2003	Year-on-year growth (as at September)
Eastern Cape	9 146 029	4 910 965	53,7%	4 113 574	19,4%
Free State	3 163 077	1 641 799	51,9%	1 306 611	25,7%
Gauteng	5 733 768	2 874 297	50,1%	2 482 642	15,8%
KwaZulu-Natal	10 251 025	5 694 561	55,6%	4 218 621	35,0%
Limpopo	6 249 446	3 074 461	49,2%	2 553 221	20,4%
Mpumalanga	3 139 403	1 550 783	49,4%	1 238 942	25,2%
Northern Cape	1 114 561	638 965	57,3%	545 725	17,1%
North West	4 046 007	2 206 613	54,5%	1 720 124	28,3%
Western Cape	4 493 426	2 011 231	44,8%	1 842 740	9,1%
Total	47 336 742	24 603 675	52,0%	20 022 200	22,9%

Education

15. Education budgets of R64,5 billion comprise 34,5 per cent of total provincial budgets. Table 4 indicates that education expenditure at R30,1 billion is 46,7 per cent of the total education budget, an increase of R2,2 billion or 7,9 per cent compared to the R27,9 billion spent over the same period in 2003/04. Spending between provinces for education ranges from the lowest share of budget in Free State at 44,1 per cent, to the highest in Limpopo (48,2 per cent), Northern Cape (48,4 per cent) and Gauteng (48,8 per cent).
16. The bulk of education expenditure is for personnel budget, spending R25,6 billion or 48,1 per cent of the personnel budget of R53,2 billion. Spending on goods and services (mostly learner support material) is recorded at R2,1 billion or 37,3 per cent of its budget.

Table 4: Provincial Education Expenditure

R thousand	Annual budget	Actual payments as at 30 September 2004	Actual payments as % of annual budget	2003/04: Payments as at 30 September 2003	Year-on-year growth (as at September)
Eastern Cape	10 857 872	4 981 805	45,9%	4 484 815	11,1%
Free State	4 511 788	1 989 889	44,1%	1 925 274	3,4%
Gauteng	9 457 104	4 619 426	48,8%	4 579 696	0,9%
KwaZulu-Natal	13 024 346	6 148 850	47,2%	5 520 367	11,4%
Limpopo	9 281 885	4 476 188	48,2%	3 806 337	17,6%
Mpumalanga	5 090 882	2 294 307	45,1%	2 217 834	3,4%
Northern Cape	1 435 245	693 960	48,4%	603 987	14,9%
North West	5 331 228	2 430 564	45,6%	2 336 394	4,0%
Western Cape	5 466 585	2 498 454	45,7%	2 440 079	2,4%
Total	64 456 935	30 133 443	46,7%	27 914 783	7,9%

17. Education departments have spent relatively slowly on capital at 23, 2 per cent of their total capital budgets, spending R714,1 million (see Table 5 below). This is lower than the R735,5 million spent on capital over the same period last year. Spending between provinces ranges from the lowest in KwaZulu-Natal (1,9 per cent), Western Cape (10,9

per cent) and Gauteng (13,3 per cent), to the highest in Mpumalanga (37,1 per cent) and Limpopo (72,9 per cent).

Table 5: Provincial Capital Expenditure: Education

R thousand	Annual budget	Actual payments as at 30 September 2004	Actual payments as % of annual budget	2003/04: Payments as at 30 September 2003	Year-on-year growth (as at September)
Eastern Cape	553 371	150 081	27,1%	6 746	2124,7%
Free State	182 449	55 414	30,4%	60 691	-8,7%
Gauteng	805 845	106 787	13,3%	228 837	-53,3%
KwaZulu-Natal	767 652	14 691	1,9%	141 240	-89,6%
Limpopo	348 569	254 039	72,9%	118 847	113,8%
Mpumalanga	189 790	70 474	37,1%	95 073	-25,9%
Northern Cape	26 837	7 433	27,7%	13 110	-43,3%
North West	176 979	51 864	29,3%	58 552	-11,4%
Western Cape	30 039	3 267	10,9%	12 434	-73,7%
Total	3 081 531	714 050	23,2%	735 530	-2,9%

Health

18. Health budgets totalling R40,1 billion comprise 21,5 per cent of the total provincial budget. Table 6 indicates that health expenditure is R18,3 billion or 45,6 per cent of the total health budget, representing an increase of R1,4 billion or 8,2 per cent compared to the first half of the 2003/04 financial year.
19. Gauteng health has spent the lowest share of its budget after the first six months at 41,8 per cent, with the highest share in Free State (47,4 per cent), Northern Cape (47,3 per cent), Eastern Cape (47,9 per cent) and Limpopo (48,1 per cent).

Table 6: Provincial Health Expenditure

R thousand	Annual budget	Actual payments as at 30 September 2004	Actual payments as % of annual budget	2003/04: Payments as at 30 September 2003	Year-on-year growth (as at September)
Eastern Cape	5 410 294	2 590 524	47,9%	2 310 655	12,1%
Free State	2 730 596	1 294 106	47,4%	1 216 268	6,4%
Gauteng	8 731 007	3 649 214	41,8%	3 621 250	0,8%
KwaZulu-Natal	8 766 891	4 085 840	46,6%	3 891 044	5,0%
Limpopo	3 976 317	1 911 148	48,1%	1 594 549	19,9%
Mpumalanga	2 301 076	973 151	42,3%	835 859	16,4%
Northern Cape	815 141	385 896	47,3%	373 666	3,3%
North West	2 598 644	1 175 426	45,2%	973 249	20,8%
Western Cape	4 738 744	2 202 096	46,5%	2 073 024	6,2%
Total	40 068 710	18 267 401	45,6%	16 889 564	8,2%

20. Capital expenditure in the health sector is relatively slow at 27,2 per cent or R763,7 million, significantly lower than the R829,8 million spent for the same period last year (Table 7). Between provinces, the lowest rate of spending is in Gauteng (6,4 per cent), Mpumalanga (11,9 per cent) and Northern Cape (12,3 per cent) with Free State and Limpopo recording the highest share at 48,1 per cent and 54,6 per cent respectively.

Table 7: Provincial Capital Expenditure: Health

R thousand	Annual budget	Actual payments as at 30 September 2004	Actual payments as % of annual budget	2003/04: Payments as at 30 September 2003	Year-on-year growth (as at September)
Eastern Cape	537 239	199 213	37,1%	239 819	-16,9%
Free State	177 013	85 102	48,1%	12 231	595,8%
Gauteng	546 629	35 095	6,4%	50 872	-31,0%
Kw aZulu-Natal	651 744	152 513	23,4%	308 115	-50,5%
Limpopo	308 617	168 368	54,6%	123 082	36,8%
Mpumalanga	207 919	24 755	11,9%	36 181	-31,6%
Northern Cape	86 058	10 611	12,3%	10 557	0,5%
North West	196 520	71 464	36,4%	29 149	145,2%
Western Cape	99 374	16 541	16,6%	19 826	-16,6%
Total	2 811 113	763 662	27,2%	829 832	-8,0%

Capital

21. Provinces have spent 29,5 per cent or R3,3 billion of their R11,3 billion capital budgets ("payment for capital assets"). This is almost identical to the rate of spending in both absolute and percentage terms for the same period last year.
22. Table 8 also provides capital spending information by province, which indicates significantly slow spending in Gauteng at 9,6 per cent, and highest in Eastern Cape (40,1 per cent) and Limpopo at 60,1 per cent. In absolute terms, Eastern Cape has spent the most at R831,6 million, followed by KwaZulu-Natal at R752,4 million and Limpopo at R600,2 million.
23. It should be noted that reclassification changes due to the *New Economic Reporting Format* has lowered capital spending and budgeting figures. For example, the housing subsidy grant is now classified under transfers and subsidies, and not capital.

Table 8: Provincial Total Capital Expenditure

R thousand	Annual budget	Actual payments as at 30 September 2004	Actual payments as % of annual budget	2003/04: Payments as at 30 September 2003	Year-on-year growth (as at September)
Eastern Cape	2 075 608	831 579	40,1%	584 744	42,2%
Free State	606 926	160 638	26,5%	182 862	-12,2%
Gauteng	1 849 591	177 208	9,6%	529 805	-66,6%
Kw aZulu-Natal	2 919 495	752 429	25,8%	862 886	-12,8%
Limpopo	998 882	600 242	60,1%	296 312	102,6%
Mpumalanga	809 014	237 335	29,3%	276 140	-14,1%
Northern Cape	273 706	71 231	26,0%	59 999	18,7%
North West	786 701	204 487	26,0%	227 222	-10,0%
Western Cape	1 005 445	306 031	30,4%	318 345	-3,9%
Total	11 325 368	3 341 180	29,5%	3 338 316	0,1%

24. The biggest capital budgets in provinces are in roads, transport and public works departments at R4,3 billion, or 38,1 per cent of the total provincial capital budget of R11,3 billion. Spending for these departments is relatively faster than other sectors at 36,1 per cent or R1,6 billion of the R4,3 billion budget (Table 9 below). This spending is

similar to the R1,5 billion spent last year over the same period. Between provinces, the lowest rate of spending is recorded in Gauteng at 1,1 per cent and Free State at 5,1 per cent, whilst Limpopo and Eastern Cape record the highest at 51,7 per cent and 53,4 per cent respectively.

25. It should be noted that public works capital spending figures tend to be overstated, as they are not fully reconciled to exclude spending on education and health capital projects. For the same reason, capital spending in education and health may be understated. One province (Western Cape) also budgets for all its capital on its public works vote, and it is not clear why it does not provide breakdowns of what is actually spent on capital per section (on education, health, etc.).

Table 9: Provincial Capital Expenditure: Roads, Transport and Public Works

R thousand	Annual budget	Actual payments as at 30 September 2004	Actual payments as % of annual budget	2003/04: Payments as at 30 September 2003	Year-on-year growth (as at September)
Eastern Cape	880 733	470 083	53,4%	314 743	49,4%
Free State	147 915	7 539	5,1%	87 482	-91,4%
Gauteng	425 332	4 871	1,1%	236 900	-97,9%
KwaZulu-Natal	1 288 515	544 594	42,3%	362 475	50,2%
Limpopo	76 993	39 781	51,7%	15 920	149,9%
Mpumalanga	334 114	119 550	35,8%	134 256	-11,0%
Northern Cape	123 838	41 501	33,5%	28 031	48,1%
North West	265 540	53 535	20,2%	122 941	-56,5%
Western Cape	767 593	273 343	35,6%	256 007	6,8%
Total	4 310 573	1 554 797	36,1%	1 558 755	-0,3%

26. Reasons for why capital spending in provinces is relatively slow in the first six months, and relatively high in the last two months of the financial year, are not provided by provincial departments. National Treasury, working with the Construction Industry Development Board (CIDB), offers assistance to provincial departments to improve their capital planning and spending capacity, and to ensure that payments are made throughout the year, rather than only in the last two months of the financial year. The objective is for all government departments to pay all accounts due within 30 days of receiving adequate billing documentation.

Housing and other conditional grants

27. As noted above, housing subsidy expenditure is no longer treated as capital. Table 10 indicates that provinces spent R2,2 billion or 49,1 per cent of their R4,5 billion Housing Subsidy conditional grant. These spending figures are a significant improvement compared to the last three financial years, though it is not clear to what extent some of the spending reflects transfers.
28. It is not clear whether provincial housing departments are able to link actual output information on housing (e.g. complete houses built, complete foundations or serviced plots provided) to their first or second quarter spending figures. Such information is critical in order to assess the extent to which the housing subsidy programme is succeeding in housing poor households.

Table 10: Provincial Housing Subsidy Conditional Grant

R thousand	Annual budget (Division of Revenue Act, 2004)	Actual payments as at 30 September 2004	Actual payments as % of annual budget	2003/04: Payments as at 30 September 2003	Year-on-year growth (as at September)
Eastern Cape	598 900	368 539	61,5%	275 652	33,7%
Free State	385 641	208 097	54,0%	181 663	14,6%
Gauteng	1 117 463	532 810	47,7%	204 923	160,0%
KwaZulu-Natal	748 463	403 689	53,9%	322 214	25,3%
Limpopo	369 818	179 711	48,6%	131 755	36,4%
Mpumalanga	296 457	168 548	56,9%	146 649	14,9%
Northern Cape	89 442	78 383	87,6%	37 314	110,1%
North West	421 378	90 566	21,5%	37 368	142,4%
Western Cape	446 035	166 559	37,3%	86 174	93,3%
Total	4 473 597	2 196 902	49,1%	1 423 712	54,3%

29. Table 11 below reflects spending on all 2004/05 conditional grant allocations as at 30 September 2004 for all provinces. It excludes rollovers from conditional grants from the 2003/04 financial year, and also excludes general conditional grants like National Tertiary Services, Hospital Professions Training and Development, and the Provincial Infrastructure grants, as reporting against these grants cannot be separated from the province's health and capital budgets.
30. The rate of conditional grants spending is slower than total provincial expenditure. Provinces have spent R4,7 billion or 39,1 per cent of the total budget of R12,1 billion.
31. Specific grants reporting very slow spending include Food Emergency Relief (17,4 per cent), Comprehensive Agricultural Support grant (18,9 per cent), Mass Sport and Recreation Participation Programme (19,8 per cent), and HIV and Aids (Life Skills Education) (23,4 per cent).
32. Allocations have been transferred for the Agricultural Disaster Management and Malaria and Cholera Prevention grants during the last day of the 2003/04 financial year and is included in the table above to register spending on these two grants. Provincial roll-overs for Housing Subsidy (R226,8 million), Human Resettlement (R30,6 million), Hospital Revitalization (R28,4 million), Child Support Extension (R26,8 million), Local Government Capacity Building Fund (R13,2 million), and Comprehensive Agriculture Support Programme (R10 million) are excluded from the above table, but are available for spending for the 2004/05.
33. National departments administering the above conditional grants, monitor spending and outputs on the conditional grants they administer.

Table 11: Summary of provincial payments on Conditional Grants

R thousand	Annual budget (DoRA, no 5 of 2004)	Transferred from National (received by provinces)	Actual expenditure as at 30 September 2004	Actual expenditure as % of budget (excl rollovers)
Agriculture	227 100	107 651	56 776	25,0%
Comprehensive Agriculture Support Programme	200 000	100 001	37 713	18,9%
Land Care Prog: Poverty Relief and Infrastructure Dev	27 100	7 650	6 639	24,5%
Agricultural Disaster Management	–	–	12 424	–
Education	960 779	480 392	272 839	28,4%
HIV and Aids (Life Skills Education)	128 579	64 292	30 125	23,4%
Primary School Nutrition Programme	832 200	416 100	242 714	29,2%
Health	1 947 518	973 756	623 050	32,0%
Comprehensive HIV and Aids	781 612	390 802	249 466	31,9%
Hospital Revitalisation	911 856	455 931	302 781	33,2%
Integrated Nutrition Programme	112 218	56 106	27 078	24,1%
Hospital Management and Quality Improvement	141 832	70 917	40 869	28,8%
Malaria and Cholera Prevention	–	–	2 856	–
Housing	4 589 137	2 314 649	2 229 675	48,6%
Housing Subsidy	4 473 597	2 261 614	2 196 902	49,1%
Human Settlement and Redevelopment	115 540	53 035	32 773	28,4%
Provincial and Local Government	261 192	119 532	65 722	25,2%
Local Government Capacity Building Fund	220 459	105 414	55 085	25,0%
Provincial Project Management Capacity for MIG	40 733	14 118	10 637	26,1%
Social Development	4 108 180	1 608 743	1 487 143	36,2%
Child Support Extension	3 650 000	1 277 501	1 400 682	38,4%
Food Emergency Relief	388 000	324 224	67 339	17,4%
HIV and Aids (Community-Based Care)	70 180	7 018	19 122	27,2%
Sport and Recreation South Africa	9 000	4 018	1 785	19,8%
Mass Sport and Recreation Participation Programme	9 000	4 018	1 785	19,8%
Total	12 102 906	5 608 741	4 736 990	39,1%

34. Table 12 below indicates the provinces that are spending very slowly on conditional grants. It indicates that more than five provinces have spent less than 20 per cent of their grant budget after six months for the following grants: Comprehensive Agriculture Support Programme, Local Government Capacity Building Fund, Food Emergency Relief and Mass Sport and Recreation Participation Programme.

35. The number of provinces spending at slightly higher levels, but still below average (between 20 and 40 per cent of grant budgets), are as follows for the following grants: Land Care Programme grant (5), Primary School Nutrition Programme grant (6), Comprehensive HIV and Aids grant (7), Integrated Nutrition Programme grant (5), Hospital Management and Quality Improvement grant (5) and Provincial Project Management Capacity for MIG grant (5).

36. It appears that some of the slower spending figures may be incorrect, resulting in understating of actual spending against grants, due to incorrect recording of such expenditure against other budget programmes.

Table 12: Summary of provincial spending rate on Conditional Grants as at 30 September 2004

R thousand	Number of provinces spending between 0% and 20%	Number of provinces spending between 20% and 40%	Number of provinces spending more than 40%
Agriculture			
Comprehensive Agriculture Support	6 EC, FS, GT, KZN, MPU, NC	1 LIM	2 NW, WC
Land Care Programme	2 EC, FS	5 GT, MPU, NC, NW, WC	2 KZN, LIM
Education			
HIV and Aids (Life Skills Education)	3 EC, KZN, NW	4 GT, LIM, MPU, NC	2 FS, WC
Primary School Nutrition Programme	1 EC	6 FS, GT, KZN, LIM, MPU, NW	2 NC, WC
Health			
Comprehensive HIV and Aids	1 FS	7 GT, KZN, LIM, MPU, NC, NW, WC	1 EC
Hospital Revitalisation	3 FS, GT, KZN	1 MPU	5 EC, LIM, NC, NW, WC
Integrated Nutrition Programme	3 FS, KZN, MPU	5 EC, GT, LIM, NW, WC	1 NC
Hospital Management & Quality Improv.	2 EC, KZN	5 FS, LIM, MPU, NW, WC	2 GT, NC
Housing			
Housing Subsidy	- -	2 NW, WC	7 EC, FS, GT, KZN, LIM, MPU, NC
Human Settlement and Redevelopment	3 EC, GT, KZN	1 WC	5 FS, LIM, MPU, NC, NW
Provincial and Local Government			
Local Government Capacity Building	5 EC, FS, GT, MPU, NC	2 LIM, NW	2 KZN, WC
Provincial Project Management Capacity	3 EC, MPU, NW	5 FS, GT, LIM, NC, WC	1 KZN
Social Development			
Child Support Extension	1 NW	4 EC, FS, KZN, MPU	4 GT, LIM, NC, WC
Food Emergency Relief	6 EC, FS, MPU, NC, NW, WC	2 KZN, LIM	1 GT
HIV and Aids (Community-Based Care)	3 EC, MPU, NW	3 FS, KZN, LIM	3 GT, NC, WC
Sport and Recreation South Africa			
Mass Sport and Recreation Participation	5 EC, FS, GT, LIM, MPU	3 KZN, NC, WC	1 NW

Personnel Expenditure

37. Personnel expenditure ("compensation of employees") is R42 billion or 47,7 per cent of the R88,1 billion budget. KwaZulu-Natal (R8,6 billion or 48,8 per cent), Eastern Cape (R6,9 billion or 48,6 per cent) and Gauteng (R6,4 billion or 48,3 per cent) have the highest rate of personnel expenditure, with North West the lowest at 46,1 per cent (refer to Table 13 below).

38. The spending numbers on personnel in Table 13 do not include the latest salary increases, which were backdated to 1 July 2004 and implemented during October 2004. Note that part of the additional adjustments allocation provides for provinces to increase their personnel budgets, particularly in education and health, which employ over 87 per cent of all provincial personnel.

Table 13: Provincial Personnel Expenditure

R thousand	Annual budget	Actual payments as at 30 September 2004	Actual payments as % of annual budget	2003/04: Payments as at 30 September 2003	Year-on-year growth (as at September)
Eastern Cape	14 211 839	6 907 603	48,6%	6 233 558	10,8%
Free State	6 384 955	2 958 376	46,3%	2 801 225	5,6%
Gauteng	13 175 455	6 367 292	48,3%	6 080 997	4,7%
KwaZulu-Natal	17 605 844	8 583 414	48,8%	7 782 878	10,3%
Limpopo	12 543 285	6 000 325	47,8%	5 507 436	8,9%
Mpumalanga	6 117 517	2 853 567	46,6%	2 626 794	8,6%
Northern Cape	1 974 215	925 675	46,9%	839 032	10,3%
North West	7 530 168	3 473 820	46,1%	3 347 272	3,8%
Western Cape	8 543 267	3 943 563	46,2%	3 738 731	5,5%
Total	88 086 545	42 013 635	47,7%	38 957 923	7,8%

Provincial Revenue

39. Provincial Revenue includes budgeted equitable share allocations of R160 billion, conditional grants of R21,2 billion and own revenue of R5,4 billion.
40. National government transferred R83,2 billion or 52 per cent of the equitable share, and R10,1 billion or 47,9 per cent in conditional grants, to provinces after six months of the current financial year.
41. After six months, provinces have collected R2,7 billion or 50,9 per cent of budgeted own revenue of R5,4 billion. The total provincial revenue received and collected to date was recorded at R96 billion or 51,5 per cent of budgeted total revenue.
42. The R5,4 billion budgeted amount is significantly less than the R6,6 billion collected in the previous year (2003/04). However, the R2,7 billion collected thus far is 8,8 per cent less than what was collected by the end of September for the previous financial year. The collection rate varies from 34,3 per cent in Eastern Cape and 40,9 per cent in Free State, to a high of 60,9 per cent and 58,8 per cent in KwaZulu-Natal and Gauteng respectively. It appears at this stage that most provinces will exceed their collection of budgeted own revenue (R5,7 billion).

National Adjustments Allocations to Provinces

43. Table 14 below indicates the additional resources per province after the national adjustments allocation of R4,3 billion is taken into account (excluding surplus funds or provincial roll-overs). Actual spending against such additional allocations decreases from 46,8 per cent in Table 1 to 45,8 per cent. The projected aggregate provincial budget deficit reduces to R2,2 billion if the additional adjustments allocation is taken into account. Provinces having surplus funds (including roll-overs) will be able to fund part of this deficit, but those provinces ending the 2004/05 financial year with an overdraft may have to adjust their current budgets to ensure their overdrafts do not increase. Some provinces have already instituted cost containment measures and other initiatives to ensure that their deficits are reduced to levels of available funding.

Table 14: Impact of additional national adjustments allocations on Provincial Budgets

R thousand	Annual budget	National adjustments to provinces (ES + CG)	Budget including national adjustments	Actual payments as at 30 September 2004	Actual payments as % of adjusted budget
Eastern Cape	31 149 012	730 245	31 879 257	14 997 907	47,0%
Free State	12 543 810	294 964	12 838 774	5 833 880	45,4%
Gauteng	29 785 822	634 197	30 420 019	13 425 614	44,1%
KwaZulu-Natal	37 806 925	866 671	38 673 596	18 331 463	47,4%
Limpopo	24 295 352	569 126	24 864 478	11 560 915	46,5%
Mpumalanga	13 077 796	299 833	13 377 629	5 940 363	44,4%
Northern Cape	4 435 893	123 980	4 559 873	2 178 226	47,8%
North West	15 232 605	362 483	15 595 088	7 064 042	45,3%
Western Cape	18 292 372	383 548	18 675 920	8 081 140	43,3%
Total	186 619 587	4 265 047	190 884 634	87 413 549	45,8%