



national treasury

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Provincial Budgets 2007/08 Financial Year Mid-Term Provincial Budget Report

SUMMARY:

1. The second quarter provincial budget statement of receipts and payments, published by the National Treasury in terms of Section 32 of the Public Finance Management Act, 1999 (PFMA) on 30 October 2007, covers spending for the first six months of the 2007/08 financial year, which ended 30 September 2007. It is available on the treasury website at www.treasury.gov.za.
2. The information is based on the Section 40(4) PFMA reports signed by each head of provincial department to their provincial treasury, and submitted to the National Treasury by 22 October 2007. Queries on spending or budget numbers should therefore, in the first instance, be referred to the relevant head official of the provincial department, and in the second instance to the head official of the provincial treasury. Queries on conditional grants may also be referred to the relevant head official of the administering national department.

Key highlights include the following:

3. In aggregate, provinces have spent 46.0 per cent or R96.9 billion of their budgets of R210.5 billion for the period ended 30 September 2007. This represents a spending increase year-on-year of 17.1 per cent or R14.2 billion higher than for the same period last year when provinces had spent R82.7 billion.
4. Education expenditure totalled R42.5 billion or 47.9 per cent of the R88.7 billion combined education budgets and remains the largest item on provincial budgets (42.2 per cent). The spending pattern reflects a 15.4 per cent or R5.7 billion increase over the same period last year.
5. Health expenditure totalled R28.4 billion or 47.9 per cent of the R59.3 billion combined health budgets and is the second largest item (after education) on provincial budgets

(28.2 per cent). The spending pattern reflects a 13.7 per cent or R3.4 billion increase compared with the same period in 2006/07.

6. Social welfare services (social development) spending for the first six months of the 2007/08 financial year is recorded at 40.9 per cent or R2.7 billion of the R6.5 billion social welfare services budgets.
7. Total personnel expenditure, in aggregate, is at 48.2 per cent or R56.9 billion of the R118.1 billion personnel budgets. These figures include the announced improvements in conditions of service (ICS) effected from 01 July 2007.
8. In aggregate, provinces spent 39.8 per cent or R7.1 billion of their R17.9 billion combined capital budgets. This is a significant improvement of 26.8 per cent over the previous financial year, exceeding the R5.6 billion spent over the same period in 2006/07 by R1.5 billion. This reflects an ongoing improvement in capital spending capacity.
9. Provincial education departments spent 38.0 per cent or R1.5 billion of their R3.8 billion education capital budgets. Again, this is significantly higher with spending growing by 28.7 per cent or R326.1 million when compared to the same period of the previous financial year.
10. Health provincial departments also significantly improved on capital spending. They have spent 42.1 per cent or R2.3 billion against their R5.5 billion health capital budgets, which is 20.9 per cent or R400.5 million more than the same period for 2006/07.
11. The greatest share of provincial capital is on the budgets of public works, roads and transport departments at 38.7 per cent. The sector spent 42.5 per cent or R2.9 billion against its combined capital budget of R6.9 billion. This represents a massive increase of 47.1 per cent or R944.4 million compared to the same period last year.
12. These suggest that the initiatives that have been put in place to enhance infrastructure delivery are paying off.
13. The government contribution for Gautrain totals R4.5 billion for the 2007/08 financial year. Of the R4.5 billion, R1.5 billion is funded through the provincial equitable share (Gauteng Provincial Government) and R3.0 billion in the form of a conditional grant (funded by National Government). Expenditure incurred for Gautrain recorded against the equitable share portion is at R368.2 million as at 30 September 2007 and R997.5 million against the Gautrain Rapid Rail Link conditional grant.
14. Provincial own revenue collected thus far is at 57.1 per cent or R4.4 billion of the total own revenue budget of R7.7 billion. National government has transferred R89.1 billion of the equitable share and R14.8 billion in conditional grants to provinces, during the first six months of 2007/08.
15. A more detail analysis of the expenditure outcome as at 30 September 2007 is set out in Annexure A.

DETAILED ANALYSIS FOR THE FIRST AND SECOND QUARTER OF THE 2007/08 FINANCIAL YEAR:

16. The budgeted figures for provinces are based on the 2007/08 provincial budget statements (main budgets) tabled in the various provincial legislatures during February and March 2007.

Total Expenditure

17. Table 1 indicates that provinces have spent 46.0 per cent or R96.9 billion of budgeted expenditure for the first and second quarter into the current financial year. Spending to date is at a slightly higher level in percentage terms compared to spending against budgets over the same period in the 2006/07 financial year (45.2 per cent).

18. However, in nominal terms, spending is 17.1 per cent or R14.2 billion higher than for the same period last year when provinces had spent R82.7 billion. Between provinces, spending ranges from the lowest share of 43.8 per cent in Gauteng and 43.9 per cent in Eastern Cape, to the highest at 48.3 per cent in KwaZulu-Natal and 47.8 per cent in North West.

Table 1: Provincial Aggregated Budgets and Expenditure as at 30 September 2007

R thousand	Main budget 2007/08				Actual payments as at 30 September 2007				Actual payments as % of main budget
	Current payments	Transfers and subsidies	Payments for capital assets	Total	Current payments	Transfers and subsidies	Payments for capital assets	Total	
Eastern Cape	25 016 205	3 455 553	2 537 053	31 008 811	11 332 956	1 387 597	894 046	13 614 599	43.9%
Free State	10 478 703	1 498 116	1 332 253	13 309 072	5 044 406	592 450	604 612	6 241 468	46.9%
Gauteng	26 954 721	10 477 837	2 879 648	40 312 206	12 315 958	4 264 770	1 071 382	17 652 110	43.8%
KwaZulu-Natal	33 867 720	5 090 824	4 555 984	43 514 528	16 281 231	2 840 176	1 900 151	21 021 558	48.3%
Limpopo	20 264 920	3 336 594	1 710 653	25 312 167	9 390 158	1 730 325	656 805	11 777 287	46.5%
Mpumalanga	13 029 271	1 688 350	1 493 157	16 210 778	5 929 615	831 646	488 815	7 250 076	44.7%
Northern Cape	4 442 163	653 982	567 148	5 663 293	2 161 753	290 522	215 402	2 667 677	47.1%
North West	10 981 576	2 185 609	1 245 173	14 412 358	5 388 929	1 031 777	472 349	6 893 055	47.8%
Western Cape	15 934 599	3 161 589	1 620 366	20 716 554	7 465 425	1 446 238	833 388	9 745 051	47.0%
Total	160 969 878	31 548 454	17 941 435	210 459 767	75 310 431	14 415 501	7 136 950	96 862 882	46.0%

Social Services

19. Provinces have budgeted R154.5 billion for social services, which includes spending on education, health and social development. Spending on social services is recorded at R73.6 billion or 47.6 per cent of the total provincial social services budget. Social services budgets comprise 73.4 per cent of total provincial budgets in 2007/08.

Table 2: Provincial Social Services Expenditure as at 30 September 2007

R thousand	Main budget	Actual payments as at 30 September 2007	Actual payments as % of main budget	% share of total provincial expenditure
Education	88 718 713	42 523 461	47.9%	43.9%
Health	59 251 594	28 401 457	47.9%	29.3%
Social Development	6 549 607	2 681 684	40.9%	2.8%
Total	154 519 914	73 606 602	47.6%	76.0%

Education

20. Education budgets of R88.7 billion comprise 42.2 per cent of total provincial budgets. Table 3 indicates that education expenditure is at 47.9 per cent or R42.5 billion of the total education budget, an increase of 15.4 per cent or R5.7 billion compared to the R36.8 billion spent over the same period in 2006/07.
21. Spending by provinces on education ranges from the lowest rate in Eastern Cape at 44.2 per cent and Western Cape at 46.1 per cent to the highest in North West at 56.1 per cent and both KwaZulu-Natal and Limpopo at 49.7 per cent.

Table 3: Provincial Education Expenditure as at 30 September 2007

	Main budget	Actual payments as at 30 September 2007	Actual payments as % of main budget	% share of Education to total provincial expenditure
R thousand				
Eastern Cape	14 726 061	6 514 999	44.2%	47.9%
Free State	5 692 455	2 720 656	47.8%	43.6%
Gauteng	14 543 467	6 746 001	46.4%	38.2%
KwaZulu-Natal	18 576 821	9 228 190	49.7%	43.9%
Limpopo	11 948 413	5 937 955	49.7%	50.4%
Mpumalanga	7 956 022	3 731 479	46.9%	51.5%
Northern Cape	2 266 871	1 114 009	49.1%	41.8%
North West	5 323 945	2 984 135	56.1%	43.3%
Western Cape	7 684 658	3 546 037	46.1%	36.4%
Total	88 718 713	42 523 461	47.9%	43.9%

22. Spending on goods and services (mostly learner support material) in education is recorded at 32.5 per cent or R3.2 billion of its R10.0 billion budget. It comprises approximately 11.3 per cent of total provincial education budgets, which is 0.3 percentage points more than the share in 2006/07.
23. The bulk of education expenditure is on personnel (79.8 per cent). Current spending on education personnel amounts to 49.1 per cent or R33.9 billion of the education personnel budgets of R69.2 billion.
24. Spending by provinces ranges from the lowest in Gauteng at 46.4 per cent and Western Cape at 47.5 per cent, to the highest in North West at 59.7 per cent and Northern Cape at 50.4 per cent.

Table 4: Provincial Personnel Expenditure: Education as at 30 September 2007

	Main budget	Actual payments as at 30 September 2007	Actual payments as % of main budget	% share of Education Personnel to total personnel expenditure
R thousand				
Eastern Cape	11 836 246	5 695 774	48.1%	64.2%
Free State	4 411 890	2 197 936	49.8%	56.4%
Gauteng	11 006 051	5 105 254	46.4%	57.3%
KwaZulu-Natal	14 767 800	7 220 447	48.9%	59.0%
Limpopo	9 684 741	4 735 559	48.9%	61.6%
Mpumalanga	5 847 664	2 917 351	49.9%	65.2%
Northern Cape	1 688 607	851 686	50.4%	56.3%
North West	4 036 185	2 407 966	59.7%	59.8%
Western Cape	5 903 639	2 803 567	47.5%	53.1%
Total	69 182 823	33 935 540	49.1%	59.6%

25. Education capital expenditure is at 38.0 per cent or R1.5 billion of the R3.8 billion budget. This is 28.7 per cent or R326.1 million more than the R1.1 billion spent on capital over the same period last year.
26. Spending by provinces ranges from the lowest in Eastern Cape at only 18.2 per cent and North West at 22.4 per cent to the highest in Limpopo at 63.6 per cent and Western Cape at 51.9 per cent.

Table 5: Provincial Capital Expenditure: Education as at 30 September 2007

	Main budget	Actual payments as at 30 September 2007	Actual payments as % of main budget	% share of Education Capital to total Capital expenditure
R thousand				
Eastern Cape	764 191	139 412	18.2%	15.6%
Free State	279 861	97 063	34.7%	16.1%
Gauteng	625 023	296 998	47.5%	27.7%
KwaZulu-Natal	1 034 377	427 816	41.4%	22.5%
Limpopo	374 341	237 952	63.6%	36.2%
Mpumalanga	357 097	114 799	32.1%	23.5%
Northern Cape	32 246	12 721	39.4%	5.9%
North West	211 026	47 196	22.4%	10.0%
Western Cape	167 221	86 751	51.9%	10.4%
Total	3 845 383	1 460 708	38.0%	20.5%

Health

27. Health budgets totalling R59.3 billion comprise 28.2 per cent of total provincial budgets. Table 6 indicates that health expenditure is at 47.9 per cent or R28.4 billion of the total health budget, representing an increase of 13.7 per cent or R3.4 billion compared to spending over the same period in 2006/07.
28. North West and Mpumalanga health have spent the lowest share of their budgets at 43.7 per cent and 44.0 per cent respectively. The highest shares are recorded in KwaZulu-Natal at 51.4 per cent and Northern Cape at 51.0 per cent.

Table 6: Provincial Health Expenditure as at 30 September 2007

	Main budget	Actual payments as at 30 September 2007	Actual payments as % of main budget	% share of Health to total provincial expenditure
R thousand				
Eastern Cape	8 142 743	3 720 879	45.7%	27.3%
Free State	3 643 438	1 848 399	50.7%	29.6%
Gauteng	12 052 282	5 596 195	46.4%	31.7%
KwaZulu-Natal	13 412 815	6 893 542	51.4%	32.8%
Limpopo	6 096 010	2 924 208	48.0%	24.8%
Mpumalanga	3 594 674	1 583 144	44.0%	21.8%
Northern Cape	1 459 941	744 541	51.0%	27.9%
North West	3 754 518	1 641 144	43.7%	23.8%
Western Cape	7 095 173	3 449 405	48.6%	35.4%
Total	59 251 594	28 401 457	47.9%	29.3%

29. Table 7 indicates that health personnel expenditure is R15.8 billion or 48.1 per cent of the health personnel budget, an increase of R1.8 billion or 13.2 per cent compared to the R14.0 billion spent over the same period in 2006/07.

Table 7: Provincial Personnel Expenditure: Health as at 30 September 2007

	Main budget	Actual payments as at 30 September 2007	Actual payments as % of main budget	% share of Health Personnel to total personnel expenditure
R thousand				
Eastern Cape	4 404 596	2 096 497	47.6%	23.6%
Free State	2 239 485	1 114 133	49.7%	28.6%
Gauteng	5 921 713	2 899 293	49.0%	32.5%
KwaZulu-Natal	7 708 001	3 879 943	50.3%	31.7%
Limpopo	3 642 830	1 787 183	49.1%	23.2%
Mpumalanga	2 132 844	902 352	42.3%	20.2%
Northern Cape	775 800	367 460	47.4%	24.3%
North West	2 061 230	903 369	43.8%	22.4%
Western Cape	3 989 531	1 876 736	47.0%	35.6%
Total	32 876 030	15 826 966	48.1%	27.8%

30. Spending on non-personnel non-capital items in health, which includes medicines, drugs and other current expenditure, is recorded at 49.1 per cent or R10.3 billion of the R20.9 billion budget. This is an increase of 12.8 per cent or R1.2 billion compared to the R9.1 billion spent over the same period in 2006/07.

31. Capital expenditure in the health sector is at 42.1 per cent or R2.3 billion. This is significantly higher at 20.9 per cent or R400.5 million more than the R1.9 billion spent over the same period last year.

Table 8: Provincial Capital Expenditure: Health as at 30 September 2007

	Main budget	Actual payments as at 30 September 2007	Actual payments as % of main budget	% share of Health Capital to total Capital expenditure
R thousand				
Eastern Cape	906 864	362 481	40.0%	40.5%
Free State	204 938	141 356	69.0%	23.4%
Gauteng	1 094 375	422 165	38.6%	39.4%
KwaZulu-Natal	1 185 428	591 856	49.9%	31.1%
Limpopo	717 200	253 598	35.4%	38.6%
Mpumalanga	337 373	99 486	29.5%	20.4%
Northern Cape	219 612	75 844	34.5%	35.2%
North West	376 646	153 563	40.8%	32.5%
Western Cape	453 748	213 338	47.0%	25.6%
Total	5 496 184	2 313 687	42.1%	32.4%

32. The lowest rate of health capital spending is in Mpumalanga at 29.5 per cent and Northern Cape at 34.5 per cent with Free State and KwaZulu-Natal recording the highest rate of spending at 69.0 per cent and 49.9 per cent respectively.

Social Welfare Services (Social Development)

33. Social welfare services budgets, at R6.5 billion, comprise 3.1 per cent of total provincial budgets.

Table 9: Provincial Social Welfare Services Expenditure as at 30 September 2007

	Main budget	Actual payments as at 30 September 2007	Actual payments as % of main budget	% share of Soc welfare to total provincial expenditure
R thousand				
Eastern Cape	951 735	382 495	40.2%	2.8%
Free State	453 092	191 392	42.2%	3.1%
Gauteng	1 404 413	535 286	38.1%	3.0%
KwaZulu-Natal	1 000 360	444 331	44.4%	2.1%
Limpopo	439 040	200 155	45.6%	1.7%
Mpumalanga	497 517	217 705	43.8%	3.0%
Northern Cape	304 319	131 666	43.3%	4.9%
North West	607 628	169 687	27.9%	2.5%
Western Cape	891 503	408 967	45.9%	4.2%
Total	6 549 607	2 681 684	40.9%	2.8%

34. Provinces registered spending of 40.9 per cent or R2.7 billion of their R6.5 billion budget (table 9). This represents an increase of 23.1 per cent or R502.9 million above the R2.2 billion spent over the same period last year.
35. Between provinces, there are varying degrees of spending with the lowest being in North West at only 27.9 per cent and Gauteng at 38.1 per cent while the highest are Western Cape and Limpopo at 45.9 per cent and 45.6 per cent respectively.

Housing and Local Government

36. Housing and local government budgets at R12.0 billion comprise 5.7 per cent of total provincial budgets.
37. Housing and local government spending at the end of the second quarter is at 37.1 per cent or R4.4 billion of the R12.0 billion budget (table 10). This represents an increase of 16.3 per cent or R624.3 million more than the R3.8 billion spent over the same period last year.

Table 10: Provincial Housing and Local Government Expenditure as at 30 September 2007

	Main budget	Actual payments as at 30 September 2007	Actual payments as % of main budget	% share of Local Gov & Housing to total provincial expenditure
R thousand				
Eastern Cape	1 574 138	384 708	24.4%	2.8%
Free State	878 028	267 392	30.5%	4.3%
Gauteng	2 866 389	1 176 561	41.0%	6.7%
KwaZulu-Natal	2 288 920	847 014	37.0%	4.0%
Limpopo	1 044 737	286 918	27.5%	2.4%
Mpumalanga	839 586	343 837	41.0%	4.7%
Northern Cape	294 715	143 757	48.8%	5.4%
North West	999 302	467 452	46.8%	6.8%
Western Cape	1 198 094	529 085	44.2%	5.4%
Total	11 983 909	4 446 724	37.1%	4.6%

38. Spending varies between provinces with the lowest being in Eastern Cape at 24.4 per cent and Limpopo at 27.5 per cent while the highest are Northern Cape at 48.8 per cent and North West at 46.8 per cent.

Housing conditional grant

39. Most of the housing and local government expenditure is on the Integrated Housing and Human Settlement Development conditional grant. Table 11 indicates that provinces spent 35.3 per cent or R2.9 billion of their R8.2 billion housing conditional grant. These spending figures are higher by 13.0 per cent or R333.7 million over the same period last year.

Table 11: Provincial Integrated Housing and Human Settlement Development Grant Expenditure as at 30 September 2007

	Main budget	Actual payments as at 30 September 2007	Actual payments as % of main budget	% share of grant to total provincial expenditure
R thousand				
Eastern Cape	1 052 554	95 329	9.1%	0.7%
Free State	653 293	185 353	28.4%	3.0%
Gauteng	2 197 223	842 603	38.3%	4.8%
KwaZulu-Natal	1 310 555	555 701	42.4%	2.6%
Limpopo	651 705	142 842	21.9%	1.2%
Mpumalanga	526 286	238 156	45.3%	3.3%
Northern Cape	130 976	76 387	58.3%	2.9%
North West	766 806	336 343	43.9%	4.9%
Western Cape	948 548	435 484	45.9%	4.5%
Total	8 237 946	2 908 198	35.3%	3.0%

Personnel expenditure

40. Personnel expenditure (“compensation of employees”) is at 48.2 per cent or R56.9 billion of the R118.1 billion budget. Spending to date is 12.4 per cent or R6.3 billion higher than the R50.6 billion spent over the same period last year.

41. Western Cape and Mpumalanga recorded the lowest rate of personnel spending at 46.8 per cent and 47.1 per cent respectively while North West and KwaZulu-Natal recorded the highest rates at 51.3 per cent and 48.9 per cent respectively.

Table 12: Provincial Personnel Expenditure as at 30 September 2007

	Main budget	Actual payments as at 30 September 2007	Actual payments as % of main budget	% share of Personnel to total provincial expenditure
R thousand				
Eastern Cape	18 639 841	8 869 157	47.6%	65.1%
Free State	7 992 772	3 895 034	48.7%	62.4%
Gauteng	18 882 814	8 912 764	47.2%	50.5%
KwaZulu-Natal	25 024 755	12 242 773	48.9%	58.2%
Limpopo	15 852 363	7 692 470	48.5%	65.3%
Mpumalanga	9 502 832	4 474 694	47.1%	61.7%
Northern Cape	3 114 528	1 512 163	48.6%	56.7%
North West	7 845 267	4 028 215	51.3%	58.4%
Western Cape	11 284 560	5 277 856	46.8%	54.2%
Total	118 139 732	56 905 126	48.2%	58.7%

Overall capital budgets and expenditure

42. By the end of the second quarter, provinces had spent 39.8 per cent or R7.1 billion of their R17.9 billion capital budgets ("payments for capital assets"). This is significantly higher (26.8 per cent or R1.5 billion) than the R5.6 billion spent over the same period last year.
43. Table 13 provides capital spending information by province, which indicates low rates of spending in Mpumalanga at 32.7 per cent and Eastern Cape at 35.2 per cent and high rates in Western Cape at 51.4 per cent and Free State at 45.4 per cent. However, in absolute terms, KwaZulu-Natal has spent the most at R1.9 billion followed by Gauteng at R1.1 billion and Eastern Cape at R894.0 million.

**Table 13: Provincial Capital (Payments for Capital Assets)
Expenditure as at 30 September 2007**

	Main budget	Actual payments as at 30 September 2007	Actual payments as % of main budget	% share of Capital to total provincial expenditure
R thousand				
Eastern Cape	2 537 053	894 046	35.2%	6.6%
Free State	1 332 253	604 612	45.4%	9.7%
Gauteng	2 879 648	1 071 382	37.2%	6.1%
KwaZulu-Natal	4 555 984	1 900 151	41.7%	9.0%
Limpopo	1 710 653	656 805	38.4%	5.6%
Mpumalanga	1 493 157	488 815	32.7%	6.7%
Northern Cape	567 148	215 402	38.0%	8.1%
North West	1 245 173	472 349	37.9%	6.9%
Western Cape	1 620 366	833 388	51.4%	8.6%
Total	17 941 435	7 136 950	39.8%	7.4%

44. The biggest capital budgets in provinces are in public works, roads and transport departments at 38.7 per cent or R6.9 billion of the total provincial capital budget of R17.9 billion. Spending by these departments is at 42.5 per cent or R2.9 billion which is 47.1 per cent or R944.4 million more than the R2.0 billion spent last year over the same period.

Table 14: Provincial Capital Expenditure: Public Works, Roads and Transport as at 30 September 2007

	Main budget	Actual payments as at 30 September 2007	Actual payments as % of main budget	% share of PWRT Capital to total Capital expenditure
R thousand				
Eastern Cape	731 188	361 932	49.5%	40.5%
Free State	727 887	321 632	44.2%	53.2%
Gauteng	834 219	291 120	34.9%	27.2%
KwaZulu-Natal	2 085 140	808 884	38.8%	42.6%
Limpopo	177 938	56 893	32.0%	8.7%
Mpumalanga	652 683	250 769	38.4%	51.3%
Northern Cape	269 131	90 446	33.6%	42.0%
North West	520 627	244 776	47.0%	51.8%
Western Cape	942 922	522 526	55.4%	62.7%
Total	6 941 735	2 948 978	42.5%	41.3%

45. Between provinces, the lowest rate of spending is recorded in Limpopo at 32.0 per cent and Northern Cape at 33.6 per cent, while Western Cape and Eastern Cape recorded the highest rates of spending at 55.4 per cent and 49.5 per cent respectively.

Conditional grants

46. The total conditional grant allocation is R31.5 billion (including Schedule 4 grants) with health making up the bulk at R11.3 billion.

Table 15: Provincial Conditional Grants Expenditure as at 30 September 2007

R thousand	Division of Revenue Act, 2007 (Act No. 1 of 2007)	Transferred from National to province	Actual payments as at 30 September 2007	Actual payments as % of total available (excluding Schedule 4 grants)
Agriculture	461 725	207 780	16 259	34.8%
1. Comprehensive agricultural support programme grant	415 000	186 754	16 259	34.8%
Land care programme grant: poverty relief and infrastr	46 725	21 026	16 259	34.8%
Arts and Culture	180 000	90 004	21 169	11.8%
Community library services grant	180 000	90 004	21 169	11.8%
Education	1 905 633	952 829	810 339	42.5%
Further education and training college sector recapital	595 000	297 504	262 089	44.0%
HIV and Aids (life skills education) grant	157 695	78 852	40 876	25.9%
National school nutrition programme grant	1 152 938	576 473	507 374	44.0%
Health	11 320 982	5 660 188	1 940 048	44.1%
Comprehensive HIV and Aids grant	1 945 575	972 764	885 238	45.5%
Forensic pathology services grant	551 383	275 696	272 748	49.5%
1. Health professions training and development grant	1 596 189	798 081	798 081	49.9%
Hospital revitalisation grant	1 906 629	953 327	782 062	41.0%
1. National tertiary services grant	5 321 206	2 660 320	2 660 320	49.9%
Housing	8 237 946	3 671 655	2 908 198	35.3%
Integrated housing and human settlement developmen	8 237 946	3 671 655	2 908 198	35.3%
National Treasury	6 164 025	3 082 012	3 082 012	50.0%
1. Infrastructure grant to provinces	6 164 025	3 082 012	3 082 012	50.0%
Sport and Recreation South Africa	194 000	122 321	71 192	36.7%
Mass sport and recreation participation programme gr	194 000	122 321	71 192	36.7%
Transport	3 029 411	1 002 608	997 469	32.9%
Gautrain rapid rail link grant	3 029 411	1 002 608	997 469	32.9%
Total excluding Schedule 4 grants expenditure	31 493 722	14 789 397	6 764 674	37.6%

1. Spending of these grants is subsumed in the spending of a range of programmes across provincial departments and therefore no reporting is required on these grants.

47. Table 15 reflects spending on conditional grant allocations as at 30 September 2007 for all provinces. It excludes expected conditional grant roll-overs from the 2006/07 financial year and spending on general purpose conditional grants (Schedule 4 grants) like

National Tertiary Services, Hospital Professions Training and Development and the Infrastructure grant to provinces, as reporting against these grants cannot be separated from the provinces' health and capital budgets.

48. Spending on the Comprehensive Agricultural Support Programme grant (also Schedule 4) is subsumed in a range of programmes and therefore no separate reporting is required in terms of the Division of Revenue Act, 2007 (Act No. 1 of 2007).
49. Against the total allocation of R18.0 billion, this excludes Schedule 4 grants, the rate of conditional grants spending amounts to 37.6 per cent or R6.8 billion.
50. Specific grants that show low rates of spending include Community Library Services (11.8 per cent), HIV and Aids (Life Skills Education) (25.9 per cent) and Land Care Programme (34.8 per cent).
51. The government contribution for Gautrain totals R4.5 billion for the 2007/08 financial year. Of the R4.5 billion, R1.5 billion is funded through the provincial equitable share (Gauteng Provincial Government) and R3.0 billion in the form of a conditional grant (funded by National Government). Expenditure incurred for Gautrain recorded against the equitable share portion is at R368.2 million as at 30 September 2007 and R997.5 million against the Gautrain Rapid Rail Link conditional grant.

Table 16: Selected Conditional Grants Spending Rate as at 30 September 2007

	Number of provinces spent less than 35%	Number of provinces spent between 35% and 45% (inclusive)	Number of provinces spent more than 45%
Agriculture			
Land Care Programme: Poverty Relief and Infra	6 GT, KZN, LIM, MPU, NC, WC	1 FS	2 EC, NW
Arts and Culture			
Community Library Services Grant	9 All provinces		
Education			
Further Education And Training College Sector	2 GT, LIM		7 EC, FS, KZN, MPU, NC, NW, WC
HIV and Aids (Life Skills Education)	6 EC, GT, KZN, LIM, MPU, NW	3 FS, NC, WC	
National School Nutrition Programme	1 LIM	3 GT, KZN, MPU	5 EC, FS, NC, NW, WC
Health			
Comprehensive HIV and Aids		4 EC, FS, GT, NW	5 KZN, LIM, MPU, NC, WC
Forensic Pathology Services	2 KZN, MPU	4 GT, LIM, NW, WC	3 EC, FS, NC
Hospital Revitalisation	1 MPU	5 EC, GT, KZN, NC, NW	3 FS, LIM, WC
Housing			
Integrated Housing and Human Settlement Dev	3 EC, FS, LIM	3 GT, KZN, NW	3 MPU, NC, WC
Sport and Recreation South Africa			
Mass Sport and Recreation Participation Progra	3 EC, LIM, NC	4 FS, GT, MPU, WC	2 KZN, NW
Transport			
Gautrain Rapid Rail Link	1 GT		

Percentages represent actual expenditure of main budget as published in the Division of Revenue Act, 2007 (Act No. 1 of 2007) and subsequent gazettes.

52. Table 16 indicates selected conditional grant spending rates as at 30 September 2007. It further indicates that five or more provinces have spent less than 35 per cent of their grants budgets after the second quarter for the following grants: Land Care Programme, Community Library Services and HIV and Aids (Life Skills Education).

53. The table also indicates the number of provinces spending at slightly higher levels between 35 and 45 per cent and greater than 45 per cent of their conditional grant budgets.
54. Although the conditional grant rate of spending is encouraging and reflects an improvement over previous financial years, overall conditional grants spending still lies below the total provincial spending average of 46.0 per cent.
55. Spending on the Further Education and Training College Sector Recapitalisation grant is at 44.0 per cent or R262.1 million and reflects actual transfers from the provincial education departments to the FET colleges.

Provincial revenue

56. Provincial revenue includes budgeted equitable share allocations of R171.3 billion, conditional grants of R31.5 billion and own revenue of R7.7 billion. The total provincial revenue received and collected to date is recorded at 51.4 per cent or R108.2 billion of total budgeted total revenue of R210.4 billion.
57. National government transferred 52.0 per cent or R89.1 billion of the equitable share and 47.0 per cent or R14.8 billion in conditional grants, to provinces after the second quarter of the current financial year.
58. After the second quarter, provinces have collected 57.1 per cent or R4.4 billion of the budgeted own revenue of R7.7 billion which is 19.2 per cent or R705.8 million more than what was collected by the end of September for the previous financial year.

Table 17: Provincial Own Revenue Collection as at 30 September 2007

	Main budget	Actual payments as at 30 September 2007	Actual payments as % of main budget	% share of Own Revenue to total provincial revenue
R thousand				
Eastern Cape	614 440	433 998	70.6%	2.7%
Free State	465 447	265 547	57.1%	3.8%
Gauteng	2 171 459	1 187 466	54.7%	5.9%
KwaZulu-Natal	1 423 141	761 953	53.5%	3.4%
Limpopo	468 866	228 340	48.7%	1.8%
Mpumalanga	337 855	206 468	61.1%	2.5%
Northern Cape	138 684	58 064	41.9%	1.9%
North West	438 869	352 606	80.3%	4.6%
Western Cape	1 614 365	885 898	54.9%	8.4%
Total	7 673 125	4 380 340	57.1%	4.0%

59. The collection rate varies from 41.9 per cent in Northern Cape and 48.7 per cent in Limpopo, to a high of 80.3 per cent in North West and 70.6 per cent in Eastern Cape. It appears at this stage that most provinces will exceed their collection of budgeted own revenue. Often, the over collection reflects understatement of targets rather than improved fiscal effort.