



national treasury

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Provincial Budgets 2008/09 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 2008, covers spending for the first six months of the 2008/09 financial year, which ended 30 September 2008. It is available on the treasury website at www.treasury.gov.za.
2. The budgeted figures for provinces are based on the 2008/09 provincial budget statements (main budgets) tabled in the various provincial legislatures during February and March 2008.
3. 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 2008. 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.
4. Robust year-on-year comparative spending analysis growth over the same period for the 2007/08 financial year is notable. This is mainly, among other things, due to:
 - a. At the time of tabling their budgets, provinces were asked to provide for salary adjustments of 7.5 per cent in 2008/09, but actual increases of 10.5 per cent were awarded;
 - b. Cost pressures in the health sector as a result of the implementation of occupation-specific salary scales for nurses; and
 - c. Costs associated with inflation higher than expected for textbooks, medicine and medical equipment, school meals and fuel.

5. However, the *2008 Adjusted Estimates of National Expenditure* and the *2008 Medium Term Budget Policy Statement* tabled on 21 October 2008, proposed additional adjustments to the allocations made to provinces for the 2008 Budget to cover for these shortfalls mentioned above. These documents are available on the treasury website at www.treasury.gov.za.
6. The additional adjustments can only be concluded once provinces have tabled their 2008 adjusted estimates during November 2008.
7. In aggregate, provinces have spent 51.8 per cent or R128.6 billion of their main budgets of R248.4 billion for the period ended 30 September 2008. This represents a spending increase year-on-year of 32.8 per cent or R31.8 billion higher than for the same period last year when provinces had spent R96.9 billion.
8. Education expenditure totalled R53 billion or 50.9 per cent of the R104.2 billion combined education budgets and remains the largest item on provincial budgets (41.9 per cent). The spending pattern reflects a 24.7 per cent or R10.5 billion increase over the same period last year.
9. Health expenditure totalled R37.2 billion or 53.6 per cent of the R69.4 billion combined health budgets and is the second largest item (after education) on provincial budgets (27.9 per cent). The spending pattern reflects a 31 per cent or R8.8 billion increase compared with the same period in 2007/08.
10. Social welfare services (social development) spending for the first six months of the 2008/09 financial year is recorded at 46.3 per cent or R3.8 billion of the R8.3 billion social welfare services budgets.
11. Total personnel expenditure, in aggregate, is at 51.9 per cent or R70.6 billion of the R136.1 billion personnel budgets. These figures include the earlier announced improvements in conditions of service (ICS), which were effected from 01 July 2008.
12. In aggregate, provinces spent 41.9 per cent or R9.3 billion of their R22.2 billion combined capital budgets. This is a significant improvement of 30.4 per cent over the previous financial year, exceeding the R7.1 billion spent over the same period in 2007/08 by R2.2 billion.
13. Provincial education departments spent 41.7 per cent or R2 billion of their R4.8 billion education capital budgets. However, this is higher by 37.4 per cent or R547.1 million more than spending over the same period of the previous financial year.
14. Provincial health departments also improved on capital spending. They have spent 40.3 per cent or R2.8 billion against their R7 billion health capital budgets, which is 21.4 per cent or R493.9 million more than the same period for 2007/08.
15. The greatest share of provincial capital is on the budgets of public works, roads and transport departments at 37.6 per cent. The sector spent 45.9 per cent or R3.8 billion against its combined capital budget of R8.4 billion. This represents an increase of 30.1 per cent or R888.3 million compared to the same period last year.
16. Provincial own revenue collected thus far is at 45.7 per cent or R4.2 billion of the total own revenue budget of R9.2 billion. National government has transferred R99.7 billion of the equitable share and R21 billion in conditional grants to provinces, during the first six months of the 2008/09 financial year.
17. A more detail analysis of the expenditure outcome as at 30 September 2008 is set out in Annexure A, which also includes a comparative spending analysis for the same period over the 2007/08 financial year.

DETAILED ANALYSIS FOR THE FIRST AND SECOND QUARTER OF THE 2008/09 FINANCIAL YEAR:

1. The budgeted figures for provinces are based on the 2008/09 provincial budget statements (main budgets) tabled in the various provincial legislatures during February and March 2008.

Total Expenditure

2. Table 1 indicates that provinces have spent 51.8 per cent or R128.6 billion of budgeted expenditure for the first six months into the current financial year. Spending to date is at a higher level in percentage terms compared to spending against annual budgets over the same period in the 2007/08 financial year (44.9 per cent).
3. However, in nominal terms, spending is 32.8 per cent or R31.8 billion higher than for the same period last year when provinces had spent R96.9 billion. Between provinces, spending ranges from the lowest share of 46.7 per cent in Western Cape and 48.5 per cent in North West, to the highest at 55.8 per cent in Gauteng and 54.2 per cent in Northern Cape.

Table 1: Provincial Aggregated Budgets and Expenditure as at 30 September 2008

R thousand	Main budget 2008/09				Actual Payments as at 30 September 2008				Actual Payments as % of main budget	2007/08: Outcome as at 30 September 2007
	Current payments	Transfers and subsidies	Payments for capital assets	Total	Current payments	Transfers and subsidies	Payments for capital assets	Total		
Eastern Cape	29 723 932	5 128 765	3 232 033	38 084 730	14 878 177	2 730 831	1 612 916	19 221 924	50.5%	13 612 489
Free State	11 760 168	2 025 488	1 899 247	15 684 903	6 201 304	1 084 994	874 003	8 160 301	52.0%	6 241 473
Gauteng	30 969 212	12 235 507	3 466 970	46 671 689	16 770 205	8 315 745	966 848	26 052 798	55.8%	17 653 193
KwaZulu-Natal	38 369 765	7 210 990	5 520 171	51 100 926	20 804 816	3 957 084	2 535 065	27 296 965	53.4%	21 021 977
Limpopo	23 422 020	4 047 232	2 163 636	29 632 888	11 638 845	2 175 819	823 503	14 638 167	49.4%	11 777 299
Mpumalanga	14 925 240	1 946 775	1 867 605	18 739 619	7 893 422	1 048 798	858 831	9 801 051	52.3%	7 254 204
Northern Cape	5 207 535	761 084	720 161	6 688 780	2 807 672	433 459	383 034	3 624 165	54.2%	2 667 809
North West	13 063 974	2 502 826	1 370 769	16 937 569	6 364 403	1 264 242	594 092	8 222 737	48.5%	6 893 055
Western Cape	18 720 441	4 202 298	1 985 004	24 907 743	9 011 443	1 949 724	658 453	11 619 620	46.7%	9 745 048
Total	186 162 287	40 060 965	22 225 596	248 448 847	96 370 287	22 960 696	9 306 745	128 637 728	51.8%	96 866 547

Social Services

4. Provinces have budgeted R181.9 billion for social services, which includes spending on education, health and social development. Spending on social services is recorded at R94.1 billion or 51.7 per cent of the total provincial social services budgets in 2008/09.

Table 2: Provincial Social Services Expenditure as at 30 September 2008

R thousand	Main budget	Actual Payments as at 30 September 2008	Actual Payments as % of main budget	% share of total provincial expenditure	2007/08: Outcome as at 30 September 2007	Year-on-year growth
Education	104 198 890	53 017 380	50.9%	41.2%	42 524 149	24.7%
Health	69 439 904	37 204 943	53.6%	28.9%	28 401 457	31.0%
Social Development	8 289 441	3 838 666	46.3%	3.0%	2 681 684	43.1%
Total	181 928 235	94 060 989	51.7%	73.1%	73 607 290	27.8%

Education

- Education budgets of R104.2 billion comprise 41.9 per cent of total provincial budgets. Table 3 indicates that education expenditure is at 50.9 per cent or R53 billion of the total education budget, an increase of 24.7 per cent or R10.5 billion compared to the R42.5 billion spent over the same period in 2007/08.
- Spending by provinces on education ranges from the lowest rate in North West at 47.6 per cent and Western Cape at 48 per cent to the highest in Northern Cape at 58.2 per cent and KwaZulu-Natal at 54.5 per cent.

Table 3: Provincial Education Expenditure as at 30 September 2008

	Main budget	Actual Payments as at 30 September 2008	Actual Payments as % of main budget	% share of Education to total provincial expenditure	2007/08: Outcome as at 30 September 2007	Year-on-year growth
R thousand						
Eastern Cape	17 810 197	8 567 448	48.1%	44.6%	6 515 443	31.5%
Free State	6 598 569	3 385 644	51.3%	41.5%	2 720 661	24.4%
Gauteng	16 629 082	8 250 327	49.6%	31.7%	6 746 001	22.3%
KwaZulu-Natal	21 389 127	11 651 257	54.5%	42.7%	9 228 191	26.3%
Limpopo	14 221 050	7 203 435	50.7%	49.2%	5 937 956	21.3%
Mpumalanga	8 934 232	4 791 013	53.6%	48.9%	3 731 479	28.4%
Northern Cape	2 601 238	1 514 385	58.2%	41.8%	1 114 246	35.9%
North West	6 995 482	3 327 897	47.6%	40.5%	2 984 135	11.5%
Western Cape	9 019 913	4 325 974	48.0%	37.2%	3 546 037	22.0%
Total	104 198 890	53 017 380	50.9%	41.2%	42 524 149	24.7%

- Spending on goods and services (mostly learner support material) in education is recorded at 38.6 per cent or R4.7 billion of its R12.1 billion budget. It comprises approximately 11.6 per cent of total provincial education budgets, which is 0.7 percentage points more than the share in 2007/08.
- The bulk of education expenditure is on personnel (76.7 per cent). Current spending on education personnel amounts to 51.3 per cent or R40.7 billion of the education personnel budgets of R79.3 billion.
- Spending by provinces ranges from the lowest in Eastern Cape at 47.2 per cent and North West at 49.9 per cent, to the highest in Northern Cape and Mpumalanga at 56.9 per cent and 54.4 per cent respectively.

Table 4: Provincial Personnel Expenditure: Education as at 30 September 2008

	Main budget	Actual Payments as at 30 September 2008	Actual Payments as % of main budget	% share of Education Personnel to total personnel expenditure	2007/08: Outcome as at 30 September 2007	Year-on-year growth
R thousand						
Eastern Cape	13 843 318	6 535 790	47.2%	59.2%	5 696 218	14.7%
Free State	4 910 055	2 620 432	53.4%	55.1%	2 197 936	19.2%
Gauteng	12 315 991	6 196 040	50.3%	55.0%	5 105 254	21.4%
KwaZulu-Natal	16 572 749	8 591 961	51.8%	57.1%	7 220 447	19.0%
Limpopo	10 842 526	5 776 354	53.3%	60.7%	4 735 558	22.0%
Mpumalanga	6 624 303	3 606 931	54.4%	63.2%	2 917 351	23.6%
Northern Cape	1 953 794	1 110 907	56.9%	57.9%	851 686	30.4%
North West	5 533 677	2 759 152	49.9%	57.3%	2 407 966	14.6%
Western Cape	6 744 600	3 467 099	51.4%	52.9%	2 803 567	23.7%
Total	79 341 013	40 664 666	51.3%	57.6%	33 935 983	19.8%

10. Education capital expenditure is at 41.7 per cent or R2 billion of the R4.8 billion budget. However, this is 37.4 per cent or R547.1 million more than the R1.5 billion spent on capital over the same period last year.
11. Spending by provinces ranges from the lowest in Gauteng at only 24 per cent and North West at 24.7 per cent to the highest in Northern Cape at 77.5 per cent and Mpumalanga at 60.6 per cent.
12. Education capital expenditure reflects wide fluctuations compared to last year. Some provinces show very significant improvements while others are moving slowly to implement projects.

Table 5: Provincial Capital Expenditure: Education as at 30 September 2008

R thousand	Main budget	Actual Payments as at 30 September 2008	Actual Payments as % of main budget	% share of Education Capital to total Capital expenditure	2007/08: Outcome as at 30 September 2007	Year-on-year growth
Eastern Cape	945 279	349 540	37.0%	21.7%	139 412	150.7%
Free State	443 394	167 943	37.9%	19.2%	97 063	73.0%
Gauteng	635 560	152 777	24.0%	15.8%	296 998	-48.6%
KwaZulu-Natal	1 259 549	566 774	45.0%	22.4%	427 816	32.5%
Limpopo	666 343	390 488	58.6%	47.4%	237 952	64.1%
Mpumalanga	377 493	228 916	60.6%	26.7%	114 799	99.4%
Northern Cape	42 890	33 221	77.5%	8.7%	12 958	156.4%
North West	252 191	62 399	24.7%	10.5%	47 196	32.2%
Western Cape	191 842	55 957	29.2%	8.5%	86 751	-35.5%
Total	4 814 541	2 008 015	41.7%	21.6%	1 460 945	37.4%

Health

13. Health budgets totalling R69.4 billion comprise 27.9 per cent of total provincial budgets. Table 6 indicates that health expenditure is at 53.6 per cent or R37.2 billion of the total health budget, representing a significant increase of 31 per cent or R8.8 billion compared to spending over the same period in 2007/08.
14. Western Cape and Limpopo health have spent the lowest share of their budgets at 47 per cent and 50.4 per cent respectively. The highest shares are recorded in KwaZulu-Natal at 57.6 per cent and Eastern Cape at 56.2 per cent.

Table 6: Provincial Health Expenditure as at 30 September 2008

R thousand	Main budget	Actual Payments as at 30 September 2008	Actual Payments as % of main budget	% share of Health to total provincial expenditure	2007/08: Outcome as at 30 September 2007	Year-on-year growth
Eastern Cape	9 746 015	5 479 119	56.2%	28.5%	3 720 879	47.3%
Free State	4 287 858	2 403 025	56.0%	29.4%	1 848 399	30.0%
Gauteng	13 889 251	7 483 079	53.9%	28.7%	5 596 195	33.7%
KwaZulu-Natal	15 042 826	8 662 318	57.6%	31.7%	6 893 542	25.7%
Limpopo	7 594 071	3 824 216	50.4%	26.1%	2 924 208	30.8%
Mpumalanga	4 241 773	2 174 239	51.3%	22.2%	1 583 144	37.3%
Northern Cape	1 773 588	922 200	52.0%	25.4%	744 541	23.9%
North West	4 222 549	2 194 371	52.0%	26.7%	1 641 144	33.7%
Western Cape	8 641 973	4 062 376	47.0%	35.0%	3 449 405	17.8%
Total	69 439 904	37 204 943	53.6%	28.9%	28 401 457	31.0%

15. Table 7 indicates that health personnel expenditure is R21 billion or 54.8 per cent of the health personnel budget, a significant increase of R5.2 billion or 32.9 per cent compared to the R15.8 billion spent over the same period in 2007/08.

Table 7: Provincial Personnel Expenditure: Health as at 30 September 2008

R thousand	Main budget	Actual	Actual	% share of	2007/08:	
		Payments as at 30 September 2008	Payments as % of main budget	Health Personnel to total personnel expenditure	Outcome as at 30 September 2007	Year-on- year growth
Eastern Cape	5 480 717	3 031 921	55.3%	27.5%	2 096 497	44.6%
Free State	2 599 600	1 446 613	55.6%	30.4%	1 114 133	29.8%
Gauteng	6 987 921	3 941 590	56.4%	35.0%	2 899 293	36.0%
KwaZulu-Natal	8 707 238	5 005 969	57.5%	33.3%	3 879 943	29.0%
Limpopo	4 357 296	2 286 409	52.5%	24.0%	1 787 183	27.9%
Mpumalanga	2 307 646	1 255 330	54.4%	22.0%	901 624	39.2%
Northern Cape	915 369	443 376	48.4%	23.1%	367 460	20.7%
North West	2 268 883	1 241 411	54.7%	25.8%	903 369	37.4%
Western Cape	4 771 834	2 386 698	50.0%	36.4%	1 876 736	27.2%
Total	38 396 504	21 039 317	54.8%	29.8%	15 826 238	32.9%

16. Spending on non-personnel non-capital items in health, which includes medicines, drugs and other current expenditure, is recorded at 55.5 per cent or R13.4 billion of the R24.1 billion budget. This is an increase of 30.2 per cent or R3.1 billion compared to the R10.3 billion spent over the same period in 2007/08.
17. Capital expenditure in the health sector is at 40.3 per cent or R2.8 billion. This represents an increase of 21.4 per cent or R493.9 million more than the R2.3 billion spent over the same period last year.
18. Between provinces, with a varying degree of spending, the lowest rate of health capital spending is in Western Cape at 26.8 per cent and Mpumalanga at 29.8 per cent with North West and Free State recording the highest rate of spending at 53 per cent and 48.7 per cent respectively.

Table 8: Provincial Capital Expenditure: Health as at 30 September 2008

R thousand	Main budget	Actual	Actual	% share of	2007/08:	
		Payments as at 30 September 2008	Payments as % of main budget	Health Capital to total Capital expenditure	Outcome as at 30 September 2007	Year-on-year growth
Eastern Cape	1 094 183	473 722	43.3%	29.4%	362 481	30.7%
Free State	399 688	194 516	48.7%	22.3%	141 356	37.6%
Gauteng	1 405 043	588 961	41.9%	60.9%	422 165	39.5%
KwaZulu-Natal	1 253 493	606 069	48.4%	23.9%	591 856	2.4%
Limpopo	863 562	267 314	31.0%	32.5%	253 598	5.4%
Mpumalanga	518 155	154 189	29.8%	18.0%	96 868	59.2%
Northern Cape	298 754	101 515	34.0%	26.5%	75 844	33.8%
North West	449 382	238 240	53.0%	40.1%	153 563	55.1%
Western Cape	672 620	180 474	26.8%	27.4%	213 338	-15.4%
Total	6 954 880	2 805 000	40.3%	30.1%	2 311 069	21.4%

Social Welfare Services (Social Development)

19. Social welfare services budgets, at R8.3 billion, comprise 3.3 per cent of total provincial budgets.

20. Provinces registered spending of 46.3 per cent or R3.8 billion of their R8.3 billion budget. This represents a significant increase of 43.1 per cent or R1.2 billion above the R2.7 billion spent over the same period last year.
21. Between provinces, there are varying degrees of spending with the lowest being in North West at only 37.9 per cent and Limpopo at 39.9 per cent while the highest are KwaZulu-Natal at 52.2 per cent and Mpumalanga at 49.1 per cent.

Table 9: Provincial Social Welfare Services Expenditure as at 30 September 2008

R thousand	Main budget	Actual	Actual	% share of Soc welfare to total provincial expenditure	2007/08:	
		Payments as at 30 September 2008	Payments as % of main budget		Outcome as at 30 September 2007	Year-on-year growth 2007
Eastern Cape	1 385 123	629 598	45.5%	3.3%	382 495	64.6%
Free State	536 193	244 032	45.5%	3.0%	191 392	27.5%
Gauteng	1 729 184	809 266	46.8%	3.1%	535 286	51.2%
KwaZulu-Natal	1 198 113	625 289	52.2%	2.3%	444 331	40.7%
Limpopo	725 606	289 303	39.9%	2.0%	200 155	44.5%
Mpumalanga	662 332	325 017	49.1%	3.3%	217 705	49.3%
Northern Cape	357 302	168 901	47.3%	4.7%	131 666	28.3%
North West	607 523	230 436	37.9%	2.8%	169 687	35.8%
Western Cape	1 088 065	516 824	47.5%	4.4%	408 967	26.4%
Total	8 289 441	3 838 666	46.3%	3.0%	2 681 684	43.1%

Housing and Local Government

22. Housing and local government budgets at R14.2 billion comprise 5.7 per cent of total provincial budgets.
23. Housing and local government spending at the end of the first six months is at 46 per cent or R6.5 billion of the R14.2 billion budget (table 10). This represents a significant increase of 47 per cent or R2.1 billion more than the R4.4 billion spent over the same period last year.
24. Spending varies between provinces with the lowest being in Eastern Cape at 34.1 per cent and KwaZulu-Natal at 38.9 per cent while the highest are Mpumalanga at 60.7 per cent and Northern Cape at 57.1 per cent.

Table 10: Provincial Housing and Local Government Expenditure as at 30 September 2008

R thousand	Main budget	Actual	Actual	% share of Local Gov & Housing to total provincial expenditure	2007/08:	
		Payments as at 30 September 2008	Payments as % of main budget		Outcome as at 30 September 2007	Year-on-year growth 2007
Eastern Cape	1 968 111	672 099	34.1%	3.5%	384 710	74.7%
Free State	1 022 024	571 732	55.9%	7.0%	267 392	113.8%
Gauteng	3 325 991	1 817 791	54.7%	7.0%	1 176 549	54.5%
KwaZulu-Natal	2 827 509	1 100 928	38.9%	4.0%	847 027	30.0%
Limpopo	1 158 967	467 322	40.3%	3.2%	286 918	62.9%
Mpumalanga	982 049	596 575	60.7%	6.1%	343 837	73.5%
Northern Cape	340 088	194 271	57.1%	5.4%	143 759	35.1%
North West	1 144 745	502 106	43.9%	6.1%	467 452	7.4%
Western Cape	1 451 041	612 592	42.2%	5.3%	529 085	15.8%
Total	14 220 525	6 535 416	46.0%	5.1%	4 446 729	47.0%

Housing conditional grant

25. 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 45 per cent or R4.4 billion of their R9.9 billion housing conditional grant. These spending figures are higher by 53 per cent or R1.5 billion over the same period last year.

Table 11: Provincial Integrated Housing and Human Settlement Development Grant as at 30 September 2008

R thousand	Main budget	Actual	Actual	% share of	2007/08:	
		Payments as at 30 September 2008	Payments as % of main budget	grant to total provincial expenditure	Outcome as at 30 September 2007	Year-on- year growth
Eastern Cape	1 251 018	351 971	28.1%	1.8%	95 329	269.2%
Free State	772 410	454 087	58.8%	5.6%	185 353	145.0%
Gauteng	2 579 973	1 386 277	53.7%	5.3%	842 603	64.5%
KwaZulu-Natal	1 575 586	536 013	34.0%	2.0%	556 991	-3.8%
Limpopo	783 247	304 725	38.9%	2.1%	142 895	113.3%
Mpumalanga	629 210	387 520	61.6%	4.0%	228 741	69.4%
Northern Cape	161 312	118 944	73.7%	3.3%	76 387	55.7%
North West	896 102	422 639	47.2%	5.1%	336 343	25.7%
Western Cape	1 203 984	475 580	39.5%	4.1%	435 484	9.2%
Total	9 852 842	4 437 756	45.0%	3.4%	2 900 126	53.0%

Personnel expenditure

26. Personnel expenditure (“compensation of employees”) is at 51.9 per cent or R70.6 billion of the R136.1 billion budget. Spending to date is 24.1 per cent or R13.7 billion higher than the R56.9 billion spent over the same period last year.

27. Eastern Cape and Western Cape recorded the lowest rate of personnel spending at 49.6 per cent and 50.4 per cent respectively while Mpumalanga and KwaZulu-Natal recorded the highest rates at 53.4 per cent and 53.2 per cent respectively.

Table 12: Provincial Personnel Expenditure as at 30 September 2008

R thousand	Main budget	Actual	Actual	% share of	2007/08:	
		Payments as at 30 September 2008	Payments as % of main budget	Personnel to total provincial expenditure	Outcome as at 30 September 2007	Year-on- year growth
Eastern Cape	22 266 906	11 039 421	49.6%	57.4%	8 868 257	24.5%
Free State	9 008 822	4 753 068	52.8%	58.2%	3 895 034	22.0%
Gauteng	21 627 205	11 264 492	52.1%	43.2%	8 912 998	26.4%
KwaZulu-Natal	28 305 087	15 050 241	53.2%	55.1%	12 242 772	22.9%
Limpopo	18 028 994	9 515 553	52.8%	65.0%	7 692 267	23.7%
Mpumalanga	10 685 530	5 706 132	53.4%	58.2%	4 477 915	27.4%
Northern Cape	3 632 478	1 918 984	52.8%	52.9%	1 512 073	26.9%
North West	9 515 548	4 811 765	50.6%	58.5%	4 028 215	19.5%
Western Cape	12 999 397	6 556 308	50.4%	56.4%	5 277 858	24.2%
Total	136 069 967	70 615 964	51.9%	54.9%	56 907 389	24.1%

Overall capital budgets and expenditure

28. By the end of the first six months, provinces have spent 41.9 per cent or R9.3 billion of their R22.2 billion capital budgets (“payments for capital assets”). This is significantly

higher (30.4 per cent or R2.2 billion) than the R7.1 billion spent over the same period last year.

Table 13: Provincial Capital (Payments for Capital Assets) Expenditure as at 30 September 2008

R thousand	Main budget	Actual Payments as at 30 September 2008	Actual Payments as % of main budget	% share of Capital to total provincial expenditure	2007/08: Outcome as at 30 September 2007	Year-on-year growth
Eastern Cape	3 232 033	1 612 916	49.9%	8.4%	893 760	80.5%
Free State	1 899 247	874 003	46.0%	10.7%	604 612	44.6%
Gauteng	3 466 970	966 848	27.9%	3.7%	1 071 683	-9.8%
KwaZulu-Natal	5 520 171	2 535 065	45.9%	9.3%	1 900 164	33.4%
Limpopo	2 163 636	823 503	38.1%	5.6%	656 803	25.4%
Mpumalanga	1 867 605	858 831	46.0%	8.8%	486 199	76.6%
Northern Cape	720 161	383 034	53.2%	10.6%	215 657	77.6%
North West	1 370 769	594 092	43.3%	7.2%	472 349	25.8%
Western Cape	1 985 004	658 453	33.2%	5.7%	833 380	-21.0%
Total	22 225 596	9 306 745	41.9%	7.2%	7 134 606	30.4%

29. Table 13 provides capital spending information by province, which indicates low rates of spending in Gauteng at 27.9 per cent and Western Cape at 33.2 per cent and high rates in Northern Cape at 53.2 per cent and Eastern Cape at 49.9 per cent. However, in absolute terms, KwaZulu-Natal has spent the most at R2.5 billion followed by Eastern Cape at R1.6 billion and Gauteng at R966.8 million.

30. The biggest capital budgets in provinces are in public works, roads and transport departments at 37.6 per cent or R8.4 billion of the total provincial capital budget of R22.2 billion. Spending by these departments is at 45.9 per cent or R3.8 billion which is an increase of 30.1 per cent or R888.3 million more than the R2.9 billion spent last year over the same period.

31. Between provinces, the lowest rate of spending is recorded in Gauteng at 10.4 per cent and Limpopo at 26.5 per cent, while Northern Cape and Eastern Cape recorded the highest rates of spending at 68 per cent and 67 per cent respectively.

Table 14: Provincial Capital Expenditure: Public Works, Roads and Transport as at 30 September 2008

R thousand	Main budget	Actual Payments as at 30 September 2008	Actual Payments as % of main budget	% share of PWRT Capital to total Capital expenditure	2007/08: Outcome as at 30 September 2007	Year-on-year growth
Eastern Cape	1 035 767	693 493	67.0%	43.0%	361 932	91.6%
Free State	870 680	446 015	51.2%	51.0%	321 632	38.7%
Gauteng	1 042 194	107 952	10.4%	11.2%	291 164	-62.9%
KwaZulu-Natal	2 590 823	1 283 582	49.5%	50.6%	808 884	58.7%
Limpopo	157 383	41 739	26.5%	5.1%	56 893	-26.6%
Mpumalanga	759 172	398 547	52.5%	46.4%	250 769	58.9%
Northern Cape	319 362	217 027	68.0%	56.7%	90 446	140.0%
North West	558 631	257 795	46.1%	43.4%	244 776	5.3%
Western Cape	1 021 201	391 171	38.3%	59.4%	522 526	-25.1%
Total	8 355 213	3 837 321	45.9%	41.2%	2 949 022	30.1%

Conditional grants

32. The total conditional grant allocation is R38.7 billion (including Schedule 4 grants) with health making up the bulk at R13.7 billion.

Table 15: Provincial Conditional Grants Expenditure as at 30 September 2008

R thousand	Division of Revenue Act, 2008 (Act No. 2 of 2008)	Received by province	Actual Payments as at 30 September 2008	Actual payments as % of main budget (excluding Schedule 4 grants)
Agriculture	583 887	369 733	16 285	33.3%
1. Comprehensive agricultural support programme grant	534 918	347 697		
Land care programme grant: poverty relief and infrastructure	48 969	22 036	16 285	33.3%
Arts and Culture	338 000	255 152	108 676	32.2%
Community library services grant	338 000	255 152	108 676	32.2%
Education	2 546 008	1 670 513	1 448 455	56.9%
Further education and training college sector recapitalisation	795 000	795 000	613 229	77.1%
HIV and Aids (life skills education) grant	167 905	83 957	73 690	43.9%
National school nutrition programme grant	1 583 103	791 556	761 536	48.1%
Health	13 686 597	6 746 457	2 575 594	43.4%
Comprehensive HIV and Aids grant	2 585 423	1 289 301	1 362 471	52.7%
Forensic pathology services grant	466 878	233 444	237 545	50.9%
1. Health professions training and development grant	1 675 999	820 321		
Hospital revitalisation grant	2 882 663	1 440 836	975 578	33.8%
1. National tertiary services grant	6 075 634	2 962 555		
Housing	9 852 842	4 991 480	4 437 756	45.0%
Integrated housing and human settlement development grant	9 852 842	4 991 480	4 437 756	45.0%
National Treasury	7 246 707	3 623 359		
1. Infrastructure grant to provinces	7 246 707	3 623 359		
Public Works	889 325	90 950	20 811	2.3%
Devolution of property rate funds grant	889 325	90 950	20 811	2.3%
Sport and Recreation South Africa	290 000	184 502	101 870	35.1%
Mass sport and recreation participation programme grant	290 000	184 502	101 870	35.1%
Transport	3 265 993	3 055 492	3 055 492	93.6%
Gautrain rapid rail link grant	3 265 993	3 055 492	3 055 492	93.6%
Total	38 699 359	20 987 638		
Total excluding Schedule 4 grants	23 166 101	13 233 706	11 764 939	50.8%
Total excluding Schedule 4 grants and Gautrain	19 900 108	10 178 214	8 709 447	43.8%

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.

33. Table 15 reflects spending on conditional grant allocations as at 30 September 2008 for all provinces. It excludes expected conditional grant roll-overs from the 2007/08 financial year and spending on general purpose conditional grants (Schedule 4 grants) like National Tertiary Services, Health 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.

34. 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, 2008 (Act No. 2 of 2008).
35. Against the total allocation of R23.2 billion, this excludes Schedule 4 grants, the rate of conditional grants spending amounts to 50.8 per cent or R11.8 billion. However, when excluding the Gautrain Rapid Rail Link grant, the conditional grant expenditure amounts to R8.7 billion or 43.8 per cent against a total allocation of R19.9 billion.
36. Specific grants that show low rates of spending include Devolution of Property Rate Funds (2.3 per cent), Community Library Services (32.2 per cent), Land Care Programme (33.3 per cent), Hospital Revitalisation (33.8 per cent) and Mass Sport and Recreation Participation Programme (35.1 per cent).
37. Spending on the Further Education and Training College Sector Recapitalisation grant is at 77.1 per cent or R613.2 million and reflects actual transfers from the provincial education departments to the FET colleges.
38. Table 16 indicates selected conditional grant spending rates as at 30 September 2008. It further indicates that four or more provinces have spent less than 40 per cent of their grants budgets after the first six months for the following grants: Land Care Programme, Community Library Services, Hospital Revitalisation, Integrated Housing and Human Settlement Development, and Mass Sport and Recreation Participation Programme.
39. The table also indicates the number of provinces spending at slightly higher levels between 40 and 50 per cent and greater than 50 per cent of their conditional grant budgets.
40. 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 51.8 per cent.

Table 16: Selected Conditional Grants Spending Rate as at 30 September 2008

	Number of provinces spent less than 40%	Number of provinces spent between 40% and 50% (inclusive)	Number of provinces spent more than 50%
Agriculture			
Land Care Programme: Poverty Relief and Infrastructure Development	7 EC, GT, KZN, LIM, NC, NW, WC		2 FS, MPU
Arts and Culture			
Community Library Services Grant	7 EC, FS, LIM, MPU, NC, NW, WC	1 KZN	1 GT
Education			
Further Education And Training College Sector Recapitalisation		2 GT, NC	7 EC, FS, KZN, LIM, MPU, NW, WC
HIV and Aids (Life Skills Education)	2 GT, LIM	3 KZN, NC, WC	4 EC, FS, MPU, NW
National School Nutrition Programme	1 GT	5 KZN, LIM, NC, NW, WC	3 EC, FS, MPU
Health			
Comprehensive HIV and Aids		3 FS, MPU, NW	6 EC, GT, KZN, LIM, NC, WC
Forensic Pathology Services	2 FS, KZN	1 NC	6 EC, GT, LIM, MPU, NW, WC
Hospital Revitalisation	6 GT, KZN, LIM, MPU, NC, WC	2 EC, NW	1 FS
Housing			
Integrated Housing and Human Settlement Development	4 EC, KZN, LIM, WC	1 NW	4 FS, GT, MPU, NC
Sport and Recreation South Africa			
Mass Sport and Recreation Participation Programme	6 EC, KZN, LIM, NC, NW, WC	2 FS, GT	1 MPU
Transport			
Gautrain Rapid Rail Link			1 GT

Percentages represent actual expenditure of main budget as published in the Division of Revenue Act, 2008 (Act No.2 of 2008).

Provincial revenue

41. Provincial revenue includes budgeted equitable share allocations of R199.4 billion, conditional grants of R38.7 billion and own revenue of R9.2 billion. The total provincial revenue received and collected to date is recorded at 50.5 per cent or R124.9 billion of total budgeted total revenue of R247.3 billion.
42. National government transferred 50 per cent or R99.7 billion of the equitable share and 54.2 per cent or R21 billion in conditional grants, to provinces after the first six months of the current financial year.
43. After the first six months, provinces have collected 45.7 per cent or R4.2 billion of the budgeted own revenue of R9.2 billion which is R164.9 million less than what was collected by the end of September for the previous financial year.
44. The collection rate varies from 29.5 per cent in KwaZulu-Natal and 38 per cent in Gauteng, to a high of 66.9 per cent in Mpumalanga and 57.7 per cent in Western Cape.

Table 17: Provincial Own Revenue Collection as at 30 September 2008

	Main budget	Actual Collections as at 30 September 2008	Actual Collections as % of main budget	% share of Own Revenue to total Own Revenue	2007/08: Outcome as at 30 September 2007	Year-on-year growth
R thousand						
Eastern Cape	927 462	534 566	57.6%	12.7%	433 998	23.2%
Free State	556 366	277 092	49.8%	6.6%	265 726	4.3%
Gauteng	2 818 890	1 071 366	38.0%	25.5%	1 187 102	-9.7%
KwaZulu-Natal	1 591 724	469 276	29.5%	11.2%	762 090	-38.4%
Limpopo	530 062	244 931	46.2%	5.8%	207 746	17.9%
Mpumalanga	359 727	240 707	66.9%	5.7%	206 460	16.6%
Northern Cape	145 635	76 982	52.9%	1.8%	58 586	31.4%
North West	549 462	299 085	54.4%	7.1%	352 607	-15.2%
Western Cape	1 701 118	981 351	57.7%	23.4%	885 899	10.8%
Total	9 180 446	4 195 356	45.7%	100.0%	4 360 215	-3.8%