

Vote 29

Provincial and Local Government

Budget summary

R thousand	2008/09				2009/10	2010/11
	Total to be appropriated	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
MTEF allocation						
Administration	150 219	146 245	300	3 674	157 613	165 559
Governance, Policy and Research	44 449	43 636	–	813	48 171	53 341
Urban and Rural Development	11 577	11 577	–	–	12 156	12 885
Systems and Capacity Building	108 399	107 099	–	1 300	119 050	125 668
Free Basic Services and Infrastructure	41 430	40 433	–	997	46 502	49 292
Provincial and Local Government Transfers	33 745 775	–	33 745 775	–	40 685 836	48 086 111
Fiscal Transfers	92 031	21 358	70 673	–	103 192	110 057
Total expenditure estimates	34 193 880	370 348	33 816 748	6 784	41 172 520	48 602 913
Executive authority	Minister for Provincial and Local Government					
Accounting officer	Director-General of Provincial and Local Government					
Website address	www.thedplg.gov.za					

Aim

The aim of the Department of Provincial and Local Government is to develop and promote a national system of integrated and co-operative governance and to support provincial and local government.

Programme purposes, objectives and measures

Programme 1: Administration

Purpose: Provide for the management, leadership, and administration of the department.

Programme 2: Governance and Policy Research

Purpose: Provide policy advice and research support for: the development and monitoring of intergovernmental relations and the performance of provincial government; provincial-municipal relations; integrated development planning; local economic development; the institutions of traditional leadership; and international and donor relations.

Objectives and measures:

- Support co-operative governance and sound intergovernmental practices by producing a white paper on provincial and local government for adoption by Cabinet by the end of March 2009.
- Support local economic development by providing targeted intergovernmental relations capacity building and systems support to 4 provinces and 23 district municipalities and submitting an annual intergovernmental relations report to Parliament by March 2009.
- Support government reforms in the Democratic Republic of Congo (DRC) by implementing 3 support interventions on organic law on decentralisation by March 2009.
- Implement a government wide national support programme for the institutions of traditional leadership and Khoi-San communities by the end of 2008/09, in order to strengthen their role in service delivery and development.

- Strengthen the role of traditional leaders in service delivery and development by implementing a comprehensive skills development programme over the next 3 years.
- Contribute to growth in the local economy and to poverty reduction by increasing the number of municipalities with credible integrated development plans (IDPs), local economic development (LED) strategies and targeted projects from 224 (79 per cent of all municipalities) to 283 (all municipalities) by March 2009.

Programme 3: Urban and Rural Development

Purpose: Manage, co-ordinate, monitor and measure the effectiveness of the integrated implementation of the urban renewal programme and the integrated sustainable rural development programme across all spheres of government.

Objectives and measures:

- Improve co-ordination and integrated development planning by:
 - increasing the number of nodal municipalities with spatial development frameworks (land use and management plans) reflected in their IDPs from 6 to 12 over the next three years
- Facilitate public sector investment by increasing the number of nodal municipalities with strategic LED projects (including detailed business plans and timelines) reflected in their IDP budgets from 4 to 12 by 2011.
- Improve knowledge on nodal programmes and anchor projects by producing 1 progress report and 2 communication products, and undertaking 2 knowledge sharing sessions on nodal programme activities annually.

Programme 4: Systems and Capacity Building

Purpose: Provide capacity building and hands-on support programmes to local government. Provide a national disaster management centre. Promote intergovernmental fiscal relations. Regulate and monitor the local government institutional and administrative framework.

Objectives and measures:

- Assist 4 provincial departments of local government in 2008/09, 4 in 2009/10, and 5 in 2010/11 to develop capacity building plans for 24 district municipalities each year (within the framework of the national capacity building framework).
- Support the development of municipal systems by giving hands-on technical assistance to municipalities to put in place sound financial management practices, reaching 234 municipalities by 2010/11.
- Co-ordinate and support systems and capacity building through 15 project interventions for implementing the five-year local government strategic agenda (LGSA) by the end of March 2009.
- Address risk and vulnerability issues, in particular those related to the 2010 FIFA World Cup host cities, by increasing the operationalisation of fully functional disaster management structures across the three spheres of government from 2 to 14 by the end of March 2011.

Programme 5: Free Basic Services and Infrastructure

Purpose: Strengthen local government capacity to increase access to basic services, including free basic services for all communities, to enable municipalities to meet their constitutional mandate.

Objectives and measures:

- Meet basic service delivery targets as set by national government in line with the Millennium Development Goals by supporting the development and implementation of infrastructure plans by 49 municipalities annually through providing support for programme management and infrastructure planning.
- Support provinces to co-ordinate the implementation of municipal indigent policies and registers.

- Improve the functionality of ward committees by developing a funding model for ward committees and rolling out targeted training programmes.

Programme 6: Provincial and Local Government Transfers

Purpose: Provide for the transfer of conditional grants directly administered by the department to the provincial and local spheres of government.

Programme 7: Fiscal Transfers

Purpose: Provide for financial transfers to various authorities and institutions in terms of the relevant legislation or founding agreements.

Strategic overview and key policy developments: 2004/05 – 2010/11

In setting its strategic direction, the Department of Provincial and Local Government identified four strategic objectives to facilitate the achievement of its defined vision of a capable and well integrated system of government working together to achieve sustainable development and enhanced service delivery in a developmental state.

Informed by the progress and challenges in local government since 2004, the strategic focus and priorities of the department over the medium term are embedded in the lessons of Project Consolidate, which provides hands-on support for implementing government's programme of action and addresses service delivery challenges in a targeted number of municipalities, and in the five-year local government strategic agenda (LGSA), particularly in relation to its four strategic priorities, which are outlined below.

Four strategic objectives

Build and enhance the governance system

The first strategic objective is to build and enhance the governance system in a manner that enables sustainable development and service delivery. The white papers on provincial and local government and the implementation of intergovernmental relations legislation will result in a refined policy and regulatory framework for provincial and local government so that communities may fully benefit from improved municipal performance.

More traditional leadership participation in provincial and local government

The second objective is to oversee the implementation of the intergovernmental programme of support to the National House of Traditional Leaders as it performs its constitutional mandate. The programme of support aims to enhance traditional leadership participation in provincial and local government.

Improve accountability of provinces and municipalities

The third strategic objective is to build and strengthen the capability and accountability of provinces and municipalities. Continued hands-on support through the established system and capacity building programme will focus on critical areas such as integrated development planning, local economic development, financial management, service delivery and public participation. The implementation of these three strategic objectives is expected to result in enhanced integrated planning, growth in the economic base of municipalities, improved financial viability and service delivery, as well as accelerated economic development in the nodes.

Evaluating the impact of government programmes in municipal areas

The department's fourth strategic objective seeks to evaluate and communicate the impact of government programmes in municipal areas directed at enhancing performance and accountability by improving the quality

of reporting on the local government strategic agenda and improving the monitoring, reporting and evaluation of capacity in local government.

The department is also responsible for co-ordinating and supporting policy development and the implementation of the local government strategic agenda, and monitoring and supporting service delivery. The LGSA has three main priorities. The first is to mainstream hands-on support for improving municipal governance, performance and accountability in both cross-cutting issues and in the five key performance areas: municipal transformation and organisational development, basic service delivery, local economic development, financial viability and management; and good governance and public participation. The second priority is to address the structure and governance arrangements of the state designed to strengthen, support and monitor local government. The third priority focuses on strengthening the policy, regulatory and fiscal environment, and enforcement measures.

Key policy developments

The policy review of provincial and local government, launched in July 2007, will assess 13 years of practice in these spheres and, building on past experience, propose specific practical ways to make the system of sub-national government more efficient, functional, accountable, equitable, and capable of providing a better quality of service to the South African public.

In 2007, the department proposed to Cabinet that a separate department on traditional leadership be established. The current chief directorate responsible for traditional leadership was established to steer the research and policy development process for traditional leadership, but capacity has been inadequate to implement all the programmes. Consultations involving the Department of Provincial and Local Government, the Department of Public Service and Administration and National Treasury are taking place to consider how to achieve the required institutional capacity for dealing with institutions of traditional leadership.

Recent achievements

Since 2004, through Project Consolidate, the Department of Provincial and Local Government has provided hands-on support to underperforming municipalities and has succeeded in markedly improving the performance of these 136 targeted municipalities. By the end of 2006, there were 359 experts in 105 of the Project Consolidate municipalities.

The department has managed to create an enabling environment for municipal infrastructure provision through the implementation of the municipal infrastructure grant (MIG), Project Consolidate and the Siyenza Manje project. Furthermore, the management of the MIG, including the department's support and monitoring of municipal spending improved, as did the overall quantum of MIG spending by municipalities since the grant was introduced in 2004. At the end of March 2006, MIG expenditure was 73 per cent, and at the end of the municipal financial year of June 2006, it was at 96.6 per cent. At the end of March 2007, expenditure was 82 per cent, and by the end of the municipal financial year of June 2007, it was at 97 per cent.

Following the promulgation of the Intergovernmental Relations Framework Act (2005), integrated development plan (IDP) reviews have been completed in all provinces, and the department has been trying to create conditions that are conducive to sustainable local economic development.

With regard to improving development opportunities in the nodal municipalities, detailed economic profiles have been developed for 21 urban and rural nodes, including the identification of key interventions for public sector institutions and the identification of private sector investment opportunities. Impact assessments have also been conducted in four urban and two rural nodes, namely Alfred Nzo, Maluti-a-Phofung, Alexandra, Motherwell, Khayelitsha and Mitchell's Plain.

Selected performance indicators

Indicators	Annual performance						
	Past			Current	Projected		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Number of provinces involved in the pilot for the intergovernmental relations capacity building programme	-	-	-	-	4	5	-
Percentage of IDPs drafted in accordance with framework	-	-	-	79%	85%	90%	100%
Number of provinces with capacity building plans	-	-	-	-	3	6	-
Number of municipalities receiving support on financial statements	-	-	75	120	160	200	234
Number of fully functional disaster management centres across the three spheres of government	1	1	2	5	9	12	14
Number of nodal municipalities with spatial development frameworks for land use and management plans reflected in their IDPs	-	-	-	22	2	2	4
Number of nodal municipalities with strategic LED projects reflected in their IDP budgets for public sector investments	-	-	-	96	2	4	6
Amount spent by municipalities on municipal infrastructure grants by end of municipal financial year and as a percentage of total allocation for that year	R4.3bn (95%)	R5.3bn (97%)	R5.6bn (95%)	R8.8bn (100%)	R8.7bn (100%)	R10.3bn (100%)	R11.7bn (100%)
Number of households reached with basic services by MIG:							
- water	198 563	457 132	610 293	815 293	1 020 293	1 225 293	1 430 293
- sanitation	80 617	219 701	343 942	445 070	566 070	687 070	808 070
- roads	226 356	320 010	521 636	669 636	817 636	965 636	1 113 636
- community lighting	84 612	188 160	236 183	312 183	388 183	464 183	540 183
Percentage of indigent households (5 517 090 in total in 2001) accessing free basic services:							
- water	68%	71%	73%	82%	85%	90%	100%
- electricity	35%	58%	60%	69%	73%	80%	100%

Expenditure estimates

Table 29.1 Provincial and Local Government

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08		2008/09	2009/10	2010/11
R thousand								
1. Administration	105 045	108 940	127 543	137 876	136 286	150 219	157 613	165 559
2. Governance, Policy and Research	20 473	24 153	37 624	43 303	41 303	44 449	48 171	53 341
3. Urban and Rural Development	5 536	8 308	7 960	10 682	8 642	11 577	12 156	12 885
4. Systems and Capacity Building	68 425	83 379	98 741	95 123	90 293	108 399	119 050	125 668
5. Free Basic Services and Infrastructure	27 092	37 788	36 620	40 402	37 052	41 430	46 502	49 292
6. Provincial and Local Government Transfers	12 840 923	15 631 191	24 196 349	29 629 760	29 567 092	33 745 775	40 685 836	48 086 111
7. Fiscal Transfers	70 736	82 369	70 835	79 605	78 905	92 031	103 192	110 057
Total	13 138 230	15 976 128	24 575 672	30 036 751	29 959 573	34 193 880	41 172 520	48 602 913
Change to 2007 Budget estimate				1 192 576	1 115 398	1 715 934	1 910 407	6 985 757

Economic classification

Current payments	229 728	263 968	305 721	339 043	325 033	370 348	395 683	419 673
Compensation of employees	71 918	99 367	116 166	141 369	133 174	166 390	176 928	188 145
Goods and services	157 681	164 559	189 288	197 674	191 859	203 958	218 755	231 528
<i>of which:</i>								
Communication	7 194	5 743	7 422	8 242	8 242	8 474	9 010	9 481
Computer services	4 323	3 811	4 534	1 006	1 006	5 092	5 473	5 782
Consultants, contractors and special services	51 558	52 167	62 809	82 757	77 747	71 310	79 788	83 562
Inventory	4 176	4 705	5 168	7 070	7 070	5 455	5 766	6 089
Maintenance, repairs and running costs	5 909	1 748	2 127	4 829	4 829	2 386	2 532	2 664
Operating leases	19 578	23 424	35 929	32 432	32 432	32 248	34 102	35 859
Travel and subsistence	35 507	31 143	33 369	30 175	29 370	34 374	36 989	40 180
Financial transactions in assets and liabilities	129	42	267	-	-	-	-	-

Table 29.1 Provincial and Local Government (continued)

R thousand	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08		2008/09	2009/10	2010/11
Transfers and subsidies	12 902 962	15 705 715	24 256 970	29 692 421	29 629 753	33 816 748	40 769 626	48 175 599
Provinces and municipalities	12 841 143	15 631 508	24 196 447	29 631 357	29 568 689	33 745 975	40 686 046	48 086 331
Departmental agencies and accounts	60 126	67 814	49 724	56 572	56 572	65 973	78 660	84 054
Public corporations and private enterprises	52	177	278	81	81	100	105	110
Foreign governments and international organisations	114	–	2 983	–	–	–	–	–
Non-profit institutions	1 500	5 500	6 809	4 400	4 400	4 700	4 815	5 104
Households	27	716	729	11	11	–	–	–
Payments for capital assets	5 540	6 445	12 981	5 287	4 787	6 784	7 211	7 641
Machinery and equipment	5 100	6 122	4 837	5 287	4 787	6 784	7 211	7 641
Software and other intangible assets	440	323	8 144	–	–	–	–	–
Total	13 138 230	15 976 128	24 575 672	30 036 751	29 959 573	34 193 880	41 172 520	48 602 913

Expenditure trends

Expenditure increased at an average annual rate of 31.7 per cent between 2004/05 and 2007/08, and is expected to rise further over the MTEF period, reaching R48.6 billion in 2010/11, or increasing by an average annual rate of 17.4 per cent. The growth over the period under review is mainly in *Provincial and Local Government Transfers* due to provisions for the local government equitable share and the municipal infrastructure grant. The increase in the transfer over the period under review is R35 billion, which equates to an average annual increase of 32.1 per cent between 2004/05 and 2007/08 and 17.5 per cent between 2007/08 and 2010/11. The 2008 Budget seeks to assist poorer municipalities by allocating them a proportionally larger share of the local government equitable share and the municipal infrastructure grant.

Between 2004/05 and 2007/08, compensation of employees increased by an average annual rate of 25.3 per cent mainly to cater for increased staff appointments from 342 in 2004/05 to 501 in 2007/08. Over the same period, goods and services increased at an average annual rate of 7.8 per cent, largely to pay for the creation of additional office space, purchasing furniture and computer equipment, and capacity building in the internal audit and the monitoring and evaluation units.

The 2008 Budget includes additional amounts of R1.7 billion in 2008/09, R1.9 billion in 2009/10 and R7 billion in 2010/11, mainly for:

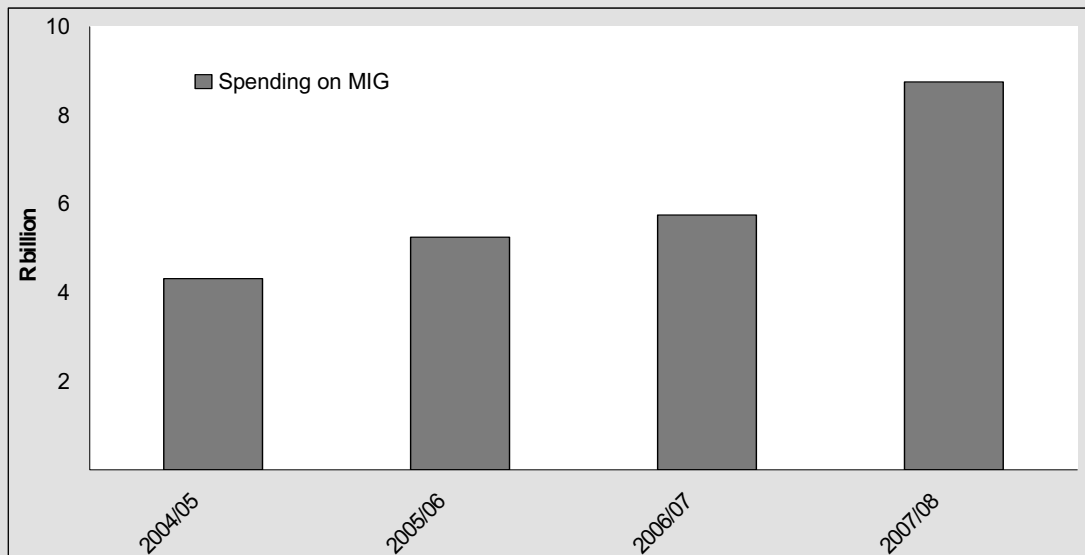
- the development of a white paper on provincial and local government (R3.5 million)
- the programme of support for institutions of traditional leadership (R33.5 million)
- the local government equitable share (R6.5 billion)
- the Municipal Demarcation Board inflation adjustments (R13.4 million)
- the municipal infrastructure grant (R3.8 billion)
- increases in compensation of employees due to the 2007 resolution of the Public Service Co-ordinating Bargaining Council (R12.8 million).

Over the MTEF period, efficiency savings of R22.5 million have been identified in the *Administration* programme: R5.4 million in 2008/09, R7.6 million in 2009/10 and R9.5 million in 2010/11. The department will focus on cost-saving by controlling costs and ensuring better value for money. Targeted expenditure will include unnecessary travel and subsistence, entertainment and catering costs, poorly managed consultancy services, leasing of office furniture, outdated administrative systems like manual document management, misplaced marketing and communication initiatives, and weaknesses in supply chain management.

Infrastructure spending

In 2004/05 when the municipal infrastructure grant (MIG) was established, R4.5 billion was allocated to municipalities. The amount spent by municipalities at the end of the municipal financial year (June 2005) was R4.3 billion, representing 95 per cent of the total transfer. In 2006/07, a total of R5.9 billion was transferred to municipalities for the MIG. Of this allocation, R5.6 billion was spent by the end of the municipal financial year (June 2007), representing 95 per cent of the total transfer.

Since the inception of the MIG in 2004 and up until June 2007, 672 695 households received access to water, and 376 583 households, access to sanitation. Access to water was extended to 198 563 households by March 2005, 457 132 households by March 2006 and 610 293 households by March 2007. 80 617 households had access to safe sanitation by March 2005, 219 701 households by March 2006 and 343 942 households by March 2007.



The graph shows a comparison of expenditure (as at end of August of each year) since the inception of the MIG. Trends show that municipal spending on MIG funds has improved. This is a positive indication that the quantum of spending by municipalities has increased annually, and that there is capacity to spend. It also shows that the level of spending of the amount allocated in any given year is improving significantly.

This improvement in spending has a direct impact on the eradication of service delivery backlogs, as demonstrated by the success in eradicating the bucket sanitation system in formal areas, which was established before 1994. R1.8 billion of the MIG was ring-fenced for the bucket eradication programme since 2005. Most of the buckets targeted for eradication by December 2007, that is 252 254, were eradicated through this allocation, and all three spheres of government were involved in the programme.

Significant progress is being made with targeting households for poverty relief measures at the local level. Municipalities identify households that are eligible to receive free basic services. Of the estimated 5.5 million indigent households in the country (Census, 2001) just over 4 million (73 per cent) are registered on municipal databases and currently receive free basic water. Over 3.8 million indigent households currently receive free basic energy/electricity. Extension of infrastructure networks will enable government to reach the remaining indigent households with services.

Departmental receipts

Departmental receipts accrue from the collection of parking fees, commissions on insurance policy deductions, subsidised vehicles and bursary payments. The large increase in revenue collection in 2006/07 under financial transactions in assets and liabilities is due to receivables/losses recovered.

Table 29.2 Departmental receipts

R thousand	Audited outcome			Estimate	Medium-term receipts estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Departmental receipts	806	328	6 830	134	135	135	143
Sales of goods and services produced by department	61	81	109	110	111	111	118
Sales of scrap, waste and other used current goods	1	–	1	1	1	1	1
Fines, penalties and forfeits	–	55	–	–	–	–	–
Interest, dividends and rent on land	2	3	6	3	3	3	3
Financial transactions in assets and liabilities	742	189	6 714	20	20	20	21
Total	806	328	6 830	134	135	135	143

Programme 1: Administration

Purpose: Provide for the management, leadership, and administration of the department.

Expenditure estimates

Table 29.3 Administration

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Minister ¹	791	837	885	951	1 019	1 072	1 127
Deputy Minister ²	625	649	687	738	790	832	874
Management	4 930	6 076	9 376	9 750	11 053	11 800	12 356
Corporate Services	69 369	68 787	76 748	89 832	96 252	99 628	103 594
Monitoring and Evaluation	12 048	13 376	18 282	14 298	17 080	17 896	18 628
Government Motor Transport	–	607	731	815	852	894	939
Property Management	17 153	18 566	20 567	21 492	23 173	25 491	28 041
Special Functions: Authorised Losses	129	42	267	–	–	–	–
Total	105 045	108 940	127 543	137 876	150 219	157 613	165 559
Change to 2007 Budget estimate				7 307	(660)	(2 196)	(3 839)

1. Payable as from 1 April 2007. Salary: R761 053. Car allowance: R190 262.

2. Payable as from 1 April 2007. Salary: R590 459. Car allowance: R147 614.

Economic classification

Current payments	100 378	104 380	122 839	133 096	146 245	153 443	161 180
Compensation of employees	34 949	40 877	47 977	53 358	61 789	64 832	68 101
Goods and services	65 300	63 461	74 595	79 738	84 456	88 611	93 079
<i>of which:</i>							
Communication	6 796	5 262	6 006	6 305	6 376	6 690	7 027
Computer services	4 059	2 633	2 225	606	2 336	2 450	2 574
Consultants, contractors and special services	5 244	7 502	10 423	11 758	14 023	14 724	15 608
Inventory	3 005	2 876	3 632	3 439	4 178	4 384	4 605
Maintenance, repairs and running costs	2 273	1 419	1 510	4 716	1 783	1 870	1 964
Operating leases	19 356	23 027	21 980	25 781	26 445	27 747	29 146
Travel and subsistence	8 307	10 228	9 321	9 479	10 135	10 634	11 170
Financial transactions in assets and liabilities	129	42	267	–	–	–	–
Transfers and subsidies	174	318	1 080	1 678	300	315	330
Provinces and municipalities	105	125	41	1 597	200	210	220
Public corporations and private enterprises	52	177	278	81	100	105	110
Non-profit institutions	–	–	70	–	–	–	–
Households	17	16	691	–	–	–	–
Payments for capital assets	4 493	4 242	3 624	3 102	3 674	3 855	4 049
Machinery and equipment	4 402	4 088	3 437	3 102	3 674	3 855	4 049
Software and other intangible assets	91	154	187	–	–	–	–
Total	105 045	108 940	127 543	137 876	150 219	157 613	165 559

Expenditure trends

Expenditure increased from R105 million in 2004/05 to R137.9 million in 2007/08, at an average annual rate of 9.5 per cent. This was mainly due to activities for capacity building programmes, support to provinces and municipalities, promotion of gender and related matters, programmes for sound financial and fiscal management, the promotion of good governance, and the promotion of disaster management and institutional transformation. Over the MTEF period, the budget grows more slowly at an average annual rate of 6.3 per cent from R137.9 million in 2007/08 to R165.6 million in 2010/11.

Programme 2: Governance and Policy Research

Purpose: Provide policy advice and research support for: the development and monitoring of intergovernmental relations and the performance of provincial government; provincial-municipal relations; integrated development planning; local economic development; the institutions of traditional leadership; and international and donor relations.

- *Management.*
- *Intergovernmental Relations* supports constitutional principles and practices in intergovernmental relations.
- *Development Planning* supports the development of integrated and co-operative governance.
- *Local Economic Development* provides support to municipalities to build the required capacity for local economic development.
- *Traditional Leadership and Institutions* focuses on research and policy making related to the institutions of traditional leadership.
- *International and Donor Relations* manages relations with donor and international support.

Expenditure estimates

Table 29.4 Governance, Policy and Research

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Management	1 957	1 193	1 257	1 273	3 131	3 393	3 757
Intergovernmental Relations	5 008	6 185	7 199	17 991	11 460	12 420	13 753
Development Planning	3 256	4 520	4 512	7 749	5 537	6 001	6 645
Local Economic Development	2 834	2 005	2 825	3 157	3 332	3 610	3 997
Traditional Leadership and Institutions	4 367	5 757	5 977	6 963	14 884	16 131	17 863
<i>Traditional Leadership and Institutions</i>	752	920	1 894	2 700	10 408	11 280	12 491
<i>Anthropological and Genealogical Services</i>	2 283	2 697	2 708	2 827	2 968	3 217	3 562
<i>Rights of Communities</i>	1 332	2 140	1 375	1 436	1 508	1 634	1 810
International and Donor Relations	3 051	4 493	15 854	6 170	6 105	6 616	7 326
Total	20 473	24 153	37 624	43 303	44 449	48 171	53 341
Change to 2007 Budget estimate				12 654	10 000	12 000	15 000

Economic classification

	20 249	24 036	29 074	43 288	43 636	47 290	52 366
Current payments							
Compensation of employees	12 446	15 106	16 745	20 327	28 703	30 257	32 254
Goods and services	7 803	8 930	12 329	22 961	14 933	17 033	20 112
<i>of which:</i>							
<i>Communication</i>	65	24	170	380	343	437	462
<i>Computer services</i>	–	92	11	115	318	345	382
<i>Consultants, contractors and special services</i>	2 407	2 414	4 857	13 251	4 387	4 606	5 282
<i>Inventory</i>	214	223	349	244	431	467	517
<i>Maintenance, repairs and running costs</i>	3	1	10	2	3	3	4
<i>Operating leases</i>	57	72	74	157	–	–	–
<i>Travel and subsistence</i>	2 806	4 365	3 693	3 667	5 615	6 463	7 957

Table 29.4 Governance, Policy and Research (continued)

R thousand	Audited outcome			Adjusted appropriation 2007/08	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07		2008/09	2009/10	2010/11
Transfers and subsidies	162	46	8 144				
Provinces and municipalities	38	46	11				
Foreign governments and international organisations	114	–	2 983				
Non-profit institutions	–	–	5 149				
Households	10	–	1				
Payments for capital assets	62	71	406	15	813	881	975
Machinery and equipment	62	71	144	15	813	881	975
Software and other intangible assets	–	–	262	–	–	–	–
Total	20 473	24 153	37 624	43 303	44 449	48 171	53 341
Details of major transfers and subsidies							
Foreign governments and international organisations							
Current	114	–	2 983	–	–	–	–
African Union of Local Authorities	114	–	2 983	–	–	–	–
Nonprofit institutions							
Current	–	–	5 149	–	–	–	–
Other Non-Profit Institutions	–	–	5 149	–	–	–	–

Expenditure trends

Expenditure increased from R20.5 million in 2004/05 to R43.3 million in 2007/08, at an average annual rate of 28.4 per cent, mainly due to activities around intergovernmental relations and development planning. Over the MTEF period, expenditure is expected to grow at an average annual rate of 7.2 per cent, increasing to R53.3 million in 2010/11. The highest increase over this period is seen in *Traditional Leadership and Institutions* because of the government wide support to the institutions of traditional leadership, which were allocated additional funds of R33.5 million over the medium term. The provision of R3.5 million for producing a white paper on provincial government and reviewing the White Paper on Local Government (1998) is made in the *Management* subprogramme.

Programme 3: Urban and Rural Development

Purpose: Manage, co-ordinate, monitor and measure the effectiveness of the integrated implementation of the urban renewal programme and the integrated sustainable rural development programme across all spheres of government.

- *Management*.
- *Urban Renewal Programme Management* provides support to and co-ordination across government for the urban renewal programme.
- *Urban Renewal Monitoring and Evaluation* manages a national system for reporting on the results of impact analyses conducted regarding the urban renewal programme.
- *Integrated Sustainable Rural Development Programme (ISRDP) Management* provides support and co-ordination across government for the integrated sustainable rural development programme.
- *Integrated Sustainable Rural Development Programme Monitoring and Evaluation* manages a national system for reporting on the impact of the ISRDP.

Expenditure estimates

Table 29.5 Urban and Rural Development

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Management	1 294	1 745	706	2 037	1 998	2 098	2 225
Urban Renewal Programme Management	860	1 162	1 142	2 106	2 436	2 558	2 711
Urban Renewal Monitoring and Evaluation	978	1 799	1 996	2 055	2 022	2 474	2 622
Integrated Sustainable Rural Development Programme Management	1 051	1 639	1 975	2 278	2 356	2 123	2 250
Integrated Sustainable Rural Development Monitoring and Evaluation	1 353	1 963	2 141	2 206	2 765	2 903	3 077
Total	5 536	8 308	7 960	10 682	11 577	12 156	12 885
Change to 2007 Budget estimate				(598)	–	–	–
Economic classification							
Current payments	5 465	8 284	7 921	10 682	11 577	12 156	12 885
Compensation of employees	3 620	4 988	4 950	7 172	7 866	8 299	8 797
Goods and services	1 845	3 296	2 971	3 510	3 711	3 857	4 088
<i>of which:</i>							
Communication	26	44	100	133	136	143	152
Computer services	–	2	14	–	–	–	–
Consultants, contractors and special services	232	1 211	1 098	1 542	1 509	1 544	1 637
Inventory	50	67	44	94	47	49	52
Maintenance, repairs and running costs	1	5	–	–	–	–	–
Operating leases	1	92	145	90	160	168	178
Travel and subsistence	851	1 530	1 141	1 101	1 410	1 481	1 570
Transfers and subsidies	11	15	29	–	–	–	–
Provinces and municipalities	11	15	3	–	–	–	–
Households	–	–	26	–	–	–	–
Payments for capital assets	60	9	10	–	–	–	–
Machinery and equipment	60	9	10	–	–	–	–
Total	5 536	8 308	7 960	10 682	11 577	12 156	12 885

Expenditure trends

Expenditure increased from R5.5 million in 2004/05 to R10.7 million in 2007/08, at an average annual rate of 24.5 per cent, mainly due to activities around the urban renewal programme. Over the MTEF period, expenditure is expected to grow at an average annual rate of 6.4 per cent, to R12.9 million in 2010/11.

Expenditure for the MTEF period is expected to stabilise as monitoring and evaluation activities are increasingly integrated. Programme assessments have shown that more emphasis should be placed on strengthening the spatial development framework and land use management plans within the nodes, and that the high impact local economic development (LED) projects be better packaged.

Programme 4: Systems and Capacity Building

Purpose: Provide capacity building and hands-on support programmes to local government. Provide a national disaster management centre. Promote intergovernmental fiscal relations. Regulate and monitor the local government institutional and administrative framework.

- *Management.*
- *Intergovernmental Fiscal Relations* manages policy and disbursement of the local government equitable share and the municipal systems improvement grant, and fosters sound intergovernmental fiscal relations.
- *Local Government Institutional and Administrative Systems* promotes institutional and sound administrative support to promote development and service delivery.
- *Capacity Building Systems* supports the implementation of fiscal, administrative, performance management and capacity building systems.

- *Disaster Management* administers the Disaster Management Act (2002) and manages the national disaster management centre.
- *Municipal Performance Monitoring and Support* implements and supports performance management systems and monitors the performance of municipalities for targeted support and recognition of performance excellence.
- *Municipal Leadership Development Programme* develops and co-ordinates standardised leadership development for senior local government officials and councillors.
- *Anti-corruption* co-ordinates and provides support for implementing the local government anti-corruption strategy.
- *Local Government Equity and Development* co-ordinates support for mainstreaming gender, disability, HIV and Aids, and youth issues into local government development programmes.
- *Project Consolidate* provides hands-on support for implementing government's programme of action and addresses service delivery challenges in a targeted number of municipalities.

Expenditure estimates

Table 29.6 Systems and Capacity Building

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Management	1 156	1 872	708	3 246	4 884	5 364	5 662
Intergovernmental Fiscal Relations	4 132	21 288	4 665	7 049	6 024	6 616	6 984
Local Government Institutional and Administrative Systems	3 620	4 220	4 951	5 436	6 019	6 610	6 978
Capacity Building Systems	2 075	1 969	–	–	22 170	24 348	25 702
Disaster Management	30 945	41 884	37 581	27 173	37 229	40 887	43 160
Municipal Performance Monitoring and Support	24 941	7 254	11 508	11 643	12 537	13 769	14 534
Municipal Leadership Development Programme	1 556	1 985	6 092	8 831	5 293	5 813	6 136
Anti-Corruption	–	2 280	2 836	2 799	4 504	4 947	5 222
Local Government Equity and Development	–	627	6 033	6 687	9 739	10 696	11 290
Project Consolidate	–	–	24 367	22 259	–	–	–
Total	68 425	83 379	98 741	95 123	108 399	119 050	125 668
Change to 2007 Budget estimate				(31 053)	(14 700)	(15 400)	(16 166)
Economic classification							
Current payments	67 963	75 677	90 702	93 865	107 099	117 622	124 161
Compensation of employees	12 142	21 306	25 946	35 123	40 081	43 730	47 395
Goods and services	55 821	54 371	64 756	58 742	67 018	73 892	76 766
of which:							
Communication	28	69	566	690	824	905	955
Computer services	65	817	2 183	250	2 438	2 678	2 826
Consultants, contractors and special services	28 053	22 794	30 391	41 555	36 830	40 737	41 768
Inventory	600	782	933	2 555	546	600	633
Maintenance, repairs and running costs	3 630	283	606	101	600	659	696
Operating leases	–	1	13 345	5 647	5 000	5 491	5 797
Travel and subsistence	17 097	5 072	8 042	8 062	6 971	7 656	8 082
Transfers and subsidies	37	6 716	29	11	–	–	–
Provinces and municipalities	37	66	18	–	–	–	–
Departmental agencies and accounts	–	1 950	–	–	–	–	–
Non-profit institutions	–	4 000	–	–	–	–	–
Households	–	700	11	11	–	–	–
Payments for capital assets	425	986	8 010	1 247	1 300	1 428	1 507
Machinery and equipment	425	944	580	1 247	1 300	1 428	1 507
Software and other intangible assets	–	42	7 430	–	–	–	–
Total	68 425	83 379	98 741	95 123	108 399	119 050	125 668

Table 29.6 Systems and Capacity Building (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Details of major transfers and subsidies							
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	-	1 950	-	-	-	-	-
Council of Geoscience	-	1 950	-	-	-	-	-
Nonprofit institutions							
Current	-	4 000	-	-	-	-	-
The South African Red Cross Society	-	4 000	-	-	-	-	-

Expenditure trends

Expenditure increased from R68.4 million in 2004/05 to R95.1 million in 2007/08, at an average annual rate of 11.6 per cent. This was mainly due to activities around capacity building systems, local government equity and development and disaster management. Expenditure in 2004/05 in the *Municipal Performance Monitoring and Support* subprogramme was high because of the implementation of support for performance management and capacity building systems in municipalities and the monitoring of municipalities' performance. Spending was high again in 2005/06 in the *Intergovernmental Fiscal Relations* subprogramme due to specific allocations approved for Project Consolidate and the profiling of municipalities.

Over the medium term, expenditure is expected to grow at an average annual rate of 9.7 per cent to R125.7 million in 2010/11. The highest growth is seen in the *Capacity Building Systems* subprogramme, which addresses Project Consolidate interventions incorporated into this subprogramme.

Programme 5: Free Basic Services

Purpose: Strengthen local government capacity to increase access to basic services, including free basic services for all communities, to enable municipalities to meet their constitutional mandate.

- *Municipal Infrastructure* manages the implementation of the municipal infrastructure grant.
- *Free Basic Services Co-ordination* helps municipalities implement free basic services.
- *Municipal Services Partnerships* promotes the participation of private sector, public sector, non-governmental and community-based organisations in service delivery.
- *Public Participation and Empowerment* facilitates effective interaction and communication between municipalities and communities.

Expenditure estimates

Table 29.7 Free Basic Services and Infrastructure

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Management	1 912	3 279	2 419	2 349	2 655	2 788	2 955
Municipal Infrastructure	17 276	25 240	25 138	27 105	26 253	30 566	32 400
Free Basic Services Co-ordination	2 949	4 156	3 378	3 958	5 717	6 003	6 363
Municipal Service Partnerships	1 547	2 692	3 667	3 979	4 011	4 210	4 463
Public Participation and Empowerment	3 408	2 421	2 018	3 011	2 794	2 935	3 111
Total	27 092	37 788	36 620	40 402	41 430	46 502	49 292
Change to 2007 Budget estimate				(1 651)	-	-	-

Table 29.7 Free Basic Services and Infrastructure (continued)

R thousand	Audited outcome			Adjusted	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	appropriation 2007/08	2008/09	2009/10	2010/11
Economic classification							
Current payments	26 600	36 914	35 710	39 479	40 433	45 455	48 182
Compensation of employees	7 496	15 067	16 430	19 791	22 238	23 462	24 870
Goods and services	19 104	21 847	19 280	19 688	18 195	21 993	23 312
<i>of which:</i>							
Communication	22	35	123	258	251	264	280
Computer services	199	267	101	35	–	–	–
Consultants, contractors and special services	14 371	13 953	10 769	11 245	9 289	12 641	13 399
Inventory	271	578	156	335	181	190	201
Maintenance, repairs and running costs	1	2	–	10	–	–	–
Operating leases	164	147	274	347	303	318	337
Travel and subsistence	1 654	3 966	3 905	3 888	3 976	4 175	4 426
Transfers and subsidies	22	46	13	–	–	–	–
Provinces and municipalities	22	46	13	–	–	–	–
Payments for capital assets	470	828	897	923	997	1 047	1 110
Machinery and equipment	121	701	632	923	997	1 047	1 110
Software and other intangible assets	349	127	265	–	–	–	–
Total	27 092	37 788	36 620	40 402	41 430	46 502	49 292

Expenditure trends

Expenditure is dominated by the *Municipal Infrastructure* subprogramme. Expenditure increased from R27.1 million in 2004/05 to R40.4 million in 2007/08, at an average annual rate of 14.2 per cent, mainly due to activities around municipal service partnerships and management of the municipal infrastructure grant programme. Over the MTEF period, expenditure growth slows down to an average annual rate of 6.9 per cent to R49.3 million in 2010/11. The growth is attributable to additional field workers who will be appointed to monitor the rollout of free basic services.

Programme 6: Provincial and Local Government Transfers

Purpose: Provide for the transfer of conditional grants directly administered by the department to the provincial and local spheres of government.

The two subprogrammes, *Provincial Transfers* and *Local Government Transfers*, make transfers to provinces and local government, respectively. For 2008/09, funds have only been provided for local government transfers as follows.

- *Equitable share:* the share of nationally raised revenue which is payable to the local government sphere in terms of section 214 of the Constitution.
- *Municipal Systems Improvement Programme:* to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governmental systems.
- *Municipal Infrastructure Grant:* to supplement municipal capital budgets to eradicate the backlog in municipal infrastructure utilised in providing basic services for the benefit of poor households.

Expenditure estimates

Table 29.8 Provincial and Local Government Transfers

Subprogramme	Audited outcome			Adjusted	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Provincial transfers							
Local government capacity building	220 459	–	–	–	–	–	–
Disaster relief	–	40 689	–	–	–	–	–
Local Government transfers							
Equitable share	7 677 546	9 643 341	18 057 940	20 675 620	24 888 685	30 155 606	36 196 067
Municipal systems improvement programme	182 243	200 000	200 000	200 000	200 000	200 000	212 000
Municipal infrastructure grant	4 480 675	5 436 161	5 938 409	8 754 140	8 657 090	10 330 230	11 678 044
Disaster relief	280 000	311 000	–	–	–	–	–
Total	12 840 923	15 631 191	24 196 349	29 629 760	33 745 775	40 685 836	48 086 111
Change to 2007 Budget estimate				1 205 576	1 717 918	1 911 462	6 985 275
Economic classification							
Transfers and subsidies	12 840 923	15 631 191	24 196 349	29 629 760	33 745 775	40 685 836	48 086 111
Provinces and municipalities	12 840 923	15 631 191	24 196 349	29 629 760	33 745 775	40 685 836	48 086 111
Total	12 840 923	15 631 191	24 196 349	29 629 760	33 745 775	40 685 836	48 086 111
Details of major transfers and subsidies							
Provinces and municipalities							
Provinces							
Provincial revenue funds							
Current	220 459	40 689	–	–	–	–	–
Disaster relief grant	–	40 689	–	–	–	–	–
Local government capacity building grant	220 459	–	–	–	–	–	–
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	8 180 522	10 154 341	18 257 940	20 875 620	25 088 685	30 355 606	36 408 067
Disaster relief grant	280 000	311 000	–	–	–	–	–
Local government equitable share	7 677 546	9 643 341	18 057 940	20 675 620	24 888 685	30 155 606	36 196 067
Municipal infrastructure grant	40 733	–	–	–	–	–	–
Municipal systems improvement grant	182 243	200 000	200 000	200 000	200 000	200 000	212 000
Capital	4 439 942	5 436 161	5 938 409	8 754 140	8 657 090	10 330 230	11 678 044
Municipal infrastructure grant	4 439 942	5 436 161	5 938 409	8 754 140	8 657 090	10 330 230	11 678 044

Expenditure trends

Dominated by transfer payments, expenditure increased by an average annual rate of 32.1 per cent between 2004/05 and 2007/08. The biggest portion was the local government equitable share, which continues to be an integral funding instrument for supplementing municipal own revenue for the provision of free basic services to poor households and to fund institutional capacity and support for weaker municipalities in poorer areas. Excluding the replacement grant for Regional Services Council levies and the special contribution towards councillor remuneration, the local government equitable share is budgeted to grow from R12.4 billion in 2007/08 to R24.9 billion in 2010/11.

The 2008 Budget allocates an additional R3.8 billion for infrastructure development in local government through the municipal infrastructure grant. This is to ensure that the necessary municipal infrastructure is in

place to deliver basic services, and to support host cities in meeting their 2010 FIFA World Cup obligations. This is reflected in the average annual increase of 17.5 per cent over the medium term.

Programme 7: Fiscal Transfers

Purpose: Provide for financial transfers to various authorities and constitutional institutions in terms of the relevant legislation or founding agreements.

- *South African Local Government Association* represents the local sphere of government and is recognised in terms of the Organised Local Government Act (1997).
- *Municipal Demarcation Board* is a constitutional body established in terms of the Municipal Demarcation Board Act (1998).
- *Municipal Infrastructure Investment Unit (MIIU)* played a leading role in developing municipal service partnerships to accelerate the equitable delivery of municipal services. The MIIU is being wound up and will be de-listed as a public entity.
- *SA Cities Network* was established to further the co-operation between South African cities and maximise benefits through the exchange of information.
- *The Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities (CRL Commission)* is a constitutional body established in terms of the Cultural, Religious and Linguistic Communities Act (2002).
- *Commission on Traditional Leadership Disputes and Claims* was established in terms of the Traditional Leadership and Governance Framework Act (2003).
- *National House of Traditional Leaders* was established by legislation, according to the Constitution, to represent the interests of the traditional community and advise government.

Expenditure estimates

Table 29.9 Fiscal Transfers

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
South African Local Government Association	17 300	18 385	19 494	20 461	22 058	23 466	24 874
Municipal Demarcation Board	22 523	24 959	16 827	20 664	25 419	34 801	37 563
Municipal Infrastructure Investment Unit	10 600	11 234	–	–	–	–	–
South African Cities Network	1 500	1 500	1 590	4 400	4 700	4 815	5 104
Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities	9 703	11 286	13 403	15 447	18 496	20 393	21 617
Commission on Traditional Leadership Disputes and Claims	681	6 302	9 986	9 439	10 957	9 890	10 483
National House of Traditional Leaders	8 429	8 703	9 535	9 194	10 401	9 827	10 416
Total	70 736	82 369	70 835	79 605	92 031	103 192	110 057
Change to 2007 Budget estimate				341	3 376	4 541	5 487

Economic classification

	9 073	14 677	19 475	18 633	21 358	19 717	20 899
Current payments							
Compensation of employees	1 265	2 023	4 118	5 598	5 713	6 348	6 728
Goods and services	7 808	12 654	15 357	13 035	15 645	13 369	14 171
<i>of which:</i>							
Communication	257	309	457	476	544	571	605
Consultants, contractors and special services	1 251	4 293	5 271	3 406	5 272	5 536	5 868
Inventory	36	179	54	403	72	76	81
Maintenance, repairs and running costs	1	38	1	–	–	–	–
Operating leases	–	85	111	410	340	378	401
Travel and subsistence	4 792	5 982	7 267	3 978	6 267	6 580	6 975

Table 29.9 Fiscal Transfers (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Transfers and subsidies	61 633	67 383	51 326	60 972	70 673	83 475	89 158
Provinces and municipalities	7	19	12	–	–	–	–
Departmental agencies and accounts	60 126	65 864	49 724	56 572	65 973	78 660	84 054
Non-profit institutions	1 500	1 500	1 590	4 400	4 700	4 815	5 104
Payments for capital assets	30	309	34	–	–	–	–
Machinery and equipment	30	309	34	–	–	–	–
Total	70 736	82 369	70 835	79 605	92 031	103 192	110 057

Details of major transfers and subsidies

Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current							
Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities	60 126	65 864	49 724	56 572	65 973	78 660	84 054
Municipal Demarcation Board	9 703	11 286	13 403	15 447	18 496	20 393	21 617
Municipal Infrastructure Investment Unit	22 523	24 959	16 827	20 664	25 419	34 801	37 563
South African Local Government Association	10 600	11 234	–	–	–	–	–
	17 300	18 385	19 494	20 461	22 058	23 466	24 874
Nonprofit institutions							
Current							
South African Cities Network	1 500	1 500	1 590	4 400	4 700	4 815	5 104
	1 500	1 500	1 590	4 400	4 700	4 815	5 104

Expenditure trends

Expenditure increased from R70.7 million in 2004/05 to R79.6 million in 2007/08, at an average annual rate of 4 per cent. The relatively slow growth is partly due to the Municipal Infrastructure Investment Unit (MIIU), which stopped operating in March 2006. Expenditure is expected to increase further, to R110 million in 2010/11, at an average annual rate of 11.4 per cent over the MTEF period. This is mostly due to the higher transfer to the Municipal Demarcation Board over the medium term in preparation for the general elections scheduled in 2009.

Public entities and other agencies**South African Local Government Association**

The South African Local Government Association (SALGA) was established in 1996 by the Constitution to assist with the comprehensive transformation of local government in South Africa in line with the democratic principles upheld by the current government.

Section 163 of the Constitution envisages an important role for organised local government. It provides that an act of Parliament must cater for the recognition of national and provincial organisations representing municipalities, and determine procedures by which local government may consult the national and provincial government, designate representatives to participate in the National Council of Provinces and nominate persons to the Financial and Fiscal Commission.

The Organised Local Government Act (1997) recognises SALGA as a representative of organised local government. The act permits organised local government to designate up to 10 part-time representatives to the National Council of Provinces of the national Parliament, and to further nominate two persons to the Financial and Fiscal Commission, which advises National Treasury on budget issues. SALGA participates in intergovernmental structures and can therefore influence national and provincial legislation and gauge the impact of the legislation on local government.

SALGA is expected to fulfil the following functions:

- *Strategic profiling*: building the profile and image of local government within South Africa as well as internationally (both within Africa and the rest of the world)
- *Providing support and advice*: including policy analysis, research, monitoring and knowledge sharing
- *Representing members*: engaging with stakeholders with the aim of developing relationships, lobbying and advocating on behalf of municipalities, and being an effective employer representative for members
- *Implementing internal programmes*: directed at strengthening SALGA's corporate governance and delivering on the above three functions.

The five-year local government strategic agenda (LGSA) is the central policy thrust for local government in South Africa. It forms the strategic architecture for all local government role-players. As such, it is critical that SALGA adds value to the local government strategic agenda and also that SALGA's strategic plan should be influenced by it. The LGSA has three main components: mainstreaming hands-on support; addressing structure and governance arrangements in order to better strengthen, support and monitor local government; and refining and strengthening the policy, regulatory and fiscal environment for local government and giving more attention to enforcement measures.

Based on the strategic objectives of SALGA and the national conference resolutions, an institutional scorecard has been developed for the following areas to optimise SALGA's representational, support and advisory role in response to its external environment:

- municipal transformation and organisational development
- effective and sustainable delivery of municipal services
- stimulation of local economies and poverty alleviation
- strengthening of municipal financial capacity
- improving public participation and the functioning of ward committees
- good governance.

Recent achievements

In the past financial year, SALGA fully operationalised all governance structures both at provincial and national levels. All provincial associations have their own provincial member assemblies and the vacant positions resulting from the outcome of the March 2006 elections were filled. SALGA is very active in all intergovernmental bodies such as the President's Co-ordinating Council, MinMECs (meeting of ministers and members of executive councils) and the National Council of Provinces.

During the course of the year, the capacity building of member municipalities was facilitated and supported through continental and international exchanges and peer learning in key areas. 266 senior managers and councillors in key leadership positions in municipalities graduated from executive leadership management programmes with international exposure; the modules taught in the programmes address some of the areas in which municipalities have been identified to have weaknesses, for example, financial and project management. Knowledge and skills obtained from these modules are expected to provide some of the key ingredients to the smooth implementation of the LGSA; 462 students were enrolled for the same modules at the beginning of 2007.

SALGA concluded a multi-year (2006–2009) wage and salary agreement with sector unions, thereby ensuring none or minimal disruption of services through strikes and related action. SALGA also secured an agreement with the unions regarding the revision of the sector Constitution which had been outstanding since 2002. It also consolidated collective agreements into a main agreement that is not subject to amendments for five years (up to 2011 and is indefinite in nature), which will help to bring certainty in conditions of service in the sector.

During 2006/07, SALGA facilitated mutually beneficial interactions, agreements and/or partnerships among SALGA, its peers and other entities, and between South African municipalities and their local and international counterparts. Advances were made in strengthening policy analysis, research and monitoring capacity, although significant capacity constraints still persist with respect to promoting high quality research for SALGA.

SALGA also began initiating ways of strengthening the systems and structures of communication that are expected to facilitate a co-ordinated and focused communication system for municipalities, and across the three spheres of government.

An audit committee was established and the auditor-general has representatives in the committee.

Selected performance indicators

Indicators	Annual performance						
	Past			Current	Projected		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Percentage of the 283 municipalities with guidelines on ward committees	–	–	–	15% (43)	60% (170)	80% (226)	100% (283)
Percentage of the 283 municipalities with a delegations framework	–	–	–	15% (43)	60% (170)	80% (226)	100% (283)

Expenditure estimates

Table 29.10 SA Local Government Association (SALGA)

R thousand	Audited outcome			Estimated outcome	Medium-term estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Revenue							
Non-tax revenue	81 529	96 596	111 374	101 745	118 312	123 759	128 388
Sale of goods and services other than capital assets of which:	66 647	80 653	94 134	95 502	98 775	103 220	107 348
<i>Sales by market establishments</i>	66 647	80 653	94 134	95 502	98 775	103 220	107 348
Other non-tax revenue	14 882	15 943	17 240	6 243	19 537	20 539	21 040
Transfers received	17 800	18 885	26 314	20 461	22 058	23 466	24 874
Total revenue	99 329	115 481	137 688	122 206	140 370	147 225	153 262
Expenses							
Current expense	110 699	178 601	135 789	118 172	139 152	146 016	151 727
Compensation of employees	45 718	54 828	71 895	54 195	70 114	73 971	77 669
Goods and services	62 869	120 091	57 889	62 337	66 849	69 856	72 651
Depreciation	1 782	1 914	2 177	1 633	2 179	2 179	1 396
Interest, dividends and rent on land	330	1 768	3 828	7	10	10	11
Total expenses	110 699	178 601	135 789	118 172	139 152	146 016	151 727
Surplus / (Deficit)	(11 370)	(63 121)	1 899	4 034	1 218	1 209	1 535
Balance sheet data							
Carrying value of assets	12 154	21 521	23 488	21 904	60 619	58 440	57 044
<i>of which: Acquisition of assets</i>	8 694	7 338	5 886	48	40 894	–	–
Investments	4 202	–	–	–	–	–	–
Receivables and prepayments	104 618	4 376	48 005	12 884	6 845	7 262	7 262
Cash and cash equivalents	9 005	38 716	4 986	83 317	69 580	74 571	77 274
Total assets	129 979	64 613	76 480	118 105	137 044	140 273	141 580
Capital and reserves	104 955	25 961	29 460	80 315	81 649	82 061	81 723
Borrowings	1 387	3 530	2 122	2 717	1 500	800	400
Trade and other payables	21 251	35 122	44 898	35 073	53 895	57 412	59 457
Provisions	2 386	–	–	–	–	–	–
Total equity and liabilities	129 979	64 613	76 480	118 105	137 044	140 273	141 580

Expenditure trends

The two main sources of revenue are municipal subscription fees and transfers from the Department of Provincial and Local Government. Revenue grew by an average annual rate of 7.2 per cent between 2004/05 and 2007/08, with most of the increase in 2006/07 due to subscription fees of municipalities and additional transfers received from the department. The fluctuation of the transfer from the department during this period is due to the re-alignment of SALGA's financial year with that of government. This is why for 2007/08 only nine months are covered.

Expenditure increased by an average annual rate of 2.2 per cent between 2004/05 and 2007/08, with most of the increase in 2005/06 in goods and services for fair value adjustments to current assets (membership levies receivables).

Revenue between 2007/08 and 2010/11 is set to grow by an average annual rate of 7.8 per cent, with an increase in transfers from the department of 6.7 per cent over the same period. Expenditure between 2007/08 and 2010/11 is set to grow by 8.7 per cent. This was necessitated by the overall review of SALGA's strategy as informed by its national conference of April 2007, which mandated SALGA to strengthen policy analysis, research and monitoring capacity; strengthen the knowledge sharing programme; develop guidelines in response to issues raised by members; establish structured relationships with stakeholders; and strengthen SALGA's lobbying and advocacy role.

In terms of solvency, the projected financial position over the MTEF period is stable, with positive net assets. The acquisition of assets in 2008/09 includes buildings (R20 million) and computer equipment (R20.4 million).

Municipal Demarcation Board

The Municipal Demarcation Board (MDB) is a constitutional institution, which aims to: contribute to constitutional democracy and development through the spatial configuration of municipal boundaries, wards and districts in South Africa; assess the capacity of municipalities to perform their constitutional functions; make recommendations to members of executive councils responsible for local government's revision of powers and functions between district and local municipalities; and give, within the scope of its mandate, advice and support to improve the development of a sound system of local government.

To achieve the mission and vision of the organisation, fulfil its mandate and perform its functions, the Municipal Demarcation Board has identified the following strategic themes to focus and guide the organisation over the next five financial years:

- determine and revise municipal boundaries in keeping with the relevant legal provisions
- delimit wards in accordance with the relevant legal provisions
- review the declaration of district management areas
- carry out capacity assessments for revising powers and functions between district and local municipalities
- assist departments to align service delivery boundaries with municipal boundaries
- strengthen relations and interaction with key stakeholders
- strengthen the board's organisational capacity and capability
- ensure good governance.

These strategic themes respond to the key areas that the organisation should excel in, and those where the organisation needs to improve its performance.

The board has continued to pursue its constitutional mandate in terms of the relevant legislation. During 2006/07, the board carried out the following activities:

- a thorough, inclusive and transparent process of municipal and ward boundary determinations and re-determinations – 119 cases were considered
- municipal capacity assessments for 46 district municipalities and 231 local municipalities and advice to the MECs for local government

- researched and reviewed the board's policy positions on one of the core aspects of the board's functions – the future of the district management areas.

Selected performance indicators

Indicators	Annual performance						
	Past			Current	Projected		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Number of capacity assessments completed:							
- district municipalities	47	47	47	46	46	46	46
- local municipalities	231	231	231	231	231	231	231

Expenditure trends

The primary revenue source of the Municipal Demarcation Board is a transfer from the Department of Provincial and Local Government, which decreased from R22.5 million in 2004/05 to R16.8 million in 2006/07. The board undertook the ward delimitation process in preparation for elections, hence the need for more funds in 2004/05 and 2005/06. This process takes place every five years, the next being in 2009/10. Other sources of funding in previous years included international donor funds received from the Danish Government (R3.9 million for 2004/05, R0.6 million for 2005/06 and R2.6 million for 2006/07 – there is no donor funding currently). The board also sells maps on a cost recovery basis and receives interest.

Transfers received increase at an average annual rate of 15.8 per cent between 2007/08 and 2010/11, while expenditure increases at an average annual rate of 15.7 per cent over the same period, with most of the increase in 2009/10 mainly for the planned ward delimitation process in preparation for the 2009 national and provincial elections.

Commission for the Protection and Promotion of Cultural, Religious and Linguistic Communities

The Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities (CRL Commission) was formed through chapter nine of the Constitution. It was legally established by the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities Act (2002) and became effective in January 2004. Key to the promotion and protection of the cultural, religious and linguistic rights of all communities in South Africa is the need to acknowledge the history of oppression of the rights of the majority of communities and the resultant destruction of their identities.

In its attempts at recovering lost identities, the CRL Commission:

- monitors and mediates conflicts related to the alleged violations of the rights of cultural, religious and linguistic communities
- monitors, investigates and researches any issues that may be in need of promotion and protection for the revival of lost identities
- educates, lobbies and advises communities with respect to their mutual cultural, religious and linguistic rights, and through these exercises, targeting the youth and specific categories of adults, providing them with information about the values, beliefs and practices of their communities
- establishes dates for community organisation, and recommends the establishment of community organisations and councils
- monitors state policy and legislative developments to facilitate the promotion and protection of the rights of all communities.

The programmes and activities of the CRL Commission are based on the principle that culture, religion and language are not static. They develop with time and are influenced by external factors such as people's contact with each other, and adapt to other social, political and economic factors, and environmental developments. Thus conflict resolution, research and policy development, and public education programmes are participative.

The CRL Commission has identified specific communities, such as the Khoi-San communities, which have been more disadvantaged than others. It has designed participative programmes (extensive dialogues and conferences) aimed at identifying specific aspects of culture, religion and language and building institutions such as the National Khoi Council and the Houses of Traditional Leaders to try and recover their heritage.

Over the past two years, the CRL Commission has successfully mediated and resolved half the number of complaints received. Some of the cases are simple and finalised, while more complex cases are incorporated into the research or public education programmes.

Research on the impact of the language in education policy, which provides for the rights of learners to choose a medium of instruction among the official languages, established that the implementation of this policy is negatively affected by: (i) the fact that there are too many official languages (ii) there is a limited number of qualified teachers in the different languages, especially in the African languages (iii) for historical reasons, English is the national language for education.

Selected performance indicators

Indicators	Annual performance						
	Past			Current	Projected		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Number of engagements with communities	1	6	4	20	63	78	89
Number of conflict cases resolved	2	3	8	5	6	7	8

Expenditure trends

The main source of revenue for the CRL Commission is a transfer received from the Department of Provincial and Local Government, which increased at an average annual rate of 16.8 per cent, from R9.7 million in 2004/05 to R15.4 million in 2007/08 and increases further at an average annual rate of 11.9 per cent to R21.6 million in 2010/11. Between 2004/05 and 2007/08, spending on goods and services is higher than spending on compensation of employees, due to the national consultative conferences and the payment of consultants, such as events managers and report writers for these conferences. From 2007/08, spending on goods and services decreases and compensation of employees increases, as the commission expands its establishment and builds capacity in most areas to execute the commission's mandate and also to facilitate and manage conferences.

Additional tables

Table 29.A Summary of expenditure trends and estimates per programme and economic classification

Programme	Appropriation		Audited outcome	Appropriation			Revised estimate
	Main	Adjusted		Main	Additional	Adjusted	
R thousand	2006/07		2006/07	2007/08			2007/08
1. Administration	123 993	119 788	127 543	130 569	7 307	137 876	136 286
2. Governance, Policy and Research	29 287	36 239	37 624	30 649	12 654	43 303	41 303
3. Urban and Rural Development	10 729	8 460	7 960	11 280	(598)	10 682	8 642
4. Systems and Capacity Building	109 798	107 301	98 741	126 176	(31 053)	95 123	90 293
5. Free Basic Services and Infrastructure	40 458	37 870	36 620	42 053	(1 651)	40 402	37 052
6. Provincial and Local Government Transfers	24 523 240	25 014 088	24 196 349	28 424 184	1 205 576	29 629 760	29 567 092
7. Fiscal Transfers	65 935	68 542	70 835	79 264	341	79 605	78 905
Total	24 903 440	25 392 288	24 575 672	28 844 175	1 192 576	30 036 751	29 959 573
Economic classification							
Current payments	322 600	318 754	305 721	352 077	(13 034)	339 043	325 033
Compensation of employees	140 400	118 294	116 166	149 295	(7 926)	141 369	133 174
Goods and services	182 200	200 460	189 288	202 782	(5 108)	197 674	191 859
Financial transactions in assets and liabilities	–	–	267	–	–	–	–
Transfers and subsidies	24 574 782	25 065 918	24 256 970	28 486 832	1 205 589	29 692 421	29 629 753
Provinces and municipalities	24 523 418	25 014 200	24 196 447	28 425 779	1 205 578	29 631 357	29 568 689
Departmental agencies and accounts	49 724	49 724	49 724	56 572	–	56 572	56 572
Public corporations and private enterprises	–	–	278	81	–	81	81
Foreign governments and international organisations	–	–	2 983	–	–	–	–
Non-profit institutions	1 590	1 590	6 809	4 400	–	4 400	4 400
Households	50	404	729	–	11	11	11
Payments for capital assets	6 058	7 616	12 981	5 266	21	5 287	4 787
Buildings and other fixed structures	–	4 942	–	–	–	–	–
Machinery and equipment	6 038	2 674	4 837	5 266	21	5 287	4 787
Software and intangible assets	20	–	8 144	–	–	–	–
Total	24 903 440	25 392 288	24 575 672	28 844 175	1 192 576	30 036 751	29 959 573

Table 29.B Summary of personnel numbers and compensation of employees

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
A. Permanent and full-time contract employees							
Compensation (R thousand)	71 527	99 264	116 166	140 969	165 970	176 487	187 678
Unit cost (R thousand)	209	249	280	277	317	337	358
Personnel numbers (head count)	342	399	415	509	524	524	524
C. Interns							
Compensation of interns	391	103	–	400	420	441	467
Unit cost (R thousand)	13	9	–	15	14	14	14
Number of interns	30	12	–	26	30	32	34
Total for department							
Compensation (R thousand)	71 918	99 367	116 166	141 369	166 390	176 928	188 145
Unit cost (R thousand)	193	242	280	264	300	318	337
Personnel numbers (head count)	372	411	415	535	554	556	558

Table 29.C Summary of expenditure on training

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Compensation of employees (R thousand)	71 918	99 367	116 166	141 346	166 390	176 928	188 145
Training expenditure (R thousand)	1 504	1 360	1 665	2 292	1 663	1 769	1 881
Training as percentage of compensation	2%	1%	1%	2%	1%	1%	1%
Total number trained in department (head count)	536	570	331	501			
<i>of which:</i>							
Learnerships trained (head count)	30	6	–	–			
Internships trained (head count)	–	–	–	26			

Table 29.D Summary of conditional grants to provinces and municipalities¹

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Conditional grants to provinces							
6. Provincial and Local Government Transfers							
Local government capacity building grant	220 459	–	–	–	–	–	–
Disaster relief grant	–	40 689	–	–	–	–	–
Total	220 459	40 689	–	–	–	–	–
Conditional grants to municipalities							
6. Provincial and Local Government Transfers							
Municipal systems improvement grant	182 243	200 000	200 000	200 000	200 000	200 000	212 000
Municipal infrastructure grant	4 480 675	5 436 161	5 938 409	8 754 140	8 657 090	10 330 230	11 678 044
Disaster relief grant	280 000	311 000	–	–	–	–	–
Total	4 942 918	5 947 161	6 138 409	8 954 140	8 857 090	10 530 230	11 890 044

1. Detail provided in the Division of Revenue Act (2008).

Table 29 E: Summary of expenditure on infrastructure

Description	Service delivery outputs			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Infrastructure transfers to other spheres, agencies and departments							
Municipal infrastructure grant	4 480 675	5 436 161	5 938 409	8 754 140	8 657 090	10 330 230	11 678 044
Total	4 480 675	5 436 161	5 938 409	8 754 140	8 657 090	10 330 230	11 678 044