

Vote 5

Provincial and Local Government

R thousand	2006/07 To be appropriated	2007/08	2008/09
MTEF allocations	24 903 440	27 824 445	31 453 046
<i>of which:</i>			
Current payments	322 600	342 597	361 149
Transfers and subsidies	24 574 782	27 477 479	31 087 309
Payments for capital assets	6 058	4 369	4 587
Statutory amounts	-	-	-
Executive authority	Minister for Provincial and Local Government		
Accounting officer	Director-General of Provincial and Local Government		

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

Programme 1: Administration

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

Programme 2: Governance, Policy and Research

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.

Programme 3: Urban and Rural Development

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.

Programme 4: Systems and Capacity Building

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.

Programme 5: Free Basic Services and Infrastructure

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.

Programme 6: Provincial and Local Government Transfers

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

Programme 7: Fiscal Transfers

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

Strategic overview and key policy developments: 2002/03 – 2008/09

The role of the Department of Provincial and Local Government is to develop appropriate policies and legislation to promote integration in government's development programmes and service delivery. It aims to provide strategic interventions, support and partnerships to facilitate policy implementation in the provinces and local government, and create enabling mechanisms for communities to participate in governance.

Municipal reform

The department has a key role to play in building the capabilities of a developmental state, across all spheres of government, to address the specific challenges of the two economies. From December 2000, the department has supported the local government transformation process through the three consecutive but overlapping phases of establishment, consolidation and sustainability. The department initiated Project Consolidate in 2004, which is aimed at providing hands-on support to 136 targeted municipalities for two years to address the specific challenges that these municipalities face.

Legal framework

With the Local Government: Municipal Structures Act (1998), the Local Government Municipal Systems Act (2000) and the Disaster Management Act (2002) in place, the department is now focusing on implementing the Local Government Municipal Property Rates Act (2004).

The Traditional Leadership and Governance Framework Act (2003) provides for norms and standards for specific legislation for the provincial sphere. Each provincial government affected by this act had to introduce its own legislation. All six affected provinces passed such legislation in 2005. The act recognises traditional leaders and traditional affairs, and regulates relations between traditional leaders and government.

The Intergovernmental Relations Framework Act (2005) provides greater certainty and predictability on intergovernmental co-ordination through its framework. The act also provides greater clarity on the status, role and purpose of intergovernmental structures, as well as the mechanisms for intergovernmental co-operation on priority setting, budgeting and implementation.

Municipal grant administration

The Department of Provincial and Local Government is responsible for administering and managing a system of intergovernmental transfers. The consolidation of grants to municipalities, which began in 2002/03, will continue over the 2006 medium-term expenditure framework (MTEF) period, with the integration of the grants for electricity after the regional electricity distributor (REDS) have been established. The aim is to have three main sources of income for local government from national government: the municipal infrastructure grant for capital expenditure, the municipal systems improvement grant for capacity-building, and the local government equitable share for operating expenditure.

The rollout of the municipal infrastructure grant, which is a consolidation of key municipal infrastructure grants from national departments for funding infrastructure programmes, started in April 2004. The grant funds projects for water and sanitation services, roads, storm-water infrastructure, solid waste disposal, community services and other municipal services included in the integrated development plans (IDP). Projects typically involve local contractors and are labour intensive, targeting women and youth for employment and training in line with the expanded public works programme.

The department is working closely with other departments to integrate national government capacity-building grants to municipalities into a single, consolidated grant – the local government capacity-building grant. All capacity-building grants are being phased in so that municipalities will have more flexibility, discretion and decision-making power in how they use their funding.

Development planning

The Department of Provincial and Local Government continues to support municipalities to develop integrated development plans, which are participatory, strategic and implementation-oriented municipal planning instruments. IDP review hearings were held in all nine provinces and covered the 47 district and 6 metro municipal areas. These hearings brought together all three spheres of government and key role-players to examine municipal IDPs. Proposals to make each IDP more realistic and sustainable were made, and will be incorporated into future reviews. The main outcome was an improved understanding and commitment across government about local level development challenges and how to improve service delivery.

Work will continue to consolidate the new planning system. Municipalities will get direct strategic support as well as support through the provinces and planning implementation management support centres. The department is active in its support to The Presidency initiative to align the national spatial development perspective (NSDP), the provincial growth and development strategies (PGDS) and IDPs. The model for this alignment was approved by Cabinet in February 2005. The NSDP is being updated and was extensively discussed during the IDP hearings. Guidelines for PGDSs were developed, and an assessment of IDPs was conducted leading to stronger synergy between PGDSs and IDPs.

Intergovernmental relations

Effective intergovernmental relations are necessary for unified action to reverse the effects of poverty and underdevelopment. Since 2001, the Department of Provincial and Local Government has introduced a number of measures to improve intergovernmental co-ordination, or collaborated with other national departments to do this.

The priority over the next decade for the governance and administration cluster is to constitute a government capable of addressing the development challenges arising from the co-existence of two economies and of implementing its programmes, particularly at the local level. Government must function as a cohesive force for social and economic transformation, directing its leadership, resources and services at the poor in a targeted and sustainable way. The implementation of the Intergovernmental Relations Framework Act (2005) will be the department's key focus over the medium term. The emphasis will be on achieving outcomes-based intergovernmental relations through a support programme and monitoring system.

Rural development and urban renewal

The integrated sustainable rural development programme (ISRDP) and the urban renewal programme (URP), which co-ordinate projects for improving service delivery and alleviating poverty, will continue to focus on their key target groups – the poor, the marginalised, the underdeveloped and the disadvantaged. The programmes need to maximise the impact of all government resources and know-how in the 21 identified rural and urban nodes. Following a

review of progress on the nodes, interventions to support the nodes financially and technically have been crafted for national sector departments and the clusters of the forum of South African directors-general (Fosad). The interventions will be implemented from 2006/07.

A guide for national departments' participation in implementing the ISRDP and URP has also been finalised, setting out the specific roles and responsibilities for each department or cluster in relation to the nodes.

A programme for hands-on local economic development support for the nodes has now begun in partnership with the Business Trust. The programme intends to do economic profiles of the nodes and undertake appropriate local economic development interventions, per node.

Challenges for the medium term

The main challenge is for the whole of government to achieve an integrated capacity-building programme, targeted at improving local level service delivery. The twin focus of Project Consolidate - hands-on support and refining the policy and regulatory environment - will have to be intensified. Strengthening the macro-organisation of the state, focused on local level delivery and efforts at improving local government in five key performance areas, will require dedicated attention in the department. The five areas are: municipal transformation and institutional development, financial viability, basic service delivery and infrastructure, local economic development and good governance

Expenditure estimates

Table 5.1 Provincial and Local Government

Programme		Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
		2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	
R thousand									
1.	Administration	66 426	88 222	102 762	103 640	105 733	123 993	128 201	135 218
2.	Governance, Policy and Research	18 431	20 371	20 473	24 041	24 846	29 287	30 813	34 480
3.	Urban and Rural Development	4 819	3 371	5 536	8 953	8 296	10 729	11 280	11 844
4.	Systems and Capacity Building	36 951	64 237	70 708	91 139	87 978	109 798	118 630	120 298
5.	Free Basic Services and Infrastructure	11 199	14 154	27 092	37 227	37 421	40 458	41 803	45 623
6.	Provincial and Local Government Transfers	6 387 087	9 203 092	12 840 923	15 631 202	15 631 202	24 523 240	27 424 184	31 027 857
7.	Fiscal Transfers	45 044	62 807	70 736	82 791	82 791	65 935	69 534	77 727
Total		6 569 957	9 456 254	13 138 230	15 978 993	15 978 267	24 903 440	27 824 445	31 453 046
	Change to 2005 Budget estimate				398 216	397 490	6 414 591	7 621 783	9 673 168

Table 5.1 Provincial and Local Government (continued)

R thousand	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06		2006/07	2007/08	2008/09
Economic classification								
Current payments	136 220	190 667	229 728	267 505	265 569	322 600	342 597	361 149
Compensation of employees	46 315	51 846	71 918	103 556	94 345	140 400	147 900	155 327
Goods and services	89 558	136 529	157 681	163 949	171 203	182 200	194 697	205 823
<i>of which:</i>								
<i>Communication</i>	4 412	5 715	6 686	6 259	5 102	7 181	7 570	7 897
<i>Computer Services</i>	576	823	1 208	2 254	2 567	2 342	2 468	2 591
<i>Consultants, contractors and special services</i>	36 688	60 484	49 141	57 840	58 630	75 435	79 127	85 894
<i>Inventory</i>	1 965	2 736	3 222	3 286	3 841	4 819	5 108	5 301
<i>Maintenance repair and running cost</i>	917	1 345	1 657	2 190	1 760	1 594	1 678	1 762
<i>Operating leases</i>	13 194	15 329	17 896	19 844	20 729	20 816	22 425	24 132
<i>Travel and subsistence</i>	18 736	35 282	34 529	27 661	28 681	25 304	27 121	29 455
Financial transactions in assets and liabilities	347	2 292	129	–	21	–	–	–
Transfers and subsidies	6 427 895	9 258 091	12 902 962	15 705 000	15 705 166	24 574 782	27 477 479	31 087 309
Provinces and municipalities	6 387 225	9 203 250	12 841 143	15 631 565	15 631 504	24 523 418	27 424 184	31 027 857
Departmental agencies and accounts	40 670	52 501	60 126	67 814	67 814	49 724	51 572	57 597
Public corporations and private enterprises	–	78	52	121	62	–	–	–
Foreign governments and international organisations	–	190	114	–	–	–	–	–
Non-profit institutions	–	1 500	1 500	5 500	5 500	1 590	1 670	1 800
Households	–	572	27	–	286	50	53	55
Payments for capital assets	5 842	7 496	5 540	6 488	7 532	6 058	4 369	4 587
Machinery and equipment	5 842	6 366	5 100	6 249	6 982	6 038	4 348	4 565
Software and other intangible assets	–	1 130	440	239	550	20	21	22
Total	6 569 957	9 456 254	13 138 230	15 978 993	15 978 267	24 903 440	27 824 445	31 453 046

Expenditure trends

Expenditure increased at an average annual rate of 34,5 per cent between 2002/03 and 2005/06, and is expected to rise further over the 2006 MTEF, reaching R31,5 billion in 2008/09, an increase of 25,3 per cent, which includes an additional amount of R26,3 billion over the 2006 MTEF.

The growth is mainly due to the provisions for the local government equitable share and the municipal infrastructure grant, which on average account for 69,4 per cent and 27,6 per cent of the department's budget over the 2006 MTEF, respectively. The increase in the transfer amounts offsets the growth in expenditure in operational costs (total expenditure excluding transfers), which consumed 2,2 per cent of the department's total expenditure in 2002/03, dropping to 1,5 per cent in 2006/07.

Departmental receipts

Departmental receipts are limited and arise from the collection of parking fees, commissions on insurance policy deductions, subsidised vehicles and bursary repayments.

Table 5.2 Departmental receipts

R thousand	Audited outcome			Adjusted appropriation	Medium-term receipts estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Departmental receipts	1 202	599	806	92	92	94	101
Sales of goods and services produced by department	46	54	61	56	56	56	60
Sales of scrap, waste and other used current goods	–	2	1	1	1	1	1
Interest, dividends and rent on land	23	5	2	30	30	32	34
Sales of capital assets	–	82	–	–	–	–	–
Financial transactions in assets and liabilities	1 133	456	742	5	5	5	5
Total	1 202	599	806	92	92	94	101

Programme 1: Administration

The *Administration* programme conducts the overall management of the department and provides centralised support services.

Expenditure estimates

Table 5.3 Administration

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Minister ¹	691	747	791	837	887	934	981
Deputy Minister ²	536	603	625	649	688	725	761
Management	3 409	5 315	4 930	4 464	9 229	9 711	10 195
Corporate Services	45 821	57 054	69 369	64 338	75 441	78 650	82 586
Monitoring and Evaluation	2 425	6 746	9 765	14 052	17 088	15 873	16 666
Government Motor Transport	–	485	–	734	774	815	856
Property Management	13 197	14 980	17 153	18 566	19 886	21 493	23 173
Special Functions: Authorised Losses	347	2 292	129	–	–	–	–
Total	66 426	88 222	102 762	103 640	123 993	128 201	135 218
Change to 2005 Budget estimate				22 866	33 287	32 429	31 969

¹ Payable as from 1 April 2005. Salary: R 669 462. Car allowance: R 167 365.

² Payable as from 1 April 2005. Salary: R 519 399. Car allowance: R 129 849.

Economic classification

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Current payments	62 255	82 356	98 100	98 929	121 200	125 337	132 210
Compensation of employees	24 572	25 591	33 060	41 642	53 516	56 352	59 170
Goods and services	37 336	54 473	64 911	57 287	67 684	68 985	73 040
<i>of which:</i>							
Communication	4 165	5 389	6 339	5 163	6 057	6 379	6 697
Computer Services	481	663	836	2 054	2 136	2 249	2 361
Consultants, contractors and special services	2 976	16 486	6 051	6 627	10 476	8 924	9 372
Inventory	1 005	1 383	1 741	1 996	3 336	3 513	3 689
Maintenance repair and running cost	683	940	1 187	1 722	1 577	1 660	1 743
Operating leases	13 035	15 093	17 532	19 315	20 428	22 017	23 703
Travel and subsistence	6 599	6 754	7 499	8 394	8 159	8 592	9 022
Financial transactions in assets and liabilities	347	2 292	129	–	–	–	–

Table 5.3 Administration (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Transfers and subsidies	72	338	169	258	124	53	55
Provinces and municipalities	72	77	100	137	74	–	–
Public corporations and private enterprises	–	67	52	121	–	–	–
Households	–	194	17	–	50	53	55
Payments for capital assets	4 099	5 528	4 493	4 453	2 669	2 811	2 952
Machinery and equipment	4 099	5 373	4 402	4 214	2 649	2 790	2 930
Software and other intangible assets	–	155	91	239	20	21	22
Total	66 426	88 222	102 762	103 640	123 993	128 201	135 218

Expenditure trends

Expenditure grew steadily from R66,4 million in 2002/03 to R103,6 million in 2005/06, at an average annual rate of 16 per cent.

It is expected to increase at a lower rate of 9,3 per cent over the MTEF, reaching R135,2 million by 2008/09. The increase is mainly in the areas of monitoring and evaluation, communication, information systems and general office support systems, to improve service delivery and outputs.

From 1 April 2006, costs for leases and accommodation charges will be devolved from the Department of Public Works to individual departments. The Department of Provincial and Local Government received the following amounts: R19,9 million in 2006/07, R21,5 million in 2007/08 and R23,2 million in 2008/09. Expenditure has been adjusted for 2002/03 to 2005/06.

Programme 2: Governance, Policy and Research

The *Governance, Policy and Research* programme supports: the development of integrated and co-operative governance, constitutional principles and practices in intergovernmental relations, and an integrated system of planning and delivery. Activities include research and policy-making related to provincial and local government and the institutions of traditional leadership.

Apart from the *Management* subprogramme, there are five subprogrammes:

- *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 donors and international support.

Expenditure estimates

Table 5.4 Governance, Policy and Research

Subprogramme	Audited outcome			Adjusted	Medium-term expenditure estimate			
	2002/03	2003/04	2004/05	appropriation	2005/06	2006/07	2007/08	2008/09
R thousand								
Management	1 514	2 324	1 957	1 153	1 358	1 428	1 499	
Intergovernmental Relations	5 861	4 611	5 008	6 457	8 338	8 773	10 527	
Development Planning	5 142	3 746	3 256	4 783	5 313	5 591	5 871	
Local Economic Development	1 562	3 332	2 834	1 965	3 130	3 294	3 459	
Traditional Leadership and Institutions	4 352	4 490	4 367	5 203	6 013	6 325	6 642	
International and Donor Relations	–	1 868	3 051	4 480	5 135	5 402	6 482	
Total	18 431	20 371	20 473	24 041	29 287	30 813	34 480	
Change to 2005 Budget estimate				(1 500)	(632)	(817)	380	
Economic classification								
Current payments	18 146	19 879	20 249	23 944	29 260	30 813	34 480	
Compensation of employees	7 860	8 367	12 446	15 657	19 629	20 668	21 702	
Goods and services	10 286	11 512	7 803	8 287	9 631	10 145	12 778	
<i>of which:</i>								
<i>Consultants, contractors and special services</i>	<i>5 056</i>	<i>6 402</i>	<i>2 326</i>	<i>2 631</i>	<i>3 558</i>	<i>3 745</i>	<i>5 058</i>	
<i>Inventory</i>	<i>254</i>	<i>281</i>	<i>302</i>	<i>264</i>	<i>239</i>	<i>252</i>	<i>264</i>	
<i>Maintenance repair and running cost</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>	
<i>Operating leases</i>	<i>102</i>	<i>113</i>	<i>122</i>	<i>150</i>	<i>107</i>	<i>112</i>	<i>118</i>	
<i>Travel and subsistence</i>	<i>3 614</i>	<i>3 561</i>	<i>3 797</i>	<i>2 911</i>	<i>3 374</i>	<i>3 553</i>	<i>4 730</i>	
Transfers and subsidies	23	227	162	56	27	–	–	
Provinces and municipalities	23	26	38	56	27	–	–	
Public corporations and private enterprises	–	11	–	–	–	–	–	
Foreign governments and international organisations	–	190	114	–	–	–	–	
Households	–	–	10	–	–	–	–	
Payments for capital assets	262	265	62	41	–	–	–	
Machinery and equipment	262	265	62	41	–	–	–	
Total	18 431	20 371	20 473	24 041	29 287	30 813	34 480	

Expenditure trends

Expenditure rose from R18,4 million in 2002/03 to R24 million in 2005/06, at an average annual rate of 9,3 per cent. It is expected to continue to grow at a rate of 12,8 per cent over the 2006 MTEF, reaching R34,5 million by 2008/09. The growth is due to increased commitments in intergovernmental and international relations.

Expenditure on the *International and Donor Relations* subprogramme is expected to rise from R1,9 million in 2003/04 to R6,5 million in 2008/09, a rate of 28,3 per cent, to cater for South Africa's increasing involvement in the Southern African Development Community (SADC) region and the rest of Africa in governance and local government matters.

Expenditure in the *Local Economic Development* subprogramme increases in 2003/04 due to the finalisation of the social plan grant, and decreases again in 2004/05 to accommodate the existing staff establishment. Increases over the medium term are in response to prioritising these activities, which are also supplemented by foreign donor funding.

Service delivery objectives and indicators

Recent outputs

The 2005 targets were met, as follows.

Legal framework

The Intergovernmental Relations Framework Act (2005) was promulgated in August 2005. The act was workshopped with all nine provinces, all of which have begun to implement it. Guidelines governing the assignment of powers and functions were also gazetted.

Development planning

The integrated development plan review process was completed, and a report submitted to the July 2005 Cabinet lekgotla. Guidelines on provincial growth and development strategies were introduced in conjunction with the Presidency. A revised urban development framework was finalised for submission to Cabinet in the new year.

Traditional leadership

The six affected provinces passed the legislation required by the Traditional Leadership and Governance Framework Act (2003). The Commission on Traditional Leadership Disputes and Claims has begun processing disputes. A policy framework on Khoisan traditional leadership is at an advanced stage of development, and will be completed in 2006/07.

International and donor relations

Standard operating procedures for managing donor funds were introduced in the department. Several countries undergoing governance reform, including the Democratic Republic of Congo, received active support. The SADC forum of local government ministers has adopted a proposal to establish a local government desk and a protocol on local government.

Selected medium-term output targets

Governance, Policy and Research

Measurable objective: Maintain effective and predictable intergovernmental relations between national government, provinces and municipalities to improve governance in accordance with government's five-year programme of action by developing and implementing policies, systems and programmes of support.

Subprogramme	Output	Measure/indicators	Target
Intergovernmental Relations	Intergovernmental Relations Framework Act (2005) implemented	Practitioners manual introduced Report on implementation of act submitted to Cabinet	June 2006 December 2006
Development Planning	Adoption of IDPs and budgets improved	IDP review covering the IDPs of all districts and metros	June 2006
	Legislation to improve regulation of planning	Draft bill introduced	August 2006
Local Economic Development	Local economic development framework implemented	Local economic development framework linked to national and provincial strategies	May 2006
Traditional Leadership and Institutions	Traditional Leadership Framework Governance Act (2003) implemented	Plan for establishing district houses, as required by the act, adopted by MinMEC	June 2006
International and Donor Relations	Charter on local government in SADC	Protocol adopted by SADC Council	February 2007
	Expenditure of donor funds improved	System to monitor expenditure of donor funds introduced	June 2006

Programme 3: Urban and Rural Development

The *Urban and Rural Development* programme supports the effective implementation of the presidential urban renewal programme and the presidential integrated sustainable rural development programme. Activities involve formulating practical approaches and systems for strengthening co-operation between the spheres of government and government agencies and non-governmental partners. Activities also centre on developing and maintaining information systems for improved monitoring and evaluation of the programme.

Apart from the *Management* subprogramme, there are four subprogrammes:

- *Urban Renewal Programme Management* provides support to and co-ordination across government for the programme.
- *Urban Renewal Monitoring and Evaluation* manages a national system to enable reporting and impact assessment.
- *Integrated Sustainable Rural Development Programme Management* provides support to and co-ordination across government for the programme.
- *Integrated Sustainable Rural Development Monitoring and Evaluation* manages a national system to enable reporting and impact assessment.

Expenditure estimates

Table 5.5 Urban and Rural Development

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Management	–	360	1 294	1 912	2 115	2 222	2 333
Urban Renewal Programme Management	2 412	1 383	860	1 784	1 880	1 977	2 076
Urban Renewal Monitoring and Evaluation	–	365	978	1 827	1 985	2 089	2 193
Integrated Sustainable Rural Development Programme Management	2 407	691	1 051	1 758	2 458	2 584	2 713
Integrated Sustainable Rural Development Monitoring and Evaluation	–	572	1 353	1 672	2 291	2 408	2 529
Total	4 819	3 371	5 536	8 953	10 729	11 280	11 844
Change to 2005 Budget estimate				(300)	(572)	(659)	(1 027)

Economic classification

	4 180	3 220	5 465	8 935	10 652	11 216	11 776
Current payments							
Compensation of employees	3	1 018	3 620	5 604	7 379	7 770	8 158
Goods and services	4 177	2 202	1 845	3 331	3 273	3 446	3 618
<i>of which:</i>							
<i>Consultants, contractors and special services</i>	2 802	1 630	232	1 493	1 839	1 936	2 033
<i>Inventory</i>	47	33	48	99	35	37	39
<i>Maintenance repair and running cost</i>	2	1	2	10	–	–	–
<i>Operating leases</i>	12	9	13	80	41	43	45
<i>Travel and subsistence</i>	612	471	2 040	1 106	859	905	950

Table 5.5 Urban and Rural Development (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Transfers and subsidies	–	2	11	18	16	–	–
Provinces and municipalities	–	2	11	18	16	–	–
Payments for capital assets	639	149	60	–	61	64	67
Machinery and equipment	639	149	60	–	61	64	67
Total	4 819	3 371	5 536	8 953	10 729	11 280	11 844

Expenditure trends

The rapid growth in expenditure from R4,8 million to R9 million over the 2003 MTEF, an average annual increase of 22,9 per cent, was due to the increase in capacity for the required planning, co-ordination and monitoring of the urban and rural development programmes. Given the programme's predominantly co-ordinating, monitoring and evaluation role, the increase in expenditure is expected to stay at a lower rate of 9,8 per cent over the 2006 MTEF, reaching R11,8 million in 2008/09.

Service delivery objectives and indicators

Recent outputs

Interventions for Fosad clusters and nodal projects were completed, and aligned to the programmes announced by the president in the 2004 and 2005 state of the nation addresses and government's programme of action for 2005/06. Working sessions were held with national sector departments and clusters, to facilitate planning and funding for the nodes from 2006/07. Existing nodal anchor projects were analysed to determine the links with other sectors, the current contribution of stakeholders, and the nodes' funding and resource needs.

Selected medium-term output targets

Urban and Rural Development

Measurable objective: Improve service delivery and development opportunities in the nodal municipalities of the urban renewal programme and the integrated sustainable rural development programme by implementing and maintaining alignment and integration protocols across all spheres of government.

Subprogramme	Output	Measure/indicators	Target
Urban Renewal Programme Management	Alignment and integration protocols implemented and maintained	Nodal IDPs reviewed	March 2007
Urban Renewal Monitoring and Evaluation	Strategic management of information	Frequency of monitoring and evaluation	Quarterly
Integrated Sustainable Rural Development Programme Management	Alignment and integration protocols implemented and maintained	Nodal IDPs reviewed	March 2007
Integrated Sustainable Rural Development Monitoring and Evaluation	Strategic management of information Impact of programme monitored and evaluated	Frequency of monitoring and evaluation Nodal impact assessment	Quarterly July 2006

Programme 4: Systems and Capacity Building

The *Systems and Capacity Building* programme provides support to local government to promote development, and manages the national disaster management centre. The main emphasis of the programme is on building systems, in particular financial management, administrative and institutional systems, managing performance and building capacity.

Apart from *Management*, there are nine subprogrammes:

- *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 5.6 Systems and Capacity Building

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Management	1 724	1 639	1 156	1 268	1 205	1 269	2 830
Intergovernmental Fiscal Relations	16 797	3 232	4 132	19 827	6 078	6 474	14 702
Local Government Institutional and Administrative Systems	1 883	3 618	3 620	4 220	5 430	5 712	5 998
Capacity Building Systems	4 413	4 316	2 075	5 172	–	–	23 026
Disaster Management	8 241	32 588	30 945	41 137	34 142	36 032	39 834
Municipal Performance Monitoring and Support	3 893	18 844	24 941	12 673	20 590	21 203	24 566
Municipal Leadership Development Programme	–	–	1 556	1 774	2 440	2 567	3 080
Anti-Corruption	–	–	1 765	2 863	2 728	2 872	3 016
Local Government Equity and Development	–	–	518	2 205	2 936	3 092	3 246
Project Consolidate	–	–	–	–	34 249	39 409	–
Total	36 951	64 237	70 708	91 139	109 798	118 630	120 298
Change to 2005 Budget estimate				23 190	29 334	35 089	30 235
Economic classification							
Current payments	36 367	62 990	70 241	84 064	106 791	117 506	119 118
Compensation of employees	10 371	11 947	14 031	21 835	34 639	36 533	38 393
Goods and services	25 996	51 043	56 210	62 229	72 152	80 973	80 725
<i>of which:</i>							
<i>Consultants, contractors and special services</i>	19 749	26 472	25 104	28 517	42 835	46 671	48 598
<i>Inventory</i>	407	707	824	587	638	705	678
<i>Maintenance repair and running cost</i>	231	402	466	457	2	2	2
<i>Travel and subsistence</i>	4 061	19 300	14 748	5 291	5 041	5 784	5 186

Table 5.6 Systems and Capacity Building (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Transfers and subsidies	32	35	42	6 034	30	-	-
Provinces and municipalities	32	35	42	84	30	-	-
Departmental agencies and accounts	-	-	-	1 950	-	-	-
Non-profit institutions	-	-	-	4 000	-	-	-
Payments for capital assets	552	1 212	425	1 041	2 977	1 124	1 180
Machinery and equipment	552	237	425	1 041	2 977	1 124	1 180
Software and other intangible assets	-	975	-	-	-	-	-
Total	36 951	64 237	70 708	91 139	109 798	118 630	120 298

Details of major transfers and subsidies:

Departmental agencies and accounts							
Public entities							
Current	-	-	-	1 950	-	-	-
Council of Geoscience	-	-	-	1 950	-	-	-
Non-profit institutions							
Current	-	-	-	4 000	-	-	-
The South African Red Cross Society	-	-	-	4 000	-	-	-

Expenditure trends

Expenditure is expected to rise steadily over the seven-year period, from R37 million in 2002/03 to R120,3 million in 2008/09, an average annual increase of 21,7 per cent. Much of the growth is on the *Municipal Performance Monitoring and Support* and *Capacity Building Systems* subprogrammes for implementing and supporting performance management and capacity-building systems in municipalities and monitoring municipalities' performance.

The continued high level of expenditure for the *Disaster Management* subprogramme, accounting for, on average, 34,9 per cent of the programme's budget over the 2006 MTEF, is to provide for the Working on Fire project, which contributes to aerial support in certain fire-fighting operations.

A separate subprogramme has been created from 2006/07 for the specific allocations approved for Project Consolidate, which in previous years, together with the profiling of municipalities, was included under *Intergovernmental Fiscal Relations*. The personnel and funds allocated to the *Capacity Building Systems* subprogramme have been moved to the *Project Consolidate* subprogramme for 2006/07 and 2007/08.

Service delivery objectives and indicators

Recent outputs

Last year's targets were met, as follows.

Disaster management

The final national disaster management framework was published in the Government Gazette in April 2005 and draft regulations were published for public comment in September 2005. Several provinces receiving aerial support to extinguish bush and forest fires through the Working on Fire programme and the South African Air Force.

Local government

Following the review of the local government equitable share formula, a revised formula was used to make disbursements to municipalities. A draft report on the remuneration of municipal councillors has also been finalised by the department and the South African Local Government Association.

Project Consolidate

In April 2005, a group of experts, known as service delivery facilitators and drawn primarily from the local government sector, were deployed to 20 Project Consolidate municipalities to help address critical service delivery, local governance and billing challenges.

Selected medium-term output targets

Systems and Capacity Building

Measurable objectives: A sustainable system of local government that fosters integrated development and service delivery through monitoring and support for building capacity and developing systems.

Subprogramme	Output	Measure/indicator	Target
Intergovernmental Fiscal Relations	Management and administration of local government equitable share and municipal systems improvement grant	Frequency of disbursement and management of grants in line with the Division of Revenue Act	Quarterly
	Support to municipalities to comply with local government finance legislation with a focus on Project Consolidate municipalities	Phased implementation of the Local Government: Municipal Property Rates Act (2004)	Ongoing
Local Government Institutional and Administrative Systems	Regulation of local government administrative systems in line with the Municipal Systems Act (2000)	Publish first set of key regulations on administrative systems in local government	March 2007
	Legislation and implementation of legislation for unified conditions of employment	Table legislation on unified conditions of employment in local government	March 2007
Disaster Management	Implementation of the Disaster Management Act (2002)	Functional disaster management structures established and regulations under the act finalised	December 2006
	Disaster management plans submitted by the three spheres of government	Evaluation of disaster management plans	November 2006
Municipal Performance Monitoring and Support	Local government performance management	Local government performance management framework developed	December 2006
	National monitoring and early warning system established	Frequency of performance reports per key performance area submitted Percentage of early warning signs and areas addressed	Quarterly 100%
Municipal Leadership Development Programme	Establishment of a leadership development programme responsible for capacity building and leadership development programmes for councillors and senior local government officials	Leadership development programme for first cohort of councillors and senior local government officials launched	March 2007
Anti-Corruption	Local government anti-corruption strategy and implementation plan	All municipalities developing and implementing anti-corruption strategies based on framework provided	March 2007
Local Government Equity and Development	Gender policy for local government	Gender policy framework developed	December 2006
	Co-ordinated developmental local governance responses to HIV and Aids	Framework and implementation plan in place	March 2007
Project Consolidate	Progressive deployment of service delivery facilitators and appropriate resources from national and provincial government, state-owned enterprises and key stakeholders to effect progress in the 5 key performance areas	Number of municipalities receiving hands-on support	All 136 municipalities March 2007
	Refinement of the policy, regulatory and fiscal environment of local government	Guidelines and regulations and appropriate amendments to legislation	March 2007

Programme 5: Free Basic Services and Infrastructure

The *Free Basic Services and Infrastructure* programme supports local government to enable it to deliver sustainable infrastructure and increase access to basic services, including free basic services such as water and electricity.

Apart from the *Management* subprogramme, there are four subprogrammes:

- *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 the private sector, the public sector, non-governmental organisations and community-based organisations in service delivery.
- *Public Participation and Empowerment* facilitates effective interaction and communication between municipalities and communities.

Expenditure estimates

Table 5.7 Free Basic Services and Infrastructure

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Management	–	1 173	1 912	2 375	1 834	1 929	2 026
Municipal Infrastructure	8 509	9 643	17 276	25 354	27 668	28 343	29 761
Free Basic Services Co-ordination	935	956	2 949	3 580	3 762	3 958	4 750
Municipal Service Partnerships	–	–	1 547	3 099	4 024	4 234	5 080
Public Participation and Empowerment	1 755	2 382	3 408	2 819	3 170	3 339	4 006
Total	11 199	14 154	27 092	37 227	40 458	41 803	45 623
Change to 2005 Budget estimate				(2 500)	(4 531)	451	1 043
Economic classification							
Current payments	10 922	13 898	26 600	36 517	40 081	41 433	45 235
Compensation of employees	2 534	3 637	7 496	15 527	19 804	20 855	21 898
Goods and services	8 388	10 261	19 104	20 990	20 277	20 578	23 337
<i>of which:</i>							
<i>Communication</i>	10	12	22	166	221	232	244
<i>Consultants, contractors and special services</i>	6 015	7 838	14 177	13 972	13 530	13 471	15 010
<i>Inventory</i>	149	188	271	290	445	469	492
<i>Operating leases</i>	4	56	163	210	240	253	265
<i>Travel and subsistence</i>	1 192	1 445	1 654	4 159	3 467	3 651	4 698
Transfers and subsidies	7	12	22	57	26	–	–
Provinces and municipalities	7	12	22	57	26	–	–
Payments for capital assets	270	244	470	653	351	370	388
Machinery and equipment	270	244	121	653	351	370	388
Software and other intangible assets	–	–	349	–	–	–	–
Total	11 199	14 154	27 092	37 227	40 458	41 803	45 623

Expenditure trends

Expenditure increased rapidly from R11,2 million in 2002/03 to R37,2 million in 2005/06, an average annual increase of 49,2 per cent. The increase was due to expanded capacity for the introduction of free basic services, the administration of the municipal infrastructure grant and the encouragement of public participation and partnerships in the local government sphere. With free basic services and public participation both priorities of the programme, there were sharp increases in expenditure in the *Free Basic Services Co-ordination* and *Public Participation and*

Empowerment subprogrammes in 2004/05 and higher levels of expenditure over the MTEF. Growth over the MTEF is expected to decline to a growth rate of 7 per cent, reaching R45,6 million in 2008/09. The management of the municipal infrastructure grant accounts for, on average, 67,4 per cent of the programme's total expenditure over the medium term.

Service delivery objective and indicators

Recent outputs

Last year's targets were met as follows.

Free basic services

A study on challenges facing the provision of free basic services was done, and a free basic services portal was set up at the same time. The portal will provide a platform for a database to monitor the provision of free basic services in municipalities.

Infrastructure

The approved plan to mobilise retired engineers, young graduates and students to help municipalities implement the municipal infrastructure grant is being piloted. Provincial task teams have been set up to improve the capacity of municipalities to implement infrastructure.

Municipal services partnerships

Municipal services partnership workshops were facilitated in the nine provinces with National Treasury, the Municipal Infrastructure Investment Unit and the Department of Water Affairs and Forestry's joint response task team. The guidelines and a standardised contract for municipal services partnerships have been finalised and will be available soon.

Public participation and empowerment

A total of 1 454 community development workers are now in learnerships and deployed in various municipalities by the Department of Public Service and Administration and the Department of Provincial and Local Government. The deployment of community development workers was complemented by a national workshop on public participation, which brought different stakeholders together to discuss ways of improving public participation.

Selected medium-term output targets

Free Basic Services and Infrastructure

Measurable objective: Strengthen the capacity of municipalities to deliver sustainable infrastructure and increase access to basic services through project management and infrastructure planning. Facilitate the provision of engineering services.

Subprogramme	Output	Measure/indicators	Target
Municipal Infrastructure	Management of the implementation of the municipal infrastructure grant	Percentage transfer of the indicative amount of R7,5 billion to municipalities	100%
Free Basic Services Co-ordination	Accelerated delivery of free basic services	Current baseline of current free basic services spending to indigent households established	March 2007
	Monitoring the provision of free basic services	Percentage of municipalities with functional indigent registers	80%
Municipal Services Partnerships	Promote the public sector as a preferred service delivery option	Promotion strategy finalised	April 2006

Subprogramme	Output	Measure/indicators	Target
Public Participation and Empowerment	Community development worker programme	Support unit for community development worker programme established	June 2007
	Development, implementation and monitoring of policy framework for public participation through ward committees	Policy framework implemented in all Project Consolidate municipalities	March 2007

Programme 6: Provincial and Local Government Transfers

The *Provincial and Local Government Transfers* programme is responsible for disbursing the equitable share and specific conditional grants 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.

Expenditure estimates

Table 5.8 Provincial and Local Government Transfers

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Provincial Transfers							
Local Government Capacity Building	241 244	232 339	220 459	–	–	–	–
Disaster Relief	–	27 213	–	40 700	–	–	–
Local Government Transfers							
Equitable Share	4 186 813	6 350 377	7 677 546	9 643 341	18 057 940	20 075 620	22 774 767
Municipal Systems Improvement Programme	93 831	150 993	182 243	200 000	200 000	200 000	200 000
Municipal Infrastructure Grant	1 865 199	2 442 170	4 480 675	5 436 161	6 265 300	7 148 564	8 053 090
Disaster Relief	–	–	280 000	311 000	–	–	–
Total	6 387 087	9 203 092	12 840 923	15 631 202	24 523 240	27 424 184	31 027 857
Change to 2005 Budget estimate				351 700	6 354 705	7 552 290	9 604 570

Economic classification

Transfers and subsidies	6 387 087	9 203 092	12 840 923	15 631 202	24 523 240	27 424 184	31 027 857
Provinces and municipalities	6 387 087	9 203 092	12 840 923	15 631 202	24 523 240	27 424 184	31 027 857
Total	6 387 087	9 203 092	12 840 923	15 631 202	24 523 240	27 424 184	31 027 857

Details of major transfers and subsidies:

Provinces and municipalities							
Provinces							
Provincial revenue funds							
Current	241 244	259 552	220 459	40 700	–	–	–
Local Government Capacity Building	241 244	232 339	220 459	–	–	–	–
Disaster Relief	–	27 213	–	40 700	–	–	–
Municipalities							
Municipal bank accounts							
Current	4 314 124	6 539 778	8 180 522	10 154 341	18 257 940	20 275 620	22 974 767
Equitable Share Transfer to Municipalities	4 186 813	6 350 377	7 677 546	9 643 341	18 057 940	20 075 620	22 774 767
Municipal Systems Improvement Programme	93 831	150 993	182 243	200 000	200 000	200 000	200 000
Disaster Relief	–	–	280 000	311 000	–	–	–
Municipal Infrastructure Grant	33 480	38 408	40 733	–	–	–	–
Capital	1 831 719	2 403 762	4 439 942	5 436 161	6 265 300	7 148 564	8 053 090
Municipal Infrastructure Grant	1 831 719	2 403 762	4 439 942	5 436 161	6 265 300	7 148 564	8 053 090

Expenditure trends

The programme provides for the local government equitable share and the department's conditional grants.

The increasing investment in infrastructure is reflected in the substantial growth of the municipal infrastructure grant, which increases from R1,9 billion in 2002/03 to R5,4 billion in 2005/06, an average annual increase of 42,8 per cent. It is expected to rise further, at an average annual rate of 14 per cent, reaching R8,1 billion in 2008/09.

The equitable share is expected to continue to grow strongly over the seven-year-period, rising from R4,2 billion in 2002/03 to R9,6 billion in 2005/06, an annual increase of 32,1 per cent. The equitable share is expected to rise further over the MTEF at a 33,2 per cent growth rate reaching R22,8 billion in 2008/09.

The increase over the medium term makes provision for an increase in free basic services, the Regional Services Council levies, and additional councillor subsidies in poorer municipalities.

Service delivery objectives and indicators

Recent outputs

In 2005, the funding provided through the municipal systems improvement grant supported the implementation of core municipal systems, the operations of the planning implementation management support centres; and the implementation of the revenue growth programmes.

Selected medium-term output targets

Provincial and Local Government Transfers

Measurable objective: Reinforce the pace and quality of municipal infrastructure development and promote the reforming and restructuring of service delivery by municipalities by managing the transfer of the equitable share and conditional grants to the provincial and local spheres.

Subprogramme	Output	Measure/indicators	Target
Local Government Equitable Share	Equitable share allocations transferred to all municipalities	Disbursement of quarterly equitable share allocations to all complying municipalities in terms of the Division of Revenue Act	100%
Municipal Systems Improvement Programme	Transfer of the grant to municipalities	Transfer of grant in compliance with the requirements of the Division of Revenue Act, with clearly defined outputs and conditions, and a payments schedule	100%
Municipal Infrastructure Grant	Transfer of the grant to municipalities	Transfer of grant in compliance with the requirements of the Division of Revenue Act, with clearly defined outputs and conditions, and a payments schedule	100%

Programme 7: Fiscal Transfers

The *Fiscal Transfers* programme makes funds available to public authorities and other institutions in terms of the agreements between government and the individual authority or institution.

Each subprogramme reflects a separate transfer. There are seven subprogrammes:

- *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* plays a leading role in developing municipal services partnerships to accelerate the equitable delivery of municipal services.
- *SA Cities Network* was established to further the co-operation between South African cities and maximise the benefits through 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 its 2002 act.
- *Commission on Traditional Leadership Disputes and Claims* was established in terms of the Traditional Leadership Framework Governance 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 5.9 Fiscal Transfers

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
South African Local Government Association	22 000	20 250	17 300	18 385	19 494	20 461	22 058
Municipal Demarcation Board	11 670	14 311	22 523	24 959	16 827	17 664	19 043
Municipal Infrastructure Investment Unit	7 000	10 000	10 600	11 234	–	–	–
South African Cities Network	–	1 500	1 500	1 500	1 590	1 670	1 800
Cultural, Religious and Linguistic Communities	–	9 140	9 703	11 286	13 403	13 447	16 496
Commission on Traditional Leadership Disputes and Claims	–	–	681	7 120	6 363	7 598	8 957
National House of Traditional Leaders	4 374	7 606	8 429	8 307	8 258	8 694	9 373
Total	45 044	62 807	70 736	82 791	65 935	69 534	77 727
Change to 2005 Budget estimate				4 760	3 000	3 000	5 999

Economic classification

Current payments	4 350	8 324	9 073	15 116	14 617	16 292	18 330
Compensation of employees	975	1 286	1 265	3 291	5 433	5 722	6 006
Goods and services	3 375	7 038	7 808	11 825	9 184	10 570	12 324
<i>of which:</i>							
<i>Communication</i>	195	257	256	296	281	295	310
<i>Consultants, contractors and special services</i>	90	1 656	1 251	4 600	3 197	4 379	5 823
<i>Inventory</i>	103	144	36	50	126	133	139
<i>Operating leases</i>	41	58	66	89	–	–	–
<i>Travel and subsistence</i>	2 658	3 751	4 791	5 800	4 404	4 637	4 870
Transfers and subsidies	40 674	54 385	61 633	67 375	51 318	53 242	59 397
Provinces and municipalities	4	6	7	11	4	–	–
Departmental agencies and accounts	40 670	52 501	60 126	65 864	49 724	51 572	57 597
Non-profit institutions	–	1 500	1 500	1 500	1 590	1 670	1 800
Households	–	378	–	–	–	–	–
Payments for capital assets	20	98	30	300	–	–	–
Machinery and equipment	20	98	30	300	–	–	–
Total	45 044	62 807	70 736	82 791	65 935	69 534	77 727

Details of major transfers and subsidies:

Departmental agencies and accounts							
Public entities							
Current	40 670	52 501	60 126	65 864	49 724	51 572	57 597
South African Local Government Association	22 000	20 250	17 300	18 385	19 494	20 461	22 058
Municipal Infrastructure Investment Unit	7 000	10 000	10 600	11 234	–	–	–
Municipal Demarcation Board	11 670	14 311	22 523	24 959	16 827	17 664	19 043
Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities	–	7 940	9 703	11 286	13 403	13 447	16 496
Non-profit institutions							
Current	–	1 500	1 500	1 500	1 590	1 670	1 800
South African Cities Network	–	1 500	1 500	1 500	1 590	1 670	1 800

Expenditure trends

Expenditure increased rapidly from R45 million in 2002/03 to R82,8 million in 2005/06, an average annual increase of 22,5 per cent. Over the MTEF, expenditure is expected to grow more slowly, rising from R65,9 million in 2006/07 to R77,7 million in 2008/09 at a growth rate of 8,6 per cent. This reflects the movements in the transfers to the entities that the programme funds.

The Municipal Infrastructure Investment Unit will wind up its operations by March 2006, which is why no further allocations have been made to it. The unit was set up for a specific period to develop municipal services partnerships to accelerate equitable delivery of municipal services.

The Municipal Demarcation Board received increased transfers in both 2004/05 and 2005/06 due to the 2006 local government elections.

The 2006 Budget provides additional allocations of R3 million for 2006/07, R3 million for 2007/08 and R6 million for 2008/09, for the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities and the Commission on Traditional Leadership Disputes and Claims. The increase in this subprogramme provides for assistance to the commission to facilitate negotiations where there are disputes and claims.

Service delivery objective and indicators

Recent outputs

South African Local Government Association

The South African Local Government Association is now an integrated unitary structure which incorporates the provincial structures. Major work has been done in the municipal salary and wage negotiations.

Municipal Demarcation Board

The final ward boundaries were handed over to the Independent Electoral Commission in preparation for the local government elections. The board completed all processes to end cross-boundary municipalities.

Municipal Infrastructure Investment Unit

Total disbursements for 2004/05 were R10,6 million. Of the 41 current projects, 3 are likely to be completed at the end of 2005/06, with anticipated disbursements of R11,2 million.

SA Cities Network

In 2005, three pilot seminars were successfully launched on: urban migration and how cities cope with the phenomenon, determining the state of preparedness to host the 2010 Soccer World Cup, and the launch of the HIV and Aids research series. The second edition of the State of Cities report is scheduled to be launched in July 2006.

Commission on Traditional Leadership Disputes and Claims

Set up in November 2004, the commission became fully operational in 2005/06 and conducted hearings in all provinces concerning matters affecting traditional kings and queens, as required by legislation.

National House of Traditional Leaders

Significant advances were made in discussions with SADC and other African countries on common issues, including the possible establishment of an African house of traditional leaders.

Public entities reporting to the Minister

Municipal Infrastructure Investment Unit

The Municipal Infrastructure Investment Unit (MIIU) is a non-profit company created in 1998 to leverage private sector resources to deliver service backlogs in municipalities. The MIIU has the status of an association incorporated under section 21 of the Companies Act (1973). It was conceived as a five-year intervention to develop a market for technical assistance for project preparation in the sphere of municipal infrastructure and services.

The unit provides technical and legal services to municipalities that have a keen interest in entering into partnership arrangements, and helps municipalities find innovative solutions to critical problems with the financing and management of essential municipal services. In previous years, the MIIU received grant funding both from government and from international donors.

The MIIU was initially scheduled to wind down its operations in March 2003. Cabinet subsequently extended its lifespan to March 2006. Plans are under way to close operations in accordance with the Companies Act (1973).

South African Local Government Association

The South African Local Government Association (SALGA) was created in 1996 and registered as a non-profit association. SALGA has a mandate to represent the interests of organised local government in the intergovernmental relations system. It promotes sound labour practices, giving voice to the interests of local government at national and provincial levels and in intergovernmental processes, as well as building the capacity of local government. The organisation was recognised by government in January 1998 as the one national organisation representing the majority of provincial organisations in terms of section 2 of the Organised Local Government Act (1997).

SALGA is funded through a combination of sources, including a national government grant, membership fees from provincial and local government associations that are voluntary members, and donations from the donor community for specific projects.

The budget for 2005/06 reflected total expenditure of R153,2 million against revenue of R161,9 million. Approximately half the estimated expenditure for 2005/06 was funded from membership levies, 11,4 per cent from the national government grant and 33,4 per cent from donor funding (for specific projects). Over the medium to long term, the government grant should become a smaller proportion of total funding. Total transfers received by SALGA increase from R73,4 million in 2005/06 to R85,5 million in 2008/09. This allows for a steadily growing surplus over the medium term.

The main areas of achievement in 2005/06 have been improved internal controls and organisational structures, improved relationships with international communities, particularly in Africa, successful implementation of the annual salary increase sector wide, and a substantial increase in the collection ratio of membership fees. The new SALGA strategy responds to the challenges facing organised local government, addresses past weaknesses, and drives forward the process of consolidating the local government transformation process. A focus will be on supporting improvements in local government service delivery, particularly in areas such as the provision of water services.

Table 5.10 Financial summary for the South African Local Government Association (SALGA)

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Unaudited		2005/06	2006/07	2007/08
R thousand	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
INCOME STATEMENT SUMMARY							
Revenue							
Non-tax revenue	3 890	1 956	15 288	88 549	93 862	98 837	103 778
Transfers received	26 078	29 522	24 300	73 385	72 183	81 420	85 491
Total revenue	29 968	31 478	39 588	161 934	166 045	180 256	189 269
Expenses							
Current expense	39 285	60 459	98 640	96 149	96 313	106 763	112 003
Compensation of employees	17 075	28 212	46 870	49 390	54 022	56 885	59 729
Goods and services	21 952	31 719	50 636	46 055	41 576	49 126	51 483
Depreciation	258	266	808	674	714	752	790
Interest, dividends and rent on land	–	262	326	30	–	–	–
Transfers and subsidies	3 441	11 805	6 662	57 061	60 485	63 691	66 876
Total expenses	42 726	72 264	105 302	153 210	156 797	170 454	178 878
Surplus / (Deficit)	(12 758)	(40 786)	(65 714)	8 724	9 248	9 803	10 391
BALANCE SHEET SUMMARY							
Carrying value of assets	962	1 496	7 769	8 050	8 533	8 985	9 435
Investments	–	–	4 202	–	–	–	–
Receivables and prepayments	3 050	6 958	21 942	5 272	3 290	3 093	2 907
Cash and cash equivalents	8 531	6 482	8 309	8 760	9 636	10 600	11 660
Total assets	12 543	14 936	42 222	22 082	21 459	22 678	24 001
Capital and reserves	1 183	(1 366)	18 081	12 846	16 902	18 418	19 709
Borrowings	–	–	957	–	–	–	–
Trade and other payables	11 360	15 229	20 647	6 534	1 680	1 196	1 028
Provisions	–	1 073	2 537	2 702	2 878	3 065	3 264
Total equity and liabilities	12 543	14 936	42 222	22 082	21 459	22 678	24 001

Data provided by the South African Local Government Association.

Annexure

Vote 5: Provincial and Local Government

Table 5.A: Summary of expenditure trends and estimates per programme and economic classification

Table 5.B: Summary of personnel numbers and compensation of employees

Table 5.C: Summary of expenditure on training

Table 5.D: Summary of conditional grants to provinces and local government (municipalities)¹

Table 5.E: Summary of official development assistance expenditure

Table 5.F: Summary of expenditure on infrastructure

Table 5.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	2004/05		2004/05	2005/06			2005/06
1. Administration	88 266	103 782	102 762	80 774	22 866	103 640	105 733
2. Governance, Policy and Research	26 978	26 043	20 473	25 541	(1 500)	24 041	24 846
3. Urban and Rural Development	9 878	9 020	5 536	9 253	(300)	8 953	8 296
4. Systems and Capacity Building	64 819	66 748	70 708	67 949	23 190	91 139	87 978
5. Free Basic Services and Infrastructure	28 989	35 753	27 092	39 727	(2 500)	37 227	37 421
6. Provincial and Local Government Transfers	12 566 924	12 840 924	12 840 923	15 279 502	351 700	15 631 202	15 631 202
7. Fiscal Transfers	64 914	72 264	70 736	78 031	4 760	82 791	82 791
Total	12 850 768	13 154 534	13 138 230	15 580 777	398 216	15 978 993	15 978 267

Economic classification

	222 168	246 204	229 728	229 018	38 487	267 505	265 569
Current payments							
Compensation of employees	108 185	96 344	71 918	121 056	(17 500)	103 556	94 345
Goods and services	113 983	149 860	157 681	107 962	55 987	163 949	171 203
Financial transactions in assets and liabilities	–	–	129	–	–	–	21
Transfers and subsidies	12 623 193	12 902 923	12 902 962	15 345 969	359 031	15 705 000	15 705 166
Provinces and municipalities	12 567 267	12 841 266	12 841 143	15 279 865	351 700	15 631 565	15 631 504
Departmental agencies and accounts	44 923	50 423	60 126	64 604	3 210	67 814	67 814
Public corporations and private enterprises	–	31	52	–	121	121	62
Foreign governments and international organisations	–	–	114	–	–	–	–
Non-profit institutions	9 503	9 703	1 500	1 500	4 000	5 500	5 500
Households	1 500	1 500	27	–	–	–	286
Payments for capital assets	5 407	5 407	5 540	5 790	698	6 488	7 532
Machinery and equipment	5 407	5 407	5 100	5 551	698	6 249	6 982
Software and intangible assets	–	–	440	239	–	239	550
Total	12 850 768	13 154 534	13 138 230	15 580 777	398 216	15 978 993	15 978 267

Table 5.B Summary of personnel numbers and compensation of employees

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
A. Permanent and full-time contract employees							
Compensation (R thousand)	46 315	51 846	71 527	120 953	140 013	147 493	154 899
Unit cost (R thousand)	167	173	209	263	280	295	310
Compensation as % of total	100.0%	100.0%	99.5%	99.9%	99.7%	99.7%	99.7%
Personnel numbers (head count)	277	300	342	460	500	500	500
C. Interns							
Compensation of interns (R thousand)	–	–	391	103	387	407	428
Unit cost (R thousand)	–	–	15	26	14	14	14
Number of interns	–	–	26	4	28	29	30
Total for department							
Compensation (R thousand)	46 315	51 846	71 918	121 056	140 400	147 900	155 327
Unit cost (R thousand)	167	173	195	261	266	280	293
Personnel numbers (head count)	277	300	368	464	528	529	530

Table 5.C Summary of expenditure on training

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Training and staff development							
Expenditure (R thousand)	928	2 523	2 546	1 350	990	1 042	1 095
Number of employees trained (head count)	132	233	233	140	126	126	126
Bursaries (employees)							
Expenditure (R thousand)	119	156	140	250	400	421	442
Number of employees (head count)	2	63	50	70	90	90	90
Total	1 047	2 679	2 686	1 600	1 390	1 463	1 537
Number of employees	134	296	283	210	216	216	216

Table 5.D Summary of conditional grants to provinces and local government (municipalities)¹

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Conditional grants to provinces							
6. Provincial and Local Government Transfers							
Local Government Capacity Building	241 244	232 339	220 459	–	–	–	–
Disaster Relief	–	27 213	–	40 700	–	–	–
Total	241 244	259 552	220 459	40 700	–	–	–
Conditional grants to local government (municipalities)							
6. Provincial and Local Government Transfers							
Municipal Systems Improvement Programme	93 831	150 993	182 243	200 000	200 000	200 000	200 000
Municipal Infrastructure Grant	1 865 199	2 442 170	4 439 942	5 436 161	6 265 300	7 148 564	8 053 090
Disaster Relief	–	–	280 000	311 000	–	–	–
Total	1 959 030	2 593 163	4 902 185	5 947 161	6 465 300	7 348 564	8 253 090

1. Detail provided in the Division of Revenue Act (2006).

Table 5.E Summary of official development assistance expenditure

Donor	Project	Cash/ kind	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
			2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand									
Local									
Dept of Foreign Affairs	African Renaissance Fund	Cash	–	–	–	2 000	–	–	–
Foreign									
Norway	Local Government Capacity Building	cash	2 479	2 160	2 379	–	–	–	–
Norway	Project Viability	cash	2 736	1 902	1 600	–	–	–	–
Norway	SADC: Local Government Framework	cash	–	–	2 083	512	–	–	–
Norway	White Paper on Traditional Leaders	cash	–	–	–	–	–	–	–
Norway	Mbombela support	cash	–	562	725	–	–	–	–
Norway	SALGA	cash	–	2 766	–	–	–	–	–
Norway	Municipal Demarcation Board	cash	3 287	1 141	966	–	–	–	–
Norway	Disaster Management training	cash	–	–	359	–	–	–	–
Norway	Technical co-operation and support	cash	–	–	237	–	–	–	–
Norway	Knowledge sharing facility	cash	–	–	447	312	–	–	–

Table 5.E Summary of official development assistance expenditure (continued)

Donor	Project	Cash/ kind	Audited outcome			Adjusted	Medium-term expenditure estimate		
			2002/03	2003/04	2004/05	appropriation	2005/06	2006/07	2007/08
R thousand									
Norway	Project economic viability of municipalities	cash	-	-	420	-	-	-	-
European Union	Local Government support Mpumalanga/Limpopo	cash	4 023	4 639	42 000	-	-	-	-
Netherlands	Sectorial Budget support	cash	9 315	11 792	19 355	26 822	-	-	-
Netherlands	Masibambane project	cash	-	547	1 500	1 800	1 500	-	-
Conseil de L'Europe	Winter school intergovernmental relations	cash	204	-	2	-	-	-	-
Conseil de L'Europe	Local government workshops	cash	-	-	4	-	-	-	-
UNDP	White Paper on Disaster Management	cash	-	-	443	-	-	-	-
UNDP	Capacity Building for local governance	cash	-	-	5 222	9 758	4 884	-	-
Raoul Wallenberg	Conference on Traditional Leaders	cash	-	-	23	-	-	-	-
UKDFID	Consolidation of Municipal Transformation Programme	Kind	-	-	27 750	27 750	22 200	22 200	21 100
UKDFID	Local government support	Kind	10 625	38 100	38 100	38 100	38 100	-	-
UKDFID	LOGOSUL	Kind	410	-	-	-	-	-	-
USAID	Local Government Support Programme	Kind	102 520	15 950	7 628	7 343	4 501	-	-
USAID	Municipal Infrastructure Investment Framework	Kind	-	-	18 245	15 607	15 573	-	-
GTZ	Strengthening Local Government	Kind	7 272	7 611	8 625	12 684	16 000	16 000	16 000
AusAid	Local Governance Partnership "Ubundlelwane"	Kind	10 198	10 246	10 246	-	-	-	-
Total			153 069	97 416	188 359	142 688	102 758	38 200	37 100

Table 5.F Summary of expenditure on infrastructure

Description	Service delivery outputs	Audited outcome			Adjusted	Medium-term expenditure estimate			
		2002/03	2003/04	2004/05	appropriation	2005/06	2006/07	2007/08	2008/09
R thousand									
Infrastructure transfers to other spheres, agencies and departments									
Municipal Infrastructure Grant	Basic bulk connector and internal infrastructure for municipal services	1 865 199	2 286 762	4 439 942	5 436 161	6 265 300	7 148 564	8 053 090	
Total		1 865 199	2 286 762	4 439 942	5 436 161	6 265 300	7 148 564	8 053 090	