

Vote 29

Provincial and Local Government

Budget summary

R million	2009/10				2010/11	2011/12
	Total to be appropriated	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
MTEF allocation						
Administration	163.5	159.0	0.2	4.3	172.8	181.4
Governance, Policy and Research	49.0	46.8	0.1	2.1	60.2	69.5
Urban and Rural Development	12.9	12.9	–	–	13.5	14.6
Systems and Capacity Building	106.3	104.6	0.0	1.7	121.7	127.4
Free Basic Services and Infrastructure	41.9	41.9	–	0.1	47.2	51.5
Provincial and Local Government Transfers	35 131.4	–	35 131.4	–	42 008.6	47 183.2
Fiscal Transfers	102.0	17.2	84.8	–	117.5	125.8
Total expenditure estimates	35 607.0	382.4	35 216.4	8.2	42 541.6	47 753.5
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 cooperative governance and to support provincial and local government.

Programme purposes

Programme 1: Administration

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

Programme 2: Governance, Policy and 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, and the institutions of traditional leadership; and international and donor relations.

Programme 3: Urban and Rural Development

Purpose: Manage, coordinate, 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

Purpose: Provide capacity building and hands-on support programmes to local government. Manage the 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

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.

Programme 6: Provincial and Local Government Transfers

Purpose: Transfer, manage and monitor grants for provincial and local government in accordance with the Division of Revenue Act and in support of government's imperatives.

Programme 7: Fiscal Transfers

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

Strategic overview: 2005/06 – 2011/12

The Department of Provincial and Local Government remains committed to building viable and effective spheres of government that are based on constitutional principles and that operate within the framework for intergovernmental relations. The department also plays a vital role in supporting and coordinating the progressive delivery of basic services to South Africans, aiming ultimately towards achieving the millennium development goals by 2014.

Despite the service delivery challenges that exist within the provincial and local government spheres, progress has been made. According to the community survey released by Statistics South Africa in October 2007, 88.6 per cent of households had access to piped water in 2007, compared with 84.5 per cent in 2001. Over the same period, 80 per cent of households had access to electricity in 2007, compared with 69.7 per cent in 2001. And 60.4 per cent of households had access to flush toilets in 2007, compared with 51.9 per cent in 2001.

Over the medium term, the department continues to focus on the following strategic objectives:

- building and improving the governance system to enable sustainable development and service delivery
- overseeing the implementation of the intergovernmental programme of support to the institutions of traditional leadership to perform their constitutional mandate
- building and strengthening the capability and accountability of provinces and municipalities to implement their constitutional mandate
- monitoring, evaluating and communicating the impact of government programmes in municipal areas to enhance performance, accountability and public confidence
- strengthening the department's organisational capability and performance to deliver on its mandate.

Key focus areas for the medium term

Based on these strategic objectives, the department has identified a number of key focus areas for the medium term.

Policy development and analysis

Policy development and analysis are the cornerstones of legislative and regulatory reform. In January 2007, Cabinet mandated the department to develop a policy framework on provincial government and to review the White Paper on Local Government. The review began with a public submissions process in July 2007. In

parallel, a comprehensive programme of research covering a number of aspects of good governance and practice was launched, followed by interviews with practitioners and consultations with public institutions and experts in particular fields. The review presents a series of options for improving and reforming the governance and operations of the intergovernmental system. Both policy papers were subsequently consolidated and submitted to Cabinet in July 2008. The final draft of the white paper was submitted to Cabinet in January 2009.

Building systems and structures

The department aims to build systems and structures that will support the implementation of policies and legislation within the intergovernmental fiscal framework. The department will strengthen development planning by emphasising spatial planning and land use management. Moreover, information from an assessment of the alignment of plans with the different spheres of government and the analysis of development plans will be used to improve planning capabilities. The department is continuing its efforts to build institutional capacity within provinces and municipalities through its hands-on support programme to provinces.

Promoting urban and rural development

The department continues to advance the implementation of the urban renewal programme and the integrated sustainable rural development programme. Over the MTEF period, interventions focusing on strengthening spatial development frameworks, land use management and infrastructure development will gather pace in geographical areas identified by these two programmes. The local economic development framework will inform the creation of growth strategies, skills development, stakeholder engagement and resource management.

Knowledge management and development communication

Knowledge management and development communication involves recording and disseminating knowledge and learning to the provincial and local spheres of government. Interventions under this key focus area include sharing best practices, communicating service delivery issues and producing development communication material aimed at community empowerment.

Monitoring and evaluation

Sector wide monitoring and evaluation will be strengthened with the implementation of a transversal system to improve data quality and reporting on the local government strategic agenda. The logic model, which is a general framework used to describe the work of organisations in terms of their inputs, activities, outputs and outcomes, will also be rolled out. The department will develop a set of local government performance indicators, as well as monitoring and evaluation capacity in provinces.

Cross-cutting areas

Over the MTEF period, the department will focus on coordinating and supporting the delivery of the following key outputs: free basic services; local economic development; public participation and community empowerment; ward communities; equity and development; partnership; revenue generation; ICT for development; and disaster management within provincial and local government.

Selected performance and operations indicators

Table 29.1 Provincial and Local Government

Indicator	Programme	Past			Current	Projections		
		2005/06	2006/07	2007/08		2009/10	2010/11	2011/12
Total number of district municipalities supported in implementing local economic development strategies (total 46 districts)	Governance, Policy and Research	–	–	–	–	14 (30%)	16 (65%)	16 (100%)
Total number of provinces supported with the intergovernmental relations capacity building programme (total 9 provinces)	Governance, Policy and Research	–	–	–	–	4	6	9

Table 29.1 Provincial and Local Government (continued)

Indicator	Programme	Past			Current	Projections		
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Total number of districts supported with the intergovernmental relations capacity building programme (total 46 districts)	Governance, Policy and Research	–	–	–	–	23	34	46
Percentage of integrated development plans drafted in accordance with development planning outcomes	Governance, Policy and Research	–	–	224 (79%)	240 (85%)	260 (92%)	277 (98%)	283 (100%)
Number of institutions of traditional leadership supported through capacity building programmes	Governance, Policy and Research	–	–	–	–	830	800	1200
Amount spent by municipalities on municipal infrastructure grants by end of municipal financial year and as a percentage of total municipal infrastructure grant allocation for that financial year	Provincial and Local Government Transfers	R5.4bn (99%)	R5.6bn (96%)	R8.7bn (100%)	R9.4bn (100%)	R11.1bn (100%)	R12.5bn (100%)	R15.1bn (100%)
Number of households reached with basic services funded by the municipal infrastructure grant	Provincial and Local Government Transfers							
Water		457 132	610 293	815 293	1 million	1.2 million	1.4 million	1.6 million
Sanitation		219 701	343 942	445 070	566 070	687 070	808 070	929 070
Roads		320 010	521 636	669 636	817 636	965 636	1113 636	1.3 million
Community lighting		188 160	236 183	312 183	388 183	464 183	540 186	616 186
Percentage of indigent households accessing free basic services:	Provincial and Local Government Transfers							
Water		71%	73%	77%	85 %	87%	90%	100%
Electricity		58%	60%	73%	85%	87%	89%	100%
Number of provinces receiving support each year through a dedicated hands-on support programme	Systems and Capacity Building	–	–	–	–	4	6	9
Number of additional municipalities receiving support on financial statements	Systems and Capacity building	–	75	120	160	200	234	283
Number of fully functional disaster management centres across the 3 spheres of government	Systems and Capacity Building	1	2	5	9	12	14	16
Number of additional nodal municipalities with spatial development frameworks for land use and management plans reflected in their integrated development plans	Urban and Rural Development	–	–	6	8	10	12	–
Number of additional nodal municipalities with strategic local economic development projects reflected in the integrated development plan budgets for public sector investments	Urban and Rural Development	–	–	96	2	4	6	–

Expenditure estimates

Table 29.2 Provincial and Local Government

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
R million								
1. Administration	108.9	127.5	143.7	150.7	150.0	163.5	172.8	181.4
2. Governance, Policy and Research	24.2	37.6	38.8	43.7	42.4	49.0	60.2	69.5
3. Urban and Rural Development	8.3	8.0	8.6	12.9	11.6	12.9	13.5	14.6
4. Systems and Capacity Building	83.4	98.7	89.6	106.3	104.2	106.3	121.7	127.4
5. Free Basic Services and Infrastructure	37.8	36.6	34.5	41.1	37.0	41.9	47.2	51.5
6. Provincial and Local Government Transfers	15 631.2	24 196.3	29 629.8	35 185.6	34 426.4	35 131.4	42 008.6	47 183.2
7. Fiscal Transfers	82.4	70.8	84.7	98.7	98.7	102.0	117.5	125.8
Total	15 976.1	24 575.7	30 029.7	35 639.0	34 870.2	35 607.0	42 541.6	47 753.5
Change to 2008 Budget estimate				1 445.1	676.3	(5 565.5)	(6 061.3)	(3 765.6)

Table 29.2 Provincial and Local Government (continued)

R million	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
Economic classification								
Current payments	264.0	305.7	329.7	371.6	362.1	382.4	436.0	467.1
Compensation of employees	99.4	116.2	128.1	154.3	152.3	195.9	205.2	219.2
Goods and services	164.6	189.3	200.0	217.2	209.7	186.5	230.8	248.0
of which:								
Administrative fees	0.4	0.6	0.4	0.6	0.6	0.1	0.1	0.1
Advertising	5.3	10.5	13.1	6.8	6.8	7.0	6.6	7.1
Assets less than R5 000	0.9	2.4	1.2	1.8	1.8	1.0	1.5	1.8
Audit costs: External	2.1	2.8	4.3	2.8	2.8	2.0	2.1	2.3
Bursaries (employees)	0.3	0.3	0.6	0.7	0.7	0.7	3.2	3.8
Catering: Departmental activities	1.6	2.1	5.8	5.0	5.0	3.7	4.4	5.4
Communication	5.7	7.4	7.1	9.9	9.9	7.7	10.4	11.0
Computer services	3.8	4.5	5.2	7.8	7.8	5.7	6.7	7.1
Consultants and professional services: Business and advisory services	49.1	57.1	46.7	67.6	60.1	54.5	65.4	65.2
Consultants and professional services: Legal costs	0.9	3.8	3.6	3.9	3.9	1.9	4.2	5.3
Contractors	1.4	4.1	9.6	5.3	5.3	5.7	5.0	5.6
Agency and support / outsourced services	2.9	3.9	3.4	4.6	4.6	2.1	3.1	4.8
Entertainment	0.2	0.3	0.0	0.3	0.3	0.8	0.5	0.7
Inventory: Stationery and printing	4.4	4.9	3.6	8.8	8.8	8.5	9.9	12.4
Lease payments	21.8	35.9	33.6	34.4	34.4	27.2	37.7	39.4
Owned and leasehold property expenditure	2.9	5.7	7.9	3.8	3.8	7.4	7.1	4.2
Travel and subsistence	31.1	33.4	34.0	37.9	37.9	36.4	45.5	51.6
Training and development	1.1	1.4	1.9	2.9	2.9	2.5	3.8	4.0
Operating expenditure	22.7	2.5	5.9	4.2	4.2	5.0	3.5	3.6
Venues and facilities	5.5	5.4	7.2	7.7	7.7	6.3	9.5	11.9
Financial transactions in assets and liabilities	0.0	0.3	1.6	0.0	0.0	–	–	–
Transfers and subsidies	15 705.7	24 257.0	29 692.1	35 259.4	34 500.1	35 216.4	42 097.2	47 277.1
Provinces and municipalities	15 631.5	24 196.4	29 629.8	35 186.0	34 426.7	35 131.5	42 008.7	47 183.3
Departmental agencies and accounts	67.8	49.7	56.6	67.5	67.5	78.1	83.2	88.2
Public corporations and private enterprises	0.2	0.3	0.4	0.1	0.1	0.1	0.1	0.1
Foreign governments and international organisations	–	3.0	0.1	–	–	0.1	0.1	0.1
Households	0.7	0.7	0.8	1.1	1.1	1.9	–	–
Payments for capital assets	6.4	13.0	7.8	8.1	8.1	8.2	8.4	9.2
Machinery and equipment	6.1	4.8	6.8	8.1	8.1	8.2	8.4	9.2
Software and other intangible assets	0.3	8.1	1.1	–	–	–	–	–
Total	15 976.1	24 575.7	30 029.7	35 639.0	34 870.2	35 607.0	42 541.6	47 753.5

Expenditure trends

Expenditure increased at an average annual rate of 30.7 per cent between 2005/06 and 2008/09 from R16 billion to R35.6 billion, due to transfers made available to municipalities that did not previously receive the municipal infrastructure grant. Over the medium term, expenditure is expected to rise at an average annual rate of 10.2 per cent to reach R47.8 billion in 2011/12. The substantive growth over the seven-year period is because of increased provisions for the local government equitable share and the municipal infrastructure grant, which also explains the sizeable growth in the *Provincial and Local Government Transfers* programme over the period.

Spending on transfers and subsidies has risen at an average annual rate of 30.9 per cent between 2005/06 and 2008/09, and is expected to rise at a further 10.3 per cent between 2008/09 and 2011/12. The lower growth over the medium term is because a new department of traditional leadership will have been created and two public entities in the *Fiscal Transfers* programme will move to the new department.

Spending in compensation of employees is expected to increase at an average annual rate of 12.4 per cent between 2008/09 and 2011/12, mainly to cater for increased staff appointments. Over the same period, spending in goods and services is expected to increase at an average annual rate of 4.5 per cent to provide for more office space, and furniture and equipment.

Over the medium term, the 2009 Budget includes additional amounts of R343.6 million, R33.5 million and R2.7 billion mainly for:

- the local government equitable share (R1.1 billion)
- the municipal infrastructure grant (R1.6 billion)
- the National House of Traditional Leaders (R12 million)
- disaster relief (R340 million).

Over the medium term, in aggregate, savings of R18.8 million, R21.9 million and R23.4 million have been identified in goods and services.

Departmental receipts

Departmental receipts accrue from the collection of parking fees, commissions on insurance policy deductions, and subsidised vehicle 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 29.3 Departmental receipts

R thousand	Audited outcome			Adjusted estimate	Revised estimate	Medium-term receipts estimate		
	2005/06	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
Departmental receipts	328	6 830	731	395	453	570	582	591
Sales of goods and services produced by department	81	109	125	97	105	111	118	125
Sales of scrap, waste, arms and other used current goods	–	1	–	15	18	1	1	1
Fines, penalties and forfeits	55	–	–	–	–	–	–	–
Interest, dividends and rent on land	3	6	3	3	3	3	3	3
Sales of capital assets	–	–	337	–	–	–	–	–
Financial transactions in assets and liabilities	189	6 714	266	280	327	455	460	462
Total	328	6 830	731	395	453	570	582	591

Programme 1: Administration

Expenditure estimates

Table 29.4 Administration

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
Minister ¹	0.8	0.9	1.0	1.6	1.7	1.8	1.9
Deputy Minister ¹	0.6	0.7	0.9	1.3	1.4	1.5	1.6
Management	6.1	9.4	9.6	11.1	13.0	13.6	14.3
Corporate Services	68.8	76.7	88.0	94.8	103.4	108.4	113.6
Monitoring and Evaluation	13.4	18.3	16.5	17.8	17.7	18.5	19.4
Government Motor Transport	0.6	0.7	0.8	0.9	0.9	0.9	1.0
Property Management	18.6	20.6	25.3	23.2	25.5	28.0	29.7
Special Functions: Authorised Losses	0.0	0.3	1.6	–	–	–	–
Total	108.9	127.5	143.7	150.7	163.5	172.8	181.4
Change to 2008 Budget estimate				0.5	5.9	7.3	6.0

¹ From 2008/09, the current payments relating to the total remuneration package of political office bearers are shown, before this only salary and car allowances are included. Administrative and other subprogramme expenditure may in addition include payments for capital as well as transfers and subsidies.

Table 29.4 Administration (continued)

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Economic classification							
Current payments	104.4	122.8	137.4	145.7	159.0	168.2	176.8
Compensation of employees	40.9	48.0	52.5	57.4	81.2	85.0	90.9
Goods and services	63.5	74.6	83.2	88.3	77.9	83.2	85.9
of which:							
Administrative fees	0.2	0.3	0.2	0.5	0.0	0.0	0.0
Advertising	2.8	4.1	4.1	4.0	3.3	3.5	3.6
Assets less than R5 000	0.5	1.2	0.8	0.9	0.5	0.5	0.7
Audit costs: External	2.1	2.8	4.3	2.8	2.0	2.1	2.3
Bursaries (employees)	0.3	0.3	0.6	0.7	0.7	0.7	0.8
Catering: Departmental activities	0.6	0.5	1.2	1.5	1.0	1.1	1.6
Communication	5.3	6.0	5.4	5.3	4.8	4.8	5.6
Computer services	2.6	2.2	4.7	4.4	2.6	2.7	3.0
Consultants and professional services:	6.4	9.1	7.3	12.6	9.3	10.4	9.6
Business and advisory services							
Consultants and professional services:	0.7	2.3	3.4	1.4	0.6	0.9	2.5
Legal costs							
Contractors	0.7	1.3	1.7	2.4	1.9	2.0	2.0
Agency and support / outsourced services	1.1	1.2	0.8	2.4	0.7	0.7	2.2
Entertainment	0.1	0.2	0.0	0.1	0.5	0.4	0.5
Inventory: Stationery and printing	2.6	3.4	2.3	3.2	2.6	3.0	3.1
Lease payments	21.4	22.0	26.2	27.0	26.5	28.5	29.8
Owned and leasehold property expenditure	2.9	5.7	7.9	3.5	7.4	6.8	3.9
Travel and subsistence	10.2	9.3	7.7	10.2	9.9	11.0	10.2
Training and development	0.7	0.9	1.2	1.5	0.9	1.6	1.7
Operating expenditure	1.8	1.1	2.2	2.4	1.3	1.2	1.3
Venues and facilities	0.4	0.4	0.7	1.4	0.9	1.0	1.2
Financial transactions in assets and liabilities	0.0	0.3	1.6	0.0	–	–	–
Transfers and subsidies	0.3	1.1	1.2	0.4	0.2	0.2	0.2
Provinces and municipalities	0.1	0.0	0.0	0.3	0.1	0.1	0.1
Public corporations and private enterprises	0.2	0.3	0.4	0.1	0.1	0.1	0.1
Non-profit institutions	–	0.1	–	–	–	–	–
Households	0.0	0.7	0.8	–	–	–	–
Payments for capital assets	4.2	3.6	5.1	4.6	4.3	4.4	4.5
Machinery and equipment	4.1	3.4	4.9	4.6	4.3	4.4	4.5
Software and other intangible assets	0.2	0.2	0.3	–	–	–	–
Total	108.9	127.5	143.7	150.7	163.5	172.8	181.4

Expenditure trends

Between 2005/06 and 2008/09, expenditure grew from R108.9 million to R150.7 million at an average annual rate of 11.4 per cent. This was mainly due to increases in compensation of employees and minister and deputy minister salaries. Over the MTEF period, the budget is set to rise more slowly at an average annual rate of 6.4 per cent to reach R181.4 million in 2011/12.

Expenditure in the *Corporate Services* subprogramme, which accounts for 62.9 per cent of this programme's budget in 2008/09, grew from R68.8 million in 2005/06 to R94.8 million in 2008/09, an average annual rate of 11.3 per cent. The increase was because the monitoring and evaluation unit was moved from the *Systems and Capacity Building* programme to this programme in that period.

The 54.3 per cent increase in the *Management* subprogramme in 2006/07 was because the internal audit function was moved from the *Monitoring and Evaluation* subprogramme to the office of the director-general.

Programme 2: Governance, Policy and Research

- *Management*.
- *Intergovernmental Relations* supports constitutional principles and practices in intergovernmental relations.
- *Development Planning* supports the development of integrated and cooperative 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.

Funding in all subprogrammes will mainly be used for salaries, and other personnel related costs.

Objectives and measures

- Support cooperative governance and sound intergovernmental practices by producing a draft white paper on provincial and local government by March 2009.
- Contribute to local economic growth and poverty reduction by supporting 14 district municipalities to implement local economic development strategies by March 2010.
- Improve conditions for economic development knowledge and practice at local level by establishing a knowledge facility to support municipalities and provinces, and by partnering with the higher education sector and other key sectors by March 2010.
- Support the Intergovernmental Relations Framework Act (2005) by:
 - providing capacity building and systems support to 4 provinces and 23 district municipalities by March 2010.
 - submitting an annual intergovernmental relations report to Parliament by March 2011.
- Strengthen the role of traditional leaders in service delivery by:
 - implementing a government wide national support programme for the institutions of traditional leadership and Khoi-San communities by the end of 2009/10
 - providing capacity and financial support for establishing the new department until March 2010.
- Popularise the Commission for the Rights of Cultural, Religious and Linguistic Communities through a joint marketing programme by December 2009.

Service delivery and spending focus

By the end of the first half of 2008/09, the intergovernmental relations capacity building programme had been rolled out in 2 of the 4 targeted provinces (KwaZulu-Natal and Limpopo). All municipalities had drafted their integrated development plan in line with the local economic development framework.

Strengthening institutions of traditional leadership and building the capacity of traditional leadership are key elements in improving the governance system for South Africa and the quality of life for traditional communities. During 2007/08, the department finalised a government wide national programme of support to the institutions of traditional leadership. A government wide national support programme for traditional leadership was also developed and proposed to Cabinet for adoption. Cabinet approved a recommendation for a new, dedicated national department responsible for traditional leadership within this ministry.

With its increased focus on the role of provincial government in 2008/09, the department facilitated a number of discussions and support programmes through appropriate intergovernmental relations structures, such as the President's Coordinating Council, including strengthening and aligning the provincial growth and development strategies with local integrated development plans and the national spatial development perspective. By the end of the first half of 2008/09, provincial offices of the premier and departments of local government had been comprehensively assessed to inform the development of a focused improvement framework.

Expenditure estimates

Table 29.5 Governance, Policy and Research

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
Management	1.2	1.3	1.1	2.4	3.1	3.5	3.8
Intergovernmental Relations	6.2	7.2	10.8	12.2	13.4	15.5	16.7
Development Planning	4.5	4.5	5.7	5.5	5.3	6.1	6.5
Local Economic Development	2.0	2.8	2.1	3.3	3.7	4.4	4.8
Traditional Leadership and Institutions	5.8	6.0	6.6	14.3	17.2	20.1	25.8
International and Donor Relations	4.5	15.9	12.5	6.0	6.4	10.6	12.0
Total	24.2	37.6	38.8	43.7	49.0	60.2	69.5
Change to 2008 Budget estimate				(0.8)	0.9	6.8	13.0

Economic classification

Current payments	24.0	29.1	37.9	42.7	46.8	59.0	67.6
Compensation of employees	15.1	16.7	17.7	25.3	29.7	31.2	32.6
Goods and services	8.9	12.3	20.2	17.3	17.1	27.8	35.0
of which:							
Advertising	0.1	0.4	1.5	0.3	0.3	0.3	0.5
Assets less than R5 000	0.1	0.7	0.1	0.1	0.1	0.1	0.2
Catering: Departmental activities	0.2	0.1	0.4	0.6	0.5	0.6	0.9
Communication	0.0	0.2	0.2	0.3	0.5	0.9	0.5
Computer services	0.1	0.0	—	0.3	0.5	0.7	0.5
Consultants and professional services: Business and advisory services	2.0	4.7	3.6	4.2	4.6	10.0	8.6
Contractors	—	0.0	1.1	0.5	0.3	0.3	0.7
Agency and support / outsourced services	0.6	0.4	0.2	0.0	—	—	0.0
Inventory: Other consumables	0.0	0.0	3.9	0.0	0.0	0.0	0.1
Inventory: Stationery and printing	0.2	0.3	0.3	1.8	1.7	2.1	4.2
Lease payments	0.1	0.1	0.8	0.2	0.3	0.3	0.3
Travel and subsistence	4.4	3.7	3.6	6.5	6.2	8.5	12.7
Training and development	0.1	0.2	0.1	0.3	0.4	0.7	0.7
Operating expenditure	0.1	0.5	2.8	0.5	0.9	0.9	0.8
Venues and facilities	0.8	1.0	1.0	1.5	0.7	2.2	4.1
Transfers and subsidies	0.0	8.1	0.2	0.2	0.1	0.1	0.1
Provinces and municipalities	0.0	0.0	—	—	—	—	—
Foreign governments and international organisations	—	3.0	0.1	—	0.1	0.1	0.1
Non-profit institutions	—	5.1	0.1	—	—	—	—
Households	—	0.0	—	0.2	—	—	—
Payments for capital assets	0.1	0.4	0.7	0.8	2.1	1.1	1.8
Machinery and equipment	0.1	0.1	0.7	0.8	2.1	1.1	1.8
Software and other intangible assets	—	0.3	0.0	—	—	—	—
Total	24.2	37.6	38.8	43.7	49.0	60.2	69.5

Details of selected transfers and subsidies

Foreign governments and international organisations							
Current	—	3.0	0.1	—	0.1	0.1	0.1
United Cities and Local Government in Africa	—	3.0	0.1	—	0.1	0.1	0.1
Non-profit institutions							
Current	—	5.1	0.1	—	—	—	—
Other Non-Profit Institutions	—	5.1	0.1	—	—	—	—

Expenditure trends

Expenditure increased from R24.2 million in 2005/06 to R43.7 million in 2008/09, at an average annual rate of 21.8 per cent, mainly due to activities around intergovernmental relations. The *Traditional Leadership and Institutions* subprogramme showed the highest growth rate during this period, rising by an average annual rate

of 35.4 per cent to accommodate the new national department of traditional and institutional affairs, which has been approved by Cabinet.

The increase of 111.2 per cent in spending in the *Management* subprogramme in 2008/09 is because a dedicated deputy director-general was appointed to oversee the development of the white paper on local government. Implementing the local economic development framework and developing training material on the framework at National Qualifications Framework levels 5 and 6, resulted in a 54.9 per cent growth in expenditure on the *Local Economic Development* subprogramme between 2007/08 and 2008/09.

Expenditure related to the establishment of the Southern African Development Community (SADC) local government desk and the consolidation of the SADC local government agenda resulted in a 252.9 per cent growth in expenditure on the *International and Donor Relations* subprogramme between 2005/06 and 2006/07.

Programme 3: Urban and Rural Development

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

Funding in all subprogrammes will mainly be used for salaries, and other personnel related costs.

Objectives and measures

- Improve coordination and integrated development planning by increasing the number of nodal municipalities with improved spatial development frameworks (land use and management plans) reflected in their integrated development plans to 7 municipalities by 2011.
- Accelerate job creation in integrated sustainable rural development programme and urban renewal programme nodes through implementing investor friendly local economic development strategies in 12 nodes by 2010/11.
- Promote local economic development by reviewing and documenting the integrated sustainable rural development programme and urban renewal programme to align them with the white paper recommendations by March 2010.

Service delivery and spending focus

The Department of Provincial and Local Government continued to give priority to infrastructure investment and development in the 21 urban and rural nodes. In 2007/08, the partnership with the Business Trust resulted in the economic profiles of 15 rural and 8 urban nodes being completed. The profiles significantly improved government's understanding of each node's economic character. The profiles have been designed to improve the information available to decision makers in the public and private sectors and to facilitate more targeted investment to support economic development in the nodes. Support for identified opportunities has been provided to 2 urban nodes, as part of ensuring that their strategic local economic development projects are reflected in their integrated development planning budget for public sector investment.

The technical support facility for Eastern Cape nodes, established through the support of the European Commission, is aimed at improving delivery capacity through budget support to municipal operations.

Valuable lessons have been documented in the department's study on improving intergovernmental coordination and communication mechanisms with stakeholders during 2007/08. A review of the urban renewal

programme anchor projects, which was completed in March 2008, has shown that consolidating public and private sector investments can be a powerful tool for improving investor confidence, increasing public participation and promoting the quality of public space and local services in underdeveloped areas.

Over the medium term, the programme will continue to improve service delivery and create development opportunities by implementing development orientated interventions and coordinating service delivery in nodal areas across all spheres of government. The urban renewal programme and the integrated sustainable rural development programme will be the vehicles for this.

Expenditure estimates

Table 29.6 Urban and Rural Development

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
Management	1.7	0.7	1.4	2.0	3.3	3.5	3.6
Urban Renewal Programme Management	1.2	1.1	1.6	3.8	2.4	2.5	2.6
Urban Renewal Monitoring and Evaluation	1.8	2.0	2.1	2.3	2.3	2.4	2.5
Integrated Sustainable Rural Development Programme Management	1.6	2.0	1.5	2.5	2.6	2.7	3.3
Integrated Sustainable Rural Development Monitoring and Evaluation	2.0	2.1	2.0	2.2	2.4	2.5	2.6
Total	8.3	8.0	8.6	12.9	12.9	13.5	14.6
Change to 2008 Budget estimate				1.3	0.8	0.7	0.9
Economic classification							
Current payments	8.3	7.9	8.6	12.9	12.9	13.5	14.6
Compensation of employees	5.0	5.0	6.4	7.5	9.3	9.8	10.3
Goods and services	3.3	3.0	2.2	5.4	3.6	3.7	4.3
of which:							
Consultants and professional services: Business and advisory services	1.0	0.7	0.4	3.1	1.7	1.8	2.3
Travel and subsistence	1.5	1.1	1.1	1.5	1.2	1.3	1.4
Transfers and subsidies	0.0	0.0	–	–	–	–	–
Provinces and municipalities	0.0	0.0	–	–	–	–	–
Households	–	0.0	–	–	–	–	–
Payments for capital assets	0.0	0.0	0.1	0.0	–	–	–
Machinery and equipment	0.0	0.0	0.1	0.0	–	–	–
Total	8.3	8.0	8.6	12.9	12.9	13.5	14.6

Expenditure trends

Spending in the *Urban and Rural Development* programme grew from R8.3 million in 2005/06 to R12.9 million in 2008/09 at an average annual rate of 15.7 per cent, mainly due to activities relating to the urban renewal programme. Over the medium term, expenditure is expected to increase further at an average annual rate of 4.2 per cent to reach R14.6 million in 2011/12.

The 49.2 per cent increase in spending between 2007/08 and 2008/09 was due to the appointment of more personnel, which also explains the 50.3 per cent increase in compensation of employees in that year. The 149.4 per cent increase in spending on goods and services in 2008/09 was for consultants appointed to prepare the report on the state of the nodes.

Over the MTEF period, programme expenditure is expected to grow more moderately at an average annual rate of only 4.2 per cent, as monitoring and evaluation activities are increasingly integrated, creating the basis for accelerating the outcomes of the economic profiles of the nodes and producing the report on the state of the nodes.

Programme 4: Systems and Capacity Building

- *Management*.
- *Intergovernmental Fiscal Relations* manages policy on and the 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 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 coordinates standardised leadership development for senior local government officials and councillors.
- *Anti-Corruption* coordinates and supports the implementation of the local government anti-corruption strategy.
- *Local Government Equity and Development* coordinates 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.

Funding will mainly be used for salaries, and other personnel related costs in all subprogrammes except the *Disaster Management* subprogramme, where funding is disbursed on the basis of service level agreements between the department and contractors.

Objectives and measures

- Increase the targeted support from 4 to 9 provincial departments of local government, in developing capacity building plans in line with the revised national capacity building framework by March 2010.
- Support the development of municipal systems by giving hands-on technical assistance to municipalities to put in place targeted, sound financial management practices by March 2010.
- Coordinate, establish and implement support systems and capacity building by implementing the 5-year local government strategic agenda, with a focus on institutionalising hands-on support by the end of March 2010.
- Support preparations for the 2010 FIFA World Cup by ensuring that key systems and measures such as disaster management plans are in place in all host cities by March 2010.
- Support proactive and responsive disaster management across all spheres of government by giving technical assistance for setting up disaster management structures and systems by November 2009.

Service delivery and spending focus

Lessons from Project Consolidate are now embedded in the local government strategic agenda. As part of implementing the agenda, 105 municipalities will have been given technical and professional assistance by December 2009. A draft national capacity building framework implementation plan was developed in the first half of 2008/09. This framework guides and supports provinces to develop their own comprehensive capacity building plans.

The 2006 performance management regulations have led to a decline in the vacancy rates for municipal managers from 22 per cent in September 2007 to 12 per cent in December 2008.

Good municipal financial management continues to be a challenge, but there were some key improvements in 2008/09. For example, the percentage of municipalities meeting the legislative deadline for submitting their annual financial statements increased from 69 per cent in 2006/07 to 81 per cent in 2007/08.

Through the national disaster management centre, the department has registered unit standards for levels 3 to 7 with the South African Qualifications Authority for a national certificate in disaster risk management. The department has also developed regulations for recruiting and using disaster management volunteers every year.

In 2008/09, the department established a 2010 national disaster management steering committee and adopted a 2010 disaster management policy. Disaster management centres have been established in 5 of the 9 host cities, where contingency plans have also been developed, and disaster management plans are in place in 7 of the cities.

Expenditure estimates

Table 29.7 Systems and Capacity Building

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
Management	1.9	0.7	1.3	4.5	4.8	5.0	5.2
Intergovernmental Fiscal Relations	21.3	4.7	4.6	5.9	6.2	6.5	6.8
Local Government Institutional and Administrative Systems	4.2	5.0	3.5	6.2	6.9	7.3	7.6
Capacity Building Systems	2.0	–	–	19.0	5.7	6.0	6.3
Disaster Management	41.9	37.6	26.1	38.2	35.5	41.6	43.8
Municipal Performance Monitoring and Support	7.3	11.5	12.8	12.6	12.4	13.1	13.7
Municipal Leadership Development Programme	2.0	6.1	7.6	6.4	5.3	5.6	5.9
Anti-Corruption	2.3	2.8	2.4	4.4	4.6	4.9	5.1
Local Government Equity and Development	0.6	6.0	12.2	9.0	9.9	16.1	16.6
Project Consolidate	–	24.4	19.2	–	14.9	15.7	16.4
Total	83.4	98.7	89.6	106.3	106.3	121.7	127.4
Change to 2008 Budget estimate				(2.1)	(12.8)	(3.9)	(5.8)
Economic classification							
Current payments	75.7	90.7	88.1	104.6	104.6	119.9	125.7
Compensation of employees	21.3	25.9	30.1	37.0	44.5	46.9	49.6
Goods and services	54.4	64.8	58.0	67.6	60.0	73.0	76.1
<i>of which:</i>							
Advertising	2.0	5.2	4.6	2.3	3.3	2.6	2.8
Assets less than R5 000	0.1	0.1	0.2	0.7	0.3	0.8	0.9
Catering: Departmental activities	0.2	0.5	2.9	1.4	0.9	1.6	1.7
Communication	0.1	0.6	0.5	3.2	1.3	3.6	3.8
Computer services	0.8	2.2	0.3	3.1	2.7	3.4	3.6
Consultants and professional services: Business and advisory services	22.2	28.1	23.8	30.8	25.4	27.7	27.6
Consultants and professional services: Legal costs	–	0.6	–	–	–	0.5	0.5
Contractors	0.6	2.5	6.3	2.2	3.5	2.5	2.7
Agency and support / outsourced services	0.3	0.5	0.9	1.7	1.2	2.0	2.1
Inventory: Stationery and printing	0.8	0.9	0.6	2.5	3.6	2.8	3.0
Lease payments	0.0	13.3	6.2	6.2	0.1	7.9	8.3
Travel and subsistence	5.1	8.0	8.9	8.1	11.4	11.8	13.0
Training and development	0.2	0.2	0.3	0.7	0.9	0.9	0.9
Operating expenditure	20.4	0.3	0.6	0.8	2.7	0.9	0.9
Venues and facilities	1.5	1.6	1.8	3.3	2.8	3.7	3.9
Transfers and subsidies	6.7	0.0	0.0	–	0.0	–	–
Provinces and municipalities	0.1	0.0	–	–	–	–	–
Departmental agencies and accounts	2.0	–	–	–	–	–	–
Non-profit institutions	4.0	–	–	–	–	–	–
Households	0.7	0.0	0.0	–	0.0	–	–
Payments for capital assets	1.0	8.0	1.5	1.7	1.7	1.8	1.7
Machinery and equipment	0.9	0.6	0.8	1.7	1.7	1.8	1.7
Software and other intangible assets	0.0	7.4	0.7	–	–	–	–
Total	83.4	98.7	89.6	106.3	106.3	121.7	127.4

Table 29.7 Systems and Capacity Building (continued)

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Details of selected transfers and subsidies							
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	2.0	–	–	–	–	–	–
Council of Geoscience	2.0	–	–	–	–	–	–
Non-profit institutions							
Current	4.0	–	–	–	–	–	–
The South African Red Cross Society	4.0	–	–	–	–	–	–

Expenditure trends

Expenditure increased from R83.4 million in 2005/06 to R106.3 million in 2008/09 at an average annual rate of 8.4 per cent, mainly due to activities around capacity building systems, local government equity and development, and disaster management.

Over the MTEF period, expenditure is expected to grow at an average annual rate of 6.2 per cent to reach R127.4 million in 2011/12. This growth is intended to support the preparations for the 2010 FIFA World Cup, provide proactive and responsive disaster management capacity, implement the five-year local government strategic agenda, and allow for hands-on technical assistance to municipalities.

The *Capacity Building Systems* subprogramme received an allocation of R19 million in 2008/09 to address Project Consolidate interventions incorporated into this subprogramme. However, because these interventions have not yet been finalised, funds are shifted back to the *Project Consolidate* subprogramme over the medium term to cater for the remaining expenditure.

Programme 5: Free Basic Services and Infrastructure

- *Management*.
- *Municipal Infrastructure* manages the implementation of the municipal infrastructure grant.
- *Free Basic Services Coordination* 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.

Funding in all subprogrammes will mainly be used for salaries, and other personnel related costs.

Objectives and measures

- Improve municipal infrastructure investment and access to basic services by supporting the development and implementation of infrastructure plans of 26 municipalities.
- Provide informed and efficient service delivery to indigent households by strengthening the capacity of 3 provinces to adequately support municipalities in assessing and implementing indigent policies and managing credible indigent registers.
- Strengthen community participation and representation in ward committees by finalising and coordinating the implementation of a ward committee funding model in 3 provinces to enable municipalities to budget for and prioritise the functionality of their ward committees.
- Improve partnerships with municipalities by facilitating awareness and contribution of the private sector and community based organisations to municipal infrastructure and service delivery programmes in 3 provinces.

Service delivery and spending focus

Over the MTEF period, this programme broadens access to infrastructure that will enable provision of free basic services to households that were not served previously. Investment in municipal infrastructure has increased significantly, and the allocated municipal infrastructure grant funds were spent in 2007/08. During the first quarter of 2008/09, the grant funds were used to provide basic water infrastructure to 21 234 households; basic sanitation infrastructure to 12 900 households; and roads infrastructure that benefited 8 120 households.

With targeted support on integrated development planning, all 283 municipalities have now been able to adopt their integrated development plans by the legislative deadline. In 2008/09, the department developed a funding model and implementation guidelines, which aim to support provinces and municipalities to prioritise and budget for ward based development and ward committee operations.

The department assisted 89 municipalities to develop and implement anti-corruption strategies during 2007/08. Specific technical assistance was provided in the areas of procurement, housing, employment practices and customer care hotlines. The department coordinated this initiative and implemented it with the help of the South African Local Government Association, provincial governments and donors.

Expenditure estimates

Table 29.8 Free Basic Services and Infrastructure

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
Management	3.3	2.4	1.6	2.6	4.0	4.3	4.5
Municipal Infrastructure	25.2	25.1	20.1	26.4	24.9	26.6	29.7
Free Basic Services Coordination	4.2	3.4	4.2	5.5	6.0	6.5	6.7
Municipal Service Partnerships	2.7	3.7	3.5	3.7	4.0	4.3	4.5
Public Participation and Empowerment	2.4	2.0	5.2	3.0	2.9	5.6	6.2
Total	37.8	36.6	34.5	41.1	41.9	47.2	51.5
Change to 2008 Budget estimate				(0.3)	(4.6)	(2.0)	(0.7)

Economic classification

Current payments	36.9	35.7	34.2	39.2	41.9	46.2	50.3
Compensation of employees	15.1	16.4	15.8	20.3	24.8	25.6	26.0
Goods and services	21.8	19.3	18.4	18.9	17.1	20.6	24.2
<i>of which:</i>							
Advertising	0.3	0.9	2.6	0.1	0.0	0.1	0.1
Bursaries (employees)	—	—	—	—	—	2.5	3.0
Catering: Departmental activities	0.2	0.2	0.5	0.5	0.4	0.5	0.6
Consultants and professional services: Business and advisory services	13.3	9.2	5.3	9.3	10.0	6.5	8.0
Contractors	0.0	0.3	0.5	0.2	0.0	0.2	0.2
Agency and support / outsourced services	0.6	1.3	1.2	0.3	0.3	0.3	0.3
Inventory: Stationery and printing	0.6	0.1	0.2	1.1	0.4	1.8	1.9
Lease payments	0.1	0.3	0.2	0.6	0.2	0.7	0.7
Travel and subsistence	4.0	3.9	3.6	4.8	3.3	4.9	6.2
Training and development	0.0	0.1	0.3	0.3	0.2	0.4	0.5
Operating expenditure	0.3	0.3	0.1	0.4	0.0	0.5	0.5
Venues and facilities	1.8	2.2	3.4	1.1	1.2	1.8	1.9
Transfers and subsidies	0.0	0.0	—	0.9	—	—	—
Provinces and municipalities	0.0	0.0	—	—	—	—	—
Households	—	—	—	0.9	—	—	—
Payments for capital assets	0.8	0.9	0.4	1.0	0.1	1.1	1.3
Machinery and equipment	0.7	0.6	0.2	1.0	0.1	1.1	1.3
Software and other intangible assets	0.1	0.3	0.1	—	—	—	—
Total	37.8	36.6	34.5	41.1	41.9	47.2	51.5

Expenditure trends

Expenditure increased at an average annual rate of 2.8 per cent between 2005/06 and 2008/09. It is expected to rise further over the MTEF period, to reach R51.5 million in 2011/12, increasing at an average annual rate of 7.8 per cent.

Spending in the *Public Participation and Empowerment* subprogramme is expected to increase at an average annual rate of 27 per cent over the medium term, to fund the appointment of additional field workers to monitor the rollout of free basic services. Moreover, the expenditure will be used to support the remaining 97 Project Consolidate municipalities with the assessment of indigent policies.

Programme 6: Provincial and Local Government Transfer

The two subprogrammes, *Provincial Transfers* and *Local Government Transfers*, make transfers to provinces and local government. 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 with 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 for providing basic services to poor households.

Objectives and measures

- Manage conditional grants transfers to municipalities according to the payment schedule and the requirements of the Division of Revenue Act.

Expenditure estimates

Table 29.9 Provincial and Local Government Transfers

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
Provincial transfers							
Disaster relief	40.7	–	–	–	–	–	–
Local government transfers							
Equitable share	9 643.3	18 057.9	20 675.6	25 559.7	23 846.5	29 267.7	31 889.9
Municipal systems improvement programme	200.0	200.0	200.0	200.0	200.0	212.0	224.7
Municipal infrastructure grant	5 436.2	5 938.4	8 754.1	9 378.9	11 084.9	12 528.9	15 068.6
Disaster relief	311.0	–	–	47.0	–	–	–
Total	15 631.2	24 196.3	29 629.8	35 185.6	35 131.4	42 008.6	47 183.2
Change to 2008 Budget estimate				1 439.9	(5 554.5)	(6 077.5)	(3 788.1)

Economic classification

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Transfers and subsidies	15 631.2	24 196.3	29 629.8	35 185.6	35 131.4	42 008.6	47 183.2
Provinces and municipalities	15 631.2	24 196.3	29 629.8	35 185.6	35 131.4	42 008.6	47 183.2
Total	15 631.2	24 196.3	29 629.8	35 185.6	35 131.4	42 008.6	47 183.2

Details of selected transfers and subsidies

Provinces and municipalities							
Provinces							
Provincial revenue funds							
Current	40.7	–	–	–	–	–	–
Disaster relief grant	40.7	–	–	–	–	–	–
Capital	–	–	–	29.7	–	–	–
Internally displaced people management grant	–	–	–	29.7	–	–	–

Table 29.9 Provincial and Local Government Transfers (continued)

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	10 154.3	18 257.9	20 875.6	25 759.7	24 046.5	29 479.7	46 958.5
Disaster relief grant	311.0	–	–	–	–	–	–
Local government equitable share	9 643.3	18 057.9	20 675.6	25 559.7	23 846.5	29 267.7	31 889.9
Municipal systems improvement grant	200.0	200.0	200.0	200.0	200.0	212.0	15 068.6
Capital	5 436.2	5 938.4	8 754.1	9 396.2	11 084.9	12 528.9	224.7
Municipal infrastructure grant	5 436.2	5 938.4	8 754.1	9 378.9	11 084.9	12 528.9	224.7
Internally displaced people management grant	–	–	–	17.3	–	–	–

Expenditure trends

Expenditure in this programme is dominated by transfer payments, which account for 98.7 per cent of departmental spending in 2008/09. Spending in transfers and subsidies increased by an average annual rate of 31.1 per cent between 2005/06 and 2008/09, and is expected to increase at an average annual rate of 10.3 per cent to reach R47.2 billion in 2011/12.

The biggest portion of expenditure is on 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. Over the medium term, total programme spending is expected to increase at an average annual rate of 10.3 per cent to reach R47.2 billion in 2011/12.

Programme 7: Fiscal Transfers

The subprogrammes make transfers to the following entities in terms of their founding agreements or the relevant legislation:

- *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* played a leading role in developing municipal services partnerships to accelerate the equitable delivery of municipal services. The unit is being wound up and will be de-listed as a public entity.
- *South African Cities Network* was established to further cooperation 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* 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 Framework Governance Act (2003).
- *National House of Traditional Leaders* was established by legislation, in terms of the Constitution, to represent the interests of the traditional community and advise government.

Objectives and measures

- Oversee entities reporting to the minister by monitoring legal compliance and delivery on mandates against financial and performance indicators.

Expenditure estimates

Table 29.10 Fiscal Transfers

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
South African Local Government Association	18.4	19.5	20.5	22.1	23.3	24.6	26.1
Municipal Demarcation Board	25.0	16.8	20.7	25.4	34.6	37.2	39.4
Municipal Infrastructure Investment Unit	11.2	—	—	—	—	—	—
South African Cities Network	1.5	1.6	4.4	4.7	4.8	5.1	5.4
Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities	11.3	13.4	15.4	20.0	20.3	21.4	22.7
Commission on Traditional Leadership Disputes and Claims	6.3	10.0	10.6	14.1	9.9	10.5	11.1
National House of Traditional Leaders	8.7	9.5	13.2	12.5	9.2	18.7	21.1
Total	82.4	70.8	84.7	98.7	102.0	117.5	125.8
Change to 2008 Budget estimate				6.7	(1.2)	7.4	9.2

Economic classification

Current payments	14.7	19.5	23.7	26.6	17.2	29.2	32.2
Compensation of employees	2.0	4.1	5.7	6.9	6.4	6.7	9.8
Goods and services	12.7	15.4	18.0	19.6	10.8	22.5	22.4
<i>of which:</i>							
Administrative fees	0.0	0.1	0.0	0.0	0.0	—	—
Advertising	0.1	—	0.2	0.1	0.0	0.1	0.1
Assets less than R5 000	0.1	0.2	0.0	0.0	0.0	0.1	0.1
Catering: Departmental activities	0.4	0.7	0.7	1.0	0.8	0.6	0.6
Communication	0.3	0.5	0.6	0.7	0.6	0.7	0.7
Consultants and professional services: Business and advisory services	4.1	5.3	6.2	7.6	3.4	8.9	9.2
Consultants and professional services: Legal costs	—	0.9	0.2	2.5	0.9	2.9	2.3
Contractors	0.1	0.1	0.1	0.0	0.1	0.0	0.0
Agency and support / outsourced services	0.2	0.0	0.2	0.1	—	0.1	0.2
Entertainment	—	0.0	—	0.0	0.0	0.0	0.0
Inventory: Fuel, oil and gas	—	—	0.0	—	—	—	—
Inventory: Learner and teacher support material	—	—	—	0.0	—	—	—
Inventory: Materials and supplies	0.0	0.0	—	0.0	—	0.0	0.0
Inventory: Medical supplies	—	—	0.0	0.0	—	0.0	0.0
Inventory: Other consumables	0.0	0.0	—	0.0	0.0	0.0	0.0
Inventory: Stationery and printing	0.2	0.0	0.1	0.1	0.1	0.1	0.1
Lease payments	0.1	0.1	0.3	0.2	0.1	0.2	0.2
Owned and leasehold property expenditure	0.0	0.0	—	—	—	—	—
Travel and subsistence	6.0	7.3	9.1	6.8	4.4	8.0	8.1
Training and development	—	0.0	0.0	0.1	0.1	0.1	0.1
Operating expenditure	0.2	0.1	0.1	0.0	—	0.0	0.0
Venues and facilities	0.8	0.1	0.1	0.3	0.4	0.6	0.6
Transfers and subsidies	67.4	51.3	61.0	72.2	84.8	88.3	93.6
Provinces and municipalities	0.0	0.0	—	—	—	—	—
Departmental agencies and accounts	65.9	49.7	56.6	67.5	78.1	83.2	88.2
Non-profit institutions	1.5	1.6	4.4	4.7	4.8	5.1	5.4
Households	—	0.0	—	—	1.8	—	—
Payments for capital assets	0.3	0.0	0.0	—	—	—	—
Machinery and equipment	0.3	0.0	0.0	—	—	—	—
Total	82.4	70.8	84.7	98.7	102.0	117.5	125.8

Table 29.10 Fiscal Transfers (continued)

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Details of selected transfers and subsidies							
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	65.9	49.7	56.6	67.5	78.1	83.2	88.2
Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities	11.3	13.4	15.4	20.0	20.3	21.4	22.7
Municipal Demarcation Board	25.0	16.8	20.7	25.4	34.6	37.2	39.4
Municipal Infrastructure Investment Unit	11.2	–	–	–	–	–	–
South African Local Government Association	18.4	19.5	20.5	22.1	23.3	24.6	26.1
Non-profit institutions							
Current	1.5	1.6	4.4	4.7	4.8	5.1	5.4
South African Cities Network	1.5	1.6	4.4	4.7	4.8	5.1	5.4
Households							
Social benefits							
Current	–	0.0	–	–	1.8	–	–
National House of Traditional Leaders: Payments as an act of grace	–	0.0	–	–	1.8	–	–

Expenditure trends

Expenditure increased from R82.4 million in 2005/06 to R98.7 million in 2008/09 at an average annual rate of 6.2 per cent. It is expected to increase at a further average annual rate of 8.4 per cent over the medium term to reach R125.8 million in 2011/12. The higher growth over the later period is due to increased transfers to the National House of Traditional Leaders (103.9 per cent in 2010/11) and the Municipal Demarcation Board (35.9 per cent in 2009/10).

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 million	2007/08		2007/08	2008/09			2008/09
1. Administration	130.6	137.9	143.7	150.2	0.5	150.7	150.0
2. Governance, Policy and Research	30.6	43.3	38.8	44.4	(0.8)	43.7	42.4
3. Urban and Rural Development	11.3	10.7	8.6	11.6	1.3	12.9	11.6
4. Systems and Capacity Building	126.2	95.1	89.6	108.4	(2.1)	106.3	104.2
5. Free Basic Services and Infrastructure	42.1	40.4	34.5	41.4	(0.3)	41.1	37.0
6. Provincial and Local Government Transfers	28 424.2	29 629.8	29 629.8	33 745.8	1 439.9	35 185.6	34 426.4
7. Fiscal Transfers	79.3	79.6	84.7	92.0	6.7	98.7	98.7
Total	28 844.2	30 036.8	30 029.7	34 193.9	1 445.1	35 639.0	34 870.2

Economic classification							
Current payments	352.1	339.0	329.7	370.3	1.2	371.6	362.1
Compensation of employees	149.3	141.3	128.1	166.4	(12.0)	154.3	152.3
Goods and services	202.8	197.7	200.0	204.0	13.2	217.2	209.7
Financial transactions in assets and liabilities	–	–	1.6	–	0.0	0.0	0.0
Transfers and subsidies	28 486.8	29 692.4	29 692.1	33 816.7	1 442.6	35 259.4	34 500.1
Provinces and municipalities	28 425.8	29 631.4	29 629.8	33 746.0	1 440.0	35 186.0	34 426.7
Departmental agencies and accounts	56.6	56.6	56.6	66.0	1.5	67.5	67.5
Public corporations and private enterprises	0.1	0.1	0.4	0.1	–	0.1	0.1
Foreign governments and international organisations	–	–	0.1	–	–	–	–
Non-profit institutions	4.4	4.4	4.5	4.7	–	4.7	4.7
Households	–	0.0	0.8	–	1.1	1.1	1.1
Payments for capital assets	5.3	5.3	7.8	6.8	1.3	8.1	8.1
Machinery and equipment	5.3	5.3	6.8	6.8	1.3	8.1	8.1
Software and intangible assets	–	–	1.1	–	–	–	–
Total	28 844.2	30 036.8	30 029.7	34 193.9	1 445.1	35 639.0	34 870.2

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

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Permanent and full time contract employees							
Compensation (R million)	99.3	116.2	128.1	154.3	195.5	204.7	218.7
Unit cost (R million)	0.2	0.3	0.3	0.3	0.3	0.4	0.4
Personnel numbers (head count)	399	415	509	524	581	581	581
Interns							
Compensation of interns (R million)	0.1	–	–	–	0.4	0.5	0.5
Unit cost (R million)	0.0	–	–	–	0.0	0.0	0.0
Number of interns	12	–	26	30	32	34	36
Total for department							
Compensation (R million)	99.4	116.2	128.1	154.3	195.9	205.2	219.2
Unit cost (R million)	0.2	0.3	0.2	0.3	0.3	0.3	0.4
Personnel numbers (head count)	411	415	535	554	613	615	617

Table 29.C Summary of expenditure on training

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Compensation of employees (R million)	99.4	116.2	141.3	166.4	176.9	188.1	201.1
Training expenditure (R million)	1.4	1.7	2.3	1.7	1.8	1.9	2.0
Training as percentage of compensation	1.4%	1.4%	1.6%	1.0%	1.0%	1.0%	1.0%
Total number trained in department (head count)	570	331	501	–			
of which:							
Learnerships trained (head count)	6	–	–	–			
Internships trained (head count)	–	–	26	–			

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

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
Conditional grants to provinces							
Disaster relief grant	40.7	–	–	–	–	–	–
Internally displaced people management grant	–	–	–	29.7	–	–	–
Total	40.7	–	–	29.7	–	–	–
Conditional grants to municipalities							
Municipal systems improvement grant	200.0	200.0	200.0	200.0	200.0	212.0	224.7
Municipal infrastructure grant	5 436.2	5 938.4	8 754.1	9 378.9	11 084.9	12 528.9	15 068.6
Disaster relief grant	311.0	–	–	–	–	–	–
Internally displaced people management grant	–	–	–	17.3	–	–	–
Total	5 947.2	6 138.4	8 954.1	9 596.2	11 284.9	12 740.9	15 293.3

1. Detail provided in the Division of Revenue Act (2009)

Table 29.E Summary of donor funding

Table 20.12: Summary of donor financing												
Donor	Project	Departmental programme name	Amount committed	Main economic classification	Spending focus	Audited outcome			Estimate 2008/09	Medium-term expenditure estimate		
						2005/06	2006/07	2007/08		2009/10	2010/11	2011/12
Foreign In cash												
Danish International Development Agency	Project Consolidate - knowledge management	Systems and Capacity Building	5 375	Goods and services	Experiences of Project Consolidate captured on the database for use in local government transformation	-	-	-	1 678	-	-	
European Union (EU)	Masibambane	Free Basic Services and Infrastructure	6 779	Goods and services	Supporting municipal urban renewal programmes	159	15 033	6 034	11 779	-	-	
In kind												
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	Strengthening local governance support programme	Governance, Policy and Research	53 750	Goods and services	Improving municipal service delivery, improving resilience and vibrancy of local economies, and strengthening local democracy	9 630	10 138	29 718	53 750	54 000	33 750	
United Kingdom Department for International Development	Consolidation of municipal transformation programme	Governance, Policy and Research	2 934	Goods and services	Implementing a leadership programme, developing international relations and official development assistance knowledge management system. Developing scenarios for a viable district system, training municipalities on intergovernmental policy, and implementing anti-corruption and HIV and AIDS strategies	-	3 298	12 345	2 934	-	-	
United States Agency for International Development	Local government support programme	Free Basic Services and Infrastructure	13 827	Goods and services	Training and implementing anti-corruption measures, facilitating public participation, rolling out a comprehensive infrastructure plan nationwide, implementing a performance management system, and improving local governance in the Democratic Republic of the Congo	14 854	10 858	41 462	13 827	-	-	
Local In cash												
African Renaissance Fund	Democratic Republic of Congo - Decentralization	Governance, Policy and Research	11 673	Goods and services	Number of national coordination structures and provinces strengthened	-	-	-	11 673	-	-	
Total			94 338			24 643	39 327	89 559	95 641	54 000	33 750	
											26 250	

Table 29.F Summary of expenditure on infrastructure

R million	Type of infrastructure	Service delivery outputs	Current project stage	Total project cost	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
					2005/06	2006/07	2007/08		2009/10	2010/11	2011/12
Mega projects or programmes (over R300 million per year for a minimum of three years or R900 million total project cost)											
	Municipal infrastructure grant	Conditional Grants	Water, sanitation; roads and electricity	–	5 436.2	5 938.4	8 754.1	9 378.9	11 084.9	12 528.9	15 068.6
	Disaster relief	Conditional Grants	Municipalities that were destroyed by fire or storms	–	351.7	–	–	47.0	–	–	–
Large projects or programmes (costing between R50 million and R300 million per year within the MTEF period)											
	Municipal systems improvement programme	Conditional Grant	Building in-house capacity	–	200.0	200.0	200.0	200.0	200.0	212.0	224.7
Total				–	5 987.9	6 138.4	8 954.1	9 625.9	11 284.9	12 740.9	15 293.3

