PROVINCE OF KWAZULU-NATAL

2009-10 BUDGET STATEMENTS

for the

Financial Year ending 31 March 2010

Presented to Provincial Legislature

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FOREWORD

The preparation of the 2009/10 MTEF budget has not been easy. Three factors have added to the complexity of formulating this budget.

Firstly, this budget has been prepared in the middle of a global financial crisis emanating from the "bubble burst" of the sub-prime lending regime in the US, which has mopped up liquidity in the financial markets. While the effects of this phenomenon are yet to be fully felt in South Africa, indications are that the country is now beginning to experience the extent of this problem, as measured by third quarter economic performance which registered a 0.2 per cent growth. Such a marginal GDP growth rate will certainly reduce government revenue in 2009/10.

The second complication has been brought about by the reduction of the equitable share for KwaZulu-Natal in the next three MTEF years, brought about by data updates of the equitable share formula. In Rand terms, KwaZulu-Natal will lose R239.7 million in 2009/10, R523.8 million in 2010/11 and R699.3 million in 2011/12. This reduction effectively means that there is less money available in the province to finance new policy priorities.

The third complication has been the inability of the national *fiscus* to fully finance the Occupation Specific Dispensation for Health and Education, as well as the 2008 public sector wage agreement. These factors combined have reduced the amount of "new money" available to fund provincial programmes and projects.

Despite these complications, I am pleased that we have been able to finance all of the national priorities to the extent recommended by National Treasury. In fact, where possible, the province has been able to "top-up" the amounts recommended by National Treasury. This was made possible by reprioritising the provincial baseline. These allocations are explained in the Budget Statements.

Budget Statement 1 gives an overview of the budget strategy, the fiscal framework and aggregates of revenue and expenditure. Budget Statement 2 provides a detailed account, by Vote, of all additional allocations made to various spending areas, as approved by Cabinet. Budget Statement 2 further provides details of what the "new money will buy" in terms of outputs. It is a useful tool for monitoring the implementation of the budget and provides an opportunity to the Executive, the Legislature and the general public to hold government accountable.

I therefore present to the people of KwaZulu-Natal and South Africa the 2009/10 MTEF Budget Statements 1 and 2, and invite you to familiarise yourselves with the contents thereof.

S'miso Les Magagula
Acting Head: KwaZulu-Natal Provincial Treasury

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LIST OF ANNEXURES

LIST OF ABBREVIATIONS

ABET	Adult Basic Education and Training
ACE	Advanced Certificate in Education
AFR	Asset Financing Reserve
AFS	Annual Financial Statements
AHS	Animal Horse Sickness
AMIP	Asset Management Improvement Plan
AMP	Asset Management Plan
AMPR	Annual Municipal Performance Report
APP	Annual Performance Plan
AQM	Air Quality Management
ARRUP	African Renaissance Roads Upgrading Programme
ARV	Anti-retroviral
ASGISA	Accelerated and Shared Growth Initiative of South Africa
ASSA	Actuarial Society of South Africa
BAS	Basic Accounting System
BBBEE	Broad Based Black Economic Empowerment
BEE	Black Economic Empowerment
BEF	Business Enabling Fund
BER	Bureau for Economic Research
BIS	Business Intelligence System
BPO	Business Process Outsourcing
CA	Contagious Abortion
CAMPR	Consolidated Annual Municipal Performance Report
CARA	Conservation of Agricultural Resources Act
CASP	Comprehensive Agricultural Support Programme
CBO	Community Based Organisation
CDW	Community Development Worker
CETA	Construction Education Training Authority
CFO	Chief Financial Officer
CHC	Community Health Centre
CHH	Child Headed Households
CIDB	Construction Industry Development Board
CiDP	Communities in Dialogue Programme
CMP	Change Management Programme
CPF	Community Policing Forum
CPI	Consumer Price Index
CPIX	Consumer Price Index (excluding interest rates on mortgage bonds)
CRSC	Community Road Safety Councils
CRU	Community Residential Unit Programme
CSA	Control Self Assessment
CSF	Community Safety Forum
CSF	Classical Swine Fever
CSI	Corporate Social Investment
CSP	Community, Social and Personal services
CSP	Comprehensive Service Plan
CTAs	Common Task for Assessments
CYCC	Child and Youth Care Centres
DAEA	Department of Agriculture and Environmental Affairs
DBSA	Development Bank of South Africa
DCF	District Co-ordinating Fora
DHF	District Heritage Forums
DIF	District Intergovernmental Forum
DIMS	District Information Management Systems
DIS	Development Information Services
DISSA	Disability Sport South Africa
DLA	Department of Land Affairs
DM	District Municipalities
DMA	District Municipal Area

DME	Department of Minerals and Energy
DORA	Division of Revenue Act
DTI	Department of Trade and Industry
DTP	Dube TradePort
DWAF	Department of Water Affairs and Forestry
ECD	Early Childhood Development
ECDP	Emerging Contractor Development Programme
ECM	Enterprise Content Management
EEDBS	Enhanced Extended Discount Benefit Scheme
EIA	Environmental Impact Assessment
EKZNW	Ezemvelo KZN Wildlife
ELMS	Electronic Litigation Management System
ELRC	Education Labour Relations Council
EMIS	Education Management Information System
EMS	Emergency Medical Services
ENA	Enrolled nursing assistant
EPWP	Expanded Public Works Programme
ERP	Enterprise Resource Planning
FBO	Faith Based Organisation
FET	Further Education and Training
FETC	Further Education and Training Colleges
FFC	Financial and Fiscal Commission
FIFA	Federation of International Football Association
FINA	Fédération Internationale-de Natation
FMD	Foot and Mouth Disease
FOSAD	Forum of South African Directors-General
GDP	Gross Domestic Product
GDP-R	Gross Domestic Product by Region
GEMS	Government Employees Medical Aid
GET	General Education and Training
GIAMA	Government-wide Immovable Asset Management Act
GIS	Geographical Information System
GRAP	Generally Recognised Accounting Practice
GWM&ES	Government Wide Monitoring and Evaluation System
HCBC	Home Community Based Care
HCDS	Human Capital Development Strategy
HDA	Housing Development Agency
HDI	Historically Disadvantaged Individuals
HIS	Hospital Information System
HIV and AIDS	Human Immune Virus/Acquired Immune Deficiency Syndrome
HPRR	Health Professionals Remuneration Review
HRP	Hospital Revitalisation Programme
HWSETA	Health and Welfare Sector Education and Training
IALCH	Inkosi Albert Luthuli Central Hospital
IAS	Invasive Alien Species programme
IAT	Internal Audit Technician
ICS	Improvement in Conditions of Service
ICT	Information Communication Technology
ICTe	Information and Communication Technology and Electronics
IDC	Industrial Development Corporation
IDIP	Infrastructure Delivery Improvement Programme
IDPs	Integrated Development Plans
IDT	Independent Development Trust
IECS	Integrated Examination Computer System
IES	Income and Expenditure Survey
IGCC	Inter-Governmental Cash Co-ordination
IGCS	Integrated Examination Computer System
IGP	Infrastructure Grant to Provinces
IGR	Intergovernmental relations
IMF	International Monetary Fund
INP	Integrated Nutrition Programme
IPG	Inter Provincial Games
IPIP	Infrastructure Project Implementation Plan

IRM	Infrastructure Reporting Model
ISDM	Integrated Service Delivery Model
IT	Information Technology
Ithala	Ithala Development Finance Corporation
IYM	In-Year-Monitoring report
JCC	Joint Co-ordinating Committees
JCPS	Justice Crime Prevention and Security
JE	Job Evaluation
KSIA	King Shaka International Airport
KWANALU	KwaZulu-Natal Agricultural Union
KZN	KwaZulu-Natal
LARP	Land and Agrarian Reform Programme
LCF	Local Competitiveness Fund
LED	Local Economic Development
LGTA	Local Government and Traditional Affairs
LGWSETA	Local Government Water and Related Services Sector Education and Training Authority
LM	Local Municipality
LTSM	Learner Teacher Support Materials
LUMS	Land Use Management System
M&E	Monitoring and Evaluation
MDR	Multi Drug Resistant
MDR/XDR	Multi Drug Resistant/Extra Drug Resistant
MEC	Member of Executive Council
MFMA	Municipal Finance Management Act
MHSP	Municipal Housing Sector Plan
MIG	Municipal Infrastructure Grant
MOU	Memorandum of Understanding
MPCC	Multi-purpose Community Centre
MPL	Member of the Provincial Legislature
MPRA	Municipal Property Rates Act
MSP	Master Systems Plan
MSP	Municipal Support Programme
MTEF	Medium Term Expenditure Framework
MTREF	Medium Term Revenue and Expenditure Framework
MYHDP	Multi-Year Housing Development Plan
NAAIRS	National Automated Archive Information Retrieval System
NATED	National Education
NCNC	Non-Compensation Non-Capital
NC(V)	National Certificate (Vocational)
NCOP	National Council of Provinces
NCS	National Curriculum Statement
NERF	New Economic Reporting Format
NIP	National Integrated Plan
NGO	Non-Governmental Organisation
NPO	Non-profit Organisations
NQF	National Qualifications Framework
NSDP	National Spatial Development Perspective
NSIC	National Small Industry Corporation Ltd of India
NSLA	National Strategy for Learner Attainment
NSNP	National School Nutrition Programme
NYS	National Youth Service
OPMS	Organisational Performance Management System
OSD	Occupational Specific Dispensation
OVC	Orphans and Vulnerable Children
PAHC	Primary Animal Health Care
PALC	Public Adult Learning Centre
PALS	Public Automated Library System
PARMED	Parliamentary Medical Aid
PBS	Performance Budgeting System
PC	Primary Corridor
PCC	Provincial Co-ordinating Committee
PCF	Provincial Co-ordinating Forum
PDE	Patient-day equivalent

PDMC	Provincial Disaster Management Centres
PDSC	Provincial Debt Steering Committee
PERSAL	Personnel and Salary System
PEWP	Provincial Employee Wellness Plan
PFMA	Public Finance Management Act
PGDS	Provincial Growth and Development Strategy
PHC	Primary Health Care
PIA	Programme Implementation Agent
PICT	Provincial Information Communication Technology
PIJF	Provincial Integrated Justice Forum
PLRO	Provincial Land Reform Office
PMTCT	Prevention of Mother to Child Transmission
PMU	Provincial Monitoring Unit
PN	Professional Nurse
PDC	Planning and Development Commission
PPDC	Provincial Planning and Development Commission
PPI	Producer Price Index
PPN	Post Provisioning Norm
PPP	Public Private Partnership
PSEDS	Provincial Spatial Economic Development Strategy
PSETA	Public Service Education and Training Authority
PT	Provincial Treasury
QIDS-UP	Quality Improvement Development System and Upliftment Programme
QPR	Quarterly Performance Report
RBIDZ	Richards Bay Industrial Development Zone
RDP	Reconstruction and Development Programme
RLCC	Regional Land Claims Commission
RRTF	Rural Road Transport Forums
RSCL	Regional Service Council Levy
RTI	Road Traffic Inspectorate
SACSSP	South African Council for Social Service Professions
SAFA	South African Football Association
SALGA	South African Local Government Association
SANLITPS	S A National Liberation Institute of Technology, Philosophy and Political Science
SAPS	South African Police Services
SAQA	South African Qualifications Authority
SARB	South African Reserve Bank
SARS	South African Revenue Services
SAS	Statistical Analysis Software
SA-SAMS	South African Schools Administration and Management System
SASCOC	South African Sports Confederation and Olympic Committee
SASSA	South African Social Security Agency
SC	Secondary Corridor
SCM	Supply Chain Management
SCOA	Standard Chart of Accounts
SCOPA	Standing Committee on Public Accounts
SDBIP	Service Delivery and Budget Implementation Plan
SDF	Spatial Development Frameworks
SEDA	Small Enterprise Development Agency
SEP-LG	Socio-Economic Profiles of Local Government
SET	Science Engineering and Technical
SETA	Sector Education Training Authority
SGBs	School Governing Bodies
SIP	Strategic Infrastructure Plan
SITA	State Information Technology Agency
SLA	Service Level Agreement
SMME	Small Medium and Micro Enterprise
SMS	Senior Management Service
SNRM	Sustainable Natural Resource Management
SOE	State Owned Enterprises
SPV	Special Purpose Vehicles
STI	Sexually Transmitted Infection
TAC	Traditional Administrative Centres

TAU	Technical Assistance Unit
TB	Tuberculosis
TC	Traditional Councils
TCF	Technical Council on Finance
TDTC	Technology Demonstration cum Training Centre
THETA	Tourism, Hospitality, Sport, Education and Training Authority
TIPS	Trade and Industry Policy Service
TLTP	Taking Legislature to the People
TPCC	Technical Provincial Co-ordinating Committee
TPCF	Technical Provincial Co-ordinating Forum
U-AMPS	User Asset Management Plans
UPFS	Uniform Patient Fee Structure
URP	Urban Renewal Programme
URS	User Requirement Statement
VCT	Voluntary Counselling and Testing
VEP	Victim Empowerment Programme
VIP	Ventilated Improved Pitlatrines
VSCPP	Volunteer Social Crime Prevention Project
VSP	Voluntary Severance Package
XDR	Extreme Drug Resistance

BUDGET STATEMENT 1
Budget Overview

1. BUDGET STRATEGY: AN OVERVIEW

Crafting a budget in times of a world-wide economic downturn is a daunting task. It is daunting largely because the economic slowdown means less revenue for national government in general. Less revenue at a national level means less revenue for other sub-national spending agencies. The 2009/10 MTEF budget was crafted within this constraint. Compounding the difficulty for KwaZulu-Natal has been the 2007/08 and 2008/09 budget overruns, largely as a result of the Department of Health's budget pressures. In 2007/08, the province ended the financial year with a net deficit of R239.3 million, after taking into account the conditional grant roll-overs. This deficit was then carried forward to the 2008/09 financial year, and there are indications that the over-expenditure will continue in 2008/09 and will therefore be carried over to the 2009/10 financial year. This deficit has to be financed as a first charge on the provincial revenue. This means that any additional resources from the equitable share will first have to finance this deficit, thus reducing the amount available to fund government service delivery programmes.

For the most part of 2008/09, the Provincial Revenue Fund was in overdraft as a result of the 2007/08 over-expenditure and the continued high spending in 2008/09. Without the positive cash balances in the revenue fund, Provincial Treasury had to revise the interest income normally earned on positive cash balances downwards. This downward revision of an already allocated amount has introduced a structural problem in the fiscal framework.

Coupled with the net deficit, is the decline of the provincial equitable share allocation by a total of R1.462 billion over the 2009/10 MTEF, due to data changes in the equitable share formula for KwaZulu-Natal. Added to this was a further reduction of the province's equitable share by R1.617 billion (over the 2009/10 MTEF) due to the world wide economic downturn. Given the fact that part of these amounts had already been allocated to various departments in 2008/09, the province also had to finance this in 2009/10.

The provincial fiscal framework has also been negatively affected by the inadequacy of resources in the national *fiscus* to fully finance the expenditure on the Occupation Specific Dispensation for nurses and educators, as well as the shortfall in the amounts allocated for the 2008 public sector wage agreement, which was higher than budgeted for.

The resource constraints discussed above have necessitated that the province approaches the 2009/10 MTEF differently. The strategy has been one of reprioritising the provincial baseline, in order to release money from existing programmes whose spending has been slow, and to finance programmes that show serious budgetary pressures. Programmes that have benefited from the reprioritisation exercise are those that have been identified by the national Ministers' Committee on the Budget (MinComBud) and Cabinet as national priorities. These programmes have also been endorsed by the Provincial Political Executive.

In line with the pronouncements of the January 8 statement of the ruling party, KwaZulu-Natal has responded positively to the call to strengthen both education and health in the country. To show its commitment, the province has allocated all additional resources as per National Treasury's recommendation and, in certain instances, even 'topped up' the recommended allocations.

As per National Treasury's recommendations, the following national priorities have been financed[1]:

Education:

- Learner-teacher support material;
- Increasing teacher numbers to reduce the learner/teacher ratio;
- Extension of the No-Fee school policy to Quintile 3; and

[1] The details of these allocations are fully explained in Budget Statement 2.

- Further support for inclusive education.

Health:

- Inflationary adjustments for medical goods and services;
- Improved remuneration for health professionals, including the phasing in of doctors' Occupation Specific Dispensation;
- The fight against MDR/XDR tuberculosis;
- Reducing infant and child mortality rates; and
- General improvements of the Department of Health's capacity to deliver health care.

Despite the reduction in the provincial equitable share, the 2009/10 budget still shows strong growth in allocations for provincial flagship projects. These projects include the Moses Mabhida Soccer Stadium and the Dube TradePort. This is in line with the pronouncements made at the provincial Cabinet *Indaba* held at Alpine Heath in 2007. One of the pronouncements made was that KwaZulu-Natal needs to refocus its energy towards those projects that will grow the provincial economy. Clearly, these two projects have that potential.

Furthermore, the 2009/10 budget strategy had to respond to the need for enhancing food security in the country and the province. The province therefore welcomes the additional national conditional grant allocations made to two main areas, namely the Comprehensive Agricultural Support Programme and the Ilima/Letsema Projects grants. These two grants have the potential to strengthen rural economies and ensure that food insecurity is reduced.

As was the case with the 2008/09 budget, the 2009/10 budget strategy is still firmly embedded in the Provincial Spatial Economic Development Strategy (PSEDS). The PSEDS identified two corridor types and several nodes within the province that will require substantial investments over the next three years. The corridors were defined as follows:

Primary Corridor (PC): A corridor with very high economic growth potential, which serves areas of high poverty densities; and

Secondary Corridor (SC): A corridor which serves areas of high poverty levels, with good economic development potential within one or two sectors.

While this analysis of the space-economy was being done, the PSEDS task team used the SWOT analysis technique and review of the competitive and comparative advantages of the province's economy to identify the sectors which have the greatest potential to drive growth and impact on poverty and unemployment.

This exercise confirmed that the following broad sectors of the economy had the greatest potential to drive economic growth and create employment:

- Agriculture, including agri-industry (with opportunities to impact considerably on the economic needs of the poor through Land Reform);
- Industry, including heavy and light industry and manufacturing;
- Tourism, including domestic and foreign tourism; and
- The Services sector, including financial, social, transport, retail and government.

The development of the PSEDS provided the provincial government, for the first time, with a spatially referenced tool to:

- Analyse where government is currently directing the bulk of its capital development infrastructure expenditure; and

- Re-direct and reprioritise this expenditure so that it supports growth and development in the identified nodes and corridors to achieve maximum impact (the ‘massification’ effect).

In submitting their 2009/10 MTEF budget proposals, accordingly, provincial departments were requested by Provincial Treasury to indicate how their reprioritised High Leverage programmes supported the identified nodes and corridors. For their part, all departments undertook a comprehensive review of their 2009/10 MTEF expenditure proposals, to ensure that the bulk of expenditure is directed to the areas of highest economic potential and greatest need, in line with the PSEDS and the National Spatial Development Perspective (NSDP).

In conclusion, the 2009/10 budget strategy responds directly to national and provincial policy imperatives. It gives effect to the objectives of eradicating poverty through agricultural investments and strengthening education and health while, at the same time, ensuring that economic infrastructure investments are accelerated.

2 SOCIO-ECONOMIC OUTLOOK

2.1 Introduction

The national and provincial economy experienced a number of endogenous and exogenous shocks during 2008. The effects of these shocks will, to a large degree, spill-over into 2009 and 2010, and will impact significantly on the performance of the national and provincial economy over the short and medium term.

To begin with, the national economy experienced significant electricity supply disruptions and constraints during the first quarter of 2008, causing, for example, value added in the manufacturing sector (in nominal terms) to decrease by 8.44 per cent on a quarterly basis during the first quarter of 2008. Crude oil, fuel and commodity prices rose to record-high levels, causing inflation to accelerate rapidly, reaching a high of 13.7 per cent annual rate in August 2008. These higher prices, together with sustained high interest rates during 2008, reduced the purchasing power of households and narrowed profit margins of many firms, causing a drag on consumption and business fixed investment.

In August 2008, mounting losses on subprime mortgages and mortgage related securities began straining financial institutions predominantly in the United States of America (USA), but also in many other countries, especially in Europe. The repercussions from these losses have triggered a period of severe turbulence in world financial markets. For example, the Johannesburg Stock Exchange All Share Top 40 Index lost almost 15 per cent of its value during September 2008. The financial crises have, however, not remained confined to the US financial system, but have spread to the US real economy in a very rapid and significant manner, pushing the US economy into a recession.

The South African economy did not stay insulated from these events. Although the direct impacts have been almost negligible, the indirect impacts have been much more significant and will continue to affect the national economy during 2009.

The subsequent deteriorating world economic outlook rushed policy makers in a number of countries to look at fiscal policy as the primary weapon to prevent their economies falling into a state of depression. Also, the use of monetary policy in a number of countries has been almost exhausted, leaving fiscal policy as the only alternative in preventing massive job losses, social unrest, etc. The focus of fiscal policy over the last six months in a number of countries has been on stimulating economic growth, as advocated by John Maynard Keynes during the Great Depression of the 1930s and 1940s.

Fiscal policy during 2009 and 2010 will continue to focus on stimulating economic growth, especially because interest rates in most developed countries have reached zero per cent or close to this level. Fiscal policy will continue to make use of both tax cuts and spending plans to stimulate economic growth, with budget deficits reaching historic high levels. From an economic perspective, the size of the deficit and debt *per se* are not necessarily as important as the underlying policies of spending and taxation. Policy makers and economists will be looking with ‘new eyes’ at fiscal policy during 2009. The policies and theories of Mr Keynes seem to be very much back on the agenda.

The South African economy is faced with similar prospects and threats to those faced by the world economy. However, policy makers will most probably focus on monetary policy, rather than fiscal policy, to stimulate economic growth, simply because there is considerable scope in using monetary policy and also because of the conservative stance of fiscal policy over the past five to eight years.

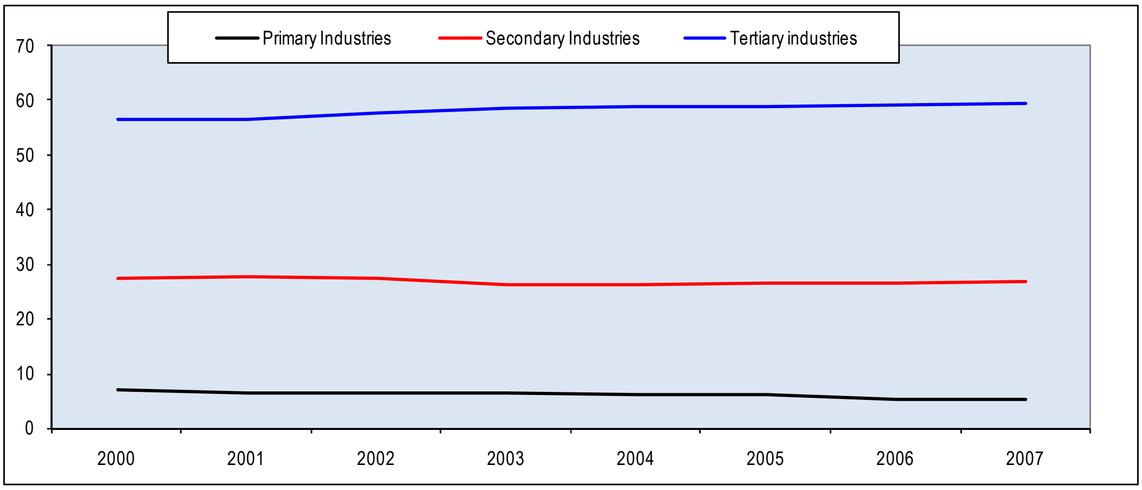
Monetary policy will thus be the primary policy instrument to support economic growth, with interest rates forecasted to decrease by between 3 per cent and 4 per cent during 2009 (own forecasts). Fiscal policy in South Africa will continue to focus on the social, rather than the economic, although they are not mutually exclusive.

2.2 Structure of the KwaZulu-Natal economy

Graph 2.1 suggests that the contribution of both the primary and secondary sectors to the provincial Gross Domestic Product (GDP) decreased, while the contribution of the tertiary sector to the provincial GDP increased since 2000. The contribution of the primary and secondary sectors to the provincial GDP decreased from 6.93 per cent and 27.61 per cent to 5.37 per cent and 26.72 per cent, respectively, while the contribution of the tertiary sector to the provincial GDP increased from 56.61 per cent to 59.49 per cent since 2000. It must be emphasised that, although the contribution of the secondary sector decreased for the period, it was only marginal and therefore the secondary sector can best be described as a stable sector, rather than a decreasing or stagnant sector. It must also be emphasised that a decrease in contribution does, by no means, imply a decrease in absolute terms, but only a decrease in relative terms.

Thus, the size of the tertiary sector in the province is increasing both in absolute and relative terms, which is not a unique situation to the province, but rather similar to the national situation and to the situation in developed countries over the last five years, in particular. It is also certainly a consequence of the low inflation and interest rate environment experienced in the domestic economy during the period. The growth of the tertiary sector is, thus, primarily a consequence of the macro-economic environment experienced in South Africa since 2003.

Graph 2.1: Primary, secondary and tertiary sector contributions



Source: Stats. SA (2008), Own calculations

Table 2.1 suggests that employment per sector in the province behaved in a fairly similar way to the structural changes experienced in the provincial economy. Employment in the primary sector decreased significantly since 2001, while employment in the secondary and tertiary sectors increased. Employment in the tertiary sector increased by nearly 5 per cent compared to 2.5 per cent employment growth in the secondary sector, confirming the observation of a decreasing primary sector, a stable secondary sector and a growing tertiary sector.

Table 2.1: Provincial employment by main economic sectors – 1996 to 2007

Sector	1996	2001	2007
		Total employment	
Primary Sector	133 932	152 045	79 837
Secondary Sector	451 726	437 355	580 496
Tertiary Sector	697 560	844 739	1 075 332
		Relative employment	
Primary Sector	10.44%	10.60%	4.60%
Secondary Sector	35.20%	30.50%	33.45%
Tertiary Sector	54.36%	58.90%	61.96%

Source: Stats. SA (2008), Census 1996 and 2001 and Community Census 2007

Table 2.2 indicates that the contribution of the primary sector to total provincial employment and GDP decreased by 6 per cent and 1.16 per cent from 2001 to 2007, respectively, suggesting massive job losses even though the size of the sector itself, in absolute terms, has stayed fairly constant. This suggests the existence of a massive substitution (capital for labour) effect in the sector.

Provincial employment in the secondary sector increased, while the sector's contribution to provincial GDP decreased from 2001 to 2007, suggesting a fairly stable sector that increased in absolute terms rather than relative terms since 2001. On the other hand, the tertiary sector increased its contribution, both in terms of provincial employment and output. The tertiary sector in the province thus increased in both absolute and relative terms since 2000.

Table 2.2: Difference in provincial GDP and employment by main economic sectors – 2001 to 2007

Sector	2001	2007	Difference
Primary Sector			
Contribution to employment	10.60%	4.60%	-6.00%
Contribution to GDP	6.53%	5.37%	-1.16%
Secondary Sector			
Contribution to employment	30.50%	33.45%	2.95%
Contribution to GDP	27.78%	26.72%	-1.07%
Tertiary Sector			
Contribution to employment	58.90%	61.96%	3.05%
Contribution to GDP	56.57%	59.49%	2.92%

Source: Stats. SA (2008), Census 1996 and 2001 and Community Census 2007, Own calculations

Table 2.3 below indicates the provincial GDP output per labour unit during 2001 and 2007 in the three main economic sectors in KwaZulu-Natal.

Provincial GDP per labour unit in the primary sector increased from R67 691 in 2001 to R135 891 in 2007, suggesting that labour productivity in the primary sector increased on average by 7.17 per cent per annum for the period, supporting the notion of significant labour substitution in the sector. On the other hand, labour productivity in the secondary sector decreased by about 1 per cent per annum for the period. Labour output in the secondary sector is also the lowest, compared to the other two sectors.

Provincial GDP output per labour unit in the tertiary sector increased from R105 525 in 2001 to R112 249 in 2007, representing an average per annum increase in labour productivity of 0.86 per cent for the period.

Table 2.3: Provincial GDP per labour unit by main economic sectors – 2001 to 2007

Provincial GDP per labour unit	2001 (R)	2007 (R)	Difference (%)
Primary Sector	67 691	135 891	7.17%
Secondary Sector	100 097	92 673	-1.14%
Tertiary Sector	105 525	112 249	0.86%

Source: Stats. SA (2008), Census 1996 and 2001 and Community Census 2007, Own calculations

2.3 Modelling the KwaZulu-Natal economy

2.3.1 Methodology of the model

A structural model has been developed in an attempt to model the provincial economy. The model will allow the Provincial Treasury to model the quarterly and annual performance of the different economic sectors, and to forecast the real GDP of the province, based on national GDP estimates. The model is a structural model, and therefore the stability and relevance of the model are dependent on the degree of the stability of the structural relationship between national GDP and provincial GDP since 2001.

Table 2.4 below indicates the yearly structural relationship between national GDP and provincial GDP per sector from 2000 to 2006. Some provincial sectors have experienced a steady increase in their contribution to national sector GDP, whereas some sectors have experienced a steady decrease in their contribution to national sector GDP, but no dramatic and significant structural changes have occurred over the period, therefore the structural relationship seems to display a high degree of stability.

Table 2.4: Structural GDP relationship – Provincial sector GDP as a percentage of National sector GDP – per year

Industry %	2000	2001	2002	2003	2004	2005	2006
Primary Industries	**11.51**	**11.45**	**11.25**	**11.38**	**11.34**	**11.46**	**10.94**
Agriculture, forestry and fishing	28.00	28.87	28.37	29.68	29.48	29.48	29.17
Mining and quarrying	4.36	4.15	3.67	3.76	3.78	3.70	3.64
Secondary Industries	**20.53**	**21.02**	**20.48**	**20.24**	**20.20**	**20.31**	**20.35**
Manufacturing	21.53	21.47	21.42	21.55	21.52	21.68	21.89
Electricity, gas and water	17.97	18.63	19.12	16.95	17.04	17.24	17.18
Construction	15.72	20.10	15.01	14.60	14.64	14.71	14.32
Tertiary industries	**15.66**	**15.80**	**15.80**	**15.89**	**15.86**	**15.88**	**15.88**
Wholesale and retail trade; hotels and restaurants	15.85	16.77	16.80	16.92	16.93	16.84	16.85
Transport , storage and communication	21.86	21.53	21.61	21.75	21.68	21.58	21.31
Finance, real estate and business services	13.77	13.46	13.31	13.41	13.43	13.52	13.71
Personal services	16.67	16.68	16.67	16.65	16.66	16.60	16.36
General government services	13.56	13.81	13.75	13.71	13.62	13.70	13.68
All industries at basic prices	**16.39**	**16.61**	**16.45**	**16.44**	**16.42**	**16.49**	**16.49**
GDPR at market prices	**20.01**	**20.28**	**16.39**	**16.43**	**16.40**	**16.45**	**16.45**

Source: Stats. SA (2008), Own calculations

Table 2.5 indicates the average structural relationship for the three periods. This table also supports the argument of structural stability in the relationship between national sector and provincial sector GDP from 2000 to 2006.

Table 2.5: Average structural GDP relationship – Provincial sector GDP as a percentage of National sector GDP – per period

Industry %	Average 2000 to 2006	Average 2003 to 2006	Average 2005 to 2006
Primary Industries	**11.33**	**11.27**	**11.20**
Agriculture, forestry and fishing	29.01	29.24	29.32
Mining and quarrying	3.86	3.71	3.67
Secondary Industries	**20.45**	**20.32**	**20.33**
Manufacturing	21.58	21.61	21.78
Electricity, gas and water	17.73	17.50	17.21
Construction	15.59	14.65	14.51
Tertiary industries	**15.82**	**15.86**	**15.88**
Wholesale and retail trade; hotels and restaurants	16.71	16.87	16.85
Transport , storage and communication	21.62	21.59	21.45
Finance, real estate and business services	13.51	13.47	13.61
Personal services	16.61	16.59	16.48
General government services	13.69	13.69	13.69
All industries at basic prices	**16.47**	**16.46**	**16.49**
GDPR at market prices	**17.49**	**16.42**	**16.45**

Source: Stats. SA (2008), Own calculations

2.3.2 Estimating provincial 2007 GDP and 2008 quarterly GDP

The provincial GDP estimates per sector for 2007, and for each of the three quarters of 2008, are supplied in Table 2.6.

In terms of the 2007 and 2008 GDP-R estimates, the average structural relationship between 2005 and 2006 will be used, because of the stability in the trend behaviour experienced in each sector since 2000.

Table 2.6: National GDP for 2007 and Provincial GDP for 2007 and Quarter 1, 2 and 3 for 2008 - Constant 2000 prices - Rand million

Industry	2007 National GDP	2007 KZN GDP	2008Q1 KZN GDP	2008Q2 KZN GDP	2008Q3 KZN GDP
Primary Industries	**96 853**	**10 849**	**2 529**	**2 983**	**3 115**
Agriculture, forestry and fishing	28 283	8 308	1 952	2 378	2 518
Mining and quarrying	68 570	2 541	577	605	597
Secondary Industries	**267 020**	**53 797**	**13 146**	**13 970**	**14 265**
Manufacturing	199 785	43 343	10 465	11 196	11 401
Electricity, gas and water	25 683	4 405	1 047	1 086	1 131
Construction	41 552	6 048	1 634	1,688	1 733
Tertiary industries	**759 966**	**120 705**	**30 276**	**30 651**	**31 213**
Wholesale and retail trade; hotels and restaurants	174 479	29 439	7 046	7 061	7 149
Transport , storage and communication	122 705	26 412	6 608	6 719	7 013
Finance, real estate and business services	243 118	32 948	8 440	8 600	8 681
Personal services	65 703	10 867	2 813	2 843	2 879
General government services	153 961	21 038	5 369	5 428	5 492
All industries at basic prices	**1 123 840**	**185 350**	**45 952**	**47 604**	**48 593**
GDPR at market prices	**1 233 930**	**203 044**	**50 340**	**52 144**	**53 141**

Source: Stats. SA (2008), Own calculations

Table 2.7 indicates the 2007 year-on-year growth rate in provincial GDP and the 2008 quarter-on-quarter growth rates in provincial GDP for the first three quarters of 2008.

It is estimated that provincial GDP increased by 5.12 per cent during 2007, and by 1.91 per cent during the third quarter of 2008. GDP-R, excluding the agriculture, forestry and fishing sector, expanded by 1.72 per cent during the third quarter of 2008.

Table 2.7: Prov. GDP year-on-year growth rate for 2007 and Prov. GDP quarter-on-quarter growth rates for Q 1, 2 and 3 of 2008

Industry	2007 KZN	2008 Q1 KZN	2008 Q2 KZN	2008 Q3 KZN
Primary Industries	**3.18**	**16.72**	**17.95**	**4.41**
Agriculture, forestry and fishing	3.61	2.39	6.78	-1.53
Mining and quarrying	1.80	-8.51	4.86	-1.40
Secondary Industries	**5.04**	**-6.81**	**6.26**	**2.12**
Manufacturing	3.56	-7.78	6.98	1.83
Electricity, gas and water	2.88	-6.90	3.74	4.12
Construction	18.98	0.03	3.31	2.69
Tertiary industries	**5.37**	**-5.28**	**1.24**	**1.83**
Wholesale and retail trade; hotels and restaurants	5.38	-16.56	0.22	1.24
Transport , storage and communication	6.62	-3.70	1.68	4.37
Finance, real estate and business services	5.58	-2.18	1.89	0.95
Personal services	5.13	4.39	1.06	1.25
General government services	3.65	0.66	1.10	1.16
All industries at basic prices	5.14	-4.74	3.60	2.08
GDPR at market prices	**5.12**	**-4.70**	**3.58**	**1.91**
GDPR at market prices, excl. Agriculture, forestry and fishing		**-5.66**	**2.85**	**1.72**

Source: Stats. SA (2008), Own calculations

2.4 Performance of the KwaZulu-Natal economy and provincial government spending

Table 2.8 indicates the growth in provincial GDP (in real terms), the increase in the provincial budget (in nominal terms), the increase in the total provincial population and the increase in the potential provincial workforce from 2000 to 2008.

The table shows that provincial GDP increased, on average, by 4.07 per cent year-on-year in real terms since 2000, whereas the provincial budget increased, on average, by 5.73 per cent year-on-year in real terms since 2000. The total provincial population and workforce increased, on average, by 1.70 per cent and 2.28 per cent year-on-year since 2000.

Table 2.8: Selected performance indicators for KZN

Year	KZN GDP (Real terms) (R)	KZN budget (Nominal terms) (R)	KZN population (All ages)	KZN population (15-65)
2000	150 911 404 436	21 799 650 000	8 857 615	5 251 871
2001	157 577 175 968	25 061 194 000	9 426 018	5 588 889
2002	160 957 189 915	22 429 241 000	9 212 122	5 699 908
2003	166 358 000 000	25 476 494 000	9 761 032	5 806 228
2004	174 133 000 000	28 014 475 000	9 665 875	5 907 719
2005	183 363 000 000	33 307 079 000	9 651 100	6 005 404
2006	193 154 000 000	36 881 397 000	9 924 000	6 095 237
2007	203 044 042 771	44 951 327 000	10 014 500	6 192 803
2008	207 500 430 255	51 100 926 000	10 105 500	6 284 396
Average Real Value	177 444 249 261	32 113 531 444	9 624 196	5 870 273
Average Year-on-Year % Change	4.07%	5.73%*	1.70%	2.28%

Source: Stats. SA (2008), National Treasury (2008), Own calculations

* Deflated using the average yearly consumer price index from 2000 to 2008

Table 2.9 below indicates that the per capita GDP for both the total population and the workforce increased in real terms, suggesting an increase in the average standard of living and an increase in labour return in the province since 2000. The provincial economy, thus, seems to have performed fairly well during the period. However, there can be little doubt that the provincial economy has been negatively affected by the abovementioned economic shocks, and economic growth is expected to slow down considerably during 2009 and 2010.

Table 2.9: Per capita indicators for KZN

Year R	KZN GDP per capita (All ages)	KZN GDP per capita (15-65)	KZN budget per capita (All ages)	KZN budget per capita (15-65)
2000	17 037	28 735	2 461	4 151
2001	16 717	28195	2 659	4 484
2002	17 472	28 239	2 435	3 935
2003	17 043	28 652	2 610	4 388
2004	18 015	29 476	2 898	4 742
2005	18 999	30 533	3 451	5 546
2006	19 463	31 689	3 716	6 051
2007	20 275	32 787	4 489	7 259
2008	20 533	33 018	5 057	8 131
Average Real Value	18 395	30 147	3 308	5 410
Average Year-on-Year % Change	2.40%	1.77%	3.77%*	3.19%*

Source: Stats. SA (2008), National Treasury (2008), Own calculations

* Deflated using the average yearly consumer price index from 2000 to 2008

Table 2.9 also indicates that provincial government expenditure per capita for both the total population and the workforce increased in real terms since 2000.

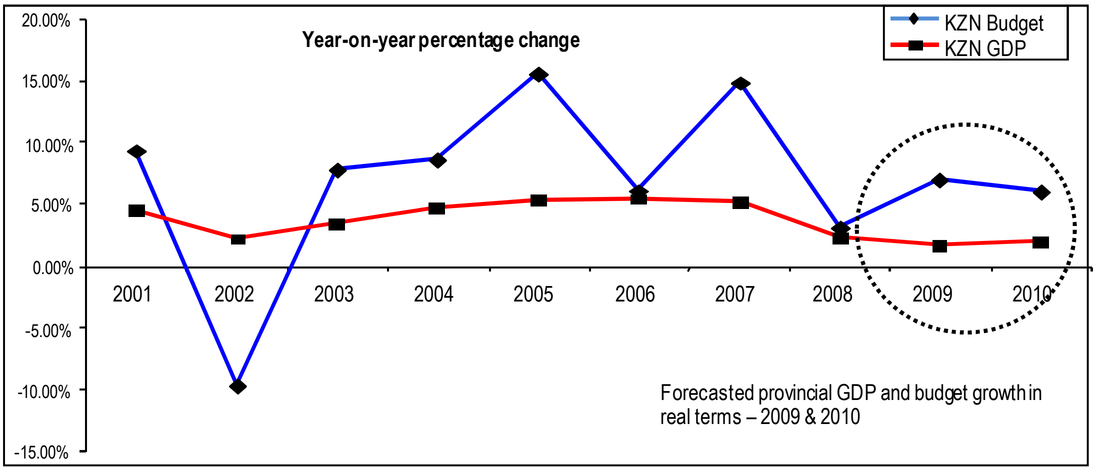
Graph 2.2 below suggests that provincial GDP and provincial government expenditure will increase by between 1 per cent and 2 per cent and between 6 per cent and 7 per cent in real terms, during 2009 and 2010, respectively[2] [3].

Provincial government expenditure as a percentage of provincial GDP will thus continue to increase during 2009 and 2010, approaching fairly high levels, as indicated in Graph 2.3, suggesting an increasingly greater involvement of the provincial government in the provincial economy.

[2] Own calculations and are based on a modest recovery in the world economy during 2009, and the continued domestic interest rate cuts during 2009.

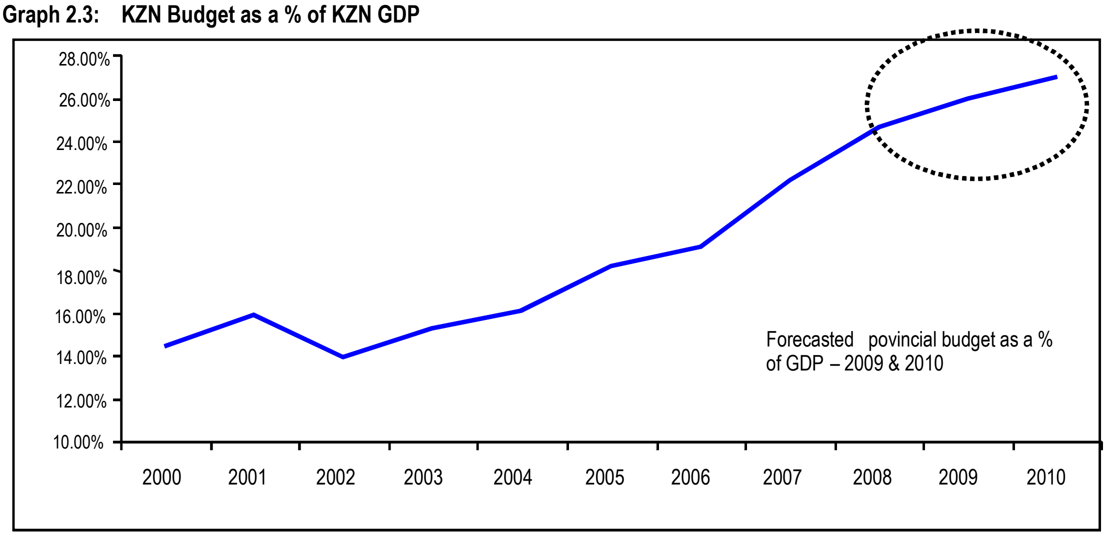
[3] National Treasury Medium Term Budget Policy Statements and Adjusted Estimates of National Expenditure – 2008.

Graph 2.2: Per Capita Indicators for KZN



Source: Stats. SA (2008), National Treasury (2008), Own calculations

Graph 2.3: KZN Budget as a % of KZN GDP

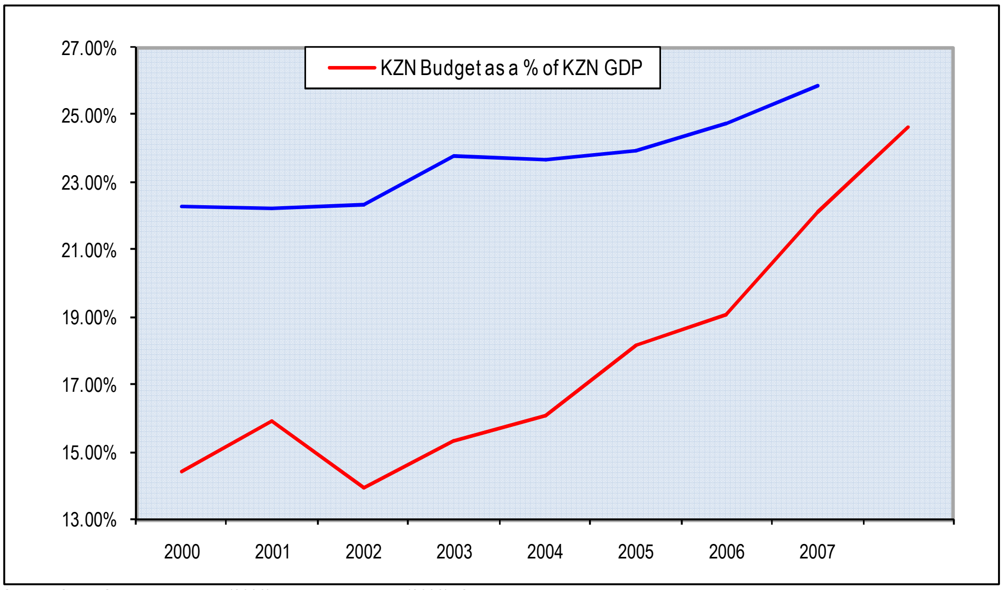


Source: Stats. SA (2008), National Treasury (2008), Own calculations

Graph 2.4 below suggests that provincial government expenditure as a percentage of GDP-R is still below the national ratio, although it has been increasing since 2000. Thus, there seems to be scope for increased provincial government expenditure in KwaZulu-Natal.

Obviously, the increase in provincial expenditure is largely dependent on the availability of additional equitable share resources to provinces in the coming MTEF. An increase in government expenditure supports the view that, in times of economic downturn, fiscal policy is a plausible instrument to stimulate economic growth.

Graph 2.4: KZN Budget as a % of KZN GDP compared to National Public Expenditure as a % of GDP

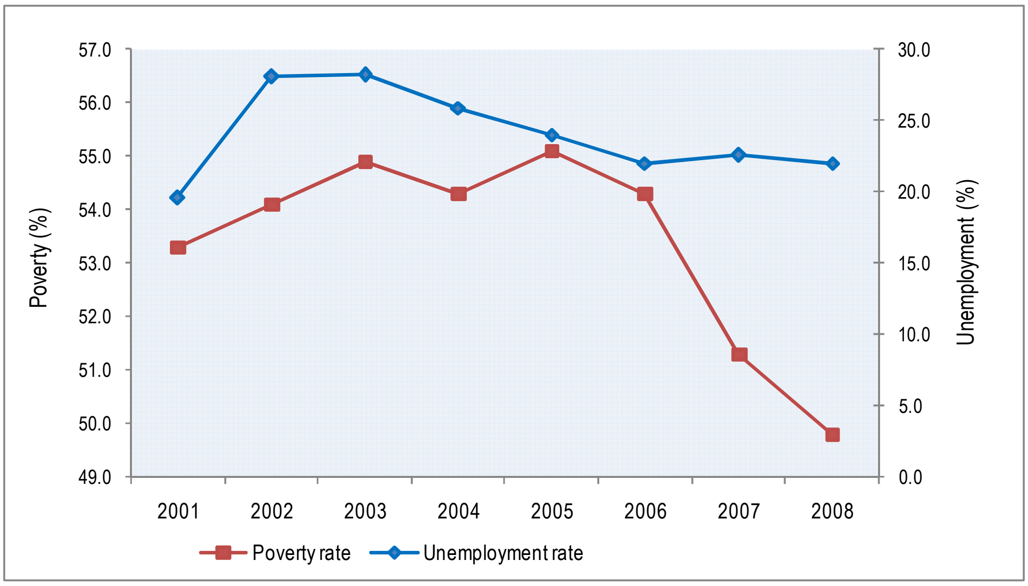


Source: Stats. SA Reserve Bank (2008), National Treasury (2008), Own calculations

2.5 Unemployment

Graph 2.5 reveals that, between 2001 and 2008, the KwaZulu-Natal unemployment rate (using the official definition) averaged 24.1 per cent over the eight-year period. It grew by 2.4 percentage points between 2001 and 2008. In 2001, the rate was 19.6 per cent, but it rose sharply to 28.1 per cent in 2002, an increase of 8.5 percentage points. This figure, however, gradually declined from 28.2 per cent in 2003 to 22 per cent in 2008. Despite this decline in the rate, it has still not decreased to levels below those that were experienced in 2001. In order for the province to achieve its target of an unemployment rate of 18.8 per cent in 2014, the rate must decline by 0.53 per cent per year over the next six years.

Graph 2.5: Unemployment rate and poverty rate, 2001-2008

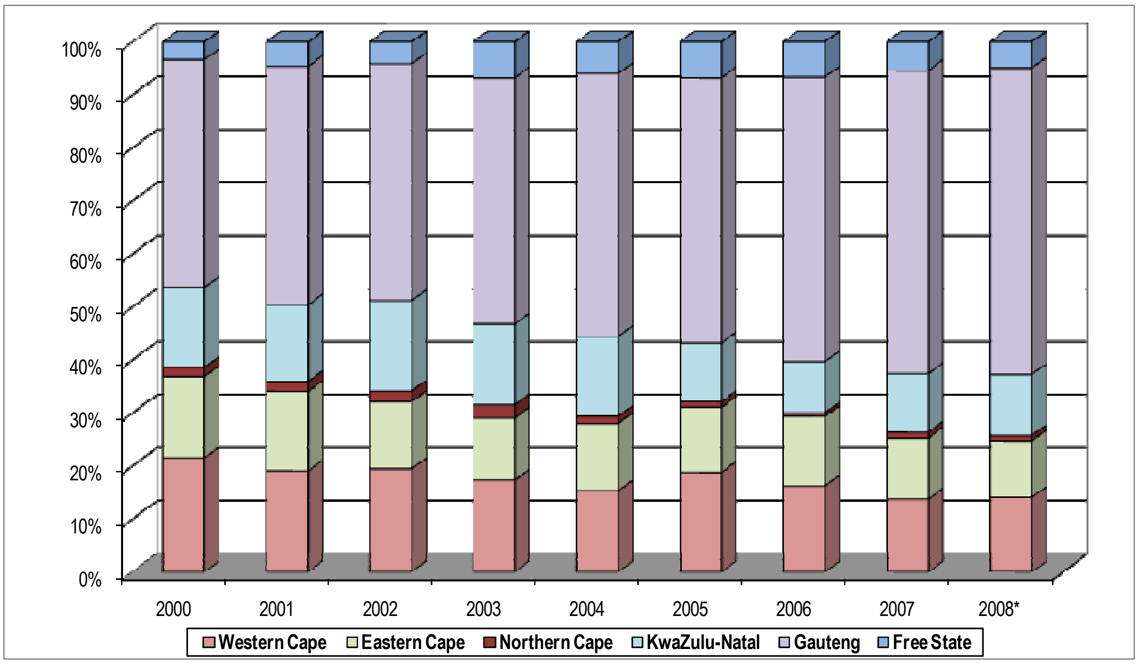


The overall poverty levels have been reduced by 3.6 percentage points between 2000 and 2007, from 53.4 per cent in 2000 to 49.8 per cent in 2007. Over this period, on average, Blacks constituted 98.1 per cent of people living in poverty, Whites 0.3 per cent, Coloureds 0.32 per cent and Asians 1.2 per cent. The poverty rate increased, on average, between 2000 and 2005, and declined steadily between 2006 and 2007.

2.6 Debt analysis

The year 2008 being an economically tough year that it was, it is interesting to see how the different sectors were affected by repetitive increases in the lending rate. This part provides an overview of civil cases for debt[4] since 2000. These statistics are gathered in order to provide information on the extent of unpaid debt in the country. The number of civil cases in the country increased from 1 million in 2000 to 1.6 million as at October 2008 (an average annual increase of 8.5 per cent). Gauteng accounted for the largest share of these cases, followed at a distance by KwaZulu-Natal and Eastern Cape (Graph 2.6).

Graph 2.6: Share of reported civil cases by province (%), 2000-2008*



Source: Stats SA 2008, own calculations

* 2008 data are reported as at October

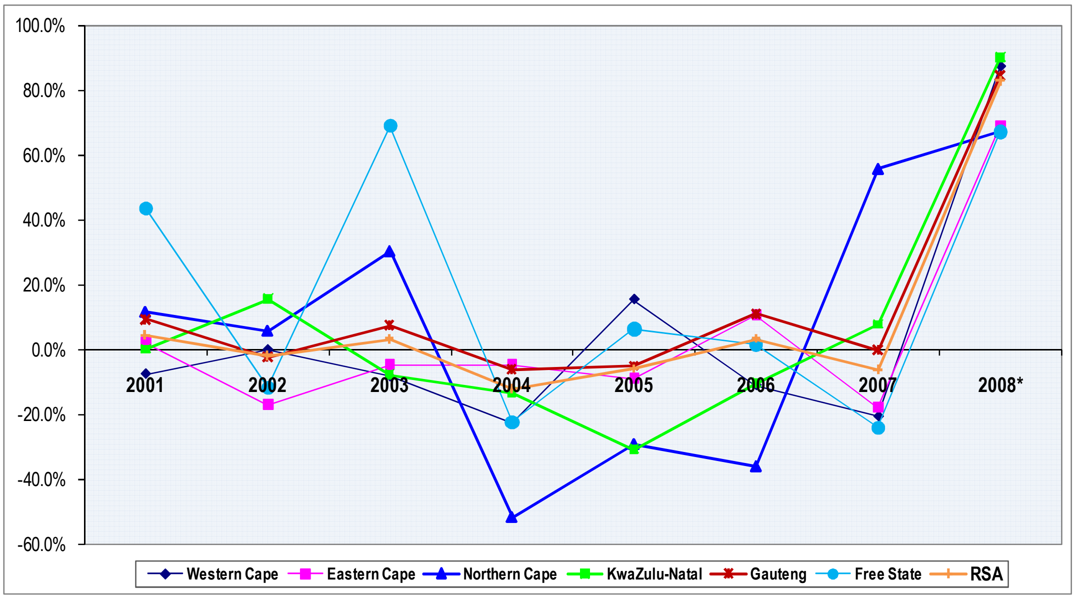
As indicated above, the increase in the annual number of cases reported amounted to 8.5 per cent. The increase was, in fact, negative 2.1 per cent between 2000 and 2007, before the substantial national average of 82.7 per cent year-on-year increase between 2007 and 2008.

Graph 2.7 shows that all provinces experienced nearly a 100 per cent increase in reported cases between these two years. KwaZulu-Natal experienced the highest increase, at 90.3 per cent, followed closely by the Western Cape at 87.3 per cent, and Gauteng at 84.8 per cent. Free State (66.9 per cent), Northern Cape (67.3 per cent) and Eastern Cape (68.9 per cent) had below average increases, though still high. Northern Cape was the only province that experienced the hike earlier than the others, at 55.8 per cent between 2006 and 2007, making it a leader in experiencing the shock. The increases were the highest in all the provinces during this period, except for Free State which, for some reasons, experienced high increases in 2001 and 2003.

This could have been expected, following the spiralling increase in the interest rate since 2007, sending many people deeper into debt.

[4] The data is based on sample surveys of civil cases recorded and civil summonses for debt issued in South Africa. The information is collected by Statistics South Africa from selected magistrates' offices, namely: Cape Peninsula, Port Elizabeth, East London, Kimberly, Pietermaritzburg, Durban, Johannesburg, East Rand, West Rand, Vereeniging, Vanderbijlpark, Pretoria and Bloemfontein. The provincial data are simple aggregations of data for the magistrates' offices within a province.

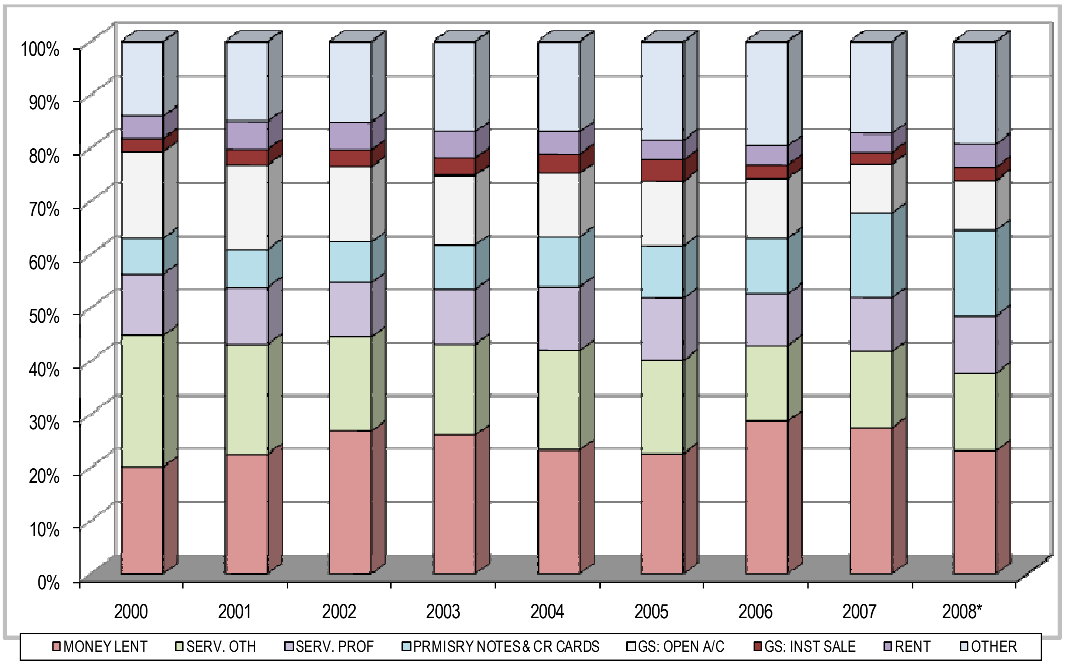
Graph 2.7: Annual change in the number of reported civil cases (%), 2001-2008*



Source: Stats SA 2008, own calculations;
* 2008 data are reported as at October

Graph 2.8 below gives proportions of summonses issued for debt for both business enterprises and private persons. It shows that, throughout the period 2000 – 2008, money lent was the largest type of debt not easily honoured, followed by goods sold on open accounts. Promissory notes, other bills and credit cards increased their share in 2007 and 2008, with the share of goods sold on open accounts shrinking slightly.

Graph 2.8: Summonses issued for debt by type: business enterprises and private persons (%), 2000-2008*



Source: Stats SA 2008, own calculations;
* 2008 data are reported as at October

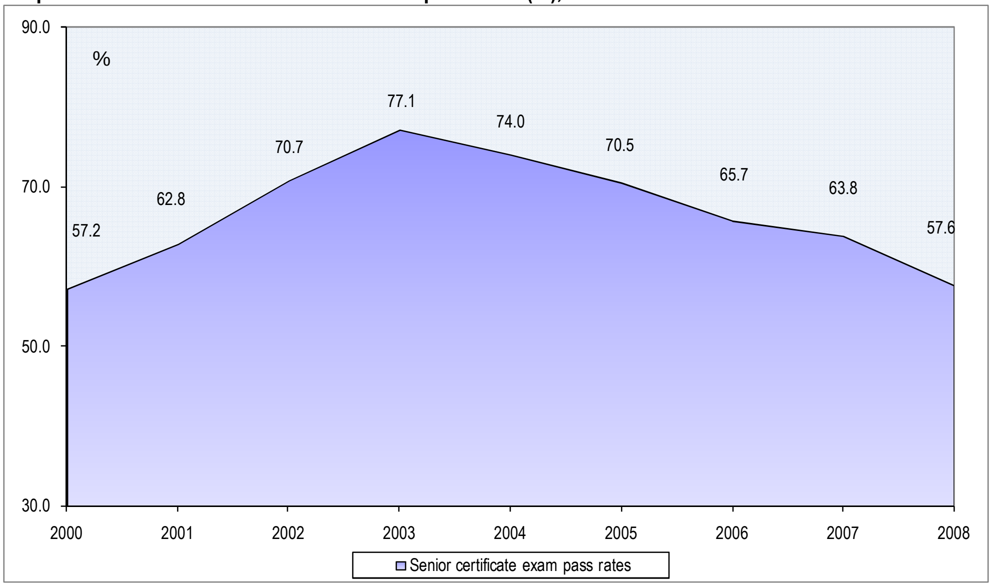
In growth terms, most summonses were issued against debt in the form of money lent and promissory notes, other bills and credit cards between 2006 and 2008, while goods sold on instalment sale, and goods sold on open accounts received the least confrontation. Throughout this period, a large majority of summonses were issued to private persons at an average annual share of not less than 88.1 per cent. Increases in debt defaults on the side of business enterprises were experienced between 2006 and 2008.

Usually, when the economic climate is as hostile as it was in 2008, the first group of people to feel the pinch are those in the lowest income group, hence it is the intention of the KwaZulu-Natal provincial government to strive towards a revival of those sectors that provide employment to that group, seeing that the province did not come out of the economic storm unscathed.

2.7 Literacy and skills development

Graph 2.9 gives data on the pass rates for the senior certificate examinations between 2000 and 2008. It reveals that the province performed well in improving these results until 2003, after which period there has been a continual decline in the proportion of pupils successfully passing these examinations.

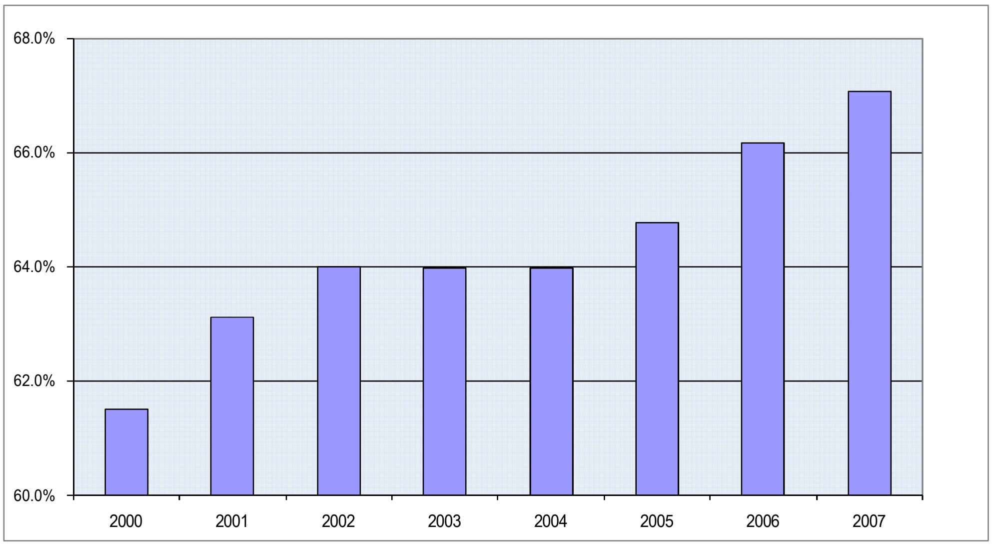
Graph 2.9: Senior certificate examinations pass rates (%), 2000-2008



Source: Department of Education, various

However, Graph 2.10 shows that the number of people in the province, who are aged 20 years and above and have completed Grade seven or higher, has been increasing. This shows that there is potential in human capital development in the province. Seeing this as an opportunity, the province is determined to continue working tirelessly to ensure sustainable skills development in the coming years.

Graph 2.10: Functional literacy (20+ years who have completed Grade 7 or higher)

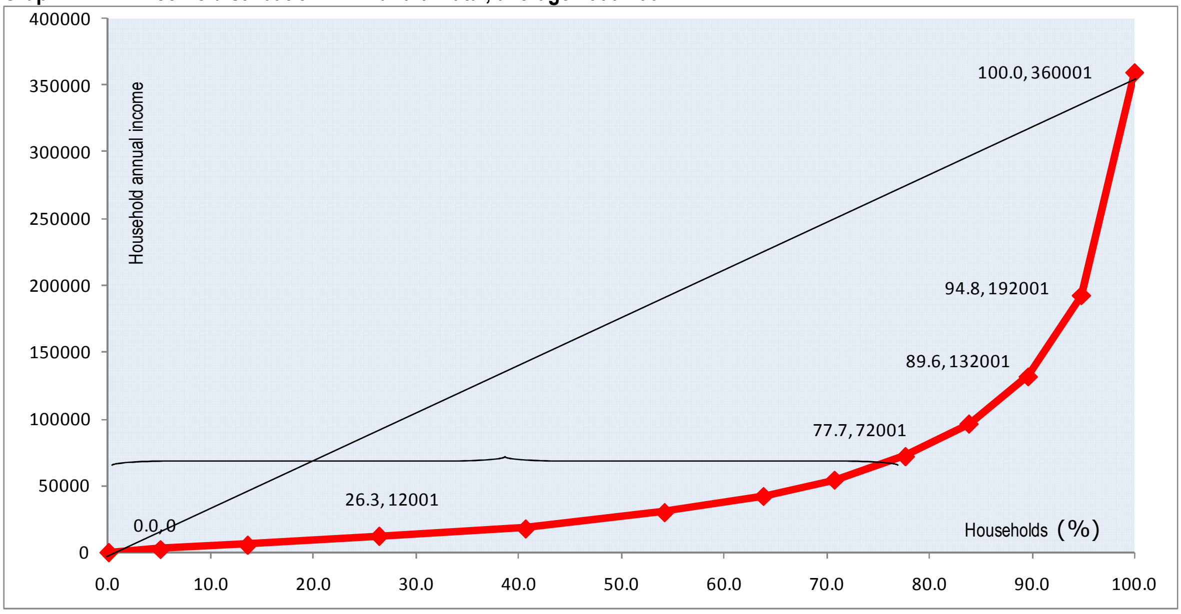


Source: Global Insight, 2008

2.8 Income distribution, Gini coefficient and Human Development Index

Graph 2.11 sketches average annual household income distribution in the province between 2000 and 2007. It shows that more than 70 per cent of households in the province earned less than R50 000 per annum, which is roughly R4 500 per month, in nominal terms.

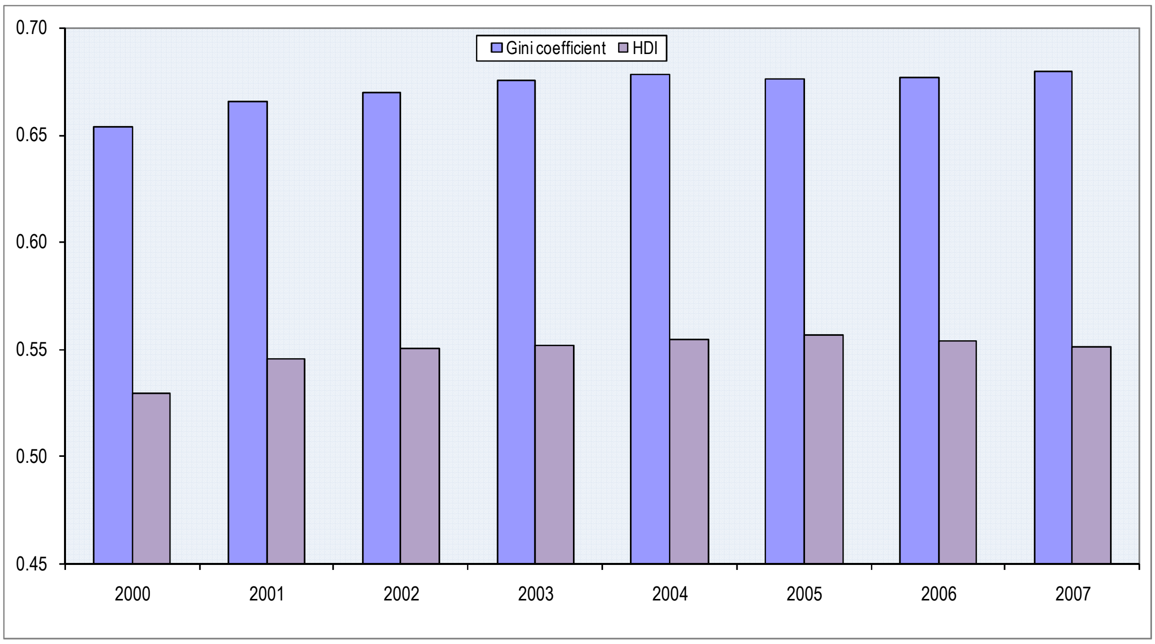
Graph 2.11: Income distribution in KwaZulu-Natal, average 2000-2007



Source: Global Insight, 2008, Own calculations

Graph 2.12 shows that, in absolute terms, the situation has been worsening, with the Gini coefficient rising from 0.65 in 2000 to 0.67 in 2007. It is evident also from this graph that, as the Gini coefficient stretched upwards, it tended to undermine the strength of the human development index (HDI), with the latter shrinking during 2006 and 2007 when the former soared.

Graph 2.12: KwaZulu-Natal Gini coefficient and the Human Development Index

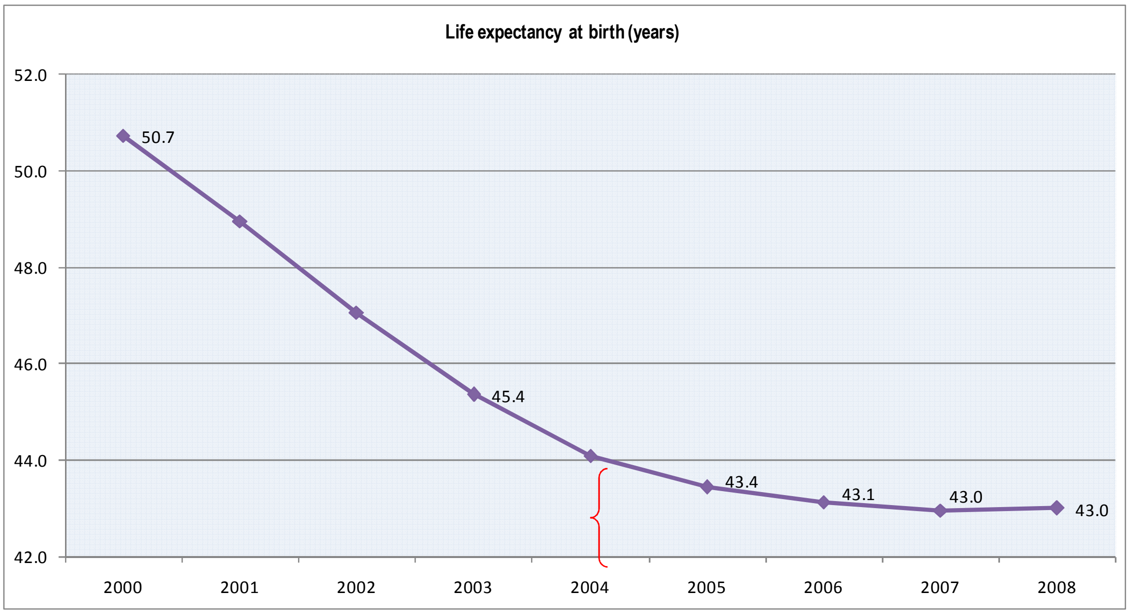


Source: Global Insight, 2008

2.9 The state of health

The Actuarial Society of South Africa (ASSA) in 2003 estimated that life expectancy in the province would decline to less than 44 years, starting in 2004, as indicated in Graph 2.13 below. This was food for thought, and it alerted the KwaZulu-Natal government to persist in improving health in the province. Expenditure in the Department of Health alone has been nothing less than 30 per cent of the provincial expenditure budget, and this is envisaged to continue in the MTEF period.

Graph 2.13: KwaZulu-Natal life expectancy at birth (years), 2000 – 2008



Source: Actuarial Society of South Africa, 2003

Table 2.10 confirms the province's commitment towards improving the state of health in the province. It records the number of deaths registered in the province between 2000 and 2006. The mortality rate in the province (i.e. the number of deaths per 10 000 persons) rose from 110 in 2001, to 139 in 2005. However, the rate of growth in the annual number of deaths declined significantly during this period, falling from 11.1 per cent in 2002 to 1.1 per cent in 2004, and 1.3 per cent in 2006 after a slight burst of 5.5 per cent in 2005. This reflects the province's commitment to tirelessly resist any factors that may tend to undermine efforts for improving the standard of living.

Table 2.10: KwaZulu-Natal mortality rates (per 10 000 persons), 2001 – 2006

Indicator	Years						
	2000	2001	2002	2003	2004	2005	2006
No. of deaths	95 353	105 256	116 982	129 587	131 057	138 206	139 957
Mortality rate (per 100 000 persons)		1 101	1 211	1 329	1 332	1 395	1 403
Mortality growth rate		10.4	11.1	10.8	1.1	5.5	1.3

Source: Actuarial Society of South Africa, 2003

2.10 Access to housing and social services

Table 2.11 reflects access to water by KwaZulu-Natal households during the years 2001 to 2007. The number and proportions of households with access to piped water have increased steadily, while those of households with no access to piped water have decreased since 2001, albeit with fluctuations here and there. The portion of households that is unaccounted for is also decreasing steadily, reflecting improved data management, which is vital for sound monitoring and evaluation of service delivery in the province.

Table 2.11: KwaZulu-Natal household access to water by source, 2001 - 2007

Households by water source	2001	2002	2003	2004	2005	2006	2007
Piped water in dwelling	658	806	820	830	935	914	966
Piped water on site/neighbour's tap	461	506	624	614	654	732	672
Public tap/rain water tap	520	330	357	425	424	466	478
No access to piped (tap) water	594	227	230	258	79	265	188
Unspecified	0	320	297	253	365	265	233
Total households R000	**2 233**	**2 189**	**2 328**	**2 380**	**2 457**	**2 642**	**2 537**
Proportions	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Piped water in dwelling	*29.5*	*36.8*	*35.2*	*34.9*	*38.1*	*35.3*	*38.1*
Piped water on site/neighbour's tap	*20.7*	*23.1*	*26.8*	*25.8*	*26.6*	*28.3*	*26.5*
Public tap/rain water tap	*23.3*	*15.1*	*15.3*	*17.9*	*17.3*	*18.1*	*18.8*
No access to piped (tap) water	*26.5*	*10.4*	*9.9*	*10.8*	*3.2*	*8.2*	*7.4*
Unspecified	*0.1*	*14.6*	*12.8*	*10.6*	*14.9*	*10.2*	*9.2*
Total households R000	***100***	***100***	***100***	***100***	***100***	***100***	***100***

Source: Statistics South Africa, 2002 & 2008

In a similar manner, the numbers and proportions of households housed on a separate stand have increased from 916 000 in 2001 to 1.3 million in 2007. This category constitutes slightly more than half the number of households in the province (Table 2.12). The issue of mushrooming informal settlements has also been contained within seven per cent, after growing rapidly in 2005. The peak of 13.1 per cent in the *Unspecified* housing in 2007 is of concern, and will surely be dealt with in the coming years.

Table 2.12: KwaZulu-Natal household by type of dwelling, 2001 - 2007

Type of dwelling (000)	2001	2002	2003	2004	2005	2006	2007
House on separate stand	916	1 085	1 148	1 098	1 135	1 289	1 307
Traditional dwelling	609	439	534	566	569	589	288
Flat in block of flats	195	172	184	191	177	254	190
Town/cluster/semi-detached house	72	34	93	78	50	30	25
House/flat/room in backyard	67	77	45	59	58	78	102
Informal dwelling/shack in backyard	49	75	28	52	48	93	34
Informal dwelling/shack elsewhere	177	173	174	166	315	135	177
Room/flatlet on shared property	25	118	114	164	96	91	83
Unspecified	124	16	8	6	9	30	331
Total number of households	**2 234**	**2 189**	**2 328**	**2 380**	**2 457**	**2 589**	**2 537**
Type of dwelling (%)	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
House on separate stand	*41.1*	*49.6*	*49.3*	*46.1*	*46.2*	*49.8*	*51.5*
Traditional dwelling	*27.3*	*20.1*	*22.9*	*23.8*	*23.2*	*22.8*	*11.4*
Flat in block of flats	*8.7*	*7.9*	*7.9*	*8.1*	*7.2*	*9.8*	*7.5*
Town/cluster/semi-detached house	*3.2*	*1.6*	*4.1*	*3.3*	*2.1*	*1.2*	*1.1*
House/flat/room in backyard	*3.1*	*3.5*	*1.9*	*2.5*	*2.4*	*3.1*	*4.1*
Informal dwelling/shack in backyard	*2.2*	*3.4*	*1.2*	*2.2*	*2.1*	*3.6*	*1.3*
Informal dwelling/shack elsewhere	*7.9*	*7.9*	*7.5*	*7.1*	*12.8*	*5.2*	*7.1*
Room/flatlet on shared property	*1.1*	*5.4*	*4.9*	*6.9*	*3.9*	*3.5*	*3.3*
Unspecified	*5.5*	*0.7*	*0.3*	*0.3*	*0.4*	*1.2*	*13.1*
Total number of households (%)	***100***	***100***	***100***	***100***	***100***	***100***	***100***

Source: Statistics South Africa, 2002 & 2008

In conclusion, while the socio-economic analysis indicates some positive trends in terms of access to basic services, poverty levels and literacy rates, it also indicates that the province has serious challenges, such as reducing income inequality, reducing the levels of unemployment and improving life expectancy. It is therefore important that the provincial fiscal stance addresses these challenges.

3. THE FISCAL FRAMEWORK AND DIVISION OF REVENUE FOR THE 2009/10 MTEF PERIOD

3.1 Background

Section 214(1) of the Constitution of South Africa necessitates that, every year, a *Division of Revenue Act* determines the equitable division of nationally raised revenue between the three spheres of government. This section of the Constitution is further supported by Section 9 of the *Intergovernmental Fiscal Relations Act (Act No. 97 of 1997)*, which promotes co-operative governance of fiscal, budgetary and financial matters, by prescribing the process for determining the equitable sharing and allocation of revenue raised nationally.

In terms of Section 214, an equitable system of vertical and horizontal division of the centrally collected revenue is essential for the creation of a balance between the three spheres of government. The mechanism that has been developed to meet this objective is dependent on functions, social and economic developmental needs and spatial and age distribution of population in the provinces, and the country at large.

The vertical division of revenue among the three spheres of government – national, provincial and local – is based on value judgement and not on any predetermined formula. This division of revenue is determined through annual consultative processes involving the Budget Council, the Financial and Fiscal Commission (FFC) and the National Treasury. However, the horizontal division of revenue among provinces, as well as municipalities, is formula-based, and this is further explained in Sections 3.3 and 3.4 below.

3.2 Division of revenue and fiscal framework

The division of revenue for the 2009/10 MTEF period was done in the context of the government's priorities, the revenue raising capacity and functional responsibilities of each sphere of government, and the decisions of the various inter-governmental fora. The budget policy framework that underpins the 2009/10 MTEF division of revenue continues to seek enhanced economic growth and people-centred development through strategic economic investment, progressive realisation of basic social rights, and by improving public sector governance and service delivery.

Table 3.1 below gives the division of revenue between the three spheres of government for the 2009/10 MTEF.

The annual growth rate in the main budget expenditure is expected to peak at 17.1 per cent in 2008/09. Over the 2009/10 MTEF, it is projected to increase by an annual average growth rate of approximately 10 per cent. The percentage share of national departments decreases marginally over the MTEF period, at the expense of growing provincial and local government shares.

The increase in the provincial equitable share allocation is mainly to provide for improvements in the delivery of social services, *viz*., Education, Health and Social Development.

Table 3.1 Division of revenue between spheres of government, 2005/06 – 2011/12

R million	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
	Outcome			Revised Estimate	Medium-term estimates		
National departments	192 425	210 168	242 632	288 277	343 077	352 788	361 255
Provinces	156 665	181 331	208 669	247 729	284 519	309 704	335 925
Equitable share	*135 292*	*150 753*	*172 862*	*204 010*	*231 051*	*253 670*	*272 934*
Conditional grants	*21 374*	*30 578*	*35 808*	*43 719*	*53 468*	*56 034*	*62 991*
Local government	16 682	26 501	37 321	43 620	49 698	57 722	64 964
Equitable share	*9 643*	*18 058*	*20 676*	*25 560*	*23 847*	*29 268*	*31 890*
Conditional grants	*7 038*	*8 443*	*16 645*	*18 060*	*19 052*	*20 912*	*24 543*
General fuel levy sharing with metropolitan municipalities	–	–	–	–	*6 800*	*7 542*	*8 531*
Non-interest allocations	**365 772**	**418 000**	**488 622**	**579 626**	**677 295**	**720 214**	**762 145**
Percentage increase	*14.4%*	*14.3%*	*16.9%*	*18.6%*	*16.9%*	*6.3%*	*5.8%*
State debt cost	50 912	52 192	52 877	54 281	55 268	60 140	66 826
Contingency reserve	–	–	–	–	6 000	12 000	20 000
Main budget payments	**416 684**	**470 192**	**541 499**	**633 907**	**738 563**	**792 354**	**848 971**
Percentage increase	*13.1%*	*12.8%*	*15.2%*	*17.1%*	*16.5%*	*7.3%*	*7.1%*
Percentage shares							
National departments	*52.6%*	*50.3%*	*49.7%*	*49.7%*	*50.7%*	*49.0%*	*47.4%*
Provinces	*42.8%*	*43.4%*	*42.7%*	*42.7%*	*42.0%*	*43.0%*	*44.1%*
Local government	*4.6%*	*6.3%*	*7.6%*	*7.5%*	*7.3%*	*8.0%*	*8.5%*

The bulk of the conditional grant allocation to provinces over the 2009/10 MTEF is allocated to fund various Health sector initiatives such as health professionals training and development, hospital revitalisation and forensic pathology services. Over the 2009/10 MTEF, 30.6 per cent of the conditional grant allocation goes to the Health sector. This is followed by Housing in relation to its Integrated Housing and Human Settlement Development grant, and thereafter by the Infrastructure Grant to Provinces. This can be seen in Table 3.6. The bulk of the increase in the conditional grant allocations also occurred against these categories, and this can be seen in Table 3.5. The conditional grant allocation to the local government sphere in the 2009/10 MTEF is for municipal infrastructure, public transport infrastructure and the national electrification programme, there is continuing funding for water services regional bulk infrastructure, 2010 World Cup stadia development, water sanitation services to schools and clinics, and the electrification of schools and clinics. The MTEF also sees the introduction of the Electricity Demand Side Management grant and a Rural Transport Infrastructure grant.

Table 3.2 below summarises the additional funding allocated to the three spheres of government against the 2008/09 MTEF baseline allocations.

A total of over R160.622 billion has been added to the baseline allocations of the three spheres over the 2009/10 MTEF period. Although resources are always limited, the addition of R160.622 billion is sizeable. As such, all spheres of government must ensure that this considerable amount of additional funding is translated into increased level and quality of service to the public, in particular to the deprived population.

Table 3.2 Changes over baseline, 2009/10 – 2011/12

R million	2009/10	2010/11	2011/12
National departments	45 138	32 105	24 299
Provinces	13 293	12 842	21 650
Local government	2 032	2 850	6 412
Allocated expenditure	**60 463**	**47 797**	**52 362**

3.3 Provincial equitable share

Provinces' revenue is made up of national transfers and own-receipts. The bulk of national transfers come in the form of an equitable share allocation, and the balance comes from conditional grants (see Table 3.1). Unlike the division of revenue between the spheres of government (vertical split) which is based on value judgement, the provincial equitable share allocation of the nationally raised revenue is formula driven.

The formula used to divide the equitable share between provinces is objective-based and redistributive by design. The formula is reviewed and updated annually, based on the latest available data. For the 2009/10 MTEF, the structure of the formula, as well as the distribution of weights by components, remains unchanged, as listed below:

Component	Share (weighting)
Education share – based on the size of the school-age population (ages 5 – 17) and the number of learners (Grade R to 12) enrolled in public ordinary schools	**51 per cent**
Health share – based on the proportion of the population with and without access to medical aid	**26 per cent**
Basic share – derived from each province's share of the total population of the country	**14 per cent**
Institutional component – divided equally among the provinces	**5 per cent**
Poverty component – used to reinforce the redistributive bias of the formula	**3 per cent**
Economic Activity component – based on the final Gross Domestic Product by Region (province) data	**1 per cent**

Although the structure of the formula remains unchanged, the data used in the formula was influenced by the use of latest available information. For the 2009 MTEF, the equitable share formula has been updated with the 2008 mid-year estimates, 2008 Education Snap Survey, 2007 General Household Survey, the 2006 GDP-R and the 2005 Income and Expenditure Survey (IES). The impact of these assessments is to be phased in over three years (i.e. from 2009/10 to 2011/12).

The Education component continues to take into account the size of the school-age population (age 5 - 17) based on Census 2001, and the total number of learners (Grade R to 12) enrolled in public ordinary schools, drawn from the 2008 Snap Survey to reflect relative demand for education, with each element assigned a weight of 50 per cent. The enrolment numbers from this survey indicated a reduction in learner numbers in KwaZulu-Natal by 77 458 learners. This resulted in the weighted shares of enrolment for the province reducing by 0.3 per cent.

The Health component continues to take into account the proportion of the provincial population on medical aid and the proportion of the province not on medical aid. This was updated to take into account the General Household Survey of 2007, as undertaken by Stats SA. The 2008 mid-year population estimates are used to update the sub-component "people without medical aid". The impact of the new data results in a decline in weighted shares for KwaZulu-Natal.

The Basic share, which is derived from the province's share of the total population of the country, was updated with the mid-year population estimates released in July 2008, instead of the 2007 Community Survey. This has resulted in a negative change in share of the population of KwaZulu-Natal.

The Institutional component remains unchanged as it is independent of data (i.e. it is equally divided between the provinces).

The Poverty component is updated with the 2005 IES.

Finally, the Economic Activity component was updated with the 2006 Gross Domestic Product per Region (GDP-R) data.

The impact of the above revisions to the data used in the formula, on provinces' shares of the nationally raised revenue, is shown in Table 3.3 below. The share of the KZN province for the 2008/09 division of revenue was 21.7 per cent. The updated figures of the formula have resulted in a decrease in the province's share of nationally raised revenue, which stands at 21.6 per cent in 2009/10, and decreases to 21.5 per cent in 2011/12, in a phased-in approach. The financial implications of these are reflected in Table 3.4 below, which gives the shares of the horizontal division of revenue among provinces in rand terms.

Table 3.3: Components and shares of equitable share formula by provinces

	Education 51%	Health 26%	Basic 14%	Poverty 3%	Economic Activity 1%	Institutional 5%	Weighted Average 100%
Eastern Cape	16.8%	13.8%	13.5%	16.7%	7.8%	11.1%	15.2%
Free State	5.7%	5.8%	5.9%	6.1%	5.4%	11.1%	6.0%
Gauteng	15.1%	20.5%	21.5%	15.0%	33.6%	11.1%	17.4%
KwaZulu-Natal	23.0%	21.2%	20.8%	22.2%	16.3%	11.1%	21.5%
Limpopo	14.2%	11.4%	10.8%	14.2%	6.8%	11.1%	12.8%
Mpumalanga	8.5%	7.5%	7.4%	8.7%	6.8%	11.1%	8.2%
Northern Cape	2.2%	2.3%	2.3%	2.6%	2.2%	11.1%	2.7%
North West	6.5%	7.2%	7.0%	8.2%	6.4%	11.1%	7.1%
Western Cape	8.2%	10.2%	10.8%	6.2%	14.6%	11.1%	9.2%
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Table 3.4: Provincial equitable shares allocations, 2009/10 - 2011/12

R million	2009/10	2010/11	2011/12
Eastern Cape	35 940	38 983	41 431
Free State	14 236	15 466	16 465
Gauteng	38 897	43 336	47 305
KwaZulu-Natal	49 990	54 742	58 748
Limpopo	29 861	32 568	34 807
Mpumalanga	19 005	20 819	22 351
Northern Cape	6 193	6 801	7 320
North West	16 121	17 814	19 290
Western Cape	20 807	23 140	25 217
Total	**231 051**	**253 670**	**272 934**

3.4 Conditional grants to provinces

Conditional grants to provinces are classified into two types, namely Schedule 4 and 5 grants, which have different governance arrangements. Schedule 4 grants are more general grants that supplement various programmes also funded by provinces, and include the Infrastructure Grant to Provinces which aims to address backlogs in provincial infrastructure. Transfer and spending accountability arrangements differ in each case. More than one national or provincial department may be responsible for different outputs expected from the grant, so accountability is broader and more comprehensive, and related to entire programmes rather than specific projects. Schedule 5 grants are specific purpose conditional grants, with specific responsibilities for both the transferring and receiving accounting officers.

Some changes were made to the conditional grant framework for the 2009/10 MTEF. A few new conditional grants were introduced and are discussed briefly here. The Public Transport Operations grant, introduced under the Department of Transport, to allow for improved monitoring and control of expenditure related to bus subsidies and other transport operations. This was previously funded on an agency basis. The Expanded Public Works Programme Incentive grant was introduced under the Department of Works and is aimed at providing incentives for provinces to increase labour intensive employment through programmes that maximise job creation and skills development. The Department of Housing receives a new conditional grant in 2009/10, namely the Housing Disaster Management grant, which was provided to deal with damage caused to roofs by recent storms in the province.

Further, the Infrastructure Grant to Provinces includes a specific allocation over the MTEF for Grade R infrastructure and special schools infrastructure. Sight should also not be lost of the fact that the 2008/09 Adjustments Estimate also saw the introduction of a number of new grants, some of which have carry through costs into the 2009/10 MTEF. These are the Sani Pass Road grant (under the Department of Transport) and the Ilima/Letsema Projects grant (under the Department of Agriculture and Environmental Affairs).

Table 3.5 shows the revisions to conditional grants which amount to R7.708 billion, R5.478 billion and R9.801 billion over the next three years for all provinces. The 2009/10 MTEF additional allocations seem to be distributed fairly broadly, with the largest share over the MTEF going to the Infrastructure Grant to Provinces and the Gautrain Loan grant, followed by the National School Nutrition Programme and the Integrated Housing and Human Settlement Development grant. The increases in these grants account for just below 70 per cent of the additional conditional grant funding over the 2009/10 MTEF. The conditional grants listed in Table 3.5 are distributed across all provinces, using the provincial equitable share formula presented in the last column of Table 3.3 above, with the exception of province specific grants such as the Health Disaster Response (cholera) grant and the Gautrain Loan grant.

Table 3.5: Revisions to conditional grant baseline allocations, 2009/10 - 2011/12

R million	2009/10	2010/11	2011/12
Agricultural Disaster Management grant	60	–	–
Comprehensive Agriculture Support Programme	87	105	177
Ilima/Letsema Projects grant	50	200	400
National School Nutrition Programme	583	1 322	2 097
Technical Secondary Schools Recapitalisation grant	–	80	200
Comprehensive HIV and AIDS grant	200	325	407
Health Disaster Response (cholera) grant	50	–	–
Hospital Revitalisation grant	124	265	339
National Tertiary Services grant	81	95	58
Housing Disaster Management grant	150	–	–
Integrated Housing and Human Settlement Development grant	711	804	2 146
Infrastructure Grant to Provinces	453	1 234	2 456
Gautrain Loan grant	4 200	–	–
Expanded Public Works Programme Incentive grant	151	400	800
Gautrain Rapid Link grant	325	23	–
Public Transport Operations grant	483	624	720
Total	**7 708**	**5 478**	**9 801**

Total revised conditional grant allocations by transferring national departments to provinces are listed in Table 3.6 below. Taking into account the additions made to the baseline allocation, the total conditional grant allocations amount to R53.468 billion in 2009/10, R56.034 billion in 2010/11 and R62.991 billion in 2011/12. The provincial shares of these conditional grant allocations are presented and explained in Section 6 of this document.

The 2009/10 MTEF sees the introduction of three new conditional grants, these being the Housing Disaster Management grant for houses damaged by storms in late 2008 and early 2009 administered by the Department of Housing; the Expanded Public Works Programme Incentive grant to be administered by the Department of Works, which aims to provide incentives to provinces to increase labour intensive employment through programmes that maximise job creation and skills development; and the Public Transport Operations grant, which is introduced to allow for improved monitoring and control of expenditure related to bus subsidies to operators. This was previously administered by provinces on an agency basis.

Table 3.6: Revised conditional grant allocations to provinces by national departments, 2009/10 - 2011/12

R million	2009/10	2010/11	2011/12
Agriculture	**876**	**1 117**	**1 437**
Agricultural Disaster Management grant	60	–	–
Comprehensive Agricultural Support Programme grant	715	862	979
Ilima /Lestema Projects grant	50	200	400
Land Care Grant	51	55	58
Arts and Culture	**441**	**494**	**524**
Community Library Services grant	441	494	524
Education	**2 572**	**3 931**	**4 978**
HIV and AIDS (Life Skills Education) grant	177	188	199
National School Nutrition Programme grant	2 395	3 663	4 579
Technical Secondary Schools Recapitalisation grant	–	80	200
Health	**15 578**	**18 013**	**19 172**
Comprehensive HIV and AIDS grant	3 476	4 312	4 633
Forensic Pathology Services grant	492	557	590
Healt Disaster Response (cholera) grant	50	–	–
Health Professions Training and Development grant	1 760	1 865	1 977
Hospital Revitalisation grant	3 186	3 881	4 172
National Tertiary Services grant	6 614	7 398	7 799
Housing	**12 592**	**15 027**	**17 222**
Housing Disaster Management grant	150	–	–
Integrated Housing and Human Settlement Development grant	12 442	15 027	17 222
National Treasury	**13 449**	**11 315**	**13 091**
Infrastructure Grant to Provinces	9 249	11 315	13 091
Gautrain Loan grant	4 200	–	–
Public Works	**1 148**	**1 496**	**1 962**
Devolution of Property Rate Funds Grant to Provinces	997	1 096	1 162
Expanded Public Works Programme Incentive grant	151	400	800
Sport and Recreation South Africa	**402**	**426**	**452**
Mass Sport and Recreation Participation Programme grant	402	426	452
Transport	**6 409**	**4 215**	**4 153**
Gautrain Rapid Rail Link grant	2 833	341	–
Overload Control grant	10	11	–
Public Transport Operations grant	3 532	3 863	4 153
Sani Pass Road grant	34	–	–
Total	**53 468**	**56 034**	**62 991**

3.5 The local government equitable share and grants

Municipalities have a constitutional mandate to deliver crucial services that meet the public service needs of all, while facilitating local economic development within their jurisdiction. Significant progress has been made in ensuring that municipalities are efficiently funded to continue the roll-out of infrastructure and services on a sustainable basis. Following the revision and implementation of a new equitable share formula, which was fully implemented during 2007/08, and the ongoing review of the local government fiscal framework, there is a continuing rise in local government's share of nationally raised revenue.

As part of an ongoing review of the local government fiscal framework, the sharing of the general fuel levy is phased in over the next three years. The local government equitable share formula is also adjusted to improve horizontal equity in the allocation system, resulting in considerable increases in the allocation to poorly resourced municipalities over the MTEF.

The equitable share allocation to the local sphere of government is an important supplement to existing municipal revenue and takes into account the fiscal capacity, fiscal efficiency, developmental needs, extent of poverty and backlogs in municipalities, to the extent that such information is available. The local government equitable share formula itself is made up of the following components:

- Basic services component – The purpose of the *basic services component* is to assist municipalities to provide basic services (such as water, sanitation, electricity, refuse removal) to poor households and to meet municipal health service needs for all.
- Development component – This component has been set at zero since the inception of the current formula and will remain inactivated until a suitable factor can be found that adequately captures the development needs of local government.
- Institutional support component – The *institutional support component* aims at mainly low- or medium-capacity municipalities, which are often unable to raise sufficient revenue to fund the basic costs of administration and governance.
- Revenue raising capacity correction – This component takes into account income from property rates, the general fuel levy for metropolitan municipalities and the RSCL/Joint Services Board (JSB) levy replacement grant for district municipalities.
- Stabilisation factor – With the publication of three-year budget allocations, a guarantee mechanism is applied to the indicative outer-year baseline amounts with the aim of ensuring that municipalities are given what was indicated in the previous MTEF round of allocations, as far as possible, given overall budget constraints.

Table 3.7 reflects the national allocations to local government, which grow from a revised allocation of R45.887 billion in 2008/09 to R52.579 billion, R60.565 billion and R68.562 billion in 2009/10, 2010/11 and 2011/12, respectively.

Table 3.7: National transfers to local government, 2005/06 – 2011/12

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
	Outcome			Revised	Medium-term estimates		
R million				estimate			
Direct transfers to local government							
Equitable share and related	**9 808**	**18 444**	**21 318**	**26 546**	**24 826**	**29 838**	**32 270**
Equitable share[1]	9 643	18 058	20 676	25 560	23 847	29 268	31 890
Water and sanitation operating	165	386	642	986	979	570	380
Infrastructure	**6 286**	**7 447**	**15 127**	**16 677**	**16 864**	**19 001**	**22 446**
Municipal infrastructure grant	5 436	5 938	8 754	8 620	11 085	12 529	15 069
Public transport infrastructure and systems	242	518	1 174	3 170	2 418	4 290	5 149
National electrification programme	297	391	462	494	933	1 020	1 097
Neighbourhood development partnership grant	–	–	41	80	582	630	840
2010 World Cup stadia development	–	600	4 605	4 295	1 661	302	–
Disaster relief	311	–	–	–	–	–	–
Rural Transport grant	–	–	–	9	10	10	11
Electricity demand-side management	–	–	–	–	175	220	280
Municipal drought relief fund	–	–	91	9	–	–	–
Current transfers	**588**	**610**	**875**	**397**	**8 009**	**8 883**	**10 248**
General fuel levy sharing with metro municipalities	–	–	–	–	6 800	7 542	8 531
Capacity building and other current transfers	588	610	875	397	1 209	1 341	1 717
Sub total direct transfers[2]	**16 682**	**26 501**	**37 320**	**43 620**	**49 699**	**57 722**	**64 964**
Indirect transfers to local government							
Regional bulk infrastructure	–	–	300	450	612	839	1 475
Backlogs in electrification of clinics and schools	–	–	45	90	150	–	–
Backlogs in water & sanitation at clinics and schools	–	–	105	210	350	–	–
National electrification programmeprogramme	783	893	973	1 151	1 478	1 769	1 902
Neighbourhood development partnership grant	–	50	61	47	80	125	100
Electricity demand-side management	–	–	–	–	75	110	120
Capacity building and other current transfers	970	493	543	319	135	–	–
Sub total indirect transfers	**1 753**	**1 436**	**2 027**	**2 267**	**2 880**	**2 843**	**3 598**
Total	**18 435**	**27 937**	**39 347**	**45 887**	**52 579**	**60 565**	**68 562**

1. Includes main local government equitable share and RSC/JSB replacement grant

2. Reflects local government's share of the division of revenue.

The national allocations to local government are made up of direct and indirect transfers. Only the direct transfers are appropriated in the Division of Revenue Act, while the indirect transfers relate to in-kind transfers and are therefore off-budget. Direct transfers to local government come in the form of discretionary equitable share allocations and conditional grants.

The equitable share allocation increases significantly from R20.676 billion in 2007/08 to R31.89 billion in 2011/12. This increased allocation recognises the inadequacy of fiscal capacity in a significant number of municipalities which are in rural areas and, as such, do not have a sizeable ratepayers' base from which to generate sufficient revenue. More often than not, these municipalities have the greatest development needs.

The infrastructure conditional grants also increase from R15.127 billion in 2007/08 to R22.446 billion in 2011/12. This is mainly due to the Municipal Infrastructure grant and the Public Transport Infrastructure grant that grow from R8.754 billion and R1.174 billion in 2006/07 to R15.069 billion and R5.149 billion in 2011/12, respectively.

4. PROVINCIAL BUDGET PROCESS AND THE MEDIUM-TERM EXPENDITURE FRAMEWORK (MTEF)

4.1 The 2009/10 MTEF budget process in brief

4.1.1 Treasury Guidelines circular

The preparation and distribution of the *Treasury Guidelines* document marked the start of the 2009/10 MTEF budget process. This document explains the policy framework and format which departments must use to prepare the 2009/10 MTEF budget submissions.

The 2009/10 budget process continued to focus on the compilation of reprioritised budgets and service delivery that are aligned with the Provincial Spatial Economic Development Strategy (PSEDS). Again, as in previous budget processes, departments were requested to provide the spatial spending and service delivery within the District Municipal Areas, and to consider the budget proposals received from the public entities. This approach was building on previous years' budget reforms. The social sector departments, being Health, Education and Social Development, were requested to cost the agreed national priorities which require additional funding, as well as to cost a maximum of four provincial 'Initiatives'. The other departments were requested to identify and cost a maximum of four 'Initiatives' as identified through the PSEDS mapping process and the Provincial Cabinet Indaba. The public entities were also given the opportunity to cost two 'Initiatives'.

4.1.2 Initiative measurement criteria

The measurement tool used in prior budget processes was again used to assess requests for additional funding, and this was used as an indication of whether requests for additional funding should be supported in principle, or not. As such, each initiative was rated against the following seven criteria:

- Evidence that the initiative contributes to government policy priorities;
- Credible service delivery information;
- Alignment of the initiative to the core functions of the department;
- Evidence that the department underwent thorough reprioritisation with a view to fund part of the initiative from within budget;
- Is the costing / initiative realistic;
- Has there been consistent under-spending (by a margin of more than 3 per cent) over the last 2-3 years; and
- Adequate political involvement in the budget formulation process.

Of the seven criteria, the first three were considered as mandatory and had to be complied with if an initiative was to be considered. In addition to this, an initiative had to satisfy at least three of the last four criteria. In terms of the rating exercise, each of the first three criteria translated to '2' points if complied with, and a '0' if not. The remaining criteria were awarded '1' point if complied with, and a '0' if not. A higher score was accorded to the first three criteria simply because they were seen as being essential. An initiative therefore could score a maximum of 10 points or 100 per cent. An initiative was only supported in principle if it scored 90 per cent or more.

4.1.3 Allocation process

The Medium-Term Expenditure Committee (MTEC) met with most departments in October 2008. The MTEC for this 2009/10 MTEF cycle took a slightly different form to previous years, in that it was not used to discuss the departments' requests for additional funding, but simply to review their reprioritised budget. This was largely brought about by the fact that the province's equitable share was reduced due to a change in the equitable share formula as a result of data changes. As a result of this, as well as the requirement to fully fund national priorities and the carry-through costs from the 2008/09 Adjustments Estimate, there were no further funds available to fund any provincial priorities. Table 4.1 then simply indicates the departments' requests for additional funding for the 2009/10 MTEF. As mentioned, these could not be considered for approval by the MTEC due to the tight fiscal framework.

It is worthwhile noting though, that in spite of sizeable growth rates already in their baseline budgets (see Table 4.3), departments requested, in total, R2.781 billion, R3.801 billion and R4.994 billion over the 2009/10 MTEF (a total of R11.576 billion over the three years of the MTEF). Although most of the requests for additional funding were based on sound principles and fared well when assessed in terms of the criteria mentioned above, the tight *fiscus* could not accommodate the funding requests.

With the exception of the Departments of Economic Development, Health, Local Government and Traditional Affairs and the Royal Household, all departments submitted requests for additional funding, with the largest coming from the Department of Education. This department requested an additional R7.089 billion over the 2009/10 MTEF to further fund a number of national priorities, such as the expansion of Grade R in public schools and the expansion of inclusive education to accommodate learners with special needs, among others. Funding was also requested for some provincial priorities, namely the expansion of provincial examination administration and provision of non-school buildings.

The Department of Health did not submit a request for additional funding, choosing rather to commit itself to identifying initiatives that will cut costs, as opposed to expanding services, in the current fiscal climate within the department.

The second largest request for additional funding of R1.895 billion then came from the Department of Transport to fund a number of provincially determined priorities, such as the continued construction of roads such as the John Ross highway, the roads leading to Dube TradePort and the King Shaka International Airport and the Sani Pass. Funding was also requested for the construction of access facilities such as pedestrian bridges and road access to provide communities access to public facilities such as schools, clinics, police stations, etc. The department also requested funding for the enhancement of road safety awareness and law enforcement, to achieve a reduction in accidents and fatalities.

Table 4.1 Summary of additional funding requested by departments

	Amounts requested			
R000	**2009/10**	**2010/11**	**2011/12**	**Total**
Office of The Premier	152 256	37 067	26 744	**216 067**
Provincial Legislature	64 230	54 744	28 349	**147 323**
Agriculture and Environmental Affairs	203 147	213 621	322 535	**739 303**
Economic Development	-	-	-	**-**
Education	1 437 480	2 242 116	3 410 363	**7 089 959**
Provincial Treasury	131 350	98 744	100 182	**330 276**
Health	-	-	-	**-**
Housing	11 000	95 450	67 915	**174 365**
Community Safety and Liaison	24 600	24 776	25 693	**75 069**
The Royal Household	-	-	-	**-**
Local Government and Traditional Affairs	-	-	-	**-**
Transport	457 000	730 000	707 715	**1 894 715**
Social Development	84 755	78 472	79 166	**242 393**
Works	40 639	39 320	43 541	**123 500**
Arts, Culture and Tourism	110 246	119 016	109 569	**338 831**
Sport and Recreation	64 101	67 949	72 025	**204 075**
Total	**2 780 804**	**3 801 275**	**4 993 797**	**11 575 876**

In November 2008, the Ministers' Committee on the Budget (MinComBud) meeting was convened to consider the 2009/10 provincial fiscal framework. Unlike other years, the discussions were not based on any recommendations made by MTEC, as the province did not have additional funds to be distributed to departments. This was brought about by the reduction in the equitable share due to data changes which inform the equitable share formula, as mentioned above.

While additional funding was provided to the province, it was clearly "ring fenced" for distribution to nationally identified priorities affecting mainly Health and Education. The provincial fiscal framework was further impacted on, on the revenue side, by a reduction in the projected own revenue collection, largely brought about by the province's high spending in 2007/08 and 2008/09 (mainly due to the Department of Health), which then had a negative impact on the projected interest income to be collected by the province.

As such, because of the reductions in the equitable share due to the province, the province's fiscal envelope was reduced by R239.735 million in 2009/10, R523.82 million in 2010/11 and R699.361 million in 2011/12. Added to this, was the reduction in provincial own revenue in 2009/10 by R74.316 million. At the same time, new funding was provided for nationally identified policy priorities of R1.639 billion in 2009/10, R2.127 billion in 2010/11 and R3.194 billion in 2011/12. When providing this additional amount to the *fiscus*, it did not take into account the reduction of the province's equitable share, thereby meaning that the initial reduction of the equitable share had to be financed from within the province's current baseline, while also fully financing the nationally determined policy priorities.

Faced with this challenge, the MinComBud agreed that the province should:

- Fully fund the carry-through costs of the 2008/09 Adjustments Estimate;
- Fund the carry-through of the higher than anticipated 2008 wage agreement (for which insufficient funding was provided by the National Treasury during the 2008/09 Adjustments Estimate, thereby requiring substantial co-funding from within the province's existing *fiscus*);
- Provide funding for the nationally determined sector priorities for Education, Health, Social Development and Transport; and
- Make provision for the Political Parties fund and the Provincial Legislature's baseline adjustment (based on extensive research into the baselines of other provincial legislatures), as well as a number of other smaller provincial priorities such as project *Unembeza* which is administered by the Provincial Treasury.

The recommendations were endorsed by MinComBud and were subsequently approved by Cabinet. The details of the additional allocations over the 2009/10 MTEF, per department, are provided in Table 4.4.

Subsequent to this, the province was notified of a further reduction of the equitable share by R432.438 million in 2009/10, R539.165 million in 2010/11 and R645.338 million in 2011/12. This was brought about by the current economic climate which is also having an impact on National Treasury's ability to collect revenue to the level originally projected. As such, if the spending levels of provinces were to remain unchanged, the budgeted deficit would increase to about 4 per cent in 2009/10.

Given the difficulties in financing such a large deficit, a decision was taken to reduce spending by R18 billion (across all spheres of government), translating into a reduction of R7.5 billion in equitable share across all nine provinces.

4.2. Provincial Fiscal Framework

Table 4.2 shows a summary of the provincial fiscal framework for the 2009/10 MTEF budget. The difference (section 1 of the table) between the baseline allocations and the revised allocations yields the additional resource made available to the province.

The provincial equitable share allocation increases over the MTEF, by R967.754 million in 2009/10, R1.064 billion in 2010/11 and R1.85 billion in 2011/12. Several conditional grant allocations increase over the MTEF, such as the allocations of the Infrastructure Grant to Provinces (with an additional allocation for Grade R infrastructure and special school infrastructure), National School Nutrition Programme, Hospital Revitalisation grant, Integrated Housing and Human Settlement Development grant and the National Tertiary Services grant. In addition, five new conditional grants were introduced, the Ilima/Letsema Projects grant under the Department of Agriculture and Environmental Affairs, the Sani Pass Road grant and the Public Transport Operations grant under the Department of Transport, the Housing Disaster Management grant under the Department of Housing and the Expanded Public Works Programme Incentive grant under the Department of Works.

There was a considerable downward revision in the provincial own receipts in 2009/10, which is mainly attributable to the province's high spending in 2007/08 and continued high spending in 2008/09 (mainly by the Department of Health), which has had a negative impact on the province's cash balances, with the resultant negative impact on the collection of interest income.

Table 4.2: Summary of Provincial Fiscal Framework

R000	2009/10	2010/11	2011/12
1. Receipts			
Baseline Allocation	**58 055 268**	**64 016 931**	**67 348 629**
Transfer receipts from national	56 335 923	62 166 686	65 387 369
Equitable share	*49 022 008*	*53 678 048*	*56 898 731*
Conditional grants	*7 313 915*	*8 488 638*	*8 488 638*
Provincial own receipts	1 719 345	1 850 245	1 961 260
Increase / (Decrease) in allocation	**2 407 685**	**2 228 059**	**4 333 089**
Transfer receipts from national	2 482 001	2 159 510	4 224 781
Equitable share	*967 754*	*1 064 406*	*1 849 614*
Conditional grants	*1 514 247*	*1 095 104*	*2 375 167*
Provincial own receipts	(74 316)	68 549	108 308
Revised allocation	**60 462 953**	**66 244 990**	**71 681 718**
Transfer receipts from national	58 817 924	64 326 196	69 612 150
Equitable share	*49 989 762*	*54 742 454*	*58 748 345*
Conditional grants	*8 828 162*	*9 583 742*	*10 863 805*
Provincial own receipts	1 645 029	1 918 794	2 069 568
2. New funding available for distribution (excluding conditional grants)	**893 438**	**1 132 955**	**1 957 922**
Equitable share	967 754	1 064 406	1 849 614
Provincial own receipts	(74 316)	68 549	108 308
3. Less Non-discretionary Expenditure Responsibilities	**1 982 485**	**2 382 003**	**3 557 405**
Carry-through costs of 2008/09 Adjustments Estimate	29 315	30 472	32 458
Inflationary Adjustments (Higher than anticipated wage agreement, LTSM and Medical G&S)	1 277 938	1 380 199	1 365 249
Provincially identified priorities	211 172	90 059	81 308
Funding of national spending priorities (2009/10 priorities)	464 060	881 273	2 078 390
4. Surplus/(Deficit) [2-3]	**(1 089 047)**	**(1 249 048)**	**(1 599 483)**
Add Re-allocation from baseline budgets	1 089 047	1 249 048	1 599 483
Growth Fund	*543 000*	*652 070*	*652 070*
SMME Fund	*193 950*	*187 487*	*280 404*
Co-operatives Fund	*234 550*	*170 326*	*261 310*
Dube TradePort	-	*205 648*	*345 338*
Reprioritisation of funds - Interest overdraft and arts centres	*117 547*	*33 517*	*60 361*
5. Net discretionary funding available for allocation to provincial priorities	-	-	-

Section 2 of Table 4.2 gives the new funding available for distribution, amounting to R893.438 million, R1.133 billion and R1.958 billion over the 2009/10 MTEF.

As mentioned above, the non-discretionary expenditure responsibilities, which were agreed to by MinComBud and approved by Cabinet, are as follows:

- Carry-through costs of the 2008/09 Adjustments Estimate – this caters for the carry-through costs of any adjustments in departments' budgets in the 2008/09 Adjustments Estimate. Details of these allocations are listed in Table 4.4 below.
- Inflationary adjustments relating to the higher than anticipated 2008 wage agreement, learner teacher support material and medical goods and services;
- Other commitments relating to specifically provincially identified priorities such as the Political Parties' Fund, Project *Unembeza*, an adjustment to the Provincial Legislature's baseline to bring it in line with the baselines of other provincial legislatures, the once-off provision in 2009/10 to fund the special allowance for Members of the Provincial Legislature whose tenure may be affected by the upcoming elections, funding towards the Amafa Multi-Media Centre, etc.
- Funding for the nationally determined sector priorities for Education, Health, Social Development and Transport for the following:
  - In Education, extension of the No Fee policy to Q3 schools, expansion of teachers to reduce the teacher/learner ratio in Q1 schools, and support to inclusive education;
  - In Health, personnel costs (OSD shortfall for nurses, as well as OSD for doctors and specialists), tuberculosis MDR/XDR, reducing infant and child mortality and general health capacity;
  - In Social Development, early childhood development; and, lastly
  - In Transport, roads and economic functions.

As can be seen from Section 4 of Table 4.2, after taking into account the above non-discretionary expenditure responsibilities, the province is left with a deficit of R1.089 billion in 2009/10, R1.249 billion in 2010/11 and R1.599 billion in 2011/12 (largely brought about by the reductions in the equitable share, as mentioned above).

To enable the province to fund this deficit in the fiscal resource envelope, the province had to undertake a provincial reprioritisation exercise which resulted in the reduction of the Growth, Co-operatives and SMME Funds, a reduction in the two outer years of the MTEF of the Dube TradePort funding, as well as a reduction of the budget for the overdraft interest charge. This can be seen in Section 4 of Table 4.2, which indicates that R543 million was taken from the Growth Fund in 2009/10 and added into the provincial *fiscus*, R193.95 million from the SMME Fund, R234.55 million from the Co-operatives Fund and R117.547 million from the overdraft interest charge amount. Similar reductions were also effected in 2010/11 and 2011/12, with these years also showing reductions in the Dube TradePort funding levels.

After taking these internal re-allocations into account, the province arrives at a position where it is showing neither a deficit nor a surplus. This also therefore means that there are no funds available for allocation to provincially determined priorities.

Table 4.4 in Section 4.3.2 below then indicates the amounts that were allocated to departments in addition to their baseline allocations, as well as the reductions to some departments necessitated by the reduction in the province's equitable share.

4.3 Summary of additional allocation for the 2009/10 MTEF

4.3.1 Existing growth in the 2008/09 MTEF baseline allocation

Table 4.3 shows the departmental baseline budgets for the 2008/09 MTEF period, before any additional allocations were made. This serves as an important reminder that departments' baseline budgets for the 2008/09 MTEF already include positive rates of growth, although this may differ in terms of the levels.

Table 4.3: Existing growth rates in 2008/09 MTEF baseline budgets

Programme	Main Budget	Medium-Term Baseline Budgets			Ann. % gr
R000	2008/09	2009/10	2010/11	2011/12	08/09-11/12
1. Office of the Premier	397 802	452 793	464 612	492 489	7.4
2. Provincial Legislature	208 708	221 741	235 278	249 395	6.1
3. Agriculture and Environmental Affairs	1 665 752	1 972 785	2 171 887	2 302 200	11.4
4. Economic Development	2 646 518	3 373 245	2 747 027	2 911 849	3.2
5. Education	21 389 127	23 914 043	26 420 070	28 005 274	9.4
6. Provincial Treasury	522 072	495 266	362 721	384 484	(9.7)
Operational budget	*333 795*	*317 648*	*339 874*	*360 266*	*2.6*
Growth and Development (incl. GEMS)	*188 277*	*177 618*	*22 847*	*24 218*	*(49.5)*
7. Health	15 042 826	16 843 770	19 523 923	20 695 358	11.2
8. Housing	1 799 693	2 137 881	2 617 256	2 774 291	15.5
9. Community Safetyand Liaison	104 022	133 808	146 602	155 398	14.3
10. The Royal Household	39 356	42 400	45 202	47 914	6.8
11. Local Government andTraditional Affairs	1 027 816	1 131 536	1 268 322	1 344 421	9.4
12. Transport	3 755 282	4 533 179	4 764 172	5 050 022	10.4
13. Social Development	1 198 113	1 364 220	1 650 975	1 750 034	13.5
14. Works	733 087	799 914	866 319	918 298	7.8
15. Arts, Culture and Tourism	355 260	371 648	447 436	474 282	10.1
16. Sport and Recreation	215 492	267 039	285 129	302 237	11.9
Total	**51 100 926**	**58 055 268**	**64 016 931**	**67 857 947**	**9.9**

4.3.2 Summary of additional allocations

The additional allocations to departments and their respective purposes are summarised in Table 4.4 below. Note that Table 4.4 reflects only the provincial additional allocations, and excludes the additional allocations in respect of national conditional grants.

As can be seen in Table 4.4, most departments receive an additional allocation for the carry-through costs of the higher than anticipated 2008 wage agreement. While funding was received from National Treasury for this, the amount received was insufficient to cover the entire shortfall. As such, the province had to reprioritise from within the provincial baseline in order to top-up the funding for this, to the required level.

A short description of the purpose of the main additional allocations made to departments, over and above the carry-through costs of the 2008/09 Adjustments Estimate and the personnel inflation adjustment, is provided below.

The Office of the Premier was allocated additional funding for the construction of a multi-media centre by *Amafa aKwaZulu-Natali*. The entity had previously surrendered these funds to the Provincial Revenue Fund, due to delays in the project. However, an undertaking was given to them that these funds would not be lost to them.

The Provincial Legislature was allocated additional funding to cater for an increase in the baseline of the Legislature, following an extensive zero-based budgeting exercise. Further funding was provided in 2009/10, being a once-off special allowance for members whose tenure may be affected by the elections. Noteworthy to mention is that the carry-through costs of the 2008/09 Adjustments Estimate includes provision for the Political Parties Fund, for which funding commenced in 2008/09.

No additional funding was given to the Department of Economic Development. Instead, substantial amounts of funding were reprioritised from the Growth, SMME and Co-operatives Funds, as well as the Dube TradePort. This reprioritisation was required to assist the province in funding the equitable share reduction brought about by changes to the data that influence the equitable share formula, as mentioned above.

A large proportion of the additional funding was allocated to the Department of Education. The following national priorities were funded:

- *Learner Teacher Support Materials* – This was mainly an inflation adjustment in the 2008/09 Adjustments Estimate, with carry-through costs over the 2009/10 MTEF, to be used for the provision of a new set of NCS text books for the Grade 10 – 12 cohort;
- *Extension of No Fee policy to Q3 schools* – An additional amount was provided for the expansion of the No Fee policy to Quintile 3 schools;
- *Expansion of teachers to reduce teacher/learner ratio in Q1 schools* – The amounts allocated towards this priority are to increase the numbers of teachers in Quintile 1 schools;
- *Support to inclusive education* – This funding is provided from 2011/12 and aims to make public ordinary schools more inclusive; and
- *Provincial priorities* – Due to the tight fiscal situation, it was agreed that no new provincially identified priorities would be funded, but rather that top-up funding would be provided for the national priorities mentioned above. As such, the *Extension of No Fee policy to Q3 schools* receives funding in 2011/12, and further top-up funding in 2010/11 and 2011/12.

The Provincial Treasury received additional funding to strengthen the support given to municipalities, as well as Project *Unembeza* which aims to oust IT fraud and related corruption in departments. Further to this, the Occupation Specific Dispensation (OSD) for doctors and specialists is set to be implemented over the 2009/10 MTEF. National Treasury has requested that the funding provided for this purpose be kept in the Provincial Treasury vote, until the details of the implementation have been finalised. The department also receives a nominal amount in additional funding for the overdraft interest charge relating to high spending by the province, and especially the Department of Health.

The Department of Health received additional funding for the following:

- *Tuberculosis MDR/XDR* – This allocation will mainly be used to strengthen the province's management of TB cases, focusing on those areas highly affected by the disease. Part of this focus is to ensure that the number of cases that progress towards MDR/XDR is reduced. The overall aim is to reduce the default rate of patients on treatment and increase the cure rate;
- *Personnel costs (OSD for nurses)* – This additional amount was provided for to assist with the carry-through costs relating to the implementation of the OSD for nurses;
- *Reducing infant and child mortality* – Provision of funding for vaccines to reduce the mortality rate of infants and children under five years of age by 2015, in line with the Millennium Development Goals;
- *Medical goods and services* – An additional allocation to alleviate the inflationary pressures on medical goods and services;
- *General Health capacity* – This additional amount will be used to improve health services and to address service delivery challenges, taking into account general and medical inflation; and
- *Provincial priorities* – Due to the tight fiscal situation, it was agreed that no new provincially identified priorities would be funded, but rather that top-up funding would be provided to the national priorities mentioned above. As such, the *Tuberculosis MDR/XDR* receives funding over the MTEF, and *Reducing infant and child mortality* receives top-up funding in 2010/11 and 2011/12.

The Department of Social Development was provided with additional funding for the extension of early childhood development.

The Department of Arts, Culture and Tourism sees a reduction in its baseline in 2011/12, as once-off funding (without carry-through costs) was allocated to the department in 2008/09 for the construction of arts centres in 2010/11. The funding in the outer year was then returned to the provincial *fiscus* for redistribution.

Table 4.4: Summary of additional allocations, 2009/10 MTEF

	2009/10	2010/11	2011/12	2009/10	2010/11	2011/12
	R000			Percentage share		
Vote 1: Office of The Premier	**21 725**	**3 016**	**3 188**	**2.4**	**0.3**	**0.2**
Amafa Multi-Media Centre	18 885	-	-	2.1	-	-
Carry-through of 2008/09 Adjustments Estimate: 2008 wage agreement	2 840	3 016	3 188	0.3	0.3	0.2
Vote 2: Provincial Legislature	**72 821**	**69 914**	**76 437**	**8.2**	**6.2**	**3.9**
Increase in baseline (Zero-base budget)	25 230	26 542	27 789	2.8	2.3	1.4
Once-off special allowance for members after elections	9 510	-	-	1.1	-	-
Carry- through of 2008/09 Adjustments Estimate:	38 081	43 372	48 648	4.3	3.8	2.5
2008 increase in salaries of members	*7 490*	*7 490*	*7 490*	*0.8*	*0.7*	*0.4*
Funding of political parties	*25 000*	*30 000*	*35 000*	*2.8*	*2.6*	*1.8*
Increase in road and air transport costs	*5 591*	*5 882*	*6 158*	*0.6*	*0.5*	*0.3*
Vote 3: Agriculture and Environmental Affairs	**10 355**	**10 997**	**11 623**	**1.2**	**1.0**	**0.6**
Carry-through of 2008/09 Adj. Est. - *Ezemvelo* KZN Wildlife - 2008 wage agreement	10 355	10 997	11 623	1.2	1.0	0.6
Vote 4: Economic Development	**(971 500)**	**(1 215 531)**	**(1 539 122)**	**(108.7)**	**(107.3)**	**(78.6)**
Reduction in Growth Fund	(543 000)	(652 070)	(652 070)	(60.8)	(57.6)	(33.3)
Reduction in SMME Fund	(193 950)	(187 487)	(280 404)	(21.7)	(16.5)	(14.3)
Reduction in Co-operatives Fund	(234 550)	(170 326)	(261 310)	(26.3)	(15.0)	(13.3)
Reduction in Dube TradePort	-	(205 648)	(345 338)	-	(18.2)	(17.6)
Vote 5: Education	**742 117**	**1 031 355**	**1 568 669**	**83.1**	**91.0**	**80.1**
Carry-through of 2008/09 Adjustments Estimate - 2008 wage agreement	715 680	760 052	803 375	80.1	67.1	41.0
Provincial Priorities	-	15 000	80 370	-	1.3	4.1
Expansion of teachers to reduce teacher/learner ratio in Q1 schools	-	*15 000*	*20 000*	-	*1.3*	*1.0*
Extension of No Fee policy to Q3 schools	-	-	*60 370*	-	-	*3.1*
National Priorities (2009/10 MTEF)	26 437	256 303	684 924	3.0	22.6	35.0
Learner Teacher Support Materials	*26 437*	*29 854*	*18 074*	*3.0*	*2.6*	*0.9*
Extension of No Fee policy to Q3 schools	-	*172 533*	*215 113*	-	*15.2*	*11.0*
Expansion of teachers to reduce teacher/learner ratio in Q1 schools	-	*53 916*	*387 203*	-	*4.8*	*19.8*
Support to inclusive education	-	-	*64 534*	-	-	*3.3*
Vote 6: Provincial Treasury	**147 511**	**241 440**	**369 167**	**16.5**	**21.3**	**18.9**
Carry-through of 2008/09 Adjustments Estimate	24 402	25 774	27 979	2.7	2.3	1.4
2008 wage agreement	8 168	8 674	9 169	0.9	0.8	0.5
Project Unembeza	16 234	17 100	18 810	1.8	1.5	1.0
OSD for doctors (for Dept of Health)	108 109	215 666	322 669	12.1	19.0	16.5
Municipal support	15 000	-	-	1.7	-	-
Overdraft interest charges	-	-	18 519	-	-	0.9
Vote 7: Health	**828 336**	**947 082**	**1 265 981**	**92.7**	**83.6**	**64.7**
Carry-through of 2008/09 Adjustments Estimate - 2008 wage agreement	325 292	345 460	365 152	36.4	30.5	18.6
Provincial Priorities	10 000	19 785	42 000	1.1	1.7	2.1
Tuberculosis - MDR/XDR	*10 000*	-	-	*1.1*	-	-
Reducing infant and child mortality	-	*19 785*	*42 000*	-	*1.7*	*2.1*
National Priorities	493 044	581 837	858 829	55.2	51.4	43.9
Phasing in OSD for doctors and specialists	-	-	-	-	-	-
Tuberculosis - MDR/XDR	*21 622*	*37 742*	*41 517*	*2.4*	*3.3*	*2.1*
Personnel costs for Health - (shortfall OSD for nurses)	*237 841*	*237 232*	*236 624*	*26.6*	*20.9*	*12.1*
Reducing infant and child mortality	*86 488*	*129 399*	*172 090*	*9.7*	*11.4*	*8.8*
General Health capacity	-	-	*301 158*	-	-	*15.4*
Medical goods and services	*147 093*	*177 464*	*107 440*	*16.5*	*15.7*	*5.5*
Vote 9: Community Safety and Liaison	**1 086**	**1 154**	**1 219**	**0.1**	**0.1**	**0.1**
Carry-through of 2008/09 Adjustments Estimate - 2008 wage agreement	1 086	1 154	1 219	0.1	0.1	0.1
Vote 12: Transport	**22 720**	**24 129**	**133 060**	**2.5**	**2.1**	**6.8**
Carry-through of 2008/09 Adjustments Estimate - 2008 wage agreement	22 720	24 129	25 504	2.5	2.1	1.3
Roads and other economic functions	-	-	107 556	-	-	5.5
Vote 13: Social Development	**12 461**	**13 232**	**121 543**	**1.4**	**1.2**	**6.2**
Carry-through of 2008/09 Adjustments Estimate - 2008 wage agreement	12 461	13 232	13 987	1.4	1.2	0.7
National Priorities	-	-	107 556	-	-	5.5
Early Childhood Development	-	-	*107 556*	-	-	*5.5*
Vote 15: Arts & Culture	**3 577**	**3 799**	**(56 346)**	**0.4**	**0.3**	**(2.9)**
Carry-through of 2008/09 Adjustments Estimate - 2008 wage agreement	3 577	3 799	4 015	0.4	0.3	0.2
Reduction in baseline due to completion of art centres in 2010/11	-	-	(60 361)	-	-	(3.1)
Vote 16: Sport & Recreation	**2 229**	**2 368**	**2 503**	**0.2**	**0.2**	**0.1**
Carry-through of 2008/09 Adjustments Estimate - 2008 wage agreement	2 229	2 368	2 503	0.2	0.2	0.1
Total	**893 438**	**1 132 955**	**1 957 922**	**100.0**	**100.0**	**100.0**

Table 4.5 shows the revised budgets of departments for the 2009/10 MTEF period, after taking into account all of the adjustments to the baseline allocations mentioned above, as well as the additional allocations received in respect of national conditional grants. The provincial budget grows by 18.3 per cent in 2009/10 over the 2008/09 main budget, which is lower than the growth between 2007/08 and 2008/09.

The negative growth rate in Economic Development results from the reduction in the Growth, Co-operatives and SMME Funds, as well as the reduction in funding to the Dube TradePort, as mentioned above.

The budget of the Office of the Premier also shows negative growth between 2009/10 and 2010/11, due to once-off funding allocated to the department in 2009/10 for the Amafa Multi-Media Centre.

The negative growth in Provincial Treasury in 2010/11 relates to the payment of R150 million in both 2008/09 and 2009/10, being the province's contribution to the construction of the Moses Mabhida Soccer Stadium. No further funding is allocated to this after 2009/10.

The negative growth in the Department of Transport in 2010/11 can be ascribed to the introduction of the Public Transport Operations grant, mentioned above, for which funding has only been provided in 2009/10, at this stage.

Similarly, the Department of Works shows negative growth in 2010/11 due to the introduction of the Expanded Public Works Programme Incentives grant, also with funding only allocated in 2009/10, at this stage.

Finally, the negative growth in 2011/12 in the Department of Arts, Culture and Tourism relates to the funding for the construction of arts centres, for which additional once-off funding was provided in 2010/11.

Table 4.5: Summary of revised budgets by departments, 2009/10 MTEF

	Main Budget	Medium-term Estimates R000			Annual Percentage Growth		
	2008/09	2009/10	2010/11	2011/12	2009/10	2010/11	2011/12
1. Premier	397 802	474 518	467 628	495 677	19.3	(1.5)	6.0
2. Provincial Legislature	208 708	294 562	305 192	325 832	41.1	3.6	6.8
3. Agriculture and Environmental Affairs	1 665 752	2 009 959	2 230 209	2 401 892	20.7	11.0	7.7
4. Economic Development	2 646 518	2 401 745	1 531 496	1 372 727	(9.2)	(36.2)	(10.4)
5. Education	21 389 127	24 810 039	27 877 779	30 371 724	16.0	12.4	8.9
6. Provincial Treasury	522 072	642 777	604 161	753 651	23.1	(6.0)	24.7
Operational budget	*333 795*	*357 050*	*365 648*	*388 245*	*7.0*	*2.4*	*6.2*
Growth and development	*188 277*	*285 727*	*238 513*	*365 406*	*51.8*	*(16.5)*	*53.2*
7. Health	15 042 826	17 769 956	20 668 416	22 211 802	18.1	16.3	7.5
8. Housing	1 799 693	2 577 313	2 978 110	3 429 341	43.2	15.6	15.2
9. Community Safety and Liaison	104 022	134 894	147 756	156 617	29.7	9.5	6.0
10. The Royal Household	39 356	42 400	45 202	47 914	7.7	6.6	6.0
11. Local Government and Traditional Affairs	1 027 816	1 131 536	1 268 322	1 344 421	10.1	12.1	6.0
12. Transport	3 755 282	5 267 985	4 851 461	5 257 569	40.3	(7.9)	8.4
13. Social Development	1 198 113	1 376 681	1 664 207	1 871 577	14.9	20.9	12.5
14. Works	733 087	884 094	866 319	918 299	20.6	(2.0)	6.0
15. Arts, Culture and Tourism	355 260	375 226	451 235	417 936	5.6	20.3	(7.4)
16. Sport and Recreation	215 492	269 268	287 497	304 739	25.0	6.8	6.0
Total	**51 100 926**	**60 462 953**	**66 244 990**	**71 681 718**	**18.3**	**9.6**	**8.2**

5. SUMMARY OF BUDGET AGGREGATES AND FINANCING

Table 5.1 below provides an analysis of the overall provincial budget performance by comparing total receipts against total payments, resulting in a surplus or deficit before financing over the seven-year period under review. The table also provides the details of the financing items and amounts to provide the net position after financing for each financial year. The data for 2005/06 to 2007/08 is based on audited receipts and payments, while the 2008/09 figures provide an estimated actual position as at the end of December 2008. The 2009/10 to 2011/12 data reflects the budgeted receipts and payments for the MTEF period.

It is important to mention that the receipts and payments for the Social Security function that shifted to National with effect from 1 April 2006 have been excluded for all of the financial years. This is to ensure alignment to international best practices and consistency across provinces.

The detailed analysis of the provincial total receipts and payments is provided under Sections 6 and 7 of Budget Statement 1.

Table 5.1: Provincial budget summary

R000	Outcome			Main Budget	Adjusted Budget	Estimated Actual	Medium-term Estimates		
	Audited 2005/06	Audited 2006/07	Audited 2007/08	2008/09			2009/10	2010/11	2011/12
Provincial receipts									
Transfer receipts from national	31 832 888	36 032 918	42 545 514	49 509 202	51 490 462	51 490 462	58 817 924	64 326 196	69 612 150
Equitable share	*28 398 760*	*32 052 488*	*37 427 646*	*43 245 643*	*44 223 509*	*44 223 509*	*49 989 762*	*54 742 454*	*58 748 345*
Conditional grants	*3 434 128*	*3 980 430*	*5 117 868*	*6 263 559*	*7 266 953*	*7 266 953*	*8 828 162*	*9 583 742*	*10 863 805*
Provincial own receipts	1 227 267	1 446 417	1 557 284	1 591 724	1 591 724	1 532 647	1 645 029	1 918 794	2 069 568
Total provincial receipts	**33 060 155**	**37 479 335**	**44 102 798**	**51 100 926**	**53 082 186**	**53 023 109**	**60 462 953**	**66 244 990**	**71 681 718**
Provincial payment*									
Current payments	27 149 620	29 815 548	35 604 795	39 219 682	41 227 458	42 635 848	46 331 155	51 861 323	55 817 936
Transfers and subsidies	3 211 970	4 055 105	5 420 173	7 210 990	6 904 683	6 818 691	8 516 659	7 675 642	8 394 395
Payments for capital assets	2 945 489	3 010 744	3 457 985	4 670 254	5 068 381	5 683 557	5 615 139	6 708 025	7 469 387
Unallocated contingency reserve									
Total provincial payments	**33 307 079**	**36 881 397**	**44 482 953**	**51 100 926**	**53 200 522**	**55 138 096**	**60 462 953**	**66 244 990**	**71 681 718**
Lending									
Surplus/(deficit) before financing	**(246 924)**	**597 938**	**(380 155)**	**-**	**(118 336)**	**(2 114 987)**	**-**	**-**	**-**
Financing	**452 618**	**122 485**	**435 198**	**-**	**358 453**	**358 453**	**-**	**-**	**-**
Provincial roll-overs	351 061	112 485	164 599	-	-	-	-	-	-
Provincial cash resources	101 557	-	270 599	-	-	-	-	-	-
Reprioritisation of provincial baseline	-	-	-	-	358 453	358 453	-	-	-
Suspension to ensuing year	-	10 000	-	-	-	-	-	-	-
Surplus/(deficit) after financing	**205 694**	**720 423**	**55 043**	**-**	**240 117**	**(1 756 534)**	**-**	**-**	**-**

* Estimated actual expenditure for 2008/09 is as at 31 December 2008

In aggregate, the province recorded a deficit before financing for 2005/06 and 2007/08 and a surplus in 2006/07. The estimated actual for 2008/09 also reflects an estimated deficit of R2.115 billion before financing. However, after taking into account roll-overs and other provincial cash resources, the province showed a surplus of R205.694 million in 2005/06, R720.423 million in 2006/07 and R55.043 million in 2007/08. The Adjusted Budget for 2008/09 shows a slight surplus, being the amount set aside to finance the province’s deficit after approving roll-overs in 2007/08, as well as the projected under collection of provincial own receipts by R75 million in 2008/09. The Estimated Actual for 2008/09 shows a substantial deficit after financing of R1.757 billion. In the event of a surplus being realised at the end of a year, it is re-allocated in the ensuing financial year to fund roll-overs and other spending pressures. Similarly, a deficit incurred will have to be financed in the ensuing year.

The projected deficit after financing of R1.757 billion for the 2008/09 financial year is largely due to the spending pressures under Vote 7: Health, which the department is attributing to the Occupation Specific Dispensation for nurses and increased demand for services, particularly regarding the roll-out of the anti-retroviral treatment. A further contributing factor to the projected deficit is the OSD relating to the Department of Education. As mentioned above, any surplus or deficit that may arise from the 2008/09 financial year will be taken into account when the province prepares its Adjustments Estimate for the 2009/10 financial year.

The total provincial payments equal total provincial receipts over the 2009/10 MTEF period, thereby reflecting a balanced budget before and after financing. This indicates that all financial resources available to the province have been allocated to the 16 provincial departments, for spending over the three-year MTEF period.

The province has three sources of financing available, namely provincial roll-overs, provincial cash resources, and suspensions to the ensuing financial year.

Provincial roll-overs refer to funds that were appropriated and committed but not spent in that financial year. These commitments are in respect of once-off expenditure such as acquisition of machinery and equipment, completion of infrastructure projects, etc., as well as unspent conditional grants. These unspent funds are then re-allocated to the relevant department during the Adjustments Estimate in the following year.

Provincial cash resources refer to surplus funds in the provincial revenue fund, after taking into account all commitments and subsequent roll-overs. This includes unspent appropriated funds in departments that were not rolled over to the ensuing financial year, as well as the surplus provincial own revenue that was collected in prior financial years. This source of financing also relates to any internal provincial reprioritisation that is undertaken to finance provincial commitments.

Suspensions to ensuing years occur when departments intentionally apply to the Provincial Treasury to have a portion of their budget suspended during the course of the year, and re-allocated in the next or later financial year, because of unforeseen delays in spending the funds, or slower than anticipated progress. This process will ensure that the department will have the funding available to complete the project during the subsequent financial years.

6. RECEIPTS

6.1 Overall position

Table 6.1 below shows the actual and projected total revenue for the seven-year period, 2005/06 to 2011/12. National transfers to the province, which comprise equitable share funding and conditional grants, make up 97.3 per cent of provincial revenue for the 2009/10 financial year. Provincial own receipts make up the balance of the total provincial funding (2.7 per cent).

Table 6.1: Analysis of total receipts

	Outcome			Adjusted	Medium-term Estimates			Average Annual Growth	
	Audited	Audited	Audited	Budget				2005/06 -	2008/09 -
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2008/09	2011/12
R000									
Transfers from national	31 832 888	36 032 918	42 545 514	51 490 462	58 817 924	64 326 196	69 612 150		
Equitable share	*28 398 760*	*32 052 488*	*37 427 646*	*44 223 509*	*49 989 762*	*54 742 454*	*58 748 345*		
Conditional grants	*3 434 128*	*3 980 430*	*5 117 868*	*7 266 953*	*8 828 162*	*9 583 742*	*10 863 805*		
Own Revenue	1 227 267	1 446 417	1 557 284	1 591 724	1 645 029	1 918 794	2 069 568		
Total	**33 060 155**	**37 479 335**	**44 102 798**	**53 082 186**	**60 462 953**	**66 244 990**	**71 681 718**		
% of total revenue									
Transfers from national	96.3	96.1	96.5	97.0	97.3	97.1	97.1		
Equitable share	*85.9*	*85.5*	*84.9*	*83.3*	*82.7*	*82.6*	*82.0*		
Conditional grants	*10.4*	*10.6*	*11.6*	*13.7*	*14.6*	*14.5*	*15.2*		
Own Revenue	3.7	3.9	3.5	3.0	2.7	2.9	2.9		
Nominal growth (%)									
Transfers from national		13.2	18.1	21.0	14.2	9.4	8.2	17.4	10.6
Equitable share		*12.9*	*16.8*	*18.2*	*13.0*	*9.5*	*7.3*	*15.9*	*9.9*
Conditional grants		*15.9*	*28.6*	*42.0*	*21.5*	*8.6*	*13.4*	*28.4*	*14.3*
Own Revenue		17.9	7.7	2.2	3.3	16.6	7.9	9.1	9.1
Total		**13.4**	**17.7**	**20.4**	**13.9**	**9.6**	**8.2**	**17.1**	**10.5**
Real growth (%)									
Transfers from national		7.6	9.2	8.5	8.5	4.0	3.4	8.4	5.3
Equitable share		*7.3*	*8.0*	*5.9*	*7.4*	*4.1*	*2.5*	*7.0*	*4.7*
Conditional grants		*10.2*	*18.9*	*27.3*	*15.4*	*3.2*	*8.3*	*18.6*	*8.9*
Own Revenue		12.0	(0.4)	(8.4)	(1.8)	10.9	3.0	0.7	3.9
Total		**7.7**	**8.8**	**7.9**	**8.2**	**4.2**	**3.4**	**8.1**	**5.2**

In the 2009/10 MTEF period, the total provincial revenue is R60.463 billion, R66.245 billion and R71.682 billion, respectively. The largest share of national transfers to the provincial government is the equitable share, R49.99 billion in 2009/10, R54.742 billion in 2010/11 and R58.748 billion in 2011/12. Conditional grant funding provides a further R8.828 billion, R9.584 billion and R10.864 billion in the three years of the MTEF.

The balance of the total revenue comes from provincial own source revenue, which forms a small proportion of total provincial revenue. There is a gradual decline in the share of total own revenue from 2006/07 to 2011/12, due to national transfers increasing at a faster rate than own revenue. Despite this, own revenue is showing a steady increase in nominal terms.

Table 6.1 also shows the analysis of total provincial receipts in terms of percentage shares, as well as nominal and real average annual growth rates from 2005/06 to 2011/12. In real terms, total provincial revenue is set to increase over the 2009/10 MTEF by 5.2 per cent, which is lower than that of the 2008/09 MTEF, which was 8.1 per cent. The share of national transfers increases from 96.3 per cent in 2005/06 to 97 per cent in 2008/09, and levels off over the 2009/10 MTEF period at 97.1 per cent. Provincial own revenue illustrates the opposite trend, decreasing from 3.7 per cent in 2005/06 to 2.9 per cent in 2011/12.

In 2009/10, provincial own revenue is projected to yield R1.645 billion, rising to R2.07 billion in 2011/12. In nominal terms, own revenue increased by an annual average of 9.1 per cent from 2005/06 to 2008/09. Over the 2009/10 MTEF, this annual average nominal growth is expected to remain at 9.1 per cent. This is largely due to the on-going effects of the revenue enhancement strategies that are being implemented. In real terms, own revenue increases from an annual average of 0.7 per cent (between the period 2005/06 to 2008/09) to 3.9 per cent over the 2009/10 MTEF.

6.2 Provincial equitable share

The equitable share formula has evolved since its inception in 1998/99. The weighting of the various components is a policy decision that takes a number of factors into account, including the historical expenditure patterns and relative demand for particular services. The six components are updated annually with the release of official data. The periodic nature of data releases poses challenges. Some of these releases include the Census, conducted every ten years, with a replacement survey done every five years; and annual publications such as the General Household Survey and the learner enrolment (SNAP) survey.

The equitable share allocation that the province receives is based on demographic and economic statistics that attempt to capture the relative demand for public services. The largest portion of funds available to the provinces is aimed at meeting Constitutional mandates, and at delivering a wide variety of public services.

The provincial equitable share is formula based, and is the main source of revenue that enables the province to deliver primarily on its statutory obligations. Table 6.1 above shows that the total equitable share allocation to the province for the 2009/10 MTEF will grow by an annual average of 4.7 per cent in real terms. This is a decrease from 7 per cent between 2005/06 to 2008/09. For the period under review, the equitable share allocation to the province decreases from 85.9 per cent of total provincial revenue in 2005/06, to 83.3 per cent in 2008/09. The share continues to decrease over the 2009/10 MTEF, dropping to 82 per cent in 2011/12. Even though the provincial equitable share increases in nominal terms, the proportional decrease in the provincial equitable share remains a major concern for the province, as this restricts the boundaries of the fiscal envelope available for distribution in the province. However, this nominal growth will continue to ensure that improved levels of service will be delivered in the province.

6.3 Conditional grants

When national conditional grants were introduced in 1998/99, their objective was to promote national priorities and to compensate provinces for the provision of specialised services across provincial boundaries. In Health, for example, those objectives were to fund the academic hospitals, training and research, redistribution of health services and hospital revitalisation.

Subsequent to this phase, several conditional grants were introduced with varying purposes, conditions and outcomes. A number of changes were made to the conditional grant framework for the 2005/06 financial year. These included the introduction of the Social Assistance and Social Assistance Administration grants, the direct transfer of the Local Government Support grant and the Capacity Building grant to municipalities, and the merging of the Human Settlement and Redevelopment grant with the Housing Subsidy grant to form the Integrated Housing and Human Settlement Development grant.

The total number of conditional grants transferred to the province amounted to 20 (including those received through the 2008/09 Adjustments Estimate). Conditional grants are used for more specific purposes than the equitable share, and these include infrastructure provision, institutional capacity building, and the implementation of special initiatives of national priority (for example, HIV and AIDS, child welfare and school nutrition programmes). The design of conditional grants has been somewhat variable and *ad hoc*, which has given rise to certain problems and gaps in the implementation and monitoring thereof.

As can be noted from Table 6.1 above, the conditional grant allocation to the province has experienced a steady growth since 2005/06. Over the period 2005/06 to 2008/09, the conditional grant allocation to the province comprised between 10.4 and 13.7 per cent of total provincial revenue, increasing to 15.2 per cent of total provincial revenue in 2011/12. Nominally, the conditional grant allocation grew at an average annual rate of 28.4 per cent from 2005/06 to 2008/09. Over the 2009/10 MTEF, it is projected to grow at an average annual rate of 14.3 per cent, 14.1 per cent less than the previous period.

The sizeable increases in conditional grant allocations are of concern to the Provincial Treasury. As the fiscal arrangement in South Africa has stabilised and matured, the roles and uses of conditional grants as funding mechanisms to provinces should diminish. But this seems not to be the case.

Table 6.2: Summary of national conditional grant transfers by vote

R000	Outcome Audited 2005/06	Outcome Audited 2006/07	Outcome Audited 2007/08	Main Budget 2008/09	Adjusted Budget 2008/09	Estimated Actual 2008/09	Medium-term Estimates 2009/10	Medium-term Estimates 2010/11	Medium-term Estimates 2011/12
Vote 3 - Agriculture & Environmental Affairs	**59 270**	**65 879**	**115 311**	**95 382**	**123 890**	**123 890**	**138 489**	**180 675**	**229 420**
Land Care	8 000	10 355	7 010	7 345	7 345	7 345	8 227	8 721	9 244
Comprehensive Agriculture Support Programme	46 270	55 524	68 301	88 037	100 545	100 545	117 762	141 954	160 176
Agriculture Disaster Management	5 000	-	40 000	-	5 000	5 000	5 000	-	-
Ilima/Letsema Projects (Makhathini)	-	-	-	-	11 000	11 000	7 500	30 000	60 000
Vote 5 - Education	**588 498**	**710 560**	**876 773**	**1 179 775**	**1 280 569**	**1 280 569**	**1 341 818**	**1 935 143**	**2 397 097**
Infrastructure Grant to Provinces	315 121	348 194	466 022	602 756	602 756	602 756	746 136	1 037 172	1 281 837
HIV and AIDS (Life Skills Education)	31 126	32 994	35 292	37 610	39 910	39 910	39 765	42 686	45 247
FET College Sector Recapitalisation	-	90 000	115 453	162 974	162 974	162 974	-	-	-
Education Disaster Management grant	-	-	-	-	16 696	16 696	-	-	-
National School Nutrition Programme	242 251	239 372	260 006	376 435	458 233	458 233	555 917	855 285	1 070 013
Vote 7 - Health	**1 575 538**	**1 786 121**	**2 190 991**	**2 453 338**	**2 634 190**	**2 634 190**	**3 030 845**	**3 406 142**	**3 651 717**
Health Professionals Training & Development	192 373	192 373	201 992	212 092	212 092	212 092	222 425	235 771	249 917
Integrated Nutrition Programme	26 954	-	-	-	-	-	-	-	-
Comprehensive HIV and AIDS	251 468	344 304	466 922	629 694	757 213	757 213	880 659	1 013 082	1 090 268
National Tertiary Services	691 451	732 167	789 578	903 297	911 892	911 892	983 948	1 102 585	1 164 255
Hospital Revitalisation	206 977	205 171	315 456	285 666	330 404	330 404	449 558	500 815	551 698
Infrastructure Grant to Provinces	157 561	174 098	259 758	294 832	294 832	294 832	359 717	401 483	434 029
Forensic Pathology Services	24 976	138 008	157 285	127 757	127 757	127 757	134 538	152 406	161 550
Hospital Management Improvement	23 778	-	-	-	-	-	-	-	-
Vote 8 : Housing	**799 659**	**1 048 376**	**1 310 555**	**1 575 586**	**1 622 053**	**1 622 053**	**2 330 448**	**2 714 109**	**3 149 500**
Housing Disaster Management grant	-	-	-	-	-	-	150 000	-	-
Integrated Housing & Human Settlement Dev. grant	799 659	1 048 376	1 310 555	1 575 586	1 622 053	1 622 053	2 180 448	2 714 109	3 149 500
Vote 12 : Transport	**315 121**	**348 194**	**573 012**	**662 702**	**1 309 475**	**1 309 475**	**1 546 823**	**959 244**	**1 024 336**
Infrastructure Grant to Provinces	315 121	348 194	573 012	662 702	662 702	662 702	865 080	959 244	1 024 336
Public Transport Operations grant	-	-	-	-	-	-	647 396	-	-
Sani Pass Road grant	-	-	-	-	30 000	30 000	34 347	-	-
Transport Disaster Management grant	-	-	-	-	616 773	616 773	-	-	-
Vote 13 : Social Development	**93 372**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Integrated Social Development Services grant	68 185	-	-	-	-	-	-	-	-
HIV and AIDS	25 187	-	-	-	-	-	-	-	-
Vote 14 : Works	**-**	**-**	**-**	**210 846**	**210 846**	**210 846**	**320 444**	**259 891**	**275 485**
Devolution of Property Rate Funds Grant to Provinces	-	-	-	210 846	210 846	210 846	236 264	259 891	275 485
Expanded Public Works Programme Incentive grant	-	-	-	-	-	-	84 180	-	-
Vote 15 : Arts, Culture & Tourism	**-**	**-**	**13 950**	**26 195**	**26 195**	**26 195**	**34 147**	**38 282**	**40 579**
Community Library Services grant	-	-	13 950	26 195	26 195	26 195	34 147	38 282	40 579
Vote 16: Sport and Recreation	**2 670**	**21 300**	**37 276**	**59 735**	**59 735**	**59 735**	**85 148**	**90 256**	**95 671**
Mass Sport & Recreation Participation Programme	2 670	21 300	37 276	59 735	59 735	59 735	85 148	90 256	95 671
Total	**3 434 128**	**3 980 430**	**5 117 868**	**6 263 559**	**7 266 953**	**7 266 953**	**8 828 162**	**9 583 742**	**10 863 805**

In terms of allocation per department, the Department of Health is the major recipient of grant allocation, receiving 34.3 per cent of total grants in 2009/10. This is a significantly lower share when compared to 36.2 per cent in 2008/09. A number of new conditional grants (such as the Housing Disaster Management grant and the Public Transport Operations grant) were introduced in 2009/10, which impacts on Health's percentage share of the conditional grant allocation.

The Department of Housing, the second largest recipient of grant allocation, received, on average, more than a quarter of the total conditional grant allocation from 2005/06 to 2008/09. The conditional grant funding shows a strong average annual nominal growth over the 2009/10 MTEF, rising from R2.33 billion in 2009/10 to R3.15 billion in 2011/12. The department received a substantial increase to the Integrated Housing and Human Settlement Development grant, as well as an additional Housing Disaster Management grant in 2009/10 to assist the communities whose homes were affected by the recent storms that lashed the province.

The Department of Education receives the third largest share of grant allocation over the entire period under review. The share remains fairly constant over the entire period. Note that the FET College Sector Recapitalisation grant within this department ceases in the first year of the 2009/10 MTEF, due to its incorporation into the equitable share.

Other significant recipients of conditional grant funding are the Departments of Transport, Works and Agriculture and Environmental Affairs.

The Devolution of Property Rate Funds Grant to Provinces commenced in 2008/09 within the Department of Works. This grant commenced at R210.846 million in 2008/09 and grows to R275.485 million in 2011/12. The aim of the grant is to manage the payment of property rates for the provincially owned land and buildings to the various municipalities, a function which was previously administered by the national Department of Public Works.

As mentioned above, the Housing Disaster Management grant was introduced in the 2009/10 MTEF, with funding of R150 million allocated in the first year of the MTEF. This amount is to be used to assist communities whose homes were affected by the recent storms.

Further to this, the Department of Transport receives a new grant in 2009/10 with funding thus far only allocated to the first year of the MTEF. The Public Transport Operations grant is introduced to allow for improved monitoring and control of expenditure related to bus subsidies. The payment of bus subsidies to operators was previously funded on an agency basis.

The other grant that commences in 2009/10 is the Expanded Public Works Programme Incentive grant to be administered by the Department of Works. This grant aims to provide an incentive for provinces to increase labour intensive employment, through programmes that maximise job creation and skills development.

6.4 Total provincial own receipts (own revenue)

Tables 6.3 and 6.4 below reflect a summary of provincial own source revenue, by economic classification as well as by vote, respectively.

The bulk of provincial own source revenue falls within two categories. The category *Tax receipts* comprises mostly of *Motor vehicle licence fees* and *Casino* and *Horse-racing taxes*, while the balance of own revenue collected is made up of the *Sale of goods and services other than capital assets* particularly health patient fees, as well as *Fines, penalties and forfeits,* and *Interest, dividends and rent on land*. Other sources of provincial own revenue include *Financial transactions in assets and liabilities* and the *Sale of capital assets*.

Table 6.3: Summary of provincial own receipts

R000	Outcome			Main Budget	Adjusted Budget	Estimated Actual	Medium-term Estimates		
	Audited	Audited	Audited						
	2005/06	2006/07	2007/08		2008/09		2009/10	2010/11	2011/12
Tax receipts	822 356	953 871	1 037 169	1 129 198	1 129 198	1 151 836	1 262 889	1 363 213	1 470 690
Casino taxes	*162 073*	*194 038*	*239 866*	*254 652*	*254 652*	*254 652*	*275 024*	*297 026*	*320 788*
Horse racing taxes	*31 982*	*38 174*	*43 655*	*44 671*	*44 671*	*67 318*	*49 138*	*52 086*	*53 792*
Liquor licences	*3 999*	*3 760*	*4 017*	*4 045*	*4 045*	*4 036*	*38 095*	*41 905*	*46 095*
Motor vehicle licences	*624 302*	*717 899*	*749 631*	*825 830*	*825 830*	*825 830*	*900 632*	*972 196*	*1 050 015*
Sale of goods and services other than capital assets	198 036	218 165	247 127	250 277	250 277	255 149	274 281	294 932	313 819
Transfers received	-	300	300	-	-	-	-	-	-
Fines, penalties and forfeits	19 253	19 734	36 550	30 031	30 031	30 169	33 733	35 757	37 902
Interest, dividends and rent on land	93 461	176 243	159 599	142 329	142 329	10 754	23 055	167 891	184 527
Sale of capital assets	20 222	7 972	11 564	18 703	18 703	21 239	20 940	22 197	23 528
Financial transactions in assets and liabilities	73 939	70 132	64 975	21 186	21 186	63 500	30 131	34 804	39 102
Total	**1 227 267**	**1 446 417**	**1 557 284**	**1 591 724**	**1 591 724**	**1 532 647**	**1 645 029**	**1 918 794**	**2 069 568**

Table 6.4: Summary of provincial own receipts by vote

R000	Outcome			Main Budget	Adjusted Budget	Estimated Actual	Medium-term Estimates		
	Audited	Audited	Audited						
	2005/06	2006/07	2007/08		2008/09		2009/10	2010/11	2011/12
1. Office of the Premier	203 322	238 565	284 035	300 151	300 151	322 331	325 052	350 055	375 589
2. Provincial Legislature	2 732	2 776	2 678	2 119	2 119	2 872	2 278	2 415	2 560
3. Agriculture and Environmental Affairs	19 613	15 138	16 274	20 465	20 465	25 366	21 968	23 287	24 684
4. Economic Development	4 322	4 910	4 489	4 199	4 199	4 397	38 261	42 081	46 281
5. Education	55 999	66 110	53 055	31 169	31 169	60 012	42 035	48 457	54 835
6. Provincial Treasury	91 117	169 861	156 921	139 521	139 521	8 026	20 120	164 771	181 248
7. Health	137 689	121 289	148 544	142 178	142 178	142 178	153 742	166 246	176 220
8. Housing	889	3 577	19 253	877	877	2 787	939	995	1 055
9. Community Safety and Liaison	12	27	91	21	21	37	23	24	25
10. The Royal Household	129	46	67	48	48	78	52	55	58
11. Local Government and Traditional Affairs	1 953	1 776	2 038	1 290	1 290	9 377	1 387	1 470	1 470
12. Transport	703 249	812 247	861 293	941 830	941 830	946 122	1 030 944	1 110 327	1 196 433
13. Social Development	2 444	4 474	4 160	4 065	4 065	3 930	4 385	4 649	4 910
14. Works	3 641	4 228	3 852	3 253	3 253	4 432	3 349	3 439	3 646
15. Arts, Culture and Tourism	143	633	447	499	499	577	453	480	508
16. Sport and Recreation	13	760	87	39	39	125	41	43	46
Sub-total	**1 227 267**	**1 446 417**	**1 557 284**	**1 591 724**	**1 591 724**	**1 532 647**	**1 645 029**	**1 918 794**	**2 069 568**
Provincial Legislature receipts not to be surrendered to the Provincial Revenue Fund	-	1 091	1 150	2 119	2 119	2 872	2 278	2 415	2 560
Total adjusted provincial own receipts	**1 227 267**	**1 445 326**	**1 556 134**	**1 589 605**	**1 589 605**	**1 529 775**	**1 642 751**	**1 916 379**	**2 067 008**

As can be seen in Table 6.3 above, *Tax receipts*, the most significant category by value, exhibits fairly constant growth from R822.356 million in 2005/06 to R1.471 billion in 2011/12. *Tax receipts* reached R1.037 billion in 2007/08. This is 8.9 per cent more than the R953.871 million collected in 2006/07. *Tax receipts* increase annually and are projected to increase at an annual average rate of 9.2 per cent over the MTEF to reach R1.471 billion in 2011/12.

Tax receipts, as a percentage of total provincial own-sourced revenue, increased from 65.9 per cent in 2006/07 to 66.6 per cent in 2007/08, and are further projected to stabilise at an average of 72.9 per cent of provincial own-sourced revenue over the medium term. The estimated increase over the MTEF is mainly due to the increase in motor vehicle licence fees, liquor licence fees (once the revised KwaZulu-Natal Liquor Bill has been enacted), as well as gaming revenues from casino and limited gambling machines, coupled with the implementation of the new KwaZulu-Natal Gaming and Betting Tax Bill and the KwaZulu-Natal Gaming and Betting Bill.

The balance of provincial own revenue increases from R404.911 million in 2005/06 to R520.115 million in 2007/08 and then continues to increase to R598.878 million in 2011/12. The main contributor to this category is *Sale of goods and services other than capital assets*, which mainly consists of health patient fees. *Sale of goods and services other than capital assets* is projected to reach R313.819 million in 2011/12, at an annual average rate of 7.8 per cent over the 2009/10 MTEF. *Sale of goods and services other than capital assets*, as a percentage of total provincial own-sourced revenue, decreases from 15.9 per cent in 2007/08 to 15.7 per cent in 2008/09 and is projected to stabilise at 15.7 per cent of provincial own-sourced revenue over the medium term. The other main contributor to this category is reflected under Vote 6: Provincial Treasury, namely interest revenue, and the revenue accrued from this source depends on cash balances and the prevailing interest rates, hence the fluctuating trend. The provincial *fiscus* has been under severe strain over the last two financial years (mainly as a result of the over-spending by the Department of Health) resulting in the province currently utilising a bank overdraft facility. The resultant interest revenue has thus decreased significantly in 2008/09 and 2009/10, and then picks up again to its 2007/08 levels over the outer two years of the 2009/10 MTEF.

The two minor categories by value, *Sale of capital assets* and *Financial transactions in assets and liabilities*, both show negative growth trends from 2005/06 to the 2008/09 Adjusted Budget. *Sale of capital assets* is expected to turn around significantly to a positive average growth rate of 7.9 per cent between the 2007/08 Adjusted Budget and the outer year of the MTEF. *Financial transactions in assets and liabilities*, however, reflects a negative annual average growth rate of 34.1 per cent from 2005/06 to 2008/09, then it becomes positive over the 2009/10 MTEF to reach R39.102 million in 2011/12, with an annual average growth rate of 22.7 per cent. Trends in these categories have always been difficult to project, due to the unpredictability of these sources of provincial own-source revenue.

As shown in Table 6.4 above, the Department of Transport continues to be the main contributor to total provincial own revenue, accounting for an average of almost 60 per cent of total provincial own revenue over the 2009/10 MTEF period. Historically, the department's revenue has shown strong growth, with own revenue collections rising from R703.249 million in 2005/06 to R941.83 million in the 2008/09 Adjusted Budget. This increase is set to continue over the 2009/10 MTEF to R1.196 billion in 2011/12, at an annual average rate of 8.3 per cent.

Revenue generated from *Motor vehicle licence* fees increased by 4.4 per cent from R717.899 million in 2006/07 to R749.631 million in 2007/08, and is projected to increase to R1.05 billion in 2011/12. These increases are linked to the net growth of the motor vehicle population over the same period, coupled with the annual increase in motor vehicle licence fees. The growth in projected revenue can also be attributed to the initiatives of the Department of Transport to improve service delivery at the various registering authorities for the registration and licensing of motor vehicles. The current initiative to address arrear licence fees will continue, with the aim to maintain the arrears at less than 2 per cent of the total motor vehicle population. A large number of transactions that were previously assigned to the registering authorities are now centralised at provincial level, to ensure uniform recording of transactions where a discretionary measure is involved.

Presently, the variances between motor vehicle licence fees charged across all provinces in all of the various fee categories are significant. Debates have been continuing at national and provincial levels for quite some time regarding the motor vehicle licence fee variance across provinces. Representatives from the revenue/public finance components of the various Provincial Treasuries subsequently met during the fourth quarter of 2008 (first meeting of this nature) to discuss the issue of "fee equalisation", i.e. a unified motor vehicle licence fee across all provinces (as is the case with the health patient fee structure). At present, the provinces with higher motor vehicle licence fees face the dilemma of people migrating to register their motor vehicles in provinces where the motor vehicle licence fees are lower. The main idea behind "fee equalisation" is that there will be a unified motor vehicle licence fee structure that will be determined at a national level. During the forthcoming financial year, provinces will further analyse the costs and benefits of this proposal, before ratifying the adoption thereof. All provinces are expected to benefit from this proposed structure to some degree.

Another major contributor to provincial own revenue is the Office of the Premier, yielding more than 18 per cent of total own revenue over the 2009/10 MTEF. The Office of the Premier is projecting reasonable growth over the 2009/10 MTEF and this is in line with the expected growth in the gambling industry, which is the department's main source of revenue. *Casino taxes* include tax revenue from Limited Gambling Machines (LGMs).

Revenue generated from *Casino taxes* increased by 19.7 per cent from R162.073 million in 2005/06 to R194.038 million in 2006/07, and by 23.6 per cent to R239.866 million in 2007/08. It is further projected that tax revenue from casinos will increase by 6.2 per cent to R254.652 million in 2008/09. This increase is set to continue over the 2009/10 MTEF to R320.788 million in 2011/12 at an annual average rate of 8 per cent. Revenue generated from *Horse racing taxes* increased by 19.4 per cent from R31.982 million in 2005/06 to R38.174 million in 2006/07, and by 14.4 per cent to R43.655 million in 2007/08. It is further projected that horse racing revenue will increase to R67.318 million in the 2008/09 Estimated Actual, which includes a once-off amount of R22 million received from the Bookmakers' Control Committee in respect of revenue not paid over by the entity dating back to 1980. The entity is not listed as a Schedule 3 entity which can retain revenue.

This category continues to show good growth over the 2009/10 MTEF to R53.792 million in 2011/12, at an annual average rate of 6.4 per cent. Revenue generated from gambling is unpredictable, and it is therefore acknowledged that casino taxes depend to a large extent on the unexpected increases or decreases in people's disposable income.

The KwaZulu-Natal Gaming and Betting Tax Bill and the KwaZulu-Natal Gaming and Betting Bill are expected to be tabled in this financial year. In essence, these new Bills aim to create a single entity to regulate gaming, as well as to facilitate the increased financial control and planning, which has the potential to increase the revenue due to the province.

Revenue generated from liquor licence fees is estimated to reach R4.036 million in 2008/09, and is then anticipated to grow at an average rate of 125 per cent over the 2009/10 MTEF to R46.095 million in 2011/12. These projected increases are subject to the approval of the new KwaZulu-Natal Liquor Bill in 2009.

The KwaZulu-Natal Liquor Bill aims to bring unlicensed traders from historically disadvantaged communities into the tax net, enabling them to do business in a free and conducive environment without barriers to entry. The proposed KwaZulu-Natal Liquor Bill provides for the determination of application fees, annual licence renewals and penalties by the Minister of Economic Development. The income generated through the licensing system will accrue to the Provincial Revenue Fund. In terms of the new legislation, the KwaZulu-Natal Liquor Board and the responsible departments and municipalities, chosen as agents, will administer licensing of premises, collect liquor licence revenue and ensure the reconciliation of revenue collected in terms of the Liquor Act.

The Provincial Treasury, in conjunction with the Office of the Premier, will commence with a detailed review of both the tax structure, as well as the fee structure applicable to gaming in the province. The ideal tax regime to impose on the gaming industry must be optimal and designed to leverage the maximum benefit from the gambling industry, while business and economic realities are acknowledged. The ideal tax structure must have the possibility of increasing receipts from this source by simply tightening the tax band/levels. This method must also be very effective in dealing with fiscal drag, as tax bands could be lowered just as easily as they can be raised. The present tax and fee structures were last reviewed in 1996, and a minimum adjustment for inflation only would lead to a considerable improvement in revenue collection.

The Department of Health is expected to collect just under 10 per cent of provincial own revenue over the 2009/10 MTEF. The department is projecting a 7.4 per cent growth over the 2009/10 MTEF. Health revenue decreased by 4.3 per cent from R148.544 million in 2007/08 to an estimated actual of R142.178 million in 2008/09 and is projected to increase to R176.22 million in 2011/12. The largest proportion of revenue generated by the Health sector is from user fees, which include patient fees and board for accommodation paid by staff at the department’s institutions.

With the Department of Health’s over-spending in 2007/08 and projected over-expenditure in 2008/09, MinComBud concretised a Cabinet decision to the effect that a Joint Management Task Team (JMTT), made up of Treasury and Health officials, be formed. The mandate of the JMTT was to diagnose causes of budget overruns in the Department of Health, develop and implement specific measures to contain runaway expenditure and put in place measures to prevent it from occurring again in the future. By the end of August 2008, all diagnostic exercises had been completed, thus heralding time to move to implementation of further measures.

Coupled with that, the Department of Health is now also paying special attention to patient billing and revenue collection. One of the major objectives of this drive is to eliminate leaks in the system, as well as to shorten patient payment intervals. The department is also continuing with its programme of ongoing training of staff at the various institutions. Patient fees show positive growth, mainly as a result of measures being put in place to enhance revenue collection. More attention is now being paid to the assessment of patients’ ability to pay, the correct billing of patients and the timeous recovery of debts from patients and other third parties such as medical aids. Revenue collection processes are, to a certain extent, affected by the use of manual billing systems, with only six hospitals currently operating on computerised billing systems. The department is in the process of implementing the system in five more hospitals which fall under the Hospital Revitalisation programme. The system will be implemented in the remaining hospitals as funds become available. The objective is to make health care more cost effective, so that quality of service can be improved for the benefit of all patients.

The Provincial Treasury also generates a significant portion of own revenue through the interest earned on positive cash balances in the Inter-Governmental Cash Co-ordination (IGCC) account and the paymaster-general account. Revenue generated by the Provincial Treasury decreased by 94.9 per cent from R156.921 million in 2007/08 to an estimated actual of R8.026 million in 2008/09, and then increases again by 150.7 per cent to R20.12 million in 2009/10. This increase is set to continue over the 2009/10 MTEF at an annual average rate of 9.1 per cent to R181.248 million in 2011/12. The drastic decrease in 2007/08 and 2008/09 is mainly due to the Department of Health’s over-expenditure in those two years and its effect on the provincial cash balances.

6.5 Donor funding and agency receipts

Table 6.5 below shows information on donor funding and agency receipts, per department, for the period under review. Table 1.F in the *Annexure - Budget Statement 1* provides the same information, together with details of the donors and agencies. This funding is not voted for, and is relatively small in value. The funding gives an indication of additional local and international resources available to the province.

It is becoming increasingly important to monitor the quality and quantity of services being provided with regard to donor funding and agency receipts. To this extent, with effect from 2007/08, the Provincial Treasury required departments to report on donor funding and agency receipts on a quarterly basis. This was done mainly because departments commit themselves to projects and, when the donor funding ceases, these commitments continue and have to be funded through voted funds in order to reach completion.

Table 6.5 Donor funding and agency receipt

Name of Donor Organisation	Outcome			Main Budget	Adjusted Budget	Estimated Actual	Medium-term Estimates		
	Audited	Audited	Audited						
R000	2005/06	2006/07	2007/08		2008/09		2009/10	2010/11	2011/12
Donor Funding	**63 613**	**174 277**	**202 244**	**159 957**	**170 335**	**248 258**	**93 445**	**25 535**	**15 518**
Provincial Legislature	1 141	157	198	-	1 003	1 003	-	-	-
Agriculture and Environmental Affairs	28	9 085	2 072	9 733	11 181	11 181	17 016	15 195	15 218
Economic Development	-	109 738	-	49 162	-	64 223	47 805	10 040	-
Education	1 934	19 435	52 537	20 440	20 440	20 440	12 144	-	-
Health	58 641	32 427	140 895	77 522	134 611	134 611	16 080	-	-
Housing	780	851	-	3 100	3 100	3 100	400	300	300
Local Government and Traditional Affairs	1 089	2 584	6 542	-	-	13 700	-	-	-
Agency Receipt	**511 905**	**527 369**	**598 231**	**610 173**	**610 173**	**649 617**	**31 908**	**7 420**	**7 420**
Office of the Premier	-	-	22 147	-	-	50 465	24 908	-	-
Agriculture and Environmental Affairs	21 118	1 400	-	-	-	-	-	-	-
Local Government and Traditional Affairs	-	1 742	-	-	-	-	-	-	-
Transport	490 787	524 227	576 084	610 173	610 173	599 152	7 000	7 420	7 420
Total	**575 518**	**701 646**	**800 475**	**770 130**	**780 508**	**897 875**	**125 353**	**32 955**	**22 938**

6.5.1 Donor funding

The recipients of donor funding over the 2009/10 MTEF are the Departments of Agriculture and Environmental Affairs, Economic Development, Education, Health and Housing.

The Department of Economic Development is the major recipient of donor funding that is received from the European Union until 2010/11. The funding brings together a skilled private and public sector technical team, funded through the European Union and the provincial government, to implement projects for local economic development.

The Department of Agriculture and Environmental Affairs is another major recipient and receives donor funding primarily from the Flemish government. The Flemish government is contributing R60 million over a 5-year period from 2007/08 onwards (R36 million over the 2009/10 MTEF) for the Food Security programme. This is an integrated programme led by the department, and will involve other departments like Health, Local Government and Traditional Affairs, Education, Housing, Social Development and

Economic Development. This programme aims to improve livelihoods for poor families through improved food security in various municipal areas. The department is also currently receiving donor funds from the Danish Government for environmental programmes. In addition, the department is anticipating receiving donor funding from the World Health Organisation over the 2009/10 MTEF, which has been made available by the Bill and Melinda Gates Foundation to assist the department with the control of rabies in the province.

The Department of Health also receives donor funding over the period under review (R16.08 million in 2009/10 only). The two major donors are the European Union Primary Health Care Programme and Atlantic Philanthropies. The European Union Primary Health Care Programme mainly supports primary health care programmes including HIV and AIDS. The department has received a new donation from Atlantic Philanthropies, which will be used to strengthen the capacity of nursing education institutions in the province.

The donor funds reflected against the Department of Education from 2005/06 onwards are received from the Royal Netherlands Embassy. The department is expecting to receive R12.144 million in 2009/10, and funds from the Royal Netherlands Embassy are paid directly over to the department, for developing educational training centres.

The Department of Housing entered into a co-operative agreement with the Flemish government in order to establish housing components at municipalities in the province. It is anticipated that the housing project will be finalised in 2011/12, whereafter no further funding will be forthcoming for this purpose from the Flemish government.

6.5.2 Agency receipts

Agency receipts, which form part of the total non-voted funds, increased from R511.905 million in 2005/06 to a projected R649.617 million in 2008/09 and reduce to R7.420 million in 2011/12.

The primary beneficiary of agency receipts has historically been the Department of Transport that utilises these receipts to fund bus transport subsidies and for overload control. As mentioned above, with the introduction of the Public Transport Operations grant in the 2009/10 MTEF, the agency receipts for the bus subsidies fall away as from 2009/10, which explains the substantial reduction in agency receipts over the 2009/10 MTEF. The minimal amount reflected over the MTEF period for the Department of Transport relates only to Overload Control.

The Office of the Premier is the only other department that also receives funding in the 2009/10 MTEF, (R24.908 million) from the Department of Labour, towards the roll-out of a strategic literacy programme, targeting illiterate adults in the province.

7. EXPENSE

7.1 Overall position

Total provincial expenditure increased from R33.307 billion during 2005/06 to an estimated R55.138 billion in 2008/09. This positive growth is set to continue over the 2009/10 MTEF, with aggregated expenditure rising to R71.682 billion in 2011/12. The additional allocation, over and above the existing (2008/09 MTEF) growth within the various departments' baseline caters for:

- Carry-through costs of the 2008/09 Adjustments Estimate;
- National sector specific priorities for Education, Health, Social Development and Transport;
- Increased personnel costs associated with higher inflation;
- Growth in some conditional grants, as well as the introduction of a number of new conditional grants such as Disaster Management grants for Education, Transport and Housing, as well as the Ilima/Letsema Projects grant, the Public Transport Operators grant and the Sani Pass Road grant;
- Funding for various provincial priorities such as the Political Parties' Fund and the Provincial Legislature's baseline adjustment; and
- The reduction of some departments' baselines due to the reduction in the province's equitable share allocation resulting from the data changes informing the equitable share formula, as well as reductions to the province's equitable share, emanating from the global economic downturn.

7.2 Expense by vote

Table 7.1 below illustrates the summary of provincial payments and estimates by vote. The trend analysis reveals that most departments' budgets are set to increase sizeably from the 2008/09 Main Budget to 2009/10 and over the ensuing two financial years, despite the reductions in the province's equitable share. Greater detail of the payments and estimates is given under each Vote's chapter in Budget Statement 2.

Table 7.1: Summary of provincial payments and estimates by vote

R000	Outcome			Main Budget	Adjusted Budget	Estimated Actual	Medium-term Estimates		
	Audited	Audited	Audited						
	2005/06	2006/07	2007/08	2008/09			2009/10	2010/11	2011/12
1. Office of the Premier	244 395	310 089	401 412	397 802	466 999	466 999	474 518	467 628	495 677
2. Provincial Legislature	126 083	160 791	209 999	208 708	249 968	249 968	294 562	305 192	325 832
3. Agriculture and Environmental Affairs	1 204 095	1 291 802	1 252 713	1 665 752	1 879 535	1 859 158	2 009 959	2 230 209	2 401 892
4. Economic Development	143 310	414 628	1 419 969	2 646 518	1 945 681	1 929 916	2 401 745	1 531 496	1 372 727
5. Education	15 030 000	16 218 726	18 406 747	21 389 127	22 336 744	22 717 251	24 810 039	27 877 779	30 371 724
6. Provincial Treasury	630 979	506 002	379 645	522 072	570 139	564 500	642 777	604 161	753 651
Operational budget	*308 079*	*246 002*	*306 722*	*333 795*	*361 647*	*356 008*	*357 050*	*365 648*	*388 245*
Growth Fund	*47 900*	*20 000*	-	-	-	-	-	-	-
SMME Fund	*100 000*	*215 000*	-	-	-	-	-	-	-
Poverty Alleviation Fund	*175 000*	-	-	-	-	-	-	-	-
Other developmental initiatives	-	*25 000*	*72 923*	*188 277*	*208 492*	*208 492*	*285 727*	*238 513*	*365 406*
7. Health	10 555 752	11 663 951	14 959 441	15 042 826	15 782 985	17 192 971	17 769 956	20 668 416	22 211 802
8. Housing	974 159	1 252 921	1 522 181	1 799 693	1 846 160	1 846 160	2 577 313	2 978 110	3 429 341
9. Community Safety and Liaison	48 495	59 360	78 797	104 022	109 287	109 301	134 894	147 756	156 617
10. The Royal Household	29 956	38 147	39 114	39 356	39 356	51 458	42 400	45 202	47 914
11. Local Government and Traditional Affairs	470 972	654 132	744 650	1 027 816	1 037 816	1 037 816	1 131 536	1 268 322	1 344 421
12. Transport	2 279 024	2 539 187	3 121 798	3 755 282	4 418 055	4 506 659	5 267 985	4 851 461	5 257 569
13. Social Development	746 226	941 579	1 015 188	1 198 113	1 207 052	1 275 578	1 376 681	1 664 207	1 871 577
14. Works	489 758	450 267	479 297	733 087	733 087	752 703	884 094	866 319	918 299
15. Arts, Culture and Tourism	238 658	266 249	291 404	355 260	358 445	358 445	375 226	451 235	417 936
16. Sport and Recreation	95 217	113 566	160 598	215 492	219 213	219 213	269 268	287 497	304 739
Total	**33 307 079**	**36 881 397**	**44 482 953**	**51 100 926**	**53 200 522**	**55 138 096**	**60 462 953**	**66 244 990**	**71 681 718**

The Growth Fund and SMME Fund under Vote 6: Provincial Treasury in 2005/06 and 2006/07 were relocated to Vote 4: Economic Development with effect from 1 April 2007. The Provincial Treasury was the custodian of the provincial funding set aside for the increase in the uptake of membership to the Government Employees Medical Scheme (GEMS) within departments. This was distributed to the various departments in 2008/09. The allocation against *Other developmental initiatives* over the MTEF includes funding of R150 million in 2008/09 and 2009/10, being the province's contribution towards the construction of the Moses Mabhida Soccer stadium. It also makes provision for the implementation of the Occupation Specific Dispensation (OSD) for doctors and specialists, which National Treasury has requested Provincial Treasuries to allocate to their votes, until such time as the details of the roll-out of the OSD have been determined.

The reduction in the 2008/09 Adjusted Budget, when compared to the Main Budget against Vote 4: Economic Development, relates to a reprioritisation undertaken by the department, whereby R700.837 million was surrendered to the Provincial Revenue Fund. This reduction impacted mainly on the Growth, Co-operatives and SMME Funds. There is a further reduction from 2009/10 to 2011/12 against this vote, relating to further reductions against these funds, as well as the Dube TradePort. These reductions were mainly necessitated by the province's reduction in the equitable share, as discussed previously in Budget Statement 1.

The social sector services, comprising of Education, Health and Social Development, also reflect positive growth over the MTEF, to deal with both national sector priorities such as the occupation specific dispensation, early childhood development, tuberculosis – MDR/XDR, community home based care, etc., and provincial priorities such as boarding schools, learner transport, primary and tertiary health care and health infrastructure improvement. However, it should be noted that mainly national priorities received new funds over the 2009/10 MTEF, due to the tight *fiscus*.

Table 7.2 below shows the analysis of payments and estimates by major vote.

Table 7.2: Analysis of payments and estimates by major vote

	Outcome			Adjusted	Medium-term Estimates			Average annual growth	
	Audited	Audited	Audited	Budget				2005/06 -	2008/09 -
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2008/09	2011/12
R000									
Education	15 030 000	16 218 726	18 406 747	22 336 744	24 810 039	27 877 779	30 371 724		
Health	10 555 752	11 663 951	14 959 441	15 782 985	17 769 956	20 668 416	22 211 802		
Social Development	746 226	941 579	1 015 188	1 207 052	1 376 681	1 664 207	1 871 577		
Other Functions	6 975 101	8 057 141	10 101 577	13 873 741	16 506 277	16 034 588	17 226 615		
Total expenditure	**33 307 079**	**36 881 397**	**44 482 953**	**53 200 522**	**60 462 953**	**66 244 990**	**71 681 718**		
% of total expenditure									
Education	45.1	44.0	41.4	42.0	41.0	42.1	42.4		
Health	31.7	31.6	33.6	29.7	29.4	31.2	31.0		
Social Development	2.2	2.6	2.3	2.3	2.3	2.5	2.6		
Other Functions	20.9	21.8	22.7	26.1	27.3	24.2	24.0		
Nominal growth (%)									
Education		7.9	13.5	21.4	11.1	12.4	8.9	14.1	10.8
Health		10.5	28.3	5.5	12.6	16.3	7.5	14.3	12.1
Social Development		26.2	7.8	18.9	14.1	20.9	12.5	17.4	15.7
Other Functions		15.5	25.4	37.3	19.0	(2.9)	7.4	25.8	7.5
Total expenditure		**10.7**	**20.6**	**19.6**	**13.7**	**9.6**	**8.2**	**16.9**	**10.4**
Real growth (%)									
Education		2.6	5.0	8.8	5.5	6.8	4.1	5.4	5.5
Health		5.0	18.6	(5.4)	7.0	10.6	2.7	5.6	6.7
Social Development		19.9	(0.3)	6.6	8.4	14.9	7.4	8.4	10.2
Other Functions		9.8	16.0	23.1	13.0	(7.7)	2.6	16.1	2.3
Total expenditure		**5.2**	**11.5**	**7.2**	**8.0**	**4.2**	**3.4**	**8.0**	**5.2**

As mentioned, the social services sector spending is set to increase substantially in both nominal and real terms over the 2009/10 MTEF. Also, the share of the social services budget decreases from 79.0 per cent in 2005/06 to 74 per cent in 2008/09. However, over the 2009/10 MTEF, this share grows from 72.7 per cent in 2009/10 to 76 per cent in 2011/12. This means that the spending on *Other Functions* is decreasing and that the focus is being shifted to the social sector again. It should be noted that *Other Functions* includes the cost of the construction of the Dube TradePort, which has shifted funding away from investment in the social sector. The level of funding required by Dube TradePort is lower over the 2009/10 MTEF than it was in the prior MTEF, therefore resulting in the change in trend.

The Department of Education remains the highest spending provincial department, although at a declining rate, from 42 per cent in 2008/09 to 41 per cent in 2009/10. It is encouraging to see that this rate increases again to 42.4 per cent in 2011/12. The budget for Education is set to increase by an average annual nominal (real) growth rate of 10.8 (5.5) per cent between 2008/09 and 2011/12. This positive growth over the 2009/10 MTEF is largely in respect of the higher than anticipated 2008 wage agreement, expansion of teachers to improve the teacher/learner ratio, extension of the No Fee policy to Quintile 3 schools, support provided to inclusive education, as well as an additional amount provided for Learner Teacher Support Materials (LTSM).

The budget for Health shows the same trend as Education, with good average annual nominal (real) growth of 12.1 (6.7) per cent. The growth in the Health budget over the 2009/10 MTEF will enable the department to strengthen its service delivery, as well as the fight against XDR/MDR TB. Also, the increased allocation will enable the department to meet national priorities such as the Occupation Specific Dispensation for nurses, the reduction of infant and child mortality, general health capacity and an allocation to alleviate the inflationary pressures on medical goods and services. The department’s percentage share of the total provincial budget declines between 2005/06 and 2008/09 from 31.7 per cent to 29.7 per cent, but then shows a significant increase to 31 per cent in the final year. It should also be noted that the OSD for doctors and specialists to be implemented over the 2009/10 MTEF is excluded from this analysis, as these amounts have been included in Vote 6: Provincial Treasury following an instruction in this regard from the National Treasury.

Given the social security function shift to the South African Social Security Agency (SASSA) from April 2006, Social Development’s budget shows a substantial reduction and, in keeping with international standards, the prior years have been adjusted accordingly. Social Development enjoys the largest growth among the social sector departments, with an annual average real growth of 10.2 per cent between 2008/09 and 2011/12. The strong growth over the 2009/10 MTEF caters for, among others, the implementation of OSD, employment of social auxiliary services and expansion of community home based care, early childhood development and services for children in conflict with the law. In the 2009/10 MTEF, funding was only provided for the carry-through of the higher than anticipated 2008 wage agreement, as well an amount of R107.556 million in 2011/12 for early childhood development.

The growth in *Other Functions* in 2008/09 and 2009/10 relates mainly to the Departments of Economic Development and Transport with regard to the Dube TradePort (DTP), and the supporting road network, as well as other roads of national importance. In 2010/11 and 2011/12, there is a decline in the allocation for Dube TradePort. The allocation to the Growth, SMME and Co-operatives Funds reduces over the 2009/10 MTEF, as discussed previously in this document. These decreases, and the aforementioned reduction in the allocation to DTP, result in a decrease in the percentage share for *Other Functions* from 27.3 per cent in 2009/10 to 24.0 per cent in 2011/12, and a similar increase in the social services sector.

7.3 Expense by economic classification

7.3.1 Provincial summary of payments and estimates by economic classification

Table 7.3 below, which presents a summary of payments and estimates by economic classification, is broken-down into three main categories, namely *Current payments, Transfers and subsidies,* and *Payments for capital assets*, for the period 2005/06 to 2011/12. *Current payments* consume the bulk of the total provincial spending and is set to rise from R42.589 billion in 2008/09 (Estimated Actual) to R55.763 billion in 2011/12. The largest proportion of expenditure in this category relates to *Compensation of employees*, which is set to increase from the Estimated Actual of R30.828 billion in 2008/09, to R39.195 billion in 2011/12.

Table 7.3: Summary of payments and estimates by economic classification

R000	Outcome			Main Budget	Adjusted Budget	Estimated Actual	Medium-term Estimates		
	Audited	Audited	Audited						
	2005/06	2006/07	2007/08		2008/09		2009/10	2010/11	2011/12
Current payments	**27 114 255**	**29 778 849**	**35 565 540**	**39 179 111**	**41 180 676**	**42 589 066**	**46 273 856**	**51 808 832**	**55 762 652**
Compensation of employees	19 659 578	21 758 145	25 794 246	28 484 734	29 468 134	30 828 078	33 226 839	36 681 427	39 194 578
Goods and services	7 438 509	7 991 427	9 693 259	10 694 377	11 712 455	11 760 357	13 047 017	15 127 405	16 549 555
Other	16 168	29 277	78 035	-	87	631	-	-	18 519
Transfers and subsidies to:	**3 211 970**	**4 055 105**	**5 420 173**	**7 210 990**	**6 904 683**	**6 818 691**	**8 516 659**	**7 675 642**	**8 394 395**
Provinces and municipalities	339 982	478 394	783 710	944 853	1 133 956	1 061 932	1 076 544	784 374	841 551
Departmental agencies and accounts	442 182	505 556	491 866	564 434	622 943	622 411	652 396	655 655	698 635
Universities and technikons	-	100	1 274	4 156	4 856	560	4 500	3 300	-
Public corporations and private enterprises	429 290	557 960	845 660	857 143	74 679	76 505	1 114 249	531 194	546 727
Foreign governments and international organisations	704	264	162	986	1 081	1 081	1 060	1 124	1 191
Non-profit institutions	1 215 513	1 504 290	2 245 311	3 532 145	3 717 230	3 764 535	3 656 842	3 210 190	3 373 759
Households	784 299	1 008 541	1 052 190	1 307 273	1 349 938	1 291 667	2 011 068	2 489 805	2 932 532
Payments for capital assets	**2 945 489**	**3 010 744**	**3 457 985**	**4 670 254**	**5 068 381**	**5 683 557**	**5 615 139**	**6 708 025**	**7 469 387**
Buildings and other fixed structures	2 225 041	2 369 206	2 774 040	3 682 632	4 012 364	4 787 839	4 521 579	5 471 076	6 116 516
Machinery and equipment	700 813	618 514	646 537	981 816	1 028 543	868 373	1 083 860	1 227 806	1 342 795
Cultivated assets	-	23	99	42	112	96	340	380	404
Software and other intangible assets	18 707	17 503	35 595	5 764	26 364	26 086	9 360	8 763	9 672
Land and subsoil assets	928	5 498	1 714	-	900	900	-	-	-
Heritage assets	-	-	-	-	98	263	-	-	-
Specilaised military assets	-	-	-	-	-	-	-	-	-
Total economic classification	**33 271 714**	**36 844 698**	**44 443 698**	**51 060 355**	**53 153 740**	**55 091 314**	**60 405 654**	**66 192 499**	**71 626 434**
Statutory payments	35 365	36 699	39 255	40 571	46 782	46 782	57 299	52 491	55 284
Total economic classification (incl. stat. pay.)	**33 307 079**	**36 881 397**	**44 482 953**	**51 100 926**	**53 200 522**	**55 138 096**	**60 462 953**	**66 244 990**	**71 681 718**

Transfers and subsidies show a steady increase between 2005/06 and 2011/12. The decline to the 2008/09 Adjusted Budget is due to the reduction by the Department of Economic Development of the Growth, SMME and Co-operatives Funds and the surrender of these amounts to the Provincial Revenue Fund. These allocations are also reduced over the 2009/10 MTEF, as well as the transfer to the DTP. This reduction is, however, counter-acted to an extent by the increase in the transfers relating to the Integrated Housing and Human Settlement Development grant, as well as transfers relating to the FET colleges running their own financial affairs from 2009/10.

The spike in 2008/09 and 2009/10, and subsequent decline in 2010/11, is associated with the provincial government's contribution to the construction of the Moses Mabhida soccer stadium in Durban, as well as upgrading of other stadia in various municipalities, in preparation for the 2010 Soccer World Cup.

The trend in *Payments for capital assets* also shows good growth over the seven-year period, increasing from R2.945 billion in 2005/06 to R7.469 billion in 2011/12. A significant share of expenditure under this item is spent on physical infrastructure, through *Buildings and other fixed structures*. Greater spending on capital emphasises the government's determination to boost its capital stock and, subsequently, job creation and economic growth.

Table 7.4 provides an analysis of payments by economic classification, looking at nominal and real growth, average annual growth and percentage share of various categories when compared to total expenditure.

As a percentage of total expenditure, *Current* expenditure is the largest but it is declining over time, from 81.5 per cent in 2005/06 to 76.6 per cent in 2009/10, before increasing to 77.9 per cent in 2011/12. Within this category, *Compensation of employees'* share of total expenditure also shows a decrease from 59.1 per cent in 2005/06 to 54.8 per cent in 2011/12. Although the percentage share is declining, there is still real average annual growth of 4.7 per cent between 2008/09 and 2011/12, meaning that non-compensation increases at a faster rate than compensation, with an annual average real growth of 5.7 per cent for the same period. The declining share for *Compensation of employees* clearly shows that more resources are being targeted towards service delivery spending.

Table 7.4: Analysis of payments and estimates by economic classification

	Outcome			Adjusted	Medium-term Estimates			Average annual growth	
	Audited	Audited	Audited	Budget				2005/06 -	2008/09 -
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2008/09	2011/12
R000									
Current	27 149 620	29 815 548	35 604 795	41 227 458	46 331 155	51 861 323	55 817 936		
Transfers	3 211 970	4 055 105	5 420 173	6 904 683	8 516 659	7 675 642	8 394 395		
Capital	2 945 489	3 010 744	3 457 985	5 068 381	5 615 139	6 708 025	7 469 387		
Compensation	19 694 943	21 794 844	25 833 501	29 514 916	33 284 138	36 733 918	39 249 862		
Non-compensation	13 612 136	15 086 553	18 649 452	23 685 606	27 178 815	29 511 072	32 431 856		
Non-compensation (excl. transfers)	10 400 166	11 031 448	13 229 279	16 780 923	18 662 156	21 835 430	24 037 461		
Non-compensation non-capital (NCNC)	10 666 647	12 075 809	15 191 467	18 617 225	21 563 676	22 803 047	24 962 469		
NCNC (excl. transfers)	7 454 677	8 020 704	9 771 294	11 712 542	13 047 017	15 127 405	16 568 074		
Total expenditure	**33 307 079**	**36 881 397**	**44 482 953**	**53 200 522**	**60 462 953**	**66 244 990**	**71 681 718**		
% of total expenditure									
Current	81.5	80.8	80.0	77.5	76.6	78.3	77.9		
Transfers	9.6	11.0	12.2	13.0	14.1	11.6	11.7		
Capital	8.8	8.2	7.8	9.5	9.3	10.1	10.4		
Compensation	59.1	59.1	58.1	55.5	55.0	55.5	54.8		
Non-compensation	40.9	40.9	41.9	44.5	45.0	44.5	45.2		
Non-compensation (excl. transfers)	31.2	29.9	29.7	31.5	30.9	33.0	33.5		
Non-compensation non-capital (NCNC)	32.0	32.7	34.2	35.0	35.7	34.4	34.8		
NCNC (excl. transfers)	22.4	21.7	22.0	22.0	21.6	22.8	23.1		
Nominal growth (%)									
Current		9.8	19.4	15.8	12.4	11.9	7.6	14.9	10.6
Transfers		26.2	33.7	27.4	23.3	(9.9)	9.4	29.1	6.7
Capital		2.2	14.9	46.6	10.8	19.5	11.4	19.8	13.8
Compensation		10.7	18.5	14.3	12.8	10.4	6.8	14.4	10.0
Non-compensation		10.8	23.6	27.0	14.7	8.6	9.9	20.3	11.0
Non-compensation (excl. transfers)		6.1	19.9	26.8	11.2	17.0	10.1	17.3	12.7
Non-compensation non-capital (NCNC)		13.2	25.8	22.6	15.8	5.7	9.5	20.4	10.3
NCNC (excl. transfers)		7.6	21.8	19.9	11.4	15.9	9.5	16.3	12.3
Real growth (%)									
Current		4.4	10.4	3.8	6.8	6.4	2.8	6.2	5.3
Transfers		20.0	23.6	14.2	17.2	(14.3)	4.5	19.2	1.6
Capital		(2.8)	6.2	31.4	5.3	13.6	6.4	10.7	8.3
Compensation		5.2	9.6	2.4	7.2	4.9	2.1	5.7	4.7
Non-compensation		5.3	14.3	13.8	9.0	3.2	5.0	11.1	5.7
Non-compensation (excl. transfers)		0.8	10.9	13.7	5.7	11.2	5.2	8.3	7.3
Non-compensation non-capital (NCNC)		7.6	16.3	9.8	10.1	0.5	4.6	11.2	5.0
NCNC (excl. transfers)		2.3	12.7	7.4	5.8	10.2	4.6	7.4	6.9

The percentage share of *Non-compensation* increases from 40.9 per cent to 45.2 per cent over the seven-year period under review, while the category *Non-compensation (excluding transfers)* is expected to increase over the 2009/10 MTEF, from 30.9 per cent to 33.5 per cent. This confirms government's commitment to increasing output of non-personnel service delivery to match the increasing demand.

Expenditure on *Transfers* claims an increasing share of total expenditure up to 2009/10, where it peaks at 14.1 per cent compared to 9.6 per cent in 2005/06. The declining share to 11.7 per cent in 2011/12 is attributed to the reduction in the funding for the Dube TradePort, local government for the construction and upgrading of soccer stadia ending in the 2009/10 financial year and the reduction in the Growth, SMME and Co-operatives Funds. This decline has a positive influence on the *Current* share, where these funds have been allocated within departments.

While *Capital* payments accounts for the smallest share of total expenditure, the annual average real growth rate is the highest at 8.3 per cent between 2008/09 and 2011/12. Also, the share of *Capital* relative to the total provincial budget increases from 8.8 per cent in 2005/06 to 10.4 per cent in 2011/12.

The real increase in capital spending supports government's efforts to reduce backlogs in the social and economic infrastructure, while at the same time address unemployment through the labour intensive Expanded Public Works Programme (EPWP). In addition, increased spending on capital shows the government's commitment towards strengthening investment in its capital stock, and hence stimulating economic growth in the province.

7.3.2 Analysis of payments and estimates by economic classification – Education

Table 7.5 shows the Department of Education's summary of payments and estimates by economic classification.

Table 7.5: Analysis of payments and estimates summary by economic classification - Education

	Outcome			Adjusted	Medium-term Estimates			Average annual growth	
	Audited	Audited	Audited	Budget				2005/06 -	2008/09 -
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2008/09	2011/12
R000									
Current	13 536 573	14 543 373	16 253 573	19 517 578	21 835 693	23 867 482	25 769 693		
Transfers	752 855	927 895	1 208 131	1 547 226	1 423 064	1 732 333	1 916 839		
Capital	740 572	747 458	945 043	1 271 940	1 551 282	2 277 964	2 685 192		
Compensation	11 879 394	12 951 146	14 654 402	17 264 108	19 161 085	20 708 853	22 003 816		
Non-compensation	3 150 606	3 267 580	3 752 345	5 072 636	5 648 954	7 168 926	8 367 908		
Non-compensation (excl. transfers)	2 387 161	2 311 765	2 467 656	3 525 410	4 225 890	5 436 593	6 451 069		
Non-compensation non-capital (NCNC)	2 399 444	2 492 202	2 730 744	3 800 696	4 097 672	4 890 962	5 682 716		
NCNC (excl. transfers)	1 657 179	1 592 227	1 599 171	2 253 470	2 674 608	3 158 629	3 765 877		
Total expenditure	**15 030 000**	**16 218 726**	**18 406 747**	**22 336 744**	**24 810 039**	**27 877 779**	**30 371 724**		
% of total expenditure									
Current	90.1	89.7	88.3	87.4	88.0	85.6	84.8		
Transfers	5.0	5.7	6.6	6.9	5.7	6.2	6.3		
Capital	4.9	4.6	5.1	5.7	6.3	8.2	8.8		
Compensation	79.0	79.9	79.6	77.3	77.2	74.3	72.4		
Non-compensation	21.0	20.1	20.4	22.7	22.8	25.7	27.6		
Non-compensation (excl. transfers)	15.9	14.3	13.4	15.8	17.0	19.5	21.2		
Non-compensation non-capital (NCNC)	16.0	15.4	14.8	17.0	16.5	17.5	18.7		
NCNC (excl. transfers)	11.0	9.8	8.7	10.1	10.8	11.3	12.4		
Nominal growth (%)									
Current		7.4	11.8	20.1	11.9	9.3	8.0	13.0	9.7
Transfers		23.3	30.2	28.1	(8.0)	21.7	10.7	27.1	7.4
Capital		0.9	26.4	34.6	22.0	46.8	17.9	19.8	28.3
Compensation		9.0	13.2	17.8	11.0	8.1	6.3	13.3	8.4
Non-compensation		3.7	14.8	35.2	11.4	26.9	16.7	17.2	18.2
Non-compensation (excl. transfers)		(3.2)	6.7	42.9	19.9	28.6	18.7	13.9	22.3
Non-compensation non-capital (NCNC)		3.9	9.6	39.2	7.8	19.4	16.2	16.6	14.3
NCNC (excl. transfers)		(3.9)	0.4	40.9	18.7	18.1	19.2	10.8	18.7
Real growth (%)									
Current		2.1	3.4	7.6	6.3	3.9	3.1	4.3	4.4
Transfers		17.1	20.4	14.8	(12.6)	15.7	5.7	17.4	2.3
Capital		(4.1)	16.9	20.6	15.9	39.6	12.6	10.6	22.1
Compensation		3.6	4.6	5.6	5.5	2.7	1.5	4.6	3.2
Non-compensation		(1.4)	6.2	21.2	5.8	20.6	11.5	8.2	12.5
Non-compensation (excl. transfers)		(8.0)	(1.3)	28.0	13.9	22.3	13.4	5.2	16.4
Non-compensation non-capital (NCNC)		(1.3)	1.3	24.7	2.4	13.5	11.0	7.7	8.9
NCNC (excl. transfers)		(8.7)	(7.1)	26.3	12.8	12.3	13.9	2.3	13.0

Current expenditure comprises the highest proportion of the department's budget. However, as a share of total expenditure, *Current* expenditure decreases from 90.1 per cent in 2005/06 to 87.4 per cent in 2008/09, before rising slightly to 88 per cent in 2009/10 and then decreasing again to 84.8 per cent in 2011/12.

Transfers, expressed as a share of the total expenditure, increases between 2005/06 and 2008/09 as a result of the introduction of the FET College Sector Recapitalisation grant, which has been phased into the equitable share with effect from 2009/10. *Transfers* reflect a decrease in the share of total expenditure between 2008/09 and 2009/10 as a result of once-off funding allocated for the phasing in of National Certificates (Vocational) [NC(V)] in terms of the FET Act, 2006. During the 2008/09 Adjustments Estimate, funds allocated for the purchase of school stationery were transferred from *Goods and services* to *Transfers,* to allow the schools to purchase their own stationery for the 2009 school year. This was necessitated by the fact that the department had not appointed a service provider to supply the stationery. *Transfers* reflect an increase in share of total expenditure between 2010/11 and 2011/12, as a result of additional funding allocated in the 2009/10 MTEF for the extension of the No Fee schools policy.

Capital, expressed as a share of total expenditure, increases from 4.9 per cent to 8.8 per cent between 2005/06 and 2011/12. The increase over the seven-year period can mainly be ascribed to the increase in the Infrastructure Grant to Provinces. A significant increase in *Capital* is reflected from 2010/11 to 2011/12, due to a further increase in the allocation to the Infrastructure Grant to Provinces, specifically for Grade R infrastructure and Special Schools' infrastructure. The Infrastructure Grant to Provinces' funds are utilised by the department to cater for infrastructure needs, addressing backlogs in infrastructure provision and prioritising the eradication of unsafe facilities in schools. Also included in this allocation is funding for the equipping and furnishing of boarding schools, new FET sites, as well as IT infrastructure for office accommodation.

Compensation's share of total expenditure shows a decrease from 79 per cent to 72.4 per cent between 2005/06 and 2011/12. While the percentage share is decreasing, the expenditure is still increasing in real terms, with an annual average real growth rate of 4.6 per cent between 2005/06 and 2008/09 and 3.2 per cent between 2008/09 and 2011/12. This increase caters for the 2008 wage agreement, including the Occupation Specific Dispensation for educators, which was implemented in 2008/09, as well as funds for teacher assistants and additional support staff and the annual personnel inflationary adjustment. The decrease in the share of total expenditure is an indication that other spending categories are increasing at a faster rate, indicative of increased focus on service delivery.

Current reflects higher annual real growth rate of 7.6 per cent and 6.3 per cent in 2008/09 and 2009/10, respectively, when compared to other financial years. The average annual real growth rate between 2005/06 and 2008/09 is 4.3 per cent and 4.4 per cent between 2008/09 and 2011/12. This reflects a steady growth rate over the seven-year period.

The significant real growth of 20.4 per cent and 14.8 per cent against *Transfers* in 2007/08 and 2008/09, respectively, is attributable to the transfer of stationery funds to Non Section 21 schools to allow them to procure their own stationery. The department also received an additional allocation in 2008/09 for the phasing in of the National Certificate (Vocational) [NC(V)] in terms of the FET Act, 2006, while concurrently phasing out the old curriculum. The negative real growth in 2009/10 is attributable to the once-off additional allocation in 2008/09, for the implementation of the NC(V). The average annual real growth between 2005/06 and 2008/09 is high, at 17.4 per cent, due to reasons already mentioned above and there is a significant drop to 2.3 per cent between 2008/09 and 2011/12.

The significant real growth of 21.2 per cent in 2008/09 against *Non-compensation* is attributable to the once-off additional funds allocated to the FET Colleges for the phasing in of NC(V). There is also a significant real growth of 20.6 per cent in 2010/11, which is attributable to additional funds allocated in the 2009/10 MTEF for the extension of the No Fee schools policy.

The average annual real growth increases from 2.3 per cent between 2005/06 and 2008/09 to 13 per cent between 2008/09 and 2011/12 for *Non-compensation Non-capital*. The reason for such a large difference is that funds allocated for the purchase of stationery were moved to *Transfers* in 2007/08 and 2008/09, to allow the schools to procure their own stationery as the contract for the service provider was not finalised. The funds for the purchase of stationery have been allocated to *Goods and services* over the 2009/10 MTEF, as it is anticipated that the management agent will be appointed.

7.3.3 Analysis of payments and estimates by economic classification – Health

Table 7.6 below shows the Department of Health's payments and estimates by economic classification. As was the case in previous years, the largest share of total payments is in respect of *Current* payments, where the percentage fluctuates between 87.4 per cent and 90.5 per cent (2005/06 to 2007/08). The expenditure level remains at approximately 89 per cent for the period 2008/09 to 2011/12. The peak of 90.5 per cent in 2007/08 is as a result of the implementation of the Occupational Specific Dispensation (OSD) for nurses (including once-off payments to nurses), as well as a larger than anticipated wage increase in July of 2007. The largest component of *Current* is *Compensation of employees,* which reflects a steady proportion of total expenditure from 2007/08 at an average of 57.8 per cent.

Compensation also shows a positive trend over the 2008/09 to 2011/12 period, with an average annual real growth of 6.5 per cent. This will allow the department to continue the implementation of the Health Professional Remuneration Review (also known as the Occupational Specific Dispensation) begun in

2007/08. This has been under-funded, particularly in 2007/08, but additional funding was received in the 2008/09 Adjustments Estimate in this regard. It should be noted that the OSD for doctors and specialists is to be implemented in 2009/10 but, as per instructions from National Treasury, the funding for this purpose over the 2009/10 MTEF has been allocated to Vote 6: Provincial Treasury.

Transfers remain fairly constant between 2005/06 and 2008/09 at an average of approximately 3 per cent. Thereafter the share declines to 2.3 per cent for the final two years of the 2009/10 MTEF as a result of municipal clinics and other institutions being transferred to the department, resulting in these costs now being catered for under *Current* rather than as a subsidy transfer.

The share of total expenditure on *Capital* decreases from 8.9 per cent in 2005/06 to 7.2 per cent in 2007/08, before increasing to 8.2 per cent in 2008/09. The decreasing share is largely attributable to the decrease in the Hospital Revitalisation grant spending in 2005/06 and 2006/07 as well as low spending in the Forensic Pathology Services grant in 2007/08. The growth in share in 2008/09 is as a result of additional funding for the purchase of machinery and equipment, particularly in provincial hospitals. Due to the significant operational spending pressures on the department's budget, particularly in 2007/08 and 2008/09, the department has reprioritised some funds in 2009/10 towards these pressures, hence the temporary decline in share at 7.7 per cent. The share grows to 8.2 per cent in 2010/11 and 8.3 per cent in 2011/12.

Table 7.6: Analysis of payments and estimates summary by economic classification - Health

	Outcome			Adjusted	Medium-term Estimates			Average annual growth	
	Audited 2005/06	Audited 2006/07	Audited 2007/08	Budget 2008/09	2009/10	2010/11	2011/12	2005/06 - 2008/09	2008/09 - 2011/12
R000									
Current	9 228 051	10 359 501	13 542 527	14 003 334	15 899 764	18 484 450	19 845 741		
Transfers	384 568	366 242	345 978	481 420	504 014	481 204	512 451		
Capital	943 133	938 208	1 070 936	1 298 231	1 366 178	1 702 762	1 853 610		
Compensation	5 866 764	6 628 829	8 643 767	9 118 823	10 362 138	11 875 430	12 751 563		
Non-compensation	4 688 988	5 034 990	6 315 633	6 664 162	7 407 818	8 792 986	9 460 239		
Non-compensation (excl. transfers)	4 304 420	4 668 748	5 969 655	6 182 742	6 903 804	8 311 782	8 947 788		
Non-compensation non-capital (NCNC)	3 745 855	4 096 782	5 244 697	5 365 931	6 041 640	7 090 224	7 606 629		
NCNC (excl. transfers)	3 361 287	3 730 540	4 898 719	4 884 511	5 537 626	6 609 020	7 094 178		
Total expenditure	**10 555 752**	**11 663 951**	**14 959 441**	**15 782 985**	**17 769 956**	**20 668 416**	**22 211 802**		
% of total expenditure									
Current	87.4	88.8	90.5	88.7	89.5	89.4	89.3		
Transfers	3.6	3.1	2.3	3.1	2.8	2.3	2.3		
Capital	8.9	8.0	7.2	8.2	7.7	8.2	8.3		
Compensation	55.6	56.8	57.8	57.8	58.3	57.5	57.4		
Non-compensation	44.4	43.2	42.2	42.2	41.7	42.5	42.6		
Non-compensation (excl. transfers)	40.8	40.0	39.9	39.2	38.9	40.2	40.3		
Non-compensation non-capital (NCNC)	35.5	35.1	35.1	34.0	34.0	34.3	34.2		
NCNC (excl. transfers)	31.8	32.0	32.7	30.9	31.2	32.0	31.9		
Nominal growth (%)									
Current		12.3	30.7	3.4	13.5	16.3	7.4	14.9	12.3
Transfers		(4.8)	(5.5)	39.1	4.7	(4.5)	6.5	7.8	2.1
Capital		(0.5)	14.1	21.2	5.2	24.6	8.9	11.2	12.6
Compensation		13.0	30.4	5.5	13.6	14.6	7.4	15.8	11.8
Non-compensation		7.4	25.4	5.5	11.2	18.7	7.6	12.4	12.4
Non-compensation (excl. transfers)		8.5	27.9	3.6	11.7	20.4	7.7	12.8	13.1
Non-compensation non-capital (NCNC)		9.4	28.0	2.3	12.6	17.4	7.3	12.7	12.3
NCNC (excl. transfers)		11.0	31.3	(0.3)	13.4	19.3	7.3	13.3	13.2
Real growth (%)									
Current		6.7	20.9	(7.3)	7.9	10.5	2.6	6.1	6.9
Transfers		(9.5)	(12.6)	24.7	(0.5)	(9.2)	1.7	(0.5)	(2.8)
Capital		(5.5)	5.6	8.6	(0.0)	18.5	4.0	2.7	7.2
Compensation		7.4	20.6	(5.5)	8.0	8.9	2.6	7.0	6.5
Non-compensation		2.1	16.0	(5.4)	5.6	12.8	2.8	3.8	7.0
Non-compensation (excl. transfers)		3.1	18.3	(7.2)	6.1	14.5	2.8	4.2	7.7
Non-compensation non-capital (NCNC)		3.9	18.4	(8.3)	7.0	11.6	2.5	4.1	6.9
NCNC (excl. transfers)		5.5	21.4	(10.6)	7.7	13.5	2.5	4.6	7.8

In both nominal and real terms, the department is showing average annual growth from 2008/09 to 2011/12 in all categories except *Transfers*. This increasing growth rate is higher than it was for 2005/06 to 2008/09, due to significant increased allocations to the department in 2010/11 and, to a lesser extent in 2011/12.

The negative real average annual growth in *Transfers* from 2008/09 to 2011/12 is attributable to the take over of municipal institutions by the province as was mentioned above. This process also contributes to the higher growth rate in *Current*.

Due to consistent growth in allocations to both the Hospital Revitalisation grant and the Infrastructure Grant to Provinces, *Capital* payments show an average annual real growth of 7.2 per cent for the 2008/09 to 2011/12 period. This gives an indication that the department will continue to improve its capital assets through the Clinic Upgrading and Building programme and, adding to this, is the expansion of emergency medical services, which will provide better access to health facilities in the deep rural areas of the province as well as comply with FIFA 2010 requirements. Furthermore, the department will continue upgrading its district hospitals to increase the capacity of these institutions.

7.3.4 Analysis of payments and estimates by economic classification – Social Development

Table 7.7 below shows Social Development's payments and estimates by economic classification. As a share of the department's total expenditure, *Current* fluctuates from 51.2 per cent in 2005/06 to 48.7 per cent in 2006/07, with an upward trend in 2007/08 peaking at 58.7 per cent in 2008/09. The trend then declines over the 2009/10 MTEF reaching 45.5 per cent in 2011/12. Despite this sharp decline in the share of total expenditure, *Current* payments show an average annual real growth of 1.2 per cent between 2008/09 and 2011/12.

Table 7.7: Analysis of payments and estimates summary by economic classification - Social Development

	Outcome			Adjusted	Medium-term Estimates			Average annual growth	
	Audited	Audited	Audited	Budget				2005/06 -	2008/09 -
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2008/09	2011/12
R000									
Current	381 763	458 518	565 597	708 808	721 857	793 956	851 800		
Transfers	323 187	426 986	410 486	395 407	517 089	708 788	848 895		
Capital	41 276	56 075	39 105	102 837	137 735	161 463	170 882		
Compensation	235 538	285 983	346 767	451 390	516 509	579 753	621 682		
Non-compensation	510 688	655 596	668 421	755 662	860 172	1 084 454	1 249 895		
Non-compensation (excl. transfers)	187 501	228 610	257 935	360 255	343 083	375 666	401 000		
Non-compensation non-capital (NCNC)	469 412	599 521	629 316	652 825	722 437	922 991	1 079 013		
NCNC (excl. transfers)	146 225	172 535	218 830	257 418	205 348	214 203	230 118		
Total expenditure	**746 226**	**941 579**	**1 015 188**	**1 207 052**	**1 376 681**	**1 664 207**	**1 871 577**		
% of total expenditure									
Current	51.2	48.7	55.7	58.7	52.4	47.7	45.5		
Transfers	43.3	45.3	40.4	32.8	37.6	42.6	45.4		
Capital	5.5	6.0	3.9	8.5	10.0	9.7	9.1		
Compensation	31.6	30.4	34.2	37.4	37.5	34.8	33.2		
Non-compensation	68.4	69.6	65.8	62.6	62.5	65.2	66.8		
Non-compensation (excl. transfers)	25.1	24.3	25.4	29.8	24.9	22.6	21.4		
Non-compensation non-capital (NCNC)	62.9	63.7	62.0	54.1	52.5	55.5	57.7		
NCNC (excl. transfers)	19.6	18.3	21.6	21.3	14.9	12.9	12.3		
Nominal growth (%)									
Current		20.1	23.4	25.3	1.8	10.0	7.3	22.9	6.3
Transfers		32.1	(3.9)	(3.7)	30.8	37.1	19.8	7.0	29.0
Capital		35.9	(30.3)	163.0	33.9	17.2	5.8	35.6	18.4
Compensation		21.4	21.3	30.2	14.4	12.2	7.2	24.2	11.3
Non-compensation		28.4	2.0	13.1	13.8	26.1	15.3	14.0	18.3
Non-compensation (excl. transfers)		21.9	12.8	39.7	(4.8)	9.5	6.7	24.3	3.6
Non-compensation non-capital (NCNC)		27.7	5.0	3.7	10.7	27.8	16.9	11.6	18.2
NCNC (excl. transfers)		18.0	26.8	17.6	(20.2)	4.3	7.4	20.7	(3.7)
Real growth (%)									
Current		14.2	14.1	12.3	(3.2)	4.6	2.5	13.5	1.2
Transfers		25.6	(11.1)	(13.7)	24.3	30.3	14.4	(1.2)	22.8
Capital		29.1	(35.5)	135.7	27.3	11.4	1.1	25.2	12.8
Compensation		15.4	12.1	16.7	8.7	6.7	2.4	14.7	5.9
Non-compensation		22.0	(5.7)	1.3	8.2	19.9	10.1	5.2	12.6
Non-compensation (excl. transfers)		15.9	4.3	25.2	(9.5)	4.1	2.0	14.8	(1.3)
Non-compensation non-capital (NCNC)		21.4	(2.9)	(7.0)	5.2	21.5	11.7	3.1	12.6
NCNC (excl. transfers)		12.1	17.3	5.4	(24.2)	(0.8)	2.6	11.5	(8.3)

The fluctuating trend in the percentage share of *Current* is caused by a similar trend in *Transfers*, mainly attributable to the low spending in the former Integrated Social Development Services grant (Food Relief) due to various problems, including a number of tender appeals. Spending pressures in *Current* in 2008/09 required some reprioritisation from other categories in the 2008/09 Adjustments Estimate and this caused the share of *Transfers* to drop to a low of 32.8 per cent. Furthermore, a misallocation of *Capital* to *Transfers* in 2008/09, for the costs of building one-stop centres, added to this drop. The strong growth in national priority funding in 2010/11 and 2011/12 (early childhood development, home community based care and children in conflict with the law) sees the share of *Transfers* reaching 45.4 per cent in 2011/12. *Transfers* experience a real average growth from 2008/09 to 2011/12 of 22.8 per cent compared to a negative growth from 2005/06 to 2008/09 of 1.2 per cent

For its part, *Capital* spending as a percentage of total expenditure declined from 2005/06 to 2007/08, due to the late processing of claims in 2007/08, which resulted in expenditure being deferred to the subsequent year.

In 2008/09, *Compensation* is anticipated to account for 37.4 per cent of total expenditure, which is significantly higher than in previous years. The main reason for this is the Occupational Specific Dispensation (OSD) for social workers, as well as a higher than anticipated general salary increase in that year. Thereafter *Compensation's* share declines to 33.2 per cent in 2011/12. The average annual real growth from 2008/09 to 2011/12 is at a reasonable 5.9 per cent. Apart from the OSD and annual salary increments, this increase will cater for the filling of key vacant posts within the department.

Transfers account for the second largest share of total expenditure in 2008/09 and over the 2009/10 MTEF, after *Current*. This indicates the strong growth in the role of the private sector in providing social welfare services to the province. Real expenditure on *Transfers* is set to increase by 22.8 per cent between 2008/09 and 2011/12. This is due to the effect of the various national priorities funded in the 2008/09 MTEF, with carry-through costs. As was mentioned earlier, the funding for a number of these priorities grows strongly in the two outer years of the MTEF.

The negative real average annual growth in *Non-compensation (excluding transfers)* over the MTEF is as a result of a number of once-off payments in *Goods and services* in 2008/09 (the base year) including a number of natural disasters. In addition, the department incurred higher than expected expenditure as a result of the unanticipated hiring of office accommodation, hired office equipment and the running cost of the departmental vehicle fleet. The department had projected that these costs will be contained in the MTEF.

7.3.5 Analysis of payments and estimates by economic classification – Other departments

Table 7.8 below shows the remaining departments' payments and estimates by economic classification (i.e. all departments excluding Education, Health and Social Development).

The share of *Current* payments to total budget is set to decrease from 57.4 per cent in 2005/06, to 54.3 per cent in 2011/12. This is also reflected through a decline in the percentage share of total expenditure on *Compensation* and *Non-compensation (excl. transfers)*. Although the proportion of *Compensation* is declining, this category reflects a healthy average annual real growth rate of 7.6 per cent for the period 2008/09 to 2011/12, illustrating the strengthening of capacity by government in its efforts to improve service delivery. *Non-compensation* is expected to decrease its share of total expenditure, from 80.7 per cent in 2008/09 to 77.5 per cent in 2011/12. The reasons for this reduction are provided in each Vote in Budget Statement 2. The primary reason is the reduction in *Transfers* over this period, which is explained in greater detail below.

Table 7.8: Analysis of expenditure summary by classification - Other

	Outcome			Adjusted	Medium-term Estimates			Average annual growth	
	Audited	Audited	Audited	Budget				2005/06 -	2008/09 -
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2008/09	2011/12
R000									
Current	4 003 233	4 454 156	5 243 098	6 997 738	7 873 841	8 715 435	9 350 702		
Transfers	1 751 360	2 333 982	3 455 578	4 480 630	6 072 492	4 753 317	5 116 210		
Capital	1 220 508	1 269 003	1 402 901	2 395 373	2 559 944	2 565 836	2 759 703		
Compensation	1 713 247	1 928 886	2 188 565	2 680 595	3 244 406	3 569 882	3 872 801		
Non-compensation	5 261 854	6 128 255	7 913 012	11 193 146	13 261 871	12 464 706	13 353 814		
Non-compensation (excl. transfers)	3 510 494	3 794 273	4 457 434	6 712 516	7 189 379	7 711 389	8 237 604		
Non-compensation non-capital (NCNC)	4 041 346	4 859 252	6 510 111	8 797 773	10 701 927	9 898 870	10 594 111		
NCNC (excl. transfers)	2 289 986	2 525 270	3 054 533	4 317 143	4 629 435	5 145 553	5 477 901		
Total expenditure	**6 975 101**	**8 057 141**	**10 101 577**	**13 873 741**	**16 506 277**	**16 034 588**	**17 226 615**		
% of total expenditure									
Current	57.4	55.3	51.9	50.4	47.7	54.4	54.3		
Transfers	25.1	29.0	34.2	32.3	36.8	29.6	29.7		
Capital	17.5	15.8	13.9	17.3	15.5	16.0	16.0		
Compensation	24.6	23.9	21.7	19.3	19.7	22.3	22.5		
Non-compensation	75.4	76.1	78.3	80.7	80.3	77.7	77.5		
Non-compensation (excl. transfers)	50.3	47.1	44.1	48.4	43.6	48.1	47.8		
Non-compensation non-capital (NCNC)	57.9	60.3	64.4	63.4	64.8	61.7	61.5		
NCNC (excl. transfers)	32.8	31.3	30.2	31.1	28.0	32.1	31.8		
Nominal growth (%)									
Current		11.3	17.7	33.5	12.5	10.7	7.3	20.5	10.1
Transfers		33.3	48.1	29.7	35.5	(21.7)	7.6	36.8	4.5
Capital		4.0	10.6	70.7	6.9	0.2	7.6	25.2	4.8
Compensation		12.6	13.5	22.5	21.0	10.0	8.5	16.1	13.0
Non-compensation		16.5	29.1	41.5	18.5	(6.0)	7.1	28.6	6.1
Non-compensation (excl. transfers)		8.1	17.5	50.6	7.1	7.3	6.8	24.1	7.1
Non-compensation non-capital (NCNC)		20.2	34.0	35.1	21.6	(7.5)	7.0	29.6	6.4
NCNC (excl. transfers)		10.3	21.0	41.3	7.2	11.1	6.5	23.5	8.3
Real growth (%)									
Current		5.8	8.9	19.6	6.9	5.2	2.5	11.3	4.9
Transfers		26.7	36.9	16.2	28.8	(25.6)	2.8	26.3	(0.5)
Capital		(1.2)	2.2	53.0	1.5	(4.7)	2.7	15.6	(0.2)
Compensation		7.0	4.9	9.8	15.0	4.6	3.6	7.2	7.6
Non-compensation		10.7	19.4	26.8	12.6	(10.7)	2.3	18.8	1.0
Non-compensation (excl. transfers)		2.7	8.6	35.0	1.8	2.0	2.0	14.6	1.9
Non-compensation non-capital (NCNC)		14.3	23.9	21.1	15.6	(12.1)	2.2	19.7	1.3
NCNC (excl. transfers)		4.8	11.9	26.7	1.9	5.7	1.7	14.1	3.1

The category *Transfers* shows declining real growth of 0.5 per cent from 2008/09 to 2011/12 due to the following:

- Local Government and Traditional Affairs' infrastructure provision for soccer stadia discontinues in 2009/10, as these stadia have to be completed in time for the 2010 World Cup;
- Transfers to the Growth, SMME and Co-operatives Funds, housed under Vote 4: Economic Development, were all reduced over the 2009/10 MTEF, due to the province having to fund a reduction in the equitable share over the MTEF. This was brought about by changes in the data that informs the equitable share formula, as well as the world-wide economic downturn; and
- In the two outer years of the MTEF, funding for the Dube TradePort was reduced, partially for the reasons stated in the point above, and partially because of the completion of the airport portion of the Dube TradePort project. This project continues after 2010, albeit at reduced funding levels, to allow for further development of the multi-modal logistics hub at the airport site.

Capital payments also show a negative annual average real growth of 0.2 per cent between 2008/09 and 2011/12, with the share of total expenditure decreasing from 17.3 per cent in 2008/09 to 16 per cent in 2011/12. The bulk of the decrease is due to the once-off allocation of R616.773 million for the Transport Disaster Management conditional grant provided in the 2008/09 Adjustments Estimate, for storm damage to roads on the South Coast in June 2008.

7.4 Expense by District Municipal Area

Table 7.9 below provides an analysis of provincial spending (excluding operational costs) per District Municipal Area (DMA) from 2007/08 to 2011/12. The detail of departmental spending within each DMA is provided in Budget Statement 2.

Again, in the 2008/09 budget process, emphasis was placed on accuracy in analysing budgets in terms of spending in district municipalities, ensuring alignment with the Provincial Spatial Economic Development Strategy (PSEDS) and Integrated Development Plans (IDPs), and reviewing departmental budgets and service delivery in spatial terms. This has enabled departments to align their budgets with the PSEDS by providing spending by DMA. It should be noted that this process commenced in 2007/08, and while a lot of progress has been made in the allocation of service delivery spending at a district municipal area, some work still needs to be done in improving the quality of the data.

Table 7.9: Summary of payments and estimates by district municipal area

District Municipal Area	Audited Actual	Estimated Actual	Medium-term Estimates			Percentage share					Average annual growth
R000	2007/08	2008/09	2009/10	2010/11	2011/12	2007/08	2008/09	2009/10	2010/11	2011/12	2008/09 - 2011/12
eThekwini	12 635 321	14 406 644	15 992 420	17 105 880	18 473 009	30.8	28.9	29.5	28.4	28.5	8.6
Ugu	2 268 018	3 010 333	3 059 996	3 538 304	3 796 059	5.5	6.0	5.6	5.9	5.9	8.0
uMgungundlovu	9 238 047	10 729 363	12 310 898	13 474 975	14 532 524	22.6	21.5	22.7	22.4	22.5	10.6
Uthukela	1 896 377	2 512 301	2 493 273	2 882 295	3 102 191	4.6	5.0	4.6	4.8	4.8	7.3
Umzinyathi	1 568 073	2 009 770	2 253 741	2 581 579	2 757 042	3.8	4.0	4.2	4.3	4.3	11.1
Amajuba	1 508 733	2 042 665	1 913 831	2 209 161	2 376 976	3.7	4.1	3.5	3.7	3.7	5.2
Zululand	3 017 713	3 746 121	4 059 698	4 537 384	4 892 786	7.4	7.5	7.5	7.5	7.6	9.3
Umkhanyakude	2 125 682	2 979 679	2 662 215	2 998 712	3 233 429	5.2	6.0	4.9	5.0	5.0	2.8
uThungulu	3 182 087	4 213 841	4 431 915	5 091 153	5 463 316	7.8	8.4	8.2	8.5	8.4	9.0
Ilembe	1 946 344	2 396 293	2 540 696	2 911 179	3 115 028	4.8	4.8	4.7	4.8	4.8	9.1
Sisonke	1 578 449	1 886 347	2 453 317	2 810 006	2 978 535	3.9	3.8	4.5	4.7	4.6	16.4
Total	**40 964 844**	**49 933 357**	**54 172 000**	**60 140 627**	**64 720 895**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**9.0**

The total provincial operations budget increased from R40.965 billion in 2007/08 to R64.721 billion in 2011/12. Spending in DMA fluctuates, due to varying projects undertaken by departments at different intervals. There is an increasing trend in the budget and spending over the five-year period under review, which is consistent with the growth in these areas.

The bulk of the provincial spending occurs within the eThekwini area, with spending increasing from R12.635 billion in 2007/08 to R18.473 billion in 2011/12. This is due to the allocation of province-wide projects such as the Provincial State Guest House and the Provincial Public Service Training Academy (Office of the Premier), Taking Legislature To the People programme (Provincial Legislature), Dube TradePort project (Economic Development and Transport), the construction of the Moses Mabhida Soccer Stadium and other infrastructural developments towards the 2010 World Cup, the construction of King Shaka International Airport (KSIA), as well as spending relating to other organisations such as major art centres and public entities funded by departments concentrated mainly in the eThekwini area. However, as a proportion of total expenditure, spending within this area decreased by 2.3 per cent from 2007/08 to 2011/12, which can be attributed to the shifting of focus to other district areas in the province.

The second largest spending occurs in uMgungundlovu, where spending increased from R9.238 billion in 2007/08 to R14.533 billion in 2011/12. This can be attributed to the fact that the Head Offices of all departments are based in this area, and a number of their budgets are recorded as spent within this region.

On the other hand, the fastest growing spending occurs in Sisonke, with an average annual growth rate of 16.4 per cent between 2008/09 and 2011/12. This can be attributed to the additional allocations for the incorporation of Umzimkulu, to be used for improving service delivery within the area to the same level as other areas of the province. The smallest growth in spending is in Umkhanyakude, with an average annual growth of 2.8 per cent between 2008/09 and 2011/12.

The overall spending within DMA is set to increase at an average annual nominal growth of 9 per cent, which is a decrease from previous years.

7.5 Expense by policy area

Table 7.10 shows the summary of payments and estimates by policy area, details of which are shown in Table 1.E of the *Annexure - Budget Statement 1*.

Expenditure on the policy areas in the province has significantly increased over the seven-year period. The provincial spending has more than doubled from 2005/06 to 2011/12.

Table 7.10: Summary of payments and estimates by policy area

	Outcome			Main Budget	Adjusted Budget	Estimated Actual	Medium-term Estimates		
R000	Audited 2005/06	Audited 2006/07	Audited 2007/08		2008/09		2009/10	2010/11	2011/12
General Public Services	1 831 387	2 041 790	2 384 674	2 963 640	3 117 419	3 154 480	3 523 807	3 680 608	3 904 546
Public Order & Safety Affairs	418 928	448 507	515 548	540 671	559 936	562 967	615 410	663 681	704 538
Education Affairs & Services	15 310 355	16 511 110	18 755 530	21 800 947	22 747 085	23 161 562	25 249 441	28 349 444	30 872 362
Health Affairs & Services	10 279 527	11 390 105	14 621 719	14 664 684	15 403 489	16 778 986	17 361 247	20 228 110	21 743 842
Community & Social Services	742 313	936 023	1 006 950	1 186 913	1 195 852	1 264 378	1 364 846	1 651 698	1 858 317
Housing & Community (Amenity) Affairs & Services	1 326 603	1 640 016	1 973 255	2 311 305	2 361 510	2 360 136	3 178 520	3 615 449	4 104 911
Recreational, Cultural & Religious Affairs & Services	247 467	274 747	348 756	450 077	458 573	458 573	514 557	607 174	583 131
Agricultural Affairs & Services	814 333	848 394	758 029	1 081 799	1 291 409	1 274 408	1 330 603	1 510 486	1 639 438
Transportation & Communication Affairs & Services	1 796 076	2 022 795	2 534 615	3 158 847	3 805 620	3 878 742	4 521 798	4 052 356	4 409 408
Other Economic Affairs & Services	540 090	767 910	1 583 877	2 942 043	2 259 629	2 243 864	2 802 724	1 885 984	1 861 225
Total	**33 307 079**	**36 881 397**	**44 482 953**	**51 100 926**	**53 200 522**	**55 138 096**	**60 462 953**	**66 244 990**	**71 681 718**

The largest share of the provincial budget is spent on *Education Affairs and Services*, which is anticipated to grow from R25.249 billion in 2009/10 to R30.872 billion in 2011/12. This follows previous trends, where the bulk of the provincial budget is spent on this policy area, an indication of the province's strategy to develop human capability. The second largest spending share is on *Health Affairs and Services*, which is expected to increase from R17.361 billion in 2009/10 to R21.744 billion in 2011/12. This is evidence of the province's commitment towards the provision of effective and efficient health care services to the people of the province.

Spending on *Community and Social Services*, the third social sector area, has significantly improved from R742.313 million in 2005/06 to R1.264 billion in 2008/09, and is set to increase from R1.365 billion in 2009/10 to R1.858 billion in 2011/12. This is mainly in respect of social welfare services and development in the province.

Also, the significant growth in *Other Economic Affairs and Services* between 2007/08 and 2009/10 can be attributed to major projects such as the Dube TradePort and KSIA. Other projects/initiatives contributing to the increase in this area are the SMME, Growth and Co-operatives Funds, the Richards Bay Industrial Development Zone, and other projects relating to the 2010 World Cup being undertaken in the province.

The categories *Transportation and Communication Affairs and Services*, and *Housing and Community (Amenity) Affairs and Services* show good growth over the period under review. This can be attributed to spending on roads linking the Dube TradePort and the KSIA, which is expected to be commissioned for the 2010 World Cup, as well as the need to provide accommodation for the 2010 World Cup. Transport also receives a new conditional grant, namely the Public Transport Operations grant from 2009/10, with funding of R647.396 million having only been provided for in the first year of the MTEF at this stage. This explains the decline in this policy area between 2009/10 and 2010/11.

7.6 Infrastructure expense

7.6.1 Trends in infrastructure expense

Table 7.11 below shows a summary of provincial payments and estimates on infrastructure in terms of *New infrastructure assets* and *Existing infrastructure assets*. Under the category *Existing infrastructure assets*, payments and estimates are divided into three sub-categories, namely *Maintenance and repairs, Upgrading and additions,* and *Rehabilitation and upgrading,* The *Infrastructure transfer* category refers to transfers of funding to municipalities and public entities for infrastructure projects, as well as the Integrated Housing and Human Settlement Development grant under Vote 8: Housing. The provincial contribution to the construction of the Moses Mabhida Stadium, in eThekwini, for the 2010 Soccer World Cup, is also catered for under this category. Included also, is the provision for the Dube TradePort and rejuvenation of township trading centres, which is collectively R1.489 billion in 2009/10, reducing to R616.905 million in 2010/11 and R459.503 million in 2011/12 for the DTP and the rejuvenation projects.

Table 7.11: Summary of infrastructure payments and estimates

R000	Outcome			Main Budget	Adjusted Budget	Estimated Actual	Medium-term Estimates		
	Audited	Audited	Audited						
	2005/06	2006/07	2007/08		2008/09		2009/10	2010/11	2011/12
New Infrastructure assets	**938 488**	**942 112**	**1 508 070**	**2 045 385**	**1 868 350**	**1 593 565**	**1 851 277**	**2 456 334**	**2 800 806**
Existing infrastructure assets	**2 659 610**	**2 910 744**	**3 207 175**	**4 145 618**	**4 825 150**	**5 195 302**	**5 312 594**	**6 027 546**	**6 493 535**
Maintenance and repair	1 187 759	1 334 461	1 585 430	2 056 999	2 259 764	2 130 752	2 242 868	2 537 419	2 693 296
Upgrading and additions	1 172 991	1 224 826	1 072 249	1 533 894	1 212 527	2 425 131	2 231 397	2 446 392	2 683 326
Rehabilitation and refurbishment	298 860	351 457	549 496	554 725	1 352 859	639 419	838 329	1 043 735	1 116 913
Infrastructure transfer	**659 110**	**934 975**	**1 464 425**	**2 954 442**	**3 000 780**	**2 937 185**	**3 717 266**	**3 135 201**	**3 552 536**
Current	-	31 000	89 000	139 500	139 500	139 500	174 876	31 953	37 441
Capital	659 110	903 975	1 375 425	2 814 942	2 861 280	2 797 685	3 542 390	3 103 248	3 515 095
Capital infrastructure	*3 069 449*	*3 422 370*	*4 505 240*	*6 948 946*	*7 295 016*	*7 455 800*	*8 463 393*	*9 049 709*	*10 116 140*
Current infrastructure	*1 187 759*	*1 365 461*	*1 674 430*	*2 196 499*	*2 399 264*	*2 270 252*	*2 417 744*	*2 569 372*	*2 730 737*
Total	**4 257 208**	**4 787 831**	**6 179 670**	**9 145 445**	**9 694 280**	**9 726 052**	**10 881 137**	**11 619 081**	**12 846 877**

Table 7.11 shows an increase in value of the provincial allocations for infrastructure, from R4.257 billion in 2005/06 to R12.847 billion in 2011/12. This positive trend of growth over the years is due to the provincial government's commitment to the reduction of infrastructural backlog, and it contributes positively to the economic growth of the province. Investment in infrastructure has a positive impact on job creation and poverty alleviation.

The infrastructure portion of the budget shows an average annual growth of 33 per cent between 2005/06 and the 2008/09 Estimated Actual, with the highest growth of 57 per cent experienced in the immediate financial year. The trend is expected to continue over the 2009/10 MTEF, estimated to average 8.7 per cent annually. This is in line with the provincial recognition and commitment to infrastructure as one of the economic growth drivers.

It should be noted that, based on Table 7.11 above, the bulk of the allocation caters for *Existing infrastructure assets*, aimed at protecting the inherent value through *Upgrading and additions* and *Rehabilitation and refurbishments*, and thus enhance the existing assets before building new. This will result in greater efficiency and more effective economic and community development, thereby improving the quality life of the citizens of the province.

Table 7.12 below shows the split of infrastructure payments and estimates by vote. The growth in the infrastructure allocations mentioned above is reflected against most departments, and especially within the major infrastructure departments like Transport, Housing, Education and Health.

Infrastructure spending in Transport relates to rehabilitation and upgrading of the existing road network which includes roads, bridges and construction of new pedestrian bridges that will assist in providing access to community facilities. The investment in transportation infrastructure will encourage transit-oriented economic development and enhance mobility for sustainable transportation modes.

Spending on infrastructure by the Department of Housing relates mainly to the Integrated Housing and Human Settlement grant. A substantial increase can be seen between 2008/09 and 2009/10. This relates mainly to an increase in the amount allocated for this grant, as well as an additional amount of R150 million allocated in 2009/10 for the Housing Disaster Management grant. This grant will be used to deal with the damage caused to houses during recent storms.

The Department of Education's infrastructure budget will be spent on rehabilitation and upgrading and maintenance of existing classrooms and sanitation facilities and laboratories, computer centres and building new facilities when the need arises.

Health's infrastructure spending will largely focus on the building of clinics and community health centres in rural areas, as well as the revitalisation of existing hospitals, through the Hospital Revitalisation conditional grant.

For its part, the Department of Economic Development's infrastructure spending is mainly for the Dube TradePort and rejuvenating of township trading centres and small towns.

Local Government and Traditional Affairs will finish off the soccer stadia across the province, which therefore explains the decrease in the outer year of the MTEF. Further details on departmental spending on infrastructure can be found in *Annexure – Budget Statement 1* and *Budget Statement 2*.

Table 7.12: Summary of infrastructure payments and estimates by vote

R000	Outcome			Main Budget	Adjusted Budget	Estimated Actual	Medium-term Estimates		
	Audited 2005/06	Audited 2006/07	Audited 2007/08	2008/09			2009/10	2010/11	2011/12
1. Office of the Premier	-	3 538	11 623	8 415	8 370	8 370	3 000	600	600
2. Provincial Legislature	13 248	4 174	3 740	1 754	1 754	1 754	1 885	1 999	2 119
3. Agriculture and Environmental Affairs	74 267	53 097	37 895	95 244	156 827	154 575	115 880	174 174	183 651
4. Economic Development	-	-	431 000	1 493 439	1 493 439	1 499 439	1 533 848	789 528	769 078
5. Education	747 673	767 496	977 979	1 226 918	1 243 614	1 232 162	1 398 022	2 031 369	2 401 442
6. Provincial Treasury	-	-	-	150 000	150 000	150 000	150 000	-	-
7. Health	736 770	813 208	1 092 807	1 233 437	1 278 175	1 012 894	1 411 029	1 896 576	2 046 456
8. Housing	753 010	1 054 333	1 288 380	1 555 586	1 570 053	1 562 039	2 310 448	2 694 109	3 129 500
9. Community Safety and Liaison	-	-	-	-	-	-	-	-	-
10. The Royal Household	2 340	3 547	650	2 750	2 750	-	3 025	3 328	3 528
11. Local Government and Traditional Affairs	17 498	35 893	96 450	158 055	163 195	163 195	158 963	14 000	8 050
12. Transport	1 728 918	1 888 685	2 090 943	3 029 651	3 395 062	3 712 097	3 527 691	3 672 855	4 007 208
13. Social Development	36 692	41 113	32 642	46 752	86 057	84 013	114 879	132 976	140 456
14. Works	114 059	73 479	65 373	64 555	64 555	65 085	78 180	86 071	86 423
15. Arts, Culture and Tourism	16 733	30 666	21 067	38 894	39 863	39 863	31 806	76 999	21 073
16. Sport and Recreation	16 000	18 602	29 121	39 995	40 566	40 566	42 481	44 497	47 293
Total	**4 257 208**	**4 787 831**	**6 179 670**	**9 145 445**	**9 694 280**	**9 726 052**	**10 881 137**	**11 619 081**	**12 846 877**

7.6.2 Infrastructure management

Since 2005/06, the focus on infrastructure delivery by departments, including their Implementing Agents, has increased and, as such, there has been a marked improvement in the delivery of infrastructure. This improvement is evident in the Infrastructure Plans prepared by departments, and generally improved spending by departments on infrastructure.

For the current delivery rate to be maintained and even surpassed, the following issues need to be addressed:

- *'Infrastructure Delivery Improvement Programme' (IDIP)*: The programme of assisting departments to improve their capacity to deliver infrastructure, and thus spend their allocations timeously. The programme's success is based on the premise of proper planning by both the department as a client, as well as its implementing agent. The programme is currently in place in the client departments of Education and Health, (with the Department of Works as an implementing agent), with each of these departments hosting technical experts on the built environment. The two client bodies are the recipients of the Infrastructure Grant to Provinces and, in addition, their infrastructure budgets are generally the highest behind Transport and Housing, provincially and nationally. The 2009/10 financial year is the third year of the full roll-out of the programme, and most of the planning processes are in place in the participating departments. The success of the programme is incumbent on the participating departments fully utilising the technical assistants, in preparing the processes that enhance infrastructure delivery.

The IDIP focuses on the whole infrastructure delivery value chain, and not only on the implementation part, including planning and Supply Chain Management processes. It is only when all of the participants are aware of their input into the final results, that infrastructure delivery will take place correctly the first time, and on time. It is critical that both the client and the agent should undertake careful planning, influenced by existing information like the Provincial Spatial Economic Plan. It is important that, based on the MTEF allocations, clients know how many facilities they want erected within a time period and, subsequently, the implementing agent needs to align its resources to be able respond adequately to the clients' needs.

- *Training*: As part of government's response to the skills shortage in the current and future demand, training of relevant technical personnel should be advanced. The slowing down of the economy world-wide will result in a reduced demand for relevant construction personnel, from private sector and the domestic demand. This will be coupled by the tailing off of 2010 World Cup related projects. Government is looked upon to provide jobs and contracts, to absorb the laid-off workforce. This is the time that departments and the province must begin to intensify training for the coming boom, or at least try and sustain the current labour market.

- *Delivery by the Department of Works:* The department is the custodian and implementer of public infrastructure. The infrastructure budget for the Health and Education departments has grown consistently in the last five years and this growth will continue in this MTEF. The skills base of the Department of Works should have also grown proportionately, and its preparedness for the future should be evident. However, there is haste by the client departments, including smaller ones, to bypass Works in the course of implementing infrastructure. Although this is within the said clients' prerogative, it creates further competition for the limited capacity of the construction industry. For the department to recapture the market it has lost to other agents, including overseeing those other agents, it has to be sufficiently capacitated and be able to convincingly render service to its clients. The Department of Works needs personnel capacity to enable it to timeously plan its own work, and that of its clients. It must also initiate projects and see them to completion on time. For this to materialise, especially at implementation level, the Department of Works must consistently monitor the performance of consultants and contractors. Failure with regard to any of these, including poor and inconsistent reporting to the clients and statutory bodies, will signal deficient skills levels within the department.

- *Maintenance*: Since the dawn of democracy, the province has embarked on the eradication of infrastructural backlogs. This was done to promote equity among the citizens, and thus improve access throughout the province, and so was characterised by the rolling out of social infrastructure like schools, clinics and roads. The time is now opportune for major maintenance and rehabilitation of those earlier structures. For the desired life of facilities to be reached, structures must continually be maintained, as soon as they are commissioned. The general consensus among experts is that 4 per cent of the replacement value is adequate, to keep the structure in a "new" state, with scheduled rehabilitation programmes. Currently, there is polarity between continuing with backlog eradication and maintaining the imbalanced infrastructure spread. Maintenance is part of planning and should be allowed for, in terms of time and budget, at the conceptual states of the facility. This will be accompanied by choice of material, allowable down time of the facility and the consequences of that downtime to the customers. It is only when maintenance is adequately catered for, that the real cost of the facility, the life cycle cost, will be known, and then better decisions can be taken on affordability. With the dearth of adequate personnel, it is highly improbable that these levels can be reached at this stage, but the province must focus in this regard.

All of these factors have the potential to affect the efficiency and effectiveness of infrastructure planning and delivery into the future.

7.6.3 Public-Private Partnerships (PPP)

There are currently seven registered PPP projects in the province, namely:

Government Precinct

Two departments, namely Provincial Treasury and the Department of Works, were tasked to explore the viability of procuring office accommodation for all provincial departments. A Transaction Advisor was appointed to undertake the necessary feasibility studies and recommend suitable locations for the projects. The feasibility study for the Legislature complex has been finalised and is awaiting Treasury Approval 1. The study for the Government Precinct is at an advanced stage, and should be completed by the end of 2008/09.

Provincial Legislature Complex

This project was previously registered as part of the Precinct but, as a result of legal issues, had to be registered as a separate project. The Transaction Advisor revised the feasibility study in terms of the amended legal framework and the required authorisations have been obtained. The procurement process has commenced and it is anticipated that a contract will be procured during 2009/10 for the Legislature complex.

Secure Care Centres

The Department of Social Development appointed a Transaction Advisor to undertake the feasibility study to determine the possibility of establishing secure care centres as PPPs. The aim of this project is to provide rehabilitation centres for under-age offenders that are convicted, and those still awaiting trial. The feasibility study for this project has been delayed, due to the challenges in obtaining suitable land in some areas. These challenges will be resolved by the end of 2008/09, which will allow the feasibility study to be finalised.

Umhlathuze Municipality Water and Sanitation Project

The municipality is exploring the possibility of private sector participation in providing water and sanitation services in rural areas in a sustainable manner. The municipality is finalising the feasibility study for this project, but has not yet applied for Treasury Approval 1. The future of the project is being discussed. A service provider was appointed in July 2008, and thus the project is operational.

Hibiscus Coast Development

The Hibiscus local municipality appointed a Transaction Advisor to undertake a feasibility study on the possibility for the development of a prime section of beachfront land situated in the town of Umtentweni, KwaZulu-Natal. Progress on this project is slow, but the study should be completed in 2009/10.

Eco-tourism in Nature Conservation Service areas

The Board of *Ezemvelo* KZN Wildlife appointed Transaction Advisors to undertake a feasibility study for the outsourcing of all the eco-tourism and commercial functions at the Royal Natal National Park and certain surrounding parks in the uKhahlamba area under its control. This project includes the possible redevelopment of the old hotel in the park. The feasibility study is in an advanced stage, and the Expression of Interest process will be finalised by the end of 2008/09.

Greater Kokstad Municipality – New Civic Centre

The Greater Kokstad Municipality appointed Transaction Advisors to undertake a feasibility study for the provision of a new Civic Centre in the municipality on a PPP basis. The study should be finalised by the end of 2008/09.

General

There are a number of additional projects, identified by departments and municipalities, under review. These projects will further enhance the provincial infrastructure and the initiatives undertaken to make KwaZulu-Natal the number one destination.

7.7 Transfers to public entities

Table 7.13 below shows the summary of provincial transfers to public entities by department.

In total, transfers to public entities increase from R425.193 million in 2005/06 to R1.242 billion in 2007/08, before decreasing to R595.081 million in 2008/09 (Adjusted Budget) and thereafter increasing to R970.75 million in 2011/12.

The 2008/09 Adjusted Budget reflects a substantial decrease in the total allocation to public entities. A significant reduction in the budget was under Ithala Finance Development Corporation, due to changes in the loan requirements and loan model, which caused delays in transfers to the entity. These funds were surrendered to the Provincial Revenue Fund in the Adjustments Estimate.

Two public entities namely, *Umsekeli* Municipal Services and KwaZulu-Natal Taxi Council were de-listed between 2004/05 and 2007/08, and transfers ceased in 2006/07. In 2008/09, Cabinet approved that the public entity, Mjindi Farming (Pty) Ltd should be reconstituted with a new Board and a new mandate, with a view to playing a leading role in the development and unlocking of the Makhathini Flats area, and funding therefore continues to be transferred to this entity.

The establishment of the KwaZulu-Natal Youth Commission did not occur in 2008/09, as the Office of the Presidency gave a directive for the province not to establish the entity. Funds that had already been allocated for this entity were reprioritised into other economic categories, as the functions will still be performed within the department.

Table 7.13: Summary of provincial transfers to public entities by department

R000	Outcome			Main Budget	Adjusted Budget	Estimated Actual	Medium-term Estimates		
	Audited 2005/06	Audited 2006/07	Audited 2007/08		2008/09		2009/10	2010/11	2011/12
Vote 1 - Office of the Premier	**15 834**	**29 134**	**32 575**	**49 794**	**96 937**	**96 937**	**56 302**	**39 662**	**42 042**
KwaZulu-Natal Gambling Board	5 190	11 851	14 428	15 449	44 155	44 155	16 679	17 682	18 743
Amafa aKwaZulu-Natali	10 644	17 283	18 147	19 291	52 782	52 782	39 623	21 980	23 299
Kwazulu Natal Youth Commission	-	-	-	15 054	-	-	-	-	-
Vote 3 - Agriculture and Environmental Affairs	**288 957**	**311 852**	**318 147**	**335 910**	**350 384**	**350 384**	**404 415**	**428 701**	**454 497**
Ezemvelo KZN Wildlife	269 408	286 752	309 747	329 920	340 812	340 812	394 269	417 946	442 989
Mjindi Farming (Pty) Ltd	2 050	2 100	8 400	-	9 572	9 572	10 146	10 755	11 508
Ithala Development Finance Corporation	17 499	23 000	-	5 990	-	-	-	-	-
Vote 4 - Economic Development	**15 634**	**144 859**	**804 142**	**694 572**	**50 000**	**50 000**	**338 859**	**356 975**	**359 636**
Ithala Development Finance Corporation	15 634	144 859	804 142	694 572	50 000	50 000	338 859	356 975	359 636
Vote 11 - Local Government & Traditional Affairs	**19 900**	**19 500**	**2 625**	**3 000**	**2 700**	**2 700**	**2 800**	**2 968**	**3 495**
Umsekeli	17 600	17 000	-	-	-	-	-	-	-
Provincial Planning and Development Commission	2 300	2 500	2 625	3 000	2 700	2 700	2 800	2 968	3 495
Vote 12 - Transport	**5 800**	**5 906**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
KwaZulu-Natal Taxi Council	5 800	5 906	-	-	-	-	-	-	-
Vote 15 - Arts, Culture and Tourism	**79 068**	**80 823**	**84 182**	**95 060**	**95 060**	**95 060**	**104 816**	**104 793**	**111 080**
KZN Tourism Authority	52 186	58 096	60 036	66 413	66 413	66 413	72 740	72 150	76 479
The Playhouse Company	10 000	5 000	5 000	5 350	5 350	5 350	5 751	6 096	6 462
Natal Sharks Board	16 882	17 727	19 146	23 297	23 297	23 297	26 325	26 547	28 139
Total	**425 193**	**592 074**	**1 241 671**	**1 178 336**	**595 081**	**595 081**	**907 192**	**933 099**	**970 750**

Over the 2009/10 MTEF, a substantial share of the transfers to public entities is allocated to two entities, namely *Ezemvelo* KZN Wildlife and Ithala Finance Development Corporation (Ithala). *Ezemvelo* KZN Wildlife receives a subsidy from the Department of Agriculture and Environmental Affairs for conservation services. Ithala receives transfers from the Department of Economic Development. This is not a subsidy to the entity, but funds are transferred for implementation of government's growth and development, SMME, as well as co-operative programmes.

The transfer to *Ezemvelo* KZN Wildlife continues to increase over the seven-year period. In 2005/06, the transfer was R269.408 million, and it grows to R442.989 million in 2011/12. With the reduction in the allocations to Ithala over the 2009/10 MTEF, *Ezemvelo* KZN Wildlife has become the entity that receives the largest transfer in the province.

The transfer to Ithala was reduced by a substantial amount of R644.572 million in the 2008/09 Adjustments Estimate as a result of changes in the loan requirements and loan model which caused delays in the transfers. These funds were surrendered to the Provincial Revenue Fund.

The funds originally earmarked for transfer to the KwaZulu-Natal Youth Commission were reprioritised to other spending categories in the Office of the Premier, as the establishment of the public entity was disapproved by the Office of the Presidency.

Amafa aKwaZulu-Natali received additional funding of R33.491 million during the 2008/09 Adjustments Estimate in a form of a roll-over for the completion of the Emakhosini Multi-Media Centre, and a further amount of R18.885 million in 2009/10. The KZN Gambling Board received an additional amount of R28.706 million during the 2008/09 Adjustments Estimate for an out-of-court settlement, relating to the dispute over the award of a route and site inspection surveillance contract.

7.8 Transfers to other entities

Table 7.14 below shows the summary of provincial transfers to entities other than public entities by vote. Eleven departments make transfers payments to these entities over the 2009/10 MTEF period, details of which are provided within each department's chapter in Budget Statement 2.

Table 7.14: Summary of departmental transfers to other entities by Vote

	Outcome			Main Budget	Adjusted Budget	Estimated Actual	Medium-term Estimates		
	Audited	Audited	Audited						
R000	2005/06	2006/07	2007/08		2008/09		2009/10	2010/11	2011/12
1. Office of the Premier	17 541	4 517	3 020	1 207	1 306	1 306	1 298	1 376	1 458
2. Provincial Legislature	-	-	-	-	-	-	-	-	-
3. Agriculture and Environmental Affairs	29 261	7 636	6 975	6 511	27 091	27 091	5 421	5 810	6 223
4. Economic Development	31 500	160 000	494 126	1 607 000	1 512 390	1 497 888	1 571 026	649 092	475 519
5. Education	675 651	869 684	1 166 337	1 338 434	1 494 234	1 542 947	1 367 079	1 672 715	1 853 640
6. Provincial Treasury	322 969	235 000	144	102	105	111	108	118	125
7. Health	220 605	190 624	199 011	227 649	267 007	267 007	286 758	303 960	322 218
8. Housing	-	-	-	-	-	-	-	-	-
9. Community Safety and Liaison	-	3 197	3 000	3 100	-	-	3 300	3 498	3 655
10. The Royal Household	-	-	-	-	-	25	-	-	-
11. Local Government and Traditional Affairs	19 900	19 500	2 625	3 000	2 700	2 700	2 800	2 968	3 495
12. Transport	5 800	5 906	-	-	-	-	-	-	-
13. Social Development	283 910	280 646	328 979	379 244	360 810	365 243	425 396	572 759	703 923
14. Works	-	-	-	-	-	-	-	-	-
15. Arts, Culture and Tourism	5 348	15 881	10 447	13 600	16 604	16 604	17 553	18 357	18 860
16. Sport and Recreation	13 920	4 246	4 905	8 457	8 476	8 476	9 280	10 085	13 690
Total	**1 626 405**	**1 796 837**	**2 219 569**	**3 588 304**	**3 690 723**	**3 729 398**	**3 690 019**	**3 240 738**	**3 402 806**

The total transfers are expected to increase from R1.626 billion in 2005/06 to R3.691 billion in the 2008/09 Adjusted Budget, and then decreasing to R3.403 billion in 2011/12.

The allocation to Vote 1: Office of the Premier in the 2008/09 Main Budget is substantially lower than 2007/08, due to a number of subsidies to HIV and Hospice associations in 2007/08, which were not continued in 2008/09 and over the 2009/10 MTEF.

The significant increase in Vote 3: Agriculture and Environmental Affairs in the 2008/09 Adjusted Budget is due a once-off transfer of R18.263 million to the Tongaat-Hulett Sugar Mill and R4.22 million to the Illovo Sugar Mill in respect to a partnership between these companies and the department in order to assist with the implementation of Land Reform projects. The capacity and expertise of these institutions enables them to provide the necessary support and assistance with regard to sugar cane development and ratoon management. This is a once-off allocation in 2008/09, and this explains the reduced allocation over the 2009/10 MTEF.

Vote 4: Economic Development shows a significant increase in the allocation from 2007/08 to 2009/10 and a subsequent decrease in the last two years of the 2009/10 MTEF, mainly due to the transfers in respect of the construction of the Dube TradePort and the Richards Bay IDZ. The Dube TradePort is a multi-nodal logistics platform comprising of the King Shaka International Airport, Industrial

Development Zone (IDZ) and freight facility, a cyber port, as well as commercial and associated ventures. The reduced allocation to DTP in 2010/11 and 2011/12 results from the completion of the airport portion of the Dube TradePort project. This project continues after 2010, albeit at reduced funding levels, to allow for further development of the multi-modal logistics hub at the airport site.

The transfers by the Department of Education are largely in respect of Section 20 and 21 schools and FET Colleges. The significant increase from 2007/08 onwards is due to the increase in the number of schools obtaining Section 21 status, transfers to No Fee schools, as well as funding for the acquisition of stationery. In the 2008/09 Adjusted Budget, the allocation for the purchase of stationery against *Transfers* was increased. This was previously budgeted for against *Goods and services*, as stationery was procured on behalf of schools by the department. Over the 2009/10 MTEF, the allocation reverts back to *Goods and services.* This explains the lower allocation over the 2009/10 MTEF.

The substantial decrease in the allocation to Vote 6: Provincial Treasury in 2007/08 was due to the movement of the Growth Fund to Vote 4: Economic Development in 2006/07.

With regard to the Department of Health, the increased allocation in 2007/08 relates to HIV and AIDS support and the development of National Integrated Plan (NIP) sites in terms of the National Integrated Plan for Orphans and Vulnerable Children. The substantial increase in the allocation in the 2008/09 Adjusted Budget relates to the adjustment of funding to the NGO for HIV and AIDS. The allocation rises steadily thereafter over the remainder of the period.

Local Government and Traditional Affairs shows a substantial decline in 2007/08, due to the dissolution of the *Umsekeli* entity on 31 March 2007.

Transfers by the other departments show a gradual increase over the seven-year period, and include transfers for social welfare services institutions by various non-governmental organisations and transfers to sporting organisations.

7.9 Transfers to municipalities

As part of its Constitutional obligation, provincial government supports and strengthens the capacity of municipalities to manage their own affairs, exercise their powers and perform their functions. As a result, KwaZulu-Natal departments allocate conditional grants and subsidies for various purposes to municipalities each year.

This section and Budget Statement 2, give effect to this provision by providing comprehensive detail of departmental transfers to municipalities, indicating transfers per department and per grant type to each municipality. A summary of this information is provided in Table 7.16, and the details are provided in the *Annexure - Budget Statement 1*, and in the detailed departmental information provided in Budget Statement 2. Tables 1.G (i) (ii) and (iii) detail individual grants intended to municipalities by transferring department, over the MTEF.

Table 7.15 provides a summary of the transfers per municipal category, as defined in the Constitution. It should be noted that the amounts reflected in these tables are in terms of the provincial financial year running from 1 April to 31 March. The total provincial transfers to municipalities are set to decrease from R1.062 billion in the 2008/09 Estimated Actual, to R841.551 million in 2011/12.

Table 7.15: Summary of provincial transfers to municipalities by category

R000	Outcome			Main Budget	Adjusted Budget	Estimated Actual	Medium-term Estimates		
	Audited	Audited	Audited						
	2005/06	2006/07	2007/08		2008/09		2009/10	2010/11	2011/12
Category A	130 586	162 245	400 241	655 988	682 665	640 352	723 561	518 876	539 670
Category B	142 909	116 674	203 066	152 251	233 830	205 094	163 490	99 589	108 967
Category C	64 192	67 198	179 388	114 213	215 550	214 900	172 075	57 442	46 410
Unallocated	2 295	132 277	1 015	22 401	1 911	1 586	17 418	108 467	146 504
Total	**339 982**	**478 394**	**783 710**	**944 853**	**1 133 956**	**1 061 932**	**1 076 544**	**784 374**	**841 551**

There are three categories of municipalities in terms of the Constitution. Below is a brief description of each of the categories and a summary of the provincial transfers to municipalities by municipal category is contained in Table 7.15 above:

Category A (Metropolitan Council) refers to municipalities that have exclusive municipal executive and legislative authority within their areas. KwaZulu-Natal has only one metropolitan council, namely eThekwini Municipality. As indicated in the table above, eThekwini municipality will receive R723.561 million during 2009/10. Further amounts of R518.876 million and R539.67 million are allocated in 2010/11 and 2011/12, respectively, by various provincial departments.

Category B (Local Municipality) refers to a municipality that shares municipal executive and legislative authority with the category C (defined below) municipality within whose area it falls. The allocations to category B municipalities are set to decrease from R205.094 million in the 2008/09 Estimated Actual to R108.967 million in 2011/12. A summary of the transfers to individual local municipalities is contained in Table 1.D in the *Annexure to Budget Statement 1*.

Category C (District Municipality) refers to municipalities that have municipal executive and legislative authority in an area that includes more than one municipality. Allocations to this category of municipalities have decreased from R64.192 million in 2005/06, to R46.41 million in 2011/12. A summary of the transfers to individual district municipalities is contained in Table 1.D in the *Annexure to Budget Statement 1*.

The amounts against *Unallocated* are usually allocated to specific recipients during the course of the year, and are formalised during the Adjustments Estimate.

Table 7.16 below presents a summary of provincial transfers to municipalities by vote and grant type over the seven-year period 2005/06 to 2011/12. In terms of amendments to legislation, the Regional Service Council Levy was discontinued from 1 July 2006. As is evident, 12 provincial departments will be transferring funds to municipalities in respect of 40 different grant types over the 2009/10 MTEF. The bulk of these transfers will come from the Departments of Housing, Works, Local Government and Traditional Affairs and Provincial Treasury.

The purpose of the *Municipal Clinics* grant under Vote 7 is to subsidise primary health care for personal services provided by local authorities/municipal clinics which, apart from eThekwini, were taken over by the department during 2007/08. The *Environmental Health* subsidy is provided to municipalities as a subsidy for personnel costs, as well as sampling for testing purposes.

The transfers under Vote 8: Housing in respect of the Hostel Redevelopment and Upgrading and Maintenance of R293 Hostels is mainly earmarked for the eThekwini Municipality. The department also envisages assisting municipalities in capacity building with effect from 2009/10, as part of the Flanders programme.

The allocation from the Department of Local Government and Traditional Affairs is in respect of the grant for the provision of soccer stadia, which is set to increase from R31 million in 2006/07, to R149.963 million in the final year of this grant, which is 2009/10.

The Airport subsidy under the Office of the Premier will be paid over to the Zululand District Municipality for the operational costs of the airport, which was transferred to the municipality with effect from 1 April 2007. The agreement with the municipality is that provincial government will provide funding for the operational costs up to 2009/10.

The payment of property rates was devolved to provinces with effect from 1 April 2008. The Department of Works is responsible for managing these payments, and hence the grant allocation of R217.175 million in the 2008/09 Adjusted Budget, rising to R283.13 million in 2011/12.

The Provincial Treasury was allocated an amount of R150 million each in 2008/09 and 2009/10 as an infrastructure transfer to the eThekwini Municipality as part of the province's contribution towards the construction of the Moses Mabhida Soccer Stadium.

Other main transferring departments include the Department of Arts, Culture and Tourism in respect of library subsidies and recapitalisation of libraries amounting to R133.741 million over the 2009/10 MTEF, and the Department of Sport and Recreation for infrastructure development amounting to R69.134 million, over the 2009/10 MTEF period.

Table 7.16: Summary of departmental transfers to municipalities by department and grant type

	Outcome			Main Budget	Adjusted Budget	Estimated Actual	Medium-term Estimates		
	Audited	Audited	Audited						
R000	2005/06	2006/07	2007/08		2008/09		2009/10	2010/11	2011/12
Regional Service Council Levy - All departments	**58 294**	**14 767**	**4**	**-**	**-**	**-**	**-**	**-**	**-**
Vote 1 - Office of the Premier	**1 348**	**1 341**	**5 413**	**5 804**	**5 804**	**5 804**	**6 184**	**1 443**	**1 530**
Subsidies to Museums	1 102	1 341	1 082	1 266	1 266	1 266	1 361	1 443	1 530
Municipal Rates	246	-	-	-	-	-	-	-	-
Transfer to Zululand DM iro airport	-	-	4 331	4 538	4 538	4 538	4 823	-	-
Vote 3 - Agriculture and Environmental Affairs	**750**	**453**	**263**	**994**	**2 415**	**2 415**	**1 750**	**1 750**	**1 750**
Cleanest Town Competition	750	453	263	994	1 105	1 105	1 750	1 750	1 750
Integrated Waste Management Plans	-	-	-	-	1 310	1 310	-	-	-
Vote 4 - Economic Development	**-**	**-**	**-**	**3 100**	**3 900**	**2 300**	**3 000**	**10 000**	**10 000**
Joint Project Funding	-	-	-	3 100	3 900	2 300	3 000	10 000	10 000
Vote - Education	**(120)**	**-**	**229**	-	-	-	-	-	-
Grant in aid and claims against the state	(120)		229	-	-	-	-	-	-
Vote 6 - Provincial Treasury	**-**	**-**	**21 563**	**150 000**	**158 963**	**158 963**	**150 000**	**-**	**-**
Casino Levies Pay-Over	-	-	21 563	-	8 963	8 963	-	-	-
Soccer Stadium 2010 (Provincial Allocation)	-	-	-	150 000	150 000	150 000	150 000	-	-
Vote 7 - Health	**67 143**	**71 143**	**63 459**	**43 027**	**85 177**	**15 529**	**91 565**	**50 211**	**53 225**
Subsidy: Environmental Health	1 907	630	194	2 668	2 668	513	2 868	3 068	3 253
Motor Vehicle Licence Fees	606	408	653	318	1 355	1 030	1 457	1 544	1 637
Subsidy: Municipal Clinics	64 630	70 105	62 612	40 041	81 154	13 986	87 240	45 599	48 335
Vote 8 - Housing	**110 187**	**120 182**	**319 711**	**272 150**	**254 150**	**252 761**	**324 000**	**314 240**	**314 505**
Hostel Redevelopment and Upgrading	66 214	100 000	244 901	200 000	150 000	150 000	250 000	280 000	280 000
Municipal Rates and Taxes	43 973	20 182	22 660	20 000	52 000	50 611	20 000	20 000	20 000
Capacity Building - Flanders Programme	-	-	-	-	-	-	4 000	4 240	4 505
Maintenance of R293 Hostels	-	-	52 150	52 150	52 150	52 150	50 000	10 000	10 000
Vote 11 - Local Government & Traditional Affairs	**66 979**	**223 079**	**308 010**	**190 770**	**347 346**	**347 346**	**199 663**	**51 817**	**84 860**
Project Consolidate	41 567	39 039	-	-	-	-	-	-	-
Provincial Management Assistance Programme	25 412	14 200	15 000	12 700	12 700	12 700	9 000	9 000	15 000
Infrastructure provision for soccer stadia	-	31 000	89 000	139 500	139 500	139 500	149 963	-	-
Municipal Governance	-	-	-	4 000	4 000	4 000	-	-	10 000
Strategic Support	-	-	3 570	3 520	3 520	3 520	4 300	4 417	5 660
Spatial Development	-	1 612	3 150	4 250	4 250	4 250	2 000	750	-
Development Administration	-	1 966	-	2 250	2 250	2 250	2 000	750	-
Municipal Development Information Services	-	5 478	4 795	5 750	6 750	6 750	2 500	3 000	2 500
Centre Management Support	-	-	4 000	-	-	-	3 500	4 200	7 700
Local Economic Development Catalyst	-	-	13 783	11 000	-	-	10 100	11 000	10 500
Synergistic Partnerships	-	-	2 500	2 800	-	-	2 800	3 200	2 500
Small Town Regeneration	-	-	7 250	5 000	-	-	7 500	9 500	7 000
Disaster Management	-	-	4 600	-	2 500	2 500	6 000	6 000	12 000
Corridor development	-	-	76 241	-	120 850	120 850	-	-	-
Public Participation	-	-	-	-	-	-	-	-	12 000
Umzimkulu Support grant	-	-	60 410	-	43 326	43 326	-	-	-
Discontinuation of old grants	-	129 784	23 711	-	7 700	7 700	-	-	-
Vote 12 - Transport	**-**	**10 369**	**9 195**	**11 500**	**11 500**	**11 500**	**11 550**	**11 600**	**11 650**
Municipal Transport Planning and Infrastructure	-	10 022	7 195	11 000	11 000	11 000	11 000	11 000	11 000
Maintenance Main Roads	-	347	2 000	500	500	500	550	600	650
Vote 14 - Works	**5 401**	**5 035**	**8 947**	**217 175**	**217 175**	**217 806**	**243 068**	**267 103**	**283 130**
Property Rates	5 401	5 035	8 947	217 175	217 175	217 806	243 068	267 103	283 130
Vote 15 - Arts, Culture and Tourism	**15 500**	**17 600**	**24 941**	**26 328**	**22 950**	**22 932**	**23 907**	**53 260**	**56 574**
Tourism Development (Building of lodges)	-	-	2 800	-	-	-	-	-	-
Library Building Projects	15 500	17 600	17 400	17 400	16 700	16 700	16 806	17 756	18 773
Community Library Services grant	-	-	4 741	8 928	6 250	6 232	7 101	35 504	37 801
Vote 16 - Sport and Recreation	**14 500**	**14 425**	**21 975**	**24 005**	**24 576**	**24 576**	**21 857**	**22 950**	**24 327**
Infrastructure	14 500	14 425	21 975	24 005	24 576	24 576	21 857	22 950	24 327
Total	**339 982**	**478 394**	**783 710**	**944 853**	**1 133 956**	**1 061 932**	**1 076 544**	**784 374**	**841 551**

8. REVIEW OF MUNICIPAL FINANCIAL MANAGEMENT

8.1 Introduction

The implementation of the Municipal Finance Management Act (MFMA) and its supporting reforms has ignited a paradigm shift that will entrench a new culture and tradition with regard to how budget, financial and performance management practices should be administered by a municipality and monitored by both the municipality and Provincial Treasury.

The focus of the new legislation has propelled the Mayor and the Municipal Council to the forefront of affairs but also, by its definition of functions and responsibilities, has pronounced on the delegation to the senior officials within municipalities in equivalent measure.

The Integrated Development Plan (IDP), the Medium Term Revenue and Expenditure Framework (MTREF) and the Service Delivery and Budget Implementation Plan (SDBIP) have now drawn senior management to the forefront where their performance will not be managed in ‘darkness’, but by a multiple of role-players through their performance agreements. These agreements should not be inconsistent with the municipalities’ MTREF budget outcomes.

8.2 Implementation of MFMA

The distinguishable features of the MTREF have given effect to a new identity and philosophy that is symbolic of how the MFMA and its supporting reforms influence the thinking and strategy with regard to the funding, implementation and management of the key issues that demand optimal service delivery standards.

The process of budgeting requires budget and financial information over a three-year period. It should be noted that, while the first year of the MTREF budget period is the focus area, the two outer years are indicative in nature and are guided by the growth parameters. The determination and setting of the growth parameters is underpinned by the macro economic objectives that are set by National Treasury. In addition, the growth parameters are influenced by the CPIX during a year.

The new budget formats are intended to give greater clarity and certainty and display stability and predictability as to the credentials and future capability of the municipality to sustain the provision of the social and economic needs of the people, in terms of Schedule 4 and 5 of Part B of the Constitution of the Republic of South Africa.

The new budget philosophy represents an outputs/outcomes revenue-driven approach. In the previous dispensation, the budget process was characterised by an expenditure-driven approach, in that the estimates of expenditure were the determining factor and that the revenue to fund the expenditure was considered to be of less importance.

8.3 Municipal Support Programme

In terms of Section 135 of the MFMA, the primary responsibility to avoid, identify and resolve financial problems in a municipality rests with the municipality and, if a municipality encounters financial problems or anticipates problems in meeting its financial commitments, solutions should be sought immediately.

The Provincial Treasury currently has a Municipal Support Programme (MSP) that was launched in November 2007. The project stemmed from the fact that the MEC for Finance and Economic Development received requests from several municipalities to assist when financial problems were encountered. As a result, the MEC for Finance and Economic Development tasked the Provincial

Treasury to support, where necessary, and institute financial improvement measures that will assist in resolving the financial management issues currently encountered by these municipalities.

The aim of the project is to assist municipalities to meet their obligations to provide basic services and to meet their financial commitments. The project seeks to identify the cause of the financial impediments experienced by the municipalities, and to implement measures, through a financial recovery plan, that will place the municipalities in a sound and sustainable financial position.

A graphic illustration of the Municipal Support Programme is shown in Figure 8.1 below.

Figure 8.1: The Municipal Support Programme Phases

The programme first identifies municipalities that require assistance through a desk top analysis which analyses the financial statements of the municipality. An on-site assessment is then undertaken by the team, to identify the nature and extent of support required. The findings identified during the assessment are used to formulate a plan of action with the municipality. The plan of action is then implemented to assist the municipality in resolving the issues identified during the on-site assessment. Upon completion of the implementation stage, the support team gives to the municipality, a Hand-over pack which is a toolbox of templates and checklists that are required to be completed by the municipality to maintain the financial reforms instituted by the Municipal Support Programme. Thereafter, monthly monitoring continues by the monitoring team to ensure that the financial reforms instituted by the Municipal Support Programme are maintained, and that the municipality does not revert back to the financial position prior to the assistance of the support programme. In the event that the monitoring team is not satisfied with the progress of the municipality during the monitoring phase, these concerns are escalated to the Municipal Manager, Mayor and the Council.

The municipalities that were initially selected for Stage 1 of this programme were the uMgungundlovu and Sisonke District Municipalities, Ubuhlebezwe, Mandeni, Greater Kokstad, Ingwe and Impendle Local Municipalities. The implementation of the programme in Stage 1 municipalities has been completed and the municipalities are currently in the monitoring phase of the programme.

Stage 2 of the Municipal Support Programme commenced on 8 May 2008 with a Financial Health Assessment being conducted at six municipalities. These were Nongoma, Nquthu, Ezinqolweni, Indaka, Mpofana and Mtubatuba.

From 1 September 2008, the Provincial Treasury Municipal Support Programme partnered with the Development Bank of South Africa (DBSA)'s *Siyenza Manje* project. This partnership will allow

Treasury to cast the net further and provide much needed support to a greater number of municipalities in the province. As a result, some of the municipalities initially identified in Stage 2 will now be completed under Stage 3 of the Municipal Support Programme.

Stage 3 of the Municipal Support Programme has been split into two clusters. Municipalities grouped into Cluster 1 are Umhlabuyalingana, Big 5 False Bay, Okhahlamba, Umtshezi, Endumeni, Mbonambi and Dannhauser and, in Cluster 2, Abaqulusi, Umzumbe, Hibiscus Coast, Umuziwabantu and Msinga. Support commenced in the municipalities in Cluster 1 towards the latter part of 2008. Cluster 2 will commence in April 2009.

Some of the common problem areas of financial management identified during the Municipal Support Programme included:

- Significant lack of financial control;
- Poor record keeping (partly due to inadequate systems);
- Lack of effective policies, procedures and appropriate delegation of authority;
- Inadequate billing systems;
- No processes for in-year-reporting; and
- Financial staff not adequately skilled.

8.4 Municipal expenditure performance - 2007/08

The aggregated figure for the 2007/08 municipal financial year indicates that the joint capital spending by all municipalities in the ten districts, including the eThekwini Municipality, amounted to 79.9 per cent of the budget. This was a substantial improvement of 15.9 per cent from the level of spending in the 2006/07 financial year.

Capital and operating expenditure comparatives

The analysis of the municipal capital and operating expenditure for the reporting municipalities by district as at the end of 2007/08 is reflected in Figure 8.2 below.

Figure 8.2: Comparative capital and operating expenditure

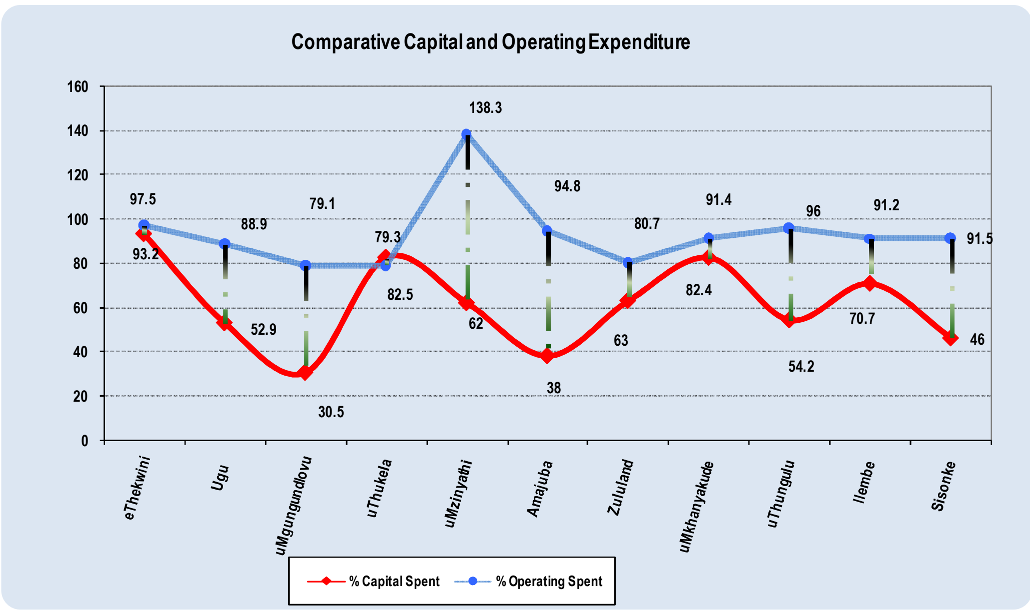


Figure 8.2 depicts a comparison between operating and capital spending as a percentage of the respective municipal budgets. The graph indicates that the average gap between the operating and capital spending is approximately 31 per cent at a provincial level. Only three districts spent above this average namely, eThekwini (97.5 per cent), uThukela (82.5 per cent) and Umkhanyakude (82.4 per cent).

It should be noted that eThekwini, Msunduzi and Umhlathuze contributed more than half of the provincial expenditure, and the provincial averages would be inflated thereby presenting a skewed provincial outlook.

Capital expenditure

Table 8.1 shows the percentage of capital expenditure in 2007/08 by the following categories: those municipalities that spent less than 30 per cent, between 30 to 60 per cent and more than 60 per cent.

Table 8.1: Municipalities with capital expenditure less than 30%, between 30% and 60%, and more than 60%

Less than 30%	Between 30% to 60%		More than 60%	
Vulamehlo	Umdoni	Umhlathuze	Umzumbe	Uphongolo
Mpofano	Hibiscus Coast	Umlalazi	Ezinqolweni	Zululand
Mkhambathini	Ugu	Mthonjaneni	Impendle	Umhlabuyalingana
uMgungundlovu	Umshwathi	uThungulu	Richmond	Big Five False Bay
Umtshezi	Umngeni	Umzimkulu	Emnambithi	Umkhanyakude
Umvoti	Imbabazane	Sisonke	Indaka	Nkandla
eMadlangeni	Newcastle		Okhahlamba	Mandeni
Dannhauser	Abaqulusi		uThukela	Kwadukuza
KwaSani	Nongoma		Nquthu	Ndwedwe
Ubuhlebezwe	Jozini		Umziminyathi	Maphumulo
	Hlabisa		Amajuba	Ilembe
	Mtubatuba		eDumbe	Ingwe
			eThekwini	Greater Kokstad
			Msunduzi	

The major cause of under-spending on capital projects appears to be a lack of proper planning by municipalities. In particular, the under-spending on capital projects at rural municipalities is of great concern, where inadequate levels of basic infrastructure and services are predominant. If this low spending trend continues, it is unlikely that the under-spending municipalities will meet the millennium targets set for water, sanitation, electricity and other infrastructure. It is a major concern that very few rural households receive basic services, given the current level of poverty across all municipal districts. The main cause of poor service delivery relates to the fact that a large number of municipalities are reliant on grants to invest in water and electricity infrastructure. Hence, the provision of free basic services is dependent on the allocations given to the municipalities within the financial year.

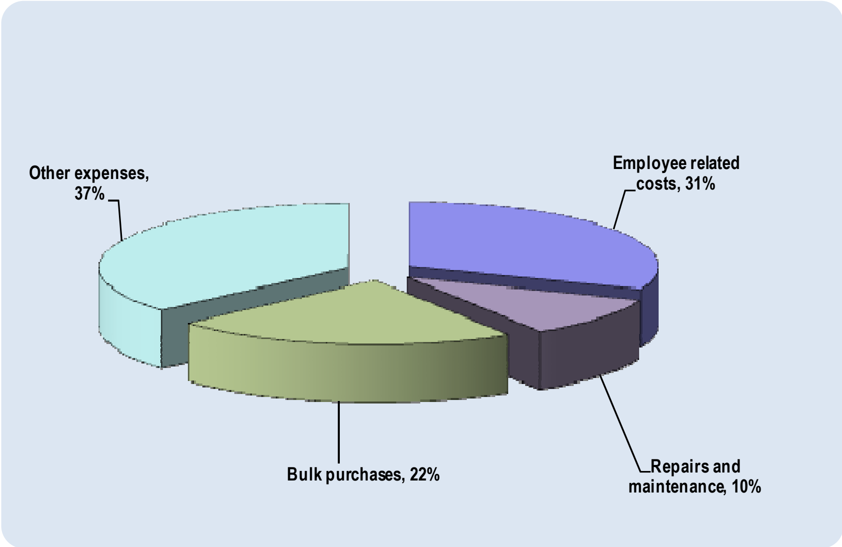
Operating expenditure

Figure 8.3 shows the operating expenditure for the 2007/08 financial year.

The consolidated operating expenditure for the reporting municipalities in the province amounted to R18.3 billion against a budget of R19.6 billion (93.2 per cent). In comparison to the previous financial year, the provincial operating expenditure grew by R1.8 billion in the 2007/08 financial year. There is a sharp contrast between the spending patterns of the operating and capital budgets.

A large number of municipalities do not have effective operational policies to ensure accountability. Provincial Treasury has developed a basket of generic policies that municipalities can amend to suit their unique circumstances and adopt. The development of generic policies stems from the fact that certain municipalities tasked consultants to develop policies at a substantial cost.

Figure 8.3: Provincial overview of items of operating expenditure



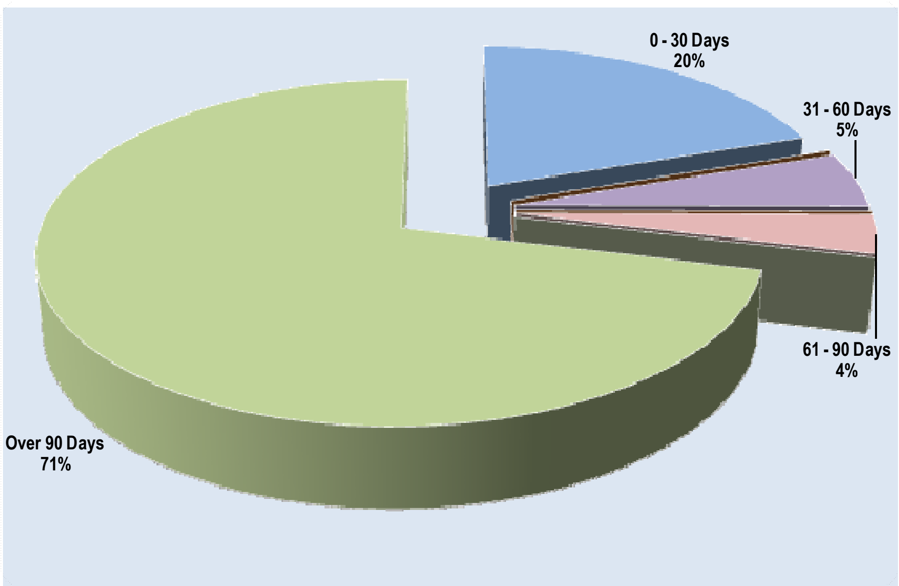
8.5 Debt management

Debtor age analysis

The total debt owing to municipalities as at the end of the 2007/08 financial year was R5.6 billion. When compared to the debt for the same period in the previous financial year (R4.4 billion), the municipal debt grew by R1.2 billion. This suggests that the escalating debt has not been arrested and debt has spiralled out of control at a rate of approximately R100 million a month. The true debt position could be greater than indicated, as this is the debt position of 58 reporting municipalities, and not 61.

Figure 8.4 below provides an analysis of the age of the debtors.

Figure 8.4: Debtors age analysis – Provincial overview



The table shows that the bulk of the debt (71 per cent or R4 billion) lies in the *Over 90 days* category. While it is acknowledged that municipal debt is the aggregation of a host of variables, such as historic debt inherited from pre-1994, accumulated interest exceeding the principle debt, etc., municipalities ought to isolate debt into recoverable and irrecoverable debt and thereafter channel their efforts towards debt that has a higher probability of being recovered. An amount of R209.4 million (4 per cent), lies in the 61-90 *days* category and R298.4 million (5 per cent of total debt) in the *31-60 days* category.

Some of the poorer municipalities, such as Umkhanyakude and Uthukela, have most of their outstanding debt in excess of 90 days, at 91 per cent and 85 per cent, respectively.

The inability to control and manage current debt and recover outstanding debt has dual implications. Firstly, it places pressure on the national government, where additional funds and savings have to be identified for transfer to municipalities. Secondly, because municipalities have huge inefficiencies in collections and adverse cash flows, the municipal budgets are placed under strain, and the quality and level of services have to be traded off against competing community needs.

Provincial debt comparison

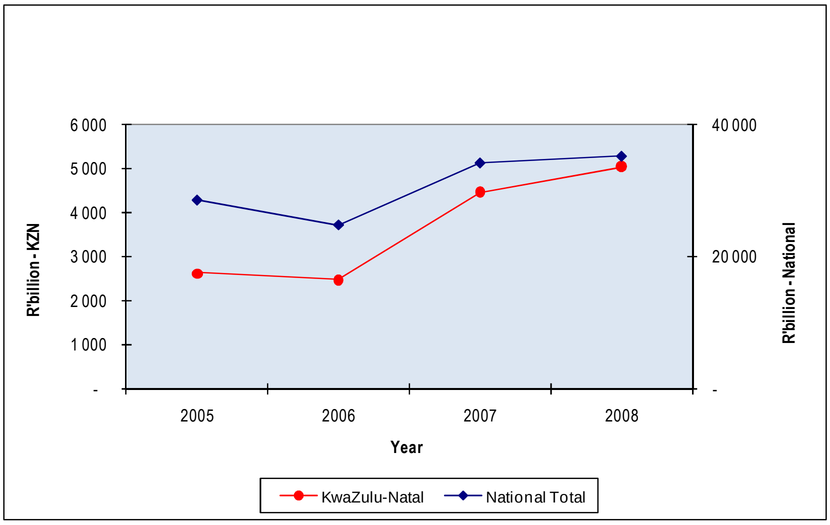
A comparative analysis of municipal debt for the past four years for the nine provinces is illustrated in Table 8.2.

Table 8.2: Outstanding debt per province for the financial years 2005 to 2008

R000	2005	2006	2007	2008
Eastern Cape	1 280 604	1 726 330	2 384 960	2 472 572
Free State	427 110	2 015 427	2 057 330	2 724 928
Gauteng	18 724 341	11 851 326	19 876 480	18 698 839
KwaZulu-Natal	2 625 053	2 476 884	4 474 287	5 053 924
Limpopo	111 690	96 549	164 127	228 835
Mpumalanga	495 846	753 813	798 091	970 052
North West	899 437	535 849	783 318	794 403
Northern Cape	4 301	5 133	6 520	8 659
Western Cape	4 030 458	5 375 832	3 680 789	4 307 249
National Total	**28 598 840**	**24 837 143**	**34 225 902**	**35 259 461**

The total amount owing to municipalities in KwaZulu-Natal has grown from R2.6 billion in 2005, to R5.1 billion in 2008. This represents an increase of 93 per cent from 2005 to 2008, compared to a mere 23 per cent increase in the National Total for the same period. Similarly, Figure 8.5 below shows the increase in the outstanding debt for KwaZulu-Natal from 2007 to 2008 (13 per cent) has been significantly higher than the National Total increase of 3 per cent.

Figure 8.5: Comparison of KZN total outstanding debt against National total



Government debt

In order for Provincial Treasury to discharge the prescripts of Section 44 of the MFMA, a Provincial Government Debt Steering Committee (PGDSC) was established to deal specifically with debt owed to municipalities by national and provincial departments. The inaugural meeting of this committee was held on 22 June 2007. The committee is composed of all provincial government departments' Chief Financial Officers and five municipal representatives from the following municipalities:

- uMhlathuze Municipality;
- uMngeni Municipality;
- eThekwini Metropolitan Municipality;
- Umdoni Municipality; and
- Msunduzi Municipality.

The steering committee has been extended to include the national and provincial Department of Works, so that specific resolutions are taken on the settlement of the debt owed by these departments. Meetings are held on a monthly basis to monitor progress on specific resolutions taken, with a view of speedy settlement of outstanding debt.

In April 2008, all municipalities in KwaZulu-Natal were requested to submit details of amounts owed to them by government departments for the period ending 31 March 2008, in order to assist in recovering these amounts. It is disappointing to report that only 10 municipalities responded to Provincial Treasury's request, namely, eThekwini, Richmond, Ingwe, Jozini, Mbonambi, Nkandla, uMmngeni, Ugu, Endumeni and Hibiscus Coast.

To complement the Municipal Support Programme, Provincial Treasury has also been investigating alternative approaches to resolving the government debt owed to municipalities. In terms of section 35(b) of the MFMA, national and provincial departments and entities must promptly meet their financial commitments towards municipalities. The rationale for focusing on government debt is:

- Improved inter-governmental relations;
- Setting the trend (clean up your own backyard before looking over the neighbour's fence);
- Improved data integrity (group/split accounts correctly; update asset registers); and
- Allocating billing accordingly (identify which department is responsible for what debt).

In January 2009, Provincial Treasury will launch a project specifically to address government debt. Due to the large number of municipalities in the province and the cost of the exercise, the programme will be phased in, where initially 12 municipalities have been preliminarily selected for the first phase.

The approach that will be utilised is as follows:

- Extract all billing data from the municipal billing systems through the system vendors;
- Process the system data into the Municipal Data Analysis Model and produce query reports for analysis;
- Verify addressee of accounts for services and rates charges and split in relation to correct provincial/ national department;
- Review services and rates accounts and recommend account changes in relation to responsibility for payment;
- Gather supporting documentation from provincial and national departments in respect of arrears and payments and get commitment to pay arrears; and
- Recommend cleaning of non-government accounts (especially housing related).

The expected outcomes of the project include:

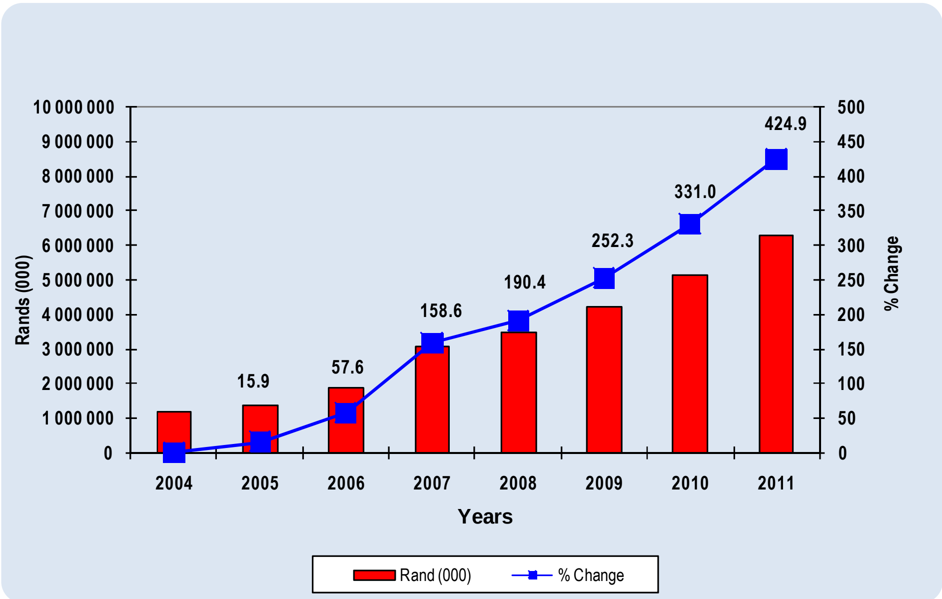
- Correct allocation of accounts per provincial and national department on individual municipal billing systems;
- Improved billing data integrity (e.g. correct postal addresses) and updated asset registers;
- Improved revenue through once-off facilitation of payment, and
- Sustainable solution in respect of future payment of invoices – cash flow improvements.

8.6 Municipal equitable share allocation

The 2008/09 annual Division of Revenue Act (DoRA) was analysed, and the following was established in respect of municipal allocations. Firstly, it was determined that, although 31 local municipalities were affected by a reduction in the equitable share in the 2007/08 DoRA, this was remedied in the 2008/09 MTEF. Figure 8.6 illustrates the total equitable share allocations for all KwaZulu-Natal municipalities for the period 2004 to 2011. Note that the percentage change illustrated in the figure is based on the first year, namely 2004. Between 2007/08 and 2008/09, the equitable share allocation increased year-on-year by 21.3 per cent (R5.1 billion), and projections show a further increase of 21.8 per cent (R6.3 billion) between 2009/10 and 2010/11.

Secondly, it is noted that, in the 2008/09 DoRA allocations, an additional allocation of R740 million was added to the municipal equitable share to further extend the resources available for free basic services to poor households. The increase in allocations is intended to fight against poverty and assist municipalities to meet the challenges of economic growth at the local sphere of government, through encouraging infrastructure investment.

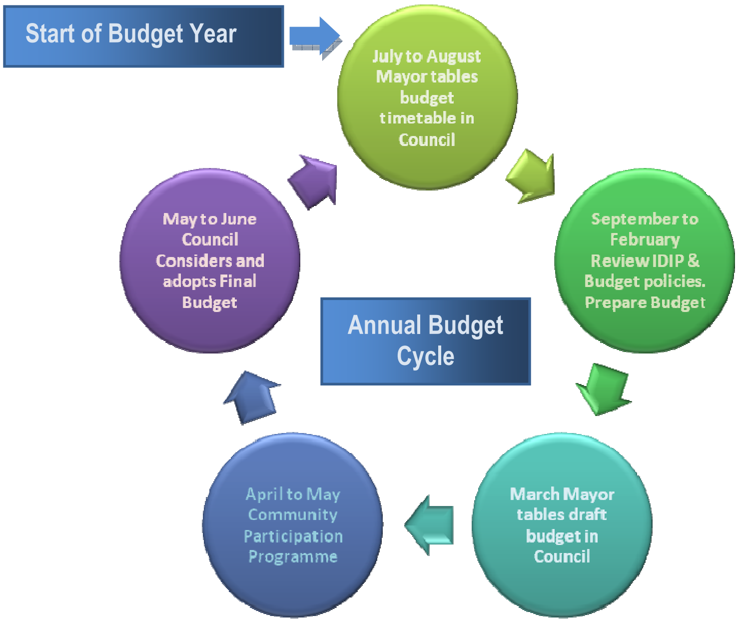
Figure 8.6: KwaZulu-Natal municipal equitable share 2004-2011



8.7 Budget process

The Provincial Treasury oversees the budget processes of 58 municipalities in the province. Figure 8.7 shows that the Mayor of the municipality must table the draft annual budget at a council meeting at least 90 days before the start of the municipal budget year, to allow for sufficient time for consultation on the budget, prior to adoption. The budget adoption process affords Provincial Treasury the opportunity to assist municipalities in compiling credible budgets that seeks to address the needs of their communities.

Figure 8.7: Budget cycle



In improving the Medium Term Revenue and Expenditure Framework (MTREF) budget process and maintaining the culture of the MFMA reforms, Provincial Treasury has issued guidelines to assist municipalities with the effective and efficient management of the MTREF budget process. The guideline provides a platform for a consultative approach between internal and external role players and focuses primarily on the outputs/outcomes revenue driven approach or strategy. The transformational imperatives of the MFMA reforms have created a consultative approach to determine priorities, policies, budgets and improve financial management. This approach will place emphasis on the MTREF budget, IDPs, and Service Delivery and Budget Implementation Plan (SDBIP). This will require direct involvement of all role players to work together on the selection and funding of priorities within the MTREF.

The guidelines will further assist the Mayors of municipalities to effectively discharge their role and responsibilities in accordance with Sections 23, 52 and 53 of the MFMA, in that the municipality will have to establish a Budget and Treasury steering committee.

The committee will be responsible for the compilation and overseeing of the following:

- Monitoring of the key MTREF budget timeframes;
- MTREF budget policy statements;
- Review of IDP; and
- Ensuring that MTREF budget and IDP is aligned to the SDBIP and Section 57 performance agreements.

This consultative platform will ensure that the MTREF has been secured by guaranteed funding sources from both national and provincial government, and similarly this platform will place further emphasis on senior management motivating in detail the approval of their departmental budgets, and specific performance outcomes. The platform will ensure that realistic performance targets are documented within the SDBIP and performance agreements of senior management.

The guideline has been specifically designed to ensure synergy of the aforementioned process within the MFMA budget reforms that will strategically assist municipalities to optimally implement priorities leading to *"Significantly improving the lives of our people"*.

The final approved budgets for the 2008/09 municipal financial year are reflected in Table 8.3.

Table 8.3: Consolidated Municipal Budgets for MTREF 2008/09 - 2010/11

R000		Code	Medium Term Estimates 2008/09 Capital	2008/09 Operating	2008/09 Total	2009/10 Capital	2009/10 Operating	2009/10 Total	2010/11 Capital	2010/11 Operating	2010/11 Total
A	eThekwini	KZN000	5 929 687	14 288 394	**20 218 081**	4 833 494	15 742 058	**20 575 552**	4 567 307	17 295 974	**21 863 281**
	Total: Ugu Municipalities		**683 730**	**987 309**	**1 671 039**	**640 569**	**1 047 151**	**1 687 720**	**666 577**	**1 124 914**	**1 791 491**
B	Vulamehlo	KZN211	20 467	24 857	**45 324**	15 865	20 752	**36 617**	8 813	25 199	**34 012**
B	Umdoni	KZN212	54 270	76 244	**130 514**	16 332	89 981	**106 313**	7 791	104 360	**112 151**
B	Umzumbe	KZN213	41 577	28 944	**70 521**	44 696	31 115	**75 811**	48 048	33 449	**81 497**
B	uMuziwabantu	KZN214	25 797	43 872	**69 669**	29 430	44 742	**74 172**	39 166	47 200	**86 366**
B	Ezinqolweni	KZN215	5 840	18 137	**23 977**	7 966	21 894	29 860	9 207	26 525	35 732
B	Hibiscus Coast	KZN216	126 532	342 922	**469 454**	96 571	363 717	**460 288**	102 357	389 484	**491 841**
C	Ugu District Municipality	DC21	409 247	452 333	**861 580**	429 709	474 950	**904 659**	451 195	498 697	**949 892**
	Total: uMgungundlovu Municipalities		**521 828**	**2 532 747**	**3 054 575**	**519 639**	**2 724 146**	**3 243 785**	**559 667**	**2 910 264**	**3 469 931**
B	uMshwathi	KZN221	39 778	59 553	**99 331**	32 750	65 532	**98 282**	35 000	72 086	**107 086**
B	uMngeni	KZN222	65 979	211 795	**277 774**	42 388	229 589	**271 977**	29 067	241 037	**270 104**
B	Mpofana	KZN223	17 376	56 161	**73 537**	16 457	58 568	**75 025**	17 174	59 623	**76 797**
B	Impendle	KZN224	4 464	17 891	**22 355**	6 992	16 021	**23 013**	7 780	17 190	**24 970**
B	Msunduzi	KZN225	236 817	1 897 364	**2 134 181**	324 473	2 067 053	**2 391 526**	316 822	2 222 748	**2 539 570**
B	Mkhambathini	KZN226	9 708	29 780	**39 488**	-	-	**-**	-	-	**-**
B	Richmond	KZN227	14 291	34 503	**48 794**	46 179	39 637	**85 816**	80 879	40 570	**121 449**
C	uMgungundlovu District Municipality	DC22	133 415	225 700	**359 115**	50 400	247 746	**298 146**	72 945	257 010	**329 955**
	Total:Uthukela Municipalities		**271 385**	**788 274**	**1 059 659**	**204 775**	**870 044**	**1 074 819**	**177 041**	**842 897**	**1 019 938**
B	Emnambithi/Ladysmith	KZN232	61 649	265 114	**326 763**	42 966	301 233	**344 199**	43 477	319 741	**363 218**
B	Indaka	KZN233	9 133	26 978	**36 111**	12 163	25 420	**37 583**	9 947	25 783	**35 730**
B	Umtshezi	KZN234	75 806	136 413	**212 219**	16 358	151 475	**167 833**	12 623	169 329	**181 952**
B	Okhahlamba	KZN235	10 884	69 382	**80 266**	13 837	77 375	**91 212**	-	-	**-**
B	Imbabazane	KZN236	22 085	26 239	**48 324**	14 954	32 503	**47 457**	14 819	38 369	**53 188**
C	Uthukela District Municipality	DC23	91 828	264 148	**355 976**	104 497	282 038	**386 535**	96 175	289 675	**385 850**
	Total: Umzinyathi Municipalities		**224 084**	**361 085**	**585 169**	**152 516**	**406 510**	**559 026**	**128 793**	**453 181**	**581 974**
B	Endumeni	KZN241	37 750	103 181	**140 931**	38 298	107 331	**145 629**	35 207	113 718	**148 925**
B	Nquthu	KZN242	13 205	34 986	**48 191**	-	35 045	**35 045**	-	37 322	**37 322**
B	Msinga	KZN244	13 217	33 105	**46 322**	-	35 222	**35 222**	-	36 847	36 847
B	Umvoti	KZN245	54 849	69 938	**124 787**	-	81 182	**81 182**	-	91 193	**91 193**
C	Umzinyathi District Municipality	DC24	105 063	119 875	**224 938**	114 218	147 730	**261 948**	93 586	174 101	**267 687**
	Total: Amajuba Municipalities		**137 922**	**921 268**	**1 059 190**	**41 012**	**956 947**	**997 959**	**36 206**	**1 028 055**	**1 064 261**
B	Newcastle	KZN252	80 245	779 021	**859 266**	-	828 308	**828 308**	-	884 901	**884 901**
B	eMadlangeni	KZN253	4 047	25 751	**29 798**	6 217	20 068	**26 285**	7 005	21 747	**28 752**
B	Dannhauser	KZN254	12 089	35 309	**47 398**	-	32 576	**32 576**	-	34 421	**34 421**
C	Amajuba District Municipality	DC25	41 541	81 187	**122 728**	34 795	75 995	**110 790**	29 201	86 986	**116 187**
	Total: Zululand Municipalities		**495 415**	**596 950**	**1 092 365**	**371 351**	**610 065**	**981 416**	**287 341**	**641 471**	**928 812**
B	eDumbe	KZN261	8 830	38 522	**47 352**	9 016	39 677	**48 693**	10 172	40 868	**51 040**
B	uPhongolo	KZN262	14 740	64 074	**78 814**	37 018	69 581	**106 599**	9 961	74 818	**84 779**
B	Abaqulusi	KZN263	195 085	164 179	**359 264**	169 179	178 934	**348 113**	114 656	192 489	**307 145**
B	Nongoma	KZN265	8 842	32 207	**41 049**	-	33 656	**33 656**	-	35 170	**35 170**
B	Ulundi	KZN266	28 677	95 055	**123 732**	15 846	100 498	**116 344**	12 966	102 547	**115 513**
C	Zululand District Municipality	DC26	239 241	202 913	**442 154**	140 292	187 719	**328 011**	139 586	195 579	**335 165**
	Total: Umkhanyakude Municipalities		**289 298**	**272 044**	**561 342**	**63 017**	**308 555**	**371 572**	**58 506**	**355 434**	**413 940**
B	Umhlabuyalingana	KZN271	14 442	27 845	**42 287**	15 915	28 702	**44 617**	13 868	30 805	**44 673**
B	Jozini	KZN272	17 098	31 780	**48 878**	18 125	40 739	**58 864**	19 393	43 589	**62 982**
B	The Big Five False Bay	KZN273	6 564	13 717	**20 281**	6 569	13 513	**20 082**	5 388	14 833	**20 221**
B	Hlabisa	KZN274	15 664	30 694	**46 358**	15 982	35 962	**51 944**	14 611	39 809	**54 420**
B	Mtubatuba	KZN275	3 989	29 884	**33 873**	6 426	31 158	**37 584**	5 246	32 958	**38 204**
C	Umkhanyakude District Municipality	DC27	231 541	138 124	**369 665**	-	158 481	**158 481**	-	193 440	**193 440**
	Total: uThungulu Municipalities		**799 222**	**1 559 103**	**2 358 325**	**763 870**	**1 732 132**	**2 496 002**	**562 676**	**1 900 168**	**2 462 844**
B	Mbonambi	KZN281	12 147	45 381	**57 528**	13 968	53 417	**67 385**	15 228	62 389	**77 617**
B	uMhlathuze	KZN282	559 468	1 064 916	**1 624 384**	567 783	1 182 473	**1 750 256**	411 558	1 290 046	**1 701 604**
B	Ntambanana	KZN283	5 307	11 484	**16 791**	7 911	12 330	**20 241**	8 154	13 272	**21 426**
B	Umlalazi	KZN284	36 510	108 013	**144 523**	32 169	125 338	**157 507**	28 064	130 991	**159 055**
B	Mthonjaneni	KZN285	6 490	32 082	**38 572**	9 258	33 361	**42 619**	7 965	37 147	**45 112**
B	Nkandla	KZN286	8 406	22 428	**30 834**	8 063	27 782	**35 845**	-	33 943	**33 943**
C	uThungulu District Municipality	DC28	170 894	274 799	**445 693**	124 718	297 431	**422 149**	91 707	332 380	**424 087**
	Total: iLembe Municipalities		**540 345**	**962 014**	**1 502 359**	**379 246**	**1 002 892**	**1 382 138**	**190 775**	**1 086 312**	**1 277 087**
B	Mandeni	KZN291	65 041	61 870	**126 911**	139 336	63 940	**203 276**	65 946	69 136	**135 082**
B	KwaDukuza	KZN292	300 957	645 993	**946 950**	78 356	662 782	**741 138**	-	703 592	**703 592**
B	Ndwedwe	KZN293	15 423	20 792	**36 215**	18 650	22 929	**41 579**	20 943	24 121	**45 064**
B	Maphumulo	KZN294	9 202	22 616	**31 818**	12 240	23 894	**36 134**	10 011	25 169	**35 180**
C	iLembe District Municipality	DC29	149 722	210 743	**360 465**	130 664	229 347	**360 011**	93 875	264 294	**358 169**
	Total: Sisonke Municipalities		**432 072**	**385 719**	**817 791**	**311 816**	**419 646**	**731 462**	**317 935**	**432 947**	**750 882**
B	Ingwe	KZN431	46 453	34 209	**80 662**	16 521	26 460	**42 981**	18 431	28 995	**47 426**
B	Kwa Sani	KZN432	54 510	18 091	**72 601**	25 553	19 899	**45 452**	12 515	21 889	**34 404**
B	Greater Kokstad	KZN433	61 038	113 919	**174 957**	0	122 819	**122 819**	-	133 803	**133 803**
B	Ubuhlebezwe	KZN434	55 665	38 590	**94 255**	66 615	46 206	**112 821**	76 082	48 515	**124 597**
B	Umzimkulu	KZN435	78 003	56 302	**134 305**	83 464	59 653	**143 117**	89 305	63 828	**153 133**
C	Sisonke District Municipality	DC43	136 403	124 608	**261 011**	119 663	144 609	**264 272**	121 602	135 917	**257 519**
	Total		**10 324 988**	**23 654 907**	**33 979 895**	**8 281 305**	**25 820 146**	**34 101 451**	**7 552 824**	**28 071 617**	**35 624 441**

Source: National Treasury Local Government Database

9. MEASURING PERFORMANCE IN GOVERNMENT

The focus of both the national and provincial government has converged on the need to understand what the financial resources allocated in a financial year actually end up buying. As such, measuring performance in government, as well as the costs associated with service delivery, has become a focal point to ensure that value for money is pursued. In support of this, a decision was taken for the Performance Budgeting System (PBS) to be rolled out to all departments in the province.

PBS is a PFMA-compliant Financial Management Information System, designed to empower managers to monitor and evaluate budgets, expenditure, outputs and measurable objectives. The system works together with BAS and PERSAL, and integrates current financial and personnel information, which is then used with non-financial information to enable monitoring and evaluation of a range of performance measures. It therefore enables activity efficiency to be measured and reported on. PBS performance measures can also be linked upward to inform measurable objectives and strategic objectives.

The commencement of the PBS roll-out began in July 2005, and the implementation schedule provided for a phased approach over approximately four years. However, there have been a number of delays in the implementation of this system. An overview of the progress to date and details of the challenges are discussed below.

9.1 Performance Budgeting System: general progress review and challenges

9.1.1 Purpose and overview of progress

Since the inception of the PBS project, solid progress has been made with the implementation of the system in several departments. However, a number of challenges have been encountered. Some have been resolved, but others still need to be addressed and overcome. These are discussed in more detail in Section 9.1.2 below.

As at the end of the 2008/09 financial year, fifteen provincial departments have commenced with the full implementation of PBS, while a partial implementation is envisaged for the Royal Household.

During Phase 1 of the implementation plan, implementation commenced in the Departments of Transport, Health, Provincial Legislature, Economic Development, Provincial Treasury, Office of the Premier and Agriculture and Environmental Affairs.

Phase 2 saw the commencement of implementation during 2007/08 in the Departments of Community Safety and Liaison, Local Government and Traditional Affairs, Arts, Culture and Tourism, Education and Housing.

The final phase of the project will see the implementation in the Departments of Sport and Recreation, Works, Social Development and the Royal Household. Further details are provided in the sections dealing with the implementation in specific departments.

As the project has experienced some delays and is slightly behind schedule, it was decided that the contract would be extended until April 2010, without compromising the success of the project, and not resulting in an escalation in price. It is still envisaged that the first set of departmental reports will be drawn from PBS at the end of the first quarter of 2009/10; however, the reports may not have been cascaded to appropriate decentralised levels in departments yet.

A number of important and worthwhile customisations have been made to the system since inception, and more functionalities have been added. These include the ability of PBS to draw information for a selected responsibility from BAS and/or Vulindlela, and to provide the monthly In-Year-Monitoring (IYM) report as well as the institutional service delivery report on a quarterly basis (QPR).

Furthermore, the implementation initially focussed only on the capturing of quantitative outputs in PBS. Over time, it has become apparent that the outputs will need to have sub-level categorisation functionality, as some outputs are qualitative and time-based.

Another factor which delayed the implementation of the project was the introduction of the new Standard Chart of Accounts (SCOA) in 2008/09, which necessitated an adaptation to the system in line with the new classifications.

9.1.2 Common implementation problems

Certain implementation problems are common to more than one department, and these common issues are discussed in this section, to avoid repetition.

- One of the main risks to the success of the project is regarded as a lack of commitment. Central to this is the fact that departments have not formally appointed project teams to take responsibility for the roll-out of the project;
- In some instances, the nominated PBS project managers in departments either do not accept these responsibilities, or do not assign them significant priority. It also happens that staff are not dedicated to the project, and some are not at an appropriate level to influence other managers;
- The lack of continuity in departments has also been problematic. As project teams are not formally appointed, there is no-one in departments to continue with the co-ordination of departmental activities when a PBS project manager takes leave or moves;
- Users are currently not actively using the system, and some trained users are not accessing the system at all. Hence, users may not be fully *au fait* with the functionalities and menus offered, and may experience difficulties initially in drawing the first quarter report.

The following steps have been taken in an attempt to overcome these challenges:

- Appointment by the Provincial Treasury of a full-time PBS Project Manager to work closely with the PBS consultants;
- Departments were urged to formally assign responsibilities to properly constituted, reasonably-sized PBS task teams within departments;
- Ongoing task team meetings are being held with departments to monitor progress and assist where problems are experienced; and
- A process guide is in the process of being developed and a quarterly reporting format/template will be designed, with the input of the various departments, and workshopped with them.

9.2 Review of PBS per department

In general, the roll-out of the system entails workshops, where departmental staff are informed of the system and capacitated on using the system. A demonstration version is installed on the departmental users' computers, while a customised user support manual and software guide is developed for reference by the user. It may also be necessary to further customise the system to the particular department's needs. Once the system has been installed and the results tested, and performance on the department's network is satisfactory, it can be rolled out fully to the entire department. The section below highlights the current status and planned activities for the remainder of the year.

9.2.1 Department of Transport

The level of support by the staff from the Department of Transport has been excellent, and they are continuously providing significant input into the further enhancements and customisation of the system.

The new version has been released and installations thereof were done at Head Office and the pilot site, which is the Pietermaritzburg cost centre. A process for capturing the cost centre outputs is being developed, and the capturing of these will be finalised thereafter. The full roll-out of PBS in the entire department will be undertaken, once the department is satisfied with the new version's functionality at the pilot site.

9.2.2 Department of Health

Health has also actively driven its PBS implementation. However, a minor set-back was the resignation of the PBS champion in the department at the end of December 2008. A pilot was run in the Amajuba District Office, with all outputs being set up and the hospital champions empowered to capture, link and plan outputs. This pilot proved successful and the subsequent roll-out plan to other district offices was developed, but is still subject to approval.

The phased district approach intends for the PBS system to be implemented, and to go live at district level, after which the full-scale roll-out to hospitals in each of the districts, is initiated. However, some operational problems need to be resolved, before roll-out can commence at district level, for instance:

- There is not a consistent number of measures and outputs to be captured across the various districts. Some districts have over 500 outputs, and yet at the same time the measures and outputs included in the department's Annual Performance Plan (APP) are not all reflected;
- Although it is understood and appreciated that each district has its own set of circumstances, the department should, at this point, aim to (at least) measure uniform performance measures that can be used for the customised sector quarterly performance reports and reporting in terms of its APP; and
- The bandwidth and the data-line speeds, as well as server congestion, will need to be investigated once the system is operational in the districts, as the response times may be slow and replication to the main server may be negatively affected. The main challenge remains the IT infrastructure and the lack of funds to upgrade lines and equipment.

Notwithstanding, it is envisaged that the system will be fully rolled-out in all the districts by the end of the 2008/09 financial year.

9.2.3 Department of Agriculture and Environmental Affairs

During the Treasury intervention (in terms of Section 18 of the PFMA), which was administered in the Department of Agriculture and Environment Affairs at the beginning of 2007/08, it was agreed that the implementation of PBS be put on hold to allow the department time to consolidate its budget and spending. It was therefore decided that the department would be brought on board with the final set of departments, which were scheduled for implementation in 2008/09. In this regard, a set of combined workshops were held at the end of January 2009.

9.2.4 Office of the Premier

This department has captured its outputs on the system, and is capturing actual achievements live on the system. There are therefore no problems foreseen for the production of the first quarter report of 2009. The department, being the champion of the provincial strategy and of provincial monitoring and evaluation is strongly supportive of this system, as it integrates planning and budgeting. The buy-in from this department has improved substantially, to the point where they will probably be the first department that is fully live on the PBS system.

9.2.5 Department of Economic Development

The installation of the customised software has been done and the output capturing completed. The system is now live in the department, and the first quarter report can be produced by the department. The only concern is the low usage rate at the department.

9.2.6 Provincial Legislature

The degree of support from top management and staff at all levels is noteworthy. The project was delayed slightly, as the department requested further customisation, to cater for the outputs to be linked to timeliness and quality. The revised PBS software has been loaded and outputs captured onto the system. The system in the department is live, and the production of the first quarter report should pose little or no problems.

9.2.7 Provincial Treasury

The Provincial Treasury is, as a department, the champion of the PBS implementation. As such, there has been excellent support and buy-in from the department. Implementation deliverables have been delayed slightly, as Treasury also had to wait for the output categorisation to be finalised, before output capturing could commence. However, the installation of the system and the capturing of outputs are now complete, and the department is all set to produce its first quarter reports from the system.

The remaining issues are:

- As provincial PBS co-ordinator, Provincial Treasury needs to enter into, and monitor the level of service provision in terms of the Service Level Agreement contract. In this regard, the Provincial Treasury and PBS (Pty) Ltd. are currently negotiating acceptable terms and conditions, as well as the structure for user support fees; and
- Although departments are liable for the payment of the ongoing user support and maintenance fees, it is envisaged that the amount will be formally suspended from the departmental budgets to that of Vote 6: Treasury, from 2009/10 onwards, to ensure more effective monitoring and management of the project at a provincial level.

9.2.8 Department of Community Safety and Liaison

All workshops have been conducted, and the installation demonstration has been installed on users' computers. The user manual and software guide have been finalised. However, the department has not yet set any dates for the PBS consultants to assist with the capturing of outputs and actual deliverables. At this point in time, the slight delays experienced are not crucial, and it is still expected that the department will be able to report on its first quarter performance from the system.

9.2.9 Department of Local Government and Traditional Affairs

As all training workshops have been completed on a live system, the outputs have already been captured. The department is on track, with the only concern being the low rate of usage in the department.

9.2.10 Department of Arts, Culture and Tourism

The PBS roll-out has been finalised and the department is on track to use the system for the production of a report for the first quarter.

9.2.11 Department of Education

Training workshops have been done in the department. The capturing of the non-financial data will be completed for each district by the end of 2008/09, after which the department can draw reports on expenditure and performance.

The IT hardware and network capabilities of the district offices still need to be assessed to determine whether there are any additional system requirements, and to ensure that, if required, funding be set aside for required upgrades.

9.2.12 Department of Housing

The implementation of PBS was delayed as the department raised concern that the installation of PBS would result in a duplication of work, as the department uses the national Housing Subsidy System (HSS) for monitoring of service delivery. The department, PBS and the national Department of Housing had a meeting to discuss and resolve this matter. As such, the department is now fully on board for the continuation of the implementation of PBS, which will entail the outputs capturing.

9.2.13 Social Development

The workshops with the Managers at Social Development have taken place and the demo was installed on all users' computers. The user manual and software guide were customised for use by the department. The outputs as per the APP are being captured onto the system at present, and it is envisaged that the department will be able to report on its first quarter performance of 2009/10 using PBS.

9.2.14 Department of Works

The introductory and training workshops have taken place at the end of January 2009. The demonstration version of the software was loaded on the users' machines. Development of the user manual and software guide are currently underway, and it is expected that the APP outputs will be captured on PBS before the end of the financial year. The department also requested that an urgent investigation be conducted into the further customisation of the system, to measure strategic and operational performance. This request is currently receiving attention.

9.2.15 Department of Sport and Recreation

The formal assignment of the newly appointed Manager: Monitoring and Evaluation to the PBS project took place in December. Workshops are currently being conducted with managers from the department. The demonstration version of the software was loaded on the computers of the users, and the software manual and guideline developed. The expectation is that the budget structure, non-financial information and activity costs will be loaded by the end of 2008/09, for compilation of the 2009/10 first quarter performance report at the end of June 2009.

9.2.16 Royal Household

Due to financial management controls not yet being in place, and the department not having the necessary capacity to administer PBS reporting on a full scale, it was decided that the system will be loaded with minimal functionality, i.e. the In-Year-Monitoring automated report from April 2009 and the Quarterly Performance Report for the first quarter of 2009/10. To date, no work has been done in this regard.

9.3 Provincial budget and programme structures and quarterly performance reporting (QPR)

National Treasury, in fulfilling its Constitutional obligation and that of the Public Finance Management Act, embarked on an exercise to develop uniform budget and programme structures across all nine provinces. This was a joint project, involving the relevant provincial and national line function departments, and national and provincial treasuries.

The agreed generic budget and programme structure and the development of customised quarterly and annual performance measures, for a number of sectors, are significant steps towards improving the alignment of planning and budgeting on the one hand, and ensuring uniform reporting and greater comparability of efficiency, effectiveness and value-for-money between provinces. It is noted that these standardised sector-specific structures and performance measures form the basis for the departmental reporting templates captured on PBS.

The availability of information within the annual budget now also enables national and provincial portfolio committees to improve the quality of their oversight role in provincial legislatures, and hold departments more accountable for performance.

The budget and programme structures for the provincial departments of Education, Health, Social Development, Provincial Treasury, Legislature, Sport and Recreation, Arts and Culture and Office of the Premier remain unchanged from what was agreed to and implemented as part of the 2008/09 Budget.

Minor changes and improvements have been made to the uniform programme and budget structures of Works, Transport, Economic Development, Local Government and Traditional Affairs, Agriculture and Environmental Affairs and Housing.

The proposed uniform budget and programme structure for the Department of Community Safety and Liaison is currently under review, and it is envisaged that it will be implemented in 2010/11.

Further developments made during 2008/09 included the review and refinement of the quarterly and annual performance measures, in line with budget and programme structures. This included comprehensive definitions of the service delivery measures, to ensure consistent measuring and reporting by sector departments.

In this regard, the Departments of Education, Health, Social Development, Housing, Agriculture and Environmental Affairs, Works, Transport, Sport and Recreation, Arts and Culture, Economic Development and Local Government and Traditional Affairs will report on standardised sector-specific performance measures for the 2009/10 year. These measures have to be reflected, as a minimum, in the departments' Annual Performance Plans (APP). The service delivery measures, as prescribed by the sector, are included in Budget Statement 2, under the sections in the departmental chapters dealing with service delivery measures per programme. The intention of including such information in the budget is to improve transparency, and provide a basis for holding the provincial government accountable for its use of public resources.

The Departments of Community Safety and Liaison, Provincial Treasury, Provincial Legislature, Office of the Premier and the Royal Household will not report on customised performance measures for the 2009/10 year, as long as the measures contained in the APP are reported on. These measures are also reflected in Budget Statement 2, in the sections dealing with service delivery measures under the relevant programmes of these departments.

This year is also the first year where the estimated targets are depicted for the current year and the three years of the MTEF (in the past, it was the current year and the first year of the new MTEF cycle). The rationale behind such a comprehensive forward estimates, is to provide greater insight into whether public service delivery is increasing relative to the growth in the budget, and/or if there is a progressive realisation in addressing the needs of the citizenry.

ANNEXURE – BUDGET STATEMENT 1

Table 1.A: Details of provincial own receipts

	Outcome			Main Budget	Adjusted Budget	Estimated Actual	Medium-term Estimates		
	Audited	Audited	Audited						
R000	2005/06	2006/07	2007/08		2008/09		2009/10	2010/11	2011/12
Tax receipts	**822 356**	**953 871**	**1 037 169**	**1 129 198**	**1 129 198**	**1 151 836**	**1 262 889**	**1 363 213**	**1 470 690**
Casino taxes	162 073	194 038	239 866	254 652	254 652	254 652	275 024	297 026	320 788
Motor vehicle licenses	624 302	717 899	749 631	825 830	825 830	825 830	900 632	972 196	1 050 015
Horseracing	31 982	38 174	43 655	44 671	44 671	67 318	49 138	52 086	53 792
Other taxes	3 999	3 760	4 017	4 045	4 045	4 036	38 095	41 905	46 095
Non-tax receipts	**310 750**	**414 142**	**443 276**	**422 637**	**422 637**	**296 072**	**331 069**	**498 580**	**536 248**
Sale of goods and services other than capital assets	198 036	218 165	247 127	250 277	250 277	255 149	274 281	294 932	313 819
Sale of goods and services produced by dept.	197 025	217 074	245 873	249 298	249 298	254 070	273 130	293 701	312 515
Sales by market establishments	*126*	*132*	*250*	*200*	*200*	*307*	*314*	*332*	*352*
Administrative fees	*25 403*	*28 354*	*36 410*	*31 069*	*31 069*	*30 754*	*35 325*	*38 701*	*42 275*
Other sales	*171 496*	*188 588*	*209 213*	*218 029*	*218 029*	*223 009*	*237 491*	*254 668*	*269 888*
Sale of scrap, waste, arms and other used current goods (excluding capital assets)	1 011	1 091	1 254	979	979	1 079	1 151	1 231	1 304
Fines, penalties and forfeits	19 253	19 734	36 550	30 031	30 031	30 169	33 733	35 757	37 902
Interest, dividends and rent on land	93 461	176 243	159 599	142 329	142 329	10 754	23 055	167 891	184 527
Interest [1]	93 025	175 862	159 331	142 274	142 274	10 180	22 994	167 823	184 455
Dividends	-	-	-	-	-	-	-	-	-
Rent on land	436	381	268	55	55	574	61	68	72
Transfers received from:	**-**	**300**	**300**	**-**	**-**	**-**	**-**	**-**	**-**
Other governmental units	-	-	-	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	300	300	-	-	-	-	-	-
Households and non-profit institutions	-	-	-	-	-	-	-	-	-
Sale of capital assets	**20 222**	**7 972**	**11 564**	**18 703**	**18 703**	**21 239**	**20 940**	**22 197**	**23 528**
Land and subsoil assets	5 607	-	-	-	-	44	-	-	-
Other capital assets	14 615	7 972	11 564	18 703	18 703	21 195	20 940	22 197	23 528
Financial transactions	**73 939**	**70 132**	**64 975**	**21 186**	**21 186**	**63 500**	**30 131**	**34 804**	**39 102**
Total provincial own receipts	**1 227 267**	**1 446 417**	**1 557 284**	**1 591 724**	**1 591 724**	**1 532 647**	**1 645 029**	**1 918 794**	**2 069 568**

Table 1.B: Details of provincial payments and estimates by economic classification

R000	Outcome Audited 2005/06	Outcome Audited 2006/07	Outcome Audited 2007/08	Main Budget 2008/09	Adjusted Budget 2008/09	Estimated Actual 2008/09	Medium-term Estimates 2009/10	Medium-term Estimates 2010/11	Medium-term Estimates 2011/12
Current payments	**27 114 255**	**29 778 849**	**35 565 540**	**39 179 111**	**41 180 676**	**42 589 066**	**46 273 856**	**51 808 832**	**55 762 652**
Compensation of employees	19 659 578	21 758 145	25 794 246	28 484 734	29 468 134	30 828 078	33 226 839	36 681 427	39 194 578
Salaries and wages	16 548 061	18 037 474	21 674 323	23 963 254	24 303 739	25 616 108	27 783 463	29 919 979	32 015 095
Social contributions	3 111 517	3 720 671	4 119 923	4 521 480	5 164 395	5 211 970	5 443 376	6 761 448	7 179 483
Goods and services	7 438 509	7 991 427	9 693 259	10 694 377	11 712 455	11 760 357	13 047 017	15 127 405	16 549 555
of which									
Administrative fees	99 054	103 303	203 034	29 349	31 580	41 131	29 631	21 132	22 227
Advertising	117 559	188 889	195 922	269 336	280 249	306 300	205 711	216 570	230 249
Assets <R5000	259 156	246 993	215 490	255 528	253 539	259 772	292 085	354 944	377 216
Audit cost: External	64 240	61 862	45 122	45 024	60 271	63 243	51 015	56 875	61 250
Bursaries (employees)	61 785	55 700	14 611	30 355	22 676	23 206	24 993	26 765	28 453
Catering: Departmental activities	54 456	70 760	128 990	146 434	187 713	192 173	155 634	147 890	161 296
Communication	168 273	189 838	212 093	211 352	220 085	247 227	263 622	294 138	311 669
Computer services	171 941	172 426	242 598	275 917	284 144	306 654	310 427	345 607	362 638
Cons/prof:business & advisory services	318 257	417 526	517 215	948 875	1 029 923	960 999	1 169 801	1 407 706	1 444 980
Cons/prof: Infrastructre & planning	66 866	82 563	297 410	180 712	237 434	241 328	287 443	321 205	336 633
Cons/prof: Laboratory services	80 875	128 637	258 353	321 912	447 252	531 129	428 249	512 468	564 112
Cons/prof: Legal cost	7 893	7 866	11 371	19 171	24 741	27 972	20 083	21 766	23 422
Contractors	608 594	652 077	1 027 177	1 010 076	1 295 622	742 430	1 217 404	1 423 754	1 508 054
Agency & support/outsourced services	671 098	735 286	673 033	664 418	702 636	809 714	870 566	1 051 507	1 097 846
Entertainment	15 303	18 058	7 022	7 902	5 658	12 202	7 572	7 684	7 976
Government motor transport	23 527	25 171	23 840	23 357	26 992	31 989	34 536	35 370	38 809
Housing	6 379	502	155	-	-	181	174	201	224
Inventory: Food and food supplies	123 954	127 396	216 970	223 407	176 914	197 835	266 716	305 857	328 280
Inventory: Fuel, oil and gas	171 175	204 486	215 103	293 837	350 981	305 577	331 240	365 429	394 125
Inventory:Learn & teacher support material	381 647	407 072	437 261	490 936	488 666	471 598	536 138	564 837	585 967
Inventory: Raw materials	95 901	110 444	92 337	87 745	126 260	98 819	105 329	121 066	135 336
Inventory: Medical supplies	1 343 725	1 490 026	1 860 135	1 737 960	1 835 487	2 140 767	2 172 400	2 609 763	2 841 182
Medsas inventory interface	-	-	-	-	500	549	-	-	-
Inventory: Military stores	-	-	-	-	-	-	-	-	-
Inventory: Other consumbles	175 772	252 269	268 815	324 213	328 249	348 900	387 465	480 073	542 224
Inventory: Stationery and printing	125 033	103 662	152 149	191 580	181 592	195 214	180 580	190 067	201 578
Lease payments	151 733	191 938	247 083	327 862	398 996	362 176	399 862	437 686	454 756
Owned & leasehold property expenditure	256 172	274 518	473 124	532 336	624 569	677 814	610 308	694 925	741 302
Transport provided dept activity	22 632	32 959	68 162	85 606	86 798	92 400	92 289	96 621	102 348
Travel and subsistence	289 490	296 608	391 851	373 861	413 880	444 495	463 939	485 373	530 871
Training & staff development	135 476	143 899	180 771	238 358	261 581	245 592	291 458	332 344	352 220
Operating expenditure	262 551	159 131	206 014	153 401	179 374	242 634	155 635	169 488	167 848
Venues and facilities	104 799	111 330	173 239	197 435	257 714	278 322	224 267	253 056	276 986
Other	1 003 193	928 232	636 810	996 124	890 379	860 016	1 460 445	1 775 238	2 317 478
Interest and rent on land	281	390	7	-	-	498	-	-	18 519
Interest	-	364	-	-	-	488	-	-	18 519
Rent on land	281	26	7	-	-	10	-	-	-
Financial transactions in assets and liabilities	15 887	28 887	77 901	-	87	133	-	-	-
Unauthorised expenditure	-	-	127	-	-	-	-	-	-
Transfers and subsidies to:	**3 211 970**	**4 055 105**	**5 420 173**	**7 210 990**	**6 904 683**	**6 818 691**	**8 516 659**	**7 675 642**	**8 394 395**
Provinces and municipalities	339 982	478 394	783 710	944 853	1 133 956	1 061 932	1 076 544	784 374	841 551
Municipalities	339 982	478 385	783 710	944 853	1 133 954	1 061 932	1 076 544	784 374	841 551
Municipal agencies and funds	-	9	-	-	2	-	-	-	-
Departmental agencies and accounts	442 182	505 556	491 866	564 434	622 943	622 411	652 396	655 655	698 635
Social security funds	11 015	77	178	188	188	78	194	202	215
Entities receiving funds	431 167	505 479	491 688	564 246	622 755	622 333	652 202	655 453	698 420
Universities and technikons	-	100	1 274	4 156	4 856	560	4 500	3 300	-
Public corporations and private enterprises	429 290	557 960	845 660	857 143	74 679	76 505	1 114 249	531 194	546 727
Public corporations	100 199	194 852	801 060	794 099	40 332	43 488	448 038	503 126	516 193
Subsidies on production	*36 031*	-	-	-	-	-	*53 750*	*56 975*	*59 637*
Other transfers	*64 168*	*194 852*	*801 060*	*794 099*	*40 332*	*43 488*	*394 288*	*446 151*	*456 556*
Private enterprises	329 091	363 108	44 600	63 044	34 347	33 017	666 211	28 068	30 534
Subsidies on production	-	-	-	-	-	*65*	*647 396*	-	-
Other transfers	*329 091*	*363 108*	*44 600*	*63 044*	*34 347*	*32 952*	*18 815*	*28 068*	*30 534*
Foreign governments and international organisations	704	264	162	986	1 081	1 081	1 060	1 124	1 191
Non-profit institutions	1 215 513	1 504 290	2 245 311	3 532 145	3 717 230	3 764 535	3 656 842	3 210 190	3 373 759
Households	784 299	1 008 541	1 052 190	1 307 273	1 349 938	1 291 667	2 011 068	2 489 805	2 932 532
Social benefits	87 370	98 195	96 163	98 218	103 469	119 833	108 971	120 705	122 722
Other transfers to households	696 929	910 346	956 027	1 209 055	1 246 469	1 171 834	1 902 097	2 369 100	2 809 810
Payments for capital assets1	**2 945 489**	**3 010 744**	**3 457 985**	**4 670 254**	**5 068 381**	**5 683 557**	**5 615 139**	**6 708 025**	**7 469 387**
Buildings and other fixed structures	2 225 041	2 369 206	2 774 040	3 682 632	4 012 364	4 787 839	4 521 579	5 471 076	6 116 516
Buildings	1 300 552	1 362 650	2 383 644	1 903 337	1 991 413	1 924 814	2 292 951	3 264 001	3 674 332
Other fixed structures	924 489	1 006 556	390 396	1 779 295	2 020 951	2 863 025	2 228 628	2 207 075	2 442 184
Machinery and equipment	700 813	618 514	646 537	981 816	1 028 543	868 373	1 083 860	1 227 806	1 342 795
Transport equipment	150 030	108 524	165 818	193 923	214 932	165 057	227 691	249 648	274 131
Other machinery and equipment	550 783	509 990	480 719	787 893	813 611	703 316	856 169	978 158	1 068 664
Cultivated assets	-	23	99	42	112	96	340	380	404
Software and other intangible assets	18 707	17 503	35 595	5 764	26 364	26 086	9 360	8 763	9 672
Land and subsoil assets	928	5 498	1 714	-	900	900	-	-	-
Heritage assets	-	-	-	-	98	263	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Total	**33 271 714**	**36 844 698**	**44 443 698**	**51 060 355**	**53 153 740**	**55 091 314**	**60 405 654**	**66 192 499**	**71 626 434**
Statutory payments	35 365	36 699	39 255	40 571	46 782	46 782	57 299	52 491	55 284
Total (including statutory payments)	**33 307 079**	**36 881 397**	**44 482 953**	**51 100 926**	**53 200 522**	**55 138 096**	**60 462 953**	**66 244 990**	**71 681 718**
1. Included under Payment of Capital Assets are capitalised payments for:									
Compensation of employees	-	-	-	-	-	-	-	-	-
Total compensation of employees	**19 659 578**	**21 758 145**	**25 794 246**	**28 484 734**	**29 468 134**	**30 828 078**	**33 226 839**	**36 681 427**	**39 194 578**
Goods and Services	476 261	499 683	562 734	375 596	375 596	375 596	415 596	436 375	462 558
Total goods and services	**7 914 770**	**8 491 110**	**10 255 993**	**11 069 973**	**12 088 051**	**12 135 953**	**13 462 613**	**15 563 780**	**17 012 113**

Table 1.C Detailed estimates for infrastructure

Category / Department / Type of structure	No. of Projects	Total Cost	Medium-term Estimates		
R000			2009/10	2010/11	2011/12
New infrastructure assets	**1 557**	**2 182 830**	**1 873 134**	**2 479 284**	**2 825 133**
Office of the Premier	1	2 000	2 000	-	-
Kwa-Ceza Chapel	1	2 000	2 000	-	-
Agriculture & Environmental Affairs	-	-	54 469	55 578	57 813
Other	-	-	*54 469*	*55 578*	*57 813*
Education	1 111	1 621 295	312 931	690 459	951 401
New Schools (classrooms & toilets)	*1 077*	*851 430*	*182 019*	*383 778*	*507 388*
Education for Learner with Special Education Needs (ELSEN)	*25*	*463 865*	*70 912*	*236 681*	*364 013*
FET Sites	*9*	*306 000*	*60 000*	*70 000*	*80 000*
Health	237	-	642 023	881 098	961 674
Hospitals	*97*	-	*332 048*	*453 928*	*515 992*
Other Health Facilities	*140*	-	*309 975*	*427 170*	*445 682*
Housing	-	-	120 000	60 000	60 000
Other	-	-	120 000	60 000	60 000
Local Government and Traditional Affairs	65	19 000	5 000	10 000	4 000
Amahlalankosi Amakhosi Houses	*65*	*19 000*	*5 000*	*10 000*	*4 000*
Transport	12	-	582 450	574 191	597 283
P577 New Construction	*1*	-	*190 000*	*100 000*	-
P700 Upgrade	*1*	-	*140 000*	*150 000*	*100 000*
Access Roads	-	-	*194 450*	*200 191*	*212 203*
Pedestrian Bridges	*10*	-	*38 000*	*118 000*	*125 080*
Other	-	-	*20 000*	*6 000*	*160 000*
Social Development	28	325 744	78 500	90 302	120 259
Office accommodation	*28*	*325 744*	*78 500*	*90 302*	*120 259*
Works	6	99 025	21 700	29 200	27 112
Office blocks	*5*	*95 125*	*21 200*	*25 800*	*27 112*
Other	*1*	*3 900*	*500*	*3 400*	-
Arts, Culture and Tourism	8	78 200	15 000	47 616	2 300
Arts Centre Umzinyathi	1	9 700	-	9 700	-
Arts Centre Amajuba	1	9 700	-	6 700	-
Arts Centre Umkhanyakude	1	9 700	-	3 816	-
Arts Centre Uthungulu	1	9 700	-	9 700	-
Arts Centre Ilembe	*1*	*9 700*	-	*9 700*	-
Arts Centre Sisonke	*1*	*9 700*	-	*5 700*	-
Conditional Grant Umkhanyakude	*2*	*20 000*	*15 000*	*2 300*	*2 300*
Sport and Recreation	89	37 566	39 061	40 840	43 291
New Sport FacilitiesConstructed	*21*	*24 576*	*21 857*	*22 950*	*24 327*
New Combination Courts	*68*	*12 990*	*17 204*	*17 890*	*18 964*
Existing infrastructure assets					
Maintenance and repair	**398**	**4 104 575**	**2 242 868**	**2 537 419**	**2 693 296**
Office of the Premier	1	2 200	1 000	600	600
Provincial Public Service Training Academy	*1*	*1 500*	*500*	*500*	*500*
Telkom building	*1*	*700*	*500*	*100*	*100*
Provincial Legislature	-	-	677	718	761
General maintenance	-	-	*677*	*718*	*761*
Agriculture & Environmental Affairs	-	-	18 568	19 627	21 145
Maintenance of buildings	-	-	*18 568*	*19 627*	*21 145*
Education	252	-	94 495	100 000	106 000
Maintenance	*252*	-	*94 495*	*100 000*	*106 000*
Health	72	-	497 862	642 238	680 566
Hospitals	*3*	-	*155 748*	*200 088*	*202 668*
Other Health Facilities	*69*	-	*342 114*	*442 150*	*477 898*
Housing		-	106 656	60 142	60 142
Other	-	-	106 656	60 142	60 142
The Royal Household	-	-	3 025	3 328	3 528
Repairs and maintenance to the Royal Palaces	-	-	*3 025*	*3 328*	*3 528*
Local Government and Traditional Affairs	56	12 050	4 000	4 000	4 050
Thusong Centres and TAC's	*56*	*12 050*	*4 000*	*4 000*	*4 050*
Transport	-	4 055 637	1 495 576	1 684 945	1 786 040
Routine	-	*2 100 081*	*644 081*	*706 000*	*750 000*
Preventative	-	*1 550 556*	*464 556*	*527 000*	*559 000*
Mechanical	-	*405 000*	*125 000*	*135 000*	*145 000*
Other	-	-	*261 939*	*316 945*	*332 040*
Social Development	-	-	9 589	10 164	10 774
Other: Office accomm, State Institutions & Residential	-	-	*9 589*	*10 164*	*10 774*
Works	-	31 688	8 000	8 000	15 688
Other	-	*31 688*	*8 000*	*8 000*	*15 688*
Sport and Recreation	17	3 000	3 420	3 657	4 002
Facilities Upgraded and Renovated	*17*	*3 000*	*3 420*	*3 657*	*4 002*

Table 1.C Detailed estimates for infrastructure (cont.)

Category / Department / Type of structure	No. of Projects	Total Cost	Medium-term Estimates		
R000			2008/09	2009/10	2010/11
Upgrading and additions	**2 555**	**2 823 224**	**2 231 397**	**2 446 392**	**2 683 326**
Provincial Legislature			1 208	1 281	1 358
Education	2 411	2 607 856	692 613	885 927	953 560
Health	100	-	190 368	262 384	283 255
Housing	-	-	250 000	280 000	280 000
Transport	20	-	1 044 118	947 719	1 126 922
Social Development	10	101 723	26 790	32 510	9 423
Works	14	113 645	26 300	36 571	28 808
Rehabilitation and refurbishment	1 046	1 889 596	838 329	1 043 735	1 116 913
Agriculture and Environmental Affairs	-	-	42 843	98 969	104 693
Education	918	1 788 134	297 983	354 983	390 481
Health	120	-	80 776	110 856	120 961
Transport	-	-	394 547	455 000	485 963
Works	1	83 000	22 180	12 300	14 815
Arts, Culture and Tourism	7	18 462	-	11 627	-
Infrastructure transfer	**12**	**5 507 933**	**3 695 409**	**3 112 251**	**3 528 209**
Infrastructure transfers - current	**5**	**149 963**	**174 876**	**31 953**	**37 441**
Economic Development	-	-	24 913	31 953	37 441
Local Government and Traditional Affairs	5	149 963	149 963	-	-
Infrastructure transfers - capital	**7**	**5 357 970**	**3 520 533**	**3 080 298**	**3 490 768**
Economic Development	3	4 971 635	1 508 935	757 575	731 637
Provincial Treasury	1	300 000	150 000	-	-
Housing	-	-	1 833 792	2 293 967	2 729 358
Transport	-	33 000	11 000	11 000	11 000
Arts, Culture and Tourism	3	53 335	16 806	17 756	18 773
Capital infrastructure	*5 165*	*12 253 620*	*8 463 393*	*9 049 709*	*10 116 140*
Current infrastructure	*403*	*4 254 538*	*2 417 744*	*2 569 372*	*2 730 737*
Total	**5 568**	**16 508 158**	**10 881 137**	**11 619 081**	**12 846 877**

Table 1.D: Summary of transfers to municipalities

R000			Outcome			Main Budget	Adjusted Budget	Estimated Actual	Medium-term Estimates		
			Audited	Audited	Audited						
			2005/06	2006/07	2007/08		2008/09		2009/10	2010/11	2011/12
A		**eThekwini**	**130 644**	**162 281**	**400 359**	**656 182**	**683 497**	**640 984**	**724 455**	**519 824**	**540 675**
Total: Ugu Municipalities			**15 888**	**17 466**	**41 787**	**33 191**	**40 509**	**37 110**	**56 051**	**19 072**	**15 090**
B	KZ211	Vulamehlo	2 840	750	4 050	-	5 491	5 491	910	170	189
B	KZ212	Umdoni	1 256	1 461	3 130	1 528	3 345	2 575	3 661	1 811	1 920
B	KZ213	Umzumbe	1 600	700	2 140	600	600	600	410	170	180
B	KZ214	uMuziwabantu	1 247	1 314	751	501	1 329	909	1 533	643	682
B	KZ215	Ezingolweni	884	337	2 024	600	3 900	3 900	260	169	179
B	KZ216	Hibiscus Coast	3 004	3 308	2 018	3 092	6 528	4 329	6 589	3 644	5 439
C	DC21	Ugu District Municipality	5 057	9 596	27 674	26 870	19 316	19 306	42 688	12 465	6 501
Total: uMgungundlovu Municipalities			**56 251**	**34 351**	**73 127**	**66 622**	**122 323**	**111 905**	**89 585**	**49 735**	**51 389**
B	KZ221	uMshwathi	2 456	421	600	89	482	482	682	276	292
B	KZ222	uMngeni	2 339	1 716	5 622	2 042	3 478	2 578	2 930	1 824	1 934
B	KZ223	Mpofana	732	851	2 512	1 520	2 339	1 520	2 581	1 803	1 911
B	KZ224	Impendle	1 405	2 032	3 198	200	760	760	160	170	180
B	KZ225	Msunduzi	35 196	13 189	29 726	38 870	69 855	61 250	47 894	33 566	34 556
B	KZ226	Mkhambathini	800	1 750	1 275	1 057	1 006	1 006	518	577	189
B	KZ227	Richmond	2 948	90	834	621	621	550	132	140	149
C	DC22	uMgungundlovu District Municipality	10 375	14 302	29 360	22 223	43 782	43 759	34 688	11 379	12 178
Total:Uthukela Municipalities			**18 167**	**10 524**	**24 098**	**40 557**	**26 228**	**21 616**	**29 260**	**17 226**	**17 786**
B	KZ232	Emnambithi/Ladysmith	3 771	3 992	10 248	5 949	10 515	7 999	9 847	5 260	5 652
B	KZ233	Indaka	3 139	850	1 750	-	79	79	750	-	-
B	KZ234	Umtshezi	1 900	1 019	2 027	30 031	8 982	7 690	8 893	7 271	7 707
B	KZ235	Okhahlamba	3 301	1 148	1 047	873	2 139	1 339	2 727	1 033	1 095
B	KZ236	Imbabazane	800	1 242	5 020	100	592	592	-	-	-
C	DC23	Uthukela District Municipality	5 256	2 273	4 006	3 604	3 921	3 917	7 043	3 662	3 332
Total: Umzinyathi Municipalities			**11 899**	**11 448**	**18 987**	**9 594**	**27 983**	**25 722**	**15 150**	**9 764**	**8 870**
B	KZ241	Endumeni	1 610	2 143	1 833	2 704	4 545	3 263	4 889	3 086	3 272
B	KZ242	Nquthu	2 489	972	1 968	-	2 860	2 860	160	170	180
B	KZ244	Msinga	1 560	2 956	5 999	1 000	2 700	2 700	-	-	-
B	KZ245	Umvoti	978	1 052	1 795	415	4 388	3 424	1 846	369	392
C	DC24	Umzinyathi District Municipality	5 262	4 325	7 392	5 475	13 490	13 475	8 255	6 139	5 026
Total: Amajuba Municipalities			**6 807**	**14 005**	**17 339**	**16 178**	**30 540**	**31 599**	**21 523**	**4 701**	**4 777**
B	KZ252	Newcastle	1 086	3 507	3 615	2 533	14 076	15 601	7 312	2 867	2 615
B	KZ253	eMadlangeni	300	710	3 850	257	757	741	836	304	323
B	KZ254	Dannhauser	902	1 219	332	124	686	250	1 339	197	209
C	DC25	Amajuba District Municipality	4 519	8 569	9 542	13 264	15 021	15 007	12 036	1 333	1 630
Total: Zululand Municipalities			**28 929**	**17 094**	**30 030**	**25 434**	**29 389**	**29 190**	**26 017**	**15 704**	**23 067**
B	KZ261	eDumbe	712	957	883	552	1 338	938	748	232	246
B	KZ262	uPhongolo	900	500	1 400	930	1 109	1 093	1 140	680	720
B	KZ263	Abaqulusi	3 620	2 560	2 556	1 039	1 786	1 419	2 241	1 228	1 302
B	KZ265	Nongoma	6 809	100	2 380	630	1 209	1 209	1 118	442	969
B	KZ266	Ulundi	7 410	7 145	14 722	12 389	9 089	9 680	11 178	9 874	10 347
C	DC26	Zululand District Municipality	9 478	5 832	8 089	9 894	14 858	14 851	9 592	3 248	9 483
Total: Umkhanyakude Municipalities			**24 778**	**19 134**	**24 969**	**9 495**	**26 404**	**26 382**	**6 972**	**4 555**	**3 051**
B	KZ271	Umhlabuyalingana	3 500	2 000	3 035	2 300	1 129	1 129	510	570	680
B	KZ272	Jozini	3 621	4 004	4 577	1 100	760	760	510	170	180
B	KZ273	The Big Five False Bay	900	5 950	680	965	1 065	1 065	627	187	199
B	KZ274	Hlabisa	6 281	292	2 097	-	385	710	160	169	180
B	KZ275	Mtubatuba	3 941	1 031	435	458	518	518	225	238	251
C	DC27	Umkhanyakude District Municipality	6 535	5 857	14 145	4 672	22 547	22 200	4 940	3 221	1 561
Total: uThungulu Municipalities			**22 056**	**25 361**	**35 126**	**28 708**	**41 621**	**36 920**	**59 087**	**9 040**	**10 203**
B	KZ281	Mbonambi	2 034	3 180	5 590	600	1 230	1 290	160	170	180
B	KZ282	uMhlathuze	2 304	4 095	7 253	18 926	8 669	6 224	13 736	4 637	4 490
B	KZ283	Ntambanana	1 530	1 030	700	400	400	400	160	170	180
B	KZ284	Umlalazi	1 197	5 006	3 714	346	4 119	2 528	2 449	285	302
B	KZ285	Mthonjaneni	1 892	1 094	840	421	1 338	958	1 429	144	153
B	KZ286	Nkandla	1 818	1 250	2 000	45	370	370	210	222	2 236
C	DC28	uThungulu District Municipality	11 281	9 706	15 029	7 970	25 495	25 150	40 943	3 412	2 662
Total: Ilembe Municipalities			**10 128**	**20 882**	**36 998**	**28 779**	**36 106**	**31 931**	**23 104**	**20 450**	**17 551**
B	KZ291	Mandeni	1 356	1 354	5 443	1 103	2 225	1 498	2 023	647	686
B	KZ292	KwaDukuza	4 006	7 885	7 728	10 068	14 391	10 950	14 274	10 760	11 406
B	KZ293	Ndwedwe	150	5 064	4 838	1 000	3 764	3 764	160	170	180
B	KZ294	Maphumulo	180	1 000	3 811	750	400	400	910	569	2 180
C	DC29	Ilembe District Municipality	4 436	5 579	15 178	15 858	15 326	15 319	5 737	8 304	3 099
Total: Sisonke Municipalities			**12 746**	**13 979**	**80 528**	**8 030**	**68 800**	**68 017**	**9 379**	**7 380**	**4 225**
B	KZ5a1	Ingwe	2 005	2 321	2 818	45	774	756	210	223	236
B	KZ5a2	Kwa Sani	2 060	854	250	156	256	256	335	354	375
B	KZ5a3	Matatiele	2 082	1 712	5 367	-	-	-	-	-	-
B	KZ5a4	Greater Kokstad	3 148	1 021	2 205	1 625	2 304	2 260	1 599	1 695	1 797
B	KZ5a5	Ubuhlebezwe	910	1 540	280	997	1 157	739	407	114	121
B	KZ5a6	Umzimkulu	-	5 000	20 100	700	21 992	21 692	112	119	126
C	DC43	Sisonke District Municipality	2 541	1 531	49 508	4 507	42 317	42 314	6 716	4 875	1 570
Unallocated/unclassified			**1 689**	**131 869**	**362**	**22 083**	**556**	**556**	**15 961**	**106 923**	**144 867**
Total			**339 982**	**478 394**	**783 710**	**944 853**	**1 133 956**	**1 061 932**	**1 076 544**	**784 374**	**841 551**

Table 1.E Payments and estimates by policy area

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2005/06	Audited 2006/07	Audited 2007/08	2008/09			2009/10	2010/11	2011/12
GENERAL PUBLIC SERVICES	**1 831 387**	**2 041 790**	**2 384 674**	**2 963 640**	**3 117 419**	**3 154 480**	**3 523 807**	**3 680 608**	**3 904 546**
Executive & Legislative	**284 148**	**332 421**	**390 770**	**390 290**	**440 984**	**455 187**	**509 464**	**531 286**	**566 063**
Office of the Premier	19 825	23 645	27 459	17 953	17 997	17 997	17 813	18 953	20 089
Provincial Legislature (including all statutory payments and ministries)	234 367	270 629	324 197	332 981	383 631	385 732	449 251	467 131	498 060
The Royal Household	29 956	38 147	39 114	39 356	39 356	51 458	42 400	45 202	47 914
General Services	**812 878**	**851 051**	**988 726**	**1 260 618**	**1 331 771**	**1 359 460**	**1 585 733**	**1 576 519**	**1 671 129**
Office of the Premier	224 570	286 444	373 953	379 849	449 002	449 002	456 705	448 675	475 588
Transport	107 181	121 944	141 592	155 254	157 254	166 164	253 366	270 113	286 389
Works	481 127	442 663	473 181	725 515	725 515	744 294	875 662	857 731	909 152
General Policy & Administration	**458 469**	**640 839**	**728 259**	**1 009 958**	**1 014 491**	**1 014 491**	**1 105 247**	**1 242 826**	**1 316 921**
Local Government and Traditional Affairs	456 915	639 208	726 530	1 008 108	1 012 641	1 012 641	1 103 258	1 240 718	1 314 687
Agriculture & Environmental Affairs	1 554	1 631	1 729	1 850	1 850	1 850	1 989	2 108	2 234
Financial & Fiscal Affairs	**275 892**	**217 479**	**276 919**	**302 774**	**330 173**	**325 342**	**323 363**	**329 977**	**350 433**
Provincial Treasury	275 892	217 479	276 919	302 774	330 173	325 342	323 363	329 977	350 433
PUBLIC ORDER & SAFETY AFFAIRS	**418 928**	**448 507**	**515 548**	**540 671**	**559 936**	**562 967**	**615 410**	**663 681**	**704 538**
Public Order & Safety Affairs n.e.c.	**48 495**	**59 360**	**78 797**	**104 022**	**109 287**	**109 301**	**134 894**	**147 756**	**156 617**
Community Safety & Liaison	48 495	59 360	78 797	104 022	109 287	109 301	134 894	147 756	156 617
Traffic Control	**370 433**	**389 147**	**436 751**	**436 649**	**450 649**	**453 666**	**480 516**	**515 925**	**547 921**
Transport	370 433	389 147	436 751	436 649	450 649	453 666	480 516	515 925	547 921
EDUCATION AFFAIRS & SERVICES	**15 310 355**	**16 511 110**	**18 755 530**	**21 800 947**	**22 747 085**	**23 161 562**	**25 259 441**	**28 359 444**	**30 882 362**
Education Affairs & Services n.e.c.	**819 000**	**920 162**	**1 141 444**	**1 146 747**	**1 203 013**	**1 314 520**	**1 217 351**	**1 343 391**	**1 421 484**
Education	819 000	920 162	1 141 444	1 146 747	1 203 013	1 314 520	1 217 351	1 343 391	1 421 484
Subsidiary Services to Education	**741 043**	**611 297**	**774 712**	**966 674**	**1 256 254**	**1 383 629**	**1 348 271**	**1 711 604**	**2 116 146**
Education	741 043	611 297	774 712	966 674	1 256 254	1 383 629	1 348 271	1 711 604	2 116 146
Tertiary Education Services not leading to a University Degree	**297 585**	**311 410**	**359 061**	**427 054**	**427 575**	**457 948**	**470 074**	**504 046**	**534 359**
Agriculture & Environmental Affairs	29 483	46 206	33 237	61 248	60 534	57 065	64 729	68 045	71 562
Education	-	-	-	-	-	-	-	-	-
Health	268 102	265 204	325 824	365 806	367 041	400 883	405 345	436 001	462 797
Pre-primary, Primary and Secondary Education	**12 714 551**	**13 818 917**	**15 349 246**	**17 607 174**	**18 139 339**	**18 287 485**	**20 539 812**	**22 610 214**	**24 251 858**
Education	12 714 551	13 818 917	15 349 246	17 607 174	18 139 339	18 287 485	20 539 812	22 610 214	24 251 858
Education Services not defined by level	**738 176**	**849 324**	**1 131 067**	**1 653 298**	**1 720 904**	**1 717 980**	**1 683 933**	**2 190 189**	**2 558 515**
Education	738 176	849 324	1 131 067	1 653 298	1 720 904	1 717 980	1 683 933	2 190 189	2 558 515
HEALTH AFFAIRS & SERVICES	**10 279 527**	**11 390 105**	**14 621 719**	**14 664 684**	**15 403 489**	**16 778 986**	**17 351 247**	**20 218 110**	**21 733 842**
Administration & control of Health Affairs & Services n.e.c.	**1 069 289**	**1 215 026**	**1 571 797**	**1 777 487**	**1 819 449**	**1 592 882**	**1 999 073**	**2 533 745**	**2 724 052**
Health	1 069 289	1 215 026	1 571 797	1 777 487	1 819 449	1 592 882	1 999 073	2 533 745	2 724 052
Hospital & Clinic Affairs & Services	**3 864 687**	**4 330 755**	**5 291 517**	**5 339 644**	**5 579 902**	**6 223 416**	**6 197 115**	**7 116 190**	**7 616 958**
Health	3 864 687	4 330 755	5 291 517	5 339 644	5 579 902	6 223 416	6 197 115	7 116 190	7 616 958
Primary Health Services	**4 924 947**	**5 370 301**	**7 209 609**	**6 915 052**	**7 362 903**	**8 311 453**	**8 394 655**	**9 705 201**	**10 477 374**
Health	4 924 947	5 370 301	7 209 609	6 915 052	7 362 903	8 311 453	8 394 655	9 705 201	10 477 374
Ambulance Services	**420 604**	**474 023**	**548 796**	**632 501**	**641 235**	**651 235**	**760 404**	**862 974**	**915 458**
Health	420 604	474 023	548 796	632 501	641 235	651 235	760 404	862 974	915 458
COMMUNITY & SOCIAL SERVICES	**742 313**	**936 023**	**1 006 950**	**1 186 913**	**1 195 852**	**1 264 378**	**1 364 846**	**1 651 698**	**1 858 317**
Social Security & Welfare Affairs n.e.c.	**344 418**	**434 408**	**485 112**	**529 075**	**628 966**	**698 993**	**679 475**	**724 492**	**766 497**
Social Development	344 418	434 408	485 112	529 075	628 966	698 993	679 475	724 492	766 497
Welfare Services - Children's Residential Institutions	**187 949**	**208 599**	**249 959**	**304 020**	**301 020**	**301 302**	**340 064**	**487 159**	**624 332**
Social Development	187 949	208 599	249 959	304 020	301 020	301 302	340 064	487 159	624 332
Welfare Services - Old Persons Residential Institutions	**65 086**	**69 934**	**78 965**	**78 886**	**86 793**	**85 843**	**88 215**	**90 512**	**92 703**
Social Development	65 086	69 934	78 965	78 886	86 793	85 843	88 215	90 512	92 703
Welfare Services - Handicapped Persons	**44 680**	**45 736**	**54 481**	**48 605**	**54 899**	**53 847**	**56 411**	**58 378**	**60 581**
Social Development	44 680	45 736	54 481	48 605	54 899	53 847	56 411	58 378	60 581
Welfare Services not delivered through residential institutions	**41 470**	**50 112**	**74 843**	**154 329**	**100 481**	**100 059**	**171 932**	**252 587**	**272 479**
Social Development	41 470	50 112	74 843	154 329	100 481	100 059	171 932	252 587	272 479
Research & Development	**58 710**	**127 234**	**63 590**	**71 998**	**23 693**	**24 334**	**28 749**	**38 570**	**41 725**
Social Development	58 710	127 234	63 590	71 998	23 693	24 334	28 749	38 570	41 725

Table 1.E Payments and estimates by policy area (cont.)

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited	Audited	Audited						
	2005/06	2006/07	2007/08		2008/09		2009/10	2010/11	2011/12
HOUSING & COMMUNITY (AMENITY) AFFAIRS & SERVICES	**1 326 603**	**1 640 016**	**1 973 255**	**2 311 305**	**2 361 510**	**2 360 136**	**3 178 520**	**3 615 449**	**4 104 911**
Housing Affairs & Services	**974 159**	**1 252 921**	**1 522 181**	**1 799 693**	**1 846 160**	**1 846 160**	**2 577 313**	**2 978 110**	**3 429 341**
Housing	974 159	1 252 921	1 522 181	1 799 693	1 846 160	1 846 160	2 577 313	2 978 110	3 429 341
Nature Conservation	**269 408**	**286 752**	**309 747**	**329 920**	**340 812**	**340 812**	**394 269**	**417 946**	**442 989**
Agriculture & Environmental Affairs	269 408	286 752	309 747	329 920	340 812	340 812	394 269	417 946	442 989
Pollution Abatement & Control Affairs	**83 036**	**100 343**	**141 327**	**181 692**	**174 538**	**173 164**	**206 938**	**219 393**	**232 581**
Agriculture & Environmental Affairs	83 036	100 343	141 327	181 692	174 538	173 164	206 938	219 393	232 581
RECREATIONAL, CULTURAL & RELIGIOUS AFFAIRS & SERVICES	**247 467**	**274 747**	**348 756**	**450 077**	**458 573**	**458 573**	**514 557**	**607 174**	**583 131**
Sporting & Recreational Affairs & Services	**90 458**	**108 793**	**155 630**	**209 996**	**213 636**	**213 636**	**263 136**	**281 043**	**297 963**
Sport & Recreation	90 458	108 793	155 630	209 996	213 636	213 636	263 136	281 043	297 963
Recreational, Cultural & Religious Affairs & Services n.e.c.	**32 281**	**34 933**	**38 528**	**43 921**	**48 958**	**51 869**	**57 774**	**60 564**	**63 843**
Arts, Culture & Tourism	32 281	34 933	38 528	43 921	48 958	51 869	57 774	60 564	63 843
Cultural Affairs & Services	**124 728**	**131 021**	**154 598**	**196 160**	**195 979**	**193 068**	**193 647**	**265 567**	**221 325**
Arts, Culture & Tourism	124 728	131 021	154 598	196 160	195 979	193 068	193 647	265 567	221 325
Office of the Premier	-	-	-	-	-	-	-	-	-
AGRICULTURE AFFAIRS & SERVICES	**814 333**	**848 394**	**758 029**	**1 081 799**	**1 291 409**	**1 274 408**	**1 330 603**	**1 510 486**	**1 639 438**
Agriculture Affairs & Services, except subsidies on agricultural products	**738 909**	**767 993**	**686 992**	**956 769**	**1 146 319**	**1 137 077**	**1 187 958**	**1 358 440**	**1 478 985**
Agriculture & Environmental Affairs	738 909	767 993	686 992	956 769	1 146 319	1 137 077	1 187 958	1 358 440	1 478 985
Research and development	**75 424**	**80 401**	**71 037**	**125 030**	**145 090**	**137 331**	**142 645**	**152 046**	**160 453**
Agriculture & Environmental Affairs	75 424	80 401	71 037	125 030	145 090	137 331	142 645	152 046	160 453
TRANSPORTATION & COMMUNICATION AFFAIRS & SERVICES	**1 796 076**	**2 022 795**	**2 534 615**	**3 158 847**	**3 805 620**	**3 878 742**	**4 521 798**	**4 052 356**	**4 409 408**
Air transport affairs and services	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Office of the Premier	-	-	-	-	-	-	-	-	-
Transportation Affairs & Services n.e.c.	**34 097**	**83 384**	**67 832**	**79 037**	**79 037**	**66 304**	**750 463**	**97 755**	**103 622**
Transport	34 097	83 384	67 832	79 037	79 037	66 304	750 463	97 755	103 622
Road Affairs & Services	**1 761 979**	**1 939 411**	**2 466 783**	**3 079 810**	**3 726 583**	**3 812 438**	**3 771 335**	**3 954 601**	**4 305 786**
Transport	1 761 979	1 939 411	2 466 783	3 079 810	3 726 583	3 812 438	3 771 335	3 954 601	4 305 786
OTHER ECONOMIC AFFAIRS & SERVICES	**540 090**	**767 910**	**1 583 877**	**2 942 043**	**2 259 629**	**2 243 864**	**2 802 724**	**1 885 984**	**1 861 225**
Other Economic Affairs & Services n.e.c.	**33 720**	**36 619**	**51 259**	**66 825**	**117 528**	**118 280**	**118 469**	**123 495**	**130 444**
Economic Development	33 720	36 619	51 259	66 825	117 528	118 280	118 469	123 495	130 444
Multipurpose Development Project Affairs & Services	**21 153**	**186 702**	**303 672**	**678 468**	**143 522**	**171 845**	**471 812**	**504 923**	**502 764**
Economic Development	21 153	186 702	303 672	678 468	143 522	171 845	471 812	504 923	502 764
General Economic & Commercial Affairs other than General Labour Affairs	**14 370**	**13 516**	**18 280**	**69 495**	**37 142**	**29 139**	**74 552**	**77 943**	**83 759**
Economic Development	14 370	13 516	18 280	69 495	37 142	29 139	74 552	77 943	83 759
Regional Development	**396 967**	**437 791**	**1 119 681**	**2 020 007**	**1 855 981**	**1 819 144**	**2 022 639**	**1 063 648**	**1 021 166**
Economic Development	74 067	177 791	1 046 758	1 831 730	1 647 489	1 610 652	1 736 912	825 135	655 760
Provincial Treasury	322 900	260 000	72 923	188 277	208 492	208 492	285 727	238 513	365 406
Tourism Affairs & Services	**73 880**	**93 282**	**90 985**	**107 248**	**105 456**	**105 456**	**115 252**	**115 975**	**123 092**
Arts, Culture & Tourism	73 880	93 282	90 985	107 248	105 456	105 456	115 252	115 975	123 092
GRAND TOTAL FOR ALL FUNCTIONS	**33 307 079**	**36 881 397**	**44 482 953**	**51 100 926**	**53 200 522**	**55 138 096**	**60 462 953**	**66 244 990**	**71 681 718**

Table 1.F Donor funding and agency receipt

Name of Donor Organisation	Outcome			Main budget	Adjusted budget	Estimated Actual	Medium-term Estimates		
	Audited	Audited	Audited						
R000	2005/06	2006/07	2007/08		2008/09		2009/10	2010/11	2011/12
Donor funding	**63 613**	**174 277**	**202 244**	**159 957**	**170 335**	**248 258**	**93 445**	**25 535**	**15 518**
Provincial Legislature	1 141	157	198	-	1 003	1 003	-	-	-
European Union Support	*1 141*	*157*	*198*	-	*1 003*	*1 003*	-	-	-
Agriculture and Environmental Affairs	28	9 085	2 072	9 733	11 181	11 181	17 016	15 195	15 218
Flemish Government	*28*	*8 388*	*1 845*	*8 280*	*8 280*	*8 280*	*12 000*	*12 000*	*12 000*
Dutch Funding (NUFFIC)	-	*697*	*20*	*711*	*711*	*711*	-	-	-
World Health Organisation	-	-	-	-	-	-	*3 516*	*3 195*	*3 218*
Danida	-	-	*207*	*742*	*2 190*	*2 190*	*1 500*	-	-
Economic Development	-	109 738	-	49 162	-	64 223	47 805	10 040	-
European Unionn - LED in KZN Programme	-	*109 738*	-	*49 162*	-	*64 223*	*47 805*	*10 040*	-
Education	1 934	19 435	52 537	20 440	20 440	20 440	12 144	-	-
Royal Netherlands embassy	*1 934*	*19 435*	*52 537*	*20 440*	*20 440*	*20 440*	*12 144*	-	-
Health	58 641	32 427	140 895	77 522	134 611	134 611	16 080	-	-
Global fund for HIV/AIDS Patients	*45 055*	*17 094*	*108 503*	*57 362*	*107 679*	*107 679*	-	-	-
Bristol-Myers Squibb (Ladysmith)	*3 691*	*307*	-	-	-	-	-	-	-
European Union : PHC	*9 000*	*12 816*	*21 500*	*20 160*	*20 160*	*20 160*	*10 080*	-	-
Belgium Funding (Communcable Diseases)	*500*	-	*800*	-	-	-	-	-	-
HWSeta Learnership - St Aiden's	*226*	*693*	*329*	-	*115*	*115*	-	-	-
HWSeta Learnership - Mseleni and Mosvold	*121*	*203*	-	-	*225*	*225*	-	-	-
Johnson and Johnson (IALCH)	*5*	-	-	-	-	-	-	-	-
Grey's Canadian Trials	-	-	-	-	*392*	*392*	-	-	-
Bhayla - Neurosurgery (IALCH)	-	-	*20*	-	-	-	-	-	-
Bhayla - Orthopaedic (IALCH)	-	-	*60*	-	-	-	-	-	-
Orthomedics (IALCH)	*2*	*1*	-	-	-	-	-	-	-
Sabinet ONLINE (IALCH)	*2*	-	-	-	-	-	-	-	-
Mbonambi Municipality	*10*	-	-	-	-	-	-	-	-
Synthes(PTY)LTD	*20*	-	-	-	-	-	-	-	-
HWSeta Learnership - Pharmacy	-	*201*	-	-	-	-	-	-	-
Pfizer Laboratories (IALCH)	-	*9*	-	-	-	-	-	-	-
TB Global Fund	-	*778*	*3 983*	-	-	-	-	-	-
Canadian HIV Trials Network	-	*301*	*547*	-	-	-	-	-	-
Rashid Suliman & Associates	-	*6*	*3*	-	-	-	-	-	-
Braun IALCH	-	*8*	-	-	-	-	-	-	-
Braun Ngwelezana	-	*1*	-	-	-	-	-	-	-
Atlantic Philanthropies	-	-	-	-	*6 000*	*6 000*	*6 000*	-	-
Housing	780	851	-	3 100	3 100	3 100	400	300	300
Flemish Government - Housing Project	*780*	*851*	-	*3 100*	*3 100*	*3 100*	*400*	*300*	*300*
Local Government and Traditional Affairs	1 089	2 584	6 542	-	-	13 700	-	-	-
Development Bank of SA	*1 089*	*2 134*	*6 542*	-	-	*13 700*	-	-	-
Flemish Government	-	*300*	-	-	-	-	-	-	-
Norwegian Government	-	*150*	-	-	-	-	-	-	-
Agency receipt	**511 905**	**527 369**	**598 231**	**610 173**	**610 173**	**649 617**	**31 908**	**7 420**	**7 420**
Office of the Premier	-	-	22 147	-	-	50 465	24 908	-	-
Department of Labour - Literacy Programme	-	-	*22 147*	-	-	*50 465*	*24 908*	-	-
Agriculture and Environmental Affairs	21 118	1 400	-	-	-	-	-	-	-
Cold Spell Disaster	*21 118*	-	-	-	-	-	-	-	-
Other	-	*1 400*	-	-	-	-	-	-	-
Local Government & Traditional Affairs	-	1 742	-	-	-	-	-	-	-
LGWSETA	-	*1 742*	-	-	-	-	-	-	-
Transport	490 787	524 227	576 084	610 173	610 173	599 152	7 000	7 420	7 420
Bus Subsidies	*482 000*	*515 000*	*570 255*	*600 000*	*600 000*	*589 464*	-	-	-
Overload Control	*8 787*	*9 227*	*5 829*	*10 173*	*10 173*	*9 688*	*7 000*	*7 420*	*7 420*
Total	**575 518**	**701 646**	**800 475**	**770 130**	**780 508**	**897 875**	**125 353**	**32 955**	**22 938**

Table 1.G(i): Details of transfers to Municipalities: 2009/10

Municipality	Vote 1		Vote 3	Vote 4	Vote 6	Vote 7			Vote 8				Vote 11													Vote 12		Vote 14	Vote 15		Vote 16	Total
R000	1.1	1.2	3.1	4.1	6.1	7.1	7.2	7.3	8.1	8.2	8.3	8.4	11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9	11.10	11.11	11.12	11.13	12.1	12.2	14.1	15.1	15.2	16.1	
eThekwini	149	-	-	-	150 000	43 045	1 178	894	240 000	11 000	-	50 000	-	50 000	-	-	-	-	-	-	-	-	1 875	-	-	5 000	-	170 315	-	-	999	724 455
Ugu Municipalities	153	-	-	-	-	5 958	263	45	-	-	640	-	1 200	30 000	-	388	-	-	250	500	-	350	-	-	-	-	-	4 799	9 306	-	2 199	56 051
Vulamehlo	-	-	-	-	-	-	-	-	-	-	160	-	750	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	910
Umdoni	-	-	-	-	-	1 953	76	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 632	-	-	-	3 661
Umzumbe	-	-	-	-	-	-	-	-	-	-	160	-	250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	410
uMuziwabantu	-	-	-	-	-	826	33	-	-	-	160	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	414	-	-	-	1 533
Ezinqolweni	-	-	-	-	-	-	-	-	-	-	160	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	260
Hibiscus Coast	153	-	-	-	-	3 179	154	-	-	-	-	-	-	-	-	-	-	-	-	-	-	350	-	-	-	-	-	2 753	-	-	-	6 589
Ugu District Municipality	-	-	-	-	-	-	-	45	-	-	-	-	-	30 000	-	388	-	-	250	500	-	-	-	-	-	-	-	-	9 306	-	2 199	42 688
uMgungundlovu Municipalities	197	-	-	-	-	11 203	303	104	5 000	6 000	480	-	-	30 000	-	500	500	500	250	-	-	700	-	-	-	6 000	-	25 014	-	-	2 834	89 585
uMshwathi	-	-	-	-	-	422	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100	-	-	-	682
uMngeni	76	-	-	-	-	1 210	86	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 558	-	-	-	2 930
Mpofana	45	-	-	-	-	880	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 656	-	-	-	2 581
Impendle	-	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160
Msunduzi	76	-	-	-	-	8 691	141	-	5 000	6 000	-	-	-	-	-	-	-	-	-	-	-	350	-	-	-	6 000	-	21 636	-	-	-	47 894
Mkhambathini	-	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	350	-	-	-	-	-	8	-	-	-	518
Richmond	-	-	-	-	-	-	76	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56	-	-	-	132
uMgungundlovu District Municipality	-	-	-	-	-	-	-	104	-	-	-	-	-	30 000	-	500	500	500	250	-	-	-	-	-	-	-	-	-	-	-	2 834	34 688
uThukela Municipalities	268	-	-	-	-	8 199	144	19	-	-	-	-	1 250	-	-	500	500	500	250	-	-	350	1 875	-	-	-	-	12 006	-	-	3 399	29 260
Emnambithi/Ladysmith	76	-	-	-	-	4 913	86	-	-	-	-	-	-	-	-	-	-	-	-	-	-	350	-	-	-	-	-	4 422	-	-	-	9 847
Indaka	-	-	-	-	-	-	-	-	-	-	-	-	750	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	750
Umtshezi	116	-	-	-	-	2 033	58	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6 686	-	-	-	8 893
Okhahlamba	76	-	-	-	-	1 253	-	-	-	-	-	-	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	898	-	-	-	2 727
Imbabazane	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
uThukela District Municipality	-	-	-	-	-	-	-	19	-	-	-	-	-	-	-	500	500	500	250	-	-	-	1 875	-	-	-	-	-	-	-	3 399	7 043
uMzinyathi Municipalities	153	-	-	-	-	3 478	144	68	-	-	160	-	-	-	-	388	-	-	250	500	2 300	-	3 750	-	-	-	-	2 960	-	-	999	15 150
Endumeni	77	-	-	-	-	1 979	86	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2 747	-	-	-	4 889
Nquthu	-	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160
Msinga	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Umvoti	76	-	-	-	-	1 499	58	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	213	-	-	-	1 846
uMzinyathi District Municipality	-	-	-	-	-	-	-	68	-	-	-	-	-	-	-	388	-	-	250	500	2 300	-	3 750	-	-	-	-	-	-	-	999	8 255
Amajuba Municipalities	76	-	-	3 000	-	1 740	147	63	-	-	160	-	1 600	5 963	-	500	250	250	250	-	-	350	-	-	-	-	-	2 414	750	-	4 010	21 523
Newcastle	76	-	-	3 000	-	1 136	97	-	-	-	-	-	500	-	-	-	-	-	-	-	-	350	-	-	-	-	-	2 153	-	-	-	7 312
eMadlangeni	-	-	-	-	-	-	25	-	-	-	-	-	550	-	-	-	-	-	-	-	-	-	-	-	-	-	-	261	-	-	-	836
Dannhauser	-	-	-	-	-	604	25	-	-	-	160	-	550	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 339
Amajuba District Municipality	-	-	-	-	-	-	-	63	-	-	-	-	-	5 963	-	500	250	250	250	-	-	-	-	-	-	-	-	-	750	-	4 010	12 036
Zululand Municipalities	76	4 823	-	-	-	1 012	150	30	-	3 000	480	-	2 550	-	-	387	-	-	250	500	2 000	-	-	-	-	-	-	9 157	750	-	852	26 017
eDumbe	-	-	-	-	-	430	-	-	-	-	160	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	58	-	-	-	748
uPhongolo	-	-	-	-	-	-	35	-	-	-	160	-	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	445	-	-	-	1 140
Abaqulusi	76	-	-	-	-	582	51	-	-	-	-	-	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 032	-	-	-	2 241
Nongoma	-	-	-	-	-	-	-	-	-	-	160	-	700	-	-	-	-	-	-	-	-	-	-	-	-	-	-	258	-	-	-	1 118
Ulundi	-	-	-	-	-	-	64	-	-	3 000	-	-	750	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7 364	-	-	-	11 178
Zululand District Municipality	-	4 823	-	-	-	-	-	30	-	-	-	-	-	-	-	387	-	-	250	500	2 000	-	-	-	-	-	-	-	750	-	852	9 592
uMkhanyakude Municipalities	-	-	-	-	-	-	-	99	-	-	800	-	800	-	-	387	-	-	250	500	1 800	350	-	-	-	-	-	82	-	-	1 904	6 972
Umhlabuyalingana	-	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	350	-	-	-	-	-	-	-	-	-	510
Jozini	-	-	-	-	-	-	-	-	-	-	160	-	350	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	510
The Big Five False Bay	-	-	-	-	-	-	-	-	-	-	160	-	450	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17	-	-	-	627
Hlabisa	-	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160
Mtubatuba	-	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	65	-	-	-	225
uMkhanyakude District Municipality	-	-	-	-	-	-	-	99	-	-	-	-	-	-	-	387	-	-	250	500	1 800	-	-	-	-	-	-	-	-	-	1 904	4 940

Table 1.G(i): Details of transfers to Municipalities: 2009/10 (cont.)

Municipality	Vote 1		Vote 3	Vote 4	Vote 6	Vote 7			Vote 8				Vote 11													Vote 12		Vote 14	Vote 15		Vote 16	Total
R000	**1.1**	**1.2**	**3.1**	**4.1**	**6.1**	**7.1**	**7.2**	**7.3**	**8.1**	**8.2**	**8.3**	**8.4**	**11.1**	**11.2**	**11.3**	**11.4**	**11.5**	**11.6**	**11.7**	**11.8**	**11.9**	**11.10**	**11.11**	**11.12**	**11.13**	**12.1**	**12.2**	**14.1**	**15.1**	**15.2**	**16.1**	
uThungulu Municipalities	**153**	**-**	**-**	**-**	**-**	**7 466**	**300**	**91**	**5 000**	**-**	**480**	**-**	**400**	**34 000**	**-**	**250**	**-**	**-**	**250**	**500**	**-**	**350**	**-**	**-**	**-**	**-**	**-**	**3 995**	**5 000**	**-**	**852**	**59 087**
Mbonambi	-	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160
uMhlathuze	77	-	-	-	-	4 392	222	-	5 000	-	-	-	-	-	-	-	-	-	-	-	-	350	-	-	-	-	-	3 695	-	-	-	13 736
Ntambanana	-	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160
Umlalazi	76	-	-	-	-	2 181	78	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	114	-	-	-	2 449
Mthonjaneni	-	-	-	-	-	893	-	-	-	-	-	-	400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	136	-	-	-	1 429
Nkandla	-	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50	-	-	-	210
uThungulu District Municipality	-	-	-	-	-	-	-	91	-	-	-	-	-	34 000	-	250	-	-	250	500	-	-	-	-	-	-	-	-	5 000	-	852	40 943
Ilembe Municipalities	**76**	**-**	**-**	**-**	**-**	**5 139**	**139**	**35**	**-**	**-**	**480**	**-**	**900**	**-**	**-**	**500**	**250**	**250**	**250**	**500**	**2 500**	**350**	**-**	**-**	**-**	**-**	**-**	**10 383**	**500**	**-**	**852**	**23 104**
Mandeni	-	-	-	-	-	1 014	26	-	-	-	160	-	400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	423	-	-	-	2 023
KwaDukuza	76	-	-	-	-	4 125	113	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9 960	-	-	-	14 274
Ndwedwe	-	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160
Maphumulo	-	-	-	-	-	-	-	-	-	-	160	-	400	-	-	-	-	-	-	-	-	350	-	-	-	-	-	-	-	-	-	910
Ilembe District Municipality	-	-	-	-	-	-	-	35	-	-	-	-	100	-	-	500	250	250	250	500	2 500	-	-	-	-	-	-	-	500	-	852	5 737
Sisonke Municipalities	**-**	**-**	**-**	**-**	**-**	**-**	**100**	**9**	**-**	**-**	**320**	**-**	**300**	**-**	**-**	**500**	**500**	**500**	**250**	**500**	**1 500**	**-**	**-**	**-**	**-**	**-**	**-**	**1 943**	**-**	**-**	**2 957**	**9 379**
Ingwe	-	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50	-	-	-	210
Kwa Sani	-	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	175	-	-	-	335
Matatiele	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Greater Kokstad	-	-	-	-	-	-	71	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 528	-	-	-	1 599
Ubuhlebezwe	-	-	-	-	-	-	29	-	-	-	-	-	300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	78	-	-	-	407
Umzimkulu				-	-			-				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	112			-	112
Sisonke District Municipality	-	-	-	-	-	-	-	9	-	-	-	-	-	-	-	500	500	500	250	500	1 500	-	-	-	-	-	-	-	-	-	2 957	6 716
Unallocated/unclassified	**60**	**-**	**1 750**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6 000**	**-**	**550**	**-**	**500**	**7 101**	**-**	**15 961**
Total	**1 361**	**4 823**	**1 750**	**3 000**	**150 000**	**87 240**	**2 868**	**1 457**	**250 000**	**20 000**	**4 000**	**50 000**	**9 000**	**149 963**	**-**	**4 300**	**2 000**	**2 000**	**2 500**	**3 500**	**10 100**	**2 800**	**7 500**	**-**	**6 000**	**11 000**	**550**	**243 068**	**16 806**	**7 101**	**21 857**	**1 076 544**

Key	Grant Name	Key	Grant Name
1.1	Museum Services	11.5	Spatial Development
1.2	Airport Subsidy	11.6	Development Administration
3.1	Cleanest Town Competition	11.7	Municipal Development Information Services
4.1	Joint Project Funding	11.8	Centre Management Support
6.1	2010 Soccer Stadium	11.9	Local Economic Development Catalyst
7.1	Health - Municipal Clinics	11.10	Synergistic Partnerships
7.2	Environmental Health	11.11	Small Town Regeneration
7.3	Motor Vehicle Licence Fees	11.12	Public Participation
8.1	Hostel Redevelopment & Upgrading	11.13	Disaster Management
8.2	Municipal Rates and Taxes	12.1	Municipal Transport Planning and Infrastructure
8.3	Capacity Building - Flanders Programme	12.2	Maintenance - Main Roads
8.4	Maintenance of R293 Hostels	14.1	Property Rates
11.1	Provincial Management Assistance Programme	15.1	Library Building Projects
11.2	Infrastructure provision for soccer stadia	15.2	Recapitalisation of Community Libraries
11.3	Municipal Governance	16.1	Infrastructure
11.4	Strategic Support		

Table 1.G(ii): Details of transfers to Municipalities: 2010/11

Municipality	Vote 1		Vote 3	Vote 4	Vote 6	Vote 7			Vote 8				Vote 11													Vote 12		Vote 14	Vote 15		Vote 16	Total
R000	1.1	1.2	3.1	4.1	6.1	7.1	7.2	7.3	8.1	8.2	8.3	8.4	11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9	11.10	11.11	11.12	11.13	12.1	12.2	14.1	15.1	15.2	16.1	
eThekwini	**158**	**-**	**-**	**-**	**-**	**45 599**	**1 260**	**948**	**250 000**	**14 000**	**-**	**10 000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2 375**	**-**	**-**	**5 000**	**-**	**189 984**	**500**	**-**	**-**	**519 824**
Ugu Municipalities	**161**	**-**	**-**	**-**	**-**	**-**	**281**	**48**	**-**	**-**	**678**	**-**	**-**	**-**	**-**	**417**	**-**	**-**	**300**	**600**	**2 300**	**400**	**-**	**-**	**-**	**-**	**-**	**5 087**	**8 800**	**-**	**-**	**19 072**
Vulamehlo	-	-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	170
Umdoni	-	-	-	-	-	-	81	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 730	-	-	-	1 811
Umzumbe	-	-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	170
uMuziwabantu	-	-	-	-	-	-	35	-	-	-	169	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	439	-	-	-	643
Ezingolweni	-	-	-	-	-	-	-	-	-	-	169	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	169
Hibiscus Coast	161	-	-	-	-	-	165	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400	-	-	-	-	-	2 918	-	-	-	3 644
Ugu District Municipality	-	-	-	-	-	-	-	48	-	-	-	-	-	-	-	417	-	-	300	600	2 300	-	-	-	-	-	-	-	8 800	-	-	12 465
uMgungundlovu Municipalities	**209**	**-**	**-**	**10 000**	**-**	**-**	**324**	**112**	**-**	**4 000**	**509**	**-**	**-**	**-**	**-**	**467**	**250**	**250**	**300**	**-**	**-**	**800**	**-**	**-**	**-**	**6 000**	**-**	**26 514**	**-**	**-**	**-**	**49 735**
uMshwathi	-	-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	106	-	-	-	276
uMngeni	81	-	-	-	-	-	92	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 651	-	-	-	1 824
Mpofana	47	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 756	-	-	-	1 803
Impendle	-	-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	170
Msunduzi	81	-	-	-	-	-	151	-	-	4 000	-	-	-	-	-	-	-	-	-	-	-	400	-	-	-	6 000	-	22 934	-	-	-	33 566
Mkhambathini	-	-	-	-	-	-	-	-	-	-	169	-	-	-	-	-	-	-	-	-	-	400	-	-	-	-	-	8	-	-	-	577
Richmond	-	-	-	-	-	-	81	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	59	-	-	-	140
uMgungundlovu District Municipality	-	-	-	10 000	-	-	-	112	-	-	-	-	-	-	-	467	250	250	300	-	-	-	-	-	-	-	-	-	-	-	-	11 379
uThukela Municipalities	**283**	**-**	**-**	**-**	**-**	**-**	**154**	**20**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**467**	**250**	**250**	**300**	**-**	**-**	**400**	**2 375**	**-**	**-**	**-**	**-**	**12 727**	**-**	**-**	**-**	**17 226**
Emnambithi/Ladysmith	81	-	-	-	-	-	92	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400	-	-	-	-	-	4 687	-	-	-	5 260
Indaka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Umtshezi	121	-	-	-	-	-	62	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7 088	-	-	-	7 271
Okhahlamba	81	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	952	-	-	-	1 033
Imbabazane	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
uThukela District Municipality	-	-	-	-	-	-	-	20	-	-	-	-	-	-	-	467	250	250	300	-	-	-	2 375	-	-	-	-	-	-	-	-	3 662
Umzinyathi Municipalities	**163**	**-**	**-**	**-**	**-**	**-**	**154**	**72**	**-**	**-**	**170**	**-**	**-**	**-**	**-**	**417**	**-**	**-**	**300**	**600**	**-**	**-**	**4 750**	**-**	**-**	**-**	**-**	**3 138**	**-**	**-**	**-**	**9 764**
Endumeni	82	-	-	-	-	-	92	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2 912	-	-	-	3 086
Nquthu	-	-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	170
Msinga	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Umvoti	81	-	-	-	-	-	62	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	226	-	-	-	369
Umzinyathi District Municipality	-	-	-	-	-	-	-	72	-	-	-	-	-	-	-	417	-	-	300	600	-	-	4 750	-	-	-	-	-	-	-	-	6 139
Amajuba Municipalities	**81**	**-**	**-**	**-**	**-**	**-**	**158**	**66**	**-**	**-**	**170**	**-**	**-**	**-**	**-**	**467**	**-**	**-**	**300**	**-**	**-**	**400**	**-**	**-**	**-**	**-**	**-**	**2 559**	**500**	**-**	**-**	**4 701**
Newcastle	81	-	-	-	-	-	104	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400	-	-	-	-	-	2 282	-	-	-	2 867
eMadlangeni	-	-	-	-	-	-	27	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	277	-	-	-	304
Dannhauser	-	-	-	-	-	-	27	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	197
Amajuba District Municipality	-	-	-	-	-	-	-	66	-	-	-	-	-	-	-	467	-	-	300	-	-	-	-	-	-	-	-	-	500	-	-	1 333
Zululand Municipalities	**81**	**-**	**-**	**-**	**-**	**-**	**160**	**31**	**-**	**2 000**	**509**	**-**	**-**	**-**	**-**	**417**	**-**	**-**	**300**	**600**	**1 400**	**-**	**-**	**-**	**-**	**-**	**-**	**9 706**	**500**	**-**	**-**	**15 704**
eDumbe	-	-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	62	-	-	-	232
uPhongolo	-	-	-	-	-	-	37	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	473	-	-	-	680
Abaqulusi	81	-	-	-	-	-	55	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 092	-	-	-	1 228
Nongoma	-	-	-	-	-	-	-	-	-	-	169	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	273	-	-	-	442
Ulundi	-	-	-	-	-	-	68	-	-	2 000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7 806	-	-	-	9 874
Zululand District Municipality	-	-	-	-	-	-	-	31	-	-	-	-	-	-	-	417	-	-	300	600	1 400	-	-	-	-	-	-	-	500	-	-	3 248
uMkhanyakude Municipalities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**105**	**-**	**-**	**847**	**-**	**-**	**-**	**-**	**416**	**-**	**-**	**300**	**600**	**1 800**	**400**	**-**	**-**	**-**	**-**	**-**	**87**	**-**	**-**	**-**	**4 555**
Umhlabuyalingana	-	-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	400	-	-	-	-	-	-	-	-	-	570
Jozini	-	-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	170
The Big Five False Bay	-	-	-	-	-	-	-	-	-	-	169	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18	-	-	-	187
Hlabisa	-	-	-	-	-	-	-	-	-	-	169	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	169
Mtubatuba	-	-	-	-	-	-	-	-	-	-	169	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	69	-	-	-	238
uMkhanyakude District Municipality	-	-	-	-	-	-	-	105	-	-	-	-	-	-	-	416	-	-	300	600	1 800	-	-	-	-	-	-	-	-	-	-	3 221

Table 1.G(ii): Details of transfers to Municipalities: 2010/11 (cont.)

Municipality	Vote 1		Vote 3	Vote 4	Vote 6	Vote 7			Vote 8				Vote 11													Vote 12		Vote 14	Vote 15		Vote 16	Total
R000	1.1	1.2	3.1	4.1	6.1	7.1	7.2	7.3	8.1	8.2	8.3	8.4	11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9	11.10	11.11	11.12	11.13	12.1	12.2	14.1	15.1	15.2	16.1	
uThungulu Municipalities	**163**	**-**	**-**	**-**	**-**	**-**	**321**	**96**	**-**	**-**	**509**	**-**	**-**	**-**	**-**	**416**	**-**	**-**	**300**	**600**	**1 000**	**400**	**-**	**-**	**-**	**-**	**-**	**4 235**	**1 000**	**-**	**-**	**9 040**
Mbonambi	-	-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	170
uMhlathuze	82	-	-	-	-	-	238	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400	-	-	-	-	-	3 917	-	-	-	4 637
Ntambanana	-	-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	170
Umlalazi	81	-	-	-	-	-	83	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	121	-	-	-	285
Mthonjaneni	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	144	-	-	-	144
Nkandla	-	-	-	-	-	-	-	-	-	-	169	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	53	-	-	-	222
uThungulu District Municipality	-	-	-	-	-	-	-	96	-	-	-	-	-	-	-	416	-	-	300	600	1 000	-	-	-	-	-	-	-	1 000	-	-	3 412
Ilembe Municipalities	**81**	**-**	**-**	**-**	**-**	**-**	**149**	**37**	**-**	**-**	**509**	**-**	**-**	**-**	**-**	**467**	**-**	**-**	**300**	**600**	**1 500**	**400**	**-**	**-**	**-**	**-**	**-**	**11 007**	**5 400**	**-**	**-**	**20 450**
Mandeni	-	-	-	-	-	-	28	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	449	-	-	-	647
KwaDukuza	81	-	-	-	-	-	121	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10 558	-	-	-	10 760
Ndwedwe	-	-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	170
Maphumulo	-	-	-	-	-	-	-	-	-	-	169	-	-	-	-	-	-	-	-	-	-	400	-	-	-	-	-	-	-	-	-	569
Ilembe District Municipality	-	-	-	-	-	-	-	37	-	-	-	-	-	-	-	467	-	-	300	600	1 500	-	-	-	-	-	-	-	5 400	-	-	8 304
Sisonke Municipalities	**-**	**-**	**-**	**-**	**-**	**-**	**107**	**9**	**-**	**-**	**339**	**-**	**-**	**-**	**-**	**466**	**250**	**250**	**300**	**600**	**3 000**	**-**	**-**	**-**	**-**	**-**	**-**	**2 059**	**-**	**-**	**-**	**7 380**
Ingwe	-	-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	53	-	-	-	223
Kwa Sani	-	-	-	-	-	-	-	-	-	-	169	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	185	-	-	-	354
Matatiele	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Greater Kokstad	-	-	-	-	-	-	76	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 619	-	-	-	1 695
Ubuhlebezwe	-	-	-	-	-	-	31	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	83	-	-	-	114
Umzimkulu	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	119	-	-	-	119
Sisonke District Municipality	-	-	-	-	-	-	-	9	-	-	-	-	-	-	-	466	250	250	300	600	3 000	-	-	-	-	-	-	-	-	-	-	4 875
Unallocated/unclassified	**63**	**-**	**1 750**	**-**	**-**	**-**	**-**	**-**	**30 000**	**-**	**-**	**-**	**9 000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6 000**	**-**	**600**	**-**	**1 056**	**35 504**	**22 950**	**106 923**
Total	**1 443**	**-**	**1 750**	**10 000**	**-**	**45 599**	**3 068**	**1 544**	**280 000**	**20 000**	**4 240**	**10 000**	**9 000**	**-**	**-**	**4 417**	**750**	**750**	**3 000**	**4 200**	**11 000**	**3 200**	**9 500**	**-**	**6 000**	**11 000**	**600**	**267 103**	**17 756**	**35 504**	**22 950**	**784 374**

Key	Grant Name	Key	Grant Name
1.1	Museum Services	11.5	Spatial Development
1.2	Airport Subsidy	11.6	Development Administration
3.1	Cleanest Town Competition	11.7	Municipal Development Information Services
4.1	Joint Project Funding	11.8	Centre Management Support
6.1	2010 Soccer Stadium	11.9	Local Economic Development Catalyst
7.1	Health - Municipal Clinics	11.10	Synergistic Partnerships
7.2	Environmental Health	11.11	Small Town Regeneration
7.3	Motor Vehicle Licence Fees	11.12	Public Participation
8.1	Hostel Redevelopment & Upgrading	11.13	Disaster Management
8.2	Municipal Rates and Taxes	12.1	Municipal Transport Planning and Infrastructure
8.3	Capacity Building - Flanders Programme	12.2	Maintenance - Main Roads
8.4	Maintenance of R293 Hostels	14.1	Property Rates
11.1	Provincial Management Assistance Programme	15.1	Library Building Projects
11.2	Infrastructure provision for soccer stadia	15.2	Recapitalisation of Community Libraries
11.3	Municipal Governance	16.1	Infrastructure
11.4	Strategic Support		

Table 1.G(iii): Details of transfers to Municipalities: 2011/12

Municipality	Vote 1		Vote 3	Vote 4	Vote 6	Vote 7			Vote 8				Vote 11													Vote 12		Vote 14	Vote 15		Vote 16	Total
R000	1.1	1.2	3.1	4.1	6.1	7.1	7.2	7.3	8.1	8.2	8.3	8.4	11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9	11.10	11.11	11.12	11.13	12.1	12.2	14.1	15.1	15.2	16.1	
eThekwini	**167**	**-**	**-**	**-**	**-**	**48 335**	**1 335**	**1 005**	**250 000**	**14 000**	**-**	**10 000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**700**	**-**	**500**	**1 750**	**-**	**-**	**5 000**	**-**	**201 383**	**6 500**	**-**	**-**	**540 675**
Ugu Municipalities	**171**	**-**	**-**	**-**	**-**	**-**	**298**	**51**	**-**	**-**	**728**	**-**	**-**	**-**	**-**	**500**	**-**	**-**	**250**	**700**	**1 500**	**500**	**-**	**-**	**-**	**-**	**-**	**5 392**	**5 000**	**-**	**-**	**15 090**
Vulamehlo	-	-	-	-	-	-	-	-	-	-	189	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	189
Umdoni	-	-	-	-	-	-	86	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 834	-	-	-	1 920
Umzumbe	-	-	-	-	-	-	-	-	-	-	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180
uMuziwabantu	-	-	-	-	-	-	37	-	-	-	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	465	-	-	-	682
Ezingolweni	-	-	-	-	-	-	-	-	-	-	179	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	179
Hibiscus Coast	171	-	-	-	-	-	175	-	-	-	-	-	-	-	-	-	-	-	-	-	1 500	500	-	-	-	-	-	3 093	-	-	-	5 439
Ugu District Municipality	-	-	-	-	-	-	-	51	-	-	-	-	-	-	-	500	-	-	250	700	-	-	-	-	-	-	-	-	5 000	-	-	6 501
uMgungundlovu Municipalities	**222**	**-**	**-**	**10 000**	**-**	**-**	**344**	**118**	**-**	**4 000**	**540**	**-**	**-**	**-**	**-**	**610**	**-**	**-**	**250**	**700**	**-**	**500**	**-**	**-**	**-**	**6 000**	**-**	**28 105**	**-**	**-**	**-**	**51 389**
uMshwathi	-	-	-	-	-	-	-	-	-	-	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	112	-	-	-	292
uMngeni	86	-	-	-	-	-	98	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 750	-	-	-	1 934
Mpofana	50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 861	-	-	-	1 911
Impendle	-	-	-	-	-	-	-	-	-	-	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180
Msunduzi	86	-	-	-	-	-	160	-	-	4 000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6 000	-	24 310	-	-	-	34 556
Mkhambathini	-	-	-	-	-	-	-	-	-	-	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9	-	-	-	189
Richmond	-	-	-	-	-	-	86	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	63	-	-	-	149
uMgungundlovu District Municipality	-	-	-	10 000	-	-	-	118	-	-	-	-	-	-	-	610	-	-	250	700	-	500	-	-	-	-	-	-	-	-	-	12 178
uThukela Municipalities	**300**	**-**	**-**	**-**	**-**	**-**	**164**	**22**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**610**	**-**	**-**	**250**	**700**	**-**	**500**	**1 750**	**-**	**-**	**-**	**-**	**13 490**	**-**	**-**	**-**	**17 786**
Emnambithi/Ladysmith	86	-	-	-	-	-	98	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	-	-	-	-	-	4 968	-	-	-	5 652
Indaka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Umtshezi	128	-	-	-	-	-	66	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7 513	-	-	-	7 707
Okhahlamba	86	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 009	-	-	-	1 095
Imbabazane	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
uThukela District Municipality	-	-	-	-	-	-	-	22	-	-	-	-	-	-	-	610	-	-	250	700	-	-	1 750	-	-	-	-	-	-	-	-	3 332
uMzinyathi Municipalities	**173**	**-**	**-**	**-**	**-**	**-**	**164**	**76**	**-**	**-**	**180**	**-**	**-**	**-**	**-**	**500**	**-**	**-**	**250**	**700**	**-**	**-**	**3 500**	**-**	**-**	**-**	**-**	**3 327**	**-**	**-**	**-**	**8 870**
Endumeni	87	-	-	-	-	-	98	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3 087	-	-	-	3 272
Nquthu	-	-	-	-	-	-	-	-	-	-	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180
Msinga	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Umvoti	86	-	-	-	-	-	66	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	240	-	-	-	392
uMzinyathi District Municipality	-	-	-	-	-	-	-	76	-	-	-	-	-	-	-	500	-	-	250	700	-	-	3 500	-	-	-	-	-	-	-	-	5 026
Amajuba Municipalities	**86**	**-**	**-**	**-**	**-**	**-**	**168**	**70**	**-**	**-**	**180**	**-**	**-**	**-**	**-**	**610**	**-**	**-**	**250**	**700**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2 713**	**-**	**-**	**-**	**4 777**
Newcastle	86	-	-	-	-	-	110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2 419	-	-	-	2 615
eMadlangeni	-	-	-	-	-	-	29	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	294	-	-	-	323
Dannhauser	-	-	-	-	-	-	29	-	-	-	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	209
Amajuba District Municipality	-	-	-	-	-	-	-	70	-	-	-	-	-	-	-	610	-	-	250	700	-	-	-	-	-	-	-	-	-	-	-	1 630
Zululand Municipalities	**86**	**-**	**-**	**-**	**-**	**-**	**169**	**33**	**-**	**2 000**	**540**	**-**	**-**	**-**	**-**	**500**	**-**	**-**	**250**	**700**	**2 500**	**-**	**-**	**-**	**-**	**-**	**-**	**10 289**	**6 000**	**-**	**-**	**23 067**
eDumbe	-	-	-	-	-	-	-	-	-	-	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	66	-	-	-	246
uPhongolo	-	-	-	-	-	-	39	-	-	-	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	501	-	-	-	720
Abaqulusi	86	-	-	-	-	-	58	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 158	-	-	-	1 302
Nongoma	-	-	-	-	-	-	-	-	-	-	180	-	-	-	-	-	-	-	-	-	500	-	-	-	-	-	-	289	-	-	-	969
Ulundi	-	-	-	-	-	-	72	-	-	2 000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8 275	-	-	-	10 347
Zululand District Municipality	-	-	-	-	-	-	-	33	-	-	-	-	-	-	-	500	-	-	250	700	2 000	-	-	-	-	-	-	-	6 000	-	-	9 483
uMkhanyakude Municipalities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**111**	**-**	**-**	**898**	**-**	**-**	**-**	**-**	**500**	**-**	**-**	**250**	**700**	**500**	**-**	**-**	**-**	**-**	**-**	**-**	**92**	**-**	**-**	**-**	**3 051**
Umhlabuyalingana	-	-	-	-	-	-	-	-	-	-	180	-	-	-	-	-	-	-	-	-	500	-	-	-	-	-	-	-	-	-	-	680
Jozini	-	-	-	-	-	-	-	-	-	-	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180
The Big Five False Bay	-	-	-	-	-	-	-	-	-	-	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19	-	-	-	199
Hlabisa	-	-	-	-	-	-	-	-	-	-	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180
Mtubatuba	-	-	-	-	-	-	-	-	-	-	178	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	73	-	-	-	251
uMkhanyakude District Municipality	-	-	-	-	-	-	-	111	-	-	-	-	-	-	-	500	-	-	250	700	-	-	-	-	-	-	-	-	-	-	-	1 561

Table 1.G(iii): Details of transfers to Municipalities: 2011/12 (cont.)

Municipality	Vote 1		Vote 3	Vote 4	Vote 6	Vote 7			Vote 8				Vote 11													Vote 12		Vote 14	Vote 15		Vote 16	Total
R000	1.1	1.2	3.1	4.1	6.1	7.1	7.2	7.3	8.1	8.2	8.3	8.4	11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9	11.10	11.11	11.12	11.13	12.1	12.2	14.1	15.1	15.2	16.1	
uThungulu Municipalities	**173**	**-**	**-**	**-**	**-**	**-**	**339**	**102**	**-**	**-**	**540**	**-**	**-**	**-**	**-**	**610**	**-**	**-**	**250**	**700**	**3 000**	**-**	**-**	**-**	**-**	**-**	**-**	**4 489**	**-**	**-**	**-**	**10 203**
Mbonambi	-	-	-	-	-	-	-	-	-	-	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180
uMhlathuze	87	-	-	-	-	-	251	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4 152	-	-	-	4 490
Ntambanana	-	-	-	-	-	-	-	-	-	-	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180
Umlalazi	86	-	-	-	-	-	88	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	128	-	-	-	302
Mthonjaneni	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	153	-	-	-	153
Nkandla	-	-	-	-	-	-	-	-	-	-	180	-	-	-	-	-	-	-	-	-	2 000	-	-	-	-	-	-	56	-	-	-	2 236
uThungulu District Municipality	-	-	-	-	-	-	-	102	-	-	-	-	-	-	-	610	-	-	250	700	1 000	-	-	-	-	-	-	-	-	-	-	2 662
Ilembe Municipalities	**86**	**-**	**-**	**-**	**-**	**-**	**158**	**39**	**-**	**-**	**540**	**-**	**-**	**-**	**-**	**610**	**-**	**-**	**250**	**700**	**3 000**	**500**	**-**	**-**	**-**	**-**	**-**	**11 668**	**-**	**-**	**-**	**17 551**
Mandeni	-	-	-	-	-	-	30	-	-	-	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	476	-	-	-	686
KwaDukuza	86	-	-	-	-	-	128	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11 192	-	-	-	11 406
Ndwedwe	-	-	-	-	-	-	-	-	-	-	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180
Maphumulo	-	-	-	-	-	-	-	-	-	-	180	-	-	-	-	-	-	-	-	-	2 000	-	-	-	-	-	-	-	-	-	-	2 180
Ilembe District Municipality	-	-	-	-	-	-	-	39	-	-	-	-	-	-	-	610	-	-	250	700	1 000	500	-	-	-	-	-	-	-	-	-	3 099
Sisonke Municipalities	**-**	**-**	**-**	**-**	**-**	**-**	**114**	**10**	**-**	**-**	**359**	**-**	**-**	**-**	**-**	**610**	**-**	**-**	**250**	**700**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2 182**	**-**	**-**	**-**	**4 225**
Ingwe	-	-	-	-	-	-	-	-	-	-	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56	-	-	-	236
Kwa Sani	-	-	-	-	-	-	-	-	-	-	179	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	196	-	-	-	375
Matatiele	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Greater Kokstad	-	-	-	-	-	-	81	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 716	-	-	-	1 797
Ubuhlebezwe	-	-	-	-	-	-	33	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	88	-	-	-	121
Umzimkulu				-	-	-	-	-		-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	126	-	-	-	126
Sisonke District Municipality	-	-	-	-	-	-	-	10	-	-	-	-	-	-	-	610	-	-	250	700	-	-	-	-	-	-	-	-	-	-	-	1 570
Unallocated/unclassified	**66**	**-**	**1 750**	**-**	**-**	**-**	**-**	**-**	**30 000**	**-**	**-**	**-**	**15 000**	**-**	**10 000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12 000**	**12 000**	**-**	**650**	**-**	**1 273**	**37 801**	**24 327**	**144 867**
Total	**1 530**	**-**	**1 750**	**10 000**	**-**	**48 335**	**3 253**	**1 637**	**280 000**	**20 000**	**4 505**	**10 000**	**15 000**	**-**	**10 000**	**5 660**	**-**	**-**	**2 500**	**7 700**	**10 500**	**2 500**	**7 000**	**12 000**	**12 000**	**11 000**	**650**	**283 130**	**18 773**	**37 801**	**24 327**	**841 551**

Key	Grant Name	Key	Grant Name
1.1	Museum Services	11.5	Spatial Development
1.2	Airport Subsidy	11.6	Development Administration
3.1	Cleanest Town Competition	11.7	Municipal Development Information Services
4.1	Joint Project Funding	11.8	Centre Management Support
6.1	2010 Soccer Stadium	11.9	Local Economic Development Catalyst
7.1	Health - Municipal Clinics	11.10	Synergistic Partnerships
7.2	Environmental Health	11.11	Small Town Regeneration
7.3	Motor Vehicle Licence Fees	11.12	Public Participation
8.1	Hostel Redevelopment & Upgrading	11.13	Disaster Management
8.2	Municipal Rates and Taxes	12.1	Municipal Transport Planning and Infrastructure
8.3	Capacity Building - Flanders Programme	12.2	Maintenance - Main Roads
8.4	Maintenance of R293 Hostels	14.1	Property Rates
11.1	Provincial Management Assistance Programme	15.1	Library Building Projects
11.2	Infrastructure provision for soccer stadia	15.2	Recapitalisation of Community Libraries
11.3	Municipal Governance	16.1	Infrastructure
11.4	Strategic Support		

BUDGET STATEMENT 2
Departmental Estimates