

# ESTIMATES OF PROVINCIAL EXPENDITURE

Gauteng Provincial Government

2 March 2010







## FOREWORD

### **Mandla Nkomfe**

MEC for Finance

Over the past years, the province has made great strides in delivering services to the people of Gauteng. The budget for the coming year is, as we all know, set in an uncertain economic environment. Unemployment is increasing, and revenue is slowing down. The Gauteng Provincial Government is fully aware of the impact that this has on the lives of individuals. Our budget decisions, encapsulated in this document, reflect short and medium-term strategies that the departments will implement to ensure that we build an inclusive economy that can withstand global uncertainties and is able to create decent work and a good quality of life for all of Gauteng's citizens.

The budget is a tool that is used for delivering goods and services, and for ensuring accountability and transparency during implementation. In our endeavor to allocate the limited resources available in line with our provincial priorities and programmes, it became clear that tough policy choices had to be made. The provincial priorities that informed the allocation are:

- Creating decent work, and building a growing and inclusive economy
- Promoting good quality education, and skills development
- Ensuring better health care for all
- Stimulating rural development and food security
- Intensifying the fight against crime and corruption
- Building cohesive and sustainable communities, and
- Strengthening the developmental state and good governance

This budget lays out a plan for the next three years, and is a cornerstone for achieving our goals. As we start to implement it and look forward to 2014, we are mindful of the progress made so far and of the challenges that lie ahead. Our focus is on achieving key outcomes that improve the living standards of our citizens.

The total budget allocated for the medium term is R195.6 billion. Of this, R145.6 billion is allocated to the social sector, to improve health care and social development services and to provide good quality education. These functions receive 74 per cent of the total budget. Through reprioritisation, we have allocated over R700 million for the provision of safe mobility and transport during the 2010 FIFA World Cup, for integrated human settlements and for adjustments to baseline allocations.

Economic indicators show that the economy is on the road to recovery. To take advantage of this positive trend, it is critical that government intervenes by making appropriate strategic investments that will help to create jobs opportunities. We are committed to strengthening the Gauteng economy and its competitive advantage through massive public infrastructure investment in both urban and rural areas. The implementation of major and small projects is underway as we prepare ourselves to

implement the second phase of the Expanded Public Works Programme. Over the next three years, the Gauteng government will invest more than R34 billion in constructing, upgrading and rehabilitating provincial infrastructure.

Let me take this opportunity to thank the Acting Head of Department in the Department of Finance and her team, for their sterling work in putting together this budget. I would also like to express my gratitude to my cabinet colleagues.

A handwritten signature in black ink, appearing to read 'M. Nkomfe', with a long horizontal line extending to the right.

MandlaNkomfe  
MEC: FINANCE

# LIST OF ABBREVIATIONS

ABET	Adult Basic Education and Training
ACUMDA	African Cultural Music and Dance Association
APP	Annual Performance Plan
APRM	Africa Peer Review Mechanism
ARP	Alexandra Renewal Programme
ASGISA	Accelerated and Shared Growth Initiative for South Africa
AZT	Azidothymidine
ART	Anti-Retroviral Treatment
BAS	Basic Accounting System
BBBEE	Broad-based Black Economic Empowerment
BI	Business Intelligence
BNG	Breaking New Ground (Programme)
BRT	Bus Rapid Transit
CAATS	Computer Assistance Audit Techniques
CASP	Comprehensive Agriculture Support Programme
CBNRM	Community-Based Natural Resource Management Network
CBO	Community Based Organization
CDC-G	Craft and Design Centre Gauteng
CDW	Community Development Worker
CFO	Chief Financial Officer
CHBH	Chris Hani Baragwanath Hospital
CIDB	Construction Industry Development Board
CIPRO	Companies and Intellectual Property Registration Office
CIPS	Chartered Institute for Procurement Services
CJS	Criminal Justice System
COH	Cradle of Humankind
COSSASA	Confederation of School Sports Associations of South Africa
CPF	Community Policing Forum
CPIX	Consumer Price Index (excluding interest rates on mortgage bonds)
CRSA	Control Risk Self Assessment
DAC	Departmental Acquisition Council
DBSA	Development Bank of South Africa
DDI	Domestic Direct Investment
DGR	Dinokeng Game Reserve
DHS	District Health Services
DHSD	Department of Health and Social Development
DID	Department of Infrastructure Development
DMC	Disaster Management Centre
DoRA	Division of Revenue Act
DoRB	Division of Revenue Bill
DOT	Directly Observed Therapy
DPW	Department of Public Works
DTLC	Driver Learner Training Centre
DVA	Domestic Violence Act
DWAF	Department of Water Affairs and Forestry
ECD	Early Childhood Development
ECDI	Early Childhood Development Institute
EDI	Electronic Data Interchange
EDL	Essential Drugs List
EIA	Environmental Impact Assessment
EIMC	Executive Infrastructure Management Committee
ELRC	Education Labour Relations Council
EMIS	Education Management Information System
EMS	Emergency Medical Services
EPWP	Expanded Public Works Programme

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EXCO	Executive Council
FAL	First Additional Language
FBOS	Faith Based Organizations
FBU	Finance Business Unit
FDI	Foreign Direct Investment
FET	Further Education and Training
FFLC	Foundations for Learning Campaign
FIFA	Fédération Internationale de Football Association
GADS	Gauteng Agriculture Development Strategy
GAS	Gauteng Audit Services
GCR	Global City Region
GCRA	Gauteng City Region Academy
GCRO	Global City Region Observatory
GDID	Gauteng Department of Infrastructure Development
GDP	Gross Domestic Product
GDRT	Gauteng Department of Roads and Transport
GDE	Gauteng Department of Education
GDF	Gauteng Department of Finance
GEDA	Gauteng Economic Development Agency
GEGDS	Gauteng Economic Growth and Development Strategy
GENFETQA	General and Further Education and Training Quality Assurance Act
GEP	Gauteng Economic Propeller
GEPF	Government Employees' Pension Fund
GET	General Education and Training
GEYODI	Gender Youth Disabilities and Vulnerable Groups
GFA	Gauteng Funding Agency
GFC	Gauteng Film Commission
GFPO	Gauteng Fund Project Office
GIAMA	Government Immovable Asset Management Act
GIS	Geographic Information Systems
GJO	Gauteng Jazz Orchestra
GPC	Gauteng Planning Commission
GPDP	Gauteng Planning and Development Bill
GPG	Gauteng Provincial Government
GPL	Gauteng Provincial Legislature
GSDF	Gauteng Spatial Development Framework
GSSC	Gauteng Shared Service Centre
GTA	Gauteng Tourism Authority
GYC	Gauteng Youth Commission
HAART	Highly Active Anti-retroviral Therapy
HCBC	Home Community Based Care
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
HoD	Head of Department
HR(D)	Human Resources (Development)
HRS	Human Resource Services
HWSETA	Health and Welfare Sector Education Training Authority
ICS	Improvement of Conditions of Service
ICT	Information and Communications Technologies
IDIP	Implementation of the Infrastructure Delivery Improvement Programme
IDP	Integrated Development Plan
IDSO	Institutional Development and Support Officer
IFFACA	International Federation of Arts Councils and Culture Agencies
IFMS	Integrated Financial Management System
IGR	Intergovernmental Relations
ILC	Independent Living Centre
IPM	Institute of People Management
IR	International Relations
IT	Information Technology

IWAS	International Wheelchair and Amputee Sports
KM	Knowledge Management
LAN	Local Area Network
LED	Local Economic Development
L:E	Learner: Educator (ratio)
LGB	Leader of Government Business
LSEN	Learners with Special Educational Needs
LOC	Local Organising Committee
LoLT	Language of Learning and Teaching
LRAD	Land Redistribution for Agriculture Programme
LSB	Legislative Services Board
LTSM	Learner and Teacher Support Materials
M&E	Monitoring and evaluation
MAPPP-SETA	Media, Advertising, Publishing, Printing and Packaging Sector Education and Training Authority
MDR	Multi-Drug Resistant
MEC	Member of the Executive Council
MEDSAS	Medical Stores Administration System
MFMA	Municipal Finance Management Act
MIDP	Motor Industry Development Programme
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Accounts Committee
MPCC	Multi-Purpose Community Centre
MPL	Member of the Provincial Legislature
MPP	Mass Participation Programme
MSAU	Multi-Sectoral Aids Unit
MST	Mathematics, Science and Technology
MTEF	Medium-Term Expenditure Framework
MTSF	Medium Term Strategic Framework
MV	Military Veteran
NBCR	Nuclear Biological and Chemical Response
NCOP	National Council of Provinces
NCPS	National Crime Prevention Strategy
NCS	National Curriculum Statement
NC(V)	National Curriculum (Vocational)
NDoH	National Department of Health
NEMA	National Environment Management Agency
NGO	Non-Governmental Organization
NHI	National Health Insurance
NPO	Non-Profit Organization
NQF	National Qualifications Framework
NSNP	National School Nutrition Programme
NYS	National Youth Service
OoP	Office of the Premier
OSD	Occupation Specific Dispensation
PAIA	Promotion of Access to Information Act
PALC	Public Adult Learning Centres
PBSC	Performance-Based Service Contracting
PEBA	Progress Evaluation and Budget Analysis
PERO	Provincial Economic Review and Outlook
PERSAL	Personnel Salary Administration System
PES	Provincial Equitable Share
PFMA	Public Finance Management Act
PGDS	Provincial Growth and Development Strategy
PHC	Primary Health Care
PHRA-G	Provincial Heritage Resource Agency -Gauteng
PHSDSBC	Public Health and Social Development Sectoral Bargaining Council
PIMC	Provincial Infrastructure Management Committee
PLAS	Proactive Land Acquisition Strategy
PMO	Project Management Offices

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PMTCT	Prevention of Mother-to-Child Transmission
POA	Programme of Action
PPP	Public Private Partnership
PPT	Planned Patient Transport
PTB	Pulmonary Tuberculosis
PwD	People with Disabilities
QAR	Quality Assurance Review
QIDS UP	Quality Improvement, Development, Support and Upliftment Programme
SABC	South African Broadcasting Corporation
SACR	Sport, Arts, Culture and Recreation
SALGA	South African Local Government Association
SANBS	South African National Blood Service
SAPS	South African Police Service
SA-SAMS	Schools Administration and Management System
SASSA	South African Social Security Agency
SGB	School Governing Body
SCI	Social Housing Institution
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SCP	Social Crime Prevention
SDS	Social Development Strategy
SERO	Socio-Economic Review and Outlook
SIAS	Screening, Identification, Assessment and Support
SIOP	Self Instruction Observation Protocol
SLA	Service Level Agreement
SITA	State Information Technology Agency
SMME	Small, Medium and Micro Enterprises
SOP	Standard Operating Procedure
Stats SA	Statistics South Africa
STP	Service Transformation Plan
STI	Sexually Transmitted Infection
20PTP	Twenty Prioritized Township Programme
TB	Tuberculosis
UNDP	United Nations Development Programme
UNICEF	United Nations Childrens' Fund
USAR	Urban Search and Rescue
VCT	Voluntary Counseling Testing
VEC	Victim Empowerment Centre
WSP	Workplace Skills Programme
XDR TB	Extremely Drug-Resistant Tuberculosis



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# **BUDGET STATEMENT NO. 1**



# BUDGET OVERVIEW

## 1. BUDGET STRATEGY AND AGGREGATES

### 1.1 Introduction

This stage of appropriating financial resources concludes a lengthy planning process. Gauteng Province engaged in a rigorous and critical consolidation of all available resources to ensure maximum delivery of public services. The process took its cue from the statement of government's priorities in the State of the Province Address. The current budget lays down a strategy with clearly defined targets per sector towards attainment of the Millennium Development Goals with provincial priorities the central focus of service delivery. Each provincial department and entity will over the short-term strive to do better with less, in the context of recovery from the recent global economic meltdown. This budget gives a picture of the reprioritisation underpinning the re-alignment of departmental service delivery strategies in the context of the province's key priorities.

The 2010 MTEF budget was crafted in the new era of "hope and renewal". The new political mandate required that government do its business differently and become closer to the people. Current provincial priorities firstly take account of giving people what they actually want and secondly are aimed at providing economically and timeously what government can manage to do in economically difficult times. Key to this budget is the re-affirmation of our commitment to working together to do more. This budget is another step in advancing accountability for and transparency on how much is available and how it will be expended.

The Provincial Executive Council (EXCO) adopted the province's 2009-2014 Medium-Term Strategic Framework (MTSF) that guides provincial planning and resource allocation. The MTSF is the foundation on which all state organs will over the next term of government build their policy priorities, delivering services in the spirit of "Kuyasheshwa: Get Gauteng working".

Though significant progress has been made in advancing the social and economic state of the people of Gauteng since the dawn of democracy, it is still necessary to redress imbalances and create an economic environment where all citizens can create wealth and experience self worth. The Gauteng Premier called clearly for government to do things differently. In this new era of renewal we are firmly committed to building a caring, responsive, accountable public service that implements key policies and strategies effectively.

It is essential to reiterate the government's stance on improving the province's socio-economic profile. Government will

- Create decent work, and build a growing, inclusive economy,
- Promote quality education and skills development,
- Provide better healthcare for all,
- Intensify the fight against crime and corruption,
- Stimulate rural development and food security,
- Build cohesive and sustainable communities, and
- Strengthen the developmental state and good governance.

### **Create decent work, and build a growing, inclusive economy**

The expected outcome of this priority is stimulation of redistributive economic development to create decent work and sustainable livelihoods and to reduce income inequality. The province commits to implementing programmes and projects with a high potential of creating decent work and a growing, inclusive economy. The expected end-result is a rise in levels of employment. Gauteng has made significant investments in programmes that will grow the economy and at the same time reduce the high levels of structural unemployment.

Over the next five years the province will prioritise the creation of decent work, create green jobs, invest in public infrastructure, develop and implement sector strategies and improve the functioning and alignment of economic development entities and agencies in line with the new Gauteng trade and industry policy.

The province has made significant investment in providing an effective intermodal transport system to improve road networks for business and tourism purposes. In addition, funding is made available for the Gauride project in order to provide a congestion-free transportation of people to the stadia during the 2010 FIFA World Cup.

### ***Promote quality education and skills development***

This entails development of well-educated and skilled people to build a productive, socially cohesive and well-governed Gauteng. Gauteng Province's education strategy revolves around the revival of the education system and making schools work by going back to basics. The province will ensure that all schools become centres of excellence, build a social compact committed to quality learning and improve the quality of the public schooling system through training, re-training and skills development.

In order to widen the educational horizons of an unskilled community, significant investment is made in addressing the basics through a strong focus on:

- Early childhood development,
- Promoting universal access to Grade R,
- Improve numeracy and literacy,
- Conduct external assessment of learners in Grade 3 ; 6 & 9,
- Provide workbooks and DVDs to learner, and
- Promotion of Mathematics, Science, Technology and languages.

### ***Better healthcare for all***

The aim is to develop healthy people and build a productive Gauteng through eliminating disparities in access to healthcare, particularly for the poor and most vulnerable, and improving its quality. The Department of Health and Social Development will implement programmes in line with the 10-point plan 2009-2014 aimed at promoting healthy lifestyles and also step up the fight against HIV and AIDS, TB and other diseases as well as ensuring the effectiveness of the health system.

Critical to realising these objectives, the Department of Health and Social Development plans to

- Reduce the child mortality rate by 50 per cent in 5 years,
- Reduce the maternal mortality rate by 50 per cent in 5 years,
- Reduce the prevalence and incidents of the HIV and AIDS by 50 per cent,
- Improve TB outcomes by reducing incidents by 8 per cent year-on-year,
- Improve the effectiveness of the health systems by providing adequate infrastructure.

### ***Stimulate rural development and food security,***

This outcome relates to the development of a food secure Gauteng which promotes equitable rural development through improving access to infrastructure and services. Available natural resources and appropriate technology will be utilised and managed effectively to bring about food security. The province will promote environmental protection and sustainable management of natural resources as a means of ensuring food security and job creation.

### ***Intensify the fight against crime and corruption***

It is proposed to build a safe, secure and corruption-free Gauteng with high moral standards and integrity. This will be achieved through development of Gauteng-wide policing priorities and introduction of measures to reduce crime including through strengthening the criminal justice system. Communities will be mobilised, in particular focusing on social crime prevention and minimizing the factors that contribute to violent crime.

### ***Build cohesive and sustainable communities***

The aim is to build cohesive, caring and sustainable communities with decent facilities, public services and access to economic opportunities. There will be an increase in accessible social infrastructure, to reduce deprivation, poverty and under-development. Central to this priority will be, through a process of urban renewal, to build socially integrated and sustainable human settlements to improve the lives of the poor and to encourage social cohesion, unity and social development. One key intervention is to improve integrated spatial and regional planning to direct socio-economic investment in rural and urban areas.

### ***Strengthen the developmental state and good governance.***

To build a developmental state that has the capacity to effect socio-economic transformation through effective administration and improved public service delivery. The delivery of quality public services is largely dependent



on institutional frameworks, the calibre of public servants and state governance mechanisms. Gauteng has positioned itself as a province that is committed to renewal, reorganization, cooperative governance and building an activist local government.

## 1.2 Summary of budget aggregates

**TABLE 1: PROVINCIAL BUDGET SUMMARY**

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2006/07	2007/08	2008/09				2009/10	2011/11	2011/12
Equitable share	23 361 686	28 464 501	33 811 732	38 896 845	40 365 193	40 365 193	45 134 335	48 791 833	51 459 021
Conditional grants	8 744 257	10 040 725	11 635 549	13 350 949	13 836 764	13 836 764	13 728 634	14 816 533	15 354 778
Provincial own source receipts	2 157 643	2 758 922	2 351 735	3 035 411	2 826 638	2 719 604	2 801 234	3 061 030	3 187 558
Gautrain				4 200 000	4 200 000	1 553 528			
<b>Total receipts</b>	<b>34 263 586</b>	<b>41 264 148</b>	<b>47 799 016</b>	<b>59 483 205</b>	<b>61 228 595</b>	<b>58 475 089</b>	<b>61 664 203</b>	<b>66 669 396</b>	<b>70 001 357</b>
<b>Current payment</b>	<b>22 647 533</b>	<b>27 449 090</b>	<b>34 645 958</b>	<b>39 135 045</b>	<b>40 843 205</b>	<b>42 851 775</b>	<b>45 551 220</b>	<b>49 978 317</b>	<b>52 191 478</b>
Transfer payments	9 571 815	11 493 626	14 892 123	13 592 828	14 699 508	14 982 129	12 173 767	12 922 534	12 683 966
Capital payments	2 473 119	2 788 101	2 372 182	2 531 246	2 997 346	2 448 445	3 131 659	3 362 750	3 640 527
Payments for financial assets	11 275	11 297	6 568			9 137			
<b>Total payments</b>	<b>34 703 741</b>	<b>41 742 114</b>	<b>51 916 831</b>	<b>55 259 119</b>	<b>58 540 059</b>	<b>60 291 486</b>	<b>60 856 646</b>	<b>66 263 600</b>	<b>68 515 971</b>

Table 1 above summarises the provincial actual expenditure and revenues from the 2006/07 to the 2008/09 financial years, and shows the estimated expenditure and revenue from the 2009/10 to the 2012/13 financial years. The Gauteng Provincial Government is projecting total revenues of R61.7 billion in 2010/11. This consists of R45.1 billion equitable share, R13.7 billion conditional grants and, R2.8 billion provincial own revenue.

The increase in equitable share and conditional grants in the 2010/11 financial year caters for inflationary and personnel adjustments for the higher than anticipated cost of living, allocations for infrastructure investment and OSD funding. Three new conditional grants introduced in the 2010 MTEF are, firstly, Technical Secondary Schools Recapitalisation Grant; secondly, Further Education and Training College Sector Grant and thirdly, Expanded Public Works Programme Grant for the Social Sector.

Total provincial payments increase by approximately R2.3 billion (or 10 per cent nominal growth) from the 2009/10 to the 2010/11. Various departments receive additional funds to finance the programmes and projects linked to provincial and national priorities. Because of fiscal constraints, the province commits to do more with less and optimize economies of scale. Additional R1.1 billion has been made available to departments to provide for the improvement in conditions of service arising from higher inflation over the MTEF.

## 2. BUDGET PROCESS AND THE MEDIUM-TERM EXPENDITURE FRAMEWORK

### 2.1 Introduction

Each government department is structured to carry out a particular mandate in line with the Constitution of the Republic, national and provincial policy priorities for service delivery. The provincial budget process is established to bridge the gaps between planning and budgeting in order to ensure strategic allocation of resources to programmes and projects that are geared to accelerate service delivery. It functions as a systematic mechanism that enables government to set its fiscal objectives in respect of revenue and expenditure, repayment of debt and investments in order to maintain effective financial control, plan over the MTEF and ensure prudent financial management.

### 2.2 Strategic Planning Phase

The provincial budget process took off with the first EXCO retreat in May 2009 where the Executive reviewed and identified new provincial strategic priorities and the program of action for the province. The EXCO Retreat

identified seven new key strategic priorities for the next five years as discussed in the section above. These priorities formed the basis for consideration during the departmental planning and used as a basis for the resource allocation process. Following this deliberation, the drafting process unfolds whereby departments engaged in a micro-prioritisation process developing their draft MTEF budget inputs comprising: Strategic Plans, Annual Performance Plans and Estimates of Departmental Expenditure.

Secondly, the Gauteng Budget Lekgotla was held in July 2009. The main purpose of the Budget Lekgotla is to create a high-level platform where the EXCO and senior departmental officials discuss key issues facing the province and funding mechanisms in addressing the identified provincial priorities for the current political term. This first Budget Lekgotla in the current political term convened for the following reasons:

- To provide the new administration with an opportunity to reflect on and plan the implementation of the next MTEF
  - To highlight critical planning and budgeting issues facing the province
  - To ensure that strategic priorities of the province are properly funded taking into account the prevailing fiscal constraints and the current economic meltdown
- Thirdly, the Budget Forum provided a platform for discussions on strategic and technical issues that are fundamental in the implementation of the provincial budget process. Treasury guidelines on provincial budget presents such issues to inform and guide all the departments and agencies about the budget process that was undertaken in preparation for the 2010 MTEF budget, the critical dates for the submission of various documents, and the strategic and operational management of the provincial budget process.

### 2.3 Decision Making Phase

This phase involves various stages that include analysis and consolidation of provincial budget by Treasury, discussion of budget bids with departments at the MTEC as well as between the Premier Budget Committee (PBC) and Executive Authorities of respective departments to ensure strategically aligned planning and allocative efficiency.

The MTEC is a committee that engages in bilateral meetings with provincial departments on budget submissions to inform resource allocation. In these sessions, departments present their baseline budget and based on discussions, the Committee formulates its recommendations that are submitted to the Premier Budget Committee for consideration when finalizing the provincial resource allocation. Key focus areas of the 2009 MTEC meetings were:

- Alignment of departmental budgets with the new national and provincial policy and spending priorities
- Justification of the existing baselines within the reprioritization context
- Review of plans and projects in order to reprioritise the existing budget baselines
- Credibility of costing and affordability of new spending proposals
- Capacity of departments to spend the allocated budget effectively and efficiently
- Expected outputs and impact on achieving political outcomes

Following the MTEC meetings, the PBC discussed departments' budget bids with respective MECs. The purpose of the PBC is to engage the Executive Authorities on their budget submissions and consider the recommendations from the Treasury which will inform the provincial resource allocations to departments. The PBC held its discussions in two rounds in the 2009/10 financial year; first round took place after the MTEC meetings in October 2009 and second round in January 2010. The first round dealt with identification of relevant key projects and programmes aligned with the government mandate in the context of reprioritisation; the second round discussions focused on ensuring funding for identified projects and programmes within the available baselines taking into account funding that has become available.

### 2.4 Production Phase

This is the final stage of the budget process, in which Treasury compiles the provincial budget for tabling in the Gauteng Provincial Legislature. It begins with the issuance of preliminary allocation letters to provincial departments to inform the preparation of budget submissions. This is followed by a lengthy process of budget compilation and assessment between individual departments and Treasury until in February when the final budgets are consolidated and printed.

Following the presentation in the House (Legislature), Gauteng Treasury will present the principles of the Provincial Appropriation Bill and assumptions underlying the budget to the portfolio Committee on Finance. In line with this process and other internal processes at the Legislature, all provincial departments are required to submit their final strategic plans for 2010 MTEF to the Legislature. This is a legal requirement in terms of Treasury Regulations

5.2.2. After the adoption and enactment of the Provincial Appropriation Bill, the implementation or budget execution follows. The implementation phase entails the execution of the tabled and adopted budget and runs parallel to the next MTEF planning and budgeting process.

### 3. RECEIPTS

#### 3.1 Overall position

Provincial revenue is made up of two broad sources, that is national transfers and provincial own receipts. National transfers are the primary source of revenue for funding provincial expenditure and consist of the provincial equitable share and conditional grants. The revenue raising capacity of provinces is limited which in turn results in a reliance on national transfers to provinces. Section 214 of the South African Constitution (Act 108 of 1996) provides for the equitable vertical and horizontal division of centrally collected revenue between the three spheres of government. This kind of fiscal arrangement results from political imperatives and follows from the conventional wisdom in public finance literature that prescribes a very limited tax base for sub-national government.

Provincial own revenue, while relatively small, plays an important role in augmenting national transfers. This revenue is generated through tax and non tax user charges and fees such as motor vehicle license fees, hospital patients' fees, gambling and casino taxes, and interest and dividends from surplus funds invested in the short- term market.

**TABLE 2: SUMMARY OF PROVINCIAL REVENUE**

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2006/07	2007/08	2008/09				2009/10	2010/11	2011/12
National Transfers	32,105,943	38,505,226	45,447,281	52,247,794	54,201,957	54,201,957	58,862,969	63,608,366	66,813,799
Equitable share	23,361,686	28,464,501	33,811,732	38,896,845	40,365,193	40,365,193	45,134,335	48,791,833	51,459,021
Conditional grants	8,744,257	10,040,725	11,635,549	13,350,949	13,836,764	13,836,764	13,728,634	14,816,533	15,354,778
Provincial own receipts	2,157,643	2,758,922	2,351,735	3,035,411	2,826,638	2,719,604	2,801,234	3,061,030	3,187,558
<b>Total receipts</b>	<b>34,263,586</b>	<b>41,264,148</b>	<b>47,799,016</b>	<b>55,283,205</b>	<b>57,028,595</b>	<b>56,921,561</b>	<b>61,664,203</b>	<b>66,669,396</b>	<b>70,001,357</b>

Table 2 provides aggregates of the provincial receipts and projected receipts from 2006/07 to 2012/13 financial years. National transfers increase from R32.1 billion in 2006/07 to R58.9 billion in 2010/11. During this period the equitable share increases from R23.4 billion to R45.1 billion, while the conditional grants also increases from R8.7 billion to R13.7 billion. This shows that the equitable share makes up the biggest contribution of total provincial receipts with a contribution of 73.2 per cent while conditional grants contribute 22.3 per cent for the 2010/11 financial year. Provincial receipts increase from R2.2 billion in 2006/07 to R2.8 billion in 2010/11, which represents a 4.5 per cent of total provincial receipts. Total provincial receipts amount to R61.7 billion, R66.7 and R70 billion in 2010/11, 2011/12 and 2012/13 respectively.

#### 3.2 Equitable share

Section 227 of the South African Constitution stipulates that provinces are entitled to an equitable share of revenue raised nationally to provide basic services and perform the functions allocated to them. The main objective of the provincial equitable share is to ensure redistribution or revenue sharing in order to ensure that provinces meet their expenditure priorities. The fact that this revenue is without conditions does not remove accountability since provinces are directly responsible for these funds, they therefore have to account on their expenditure. Government policies influence provincial and local government spending indirectly, through cooperative agreements and framework legislation setting norms and standards.

The equitable division of revenue takes into account the functions assigned to each sphere under the Constitution and the capacity of each level of government to pay for these functions. The equitable share reinforces this alignment by placing specific emphasis on the provision of social services. This emphasis on social services has resulted in a number of provinces, including Gauteng, arguing that the provincial equitable share have implicit conditions, as opposed to explicit conditions set for conditional grants. The emphasis on social services limits the scope for provinces to fund other provincially determined priorities.

TABLE 3: PROVINCIAL EQUITABLE SHARE

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2006/07	2007/08	2008/09	2009/10			2010/11	2011/12	2012/13
Equitable share	23,361,686	28,464,501	33,811,732	38,896,845	40,365,193	40,365,193	45,134,335	48,791,833	51,459,021

Table 3 above illustrates the provincial equitable share allocation over a seven-year period. The provincial equitable share has increased almost two-fold from R23.4 billion in 2006/07 to R45.1 billion in 2010/11. This increase does not fully take into account the cost of providing services at a standard that will meet the expectations of Gauteng’s citizens. As a result, numerous Gauteng provincial departments such as Health and Social Development, Education and Housing are increasingly under fiscal pressure to maintain acceptable standard of delivering social services. Gauteng is the smallest province in the country accounting for a mere 2 per cent of the entire South African landscape, but with the highest population in the country (the population for Gauteng is officially reflected at just over 10.5 million people by Stats SA. However, this does not take into account the reincorporation of Merafong back into Gauteng, which increases the Gauteng’s population to an unofficial approximated total of 10.7 million people). Also, other provinces such as the North West, Limpopo and Mpumalanga rely on health services that Gauteng provincial hospitals provide. Furthermore, migration of people amongst provinces results in the highest net in-migration in Gauteng, given its position as the most attractive economic hub for the entire country. These key factors are not fully taken into account by the allocation in the provincial equitable share.

The provincial equitable share increased from R38.9 billion to R40.4 billion during the 2009/10 adjustment budget process, mainly to accommodate occupation-specific dispensations and general salary increases. However, the GPG assessment shows that this allocation would need to be supplemented as it does not fully cover the expenditure requirement associated with Occupation Specific Dispensation (OSD) and salary increases. There is a continuous need to enhance service delivery standards that directly impact on the provincial equitable share allocation, and this is denoted by the increasing trend over the provincial equitable share allocation over the 2010 MTEF. The provincial equitable share increases from R45.1 billion in 2010/11 to R51.5 billion in 2012/13 mainly to cater for inflation. The increase also provides funds for the re-demarcation of provincial boundaries, which resulted in Merafong being included as part of Gauteng. An amount of R889.3 million, R956.9 million and R1 billion in 2010/11, 2011/12 and 2012/13 respectively is allocated specifically for the re-demarcation of Merafong. However, these allocations do not take into account the dilapidated and vandalised social infrastructure such as schools and other public institutions that were damaged during the service delivery riots in Merafong. Reconstruction of infrastructure to ensure a conducive learning environment will place a huge burden on already limited provincial fiscus. The right to education is fundamental and is enshrined in the Constitution. Therefore GPG will have to ensure that it meets the basic needs of learners with its very limited revenue.

The provincial equitable share is divided horizontally between the provinces using a formula based on provincial demographic and economic profiles. The objective of the formula is to promote redistribution objectives in conjunction with medium-term budget allocations and introduce greater certainty about provincial revenues in line with international best practices. The formula consists of four main components and two relatively small elements, which capture the relative demand for services between provinces and take into account particular provincial circumstances.

The current structure of the formula is made up of the following components:

- The education component targets primary and secondary schooling based on the size of the school-age population (ages 5-17), as reported in Census 2001 and actual enrolment of learners (Grade R to 12) from the yearly Snap Survey. Expenditure on education accounts for 51 per cent of the equitable share.
- The health component addresses the need for provinces to deliver primary and secondary health services based on the proportion of the population with and without access to medical aid using the latest Gauteng Health Service figures. This accounts for 26 per cent of the equitable share.
- The basic component is based on each province’s proportion of the total population of the country and it accounts for 14 per cent of the equitable share.
- The institutional component constitutes 5 per cent of the total equitable share. This is divided equally among the provinces.
- The poverty component reinforces the redistribution element incorporated in the formula and constitutes 3 per cent of the equitable share.

- The economic output component constitutes 1 per cent of the total equitable share and is based on Gross Domestic Product by Region (GDP-R) data.

**TABLE 4: PROVINCIAL EQUITABLE SHARE –WEIGHTED AVERAGE**

Province	Education 51%	Health 26%	Basic 14%	Poverty 3%	Economic Activity 1%	Institutional 5%	Weighted Average 100%
Eastern Cape	16.80%	14.80%	13.50%	16.70%	7.80%	11.10%	15.20%
Free State	5.60%	5.90%	5.90%	6.10%	5.40%	11.10%	6.00%
Gauteng	15.40%	19.90%	21.80%	15.30%	33.50%	11.10%	17.40%
KwaZulu-Natal	23.20%	22.20%	21.20%	22.80%	16.20%	11.10%	22.00%
Limpopo	13.90%	11.30%	10.60%	13.90%	6.90%	11.10%	12.60%
Mpumalanga	8.40%	7.50%	7.30%	8.70%	6.90%	11.10%	8.10%
Northern Cape	2.20%	2.40%	2.30%	2.60%	2.20%	11.10%	2.70%
North West	6.20%	6.70%	6.50%	7.60%	6.50%	11.10%	6.70%
Western Cape	8.20%	10.10%	10.90%	6.20%	14.50%	11.10%	9.20%
<b>TOTAL</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Table 4 above provides a detailed breakdown of the provincial equitable share weighted average that determines the share of each province. The formula used to determine the share of provinces is reviewed and updated with new data annually. For the 2010 MTEF, the equitable share formula has been updated with the data from the 2009 School Realities published by the Department of Education in September 2009, the 2008 General Household Survey, the 2009 Mid-year Population Estimates, and the Gross Domestic Product (2007 GDP-R). The 2009 School Realities data is used to update the education component, the 2008 General Household Survey is used to update the health component, the 2009 Mid-Year population estimates are used to update the basic and poverty components, and the 2007 GDP-R data is used to update the economic component.

The Gauteng share of education weight is 15.4 per cent. The education component is intended to enable provinces to fund school education, which amounts to about 90 per cent of provincial education spending. The formula uses school-age population (ages 5-17), based on Census 2001, and actual enrolment drawn from the 2009 School Realities data to reflect relative demand for education, with each element assigned a weight of 50 per cent.

The health component share for Gauteng is 19.9 per cent. This component addresses the need for provinces to deliver health care. As all citizens are eligible for health services, the provincial shares of the total population form the basis for the health share. Within the health component, people without medical aid are assigned a weight four times that of those with medical aid, on the grounds that the former group is likely to use public health care more.

The basic component is derived from the proportion of each province's share of the national population. For the 2010 MTEF, population data are drawn from the 2009 mid-year population estimates. The share for Gauteng is 21.8 per cent.

The poverty component share for Gauteng is 15.3 per cent. This component introduces a redistributive element within the formula and is intended to compensate provinces for poverty of its population relative to national figures. The poor comprise persons who fall in quintiles 1 and 2 based on the 2005 Income and Expenditure Survey. Each province's share is then expressed as the percentage of the "poor" population residing in that province, where the population figure is drawn from the 2009 Midyear Population Estimates. The proportion of poor population per province is not adjusted to the new provincial boundaries as the sampling method used by StatsSA does not cover the affected areas. However, the poverty component will be adjusted, partially to reflect changes in basic component value or population changes per province.

The economic activity component is a proxy for provincial tax capacity. For the 2010 MTEF, 2007 GDP-R data is used. The GDP-R is not adjusted to the new provincial boundaries mainly because the sampling of StatsSA did not cover any of the areas affected by the demarcation. The share for Gauteng is 33.5 per cent.

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The institutional component recognises that some costs associated with running a provincial government, and providing services, are not directly related to population. This component is distributed equally between provinces. The weighted share for all provinces is 11.1 per cent. The importance of the provincial equitable share cannot be overemphasised as it is the principal source of funding for all provincial governments. However, the manner in which provinces are allocated their equitable share has come under some criticism. First and foremost the criticism has been that the equitable share has too many objectives, such as revenue sharing, redistribution and equity/equalization, to achieve minimum service delivery standards. As a result it not clear if the provincial equitable share does what it is supposed to. The Financial and Fiscal Commission has reiterated that the PES must be an objective formula that balances equity and fairness in dealing with financing of social services on the one hand and dealing with the challenges of poverty and economic development on the other. As a result the current allocations are not dealing effectively with equitable division of revenue, taking into account differences in costs of delivery in provinces, and other responsibilities of provinces, not addressed by the PES components. Thus backlogs are not being addressed and provincial discretion is eroded as conditions are attached to PES.

As the formula stands now, it is difficult to fund new priorities from PES unless specific new funding is introduced. The GPG believes that in order for the equitable share to be responsive to current expenditure requirements, the vertical allocation needs to be reviewed and provinces should have some say in how much goes into the kitty available to them. It is worth noting that the provincial equitable share is currently under review after the Financial and Fiscal Commission completed the first stage of a two-phased approach to the review. The second phase is led by national Treasury and provinces are part of the task team that is looking at practical ways of addressing the problems associated with the provincial equitable share. Work is expected to be complete in time for the 2011 MTEF.

### 3.3 Conditional grants

Conditional grants are allocated to the province in addition to the equitable share. Conditional grants have been motivated by the need to ensure minimum nation-wide standards for the provision of services of national concern. These grants are used to support national priorities and to promote national norms and standards; to compensate provinces for cross border flows and for benefits being accessed in one province by the citizens of another; to effect transition and redress by supporting capacity-building and structural adjustments; and to address backlogs and regional disparities in social infrastructure.

**TABLE 5: CONDITIONAL GRANTS ALLOCATION FOR GAUTENG PROVINCE**

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2006/07	2007/08	2008/09				2009/10		2010/11
Conditional grants	8 744 257	10 040 725	11 635 549	13 350 949	13 836 764	13 836 764	13 728 634	14 816 533	15 354 778

Table 5 provides provincial conditional grant allocation outcome and projection from 2006/07 to 2012/13. Conditional grants are one of the ways in which national government finances provincial programmes to ensure uniform norms and standards across all provinces.

The conditional grants allocations increase from R8.7 billion in 2006/07 to R13.8 billion in the 2009/10 financial year. Conditional grants increase further to R15.3 billion during 2012/13. The 2010 MTEF sees the introduction of new conditional grants to provinces. The new grants are the Expanded Public Works Programme for the Social Sector, Technical Secondary School Recapitalisation Grant and the Further Education and Training College Sector Grant introduced to facilitate the transfer of FET colleges to national government.

**TABLE 6: CONDITIONAL GRANT PER DEPARTMENT**

Department/ Conditional Grant	Medium Term Expenditure Estimates		
	2010/11	2011/12	2012/13
Agriculture, Forestry and Fisheries	56 002	68 009	71 409
Comprehensive Agricultural Support Programme Grant	42 187	43 965	46 163
Ilima/Letsema Projects Grant	10 000	20 000	21 000
Land Care Programme Grant: Poverty Relief and Infrastructure Development	3 815	4 044	4 246
Arts and Culture	51 619	54 716	57 452

Department/ Conditional Grant	Medium Term Expenditure Estimates		
	2010/11	2011/12	2012/13
Community Library Services Grant	51 619	54 716	57 452
Higher Education	883 160	928 310	974 354
Further Education and Training College Sector Recapitalisation Grant	883 160	928 310	974 354
Basic Education	433 030	582 834	625 012
HIV and Aids (Life Skills Education) Grant	26 202	28 175	29 217
National School Nutrition Programme Grant	388 884	509 798	548 691
Technical Secondary Schools Recapitalisation Grant	17 944	44 861	47 104
Health	5, 83 098	5 904 573	6 423 010
Comprehensive HIV and Aids Grant	1 277 683	1 609 901	1 922 644
Forensic Pathology Services Grant	92 421	97 966	102 864
Health Professions Training and Development Grant	651 701	690 803	725 310
Hospital Revitalisation Grant	798 609	805 967	837 259
National Tertiary Services Grant	2 561 154	2 699 936	2 834 933
Expanded Public Works Programme Incentive Grant for the Social Sector	1 530		
Social Development	3 570	0	0
Expanded Public Works Programme Incentive Grant for the Social Sector	3 570		
Human Settlements	3771 831	4 322 945	4 068 497
Integrated Housing and Human Settlement Development Grant	3 771 831	4 322 945	4 068 497
National Treasury	952 477	1 097 646	1 211 032
Infrastructure Grant to Provinces	952 477	1 097 646	1 211 032
Public Works	191 381	202 864	213 007
Devolution of Property Rate Funds Grant	191 381	202 864	213 007
Sport and Recreation South Africa	67 664	71 724	75 310
Mass Sport and Recreation Participation Programme Grant	67 664	71 724	75 310
Transport	1 934 802	1 582 912	1 635 695
Gautrain Rapid Rail Link Grant	438 360	5 300	
Public Transport Operations Grant	1 496 442	1 577 612	1 635 695
<b>TOTAL</b>	<b>13 728 634</b>	<b>14 816 533</b>	<b>15 354 778</b>
Unallocated: EPWP incentive grant for the infrastructure sector	39,154		
TOTAL GRANTS: GPG	13,767,788	14,816,533	15,354,778

The Department of Agriculture's conditional grants allocation amounts to R195.4 million over the 2010 MTEF, due to the Ilima/Letsima Projects Grant and the Comprehensive Agriculture Support Programme Grant which are aimed at assisting South African farming communities and providing support to farmers affected by natural disasters. The department's allocation is expected to grow from R56 million in 2010/11 to R71.4 million in 2012/13 financial year.

The Department of Education has been allocated a total of R4.4 billion over the 2010 MTEF period. A total of R2.8 billion has been allocated for the FET Colleges Sector grant over the MTEF (R883.2 million in 2010/11; R928.3 million in 2011/12; R974.4 million in 2012/13) to address improvements in conditions of services for college lecturers. This is required because FET college lecturers were not included in the cost of living adjustment of 11.5 per cent instituted on 1 July 2009 as they were made employees of the College Councils on 1 January 2008. The FET College sector is a priority sector in terms of skills development. It is thus crucial that compensation packages are attractive in order to retain these educators, especially in key areas like engineering and information technology, these funds will be ring fenced in the grant to pay for personnel. The National School Nutrition Programme Grant is allocated the second largest budget by the department of R1.4 billion over the 2010 MTEF (R388 million in 2010/11, R509 million in 2011/12)

The Department of Health and Social Development as the custodians of the largest conditional grants in Gauteng namely the Comprehensive HIV/AIDS Grant and the National Tertiary Services grants, has been allocated a substantial amount over the MTEF. The total amount allocated is R17.7 billion (R5.4 billion in 2010/11, R5.9 billion in 2011/12 and R6.4 billion in 2012/13). This is due to the R4.8 billion (R1.3 million added in 2010/11; R1.6 billion in 2011/12 and R1.9 billion in 2012/13) that has been allocated for the Comprehensive HIV and Aids Grant in order to ensure that departmental commitments are adhered to.

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The Department of Local Government and Housing receives R12.2 billion for the Integrated Housing and Human Settlement Grant over the MTEF. This grant funds the department's mandate of improving the provision of social housing in the province.

The Infrastructure Grant to Provinces budget grows from R952 million in 2010/11 to R1.2 billion in 2012/13. The Department of Infrastructure Development that is responsible for the Devolution of Property Rate Funds Grant has been allocated R607 million over the 2010 MTEF (R191 million in 2010/11, R203 million in 2011/12 and R213 million in 2012/13). The two other grants which are the Expanded Public Works Programme Incentive Grant for the Infrastructure Sector and the Expanded Public Works Programme Grant for the Social Sector have been revised slightly for the 2010/11 financial year and discontinued over the MTEF. Noteworthy is that the Expanded Public Works Programme Grant for the Social Sector is not an incentive grant but a wage subsidy that the provinces will receive as an upfront payment for qualifying non-profit organizations.

The Department of Sport, Arts, Culture and Recreation's Mass Sports and Recreation Participation Programme Grant aims at reviewing and promoting sports and recreation activities in communities and schools through mass participation. The department is also responsible for the administration of the Community Library Services Grant which is allocated R164 million over the MTEF. The purpose of this grant is to facilitate development in the literacy levels within communities.

Allocations from National to the Department of Roads and Transport have decreased during the 2010 MTEF, mainly due to the anticipated completion of the Gautrain in the 2010/11 financial year. The Gautrain Rapid link Grant and the Public Transport Operations Grant as administered by the Department have been allocated a total of R5.2 billion over the MTEF.

The Gautrain Rapid Rail Link Grant has been allocated R438 million in 2010/11 and R5.3 million in 2011/12. R4.7 billion of the total allocation is earmarked for the Public Transport Operations Grant over the MTEF (R1.5 billion in 2010/11, R1.6 billion in 2011/12 and R1.6 billion in 2012/13). This grant assists with improvement and usage of public transport in order to avoid traffic congestions on provincial roads.

### 3.4 Total provincial own receipts

According to Section 22 (a) of the Public Financial Management Act (PFMA) all the money received by a provincial government, including the province's equitable share, and grants made to it, in terms of the annual Division of Revenue Act, must be paid into the provincial revenue fund, except money received by the Provincial Legislature. The Gauteng Provincial Government (GPG) generates own revenue from two broad sources that is tax receipts, and non-tax receipts. Tax receipts are made up of motor vehicle licensing fees and casino revenue. Non-tax receipts include amongst others, the sale of goods and services other than capital assets; financial transactions in assets and liabilities; interest, dividends and rent on land; and fines penalties and forfeits. The size of the revenue generated by GPG departments is dependent on the nature of the function and services provided by these departments. Four departments in GPG, that is Department of Roads and Transport; Department of Economic Development; Department of Health and Social Development; and Department of Finance are responsible for generating about 98% of provincial own revenue. The other departments' functions and activities are not geared towards raising significant revenue.

**TABLE 7: SUMMARY OF DEPARTMENT'S OWN REVENUE PER SOURCE**

R' thousand	Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-Term estimates		
	2006/07	2007/08	2008/09	2009/10			2010/11	2011/12	2012/13
<b>Tax receipts</b>	<b>1 581 527</b>	<b>1 976 530</b>	<b>1 750 556</b>	<b>2 237 666</b>	<b>2 237 666</b>	<b>2 191 276</b>	<b>2 227 963</b>	<b>2 392 481</b>	<b>2 430 503</b>
Casino taxes	427 034	502 128	521 608	593 911	593 911	533 007	525 203	556 718	590 118
Horse racing taxes	27 111	30 691	31 871	32 085	32 085	32 689	72 671	77 031	81 653
Liquor Licences							16 000	16 000	16 000
Motor vehicle licences	1 127 382	1 443 711	1 197 077	1 611 670	1 611 670	1 625 580	1 614 089	1 742 732	1 742 732
<b>Sales of goods and services other than capital assets</b>	<b>254 406</b>	<b>385 461</b>	<b>389 391</b>	<b>488 147</b>	<b>488 262</b>	<b>419 428</b>	<b>463 561</b>	<b>507 103</b>	<b>554 159</b>



R' thousand	Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-Term estimates		
	2006/07	2007/08	2008/09	2009/10			2010/11	2011/12	2012/13
Sales of goods and services produced by department (excl. capital assets):	253 180	384 369	388 402	486 979	488 259	419 425	462 343	505 885	552 941
Sales by market establishments	2 094	3 223	3 717	42 053	42 332	29 852	21 701	23 680	23 978
Administrative fees	376	398	440			1 152	470	495	521
Other sales	250 710	380 748	384 245	444 926	445 927	388 421	440 172	481 710	528 442
Sales of scrap, waste, arms and other used current goods (excl. capital assets)	1 226	1 092	989	1 168	3	3	1 218	1 218	1 218
<b>Transfers received from:</b>	<b>3</b>								
Public corporations and private enterprises	3								
Fines, penalties and forfeits	6 618	5 370	5 305	6 604	6 602	5 916	7 227	7 950	8 745
Interest, dividends and rent on land	235419	335978	141310	257064	37083	50412	55124	105532	145 665
Interest	234 761	335 519	141 310	257 064	37 083	50 412	55 124	105 532	145 665
Rent on land	658	459							
<b>Sales of capital assets</b>	<b>2 866</b>	<b>1 802</b>	<b>8</b>	<b>72</b>		<b>657</b>	<b>72</b>	<b>72</b>	<b>72</b>
Land and sub-soil assets	2 755	1 643							
Other capital assets	111	159	8	72		657	72	72	72
Financial transactions in assets and liabilities	76 804	53 781	65 165	45 858	57 025	51 915	47 287	47 892	48 413
<b>Total departmental own source receipts</b>	<b>2 157 643</b>	<b>2 758 922</b>	<b>2 351 735</b>	<b>3 035 411</b>	<b>2 826 638</b>	<b>2 719 604</b>	<b>2 801 234</b>	<b>3 061 030</b>	<b>3 187 558</b>

Table 7 shows the departmental own revenue per source. The negative impact of the economic downturn experienced over the last year and a half, led to national government projecting R69 billion under collection for 2009/10. The GPG has not been immune to these difficult economic conditions with the result that key provincial departments have under collected over the last two financial years. In 2009/10 revenue projections were adjusted downwards by R208.8 million from the main appropriation of R 3 billion to R2.8 billion. This decision was taken after it became apparent that the Department of Finance would not realise its revenue projections due to depleted reserves as a result of over spending in key departments. As a measure to minimise the adverse impact of under collection, the Department of Finance engaged all GPG departments to ensure that the 2010 MTEF projections are in line with the 2009/10 collection trend.

Tax receipts are expected to contribute R2.2 billion or 79.2 per cent of the R2.8 billion total provincial own revenue. The sales of goods and services make a sizeable contribution to provincial own revenue and R488.3 million that is expected to be collected makes about 17.3 per cent of total provincial revenue. The sales of goods and services are mainly from hospital patient fees collected by the Department of Health and Social Development.

## 2010 Estimates of Provincial Expenditure

**TABLE 8: SUMMARY OF DEPARTMENT'S OWN REVENUE PER SOURCE**

R' thousand	Audited			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2006/07	2007/08	2008/09	2009/10			2010/11	2011/12	2012/13
Office of the Premier	258	203	92	91	631	652	100	104	110
Economic Development	480 422	547 431	555 199	668 680	668 680	571 998	614 124	650 010	688 043
Health and Social Development	273 823	381 777	399 625	412 632	414 194	391 473	448 097	489 514	535 049
Education	22 411	33 760	31 692	16 858	26 562	27 189	23 501	24 389	25 408
Housing and Local Government	3 158	3 848	2 451	3 990	5 254	5 499	3 996	3 995	4 194
Roads and Transport	1 133 507	1 446 362	1 208 604	1 652 198	1 652 198	1 654 817	1 634 135	1 764 942	1 764 942
Community Safety	8 856	10 105	6 968	9 875	9 875	9 566	10 762	11 712	12 681
Agriculture and Rural Development	456	971	1 253	1 156	1 156	1 190	12 75	1348	1 374
Sports, Arts, Culture and Recreation	401	555	220	341	341	341	326	330	335
Finance	228 884	331 717	134 971	255 680	33 837	43 253	50 629	100 664	140 699
Infrastructure Development	54 67	2 193	10 660	13 910	13 910	13 626	14 289	14 022	14 723
<b>Total departmental own source receipts</b>	<b>2 157 643</b>	<b>2 758 922</b>	<b>2 351 735</b>	<b>3 035 411</b>	<b>2 826 638</b>	<b>2 719 604</b>	<b>2 801 234</b>	<b>3 061 030</b>	<b>3 187 558</b>

Table 8 shows a summary of own revenue by department. The Department of Economic Development, Department of Health and Social Development, Department of Roads and Transport, and Department of Finance contribute significantly to the revenue collection in the province. The Department of Roads and Transport derives revenue from motor vehicles licensing fees, which are the most productive and important revenue source for the department and entire GPG. These fees vary from year to year depending on the live vehicle population, payment of direct charges and escalation in fees. Motor vehicles fees are mainly collected by municipalities in line with the Road Traffic Act (Act 93 of 1996) which provides for the registration and licensing system of motor vehicles in the country, and for agreements between the Department and Metro/Local authorities for collection of licensing fees on an agency basis. For 2010/11 the department anticipates collecting R1.6 billion and R1.8 billion for the outer years.

Although motor vehicle licenses are significant contributor to the whole revenue collected by the department, there are challenges which the department is facing with regard to optimizing own revenue. The non-existence of focused revenue collecting division in the department means that the function of motor vehicle renewals has to be performed by local government as a collecting agency on behalf of the province. This means that during labour disputes between municipalities and organized labour services are adversely affected. The arrangement with the Post Office has assisted in providing a much needed alternative for all renewals while also improving service delivery. In addition, the direct charges (commission) paid over to municipalities for motor vehicles licensing renewals, which average 33 per cent depending on the services rendered by a municipality, is cause for concern. However, in an effort to optimize revenue collection, the department entered into an agreement with the South African Post Office. This agreement allows for motor vehicle license renewals at 75 post offices throughout Gauteng for a commission of 11.4 per cent. This arrangement while resulting in a savings on the amount of commission paid, improves service delivery as the long queues normally seen in municipal renewal centres are not encountered with the post office arrangement.

The Department of Economic Development derives its revenue mainly from casino and horse racing taxes which contributes on average 80 per cent of departmental revenue. It should be noted that in most cases, gambling is based on the consumers having discretionary income, and given the current economic downturn casinos have reported a drop in the number of patrons. This is also supported by the National Gambling Board study undertaken in 2009 which assessed the socio-economic impact of legalised gambling in South Africa. The study showed that the number of patrons visiting casinos has been declining over the last few years. The department projects to collect R614.1 million in 2010/11, R650 million in 2011/12 and R688 million in 2012/13.

The Department of Health and Social Development derives revenue from the sales of goods and services which comprises hospital patient fees. The department's primary focus has been on improving administration and billing to medical aids, the Road Accident Fund, other provincial governments and some government departments including the South Africa Police Services and Correctional Services. However, the key challenge from the department is the inability to use technology to optimize on revenue collection. Provincial hospitals in the Free State, Western Cape and Eastern Cape use an electronic data interface to invoice medical aids. This system has a turnaround time for invoice payments of 17 days in contrast to the 2 to 4 months that is used for billing manually. This system will ensure that medical schemes invoices are handled efficiently while allowing for electronic record keeping. The Department of Finance has committed to funding the introduction of this system on behalf of the Department of Health and Social Development. This department projects revenue collection of R448.1 million in 2010/11 and R489 million and R535 million in 2011/12 and 2012/13 respectively.

The Department of Finance generates revenue from interest and dividends generated from surplus funds which are not immediately needed by departments for spending. Unauthorised and overspending of the previous financial year has had a huge impact on the ability of this department to optimize on revenue collection since the provincial surplus has been depleted and funds available for investment are limited. As a result, R50.6 million is projected in 2010/11 and thereafter R100.6 million in 2011/12, and R140.7 million in 2012/13. However, it must be noted these projections are dependent on GPG departments spending within their allocated budget. Any unauthorised expenditure will have a negative impact on the ability of Department of Finance to optimise revenue generated through interest and investments.

The activities of other provincial departments are not geared towards significant revenue raising as a result their revenue contribution is minimal and accounts for a combined contribution of approximately 2 per cent.

### 3.5 Donor funding

#### Department of Health and Social development

The department has received various funds from donors for the purpose of primarily funding primary health care in the province. Donor funding has been received from the European Union, the Global Fund, the Kingdom of Belgium and UNICEF. These funds received in the 2009/10 financial year amounted to R37 million. For the 2010/11 financial year, R38 million will be made available by the European Union.

Donor funds enable the department to improve access to basic primary health care services by communities, and to develop systems and a structured relationship between the department and NGOs. Donor funds have also contributed to the development of a framework for monitoring and evaluating NGO performance. The number of patients reached through donor funds in the 2009/10 financial year was 51 279.

## 4. PAYMENTS

### 4.1 Overall position

TABLE 9: SUMMARY OF PAYMENTS

R'000	2006/07	2007/08	2008/09	2009/10			2010/11	2011/12	2012/13
	Audited		Preliminary outcome	Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
Total payments	34,703,741	41,742,114	51,916,831	55,259,119	58,540,059	60,291,486	60,856,646	66,263,600	68,515,971

The table above shows the actual provincial spending from the 2006/07 financial year to the projected spending for the 2009/10 financial year, this show a growth in expenditure from R34.7 billion to an estimated spending of R60.3 billion, reflecting a 19 percent growth in spending. In the 2009/10 financial year, the main budget was adjusted upwards from R55.3 billion to R58.8 billion; however, due to accelerated spending driven by increased demand for public services.

The estimated spending for the current 2009/10 financial year shows a very insignificant difference from the budget for the 2010/11 financial year. If the projected spending for the current year is realistic, this reflect spending pressures on the following year's budget.

4.2 Payments by votes

TABLE 10: SUMMARY OF PAYMENTS BY VOTE

Department	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2006/07	2007/08	2008/09	2009/10			2010/11	2011/12	2012/13
Education	11 622 696	13 829 368	16 688 394	18 987 052	19 981 832	20 178 657	22 485 539	24 925 237	25 885 941
Health and Social Development	12 126 612	14 424 035	17 421 818	18 525 738	19 144 154	20 195 939	22 237 371	24 325 858	25 697 986
Office of the Premier	101 105	111 735	216 941	207 984	228 538	205 754	200 336	214 771	225 668
Gauteng Provincial Legislature	144 793	203 041	235 365	210 482	216 035	230 957	294 408	315 204	342 198
Economic Development	655 002	592 160	825 829	913 715	875 719	875 719	1 084 655	1 228 598	846 746
Local Government and Housing	2 340 604	3 308 811	3 630 163	3 996 268	4 100 906	4 349 400	4 511 575	5 063 547	4 777 901
Roads and Transport	5 461 335	6 225 005	9 363 544	8 527 652	9 939 828	10 140 859	6 178 849	6 145 060	6 447 475
Community Safety	205 007	299 321	365 291	345 475	347 483	385 719	369 940	400 553	427 108
Agriculture and Rural Development	235 041	297 779	351 037	436 843	410 490	413 916	444 373	486 217	510 922
Sport, Arts, Culture and Recreation	232 806	333 561	373 054	358 297	362 205	362 205	337 928	349 828	367 784
Finance	813 211	1 218 219	1 325 211	1 533 364	1 530 702	1 550 194	1 496 433	1 533 862	1 619 303
Infrastructure Development	765 529	899 079	1 120 184	1 216 249	1 402 167	1 402 167	1 215 239	1 274 866	1 366 939
<b>Total</b>	<b>34 703 741</b>	<b>41 742 114</b>	<b>51 916 831</b>	<b>55 259 119</b>	<b>58 540 059</b>	<b>60 291 486</b>	<b>60 856 646</b>	<b>66 263 601</b>	<b>68 515 971</b>

Provincial expenditure has increased from R34.7 billion in 2006/07 to R51.9 billion in 2008/09 and estimated to reach R60.3 billion by the end of 2009/10 financial year. Over the MTEF the provincial expenditure is projecting to increase by R7.6 billion from R60.9 billion to R68.5 billion, of the 14 departments only 3 departments are experiencing a large growth in their budget. Education grew by R3.4 billion; Health by R3.5 billion; and Transport by R269 million over the MTEF.

The total expenditure for the four -year period starting from 2006/07 to 2008/09 increased significantly, reaching R51.9 billion. The trend is projected to continue to reach an amount of R60.3 billion at the end of the 2009/10 financial year. The significant increase in 2009/10 is as a result of funds allocated to compensate the province for the wage settlement that is higher than the baseline allocation, improvement of condition of service, increase in price of goods and services due to high inflation and the funds allocated for the OSD.

Department of Health and Social Development allocation has been increased from R19.1 billion in 2009/10 financial year to R25.7 billion in 2012/13 financial year. The significant increase in 2009/10 is attributed to higher than anticipated wage agreement between government and unions for the improvement of conditions of services(ICS), R22.4 million has been allocated to fund the OSD shortfall for Doctors ,dentists, medical specialists, pharmacists and pharmacists assistance. The increase in the budget is as a result of additional allocation to central hospital services, to supplement the medical equipment and medicine costs, and health facilities management, for budgetary shortfall at Natalspruit Hospital ,the provincialisation of primary health care services for the Odi and Jubilee hospitals, to address the backlog in surgical equipment & wheelchairs, and to mitigate the impact of MDR TB, XDR TB and TB on the public health system .Health infrastructure programme is projecting to spent R2.1 billion in 2010/11, R2.4 billion in 2011/12 and R2.5 billion in 2012/13 for the new construction, upgrading, rehabilitation, and maintenance. The growth results from the infrastructure programme in order to fund the expansion of old age home and community based care, the Prototype New Secure Care Centre, ECD services for children in conflict with the law, implementation of monitoring and evaluation programmes and implementation of Social Workers' OSD.

Education expenditure has increased from R18.9 billion in 2009/10 financial year to R25.9 billion in 2012/13 financial year. The increases of budget are mostly as a result of beginning of prioritising the sectors' concern of improving the quality of learning in institutions, maintenance & providing learning spaces & fighting the scourge of poverty through the no fee school policy, nutrition, scholar transport, skills development and training, and the expansion of Grade R, ABET & FET.

Allocation made to the department of Roads and Transport for the provincial key programmes amount to R6.2 billion in 2010/11 and increased to 6.4 billion in 2012/13. These programmes relate to Gautrain Rail Link, Infrastructure grant, Workfare, Gauteng Government Kopanong Precinct project, and road infrastructure. Roads and Transport received an additional allocation of R97.7 million in 2010/11 and R5.3 million in 2010/12 for Gautrain Rail Link as CPIX and foreign exchange adjustments.

Additional funds given to departments to cater for the general salary increases carry through costs for personnel and increase in departmental establishment. The final allocation letter published by National Treasury shows an additional allocation to departments for the comprehensive HIV and Aids grant, Gauteng rapid rail link as CPIX and foreign exchange adjustments, and FET College grant.

The Department of Sports, Arts, Culture and other non – social sector departments received additional funding totaling R16 million in 2010/11, R16.9 million in 2011/12 and R16.8 million in 2012/13 to fund the Gauteng Fund, Gauteng Youth Commission to implement the youth-related activities in the province, the construction and maintenance of provincial roads and the commitments in respect of the motor sport events that are scheduled to take place in the province.

In the current MTEF circle additional national resources have been made available to assist the province to cover the cost of the OSD agreements, and to cover the cost of policy announcements on the World Aids Day in 2009. Additional provincial resources have been allocated for provincial priorities and for augmenting funding of some national priorities.

### 4.3 Payments by economic classification

TABLE 11: SUMMARY OF ECONOMIC CLASSIFICATION

Department	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2006/07	2007/08	2008/09	2009/10			2010/11	2011/12	2012/13
<b>Current payments</b>	<b>22 647 533</b>	<b>27 449 090</b>	<b>34 645 958</b>	<b>39 135 045</b>	<b>40 843 205</b>	<b>42 851 775</b>	<b>45 551 220</b>	<b>49 978 317</b>	<b>52 191 478</b>
Compensation of employees	15 844 607	19 008 390	23 197 924	25 628 592	27 435 561	28 092 712	29 910 976	32 611 643	33 939 713
Goods and services	6 801 678	8 440 270	11 443 437	13 506 453	13 407 644	14 759 050	15 640 243	17 366 675	18 251 766
Interest and rent on land	1 248	430	4 596			13			
<b>Transfers and subsidies to:</b>	<b>9 571 815</b>	<b>11 493 626</b>	<b>14 892 123</b>	<b>13 592 828</b>	<b>14 699 508</b>	<b>14 982 129</b>	<b>12 173 767</b>	<b>12 922 534</b>	<b>12 683 966</b>
Provinces and municipalities	435 387	441 107	493 521	602 659	616 831	634 903	874 026	916 723	964 829
Departmental agencies and accounts	5 007 385	5 324 279	8 310 640	5 975 829	7 213 621	7 283 627	3 337 717	3 327 597	3 087 749
Universities and technikons	1 641	1 826	11 011	9 595	13 379	4 579	13 561	12 628	13 304
Foreign governments and international organisations			3 591						
Public corporations and private enterprises	176 161	95 505	301 677	321 369	300 949	301 068	360 362	185 877	200 392
Non-profit institutions	1 712 727	2 580 407	2 692 531	3 048 078	3 014 953	3 017 177	3 512 095	3 858 669	4 072 392
Households	2 238 514	3 050 502	3 079 152	3 635 298	3 539 775	3 740 775	4 076 006	4 621 039	4 345 301
<b>Payments for capital assets</b>	<b>2 484 394</b>	<b>2 799 398</b>	<b>2 378 750</b>	<b>2 531 246</b>	<b>2 997 346</b>	<b>2 457 582</b>	<b>3 131 659</b>	<b>3 362 750</b>	<b>3 640 527</b>
Buildings and other fixed structures	1 854 511	2 247 993	1 867 028	1 993 570	2 080 127	1 667 811	2 298 756	2 533 055	2 716 680
Machinery and equipment	550 315	405 060	475 341	457 595	802 683	651 369	767 684	779 472	870 402
Heritage Assets		200							

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Department	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2006/07	2007/08	2008/09	2009/10			2010/11	2011/12	2012/13
Specialised military assets	6 943	4							
Biological assets	5 297	11 156	5 528	34 012	22 448	35 124			
Land and sub-soil assets	12 940	30 016	11 614	45 988	80 000	81 844	65 162	50 160	53 150
Software and other intangible assets	43 113	93 672	12 671	81	12 088	12 297	57	63	295
Payments for financial assets	11 275	11 297	6 568			9 137			
<b>Total economic classification</b>	<b>34 703 741</b>	<b>41 742 114</b>	<b>51 916 831</b>	<b>55 259 119</b>	<b>58 540 059</b>	<b>60 291 486</b>	<b>60 856 646</b>	<b>66 263 600</b>	<b>68 515 971</b>

Total payments and estimates by economic classification reveal that over seven year reporting period, current payments account for approximately 76 per cent, followed by transfers and subsidies which account for 19 percent. Payments for capital assets constitute 5 per cent on average. Compensation of employees grew by an annual average of 17.3 per cent between 2006/07 and 2009/10 and continues to grow steadily at an annual average rate of 6.5 percent over the 2010 MTEF. The personnel expenditure growth relates to all aspects of personnel policy including unanticipated higher personnel costs that arise from higher inflation, general salary increases, carry through costs for personnel and increase in departmental establishment and Occupation Specific Dispensation (OSD).

Goods and services expenditure increased by 68 per cent from 2006/07 to 2008/09 this is as the result of the procurement of learner support material and medical supplies; minor maintenance of provincial infrastructure such as schools, buildings, roads, etc, and other administrative costs. Expenditure on goods and services is projected to increase by R24 billion from 2009/10 to 2012/13. The main contributor of the high over expenditure of goods and services to the province is Health, Health over expenditure concentrated in goods and services where adjusted budget of R4.8 billion was already 99.8 per cent spent, due to cumulative effect of accruals from 2004/05 to date.

Total transfers and subsidies allocation includes both current and capital transfers and subsidies. From 2006/07 to 2008/09 transfers payments expenditure grew by R53 million, in 2009/10 transfers and subsidies grew by R4.6 million from R13.6 billion to R14.7 billion during the adjustments budget. The bulk of expenditure for current transfers and subsidies represents transfers to non-government organisations who undertake services such as HIV/AIDS community home based programme, rendering services to children living in the street, support to abused women and children, health care on behalf of government, Gautrain rapid rail network project as well as school funding . Over the MTEF period transfers and subsidies is projected to grow by R5.1 million from 2010/11 to 2012/13.

Total payments for capital assets expenditure funds the construction of new schools to address the backlog caused by in-migration in the province; the construction and revitalisation of health facilities and the construction of provincial roads. The period 2006/07 to 2007/08 the expenditure grew by 12.7 per cent on average following the implementation of the Infrastructure Improvement Development.

Figure 1: Summary of Economic classification

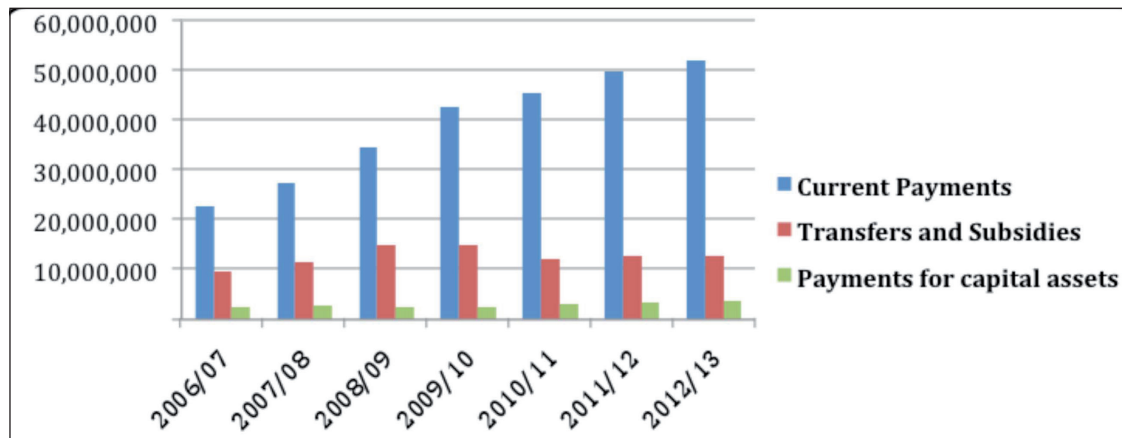
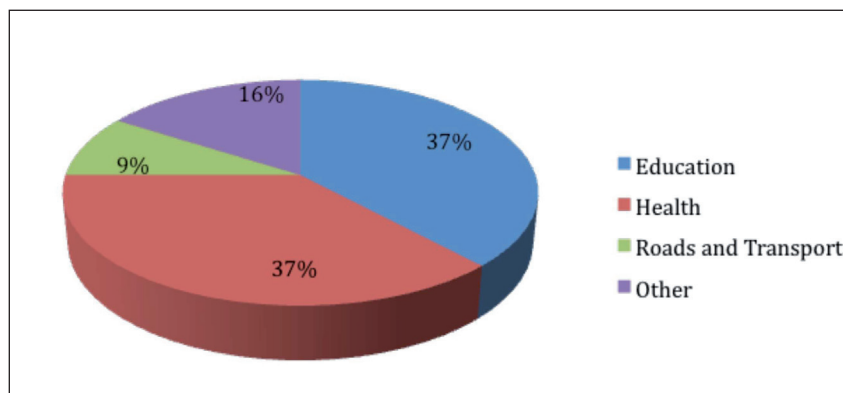


Figure 2: Sector split



The social sector is comprised of the Education, Health, and Social development sectors, in other instances the sport, arts and culture is also considered as a social sector; however, for the purposes of this publication and uniformity with other provinces, the sport, arts, culture and recreation will not be included in the social sector.

The pie chart above shows the percentage share or split of the sector variables against the provincial outlay. The social sector takes 75 per cent of the total provincial outlay, with Education standing at a high of 38 per cent, and Health taking a share of 37 per cent of the provincial estimates. The sector, classified as 'other' constitutes 25 per cent of which 7 per cent is for Roads and Transport. This includes the economic and governance sectors.

The social sector's growth is mainly driven by the provincial commitment to deliver general public services like, in the main, public education, school infrastructure and estimates related to compensation of educators. The other contribution relates to the expenditure relative to the delivery of public health/medical services like primary health care, health infrastructure and the cost of health personnel and the delivery of social welfare infrastructure and the social welfare services through non-governmental institution.

#### 4.4 Payments by policy area

TABLE 12: SUMMARY OF PROVINCIAL PAYMENTS BY POLICY AREA

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2006/07	2007/08	2008/09				2009/10	2010/11	2011/12
General public services	1 781 562	2 493 153	3 071 899	3 218 062	3 487 386	3 529 498	3 304 544	3 433 216	3 624 637
Public order and safety	205 007	299 321	365 291	345 475	347 483	385 719	369 940	400 553	427 108
Economic affairs	6 620 891	7 390 103	10 816 823	10 142 887	11 472 819	11 677 276	7 907 626	8 072 001	8 040 181
Environmental protection	54 417	62 941	85 207	128 194	104 891	104 891	136 047	142 654	149 866

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R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2006/07	2007/08	2008/09				2009/10	2010/11	2011/12
Housing and community amenities	2 059 750	2 909 632	3 094 345	3 553 414	3 639 289	3 857 301	4 077 650	4 614 254	4 322 469
Health	11 195 143	13 184 674	15 855 367	16 772 982	17 384 143	18 450 638	20 249 243	22 130 159	23 379 761
Recreation, culture and religion	232 806	333 561	373 054	358 297	362 205	362 205	337 928	349 828	367 784
Education	11 622 696	13 829 368	16 688 394	18 987 052	19 981 832	20 178 657	22 485 539	24 925 237	25 885 941
Social protection	931 469	1 239 361	1 566 451	1 752 756	1 760 011	1 745 301	1 988 128	2 195 699	2 318 225
<b>Total provincial payments</b>	<b>34 703 741</b>	<b>41 742 114</b>	<b>51 916 831</b>	<b>55 259 119</b>	<b>58 540 059</b>	<b>60 291 486</b>	<b>60 856 646</b>	<b>66 263 601</b>	<b>68 515 971</b>

Payments are not only classified by economic classification, but by also in terms of its functional type. This is sometimes referred to as government purpose classification or output-based spending and it is designed to reflect the distribution of government spending amongst other various services that are rendered. The table above reflects payments by policy area, which show how spending is funded for services rendered; this profiles the implementation of priorities and key policies of the Province.

The bottom line shows the actual spending over the past few years and the projected spending for the next three years. It is critical to observe that accordingly to what is table is purported to show, such should be done in line with the provincial priorities in order to see a clear picture of where the province is making significant strides in service delivery.

Education has been identified as the top priority of the provincial government for the coming MTEF period. In lieu of this, the educational programmes as shown in the table above constitute the highest share. This shows the provincial government's commitment to deliver quality educations and skills development. The table indicates that from 2006/07 to 2009/10 the average annual nominal growth is 19.8 per cent, from R11.6 billion to an adjusted budget of R20 billion in 2009/10. Over the MTEF the allocation increases from R22.5 billion to 25.9 billion in the outer year, at an average annual nominal rate of 4.8 percent. From the allocations made, it is easy to see that priority is given towards Early Childhood Development and the Primary and Secondary Phases.

In the second place, is the investment made to deliver quality health care for all the people of Gauteng. Focus within the health sector mainly revolves around the provision of primary health care, programmes aimed at fighting HIV and AIDS, infrastructure improvement, training of health professionals and tertiary health services.

In the third place is the allocation of resources towards achieving the province's economic objective. This is line with the provincial priority of creating a growing and inclusive economy. The Economic Affairs functional area shows the province's stance on implementing programmes that will create decent work, create business opportunities and stimulate rural development and provide food security.

### 4.5 Infrastructure payments

**TABLE 13: GPG 2010 MTEF INFRASTRUCTURE BUDGET PER DEPARTMENT**

	2010/11	2011/12	2012/13	TOTAL
Health	1 738 848	2 231 436	2 343 582	6 313 866
Social Development	142 420	151 424	159 716	453 560
Education	1 405 429	1 435 205	1 633 329	4 473 963
DID	183,344	151 507	110 046	444 897
Housing	3 897 831	4 453 081	4 673 835	13 024 747
Roads and Transport	3 493 344	3 749 133	3 583 846	10 826 323
Of Which: Gautrain	2 430 660	2 188 230	2 297 642	6 916 532
<b>TOTAL</b>	<b>10 861 216</b>	<b>12 171 786</b>	<b>12 504 354</b>	<b>35 537 356</b>



TABLE 14: GPG 2010/11 INFRASTRUCTURE BUDGET PER DEPARTMENT AND CATEGORY

Department R'000	New infrastructure	Existing infrastructure			Total (2010/11)
		Maintenance	Upgrading and Additions	Rehabilitation and Refurbishment	
Health and Social Development	986,961	667,527	65,339	161,441	1,881,268
Education	604,800	110,273	269,978	420,377	1,405,428
Infrastructure Development	74,560	18,303	6,328	84,153	183,344
Local Government and Housing	2,763,292	490,214	5,000	639,325	3,897,831
Roads and Transport	2,622,180	468,103	-	403,061	3,493,344
<b>TOTAL</b>	<b>7,051,793</b>	<b>1,754,420</b>	<b>346,645</b>	<b>1,708,357</b>	<b>10,861,215</b>

The infrastructure tables above shows a summary of infrastructure spending per department and category over the MTEF. A total amount of R35 billion is allocated for infrastructure investment in Gauteng for the next three years. The key main infrastructure delivery departments are as shown in the table above, which shows that the Department of Local Government and Housing contributes more. This is mainly for the provision of housing for human settlements. In the second place is the Department of Roads and Transport that received allocation for the Gautrain project.

Health and Social Development will over the MTEF step-up their provision for the provision of health and social services infrastructure; these include hospitals, clinics, old age homes, children's homes and early childhood centres. The Department of Education, on the other hand, will focus on the delivery of school infrastructure to address classroom backlogs, laboratories, etc. further details on each department's projects are contained in the separate budget book, i.e. Estimates for Capital Expenditure, 2010.

#### 4.6 Transfers

The main rationale for the agencification, establishment of semi-autonomous entities at government's arm length, is to improve the quality and cost of services available to citizens and to provide advice to facilitate investment. Through this service delivery model government can 'do more with less', specialised and quality services can be delivered in a more accessible way hence the need for agencification. This may also include services that will best be delivered within municipal competencies. Gauteng makes provision for transferring funds to entities and municipalities for various purposes.

##### 4.6.1 Transfers to public entities

TABLE 15: TRANSFERS TO PUBLIC ENTITIES

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2006/07	2007/08	2008/09				2009/10		
1. Gauteng Economic Development Agency	42 500	70 486	56 993	57 000	64 000	64 000	69 818	59 565	62 543
2. Gauteng Tourism Agency	33 500	40 500	58 786	49 500	48 500	48 500	46 661	151 932	56 615
3. Gauteng Film office	14 100	48 550	39 036	20 000	16 400	16 400	21 372	21 100	22 000
4. Gauteng Enterprise Propeller	80 000	103 009	53 650	136 324	126 324	126 324	140 852	144 870	152 114
5. Blue IQ Investment Holding (Pty) Ltd	157 231	93 211	295 558	314 781	296 981	296 981	494 757	588 093	158 780
6. Gauteng Gambling Board	9 213								
<b>Total transfers to public entities</b>	<b>336 544</b>	<b>355 756</b>	<b>504 023</b>	<b>577 605</b>	<b>552 205</b>	<b>552 205</b>	<b>773 460</b>	<b>965 560</b>	<b>452 052</b>

The Department Economic Development formulates socio-economic development policies and transfers funds to public entities listed in the table above for the implementation of such policies.

The Gauteng Economic Development Agency (GEDA) is the official economic, investment and trade promotion agency that identifies and markets investment opportunities in the province. The expenditure of the GEDA

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increased from R42.5 million in 2006/07 to R57 million in the 2008/09 financial year. In the 2009/10 financial year the budget for GEDA was adjusted upwards due to an additional transfer of R7 million from the Department of Economic Development for the Open Golf Day. The remaining public entities listed above realised efficiency savings in the 2009/10 financial year which was transferred to the provincial revenue fund. Over the MTEF period the allocation to GEDA rises by an annual average growth rate of 5 percent.

Gauteng Tourism Agency (GTA) aims to create world class destinations that will attract tourists, investors and thus enhance economic growth. The agency has spent an average of R44.3 million over the period 2006/07 to the 2008/09. The 2010 MTEF period allocation presents a significant increase from R46.7 million in 2010/11 to R151.2 million in the 2012/13 financial year.

Blue IQ Investment Holdings (Pty) Ltd aims to deliver strategic economic infrastructure to catalyse economic growth and contribute to job creation. The expenditure for the period 2006/07 to 2008/09 presents a sharp escalation mainly as a result of the motor sport projects. In the first two years of the 2010 MTEF period, Blue IQ Investment Holdings (Pty) receives an allocation earmarked for the motorsports projects which is anticipated to end in 2011/12. The Gauteng Film Commission receives funds for the development of the film and audio visual industry and allocations are made to the Gauteng Enterprise Propeller for the promotion of small and medium and micro enterprises.

### 4.6.2 Transfers to local government

TABLE 16: TRANSFERS TO LOCAL GOVERNMENT

Municipality	Outcome			Main appropriation	Adjusted appropriation	Revised estimates	Medium term estimates		
	2006/07	2007/08	2008/09				2009/10		
<b>Category A</b>	<b>281 414</b>	<b>373 228</b>	<b>324 792</b>	<b>453 511</b>	<b>455 511</b>	<b>507 831</b>	<b>483 450</b>	<b>514 650</b>	<b>542 742</b>
Ekurhuleni Metro	92 789	155 152	134 420	188 038	189 038	208 098	201 020	213 390	223 980
City of Johannesburg	96 842	159 788	137 651	190 979	191 979	211 039	203 870	216 540	227 610
City of Tshwane	91 783	58 288	52 721	74 494	74 494	88 694	78 560	84 720	91 152
<b>Category B</b>	<b>1 717</b>	<b>17 128</b>	<b>103 483</b>	<b>34 870</b>	<b>35 370</b>	<b>48 893</b>	<b>44 010</b>	<b>42 750</b>	<b>43 800</b>
Nokeng Tsa									
Taimane	39	887	13 620	3 340	3 340	3 340	3 320	2 760	2 860
Kungwini	76	828	20 909	3 340	3 340	3 340	3 320	2 760	2 860
Erfuileni	686	3 411	23 417	5 141	5 141	12 553	11 450	7 900	7 890
Midvaal		1 739	2 044	3 289	3 289	3 289	3 320	2 760	2 860
Lesedi	741	1 947	4 055	4 948	4 948	4 948	4 420	4 450	10 550
Mogale City	88	4 597	20 826	4 279	4 779	10 890	4 950	12 200	6 580
Randfontein	49	1 980	14 813	7 154	7 154	7 154	3 220	2 560	2 760
Westonaria	19	1 461	3 799	3 379	3 379	3 379	3 220	2 560	2 760
Merafong	19	278					6 790	4 800	4 680
<b>Category C</b>	<b>122 345</b>	<b>64 148</b>	<b>47 981</b>	<b>69 275</b>	<b>69 775</b>	<b>65 775</b>	<b>79 703</b>	<b>72 706</b>	<b>76 605</b>
Metsweding	14 309	2 083		31 270	31 270	15 710	7 200	1 300	2 500
Sedibeng	59 335	29 060	13 280	1 650	2 150	15 710	36 170	38 060	39 653
West Rand	48 701	33 005	34 701	36 355	36 355	34 355	36 333	33 346	34 452
<b>Total Transfers to Municipalities</b>	<b>405 476</b>	<b>454 504</b>	<b>476 256</b>	<b>557 656</b>	<b>560 656</b>	<b>622 499</b>	<b>607 163</b>	<b>630 106</b>	<b>663 147</b>

The Division of Revenue Act requires a provincial treasury to publish in the Government Gazette the details of every allocation that the province will make to municipalities from the province's own funds. The table above provides details of transfers to municipalities over the seven-year period between 2006/07 and 2012/13.

Gauteng has three Category A: metropolitan municipalities that have exclusive municipal executive and legislative authority within their areas; nine Category B: local municipalities that shares municipal executive and legislative authority with the category C municipality within whose area; and three Category C: district municipalities that

have municipal executive and legislative authority in an area that includes more than one municipality.

Total amounts transferred to municipalities increase from R405.5 million to R476.6 million during the first three years. These transfers exceed R500 million mark in 2009/10 and increase gradually from R607.2 million in 2010/11 to R663.2 million in 2012/13.

Transfers to metropolitan municipalities increase from R281.4 million in 2006/07 to R542.7 million in 2012/13 amount to 80 percent of total transfers. The City of Johannesburg and the City of Tshwane receive majority of allocation in this category.

Category B municipalities receive transfers that increase from R1.7 million in 2006/07 to R43.8 million in 2012/13. Transfers to these municipalities amounts to 11 percent per annum on average. Redemarcation of municipal areas resulted in the reallocation of Merafong Municipality from North West to Gauteng in 2010/11 after the municipality migrated to North West in 2007/08.

Allocations to West Rand and Sedibeng municipalities form the major part of transfers to Category C municipalities. Total transfers for this category increase R48 million in 2007/08 to R76.6 million in 2012/13.

Over the MTEF period, transfers to municipalities reflect a steady annual average escalation of 5 per cent. The transfers are made by the following provincial departments for the reasons outlined below:

- Gauteng Treasury: Municipal intern grant for capacity enhancement in identified municipalities;
- Department of Agriculture and Rural Development: Technology development and support, and sustainable resource management;
- Department of economic Development: Financial support for local economic development (LED) projects;
- Department of Health: primary health care and emergency medical services;
- Department of Sports, Arts, Culture and Recreation: Cultural affairs, library information services, sport and recreation; and recapitalisation of community libraries;
- Department of Local Government: For HIV/AIDS programmes, local government capacity building and LED support.

#### 4.7 Personnel numbers and costs

**TABLE 17: PROVINCIAL PERSONNEL NUMBERS**

Department	31 Mar 2007	31 Mar 2008	31 Mar 2009	31 Mar 2010	31 Mar 2011	31 Mar 2012	31 Mar 2013
Premier	170	158	250	313	313	313	313
Gauteng Legislature	195	226	282	283	311	311	311
Economic Development	226	334	320	354	344	344	344
Health And Social Development	47 455	50 012	53 840	53 107	67 517	70 064	71 396
Education	67 072	76 206	77 064	77 458	76 909	78 258	79 629
Local Government and Housing	1 783	2 101	2 333	2 581	2 791	2 791	2 791
Public Works, Roads And Transport	1 977	2 279	2 279	2 434	2 434	2 434	2 434
Community Safety	776	761	899	972	972	972	972
Agriculture And Rural Development	950	848	1 098	1 100	1 100	1 100	1 100
Sport, Arts, Culture And Recreation	368	375	448	444	448	448	448
Finance	1 491	1 931	1 997	2 012	2 029	2 029	2 029
Infrastructure And Development	1 948	2 206	2 206	2 612	2 683	2 683	2 683
<b>Total Provincial Personnel numbers</b>	<b>124 391</b>	<b>137 437</b>	<b>143 016</b>	<b>143 670</b>	<b>157 851</b>	<b>161 747</b>	<b>164 450</b>

The table above shows the personnel numbers for the province over a seven year period. These numbers grow at an average rate of 5 per cent between 31 March 2007 to 31 March 2013. The major contribution in terms of numbers is the Department of Education due to the number of educators employed, and the Department of Health and Social Development which employs a large number of nurses.

The estimated growth in personnel numbers is mainly driven by the province's commitment to create decent jobs, and secondarily address the shortages in terms of educators in rural schools, nurses in remote clinics. In general, the growth is also driven by an increase in the number of public servant in order to fast track service delivery, deliver quality public service and ensure that government takes public services to the people.

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Further details on personnel numbers are included in each of the individual departmental chapters in the Budget Statement 2 sections.

### 4.8 Payments on training

**TABLE 18: PAYMENTS ON TRAINING**

R'000	Audited			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2006/07	2007/08	2008/09				2009/10	2010/11	2011/12
Premier	1 382	1 150	3 345	1 689	1 689	1 689	1 115	1 170	1 229
Gauteng Legislature	1 052	1 035	2 305	2 408	2 408	2 408	2 528	2 680	2 814
Economic Development	338	2 358	12 900	13 271	13 271	13 271	13 687	14 410	14 934
Health And Social Development	27 210	35 208	42 738	70 129	65 536	67 822	95 900	101 266	105 236
Education	89 340	49 737	217 309	343 897	343 897	343 897	321 918	336 404	336 404
Local Government and Housing	2 120	2 864	3 377	5 825	4 531	4 531	5 038	5 473	5 615
Public Works, Roads and Transport	3 534	16 888	6 875	8 086	8 086	8 086	8 240	8 748	8 748
Community Safety	1 090	1 090	1 530	1 605	1 605	1 605	1 712	1 759	1 759
Agriculture and Rural Development	4 685	4 403	5 144	5 444	117	117	5 768	6 115	6 480
Sport, Arts, Culture and Recreation	742	363	1 056	4 059	4 059	1 438	1 375	1 375	1 600
Finance	15 432	12 408	10 826	9 727	16 480	12 341	14 570	16 104	16 009
Infrastructure And Development	3 414	23 947	18 164	9 713	7 897	6 695	9 897	10 535	10 680
<b>Total Payments on Training</b>	<b>150 339</b>	<b>151 451</b>	<b>325 569</b>	<b>475 853</b>	<b>469 576</b>	<b>463 900</b>	<b>481 748</b>	<b>506 039</b>	<b>511 598</b>

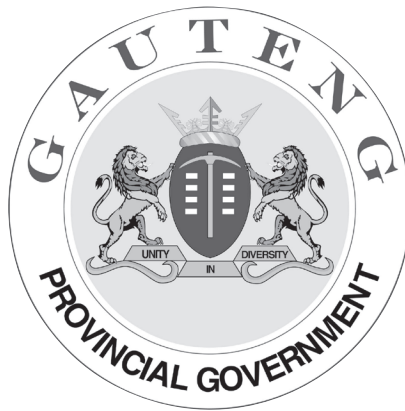
Table 18 above represents the payment on training by provincial departments. The table shows that between 2006/07 to 2008/09 the province had an expenditure growing at an average rate of 47 per cent or R175 million. The department of Education and the department of Health and Social Development are the primary contributors to this expenditure which amounts to R128 million and R15 million respectively. These trends manifest the fact that the two departments employ a huge proportion than all other departments combined. Furthermore, this expenditure is in line with the provincial and national priorities of ensuring that the inherited socio-economic disparities are eradicated, thereby bridging the skills gaps that is existent in the society. In 2009/10 the budget amounts to R476 million and is estimated to grow to R511.6 million in the 2012/13 financial year.

The Department of Education reflects an increase of R127 million which is 58 per cent higher than the previous year, while the department of Health and Social Development had an increase of R29 million or 64 per cent.

Over the MTEF the total budget grows by R30 million or 3 per cent. The Department of Education's budget grows by 2.2 per cent while the Department of Health and Social Development grows by 5 per cent. Further details on the specifics of training areas are reflected in each of the departmental chapter.

## 5. CONCLUSION

In keeping with the current economic climate, Gauteng Provincial Government has enhanced its budget process and the approach to budgeting for the medium term. More emphasis is placed on reprioritisation and reallocation of funds to key strategic focus areas that will ultimately lead to the achievement of outcomes. This year's budget gives effect to the policy directives by addressing issues of healthy life, quality education and job creation. Specific programmes have been developed to give impetus to existing work done by the province. Gauteng is committed to improved service delivery and support high quality of life for all.



# **BUDGET STATEMENT NO. 2**

