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Provincial Fiscal Framework: The way forward

Accepted by Cabinet in late 1999, this document describes the approach adopted towards fiscal decentralisation with provinces. It provides for a comprehensive framework for the long-term development of intergovernmental fiscal arrangements, including institutional arrangements, expenditure responsibilities, provincial taxation, intergovernmental transfers, and borrowing. The aim, over the long term, is to move towards a more robust system that promotes good governance and develops the capacity of each sphere to fulfil its mandates. The *Framework* notes that, in the medium term, the focus must be on developing the necessary foundations for an effective multi-sphered system and on fostering efficiency and accountability. It is attached to the *2001 Intergovernmental Fiscal Review* to explain the underlying approach to provincial fiscal management.

A.1 Introduction

The global trend over the past few decades has clearly been towards political, fiscal and administrative decentralisation. This trend has become more evident in developing countries since the mid-1980s for reasons that include the introduction of democratic government and the need to provide services to large and disparate populations, and improve government performance. In South Africa, decentralisation was an outcome of a negotiated political settlement and the subsequent transition to democracy.

Since the early 1960s, governance literature has advocated the benefits of decentralisation to enhance a government's accountability to its citizens and improve efficiency in resource allocation and welfare. The literature, however, was largely based on the experiences of countries that are both developed and federal in structure. During the 1990s, as decentralisation gained momentum, its costs, particularly the impact on distributional equity and macroeconomic management, became a concern. Several crucial elements of successful decentralisation in industrial countries are weak or absent in developing countries. The developing countries have weak institutions and processes of democratic government, as well as inadequate administrative capacity to implement difficult transformation processes, and are unable to maintain macroeconomic stability in an open, global marketplace.

Therefore the initial gains from decentralisation in developing countries may be smaller and the risks greater, depending on institutional and other fiscal arrangements. Recent experience indicates that successful decentralisation depends on country-specific circumstances, intergovernmental fiscal relations, and institutional arrangements within and between the levels of government.

This document summarises the South African context and reviews aspects of the political, economic and social structure, and arrangements that may affect the outcomes of the intergovernmental system. It describes general principles derived from international experience, and the application of these principles in South Africa in terms of both the legal framework and current practice. The concluding section proposes a medium-term path from the current situation to a more robust system that allows provincial autonomy in line with the Constitution.

The proposed intergovernmental fiscal framework supports the broader budget and public sector reforms. These reforms promote:

- ?? greater clarity in roles and responsibilities in all spheres of government
- ?? improved fiscal accountability
- ?? increased policy oversight over budgeting
- ?? more efficient use of resources to achieve a better life for all.

The framework allows the different parts of the intergovernmental financial system to evolve consistently, but with sufficient flexibility to respond to changes in the economic and political environment. Flexibility is important during transition, as many current constraints are likely to be mitigated in future. Hence, while the proposed medium-term plan does not foreclose long-term options when addressing short-term problems, it provides more clarity and certainty about the structure of intergovernmental financial relations.

A.2 The South African landscape

The evolution of the South African intergovernmental system has been shaped by political, historical and demographic factors, the interdependence of the spheres of government and the constraints of the economy's emerging market status. Although the categories are not mutually exclusive, the influences on the system are grouped into historical influences, institutional arrangements, economic considerations, capacity constraints, electoral accountability and information flows.

Historical influences

The previous system of government was highly centralised, but simultaneously fragmented along racial lines. In total, there were 14 systems of government and administration. The TBVC states and self-governing territories were nominally autonomous but politically illegitimate and undemocratic, and highly dependent on fiscal transfers from South Africa. The old provinces, although performing health, education and welfare functions, were merely administrative extensions of national government. Policy formulation was centralised in Pretoria and budget allocations were determined through function committees. This historical legacy affects the system in at least three ways.

?? The historical distribution of resources along racial lines resulted in provinces with vastly different economic and demographic profiles. These differences affect the demand for services, the ability to provide services, the skills base of provincial governments and their capacity to generate revenues. Despite improvements since 1994, disparities in access to economic opportunities remain substantial. For instance, the four more rural provinces, with a combined share of 43 per cent of the population, receive only 17 per cent of remuneration. Six provinces diverted considerable resources into rationalising disparate systems and administrations into a single, coherent provincial administration. This process required significant resources, detracting from service delivery and public expenditure management. Some provinces still have many supernumerary staff, a costly vestige of the consolidation process.

?? South Africa has a history as a unitary, if divided, state. Citizens have yet to identify strongly with the new provinces, which have a short political history. The perception persists that provinces are administrations of central government rather than independent governments. Overall, the legal and economic configuration implies that many provinces will struggle to develop separate identities.

Institutional arrangements

The Constitution assigns responsibilities to each of the three spheres of government; some exclusive and some shared. Although the Constitution envisaged a partnership between the spheres, current institutional arrangements have yet to address certain tensions in the system of co-operative governance. While provinces have significant responsibility for delivering the essential social services of education, health and welfare, political and economic realities cause national government to remain the dominant sphere.

National government largely relinquished direct control over expenditure responsibilities within concurrent functional areas, but retains responsibility for policy development and financing. Provinces are almost entirely funded by transfers from national government, but have some discretion over the allocation of funds between programmes. This separation of the functions of policy and expenditure management creates the potential for both moral hazard and unfunded mandates, as described in Box 1 below.

Box 1: Moral hazard and unfunded mandates

National government promotes the socio-economic ideals of the Constitution by exercising control over policy formulation and setting norms and standards for the delivery of basic services. Partly for historical reasons, citizens hold national government accountable for the delivery of services, even though the provinces have primary responsibility for the allocation of resources to and administration of these programmes. Thus, citizens for the delivery of services over which it does not have full control are holding national government accountable.

On the other hand, nationally determined policies have financial and implementation implications at the provincial level. In particular, national government retains direct control over public sector wages and social security benefits. These two items alone account for more than three-quarters of provincial expenditure. Therefore, provinces are faced with funding programmes over which they have minimal policy discretion. If insufficient resources are provided to meet these mandates, the policy objectives will be undermined.

The Public Service Act of 1994 established a single public service with 35 national departments, offices and services, nine new provincial governments, and the post of Director-General to head each of the national departments and provinces. The structure of provincial governments is similar to that of national departments in terms of this legislation.

The Interim Constitution stipulated that the institutions of the old order be rationalised into effective new national and provincial governments as soon as possible. As a result, the process of devolving functions to the new provinces was rapid and symmetrical across the provinces, regardless of their preparedness. Although the results of this devolution process were at times uneven, many initial problems have been addressed. Nevertheless, certain centralising characteristics remain within the institutional arrangements of intergovernmental finance (e.g. centralised wage bargaining). Given the newness of the intergovernmental fiscal system, and that roles and responsibilities are not yet well entrenched, such unresolved tensions may impair its functioning.

Economic considerations

The country's reintegration into the world economy and its sizeable public debt necessitated a measured approach to macroeconomic policy. To sustain international confidence in the economy, policies have focused on macroeconomic stability and fiscal discipline. Investors see South Africa as an emerging market and a problem in one part of the intergovernmental system may be perceived as symptomatic of the system in general. This reinforces the interdependence of the spheres, making it more difficult for provinces to exercise independence on economic issues. In terms of fiscal policy, this has meant limited provincial autonomy over taxation and borrowing. Although this approach allowed South Africa to withstand the recent global financial crisis, it strengthened the perception of government as a hierarchy of tiers.

As noted, disparities across the provinces in terms of economic opportunities, access to public services and institutional capacities are considerable. The need to redress these imbalances remains a powerful factor in the emerging system of intergovernmental relations. National government is best positioned to promote redistribution and equity, driving South Africa's transformation process through the Reconstruction and Development Programme (RDP) and other policy initiatives. It has relied on a strongly redistributive formula (based on objective criteria) to allocate funds to the provinces, which are primarily responsible for the implementation of many of these policies. However, because it is so strongly identified with the transformation process, national government has generally been held accountable for the outcomes of these policies.

Capacity constraints

Provinces need the capacity to perform their constitutional responsibilities, including the ability to convert policy into service delivery and the financial management capacity to do so efficiently. Not surprisingly, the financial management and administrative capacity of provincial governments varies widely, with particularly acute problems in provinces that inherited the administrations of the former homelands. Some provinces find it difficult to recruit and retain staff with the requisite financial and analytical skills because remuneration is well below that of the private sector. Capacity constraints include shortages of skilled personnel, inadequate data and poor information and management systems.

The capacity demands on national government receive less emphasis, yet the problems are also pressing. National government formulates policy, monitors implementation by subnational spheres, evaluates compliance with norms and standards, and aims to provide technical support to and capacity building in other spheres. However, its capacity to perform these functions has also been compromised by shortages of quality personnel, information and support systems

Capacity constraints in the legislative arm of government are equally critical. For example, the oversight role of parliamentary committees is significantly stronger than in the past. Provincial legislatures have also been introduced, often under adverse conditions and in the absence of an institutional history. A lack of financial expertise, time constraints and inadequate research support negatively affect both Parliament and provincial legislatures, particularly on budget issues.

Electoral accountability

In mature and relatively wealthy democracies, a decentralised political system and elections provide the most direct forms of accountability. Citizens unhappy with the goods, services, and other benefits they receive can vote incumbents out of power. Alternatively, they can “vote with their feet” and relocate. But these mechanisms are not as substantial in relatively poor democracies emerging from the effects of non-democratic institutions and divided societies.

As in many emerging democracies, electoral accountability in South Africa is developing and interprovincial mobility is generally low, particularly among the poor and those from rural areas. People usually move between provinces to find better economic opportunities, with small differences in the quality of public services or tax rates unlikely to play a major role in their decisions.

In addition, South Africa’s electoral system is proportional rather than constituency-based. This tends to foster voter allegiance to the central rather than provincial or local governments, a common situation in countries with unitary rather than federal systems of intergovernmental relations.

Information flows

Information problems affect the government’s ability to make policy and to implement policy decisions in a decentralised framework. These problems also affect the ability of government and the public to evaluate the success of government policies and to hold the appropriate sphere accountable for policy outcomes. Data problems in South Africa relate to the type, quality, availability and presentation of information. Inappropriate recording, processing and dissemination systems contribute to the poor quality and timeliness of information:

?? The budgeting system is still largely input driven, and provinces and departments are merely required to account for monies spent, not for the outputs delivered.

?? Available information has commonly been of limited management value because of time lags. In the past, provincial departments frequently took several months to close their books, and financial statements by the Auditor-General would take more than two years to process.

?? Certain accounting practices, such as the use of suspense accounts, undermined the goals of timely and accurate information.

?? Information delays made it hard to detect and act on discrepancies, unauthorised expenditure or other issues.

It is difficult to form a comprehensive picture of public finances, despite the important interrelationships between the national, provincial and municipal budgets. There is no uniformity in departmental, programme or subprogramme structures across the spheres, and differences in economic and functional classifications further complicate calculations of consolidated expenditure.

Many of these problems are being addressed. Budget process reforms, such as the introduction of a medium-term framework and rigorous intergovernmental sectoral reviews, necessitate better information to support policy analysis for decision-makers. The Public Finance Management Act also requires timely, accurate and uniform information, and failure to meet the terms of the Act will result in sanctions. Current reforms in information systems will also facilitate the availability and dissemination of information, but these reforms are at an early stage and will take time to filter through the system. Considerable work has been done on revised formats for budget documentation and the introduction of uniform, internationally recognised reporting standards through the Government Financial Statistics (GFS) classification system.

Conclusion

After the 1994 elections, national government and the new provincial governments faced the daunting task of transforming and improving service delivery amid large historical backlogs, underdeveloped capacity and a poor information base. Overcoming these difficulties requires co-ordination, intergovernmental co-operation and a strong role for national government.

Some of the features that shaped the current intergovernmental system are likely to continue. For instance, in a unitary state, the role of national government will remain strong and its leadership in economic policy-making unquestioned. Even in other areas, at least over the medium term, co-operative governance between the spheres will remain hierarchical. National government will retain responsibility for monitoring provincial activities and will intervene when a province fails to meet its executive obligations.

Other aspects are likely to change and, in particular, current reform initiatives will begin to solve capacity and information problems. This will support more effective intergovernmental co-ordination and a clearer assignment of responsibilities. Political and institutional structures at the provincial level will also mature, becoming more effective in policy-making and oversight. These changes will support further devolution of responsibilities to the provincial sphere, as they help ensure the benefits of decentralisation are maximised.

A.3 Intergovernmental system design

An effective intergovernmental system entails political, fiscal and administrative arrangements that promote efficiency, accountability and growth while addressing differing provincial needs and capacities. Accountability and efficiency, as used here, are defined in Box 2.

Box 2: Key concepts of accountability and efficiency

Efficiency in spending requires that every rand spent must improve service delivery in line with the nation's priorities. Decentralising responsibility for the allocation of resources, or moving government closer to the people, often encourages efficiency. It allows sub-national government to be more responsive to the particular combination of services that local citizens require, to make use of local information to deliver services at lower cost and to be innovative in meeting target outcomes.

All levels of government are held accountable for the efficiency of expenditure within the resources available. Sub-national governments are responsible for allocating given resources between different public services. They are held accountable by national government for managing their resources efficiently and by citizens for the quality and mix of services. Where sub-national governments have substantial control over the size of their resource pool, they can also be held directly accountable for the overall level of public expenditure.

The importance of these concepts to good governance is underscored by their inclusion in the Constitution (section 195). The primary tools for encouraging efficiency and accountability are the electoral process, the flow of information and the creation of suitable incentives. The sequencing of the devolution of responsibilities is critical to improving accountability. It seems rational to first attend to the efficiency and prioritisation of public expenditures before providing sub-national governments with additional sources of own revenue; this approach has been adopted in South Africa.

Intergovernmental fiscal relations in South Africa comprise five interrelated components. First, institutional arrangements include the constitutional and legal framework, and the respective roles of the spheres of government. Second, within this framework, a set of expenditure responsibilities is attributable to each sphere. The final three components relate to the financing of the spheres – taxation powers, intergovernmental transfers and grants, and responsibilities for borrowing. Designing the components to be consistent and achieve the desired objectives requires rules and procedures that allow individual components to respond to changing circumstances without threatening the integrity of the system as a whole. This section outlines general principles and their application in South Africa in terms of the Constitution and other laws, and in practice.

Institutional arrangements

General principles

The system of government, the form of the democracy and the particular circumstances of each country determine the role of national government. In a unitary form of government, centralised decision-making is often used to further national objectives. Most developing countries, and particularly those with colonial pasts, have taken this route. Federal governments are more conducive to decentralised decision-making, as many were created by the aggregation of existing states with pre-existing capacity and political histories.

In both systems of government, national government retains responsibility for macroeconomic management and redistribution, as substantial decentralisation can compromise macroeconomic management. For example, allowing provincial autonomy in taxation and borrowing could undermine macroeconomic stability. To counter this, national governments retain control over integral aspects of the system, such as maintaining the integrity of the overall tax system and

managing the national debt. A balance should be found that allows national government to co-ordinate macroeconomic management and pursue national priorities without unnecessarily reducing subnational discretion and the incentives for subnational innovation in service delivery.

Current legal framework

The Constitution provides for a unitary but decentralised system of intergovernmental relations by prescribing three “distinctive, interdependent and interrelated” spheres of government. While the term “sphere” specifically denotes a non-hierarchical relationship between governments, each deriving their status and powers from the Constitution, national government is still perceived as the dominant sphere.

The Constitution’s provisions for intergovernmental transfers and expenditure and tax assignment reflect international best practice. The Constitution also has some unique features pertinent to intergovernmental fiscal relations. This is underpinned by a commitment to basic human rights, set out in the Bill of Rights in Chapter 2, and to co-operative governance, spelled out in Chapter 3. The Bill of Rights emphasises the delivery of basic services to all South Africans; this affects the budgets of all three spheres of government. The commitment to co-operative governance has created a more collegial environment for solving problems and sharing resources, encouraging consensus rather than conflict between the spheres. It has also created space for the system to evolve and mould itself in response to changing circumstances.

Provincial governments have the power to establish their own political structures and processes. In terms of section 128, the provincial legislature elects the provincial premier. Section 132 empowers the premier to appoint the provincial Executive Council, which is then accountable to the legislature.

Provincial autonomy is balanced by national government’s co-ordination and monitoring role over macroeconomic stability, national policy goals and a consistent standard of services so that citizens are not prejudiced on the basis of their place of residence. The government achieves this primarily through framework legislation or norms and standards. For example, sections 215 and 216 require national budget formats and accounting standards to promote uniformity.

The Constitution also provides for more direct national monitoring of provincial affairs under prescribed conditions. National government intervention is permitted to maintain national security, economic unity, national norms and standards, or to prevent activities by one province prejudicing other provinces or the nation as a whole (sections 44(2), 100 and 146–150). Section 100(1) provides for “any appropriate steps” for ensuring that provinces fulfil their executive obligations. Although this section applies broadly to all executive obligations of provincial governments, it has thus far been used exclusively for budgets and financial management.

Current practice

The national government has guided macroeconomic policy, reconstruction and redistribution in line with the Constitution and international best practice. The Constitution allows the details of the intergovernmental system to be negotiated and adapted as circumstances change. The legislative basis has therefore been developing, and includes the Intergovernmental Fiscal Relations Act, the Public Finance Management Act and intergovernmental institutions across government, such as the National Council of Provinces, MinMECs (Minister and the nine and members of provincial Executive Councils) and technical committees.

Various intergovernmental processes have developed over the past few years, some more formal and institutionalised, and co-ordinating these has been a problem. The introduction of sectoral review teams as part of the Medium Term Expenditure Framework (MTEF) has been an important reform, and line departments and treasuries from both the national and provincial level work

together to align policy goals and budget resources. In education, health, and welfare, these annual review teams have evolved into a series of technical committee meetings known as 4x4s.

Certain institutional arrangements, however, remain largely informal or vary across government.

Box 3: The Intergovernmental Fiscal Relations Act

The Intergovernmental Fiscal Relations Act of 1997 came into effect on 1 January 1998. The 1999 budget process is the first year in which the Act has been fully implemented. It formalises a process for dealing with intergovernmental budget issues and gives effect to section 214 of the Constitution by setting the process for revenue sharing, and to section 41 by promoting co-operative governance.

In terms of the Act, the Financial and Fiscal Commission (FFC) makes recommendations on the division of revenue ten months before the start of the financial year. These are submitted to the Minister of Finance, Parliament and the nine provincial legislatures. The Minister then consults the provinces, local government and the FFC about the recommendations. To facilitate such consultation, the Act establishes the Budget Council and the Budget Forum. The Budget Council consists of the Minister of Finance and the nine Members of the Executive Councils (MECs) for Finance. The Budget Forum extends his group to include representatives of local government. The Budget Council is a vital forum for engaging with provincial fiscal and financial affairs.

The final step in the budget process is that the Minister tables a Division of Revenue Bill at the time of the Budget, setting out the final allocations to each sphere and province, and any conditions that apply to these allocations.

In particular, the effectiveness of national departments differs considerably in terms of setting norms and standards or monitoring and enforcing conditions for intergovernmental grants. Although intervention under section 100 has only occurred for failure to fulfil executive obligations on financial matters, some departments (such as transport) have legislative authority to intervene if there is a failure to deliver services. No norms have been established to guide such interventions.

Expenditure responsibilities

General principles

Unitary systems of government are more likely to devolve administrative and expenditure responsibilities rather than revenue-raising or borrowing powers. Devolution of expenditure responsibilities can lead to a more efficient allocation of resources and an increase in welfare by allowing expenditure priorities to reflect the needs or preferences of affected citizens. Equally clear, however, is that administrative weakness or capacity problems can negate these gains at subnational level.

An important principle of expenditure assignment is that responsibility for expenditure should be assigned to the level of government that can be most responsive to its citizens in the area of benefit and that has the capacity to deliver services efficiently. This implies that national government should be responsible for functions with national benefits or economies of scale.

It is useful to distinguish between different types of “expenditure assignment”. If subnational governments merely have to implement policy decisions, it is a delegated responsibility and they are agents of the central government. Devolving expenditure responsibilities requires subnational governments to have some discretion in making allocation decisions and determining how services are to be delivered. This is said to allow expenditure to be more responsive to the desires of the citizenry, as the subnational government may make better choices between alternative expenditure configurations.

For the benefits of decentralised expenditure responsibility to be realised, subnational expenditures must be made efficiently. This requires efficient systems of contracting, rational personnel policies and information systems that allow monitoring and expenditure control. For subnational

governments to choose among alternative public expenditures, they must have budgetary procedures that encourage rational choices. These choices must not merely be based on inputs but rather on the objectives, costs and benefits of public spending.

If the distribution of resources or level of services differs substantially between regions, these can encourage destabilising regional migration and political and social pressures. Substandard levels of service provision, for example in primary health care, have a broader economic impact, with significant efficiency costs. National government can influence delivery without having to undertake provision directly. It can set policy guidelines, transfer funds to enable subnational governments to meet national mandates, and exercise control over the use of some transfers. In unitary countries, national governments can prescribe minimum standards of service provision in the interests of uniformity and equity; in federal countries, subnational governments may have greater discretion in differentiating service levels.

Current legal framework

Schedules 4 and 5 of the Constitution assign to provinces certain expenditure responsibilities; these are either exclusive or concurrent. Exclusive provincial functions are those with provincial benefits, such as provincial planning, provincial roads and transport, and cultural affairs. Functions not specified, such as defence or home and foreign affairs, remain exclusively with national government as they have national benefits or economies of scale. Concurrent functions are those shared with national or local government. For instance, responsibilities for the three social services, health, education and welfare, are shared between national and provincial government. Tertiary education and health both have potential spillover effects, but are treated differently. Tertiary education is a national responsibility but tertiary health is concurrent, with a conditional grant to address spillover effects; social security is also concurrent.

Current practice

The assignment of expenditure responsibilities is in line with these provisions, although it occurred rapidly and sometimes with little clarity on responsibilities within concurrent functions. As the Public Service Commission (1997) pointed out, the appropriate division of these functions was not self-evident – many major functions did not fit neatly into either category. In general, the national government provides policy frameworks (especially norms and standards), overall planning and essential co-ordination. Provinces, in turn, are responsible for the delivery of public services. The exact functions of the national and provincial departments continue to evolve and are based on a practical interpretation of the Constitution and political agreement reached through forums such as the technical committees.

The 1997/98 budgets were the first over which the provinces had discretion. They proved to be problematic for a variety of reasons, but primarily because they were based on the previous year's budgeted amounts rather than actual expenditure. In the absence of functioning management information systems, little detail was available on the actual costs of new policies, particularly on personnel and social security. The result was widespread social services overspending and a combined deficit of R5,8 billion that year.

Significant budget reforms were subsequently introduced, including three-year budgets to facilitate medium-term planning, and better co-ordination between treasuries and national and provincial departments to align policy goals with available resources. More intensive monitoring of expenditure through an early warning system process improved expenditure control. Consequently, provincial budgets have become far more reliable. Despite these financial management gains, the budget process remains largely input driven, as accurate information on the costs of service delivery outcomes is generally unavailable.

Provinces currently account for some 60 per cent of non-interest expenditure. Although social service (health, education, welfare) expenditure accounts for more than 80 per cent of provincial

budgets, provinces are responsible for a range of other functions that impact on poverty and economic growth, such as tourism development, provincial industrial strategies, agriculture and provincial infrastructure. In the tight fiscal environment, there is a tension between the demands on social service spending and the allocation of resources to other provincial priorities. This tension is heightened by the fact that national government determines social services policy and social security benefits, and sets public sector wages.

Provinces are now better able to monitor and control expenditure, contributing to greater stability in provincial budgets, since implementing the MTEF in 1998/99. They have generally developed decision-making processes that adequately involve political office-bearers and that links budget allocations to provincial priorities. But there is still room for improvement in co-ordination with national departments. Interdepartmental technical committees were established at the end of 1998 to provide a co-ordination process in education, health and welfare, and supplement the work of other intergovernmental institutions. The committees aim to link planning and budgeting more closely, guard against unfunded mandates, and deepen the understanding of national policies and their budgetary implications.

Over time, it is likely that provinces will exercise greater discretion over a growing part of provincial budgets. Personnel and social security expenditure growth appears to have stabilised, allowing provinces to increase capital expenditure and spending on non-personnel items such as textbooks, medicine and road maintenance, and to choose a more optimal spending configurations.

Intergovernmental transfers

General principles

Internationally, a high degree of decentralisation can negatively affect distributional objectives, especially in countries with large regional differences in incomes and resources. The economic rationale for transfers and grants includes rectifying such fiscal imbalances, redistributing resources, compensating for interjurisdictional spillovers, maintaining minimum standards in service delivery, and promoting economic stability.

Major taxes are typically assigned to the central government, but substantial expenditure responsibilities are devolved, leading to sizeable imbalances at the subnational level. In addition, the capacity to raise own revenues differs between regions, as do demand and cost pressures, leading to horizontal imbalances. Therefore, all decentralised systems make use of intergovernmental transfers and grants. In developing countries, intergovernmental transfers are the dominant source of revenue, while federal countries tend to use tax sharing and surcharges on national tax bases for subnational governments.

International experience with transfer systems is diverse, but includes two main categories – revenue sharing and grants. Revenue-sharing mechanisms primarily aim to rectify the vertical imbalance between revenue and expenditure assignment, and to promote redistribution of resources. True revenue sharing, as opposed to tax sharing, does not return revenues to provinces from where they originate. Revenue sharing between spheres can be on a tax-by-tax basis, as in Argentina, Brazil and Germany, or on the entire pool of nationally collected revenues. The shares of each sphere can be determined according to a variety of models, including specifying a share in legislation. To promote horizontal balance, several countries use formulae based on redistributive criteria. The complexity of these formulae differs, with some incorporating adjustments for cost differentials, but most rely on demographic criteria and economic indicators.

Revenue-sharing transfers tend to fund general-purpose obligations and are not accompanied by restrictions on the use of the funds. Other grants target funds to a specific purpose and require that certain conditions be met. Conditional grants frequently support functions that are higher national than provincial priorities. Conditional grants can also include matching requirements, which affect resource allocations by requiring subnational governments to use their own funds to supplement

the grants. The design and enforcement of appropriate conditions are difficult, and conditions often end up as formalities rather than substantive controls.

Current legal framework

Section 214(1) of the Constitution stipulates that:

?? nationally collected revenue must be distributed equitably between the three spheres of government

?? the provincial share must be divided equitably between the nine provinces

?? other allocations may be made from the national share, with or without conditions.

The allocations to other spheres must take account of ten factors, including the fiscal capacity of recipients, disparities between provinces and obligations in terms of national policies.

The Intergovernmental Fiscal Relations Act of 1997 establishes a framework for considering FFC recommendations on intergovernmental transfers. It also requires consultation with the provinces and organised local government before any final decisions are made on these allocations. The Act further requires that a Division of Revenue Bill be tabled with the annual budget, indicating all intergovernmental transfers such as equitable shares and any conditional grants or agency payments. Conditions associated with any of these transfers are included in the Bill. Finally, the Bill must be accompanied by a memorandum that details the formula used to calculate the equitable shares, how the allocations compare to the recommendations of the FFC and how they comply with constitutional requirements.

Current practice

Transfers provide approximately 96 per cent of provincial budgets, of which 90 per cent is from the “provincial equitable share” of national revenue. Nationally determined priorities, the constitutional obligations of each sphere, and its ability to generate own revenue inform the division of nationally collected revenues between the spheres. Debt service obligations are removed before revenues are shared. The revenue-sharing mechanism compensates provinces for the gap between their expenditure responsibilities and revenue sources, and redistributes resources among provinces.

The provincial equitable share (the vertical division) is determined after an intensive process of expenditure review, policy analysis and consultation. The total provincial share reflects a political decision on the priority of provincial functions relative to those of national and local government. The provincial equitable share is divided between the provinces (the horizontal division) using a formula based on provincial demographic and economic profiles. The objective formula promotes redistribution objectives and, in conjunction with three-year budget allocations, introduces greater certainty about provincial revenues, in line with international best practice. Although the formula incorporates components to reflect notional demands for health, education and welfare services, and infrastructure backlogs across provinces, this does not imply any condition on the use of these resources, except as required by national laws. The formula also incorporates a component that acts as a proxy for provincial tax capacity. If provinces are given greater tax discretion, this element may be modified.

Conditional grants were first introduced in the 1998 Budget, most significantly in the health sector to compensate for specialised services provided by four provinces and to promote the construction and rehabilitation of hospitals in other provinces. Other grants fund national priorities such as improved financial management and non-personnel expenditure in education. Since 2000/01, government has created some new conditional grants and reformed others. Information on these is found in Chapter 7 of the *2001 Intergovernmental Fiscal Review*.

Revenue assignment

General principles

The theory of revenue assignment asserts that revenue sources should match expenditure responsibilities, although this seldom occurs in practice. The devolution of tax sources offers greater subnational autonomy but risks duplication of effort, the introduction of economic distortions and the accentuation of horizontal fiscal disparities between regions. In federal countries, subnational governments are assigned tax resources, supported by varying degrees of conditional grants. In unitary systems, subnational governments are dependent on transfers from national government and have little capacity to impose taxes. These include many transition economies in Asia and Latin America.

A common argument for devolving some tax sources is to promote fiscal accountability by government officials and political accountability to the electorate. Devolved taxes allow subnational governments to differentiate the level of services they offer and hold them accountable for the overall level of expenditure instead of only for the efficient allocation of a fixed total. This creates a stronger link between expenditure benefits (services) and their costs (taxes). However, if budgeting is not rational and spending not efficient, subnational governments are unlikely to make informed decisions about the optimal level of overall expenditure. Indeed, making additional own revenue available to a government that cannot budget and spend efficiently is likely to delay needed reforms in budgeting and expenditure control. For this reason, rational procedures for budgeting and assuring efficiency in expenditures should generally precede tax assignment.

In the assignment of taxes to subnational governments, four key questions need to be answered:

- ?? Which taxes are to be devolved to subnational governments?
- ?? Should the base for a tax be uniform or can it differ between regions?
- ?? Will subnational governments be allowed to set their own tax rates?
- ?? Who will be responsible for tax administration?

As macroeconomic stability and income redistribution are national functions, the key objective of subnational taxes is to improve resource allocation. This is more likely where there is a close correlation between benefits received and taxes paid, and benefit taxation is generally considered preferable for subnational governments. User fees directly link payments and services, and are a superior form of benefit charge. Other benefit charges include levies and taxes, such as motor vehicle licences and a fuel levy, where the proceeds are used for related public expenditure, such as road construction.

Where a subnational tax is not closely linked to a particular public service, the tax should be paid by a substantial portion of the population instead of being narrowly targeted. The most appropriate revenue sources for devolution are those taxes that are relatively immobile, evenly distributed across regions and relatively stable over the economic cycle. Destination and residence-based taxes have a smaller distorting impact on the location of economic activity and are less prone to tax exporting, and are preferred to origin and source-based taxes.

Where uniformity is required, tax bases should be determined centrally as differing tax bases can encourage resource mobility. The choice of uniform or provincially differentiated rates must be made for each specific tax. In general, an institutional framework for harmonising subnational taxes is useful for avoiding distortions in the overall tax system. As with expenditure, weak administrative capacity can undermine effective revenue decentralisation. Central government should administer the devolved taxes until appropriate capacity has been built at the subnational level.

Although there is broad consensus on these guiding principles, in practice the assignment of revenues differs widely across countries. The ratio of own to total revenues ranges from around

4 per cent in Italy to 80 per cent in the USA and Canada. To bridge any remaining imbalances, most countries combine some own sources of revenue with intergovernmental transfers.

Current legal framework

In terms of section 228(1), provinces may impose taxes, levies and duties other than income tax, value-added tax (VAT), sales tax, rates on property and customs duties. They may also levy a flat-rate surcharge on the tax base of any tax, levy or duty imposed by national legislation, except for corporate income tax, VAT, rates on property and customs duties. Such taxes must not unreasonably prejudice national economic policies, interprovincial economic activity or the mobility of resources. The Constitution further specifies that provincial taxing powers must be regulated by an Act of Parliament.

The constitutional provisions accommodate independent provincial taxes, surcharges on national taxes and user charges and fees. They also conform to the theoretical approach by assigning to national government all taxes that are important for redistribution and macroeconomic stability.

Current practice

Provincial own revenue accounts for less than 4 per cent of provincial budgets. It is derived mainly from motor vehicle licences, hospital fees and gambling proceeds. In recent years, provincial own revenues have declined substantially. This reflects a sharp drop in interest income, as provincial bank balances were used to fund overruns in 1996/97 and 1997/98. It also reflects policy decisions in health, such as the provision of more free care, and the trend among paying patients to use private rather than public facilities. Despite these structural factors, provinces have generally not taken a systematic approach toward increasing own revenue collections, being hampered by poor capacity, disjointed information systems and weak incentive structures.

Devolution of taxing powers raises various concerns about the management of macroeconomic policy. A key constraint has been the government's intention to maintain tax revenues at 25 per cent of GDP as part of its macroeconomic policy. Any tax assigned to provinces has to be coupled with an offsetting reduction in national tax revenues, as the imposition of new taxes could violate the 25 per cent rule. This will ultimately reduce the equitable share of national revenues accruing to provinces and affect the distribution of resources between provinces.

The FFC has recommended a surcharge on the personal income tax, to be phased in over a number of years. The surcharge would be matched by a 7 percentage point reduction in the national portion of the tax. Provinces would be allowed to choose rates within a 5 percentage point increase, i.e. a surcharge between zero and 12 per cent. Under this proposal, provincial own revenue would comprise between below 10 per cent of total revenue in Northern Province and Eastern Cape, and over 40 per cent in Gauteng.

At the request of the Budget Council, the Katz Commission investigated provincial tax options. It recommended caution in assigning significant revenue sources to provinces, citing weak and uneven tax capacity, and deficiencies in national tax administration. It listed several smaller taxes for further investigation. The Commission felt that a surcharge on some national tax base, notably fuel, is possible but unlikely in the short term, given capacity constraints.

Box 4: Update on provincial taxation

The Provincial Tax Regulation Process Bill, tabled in Parliament in 2001, defines the procedures by which the power of provinces to impose taxes is regulated, as required by section 228(2)(b) of the Constitution. Under these procedures, a province has control over both the initiation of a provincial tax proposal and its ultimate enactment by the provincial legislature. The legislation also gives the national government responsibility for reviewing provincial proposals and determining whether they will prejudice:

- ?? national economic policy
- ?? economic activities across provincial boundaries
- ?? the mobility of goods, services, capital and labour.

By the provisions of the Bill, any province wishing to impose a new provincial tax would make a submission to the Minister of Finance. The Minister will review the request for compliance with the Constitution and with national economic policy, and hear recommendations from fiscal and policy staff, tax administration authorities and other interested parties.

If the Minister concludes a proposal is consistent with section 228, he must introduce separate national legislation to provide for provincial implementation of the tax proposal. The national legislation will enable the province making the original request, as well as any other province, at that time or in the future, to enact the tax. It will prescribe the "manner and form" in which the tax can be implemented, including the tax base, rate band, and any other terms required.

This national legislation will, in essence, be a template for provincial legislation to ensure the tax is implemented in a uniform and consistent manner across the provinces, thereby maintaining coherence of the general tax system.

Each provincial tax that goes through the review process and that the Minister concludes meets constitutional requirements, will be provided for in national legislation. Over time, this national legislation will come to constitute a list of taxes that any province may enact. This body of provincial tax law (a so-called "allowed list") may be reviewed and renewed annually by the Minister of Finance, at the time of the national budget, similar to the laws amending taxes at the national level.

Borrowing

General principles

The main arguments against subnational borrowing are that it can generate unplanned liabilities for national government and reduce its ability to maintain fiscal discipline. However, with sound intergovernmental fiscal relations and a well-designed regulatory framework, subnational borrowing is both feasible and desirable:

- ?? It is more efficient to finance lumpy capital projects through debt than equity (i.e. taxes).
- ?? It allows the costs of large investments to be spread over time, as are the benefits.
- ?? It can shift some of the risk to the private sector.
- ?? Debt-holders will demand improved financial management.
- ?? It can reduce the overall cost of capital to the public sector.
- ?? It can foster greater political accountability through the pricing of capital by the markets.

The three basic approaches to regulating subnational borrowing are as follows:

- ?? It could be left to the discipline of the market.
- ?? It could be subject to administrative controls.
- ?? It could follow a rule-based framework.

The choice or mix of approaches reflects the legal or constitutional status of subnational governments, the degree of central political and administrative control, the depth of financial markets and the emphasis on fiscal discipline. For example, market discipline is less effective in countries with undeveloped financial markets. Regardless of the system, borrowing incurs risk, and subnational borrowing affects the consolidated deficit and creates implicit contingent liabilities for national government. National government retains responsibility for macroeconomic management, including overall debt management. Maintaining or improving the national credit

rating is an important aspect of debt management, particularly if subnational governments are not independently rated.

The greater the fiscal dependence of regions on the centre and the stronger the political interdependence of levels of government, the greater the transference of risk to central government. More independent subnational governments offer a greater opportunity for maintaining risk at that level or transferring it to the private sector. Federal systems may make more use of market discipline within a broad regulatory framework, while unitary systems are more likely to impose greater central government controls to limit the risk to the national fiscus. Similarly, subnational governments are usually prohibited from or severely constrained in incurring foreign liabilities, because of the additional currency risk. These issues are particularly prominent in emerging economies, where rating agencies emphasise debt management when assessing country risk.

To gain access to markets, subnational governments are generally required to provide detailed financial information, resulting in greater transparency and wider dissemination of information. Where there has been a history of bailouts, market perceptions will only be shifted if national government sustains its refusal to continue these. Market discipline alone, however, is unlikely to be sufficient in developing countries with underdeveloped capital markets. Nevertheless, it can usefully complement other controls and be particularly effective in limiting efforts to circumvent such controls.

Administrative controls, where national government exercises direct control over subnational borrowing, can take on a variety of forms. These include:

- ?? the setting of annual limits on the overall debt of individual subnational governments
- ?? the authorisation and review of individual loans, including approval of the terms and conditions
- ?? the centralisation of all borrowing, with on-lending to subnational governments.

Controls usually incorporate not only ex ante authorisation but also ex post monitoring of outcomes, both of which require substantial disclosure by subnational governments. Too many central controls, however, increase the likelihood of national government being held implicitly liable for subnational borrowing.

A third alternative is a clear framework of rules that determine the parameters within which subnational governments operate. The rules can either be prescriptive, describing what subnational governments are allowed to do and implying that all other options are prohibited, or be guidelines, regulating what subnational governments are not permitted to do. Internationally, rules vary from allowing new borrowing up to a level consistent with an agreed debt service ratio through to restricting borrowing with sizeable macroeconomic risks. Rule-based approaches to debt control facilitate macroeconomic management, transparency and certainty.

Current legal framework

Section 230(1) of the Constitution allows provinces and municipalities to borrow capital and bridging finance. Moreover, section 215 states that budgets in each sphere of government must indicate proposals for financing anticipated deficits, and intentions regarding borrowing and other forms of public liability that will increase the public debt. However, borrowing is subject to “reasonable conditions determined by national legislation”.

To comply with the Constitution, the Borrowing Powers of Provincial Governments Act was promulgated in 1996. This Act established a Loan Co-ordinating Committee (LCC) with membership identical to the Budget Council, and detailed the borrowing powers of provinces. The responsibilities of the LCC are to co-ordinate provincial borrowing, taking into account the overall demand for capital market funds, the total debt of each province and its associated institutions, any contingent liabilities, and the ability of provinces to service debt. Key provisions include prohibiting foreign borrowing, permitting domestic borrowing to be undertaken only by the MEC

for Finance, and allowing the Minister of Finance to effectively control borrowing by specifying the permissible ratio of interest payments to current revenue.

The Act was drafted in terms of the Interim Constitution and before current intergovernmental financial relationships took shape, and no regulations were issued. Instead, the Budget Council agreed in 1997 that provinces would not borrow funds until a clearer framework emerged that complied with the final Constitution. Consequently, some legal ambiguities remain for provinces, notably on the use of bridging finance. The Act defines bridging finance as funds raised during a financial year to fund current expenditure in anticipation of the receipt of current revenue within that financial year. The Constitution states that bridging finance must be redeemed within 12 months. Although these two provisions need not be in conflict, the differences in wording have given rise to contradictory interpretations and a Constitutional amendment has been proposed to clarify them.

Current practice

The current legal framework has not been particularly effective, primarily because it has never been fully implemented. The decision of “no borrowing” taken by the Budget Council seems to have had two effects:

?? The National Treasury did not institute a programme for monitoring provincial borrowing.

?? No regulations were issued in terms of the Borrowing Powers of Provincial Governments Act.

This resulted in uncertainty as to what exactly the law permits and what role the LCC should play.

Following 1997/98, provinces extensively used bank overdrafts; some failed to clear these within the current financial year or even in a 12-month period. Provinces also investigated financing schemes for government buildings and other capital projects. The LCC was called on to review specific projects, yet its mandate in terms of the law is simply to set an overall borrowing limit for provinces. The LCC has not developed the capacity or the procedures for properly addressing these requests.

Provinces have generally not met the reporting requirements of either the Borrowing Powers Act or section 215 of the Constitution. They generally budget more like departments than governments, and their budgets do not include important information on borrowing and financing. National government provided R1 billion to the provinces in the 1998 Adjustments Estimate on the condition that they eliminate any outstanding debts over the medium term, and provinces have budgeted accordingly.

Box 5: Update on provincial borrowing

Budget Council Lekgotla proceedings in 2001 re-assessed the provincial borrowing framework. The result was a resolution that called for the Budget Council’s Technical Committee for Finance to undertake a consultative process to develop a borrowing framework that considers the full range of provincial capacities and borrowing options; for National Treasury to provide provincial staff with borrowing-related training and technical assistance; and for a policy of no provincial borrowing for capital projects during the 2002/03 financial year.

A.4 Proposals for the way forward

The preceding sections argue that fiscal decentralisation can significantly enhance the efficiency of resource allocation and accountability, but can also accentuate inequities and compromise macroeconomic stability. Experience in transition and developing economies has shown that a country's position on the decentralisation continuum depends on political considerations, historical development, democratic traditions and the constitutional framework. In the absence of fundamental building blocks – ranging from appropriate capacity to well-functioning institutional processes for making decisions and enforcing accountability – desirable incentive structures are unlikely to develop and the gains from decentralisation will remain elusive.

The South African Constitution provides for a relatively decentralised but co-operative system of governance, with three “distinctive, interdependent and interrelated” spheres of government, each of which has responsibilities and rights. The three spheres, though part of a co-operative governance system, are not equal. National government retains ultimate responsibility for macroeconomic management and redistribution, and maintains sound public finances by managing the aggregate levels of expenditure, taxation and borrowing. It also has a strong co-ordination and monitoring role, and co-ordinates the policy framework that supports strategic national goals such as poverty reduction, redistribution, growth and transformation.

Within the parameters of the Constitution, the intergovernmental system can take different evolutionary paths over time. At one extreme, the system could become highly centralised, with provincial activity tightly constrained by national laws and regulations. Alternatively, provinces could be granted greater discretion over both expenditures and revenue sources as their capacity develops. The outcome is likely to be somewhere in between, and will be influenced by the evolving role of local government. It is critical, therefore, that solutions to the short-term problems in the intergovernmental system not foreclose options for moving in either direction.

The proposals below attempt to provide an integrated framework for intergovernmental fiscal relations, which allows sufficient flexibility to evolve into alternative futures while maintaining the integrity of the system as a whole. This framework sets out the general principles for the development of the system of intergovernmental fiscal relations.

Long-term evolution

Fiscal decentralisation is an evolutionary process that needs to be carefully managed to reap its benefits and minimise its risks. The design of and improvements to the intergovernmental fiscal system must have two points of departure: a long-term vision of what the system seeks to achieve, and an assessment of the particular circumstances that will affect it. Individual components can then be designed to further these objectives, taking into consideration any constraints.

Several key objectives can guide development of the system. Good governance demands that the intergovernmental fiscal system should promote:

- ?? transparency and accountability
- ?? efficient resource allocation
- ?? equitable delivery of services
- ?? sound macroeconomic management
- ?? economic growth and development.

The challenge lies in developing a system that meets these objectives, respects the constitutionally defined roles of national and provincial government, and is flexible enough to allow the system to evolve in a changing political and economic environment.

In the long run, South Africa may reach a stage of development where:

- ?? requirements for maintaining macroeconomic stability have eased
- ?? regional disparities have been significantly reduced
- ?? provinces have the capacity to refine policy and delivery mechanisms
- ?? national government has appropriate systems to monitor and enforce standards
- ?? regional issues have become an important focus of a contestable provincial politics.

Under such circumstances, further decentralisation would arguably contribute to good governance. However, moving from the current situation to the long-term vision is an incremental process that may take many years. This evolution must take into account several structural features that will determine the degrees of freedom for further decentralisation and condition the medium-term path.

Medium-term path

Over the medium term, active steps are needed to ensure a strong foundation:

- ?? the development of provincial capacity to design and administer regionally differentiated spending programmes
- ?? the capacity of national departments to monitor and evaluate programmes
- ?? comprehensive financial management, information and evaluation systems
- ?? provincial politics that allow citizens to convert their preferences into voting behaviour
- ?? a “sanction” on poor performance.

These building blocks are not yet in place, and the medium term must focus on strengthening the foundation before undertaking more rapid decentralisation. The medium-term approach must concentrate on fostering efficiency, accountability and growth.

The regulatory environment will necessarily be rule based with a strong oversight role for national government, given the interdependence of the spheres and the different needs and capacities of provincial governments. Interdependence means that the actions of one sphere affect other spheres. For example, the taxation and borrowing choices of a province could have implications for the distribution of revenues among provinces and for the national aggregates. Similarly, national policy choices create expenditure responsibilities for provincial and local government. The commitment to co-operative governance enables spheres to co-ordinate activities that affect the macroeconomy or the activities of other governments.

Given national government’s responsibility for aggregate expenditure, taxation and borrowing, it could set ceilings within which provinces must operate. To promote accountability, provinces would have some discretion within these limits to manage their resources and respond to provincial priorities. However, national transfers will continue to dominate the resource envelope, and provincial governments will be held accountable for doing more within the available resources and for providing differentiated services at the margin. Over time, provinces will develop the capacity to exercise greater discretion over the allocation of resources to meet desired outcomes. This will encourage innovation, efficiency and responsiveness to provincial priorities in service delivery within the national policy framework.

The elements of the intergovernmental system are unlikely to evolve in unison. For example, considerably more work has been done on the expenditure aspect of the system. Similarly, given their differing starting points, provinces are unlikely to reach benchmarks for greater autonomy simultaneously. One way to accommodate these differences is for the regulatory environment to allow for greater asymmetry, letting provinces assume greater autonomy as they build the capacity to manage their responsibilities and develop accountability mechanisms. Although regional asymmetry exists internationally, political considerations, such as the need to avoid perceptions of discrimination and to promote national cohesion, may limit its possibilities in South Africa.

Specific steps

Each of the components of the intergovernmental system is at a different stage of maturity within the guiding framework of the Intergovernmental Fiscal Relations Act, the Public Finance Management Act and the Financial Management Improvement Programme. Medium-term steps dealing with expenditure management and intergovernmental transfers are focused on refining and fine-tuning existing structures that are relatively mature. Taxation and borrowing powers, on the other hand, are less mature. Rules and regulatory procedures have been proposed for provincial taxation, but must still be developed for provincial borrowing.

Expenditure responsibilities

Expenditure responsibilities have been assigned in accordance with Schedules 4 and 5 of the Constitution. Roles and responsibilities within concurrent responsibilities continue to be clarified through intergovernmental forums at the political and administrative level. As such, large function shifts are unlikely. A possible exception is responsibility for social security, in line with the principle that funding and policy discretion should be aligned.

Given the sizeable backlogs and economic disparities between provinces, national government could justifiably set minimum levels of service in key areas to fulfil equity objectives and ensure consistent basic levels of service. However, the closely specified input norms used at present are unsuitable as they:

- ?? encourage moral hazard
- ?? reduce incentives for innovation and efficiency in delivery
- ?? reduce the ability of provinces to differentiate services in response to provincial priorities, thus reducing accountability for the mix and quality of services delivered
- ?? require significant monitoring capacity at the national level to ensure compliance.

Therefore, as performance and service delivery indicators become a feature of budgeting, norms and standards will shift from setting minimum, prescriptive input targets to identifying desired outcomes. The use of service delivery indicators and improved reporting will create better incentives, particularly if future funding for particular programmes is linked to outputs. Provinces will then have greater discretion over the mix of resources and innovative methodologies to achieve these outcomes. Centralised bargaining, however, remains a key issue – if provinces are to vary their input mix to achieve a particular target, they should have more discretion over the main cost drivers.

Assigning responsibilities, in particular setting national minimum standards, is inextricably linked to financing. A national policy mandate should be accompanied by sufficient funds to implement it – an unfunded mandate could eventually undermine the initial policy objectives, since the policy might adjust to fit available resources. In practice, quantifying appropriate funding is extremely difficult and more capacity is required to estimate the budgetary implications of policy choices. In addition, institutional capacity must be created to resolve disputes over unfunded mandates.

In summary, the emphasis in expenditure issues will shift towards improving the incentive structure, improving the efficiency of expenditures and addressing unfunded mandates. This will lay the foundation for provinces to take more responsibility for service delivery and to innovate and experiment with alternative delivery options.

Intergovernmental transfers

The system of intergovernmental grants complies with the constitutional provisions. The medium-term focus is on refining, rationalising and clarifying the system. Largely because of the extensive groundwork laid by the FFC, the revenue-sharing formula is in line with international best practice. The formula has been revised in recent years and further amendments should only be made at the margin when indicated by new information or specific policy choices. A period of

consolidation is required, particularly while the target equitable shares are being phased in. Choices regarding other components of the intergovernmental system are a potential source of adjustments to the equitable share formula. For example, if provinces were granted greater taxing powers, the formula's proxy for provincial own tax revenue will have to be adjusted or removed.

Intergovernmental grants can take several forms, depending on the underlying policy objectives. Existing grants have different objectives but are based on the same mechanism. There are also several small grants and grants with conditions that are difficult to monitor. The existing conditional grants are being reviewed to assess whether the funding mechanism of the grants is appropriate given the policy objective, to rationalise the grants and reduce the number of small, administratively complex grants, and to assess the need for new grants.

In principle, most intergovernmental grants should be unconditional, affording provinces full discretion over allocating resources and strengthening accountability. This implies that, over time, the number of grants should be reduced. Some current conditional grants could be absorbed into the equitable share, while others could be consolidated into block grants with less restrictive conditions. However, this requires a better alignment of national and provincial objectives for spending on, for example, financial management improvements, health services, and infrastructure. Currently, not all the provinces meet the prerequisites for funding services entirely through unconditional grants or for consolidating conditional grants. This calls for a differentiated approach with a greater reliance on conditional grants during the transition phase. However, conditions must be closely tied to policy goals and promote proper incentives, yet simple enough to be successfully implemented and monitored. Some existing grants may also be converted into matching or competitive grants, with new grants being appropriate under special circumstances.

Taxation powers

There are two parts to the issue of provincial revenue sources. First, a report on provincial own revenues suggests that the collection of revenues from existing sources could be considerably improved. Although national policies may have contributed to declining revenues in some areas, provinces have focused more attention on expenditure than on revenue issues and are not fully utilising available resources. Assigning further own-revenue sources to provinces that cannot exploit their existing tax base and where rational procedures for budgeting and for assuring efficiency in expenditures are not in place would be inefficient. Where provinces are unable to effectively manage expenditures, assigning further revenue sources could simply support wasteful expenditure.

The second part of the issue of provincial revenue sources relates to new sources of revenues. Although the theoretical benefits of tax devolution are known, it faces practical economic and administrative constraints. A national tax reform strategy and guiding framework have not yet been completed. Future tax reform in South Africa must be based on the central principles of tax design and be guided by both local socio-economic needs and the imperatives of globalisation. To meet medium- and long-term development needs, the tax system must be neutral, efficient, equitable, internationally competitive and simple to administer. Inherent in these principles of tax design is the need to raise the revenue required by government while imposing as few distortions on the economy as possible. The tax system must distribute the burden of taxation fairly, sharing it among taxpayers according to their ability to pay. It must also be simple for the revenue authorities to administer and impose a limited compliance burden on taxpayers. In other words, the costs of collecting taxes must be minimised. Finally, the system must be internationally competitive, thereby attracting foreign investment.

Some important prescriptions for the tax system follow from these fundamental principles:

?? The revenue government can raise through taxes is limited, given its macroeconomic policy of setting the ratio of tax to GDP at 25 per cent.

?? The need to protect tax system integrity by preventing an irrational proliferation of tax instruments and ensuring all government revenue-raising instruments are part of an integrated framework. This translates, furthermore, into the need to co-ordinate tax policy centrally on a uniform basis by designing and defining the tax bases of the respective tax instruments at national level.

?? The base of each tax instrument must be protected from an excessive number of tax incentives. This will provide scope for reducing standard rates of tax and encourage economic activity.

?? The tax system must be flexible enough to adapt to the changing economic environment.

?? While the redistributive goals of government are realised on the expenditure side of the budget, tax policy must ensure that taxes are imposed equitably.

In several provinces, the tax bases in terms of income levels and economic activity are insufficient to generate revenues to match expenditures. Giving provinces greater latitude to tax will require adjustments in national taxes and ultimately reduce the amount accruing to provinces through the equitable share. The net financial benefit to provinces is not clear.

Devolving a significant revenue source, such as a levy on income tax, has redistributive and administrative implications. On the other hand, a proliferation of small taxes introduces distortions in the tax system and is difficult to manage. The proposals below aim to find a balance and identify the proportion of own revenue sufficient to promote autonomy, efficiency and accountability. If only small amounts of revenue are needed to provide differentiated services at the margin, independent taxes from an allowed list may be sufficient. If higher revenue and greater accountability for total spending are required, surcharges are preferable. The introduction of surcharges on national taxes is, however, a long process with a number of intermediate steps.

In the interim, provinces may choose to implement taxes from an allowed list. The list can be expanded over time and the regulatory process should enable provinces to motivate for taxes to be added to the list. Detailed analysis is required to determine the precise workings of this process and the criteria against which new taxes should be judged. For instance, the criteria should include considerations of efficiency, equity, administration and compliance. The Budget Council should agree before a tax is added to the list, and the national minister must have veto power. The current list of provincial taxes can include liquor licences, motor vehicle licences, gambling taxes and possibly a bed levy. Other taxes are still being considered. The adoption of an allowed list requires a review of user charges. The regulations must clearly define user charges, as well as a monitoring process, to avoid provinces introducing new taxes under this guise. For certain charges, such as hospital fees and toll roads, it may be appropriate to review proposals in technical committees and at Joint MinMECs.

To promote uniformity across provinces, national government should specify the tax base of taxes on the list, but provinces should have discretion over the tax rates within the limits set by national government. This will increase accountability for the level of spending and reduce economic distortions. A centralised tax administration is preferable, as it captures economies of scale and avoids duplication of effort.

The next phase will be to identify potential taxes to which surcharges can be applied, possibly including a fuel levy. A transitional period of tax sharing is required to allow time for adjustments to the revenue-sharing formula, tax administration, and provincial budgeting and cash management processes before the actual introduction of any surcharge. A transition period will also be needed before the move to differentiated provincial rates on a surcharge.

Borrowing powers

The current regulatory arrangements on provincial borrowing have not been effective, and borrowing occurred despite the Budget Council agreement to the contrary. In principle, subnational borrowing should be permitted as long as it increases the efficiency of public resource use and transfers risk to the private sector. It is unlikely, however, that market discipline alone will

offer a viable regulatory environment in the medium term and a strong oversight role for national government is therefore necessary.

As national government retains responsibility for overall debt management, it must co-ordinate and regulate provincial borrowing within a rule-based framework. Internationally, statutory rules have often been too inflexible and general to be effective, and could not substitute for a detailed risk management regime. A clear regulatory framework must therefore be developed in South Africa, encompassing the “reasonable conditions” for borrowing referred to in the Constitution. It will detail the ability of the national government to impose financing limits on the provinces; improve disclosure requirements; prohibit foreign borrowing; and incorporate clear rules on deficit management. It will seek to maximise provinces’ ability to use debt efficiently without compromising the national government’s ability to manage the aggregate debt or increasing its indirect risk. Whether these goals can be achieved within the context of the current Borrowing Powers of Provincial Governments Act or revised legislation must still be explored.

A framework for monitoring and managing provincial borrowing is necessary, irrespective of the overall financing limit. Indeed, an integrated borrowing framework is unlikely to lead to a substantial increase in provincial borrowing over the medium term:

?? Most provinces are unable to support a significant increase in debt servicing costs; this limits their ability to borrow.

?? At present they do not generate sufficient information for monitoring and managing the capital they deploy. They are unable to assess the productivity of existing and potential new assets, the risks of financing those assets and the indirect risk to national government.

Under a proposed borrowing framework, provinces will have to expand the current budget reporting to include a more detailed presentation of capital expenditure, such as information on projects with significant future financial commitments, and the present value of all existing assets. Available information on assets and liabilities will need to be more disaggregated. The improved disclosure before borrowing will promote transparency, accountability and a better evaluation of financial exposure, including the efficiencies of projects for which funds are to be borrowed and the attendant financial risks.

The format for this information should be consistent with current proposals to disclose other provincial budget information in a uniform framework, such as the International Monetary Fund’s GFS classification. This will be a useful precursor to the introduction of accrual accounting. Information will also be required during the course of the financial year for assessing performance against budget estimates.

A legal authorisation process is necessary to reduce uncertainties, particularly regarding enforcement processes and, hence, risks. A clear enforcement process, including the recourse available in the case of default, is critical for ensuring an adequate distribution of risk and reducing the likelihood of untenable project proposals. Key legal constraints should also be clearly specified, including, for example:

?? a restriction on foreign-denominated borrowing

?? the overall financing limits to be set

?? the powers and roles of key players such as the Minister and MECs for Finance, the FFC and the Budget Council

?? clarifying that provinces may only run deficits if their out-year projections include financing arrangements to prevent the accumulation of debt.

Although a legal and regulatory foundation can be established over the medium term, its success will ultimately depend on the ability of provinces to fulfil the disclosure requirements outlined above. Developing the capacity to produce the information at the required level of detail is likely to take several years.

B

Division of Revenue

This is a reprint of the first part of Annexure E, as printed in the *2000 Budget Review*. The division of revenue between the different spheres of government is among the most important decisions made in the budget process. Section 214 of the Constitution requires that every year an Act of Parliament (Division of Revenue Act) determine the equitable division of resources between the three spheres of government, and the horizontal division among provinces.

The Intergovernmental Fiscal Relations Act, 1997 (Act No 97 of 1997) gives effect to the Constitution by spelling out the process of consultation to be followed in enacting the Division of Revenue Bill. It establishes the Budget Council and Budget Forum - the consultative intergovernmental forums for the budget process. Sections 9 and 10(4) of the Act set out the consultation process to be followed with the Financial and Fiscal Commission (FFC), including the process of considering recommendations made with regard to the equitable division of nationally collected revenues.

Section 10(5) of the Act requires that the Division of Revenue Bill be accompanied by an explanatory memorandum detailing how the Bill takes account of:

- ?? Each of the matters listed in Section 214(2)(a) to (j) of the Constitution.
- ?? Any recommendations of the Financial and Fiscal Commission (FFC).
- ?? Any assumptions and formulae used in arriving at the respective shares contained in schedules 1 and 2 of the Bill.

Annexure E fulfils the requirement of the Act set out in Section 10(5). Part 1 sets out how the FFC recommendations have been considered. Part 2 sets out how the Bill and the division of resources take into account the matters listed in Section 214(2)(a) to (j) of the Constitution. Part 3 outlines the fiscal framework that informs the division of resources between the three spheres of government. Part 4 explains the underlying formula and criteria for the division of the provincial equitable share between provinces, as well as for the division of conditional grants. Part 5 sets out the formula and criteria for the division of the local government equitable share and conditional grants between municipalities.

Part 1: Financial and Fiscal Commission recommendations

Introduction

Section 214 of the Constitution and Section 9 of the Intergovernmental Fiscal Relations Act, 1997 (Act No 97 of 1997) require the FFC to make recommendations regarding the equitable division of nationally raised revenue. Under the Act, the FFC must submit its recommendations to the Minister of Finance, Parliament and provincial legislatures at least ten months before the start of the financial year (or at a later date agreed to between the Minister of Finance and the FFC and in accordance with the Act).

The FFC reviewed provincial fiscal transfers in its recommendations, referred to as *Recommendations (2001-2004 MTEF Cycle)*¹, as part of its Project 2001 process. In light of the changes to municipal boundaries through the demarcation process, it did not make any new recommendations with regard to local government.

In keeping with the 3 year MTEF planning cycle, the *Recommendations* focus on the 2001/02 financial year and subsequent MTEF cycle. The FFC released a discussion document with preliminary recommendations in February 2000. These recommendations served as the basis for a consultative process including the Commission, stakeholders and commentators. Stakeholders included various government departments, Parliament and provincial legislatures. The Budget Council discussed the FFC's preliminary report as well as the National Treasury's comments at its annual Lekgotla in May 2000.

The FFC revised its preliminary recommendations thereafter, taking into account issues raised during the consultative process. This culminated in a final report, released in May 2000. The final report presented the FFC's recommendations on a methodology for dividing provincial allocations for the 2001 MTEF. These recommendations provided neither specific allocations, nor all parameters required for the proposed formula. The Budget Council discussed the recommendations in August and made its recommendations to Cabinet.

Outline of the FFC costed norms approach

In its report, the FFC proposes a "costed norms" approach to the division of revenue. This approach attempts to identify specific policy norms or goals for each sector. It seeks to develop an expenditure model to estimate the cost of achieving these policy objectives. Provincial allocations are then defined as the aggregate of the cost estimates across the different expenditure categories in the provincial budgets.

The FFC suggests that the costed norms approach be used to determine both the horizontal division between provinces and the vertical division between the national and provincial spheres – in other words, that the formula be used to approximate for equity (as defined by policy norms) both across the provinces and between the spheres. At present the current formula is applicable only to the horizontal equity across provinces, leaving the vertical division between spheres for Cabinet consideration.

In general, the FFC's costed norms model draws finer distinctions between target beneficiaries and relies on more parameters than the current formula. In terms of the FFC proposal, for instance, a distinction is made in the allocation of the Education Grant between different learners, based on their family income and their residence in rural or urban areas. Each group is then assigned a weight, representing the FFC's best estimate of the relative cost of providing basic education to that group of learners. Similarly, the health formula is based on provincial populations weighted for different utilisation rates according to age and gender differences. These are adjusted for relative poverty, and are coupled with an estimate of the cost of providing primary health care to these groups. The welfare component distinguishes between recipients of six social security grants.

Some of the demographic and income distribution data are available from the 1996 Census and other Statistics SA sources. However, a large proportion of the required data is not available. To overcome data limitations, the FFC has made "benchmark" assumptions with regard to policy priorities and the cost of inputs. In some cases, these assumptions rely on estimates provided by non-governmental sources.

¹ The FFC report *Recommendations (2001-2004 MTEF Cycle)* is available on the web site of the FFC at www.ffc.co.za

While the FFC discusses many of its assumptions in presenting its prototype costed norms formula, some assumptions are left unidentified. The final report does not present any cost estimates based on its prototype formulae. It is therefore difficult to assess with any precision the impact of the FFC's proposals on the allocations between the spheres or between the provinces. However, the FFC recommends that to avoid any disruptions, its approach be phased in over a period of several years.

Although the report proposes detailed formulae for basic services in education, health and welfare, its approach to "other provincial functions" is less definitive. It proposes a "basic element" to fund these activities. It proposes that funds be allocated on the basis of provincial populations weighted by the percentage of households falling below a certain income level (the FFC uses R12 000 as its benchmark assumptions). Through its intergovernmental institutions, Government would determine the size of the basic element, rather than using a formula to estimate the cost of these functions.

The report also recommends an "institutional element", amounting to R79 million for each province, to be top-sliced from the overall provincial share. This sum is intended to cover the estimated cost of the Premier's Office, the Provincial Legislature, and the MEC for each department. This is considerably smaller than the current institutional component.

The FFC further recommends that, as an interim solution, capital grants be allocated to the provinces from the national share to address social infrastructure backlogs. It is unclear how this relates to the fact that, in addition to conditional grants, the current formula also makes allowance for infrastructure backlogs as part of ongoing expenditure in social services, with a portion of spending allocated for instance to the rehabilitation or maintenance of facilities such as schools and clinics.

In its final report, which followed the process of consultation with governmental and legislative stakeholders, the FFC proposed that the costed norms approach be implemented to ensure that the equitable share provides adequately for basic services. The FFC notes that the costed norms approach will take time to develop fully, and suggests appropriate areas of further research.

Response of Government

The Government has not adopted the FFC's costed norms approach in determining the division of revenue between spheres and the provincial equitable share for the 2001/02 budget, and has chosen instead to continue with the current approach. This is in line with the Budget Council resolution.

Although the FFC proposals represent a departure from current practice, they are similar to the proposals for the horizontal division that the FFC first made in May 1996, which Government chose not to adopt. Instead, Government elected to use current proportional distribution formula. Many of government's concerns about the original costed-norms approach remain valid with regard to the FFC's new proposal.

Furthermore, the FFC is not explicit on what it believes to be the shortcomings of the present formula, and how the costed norms formula would address such shortcomings. Clarity is particularly important in this respect, given the fact that all formulae bring with them their own sets of problems, which require redress through other mechanisms (such as unconditional grants), and the possible costs and threat to stability and predictability posed by the replacement of one formula by another.

Government's reservations with regard to the current FFC proposals include the following:

?? The lack of appropriate data poses serious practical limitations on the FFC's approach. The FFC acknowledges in its report that crucial data required in order to develop cost estimates are

not unavailable. Many of the desired output measures, policy parameters and costs of inputs do not currently exist and may be difficult (if not impossible) to obtain.

- ?? The costed norms approach endorses the notion that provincial education, health and welfare budgets can be calculated at the national level by formula. This undermines the principle of provincial budgetary autonomy, and limits the role of provincial executive committees in making trade-offs, addressing provincial priorities and achieving efficiencies. In addition, such an approach would weaken accountability.
- ?? The costed norms approach could create perverse incentives if provinces or national departments were able to act in a way that increased or distorted funding levels. The FFC acknowledges these potential problems and indicates that it has attempted to include in its formula only factors over which the provinces have no direct control. This seems unrealistic. A costed norms based formula unavoidably reflects cost factors over which provinces do or should have discretion.
- ?? It is not clear how consistency is achieved in attempting to cost policy norms across different sectors. For instance, norms in some sectors may reflect minimum levels of service while others reflect broader service delivery goals. Questions also arise with regard to the uniforming of the standards according to which costs are estimated. A “tough” interpretation could lead to underfunding in one sector, relative to a sector where a “loose” interpretation had been applied. Further research is required in this area, given the difficulty of equating policy goals and norms across sectors.
- ?? A number of process issues around the implementation of a costed norms approach require comment. A key concern is that the policy norms used to develop cost estimates are likely to be ambitious, potentially producing unaffordable expenditure projections. Thus, a costed norms approach would reinforce cost-raising tendencies in public services, while undermining political responsibility for budget priorities and choices. Furthermore, unrealistic expectations of additional funds could distract from the need to address some of the underlying structural issues that hinder improved service delivery and the effective and equitable use of resources more generally.
- ?? The FFC maintains that its costed norms approach could eventually be used to generate, or at least inform, an estimate of the vertical division. At present the vertical division is the outcome of decisions that reflect Government's political priorities. Government does not believe that the FFC recommendations would provide a better process for the vertical division than the MTEF process. Cabinet's decisions regarding budget allocations are based on influencing policy goals, which are measured in terms of the quality and quantity of services delivered.
- ?? The FFC proposes formulae for only a portion of the social services budgets (that part defined as basic services). Allocations for the remaining social services budgets and all non-social services programmes would be still be determined by political processes. There is also the difficulty of applying the costed norms approach to national departments and local government. As is the case with provincial budgets, some aspects of the national budget may lend themselves to modelling but others (eg, justice, police, defence) would not. In its report, the FFC acknowledges that constructing benchmark norms for all expenditure programmes may not be possible. Government's concern in this regard is that the process would result in a bias in favour of those services that can be more easily costed.

Areas of agreement between the Government and the FFC

Despite differences over costed norms as a means of allocating funds to provinces, there remains significant agreement between Government and the FFC.

Both Government and the FFC agree that the current budget and planning processes should take more explicit account of the constitutional requirements to provide basic services in education,

health, welfare, housing, water and electricity. This concern was one of the prime motivations behind the FFC's proposal to shift to the costed norms approach. The FFC feels that by making basic services an explicit part of the funding and allocation process, these services would receive more attention. While agreeing on the importance of providing for these services, Government believes that it is more appropriate to highlight them as part of the MTEF budget and planning process, particularly at the provincial level.

Both Government and the FFC agree that underlying structural problems have a significant impact on the equitable provision of basic services. These range from availability of appropriately qualified personnel to the inequitable distribution of certain facilities. Government maintains that these issues are key obstacles to the goal of achieving equitable service delivery.

Both Government and the FFC agree that key data for the costed norms projections are unavailable, and that policy norms are often not clear. (Recognising these problems, the FFC limited the range of policy areas covered by its costed norms expenditure models in its final recommendations). In Government's view, this supports the use of costed norms projections only as analytical tools, rather than for making allocations to provinces.

Both Government and the FFC believe there is a need to investigate further some of the data common to both methodologies, such as disability and income data for estimating social security grants.

Government and the FFC also agree that there is a need to develop a framework around capital grants. The FFC further recommends that, as an interim solution, capital grants be allocated to the provinces from the national share to address social infrastructure backlogs. This approach has been adopted for the new MTEF. A new provincial infrastructure grant has been established to complement other capital conditional grants.

Further, Government appreciate the potential benefits of the costed norms approach as a tool for analysing provincial budgets.

Conclusion on FFC proposals

While welcoming the proposals, and encouraging the use of costed norms as an analytical tool to help analyse specific sectoral budgets, Government has decided not to adopt the costed norms approach for the following main reasons:

- ?? Changing the current formula (which was adopted with the support of the FFC) has the potential to destabilise provincial budgets if the formula results in significant changes to provincial allocations.
- ?? A bottom up, iterative approach is not an appropriate way to determine budgetary priorities, which requires political judgement in making difficult trade-offs.
- ?? The application of the costed norms approach only to health, education and welfare would introduce a bias against other provincial functions, as well as against the local and national spheres.
- ?? The data required for estimating the cost of providing services is unavailable.

Part 2: Meeting constitutional requirements

Section 214 of the Constitution requires that the annual Division of Revenue Act only be enacted after account has been taken of the ten factors set out in sub-section 214(2) (a) to (j), including:

- ?? The national interest, any provision for debt, the needs of the national government and emergencies.
- ?? The allocation of resources to provide basic services and meeting developmental needs.

?? The fiscal capacity and efficiency of the provincial and local spheres.

?? The reduction of economic disparities.

?? The promotion of stability and predictability.

This section gives effect to section 10(5)(a) of the Intergovernmental Fiscal Relations Act. It sets out how the ten factors are taken into account in determining the division of revenue.

This memorandum also goes beyond the legal requirements, by providing information on the local government equitable share, and in providing more information on all conditional grants. The Bill facilitates the process of collecting information on the criteria for allocation for all conditional grants.

National interest and the division of resources

A stable macroeconomic environment, stronger economic growth, lower unemployment, reduced crime and a more efficient public service contribute to higher standards of living for all South Africans. Since programmes to meet these goals cut across all three spheres of government, and often across departments, they are most appropriately co-ordinated by national government. Broad-based programmes in the national interest introduced by Government since 1994 include the prioritisation of the social sectors (education, health and social welfare), nutrition, housing, municipal infrastructure, rural development, and the “working for water” campaign. Poverty alleviation and HIV/Aids cuts across departmental programmes and sectors.

Government has also shifted significant resources into the protection services cluster, with priority given to the integrated justice system. Government also recognises that South Africa has a growing role to play in maintaining peace and security in the region. This results in a substantial upward adjustment for defence in order to accommodate the arms procurement programme.

Provision for debt costs

The total resources shared between the three spheres of government include the proceeds of borrowing by national government. The bulk of that borrowing is in the form of savings of South African citizens. The remainder is in foreign savings. In recognition of Government’s obligation to repay those citizens and to protect the capacity to borrow at the lowest rates, the costs of servicing debt are met before resources are shared. Interest on government debt is a first charge on revenues. Lower interest rates and the retiring of debt from the proceeds of privatisation has resulted in a significant reduction in state debt costs as a percentage of GDP. These savings release funds for expenditure on other priorities. In addition, the commitment to fiscal discipline will contribute to lower debt service costs in the future.

National needs and interests

The Constitution assigns exclusive and concurrent powers to each sphere of government. The national government is exclusively responsible for those functions that transcend provincial boundaries, including protection services, economic services and foreign affairs. Key priorities on the national budget are the strengthening of the integrated justice sector, infrastructure development and rehabilitation, restructuring public enterprises and programmes to alleviate poverty and enhance job creation. The national sphere is also responsible for meeting the contractual and statutory commitments of the state and for providing transversal systems of governance, including tax administration and financial information systems. Some provincial or local functions still reside with national departments. Many of these functions (such as water and sanitation services) are gradually being shifted to the sphere responsible. National government is responsible for policy development, regulation and monitoring in functions shared with provincial and local government.

Provincial and local basic services

Many of the changes highlighted in the 2001 Budget specifically consider functions such as the provision of the child support grant, free basic municipal services and building the capacity to cope with the impact of HIV/Aids.

Sub-national governments have significant autonomy over allocating resources to meet basic needs and to respond to provincial and local priorities. The Bill provides for significant increases to the equitable share to provinces and local government. This enables them enhance their provision of basic services like school education, primary health, welfare grants and a minimum level of free water and electricity. Grants such as the Central Hospitals Grant, Housing Grant and Supplementary Grant enable provinces to perform specific functions like academic hospital services and housing.

Fiscal capacity and efficiency

Fiscal capacity refers to the ability of each sphere to raise revenue to cover expenditures. The Constitution assigns the primary sources of government revenue to national government. Local governments finance the bulk of their expenditure from property rates, user charges and fees. This means that national government receives more revenue than it requires to meet its obligations while the local sphere is only marginally dependent on nationally raised revenue. The provincial sphere, however, is highly dependent on transfers as its expenditure responsibilities exceed provincial sources of own revenue. To compensate for this imbalance, nationally raised revenue is shared between the spheres, with provinces receiving the largest share.

Options for increasing provincial fiscal capacity through own revenue sources continue to be explored. Section 228 of the Constitution requires an Act of Parliament to regulate provincial tax powers. The process of extending tax powers to provinces is underway.

All three spheres are strengthening financial management capacity to improve fiscal efficiency. The implementation of the Public Finance Management Act (PFMA), and programmes funded from the Supplementary Grant for Financial Management, should help to promote expenditure efficiency. The programme focuses on appointing qualified personnel, training financial managers and improving reporting and oversight procedures. Several provinces are establishing or expanding internal audit units to improve control over expenditure. Provinces are also in the process of appointing chief financial officers (CFO) in line with the requirements of the PFMA. At local government level, the Financial Management Grant will assist municipalities in modernising budgeting, management and upgrading financial management capacity. The Local Government Finance Management Bill is also expected to take effect next year.

Although actual measurement of fiscal capacity and efficiency is not possible at this stage, the annual *Intergovernmental Fiscal Review* does attempt to provide information that facilitates comparisons between budgets in the provincial and local spheres.

Developmental needs

Development needs are considered in both the equitable share formulae for provincial and local government and in specific conditional grants. The health component of the provincial equitable share formula distributes resources towards poorer provinces through the higher weighting of persons without access to medical aid. The welfare component includes a poverty adjustment that captures the target population for social grants. The backlog component in the provincial equitable share formula reflects the need for basic infrastructure in rural areas, as well as maintenance backlogs within the health and education sectors.

The needs of the rural poor also receive priority in education, health and welfare budgets, which are complemented by the Water and Sanitation Programmes in rural and small communities. The

Consolidated Municipal Infrastructure Programme funds infrastructure for low-income urban and rural communities. Following the Presidential Job Summit, funds are provided for projects that focus on job creation and poverty alleviation. These include a community-based public works programme, a local tourism infrastructure programme and a flagship programme to promote employment for women with young children.

Through the establishment of the National Skills Fund, Government adopted a further education and training policy aimed at broadening the skills base. The skills development levy which allocates funds to the National Skills Fund, mobilises substantial funds for human resource development. The National Skills Fund provides training initiatives for the unemployed and supports provincial training schemes and centres.

Economic disparities

Economic disparities exist between and within provinces. The equitable share formula recognises that the provinces have different demographic and economic profiles and markedly different levels of economic development. The equitable share formula is therefore redistributive towards poorer provinces.

The formulae and criteria used by national departments to distribute grants among provinces are also biased in favour of the poor. For example, the allocation of the Education Quality Enhancement grant redistributes resources to poorer provinces with a higher proportion of under-resourced schools.

The Provincial Infrastructure Conditional Grant will significantly enhance the capacity of provinces to deal with economic disparities. The grant is divided in terms of the average of the equitable share and backlog ratios, thus directing funds to poorer provinces, without disadvantaging wealthier provinces.

Obligations in terms of national legislation

While the Constitution confers significant autonomy on provincial governments to determine provincial priorities and allocate provincial budgets, national government retains responsibility for policy development and for monitoring implementation within concurrent functions. Although the equitable share allocations and other transfers allow provinces and local government discretion, national policies create mandates that must be accommodated. For example, criteria for social security grants are determined nationally, while the costs are borne by provinces. The budget process allows for these norms and standards to be incorporated into sub-national budgets. Similar examples can be found in education, health, traffic management, road maintenance and with reference to archives.

Conditional grants also provide funding for national priorities that are implemented by provincial or local government. These include grants for housing and integrated nutrition.

Predictability and stability

Government has resolved that the equitable shares for a given year will be based on estimates of nationally raised revenues, as announced in the budget. The Division of Revenue Bill this year indicates a three-year allocation, although only one year is voted for. Allocations will not be adjusted downwards unless exceptional circumstances lead to a downward revision of the macroeconomic framework or an under-collection of the targeted revenue. The Bill also obligates all conditional grants to be allocated by province and municipality for a three-year period. Furthermore, the Division of Revenue Bill specifies that all allocations must be transferred according to a payment schedule. Thus, at the beginning of the financial year, provinces and local governments are assured of the resources they will receive and know the dates on which the

allocations will be transferred. The Bill also enables provincial and local government to account for all transfers from the national government. Greater certainty of revenues improves the quality of budget planning and expenditure projections in all spheres of government.

Need for flexibility in responding to emergencies

Although stable and predictable allocations encourage fiscal discipline and improve planning and cash management, Government needs to be able to respond to changing circumstances and to accommodate shifts in priorities. The contingency reserve provides a cushion against these uncertainties. It gives Government the flexibility to shift expenditures in response to emergencies in the coming year, or to change priorities in the outer years, without compromising existing programmes. Some provinces have also created contingency reserves to increase flexibility in provincial budget planning.

Part 3: Fiscal Framework

Table B1 presents the revised medium term macroeconomic framework for 2001 Budget.²

Table B1 Medium-term macroeconomic assumptions

	2000/01		2001/02		2002/03		2003/04
	2000 Budget	2001 Budget	2000 Budget	2001 Budget	2000 Budget	2001 Budget	2001 Budget
Gross domestic product (R billion)	885,2	897,9	958,2	987,2	1036,7	1069,3	1154,9
<i>Real GDP growth</i>	3,6%	3,1%	3,2%	3,7%	3,3%	3,5%	3,3%
<i>GDP inflation</i>	5,5%	7,3%	4,9%	6,0%	4,8%	4,7%	4,6%
National Budget Framework							
Revenue (R billion)	210,4	213,4	227,4	233,4	243,6	252,9	273,1
<i>Percentage of GDP</i>	23,8%	23,8%	23,7%	23,6%	23,5%	23,6%	23,6%
Expenditure (R billion)	233,5	235,0	251,5	258,3	266,7	277,3	297,5
<i>Percentage of GDP</i>	26,4%	26,2%	26,2%	26,2%	25,7%	25,9%	25,8%
Budget deficit (R billion)	23,1	21,7	24,1	24,9	23,1	24,5	24,4
<i>Percentage of GDP</i>	2,6%	2,4%	2,5%	2,5%	2,2%	2,3%	2,1%

The macroeconomic framework sets out the growth assumptions and policy targets on which the fiscal framework is based. Table B2 sets out the impact of these policy decisions on the division of revenue.

Before resources can be divided, provision must be made for national commitments such as debt service costs and a contingency reserve. Debt servicing obligations of R48,1 billion, R49,7 billion and R51,0 billion are projected for the three MTEF years, and the contingency reserve amounts to R2 billion, R4 billion and R8 billion. Once these allocations are deducted, the total to be shared between the three spheres amounts to R208,1 billion, R223,6 billion and R238,5 billion over the three MTEF years. This pool of revenue is available for sharing between national, provincial and local spheres.

² Chapters 2 and 3 of the Budget Review present a detailed analysis of the revised macroeconomic forecasts and fiscal framework.

Table B2 Division of revenue between the spheres of government

R million	2000/01		2001/02	2002/03	2003/04
	2000 Budget ¹	Revised estimates	Budget	Medium-term estimate	
National allocation	75 212	74 414	84 287	89 955	95 432
Provincial allocation	106 037	108 736	117 386	126 563	135 221
<i>Equitable share</i>	94 408	96 186	104 136	112 560	120 215
<i>Conditional grants</i>	11 629	12 551	13 250	14 003	15 006
Local government allocation	3 713	5 712	6 506	7 155	7 849
<i>Equitable share</i>	2 330	2 330	2 618	3 002	3 551
<i>Conditional grants</i>	1 383	3 382	3 888	4 153	4 298
Allocated expenditure	184 962	188 863	208 179	223 672	238 502
Plus:					
Debt service costs	46 490	46 186	48 138	49 651	51 022
Contingency reserve	2 000		2 000	4 000	8 000
Total expenditure	233 453	235 048	258 318	277 323	297 524
Percentage of shared total	100	100	100	100	100
<i>National allocation</i>	40,7%	39,4%	40,5%	40,2%	40,0%
<i>Provincial allocation</i>	57,3%	57,6%	56,4%	56,6%	56,7%
<i>Local government allocation</i>	2,0%	3,0%	3,1%	3,2%	3,3%

¹ For comparative purposes, local government transfers have been shifted from provincial share to the local government share

The division of resources between the three spheres is determined primarily by the initial baseline allocations in the 2000 Budget (reflecting current priorities), together with the additional priorities identified for the additional resources in the framework. Hence, changes are generally restricted to the margin. The division of revenue between spheres of government is determined by Cabinet, and is informed by recommendations of the Budget Council, the Budget Forum, the Ministers' Committee on the Budget and the Financial and Fiscal Commission (FFC).

The additional allocations are made available from revisions to the framework arising from stronger growth, higher inflation, the baseline contingency reserve, and savings on debt service costs. The new priorities and pressures identified over and above the current priorities are:

- ?? Increasing the take-up of the child support grant and the impact of HIV/Aids on social services.
- ?? Poverty alleviation programmes, including social security and provision of free basic services to the poor.
- ?? The significant cost implications arising from the new demarcation of municipalities.
- ?? Increasing infrastructure spending in order to redress the backlogs in maintenance, rehabilitate and expand the infrastructure base, and to stimulate investment and economic growth.
- ?? The need for targeted interventions aimed at improving the efficiency of the criminal justice system.

These new priorities determine how the additional allocations are to be divided. These funds flow towards the sphere responsible for the prioritised functions. The impact of these policy decisions on the division of revenue is shown in Table B2 above.

The revised budget framework provides for additional spending of R10,2 billion in 2001/02 and R16 billion in 2002/03 compared with the estimates projected for these years in the 2000 Budget.

Over half of the additional resources was allocated to the provinces, in recognition of the challenges they face in delivering social services, building and maintaining economic infrastructure, employment creation, promoting rural development and coping with HIV/Aids. Local government, which must manage the amalgamation of various local authorities and provide for free basic services, gets a larger slice of additional revenue than its baseline proportion.

Although the additional allocation to local government is small, the increases in the allocations are significant, relative to the overall level of resources transferred to that sphere.

The national share increases from 39,4 percent in 2000/01 to 40,5 in 2001/02 and declines marginally to 40,0 percent in 2003/04. The share dedicated to local government also rises from 3,0 percent in 2000/01 to 3,3 percent in 2003/04. The provincial share declines correspondingly, from 57,6 percent in 2000/01 to 56,4 percent in 2001/02 and increases marginally to 56,7 percent 2003/04.

Powers and functions

Functions are assigned to the three spheres of government in schedules 4 and 5 of the Constitution. A system of concurrent or joint responsibilities applies between national and provincial governments for functions like school education, health, welfare, housing, agriculture and urban and rural development. This, in practice, means that national government determines policy and regulates compliance, while provincial governments are responsible for implementation. Exclusive functions for provinces include provincial roads and traffic, ambulance services, planning responsibilities, abattoirs, liquor licences etc.

Municipal functions include user fee services like electricity and gas reticulation, water and sanitation services (potable water supply systems, domestic waste-water and sewage disposal), and public funded services like stormwater management, refuse removal, municipal public transport, fire-fighting services, urban streets and street lights.

This leaves national government largely responsible for policy and regulatory functions over school education, health, welfare, housing and agriculture, resulting in small budgets for these departments. Only education has a large budget, but this is for transfers to institutions of higher education.

The most significant national functions from a budget perspective are those where the implementation responsibility resides with the national government.

Over half the national government spending (after the equitable share, conditional and other grants and programmes to provinces and municipalities are excluded) is in the protection services (police, justice, prisons and defence). The other significant budget items are education (for higher education), public works, transport (bus subsidies, rail, national roads), trade and industry (for trade facilitation and technology advancement), funding of the South African Revenue Services (SARS) and water affairs. Other departments and agencies with responsibilities traditionally associated with national government include Foreign Affairs, Home Affairs, science councils, Land Affairs, Labour, Environment and Tourism, Minerals and Energy and Communications. These have relatively smaller, but significant, budgets.

The National Budget 2000 Appropriation Bill appropriates the 2001/02 national allocation in Table B2, as well as conditional grants to provinces and municipalities for the same year, and the debt servicing amount (as a direct charge). The national allocation in Table B2 therefore excludes conditional grants and debt servicing, but includes grants-in-kind and agency or transitional programmes like bus subsidies.

Part 4: Provincial Allocations

The Constitution entitles provinces to a share of nationally raised revenue. National transfers to provinces comprise more than 96 percent of provincial revenues, of which 88,7 percent is through the equitable share (see Table B3). The remaining 11,3 percent flows through conditional grants. Provinces raise less than 4 percent of their revenues from own sources.

Table B3 Total transfers to provinces, 2001/02

R million	Equitable share	Conditional grants	Total transfers
Eastern Cape	17 965	1 420	19 385
Free State	7 018	890	7 908
Gauteng	15 848	3 473	19 321
KwaZulu-Natal	21 034	2 245	23 280
Mpumalanga	7 206	599	7 805
Northern Cape	2 533	224	2 757
Northern Province	14 010	1 100	15 111
North West	8 761	699	9 460
Western Cape	9 762	1 997	11 760
Unallocated	0	600	600
Total	104 136	13 251	117 387

Provincial equitable share

The provincial equitable share allocation is used to fund the bulk of public services rendered by provinces. The equitable share amounts to R104,1 billion in 2001/02, R112,6 billion in 2002/03, and R120,2 billion in 2003/04. The equitable share is divided between provinces (referred to as the horizontal division) using the provincial equitable share formula. This section explains the formula.

The equitable share formula comprises seven components that attempt to capture the relative demand for services between provinces and to adjust for particular provincial circumstances. It considers, for example, infrastructure backlogs and poverty levels. The components are:

- ?? An education share based on the average of school-age population (ages 6-17) and the number of learners in schools.
- ?? A health share based on the proportion of the population without access to medical aid funding.
- ?? A social security component based on the estimated number of people entitled to social security grants – the elderly disabled and children – weighted with a poverty index derived from the 1995 Income and Expenditure Survey.
- ?? A basic share derived from each province's share of the total population of the country.
- ?? An institutional component divided equally among the provinces to reflect the costs of running a provincial government.
- ?? A backlog component based on the distribution of capital needs as captured in the Schools Register of Needs, the audit of hospital facilities and the share of the rural population.
- ?? An economic output share based on the distribution of total remuneration in the country.

Table B4 shows the current structure and distribution of the shares by component, and the target shares to be reached by 2003/04. The elements of the formula are neither indicative budgets nor guidelines as to how much should be spent on those functions. Rather, the components are weighted broadly in line with expenditure patterns to provide an indication of relative need.

Table B4 Distributing the equitable share, percentages by province

	Education	Health	Social welfare	Basic share	Economic activity	Institutional	Backlog	Target shares
<i>Weighting</i>	41,0	19,0	17,0	7,0	8,0	5,0	3,0	100,0
Eastern Cape	18,5	17,0	19,6	15,5	6,5	11,1	20,6	16,9
Free State	6,3	6,5	7,1	6,5	5,3	11,1	5,7	6,6
Gauteng	12,3	14,7	13,9	18,1	41,6	11,1	5,1	15,5
KwaZulu-Natal	22,1	21,7	19,6	20,7	17,0	11,1	22,9	20,6
Mpumalanga	7,3	7,2	6,5	6,9	4,9	11,1	8,5	7,2
Northern Cape	1,9	2,0	2,2	2,1	1,7	11,1	1,3	2,4
Northern Province	15,7	13,3	13,7	12,1	3,0	11,1	22,9	13,6
North West	8,0	8,6	8,7	8,3	5,7	11,1	9,4	8,3
Western Cape	7,9	8,9	8,8	9,7	14,4	11,1	3,7	8,9
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Education component

The education component targets primary and secondary schooling, which accounts for roughly 90 percent of provincial education spending. Both the population of school going age and enrolment numbers are used to reflect the demand for education services. The school-age cohort, ages 6-17, is double weighted, reflecting Government's desire to reduce out-of-age enrolment. The enrolment figures have not been updated since the 1999 Budget.

Table B5 Calculation of education component

Thousands	Enrolment	School-age (6-17)	Weighted share (%)
<i>Weighting</i>	1	2	
Eastern Cape	2 295	2 010	18,5
Free State	808	680	6,3
Gauteng	1 400	1 394	12,3
KwaZulu-Natal	2 812	2 377	22,1
Mpumalanga	924	789	7,3
Northern Cape	202	223	1,9
Northern Province	2 043	1 665	15,7
North West	946	896	8,0
Western Cape	905	895	7,9
Total	12 335	10 930	100,0

Health component

The health component addresses the need for provinces to deliver primary and secondary health services. As all citizens are eligible for health services, the provincial shares of the total population form the basis for the health share. The formulation of the health component recognises that people without medical aid support are more likely to use public health facilities, and are therefore weighted four times higher than those with medical aid support. This implies that the uninsured account for 95 percent of the usage of public health facilities. The proportions of the population with and without access to medical aid are taken from the 1995 October Household Survey and applied to the census figures.

Table B6 Calculation of health component

Thousands	With medical aid	Without medical aid	Weighted share (%)
<i>Weighting</i>	1	4	
Eastern Cape	510	5 793	17,0
Free State	467	2 166	6,5
Gauteng	2 958	4 390	14,7
KwaZulu-Natal	1 103	7 314	21,7
Mpumalanga	392	2 409	7,2
Northern Cape	175	665	2,0
Northern Province	376	4 554	13,3
North West	457	2 897	8,6
Western Cape	1 127	2 830	8,9
Total	7 566	33 018	100,0

Welfare component

The welfare component captures provinces' responsibility for providing social security grants. The constituent parts reflect the target populations of social security payments, weighted by the distribution of expenditure for each type of grant. For example, the bulk of social security payments are old-age pensions. Means-testing of grants is reflected through an income adjustment based on the provincial share of the population in the lowest two quintiles of the income distribution. This information was drawn from the 1995 Income and Expenditure Survey, which has not been updated. Data from the Department of Welfare on actual expenditure by grant type indicate that the current weightings are still appropriate. Nevertheless, these weights do not make explicit provision for the child support grant, although the vertical division of revenue takes this into account.

Table B7 Calculation of the welfare component

Percentage	Old age	Disability	Child care	All grants	Income adjustment	Weighted share
<i>Weighting</i>	65,0	25,0	10,0	75,0	25,0	100,0
Eastern Cape	19,1	15,5	17,4	18,0	24,3	19,6
Free State	6,2	6,5	5,7	6,2	9,6	7,1
Gauteng	15,7	18,1	14,3	16,2	7,2	13,9
KwaZulu-Natal	19,8	20,7	21,7	20,2	17,6	19,6
Mpumalanga	5,9	6,9	7,3	6,3	7,1	6,5
Northern Cape	2,1	2,1	2,0	2,1	2,6	2,2
Northern Province	13,0	12,1	14,8	13,0	15,8	13,7
North West	7,8	8,3	8,4	8,0	10,7	8,7
Western Cape	10,4	9,7	8,4	10,0	5,2	8,8
Total	100,0	100,0	100,0	100,0	100,0	100,0

Economic activity component

The economic activity component is a proxy for provincial tax revenue, directing a proportion of nationally collected revenue back to its source. It also reflects costs associated with economic activity, such as maintenance of provincial roads. The best indicator for economic activity in a province is the Gross Geographic Product. In 1999, the distribution of employee remuneration replaced provincial Gross Geographic Product (GGP) figures, since remuneration comprises roughly 60 percent of provincial GGP and the GGP figures had not been updated since 1994. For 2001, Government decided not to adjust this component of the formula pending publication of new GGP data. The latest remuneration data tend to reflect unstable trends. The continuing absence of GGP data raises concerns about the accuracy of data in the economic activity component.

Table B8 Economic activity shares, 2001 Budget

Percentage	Share of Remuneration
Eastern Cape	6,5
Free State	5,3
Gauteng	41,6
KwaZulu-Natal	17,0
Mpumalanga	4,9
Northern Cape	1,7
Northern Province	3,0
North West	5,7
Western Cape	14,4
Total	100,0

Basic component

In 1999, the basic component was split into a basic share distributed by population and a backlog component. The backlog component incorporates estimates of capital needs as drawn from the Schools Survey of Needs and the 1998 MTEF health sectoral report on hospital rehabilitation. The backlog component also incorporates a rural factor, in keeping with Government's focus on rural development. As no new information was available regarding its sub-components, the backlog component remained unchanged.

Table B9 Calculation of backlog component

Percentage	Health	Education	Rural	Weighted share
<i>Weighting</i>	18,0	40,0	42,0	100,0
Eastern Cape	16,3	22,0	21,3	20,6
Free State	3,8	7,8	4,4	5,7
Gauteng	10,8	6,3	1,2	5,1
KwaZulu-Natal	16,0	23,5	25,5	22,9
Mpumalanga	9,2	7,5	9,1	8,5
Northern Cape	1,2	1,2	1,3	1,3
Northern Province	27,5	20,4	23,3	22,9
North West	9,1	7,5	11,6	9,4
Western Cape	6,1	3,9	2,3	3,7
Total	100,0	100,0	100,0	100,0

Institutional component

The institutional component recognises that some costs associated with running a government and providing services are not directly related to the size of a province's population. It is therefore evenly distributed between provinces, as was the case last year. It constitutes 5 percent of the total equitable share, of which each province gets 11,1 percent (as shown in table B4).

The phasing-in of the formula

The formula determines the equitable share for each province. In 1999/00, two years after the formula was introduced, data for the 1996 census was published. The data reflected demographic profiles that were different from the preliminary census results used in the formula. Given the need to ensure stability in provincial budgets, it was agreed that revisions to the formula should be phased in over five years, from 1999/00 to 2003/04. The target date of 2003/04 has been retained, so that the formula is fully implemented at the end of the 2001 MTEF cycle. Table B10 shows the phasing.

Table B10 Phasing in the equitable share, 2000 Budget

Percentage	1999/00 base	2000/01	20001/02	2002/03	2003/04 target
<i>Phasing</i>		<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>
Eastern Cape	17,6	17,4	17,3	17,1	16,9
Free State	6,8	6,8	6,7	6,7	6,6
Gauteng	14,9	15,1	15,2	15,4	15,5
KwaZulu-Natal	19,8	20,0	20,2	20,4	20,6
Mpumalanga	6,7	6,8	6,9	7,0	7,2
Northern Cape	2,4	2,4	2,4	2,4	2,4
Northern Province	13,3	13,4	13,5	13,5	13,6
North West	8,6	8,5	8,4	8,3	8,3
Western Cape	9,8	9,6	9,4	9,2	8,9
Total	100,0	100,0	100,0	100,0	100,0

Revisions of the formula for new or updated data

For the 2001 Budget, the following new data sets are available, which could have been used to update the formula:

?? Education – data from the 1999 snap survey of school enrolment. Compared with the 1997 data, the 1999 snap survey shows no change in the total number of learners, but a significant increase in number of learners in Gauteng, with a moderate increase in Western Cape, and a sharp decline in the Northern Province.

?? Health – medical aid membership data published recently fluctuate widely. Although the results of the 1995 October Household Survey (OHS) currently used in the formula show patterns similar to those of the recently published OHS'99, they differ from those of OHS'98. Consequently, the OHS'95 data has been retained.

The Budget Council decided not to use updated data, after consideration of the impact that these changes would have in the allocation amongst provinces. This decision also reflected a lack of confidence in the data sets. In broad terms, it appears that revisions for these sets of data would swing the baseline allocations at the expense of poorer provinces, especially in the outer years. The Budget Council preferred a five-yearly revision for purposes of the census and the Income and Expenditure Survey, if they show significant changes in the trends. The option of not updating the formula based on the annual data would ensure that there is stability in provincial MTEF allocations.

Adjustments for component weights

The current weights applied to the social service components in this year's budget are based on the three most recent years of expenditure data, updated annually. Current spending patterns suggest that it may no longer be appropriate to continue with this approach, since function shifts such as housing, have changed the composition of expenditure. In future, technical changes to the base, rather than changes in the social service spending, will determine the weights of the social service components. Changes to the weights will remain an explicit policy decision, and will remain fixed unless a policy change implies that a significant shift in the distribution of funds was required.

Conditional grants to provinces

Schedules 3 and 4 of the Division of Revenue Bill present the conditional grants to provinces. Conditional grants are a smaller but significant portion of provincial revenue. These grants were introduced in 1998/99 to support national priorities, particularly in the social services sector. In particular, conditional grants are used in order to:

- ?? Enable national priorities to be provided for in the budgets of other spheres.
- ?? Promote national norms and standards.
- ?? Compensate provinces for cross border flows and inter-provincial benefits.
- ?? Effect transition by supporting capacity-building and structural adjustments.
- ?? Address backlogs and regional disparities in social infrastructure.

Some conditional grants have been implemented successfully. However, problems have arisen with the flow and spending of other grants. These problems resulted in rollovers in some grants at the national level and slow spending at the provincial level. There has also been an increase in the number of small grants in the system. This has subsequently increased fragmentation of funding and has placed a disproportionate administrative burden for conditional grants on the provinces. Some of the small grants have been amalgamated into the Supplementary Grant in 2001³.

The Division of Revenue Act is revised annually to allow for reforms aimed at improving processes and systems used in the administration of conditional grants. The revisions are aimed at promoting advance planning, improving transparency and enhancing accountability by clarifying the responsibilities of national departments and provincial officers. A framework for the consolidation and streamlining of grants and improvement of their effectiveness is being finalised for implementation in the 2002 MTEF.

Table B11 provides a summary of conditional grants by sector for 2001/02, and the allocation between provinces. Of the total conditional grants allocation in 2001, the largest allocation is made to the health sector (R5,9 billion), followed by the Department of Housing (R3,3 billion), and the National Treasury (R3,0 billion). The Education and Welfare Departments administer relatively small, but important grants for the improvement of financial management in these sectors. Central hospital and professional training are the largest health grants. Four provinces, Gauteng, KwaZulu-Natal, Western Cape and Free State, benefit most from the Central Hospitals Grant owing to the structure of their health departments. Significantly, they provide highly specialised services to all citizens. Other health grants flow mainly to poorer provinces.

Table B11 Conditional Grants to Provinces for 2001/02

R'000	Health	Supplementary ¹	Infrastructure	Housing	Education	Welfare	Total
Eastern Cape	322 926	386 431	147 275	506 811	55 037	2 142	1 420 622
Free State	397 424	177 561	48 342	246 253	18 743	2 142	890 465
Gauteng	2 308 304	337 611	80 860	707 831	36 592	1 642	3 472 840
KwaZulu-Natal	909 684	455 029	170 447	642 647	65 747	2 142	2 245 696
Mpumalanga	148 043	153 003	61 236	213 355	21 718	2 142	599 497
Northern Cape	65 023	55 788	29 411	66 475	5 653	2 142	224 492
Northern Prov.	266 759	292 471	143 369	344 787	46 707	6 600	1 100 693
North West	157 817	182 336	69 536	263 735	23 800	2 142	699 366
Western Cape	1 381 501	207 647	49 524	334 064	23 503	1 642	1 997 881
Total	5 957 481	2 247 877	800 000	3 325 958	297 500	22 736	12 651 551

¹Both supplementary and infrastructure grants are administered by the National Treasury. Flood rehabilitation grant is not included in the allocations.

Health grants

The health grants amount to about R5,9 billion in 2001/01, and increase to R6,3 billion by 2003/04. They constitute about 47 percent of the total conditional grants to provinces. The health grants include five hospital grants (Central Hospital, Professional Training and Research, Hospital

³ Chapter 3 of the 2000 Intergovernmental Fiscal Review gives a detailed analysis of performance of conditional grants since they were introduced in 1998/99.

Rehabilitation, Redistribution of Specialised Health Service and Construction Grants), the Integrated Nutrition Programme (INP) and allocations for HIV/Aids. The hospital grants are aimed at supporting reforms in the hospital sector.

The Department of Health is currently reviewing all its conditional grants. The current MTEF allocations do not make any significant changes to health grant funding levels, pending the outcome of the reviews. Similarly, the division between provinces has not changed significantly. The Department of Health is expected to provide a strategic plan for the rationalisation and distribution of hospitals, which will then inform provincial strategic and implementation plans for the 2002 MTEF.

The central hospitals and health professional training grants provide over R3,5 billion towards the recurrent costs of central hospitals. These grants are for services that may be regarded as allocated functions, for which funding cannot be withdrawn without a substantial and unacceptable impact on service delivery. The health review is expected to set the medium- to long-term restructuring goals for these grants.

The allocation for hospital rehabilitation grant is R500 million in 2001/02, increasing to R543 million in 2003/04. There is a reduction in the 2001/02 allocation to Eastern Cape compared with the 2000/01 allocation, and relative gains to other provinces like Gauteng. This is because Eastern Cape received more than its share in 2000/01, as funds were moved to the Eastern Cape from slower spending provinces, on the basis of its demonstrated spending capacity. An adjustment for this is made in 2001/02, and in the outer years.

The Redistribution of Specialised Health Services grant also has a significant capital component. The grant is used for the acquisition of specialist equipment, specialist training, and as an incentive for specialists to relocate to poorer provinces. In 2001/02, the allocation for this grant amounted to R182 million. It increases to R197 million in 2003/04.

A new allocation amounting to R50 million, R70 million and R90 million in the three MTEF years has been made as national government's contribution towards the costs of construction of the Pretoria Academic Hospital in Gauteng.

The INP is targeted at poor provinces with high populations of school children. Eastern Cape, Northern Province and KwaZulu-Natal receive about 63 percent of the allocation. Due to underspending in this grant over the past three years, it remains constant at R582 million over the MTEF period. The Department of Health is also finalising a review of this grant that will inform any changes in its administration and the level of funding for the 2002 MTEF.

Education grants

The Department of Education manages the Financial Management and Quality Enhancement in Schools Grant introduced in 1998/99. In addition, a new grant aimed at funding the pilot programme for Early Childhood Development will be introduced in 2001/02.

The Financial Management and Quality Enhancement Grant was introduced in 1999/00 and was to be phased out in 2002/03. However, the Department of Education motivated for the continuation of this grant until 2003/04, in order to build on the foundation laid over the past year for improving the quality of outcomes in the education system. This grant is considered critical in the implementation of the Tirisano plan. No changes were made to the baseline allocation, which amounts to R213 million in 2001/02, increasing to R234 million in 2003/04.

The Early Childhood Development Grant is aimed at developing the capacity of the provincial education departments to ensure the expansion of a compulsory reception year (grade R) for learners turning six years. The grant will mainly be used to continue the pilot programme of service delivery and provision, options that will also involve collaboration with a range of community based organisations (CBOs), and non-governmental organisations (NGOs). The

department plans to phase in the Reception class (or Grade 0) over a five-year period, beginning in 2001. The allocation to provinces amounts to R21 million in 2001/02, increasing to R88 million in 2003/04.

National Treasury grants

Except for changes arising from the merging of small grants, the Supplementary Grant is kept constant. The Supplementary Grant contains two windows. The first window is the original allocation for general provincial budgetary support, which remains at R2 billion over the MTEF. The rationale for the continued existence of the grant in the next three years is premised on the need to deepen budget reform, strengthen the oversight role of national government over provincial finances, and encourage continued improvement in financial and expenditure management, including the effective implementation of the PFMA.

A second small window has been created in the Supplementary Grant to merge a number of small and fragmented grants. This portion of the grant amounts to R247,8 million. This will allow for a more informal arrangement, in terms of which many of the smaller budget objectives of various departments can be realised without imposing undue administrative burdens on provinces. The grants that have been consolidated into the Supplementary Allocation Grant are the R293 Personnel Grant (R105 million for the first year only), the Financial Management Grant (R124 million), the Capacity Building Grant (R10 million) in the delivery of housing, and funds for the implementation of the National Land Transport and Transition Act (R9 million).

A significant portion of the financial management allocation will be devoted to pilot projects in the major academic/central hospitals in order to improve financial management in these hospitals.

The Provincial Infrastructure Grant was introduced in the 2000/01 budget at R300 million a year, to enable provinces to address provincial infrastructure needs, particularly the rehabilitation and maintenance of provincial roads, schools and health facilities. However, due to the recent floods, the grant has been diverted to the reconstruction of infrastructure in affected provinces (Mpumalanga, KwaZulu-Natal, Northern Province and Eastern Cape).

The Provincial Infrastructure Grant of R300 million a year has been supplemented by R500 million in 2001/02, R1 250 million in 2002/03 and R2 billion in 2003/04. This brings the total infrastructure funds available through this grant to R4,65 billion over this period. So that this grant be used effectively to deal with backlogs, the provincial division has been effected using the average of the percentage equitable shares and the backlog component. This enables government to direct funds towards provinces with large backlogs, without neglecting provinces that have inherited higher levels of infrastructure.

In 2001/02, provinces are expected to use these funds mainly for maintenance of roads, schools, and health facilities and to address the specific infrastructure needs for rural development. The provincial treasuries will administer the grant. The allocations are to be made to the line departments responsible for the implementation of the infrastructure projects. Provinces are also expected to build capacity in treasuries to oversee the implementation of infrastructure plans and capital projects. as inadequate capacity and poor planning have been major reasons for under-spending of capital grants.

The 2001 Budget framework also sets aside funds for flood reconstruction amounting to R600 million in 2001/02, R400 million in 2002/03 and R200 million in 2003/04, for spending in provinces and municipalities. To simplify administrative arrangements, it is proposed that this grant be incorporated into the Provincial Infrastructure Grant, but as a separate window.

Housing grants

The Department of Housing administers two grants. The Housing Fund provides subsidies for low income housing, and the Human Settlement Redevelopment Grant funds pilot projects in urban areas. The Housing Fund allocation is adjusted to take account of inflation, from R3,0 billion in 2000/01 to R3,2 billion in 2001/02 and rises further to R3,6 billion in 2003/04. This represents an annual average growth of 4,8 percent. The current structure of the formula does not take into consideration the actual spending capacity of provinces.

The Grootboom Constitutional Court judgement poses new challenges for government in allocating this grant. Government is considering setting aside a portion of the funds for urgent housing needs of poor persons.

The Human Settlement Grant increases sharply from R20 million to R100 million between 2000/01 and 2001/02, and remains stable thereafter. The allocations for this grant can be found in Appendix B1.

Welfare grants

The Financial Management Grant was to be phased out this year. However, the department has motivated for the continuation of the grant in order to fund information technology infrastructure in the provincial welfare departments, and to fund the provincial operation centres. The grant continues for two years, with allocations of R10 million in 2001/02 and R11 million in 2002/03 made to provinces.

HIV/Aids conditional grants

The 2001MTEF allocation for HIV/Aids builds on the total allocation of R75 million made to Health, Welfare and Education in 2000/01 to finance a more effective and integrated response to the HIV/Aids epidemic. The HIV/Aids plan adopted by the three departments has four key components:

- ?? Rolling out life skills and HIV/Aids in all primary and secondary schools.
- ?? Providing increased access to voluntary counselling and testing for HIV/Aids.
- ?? Developing and piloting community-based care models for children affected by and infected with HIV/Aids.
- ?? Public campaigns (community mobilisation) to link with other components.

Of the R125 million allocation for HIV/Aids in 2001/02, R10 million is allocated to provinces in order to implement this programme. R63,5 million is allocated to the Department of Education to roll out the Life Skills Programmes in schools, R34,1 million to the Department of Health for increased access to voluntary counselling and community mobilisation, and R12 million to the Department of Welfare for community based care.

Part 5: Local government allocations

The primary source of local government revenue is taxes and user charges raised by individual municipalities. Grants from national government, including the equitable share and conditional grants, comprised about 7percent of the approximately R58 billion spent by local government in the 1999-00⁴ financial year.

⁴The local government financial year runs from 1 July to 30 June and is denoted as 2000-01. The financial year of national and provincial governments runs from 1 April to 31 March and is denoted as 2000/01.

There has been a significant increase in allocations to local government for the 2001/02 MTEF. This includes major increases to the equitable share and the addition of a new conditional grant to assist municipalities with once-off transition costs arising from demarcation. In total, national transfers to local government will increase from R5,7 billion in 2001/02 to R7,8 billion in 2003/04, an average annual increase of 11 percent. This excludes agency payments. Table B12 reflects national transfers to local government by major category.

Table B12 National transfers to local government by category

R millions	2000/01	2001/02	2002/03	2003/04
Equitable share	1 867	2 618	3 002	3 551
R293 personnel ¹	463	-	-	-
Transition grant	100	250	200	-
Water & sanitation operating subsidy	746	692	644	662
Equitable share and operating subsidies	3 176	3 560	3 846	4 213
Capacity building and restructuring	566	681	860	892
Capital transfers	1 970	2 266	2 450	2 743
Total transfers to local government²	5 712	6 507	7 156	7 849
<i>Percentage increase</i>		14%	10%	10%

¹ R293 municipal portion (R358 m) incorporated in local government equitable share.

² SALGA is allocated R15 million per year beginning in 2001/02 on the vote of DPLG

Types of Transfers

Local government transfers from nationally raised revenue takes three forms: an equitable share of nationally raised revenue, conditional grants and grants-in-kind. These are discussed below:

?? Equitable share allocations are made to all primary municipalities, without any conditions attached. These allocations are made in terms of a policy framework described in *The Introduction of an Equitable Share of Nationally Raised Revenue for Local Government* published by the Department of Finance in 1998⁵, and administered by the Department of Provincial and Local Government.

?? Conditional grants are made to those municipalities that apply for or are selected to receive these funds. These grants are operated and disbursed by departments in pursuit of specific policy objectives and with conditions attached to their disbursement.

?? Grants-in-kind are made to those municipalities which perform certain services on behalf of national or provincial government, or are subsidised indirectly by a national or provincial department through the provision of a service for which a municipality is responsible. Examples of the former are certain health and emergency services, while an example of the latter is the Water Services Operating Subsidy.

National government is continuously refining the system of intergovernmental transfers to municipalities in order to improve their efficiency, equity, transparency and predictability. This reform programme will:

?? Simplify and rationalise national transfers to the local government sphere, including consolidating capacity building grants into one inter-departmentally coordinated mechanism, consolidating capital transfers into CMIP, and consolidating other transfers into the local government equitable share.

?? Introduce three-year allocations to individual municipalities for all national transfers in order to assist municipalities in their budgeting processes.

⁵ This document is available on the Department's website at <http://www.treasury.gov.za>

?? Require municipalities to show all national and provincial transfers on their budgets and to periodically report on outputs achieved through each conditional grant programme.

The equitable share for local government

Background

The equitable share for local government was first introduced in the 1998/99 financial year. The equitable share formula is based on the principles of equity, transparency, predictability, and accountability.

National transfers to local government through the equitable share are projected to increase by 15,1 percent a year from the 2000/01 allocation of R2,3 billion (excluding the provincial portion of R293 personnel) to R3,6 billion in 2003/04. These increases are to support institution-building in the newly demarcated municipalities and to provide resources to municipalities to implement commitment on the provision of free basic services.

Further expansion of the equitable share is anticipated when the Water Services Operating Subsidy is included in the equitable share. This allocation, which is made as an augmentation to the Water Trading Account on the Department of Water Affairs and Forestry vote, provides an untargeted subsidy to users of water schemes that are directly operated by that department. The Department is currently preparing for the transfer of these schemes to municipalities, in line with the constitutional allocation of functions. Once incorporated, this will significantly enhance the ability of municipalities to address the challenges of providing free basic services to poor households.

The Local Government Transition Grant, aimed at supporting municipalities through the transition process by partially assisting with once-off costs directly related to the amalgamation, will be absorbed into the equitable share in the 2003/04 fiscal year.

Equitable share formula

The local government equitable share formula consists of three components supporting operating costs in local authorities:

- ?? An institutional grant (*I grant*) to support the overhead costs of local authorities with a small rates base in relation to their population.
- ?? A basic services grant (*S grant*) to support the operating cost of basic services provided to low-income households.
- ?? An allocation to municipalities that have assumed former R293 functions and staff from their provinces.

These components of the local government equitable share and the underlying data used in the formula are reviewed in the remainder of this section. A review and update of the equitable share formula was made possible by the completion of demarcation and recent development in the measuring poverty by Statistics SA. Improvements to the formula are described in this section.

Description of information supplied by Statistics South Africa

Statistics South Africa has organized the 1996 Population Census data by the new Category A, B and C municipal boundaries and has tabulated it for each municipality by:

- ?? Gender
- ?? Urban/rural residence
- ?? Employed persons of age 15 to 65, by industry
- ?? Average household size
- ?? Derived household income (derived, that is, from all recorded personal incomes of household members plus the households additional income and remittances received) reported in four income classes: less than R 800 per month, R 801 – R 1 100 per month, R 1 101 – R 1 500 per month and more than R 1 500 per month.
- ?? Imputed household expenditure based on regression relationships from the 1995 Income and Expenditure Survey/October Household Survey
- ?? Population of old municipalities falling within each new municipality.

The I grant

The institutional grant to local authorities has the following features:

- ?? It assumes that there are economies of scale in the overhead operating costs in relation to population, so that as the population rises, the I grant per capita falls.
- ?? It declines as the average income of the local authority increases, so that for a given population size, poor local authorities receive a higher I grant than rich ones.

The mathematical formula for the *I* grant is:

$$I = I_0 P^2 \cdot 0.05(y - 180)P$$

where

- ?? *I* is the institutional grant.
- ?? I_0 is a parameter defining how much in aggregate will be distributed through the *I* grant (I_0 was set at R61 750 in the 2000/01 financial year).
- ?? *P* is the population in the local authority.
- ?? \cdot defines the economies of scale (which has been set at 0,25), and *y* is the average income per capita in the local authority.
- ?? $0.05(y - 180)P$ represents normative rates income and assumes that individuals will pay 5 percent of their income towards property taxes once the poverty threshold of R180 per month (equivalent to R800 per month for households) has been taken into account. A normative rates approach was taken so that local authorities could not manipulate the *I* grant by imposing low rates.

Given that a period of new institution-building will take place in 2001/02 and for some time beyond, the I grant portion of the equitable share will be increased by 30 percent in the 2001/02 allocation.. The I grant portion of the formula will be re-evaluated in future years to determine if it is still necessary. At that time, the I grant may be reduced or eliminated and the equitable share would then be allocated entirely through the *S* grant formula.

The above formula will also be adjusted from 2001/02 as a change in the R800 poverty threshold is adjusted to R1100 (see below). This will result in a change in the I GGrant formula from $0.05(y - 180)P$ to $0.05(y - 250)P$.

The S grant

The S grant is designed to meet the operating costs of providing basic services to low-income households. For this reason, the formula requires an estimate of the number of people in households below the poverty level for each local authority.

The formula for the S grant is:

$$S = \alpha LH$$

α is a phase-in parameter between zero and one based on the municipality's classification as metropolitan, urban, or rural.

β is a budget-adjustment parameter, set to adjust the size of grants to the available budget.

L is the annual per capita cost of providing basic services to households in poverty

H is number of households in poverty.

Under the interim dispensation, municipalities were classified as metropolitan, urban and rural. The value of α was set differently for metropolitan/urban municipalities and rural municipalities. In 1998/99 the metro/urban α was set at 0,6 for urban areas and 0,1 for rural areas, the justification being that the proportion of the poor population actually in receipt of basic services would differ between urban and rural areas. The values for α were set to increase each year until they reached 1,0. The metro/urban α was set at 0,7 in 1999/2000 and the rural α was set at 0,25. To increase stability during the transition to newly demarcated municipalities, the α 's were not changed in the 2000/01 allocations. For the 2001/02 allocations, the regular phase-in of the α values will be resumed. Accordingly, the metro/urban α will be set to 0,8 and the rural α will be set to 0,4.

The interim local government system formally distinguished urban municipalities from rural municipalities. This distinction is not a feature of the final local government dispensation. Therefore reconsideration of α (coverage parameter) in the S grant formula is necessary. Although Statistics SA no longer classifies municipalities as urban or rural, enumerator areas within municipalities are classified in this way. In future, the formula will use census data to determine the population in urban and rural areas within each municipality. It will use different values for α for each, so that average value for α varies across municipalities. The more urban the municipality, the higher would be the average value for α .

A rough estimate of the cost of a basic basket of services to determine the L parameter is as follows:

Table B13 Calculating the L parameter

Service	Rands
Electricity	36
Water	20
Refuse	20
Sanitation	10
Total	86

It should be stressed that these cost estimates are merely indicative. A study is currently underway to update the costs of this indicative basket of services.

There are two methods to determine H , the number of households in poverty,

?? Derived household income

?? Imputed household expenditure

In previous years, the derived household income, supplied by Statistics SA, has been used to determine the number of households in poverty. However, this method has a number of statistical flaws. In a study for Statistics SA in 2000, Harold Alderman and Associates developed an alternative to the derived household income method. This new method imputes an income to each household, using regression results of income on a range of variables from the 1995 Income and Expenditure Survey (IES). The relevant variables in the 1996 Census are then used to predict income for each household. Because Statistics SA's tabulations of imputed expenditure provide a more accurate measure of poverty, they will be used in the 2001/02 equitable share allocation model for calculating both the I and S Grants. The data will be updated annually using government published inflation figures.

In past years, the poverty level has been set at households earning R800 per month or less. It will now increase to R1 100 in 2001/02 to account for inflation since the formula was first developed. This will impact the H variable in the S grant. It will also result in a change in the normative rate portion of the I grant formula from $0.05(y - 180)P$ to $0.05(y - 250)P$.

Guaranteed amounts

To prevent potentially serious disruptions in services of those municipalities that faced substantial declines in transfers as a result of the implementation of the equitable share system, municipalities are guaranteed to receive at least 70 percent of the allocation in the previous year. Thus municipalities received either the I plus S grant or the guaranteed amount, whichever is the greater. R293 grant allocations for 2001/02 to 2003/04 are provided on top of the guaranteed amount.

A guaranteed amount will be maintained in 2001/02 allocations using the following method:

?? For new municipalities made up of several complete old local governments, the guaranteed amount for 2001/02 will be set at 70% of the sum of the 2000/01 allocations to all the component old municipalities.

?? For newly demarcated municipalities that are composed of parts of existing municipalities, the guaranteed amounts will be determined by splitting the 2000/01 allocations between more than one newly demarcated jurisdiction on the basis of population shares.

R293 allocations

Some of the former homeland governments did not have municipalities, and thus provided municipal services directly. These areas were known as R293 towns, after the proclamation that established them. In 1994, R293 towns and their functions were transferred to provinces, with the intention of transferring them to local governments. Since then, national government has budgeted a separate allocation to support the transfer of these functions and personnel from provinces to municipalities. In 2000/01 the R293 allocation for municipal functions (R447 million) was incorporated into the local government equitable share. In 2001/02 the R293 allocation for personnel (R463 million) will be incorporated into the provincial and local government equitable shares. Based on the number of people actually transferred to municipalities or retained by provinces, the local government equitable share increases by R358 million while R105 million will remain with provinces.

2001/02 marks the first year that R293 will be budgeted as part of the equitable share. Based on previous agreements with local governments, municipalities will be guaranteed their current R293 grant allocations for three fiscal years. Accordingly, the R358 million in R293 funds will be determined separately from the allocation made via the I and S grant formulae.

Equitable share distribution

The equitable share will be distributed directly to “unicity” metropolitan authorities. Outside of the metros, the division of powers between Category C and Category B municipalities will be relevant. Category B municipalities will in the main be responsible for the provision of basic services. The exceptions to this rule will be:

- ?? District management areas in which there is no Category B municipality and the Category C municipality carries out the relevant functions.
- ?? Category B municipalities which are institutionally weak and have limited treasury functions, in which case the relevant Category C municipalities will be obliged to provide basic services on their behalf.

Except in the two cases described above, the equitable share allocation will be distributed directly to Category A and B municipalities.

Conditional grants to local government

Capacity-building grants

Many municipalities lack effective financial management, planning and project management capacity. There is currently a large number of grants that support municipal capacity-building.

The range of programmes administered by different national departments is fragmented and has not delivered substantial improvements in municipal capacity to date. Government intends to move toward one consolidated local government capacity-building programme, governed jointly by a multi-departmental team at the national level. A rationalised, co-ordinated approach toward municipal capacity-building should:

- ?? Encourage national departments to be more transparent about their capacity-building programmes, and provide measurable outputs in this regard.
- ?? Stabilise municipal budgets and build strong financial management practices, upon which other reforms can be implemented, and infrastructure and services expanded.
- ?? Foster linkages between integrated development planning, spatial planning, and the budget process.
- ?? Provide a sequenced programme of support to municipalities that prioritises financial management before resources are directed toward more advanced capacity programmes such as planning and performance management.
- ?? Develop project management skills in municipalities.

As a first step toward implementation of this rationalised local government capacity building initiative, the Municipal Systems Improvement Programme has been created in the 2001 Budget. If successful, this programme will provide a framework for consolidation of all transfers for municipal capacity-building.

A portion of the funds from the Land Development Objectives grant has been used to set up the Municipal Systems Improvement Grant. In future, as particular capacity-building and restructuring grants reach the end of their terms, they will be phased into the equitable share for local government.

Restructuring grants

Restructuring support to large and smaller municipalities is effected through the Restructuring Grant and Local Government Support Grant respectively. The Restructuring Grant provides an

opportunity for large municipalities to access funding to implement medium-term fiscal and institutional restructuring exercises, on the basis of their own restructuring plans. It is a demand-driven grant that encourages municipalities to become financially self-sustaining in the medium- to longer-term. The Local Government Support Grant assists smaller municipalities in financial crisis through both management support and emergency funding. The grant is increasingly focused on assisting these municipalities to restructure their medium-term fiscal positions, and thus avert future crises.

Both grant programmes are projected to increase significantly in the medium-term as municipalities take proactive steps to address their financial difficulties within the new structural arrangements for local government.

Table B14 Capacity-building and restructuring grants

R millions	2000/01	2001/02	2002/03	2003/04
Restructuring grant	300	350	450	465
Financial management grant	50	60	120	125
Local government support grant	150	160	220	230
Urban transport fund ¹	22	81	40	42
Land development objective ^{2,4}	44	–	–	–
Municipal systems Improvement programme ³		30	30	30
Total capa city-building and restructuring	566	681	860	892

¹ The 2001-02 allocation is R38 m plus R43 million in carry-overs from previous years.

² Incorporated into equitable share and municipal systems improvement programme.

³ New conditional grant created to begin consolidation of municipal capacity-building funds.

⁴ Current LDO commitments will be honoured.

Capital transfers to local government

Recent studies of the efficacy of existing municipal infrastructure grant disbursement mechanisms have identified the need to rationalise the number of grants to municipalities and to improve the mechanisms for the disbursement of these transfers. These proposals come in response to problems of inequity in the distribution of grants, as well as flaws in the arrangements for financial accountability identified by the Treasury and the Auditor-General. Rationalising and decentralising disbursement arrangements will offer clear benefits with regard to the sustainability of infrastructure investments, the transparency of allocations, and accountability for investment outcomes.

Grant rationalisation and disbursement reform correlate with recommendations on fiscal transfers. Moreover, such changes are opportune in the current stage of the local government transition, as they provide municipalities with a degree of fiscal certainty in a time of rapid change.

The Consolidated Municipal Infrastructure Programme (CMIP) will be transformed from a project-based disbursement mechanism to a formula-based mechanism in the forthcoming financial year. This approach will serve as a framework for one overall capital infrastructure grant mechanism governed by an interdepartmental team, as approved by Cabinet in the establishment of CMIP. Consolidation of transfers and greater transparency in the allocation process will allow problems related to co-ordination between infrastructure programmes and the housing programme to be effectively addressed.

National transfers for capital are projected to increase by 11,7 percent a year from 2000/01 to 2003/04.

Table B15 Capital transfers to local government

R millions	2000/01	2001/02	2002/03	2003/04
CMIP	883	994	1 159	1 407
Water Service projects	609	822	818	835
Community based public works	374	374	374	374
Local economic development ¹	104	76	99	127
Total capital transfers	1 970	2 266	2 450	2 743

1. Includes allocation for Social Plan Measures.

As CMIP is the most appropriate vehicle for a rationalised capital grant programme, CMIP funding will increase by 17 percent a year to R1 407 million in 2003/04. This will enhance assistance to municipalities in extending basic infrastructure services. In 2001, further progress should be made in rationalising capital transfers to municipalities through the incorporation of other capital grants into CMIP and the greater collaboration by departments in allocations to municipalities.

C

Provincial government tables

The tables in Annexure C present provincial expenditure and revenue figures compiled from information submitted by the provincial treasuries. The data reflect the latest available estimates of actual and budgeted expenditure.

The process for closing the books and determining actual expenditure and revenue begins with departments drawing up draft actual expenditure reports. These are used to compile financial statements that represent actual expenditure for a specific department in a given financial year. These financial statements are prepared by each department and signed by the responsible accounting officer. Once signed financial statements are available for all departments, the provincial treasury submits these to the Auditor-General. The Auditor-General's report contains the province's audited expenditure and revenue numbers, and comments on the financial statements.

*Actual expenditure
and revenue*

The 1997/98 information is based on actual expenditure numbers from the Auditor-General's report for that year.

For 1998/99, seven of the provinces' data are based on actual expenditure numbers from the applicable Auditor-General's reports.

The 1999/00 data represent appropriation accounts. The 2000/01 numbers are draft actual expenditure numbers used for preparing the final financial statements. The final figures for 2000/01 could still change and these figures should therefore be regarded as preliminary.

Some information is omitted from the attached tables, being either impossible to obtain from the current systems or requiring expensive extraction from the previous systems. For example, expenditure on the Works vote for the Health, Education and Welfare departments could not be obtained, as the old systems did not separate these expenditures in the Works department. Some provinces were also not able to distinguish the amounts spent on statutory appropriations (salaries for office bearers), as these amounts were included under the personnel line item.

*Capital expenditure and
statutory payments*

Analysis of provincial budgets is distorted by shifts in responsibilities between the three spheres of government. To enable comparisons over time the figures have to be adjusted to account for these shifts.

*Adjustments to facilitate
comparison over time*

The most significant adjustment is the inclusion of the housing funds in all years. For the first time, in 2000/01, housing funds flowing to provinces from the National Housing Fund were reflected in provincial budgets as a conditional grant. Prior to that, they were regarded as an agency payment and were off-budget. Including these funds only from 2000/01 distorts comparisons of revenue flows and expenditures, and in particular of the share of capital spending in

*... incorporating housing
funds*

	<p>provincial budgets. Thus, the housing transfers have been included in provincial budgets for the three preceding years.</p>
<p>... hospital rehabilitation</p>	<p>Based on the same principle, the hospital rehabilitation and the financial management and quality enhancement agency payments were included in the figures in 1998/99.</p>
<p>... local governments' equitable share</p>	<p>The local government equitable share was introduced in 1998/99, re-directing some funds to local government that previously flowed through provincial budgets. To make reasonable comparisons over time, these function shifts must be removed from the provincial budgets. Due to the unavailability of the breakdown per economic classification these numbers could not be excluded from the detail numbers. An adjustment to the total expenditure of each province has been made on Table C3.</p> <p>Some technical adjustments to the appropriation account numbers were required as provinces classify expenditure for certain functions differently. This problem will be addressed by the introduction of the GFS classification, as prescribed by the IMF.</p>
<p>Provincial medium-term estimates</p>	<p>The provincial medium-term estimates are from the 2001 Budgets tabled by the provinces in February 2001. All the medium-term budgets include estimates of improvements in conditions of service, which are distributed by department and programme. In some cases, the improvements in conditions of service amounts were distributed by formula in proportion to the budgeted personnel expenditure in the programme. Actual improvement in conditions of service amounts will be determined through the central wage bargaining process.</p>
<p>Provincial finance reserve</p>	<p>In the 2000 Budget, most provinces included a finance reserve in the Finance vote, in order to cater for the repayment of debt. However, in practice the reserve was not only utilised for the repayment of debts, but also for some items of expenditure. In general, the use of the finance reserves can be broken into three broad categories, namely:</p> <ul style="list-style-type: none">?? a part that is utilised for the repayment of debts that will be recorded as expenditure (for example, backlogs in rank and leg promotions)?? a part that is utilised for the repayment of debts where expenditure has been recorded. Such repayment is treated as a financing item (such as reducing bank overdraft)?? a part that is set aside as a contingency reserve, reflecting possible future expenditure that is still unallocated at the time of the budget. <p>To ensure that expenditure levels are accurately recorded in provincial budget documentation, the provinces were requested to indicate the different uses of the reserve separately. They included expenditure-related debt repayment in budgeted expenditure, allocated to the appropriate vote and showed the contingency reserve as a separate item not to be voted. Budgeted reduction of bank overdrafts and similar debts were showing as a budget surplus, ensuring that the treatment of debt repayment and reserves was in line with GFS principles.</p>

Summary tables

Provincial summary

Total actual and budgeted expenditure and revenue by province	<i>Table C1</i>
Total actual and budgeted expenditure and revenue by functional area	<i>Table C2</i>
Adjustments to total actual and budgeted expenditure by province	<i>Table C3</i>

Provincial social services

Total actual and budgeted expenditure on education services by province	<i>Table C4</i>
Total actual and budgeted expenditure on health services by province	<i>Table C5</i>
Total actual and budgeted expenditure on welfare services by province	<i>Table C6</i>

Detailed tables

Provincial tables

Eastern Cape	<i>Table C7</i>
Free State	<i>Table C8</i>
Gauteng	<i>Table C9</i>
KwaZulu -Natal	<i>Table C10</i>
Mpumalanga	<i>Table C11</i>
Northern Cape	<i>Table C12</i>
Northern Province	<i>Table C13</i>
North West	<i>Table C14</i>
Western Cape	<i>Table C15</i>

Detailed tables for each province

For each province, the following six tables are provided:

- ?? Summary of actual and budgeted revenue and expenditure
- ?? Actual and budgeted revenue
- ?? Actual and budgeted expenditure, by department
- ?? Education actual and budgeted expenditure, by programme
- ?? Health actual and budgeted expenditure, by programme
- ?? Welfare actual and budgeted expenditure, by programme

TOTAL ALL PROVINCES

TABLE C1: TOTAL ACTUAL AND BUDGETED EXPENDITURE, REVENUE AND SURPLUS / (DEFICIT) BY PROVINCE

Province	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates		
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Eastern Cape							
Revenue	15,512	16,285	17,086	18,707	19,876	21,273	22,538
Expenditure	16,487	15,623	16,307	18,165	19,536	20,883	22,175
Surplus / (Deficit)	(975)	662	778	542	340	389	363
Free State							
Revenue	6,190	6,874	7,037	7,749	8,327	8,835	9,335
Expenditure	6,952	7,079	6,692	7,420	8,234	8,776	9,309
Surplus / (Deficit)	(762)	(205)	345	328	93	59	26
Gauteng							
Revenue	15,209	16,179	17,385	18,818	20,371	22,116	23,763
Expenditure	15,737	16,259	16,831	18,171	20,154	21,877	23,458
Surplus / (Deficit)	(528)	(80)	555	647	218	239	304
KwaZulu/Natal							
Revenue	18,730	19,282	20,273	22,624	23,905	25,962	28,045
Expenditure	19,946	19,113	19,389	21,810	23,905	25,962	28,045
Surplus / (Deficit)	(1,216)	169	884	814	-	-	-
Mpumalanga							
Revenue	5,487	6,024	6,693	7,467	8,124	8,911	9,616
Expenditure	6,110	6,111	6,548	7,045	8,107	8,896	9,616
Surplus / (Deficit)	(623)	(88)	145	422	17	15	-
Northern Cape							
Revenue	2,228	2,270	2,507	2,599	2,861	3,090	3,298
Expenditure	2,395	2,393	2,492	2,627	2,861	3,090	3,298
Surplus / (Deficit)	(167)	(123)	15	(28)	-	-	-
Northern Province							
Revenue	11,267	12,046	12,869	14,565	15,645	17,033	18,356
Expenditure	11,700	12,157	12,808	14,527	15,426	16,864	18,166
Surplus / (Deficit)	(432)	(111)	61	38	219	169	190
North West							
Revenue	7,538	8,010	8,484	9,289	9,856	10,555	11,218
Expenditure	7,849	7,845	8,241	9,219	9,856	10,555	11,218
Surplus / (Deficit)	(311)	165	243	70	-	-	-
Western Cape							
Revenue	10,170	10,729	11,280	11,917	12,486	13,216	13,863
Expenditure	10,789	10,552	10,748	11,514	12,394	13,136	13,813
Surplus / (Deficit)	(618)	177	532	404	92	80	50
Total All Provinces							
Revenue	92,332	97,699	103,614	113,734	121,452	130,991	140,032
Expenditure	97,964	97,133	100,055	110,498	120,473	130,039	139,099
Surplus / (Deficit)	(5,632)	566	3,559	3,237	978	952	933

TOTAL ALL PROVINCES

TABLE C2: TOTAL ACTUAL AND BUDGETED EXPENDITURE, REVENUE AND SURPLUS / (DEFICIT) BY FUNCTIONAL AREA

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates		
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Expenditure							
Education							
Personnel Expenditure	34,095	35,252	36,118	39,237	41,215	43,376	45,734
Other Expenditure	4,397	3,471	3,709	4,018	5,732	6,788	7,601
Total	38,492	38,723	39,828	43,255	46,947	50,164	53,335
Health							
Personnel Expenditure	13,772	14,826	15,489	16,385	17,458	18,435	19,411
Other Expenditure	8,711	8,198	8,621	10,036	11,287	11,998	13,037
Total	22,483	23,025	24,110	26,421	28,745	30,433	32,448
Welfare							
Personnel Expenditure	556	719	832	921	1,010	1,070	1,127
Transfer Payments	16,383	17,015	17,700	18,948	20,498	22,084	23,856
Other Expenditure	615	707	842	1,060	1,332	1,465	1,548
Total	17,554	18,441	19,373	20,929	22,840	24,620	26,530
Expenditure other Functions							
Personnel Expenditure	5,903	6,251	6,617	6,943	7,483	8,032	8,556
Contingency Reserve	-	-	-	-	182	632	1,070
Other Expenditure	13,532	10,693	10,127	12,949	14,276	16,159	17,160
Total	19,435	16,944	16,744	19,892	21,941	24,823	26,785
Total Personnel Expenditure	54,325	57,049	59,056	63,487	67,166	70,913	74,828
Contingency Reserve	-	-	-	-	182	632	1,070
Total Other Expenditure	43,639	40,084	40,999	47,011	53,125	58,494	63,202
Total Expenditure	97,964	97,133	100,055	110,498	120,473	130,039	139,099
Current Expenditure	89,833	90,915	93,630	102,856	109,274	117,052	125,022
Capital Expenditure	8,131	6,218	6,426	7,642	11,199	12,987	14,077
Revenue							
Transfers from National	88,874	94,266	99,576	109,220	117,548	126,784	135,452
Own Revenue	3,458	3,433	4,039	4,514	3,904	4,207	4,581
Other Revenue	-	-	-	-	-	-	-
Total Provincial Revenue	92,332	97,699	103,614	113,734	121,452	130,991	140,032
Surplus/(Deficit)	(5,632)	566	3,559	3,237	978	952	933

TOTAL ALL PROVINCES

TABLE C3: ADJUSTMENTS TO TOTAL PROVINCIAL ACTUAL AND BUDGETED EXPENDITURE

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates		
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Eastern Cape							
Total Expenditure	16,487	15,623	16,307	18,165	19,536	20,883	22,175
Less: Contingency Reserve	-	-	-	-	-	-	-
Less: Local Government Transfer	384	173	70	60	-	-	-
Adjusted Total Expenditure	16,103	15,450	16,237	18,105	19,536	20,883	22,175
Free State							
Total Expenditure	6,952	7,079	6,692	7,420	8,234	8,776	9,309
Less: Contingency Reserve	-	-	-	-	50	100	138
Less: Local Government Transfer	99	39	55	68	-	-	-
Adjusted Total Expenditure	6,853	7,040	6,637	7,352	8,184	8,676	9,171
Gauteng							
Total Expenditure	15,737	16,259	16,831	18,171	20,154	21,877	23,458
Less: Contingency Reserve	-	-	-	-	-	300	500
Less: Local Government Transfer	166	27	-	-	-	-	-
Adjusted Total Expenditure	15,571	16,232	16,831	18,171	20,154	21,577	22,958
KwaZulu-Natal							
Total Expenditure	19,946	19,113	19,389	21,810	23,905	25,962	28,045
Less: Contingency Reserve	-	-	-	-	-	-	-
Less: Local Government Transfer	695	592	144	143	-	-	-
Adjusted Total Expenditure	19,251	18,521	19,245	21,667	23,905	25,962	28,045
Mpumalanga							
Total Expenditure	6,110	6,111	6,548	7,045	8,107	8,896	9,616
Less: Contingency Reserve	-	-	-	-	40	43	47
Less: Local Government Transfer	108	45	30	36	-	-	-
Adjusted Total Expenditure	6,002	6,067	6,518	7,009	8,067	8,852	9,569
Northern Cape							
Total Expenditure	2,395	2,393	2,492	2,627	2,861	3,090	3,298
Less: Contingency Reserve	-	-	-	-	20	21	21
Less: Local Government Transfer	35	6	-	-	-	-	-
Adjusted Total Expenditure	2,360	2,387	2,492	2,627	2,841	3,069	3,277
Northern Province							
Total Expenditure	11,700	12,157	12,808	14,527	15,426	16,864	18,166
Less: Contingency Reserve	-	-	-	-	-	-	168
Less: Local Government Transfer	190	135	102	106	-	-	-
Adjusted Total Expenditure	11,510	12,022	12,706	14,420	15,426	16,864	17,999
North West							
Total Expenditure	7,849	7,845	8,241	9,219	9,856	10,555	11,218
Less: Contingency Reserve	-	-	-	-	72	168	196
Less: Local Government Transfer	139	86	62	50	-	-	-
Adjusted Total Expenditure	7,710	7,759	8,179	9,169	9,784	10,387	11,022
Western Cape							
Total Expenditure	10,789	10,552	10,748	11,514	12,394	13,136	13,813
Less: Contingency Reserve	-	-	-	-	-	-	-
Less: Local Government Transfer	183	30	-	-	-	-	-
Adjusted Total Expenditure	10,606	10,522	10,748	11,514	12,394	13,136	13,813
Total All Provinces							
Total Expenditure	97,964	97,133	100,055	110,498	120,473	130,039	139,099
Less: Contingency Reserve	-	-	-	-	182	632	1,070
Less: Local Government Transfer	1,999	1,132	463	463	-	-	-
Adjusted Total Expenditure	95,965	96,001	99,592	110,035	120,291	129,407	138,030

SOCIAL SERVICES: EDUCATION

TABLE C4: TOTAL ACTUAL AND BUDGETED EXPENDITURE ON EDUCATION SERVICES BY PROVINCE

Province	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates		
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Eastern Cape							
Personnel Expenditure	5,850	6,031	6,371	6,771	6,956	6,988	7,352
Capital Expenditure	268	40	8	58	238	436	480
Other Expenditure	647	514	238	362	631	940	996
Total	6,765	6,585	6,616	7,191	7,825	8,364	8,828
Free State							
Personnel Expenditure	2,265	2,388	2,472	2,674	2,812	2,970	3,137
Capital Expenditure	-	-	13	10	80	102	110
Other Expenditure	274	225	301	306	347	355	380
Total	2,539	2,613	2,785	2,990	3,239	3,427	3,628
Gauteng							
Personnel Expenditure	5,153	5,289	5,345	5,841	6,268	6,765	7,171
Capital Expenditure	85	151	216	171	169	291	290
Other Expenditure	627	615	749	822	981	907	962
Total	5,865	6,055	6,310	6,834	7,418	7,964	8,423
KwaZulu/Natal							
Personnel Expenditure	6,531	6,503	6,721	7,535	8,273	8,753	9,338
Capital Expenditure	159	87	23	41	221	312	462
Other Expenditure	590	540	554	609	683	755	907
Total	7,280	7,130	7,299	8,185	9,177	9,820	10,708
Mpumalanga							
Personnel Expenditure	2,289	2,434	2,587	2,788	2,853	3,015	3,220
Capital Expenditure	62	55	63	42	91	119	145
Other Expenditure	155	135	159	166	260	289	419
Total	2,506	2,624	2,809	2,997	3,204	3,424	3,784
Northern Cape							
Personnel Expenditure	732	746	773	814	872	928	978
Capital Expenditure	8	44	26	13	18	24	29
Other Expenditure	99	110	108	139	150	165	194
Total	839	900	906	965	1,041	1,117	1,201
Northern Province							
Personnel Expenditure	4,988	5,469	5,401	5,871	6,025	6,468	6,727
Capital Expenditure	15	34	30	52	156	246	303
Other Expenditure	543	293	422	447	678	669	677
Total	5,546	5,795	5,854	6,370	6,860	7,384	7,707
North West							
Personnel Expenditure	2,875	3,018	3,129	3,403	3,393	3,555	3,728
Capital Expenditure	163	23	28	54	128	174	183
Other Expenditure	202	154	250	242	367	404	414
Total	3,240	3,196	3,408	3,699	3,888	4,133	4,325
Western Cape							
Personnel Expenditure	3,412	3,374	3,318	3,542	3,764	3,932	4,082
Capital Expenditure	83	47	53	59	60	86	96
Other Expenditure	417	403	469	423	472	512	554
Total	3,912	3,823	3,840	4,023	4,296	4,531	4,732

Total All Provinces							
Personnel Expenditure	34,095	35,252	36,118	39,237	41,215	43,376	45,734
Capital Expenditure	842	481	459	501	1,162	1,791	2,099
Other Expenditure	3,554	2,990	3,251	3,517	4,570	4,997	5,503
Total	38,492	38,723	39,828	43,255	46,947	50,164	53,335

SOCIAL SERVICES: WELFARE

TABLE C6: TOTAL ACTUAL AND BUDGETED EXPENDITURE ON WELFARE SERVICES BY PROVINCE

Province	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates		
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Eastern Cape							
Personnel Expenditure	88	107	124	140	147	157	164
Transfer Payments	3,533	3,407	3,609	3,805	4,389	4,311	4,639
Other Expenditure	138	120	123	126	91	107	115
Total	3,759	3,634	3,856	4,070	4,627	4,574	4,919
Free State							
Personnel Expenditure	68	83	94	102	101	105	109
Transfer Payments	1,035	1,040	1,010	1,089	1,175	1,275	1,366
Other Expenditure	22	35	59	69	88	92	100
Total	1,125	1,158	1,162	1,261	1,364	1,472	1,575
Gauteng							
Personnel Expenditure	107	125	134	152	162	172	182
Transfer Payments	2,005	2,025	2,151	2,343	2,457	2,606	2,762
Other Expenditure	103	146	140	161	261	278	294
Total	2,214	2,295	2,425	2,656	2,880	3,055	3,238
KwaZulu/Natal							
Personnel Expenditure	122	138	149	166	180	192	203
Transfer Payments	3,428	3,659	3,716	3,894	4,131	4,697	5,210
Other Expenditure	189	188	186	275	273	308	332
Total	3,739	3,984	4,051	4,335	4,584	5,198	5,744
Mpumalanga							
Personnel Expenditure	21	27	36	39	40	42	45
Transfer Payments	931	1,022	1,070	1,210	1,339	1,530	1,611
Other Expenditure	29	37	49	72	191	232	206
Total	981	1,087	1,156	1,321	1,571	1,803	1,861
Northern Cape							
Personnel Expenditure	30	35	37	44	51	54	57
Transfer Payments	600	596	611	568	569	593	613
Other Expenditure	19	38	48	46	54	62	70
Total	650	669	696	659	674	708	740
Northern Province							
Personnel Expenditure	13	32	62	67	71	74	80
Transfer Payments	1,777	1,983	2,186	2,460	2,551	2,794	3,100
Other Expenditure	13	16	82	115	133	136	166
Total	1,803	2,031	2,329	2,642	2,754	3,004	3,347
North West							
Personnel Expenditure	20	74	84	95	113	120	126
Transfer Payments	1,018	1,260	1,360	1,586	1,803	2,044	2,158
Other Expenditure	33	37	47	97	123	128	131
Total	1,071	1,371	1,491	1,779	2,039	2,292	2,416
Western Cape							
Personnel Expenditure	86	99	113	115	145	154	161
Transfer Payments	2,057	2,023	1,987	1,994	2,085	2,235	2,396
Other Expenditure	69	89	109	99	118	123	134
Total	2,212	2,211	2,208	2,208	2,348	2,513	2,691

Total All Provinces							
Personnel Expenditure	556	719	832	921	1,010	1,070	1,127
Transfer Payments	16,383	17,015	17,700	18,948	20,498	22,084	23,856
Other Expenditure	615	707	842	1,060	1,332	1,465	1,548
Total	17,554	18,441	19,373	20,929	22,840	24,620	26,530

EASTERN CAPE

TABLE C7.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Expenditure							
Education							
Personnel Expenditure	5,850,138	6,030,964	6,371,327	6,770,917	6,955,638	6,988,079	7,352,098
Other Expenditure	914,523	554,521	245,082	420,414	869,108	1,376,359	1,475,539
Total	6,764,661	6,585,485	6,616,409	7,191,331	7,824,746	8,364,438	8,827,637
Health							
Personnel Expenditure	1,842,976	1,991,801	2,391,236	2,385,313	2,390,848	2,512,317	2,647,512
Other Expenditure	1,187,924	1,056,379	1,105,121	1,404,315	1,444,339	1,454,719	1,658,991
Total	3,030,900	3,048,180	3,496,357	3,789,628	3,835,187	3,967,036	4,306,503
Welfare							
Personnel Expenditure	88,463	107,280	123,762	139,768	146,944	156,713	164,488
Transfer Payments	3,532,853	3,407,434	3,608,865	3,804,994	4,388,847	4,310,847	4,639,019
Other Expenditure	138,057	119,642	122,909	125,564	90,963	106,550	115,124
Total	3,759,373	3,634,356	3,855,536	4,070,326	4,626,754	4,574,110	4,918,631
Expenditure other Functions							
Personnel Expenditure	1,055,165	1,174,622	1,351,349	1,364,927	1,444,647	1,501,681	1,581,673
Contingency Reserve	-	-	-	-	-	-	-
Other Expenditure	1,877,102	1,180,264	987,659	1,748,801	1,804,420	2,475,945	2,540,416
Total	2,932,267	2,354,886	2,339,008	3,113,728	3,249,067	3,977,626	4,122,089
Total Personnel Expenditure	8,836,742	9,304,667	10,237,674	10,660,925	10,938,077	11,158,790	11,745,771
Contingency Reserve	-	-	-	-	-	-	-
Total Other Expenditure	7,650,459	6,318,240	6,069,636	7,504,088	8,597,677	9,724,420	10,429,089
Total Expenditure	16,487,201	15,622,907	16,307,310	18,165,013	19,535,754	20,883,210	22,174,860
Current Expenditure	15,742,630	15,093,838	15,724,166	17,433,323	18,231,526	18,963,723	20,062,782
Capital Expenditure	744,571	529,069	583,144	731,690	1,304,228	1,919,487	2,112,078
Revenue							
Transfers from National	15,290,026	15,864,452	16,711,682	18,312,254	19,544,053	20,905,810	22,139,411
Own Revenue	222,470	420,911	374,036	394,541	332,088	366,820	398,856
Other Revenue	-	-	-	-	-	-	-
Total Revenue	15,512,496	16,285,363	17,085,718	18,706,795	19,876,141	21,272,630	22,538,267
Surplus/(Deficit)	(974,705)	662,456	778,408	541,782	340,387	389,420	363,407

Eastern Cape Table C7.2

EASTERN CAPE							
TABLE C7.2: ACTUAL AND BUDGETED REVENUE							
Revenue	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Revenue Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	15,290,026	15,864,452	16,711,682	18,312,254	19,544,053	20,905,810	22,139,411
Equitable Share	14,337,775	14,491,840	15,238,337	16,749,624	17,964,631	19,220,517	20,317,001
Conditional Grants	952,251	1,372,612	1,473,345	1,562,630	1,579,422	1,685,293	1,822,410
DPLG	-	173,083	99,507	61,357	28,800	39,600	41,400
Education	-	526	35,520	43,426	55,037	51,120	59,647
Health	-	133,571	286,695	463,171	322,926	342,328	354,009
Housing	245,251	378,750	342,020	497,970	506,811	541,323	560,740
National Treasury	707,000	680,319	698,251	487,289	663,706	709,722	806,614
Social Development	-	3,997	10,559	9,417	2,142	1,200	-
Other	-	2,366	793	-	-	-	-
Own Revenue	222,470	420,911	374,036	394,541	332,088	366,820	398,856
Road Traffic Revenue	61,505	52,605	58,927	61,629	41,577	44,487	47,602
Health Patient Fees	41,409	23,918	23,324	21,339	22,191	21,410	26,853
Horse Racing and Betting	5,548	13,016	3,150	7,141	-	-	-
Gambling	14,990	42,936	47,683	35,925	32,295	41,500	39,687
Other	99,018	288,436	240,952	268,507	236,025	259,423	284,714
Other Revenue	-	-	-	-	-	-	-
Total	15,512,496	16,285,363	17,085,718	18,706,795	19,876,141	21,272,630	22,538,267
Increase/(Decrease)					1,169,346	1,396,489	1,265,637

EASTERN CAPE

TABLE C7.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

Provincial Summary	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
Department	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education	6,764,661	6,585,485	6,616,409	7,191,331	7,824,746	8,364,438	8,827,637
Health	3,030,900	3,048,180	3,496,357	3,789,628	3,835,187	3,967,036	4,306,503
Welfare	3,759,373	3,634,356	3,855,536	4,070,326	4,626,754	4,574,110	4,918,631
Premier	169,890	103,123	91,500	90,031	111,052	117,880	124,445
Legislature	41,083	47,431	57,862	64,236	68,902	66,159	69,642
Finance and Provincial Expenditure	248,844	76,415	60,721	479,541	113,936	139,542	150,297
Economic Affairs, Environment and Tourism	130,057	115,479	122,982	192,101	248,816	209,733	238,518
Housing, Local Government and Traditional Affairs	760,703	691,302	655,007	764,489	858,642	897,223	929,507
Transport	282,047	155,557	207,287	186,447	243,317	236,555	250,987
Public Works	757,698	661,595	561,395	727,092	951,350	1,641,830	1,654,996
Agriculture and Land Affairs	537,411	388,073	444,197	450,885	468,261	469,782	491,359
Sports, Arts and Culture	-	111,476	134,139	154,038	176,794	190,988	203,981
Safety and Security	4,534	4,435	3,918	4,868	7,997	7,934	8,357
Total	16,487,201	15,622,907	16,307,310	18,165,013	19,535,754	20,883,210	22,174,860
Increase/(Decrease)					1,370,741	1,347,456	1,291,650
Classification of expenditure							
Current	15,742,630	15,093,838	15,724,166	17,433,323	18,231,526	18,963,723	20,062,782
Personnel expenditure	8,836,742	9,304,667	10,237,674	10,660,925	10,938,077	11,158,790	11,745,771
Transfer payments	4,762,503	4,079,494	4,158,147	4,618,522	5,238,298	5,225,572	5,603,032
Other current expenditure	2,143,385	1,709,677	1,328,345	2,153,876	2,055,151	2,579,361	2,713,979
Capital	744,571	529,069	583,144	731,690	1,304,228	1,919,487	2,112,078
Transfer payments	570,489	470,158	456,823	572,169	804,373	1,022,291	1,089,935
Other capital expenditure	174,082	58,911	126,321	159,521	499,855	897,196	1,022,143
Total	16,487,201	15,622,907	16,307,310	18,165,013	19,535,754	20,883,210	22,174,860

Eastern Cape Table C7.4

EASTERN CAPE							
TABLE C7.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
Education Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	3,209,872	2,120,444	619,421	545,166	419,642	468,362	499,406
Public Ordinary School Education	3,110,027	4,165,378	5,669,334	6,224,364	6,378,908	6,770,494	7,120,119
Private Ordinary School	5,805	7,373	5,724	10,624	11,257	11,257	13,024
Special Needs in Education	78,038	100,041	89,117	95,435	159,618	164,476	172,362
Teacher Education	92,099	61,732	85,952	81,311	162,373	165,065	174,035
Technical Education	105,470	89,336	77,798	84,482	122,709	120,760	127,520
Non-Formal Education	65,592	24,045	41,101	53,610	97,026	101,863	107,412
Auxilliary Services	88,945	17,136	27,962	96,310	473,213	562,161	613,759
Museums and Heritage	4,076	-	-	29	-	-	-
Sports, Recreation and Youth Affairs	1,160	-	-	-	-	-	-
Arts Culture and Music	1,841	-	-	-	-	-	-
Libraries and Archives	1,736	-	-	-	-	-	-
Total	6,764,661	6,585,485	6,616,409	7,191,331	7,824,746	8,364,438	8,827,637
Increase/(Decrease)					633,415	539,692	463,199
Classification of expenditure							
Current	6,496,743	6,545,388	6,608,908	7,133,212	7,586,664	7,927,943	8,347,713
Personnel expenditure	5,850,138	6,030,964	6,371,327	6,770,917	6,955,638	6,988,079	7,352,098
Transfer payments	15,874	35,485	28,684	26,557	60,509	60,526	64,028
Other current expenditure	630,731	478,939	208,897	335,738	570,517	879,338	931,587
Capital	267,918	40,097	7,501	58,119	238,082	436,495	479,924
Transfer payments	267,918	40,097	7,501	35,374	238,082	436,495	479,924
Other capital expenditure	-	-	-	22,745	-	-	-
Total	6,764,661	6,585,485	6,616,409	7,191,331	7,824,746	8,364,438	8,827,637

EASTERN CAPE

TABLE C7.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

Health Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	169,703	133,890	122,623	142,658	177,267	86,583	90,757
District Health	1,528,417	1,664,053	1,975,977	2,190,789	1,995,786	2,192,159	2,316,795
Provincial Hospital	1,089,555	1,075,831	1,219,282	1,214,853	1,292,718	1,294,977	1,369,110
Academic Health	15,586	17,386	40,872	35,419	55,865	58,204	61,343
Health Science	45,451	44,152	44,713	42,362	46,711	45,257	47,988
Health Care Support	26,335	15,113	16,204	12,316	8,840	-	-
Health Facilities	155,853	97,755	76,686	151,190	258,000	289,856	420,510
Special Functions	-	-	-	41	-	-	-
Total	3,030,900	3,048,180	3,496,357	3,789,628	3,835,187	3,967,036	4,306,503
Increase/(Decrease)					45,559	131,849	339,467
Classification of expenditure							
Current	2,978,609	3,039,431	3,424,308	3,775,814	3,557,448	3,663,653	3,871,501
Personnel expenditure	1,842,976	1,991,801	2,391,236	2,385,313	2,390,848	2,512,317	2,647,512
Transfer payments	351,145	386,640	402,760	619,570	603,143	697,418	740,967
Other current expenditure	784,488	660,990	630,312	770,931	563,457	453,918	483,022
Capital	52,291	8,749	72,049	13,814	277,739	303,383	435,002
Transfer payments	-	-	-	-	-	-	-
Other capital expenditure	52,291	8,749	72,049	13,814	277,739	303,383	435,002
Total	3,030,900	3,048,180	3,496,357	3,789,628	3,835,187	3,967,036	4,306,503

Eastern Cape Table C7.6

EASTERN CAPE							
TABLE C7.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
Welfare Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	16,756	23,217	23,331	37,607	73,831	77,393	79,307
Social Security	3,532,853	3,409,900	3,630,894	3,824,225	4,322,315	4,244,627	4,588,724
Social Assistance	101,167	115,602	116,487	122,921	137,973	140,043	141,802
Social Welfare Services	73,249	74,890	80,088	79,353	77,943	87,730	92,077
Social Development	3,389	2,680	2,277	3,918	5,882	5,981	6,166
Population Unit	30,174	8,067	2,459	663	1,310	1,336	1,375
Welfare Facilities Development and Maintenance	1,785	-	-	1,499	3,500	12,000	4,080
Auxiliary and Associated Services	-	-	-	-	4,000	5,000	5,100
Special Functions	-	-	-	140	-	-	-
Total	3,759,373	3,634,356	3,855,536	4,070,326	4,626,754	4,574,110	4,918,631
Increase/(Decrease)					556,428	(52,644)	344,521
Classification of expenditure							
Current	3,759,373	3,633,450	3,849,011	4,064,530	4,607,193	4,544,749	4,896,843
Personnel expenditure	88,463	107,280	123,762	139,768	146,944	156,713	164,488
Transfer payments	3,532,853	3,407,434	3,608,865	3,804,922	4,388,847	4,310,847	4,639,019
Other current expenditure	138,057	118,736	116,384	119,840	71,402	77,189	93,336
Capital	-	906	6,525	5,796	19,561	29,361	21,788
Transfer payments	-	-	-	72	-	-	-
Other capital expenditure	-	906	6,525	5,724	19,561	29,361	21,788
Total	3,759,373	3,634,356	3,855,536	4,070,326	4,626,754	4,574,110	4,918,631

FREE STATE

TABLE C8.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates		
Expenditure	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education							
Personnel Expenditure	2,264,993	2,388,110	2,471,557	2,673,705	2,812,120	2,970,278	3,137,410
Other Expenditure	273,773	225,206	313,739	316,531	426,883	456,569	490,210
Total	2,538,766	2,613,316	2,785,296	2,990,236	3,239,003	3,426,847	3,627,620
Health							
Personnel Expenditure	994,594	1,125,893	1,096,108	1,176,138	1,261,637	1,288,786	1,368,304
Other Expenditure	664,401	565,854	492,879	601,065	618,336	696,488	730,313
Total	1,658,995	1,691,747	1,588,987	1,777,203	1,879,973	1,985,274	2,098,617
Welfare							
Personnel Expenditure	68,401	82,907	93,534	102,158	100,833	105,153	108,808
Transfer Payments	1,034,754	1,040,251	1,009,660	1,089,095	1,174,829	1,275,200	1,365,524
Other Expenditure	22,298	35,028	59,030	69,397	88,046	92,015	100,177
Total	1,125,453	1,158,186	1,162,224	1,260,650	1,363,708	1,472,368	1,574,509
Expenditure other Functions							
Personnel Expenditure	547,072	589,261	628,376	677,191	680,392	713,966	752,394
Contingency Reserve	-	-	-	-	50,000	100,000	138,000
Other Expenditure	1,081,950	1,026,843	526,821	714,833	1,020,965	1,077,897	1,117,896
Total	1,629,022	1,616,104	1,155,197	1,392,025	1,751,357	1,891,863	2,008,290
Total Personnel Expenditure	3,875,060	4,186,171	4,289,575	4,629,192	4,854,982	5,078,183	5,366,916
Contingency Reserve	-	-	-	-	50,000	100,000	138,000
Total Other Expenditure	3,077,176	2,893,182	2,402,129	2,790,921	3,329,059	3,598,169	3,804,120
Total Expenditure	6,952,236	7,079,353	6,691,704	7,420,114	8,234,041	8,776,352	9,309,036
Current Expenditure	6,325,652	6,658,065	6,481,402	7,107,314	7,557,111	8,091,360	8,600,282
Capital Expenditure	626,584	421,288	210,302	312,800	676,930	684,992	708,754
Revenue							
Transfers from National	5,927,115	6,622,967	6,774,557	7,442,616	8,061,930	8,560,404	9,054,460
Own Revenue	262,624	251,366	262,054	305,890	265,179	275,000	280,500
Other Revenue	-	-	-	-	-	-	-
Total Revenue	6,189,739	6,874,333	7,036,611	7,748,506	8,327,109	8,835,404	9,334,960
Surplus/(Deficit)	(762,497)	(205,020)	344,907	328,392	93,068	59,052	25,924

Free State Table C8.2

FREE STATE							
TABLE C8.2: ACTUAL AND BUDGETED REVENUE							
Revenue	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Revenue Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	5,927,115	6,622,967	6,774,557	7,442,616	8,061,930	8,560,404	9,054,460
Equitable Share	5,767,389	5,610,466	5,917,643	6,536,235	7,017,865	7,531,358	7,985,693
Conditional Grants	159,726	1,012,501	856,914	906,381	1,044,065	1,029,046	1,068,767
DPLG	-	38,947	81,402	79,821	25,600	35,300	36,900
Education	-	1,221	12,096	14,393	18,743	17,408	20,312
Health	-	318,726	387,280	395,181	397,424	410,570	428,294
Housing	122,726	185,199	93,550	220,706	246,253	264,736	274,652
National Treasury	37,000	457,691	268,218	192,970	353,903	299,832	308,609
Social Development	-	1,624	4,624	3,310	2,142	1,200	-
Other	-	9,093	9,744	-	-	-	-
Own Revenue	262,624	251,366	262,054	305,890	265,179	275,000	280,500
Road Traffic Revenue	78,693	87,467	103,296	137,329	110,000	114,000	116,280
Health Patient Fees	43,317	39,136	30,705	41,447	46,000	46,000	46,920
Horse Racing and Betting	10,240	8,970	7,163	7,653	12,000	13,000	13,260
Gambling	-	-	-	15,710	-	-	-
Other	130,375	115,793	120,890	103,751	97,179	102,000	104,040
Other Revenue	-	-	-	-	-	-	-
Total	6,189,739	6,874,333	7,036,611	7,748,506	8,327,109	8,835,404	9,334,960
Increase/(Decrease)					578,603	508,295	499,556

FREE STATE

TABLE C8.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

Provincial Summary	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
Department	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education	2,538,766	2,613,316	2,785,296	2,990,236	3,239,003	3,426,847	3,627,620
Health	1,658,995	1,691,747	1,588,987	1,777,203	1,879,973	1,985,274	2,098,617
Welfare	1,125,453	1,158,186	1,162,224	1,260,650	1,363,708	1,472,368	1,574,509
Premier	65,532	50,395	43,762	49,054	59,269	55,614	58,673
Legislature	21,249	25,346	36,954	39,337	42,264	44,588	47,040
Finance, Expenditure and Economic Affairs	61,101	57,273	85,964	66,898	115,920	160,660	170,060
Environmental Affairs and Tourism	45,943	54,524	53,189	59,670	72,003	80,824	88,719
Housing, Local Government and Traditional Affairs	433,212	507,684	217,464	404,448	400,707	398,246	414,883
Public Works, Roads and Transport	825,571	716,186	524,280	498,208	704,103	724,637	742,915
Service Commission	5,334	2,617	-	-	-	-	-
Agriculture and Land Affairs	116,560	100,099	103,793	118,253	125,874	137,797	150,376
Sport, Arts, Culture, Sciences and Technology	32,808	44,358	31,258	89,626	110,876	114,757	118,773
Safety and Security	21,712	57,622	58,533	66,531	70,341	74,740	78,851
Contingency Reserve	-	-	-	-	50,000	100,000	138,000
Total	6,952,236	7,079,353	6,691,704	7,420,114	8,234,041	8,776,352	9,309,036
Increase/(Decrease)					813,927	542,311	532,684
Classification of expenditure							
Current	6,325,652	6,658,065	6,481,402	7,107,314	7,557,111	8,091,360	8,600,282
Personnel expenditure	3,875,060	4,186,171	4,289,575	4,629,192	4,854,982	5,078,183	5,366,916
Transfer payments	1,333,931	1,454,819	1,237,739	1,389,992	1,497,323	1,657,117	1,764,430
Other current expenditure	1,116,661	1,017,075	954,088	1,088,130	1,204,806	1,356,060	1,468,936
Capital	626,584	421,288	210,302	312,800	676,930	684,992	708,754
Transfer payments	248,332	184,449	87,799	222,563	271,178	282,873	304,759
Other capital expenditure	378,252	236,839	122,503	90,237	405,752	402,119	403,995
Total	6,952,236	7,079,353	6,691,704	7,420,114	8,234,041	8,776,352	9,309,036

Free State Table C8.4

FREE STATE							
TABLE C8.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
Education Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	188,072	164,217	238,595	261,678	265,348	297,882	326,909
Public Ordinary School Education	2,044,963	2,155,776	2,220,072	2,383,958	2,553,465	2,697,377	2,829,583
Private Ordinary School Education	13,274	11,787	14,106	13,075	14,580	14,746	16,000
Special School Education	66,592	69,946	70,754	77,515	79,273	83,629	91,123
Teacher Training	69,328	66,575	60,916	54,057	68,323	70,194	76,612
Technical College Education	41,701	44,553	59,943	60,939	86,520	82,931	90,655
Non-formal Education	13,711	19,340	30,729	40,452	51,113	56,564	63,397
Auxiliary and Associated Services	100,781	80,600	86,755	98,301	120,381	123,524	133,341
Authorised Losses	344	522	3,426	261	-	-	-
Total	2,538,766	2,613,316	2,785,296	2,990,236	3,239,003	3,426,847	3,627,620
Increase/(Decrease)					248,767	187,844	200,773
Classification of expenditure							
Current	2,538,766	2,613,316	2,772,374	2,980,073	3,159,354	3,325,177	3,517,237
Personnel expenditure	2,264,993	2,388,110	2,471,557	2,673,705	2,812,120	2,970,278	3,137,410
Transfer payments	25,568	24,673	38,483	41,285	53,286	56,263	59,857
Other current expenditure	248,205	200,533	262,334	265,083	293,948	298,636	319,970
Capital	-	-	12,922	10,163	79,649	101,670	110,383
Transfer payments	-	-	-	-	-	-	-
Other capital expenditure	-	-	12,922	10,163	79,649	101,670	110,383
Total	2,538,766	2,613,316	2,785,296	2,990,236	3,239,003	3,426,847	3,627,620

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TABLE C8.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

Health Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Health Administration	44,749	46,914	55,613	63,952	81,109	85,151	89,646
District Health Services	609,988	620,382	579,741	701,600	700,123	744,949	750,398
Regional and Specialised Hospital Services	535,758	603,571	503,585	519,880	549,280	578,782	644,033
Academic Health / Central Hospital Services	397,795	363,888	308,670	335,540	383,079	401,838	423,963
Health Sciences	50,836	50,586	43,998	50,755	72,457	76,016	78,909
Health Care Support Services	38,638	29,769	17,307	21,364	26,833	31,289	32,400
Health Facilities and Capital Stock	-	-	-	22,085	23,000	35,000	45,765
Supernumerary Staff	-	-	94,274	75,972	64,868	53,025	54,280
Internal Charges	(25,542)	(25,337)	(19,165)	(20,268)	(20,776)	(20,776)	(20,777)
Authorised Losses	6,773	1,974	4,964	6,323	-	-	-
Total	1,658,995	1,691,747	1,588,987	1,777,203	1,879,973	1,985,274	2,098,617
Increase/(Decrease)					102,770	105,301	113,343
Classification of expenditure							
Current	1,621,666	1,678,582	1,581,077	1,751,408	1,842,357	1,951,843	2,065,881
Personnel expenditure	994,594	1,125,893	1,096,108	1,176,138	1,261,637	1,288,786	1,368,304
Transfer payments	148,026	123,557	109,051	112,861	104,784	110,653	116,971
Other current expenditure	479,046	429,132	375,918	462,409	475,936	552,404	580,606
Capital	37,329	13,165	7,910	25,795	37,616	33,431	32,736
Transfer payments	-	-	-	-	-	-	-
Other capital expenditure	37,329	13,165	7,910	25,795	37,616	33,431	32,736
Total	1,658,995	1,691,747	1,588,987	1,777,203	1,879,973	1,985,274	2,098,617

Free State Table C8.6

FREE STATE							
TABLE C8.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
Welfare Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	20,150	20,342	26,751	34,766	23,481	24,169	25,259
Social Security	1,006,014	1,022,097	1,011,639	1,091,358	1,202,751	1,309,068	1,405,849
Social Assistance	50,241	51,784	52,775	53,025	54,661	55,178	56,284
Social Welfare Services	36,831	49,987	51,232	56,494	62,998	65,259	67,588
Social Development	8,652	12,166	17,280	20,208	17,440	16,320	17,087
Population Development	-	1	20	138	320	317	335
Auxiliary and Associated Services	2,033	853	2,456	3,444	2,057	2,057	2,107
RDP	1,006	-	-	-	-	-	-
Authorised Losses	526	956	71	1,217	-	-	-
Total	1,125,453	1,158,186	1,162,224	1,260,650	1,363,708	1,472,368	1,574,509
Increase/(Decrease)					103,058	108,660	102,141
Classification of expenditure							
Current	1,122,689	1,156,355	1,158,302	1,251,935	1,359,298	1,467,958	1,570,049
Personnel expenditure	68,401	82,907	93,534	102,158	100,833	105,153	108,808
Transfer payments	1,034,754	1,040,251	1,009,660	1,089,095	1,174,829	1,275,200	1,365,524
Other current expenditure	19,534	33,197	55,108	60,682	83,636	87,605	95,717
Capital	2,764	1,831	3,922	8,715	4,410	4,410	4,460
Transfer payments	-	-	-	-	-	-	-
Other capital expenditure	2,764	1,831	3,922	8,715	4,410	4,410	4,460
Total	1,125,453	1,158,186	1,162,224	1,260,650	1,363,708	1,472,368	1,574,509

GAUTENG

TABLE C9.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Expenditure							
Education							
Personnel Expenditure	5,152,729	5,289,400	5,344,920	5,840,852	6,267,582	6,765,038	7,170,941
Other Expenditure	712,355	765,670	964,788	993,508	1,150,226	1,198,771	1,251,616
Total	5,865,084	6,055,070	6,309,708	6,834,360	7,417,808	7,963,809	8,422,557
Health							
Personnel Expenditure	3,144,532	3,275,946	3,232,637	3,411,836	3,813,413	4,069,302	4,313,460
Other Expenditure	2,154,645	2,202,542	2,372,102	2,530,358	2,902,884	3,097,674	3,283,535
Total	5,299,177	5,478,488	5,604,739	5,942,194	6,716,297	7,166,976	7,596,995
Welfare							
Personnel Expenditure	106,979	124,684	134,172	151,830	161,762	171,597	181,893
Transfer Payments	2,004,636	2,024,611	2,150,863	2,343,185	2,456,961	2,605,768	2,762,114
Other Expenditure	102,533	146,069	139,618	160,782	261,060	277,506	294,156
Total	2,214,148	2,295,364	2,424,653	2,655,797	2,879,783	3,054,871	3,238,163
Expenditure other Functions							
Personnel Expenditure	411,108	461,395	473,754	525,481	628,960	692,322	734,268
Contingency Reserve	-	-	-	-	-	300,000	500,000
Other Expenditure	1,947,240	1,969,032	2,017,717	2,213,106	2,510,965	2,698,981	2,966,348
Total	2,358,348	2,430,427	2,491,471	2,738,587	3,139,925	3,691,303	4,200,616
Total Personnel Expenditure	8,815,348	9,151,425	9,185,483	9,929,999	10,871,717	11,698,258	12,400,562
Contingency Reserve	-	-	-	-	-	300,000	500,000
Total Other Expenditure	6,921,409	7,107,924	7,645,088	8,240,939	9,282,096	9,878,700	10,557,769
Total Expenditure	15,736,757	16,259,349	16,830,571	18,170,938	20,153,813	21,876,959	23,458,331
Current Expenditure	14,312,365	14,717,685	15,050,862	16,339,110	17,574,123	18,968,106	20,393,894
Capital Expenditure	1,424,392	1,541,664	1,779,709	1,831,828	2,579,690	2,908,853	3,064,437
Revenue							
Transfers from National	14,307,914	15,249,820	16,339,580	17,649,666	19,329,391	21,009,618	22,585,523
Own Revenue	901,028	929,297	1,045,692	1,168,215	1,042,000	1,106,000	1,177,000
Other Revenue	-	-	-	-	-	-	-
Total Revenue	15,208,942	16,179,117	17,385,272	18,817,881	20,371,391	22,115,618	23,762,523
Surplus/(Deficit)	(527,815)	(80,232)	554,701	646,943	217,578	238,659	304,192

Gauteng Table C9.2

GAUTENG							
TABLE C9.2: ACTUAL AND BUDGETED REVENUE							
Revenue	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Revenue Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	14,307,914	15,249,820	16,339,580	17,649,666	19,329,391	21,009,618	22,585,523
Equitable Share	13,491,413	12,077,227	12,931,659	14,517,183	15,848,350	17,288,850	18,633,961
Conditional Grants	816,501	3,172,593	3,407,921	3,132,483	3,481,041	3,720,768	3,951,562
DPLG	-	26,899	5,050	8,345	8,200	11,100	11,600
Education	-	9,876	23,616	25,912	36,593	33,987	39,657
Health	-	1,933,235	2,053,427	2,108,673	2,308,304	2,423,102	2,550,730
Housing	736,501	639,627	742,429	643,804	707,831	750,002	773,201
National Treasury	80,000	556,341	573,469	342,025	418,471	501,377	576,374
Social Development	-	3,519	7,027	3,724	1,642	1,200	-
Other	-	3,096	2,903	-	-	-	-
Own Revenue	901,028	929,297	1,045,692	1,168,215	1,042,000	1,106,000	1,177,000
Road Traffic Revenue	388,397	413,275	527,596	572,230	516,396	548,665	579,831
Health Patient Fees	83,718	75,536	70,924	70,969	78,000	81,000	85,000
Horse Racing and Betting	190,998	157,669	85,372	67,367	71,000	76,000	78,000
Gambling	-	48,053	181,268	224,043	207,000	223,000	231,000
Other	237,915	234,764	180,532	233,606	169,604	177,335	203,169
Other Revenue	-	-	-	-	-	-	-
Total	15,208,942	16,179,117	17,385,272	18,817,881	20,371,391	22,115,618	23,762,523
Increase/(Decrease)					1,553,510	1,744,227	1,646,905

GAUTENG

TABLE C9.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

Provincial Summary	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
Department	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education	5,865,084	6,055,070	6,309,708	6,834,360	7,417,808	7,963,809	8,422,557
Health	5,299,177	5,478,488	5,604,739	5,942,194	6,716,297	7,166,976	7,596,995
Social Services and Population Development	2,214,148	2,295,364	2,424,653	2,655,797	2,879,783	3,054,871	3,238,163
Premier	93,482	121,384	118,242	109,678	123,408	84,139	89,188
Legislature	51,817	56,647	63,459	70,291	81,038	87,549	92,803
Finance and Economic Affairs *	62,108	103,164	132,973	300,344	774,418	1,024,021	1,373,462
Development Planning and Local Government	235,756	115,587	62,389	72,043	87,549	86,736	91,774
Housing	831,603	747,102	836,256	713,333	849,258	951,294	1,008,372
Transport and Public Works	940,443	1,127,848	1,117,067	1,236,146	968,984	1,181,720	1,252,623
Safety and Liaison	12,255	14,843	28,050	29,714	23,684	26,920	28,535
Agriculture, Conservation, Environment and Land Affairs	64,555	66,982	79,579	112,735	149,618	146,232	155,006
Sports, Recreation Arts and Culture	58,768	69,422	53,456	94,303	81,968	102,691	108,852
Provincial Services Commission	7,561	7,448	-	-	-	-	-
Total	15,736,757	16,259,349	16,830,571	18,170,938	20,153,813	21,876,959	23,458,330
Increase/(Decrease)					1,982,875	1,723,146	1,581,371
Classification of expenditure							
Current	14,312,365	14,717,685	15,050,862	16,339,110	17,574,123	18,968,106	20,393,894
Personnel expenditure	8,815,348	9,151,425	9,185,483	9,929,999	10,871,717	11,698,258	12,400,562
Transfer payments	2,863,175	2,756,221	2,904,371	3,247,607	3,397,211	3,951,212	4,184,824
Other current expenditure	2,633,842	2,810,039	2,961,008	3,161,504	3,305,195	3,318,635	3,808,508
Capital	1,424,392	1,541,664	1,779,709	1,831,828	2,579,690	2,908,853	3,064,437
Transfer payments	736,501	638,608	737,100	761,774	1,163,793	1,301,284	1,372,763
Other capital expenditure	687,891	903,056	1,042,609	1,070,054	1,415,897	1,607,569	1,691,674
Total	15,736,757	16,259,349	16,830,571	18,170,938	20,153,813	21,876,959	23,458,331

* The Contingency Reserve is included in these amounts.

Gauteng Table C9.4

GAUTENG							
TABLE C9.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
Education Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	71,675	76,859	124,183	170,634	749,224	820,554	850,707
Public Ordinary School Education	4,838,579	5,087,940	5,300,190	5,645,160	5,462,527	5,851,351	6,202,431
Independent ordinary schools education	158,298	129,261	104,063	136,355	117,127	125,464	132,992
Education in specialised schools	250,649	271,944	281,196	320,530	394,341	422,410	447,755
Teacher training	133,024	121,066	122,291	128,222	141,702	151,788	160,896
Technical college education	204,177	204,090	224,910	246,527	258,014	276,380	292,962
Non-formal education	64,073	63,116	95,310	130,879	113,428	121,502	128,792
Auxiliary and associated services	142,112	100,184	56,985	53,698	181,445	194,360	206,022
Authorised Losses	2,497	610	580	-	-	-	-
Statutory	-	-	-	2,355	-	-	-
Total	5,865,084	6,055,070	6,309,708	6,834,360	7,417,808	7,963,809	8,422,557
Increase/(Decrease)					583,448	546,001	458,748
Classification of expenditure							
Current	5,779,644	5,904,411	6,093,964	6,663,211	7,248,548	7,672,364	8,132,706
Personnel expenditure	5,152,729	5,289,400	5,344,920	5,840,852	6,267,582	6,765,038	7,170,941
Transfer payments	226,268	207,437	180,558	304,008	303,788	210,487	223,116
Other current expenditure	400,647	407,574	568,486	518,351	677,178	696,839	738,649
Capital	85,440	150,659	215,744	171,149	169,260	291,445	289,851
Transfer payments	-	31	-	-	-	-	-
Other capital expenditure	85,440	150,628	215,744	171,149	169,260	291,445	289,851
Total	5,865,084	6,055,070	6,309,708	6,834,360	7,417,808	7,963,809	8,422,557

GAUTENG

TABLE C9.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

Health Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Health administration	71,744	133,271	214,903	200,219	362,216	386,522	409,713
District health services	774,138	968,194	1,091,433	1,458,753	1,481,442	1,580,850	1,675,701
Provincial health services	1,414,178	1,320,922	1,302,092	1,193,923	1,284,923	1,371,144	1,453,413
Academic health services	2,936,715	2,961,268	2,911,451	2,987,104	3,106,010	3,314,430	3,513,296
Health sciences	48,177	47,714	42,140	45,381	83,400	88,996	94,336
Health care support services	71,384	67,959	64,950	71,360	84,006	89,643	95,022
Health facilities development and maintenance	3,565	1,730	686	-	362,972	387,328	410,568
Internal charges	(24,450)	(23,731)	(24,798)	(21,316)	(48,672)	(51,938)	(55,054)
Authorised Losses	3,726	1,161	1,882	6,770	-	-	-
Total	5,299,177	5,478,488	5,604,739	5,942,194	6,716,297	7,166,976	7,596,995
Increase/(Decrease)					774,103	450,679	430,019
Classification of expenditure							
Current	5,191,412	5,325,343	5,373,726	5,688,265	6,066,551	6,473,631	6,862,049
Personnel expenditure	3,144,532	3,275,946	3,232,637	3,411,836	3,813,413	4,069,302	4,313,460
Transfer payments	430,272	422,580	488,959	519,757	537,864	568,558	602,157
Other current expenditure	1,616,608	1,626,817	1,652,130	1,756,672	1,715,274	1,835,771	1,946,432
Capital	107,765	153,145	231,013	253,929	649,746	693,345	734,946
Transfer payments	-	-	-	-	-	-	-
Other capital expenditure	107,765	153,145	231,013	253,929	649,746	693,345	734,946
Total	5,299,177	5,478,488	5,604,739	5,942,194	6,716,297	7,166,976	7,596,995

Gauteng Table C9.6

GAUTENG							
TABLE C9.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
Welfare Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	19,188	27,770	38,255	45,585	3,255	3,453	3,660
Social Security	1,855,220	1,883,006	1,975,222	2,174,191	2,306,431	2,446,660	2,593,459
Social assistance	204,067	201,479	218,173	235,907	294,794	312,717	331,480
Social welfare services	120,578	144,970	150,453	163,964	176,750	187,496	198,746
Development activation	500	22,622	15,370	19,232	4,223	4,480	4,749
Auxiliary services and associated services	100	-	1,870	-	30,855	1,061	1,124
Welfare facilities development and maintenance	12,439	14,529	23,578	13,759	62,475	66,273	70,250
Population development	-	331	647	1,220	1,000	32,731	34,695
Authorised Losses	2,056	657	1,085	1,939	-	-	-
Total	2,214,148	2,295,364	2,424,653	2,655,797	2,879,783	3,054,871	3,238,163
Increase/(Decrease)					223,986	175,088	183,292
Classification of expenditure							
Current	2,214,148	2,295,364	2,422,783	2,655,521	2,828,329	2,997,270	3,177,106
Personnel expenditure	106,979	124,684	134,172	151,830	161,762	171,597	181,893
Transfer payments	2,004,636	2,024,611	2,150,863	2,343,185	2,456,961	2,605,768	2,762,114
Other current expenditure	102,533	146,069	137,748	160,506	209,606	219,905	233,099
Capital	-	-	1,870	276	51,454	57,601	61,057
Transfer payments	-	-	-	-	-	-	-
Other capital expenditure	-	-	1,870	276	51,454	57,601	61,057
Total	2,214,148	2,295,364	2,424,653	2,655,797	2,879,783	3,054,871	3,238,163

KWAZULU-NATAL

TABLE C10.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates		
Expenditure	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education							
Personnel Expenditure	6,531,184	6,502,862	6,721,377	7,534,660	8,272,772	8,753,456	9,338,341
Other Expenditure	749,314	627,419	577,180	650,191	904,452	1,067,025	1,369,400
Total	7,280,498	7,130,281	7,298,557	8,184,851	9,177,224	9,820,481	10,707,741
Health							
Personnel Expenditure	3,022,694	3,191,384	3,332,486	3,576,740	3,825,067	4,053,468	4,221,605
Other Expenditure	1,782,833	1,708,935	1,777,899	2,199,255	2,555,471	2,684,462	2,785,794
Total	4,805,527	4,900,319	5,110,385	5,775,995	6,380,538	6,737,930	7,007,399
Welfare							
Personnel Expenditure	121,544	137,502	149,118	166,101	180,093	192,400	202,876
Transfer Payments	3,428,078	3,658,547	3,716,400	3,893,594	4,130,644	4,696,893	5,209,759
Other Expenditure	188,911	188,002	185,961	274,995	272,777	308,378	331,818
Total	3,738,533	3,984,051	4,051,479	4,334,690	4,583,514	5,197,671	5,744,453
Expenditure other Functions							
Personnel Expenditure	910,854	946,078	986,761	1,022,453	1,091,658	1,177,693	1,275,043
Contingency Reserve	-	-	-	-	-	-	-
Other Expenditure	3,210,468	2,152,093	1,941,547	2,491,919	2,672,463	3,028,707	3,310,682
Total	4,121,322	3,098,171	2,928,308	3,514,372	3,764,121	4,206,400	4,585,725
Total Personnel Expenditure	10,586,276	10,777,826	11,189,742	12,299,954	13,369,590	14,177,017	15,037,865
Contingency Reserve	-	-	-	-	-	-	-
Total Other Expenditure	9,359,604	8,334,996	8,198,987	9,509,954	10,535,807	11,785,465	13,007,453
Total Expenditure	19,945,880	19,112,822	19,388,729	21,809,908	23,905,397	25,962,482	28,045,318
Current Expenditure	17,762,391	17,641,089	18,037,673	20,117,879	21,511,214	23,346,898	25,101,489
Capital Expenditure	2,183,489	1,471,733	1,351,056	1,692,029	2,394,183	2,615,584	2,943,829
Revenue							
Transfers from National	18,088,439	18,849,333	19,659,691	21,720,701	23,316,397	25,315,482	27,333,318
Own Revenue	641,492	432,298	613,474	903,578	589,000	647,000	712,000
Other Revenue	-	-	-	-	-	-	-
Total Revenue	18,729,931	19,281,631	20,273,165	22,624,279	23,905,397	25,962,482	28,045,318
Surplus/(Deficit)	(1,215,949)	168,809	884,436	814,371	-	-	-

KWAZULU-NATAL							
TABLE C10.2: ACTUAL AND BUDGETED REVENUE							
Revenue	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Revenue Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	18,088,439	18,849,333	19,659,691	21,720,701	23,316,397	25,315,482	27,333,318
Equitable Share	16,264,370	15,979,129	17,168,556	19,241,488	21,034,301	22,944,445	24,727,753
Conditional Grants	1,824,069	2,870,204	2,491,135	2,479,213	2,282,096	2,371,037	2,605,565
DPLG	-	591,786	252,684	109,263	24,400	33,500	35,000
Education	-	44,973	42,432	50,382	65,747	61,067	71,253
Health	-	844,245	913,014	1,088,792	909,684	830,798	864,505
Housing	800,069	628,655	474,388	621,100	642,647	683,566	707,393
National Treasury	1,024,000	757,360	794,180	600,699	637,476	760,906	927,414
Social Development	-	269	14,437	8,977	2,142	1,200	-
Other	-	2,916	-	-	-	-	-
Own Revenue	641,492	432,298	613,474	903,578	589,000	647,000	712,000
Road Traffic Revenue	246,786	274,715	304,656	352,465	329,152	344,212	378,250
Health Patient Fees	79,904	84,369	80,179	89,431	110,230	115,120	121,312
Horse Racing and Betting	41,816	39,813	29,370	39,186	41,145	43,203	45,362
Gambling	-	1,500	8,285	127,936	36,205	67,312	74,125
Other	272,986	31,901	190,984	294,560	72,268	77,153	92,951
Other Revenue	-	-	-	-	-	-	-
Total	18,729,931	19,281,631	20,273,165	22,624,279	23,905,397	25,962,482	28,045,318
Increase/(Decrease)					1,281,118	2,057,085	2,082,836

KWAZULU-NATAL

TABLE C10.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

Provincial Summary	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
Department	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education	7,280,498	7,130,281	7,298,557	8,184,851	9,177,224	9,820,481	10,707,741
Health	4,805,527	4,900,319	5,110,385	5,775,995	6,380,538	6,737,930	7,007,399
Welfare	3,738,533	3,984,051	4,051,479	4,334,690	4,583,514	5,197,671	5,744,453
Premier	71,459	79,824	87,402	96,582	117,804	121,332	127,715
Provincial Parliament	48,615	53,822	53,443	61,566	67,723	69,700	73,444
Finance	95,924	104,509	95,386	106,270	157,854	430,930	445,115
Economic Development and Tourism	119,376	114,310	108,925	115,989	148,448	152,299	160,464
Housing	880,916	671,707	579,197	785,162	794,898	843,378	863,972
Transport	724,053	518,828	709,850	908,045	1,083,120	1,143,889	1,316,602
Works	650,796	340,400	341,230	418,361	315,157	316,672	383,478
Agriculture and Environmental Affairs	555,153	399,989	517,813	561,513	671,594	704,484	751,821
The Royal Household	10,883	9,921	12,306	14,265	20,684	18,131	19,338
Safety and Security	706	4,398	4,729	5,251	6,145	6,266	6,537
Traditional and Local Government Affairs	935,613	782,466	383,435	423,746	380,694	399,319	437,239
The Reconstruction and Development Programme	22,658	17,684	34,466	17,619	-	-	-
Provincial Service Commission	5,170	313	126	3	-	-	-
Total	19,945,880	19,112,822	19,388,729	21,809,908	23,905,397	25,962,482	28,045,318
Increase/(Decrease)					2,095,489	2,057,085	2,082,836
Classification of expenditure							
Current	17,762,391	17,641,089	18,037,673	20,117,879	21,511,214	23,346,898	25,101,489
Personnel expenditure	10,586,276	10,777,826	11,189,742	12,299,954	13,369,590	14,177,017	15,037,865
Transfer payments	4,436,434	4,660,414	4,428,635	4,728,360	4,930,340	5,540,935	6,092,494
Other current expenditure	2,739,681	2,202,849	2,419,296	3,089,565	3,211,284	3,628,946	3,971,130
Capital	2,183,489	1,471,733	1,351,056	1,692,029	2,394,183	2,615,584	2,943,829
Transfer payments	888,831	662,588	504,500	616,650	654,862	705,421	737,329
Other capital expenditure	1,294,658	809,145	846,556	1,075,379	1,739,321	1,910,163	2,206,500
Total	19,945,880	19,112,822	19,388,729	21,809,908	23,905,397	25,962,482	28,045,318

KWAZULU-NATAL							
TABLE C10.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
Education Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	208,653	151,225	118,263	79,397	281,808	363,142	508,936
Public Ordinary School Education	6,308,976	6,230,578	6,486,393	7,382,903	8,044,924	8,525,041	9,209,878
Private ordinary education	38,542	28,819	28,655	23,616	18,013	18,914	19,859
Special school education	142,722	155,065	162,192	155,204	193,984	205,465	214,947
Teacher training	220,523	188,762	164,362	162,752	159,831	167,403	163,981
Technical college education	106,425	112,403	113,209	121,076	138,585	170,046	195,478
Non-formal education	27,194	14,708	20,316	24,322	43,452	53,751	63,230
Sport and recreation advancement	4,223	4,844	4,640	6,568	11,144	13,502	13,901
Arts and culture	7,924	12,176	9,848	10,446	17,167	18,950	19,643
Auxiliary and associated services	140,852	212,583	185,096	205,993	267,851	283,802	297,423
Authorised Losses	508	159	60	-	-	-	-
Statutory	386	417	421	465	465	465	465
Capital Expenditure from Works Department/restructuring	73,570	18,542	5,102	12,109	-	-	-
Total	7,280,498	7,130,281	7,298,557	8,184,851	9,177,224	9,820,481	10,707,741
Increase/(Decrease)					633,415	539,692	463,199
Classification of expenditure							
Current	7,121,626	7,043,288	7,275,255	8,143,422	8,956,097	9,508,531	10,245,411
Personnel expenditure	6,531,184	6,502,862	6,721,377	7,534,660	8,272,772	8,753,456	9,338,341
Transfer payments	86,388	83,957	91,073	111,289	122,897	171,819	207,590
Other current expenditure	504,054	456,469	462,805	497,473	560,428	583,256	699,480
Capital	158,872	86,993	23,302	41,429	221,127	311,950	462,330
Transfer payments	230	-	-	-	-	-	-
Other capital expenditure	158,642	86,993	23,302	41,429	221,127	311,950	462,330
Total	7,280,498	7,130,281	7,298,557	8,184,851	9,177,224	9,820,481	10,707,741

KWAZULU-NATAL

TABLE C10.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

Health Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	82,988	102,843	103,482	102,233	111,950	121,554	125,045
District health services	1,910,876	1,961,903	2,141,290	2,892,473	3,061,809	3,255,115	3,410,756
Provincial hospital services	1,813,306	1,850,065	1,868,067	1,752,406	1,991,629	2,023,255	2,044,927
Central health services	613,284	592,630	612,814	645,309	540,234	595,226	648,357
Health sciences	130,080	119,367	132,356	137,723	159,962	172,384	180,895
Auxiliary and associated services	149,460	272,262	251,595	241,281	514,467	569,909	596,932
Authorised Losses	647	866	316	4,083	-	-	-
Statutory	386	383	465	487	487	487	487
Capital Expenditure from Works Department/restructuring	104,500	-	-	-	-	-	-
Total	4,805,527	4,900,319	5,110,385	5,775,995	6,380,538	6,737,930	7,007,399
Increase/(Decrease)					633,415	539,692	463,199
Classification of expenditure							
Current	4,454,348	4,533,166	4,767,381	5,393,105	5,797,351	6,096,274	6,331,386
Personnel expenditure	3,022,694	3,191,384	3,332,486	3,576,740	3,825,067	4,053,468	4,221,605
Transfer payments	250,146	283,162	299,412	318,507	321,010	333,124	340,090
Other current expenditure	1,181,508	1,058,620	1,135,483	1,497,858	1,651,274	1,709,682	1,769,691
Capital	351,179	367,153	343,004	382,890	583,187	641,656	676,013
Transfer payments	-	-	-	-	1	1	1
Other capital expenditure	351,179	367,153	343,004	382,890	583,186	641,655	676,012
Total	4,805,527	4,900,319	5,110,385	5,775,995	6,380,538	6,737,930	7,007,399

KWAZULU-NATAL							
TABLE C10.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
Welfare Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	22,700	17,426	29,160	44,398	55,862	62,094	64,461
Social Security	3,500,991	3,738,352	3,811,331	4,074,655	4,248,096	4,837,138	5,365,030
Social assistance	105,407	122,142	105,603	108,759	133,187	138,388	144,614
Social welfare services	85,717	91,139	92,153	100,655	122,342	137,034	146,318
Social development	1,365	1,617	2,380	3,475	20,365	20,365	21,281
Population development	-	838	588	313	1,175	1,165	1,217
Auxiliary and associated services	1,933	-	1,256	1,121	2,000	1,000	1,045
Authorised Losses	25	11	305	137	-	-	-
Statutory	386	335	418	432	487	487	487
Capital Expenditure from Works Department/restructuring	20,009	12,191	8,285	745	-	-	-
Total	3,738,533	3,984,051	4,051,479	4,334,690	4,583,514	5,197,671	5,744,453
Increase/(Decrease)					633,415	539,692	463,199
Classification of expenditure							
Current	3,715,982	3,971,849	4,041,908	4,327,528	4,559,352	5,172,098	5,717,731
Personnel expenditure	121,544	137,502	149,118	166,101	180,093	192,400	202,876
Transfer payments	3,428,078	3,658,547	3,716,400	3,893,594	4,130,644	4,696,893	5,209,759
Other current expenditure	166,360	175,800	176,390	267,833	248,615	282,805	305,096
Capital	22,551	12,202	9,571	7,162	24,162	25,573	26,722
Transfer payments	-	-	-	-	-	-	-
Other capital expenditure	22,551	12,202	9,571	7,162	24,162	25,573	26,722
Total	3,738,533	3,984,051	4,051,479	4,334,690	4,583,514	5,197,671	5,744,453

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TABLE C11.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Expenditure							
Education							
Personnel Expenditure	2,288,814	2,434,164	2,587,205	2,788,180	2,852,715	3,015,271	3,219,555
Other Expenditure	217,215	190,155	222,156	208,455	351,351	408,325	564,136
Total	2,506,029	2,624,319	2,809,361	2,996,635	3,204,066	3,423,596	3,783,691
Health							
Personnel Expenditure	569,560	643,843	721,173	775,142	798,759	834,500	872,450
Other Expenditure	477,351	414,351	425,995	342,226	611,137	682,547	856,163
Total	1,046,911	1,058,194	1,147,168	1,117,368	1,409,896	1,517,047	1,728,613
Welfare							
Personnel Expenditure	20,598	26,946	35,905	39,234	40,226	42,041	44,500
Transfer Payments	930,589	1,022,125	1,070,487	1,209,685	1,339,393	1,529,647	1,611,089
Other Expenditure	29,476	37,449	49,384	71,961	191,031	231,574	205,592
Total	980,663	1,086,520	1,155,776	1,320,880	1,570,650	1,803,262	1,861,181
Expenditure other Functions							
Personnel Expenditure	457,075	514,502	537,553	565,017	598,846	660,411	699,849
Contingency Reserve	-	-	-	-	40,000	43,426	46,994
Other Expenditure	1,119,531	827,956	898,317	1,045,043	1,283,571	1,448,106	1,495,719
Total	1,576,606	1,342,458	1,435,870	1,610,060	1,922,417	2,151,943	2,242,562
Total Personnel Expenditure	3,336,047	3,619,455	3,881,836	4,167,573	4,290,546	4,552,223	4,836,354
Contingency Reserve	-	-	-	-	40,000	43,426	46,994
Total Other Expenditure	2,774,162	2,492,036	2,666,339	2,877,370	3,776,483	4,300,199	4,732,699
Total Expenditure	6,110,209	6,111,491	6,548,175	7,044,943	8,107,029	8,895,848	9,616,047
Current Expenditure	5,380,750	5,630,682	6,038,758	6,440,317	7,353,700	7,999,328	8,696,527
Capital Expenditure	729,459	480,809	509,417	604,626	753,329	896,520	919,520
Revenue							
Transfers from National	5,229,785	5,829,896	6,330,643	7,311,176	7,913,689	8,685,977	9,390,864
Own Revenue	257,266	193,720	362,819	155,352	209,870	225,183	225,183
Other Revenue	-	-	-	-	-	-	-
Total Revenue	5,487,051	6,023,616	6,693,462	7,466,528	8,123,559	8,911,160	9,616,047
Surplus/(Deficit)	(623,158)	(87,875)	145,287	421,585	16,530	15,312	-

MPUMALANGA							
TABLE C11.2: ACTUAL AND BUDGETED REVENUE							
Revenue	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Revenue Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	5,229,785	5,829,896	6,330,643	7,311,176	7,913,689	8,685,977	9,390,864
Equitable Share	5,029,270	5,366,699	5,789,859	6,539,827	7,205,792	7,919,122	8,597,022
Conditional Grants	200,515	463,197	540,784	771,349	707,897	766,855	793,842
DPLG	-	44,986	33,432	27,134	10,400	14,300	14,900
Education	-	-	14,016	16,489	21,718	20,171	23,536
Health	-	57,152	99,630	163,341	148,043	142,256	146,253
Housing	156,515	100,308	118,998	154,364	213,355	228,158	236,859
National Treasury	44,000	257,370	269,334	407,189	312,239	360,770	372,294
Social Development	-	2,301	4,474	2,832	2,142	1,200	-
Other	-	1,080	900	-	-	-	-
Own Revenue	257,266	193,720	362,819	155,352	209,870	225,183	225,183
Road Traffic Revenue	73,681	55,481	64,691	79,337	74,158	78,607	84,861
Health Patient Fees	20,504	15,439	11,425	10,934	33,708	35,730	19,075
Horse Racing and Betting	-	-	8,189	8,643	11,236	11,910	12,789
Gambling	23,488	17,686	12,387	12,608	21,842	24,160	19,294
Other	139,593	105,114	266,127	43,830	68,926	74,776	89,164
Other Revenue	-	-	-	-	-	-	-
Total	5,487,051	6,023,616	6,693,462	7,466,528	8,123,559	8,911,160	9,616,047
Increase/(Decrease)					657,031	787,601	704,887

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TABLE C11.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

Provincial Summary	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
Department	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education	2,506,029	2,624,319	2,809,361	2,996,635	3,204,066	3,423,596	3,783,691
Health	1,046,911	1,058,194	1,147,168	1,117,368	1,409,896	1,517,047	1,728,613
Welfare	980,663	1,086,520	1,155,776	1,320,880	1,570,650	1,803,262	1,861,181
Premier	105,551	46,830	60,537	68,846	76,937	86,833	91,974
Legislature	38,141	33,298	37,286	37,126	43,310	50,846	53,845
Finance and Provincial Expenditure *	260,463	157,005	108,732	105,957	425,602	446,439	470,026
Economic Affairs, Gaming and Tourism	23,157	28,682	37,268	69,512	73,552	58,779	66,017
Local Government, Traffic Control and Traffic Safety	210,692	131,271	109,672	158,110	116,794	133,389	142,510
Public Works, Roads and Transport	487,179	511,679	627,161	610,842	625,493	721,396	726,296
Agriculture, Conservation and Environment	238,183	277,964	252,680	261,999	246,216	294,700	314,411
Sports, Recreation, Arts and Culture	15,499	36,548	26,467	28,724	32,661	37,165	40,607
Safety and Security	41,226	19,548	21,813	22,321	23,988	26,883	28,310
Housing and Land Administration	156,515	99,633	154,254	246,623	257,864	295,513	308,566
Total	6,110,209	6,111,491	6,548,175	7,044,943	8,107,029	8,895,848	9,616,047
Increase/(Decrease)					1,062,086	788,819	720,199
Classification of expenditure							
Current	5,380,750	5,630,682	6,038,758	6,440,317	7,353,700	7,999,328	8,696,527
Personnel expenditure	3,336,047	3,619,455	3,881,836	4,167,573	4,290,546	4,552,223	4,836,354
Transfer payments	1,227,271	1,307,815	1,276,338	1,454,011	1,559,041	1,754,690	1,844,649
Other current expenditure	817,432	703,412	880,584	818,733	1,504,113	1,692,415	2,015,524
Capital	729,459	480,809	509,417	604,626	753,329	896,520	919,520
Transfer payments	162,945	118,508	121,173	212,286	225,927	248,823	270,525
Other capital expenditure	566,514	362,301	388,244	392,340	527,402	647,697	648,995
Total	6,110,209	6,111,491	6,548,175	7,044,943	8,107,029	8,895,848	9,616,047

* The Contingency Reserve is included in these amounts.

MPUMALANGA							
TABLE C11.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
Education Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration / management and support	64,582	125,582	134,290	158,332	266,744	312,213	351,934
Public Ordinary School Education	2,249,912	2,326,976	2,487,152	2,659,807	2,721,137	2,884,178	3,188,222
Private Ordinary School Education	5,437	8,873	8,165	11,441	7,971	8,449	8,956
Education in Specialised Schools	62,420	46,101	48,023	50,983	60,809	64,457	68,324
Teachers Training	51,815	40,487	38,854	24,139	28,853	31,148	33,616
Technical College Education / vocational	37,892	37,480	42,658	44,003	57,140	60,798	64,146
Non - Formal Education	27,946	27,330	35,212	30,927	29,371	31,133	33,000
Supporting and Related services	6,025	11,490	15,007	17,003	32,041	31,220	35,493
Total	2,506,029	2,624,319	2,809,361	2,996,635	3,204,066	3,423,596	3,783,691
Increase/(Decrease)					207,431	219,530	360,095
Classification of expenditure							
Current	2,444,144	2,569,185	2,746,674	2,954,391	3,112,756	3,304,471	3,638,194
Personnel expenditure	2,288,814	2,434,164	2,587,205	2,788,180	2,852,715	3,015,271	3,219,555
Transfer payments	22,547	25,499	17,054	24,621	25,421	27,354	29,156
Other current expenditure	132,783	109,522	142,415	141,590	234,620	261,846	389,483
Capital	61,885	55,134	62,687	42,244	91,310	119,125	145,497
Transfer payments	2	320	104	-	-	-	-
Other capital expenditure	61,883	54,814	62,583	42,244	91,310	119,125	145,497
Total	2,506,029	2,624,319	2,809,361	2,996,635	3,204,066	3,423,596	3,783,691

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TABLE C11.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

Health Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	186,366	80,277	97,936	97,152	98,802	101,098	143,443
District Health Services	860,545	751,281	896,953	886,338	1,047,945	1,133,555	1,267,874
Provincial / regional Hospital Services	-	105,353	99,153	91,339	151,164	151,957	154,253
Health Care Support services	-	3,560	4,445	9,847	14,504	18,730	27,872
Health Facilities Development & Maintenance	-	95,247	22,466	6,876	61,873	74,816	87,842
Human Resource Development	-	22,476	26,215	25,816	35,608	36,891	47,329
Total	1,046,911	1,058,194	1,147,168	1,117,368	1,409,896	1,517,047	1,728,613
Increase/(Decrease)					292,528	107,151	211,566
Classification of expenditure							
Current	912,556	933,996	1,117,188	1,099,543	1,289,693	1,324,374	1,485,441
Personnel expenditure	569,560	643,843	721,173	775,142	798,759	834,500	872,450
Transfer payments	16,533	37,031	44,229	29,353	41,458	46,920	47,390
Other current expenditure	326,463	253,122	351,786	295,048	449,476	442,954	565,601
Capital	134,355	124,198	29,980	17,825	120,203	192,673	243,172
Transfer payments	-	8,827	2,022	397	-	-	-
Other capital expenditure	134,355	115,371	27,958	17,428	120,203	192,673	243,172
Total	1,046,911	1,058,194	1,147,168	1,117,368	1,409,896	1,517,047	1,728,613

MPUMALANGA							
TABLE C11.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
Welfare Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	28,303	6,004	9,116	17,015	23,243	25,484	25,722
Social Security	907,909	1,021,129	1,079,044	1,243,995	1,448,029	1,672,727	1,733,757
Social Assistance Services	31,447	31,949	32,123	28,980	44,425	46,313	48,689
Social Welfare Services	12,115	23,876	28,663	26,048	41,020	43,234	38,032
Social Development	-	-	-	1,936	3,233	3,440	3,249
Population Unit	2	1,765	1,955	1,854	3,200	3,639	3,201
Welfare Facilities	887	847	67	531	3,500	4,425	4,624
Auxilliary and Associated Services	-	860	602	521	4,000	4,000	3,907
Administrative Support	-	90	4,206	-	-	-	-
Total	980,663	1,086,520	1,155,776	1,320,880	1,570,650	1,803,262	1,861,181
Increase/(Decrease)					249,770	232,612	57,919
Classification of expenditure							
Current	980,663	1,083,788	1,154,475	1,318,641	1,563,840	1,794,623	1,853,422
Personnel expenditure	20,598	26,946	35,905	39,234	40,226	42,041	44,500
Transfer payments	930,589	1,022,091	1,070,458	1,209,685	1,339,393	1,529,647	1,611,089
Other current expenditure	29,476	34,751	48,112	69,722	184,221	222,935	197,833
Capital	-	2,732	1,301	2,239	6,810	8,639	7,759
Transfer payments	-	34	29	-	-	-	-
Other capital expenditure	-	2,698	1,272	2,239	6,810	8,639	7,759
Total	980,663	1,086,520	1,155,776	1,320,880	1,570,650	1,803,262	1,861,181

NORTHERN CAPE

TABLE C12.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Expenditure							
Education							
Personnel Expenditure	732,197	745,901	773,076	813,501	872,413	927,879	978,447
Other Expenditure	106,996	154,196	133,241	151,568	168,550	189,023	222,915
Total	839,193	900,097	906,317	965,069	1,040,963	1,116,902	1,201,362
Health							
Personnel Expenditure	195,612	219,226	268,933	287,469	325,805	344,744	364,783
Other Expenditure	180,383	172,506	163,816	150,954	170,744	186,282	211,864
Total	375,995	391,732	432,749	438,423	496,549	531,026	576,647
Welfare							
Personnel Expenditure	29,944	34,559	36,930	44,220	50,770	54,063	57,038
Transfer Payments	600,273	596,353	611,069	568,090	568,716	592,530	613,353
Other Expenditure	19,446	38,071	47,664	46,455	54,183	61,852	69,695
Total	649,663	668,983	695,663	658,765	673,669	708,445	740,086
Expenditure other Functions							
Personnel Expenditure	129,098	142,691	156,868	162,136	192,325	204,460	216,988
Contingency Reserve	-	-	-	-	20,337	20,683	21,000
Other Expenditure	400,740	289,622	300,052	402,862	437,065	508,187	542,117
Total	529,838	432,313	456,920	564,998	649,727	733,330	780,105
Total Personnel Expenditure	1,086,851	1,142,377	1,235,807	1,307,326	1,441,313	1,531,146	1,617,256
Contingency Reserve	-	-	-	-	20,337	20,683	21,000
Total Other Expenditure	1,307,838	1,250,748	1,255,842	1,319,929	1,399,258	1,537,874	1,659,944
Total Expenditure	2,394,689	2,393,125	2,491,649	2,627,255	2,860,908	3,089,703	3,298,200
Current Expenditure	2,187,931	2,223,402	2,347,880	2,457,385	2,646,609	2,862,631	3,039,788
Capital Expenditure	206,758	169,723	143,769	169,870	214,299	227,072	258,412
Revenue							
Transfers from National	2,125,837	2,191,410	2,428,116	2,532,411	2,778,815	3,002,516	3,205,200
Own Revenue	102,286	78,765	78,781	66,393	82,093	87,187	93,000
Other Revenue	-	-	-	-	-	-	-
Total Revenue	2,228,123	2,270,175	2,506,897	2,598,804	2,860,908	3,089,703	3,298,200
Surplus/(Deficit)	(166,566)	(122,950)	15,248	(28,451)	-	-	-

NORTHERN CAPE							
TABLE C12.2: ACTUAL AND BUDGETED REVENUE							
Revenue	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Revenue Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	2,125,837	2,191,410	2,428,116	2,532,411	2,778,815	3,002,516	3,205,200
Equitable Share	2,045,263	2,011,968	2,131,297	2,341,651	2,532,623	2,730,222	2,908,143
Conditional Grants	80,574	179,442	296,819	190,760	246,192	272,294	297,057
DPLG	-	5,671	16,750	-	14,700	20,200	21,100
Education	-	-	3,648	4,381	5,653	5,250	6,126
Health	-	28,034	49,871	58,782	65,023	61,624	63,088
Housing	70,574	55,427	56,645	60,400	66,475	72,312	75,230
National Treasury	10,000	88,410	165,182	64,476	92,199	111,708	131,513
Social Development	-	820	4,723	2,721	2,142	1,200	-
Other	-	1,080	-	-	-	-	-
Own Revenue	102,286	78,765	78,781	66,393	82,093	87,187	93,000
Road Traffic Revenue	28,077	25,919	36,847	44,335	49,783	53,667	57,470
Health Patient Fees	5,485	5,036	5,714	6,825	12,000	11,600	12,300
Horse Racing and Betting	2,192	538	1,927	2,448	4,700	5,500	6,000
Gambling	-	-	-	-	-	-	-
Other	66,532	47,272	34,293	12,785	15,610	16,420	17,230
Other Revenue	-	-	-	-	-	-	-
Total	2,228,123	2,270,175	2,506,897	2,598,804	2,860,908	3,089,703	3,298,200
Increase/(Decrease)					262,104	228,795	208,497

NORTHERN CAPE

TABLE C12.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

Provincial Summary	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
Department	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education	839,193	900,097	906,317	965,069	1,040,963	1,116,902	1,201,362
Health	375,995	391,732	432,749	438,423	496,549	531,026	576,647
Welfare	649,663	668,983	695,663	658,765	673,669	708,445	740,086
Premier	38,413	47,222	47,779	46,037	44,197	46,469	49,788
Legislature	12,793	12,680	15,240	18,092	20,407	21,541	24,099
Finance and Provincial Expenditure *	18,410	15,293	26,728	32,128	48,603	50,113	52,930
Economic Affairs, Environment and Tourism	11,195	14,939	11,310	13,689	18,537	20,929	24,257
Housing, Local Government and Traditional Affairs	139,587	100,239	101,557	125,558	138,616	158,275	169,592
Transport	217,803	153,993	157,772	191,433	209,664	223,295	244,848
Agriculture and Land Affairs	65,167	60,594	65,515	54,477	54,281	58,217	63,434
Sports, Arts and Culture	15,983	16,850	17,088	16,629	25,655	29,393	35,083
Safety and Security	2,838	3,265	2,978	3,943	5,295	5,919	7,183
Provincial Services Commission	1,848	1,243	378	-	-	-	-
Statutory	5,801	5,995	10,575	11,687	12,105	13,202	13,919
Reconstruction and Development Programme	-	-	-	51,325	72,367	105,976	94,972
Total	2,394,689	2,393,125	2,491,649	2,627,255	2,860,908	3,089,703	3,298,200
Increase/(Decrease)					233,653	228,795	208,497
Classification of expenditure							
Current	2,187,931	2,223,402	2,347,880	2,457,385	2,646,609	2,862,631	3,039,788
Personnel expenditure	1,086,851	1,142,377	1,235,807	1,307,326	1,441,313	1,531,146	1,617,256
Transfer payments	779,930	750,841	719,035	730,549	733,816	767,254	810,258
Other current expenditure	321,150	330,184	393,038	419,510	471,480	564,231	612,274
Capital	206,758	169,723	143,769	169,870	214,299	227,072	258,412
Transfer payments	92,022	58,611	56,986	59,635	66,975	72,312	74,730
Other capital expenditure	114,736	111,112	86,783	110,235	147,324	154,760	183,682
Total	2,394,689	2,393,125	2,491,649	2,627,255	2,860,908	3,089,703	3,298,200

* The Contingency Reserve is included in these amounts.

NORTHERN CAPE							
TABLE C12.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
Education Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	91,660	39,162	40,514	38,123	41,696	43,200	44,991
Public Ordinary School Education	690,179	751,970	773,167	834,762	867,876	919,107	983,180
Independent School Education	3,143	2,861	2,859	3,942	2,859	2,859	2,859
Special School Education	16,897	20,648	21,923	23,049	34,429	37,185	39,899
Teacher Training	6,163	10,134	8,187	8,899	8,326	8,648	9,014
Technical College Education	20,483	16,231	16,414	18,084	20,922	21,961	23,048
Non-Formal Education	3,177	3,266	4,081	5,387	5,406	9,181	9,501
Auxiliary and Associated Services	7,491	20,408	16,116	21,961	42,893	52,587	63,242
Capital Expenditure from Works Department/restructuring	-	35,417	23,056	10,862	16,557	22,175	25,628
Total	839,193	900,097	906,317	965,069	1,040,963	1,116,902	1,201,362
Increase/(Decrease)					75,894	75,940	84,459
Classification of expenditure							
Current	831,682	855,816	880,750	952,548	1,022,702	1,092,607	1,172,579
Personnel expenditure	732,197	745,901	773,076	813,501	872,413	927,879	978,447
Transfer payments	22,550	22,143	18,828	74,750	79,232	79,232	93,736
Other current expenditure	76,935	87,772	88,846	64,297	71,057	85,496	100,396
Capital	7,511	44,281	25,567	12,521	18,261	24,295	28,783
Transfer payments	-	119	-	42	-	-	-
Other capital expenditure	7,511	44,162	25,567	12,479	18,261	24,295	28,783
Total	839,193	900,097	906,317	965,069	1,040,963	1,116,902	1,201,362

NORTHERN CAPE

TABLE C12.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

Health Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	31,910	16,392	19,086	17,393	28,680	30,116	33,198
District Health Services	209,461	223,451	250,691	254,799	277,550	296,064	321,830
Provincial Hospital Services	122,734	133,262	148,352	145,373	163,581	175,538	190,329
Health Services	5,860	5,756	5,314	5,618	6,055	6,558	7,170
Auxiliary and Associated Srvices	6,030	7,453	5,020	10,905	14,449	15,085	15,956
Authorised Losses	-	-	893	-	-	-	-
Capital Expenditure from Works Department/restructuring	-	5,418	3,393	4,335	6,235	7,665	8,164
Total	375,995	391,732	432,749	438,423	496,549	531,026	576,647
Increase/(Decrease)					58,126	34,476	45,621
Classification of expenditure							
Current	369,886	380,081	419,524	431,942	463,657	492,387	532,255
Personnel expenditure	195,612	219,226	268,933	287,469	325,805	344,744	364,783
Transfer payments	76,531	65,109	25,935	21,816	19,310	21,034	23,579
Other current expenditure	97,743	95,746	124,656	122,657	118,542	126,609	143,893
Capital	6,109	11,651	13,225	6,481	32,892	38,639	44,392
Transfer payments	-	-	-	-	-	-	-
Other capital expenditure	6,109	11,651	13,225	6,481	32,892	38,639	44,392
Total	375,995	391,732	432,749	438,423	496,549	531,026	576,647

NORTHERN CAPE							
TABLE C12.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
Welfare Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	22,121	15,638	10,749	13,428	18,775	21,145	23,724
Social Security	578,907	598,489	627,791	589,085	582,960	610,423	634,701
Social Assistance	22,202	20,509	22,392	21,819	28,368	30,812	31,369
Social Welfare Services	23,649	25,624	24,863	27,056	30,217	32,128	35,235
Social Development	1,928	2,160	3,468	3,629	3,860	4,074	4,629
Population Development	-	94	257	391	2,366	1,412	2,225
Auxiliary and Associated Services	856	2,688	318	31	347	641	691
Capital Expenditure from Works Department/restructuring	-	3,781	5,825	3,326	6,775	7,811	7,512
Total	649,663	668,983	695,663	658,765	673,669	708,445	740,086
Increase/(Decrease)					14,904	34,776	31,641
Classification of expenditure							
Current	643,532	662,249	689,044	655,293	664,942	698,211	729,311
Personnel expenditure	29,944	34,559	36,930	44,220	50,770	54,063	57,038
Transfer payments	600,273	596,353	611,069	568,090	568,716	592,530	613,353
Other current expenditure	13,315	31,337	41,045	42,983	45,456	51,618	58,920
Capital	6,131	6,734	6,619	3,472	8,727	10,234	10,775
Transfer payments	-	-	-	-	-	-	-
Other capital expenditure	6,131	6,734	6,619	3,472	8,727	10,234	10,775
Total	649,663	668,983	695,663	658,765	673,669	708,445	740,086

NORTHERN PROVINCE

TABLE C13.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Expenditure							
Education							
Personnel Expenditure	4,987,688	5,468,926	5,401,352	5,871,188	6,025,415	6,468,436	6,727,184
Other Expenditure	557,956	326,550	452,348	498,930	834,778	915,360	980,238
Total	5,545,644	5,795,476	5,853,700	6,370,118	6,860,193	7,383,796	7,707,422
Health							
Personnel Expenditure	1,136,873	1,403,350	1,505,017	1,626,288	1,654,708	1,742,454	1,834,051
Other Expenditure	816,901	678,126	715,521	939,606	980,199	1,142,496	1,281,025
Total	1,953,774	2,081,476	2,220,538	2,565,894	2,634,907	2,884,950	3,115,076
Welfare							
Personnel Expenditure	13,457	32,313	61,624	66,736	71,000	73,840	80,201
Transfer Payments	1,777,189	1,982,598	2,185,595	2,459,803	2,550,673	2,793,879	3,100,258
Other Expenditure	12,697	16,282	81,548	115,154	132,583	136,006	166,435
Total	1,803,343	2,031,193	2,328,767	2,641,693	2,754,256	3,003,725	3,346,894
Expenditure other Functions							
Personnel Expenditure	1,420,667	1,397,402	1,402,266	1,500,499	1,551,166	1,696,881	1,841,246
Contingency Reserve	-	-	-	-	-	-	167,518
Other Expenditure	976,122	851,251	1,002,481	1,448,602	1,625,798	1,894,496	1,988,055
Total	2,396,789	2,248,653	2,404,747	2,949,101	3,176,964	3,591,377	3,996,819
Total Personnel Expenditure	7,558,685	8,301,991	8,370,259	9,064,711	9,302,289	9,981,611	10,482,682
Contingency Reserve	-	-	-	-	-	-	167,518
Total Other Expenditure	4,140,865	3,854,807	4,437,493	5,462,095	6,124,031	6,882,237	7,516,011
Total Expenditure	11,699,550	12,156,798	12,807,752	14,526,806	15,426,320	16,863,848	18,166,211
Current Expenditure	11,220,435	11,721,543	12,181,596	13,807,883	14,122,535	15,338,738	16,468,889
Capital Expenditure	479,115	435,255	626,156	718,923	1,303,785	1,525,110	1,697,322
Revenue							
Transfers from National	11,064,914	11,750,720	12,622,077	14,244,353	15,321,023	16,683,237	17,922,776
Own Revenue	202,340	294,883	247,121	320,686	324,000	350,000	433,435
Other Revenue	-	-	-	-	-	-	-
Total Revenue	11,267,254	12,045,603	12,869,198	14,565,039	15,645,023	17,033,237	18,356,211
Surplus/(Deficit)	(432,296)	(111,195)	61,446	38,233	218,703	169,389	190,000

NORTHERN PROVINCE							
TABLE C13.2: ACTUAL AND BUDGETED REVENUE							
Revenue	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Revenue Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	11,064,914	11,750,720	12,622,077	14,244,353	15,321,023	16,683,237	17,922,776
Equitable Share	10,808,964	10,772,538	11,506,052	12,866,332	14,009,930	15,233,045	16,364,996
Conditional Grants	255,950	978,182	1,116,025	1,378,021	1,311,093	1,450,192	1,557,780
DPLG	-	135,233	112,520	100,258	14,400	19,800	20,700
Education	-	6,400	30,144	50,549	46,707	43,382	50,619
Health	-	90,733	193,410	274,367	266,759	274,560	281,622
Housing	172,950	232,391	230,150	290,294	344,787	367,967	380,340
National Treasury	83,000	509,245	538,321	654,715	631,840	743,283	824,499
Social Development	-	2,740	11,480	7,838	6,600	1,200	-
Other	-	1,440	-	-	-	-	-
Own Revenue	202,340	294,883	247,121	320,686	324,000	350,000	433,435
Road Traffic Revenue	34,818	39,841	42,867	60,356	49,999	53,998	81,599
Health Patient Fees	23,389	23,463	24,465	26,905	28,536	30,819	36,374
Horse Racing and Betting	7,148	7,457	5,059	7,163	7,092	7,659	9,682
Gambling	-	-	-	-	-	-	-
Other	136,985	224,122	174,730	226,262	238,373	257,524	305,780
Other Revenue	-	-	-	-	-	-	-
Total	11,267,254	12,045,603	12,869,198	14,565,039	15,645,023	17,033,237	18,356,211
Increase/(Decrease)					1,079,984	1,388,214	1,322,974

NORTHERN PROVINCE

TABLE C13.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

Provincial Summary	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
Department	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education	5,545,644	5,795,476	5,853,700	6,370,118	6,860,193	7,383,796	7,707,422
Health	1,953,774	2,081,476	2,220,538	2,565,894	2,634,907	2,884,950	3,115,076
Welfare	1,803,343	2,031,193	2,328,767	2,641,693	2,754,256	3,003,725	3,346,894
Premier	132,441	66,703	80,031	102,342	109,317	113,384	125,029
Legislature	29,606	30,005	30,962	33,406	35,895	39,325	41,655
Housing, Local Government and Traditional Affairs	435,999	517,202	531,506	533,127	734,102	797,895	947,508
Transport	233,653	186,339	186,758	204,350	233,091	268,803	272,579
Public Works	733,293	624,548	690,331	1,015,653	992,196	1,139,697	1,173,365
Agriculture and Land Affairs	603,681	571,742	562,208	656,409	621,409	755,133	776,306
Sports, Arts and Culture	-	3,585	11,892	24,657	30,171	33,179	39,381
Safety and Security	4,812	3,919	3,926	4,839	7,087	7,726	8,450
Finance, Economic Affairs and Tourism *	223,304	244,610	307,133	374,318	413,696	436,235	612,546
Total	11,699,550	12,156,798	12,807,752	14,526,806	15,426,320	16,863,848	18,166,211
Increase/(Decrease)					899,514	1,437,528	1,302,363
Classification of expenditure							
Current	11,220,435	11,721,543	12,181,596	13,807,883	14,122,535	15,338,738	16,468,889
Personnel expenditure	7,558,685	8,301,991	8,370,259	9,064,711	9,302,289	9,981,611	10,482,682
Transfer payments	2,072,232	2,227,915	2,451,864	3,039,313	2,785,900	3,033,452	3,366,154
Other current expenditure	1,589,518	1,191,637	1,359,473	1,703,859	2,034,346	2,323,675	2,620,053
Capital	479,115	435,255	626,156	718,923	1,303,785	1,525,110	1,697,322
Transfer payments	323,049	318,364	334,733	394,767	428,287	663,102	747,623
Other capital expenditure	156,066	116,891	291,423	324,156	875,498	862,008	949,699
Total	11,699,550	12,156,798	12,807,752	14,526,806	15,426,320	16,863,848	18,166,211

* The Contingency Reserve is included in these amounts.

NORTHERN PROVINCE							
TABLE C13.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
Education Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	1,599,336	1,360,015	652,675	755,749	814,291	914,427	942,937
Public Ordinary School Education	3,678,945	4,154,111	4,825,014	5,219,897	5,618,226	6,005,970	6,282,799
Specialised Education	59,444	58,793	70,475	76,994	98,481	104,576	108,968
Technical Education	45,557	45,373	59,450	50,364	81,743	85,986	88,949
Teachers Training	152,576	137,215	208,741	208,312	208,372	225,723	234,213
Adult Basic Training	9,786	29,043	25,092	52,707	28,594	34,628	36,070
Independent Schools	-	10,926	12,253	5,609	10,000	12,000	13,000
Statutory Payments	-	-	-	486	486	486	486
Total	5,545,644	5,795,476	5,853,700	6,370,118	6,860,193	7,383,796	7,707,422
Increase/(Decrease)					490,075	523,603	323,626
Classification of expenditure							
Current	5,530,359	5,761,841	5,823,846	6,318,145	6,703,777	7,137,424	7,404,652
Personnel expenditure	4,987,688	5,468,926	5,401,352	5,871,188	6,025,415	6,468,436	6,727,184
Transfer payments	29,153	36,324	34,783	30,849	47,027	58,611	69,650
Other current expenditure	513,518	256,591	387,711	416,108	631,335	610,377	607,818
Capital	15,285	33,635	29,854	51,973	156,416	246,372	302,770
Transfer payments	-	-	-	-	-	-	-
Other capital expenditure	15,285	33,635	29,854	51,973	156,416	246,372	302,770
Total	5,545,644	5,795,476	5,853,700	6,370,118	6,860,193	7,383,796	7,707,422

NORTHERN PROVINCE

TABLE C13.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

Health Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Health Administration	136,234	156,162	127,811	164,473	203,637	206,277	212,504
District Health Services	1,105,147	1,078,324	1,249,430	1,392,988	1,388,352	1,524,438	1,592,244
Regional and Specialised Hospital Services	361,919	499,113	514,143	600,209	580,397	614,260	663,261
Health Science Services	26,191	57,699	58,897	73,617	98,557	102,692	110,908
Health Care Support Services	134,561	131,287	141,273	171,090	183,428	175,032	189,555
Health Facilities Development and Maintenance	189,722	158,891	128,984	163,517	180,072	261,787	346,140
Statutory	-	-	-	-	464	464	464
Total	1,953,774	2,081,476	2,220,538	2,565,894	2,634,907	2,884,950	3,115,076
Increase/(Decrease)					69,013	250,043	230,126
Classification of expenditure							
Current	1,880,282	2,023,487	2,002,331	2,339,799	2,393,835	2,572,609	2,717,286
Personnel expenditure	1,136,873	1,403,350	1,505,017	1,626,288	1,654,708	1,742,454	1,834,051
Transfer payments	157,599	76,704	111,327	91,551	103,850	101,000	109,080
Other current expenditure	585,810	543,433	385,987	621,960	635,277	729,155	774,155
Capital	73,492	57,989	218,207	226,095	241,072	312,341	397,790
Transfer payments	-	-	-	-	-	-	-
Other capital expenditure	73,492	57,989	218,207	226,095	241,072	312,341	397,790
Total	1,953,774	2,081,476	2,220,538	2,565,894	2,634,907	2,884,950	3,115,076

NORTHERN PROVINCE							
TABLE C13.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
Welfare Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Welfare Administration	16,290	14,248	26,223	20,171	35,543	36,965	40,661
Social Security	1,755,313	1,965,856	2,231,923	2,544,731	2,605,052	2,848,873	3,179,555
Social Security Services	21,371	23,529	23,703	25,408	29,525	30,706	33,162
Social Assistance Services	4,505	16,019	34,193	38,430	59,972	62,371	67,361
Social Welfare Services	2,258	4,507	11,149	12,784	14,985	15,584	16,831
Social Development Services	-	328	113	158	1,179	1,226	1,324
Population Development	2,792	129	1,463	11	8,000	8,000	8,000
Auxiliary and Associated	814	6,577	-	-	-	-	-
Total	1,803,343	2,031,193	2,328,767	2,641,693	2,754,256	3,003,725	3,346,894
Increase/(Decrease)					112,563	249,469	343,169
Classification of expenditure							
Current	1,801,541	2,030,633	2,326,886	2,641,099	2,741,918	2,991,133	3,333,772
Personnel expenditure	13,457	32,313	61,624	66,736	71,000	73,840	80,201
Transfer payments	1,777,189	1,982,598	2,185,595	2,459,803	2,550,673	2,793,879	3,100,258
Other current expenditure	10,895	15,722	79,667	114,560	120,245	123,414	153,313
Capital	1,802	560	1,881	594	12,338	12,592	13,122
Transfer payments	-	-	-	-	-	-	-
Other capital expenditure	1,802	560	1,881	594	12,338	12,592	13,122
Total	1,803,343	2,031,193	2,328,767	2,641,693	2,754,256	3,003,725	3,346,894

NORTH WEST

TABLE C14.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates		
Expenditure	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education							
Personnel Expenditure	2,875,304	3,018,211	3,129,401	3,402,597	3,392,707	3,555,148	3,727,907
Other Expenditure	364,751	177,542	278,312	296,338	494,857	578,096	597,125
Total	3,240,055	3,195,753	3,407,713	3,698,935	3,887,564	4,133,244	4,325,032
Health							
Personnel Expenditure	888,942	971,663	987,717	1,063,254	1,135,412	1,234,300	1,300,421
Other Expenditure	486,362	370,329	396,125	498,232	596,828	636,519	723,304
Total	1,375,304	1,341,992	1,383,842	1,561,486	1,732,240	1,870,819	2,023,725
Welfare							
Personnel Expenditure	20,229	74,024	84,064	95,467	113,396	120,168	125,730
Transfer Payments	1,018,262	1,259,553	1,360,044	1,586,089	1,802,950	2,044,148	2,158,465
Other Expenditure	32,551	37,122	46,796	97,104	123,035	127,735	131,425
Total	1,071,042	1,370,699	1,490,904	1,778,660	2,039,381	2,292,051	2,415,620
Expenditure other Functions							
Personnel Expenditure	647,401	684,292	698,282	743,815	786,435	842,223	885,877
Contingency Reserve	-	-	-	-	71,820	168,000	196,000
Other Expenditure	1,514,721	1,252,358	1,260,477	1,436,181	1,338,521	1,249,060	1,371,626
Total	2,162,122	1,936,650	1,958,759	2,179,996	2,196,776	2,259,283	2,453,503
Total Personnel Expenditure	4,431,876	4,748,190	4,899,464	5,305,133	5,427,950	5,751,839	6,039,935
Contingency Reserve	-	-	-	-	71,820	168,000	196,000
Total Other Expenditure	3,416,647	3,096,904	3,341,754	3,913,944	4,356,191	4,635,558	4,981,945
Total Expenditure	7,848,523	7,845,094	8,241,218	9,219,077	9,855,961	10,555,397	11,217,880
Current Expenditure	6,958,247	7,414,181	7,744,097	8,590,100	8,892,542	9,424,349	9,940,111
Capital Expenditure	890,276	430,913	497,121	628,977	963,419	1,131,048	1,277,769
Revenue							
Transfers from National	7,233,920	7,705,845	8,162,459	8,863,415	9,487,494	10,176,767	10,820,011
Own Revenue	303,883	304,357	321,351	425,446	368,467	378,630	397,869
Other Revenue	-	-	-	-	-	-	-
Total Revenue	7,537,803	8,010,202	8,483,810	9,288,861	9,855,961	10,555,397	11,217,880
Surplus/(Deficit)	(310,720)	165,108	242,592	69,784	-	-	-

NORTH WEST							
TABLE C14.2: ACTUAL AND BUDGETED REVENUE							
Revenue	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Revenue Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	7,233,920	7,705,845	8,162,459	8,863,415	9,487,494	10,176,767	10,820,011
Equitable Share	6,939,334	7,033,359	7,411,956	8,158,360	8,761,128	9,390,757	9,944,981
Conditional Grants	294,586	672,486	750,503	705,055	726,366	786,010	875,030
DPLG	-	85,741	78,400	60,704	16,000	22,000	23,000
Education	-	-	15,360	17,699	23,800	22,106	25,793
Health	-	49,293	85,574	136,984	157,817	147,918	153,133
Housing	248,586	169,749	181,003	272,632	263,735	279,743	291,232
National Treasury	46,000	322,078	335,358	212,803	262,872	313,043	381,872
Social Development	-	-	6,872	4,233	2,142	1,200	-
Other	-	45,625	47,936	-	-	-	-
Own Revenue	303,883	304,357	321,351	425,446	368,467	378,630	397,869
Road Traffic Revenue	59,494	55,499	76,153	92,835	140,645	145,700	160,720
Health Patient Fees	10,423	13,030	12,953	13,600	12,528	13,896	14,460
Horse Racing and Betting	-	-	65	41	1,145	1,145	1,145
Gambling	37,632	32,059	18,331	16,162	23,575	23,575	23,575
Other	196,334	203,769	213,849	302,808	190,574	194,314	197,969
Other Revenue	-	-	-	-	-	-	-
Total	7,537,803	8,010,202	8,483,810	9,288,861	9,855,961	10,555,397	11,217,880
Increase/(Decrease)					567,100	699,436	662,483

NORTH WEST

TABLE C14.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

Provincial Summary	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
Department	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education	3,240,055	3,195,753	3,407,713	3,698,935	3,887,564	4,133,244	4,325,032
Health	1,375,304	1,341,992	1,383,842	1,561,486	1,732,240	1,870,819	2,023,725
Social Services, Arts, Culture and Sport	1,071,042	1,370,699	1,490,904	1,778,660	2,039,381	2,292,051	2,415,620
Traditional and Corporate Affairs	43,647	56,291	64,832	72,929	87,215	88,365	91,116
Legislature	27,553	28,845	28,193	30,209	34,150	37,692	41,711
Finance	117,735	122,212	169,855	161,156	217,036	156,327	169,923
Economic Development and Tourism	59,633	66,366	82,706	80,889	86,731	86,051	90,204
Housing, Local Government and Traditional Affairs	732,902	481,244	438,284	498,900	476,819	414,559	430,353
Transport, Roads and Public Works	953,310	967,079	926,919	1,091,913	937,357	1,006,395	1,120,448
Agriculture, Conservation and Environment	192,629	192,260	221,549	219,720	252,429	268,885	277,770
Safety and Liaison	5,211	6,011	6,035	6,750	7,495	8,608	9,409
Office of the Premier	-	16,342	20,386	17,530	25,725	24,400	26,570
Contingency Reserve	-	-	-	-	71,820	168,000	196,000
Provincial Service Commission	29,502	-	-	-	-	-	-
Total	7,848,523	7,845,094	8,241,218	9,219,077	9,855,961	10,555,397	11,217,880
Increase/(Decrease)					636,884	699,436	662,483
Classification of expenditure							
Current	6,958,247	7,414,181	7,744,097	8,590,100	8,892,542	9,424,349	9,940,111
Personnel expenditure	4,431,876	4,748,190	4,899,464	5,305,133	5,427,950	5,751,839	6,039,935
Transfer payments	1,565,841	1,833,838	1,814,175	2,025,202	2,248,738	2,473,019	2,604,473
Other current expenditure	960,530	832,153	1,030,458	1,259,765	1,215,854	1,199,491	1,295,703
Capital	890,276	430,913	497,121	628,977	963,419	1,131,048	1,277,769
Transfer payments	259,246	169,749	196,003	277,964	9,347	10,000	10,000
Other capital expenditure	631,030	261,164	301,118	351,013	954,072	1,121,048	1,267,769
Total	7,848,523	7,845,094	8,241,218	9,219,077	9,855,961	10,555,397	11,217,880

NORTH WEST							
TABLE C14.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
Education Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	329,536	263,579	302,253	189,144	316,154	332,090	344,231
Public Ordinary School Education	2,645,645	2,697,855	2,868,972	3,248,215	3,270,517	3,471,506	3,642,376
Independent School Education	6,202	5,972	6,754	3,841	7,200	7,500	8,000
Special School Education	55,010	57,878	56,795	58,828	59,780	63,008	65,859
Educator/ Teacher Training	43,434	59,134	61,112	66,449	64,215	67,262	69,723
Technical College Education	25,195	50,250	51,124	53,274	62,356	64,737	66,660
Non-Formal Education	69,781	51,403	46,157	52,211	49,059	56,377	60,131
Auxiliary and Associated Services	11,736	9,682	11,159	20,376	42,961	49,906	46,480
In-School Sport/ Libraries	13,904	-	3,387	6,597	15,322	20,858	21,573
Arts and Culture	39,612	-	-	-	-	-	-
Total	3,240,055	3,195,753	3,407,713	3,698,935	3,887,564	4,133,244	4,325,032
Increase/(Decrease)					188,629	245,680	191,788
Classification of expenditure							
Current	3,077,220	3,172,524	3,379,706	3,644,838	3,759,725	3,959,623	4,141,765
Personnel expenditure	2,875,304	3,018,211	3,129,401	3,402,597	3,392,707	3,555,148	3,727,907
Transfer payments	38,863	56,320	60,237	59,256	92,940	94,174	95,601
Other current expenditure	163,053	97,993	190,068	182,985	274,078	310,301	318,257
Capital	162,835	23,229	28,007	54,097	127,839	173,621	183,267
Transfer payments	-	-	-	-	-	-	-
Other capital expenditure	162,835	23,229	28,007	54,097	127,839	173,621	183,267
Total	3,240,055	3,195,753	3,407,713	3,698,935	3,887,564	4,133,244	4,325,032

NORTH WEST

TABLE C14.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

Health Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	86,485	37,132	38,330	70,129	65,808	70,577	77,958
District Health Services	739,528	854,747	943,848	951,739	986,318	1,045,558	1,112,995
Provincial Hospital Services	417,556	396,113	328,591	445,767	466,840	514,491	547,160
Health Sciences	22,517	29,692	26,912	33,010	37,876	45,615	50,894
Health Care Support Services	20,735	24,201	42,566	34,590	56,119	54,199	69,608
Development and Maintenance	55,521	107	3,595	26,251	119,278	140,378	165,109
Media and Communication	32,962	-	-	-	-	-	-
Total	1,375,304	1,341,992	1,383,842	1,561,486	1,732,240	1,870,819	2,023,725
Increase/(Decrease)					170,754	138,579	152,906
Classification of expenditure							
Current	1,280,160	1,317,098	1,366,532	1,524,609	1,556,710	1,680,033	1,804,180
Personnel expenditure	888,942	971,663	987,717	1,063,254	1,135,412	1,234,300	1,300,421
Transfer payments	77,183	54,455	55,157	65,675	45,935	34,203	36,184
Other current expenditure	314,035	290,980	323,658	395,680	375,363	411,530	467,575
Capital	95,144	24,894	17,310	36,877	175,530	190,786	219,545
Transfer payments	-	-	-	-	-	-	-
Other capital expenditure	95,144	24,894	17,310	36,877	175,530	190,786	219,545
Total	1,375,304	1,341,992	1,383,842	1,561,486	1,732,240	1,870,819	2,023,725

NORTH WEST							
TABLE C14.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
Welfare Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	1,683	9,444	17,175	3,939	20,951	21,717	22,327
Social Security	996,006	1,234,453	1,320,760	1,693,081	1,799,042	2,044,550	2,156,614
Social Assistance	32,455	31,831	37,338	680	43,482	43,534	43,575
Social Welfare Services	31,233	25,858	30,652	725	24,977	23,680	23,841
Social Development	1,664	2,891	4,234	97	-	-	-
Population Development	-	817	-	-	-	-	-
Welfare Support	1	-	97	7	-	-	-
Development and Maintenance	8,000	-	2,031	4	2,000	1,000	1,000
Regional Coordination	-	-	-	-	2,062	3,133	4,189
Arts, Culture, Languages and Libraries	-	44,544	27,405	39,953	44,141	44,707	45,157
Camping Site	-	-	-	19,321	1,038	1,078	1,109
Anti-poverty	-	-	-	-	2,000	5,000	11,000
Community Development	-	-	-	-	2,124	2,224	2,303
District Coordination	-	-	-	-	69,859	72,611	74,802
Sports and Recreation	-	20,861	51,212	20,853	27,705	28,817	29,703
Total	1,071,042	1,370,699	1,490,904	1,778,660	2,039,381	2,292,051	2,415,620
Increase/(Decrease)					260,721	252,670	123,569
Classification of expenditure							
Current	1,069,995	1,363,482	1,483,531	1,772,301	2,007,592	2,261,762	2,385,261
Personnel expenditure	20,229	74,024	84,064	95,467	113,396	120,168	125,730
Transfer payments	1,018,262	1,259,553	1,360,044	1,586,089	1,802,950	2,044,148	2,158,465
Other current expenditure	31,504	29,905	39,423	90,745	91,246	97,446	101,066
Capital	1,047	7,217	7,373	6,359	31,789	30,289	30,359
Transfer payments	-	-	-	-	-	-	-
Other capital expenditure	1,047	7,217	7,373	6,359	31,789	30,289	30,359
Total	1,071,042	1,370,699	1,490,904	1,778,660	2,039,381	2,292,051	2,415,620

WESTERN CAPE

TABLE C15.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates		
Expenditure	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education							
Personnel Expenditure	3,411,905	3,373,501	3,317,911	3,541,816	3,763,882	3,932,331	4,082,157
Other Expenditure	499,778	449,819	522,542	481,681	531,971	598,194	650,188
Total	3,911,683	3,823,320	3,840,453	4,023,497	4,295,853	4,530,525	4,732,345
Health							
Personnel Expenditure	1,976,023	2,003,254	1,953,820	2,083,028	2,252,318	2,355,162	2,488,419
Other Expenditure	960,550	1,029,152	1,171,678	1,369,960	1,406,827	1,417,261	1,506,174
Total	2,936,573	3,032,406	3,125,498	3,452,988	3,659,145	3,772,423	3,994,593
Welfare							
Personnel Expenditure	86,079	98,759	112,663	115,123	144,988	154,451	161,005
Transfer Payments	2,056,628	2,023,350	1,986,902	1,993,932	2,084,847	2,235,327	2,396,260
Other Expenditure	69,093	89,199	108,591	98,882	118,189	123,401	133,593
Total	2,211,800	2,211,308	2,208,156	2,207,937	2,348,024	2,513,179	2,690,858
Expenditure other Functions							
Personnel Expenditure	324,133	341,167	382,251	381,806	508,301	542,079	568,642
Contingency Reserve	-	-	-	-	-	-	-
Other Expenditure	1,404,312	1,143,554	1,191,598	1,447,306	1,582,558	1,777,297	1,826,758
Total	1,728,445	1,484,721	1,573,849	1,829,112	2,090,859	2,319,376	2,395,400
Total Personnel Expenditure	5,798,140	5,816,681	5,766,645	6,121,773	6,669,489	6,984,023	7,300,223
Contingency Reserve	-	-	-	-	-	-	-
Total Other Expenditure	4,990,361	4,735,074	4,981,311	5,391,761	5,724,392	6,151,480	6,512,973
Total Expenditure	10,788,501	10,551,755	10,747,956	11,513,534	12,393,881	13,135,503	13,813,196
Current Expenditure	9,942,327	9,814,605	10,023,089	10,562,730	11,384,977	12,057,105	12,717,838
Capital Expenditure	846,174	737,150	724,867	950,804	1,008,904	1,078,398	1,095,358
Revenue							
Transfers from National	9,605,621	10,201,227	10,546,878	11,143,301	11,795,221	12,444,201	12,999,945
Own Revenue	564,809	527,670	733,329	774,155	690,875	771,328	863,002
Other Revenue	-	-	-	-	-	-	-
Total Revenue	10,170,430	10,728,897	11,280,207	11,917,456	12,486,096	13,215,529	13,862,947
Surplus/(Deficit)	(618,071)	177,142	532,251	403,922	92,215	80,026	49,751

WESTERN CAPE							
TABLE C15.2: ACTUAL AND BUDGETED REVENUE							
Revenue	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Revenue Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	9,605,621	10,201,227	10,546,878	11,143,301	11,795,221	12,444,201	12,999,945
Equitable Share	9,161,864	8,199,006	8,499,193	9,235,141	9,761,840	10,302,040	10,736,274
Conditional Grants	443,757	2,002,221	2,047,685	1,908,160	2,033,381	2,142,161	2,263,671
DPLG	-	29,654	13,550	5,420	17,500	24,200	25,400
Education	-	1,551	15,168	17,465	23,503	21,829	25,471
Health	-	1,224,968	1,277,320	1,313,548	1,381,501	1,437,706	1,501,738
Housing	366,336	365,053	356,245	350,976	334,064	355,867	368,251
National Treasury	49,000	371,186	377,679	214,168	275,171	301,359	342,811
Social Development	-	2,601	7,335	6,583	1,642	1,200	-
Other	28,421	7,208	388	-	-	-	-
Own Revenue	564,809	527,670	733,329	774,155	690,875	771,328	863,002
Road Traffic Revenue	226,495	251,497	299,072	344,127	427,741	491,519	564,839
Health Patient Fees	75,312	66,098	61,679	70,451	67,955	71,740	75,736
Horse Racing and Betting	31,806	32,008	29,773	27,733	21,038	19,500	21,000
Gambling	-	-	-	21,654	85,667	99,000	110,000
Other	231,196	178,067	342,805	310,190	88,474	89,569	91,427
Other Revenue	-	-	-	-	-	-	-
Total	10,170,430	10,728,897	11,280,207	11,917,456	12,486,096	13,215,529	13,862,947
Increase/(Decrease)					568,640	729,433	647,418

WESTERN CAPE

TABLE C15.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

Provincial Summary	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
Department	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education	3,911,683	3,823,320	3,840,453	4,023,497	4,295,853	4,530,525	4,732,345
Health	2,936,573	3,032,406	3,125,498	3,452,988	3,659,145	3,772,423	3,994,593
Social Services	2,211,800	2,211,308	2,208,156	2,207,937	2,348,024	2,513,179	2,690,858
Premier, Director General and Corporate Services	75,692	144,522	167,419	206,832	305,955	349,930	352,901
Provincial Parliament	25,547	26,140	28,543	33,290	31,523	32,458	33,485
Finance	32,628	33,827	36,859	37,277	61,454	63,320	65,872
Community Safety	31,855	32,495	38,787	51,246	107,319	113,548	124,703
Planning, Local Government and Housing	669,729	469,602	438,032	435,068	448,831	480,859	498,474
Environmental and Cultural Affairs and Sport	115,356	117,092	134,316	152,459	164,497	173,701	182,819
Economic Affairs, Agriculture and Tourism	772,759	659,766	729,893	912,940	971,280	1,105,560	1,137,146
Service Commission	4,879	1,277	-	-	-	-	-
Total	10,788,501	10,551,755	10,747,956	11,513,534	12,393,881	13,135,503	13,813,196
Increase/(Decrease)					880,347	741,622	677,693
Classification of expenditure							
Current	9,942,327	9,814,605	10,023,089	10,562,730	11,384,977	12,057,105	12,717,838
Personnel expenditure	5,798,140	5,816,681	5,766,645	6,121,773	6,669,489	6,984,023	7,300,223
Transfer payments	2,641,391	2,462,548	2,623,976	2,706,897	2,832,377	3,040,507	3,246,258
Other current expenditure	1,502,796	1,535,376	1,632,468	1,734,060	1,883,111	2,032,575	2,171,357
Capital	846,174	737,150	724,867	950,804	1,008,904	1,078,398	1,095,358
Transfer payments	450,894	417,938	406,929	385,691	370,400	394,270	409,340
Other capital expenditure	395,280	319,212	317,938	565,113	638,504	684,128	686,018
Total	10,788,501	10,551,755	10,747,956	11,513,534	12,393,881	13,135,503	13,813,196

WESTERN CAPE							
TABLE C15.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
Education Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	122,743	71,688	85,481	87,372	79,229	84,380	87,799
Public Ordinary School Education	3,147,898	3,052,635	3,075,062	3,240,472	3,419,584	3,595,363	3,750,109
Independent School Education	29,977	38,942	37,554	37,164	39,678	38,541	39,340
School for Learners with Special Educational Needs	269,914	273,956	263,811	276,411	293,076	307,378	320,735
Teacher Education	70,495	59,573	42,770	25,257	30,044	28,648	27,194
Technical College Education	86,593	93,829	107,741	114,104	127,066	134,425	141,590
Non-School and Community Education	21,776	16,257	26,588	18,130	20,852	24,001	27,502
Education Development and Support Services	20,868	20,197	25,526	27,050	70,055	85,555	94,163
Auxiliary Services	19,309	63,955	68,939	58,434	59,855	57,338	59,468
Education Manage. Develop. Centres & Associated Services	51,745	91,600	71,490	87,174	106,464	111,638	116,616
Restructuring	-	31	-	-	-	-	-
Authorised Losses	92	1,525	2,365	1,042	-	-	-
Capital Expenditure from Works Department/restructuring	70,273	39,132	33,126	50,887	49,950	63,258	67,829
Total	3,911,683	3,823,320	3,840,453	4,023,497	4,295,853	4,530,525	4,732,345
Increase/(Decrease)					272,356	234,672	201,820
Classification of expenditure							
Current	3,829,111	3,776,034	3,787,326	3,964,570	4,235,440	4,444,708	4,636,585
Personnel expenditure	3,411,905	3,373,501	3,317,911	3,541,816	3,763,882	3,932,331	4,082,157
Transfer payments	81,604	92,856	182,739	160,851	170,528	184,247	199,139
Other current expenditure	335,602	309,677	286,676	261,903	301,030	328,130	355,289
Capital	82,572	47,286	53,127	58,927	60,413	85,817	95,760
Transfer payments	-	-	-	-	3,381	3,380	3,380
Other capital expenditure	82,572	47,286	53,127	58,927	57,032	82,437	92,380
Total	3,911,683	3,823,320	3,840,453	4,023,497	4,295,853	4,530,525	4,732,345

WESTERN CAPE

TABLE C15.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

Health Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	58,236	101,117	75,578	103,777	166,360	174,051	183,909
District Health Services	783,582	830,940	956,978	1,031,686	1,041,721	1,090,712	1,154,338
Hospital Services	740,084	732,994	745,189	809,546	853,025	892,458	943,009
Academic Health Services	1,204,667	1,194,626	1,216,852	1,313,449	1,363,481	1,425,132	1,502,808
Health Sciences	62,750	60,436	52,701	48,181	56,942	59,574	62,949
Health Care Support Services	54,664	55,011	52,376	58,717	63,508	66,444	70,207
Restructuring	-	46,389	6,213	-	-	-	-
Authorised Losses	2,406	5,966	818	1,333	-	-	-
Capital Expenditure from Works Department/restructuring	30,184	4,927	18,793	86,299	114,108	64,052	77,373
Total	2,936,573	3,032,406	3,125,498	3,452,988	3,659,145	3,772,423	3,994,593
Increase/(Decrease)					206,157	113,278	222,170
Classification of expenditure							
Current	2,888,481	3,018,247	3,075,633	3,321,346	3,495,397	3,668,044	3,881,194
Personnel expenditure	1,976,023	2,003,254	1,953,820	2,083,028	2,252,318	2,355,162	2,488,419
Transfer payments	237,058	269,478	396,773	426,651	419,746	438,469	463,306
Other current expenditure	675,400	745,515	725,040	811,667	823,333	874,413	929,469
Capital	48,092	14,159	49,865	131,642	163,748	104,379	113,399
Transfer payments	4,405	1,009	10,500	5,101	5,002	5,002	5,002
Other capital expenditure	43,687	13,150	39,365	126,541	158,746	99,377	108,397
Total	2,936,573	3,032,406	3,125,498	3,452,988	3,659,145	3,772,423	3,994,593

WESTERN CAPE							
TABLE C15.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
Welfare Programmes	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	26,854	29,666	41,308	29,817	19,796	21,045	22,456
Social Security	1,898,405	1,787,693	1,747,807	1,810,241	1,920,132	2,076,602	2,236,791
Research and Development	9,796	5,849	9,548	1,951	3,328	3,449	3,669
Developmental social service delivery	276,651	265,949	277,116	257,814	240,684	236,360	237,110
Customer services	-	102,951	111,431	100,785	163,684	175,723	190,832
Authorised Losses	-	-	7,650	871	-	-	-
Capital Expenditure from Works Department/restructuring	94	19,200	13,296	6,458	400	-	-
Total	2,211,800	2,211,308	2,208,156	2,207,937	2,348,024	2,513,179	2,690,858
Increase/(Decrease)					140,087	165,155	177,679
Classification of expenditure							
Current	2,210,843	2,190,962	2,193,228	2,199,501	2,341,759	2,511,785	2,689,464
Personnel expenditure	86,079	98,759	112,663	115,123	144,988	154,451	161,005
Transfer payments	2,056,628	2,023,350	1,986,902	1,993,932	2,084,847	2,235,327	2,396,260
Other current expenditure	68,136	68,853	93,663	90,446	111,924	122,007	132,199
Capital	957	20,346	14,928	8,436	6,265	1,394	1,394
Transfer payments	-	-	-	-	-	-	-
Other capital expenditure	957	20,346	14,928	8,436	6,265	1,394	1,394
Total	2,211,800	2,211,308	2,208,156	2,207,937	2,348,024	2,513,179	2,690,858

D

Local government tables

List of tables

Expenditure trends in local government	<i>Tables D1</i>
Municipal budgeted income and expenditure – 2000-01	<i>Tables D2 – D5</i>
Regional Services Council levies	<i>Table D6</i>
Employee information	<i>Tables D7 – D9</i>

Explanatory notes on tables

The tables in Annexure D present local government expenditure and revenue figures as well as other general information obtained from municipalities. The data reflect the latest available estimates of actual and budgeted expenditure and income and provide some selected demographic and general information about municipalities.

Some information has been omitted from the attached tables either because the concerned municipalities did not supply the information or because the current systems make it impossible to generate such information. It is expected that the reforms underway will greatly improve the availability and quality of information in future years.

Table D1 EXPENDITURE TRENDS

AGGREGATE MUNICIPAL EXPENDITURES

	96-97 R' billion		97-98 R' billion		98-99 R' billion		99-00 R' billion		2000-01 R' billion	
	Budget	Est. Actual	Budget	Est. Actual	Budget	Est. Actual	Budget	Est. Actual	Budget	Est. Actual
Operating	35.5	34.0	37.2	38.2	41.1	41.9	44.4	43.1	48.1	48.1
Capital	11.5	10.4	15	9.4	13.7	8.6	13.7	10.3	13.7	13.7
TOTAL	47	44.4	52.2	47.6	54.8	50.5	58.1	53.4	61.8	61.8

ESTIMATED ACTUAL EXPENDITURE 1999/2000 PER MUNICIPAL CATEGORY

	CATEGORY A R' billion	CATEGORY B R' billion	CATEGORY C R' billion	Total R' billion	% of Total
Operating	28.0	13.8	1.3	43.1	80.7%
Capital	3.1	3.3	3.9	10.3	19.3%
Total	31.1	17.1	5.2	53.4	100.0%

ESTIMATED ACTUAL OPERATING EXPENDITURES BY EXPENSE TYPE 1999/2000

	Total R' billion	Percentage of Total
Salaries	13.5	31%
Repairs and maintenance	3.4	8%
Bulk Purchases	12.8	30%
Capital Charges	5.7	13%
Contributions to Funds	1.7	4%
General Less Allocated	6.0	14%
TOTAL	43.1	100%

NOTE
 CATEGORY A METROPOLITAN COUNCILS
 CATEGORY B TRANSITIONAL LOCAL COUNCILS
 CATEGORY C DISTRICT COUNCILS

Table D2 CATEGORY A AND B CAPITAL BUDGET 2000-2001 - SOURCES OF FINANCE

MUNICIPALITY	EXTERNAL LOANS	INTERNAL LOANS	CONTRIB. FROM FUNDS REVENUE	FUNDS FROM DC/TMC	RDP FUNDS	GRANTS & SUBSIDIES	TOTAL	SPECIAL AND TRUST FUND
	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million
EASTERN CAPE								
TLC	133	161	21	154	189	306	964	71
TRC	0	0	2	11	0	82	95	8
METRO	0	0	0	0	0	0	0	0
TOTAL	133	161	23	165	189	388	1,059	79
FREE STATE								
TLC	84	117	82	55	117	58	513	2
TRC	0	0	3	5	0	24	32	0
METRO	0	0	0	0	0	0	0	0
TOTAL	84	117	85	60	117	82	545	2
GAUTENG								
TLC	400	657	154	268	58	711	2,248	20
TRC	0	0	1	85	0	63	149	0
METRO	85	104	120	0	45	245	599	0
TOTAL	485	761	275	353	103	1,019	2,996	20
KWAZULU-NATAL								
TLC	152	553	75	50	141	325	1,296	2
TRC	0	0	0	0	0	0	0	0
METRO	0	600	0	0	0	134	734	0
TOTAL	152	1,153	75	50	141	459	2,030	2
MPUMALANGA								
TLC	60	159	58	101	74	74	526	56
TRC	0	0	6	113	0	7	126	0
METRO	0	0	0	0	0	0	0	0
TOTAL	60	159	64	214	74	81	652	56
NORTH WEST								
TLC	85	80	41	33	44	78	361	21
TRC	0	7	3	2	1	3	16	0
METRO	0	0	0	0	0	0	0	0
TOTAL	85	87	44	35	45	81	377	21
NORTHERN CAPE								
TLC	25	44	31	25	41	38	204	2
TRC	0	0	0	3	0	2	5	0
METRO	0	0	0	0	0	0	0	0
TOTAL	25	44	31	28	41	40	209	2
NORTHERN PROVINCE								
TLC	25	94	48	27	22	46	262	1
TRC	0	0	1	0	0	1	2	0
METRO	0	0	0	0	0	0	0	0
TOTAL	25	94	49	27	22	47	264	1
WESTERN CAPE								
TLC	223	947	170	209	152	655	2,356	46
TRC	0	0	1	21	0	23	45	0
METRO	0	0	0	0	0	0	0	0
TOTAL	223	947	171	230	152	678	2,401	46
TOTAL	1,272	3,523	817	1,162	884	2,875	10,533	229

NOTE:

- 1) TLC TRANSITIONAL LOCAL COUNCILS
- 2) TRC TRANSITIONAL RURAL COUNCILS
- 3) METRO TRANSITIONAL METROPOLITAN COUNCIL
- 4) THE ABOVE FIGURES EXCLUDES THE DISTRICT MUNICIPALITIES

Table D3 BUDGETED OPERATING EXPENDITURE 2000-2001

MUNICIPALITY	SALARIES, WAGES AND ALLOWANCES	ELECTRICITY BULK PURCHASES	WATER BULK PURCHASES	SEWER PAYMENTS	OTHER	REPAIRS AND MAINTENANCE	CAPITAL CHARGES	CONTRIBUTION TO FIXED ASSETS	CONTRIBUTIONS TO SPECIAL FUNDS	PROVISION FOR WORKING CAPITAL	TOTAL	LESS: AMOUNTS REALLOCATED	NET BUDGETED EXPENDITURE	OPERATING EXPENDITURE APPROVED
	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million
EASTERN CAPE														
TLC	1,154	703	50	13	870	272	412	4	72	81	3,631	604	3,027	2,965
TRC	7	1	1	0	23	3	1	1	4	0	41	0	41	33
METRO	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	1,161	704	51	13	893	275	413	5	76	81	3,672	604	3,068	2,998
FREE STATE														
TLC	636	337	154	35	296	129	146	17	55	40	1,845	134	1,711	1,677
TRC	4	0	0	0	3	1	0	0	0	0	8	0	8	8
METRO	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	640	337	154	35	299	130	146	17	55	40	1,853	134	1,719	1,685
GAUTENG														
TLC	4,540	2,313	1,836	414	3,815	1,188	1,707	107	504	863	17,287	2,465	14,822	14,702
TRC	7	2	20	1	50	7	4	0	3	0	94	0	94	92
METRO	1,372	1,801	1,099	1	378	378	847	118	163	64	6,221	972	5,249	5,249
TOTAL	5,919	4,116	2,955	416	4,243	1,573	2,558	225	670	927	23,602	3,437	20,165	20,043
KWAZULU-NATAL														
TLC	1,781	618	128	80	1,589	463	682	8	129	81	5,559	1,144	4,415	3,806
TRC	0	0	0	0	0	0	0	0	0	0	0	0	0	0
METRO	1,015	1,234	475	0	1,114	460	731	0	134	0	5,163	1,084	4,079	4,079
TOTAL	2,796	1,852	603	80	2,703	923	1,413	8	263	81	10,722	2,228	8,494	7,885
MPUMALANGA														
TLC	557	353	33	4	378	117	186	12	26	13	1,679	163	1,516	1,475
TRC	11	1	3	1	16	6	1	1	2	0	42	0	42	34
METRO	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	568	354	36	5	394	123	187	13	28	13	1,721	163	1,558	1,509
NORTH WEST														
TLC	556	408	109	11	408	71	137	5	39	8	1,752	233	1,519	1,374
TRC	5	0	0	0	6	4	0	2	0	0	17	0	17	14
METRO	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	561	408	109	11	414	75	137	7	39	8	1,769	233	1,536	1,388
NORTHERN CAPE														
TLC	278	147	24	6	191	59	83	6	28	9	831	55	776	686
TRC	1	0	0	0	4	1	0	0	0	0	6	0	6	4
METRO	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	279	147	24	6	195	60	83	6	28	9	837	55	782	690
NORTHERN PROVINCE														
TLC	353	223	85	6	288	99	109	18	24	5	1,210	188	1,022	1,008
TRC	5	1	1	0	3	1	0	0	0	0	11	0	11	12
METRO	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	358	224	86	6	291	100	109	18	24	5	1,221	188	1,033	1,020
WESTERN CAPE														
TLC	2,855	1,496	293	142	3,791	479	1,123	13	227	50	10,469	2,635	7,834	7,724
TRC	2	4	0	1	14	1	1	1	0	0	24	0	24	24
METRO	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	2,857	1,500	293	143	3,805	480	1,124	14	227	50	10,493	2,635	7,858	7,748
TOTAL	15,139	9,642	4,311	715	13,237	3,739	6,170	313	1,410	1,214	55,890	9,677	46,213	44,966

NOTE:

- 1) THE ABOVE FIGURES EXCLUDE DISTRICT COUNCILS
- 2) CAPE TOWN METROPOLITAN COUNCIL FIGURES ARE SHOWN ON A SEPARATE SHEET WITH THE DISTRICT COUNCILS
- 3) TLC TRANSITIONAL LOCAL COUNCILS
- 4) TRC TRANSITIONAL RURAL COUNCILS
- 5) METRO TRANSITIONAL METROPOLITAN COUNCIL

Table D4 BUDGETED OPERATING INCOME 2000-2001

MUNICIPALITY	PROPERTY RATES/LEVIES FOR METROS	SITE RENT	ELECTRICITY	WATER	SEWERAGE/SANITATION	REFUSE REMOVAL	SUBSIDY	INTERGOVERNMENTAL TRANSFER	OTHER	TOTAL	MONTHLY HOUSEHOLD ACCOUNT
	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million
EASTERN CAPE											
TLC	560	16	1,197	331	226	154	71	109	379	3,043	431.95
TRC	1	0	0	1	1	0	12	24	7	46	150.07
METRO										0	
TOTAL	561	16	1,197	332	227	154	83	133	386	3,089	
FREE STATE											
TLC	294	12	657	319	135	59	59	48	179	1,762	542.06
TRC	0	0	0	0	0	0	0	8	2	10	
METRO	0	0	0	0	0	0	0	0	0	0	
TOTAL	294	12	657	319	135	59	59	56	181	1,772	
GAUTENG											
TLC	4,182	14	4,105	2,589	1,207	694	526	113	1,373	14,803	644.49
TRC	34	0	3	25	3	637	8	4	20	734	250.9
METRO	1,218	0	662	442	0	0	127	18	2,837	5,304	
TOTAL	5,434	14	4,770	3,056	1,210	1,331	661	135	4,230	20,841	
KWAZULU-NATAL											
TLC	1,787	5	957	253	206	173	75	160	798	4,414	
TRC	0	0	0	0	0	0	0	0	0	0	
METRO	285	0	1,845	1,230	0	0	140	0	579	4,079	
TOTAL	2,072	5	2,802	1,483	206	173	215	160	1,377	8,493	
MPUMALANGA											
TLC	336	6	609	173	97	89	21	54	151	1,536	484.75
TRC	4	0	1	5	1	1	1	25	5	43	30.8
METRO	0	0	0	0	0	0	0	0	0	0	
TOTAL	340	6	610	178	98	90	22	79	156	1,579	
NORTH WEST											
TLC	237	5	652	234	101	71	37	32	147	1,516	511.23
TRC	3	2	0	1	2	2	1	7	5	23	88.81
METRO	0	0	0	0	0	0	0	0	0	0	
TOTAL	240	7	652	235	103	73	38	39	152	1,539	
NORTHERN CAPE											
TLC	122	4	258	119	58	38	11	22	145	777	512.5
TRC	0	0	0	0	0	0	0	3	1	4	35
METRO	0	0	0	0	0	0	0	0	0	0	
TOTAL	122	4	258	119	58	38	11	25	146	781	
NORTHERN PROVINCE											
TLC	171	2	413	165	48	62	20	27	94	1,002	627.21
TRC	4	0	2	2	1	1	0	1	2	13	238.37
METRO	0	0	0	0	0	0	0	0	0	0	
TOTAL	175	2	415	167	49	63	20	28	96	1,015	
WESTERN CAPE											
TLC	1,998	22	2,951	904	428	240	213	122	1,014	7,892	489.58
TRC	1	0	0	1	1	1	3	5	14	26	131.81
METRO	0	0	0	0	0	0	0	0	0	0	
TOTAL	1,999	22	2,951	905	429	241	216	127	1,028	7,918	
TOTAL	11,237	88	14,312	6,794	2,515	2,222	1,325	782	7,752	47,027	

NOTE:

- 1) TLC TRANSITIONAL LOCAL COUNCILS
- 2) TRC TRANSITIONAL RURAL COUNCILS
- 3) METRO TRANSITIONAL METROPOLITAN COUNCIL

Table D5 DISTRICT/SERVICES COUNCILS EXPENDITURE AND INCOME - 2000-2001

RSA TOTAL: DISTRICT/SERVICES COUNCILS - 2000-2001												
EXPENDITURE												
PROVINCE	SECTION 12(6)(a) REGIONAL FUNCTIONS		SECTION 12(6)(b) LOCAL BODIES		SECTION 12(6)(c) ADMINISTRATION		SECTION 12(6)(d) TRANSPORT		SECTION 12(6)(e) OTHER		TOTAL	
	APPROVED 1999-2000	APPROVED 2000-2001	APPROVED 1999-2000	APPROVED 2000-2001	APPROVED 1999-2000	APPROVED 2000-2001	APPROVED 1999-2000	APPROVED 2000-2001	APPROVED 1999-2000	APPROVED 2000-2001	APPROVED 1999-2000	APPROVED 2000-2001
	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million
EASTERN CAPE	66	69	285	242	55	50	6	7	2	1	414	369
FREE STATE	2	2	181	157	34	33	-	-	-	-	217	192
GAUTENG	323	294	224	205	64	76	27	25	-	-	638	600
KWAZULU-NATAL	103	124	391	346	64	76	1	-	78	81	637	627
MPUMALANGA	19	21	364	357	25	25	1	1	-	-	409	404
NORTHERN CAPE	12	11	69	55	24	24	1	-	3	1	109	91
NORTHERN PROV	2	3	122	88	17	19	-	-	2	2	143	112
NORTH WEST	107	69	148	200	27	31	-	-	15	15	297	315
WESTERN CAPE	1,424	1,558	632	585	181	230	1	-	57	4	2,295	2,377
TOTAL	2,058	2,151	2,416	2,235	491	564	37	33	157	104	5,159	5,087

RSA TOTAL: DISTRICT-SERVICES COUNCILS - 2000-2001																
INCOME																
	TOTAL LEVIES		REGIONAL FUNCTIONS		INTEREST AND OTHER		LOANS		CONTRIBUTION BY CDF		GRANTS		SURPLUS FUNDS APPROPRIATED		TOTAL	
	1999-2000	2000-2001	1999-2000	2000-2001	1999-2000	2000-2001	1999-2000	2000-2001	1999-2000	2000-2001	1999-2000	2000-2001	1999-2000	2000-2001	1999-2000	2000-2001
	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million	R' million
EASTERN CAPE	224	248	20	-	34	33	34	-	-	-	13	8	89	62	414	370
FREE STATE	142	145	-	-	16	19	19	18	6	12	-	-	34	-3	216	191
GAUTENG	367	362	16	16	31	44	170	155	17	10	2	-	33	14	637	600
KWAZULU-NATAL	186	203	32	36	181	177	4	5	4	6	206	183	24	17	638	627
MPUMALANGA	202	215	2	5	22	18	55	13	-	-	-	-	128	154	408	404
NORTHERN CAPE	55	58	2	2	10	9	9	-	24	13	-	-	10	9	109	91
NORTHERN PROV	84	95	-	-	9	9	-	-	-	-	-	-	50	8	142	112
NORTH WEST	151	145	10	11	31	51	23	16	11	4	40	41	31	47	297	315
WESTERN CAPE	626	658	725	821	139	66	8	7	361	373	47	26	388	426	2,294	2,377
TOTAL	2,037	2,129	807	891	473	426	322	214	423	418	308	258	787	734	5,155	5,087

Table D6 REGIONAL SERVICES COUNCIL LEVIES

SUMMARY OF RSC LEVIES PER PROVINCE

PROVINCE	1996-97		1997-98		1998-99		1999-2000		2000-2001	
	R' million	%	R' million	%	R' million	%	R' million	%	R' million	%
Gauteng	1,224	46.9%	1,331	45.8%	1,498	45.1%	1,543	43.9%	1,581	43.4%
Western Cape	436	16.7%	479	16.5%	596	17.9%	636	18.1%	658	18.1%
KwaZulu-Natal	331	12.7%	372	12.8%	428	12.9%	451	12.8%	491	13.5%
Eastern Cape	154	5.9%	187	6.4%	212	6.4%	231	6.6%	248	6.8%
Mpumalanga	150	5.8%	178	6.1%	187	5.6%	211	6.0%	216	5.9%
Free State	107	4.1%	127	4.4%	137	4.1%	139	4.0%	145	4.0%
North West	106	4.1%	124	4.3%	142	4.3%	161	4.6%	146	4.0%
Northern Province	57	2.2%	61	2.1%	73	2.2%	84	2.4%	95	2.6%
Northern Cape	42	1.6%	46	1.6%	52	1.6%	57	1.6%	59	1.6%
TOTAL	2,607	100.0%	2,905	100.0%	3,325	100.0%	3,513	100.0%	3,639	100.0%
% Growth			11.5%		14.5%		5.7%		3.6%	

DISTRICT MUNICIPALITIES RSC LEVIES PER PROVINCE

PROVINCE	1996-97		1997-98		1998-99		1999-2000		2000-2001	
	R' million	%	R' million	%	R' million	%	R' million	%	R' million	%
Western Cape	82	7.3%	99	7.6%	122	8.3%	116	7.5%	128	8.0%
Gauteng	275	24.6%	317	24.3%	366	24.9%	367	23.9%	362	22.6%
Eastern Cape	154	13.8%	187	14.3%	207	14.1%	224	14.6%	248	15.5%
Mpumalanga	150	13.4%	178	13.6%	187	12.7%	202	13.1%	215	13.4%
KwaZulu-Natal	146	13.0%	167	12.8%	181	12.3%	189	12.3%	203	12.7%
Free State	108	9.6%	127	9.7%	136	9.3%	142	9.2%	145	9.1%
North West	106	9.5%	124	9.5%	142	9.7%	140	9.1%	145	9.1%
Northern Province	57	5.1%	61	4.7%	73	5.0%	102	6.6%	95	5.9%
Northern Cape	42	3.8%	46	3.5%	53	3.6%	55	3.6%	58	3.6%
TOTAL	1,120	100.0%	1,306	100.0%	1,467	100.0%	1,537	100.0%	1,599	100.0%
% Growth			16.6%		12.3%		4.8%		4.0%	

METROPOLITAN MUNICIPALITIES RSC LEVIES

MUNICIPALITY	1996-97		1997-98		1998-99		1999-2000		2000-2001	
	R' million	%	R' million	%	R' million	%	R' million	%	R' million	%
Johannesburg Metro	582	39.2%	615	38.5%	685	37.0%	722	36.6%	720	35.3%
Pretoria Metro	220	14.8%	242	15.1%	260	14.0%	275	14.0%	293	14.4%
Kayalami Metro	100	6.7%	105	6.6%	136	7.3%	135	6.9%	140	6.9%
Lekoa Vaal Metro	46	3.1%	52	3.3%	50	2.7%	58	2.9%	66	3.2%
Durban Metro	185	12.5%	206	12.9%	247	13.3%	270	13.7%	288	14.1%
Cape Town Metro	352	23.7%	378	23.7%	475	25.6%	510	25.9%	530	26.0%
TOTAL	1,485	100.0%	1,598	100.0%	1,853	100.0%	1,970	100.0%	2,037	100.0%
% Growth			7.6%		16.0%		6.3%		3.4%	

NOTE:
RSC REGIONAL SERVICES COUNCIL

Table D7 NUMBER OF EMPLOYEES BY MUNICIPAL CATEGORY AND PROVINCE

Province	Category C	%	Category B	%	Category A	%	Grand Total	%
Eastern Cape	2,192	10.2%	12,111	56.4%	7,171	33.4%	21,474	100%
Free State	106	0.7%	14,345	99.3%		0.0%	14,451	100%
Gauteng	40	0.1%	8,809	14.3%	52,728	85.6%	61,577	100%
KwaZulu-Natal	1,306	9.3%	14,071	38.7%	20,953	57.7%	36,330	106%
Mpumalanga	211	2.1%	9,859	97.9%		0.0%	10,070	100%
North West	508	5.2%	9,169	94.8%		0.0%	9,677	100%
Northern Cape	749	12.1%	5,451	87.9%		0.0%	6,200	100%
Northern Province	309	6.0%	4,800	94.0%		0.0%	5,109	100%
Western Cape	2,704	6.3%	11,814	27.6%	28,304	66.1%	42,822	100%
	8,125	3.9%	90,429	43.5%	109,156	52.6%	207,710	100%

Note :

- 1) Information is based on data collected in January 2000 and aggregated to the new demarcated municipalities.
- 2) In some cases where municipalities were split, assumptions were made as to which municipality staff will be transferred to.
- 3) For the metropolitan information, no data is available for the disestablished JHB Northern MSS.

Table D8 PROFILE ANALYSIS OF MANAGEMENT LEVEL EMPLOYEES IN LOCAL GOVERNMENT

Type	Category	Total	Professionally Registered	PDI's	Females	Over 55	More than 5 years experience
Municipal Managers	Category C	55	38	26	4	4	32
	Category B	613	315	228	58	73	340
	Category A	43	32	14	1	3	24
Financial Managers	Category C	53	43	9	2	9	38
	Category B	440	258	79	78	56	310
	Category A	36	32	8	3	5	31
Technical Managers	Category C	48	31	8	1	4	35
	Category B	366	123	74	3	49	277
	Category A	38	30	5	0	6	33
Other Managers	Category C	125	63	53	21	16	70
	Category B	996	492	299	164	90	613
	Category A	154	113	51	18	15	86
Totals		2,967	1,570	854	353	330	1,889

Note :

- 1) Information is based on data collected for 767 disestablished municipalities in January 2000, and then mapped to the 284 new municipalities.
- 2) For the relation between all employees, use the Munic_Employees worksheet
- 3) PDI means Previously Disadvantaged Individuals

Table D9 ANALYSIS OF PAY GRADES FOR MUNICIPAL EMPLOYEES

ANALYSIS ACROSS ALL PAY GRADES

Salary Range	Total	Percentage	Salary Range	Total	Percentage
0 - 30479	20642	20.5%	0 - 53051	69515	69.0%
30480 - 30623	4340	4.3%			
30624 - 30779	766	0.8%			
30780 - 30947	1271	1.3%			
30948 - 31127	664	0.7%			
31128 - 31499	780	0.8%			
31500 - 34931	15305	15.2%			
34932 - 39563	9841	9.8%			
39564 - 45203	7876	7.8%			
45204 - 53051	8030	8.0%			
53052 - 67667	9985	9.9%	53052 - 105695	24701	24.5%
67668 - 76559	5683	5.6%			
76560 - 84551	3272	3.2%			
84552 - 93359	2870	2.9%			
93360 - 105695	2891	2.9%			
105696 - 116711	1707	1.7%	105696 - 157007	4825	4.8%
116712 - 128855	1666	1.7%			
128856 - 142199	657	0.7%			
142200 - 157007	795	0.8%			
157008 - 185063	916	0.9%	> 157008	1644	1.6%
185064 - 205883	314	0.3%			
205884 - 229031	226	0.2%			
229032 - 254807	136	0.1%			
254808 - 283439	16	0.0%			
283440 - 311279	28	0.0%			
> 311280	8	0.0%			
Total	100685				

ANALYSIS OF MINIMUM AND MAXIMUM SALARIES IN CATEGORY A, B AND C MUNICIPALITIES

Category	Minimum			Maximum		
	Category A	Category C	Category B	Category A	Category C	Category B
Annual Base Pay	18,048	24,768	20,640	580,808	279,588	436,961
Total Package	18,138	29,753	23,870	580,808	512,324	436,961
Designation	General Worker			Chief Executive Officer		

Note:

- 1) This extraction is based on a sample size of 100 000 employees and on information collected in March 2001 by SALGA.
- 2) For the minimum wage calculation, data for all employees that are full time and permanent and work a minimum of 37 hours per week was considered.
- 3) The minimum wage based on annual base pay only is R18 048 per annum by a person employed as an Administrative Assistant
- 4) The maximum wage based on annual base pay only is R580 808 per annum, by a person employed as a Municipal Manager.
There are no other benefits with this package.

Demographic profile of provinces and local government

Information on the demographic characteristics of the provinces and municipalities is available from official sources, especially Statistics South Africa. However, to assist the reader, the information in this Annexure provides a broad demographic perspective.

The key data are from Statistics South Africa, mainly census data, the latest October Household Survey (1999) and its 2000 publication, *Measuring Poverty in South Africa*. All of these are available on its website address www.statssa.gov.za. Some data was also taken from unpublished information from the Research Institute for Educational Planning and surveys from the South African Institute of Race Relations.

The data in this annexure are not necessarily reconcilable with information in the *Review*, but where there are differences, they are negotiable. Reasons for variances:

??Period (month or year) when data were collected

??Collection methodology and source, which includes official records, sample surveys and others

For further data, readers are advised to consult official sources, such as Statistics South Africa. The support of the Development Information Unit at the Development Bank of Southern Africa is acknowledged.

Socio-economic indicators

Indicators	Western Cape	Northern Cape	Free State	Eastern Cape	KwaZulu-Natal	Mpumalanga	Northern Province	Gauteng	North West	South Africa
Area (km ²)	129 386	363 389	129 437	170 616	91 481	82 333	116 824	21 025	118 710	1 223 201
Population Density (persons per km ²)	33,7	2,5	21,8	39,0	100,1	37,8	47,1	385,0	30,5	36,1
Population, 1999 ('000)	4 171	890	2 813	6 769	9 003	3 000	5 310	7 778	3 592	43 326
<i>Population growth, 1996-99 (%)</i>	1,9	1,2	1,4	1,1	1,7	2,1	2,2	2,0	1,5	1,7
Urban population, 1999	3 710	612	1 984	2 245	4 169	1 208	615	7 502	1 314	23 359
Non-urban population, 1999	461	278	829	4 524	4 834	1 792	4 695	276	2 278	19 967
<i>Percentage population 0-14 yrs, 1999</i>	29,4	31,4	30,5	35,5	33,4	35,7	39,4	27,5	32,9	32,9
<i>Percentage population 15-64 yrs, 1999</i>	65,5	63,5	65,0	58,9	62,2	60,6	56,1	68,4	62,8	62,6
<i>Percentage population 65+ yrs, 1999</i>	5,1	5,1	4,4	5,6	4,4	3,7	4,5	4,1	4,3	4,5
Total number of pupils in public schools, Grade 1-12 ('000), 1999	910	196	762	2 314	2 757	1 045	1 763	1 457	934	12 138
Number of pupils: Primary education, Grade 1-7 ('000), 1999 (including public and independent schools)	607	133	470	1 646	1 801	583	1 098	983	608	7 929

Socio-economic indicators

Indicators	Western Cape	Northern Cape	Free State	Eastern Cape	KwaZulu-Natal	Mpumalanga	Northern Province	Gauteng	North West	South Africa
Number of pupils: Secondary education, Grade 8-12 ('000), 1999 (including public and independent schools)	309	64	290	653	914	323	655	570	334	4 111
<i>Percentage distribution of pupils per province (%), 1999</i>	7,8	1,7	6,3	18,9	22,5	7,6	14,8	12,7	7,7	100
Number of pupils per educator, 1999	32,9	30,2	30,1	36,3	37,1	36,0	33,9	29,2	30,2	33,7
Number of educators, 1999	29 252	6 773	25 940	64 080	74 719	25 856	53 712	53 739	31 376	365 447
Number of schools, 1999 (including public and independent schools)	1 653	493	2 872	6 190	5 716	1 927	4 071	2 214	2 325	27 461
Number of public hospitals, 1998	45	19	31	66	66	25	47	29	32	360
Number of public community health centers, 1998	59	6	7	8	16	3	22	12	20	153
Number of public clinics, 1998	317	128	275	620	394	185	313	443	278	2 953
Number of private hospitals, 1998	69	29	18	42	48	11	2	108	17	344
Number of private clinics, 1998	10	0	7	3	3	3	0	44	4	74
Doctors in the public sector per 10 000 of the population, 1998	6,5	2,0	2,4	1,8	2,6	1,5	1,5	5,3	1,7	2,9
Dentists in the public sector per 10 000 of the population, 1998	0,2	0,1	0,1	0,1	0,1	0,1	0,1	0,3	0,1	0,1

Socio-economic indicators

Indicators	Western Cape	Northern Cape	Free State	Eastern Cape	KwaZulu-Natal	Mpumalanga	Northern Province	Gauteng	North West	South Africa
Pharmacists in the public sector per 10 000 of the population, 1998	0,7	0,3	0,3	0,2	0,4	0,2	0,2	0,6	0,2	0,4
Nurses in the public sector per 10 000 of the population, 1998	41,4	21,7	32,5	32,2	35,9	22,9	30,6	31,8	29,1	32,4
Specialists per 1 000 of the population, 1998	0,37	0,06	0,13	0,05	0,14	0,03	0,02	0,33	0,04	0,15
Other health workers per 1 000 of the population, 1998	0,74	0,43	0,51	0,44	0,58	0,18	0,31	0,44	0,37	0,46
Number of hospital beds per 1 000 of the population, 1998	3,7	4,5	3,8	3,6	4,3	2,2	3,1	6,7	4,3	4,0
Public health spending per capita, 2000/01 (Rand)	711	398	504	442	462	324	330	912	351	512
Total number of households, 1996	985	188	626	1 334	1 665	605	985	1 968	722	8 356
<i>Percentage of households with access to only below basic electricity (%), 1996</i>	<i>14,8</i>	<i>29,4</i>	<i>42,8</i>	<i>68,3</i>	<i>46,4</i>	<i>43,4</i>	<i>63,3</i>	<i>20,4</i>	<i>55,9</i>	<i>42,3</i>
<i>Percentage of households with access to only below basic water (%), 1996</i>	<i>3,2</i>	<i>8,9</i>	<i>6,0</i>	<i>46,5</i>	<i>33,7</i>	<i>17,8</i>	<i>24,5</i>	<i>4,0</i>	<i>18,6</i>	<i>20,2</i>
<i>Percentage of households with access to only below basic sanitation (%), 1996</i>	<i>9,5</i>	<i>29,1</i>	<i>29,7</i>	<i>35,8</i>	<i>16,7</i>	<i>12,9</i>	<i>22,2</i>	<i>5,5</i>	<i>13,3</i>	<i>17,5</i>

Socio-economic indicators

Indicators	Western Cape	Northern Cape	Free State	Eastern Cape	KwaZulu-Natal	Mpumalanga	Northern Province	Gauteng	North West	South Africa
<i>Percentage of households with access to only below basic refuse removal (%), 1996</i>	15,4	30,5	35,5	64,5	56,8	60,5	88,0	15,0	64,1	46,6
<i>Percentage of households with access to only below basic telephone (%), 1996</i>	4,5	14,9	18,7	51,9	28,3	21,5	44,4	6,5	27,6	24,8
Human Development Index, 1999	0,68	0,56	0,55	0,51	0,55	0,53	0,48	0,69	0,52	0,58
<i>Poverty Rate (Percentage of persons in poverty), 1999 (%)</i>	19,2	39,9	48,2	63,3	53,1	53,6	64,2	27,5	52,7	47,3-
Mean monthly household expenditure (Rand), 1996	3 816	2 396	1 819	1 702	2 579	2 394	1 855	4 270	2 137	-
Average annual per capita income 1999 (Rand)	21 593	12 798	10 900	8 789	11 076	10 308	7 588	23 589	9 384	13 468

Sources:

Research Institute for Educational Planning: Unpublished Information, 2000

South African Institute of Race Relations: South Africa Survey 1999/2000

Statistics South Africa: October Household Survey, 1999

Statistics South Africa: Measuring Poverty in South Africa, 2000

WEFA South Africa; Unpublished Information, 2001

National Department of Education: Education Statistics in South Africa. At a Glance, 1999

F

Provincial Agriculture, Legislature, Public Works and Transport Budgets

The *2001 Intergovernmental Fiscal Review* (IGFR) covers the five biggest budget sectors, and not the smaller budget departments like Agriculture, Legislature, Public Works and Transport. These budgets often include different functions in each province, so the *Review* is unable to provide any analysis, as the allocations between provinces may not be comparable. The Public Works and Transport budgets may be useful when analysing chapters 5 and 6, covering roads and infrastructure. In some provinces, the roads budget may be included in the Transport budget, whilst in others it may be included in the Public Works budget. Table F.3 on Public Works does not reflect figures for all the years for all provinces and therefore the “total” line has been omitted.

Table F.1: Provincial Agriculture Expenditure

R million	Actual			Estimated actual 2000/01	Medium-term estimate		
	1997/98	1998/99	1999/00		2001/02	2002/03	2003/04
Eastern Cape	537	388	444	451	468	470	491
Free State	117	100	104	118	126	138	150
Gauteng	26	31	44	66	67	65	69
KwaZulu-Natal	555	400	518	562	672	704	752
Mpumalanga	238	278	253	262	246	295	314
Northern Cape	65	61	66	54	54	58	63
Northern Province	604	572	562	656	621	755	776
North West	193	192	222	220	253	270	279
Western Cape	61	64	64	72	89	105	108
Total	2 396	2 086	2 275	2 461	2 596	2 859	3 003

Table F.2: Provincial Legislature Expenditure

R million	Actual			Estimated actual 2000/01	Medium-term estimate		
	1997/98	1998/99	1999/00		2001/02	2002/03	2003/04
Eastern Cape	41	47	58	64	69	66	70
Free State	21	25	37	39	42	45	47
Gauteng	52	57	63	70	81	88	93
KwaZulu-Natal	49	54	53	62	68	70	73
Mpumalanga	38	33	37	37	43	51	54
Northern Cape	13	13	15	18	20	22	24
Northern Province	17	17	31	33	36	39	42
North West	28	29	28	30	33	35	42
Western Cape	26	26	29	33	32	32	33
Total	284	301	352	388	424	447	448

Table F.3: Provincial Public Works

R million	Actual			Estimated actual 2000/01	Medium-term estimate		
	1997/98	1998/99	1999/00		2001/02	2002/03	2003/04
Eastern Cape	758	662	561	727	951	1 642	1 655
Free State	300	226	242	204	181	197	207
Gauteng	496	495	466	524	?	?	?
KwaZulu-Natal	651	340	341	418	303	317	383
Mpumalanga	134	134	131	128	119	226	194
Northern Cape	?	?	?	?	?	?	?
Northern Province	733	625	690	1 016	796	958	1 053
North West	617	625	615	?	?	?	?
Western Cape	101	63	65	147	164	127	145

Table F.4: Provincial Transport Expenditure

R million	Actual			Estimated actual 2000/01	Medium -term estimate		
	1997/98	1998/99	1999/00		2001/02	2002/03	2003/04
Eastern Cape	282	156	207	186	243	237	251
Free State	368	253	255	224	310	234	246
Gauteng	389	559	569	622	632	771	817
KwaZulu-Natal	724	519	710	908	1 083	1 144	1 317
Mpumalanga	121	23	27	26	34	34	40
Northern Cape	218	154	158	191	210	233	245
Northern Province	234	186	187	204	233	269	273
North West	253	281	241	180	270	272	280
Western Cape	417	334	347	525	493	610	623
Total	3 006	2 465	2 701	3 066	3 508	3 804	4 092