



# NATIONAL TREASURY

## REPUBLIC OF SOUTH AFRICA

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### SUMMARY – PROVINCIAL BUDGETS AND EXPENDITURE REVIEW 2001/02-2007/08

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Unlike the Intergovernmental Fiscal Reviews published in previous years, this year's Provincial Budgets and Expenditure Review excludes data and analysis on local government, which will be published next year. The Review records the progress that has been made with service delivery over the period 2001/02 through 2004/05. It sets out the consolidated budget figures for 2005/06 and the forward estimates through 2007/08. The Review is structured as follows:

The introductory chapter explains the architecture of the intergovernmental system and identifies some of the key intergovernmental forums that facilitate consultation on matters pertaining to the division of revenue and intergovernmental coordination on concurrent functions.

Chapters 2 to 4 cover social services (education, health and social development) expenditure and budgets and service delivery trends. Together these services make up 82 per cent of total provincial expenditure. Expenditure and budget figures for these sectors show strong real growth in spending while service delivery information reflects very good progress in improving access to these services.

Chapters 5 to 7 are devoted to non-social services functions – housing, roads and transport and agriculture and land.

Chapter 8 deal with personnel.

Chapter 9 is a summary of trends in provincial finances.

The Review has several annexures on individual provinces on individual provinces and expenditure by programme for the seven-year period covered in the review.

## CHAPTER 2: EDUCATION

1. The formal education system in South Africa comprises three bands namely general education and training (grade R to 9 and an equivalent ABET component), further education and training (NQF levels 2 to 4: equivalent to grades 10 to 12 in schools) and the national technical certificates 1 to 3 in FET colleges) and higher education (certificates, diplomas, and degrees, including post-graduate degrees).
2. School education is a concurrent function of national and provincial government in terms of the Constitution, except for higher education, which is the exclusive responsibility of the national sphere. The national Department of Education is responsible for formulating overall education policy, setting norms and standards for education provisioning and is responsible for monitoring and supporting education provisioning. Provincial education departments are responsible for the funding and delivery of public school education and for further education and training.
3. Great strides have been made to improve access and reduce inequality in school education:
  - a. Currently, approximately 12 million children are enrolled in the schooling system compared to 8,5 million in 1985. In addition, out-of-age enrolment in schools has gradually been managed downwards and formal schooling gradually been extended to grade R.
  - b. Provincial governments currently employ over 344 000 educators in 26 489 schools at an average learner educator ratio of 34:1 compared to an average ratio of over 50:1 in 1994.
  - c. Trends show that KwaZulu-Natal, Eastern Cape and Limpopo accommodate more than 50 per cent of learners, educators and schools. Significant progress has been made in reducing the high

learner:educator ratios in poorer provinces with the ratios ranging from 30:1 in North West to 37:1 in KwaZulu-Natal

4. Provincial education expenditure increased 11 per cent (4,2 per cent in real terms) per year from R47,3 billion in 2001/02 to R64,7 billion in 2004/05 and is budgeted to grow 8,3 per cent (3,2 per cent in real terms) per year to reach R82,2 billion by 2007/08.
  - a. This level of growth is expected to further increase access by ensuring that all children of school going age are captured by the system and to further enhance equity.
  - b. Personnel spending continues to take up the largest share of provincial education budgets. As a percentage of total provincial education budgets, personnel spending decreased from 95,1 per cent in 2001/02 to 91,4 per cent in 2004/05 and is budgeted to decrease further to 88,3 per cent by 2007/08. The trend shows that although government has substantially improved the service conditions of educators, this has not been at the expense of other key inputs needed to improve the quality of education, as additional funding was earmarked for this purpose.
  - c. Capital spending shows grows sharply from R965 million in 2001/02 to over R2, billion in 2004/05 and is budgeted to reach R3,9 billion by 2007/08. This reflects government's commitment to ensure that school infrastructure backlogs are reduced so that each child be accommodated in fully equipped classrooms. Through its Infrastructure Delivery and Improvement Programme, Government seeks to ensure that provincial education departments have the capacity to speed up the delivery of school infrastructure.
5. In terms of outputs and performance
  - a. Matriculation results show a decline in the number of learners that wrote the exam from 511 474 to 440 267 between 1999 and 2003 before increasing somewhat to 467 985 in 2004.
  - b. The matriculation pass rate improved since 1999 to reach 73,2 per cent in 2003, before dropping to 70,7 per cent in 2004. However, actual numbers passing the exam have in fact increased, from 249 831 in 1999 to 330 717 in 2004.
  - c. The number of learners who passed with endorsement increased by about 10 000 between 1999 and 2004. This has pushed the endorsement rate to above 18 per cent over the past two years, compared to 14,2 per cent in 2000. This percentage is, however, still very low and needs to be addressed.
  - d. Trends in results for mathematics and science are also of concern, taking into account that only 8,7 per cent of learners who wrote the mathematics exam passed on the higher grade.
6. Despite high relative levels of expenditure, improved equity and growing real allocations, the quality of service delivery remains a concern.
  - a. Recent standardised international tests such as the Third International Mathematics and Science Study-Repeat (TIMMS-R) and the UNESCO/UNICEF Monitoring Learning Achievement project show that South African learners do not compare well with counterparts from countries with comparable levels of spending.
  - b. A systemic evaluation conducted on grade 3 learners in 2001/02 show poor numeracy and literacy skills among these learners.
7. Spending on capital does not keep pace with available resources. Steps need to be taken to improve capital spending capacity and Government's Infrastructure Delivery and Improvement Programme government seeks to ensure that there is capacity to speed up the delivery of school infrastructure.
8. Measurement of performance remains a challenge mainly due to lack of administrative and management data. Steps need be taken to ensure that key sector data needed for planning, monitoring and evaluation are available regularly.

## CHAPTER 3: HEALTH

1. Population growth and the escalating burden of disease, together with stagnating users in the private health sector, are putting increasing pressure on the public health system. The chapter shows how public sector funding has been responding to these pressures.
2. Funding for health services in South Africa was estimated at approximately R114 billion in 2004/05, which amounts to 8,2 per cent of gross domestic product (GDP). This exceeds funding for most countries with comparable incomes. However, a large portion of this includes private sector health spending, with public sector funding accounting for 3,4 per cent of GDP, a figure which also compares favourably with

comparable middle income countries. On a per capita basis R1 128 per person without medical aid will be spent on health services by provinces this year.

3. Great strides have been made to improve access in health services and to achieve equity across provinces.
  - a. With respect to primary health care, approximately 96 million patient visits are managed per year at an average cost of R68 per visit.
  - b. HIV and Aids treatment programmes are initiated in all 53 health districts in the country with around 42 367 persons on treatment by December 2004. Funding allows for 150 000 persons on treatment and will be adjusted as the programme is rolled out.
  - c. HIV and Aids mother-to-child prevention programmes have been extended to 1 652 sites with voluntary counselling and testing available at 3 369 sites. Further, surveys conducted suggest increased usage of male condoms.
  - d. Greater emphasis is placed on emergency medical services. Ambulances transported about 2,4 million patients in 2004/05, ranging from a high of 141 per 1 000 in Northern Cape to a low of 14 per 1 000 in Limpopo. Population density and the associated impact of distances and variation in ambulance service and staffing models also affect this. A new national ambulance model is under consideration.
  - e. The number of health professionals increased by 2 605 between 2001/02 and 2005/06. Some of the highlights include the number of pharmacists increasing from 1 256 to 1 607 (27,9 per cent), as well as increases in the number of dieticians (15,1 per cent), speech therapists (18,6 per cent) and physiotherapists (9,1 per cent). While there is an overall decrease in the number of doctors employed, rural provinces like Eastern Cape (9,5 per cent), KwaZulu-Natal (1,4 per cent), Limpopo (3,4 per cent), Mpumalanga (13,3 per cent) and North West (8 per cent) experienced gains in the number of doctors employed.
  - f. Greater equity is achieved with per capita health spending expected to grow from R788 in 2001/02 to R1 262 in 2007/08. Health spending is also gradually being equalised across provinces with the relative convergence in per capita spending across provinces by 2007/08.
4. Total provincial health spending grew at an average annual rate of 11,4 per cent (4,6 per cent in real terms) from 2001/02 to 2004/05, following a period of stagnation between 1996/97 and 1999/00. The trend continues over the medium term, with total provincial health budgets projected to grow to R53,2 billion in 2007/08, or at an average annual rate of 9,5 per cent (4,3 per cent in real terms) between 2004/05 and 2007/08.
  - a. Real growth between 2001/02 and 2004/05 differed among provinces, with Northern Cape, Mpumalanga, North West and Limpopo showing particular strong growth, each exceeding 15 per cent.
  - b. Primary health care expenditure increases from R4,6 billion in 2001/02 to R7,4 billion in 2004/05 and is budgeted at R8.4 billion in 2005/06, with significant increases in almost all the subprogrammes. Government spends on average R254 per uninsured person on primary health care in 2005/06 compared to R121 in 2001/02. This level of spending seeks to ensure that less pressure is placed on hospital services by ensuring basic care at PHC level and at the same time seeks extend the outreach of these services.
  - c. Spending on hospitals grew from R19,8 billion in 2001/02 to R24,4 billion in 2004/05 and is budgeted to reach R30 billion by 2007/08 (an annual growth rate of 7,2 per cent over the period). This level of growth is targeted at ensuring that hospitals are in a position deal with the impact of HIV and Aids.
  - d. Funding for emergency medical services grows from R792 million in 2001/02 to R1,4 billion in 2004/05 and is budgeted to reach R1,9 billion in 2007/08.
  - e. Earmarked spending on HIV and Aids programmes increased sharply from R80 million in 2001/02 to R1,2 billion in 2004/05 and is budgeted to grow to R2,5 billion in 2007/08 (an annual growth rate of 77,2 per cent over the period)
  - f. The share of personnel spending in total health spending decreases from 60,1 per cent to 57,5 per cent in 2004/05 and is budgeted to further decrease to 55,3 per cent by 2007/08. At the same time personnel spending has increased by 8,8 per cent over the same period to improve the service conditions of health workers and to attract and retain scarce health professionals. Average salaries have increased from R81 971 in 2001/02 to R105 458 in 2004/05. The trend shows that although government substantially improved the service conditions of health professionals, this has not been at the expense of other key inputs needed to improve the quality of health services.

- g. There is strong robust growth in capital budgets reflecting sizable investment in health facilities. Capital budgets increased from R1,9 billion in 2001/02 to R2,6 billion in 2004/05 and is budgeted to reach R4,3 billion by 2007/08. Several large hospital revitalisation projects are nearly finished while hospitals recently completed in Colesberg and Calvinia have received acclaim as attractive and impressive new district hospitals. Various initiatives are being put into place to strengthen management of the programme and speed-up delivery.
5. With underspending on health capital budgets of R620 million in 2004/05, there is evidence that spending on capital does not keep pace with available resources. Steps need to be taken to improve capital spending capacity and Government's Infrastructure Delivery and Improvement Programme government seeks to ensure that there is capacity to speed up the delivery of health infrastructure.
  6. While great strides have been made in improving quality and service delivery, measurement thereof remains a concern. The sector, like all other sectors, need to beef up the quality of its administrative and management data to enable proper measurement of performance and at the same time improve planning and targeting.
  7. As the Review shows, the sector is succeeding in attracting and retaining scarce health professionals. However, the demand for certain categories like doctors, dentists, occupational therapists and pharmacists remain great given the low ratios of these categories per 100 000 uninsured patients.

## CHAPTER 4: SOCIAL DEVELOPMENT

1. The social development sector is undergoing fundamental restructuring to improve service delivery and administration of social assistance grants and social welfare services. This include
  - a. The centralisation of the social assistance function and setting up the Social Security Agency and concerted efforts to improve service delivery and eradicate fraud.
  - b. The development of a social welfare services delivery model and financing mechanism. Social welfare services consist mainly of programmes that focus on treatment and prevention of substance abuse; care for the aged; crime prevention, rehabilitation and victim empowerment; services to the disabled; and child and youth care and protection. It is expected that this service delivery model will address the different levels of welfare services and care and distinguish between statutory and non-statutory services.
2. Through its social development programmes government has succeeded in creating a social security safety net for the poor through direct income support. Access for these services has increase rapidly over the past three years and will moderate as the policies mature and administration is further strengthened.
  - a. The number of social assistance grant beneficiaries increased from 3,6 million in April 2001 to reach 9,4 million beneficiaries by April 2005 and is currently in excess of 10 million. This is mainly due extending the child support grant to children under the age of 14 years and increases in the take up of other grants.
  - b. The administration of the social assistance grant system is being strengthened to ensure that only eligible people get access to this key Government programme. Key initiatives have been implemented to address systemic weaknesses within the grant administration system. These include
    - i. Investigation and prosecution of fraudulent activities by programme staff, providers or recipients;
    - ii. Comprehensive review of all temporary disability beneficiaries;
    - iii. Rolling out a management information system in all provinces that provides staff with regular updates on key indicators for how the programme is being administered, including early warning indicators; and
    - iv. Piloting, finalising and implementing a new disability assessment tool.
  - c. The real value of these grants has been protected over the period under review. The value of the major pensions has increased from R520 in July 1999 to R780 in April 2005. The rest of the other grants increased from R100 to R180 over the same period.
3. Provincial social development budgets grew from R23, 8 billion in 2001/02 to R59, 7 billion in 2005/06 and is budgeted to grow to R70,6 billion in 2007/08. This trend reflects Government's commitment to intensify

its strategy against poverty, improved welfare services, greater support to children, and enhanced services to the disabled while continuing the fight against HIV and Aids.

- a. The growth has mainly been in social assistance grants mainly due to reasons listed above. These grants, consisting of cash grants and the cost of administering grants, comprised 92 per cent of total social development spending in 2004/05. Total spending on social assistance grants rises from R20, 6 billion in 2001/02 to R52 billion in 2005/06 and R61, 8 billion in 2007/08.
  - b. Funding for social welfare services, grew from R1,6 billion in 2001/02 to R2,1 billion in 2004/05 and is budgeted to reach R2,9 billion by 2007/08. There is a need to further strengthen social welfare services given their contribution to sustainable communities.
  - c. Growth in administration spending highlights the increased capacity that is being built to improve the management of the social assistance function. Spending on administration doubles from R498 million in 2001/02 to R1,1 billion in 2004/05 and is expected to grow to R1,3 billion by 2007/08.
4. Government has succeeded, particularly through this sector, to alleviate poverty through income support. The challenge that remains is the sustainability of this intervention and the need to find an appropriate balance between direct income and poverty through job creation and economic growth.
5. Steps are being taken to improve the overall administration of social assistance grants as growth in spending on these grants crowd out social welfare spending and other categories of spending. The initiatives must be intensified to ensure that only the people who qualify in terms of predetermined criteria, access the programme.
6. The extent of social welfare services needs to be quantified to enable targeted intervention in the areas of drugs and substance abuse, care for the aged, children in conflict with the law, service to the disabled, and child and youth care. The NGO sector, supported by government, need to be further strengthened to deal with the social challenges facing communities. Thus data and information management as it relates to this sector needs to be strengthened to allow for performance measurement, planning and targeting.

## **CHAPTER 5: HOUSING**

1. South Africa's housing programme has been redirected with the introduction of the comprehensive plan for sustainable human settlements. The plan shifts the focus of the national housing programme from simply ensuring the delivery of affordable housing units to qualifying beneficiaries, to making sure that adequate housing, in settlements that are both sustainable and pleasant, is available for all.
2. Government has succeeded, in the face of large backlogs, to improve the livelihood of millions of poor households through its housing programme
  - a. Through this programme, 1,79 million new houses have been constructed since 1994. Further, 549 597 units of old housing stock have been transferred to poor households.
  - b. Making certain assumptions about household sizes, one can deduce that close to 10 million people have benefited through the housing subsidy scheme.
  - c. Including the replacement costs of the housing stock created and transferred to occupants, it is estimated that property assets worth over R37 billion have been transferred to South African households since 1994.
3. By the end of 2004/05, approximately R32,4 billion had been spent on housing delivery since 1994/95. Over the next three years the department of housing budgets to spend R17,4 billion on low cost housing.
4. Despite Government's impeccable record on housing delivery, certain pertinent challenges remain
  - a. The housing backlog has grown due to increased demand and the pace of urbanisation, with urban populations growing at 2,7 per cent per year.
  - b. Despite increasing levels of construction in all housing markets, a spatially integrated residential property market has not emerged. The repeal of the Group Areas Act (1950) in 1991 created a greater demand for housing in well-serviced and well-located neighbourhoods. This has led to an increase in prices, sales and investment, while investment in large parts of the middle to lower end of the property market has declined. While property values in approximately 30 per cent of the market have soared, the stagnation in township and inner city areas continues, and is cause for concern.
  - c. The 1,79 million subsidised houses that have been built since 1994 have not become economic assets in the hands of the poor; nor have they contributed positively to the rates base of municipalities. The challenge will be to make sure that an optimal mix of housing types is delivered so that a sustainable housing market emerges. Learning from this experience, there is a need for the housing delivery sector to develop projects that conform with the vision of

- sustainable human settlements: projects with a mixture of land uses, adequate community facilities, adequate municipal infrastructure and a range of housing options so that residents are able to make real choices about the type of housing they can afford.
- d. There is a need to improve the overall built environment by augmenting the housing programme with supplementary social and economic infrastructure, which are key in the development of sustainable communities.
  - e. Building capacity in municipalities, particularly metros, to implement the housing programme.
5. In response to the criticism that the national housing programme has not transformed apartheid settlement patterns or promoted functional housing markets, Government's comprehensive plan sets a new target for upgrading all informal settlements. This involves
- a. Formalising tenure arrangements.
  - b. Provision of municipal engineering services (including roads, water, electricity, and sanitation).
  - c. Provision of social amenities and community facilities (including health, education and recreation facilities).
  - d. Upgrading housing, and
  - e. A strategy to fill the vacuum in the rental market for low income earners. Because the need for affordable housing is often temporary, in response to the need to live close to temporary jobs and because of the high level of mobility shown by poorer households, informal settlement upgrading projects need to provide affordable rental accommodation as a priority over individual units for qualifying beneficiaries.
6. The new approach to delivering housing through a focus on large-scale projects that upgrade and restructure existing settlements heralds a brave new way of satisfying people's constitutional right to adequate housing. Within this context, co-operation between the three spheres of government is necessary. Municipalities need to be adequately capacitated, equipped and funded to take over the administration of national housing programmes; they need to comply with national housing and financial management legislation; and they need to drive delivery from integrated development planning through to the management of rental housing stock.

## CHAPTER 6: AGRICULTURE AND LAND

1. Government programmes of land reform and agriculture are primarily aimed at redressing past inequities in the ownership of farms and access to services. The Department of Land Affairs intervenes through its land restitution process and other land reform programmes while the Department of Agriculture provides financial, technical and infrastructure support to emerging farmers to enable them to engage in commercial agricultural activities.
2. Government has through its land reform programme and agriculture policies succeeded to improve the livelihood of the rural poor and improved access to land. Further, it continues to explore mechanism to extend agricultural services to emerging farmers to improve their productive capacity and gearing them up to take part in the highly sophisticated commercial farming segment of the sector.
  - a. Land redistribution and tenure reform insured the redistribution of 2 million hectares of land to 199 098 beneficiaries by December 2004.
  - b. Approximately 57 257 restitution claims involving 164 103 households and 812 315 hectares of land have been settled.
  - c. The land redistribution for agricultural development programme (LRAD) have, since its inception in 2001, redistributed close to 1 million hectares at a total cost of R1,2 billion to emerging farmers.
  - d. The Comprehensive Agricultural Support Programme (CASP) was introduced in 2003/04 to facilitate post-settlement of farmers. It aims to improve the quality of farmer support services and bridge the policy gap between land reform and agricultural support. CASP prioritises the development and rehabilitation of dipping infrastructure in communal grazing areas to improve animal health and make livestock farming more productive. Further, it prioritises the stepping up of capacity building and technical advisory programmes so that land reform beneficiaries can use their land more effectively and efficiently
    - i. So far, 11 776 emerging farmers and 2 153 commercial farmers have been trained.

- ii. At least 481 mentorship programmes for emerging farmers and 217 mentorship programmes for commercial farmers have been implemented.
    - iii. Advice has been provided to 35 494 emerging farmers and 9 164 commercial farmers.
  - e. Great progress has been made with regard to ensuring food security with projects targeted at gardening, livestock and poultry.
3. The restitution and redistribution and tenure reform programme administered by the National Department of Land Affairs grows from R735 million in 2001/02 to R1,6 billion in 2004/05 and is budgeted to grow to R5,2 billion by 2007/08 in line with Government's programme of speeding up land reform.
  4. The total budget allocated to both national and provincial departments of agriculture grows from R4,6 billion in 2004/05 to R6,4 billion in 2007/08, an average annual rate of 11,7 percent over the medium term. Provincial spending over the 2005 MTEF rises from R3,4 billion in 2004/05 to R4,7 billion in 2007/08, which translates to an increase of 11 percent over this period.
    - a. Over the medium term, about R1,2 billion will be spent on the Comprehensive Agricultural Support Programme (CASP).
    - b. Another positive development in agriculture relates to the change in the composition of expenditure. The share of personnel spending in total provincial agriculture spending declines from 69,4 per cent in 2001/02 to 53,9 per cent in 2005/06 and is expected to drop further to 51,9 per cent in 2007/08. This should release resources for urgently needed farmer support and development programmes that are necessary to ensure beneficiaries of the land restitution and redistribution programmes have a chance of becoming successful farmers.
    - c. Non-personnel spending grows steadily from 30,6 percent of total agriculture spending in 2001/02 to reach 48,1 percent in 2007/08.
  5. Despite the positive development in relation to agriculture some challenges remain.
    - a. Some provinces still spend disproportionately more on administration (over 43 per cent in Eastern Cape) and too little on veterinary services and farmer support.
    - b. The quality and availability of information remain a concern. Up-to-date information on certain key inputs like extension officers and veterinary surgeons is not readily available.

## CHAPTER 7: ROADS AND TRANSPORT

1. The South African transportation system plays a critical role in economic growth and social integration. Government plans to greatly improve the transportation system in preparation for the coming 2010 Soccer World Cup and believes that this would have a number of spin-offs for social integration and economic growth.
2. Public transport becomes important as it offers alternatives to own transport and lesser traffic in the increasing vehicle densities in South African roads. Government therefore seeks to create a public transport system that is customer focussed, financially viable and environmentally sustainable.
3. Combined national and provincial spending on roads grew steadily from R5,1 billion in 2001/02 to R7,8 billion in 2004/05 and is budgeted to reach R12 billion by 2007/08.
  - a. On average, provincial roads budget makes up over 80 per cent of spending on roads. Provincial spending grew annually by 16,1 per cent (nominally) from R4,1 billion in 2001/02 to R6,4 billion in 2004/05. It is further budgeted to grow by R912 million (or 14,4 per cent) to R7,3 billion in 2005/06 and is expected to reach R9,5 billion by 2007/08. Except Free State and Gauteng, growth is over 10 per cent in all other provinces.
4. Growing budgets enable provinces to rehabilitate, construct and maintain a greater portion of their road network annually.
  - a. In 2004/05, provincial capital budgets of R2,8 billion contributed to the rehabilitation and construction of 1 197 km of provincial roads. This varies between 44 km in Gauteng and 276 km in Limpopo.
  - b. In 2004/05, 1 483 km of provincial tarred roads have been resealed of which 682 km was in Western Cape. Over 2 557 km of roads have been re-gravelled. Re-gravelling was predominantly in Eastern Cape, KwaZulu-Natal and Western Cape.
5. Overloading is a problem and it is estimated that overloaded vehicles cause damage of R600 million and contribute to the rapid deterioration of the road network.

- a. A national network of traffic control centres along the major transport corridors of the country are being established. SANRAL has three overload centres serving the N4 Maputo Development Corridor, the N3 and the Mantsole on the N1 Great North Toll Road and has reduced overloading significantly on these roads.
  - b. Over 1 million vehicles were weighed on 90 weighbridges along national and provincial roads in 2004/05. Most of the weighing was along the major routes in Western cape, Limpopo, Gauteng and Mpumalanga.
6. Government is increasing its efforts to improve road safety. Provinces have taken a lead role in this regard. Of the total traffic management and safety budget of R1,1 billion, provinces account for 88 per cent of aggregate spending in 2004/05. This will further grow at an average 6.5 per cent to R1, 4 billion by 2007/08. This is line with the government's commitment to enforce compliance with traffic regulation and safety standards. There are a number of initiatives that are focusing on traffic management and safety.
- a. Firstly, there is an increase in the number of traffic officers employed by provinces and municipalities. In total, provinces and municipalities currently employ 9 773 traffic officers. Provinces like Gauteng, Western Cape and KwaZulu-Natal who have the largest share of the vehicle population employ the largest share of traffic officers. In Gauteng there is a traffic officer for every 5,4 km of provincial road compared to 583 km in Northern Cape.
  - b. Secondly, the Arrive Alive campaign coordinates provincial and municipal road traffic management.
  - c. Thirdly, the traffic information system has been upgraded to provide up to date relevant motor vehicle information that is key to improving traffic management. The national crime prevention strategy stresses the importance of secure technologies for registering and licensing motor vehicles.
7. An important part to an efficient road network system is an efficient well-managed public transport system. Expenditure on national bus subsidies grew at an average annual rate of 8,2 per cent from R1, 7 billion in 2001/02 to R2,1 billion in 2004/05 and is budgeted to increase 5,3 per cent annually over the next three years to reach R2,5 billion by 2007/08.
8. As an own revenue source, provinces also collect revenue in terms of the National Road Traffic Act (1996). Provinces determine their own fees structure and enter into service level agreements with municipalities, who, with the exception of Free State, collect these revenues on their behalf. Collectively, 75 per cent of this revenue is collected by Gauteng (29,3 per cent), Western Cape (25,9 per cent) and KwaZulu-Natal (19,8 per cent).

## CHAPTER 8: PERSONNEL

1. Government's main objective continues to be providing high quality and effective good service delivery. Appropriate and professional personnel management is the cornerstone of such services to be delivered in this regard. Challenges faced by government to achieve this are the following:
  - a. Ensuring a balance in spending between personnel and non-personnel needs; and
  - b. Ensuring that service delivery is not compromised by shortages of skilled and productive individuals.
2. Personnel policy development has undergone different phases to what it is today:
  - a. The first phase (1994-1997): Unification of a highly fragmented dispensation
  - b. The second phase (1997-2000): Consolidation of the transformation process
  - c. The third phase (2001-current): Ability to deliver high quality services
  - d. The last phase is closely tied with the notion for the "one public service", with the main objective of promoting good governance in the public service and harmonising conditions of service for employees in all three spheres of government.
3. In 2004/05, the following personnel policy initiatives (improvement in conditions of service) have been put in place as a tool to assist in improving the level of service delivery:
  - a. The signing of the first multi-year wage agreement based on inflation projections, assisting in enabling government to properly predict personnel expenditure going forward;
  - b. The provision of the housing allowance for all government employees;



- c. The introduction of the Government Employees Medical Scheme to ensure easier access to medical aid subsidy to those who previously did not receive it;
  - d. The introduction of the pay progression and career pathing initiatives that will recognise experience, reward seniority and good performance in the public service;
  - e. The provision for SAPS to employ more functional policemen and women; and
  - f. The introduction of the Incapacity Leave and Ill-health Retirement Policy to ensure proper human resource management in government departments and provinces
4. Provinces have been successful in curtailing personnel expenditure, where growth in personnel spending has been slower than that of total provincial expenditure. Combined total provincial personnel spending rose to over 55 per cent of total provincial spending in 2001/02. The share has subsequently decreased to 46,5 per cent in 2004/05 and is budgeted to be 43,6 per cent by 2007/08. This downward trend occurs at the same time when service conditions of public servants are improving, initiatives are introduced to recruit and retain scarce skills, and public sector employment is stabilising. The trend is welcomed as it frees up resources needed to fund other inputs like learner support materials, drugs and medicines and infrastructure, which are key for quality outputs.
5. On the employment side, provincial employment remained stagnant on average from 2001/02 to 2004/05. In 2004/05, employment increased by 2,2 per cent, while spending increased by 4,4 per cent in real terms.
- a. Education, which accounts for 61 per cent of provincial employment, increased by 2,2 per cent and expenditure 3,4 per cent in real terms.
  - b. Health, which accounts for 26 per cent of provincial employment, increased by 3,6 per cent and expenditure by 7,6 per cent in real terms.
6. In terms of staff composition, provinces have drifted towards increasing the number of Senior Management Service (SMS) appointments. This has been through the need for more managerial leadership in the implementation of policy and the delivery of good and quality services.

## CHAPTER 9: TRENDS IN PROVINCIAL BUDGETS

1. Provincial budgets and expenditure trends show that on the back of robust revenue collections and strong growth in national transfers to provinces, provincial spending in all areas has grown strongly in real terms.
2. National transfers fund approximately 97 per cent of provincial revenue while 3 per cent is funded from own revenue.
- a. National transfers are made up of the provincial equitable share (65,4 per cent) and conditional grants (34,6 per cent).
  - b. Between 2001/02 and 2004/05 the provincial equitable share grew 4,6 per cent in real terms from R87,6 billion to R121,2 billion. The share of the equitable share in national transfers decreased sharply from 72,2 per cent in 2001/02 to 65,4 per cent in 2004/05 mainly due to the rapid rise in social assistance grant spending (now funded through a conditional grant). Over the next three years, the equitable share transfer is budgeted to grow 4 per cent in real terms to reach R157,7 billion in 2007/08.
    - i. This reflects Government's commitment to social services – school education, health and social welfare services – which are funded mainly through the equitable share.
  - c. Conditional grants make up 34,6 per cent of national transfers. The conditional grants for social assistance grants make up the largest share of these grants, followed by health and housing.
  - d. Provincial expenditure grew substantially from R122,7 billion in 2001/02 to R188,9 billion in 2004/05, a real growth rate of 8,4 per cent a year. Growth in spending over this period is slightly higher than growth in provincial revenue and the shortfall is funded through the draw down of cash balances from preceding years. The provincial sectors discussed in this years Review make up the bulk of provincial spending.
    - i. Social services spending (education, health and social development) constitute 82 per cent of provincial spending.
    - ii. Non-social services, which include public works, roads and transport, housing and local government, agriculture, sports and environmental affairs, legislature and provincial treasury, make up 18 per cent of provincial spending.

- iii. Combined total provincial personnel spending rose to over 55 per cent of total provincial spending in 2001/02. The share has subsequently decreased to 46,5 per cent in 2004/05 and is budgeted to be 43,6 per cent by 2007/08. This downward trend occurs at the same time when service conditions of public servants are improving, initiatives are introduced to recruit and retain scarce skills, and public sector employment is stabilising. The trend is welcomed as it frees up resources needed to fund other inputs like learner support materials, drugs and medicines and infrastructure, which are key for quality outputs.

Total capital spending is increasing from R6,1 billion in 2001/02 to R10,1 billion in 2004/05 and is budgeted to grow to R15,3 by 2007/08. The underspending of R1,8 billion in 2004/05 suggest that service delivery capacity has not kept pace with the high trajectory of funding. Through the Infrastructure Delivery and Improvement Plan, Government seeks to improve planning and implementation capacity in provincial department of education, health and public works.

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