

## **BUDGET STATEMENT NO. 1: BUDGET OVERVIEW**

# **1. Budget strategy and aggregates**

## **1.1 Introduction**

The Eastern Cape Provincial Government's policy direction is as set out in the Provincial Growth and Development Strategy. This policy is informed by the following national policies RDP, GEAR, Urban Renewal Programme as well as feedback from initiatives like community outreach programmes. The various policy pronouncements made by the Executive Council, including District Development, and which come from resolutions of various workshops and summits all seek to give substance and meaning to the overall policy framework.

In accordance with the governing party's election manifesto, the government is geared towards fulfilling the mandate as given to it by the electorate during the June 1999 elections. In so doing, various government administrative and political clusters have been formed to coordinate the planning and implementation of programs.

For the financial year 2003/04, all government departments will seek to deploy resources and coordinate their planning in a manner that gives effect to the priorities as outlined, namely: Infrastructure (Social and Economic), Accelerated Public Service Delivery, Eradication of poverty and Public Service Transformation. These will be the key focus areas for the next three years of medium term expenditure framework.

As part of the national political, economic and socio-cultural set up, our provincial government is committed towards building a better life for all, more especially those who have not been integrated to the economic development activities of our province. The integrated rural development strategy remains the key instrument in tackling this challenge.

## 1.2 Summary budget aggregates

Table 1.1 presents estimates of the main budget components for the 2003/04 financial year as well as the MTEF up to 2005/06.

**Table 1.1 Provincial budget summary**

<b>R'000</b>	<b>2000/01 Actual</b>	<b>2001/02 Actual</b>	<b>2002/03 Est. Act.</b>	<b>2003/04 Voted</b>	<b>2004/05 MTEF</b>	<b>2005/06 MTEF</b>
<b>National transfers</b>	<b>18,315,867</b>	<b>20,214,540</b>	<b>22,714,117</b>	<b>26,446,906</b>	<b>29,430,970</b>	<b>32,512,470</b>
Equitable share	16,749,624	18,170,630	21,166,007	24,227,559	26,427,150	28,510,405
Conditional grants	1,566,243	2,043,910	1,548,110	2,219,347	3,003,820	4,002,066
Own revenue	394,542	554,242	400,000	517,416	527,764	551,512
<b>Total revenue</b>	<b>18,710, 409</b>	<b>20,768, 782</b>	<b>23,114, 117</b>	<b>26,964,322</b>	<b>29,958,734</b>	<b>33,063,983</b>
Current outlays	12,379,766	13,401,742	15,381,595	17,165,790	18,787,743	20,308,499
Capital outlays	263,039	474,191	1,285,218	1,450,395	1,523,557	1,841,035
Transfer payments	4, 984, 476	5,176,678	7,033,346	8,276,669	9,105,275	10,530,127
Capital transfers	534, 881	538,708	1,330,869	1,039,679	542,833	385,555
Unallocated contingency reserve			1,691			
<b>Total expenditure</b>	<b>18,162,162</b>	<b>19,591, 319</b>	<b>25,032,719</b>	<b>27,932,535</b>	<b>29,959,408</b>	<b>33,065,213</b>
<b>Surplus (deficit)</b>	<b>548, 247</b>	<b>1, 177, 463</b>	<b>-1 918,602</b>	<b>- 968, 213</b>	<b>-674</b>	<b>652</b>
<b>Financed by:</b>	<b>960,355</b>	<b>1,786,531</b>	<b>1,555, 342</b>	<b>968, 213</b>	<b>674</b>	<b>-1230</b>
Roll Overs	118,147	579,789	1,088 919			
Realloc Treasury Reserve	842,208	1,206,742	466,423	968, 213	674	1230
<b>Surplus/(Deficit) after financing.</b>	<b>1,508,602</b>	<b>2,963,994</b>	<b>-363,260</b>			

## 1.3 Financing

The implementation requirements of the Public Finance Management Act could, over the MTEF period, indicate a number of areas that would impact on the MTEF Budget for 2003 to 2005 and the financing thereof. The MTEF Budget for 2003 to 2005 was prepared in terms of current practice.

The province is budgeting for a deficit of R968,213 m for 2003/04. The deficit is as a result of funding infrastructure to Coega and East London IDZ, Social Development, Food Security and revitalisation of Irrigation Schemes.

Funding for the deficit has been funded from the accumulated surpluses from the Provincial Revenue Fund.

A regulatory framework to deal with borrowing has been under discussions within the relevant stakeholders. Key feature of the borrowing framework would be the amplification of transparency, accountability and better evaluation of financial exposure including the efficiencies of projects for which funds are to be borrowed and attendant financial risks managed.

Given the budget constraints that provinces experience and current backlog in the maintenance of provincial infrastructure, the need exists for borrowing to finance approved feasible capital projects.

Section 230 (1) of the constitution provides for Provinces to borrow capital and bridging finance, subject to regulatory framework. It intends that borrowing may be used to finance capital investment, but such borrowing be in accordance with reasonable conditions as determined by National Legislation.

However, despite the borrowings that were incurred by the Province by way of overdrafts in the previous financial years, no borrowings are envisaged for the coming fiscal year.

## **2. Budget Process and the Medium-Term Expenditure Framework**

### **2.1 Preparatory work on the budget by the government.**

- The preparatory work in the budget process starts around April each year. At this time the departments review their expenditure outcomes for the previous year as well as their strategic plans for the following budget year. The strategic plans are reviewed in relation to the priorities as identified by the political executive. The departments use the MTEF baselines to determine their resource envelopes and this helps with the reprioritization, which is a critical part in the budget process. The departments submit the first budget submission to Provincial Treasury around July, after which budget analysts from Treasury work closely with the departments in evaluating the budget submissions for linkages with provincial and national priorities as well as consideration of resource envelopes.
- The submission by departments helps Provincial Treasury to review the current forecasts for the coming three years, which is very important for the formulation budget. The evaluation of the departmental submissions is enhanced by the clear identification of priorities, which are often contained in the Ministerial letter that is issued at the beginning of the budget process. The political priorities are translated into departmental spending plans and these form the basis of discussions between Treasury and departments on how the budgets of the departments give effect to budget priorities. The evaluation of budgets also forms the basis of recommendation to the Cabinet Budget Committee, and subsequently to EXCO on how the resources for the coming year should be allocated.
- The overall objective of government preparatory work at this stage is to examine whether the estimated revenue and expenditure makes it possible to achieve the fiscal policy targets in the next few years. The most important fiscal targets are the ceiling for the government expenditure.

### **2.2. Medium Term Budget Policy Statement.**

- The Minister of Finance tables the *Medium Term Budget Policy Statement* (MTBPS) before Parliament at the end of October each year.
- The MTBPS is a significant step forward in public transparency and accountability as it sets out Government's medium-term macroeconomic and fiscal position and its broad policy and spending priorities over the next 3-year period three months before the detailed Budget is presented to Parliament. Parliament and the public are therefore able to actively engage with Government's medium-term priorities and spending plans.

### **2.3. Integrated Development Planning (IDP), as a support to the budget process.**

- The key objective of the IDP's is to link the planning processes so that better and cost effective service delivery is achieved, through implementing projects jointly or in complement of each other. Within the provincial government the coordination of plans is managed through the clusters.
- As it relates to the local government sphere, the IDP is co-ordinated through the Inter Government Forum (IGF). This is supported at high level as it is driven by the Office of the Premier. The structure is made of representatives from the national, provincial and local government spheres. The intention is to share information on the priorities and develop integrated strategy towards the realisation of those priorities. The initiative is however still meeting challenges in terms of co-ordination and these are often caused by different planning cycles.

## 2.4. Budget Indibano.

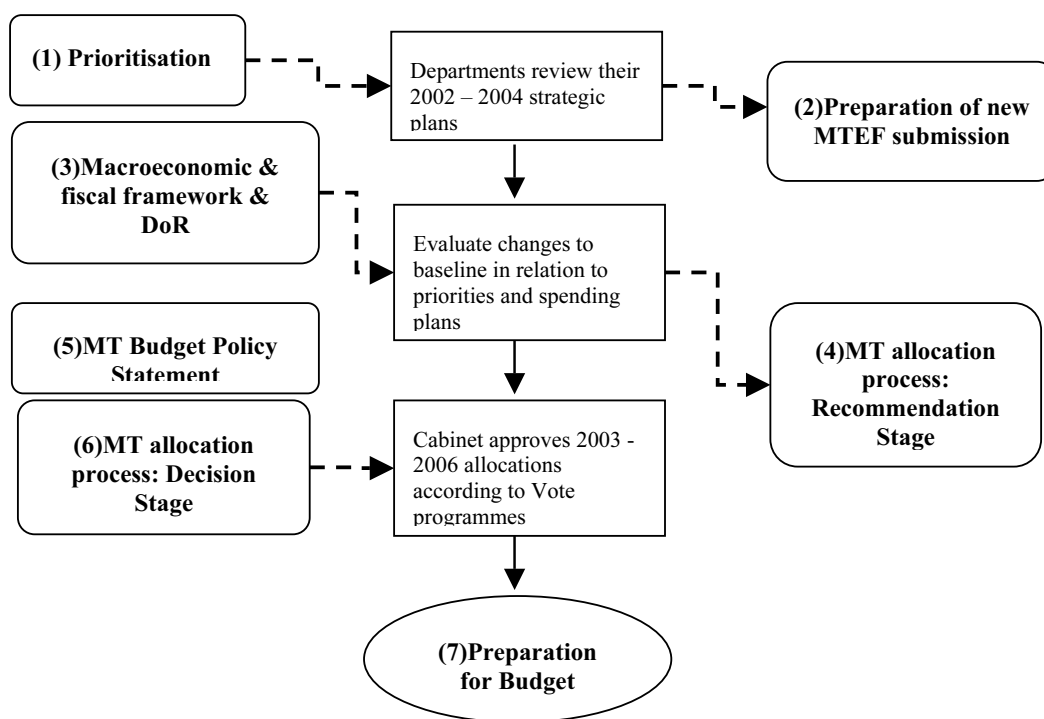
The Budget Indibano is crucial to the recommendation stage of the budget process. This is an annual gathering that lasts for a day or two, wherein the cluster departments review progress in the meeting of the priorities agreed to during the previous year, as a basis of identifying new spending priorities for the following year. After this event the departments are expected to align their strategic plans to the set priorities and this is followed by the Budget hearings.

## 2.5. Linkage to National Processes.

The budget process makes provision for early consideration of any new spending pressures, especially where these relate to an expansion to existing and any new conditional grants. Treasuries and national and provincial departments will participate in the relevant technical committees to examine, research and formulate recommendations regarding key provincial spending pressures and the administration and implementation of conditional grants.

## 2.6. Diagrammatical presentation of the budget process.

Diagram 1:



### 3. Socio-economic outlook

#### 3.1 Demographics

The total population of the Province was estimated at around 6.7 million in 1999<sup>1</sup> (1996 Census: 6.3 million). The distribution of the population across District and Metro Municipalities is indicated in Table 3.1 and 3.2:

**Table 3.1: Distribution of population: 1999 (urban/non-urban)**

Municipality	Urban	%	Non-Urban	%	Total	%	% Urban
Metro: Nelson Mandela	991 658	39	23 676	1	1 015 334	15	97.7
District: Western	296 165	12	109 634	3	405 799	6	73..0
District: Amatole	800 228	32	997 046	23	1797 274	26	44.5
District: Ukhahlamba	99 180	4	264 926	6	364 106	5	27.2
District: O R Tambo	71 007	3	1 669 657	39	1 740 664	26	4.1
District: Alfred Ndzo	21 250	1	577 949	13	599 199	9	3.5
District: Chris Hani	241 572	10	643 971	15	88 543	13	27.3
<b>Total</b>	<b>2 521 060</b>	<b>100</b>	<b>4 286 859</b>	<b>100</b>	<b>6 807 919</b>	<b>100</b>	<b>37.0</b>

**Table 3.2: Distribution of population: 1999 (by area and density)**

Municipality	Population	Area (sq km)	Density/sq km
Metro: Nelson Mandela	1 015 334	1 969	516
District: Western	405 799	58 266	7
District: Amatole	1 797 274	23 645	76
District: Ukhahlamba	364 106	25 376	14
District: O R Tambo	1 740 664	15 853	110
District: Alfred Ndzo	599 199	7 976	75
District: Chris Hani	885 543	36 956	24
<b>Total</b>	<b>6 807 919</b>	<b>170 041</b>	<b>40</b>

Whilst the overall population density in the Province is relatively low, at around 40 persons per sq km, there are considerable variations in the distribution, particularly in the Nelson Mandela Metro area where the density is almost 500 persons per sq km in a predominantly urban environment (97.9% urban). Note, however, that in the Alfred Ndzo and O R Tambo Districts, the population density is also well above the provincial average (76 and 100) persons/sq km, respectively), and that these constitute predominantly non-urban settlement environments (only 3.5 and 4.1% of population, respectively, are urbanised).

This spatial discontinuity in the distribution of the population is further evidenced by the significant proportion of people who live in that Nelson Mandela Metro and the Amatole District. Over 70% of the provincial urban population are in these two areas, where they reside in Port Elizabeth/Uitenhage and Buffalo City, respectively. Concomitantly, nearly 60% of the provincial non-urban population live in the Alfred Ndzo and O R Tambo Districts.

More than half of the province's total population is under 20 years of age and the overall total fertility rate (TFR) is almost 3.0. Very broadly, this reflects a dynamic demographic structure, with a substantial growth potential, although it should be noted that this is likely to vary from one area to another, probably with a stronger growth potential in rural areas. For example, the TFR in portions of

<sup>1</sup> Based on Municipal estimates and the 1999 October Household Survey.

the previous Transkei Bantustan area (substantially the Alfred Ndzo and O R Tambo Districts) was estimated at around 6.0 in 1994, and there is little to indicate that this has changed significantly since then. In general, therefore, the conclusion that key demographic indicators provide “a compelling basis for according a higher priority to the previous Bantustan areas in the Province in terms of development planning and budget allocations”<sup>2</sup> remains valid.

### 3.2 Socio-economic indicators

A selection of Social Indicators, which reflect overall socio-economic circumstances in the Province, compared to the nation as a whole, are shown in Table 3.3<sup>3</sup>. It should be noted that such broad indicators tend to disguise the reality of significant intra-provincial variations, particularly in poor rural areas where population densities, household income and unemployment are inevitably well above the provincial average.

**Table 3.3: Selected Socio-Economic Indicators for the Eastern Cape and South Africa**

Indicator	Year	Eastern Cape	South Africa
Infant Mortality Rate (Death before age one/1000 live births)	1996	55.0	41.0
Total Fertility Rate (Number of live births per woman)	1996	2.9	2.7
Unemployment Rate (%) Total	1996	48.4	33.8
Men	1996	44.6	27.1
Women	1996	52.4	41.9
Urban Areas	1996	36.8	28.7
Rural Areas	1996	62.9	44.2
Education Participation Rate (%) Primary Education	1998	140.7	123.8
Secondary Education	1998	66.7	72.4
Pupils per Educator	1998	33.8	33.5
Literacy Rate (% of population with functional literacy)	1996	73.1	82.8
Incidence of HIV-infected women at antenatal clinics (%)	1998	15.9	22.8
Individuals living in poverty (%)	1996	74.3	56.9
Children living in poverty (%)	1996	81.5	66.9
Household with access to the following services (%): Electricity	1996	31.3	57.3
Water	1996	53.5	79.8
Sanitation	1996	64.2	82.5
Telephone	1996	15.5	28.6

<sup>2</sup> Provincial Budget Statement: 2001/02.

<sup>3</sup> Source: DBSA Development Report: 2000.

The relatively underdeveloped status of the Eastern Cape is evident from these indicators. Equally evident is the imperative for government expenditure allocations to address the fundamental causes of entrenched inequality and poverty in the Province, particularly in rural areas.

Towards these ends, the Provincial Government's budgeting process is guided by key priority areas that have arisen from the Budget Indibanos held in 2000, 2001 and 2002. These are the following:

- Integrated Rural Development, with specific attention devoted to infrastructure development, food production and food security, and building the capacity of local government institutions.
- Social Security, particularly with respect to improving the pension and social grants payout procedures, since these constitute crucial support systems for the poor, especially in rural areas.
- Transformation and Development of the Public Service in order to ensure that budget allocations for development are efficiently and effectively administered and managed.
- Address the issue of HIV and Aids, which constitutes a fundamental threat to future livelihoods of people, and will impact significantly on the Province's labour force in the medium-term if not adequately dealt with.
- Institute innovative procurement reforms and an improvement in tender turnaround times so as to facilitate delivery, particularly in infrastructure development projects.
- Expedite and facilitate integrated planning procedures at the Provincial and Local levels in order to ensure that:
  - Government Information System (GIS) management information and base maps are available,
  - Capital Expenditure (CAPEX) projects are planned and ready for implementation from April 2003,
  - Provincial planning initiatives, such as the Spatial Development Plan, the Provincial Growth and Development Plan, District Municipality Integrated Development Plans (IDPs) and the Provincial Land Transport Framework, are concluded.
  - Specific projects are formulated for the Urban Renewal Programme in Motherwell, Mdantsane and Ngangelizwe.

These priority areas are intended to focus the attention of the Provincial budgeting process on areas where the impact will be maximised, and will facilitate the participation of private sector and civil society interests towards a better life for all citizens of the Province.

Arising from the 2002 Budget Indibano, the Province will adopt a new approach to project development, implementation and management, particularly where project plans indicate that clear advantages and cost efficiency would be derived from inter-Departmental and/or inter-Governmental co-operation. Such projects will be managed through the Cluster System and driven by a designated Lead Department, with component responsibilities allocated to various Departments, Municipalities and Parastatal Organisations that are associated with a particular Cluster.

An example of this collaborative approach to project implementation is the proposed East London-Umtata Railway Project. The essence of the project consists of the rehabilitation and re-construction of a railway line, together with associated infrastructure. The proposal was developed by the Provincial Department of Transport, which is the designated Lead Department. However, the ultimate outcome of improving the railway line extends well beyond infrastructure development, and includes socio-economic advantages, which will accrue to impoverished rural communities in the vicinity of the railway. Hence, the project was adopted by the Economic Growth and Development Cluster, which will assume an overall management role in terms of allocating human and financial resources, where necessary.



The logistics of implementing a collaborative approach to project development will be tested and refined in this particular project over the MTREF period 2003/04 to 2005/06.

The fundamental role of Integrated Development Plans (IDPs) formulated by District, Local and Metro Municipalities in addressing spatial and sectoral imbalances and inequities in the Province must be emphasised. IDPs reflect the essential socio-economic development proposals compiled by the new system of wall-to-wall municipalities, which extend over the entire Province, and are based on five-year operational and budget projections.

It is imperative that the Municipal IDP proposals and budgets should be closely aligned with the Strategic Plans and MTREF Budgets formulated by Provincial Government Departments, in the first instance. Preliminary approaches to securing such alignment were commenced during 2002/03 and will be strengthened and refined in subsequent years of the MTREF period. Ultimately, it will be necessary to ensure that the IDP budgets are also aligned with the plans and budgets of National Government Departments that operate in the Province (such as DWAF, DEAT and DTI), as well as with those of National and Provincial Parastatal Organisations.

### 3.3 Economic indicators

The Gross Geographical Product (GGP) of the Province was estimated at R57.3bn in 1999<sup>4</sup>, compared to R36.5bn in 1996<sup>5</sup>, although there are probably shortcomings in both of these estimates.

The sectoral distribution of GGP and employment in the Province in 1999<sup>6</sup> are indicated in Table 3.4:

**Table 3.3.1: Distribution of GGP and Employment in the Eastern Cape: 1999.**

Economic Sector	GGP in Rand million	% of Total GGP	Number of Employees	% of Total Employment
Agriculture, Hunting, Forestry and Fishing	2 063	3.6	70 470	13.2
Mining and Quarrying	57	0.1	7 154	1.4
<b>Sub-Total: Primary Production</b>	<b>2 120</b>	<b>3.7</b>	<b>79 744</b>	<b>14.6</b>
Manufacturing	14 783	25.8	97 035	18.1
Electricity, Gas and Water	974	1.7	5 598	1.0
Construction	1 892	3.3	43 635	8.1
<b>Sub-Total: Secondary production</b>	<b>17 649</b>	<b>30.8</b>	<b>146 268</b>	<b>27.2</b>
Wholesale/Retail Trade and Accommodation	9 339	16.3	83 818	15.7
Transport, Storage and Communication	5 501	9.6	32 851	6.1
Financial, Insurance, Real Estate and Business Services	7 048	12.3	35 181	6.6
Government, Community, Social and Personal Services	15 643	27.3	159 453	29.8
<b>Sub-Total: Tertiary Production</b>	<b>37 531</b>	<b>65.5</b>	<b>311 303</b>	<b>58.2</b>
<b>TOTAL</b>	<b>57 300</b>	<b>100.0</b>	<b>535 195</b>	<b>100.0</b>

<sup>4</sup> CIMEC Annual Report: 1999/2000.

<sup>5</sup> DBSA Development Report: 2000.

<sup>6</sup> CIMEC Annual Report: 1999/2000.

Whilst the provincial economy is evidently dominated by Tertiary Production sectors (65.5% of GGP and 58.2% of employment), these consist predominantly of relatively unproductive activities, in terms of real value-added, that are associated with government, community, social and personal services. The principal value-adding and employment generating activities are in the Secondary Production sectors, predominantly in Manufacturing (25.8% of GGP and 18.1% of employment); whilst the Primary Production sectors contribute only 3.7% and 14.8%, of GGP and employment, respectively.

Thus, in terms of output, value-added, employment and relative efficiency, the Manufacturing sector is the key productive sector in the provincial economy. However, in terms of distributional equity, manufacturing activities are heavily skewed towards the urban agglomerations in the Nelson Mandela Metro and Buffalo City. In those cities two principal ports and generally superior infrastructure constitute a focus for industrial investment, growth and development. In fact, some 90% of manufacturing GGP in the Province is generated in these two areas.

In the medium- to longer-term, the manufacturing dominance of the Nelson Mandela Metro and Buffalo City will be intensified due to substantial anticipated private sector investment and developments associated with the establishment of Industrial Development Zones at Coega (Nelson Mandela Metro) and East London (Buffalo City), which are currently significantly supported by infrastructural and operational financial investments by the national, provincial and local government spheres. Whilst this represents a key policy aspect of focused state intervention to promote sustainable, value-adding and export-oriented manufacturing development, it is imperative that hinterland and rural development should not be neglected.

In terms of Gross Domestic Product per Region (GDPR)<sup>7</sup> estimates released by Statistics South Africa<sup>8</sup>, the real annual economic growth rate for the Eastern Cape in 2000-2001 was 5.3%, compared to a growth rate of 2.8% in national GDP. The average real economic growth rate for the Province over the period 1995 to 2001 was 2.4% per annum, compared to the national average of 2.7% per annum for the same period.

Comparative GDPR growth rates for the Eastern Cape and other Provinces are indicated in Table 3.5.

**Table 3.3.2: GDPR Growth Rates by Province and Percentage Contribution to GDP**

Province	Real Annual Economic Growth Rate per Region: 2001 (%)	Average Annual Economic Growth: 1995-2001 (%)	Percentage Contribution to GDP at Market Prices: 2001
<b>Eastern Cape</b>	<b>5.3</b>	<b>2.4</b>	<b>8.2</b>
Western Cape	2.6	3.1	13.8
Northern Cape	2.7	-0.3	2.0
Free State	-0.6	2.0	5.5
KwaZulu-Natal	3.6	2.5	15.5
North West	-1.6	0.1	7.3
Gauteng	3.3	3.3	33.9
Mpumalanga	0.6	2.5	7.2
Limpopo	6.3	3.8	6.5
<b>South Africa</b>	<b>2.8</b>	<b>2.7</b>	<b>100.0</b>

<sup>7</sup> GDPR is a new indicator developed by StatsSA and will replace GGP as a measure of the total value of production.

<sup>8</sup> StatsSA: Discussion Paper on Gross Domestic Product per Region. Annual Estimates 1995-2002. Pretoria, November 21 2002.

These growth rates suggest that the Eastern Cape entered a significant growth phase in 2000/01 and was surpassed only by Limpopo Province, which has extensive mineral resources. The challenge for the Province in the medium-term is to ensure that economic growth is sustained in order to provide a basis for real economic development. The Eastern Cape contributes just over 8% to national GDP, and this proportion has remained relatively constant since 1995.

## **4. Revenue**

### **4.1 Overall position**

Table 4.1. presents a summary of provincial revenue and the split between National sourced revenue and own revenue.

There are slight changes between the current year and the MTEF for both the National sourced revenue and own revenue.

The changes from National sourced revenue are due to slight increases in allocations to take account of higher inflation than assumed. There are also increases in the conditional grants as shown in table 4.3.

The changes in own revenue are due to revision of interest in the budget, as actual results for the past two years showed under-budgeting on this item.

The Department of Transport is also projecting more revenue to be collected. This can be mainly attributed to the collection of revenue that is currently withheld by some TLC's. Concerted efforts by all responsible parties are ongoing to resolve this issue. The use of NATIS reports to follow up on unexpired licences will also receive a strong focus, which will lead to increased revenue collections over the MTEF period.

**Table 4.1: Summary of provincial revenue**

R 000	2000/01 Actual	2001/02 Actual	2002/03 Est. Actual	2003/04 Voted	2004/05 MTEF	2005/06 MTEF
<b>National payments</b>	<b>18,315,867</b>	<b>20,214,540</b>	<b>22,714,117</b>	<b>26,446,906</b>	<b>29,430,970</b>	<b>32,512,470</b>
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Conditional grants	1,566,243	2,043,910	1,548,110	2,219,347	3,003,820	4,002,065
<b>Total national payments</b>	<b>18,315,867</b>	<b>20,214,540</b>	<b>22,714,117</b>	<b>26,446,906</b>	<b>29,430,970</b>	<b>32,512,470</b>
<b>Provincial own revenue</b>	<b>394,542</b>	<b>554,242</b>	<b>400,000</b>	<b>517,416</b>	<b>527,764</b>	<b>551,512</b>
Current revenue						
<b>Tax revenue</b>	<b>87,021</b>	<b>91,587</b>	<b>83,265</b>	<b>189,188</b>	<b>215,367</b>	<b>206,195</b>
– Casino taxes	16,808	23,579	37,368	41,405	45,671	31,234
– Motor vehicle licences	61,629	65,861	42,826	144,405	165,943	170,823
– Horseracing	7,047	1,154	3,071	3,378	3,753	4,128
her taxes (specify)				-	-	
Road Traffic Act	1,089	993	-	-	-	10
Other	448	-	-	-	-	
<b>Non-tax revenue</b>	<b>307,521</b>	<b>460,707</b>	<b>314,220</b>	<b>320,441</b>	<b>309,647</b>	<b>342,292</b>
– Interest	117,537	297,850	187,667	221,500	162,891	187,721
– Health patient fees	21,339	30,317	20,085	22,094	24,304	26,735
– Reimbursements	-	-	-	-	-	
– Other sales	-	-	-	-	-	
her revenue (specify)						
Boarding & Lodging	2,989	9,631	3,176	7,808	3,843	4,227
Rentals from properties	3,587	10,586	2,341	3,054	2,113	2,325
Tourism	1,083	-	1,500	1,042	1,700	1,870
Trading licenses	1,681	2,216	1,400	917	1,600	1,760
Commission	31,326	29,842	30,025	31,090	31,712	32,980
Investments	27,478	-	-	-	-	
Stale cheques	7,230	3,607	800	-	636	670
Boarding & exams	-	104	2,046	-	1,804	1,984
Other	93,271	76,554	65,180	32,936	79,044	82,020
<b>Capital revenue</b>	<b>-</b>	<b>1,948</b>	<b>2,515</b>	<b>7,787</b>	<b>2,750</b>	<b>3,025</b>
Sale of land and buildings	-	-	-	5,906	-	
Sale of stock, livestock, etc.	-	1,948	2,515	1,881	2,750	3,025
Other capital revenue (specify)	-	-	-	-	-	
<b>Total Prov. Sourced revenue</b>	<b>394,542</b>	<b>554,242</b>	<b>400,000</b>	<b>517,416</b>	<b>527,764</b>	<b>551,512</b>
<b>Total Revenue</b>	<b>18, 710 409</b>	<b>20, 768 782</b>	<b>23, 114, 117</b>	<b>26,964,322</b>	<b>29,958,734</b>	<b>33,063,983</b>
<b>Less total Expenditure</b>	<b>18,162,162</b>	<b>19,591,319</b>	<b>25,031,028</b>	<b>27,932,535</b>	<b>29,959,408</b>	<b>33,065,213</b>
<b>Surplus/Deficit</b>	<b>548, 247</b>	<b>1, 177,463</b>	<b>-1, 916,911</b>	<b>-968, 213</b>	<b>-674</b>	<b>-1230</b>
<b>Financed by:</b>	<b>960,355</b>	<b>1,786,531</b>	<b>1, 555, 342</b>	<b>968 213</b>	<b>674</b>	<b>1,231</b>
Roll Overs	118,147	579,789	1, 088,919			
Realloc Treasury Reserve	842,208	1,206,742	466,423	968, 213	674	1,231
Surplus (Deficit) after financing	1,508,602	2,963,994	-363,260	-	-	1

## 4.2 Equitable share

The Constitution requires that nationally raised revenues be divided equitably between the three spheres of government, and that the provincial share be divided equitably between the nine provinces. The equitable share is divided among provinces by means of a redistributive formula, comprising seven components. In addition to their equitable shares, provinces also receive grants from the national share. These allocations to the three spheres must take into account the recommendations of the Financial and fiscal Commission (FFC) and allocation criteria detailed in section 214(2) of the Constitution.

The constitutional division of revenue raising and expenditure responsibilities necessitates revenue sharing. Most government revenue is raised nationally. Although the provinces have significant expenditure requirements, they have only limited revenue sources. The vertical division or sharing of nationally raised funds between the three spheres of government allocates funds so that each sphere is able to provide the services and functions assigned to it under the Constitution.

The formula used in dividing funds amongst provinces has the following weights:

1. An education share of 41%, based on the size of the school age population and average number of learners actually enrolled.
2. A health share of 19% based on the proportion of the population without medical aid or health insurance.
3. A social security component of 18%, based on the estimated numbers of people entitled to social security grants, elderly, disabled and children. In the Province the allocated funding norm has been exceeded by 8% due to cost pressures of the Social Security Component.
4. A basic share of 7%, based on total population.
5. Backlog component of 3% based on the distribution of capital needs as captured in the schools register of needs, the audit of hospital facilities and the share of rural population.
6. An economic output component of 7% based on the distribution of total remuneration in the country.
7. An institutional component of 5% divide equally among the provinces.

The equitable share formula is reviewed annually taking into account the recommendation of the Financial and Fiscal Commission.

For the forthcoming financial year the allocated amount for the Eastern Cape Provincial Government is R24, 227,559 (R21,166,007 for 2002/03). The province will be getting R26,427,150 and R28, 510,405 for 2004/05 and 2005/06, respectively.

## 4.3 Conditional grants

Table 4.3.1 provides an analysis of the conditional grants voted, received and expensed over the last three years whereas table 4.3.2 provides the figures for the MTEF years.

Priority areas to be addressed by the forthcoming financial year conditional grants, include, amongst others, Food Relief Grant, Child Support Grant, Flood Rehabilitation an increase in Integrated Nutrition Program.

In respect to Food Relief Grant, last year in the face of rising food prices, the government intervened by providing funding for emergency food relief to individuals and households that were identified as facing the risk of starvation.

The child support grant has been provided over the MTEF period to progressively extend from 7 to 14 year olds.

The Flood Relief Grant has been provided to rehabilitate areas that have been stricken by floods.

**Table 4.3.1 Conditional grants: Implementing department and name of grants (implemented)**

<b>R 000</b>	<b>2000/01 Budget</b>	<b>2000/01 Actual Transfer</b>	<b>2000/01 Actual Exp.</b>	<b>2001/02 Budget</b>	<b>2001/02 Actual Transfer</b>	<b>2001/02 Actual Exp.</b>	<b>2002/03 Budget</b>	<b>2002/03 Actual Transfer</b>	<b>2002/03 Est. Actual</b>
<b>Vote 6: Education</b>	<b>43,426</b>	<b>43,426</b>	<b>7,809</b>	<b>55,037</b>	<b>54,439</b>	<b>22,299</b>	<b>79,283</b>	<b>79,283</b>	<b>63,135</b>
Financial management and quality enhancement (prog. 2)	38,854	38,854	7,743	39,405	39,405	14,904	42,240	42,240	26,092
Early Childhood Devel. (prog 2)	0	0	0	3,885	3,885	18	9,805	9,805	9,805
HIV/Aids (prog 4)	4,572	4,572	66	11,747	11,149	7,377	27,238	27,238	27,238
<b>Vote 3: Health</b>	<b>463,830</b>	<b>463,170</b>	<b>366,192</b>	<b>325,357</b>	<b>322,926</b>	<b>261,865</b>	<b>451,252</b>	<b>451,252</b>	<b>351,769</b>
Central hospitals Prog 3)	13,000	13,000	13,000	13,201	13,201	12,295	0	0	0
and research (prog 4)	53,000	52,830	52,830	55,865	55,865	56,612	72,049	72,049	42,538
Redistribution of specialised health services grant (prog 3)	67,927	67,437	61,224	49,172	46,741	32,132	0	0	0
Hospital Revitalization (prog 7)	84,000	84,000	41,277	69,000	69,000	62,311	84,000	84,000	84,000
Nelson Mandel Academic Hospital	111,852	111,852	95,166				0	0	0
HIV/Aids (prog 2)	2,213	2,213		6,281	3,850	2,899	28,253	28,253	11,441
Integrated nutrition programme (prog 2)	131,838	131,838	102,695	131,838	131,838	95,616	131,838	131,838	116,432
National Tertiary Services	0	0	0	0	0	0	125,779	125,779	92,216
Hospital Management & quality improvement	0	0	0	0	0	0	9,333	9,333	5,142
<b>Vote 4: Welfare</b>	<b>9,417</b>	<b>9,417</b>	<b>1,888</b>	<b>451,807</b>	<b>451,807</b>	<b>2,225</b>	<b>5,998</b>	<b>5,998</b>	<b>3,370</b>
Welfare financial management	5,067	5,067	72	642	642	144	1,200	1,200	715
Social Security	0	0	0	0	0	0	0	0	0
HIV/Aids	950	950	4	1,500	1,500	1,921	4,798	4,798	2,655
Women flagship programme	200	200		150	150	160	0	0	0
Welfare child support	3,200	3,200	1,812	0	0	0	0	0	0
Regulation 11-Arrear payments	0	0	0	449,515	449,515	0	0	0	0
<b>National Treasury</b>	<b>90,000</b>	<b>90,000</b>	<b>50,509</b>	<b>277,275</b>	<b>277,275</b>	<b>246,499</b>	<b>356,107</b>	<b>356,107</b>	<b>356,107</b>
Flood disaster infrastructure	40,000	40,000	50,509	130,000	130,000	121,183	70,000	70,000	70,000
Provincial Infrastructure	50,000	0	0	147,275	147,275	125,316	286,107	286,107	286,107
<b>Vote 7: Housing</b>	<b>503,249</b>	<b>559,327</b>	<b>529,449</b>	<b>545,311</b>	<b>545,136</b>	<b>317,653</b>	<b>649,470</b>	<b>649,470</b>	<b>251,832</b>
R293 towns	59,936	43,392	43,392	0	0	0	0	0	0
Subsidy to develop land in poor rural areas	0	0	0	0	0		0	0	0
DPLG support		17,965	15,102	28,800	0	12,218	31,200	31,200	13,801
SA Housing Fund (Prog 2)	422,178	494,800	470,473	508,011	508,011	305,435	580,806	580,806	219,686
Housing capacity building grant	1,000	1,000		0	0	0	0	0	0
Human Settlement (prog 3)	2,170	2,170	482	8,500	8,325	0	10,198	10,198	7,300
Management Support Programme	12,400	12,400		0	0	0	0	0	0
Municipal financial assistance	5,565	5,565		0	0	0	0	0	0
Consolidated Municipal Infrastructure Programme (CMIP)	0	0	0	0	0	0	27,266	27,266	11,045
<b>Vote 8: Agriculture and Land Affairs</b>	<b>4,818</b>	<b>3,613</b>	<b>0</b>	<b>5,896</b>	<b>5,896</b>	<b>0</b>	<b>6,000</b>	<b>6,000</b>	<b>6,000</b>
Poverty relief and infrastructure	4,818	3,613	0	5,896	5,896	0	6,000	6,000	6,000
<b>Finance: Supplementary allocation</b>	<b>394,289</b>	<b>397,289</b>	<b>389,622</b>	<b>386,431</b>	<b>386,431</b>	<b>386,431</b>	<b>0</b>	<b>0</b>	<b>0</b>
Supplementary allocation: for general allocation	389,622	389,622	389,622	347,448	347,448	347,448	0	0	0
Housing: Capacity building	0	0	0	1,100	1,100	1,100	0	0	0
Housing: R293	0	0	0	29,883	29,883	29,883	0	0	0
Transport: NLTTA	0	0	0	1,000	1,000	1,000	0	0	0
Health: Financial Management Systems	0	0	0	2,000	2,000	2,000	0	0	0
Finance: PFMA implementation	4,667	7,667	0	5,000	5,000	5,000	0	0	0
<b>Grand Total</b>	<b>1,569,646</b>	<b>1,566,243</b>	<b>1,345,594</b>	<b>2,047,114</b>	<b>2,043,910</b>	<b>1,236,972</b>	<b>1,548,110</b>	<b>1,548,110</b>	<b>1,032,213</b>

**Table 4.3.2 Conditional grants over the MTEF**

<b>R 000</b>	<b>2003/04 Voted</b>	<b>2004/05 MTEF</b>	<b>2005/06 MTEF</b>
<b>Vote 6: Education</b>	<b>81,935</b>	<b>69,756</b>	<b>73,942</b>
Financial management and quality enhancement (prog 2)	43,367	45,969	48,727
Early Childhood Development (prog 2)	16,280	-	-
HIV/Aids (prog 4)	22,288	23,787	25,215
<b>Vote 3: Health</b>	<b>592,080</b>	<b>766,274</b>	<b>925,710</b>
National Tertiary Services	195,504	272,036	353,022
Health Profession's training and research (prog 4)	79,873	97,464	127,566
Hospital Rehabilitation (prog 7)	90,751	116,354	121,008
HIV/Aids (prog 2)	38,934	58,193	77,451
Integrated nutrition programme (prog 2)	172,465	202,698	222,133
Hospital Management Improvement	14,553	19,529	24,530
<b>Vote 4: Welfare</b>	<b>372,921</b>	<b>968,107</b>	<b>1,771,550</b>
Child Support Grant Extension	272,130	866,885	1,669,903
HIV/Aids	6,658	7,089	7,514
Food Security	94,133	94,133	94,133
<b>National Treasury</b>	<b>456,673</b>	<b>535,646</b>	<b>569,409</b>
Flood disaster infrastructure	23,000	-	-
Provincial Infrastructure	433,673	535,646	569,409
<b>Vote 7: Housing</b>	<b>707,738</b>	<b>664,037</b>	<b>661,454</b>
SA Housing Fund (Prog 2)	641,757	598,900	635,288
Human Settlement (prog 3)	11,000	11,660	16,396
Local Government Capacity Building	4,6338	4,4308	-
CMIP	8,643	9,169	9,770
<b>Vote 8: Agriculture</b>	<b>8,000</b>		
Poverty relief and Infrastructure	8,000	-	-
<b>Grand Total</b>	<b>2,219,347</b>	<b>3,003,820</b>	<b>4,002,065</b>

## 4.4: Trends in provincial own revenue

**Table 4.4.1**

	ACTUAL REVENUE				EST. ACTUAL	VOTED	MTEF	
Department	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Health	34,875	29,847	30,432	31,631	32,335	41,543	42,374	44,280
Econ	58,689	54,732	49,112	31,529	51,189	56,500	57,630	60,223
Transport	87,359	81,307	90,164	76,260	47,023	149,061	152,042	158,864
Treasury	67,026	70,376	117,537	291,422	257,822	221,601	226,032	236,203
Other Depts	172,962	137,774	107,296	123,400	11,631	48,711	49,338	51,942
<b>TOTAL</b>	<b>420,911</b>	<b>374,036</b>	<b>394,541</b>	<b>554,242</b>	<b>400,000</b>	<b>517,416</b>	<b>527,416</b>	<b>551,512</b>

### Department Of Health:

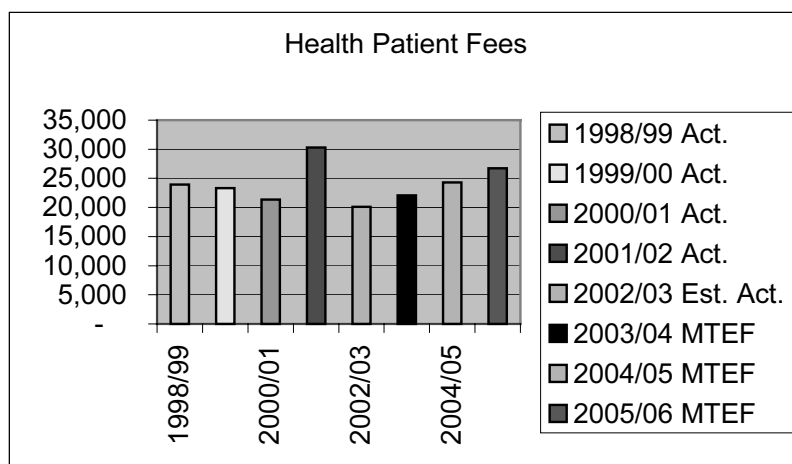


Table 4.4.1 reflects that the overall revenue for the department of Health decreased by 7% between 1998/99 and 2001/02. However, the major revenue item, Health Patient fees has increased by 26% for the same period. The overall decline is mainly due to the non-revision of tariffs, and the department is awaiting the political approval of tariffs in the Uniform Patient Fee Structure, which is currently being used by other provinces. The marked increase in Health patient fees may be due to the increased number of patients visiting the hospitals, resulting in increased payments.

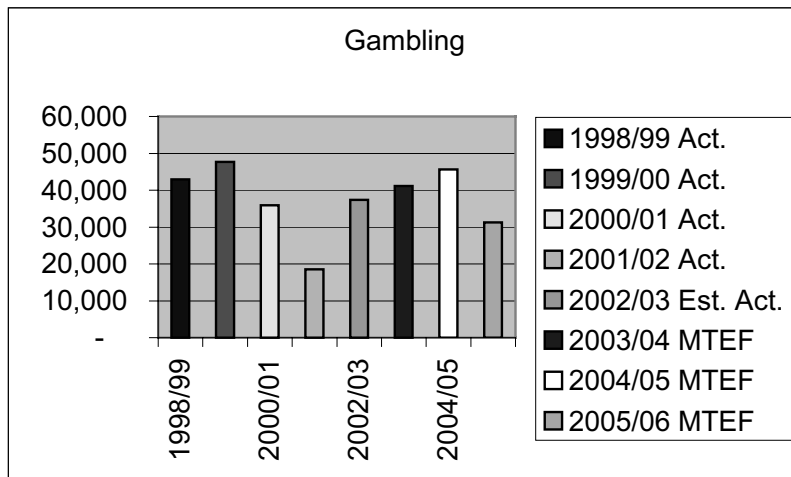
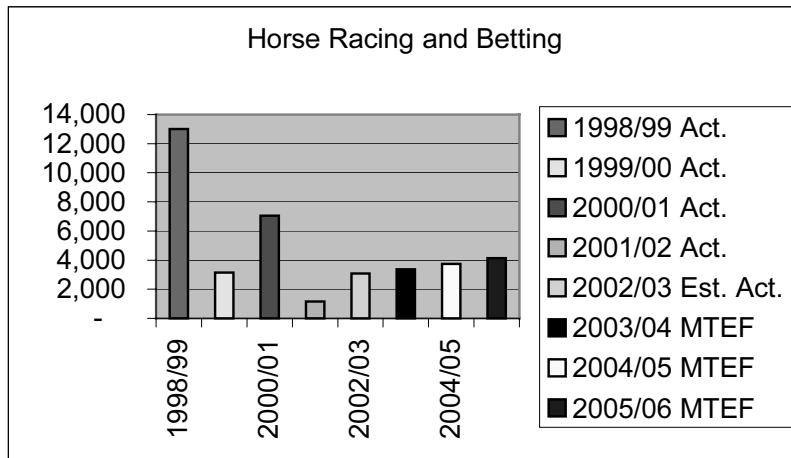
The forecasted growth of 31% between 2001/02 and 2003/04 is mainly due to the shift of commission item from Provincial Treasury to various departments because of decentralisation.

The Eastern Cape Province in an endeavour to increase revenue capacity is also at the final stage of engaging consultants to assist the departments in the implementation of available recommendations, and the project is set up to start at the beginning of the next financial year. The project will prioritise Revenue Retention Strategy and effective billing and collection systems, which are seen as main strategies required to achieve a turn around in the current trend in revenue collection.



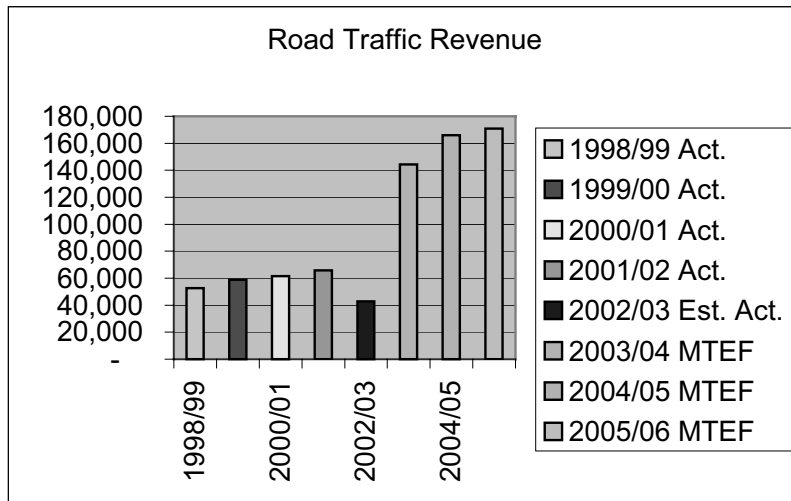
## Economic Affairs, Environment And Tourism:

The table reflects that the overall revenue of this department decreased by 46% between 1998/99 and 2001/02. This was mainly due to the restructuring of the gambling industry within the country as Amatola, Fish River Sun and Wild Coast were restructured. The graphs below illustrate this statement in terms of Horse Racing and Gambling revenue. However, between 2001/02 and 2003/04, a marked increase of 79% is projected, and this is due to the reissuing of licences to Casinos in Port Elizabeth and East London.

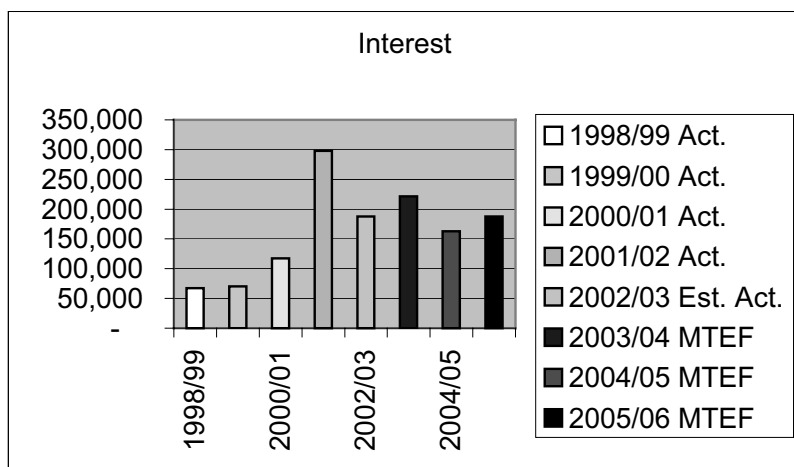


## Transport

Table 4.4.1 reflects that the overall revenue for this department has declined by 12% between 1998/99 and 2001/02. This can be mainly attributed to the withholding of revenue collected by the TLC's on behalf of the province. Concerted efforts by all responsible parties are ongoing to resolve this issue. However the period between 2001/02 and 2003/04 shows a 95% marked increase, and this is attributed to the strategies being implemented to collect revenue due to the province from the TLC's. The use of NATIS reports to follow up on unexpired licences will also receive a strong focus.



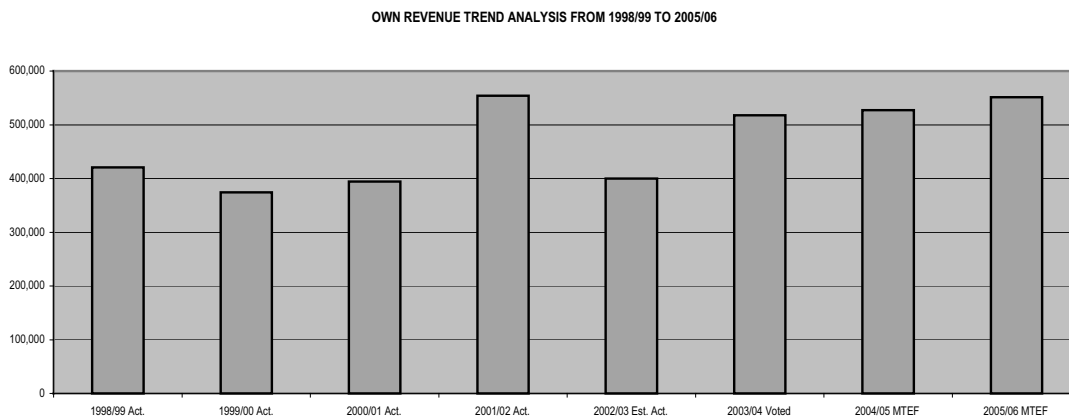
## Provincial Treasury:



The department is not a major revenue collection institute, however, interest and commission have been the major items constituting revenue for the past years. Overall, there has been a marked increase of 335% of revenue collected, and this is mainly due to interest as evidenced by the 2,4 billion unused funds in 2001/02 as compared to just over R600 million unused funds in 1998/99 financial year. Of course there have also been improved strategies of maximising temporarily unused funds during any period in time.

For the period between 2001/02 and 2003/04, there is an overall projected decline of 24% due to the decentralisation of commission item and the improved spending that we foresee from departments, thereby having a minimum of unused funds during any period in time.

## Overall Position:



The overall growth rate of own revenue in the province is expected to be stabilised in the MTEF around 2-4%. This is as a result that there has been a significant growth in the past years 2000/01 to-date (around 39%). This significant growth rate is due to upward revision of interest budget to correct under budgeting that was evident in the previous years. Although we have budgeted for R400 million for 2002/03, the expected outcome at the end of the financial year is about R600 million.

For the 2005/06 financial year, own revenue is expected to stabilise around R551 million. This must not be viewed as a decrease from the 2002/03 expected outcome, as the current year is due to more interest caused by a bigger pool of funds temporarily unutilised.

The percentage own to total revenue is around 2%. This means the Province is largely dependent on National revenue to finance its programmes and this is likely to continue taking into account the fact that it is one of the biggest but poor provinces.

**Table 4.4.2 Summary of provincial revenue per Vote**

<b>R'000</b>	<b>2000/01 Actual</b>	<b>2001/02 Actual</b>	<b>2002/03 Est. Actual</b>	<b>2003/04 Voted</b>	<b>2004/05 MTEF</b>	<b>2005/06 MTEF</b>
1. Office of the Premier	1,025	1,572	44	280	286	299
2. Provincial legislature	-	-	-	-	-	-
3. Health	30,433	31,631	32,335	41,543	42,374	44,280
4. Welfare	944	42,433	280	700	714	746
5. Roads & Public Works	5,438	11,089	2,341	13,502	13,772	14,392
6. Education	13,016	14,101	4,454	24,844	25,341	26,481
7. Hous, L Govt. & Trad Aff	6,068	5,720	552	4,064	4,145	4,332
8. Agriculture & Land Aff.	8,813	7,613	3,821	4,680	4,774	4,989
9. Econ Aff, Envir & Tour	49,113	31,530	51,189	56,500	57,630	60,223
10. Transport	90,165	76,260	47,023	149,061	152,042	158,884
12. Provincial Treasury	189,266	331,675	257,822	221,601	226,032	236,203
14. Sport, Recr, Arts & Cult	154	693	96	600	612	640
15. Safety and Liaison	106	-75	43	41	42	43
<b>Total of Departments</b>	<b>394,541</b>	<b>554,242</b>	<b>400,000</b>	<b>517,416</b>	<b>527,764</b>	<b>551,512</b>

## 4.5 Donor funding

The Province has received the following Donor funds:

**Table 4.5.1 Summary of Donor Funding in foreign currency (except where indicated) and in thousands.**

Department	Donor Country	Purpose of funding	Amount 2000/01 Rands	Amount 2001/02 Rands	Amount 2002/03 Rands	Amount 2003/04 Rands	Amount 2004/05 Rand	Amount 2005/06 Rand
Dept. of Health	Belgium	Management Training	100,000					
Agriculture	Netherlands Embassy	Emerging Farmers' support programme		1,535				
<b>TOTAL</b>			100, 000	1, 535				
Education	Japan	School Building			50, 000			
	EU	School Building	33, 000					
	Luxumberg	Phandulwazi Agricultural School		8, 000				
	USAID	Boreholes			300			
	UK	Improvement of quality of education in Primary schools and district development	10, 500	8, 500	48, 500	450, 600	55, 455	
	Switzerland	Improvement of quality of education in Primary schools and district development	4, 008	5, 682	5, 432	5, 801	2, 684	
	USAID	Improvement of quality of education in Primary schools and district development	4, 010	4, 500	3, 460			
	RSA	Improvement of quality of education in Primary schools and district development	3, 428	3, 665	4,890	3, 942		
<b>TOTAL</b>			<b>54,946</b>	<b>30,347</b>	<b>112,582</b>	<b>460,343</b>	<b>58,139</b>	
Provincial Treasury	Sweden	Financial Management Support	8, 300					
<b>TOTAL</b>			<b>8,300</b>					
Office of The Premier	Sweden	Human Resource Development	11,400					
	Germany	Rural Livelihoods (In Rands)	4,800					
	Canada	Strengthen governance	,150					
	Dept for Int. Developme nt (DFID)	Enhance Service Delivery (in Rands)	12,000					
<b>TOTAL</b>			<b>28,350</b>					

## 5. Expenditure

### 5.1 Overall position

Total outlays for provincial programmes are budgeted at:

- Financial year 2003/04: R27,932,535 million
- Financial year 2004/05: R29,959,408 million
- Financial year 2005/06: R33,065,213 million

### 5.2 Expenditure by vote

Table 5.2.1 shows actual or projected expenditure for 2000/01 to 2001/02, and budgets for the MTEF period per vote.

**Table 5.2.1 Summary of expenditure and estimates per Vote**

<b>R'000</b>	<b>2000/01 Actual</b>	<b>2001/02 Actual</b>	<b>2002/03 Est. actual</b>	<b>2003/04 Voted</b>	<b>2004/05 MTEF</b>	<b>2005/06 MTEF</b>
1. Office of the Premier	90,031	138,537	172,739	<b>227,919</b>	<b>240,185</b>	<b>251,592</b>
2. Provincial Legislature	64,236	74,023	75,062	75,133	78,654	82,023
3. Health	3,789,629	3,892,453	4,352,201	5,117,886	5,711,157	6,314,316
4. Welfare	4,067,474	4,663,014	6,423,170	7,465,338	8,319,548	9,778,522
5. Roads & Public Works	727,092	1,041,656	1,730,778	1,687,945	1,802,244	1,894,046
6. Education	7,191,331	7,863,493	9,361,503	9,912,190	10,900,912	11,740,728
7. Hous.L Govt. & Trad Affairs	764,489	602,470	973,400	1,123,203	1,099,969	1,116,944
8.Agriculture & land Affairs	450,885	563,298	565,115	735,440	688,491	718,201
9. Econ Aff, Envir & Tourism	192,101	255,409	665,976	833,397	326,893	341,961
10.Transport	186,447	207,337	297,389	309,037	324,352	338,987
12. Provincial Treasury	479,541	117,523	187,717	175,600	184,600	193,097
14. Sport,Recr, Arts & Culture	154,038	166,381	218,825	258,148	270,565	282,440
15. Safety and Liaison	4,868	5,725	7,153	11,298	11,839	12,357
<b>Total of departments</b>	<b>18,162,162</b>	<b>19,591,319</b>	<b>25,031,028</b>	<b>27,932,534</b>	<b>29,959,409</b>	<b>33,065,214</b>

## 5.3 Expenditure by Economic Classification

**Table 5.3.1 Summary of expenditure and estimates: Economic classification for the province**

R'000	2000/01 Actual	2001/02 Actual	2002/03 Est. actual	2003/04 Voted	2004/05 MTEF	2005/06 MTEF
<b>Current</b>						
Compensation of employees	10,661,728	11,195,952	12,536,517	13,274,483	14,358,680	15,115,311
Salaries and wages	10,637,703	11,187,643	12,536,517	13,274,476	14,358,671	15,115,302
Other remuneration	24,025	8,309	-	7	9	9
Use of goods and services	1,718,038	2,205,790	2,845,078	3,889,163	4,395,751	5,140,026
Interest paid	-	-	-	-	-	-
<b>Transfer payments</b>	<b>4,984,476</b>	<b>5,176,678</b>	<b>7,033,346</b>	<b>8,278,814</b>	<b>9,138,587</b>	<b>10,583,290</b>
Subsidies to business enterprises	700,165	626,085	682,134	1,073,542	1,099,035	1,193,083
Local government	64,841	117,393	211,776	231,392	259,363	222,141
Extra-budgetary institutions	1,842	33,091	3,413	6,019	6,062	6,331
Households	3,831,510	4,393,511	6,074,173	6,920,882	7,720,901	9,100,385
Non-profit organisations	386,118	6,598	61,850	46,979	53,226	61,350
<b>Total : Current</b>	<b>17,364,242</b>	<b>18,578,420</b>	<b>22,414,941</b>	<b>25,442,459</b>	<b>27,893,019</b>	<b>30,838,627</b>
<b>Capital</b>						
Non-financial assets	267,039	474,192	1,443,318	1,632,895	1,695,557	1,841,033
Buildings and structures	84,887	103,226	627,988	467,952	446,119	540,692
Machinery and equipment	102,442	117,274	220,781	382,081	370,482	368,582
Non-Produced assets	876	452	-	2,871	3,060	3,365
other assets	78,834	253,240	594,549	779,991	875,896	928,394
<b>Capital transfers</b>	<b>530,881</b>	<b>538,708</b>	<b>1,172,769</b>	<b>857,179</b>	<b>370,833</b>	<b>385,555</b>
Local government	471,973	301,261	553,733	11,342	2,391	2,534
Other capital transfers	58,908	237,447	619,036	845,837	368,442	383,021
<b>Total : Capital</b>	<b>797,920</b>	<b>1,012,900</b>	<b>2,616,087</b>	<b>2,490,074</b>	<b>2,066,390</b>	<b>2,226,589</b>
<b>Total expenditure</b>	<b>18,162,162</b>	<b>19,591,319</b>	<b>25,031,028</b>	<b>27,932,533</b>	<b>29,959,409</b>	<b>33,065,216</b>
Lending						
<b>Total GFS classification</b>	<b>18,162,162</b>	<b>19,591,319</b>	<b>25,031,028</b>	<b>27,932,533</b>	<b>29,959,409</b>	<b>33,065,216</b>

**Table 5.3.2 Summary of expenditure and estimates (standard item classification)**

R'000	2000/01 Actual	2001/02 Actual	2002/03 Est. actual	2003/04 Voted	2004/05 MTEF	2005/06 MTEF
<b>Current expenditure</b>						
A. Personnel	10,661,728	11,195,952	12,536,517	13,274,483	14,358,680	15,115,308
B. Administrative expenditure	283,987	416,216	518,078	666,669	738,534	834,030
C. Stores and livestock	465,939	723,999	935,657	933,331	1,195,286	1,427,362
D. Equipment (current)	34,612	65,469	32,324	93,620	106,317	111,384
E. Land and buildings(current)	5,568	12,188	166,550	197,080	268,052	279,852
F. Professional and special services	792,728	925,505	1,119,083	1,979,696	2,078,833	2,476,297
G. Transfer Payments	4,984,476	5,176,677	7,033,346	8,289,475	9,138,586	0,584,290
H. Miscellaneous	135,204	62,414	73,386	8,107	8,730	10,102
<b>Total : Current expenditure</b>	<b>17,364,242</b>	<b>18,578,420</b>	<b>22,414,941</b>	<b>25,442,459</b>	<b>27,893,018</b>	<b>30,838,625</b>
<b>Capital expenditure</b>						
D. Equipment (capital)	111,464	127,141	234,696	395,426	385,011	384,138
E. Land and buildings(capital)	80,315	103,226	625,102	487,452	459,549	557,130
F. Professional and special services (capital)	534,881	538,708	1,172,769	857,179	370,833	385,555
G. Transfer Payments (capital)	71,260	243,824	583,520	750,017	850,997	899,767
<b>Total : Capital expenditure</b>	<b>797,920</b>	<b>1,012,899</b>	<b>2,616,087</b>	<b>2,490,074</b>	<b>2,066,390</b>	<b>2,226,590</b>
<b>Total standard item classification</b>	<b>18,162,162</b>	<b>19,591,319</b>	<b>25,031,028</b>	<b>27,932,533</b>	<b>29,959,408</b>	<b>33,065,215</b>

## 5.4 Details of expenditure by policy area

Table 5.4.1 shows actual expenditure for 2000/01 to 2001/02 and estimates of expenditure for 2002/03 to 2005/06 by policy area.

**Table 5.4.1 Summary of expenditure by policy area**

R'000	2000/01 Actual	2001/02 Actual	2002/03 Est. actual	2003/04 Voted	2004/05 MTEF	2005/06 MTEF
General public services	1,553,001	1,627,148	2,832,272	2,999,994	2,632,576	2,762,719
Public order and safety	4,868	5,725	7,153	11,298	11,839	12,357
Education	7,191,331	7,863,493	9,361,503	9,912,190	10,900,912	11,740,728
Health	3,789,629	3,892,453	4,352,201	5,117,886	5,711,157	6,314,316
Social security and welfare	4,067,474	4,663,014	6,423,170	7,465,338	8,319,548	9,778,522
Housing and community amenities	764,489	602,470	973,400	1,123,203	1,099,969	1,116,944
Recreation, culture and religion	154,038	166,381	218,825	258,148	270,565	282,440
Agriculture, forestry and fisheries	450,885	563,298	565,115	735,440	688,491	718,201
Transport and communications	186,447	207,337	297,389	309,037	324,352	338,987
<b>Provincial total</b>	<b>18,162,162</b>	<b>19,591,319</b>	<b>25,031,028</b>	<b>27,932,534</b>	<b>29,959,409</b>	<b>33,065,214</b>



**Table 5.4.2 Estimates of expenditure, 2003/04-2005/06**

<b>R.000</b>	<b>2000/01 Actual</b>	<b>2001/02 Actual</b>	<b>2002/03 Est. actual</b>	<b>2003/04 Voted</b>	<b>2004/05 MTEF</b>	<b>2005/06 MTEF</b>
<b>General public services</b>						
Executive and Legislature						
Office of the Premier	90,031	138,537	172,739	227,919	240,185	251,592
Provincial legislature	64,236	74,023	75,062	75,133	78,654	82,023
<b>Total : Executive and Legislature</b>	<b>154,267</b>	<b>212,560</b>	<b>247,801</b>	<b>303,052</b>	<b>318,839</b>	<b>333,615</b>
Financial and fiscal services						
Department of Finance	442,357	90,686	159,279	140,307	148,534	155,777
Management administration	37,184	26,837	28,438	35,294	36,066	37,320
Department of Economic Affairs and Tourism	166,493	234,700	637,903	803,995	302,200	317,104
Management administration	25,608	20,709	28,073	29,402	24,693	24,857
<b>Total : Financial and fiscal services</b>	<b>671,642</b>	<b>372,932</b>	<b>853,693</b>	<b>1,008,997</b>	<b>511,493</b>	<b>535,058</b>
General services						
Public Works	727,092	1,041,656	1,730,778	1,687,945	1,802,244	1,894,046
<b>Total : General services</b>	<b>727,092</b>	<b>1,041,656</b>	<b>1,730,778</b>	<b>1,687,945</b>	<b>1,802,244</b>	<b>1,894,046</b>
<b>Total : General public services</b>	<b>1,553,001</b>	<b>1,627,148</b>	<b>2,832,272</b>	<b>2,999,994</b>	<b>2,632,576</b>	<b>2,762,719</b>
<b>Public order and safety</b>						
Safety and security	884	1,482	1,831	2,681	5,019	5,059
Management administration	3,984	4,243	5,322	8,617	6,820	7,298
<b>Total : Public order and safety</b>	<b>4,868</b>	<b>5,725</b>	<b>7,153</b>	<b>11,298</b>	<b>11,839</b>	<b>12,357</b>
<b>Education affairs and services</b>						
Pre-primary and secondary education	4,211,240	4,286,330	5,275,148	5,232,830	5,992,066	6,405,939
Public ordinary school education	2,135,925	2,749,768	2,728,376	3,119,037	3,290,168	3,620,746
Private ordinary school education	10,624	10,972	19,102	16,788	17,459	17,983
Special school education	81,837	128,561	149,161	196,579	183,639	195,844
Non-formal education	53,586	90,867	105,282	131,655	139,552	147,349
Administration	571,726	440,389	766,240	828,879	878,577	928,237
<b>Total : Pre-primary, primary and secondary education</b>	<b>7,064,938</b>	<b>7,706,887</b>	<b>9,043,309</b>	<b>9,525,768</b>	<b>10,501,461</b>	<b>11,316,098</b>
Early Childhood Development	6,461	3,473	27,722	40,306	42,724	45,288
Further education and training	84,556	71,177	131,798	152,115	151,085	161,625
Professional services and conditional grants	9,925	41,484	38,983	88,766	94,094	99,609
<b>Total : ECD, FET and Professional services</b>	<b>100,942</b>	<b>116,134</b>	<b>198,503</b>	<b>281,187</b>	<b>287,903</b>	<b>306,522</b>
Management services	25,451	40,472	119,691	105,235	111,548	118,108
<b>Total : Management services</b>	<b>25,451</b>	<b>40,472</b>	<b>119,691</b>	<b>105,235</b>	<b>111,548</b>	<b>118,108</b>
<b>Total : Education affairs and services</b>	<b>7,191,331</b>	<b>7,863,493</b>	<b>9,361,503</b>	<b>9,912,190</b>	<b>10,900,912</b>	<b>11,740,728</b>
<b>Health affairs and services</b>						
Health and clinic services	2,190,790	2,212,065	2,275,321	2,617,533	2,908,866	3,138,628
Health	1,456,140	1,511,441	1,544,437	2,226,927	2,513,599	2,865,682
Management administration	142,699	168,947	532,443	273,426	288,692	310,006
<b>Total : Health affairs and services</b>	<b>3,789,629</b>	<b>3,892,453</b>	<b>4,352,201</b>	<b>5,117,886</b>	<b>5,711,157</b>	<b>6,314,316</b>

**Table 5.4.2 Estimates of expenditure, 2003/04-2005/06 (cont.)**

<b>R.000</b>	<b>2000/01 Actual</b>	<b>2001/02 Actual</b>	<b>2002/03 Est. actual</b>	<b>2003/04 Voted</b>	<b>2004/05 MTEF</b>	<b>2005/06 MTEF</b>
<b>Social security and welfare</b>						
Social security services						
Social Assistance grants	3,821,545	4,355,733	6,053,013	7,010,579	7,855,636	9,295,162
Development Welfare Services	202,131	219,765	239,836	240,395	250,642	262,583
<b>Total : Social security services</b>	<b>4,023,676</b>	<b>4,575,498</b>	<b>6,292,849</b>	<b>7,250,974</b>	<b>8,106,278</b>	<b>9,557,745</b>
<b>Welfare services</b>						
Development & support services	3,918	8,482	16,043	110,513	111,249	112,586
Demogr. Trends & Anal. On Social development	663	1,137	852	1,356	1,414	1,528
Administration	39,217	77,897	113,426	102,495	100,607	106,664
<b>Total : Welfare services</b>	<b>43,798</b>	<b>87,516</b>	<b>130,321</b>	<b>214,364</b>	<b>213,270</b>	<b>220,778</b>
<b>Total : Social security and welfare</b>	<b>4,067,474</b>	<b>4,663,014</b>	<b>6,423,170</b>	<b>7,465,338</b>	<b>8,319,548</b>	<b>9,778,522</b>
<b>Housing and community affairs</b>						
Housing affairs services	494,611	327,946	638,914	730,777	694,329	730,092
Housing and local government	261,387	261,317	308,752	365,160	379,123	358,748
Management administration	8,491	13,207	25,734	27,266	26,517	28,104
<b>Total : Housing &amp; community affairs</b>	<b>764,489</b>	<b>602,470</b>	<b>973,400</b>	<b>1,123,203</b>	<b>1,099,969</b>	<b>1,116,944</b>
<b>Sports and recreation</b>						
Sporting and recreational affairs	36,858	2,155	9,301	15,843	16,449	17,619
Sport, arts and culture	117,180	164,226	209,524	242,305	254,116	264,821
<b>Total : Sports and recreation</b>	<b>154,038</b>	<b>166,381</b>	<b>218,825</b>	<b>258,148</b>	<b>270,565</b>	<b>282,440</b>
<b>Agriculture, forestry and fishing</b>						
Agriculture, conservation & environment	232,260	312,724	319,371	446,908	394,315	415,059
Management administration	218,625	250,574	245,744	288,532	294,176	303,142
<b>Total : Agriculture, forestry &amp; fishing</b>	<b>450,885</b>	<b>563,298</b>	<b>565,115</b>	<b>735,440</b>	<b>688,491</b>	<b>718,201</b>
<b>Transport and communications</b>						
Transport services & control	110,513	123,407	197,874	195,224	212,319	222,005
Public transport and public affairs	46,243	45,552	47,890	63,089	59,124	62,786
Management administration	29,691	38,378	51,625	50,724	52,909	54,196
<b>Total : Transport &amp; communications</b>	<b>186,447</b>	<b>207,337</b>	<b>297,389</b>	<b>309,037</b>	<b>324,352</b>	<b>338,987</b>

## 5.5 Infrastructure expenditure

**Table 5.5.1 Summary of infrastructure expenditure:**

<b>R'000</b>	<b>2000/01 Actual</b>	<b>2001/02 Actual</b>	<b>2002/03 Est. actual</b>	<b>2003/04 Voted</b>	<b>2004/05 MTEF</b>	<b>2005/06 MTEF</b>
<b>Premier</b>				<b>1,250</b>	<b>1,316</b>	<b>1,379</b>
<b>Health</b>	<b>151,190</b>	<b>189,962</b>	<b>402,935</b>	<b>411,261</b>	<b>453,851</b>	<b>474,705</b>
<b>Social Development</b>			<b>10,000</b>	<b>34,000</b>	<b>35,082</b>	<b>37,520</b>
<b>Public Works</b>	-	<b>123,133</b>	<b>1,271,431</b>	<b>1,180,441</b>	<b>1,271,449</b>	<b>1,340,530</b>
1. Roads	-	123,133	1,26,431	1,105,441	1,159,273	1,249,170
2. Buildings	-	-	45,000	75,000	112,176	91,360
<b>Education</b>	<b>53,094</b>	<b>186,888</b>	<b>358,000</b>	<b>448,937</b>	<b>472,731</b>	<b>495,422</b>
Programme 7	53,094	186,888	358,000	448,937	472,731	495,422
<b>Housing &amp; Local Government</b>	<b>470,473</b>	<b>509,699</b>	<b>806,634</b>	<b>695,023</b>	<b>643,659</b>	<b>676,861</b>
Housing administration ( Prog 2)	470,473	509,699	806,634	695,023	643,659	676,861
<b>Agriculture</b>			<b>61,000</b>	<b>78,000</b>	<b>52,650</b>	<b>55,177</b>
Agricultural Schemes			61,000	78,000	52,650	55,177
<b>Economic Affairs</b>			<b>436,000</b>	<b>484,286</b>	<b>10,530</b>	<b>11,036</b>
Coega IDZ			378,000	375,145	-	-
EL IDZ			50,000	99,141	-	-
Oter Projects			8,000	10,000	10,530	11,036
<b>Transport</b>				<b>55,000</b>	<b>57,915</b>	<b>60,695</b>
Umtata to East London Rail.				45,000	47,385	49,659
Testing Stations				10,000	10,530	11,036
<b>Sport</b>				<b>25,000</b>	<b>26,335</b>	<b>27,589</b>
Sports Fields & Cultural Centers				25,000	26,335	27,589
<b>Total : Infrastructure</b>	<b>674,757</b>	<b>1,009,682</b>	<b>3,346,000</b>	<b>3,413,198</b>	<b>3,025,518</b>	<b>3180,914</b>

## 5.6 Transfers to public entities .

**Table 5.6.1 Transfers to Public Entities**

R'000	2000/01 Actual	2001/02 Actual	2002/03 Est. actual	2003/04 Voted	2004/05 MTEF	2005/06 MTEF
<b>Office of the Premier</b>	<b>11,048</b>	<b>17,338</b>	<b>18,963</b>	<b>22,000</b>	<b>23,561</b>	<b>24,423</b>
ECSECC	2,293	7,018	5,900	8,000	8,458	8,881
ECATU	8,755	10,000	6,500	8,000	8,458	8,881
University of Fort Hare			563			
Disabled people of South Africa		320				
Youth Commission			1,000	6,000	6,645	6,661
ECDC			5,000			
<b>Department of Transport</b>	<b>36,524</b>	<b>28,600</b>	<b>23,204</b>	<b>21,148</b>	<b>22,451</b>	<b>23,798</b>
Public transport	17,000	27,000	17,700	21,148	22,451	23,798
Taxi Registrar	1,600	1,600	5,504			
Bus operators	17,924					
<b>Department of Agriculture</b>	<b>19,100</b>	<b>17,974</b>	<b>14,320</b>	<b>27,000</b>	<b>19,500</b>	<b>18,500</b>
Uvimba Finance Corporation	8,400	7,000	6,320	15,500	10,000	10,000
Fort Cox	10,700	10,974	8,000	11,500	9,500	8,500
<b>Department of Health</b>	<b>390,029</b>	<b>422,394</b>	<b>500,060</b>	<b>557,698</b>	<b>588,371</b>	<b>624,648</b>
Local Auth./Municipalities	104,953	120,210	146,991	134,420	141,813	150,322
Environment health	11,388	15,908	18,091			
Provincial Aided Hospitals	70,683	71,990	88,487	78,129	82,427	87,759
Emergency Medical Services	94,714	98,867	111,726	131,439	138,668	146,988
Lifecares	72,841	77,253	91,846	118,998	125,542	133,663
SANTA	35,450	38,166	42,919	94,712	99,921	105,916
<b>Department of Education</b>	<b>-</b>	<b>155,721</b>	<b>253,000</b>	<b>245,395</b>	<b>223,309</b>	<b>23,678</b>
IDT		155,721	253,000	245,395	223,309	23,678
<b>Department of Public Works</b>		<b>58,684</b>	<b>158,100</b>	<b>182,500</b>	<b>172,000</b>	<b>-</b>
SANDRA		58,684	158,100	182,500	172,000	-
<b>Provincial Treasury</b>	<b>-</b>	<b>-</b>	<b>15,087</b>	<b>16,976</b>	<b>17,876</b>	<b>18,734</b>
University of Fort Hare (PFSA)	-	-	15,087	16,976	17,876	18,734
<b>Department of Economic Affairs, Environment and Tourism</b>	<b>104,965</b>	<b>150,343</b>	<b>545,690</b>	<b>676,989</b>	<b>168,211</b>	<b>176,592</b>
Liquor Board	4,918					
E C Tourism Board (Tourism)	25,091	21,807	41,438	36,403	36,255	38,178
E C D C.(Promotion of SMME).		49,098	50,067	81,000	82,134	86,076
CIMEC (Industry Promotion)	9,048	6,438	9,000	11,900	12,531	13,132
E C Gambling & Betting Board	8,000	10,000	13,130	12,400	15,501	16,051
E C D C (Coega IDZ).	56,440	60,000	378,000	375,145		22,836
E C D C (E.L. IDZ).	1,200	1,500	50,000	99,141		319
Other Entities (Economic Dev. & Cons. Affairs).	268	1,500	4,055	61,000	21,790	18,422
<b>Total Transfers</b>	<b>561,666</b>	<b>851,054</b>	<b>1,528,424</b>	<b>1,749,706</b>	<b>1,235,279</b>	<b>910,373</b>

**Table 5.6.2 Transfers to Other Entities.**

<b>R'000</b>	<b>2000/01 Actual</b>	<b>2001/02 Actual</b>	<b>2002/03 Est. actual</b>	<b>2003/04 Voted</b>	<b>2004/05 MTEF</b>	<b>2005/06 MTEF</b>
<b>Social Development</b>				<b>142 694</b>	<b>144 737</b>	<b>152 286</b>
<b>Child and family care</b>						
Childrens Homes				18 770	18 770	18 770
Creches				29 750	29 750	29 750
Social Work Posts				20 505	20 505	20 505
Care Centres				4 127	8 128	8 128
<b>Sub-total</b>				<b>73 153</b>	<b>77 153</b>	<b>77 153</b>
<b>Care of the aged</b>						
Old Age Homes				43 627	37 992	38 218
Community Centres				4 466	8 144	10 144
Social Work Posts				1 064	1 064	1 064
<b>Sub-total</b>				<b>49 157</b>	<b>47 200</b>	<b>49 426</b>
<b>Care of the disabled</b>						
Homes for the disabled				8 796	8 796	8 796
Protective Workshops				772	772	772
Special Day Care Centres				1 084	1 084	3 083
Social Work Posts				4 315	4 315	4 315
<b>Sub-total</b>				<b>14 966</b>	<b>14 966</b>	<b>16 966</b>
<b>Drug dependant care</b>						
Social Work Posts				2 672	2 672	2 672
<b>Sub-total</b>				<b>2 672</b>	<b>2 672</b>	<b>2 672</b>
<b>Care of the offenders</b>						
Social Work Posts				1 607	1 607	1 607
<b>Sub-total</b>				<b>1 607</b>	<b>1 607</b>	<b>1 607</b>
<b>Shelters for the homeless</b>						
Shelters for adults				160	160	160
Shelters for Children				463	463	2 463
Women support Centres				516	516	1 839
<b>Sub-total</b>				<b>1 139</b>	<b>1 139</b>	<b>4 461</b>
<b>Provincial Treasury</b>	<b>362,966</b>		<b>25,108</b>	<b>211</b>	<b>222</b>	<b>233</b>
Treasury Reserve	362,966		24,908			
Community projects			200	211	222	233
<b>Sports Arts &amp; Culture</b>	<b>2 655</b>	<b>2 655</b>	<b>2 714</b>	<b>2 714</b>	<b>2 714</b>	<b>2 714</b>
Albany Museum	600	600	600	600	600	600
Amathole Museum	400	400	400	400	400	400
Barkly East Museum	45	45	45	45	45	45
East London Museum	450	450	450	450	450	450
Fort Beaufort Museum	45	45	45	45	45	45
Burgersdorp Museum	45	45	45	45	45	45
Graaff Reient Museum	80	80	80	80	80	80
Great Fish River Museum	50	50	50	50	50	50
Port Elizabeth Museum	650	650	650	650	650	650
Queenstown & Frontier Museum	65	65	65	65	65	65
Our Heritage Museum	45	45	45	45	45	45
Somerset East Museum	65	65	65	65	65	65
Sterkstroom Museum	45	45	45	45	45	45
Uitenhage Museum	80	80	80	80	80	80
Mthatha	-	-	49	49	49	49
<b>Total Transfers</b>	<b>365,621</b>	<b>2,655</b>	<b>27,822</b>	<b>145,619</b>	<b>147,673</b>	<b>155,233</b>

## 5.7 Transfers to Local Government

**Table 5.7.1 Transfers to Local Government**

R'000 Vote	Municipalities	2000/01 Actual	2001/02 Actual	2002/03 Est. actual	2003/04 Voted	2004/05 MTEF	2005/06 MTEF
<b>Premier</b>							
Category A	Blue Crane		1,000				
	Emalahleni		167				
	Ukhahlamba			600			
	Other Municipalities				3,000	3,172	3,330
	Mbizana		167				
<b>Total : Premier</b>			<b>1,334</b>	<b>600</b>	<b>3,000</b>	<b>3,172</b>	<b>3,330</b>
<b>Transport</b>							
Category A	Vehicle testing stations (prog 3)			17,400	12,600		
Category B	Drivers, Leaners, testing centres			1,000	1,060	971	1,060
Category C	Improvement of public infrastructure facilities in local authorities ( Prog 5)	9,470	4,146	12,371	14,460	21,585	22,880
<b>Total : Transport</b>		<b>9,470</b>	<b>4,146</b>	<b>30,771</b>	<b>28,120</b>	<b>22,556</b>	<b>23,940</b>
<b>Public Works</b>							
Category B & C	Local Municipalities	1,842	2,100	2,250	3,019	2,890	3,001
<b>Total : Public Works</b>		<b>1,842</b>	<b>2,100</b>	<b>2,250</b>	<b>3,019</b>	<b>2,890</b>	<b>3,001</b>
<b>Housing &amp; Local Govt</b>							
Category A			3,200				
Category B		746	66,378	102,666	171,577	202,499	165,077
Category C			5,385	27,709	18,484	6,759	7,163
<b>Total : Hous.&amp; Local Govt</b>		<b>746</b>	<b>74,963</b>	<b>130,375</b>	<b>190,061</b>	<b>209,258</b>	<b>172,240</b>
<b>Health</b>							
Category A	Nelson Mandela Metro	34,404	59,138	54,217	49,584	52,312	55,843
Category B	Cacadu District Mun.	14,847	10,964	34,780	31,808	33,561	35,826
Category B	Amathole District Mun.	22,598	23,469	24,245	22,182	22,403	23,915
Category B	Chris Hani District Mun.	15,740	12,344	12,025	10,996	11,063	12,386
Category B	Ukhahlamba District Mun.	10,858	9,266	9,544	8,728	9,208	9,829
Category B	OR Tambo District Mun.	6,506	5,029	12,170	11,122	12,726	12,523
Category B	Alfred Ndzo District Mun.						
<b>Local Authorities (subsidies)</b>		See APPENDIX A	<b>104,953</b>	<b>120,210</b>	<b>146,991</b>	<b>134,420</b>	<b>141,813</b>
<b>Local Authorities (environmental health)</b>			11,388	15,908	18,091		
<b>Health : Total</b>			<b>116,341</b>	<b>136,118</b>	<b>165,082</b>	<b>134,420</b>	<b>150,322</b>
<b>Total : Transfers</b>			<b>128,399</b>	<b>218,661</b>	<b>328,478</b>	<b>355,620</b>	<b>349,503</b>

**Revenue and Expenditure Statement for  
PROVINCE OF THE EASTERN CAPE  
for 2003/04 to 2005/06**

Description	2000/01 Appropriation	2001/02 Appropriation	2002/03 Est. Actual	2003/04 Budget	2004/05 Budget	2005/06 Budget
<b>Revenue</b>						
Equitable share	16,749,624	18,170,630	21,166,007	24,227,559	26,427,150	28,510,405
Conditional grants	1,182,942	1,657,479	1,548,110	2,219,347	3,003,820	4,002,066
Finance supplementary	383,301	386,431				
Own revenue	394,542	554,242	400,000	517,416	527,764	551,512
<b>Total revenue</b>	<b>18,710,409</b>	<b>20,768,782</b>	<b>23,114,117</b>	<b>26,964,322</b>	<b>29,958,734</b>	<b>33,063,983</b>
% growth year on year		11.0%	11.3%	16.7%	11.1%	10.4%
<b>Expenditure</b>						
<b>Personnel expenditure</b>	10,661,728	11,195,952	12,536,516	13,274,482	14,358,681	15,115,310
<b>Non-personnel expenditure</b>	<b>7,500,434</b>	<b>8,395,367</b>	<b>12,494,512</b>	<b>14,658,053</b>	<b>15,600,728</b>	<b>17,949,903</b>
Social security	3,682,187	3,766,135	4,823,603	6,621,005	6,853,674	7,486,854
Welfare transfers	119,765	131,424	145,017	144,864	147,683	154,772
Conditional grants expend	1,117,447	1,397,858	1,196,544	2,219,347	3,003,820	4,002,066
Other non-personnel	2,581,035	3,099,950	6,329,348	5,672,837	5,595,551	6,306,211
<b>Total expenditure</b>	<b>18,162,162</b>	<b>19,591,319</b>	<b>25,031,028</b>	<b>27,932,535</b>	<b>29,959,408</b>	<b>33,065,213</b>
% growth year on year		7.9%	27.8%	11.6%	7.3%	10.4%
<b>Net Revenue</b>	<b>548,247</b>	<b>1,177,463</b>	<b>-1,916,911</b>	<b>-968,213</b>	<b>-674</b>	<b>-1,230</b>
less: contingencies			1,691			
<b>Surplus/(deficit)</b>	<b>548,247</b>	<b>1,177,463</b>	<b>-1,918,602</b>	<b>-968,213</b>	<b>-674</b>	<b>-1,230</b>
<b>Financed by:</b>	<b>960,355</b>	<b>1,786,531</b>	<b>1,555,342</b>	<b>968,213</b>	<b>674</b>	<b>1,231</b>
Roll Overs	118,147	579,789	1,088,919			
Reallocated Treasury Reserve	842,208	1,206,742	466,423	968,213	674	1,231
<b>Surplus/(deficit) after financing</b>	<b>1,508,602</b>	<b>2,963,994</b>	<b>-363,260</b>	<b>-</b>	<b>-</b>	<b>1</b>

# MTREF: Revenue and Allocations

## Provincial Revenue Summary for 2000/01 to 2005/06

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
	Actual	Actual	Est. Actual	MTREF	MTREF	MTREF
(All amounts in R'000)	1	2	3	4	5	6
<b>Treasury Funding</b>	<b>18,315,867</b>	<b>20,214,540</b>	<b>22,714,117</b>	<b>26,446,906</b>	<b>29,430,970</b>	<b>32,512,471</b>
1. Office of the Premier	94,685	111,285	167,179	227,639	239,899	251,293
2. Provincial Legislature	62,755	68,902	67,111	75,133	78,654	82,023
3. Health	3,522,128	3,838,885	3,957,337	5,076,343	5,668,782	6,270,036
4. Welfare	3,952,362	5,206,862	5,681,482	7,123,743	8,318,160	9,776,893
5. Public Works	549,665	1,080,793	1,628,499	1,649,443	1,788,472	1,879,306
6. Education	7,439,195	7,854,422	8,708,953	9,887,346	10,875,571	11,714,247
7. Housing, Local Government and Traditional Affairs	771,864	897,613	952,396	1,119,139	1,095,824	1,112,612
8. Agriculture and Land Affairs	400,111	472,018	519,993	660,760	683,717	713,212
9. Economic Affairs, Environment and Tourism	101,786	208,259	568,881	244,612	269,263	281,738
10. Transport	156,963	199,862	239,681	159,976	172,310	180,103
12. Provincial Treasury	1,091,953	90,939	-5,317	-46,033	-41,432	-43,106
14. Sports, Recreation, Arts and Culture	165,911	176,703	219,467	257,548	269,953	281,800
15. Safety Liaison	6,489	7,997	8,455	11,257	11,797	12,314
<b>Own Revenue</b>	<b>394,542</b>	<b>554,242</b>	<b>399,999</b>	<b>517,416</b>	<b>527,764</b>	<b>551,512</b>
1. Office of the Premier	1,025	1,572	44	280	286	299
2. Provincial Legislature	-	-	-	-	-	-
3. Health	30,433	31,631	32,335	41,543	42,374	44,280
4. Welfare	944	42,433	280	700	714	746
5. Public Works	5,438	11,089	2,341	13,502	13,772	14,392
6. Education	13,016	14,101	4,454	24,844	25,341	26,481
7. Housing, Local Government and Traditional Affairs	6,068	5,720	552	4,064	4,145	4,332
8. Agriculture and Land Affairs	8,813	7,613	3,820	4,680	4,774	4,989
9. Economic Affairs, Environment and Tourism	49,113	31,530	51,189	56,500	57,630	60,223
10. Transport	90,165	76,260	47,023	149,061	152,042	158,884
12. Provincial Treasury	189,267	331,675	257,822	221,601	226,032	236,203
14. Sports, Recreation, Arts and Culture	154	693	96	600	612	640
15. Safety Liaison	106	-75	43	41	42	43
<b>Total Revenue</b>	<b>18,710,409</b>	<b>20,768,782</b>	<b>23,114,116</b>	<b>26,964,322</b>	<b>29,958,733</b>	<b>33,063,983</b>
<b>Less Total Expenditure</b>	<b>18,162,162</b>	<b>19,591,319</b>	<b>25,031,028</b>	<b>27,932,534</b>	<b>29,959,410</b>	<b>33,065,216</b>
<b>Net Revenue</b>	<b>548,247</b>	<b>1,177,463</b>	<b>(1,916,912)</b>	<b>(968,212)</b>	<b>(677)</b>	<b>(1,233)</b>
Less: Contingencies			1,691			
<b>Surplus/(Deficit)</b>	<b>548,247</b>	<b>1,177,463</b>	<b>-1,918,603</b>	<b>-968,212</b>	<b>-677</b>	<b>-1,233</b>



**Table 8.2 - MTREF: Expenditure and Estimates**  
**PROVINCE OF THE EASTERN CAPE**  
**for 2000/01 to 2005/06**

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
	Actual	Actual	Est. Actual	MTREF	MTREF	MTREF
(All amounts in R'000)	1	2	3	4	5	6
1. Office of the Premier	90,031	138,537	172,739	227,919	240,185	251,592
2. Provincial Legislature	64,236	74,023	75,062	75,133	78,654	82,023
3. Health	3,789,629	3,892,453	4,352,201	5,117,886	5,711,157	6,314,316
4. Welfare	4,067,474	4,663,014	6,423,170	7,465,339	8,319,549	9,778,523
5. Public Works	727,092	1,041,656	1,730,778	1,687,945	1,802,244	1,894,046
6. Education	7,191,331	7,863,493	9,361,503	9,912,190	10,900,912	11,740,728
7. Local Government and Traditional Affairs	764,489	602,470	973,400	1,123,203	1,099,969	1,116,944
8. Agriculture and Land Affairs	450,885	563,298	565,115	735,440	688,491	718,201
9. Economic Affairs, Environment and Tourism	192,101	255,409	665,976	833,397	326,893	341,961
10. Transport	186,447	207,337	297,389	309,037	324,352	338,987
12. Provincial Treasury	479,541	117,523	187,717	175,600	184,600	193,097
14. Sports, Recreation, Arts and Culture	154,038	166,381	218,825	258,148	270,565	282,440
15. Safety Liaison	4,868	5,725	7,153	11,298	11,839	12,357
<b>Total by Vote</b>	<b>18,162,162</b>	<b>19,591,319</b>	<b>25,031,028</b>	<b>27,932,535</b>	<b>29,959,409</b>	<b>33,065,215</b>

<b>BY ECONOMIC CLASSIFICATION (GFS)</b>	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
	Actual	Actual	Est. Actual	MTREF	MTREF	MTREF
(All amounts in R'000)	1	2	3	4	5	6
<b>Current expenditure</b>	<b>17,364,242</b>	<b>18,578,420</b>	<b>22,414,941</b>	<b>25,442,460</b>	<b>27,893,019</b>	<b>30,838,628</b>
<b>Personnel:</b>	<b>10,661,728</b>	<b>11,195,952</b>	<b>12,536,517</b>	<b>13,274,482</b>	<b>14,358,681</b>	<b>15,115,310</b>
Salaries and related costs	10,637,703	11,187,643	12,536,517	13,274,475	14,358,672	15,115,301
Other personnel expenditure	24,025	8,309		7	9	9
<b>Use of goods and services</b>	<b>1,718,038</b>	<b>2,205,790</b>	<b>2,845,078</b>	<b>3,891,310</b>	<b>4,429,063</b>	<b>5,193,190</b>
<b>Interest paid</b>						
<b>Transfer payments to:</b>	<b>4,984,476</b>	<b>5,176,678</b>	<b>7,033,346</b>	<b>8,276,669</b>	<b>9,105,275</b>	<b>10,530,127</b>
Subsidies to business enterprises	700,165	626,085	682,134	1,073,542	1,099,035	1,193,083
Local government	66,683	88,001	214,026	234,411	262,253	225,142
Extra-budgetary institutions		62,483	1,163	3,000	3,172	3,330
Households	3,712,857	4,263,368	5,935,727	6,778,789	7,545,598	8,901,003
Non-profit organisations	504,771	136,741	200,296	186,927	195,217	207,569
<b>Capital expenditure</b>	<b>797,920</b>	<b>1,012,900</b>	<b>2,616,087</b>	<b>2,490,074</b>	<b>2,066,390</b>	<b>2,226,589</b>
<b>Non-financial assets:</b>	<b>267,039</b>	<b>474,192</b>	<b>1,285,218</b>	<b>1,450,395</b>	<b>1,523,557</b>	<b>1,841,033</b>
Buildings and structures	84,887	103,226	627,988	467,952	446,119	540,692
Machinery and equipment	102,442	117,274	220,781	382,081	370,482	368,582
Non-produced assets	876	452		2,871	3,060	3,365
Other assets	78,834	253,240	436,449	597,491	703,896	928,394
<b>Capital transfers to:</b>	<b>530,881</b>	<b>538,708</b>	<b>1,330,869</b>	<b>1,039,679</b>	<b>542,833</b>	<b>385,555</b>
Local government	471,973	301,261	553,733	11,342	2,391	2,534
Other capital transfers	58,908	237,447	777,136	1,028,337	540,442	383,021
<b>Total expenditure ex. lending</b>	<b>18,162,162</b>	<b>19,591,319</b>	<b>25,031,028</b>	<b>27,932,534</b>	<b>29,959,409</b>	<b>33,065,216</b>
Lending		-	-	-	-	-
<b>Total by GFS classification</b>	<b>18,162,162</b>	<b>19,591,319</b>	<b>25,031,028</b>	<b>27,932,534</b>	<b>29,959,409</b>	<b>33,065,216</b>

<b>BY STANDARD ITEM</b>	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
	Actual	Actual	Est. Actual	MTREF	MTREF	MTREF
(All amounts in R'000)	1	2	3	4	5	6
<b>Current expenditure</b>	<b>17,364,242</b>	<b>18,578,420</b>	<b>22,414,941</b>	<b>25,442,460</b>	<b>27,893,020</b>	<b>30,838,626</b>
A. Personnel expenditure	10,661,728	11,195,952	12,536,517	13,274,482	14,358,681	15,115,309
B. Administrative expenditure	283,775	416,216	518,078	673,472	760,207	875,778
C. Stores and livestock	465,939	723,999	935,657	933,331	1,195,286	1,427,362
D. Equipment: (current)	34,824	65,469	32,324	93,620	106,317	111,384
E. Land and buildings: (current)	5,568	12,188	166,550	197,080	268,052	279,852
F. Professional and special services	792,728	925,505	1,119,083	1,985,701	2,090,473	2,488,712
G. Transfers: (current)	4,984,476	5,176,677	7,033,346	8,276,669	9,105,274	10,530,127
H. Miscellaneous expenditure	135,204	62,414	73,386	8,107	8,730	10,102
<b>Capital expenditure</b>	<b>797,920</b>	<b>1,012,899</b>	<b>2,616,087</b>	<b>2,490,074</b>	<b>2,066,390</b>	<b>2,226,590</b>
D. Equipment: (capital)	111,464	127,141	234,696	395,426	385,011	384,138
E. Land and buildings: (capital)	80,315	103,226	625,102	487,452	459,549	557,130
F. Professional and special services	71,260	243,824	425,420	567,517	678,997	899,767
G. Transfers: (capital)	534,881	538,708	1,330,869	1,039,679	542,833	385,555
<b>Total by standard item</b>	<b>18,162,162</b>	<b>19,591,319</b>	<b>25,031,028</b>	<b>27,932,534</b>	<b>29,959,410</b>	<b>33,065,216</b>

# APPENDIX A

## Eastern Cape

Category	DC	Number	New Municipality	2000/01 Expenditure R'000	2001/02 Expenditure R'000	2002/03 Est. Expenditure R'000	2003/04 MTREF R'000	2004/05 MTREF R'000	2005/06 Alloc MTREF R'000
<b>A</b>	<b>Port Elizabeth</b>		<b>Nelson Mandela</b>	<b>34,404</b>	<b>59,138</b>	<b>54,217</b>	<b>49,584</b>	<b>52,312</b>	<b>55,843</b>
B	DC10	EC101	Camdeboo	1,396	1,336	2,861	2,616	2,761	2,947
B	DC10	EC102	Blue Crane Route	4,269	1,894	2,239	2,048	2,161	2,307
B	DC10	EC103	Ikwezi	253	289	848	775	818	873
B	DC10	EC104	Makana	3,867	3,423	4,146	3,791	4,000	4,270
B	DC10	EC105	Ndlambe	2,018	1,705	2,580	2,360	2,489	2,657
B	DC10	EC106	Sunday's River Valley	895	850				-
B	DC10	EC107	Baviaans	286	283	824	755	799	853
B	DC10	EC108	Kouga	1,863	1,184	3,455	3,160	3,333	3,558
B	DC10	EC109	Kou-Kamma	-	-				-
DMA	DC10	DMA10	Aberdeen Plain	-	-				-
C	DC10	DC10	Cacadu	-	-	17,827	16,303	17,200	18,361
<b>Total: Cacadu District</b>				<b>14,847</b>	<b>10,964</b>	<b>34,780</b>	<b>31,808</b>	<b>33,561</b>	<b>35,826</b>
B	DC12	EC121	Mbhashe	-	-				-
B	DC12	EC122	Mnquma	3,240	2,675				-
B	DC12	EC123	Great Kei	-	-				-
B	DC12	EC124	Amahlati	1,217	921				-
B	DC12	EC125	Buffalo City	12,967	11,318	13,956	12,763	12,465	13,306
B	DC12	EC126	Ngqushwa	-	-				-
B	DC12	EC127	Nkonkobe	1,401	1,225	4,958	4,534	4,784	5,107
B	DC12	EC128	Nxuba	1,587	1,346				-
C	DC12	DC12	Amatole	2,186	5,984	5,341	4,885	5,154	5,502
<b>Total: Amathole District</b>				<b>22,598</b>	<b>23,469</b>	<b>24,255</b>	<b>22,182</b>	<b>22,403</b>	<b>23,915</b>
B	DC13	EC131	Inxuba Yethemba	4,539	3,473	4,071	3,723	3,928	4,193
B	DC13	EC132	Tsolwana	461	499				-
B	DC13	EC133	Inkwanca	-	-				-
B	DC13	EC134	Lukanji	5,030	3,385	3,938	3,601	3,800	4,056
B	DC13	EC135	Intsika Yethu	-	-				-
B	DC13	EC136	Emalahleni	-	-				-
B	DC13	EC137	Engcobo	-	-				-
B	DC13	EC138	Sakhisizwe	994	827	1,036	947	1,000	1,067
DMA	DC13	DMA13	Mount Zebra NP	-	-				-
C	DC13	DC13	Chris Hani	4,715	4,160	2,980	2,725	2,875	3,069
<b>Total: Chris Hani</b>				<b>15,740</b>	<b>12,344</b>	<b>12,025</b>	<b>10,996</b>	<b>11,603</b>	<b>12,386</b>
B	DC14	EC141	Elundini	-	-				-
B	DC14	EC142	Senqu	319	341	383	350	369	394
B	DC14	EC143	Malethswai	2,065	1,676	1,148	1,050	1,108	1,183
B	DC14	EC144	Gariep	1,926	1,404	1,143	1,045	1,102	1,176
DMA	DC14	DMA14	Oviston Nature Reserve	-	-				-
C	DC14	DC14	Ukwahlamba	6,548	5,846	6,870	6,283	6,629	7,076
<b>Total: Ukwahlamba District</b>				<b>10,858</b>	<b>9,266</b>	<b>9,544</b>	<b>8,728</b>	<b>9,208</b>	<b>9,829</b>

Category	DC	Number	New Municipality	2000/01 Expenditure R'000	2001/02 Expenditure R'000	2002/03 Est. Expenditure R'000	2003/04 MTREF R'000	2004/05 MTREF R'000	2005/06 Alloc MTREF R'000
B	DC15	EC151	Mbizana	-	-				-
B	DC15	EC152	Ntabankulu	-	-				-
B	DC15	EC153	Ingquza	-	-				-
B	DC15	EC154	Port St Johns	-	-				-
B	DC15	EC155	Nyandeni	-	-				-
B	DC15	EC156	Mhlontlo	-	-				-
B	DC15	EC157	King Sabata Dalindyebo	6,506	5,029	12,170	11,122	12,726	12,523
C	DC15	DC15	O.R Tambo						
<b>Total: O.R Tambo District</b>				<b>6,506</b>	<b>5,029</b>	<b>12,170</b>	<b>11,122</b>	<b>12,726</b>	<b>12,523</b>
B	DC44	EC05b1	Umzimkulu						
B	DC44	EC05b2	Umzimvubu						
DMA	DC44	DMA44	O'Connors Camp						
C	DC44	DC44	Alfred Nzo						
<b>Total: Alfred Nzo</b>									
<b>Provincial Total</b>				<b>104,953</b>	<b>120,210</b>	<b>146,991</b>	<b>134,420</b>	<b>141,813</b>	<b>150,322</b>

## ANNEXURE A: THE GFS SYSTEM

### Introduction

This attachment aims to provide a general introduction to the GFS system established by the International Monetary Fund (IMF). This system forms the basis of the classification used in South Africa, and is adjusted only where the functions of the spheres of government differ.

"GFS" stands for Government Finance Statistics and the "GFS system" is an international standard for the compilation and presentation of such statistics. The system is described in full in *A Manual on Government Finance Statistics*, first published by the IMF in 1986. It is one of three IMF manuals establishing international statistical standards; the other two relate to balance of payments statistics and monetary and financial statistics. The IMF is also a co-author of the 1993 *System of National Accounts* (1993 SNA), the international standard for the preparation of national accounts. It provides the basis for many concepts underlying the other statistical standards promulgated by the IMF.

#### 5.4.1 Rationale of the GFS system

The IMF and other international organisations have a strong interest in fostering international statistical standards because their roles involve statistical analysis of the performance of the economies of their member countries. Inter-country comparisons play an important part in the analysis. Without standardised statistics, such comparisons would not be possible. Because of its role as a lender to governments, the IMF has a particular interest in fiscal policy. For this purpose, it requires government finance statistics that are not only uniform but also are also suitable for detailed analysis of the fiscal situation in each country. The GFS system is therefore designed to provide comprehensive data about government finances and to encourage fiscal transparency.

#### 5.4.2 Nature of the system

In developing the GFS system, the IMF recognised that government accounts do not provide a consistent picture of government finances. It is impossible to use these accounts for valid comparisons of government finances for individual countries, for individual governments within countries, or for individual organisations within such governments. It is similarly impossible to obtain a

consolidated view of the financial operations of all government organisations within a country. Government accounts often do not disclose all of the information necessary for effective fiscal analysis.

In essence, the GFS system consists of a set of procedures for the analysis of information in government accounts and the application of a standard classification of all government transactions, assets and liabilities. The analytical framework underlying the system and its classifications are designed to provide a transparent and standard view of government finances.

### 5.4.3 Definition of government

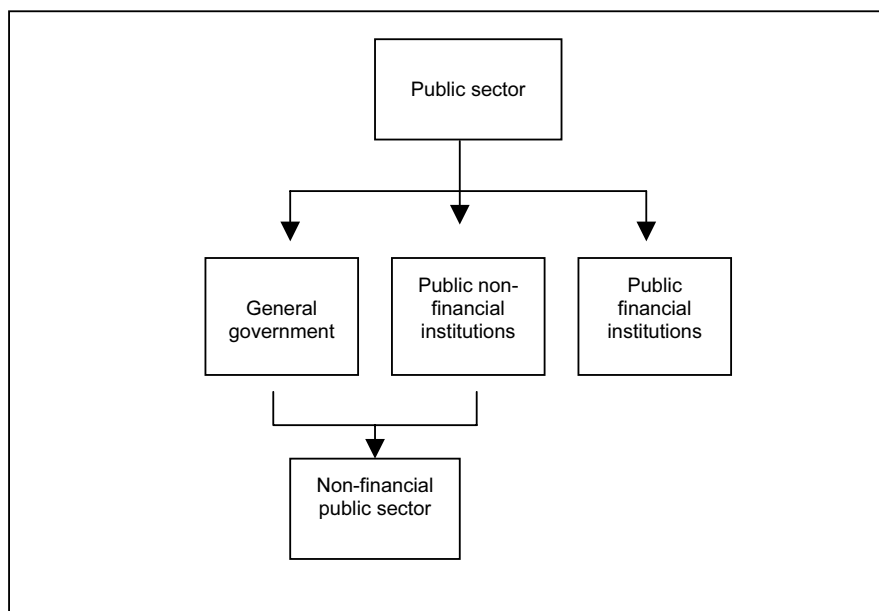
The definition of “government” is of critical concern in a system of government finance statistics. The 1993 SNA divides an economy into the following sectors:

- Non-financial corporations and quasi corporations
- Financial corporations and quasi corporations
- General government
- Non-profit institutions serving households
- Households

In the GFS system, “government” equates with the general government sector, as defined in the SNA. The economic sectors are defined as mutually exclusive groupings of “institutional units” with common economic characteristics. An institutional unit is broadly defined as an entity that is capable of owning assets and acting on its own behalf in economic and financial matters. The general government sector comprises mainly institutional units that are defined as “government units”. In brief, these are units, at all levels of government, that are primarily funded from taxation, provide goods and services either free or at nominal prices, and redistribute income. Non-profit institutions that are mainly financed by government units and provide goods and services free or at nominal prices are also included in this sector.

Governments can own units that are classified to the *non-financial corporations sector* and the *financial corporations sector*. Corporations that are government owned (i.e. “public enterprises”) can have a major impact on government finances. Accordingly, the GFS system provides for the compilation of consolidated information for the general government sector and the public enterprises. As illustrated in the diagram below, the consolidated general government sector and non-financial public enterprises (e.g. public airlines, telecommunication authorities or electricity authorities) is called the *non-financial public sector*. The consolidated general government sector and all public enterprises (financial and non-financial) are called the *public sector*. Public financial enterprises include government-owned banks, such as the central bank, insurance companies and development finance institutions.

The general government sector includes extra-budgetary as well as budgetary units. To ensure completeness and comparability between the spheres, all the operations of government should be covered, whether funded by direct parliamentary appropriation or not. However, for purposes of the provincial budgets, the budget documents will, for the time being, be limited to the budget sector, i.e. departments and agencies for which there are direct votes in the appropriations. Funding for extra-budgetary agencies will be shown as transfers from the departments that make such payments.



## Outline of the current (1986) GFS system

The current GFS system is largely a cash recording system, although provision is made for recording some non-cash transactions in memorandum items. In a cash system, transactions are only recorded when cash flows occur, which can be different from the time when economic value is changed. The system also provides for the measurement of debt, which is not usually included in a strictly cash system.

The analytical framework of the system is based on several fundamental distinctions. *Receipts*, which are transactions involving inflows of cash, are distinguished from *payments*, which are transactions generating outflows of cash. *Repayable* transactions, in which cash is received with an obligation that it is to be repaid, are distinguished from *non-repayable* transactions in which no such obligation exists. *Current* transactions are distinguished from *capital* transactions, which are receipts or payments arising in exchange for assets that will be productive for more than one year. *Required* transactions, in which something is provided in return for cash, are distinguished from *unrequired* transactions (e.g. taxes or grants) in which nothing is given directly in return. For lending transactions, a distinction is made between lending for *policy purposes*, which is recorded with expenditure, and lending for *liquidity management* purposes, which is recorded with financing. These distinctions are applied in defining the basic elements in the system, which are:

- *Revenue*, which is defined as all non-repayable receipts, except unrequired receipts from other governments or international organisations (such receipts are classified as grants)
- *Grants*, which are non-repayable, unrequired receipts from governments and international organisations
- *Expenditure*, which is defined as all non-repayable payments, whether required or unrequired
- *Net policy lending*, which is all repayable payments made for policy purposes *less* all receipts of repayments of net policy lending (net policy lending is called "lending minus repayments")
- *Financing*, which is defined as all repayable receipts and payments other than net policy lending

- *Debt*, which is all government liabilities other than “floating debt”, which is defined as outstanding commitments carrying no contractual obligation fixing the time for payment (e.g. arrears on the repayment of trade credit)

These major elements, except debt, are linked as follows in the analytical framework:

**Table 5.4.1.1 Elements of the GFS framework**

(1)	Revenue	
	Current	
	Capital	
(2)	Grants	
	Current	
	Capital	
(3)	Expenditure	
	Current	
	Capital	
(4)	Net policy lending	
(5)	<b>(Deficit)/surplus (= (1) + (2) – (3) – (4))</b>	
(6)	Financing (= (5) with opposite sign)	

In this framework, the key balancing item is the *deficit/surplus*, which is calculated in such a way that a negative number indicates a deficit. The financing requirement is measured by *financing* which, according to the accounting identity, must be equal to the deficit/surplus, but with an opposite sign. Financing indicates the general government sector's call for finance from the rest of the economy. A positive financing number indicates that net borrowing has occurred and a negative number, net lending. Net borrowing occurs when a reduction in financial assets and/or an increase in liabilities are necessary to finance the deficit. Net lending occurs when an increase in financial assets and/or a reduction in liabilities occur to absorb the surplus.

The system is asymmetrical – net policy lending is included with the expenditure of the lender but is treated as a financing transaction of the borrower (symmetrical treatment would view the lending as revenue of the borrower).

Each of the basic elements is disaggregated into a finer classification, as set out below.

## 5.4.4 Classification of revenue and grants

Revenue and grants are classified by economic type. A summarised version of the economic classification of revenue is shown in the following table.

**Table 5.4.4.1 Revenue classification**

---

Total revenue
Current revenue
Tax revenue
Taxes on income, profits and capital gains
Social security contributions
Taxes on payroll and workforce
Taxes on property
General sales, turnover or value added taxes
Taxes on the use of goods or on permission to use goods or perform activities
Other taxes on goods and services
Taxes on international trade and transactions
Other taxes
Non-tax revenue
Entrepreneurial and property income
Administrative fees and charges, non-industrial and incidental sales
Fines and forfeits
Contributions to government employee pension and welfare funds within government
Other non-tax revenue
Capital revenue
Sales of fixed capital assets
Sales of stocks
Sales of land and intangible assets
Capital transfers from non government sources

---

### 5.4.4.1 Tax revenue

- *Taxes* are defined as compulsory, unrequited, non-repayable contributions exacted by government for public purposes. They include regulatory fees and charges that are disproportionate to the cost of the service provided, e.g. motor vehicle registration fees. Fees that don't meet this criterion are included in *administrative fees and charges, non-industrial and incidental sales*. Taxes are classified into the categories shown in the table (subcategories are also defined but are too numerous to be discussed here).

- *Social security contributions* are included with taxes because they are compulsory payments made by persons (or by their employers on their behalf) to secure social security welfare benefits (this is irrespective of whether the payments are proportional to the benefits). Contributions to insurance schemes, pension funds or friendly societies are excluded, as these are not social security schemes. This category does not include public sector employee contributions to government pension schemes (which are included in non-tax revenue).
- Domestic taxes on goods and services include *excise, value added tax, and licenses and fees* that qualify as taxes. Taxes on international trade include import and export duties, profits of export or import monopolies set up by the government for revenue generation purposes, and exchange profits earned as a result of government monopoly powers. Other taxes include poll taxes and stamp taxes.

#### 5.4.4.2 *Non-tax revenue*

- *Entrepreneurial and property income* includes dividends from public and private enterprises, interest, royalties, cash surpluses of “departmental enterprises” and land rent. Departmental enterprises are unincorporated units within the general government sector that (1) engage in market production on an ancillary basis (i.e. they mainly provide services to other government units) or (2) sell to the public on a small scale.
- *Administrative fees and charges* are charges for services rendered by the government. The fees and charges must be proportional to the value of the service rendered; otherwise they are treated as taxes. Compulsory and non-compulsory fees are included. Incidental sales are small-scale sales (e.g. of publications) made by government bodies as a by-product of their activities.
- The category for *finances* excludes fines for tax infringements, which are included with taxes.
- *Contributions to pension funds* are restricted to contributions paid to funds that invest entirely with the employing government. The item relates to contributions received from employees and other government employers who use the services of the funds.
- *Other non-tax revenue* includes gifts and voluntary donations from the private sector, and the proceeds of sales of scrap and waste.

#### 5.4.4.3 *Capital revenue*

- *Sales of fixed capital assets* exclude sales of land, military equipment, and small tools that are not regarded as capital equipment.
- *Stocks* in the 1986 system are confined to “strategic and emergency” stocks, including market stabilisation stocks. Ordinary inventories are not included. This item is unlikely to apply to provincial departments.
- *Sales of land* include sales of forests, inland waters and mineral deposits.
- *Capital transfers from non-government sources* include “transfers from wealth at infrequent intervals” for purposes of capital expenditure (e.g. private endowments for the construction of a hospital). Gifts in kind are included in memorandum items.



Provincial own-sourced revenue items should be classified as follows:

**5.4.4.4 Taxes:**

- Gambling taxes
- Motor vehicle registration fees (Drivers' license fees are classified with administrative fees and charges)

**5.4.4.5 Non-tax revenue:**

- Interest, dividends and entrepreneurial income
  - Interest received
  - Dividends
  - Land rents (Rent from buildings is included in Administrative fees and charges. When land rent cannot be separated from rent from buildings, the receipt should be classified with the predominant element.)
  - Royalties
  - Surpluses of departmental enterprises (Profits of trading accounts)
- Administrative fees and charges: Payments in exchange for goods and services of a non-regulatory nature and compulsory payments for regulatory services:
  - Hospital patient fees
  - Ambulance service fees
  - Abnormal load permits
  - Drivers license fees
  - Other licenses and permits (Dog tax, trade, game and fishing, and nature conservation)
  - Admission fees to government museums, parks and cultural and recreational facilities
  - Sale of game
  - Library fees
  - Sale of publications
  - Hostel fees
  - Board and lodging
  - Housing rent recoveries
  - Domestic services
  - Hire of vehicles
  - Harbour fees
  - Rent from buildings, shops, community halls, state or official housing (Land rent is classified in Interest dividends and entrepreneurial income. When land rent cannot be separated from rent from buildings, the receipt should be classified with the predominant element.)
  - University contributions to academic hospitals
  - Land valuation fees

- Commission
- Examination registration fees
- Refunds
- Fines and forfeitures: Fines, penalties and forfeits not related to infringements relating to taxes, in which case the revenue would be included with the tax concerned. This item includes road traffic fines.

#### 5.4.4.6 *Capital revenue:*

- Sale of used goods, scraps and waste
- Sale of provincial stock or livestock
- Sale of land and buildings

#### 5.4.4.7 *Notes*

- Casino bid fees should not be classified as revenue when fees are refundable to successful applicants (these are classified as trust monies and should not be included in the budget.) Any bid fees that are retained should be classified as administrative fees and charges.
- In GFS terms, the following items are not classified as revenue and should be included in net policy lending instead:
  - Recovery of loans and advances
  - Contract debt
  - Debt redemption
- Where stale cheques have been cancelled, any associated credits should not be classified as revenue, but as changes within financing.

The complete economic classification of grants is shown in the following table:

**Table 5.4.4.2 Grants classification**

Grants	
From abroad	
Current	
Capital	
From other levels of government	
Current	
Capital	

*Grants from abroad* comprise grants from foreign governments and international organisations. Capital grants are grants made specifically for purposes of acquiring or constructing capital assets, other than assets to be used for military purposes.

## 5.4.5 Classification of expenditure

Expenditure is classified by economic type and by function. The full economic classification is set out in the following table. A shortened version of this classification should be used in Budget Statements 1 and 2.

**Table 5.4.5.1 Expenditure classification by economic type**

---

Total expenditure
Current expenditure
Expenditure on goods and services
Wages and salaries
Employer contributions
To social security schemes at other levels of government
To pension and welfare schemes outside government
To pension and welfare schemes at other levels of government
Other purchases of goods and services
Interest payments
To other levels of national government
Other domestic
Abroad
Subsidies and other current transfers
Subsidies
To non-financial public enterprises
To financial institutions
Cash operating deficits of departmental enterprise sales to the public
To other enterprises
Transfers to other levels of government
Transfers to non-profit institutions
Transfers to households
Transfers abroad
To governments and international organisations
Other transfers abroad
Capital expenditure
Machinery and equipment
Land and buildings
Infrastructure
Other fixed assets
Capital transfers

---

#### 5.4.5.1 *Current expenditure*

- *Wages and salaries* exclude payments in kind to employees and members of the armed forces. Also excluded are payments to employees engaged in the construction of capital assets for the government's own use, such as roads and government buildings. Such payments are recorded as capital expenditure.

Employer contributions are payments made by government employers (on behalf of their employees) to social security schemes at other levels of government, to pension and welfare schemes outside government, and to pension and welfare schemes at other levels of government. In preparing Budget Statements 1 and 2, wages, salaries and employer contributions should be shown as a single line item "Salaries and related costs". This line will also include all employee allowances.

- *Other purchases of goods and services* include all purchases of goods and services other than capital items and materials to be used in own-account capital construction. Purchases of all goods intended for military purposes are included. Also included are purchases of goods intended for distribution to employees (these are not included in wages and salaries).
- Under the cash system of recording, interest represented by the discount on securities is not recorded until the securities are redeemed.
- *Subsidies* are unrequited current payments made to private and public enterprises, and include any cash operating deficits incurred by departmental enterprises. In preparing Budget Statements 1 and 2, subsidies should be shown as a single line item.
- *Transfers to other levels of government* are unrequited payments, which, in the hands of the recipients, are described as *grants*. They cancel out in consolidated data for all levels of government combined. In preparing Budget Statements 1 and 2, subsidies should be shown as a single line item "Transfers to other levels of government, non-profit institutions and households".

#### 5.4.5.2 *Capital expenditure*

- As noted, *capital expenditure* relates to acquisitions of assets expected to be productive for a year or more, except assets to be used for military purposes. Stocks refer to strategic or emergency supplies and not to regular inventories. Capital expenditure includes wages, salaries and purchases of materials associated with the government's own-account construction of capital assets.
- *Capital transfers* are unrequited payments made for the specific purpose of acquiring capital assets other than military equipment. Capital transfers to government recipients and international organisations are, in the hands of the recipients, described as *capital grants*.

The major functional classification of expenditure is shown in the table below. The classification can also be applied to net policy lending.

**Table 5.4.5.2 Classification of expenditure by function**

---

General public services
Defence affairs and services
Public order and safety affairs
Education affairs and services
Health affairs and services
Social security and welfare affairs and services
Housing and community amenity affairs and services
Recreational, cultural, and religious affairs and services
Fuel and energy affairs and services
Agriculture, forestry, fishing, and hunting affairs and services
Mining and mineral resource affairs and services, other than fuels; manufacturing affairs and services; and construction affairs and services
Transportation and communication affairs and services
Other economic affairs and services
Expenditures not classified by major group

---

The functional classification is sometimes called a “government purpose classification” and is designed to reflect the distribution of government spending among the various services it provides. As such, it is useful for tracing the implementation and direction of government policies. However, many of these functions do not apply to provincial governments. Defence, fuel and energy, and mining and mineral resources are the responsibility of the national government and, hence, will be omitted from the functional classification of provincial government expenditure.

The table shows the 14 “functions” in the classification. Within these functions, there are also 61 “categories”, of which about half will apply to provincial expenditure.

Ideally, the functional classification should be applied to individual expenditure transactions but, in practice, the classification can often be applied only to organisation units, such as programmes and subprogrammes. A combination is often used: programmes and subprogrammes that span functional subgroups are split according to the transactions applicable to each subgroup.

In applying the classification, administrative expenditures are allocated to the function of the activities administered. Research expenditures are identified separately only where they are of particular significance. Some activities are performed by a wide range of units and are not identified separately in the classification. These include protection of the environment, space technology, and water use. The GFS manual indicates where various aspects of these functions are to be classified.

Consideration is being given to a revision of the functional classification in the GFS system. The creation of a major group for environmental protection is one of the changes under consideration.

From early 2000, functional classifications of expenditure for the 1999/00 Budget and 1999/00 actual expenditure should be available from the Vulindlela database. However, the database will not include a budgeting module and provincial treasuries will be required to compile functional classifications of departmental expenditure estimates for the 2000/01 Budget.

The following table indicates the main functions undertaken by provincial departments:

**Table 5.4.5.3 Main functions of provincial departments**

	<b>Function</b>	<b>Category</b>	<b>Activity</b>
1.	General public services	Executive and legislative	Office of the Premier, provincial legislature and support to National Council of Provinces' members, grants to the Ombudsman, support to royal households
		Financial and fiscal affairs	Administration and supervision of financial and fiscal affairs (control of the budget, accounting services, internal audit); operation of taxation schemes, management of public funds and public debt, regulation of gambling
		General policy and administration	Administration of local government affairs, including traditional authorities; grants to local authorities.
		General services	Administration of centralised services, such as personnel, purchasing, information technology, government archives, central motor vehicle pools or government printing offices, whose costs are not allocated to departments; operation of government-owned or occupied buildings (where these services are performed by individual departments on their own behalf or costs are allocated to them, expenditure should be classified to relevant functions)
			Public works (capital expenditure undertaken by public works on behalf of other departments, which cannot be assigned to relevant functions)
			Land management and administration, including land titling, transfers, etc.
2.	Public order and safety	Police services	Police and security services, including traffic control
		Fire services	Provision of fire services, including grants to local authorities for fire services
3.	Education affairs and services	Pre-primary and primary education	Provision of pre-primary and primary school services, grants to private pre-primary and primary schools
		Secondary education	Provision of secondary school services, grants to private secondary schools, provision of non-formal, including adult, education
		Tertiary education	Administration of technical education, teacher and medical education services, agricultural colleges
4.	Health affairs and services	Hospital services	Administration of general and specialised hospitals
		Clinical services	Administration of clinics and community health centres
		Public health services	Administration of public health services, such as blood bank operations, disease screening, disease prevention (immunisation) and population control
5.	Social security and welfare	Social security	Administration of transfer payments to compensate for loss or reduction of income or earning capacity (sickness, disability, old age or family assistance)
		Welfare services	Administration of assistance to clients with special needs, such as young, elderly or handicapped people
6.	Housing and community affairs	Housing	Administration of housing programmes, development of housing standards other than construction standards, provision of housing for the general public, acquisition of land for construction of dwellings, rent control
		Community affairs	Planning of new communities or rehabilitation of existing communities, administration of land use and zoning laws, sanitation, street lighting, planning of environmental protection as part of community planning, waste collection and disposal, pollution control, water supply
7.	Recreational and cultural affairs	Sporting and recreation	Administration of sporting and recreation programs, including grants for these purposes, setting aside parks and beaches, etc.
		Cultural affairs	Administration of public libraries, museums, art galleries, theatres, exhibitions halls, monuments, historic sites, zoological and botanical gardens etc.; administration of cultural events and programmes, including transfer payments to support cultural activities
8.	Agriculture and forestry	Agriculture and forestry	Administration of agricultural and veterinary programmes, land conservation, agricultural and veterinary extension and research, administration of forestry programs including conservation of forests and reforestation, conservation and reclamation of agricultural land, management of water resources, irrigation and drainage projects
9.	Manufacturing and construction	Manufacturing	Administration of manufacturing and commercial affairs, including industry promotion and industry regulation, pollution control in manufacturing
		Construction	Administration of building standards, safety at building sites, building statistics, financial support for the construction industry
10.	Transport and communication	Transport	Administration of road construction and maintenance, regulation concerning road use, including motor vehicle registration, administration of public transport, including transfer payments to transport operators, administration of civil aviation (traffic control is classified with Police services)
11.	Other economic affairs	Tourism	Administration of tourism affairs and services, including tourism promotion
		Consumer affairs	Administration of consumer protection
		Other	Regulation of gambling
12.	Expenditure n.e.c.	Expenditure n.e.c.	Other programmes not classified elsewhere

## ANNEXURE B: DEFINITIONS

This list of definitions is preliminary. The final version will be presented when the national norms and standards for service delivery measures have been finalised.

Activities	Actions or steps taken to carry out a programme or produce an output.
Effectiveness	The extent to which policy objectives, operational goals and other intended effects are achieved.
Input	A resource used by a department to produce its outputs; this includes labour, other goods and services, capital assets, financial assets and intangible assets.
Objective	A statement of specific results to be achieved over a specified period. An objective can be “to provide public ordinary school education to 456 789 learners during the next financial year”. It can also be “to increase the pass rate by 6 per cent”.
Key measurable objective	An objective for the most important measurable results that will be achieved in terms of service delivery. “To provide public ordinary school education for 456 789 learners” is a key measurable objective for the department of education. A key measurable objective can also be “an increase in the pass rate of 6 per cent”.
Output	The final goods or services produced by a department for use by consumers outside the department. “To provide public ordinary school education to 456 789 learners” will be the output that verifies that the key measurable objective “to provide public ordinary school education to 456 789 learners” has been achieved. “To increase the pass rate by 6 per cent” is not an output, but it can be an indicator that the quality of the service is increasing.
Outcome	A measurable change in the general state of well being in the community, which government wants to achieve or at least pursue through various policy actions. The outcome of providing public ordinary education could be a decrease in unemployment and an increase in wage income.
Performance measure	A quantitative parameter used to measure expected output delivery in terms of the general performance dimensions of quantity, quality, cost and timeliness. “To provide public ordinary school education to 456 789 learners” is a quantitative performance measure. “To increase the pass rate” is a quality measure.
Service delivery measure	Quantitative information about how much service a programme has delivered. “To have provided public ordinary school education to 456 789 learners” is a service delivery measure (which is the same as a performance measure).
Service delivery indicators	Should it be impossible to quantify the service delivery, an indicator can be used – generally an outcomes measure that verifies the result of service delivery. For road safety issues, the “improvement in road safety” may be a more relevant measurable objective than “the number of speed traps” or “information campaigns”. The “improvement in road safety” will be the service delivery indicator for the road safety programme. A service delivery indicator can also be defined as a performance indicator.
Quality indicators	The quality of a service can rarely be quantified. Indicators such as the teacher/learner ratio pass rate or dropout rates must be used to give some impression of quality.

# Annexure C: Definitions

This list of definitions is preliminary. The final version will be presented when the national norms and standards for service delivery measures have been finalised.

<b>Activities</b>	Actions or steps taken to carry out a programme or produce an output.
<b>Category A municipality</b>	A metropolitan municipality that has exclusive executive and legislative authority in its area.
<b>Category B municipality</b>	A local municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls
<b>Category C municipality</b>	A district municipality that has municipal executive and legislative authority in an area that includes more than one municipality
<b>Effectiveness</b>	The extent to which policy objectives, operational goals and other intended effects are achieved.
<b>Input</b>	A resource used by a department to produce its outputs; this includes labour, other goods and services, capital assets, financial assets and intangible assets.
<b>Objective</b>	A statement of specific results to be achieved over a specified period. An objective can be “to provide public ordinary school education to 456 789 learners during the next financial year”. It can also be “to increase the pass rate by 6 per cent”.
<b>Key measurable objective</b>	An objective for the most important measurable results that will be achieved in terms of service delivery. “To provide public ordinary school education for 456 789 learners” is a key measurable objective for the department of education. A key measurable objective can also be “an increase in the pass rate of 6 per cent”.
<b>Output</b>	The final goods or services produced by a department for use by consumers outside the department. “To provide public ordinary school education to 456 789 learners” will be the output that verifies that the key measurable objective “to provide public ordinary school education to 456 789 learners” has been achieved. “To increase the pass rate by 6 per cent” is not an output, but it can be an indicator that the quality of the service is increasing.
<b>Outcome</b>	A measurable change in the general state of well-being in the community, which government wants to achieve or at least pursue through various policy actions. The outcome of providing public ordinary education could be a decrease in unemployment and an increase in wage income.
<b>Performance measure</b>	A quantitative parameter used to measure expected outcomes in terms of the general performance dimensions of quantity, quality, cost and timeliness. “To provide public ordinary school education to 456 789 learners” is a quantitative performance measure. “To increase the pass rate” is a quality measure.
<b>Service delivery measure</b>	Quantitative information about how much service a programme has delivered. “To have provided public ordinary school education to 456 789 learners” is a measure of output.
<b>Service delivery indicators</b>	Should it be impossible to quantify the service delivery, an indicator can be used – generally an outcomes measure that verifies the result of service delivery. For road safety issues, the “improvement in road safety” may be a more relevant measurable objective than “the number of speed traps” or “information campaigns”. The “improvement in road safety” will be the service delivery indicator for the road safety programme. A service delivery indicator can also be defined as a performance indicator.
<b>Quality indicators</b>	The quality of a service can rarely be quantified. Indicators such as the teacher/learner ratio, pass rate or drop-out rates must be used to give some impression of quality.



