

BUDGET STATEMENT 1

Budget Overview

1. BUDGET STRATEGY: AN OVERVIEW

This year's MTEF framework represents a decisive break with the past, in many respects. The chief reason for this can be attributed to the election of the new provincial government in April 2004. Not surprisingly, the new provincial Executive brought with it a sea-change of new ideas, initiatives and impetus in all aspects of governance.

In no other aspect of governance has the impact of the new government been more profound than in respect of budget policy formulation and strategy. From the outset, the new Executive, led by the Premier, made it clear that the provincial budget planning and allocation process needed to be used more aggressively and directly as a policy instrument to achieve the government's over-arching objectives, namely:

- Building a people focused, efficient and effective government;
- Building the economy; and
- Reducing poverty and creating sustainable communities.

The rationale behind this approach was simply that, despite all efforts, and despite the hundreds of billions of rand spent by the previous provincial governments in the first ten years of democracy, the socio-economic profile of the province has remained dismal by virtually every measure, be it with regard to economic growth rates, or human development, inequality, poverty and unemployment indices, or access to basic services. In some areas, indeed, such as the percentage of people living below the poverty line, the province has gone backwards. The poverty rate in the province presently stands at 61 per cent, among the highest in the country, and despite the huge sums spent annually by government on social security grants, the poverty gap is estimated at R18,3 billion. The unemployment rate, furthermore, using the expanded definition, currently tops 45 per cent, translating to a staggering 1,8 million people out of work!

It is generally accepted that KwaZulu-Natal is characterised by a dual economy that consists of the first (advanced) economy, and the second (marginalised) economy.

The first economy:

- is highly technological, advanced and productive;
- is characterised by a shrinking labour-absorptive capacity owing to advances in labour-saving technologies;
- is mainly formal;
- is capable of self-generated growth and development;
- is integrated with the global economy; and
- is a major contributor towards economic growth (it produces the bulk of the province's wealth).

The second economy or the marginalised economy:

- is underdeveloped and survivalist in nature;
- is marginalised, and structurally disconnected from both the first and global economies;
- is populated by unemployed people;
- accounts for the greater majority of people living in the province, including the urban and rural poor;
- has a high labour absorptive capacity; and
- owns assets such as land that cannot be securitised in the current banking regime.

Economic development and growth in the province has, for many years, been retarded by the wide gap that exists between the first and second economies. It is for this reason that the provincial government is placing a major emphasis in its economic development and fiscal strategy on the need to narrow the gap that exists between the first and second economies. The truth is that the people in the second economy rely entirely on government facilities and services, and most of the grant allocations go towards providing for their basic needs. The second economy is the *main cause* of high government expenditure, low government revenue, and ultimately, the main reason for high government deficits. While government expenditure is

high in the second economy, government revenue generated in it is minimal. The opposite is also true. Most of government revenue is generated in the first economy. Reliance on government facilities in the first economy is minimal, since people in this category use private medical aids, their children attend private schools, and they do not qualify for basic welfare assistance.

The reality of the dual economy paints a picture of two different nations that live in the same province side by side, one rich and developed, and the other one poor and underdeveloped. Given the extreme differences in KwaZulu-Natal's dual economies, government intervention in these two economies calls for equally different strategies. The overall objective, however, is to gradually and incrementally narrow the gap between the two economies, and to move the majority of people in the second economy up into the first economy, so that, in time, the population is more prosperous, healthy, productive and self-reliant – all the ingredients, indeed, for a winning economy and winning province.

For the second economy, the Province of KwaZulu-Natal needs a comprehensive approach and a protracted process of engagement with the poor in a people's contract that will push back the frontiers of poverty and eradicate underdevelopment. Growth and development strategies for the second economy include:

- rural development and urban renewal;
- the development of small and medium enterprises and co-operatives;
- black economic empowerment;
- the expansion of micro-credit;
- an expanded public works programme;
- learnerships and internships for the unemployed; and
- the improvement of the education system to provide useful skills.

With regard to the first economy, it is important to understand that this economy is unsustainable without the integration of the second economy, and that the transformation of the second economy requires transfers from the first economy. Growth and development strategies for the first economy include:

- increasing investment;
- increasing competitiveness; and
- broadening participation.

The situation inherited by the new government has led it to the realisation that, if it is to succeed in breaking the province out of the straightjacket of low economic growth and high unemployment and poverty levels, if it is to succeed in narrowing and eventually eliminating the gap between the first and second economies, it cannot proceed on the basis of "business as usual." Government will have to deliver **measurable** and **visible** results to the people of the province as quickly as possible, by means of specific, targeted and integrated interventions. In this process, the budget framework and allocation process must play a key role.

This new approach and emphasis had far reaching implications for the government's fiscal policy and budget strategy in formulating the 2005/06 budget proposals.

The first important development was the extremely significant policy decision to create three centralised funds, namely the **Provincial Growth Fund**, **Poverty Alleviation Fund**, and **SMME Fund**. The broad intention behind the establishment of these funds is to give the government the means and flexibility, through direct and integrated intervention mechanisms, to achieve its goals of stimulating economic growth and employment creation, and alleviating poverty.

Underpinning this approach to simultaneously stimulating growth in the first economy and addressing the high poverty and unemployment levels in the second economy, is the concept of eliminating the gaps between the two economies in an incremental manner through sustained and targeted interventions. This embraces the notion of a "stepwise rise to prosperity" from the local food security and household income improvements (Poverty Alleviation Fund); to SMME support and development (SMME Fund); and then to large scale projects styled around the Provincial Growth Fund. The long term objective is to invert the

current pyramid shape of the economy, with the greater majority of citizens trapped at the base of the second economy, by incrementally increasing the relative percentage of citizens enjoying the fruits of, and contributing to, the first economy.

The purpose of the **Provincial Growth Fund** is thus to create a dedicated project finance mechanism in the province for investment in major infrastructure and commercial projects. There are many potential economic projects in the province, which, if implemented would have many positive spin-offs for employment creation and empowerment. Most of these catalytic projects have the potential to unlock further developments and spin-offs – a notable example being the multi-modal Dube TradePort, incorporating King Shaka International Airport. The policy of setting aside funds over the MTEF cycle for dedicated project investment purposes, unashamedly modeled on Gauteng's *Blue IQ* initiative, provides the provincial government with the means to kickstart significant economic growth, and hence employment creation, by providing seed capital for further private sector investment. This represents a major advance on previous MTEF budget cycles, when, as mentioned earlier, virtually all provincial funding was locked into existing departmental baselines, with little to show for the expenditure in concrete terms at the end of each cycle. Most, if not all, of the projects will be implemented on the basis of joint venture or public private partnerships. The promotion of black economic empowerment will be a major consideration in assessing the suitability of projects for support from the Fund.

The objective of the **Poverty Alleviation Fund**, on the other hand, is to address the typical second economy issues of income poverty, past racial discrimination and spatial disparities in the provision of public goods, services and infrastructure in a targeted, measurable, sustainable and visible manner – all of this within the context of the government's commitment to the people of the province to *create work and fight poverty*.

The provincial administration's poverty relief efforts have, for years, been characterised a lack of coordination and integration, with at least seven different provincial departments administering separate, and often conflicting, poverty relief programmes and initiatives. The lack of coordination between the many funders of these programmes, even when they worked in the same area, was compounded by the lack of sustainability of most of the projects. Many projects were entirely dependent on continuous annual funding from sponsoring departments and agencies, with no prospect of becoming self-sustaining in the longer term – with the result that, when funding dried up, the projects would inevitably collapse. Another problem identified was the lack of consultation with communities, with departments and service providers often deciding on priorities and the location of projects for communities without taking into consideration the views and priorities of the communities themselves. These factors, taken together, militated against the long term success of government's poverty relief efforts – amounting to several hundred million rand each year – as evidenced by the continuing dismal socio-economic indices referred to earlier.

Central to the success of practically managing and implementing the Poverty Alleviation Fund is the concept of the provincial Izimbizo. Cognisant of the President's call for elected office bearers to obtain first hand information on the needs of communities on the ground, the Izimbizo involve the Premier taking his Executive, heads of department, mayors and councillors to meet with communities in each of the ten district councils, to gain first hand information on the specific developmental needs and priorities of the communities involved. By year-end, three Izimbizo had taken place, proving an outstanding success and reversing, at a stroke, the lack of consultation which characterised earlier poverty alleviation initiatives.

Projects identified during the Izimbizo will be collated and assessed in terms of a Poverty Alleviation Framework developed by Provincial Treasury, currently in the process of being finalised. Priority will be given to income generating projects, particularly in the agricultural, agri-business and tourism sectors, and economic and social infrastructure projects.

It is proposed to organise these projects along the lines of co-operatives. Co-operatives have been in existence in this province and in South Africa for over a century, but have hitherto tended to serve only the interests of the white minority group. The advantage of this business model lies in its simplicity – unlike many other business models, co-operatives are underpinned by the existence of a common problem that people agree to resolve as a collective.

The intention is to mobilise communities to form co-operatives that will, in the first instance, produce goods that are needed by communities in the areas in which they reside, thereby reducing food prices and reducing the dependency on the social safety nets provided by the state. The secondary benefit will be the absorption of the labour that is available in the same locality, thereby improving income to the households. This should lead to the production of surplus produce, on the one hand, and the availability of cash to procure other necessities. The intention is that the state itself will buy goods that are produced by the cooperatives through its procurement channels. Thus, for example, co-operatives producing agriculture products will supply the primary school nutrition programme, hospitals' food requirements, and other government institutions such as correctional services.

The aims of the co-operatives movement is thus to move people out of poverty, by utilising the assets available to them such as land. For the initiative to succeed, however, it will have to be underpinned by various other interventions. These include the development of community-focused savings and financing products through financial institutions such as Ithala Development Finance Corporation (Ithala), and a comprehensive capacity-building and training initiative co-ordinated through the Department of Education's FET programme and colleges.

It should be emphasised that the Poverty Alleviation programme and projects will be implemented in a *sustainable* and *integrated* manner which will address the longer term developmental objectives contained in the Provincial Growth and Development Strategy. Indeed, the intention is that the Poverty Alleviation Fund should be the precursor to medium to long term development in a given spatial area, within the framework of the provincial Local Economic Development programme. Viable and sustainable projects emanating from the Poverty Alleviation Fund will thus qualify for further support in terms of the latter programme, with a view to establishing viable SMME scale businesses capable of being integrated into the first economy. A major emphasis, furthermore, will be placed on the need to integrate and align the poverty alleviation projects with the integrated development plans of municipalities and other service providers within a given spatial area.

The objective of the **SMME Fund**, as the name implies, is to support and stimulate growth in the all-important SMME business sector through structured financing mechanisms – in which both the newly appointed provincial government banker Standard Bank and Ithala will play a leading role. Government intends to spend major resources in the forthcoming MTEF on stimulating growth in the SMME sector. In contrast to the large businesses at the top end of the first economy, SMME's tend to be more labour intensive and, by definition, less reliant on large amounts of capital and highly advanced technology and equipment. Being more flexible and less constrained by capital and technology-driven intensive factors of production, they are able to increase output, and hence employment, at faster rates than the formal, capital intensive firms. A fast growing SMME sector accordingly has enormous potential to reduce unemployment, increase average household incomes, reduce the poverty gap, and increase the tax base of the economy, which in turn provides the basis for further, sustainable long term growth in the economy. A thriving SMME sector, in short, holds the key to the achievement of most, if not all, of the long term goals of the Provincial Growth and Development Strategy.

It is for this reason that the government, at both national and provincial levels, has made the stimulation and expansion of the SMME business base, using Black Economic Empowerment and reformed government procurement processes as the vehicle to achieve this objective, the focal point of economic policy in both the medium and longer term. It is in this context, also, that increasing emphasis, reflected in ever growing MTEF budgetary allocations, is being placed on the labour-intensive Expanded Public Works Programme (EPWP), as the preferred method of delivering and maintaining public sector infrastructure in all spheres of government.

The recent award of the provincial banking tender to Standard Bank has resulted in a specific initiative aimed at supporting the SMME sector through structured financing mechanisms. In partnership with the existing programmes and structures of the provincial government, including the EU-funded LED Programme and Ithala, mechanisms and processes to assist in mitigating the risks related to SMME projects will be undertaken, including assistance through pre- and post loan support and mentorship. Standard Bank will make available committed resources during the pilot project phase to develop a workable business model, and thereafter ensure that the provincial distribution network and support

structures are available to support this initiative. Also, the bank has agreed to leverage the amount mutually agreed upon to be provided by the province as a credit enhancement. This will enable financing of emerging businesses at favourable interest rates, and within the risk adversity parameters of the institution.

It is also envisaged that a repositioned Ithala will play a key role in the SMME support initiative. Ithala is in the process of establishing eleven Business Centres throughout KwaZulu-Natal, which are to be strategically positioned in Durban, Stanger, Pietermaritzburg, Empangeni, Jozini, Nongoma, Tugela Ferry, Ladysmith, Newcastle, Port Shepstone and Ixopo, thereby covering all eleven municipal districts within the province. The objectives of the Business Centres are to:

- Develop a culture of enterprise and innovation amongst SMME's;
- Create an awareness of the benefits of using Information Technology as a business medium;
- Promote excellence in SMME learning and skills, giving rise to the creation of a "learning region"; and
- Develop and promote sustainable co-operatives.

From a funding perspective, in its final 2005/06 MTEF budget proposals, the provincial Cabinet approved the allocation of R300 million and R500 million for the Provincial Growth Fund in the outer two years of the MTEF respectively – this in addition to the amounts of R200 million, R50 million and R52,5 million already in MTEF baseline as well as the amount of R432 million to be carried over to the 2005/06 financial year, from the 2004/05 financial year. For the Poverty Alleviation Fund, no less than R500 million, R800 million and R1000 million is set aside for the MTEF. As for the SMME Fund, R200 million is allocated in the first year of the MTEF.

The second important development emanating from government's new strategic approach to economic development and fiscal policy was a drive to make the provincial budget formulation and allocation processes more effective as an instrument to deliver on government's policy objectives. What had become abundantly clear from analysis of previous budget cycles was that the provincial government was left with very little discretion to allocate funds according to its own policy priorities – less than 5 per cent of the budget allocated annually could be said to be truly discretionary.

This was the result of several factors. The drive to ensure predictability in medium term budgets of departments through the instrument of the MTEF had resulted in the unintended consequence of entrenched incremental budgeting. With this type of budgeting, departments were assured of their baseline budgets throughout the MTEF, regardless of their credibility or appropriateness, and only had to motivate for additional funds from the relatively small pool of additional funding made available annually to the province by the national government. Even in this process, the effort put in by the Provincial Treasury to devise technical tools to access the relative merits of departmental applications for additional funding amounted to little more than an exercise in futility. After the carry-through costs of previous allocations and adjustments estimates had been taken into account, and after the consistent over-expenditure of the social welfare sector, in particular, had been addressed through additional allocations, there was invariably very little funding left for the province to allocate on a purely discretionary basis.

The above-mentioned factors led to a change in strategy by the new provincial Executive and the Provincial Treasury in formulating the 2005/06 budget framework. It was decided that, in preparing their 2005/06 MTEF budget submissions, departments would not be required to submit budget proposals for additional funding – unlike previous years. Instead, the *Treasury Guidelines* issued in August 2004 explicitly informed departments that the 2005/06 MTEF budget process would focus solely on the analysis and reprioritisation of departments' baseline allocations. The exercise of undertaking a thorough analysis of departments' baseline allocations emanated from a Provincial Cabinet resolution taken on 26 June 2004. The rationale behind this decision was precisely to break with the pattern of entrenched incremental budgeting which had become the norm, and to examine each department's baseline allocations with a view to establishing which departments were relatively over or under funded in terms of their fixed costs, national benchmarks and comparisons with other provinces.

From the results of the baseline analysis exercise, the Provincial Treasury reached the conclusion that, given the current resource envelope, all departments were optimally funded with the exception of

Education and Health, and, to a lesser extent, Transport. Subsequently, therefore, these departments were requested to submit proposals for additional funding, in consultation with the Provincial Treasury. It was these departments, mainly, which came into consideration in allocating the bulk of the additional funding which became available to the province in the 2005/06 Division of Revenue proposals.

The new strategic direction taken by the provincial government, and especially the decision to establish the centralised funds, would not be practical without sufficient funding to facilitate immediate implementation on a scale big enough to make a measurable impact. In this respect, the province gained from two significant developments in the evolving intergovernmental fiscal framework during the course of the deliberations leading up the final Division of Revenue proposals at the end of October 2004. These were the decision taken by the Budget Council to revise the Equitable Share (ES) formula used to determine the horizontal division of revenue among provinces, and the decision to excise the funding for social security grants from the provincial Equitable Share with effect from the 2005/06 financial year. Both of these developments were to contain very positive short and long term benefits for the province.

The review of the provincial ES formula was undertaken with the aim of developing an objective formula that balances equity and fairness in dealing with the financing of social services on the one hand, and dealing with the challenges of poverty and economic development on the other hand. The review also took into account that the provincial equitable share formula would no longer fund social security grants, which, with effect from 1 April 2005, should be funded via a conditional grant.

This province had long argued that it was not being adequately compensated on a relative basis by the previous ES formula, with the result that the education and health sectors, in particular, had fallen significantly behind the national average and inter-provincial benchmarks. A problem compounding the stability and integrity of KwaZulu-Natal's fiscal base was that ever increasing amounts of the budget were diverted annually to make up shortfalls in funding for the social welfare sector – an issue raised repeatedly in previous Budget Statements and the Budget Speeches, not to mention Budget Council meetings.

In the event, the concurrent decisions to review the ES formula **and** to remove the social welfare funding from the provincial ES altogether had the happy outcome of benefiting the province by a combined amount of R2,03 billion, R3,04 billion and R4,25 billion in unallocated ES funding over the three years of the 2005/05 MTEF, respectively. The province's weighted share of total provincial ES funding moves from the current 20.8 per cent to 21.67 per cent – a highly significant increase, and representing a decisive move towards greater equity in the horizontal division of revenue. While details of these developments are provided in the section on Budget Process, several aspects are worth noting here.

Firstly, the decision to phase in the ES formula over four years, commencing in 2005/06, means that the province will benefit progressively to a greater extent each year, enabling it to incrementally close the gap in the amount of funding it is able to allocate to the education and health sectors, in particular, in comparison to other provinces, addressing accumulated backlogs to some extent in the process. Secondly, the province is rewarded for its responsible fiscal stance in previous years in funding the social welfare function to the fullest extent possible (in comparison to other provinces). This is because the top slicing of 24 per cent of the provincial ES baselines to finance the social security grant function in the form of a national conditional grant in effect leaves considerable amounts of unallocated ES funding in the provincial baseline budget over the 2005/06 period, given that the province was spending considerably more than 24 per cent of its annual budget on social security grants.

In conclusion, there is no doubt that, despite the tighter macro-fiscal stance adopted by the national government in the 2005/06 Division of Revenue proposals, the province is approaching the new MTEF cycle in a relatively better fiscal position than in previous years. The combined effect of the revision of the ES formula, the removal of the social security budget from the provincial budget, and the allocation of additional ES funding to the province in terms of the 2005/06 DOR proposals, provides the provincial government with a much more sound fiscal base than in previous years. The result is that, for the first time in many years, the province has sufficient resources to simultaneously stimulate economic growth and employment creation (through *inter alia* the Provincial Growth and SMME Funds) and addressing poverty, vulnerability and inequality through focused interventions such as the Poverty Alleviation Fund.

2. SOCIO-ECONOMIC OUTLOOK

Well designed provincial statistics can provide vital information that policymakers need to reallocate funds and improve the delivery of services. If strategically designed, social and economic statistics can be used to assess the effect of policies¹ or interventions on households and their demands for and perceptions of the quality of services. Interventions based on inadequate information or misguided assumptions may not achieve expected results, since they result in the wasting of scarce resources.

The aim of this section is two-fold. Firstly, it presents and discusses KwaZulu-Natal's social and economic structure, as well as the trends of the province's socio-economic indicators. Secondly, it provides background information that informs the budget allocations, and covers the rationale behind the current budget framework and the baselines for the Medium Term Expenditure Framework.

2.1 Demographic and social indicators

Table 2.1: Population distribution by province, 2004

Province	Census		Average annual increase (per cent) 1996 - 2001	Mid-year population estimates*		Average annual increase (per cent) 1999 - 2004
	1996 per cent of total	2001 per cent of total		1999 per cent of total	2004 per cent of total	
Eastern Cape	15.5	14.4	0.4	15.5	15.2	1.3
Free State	6.5	6.0	0.6	6.3	6.3	1.7
Gauteng	18.1	19.7	3.8	18.1	19.0	2.7
KwaZulu-Natal	20.7	21.0	2.3	20.7	20.7	1.7
Limpopo	12.1	11.8	1.4	12.4	11.8	0.7
Mpumalanga	6.9	7.0	2.2	7.0	7.0	1.6
Northern Cape	2.1	1.8	-0.4	2.0	1.9	0.6
North West	8.3	8.2	1.8	8.3	8.2	1.4
Western Cape	9.7	10.1	2.7	9.7	9.8	1.9
Total (per cent)	100.0	100.0	2.0	100.0	100.00	1.6
Total (Number' 000)	40 584	44 820	-	43 054	46 587	-

Source: Statistics South Africa (2004)

* Mid year population estimate, considering HIV (2004).

The mid-2004 population of KwaZulu-Natal is estimated at 9,6 million. Table 2.1 shows that, in a five year period between the censuses 1996 and 2001, KwaZulu-Natal's population grew by an annual average of 2.3 per cent. However, an analysis of five mid-year population estimates between 1999 and 2004 reveals that KwaZulu-Natal's population only grew by an annual average of 1.7 per cent.

The province's population is unequally split between various age groups and genders. Table 2.2 shows that more than a third of KwaZulu-Natal's populace falls within the school-going age (5 - 19 years of age). This large number of school-going age (that is equal to the size of the entire population in Mpumalanga Province) is likely to be one of the reasons why expenditure on education is high in the province. It is also apparent from Table 2.2 that KwaZulu-Natal has fewer males than females, as life expectancy for females exceeds that of males². However, the number of males below 19 years of age exceeds that of females in the same age group.

¹ For example KwaZulu-Natal's Provincial Growth and Development Strategy (PGDS).

² Female life expectancy at birth e(o) in years is 58.13 for KwaZulu-Natal and 61.60 for South Africa. Male life expectancy at birth e(o) in years is 47.16 for KwaZulu-Natal and 52.11 for South Africa.

Table 2.2: Gender and age distribution of KwaZulu-Natal's population

Age	Male			Female			Total		
	Census 1996	Census 2001	Mid-year estimates 2004	Census 1996	Census 2001	Mid-year estimates 2004	Census 1996	Census 2001	Mid-year estimates 2004
0-4	12.17	11.47	12.12	10.83	10.11	11.08	11.46	10.74	11.58
5-9	12.74	12.66	12.33	11.25	11.14	11.31	11.95	11.85	11.80
10-14	12.78	12.91	12.15	11.49	11.40	11.16	12.10	12.11	11.64
15-19	11.24	12.51	11.65	10.53	11.46	10.79	10.86	11.95	11.20
20-24	10.13	9.81	10.64	10.12	9.42	10.00	10.12	9.60	10.31
25-29	7.98	8.40	9.20	8.27	8.38	8.75	8.13	8.39	8.97
30-34	6.63	6.51	7.43	7.36	6.90	7.46	7.02	6.72	7.44
35-39	5.80	5.84	5.35	6.17	6.54	5.77	6.00	6.21	5.57
40-44	4.75	4.92	4.62	4.95	5.47	5.25	4.86	5.21	4.95
45-49	3.96	3.99	3.98	4.06	4.39	4.57	4.01	4.20	4.29
50-54	2.86	3.38	3.28	3.04	3.66	3.75	2.96	3.53	3.52
55-59	2.32	2.38	2.57	2.71	2.71	3.06	2.53	2.56	2.82
60-64	1.66	1.91	1.88	2.53	2.62	2.39	2.12	2.29	2.14
65-69	1.49	1.24	1.26	2.23	1.99	1.82	1.88	1.64	1.55
70-74	0.93	0.98	0.77	1.32	1.77	1.32	1.13	1.40	1.05
75-79	0.62	0.56	0.44	0.98	0.95	0.85	0.81	0.77	0.65
80+	1.93	0.53	0.33	2.15	1.09	0.69	2.05	0.82	0.51
Total (per cent)	100	100	100	100	100	100	100	100	100
Number (000)	3950	4409	4667	4466	5016	4998	8417	9426	9665

Source: Statistics South Africa (2004)

Table 2.3 provides a selection of key demographic and social indicators for the province of KwaZulu-Natal and for South Africa. It is evident from the table that KwaZulu-Natal is nearly three times as densely populated as an average South African province, and is predominantly rural. The KwaZulu-Natal rural areas are characterised by demographics that reflect past policies which have resulted in:

- higher density areas and dislocated settlements;
- households with high levels of malnutrition;
- isolation from economic opportunities;
- high transport costs for workers who live in remote rural areas;
- poverty on farms – specifically with regard to farm workers and labour tenants; and
- agricultural dualism, i.e. in both land use and support services, with spatial chaos and contrast between the former homelands and the areas around.

Another interesting fact about the province is that, on average, KwaZulu-Natal's women bear more children than women in the other provinces. This high fertility rate is likely to be one of the reasons why the total age dependency rate in the province exceeds the national average. The greater-than-average dependency rate, coupled with the higher-than-average poverty rate, contributes to greater-than-average burdens on social infrastructure such as schools and health facilities, which the fiscus must provide for. The fact that millions of people are poor militates against any easing of fiscal burdens, as the poor tend to be very reliant on the government to maintain their welfare. In fact, it costs the State billions of Rand in its attempt to give the poor people in KwaZulu-Natal the means to enjoy a decent standard of living.

Absolute poverty is a problem that must be addressed without delay. The poverty gap of R18,3 billion is too wide for a provincial budget of approximately R37 billion. In terms of expenditure patterns, poverty in rural areas is characterised by greater (42 per cent) than urban (22 per cent) expenditure on food items.

Table 2.3: Demographic & social indicators

Indicator	Unit	KwaZulu-Natal	South Africa	Year	Source
Population (considering HIV)	Number	9,665,875	46,586,607	2004	Statistics South Africa
Population density	Persons per sq km	105	38	2004	Provincial Treasury
Proportion of population resident in urban areas	Percent	46.0	57.5	2001	Statistics South Africa
Sex ratio	Males per 100 females	93.0	97.0	2004	Provincial Treasury
Total fertility rate (per woman)	Number of children borne	3.1	2.9	2001	Statistics South Africa
Age dependency (total)	Per 100 persons of working age	63	59	2004	Provincial Treasury
Poor persons	Number	5,700,000	25,700,000	2001	Human Sciences Research Council
Poverty rate	Percent	61.0	57.0	2001	Human Sciences Research Council
Poverty gap	Rand billions (constant prices)	18.3	81.3	2001	Human Sciences Research Council
Share of the poverty gap	Percent	22.5	-	2001	Human Sciences Research Council
Share of urban household expenditure allocated to expenditure on food items	Percent	21.9	16.1	2000	Provincial Treasury
Share of non-urban household expenditure allocated to expenditure on food items	Percent	41.8	29.5	2000	Provincial Treasury
Proportion of individuals belonging to the least 20% income group	Percent	87.5	83.7	2001	Statistics South Africa
Proportion of households belonging to the least 20% income group	Percent	54.9	49.4	2001	Statistics South Africa
HIV/AIDS prevalence rate (general)	Percent	11.7	11.4	2002	Human Sciences Research Council
HIV/AIDS prevalence rate (ante-natal)	Percent	36.5	26.5	2002	Department of Health, South Africa
Infant mortality rate	Deaths per 1,000 live births	67.0	59.0	2004 (estimate)	Actuarial & Statistical Society of SA
Tuberculosis cure rate	Percent	49.0	64.0	2000	National Treasury
Proportion of population without medical aid	Percent	88.9	84.9	2003	Statistics South Africa
Hospital admissions per 1,000 un-insured population	Number	127.7	104.9	2001	National Treasury
Proportion of households with access to tap water in dwelling	Percent	35.2	39.5	2001	Statistics South Africa
Proportion of households with access to refuse removal at least once a week	Percent	49.3	55.4	2001	Statistics South Africa
Proportion of households with access to electricity for lighting	Percent	61.4	70.2	2001	Statistics South Africa
Proportion of households with access to telephone in dwelling and cell-phone	Percent	13.2	13.8	2001	Statistics South Africa
Proportion of households dwelling in a house or brick structure on a separate stand	Percent	41.6	53.0	2001	Statistics South Africa
Proportion of population 15-65 years that cannot read and write	Percent	10.8	10.8	2003	Statistics South Africa
Proportion of population 20 years and older that are without an education	Percent	12.0	11.1	2003	Statistics South Africa
Proportion of Senior Certificate candidates to have passed with an endorsement	Percent	16.8	15.1	2003	Statistics South Africa

Source: Statistics South Africa (2004) and Provincial Treasury (2004)

Poverty directly exacerbates HIV transmission through poor health care, in general, and particularly the lack of treatment for sexually transmitted diseases. Poverty indirectly exacerbates HIV transmission by increasing migrant labour, family break-ups, landlessness, overcrowding and homelessness. Although there has been a deliberate effort to increase the availability of primary health care facilities, access to medical care is still low among the poor. Therefore, poor people with HIV and AIDS and other life threatening illnesses are likely to die faster than the rich.

Poverty tends to affect women most; girls tend to be withdrawn from school, and women, to be marginalised from formal employment. Their economic dependency on men through marriage or informal commercial sexual relations tends thereby to rise. Educating and empowering women is strongly linked with effective family planning and improved primary health care. There is clear evidence linking lower rates of HIV transmission to education and the empowerment of women. Poverty makes AIDS education difficult, as it is accompanied by high levels of illiteracy and little access to the mass media and health and education services. In KwaZulu-Natal, a tenth of the population aged 15 – 65 years cannot read and write.

Provinces that have made concerted efforts to provide infrastructure in urban and rural areas have succeeded in reducing poverty dramatically. In KwaZulu-Natal, more than half of the households do not have access to energy for lighting and other domestic services; more than a third of the households do not have access to tap water in a dwelling.

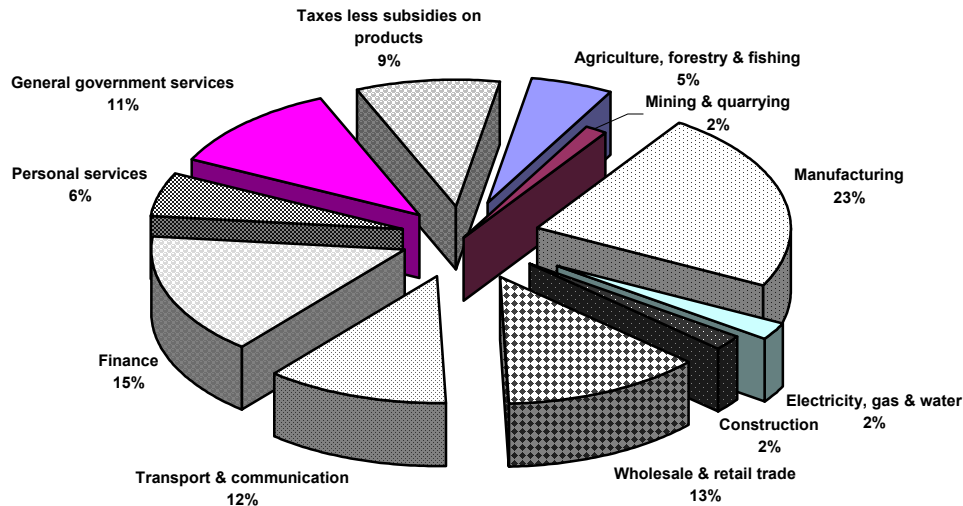
2.2 Economic indicators

Statistics South Africa has recently revised and rebased national accounts statistics. The results of the benchmark³ exercises reveal that the size of KwaZulu-Natal's economy has been underestimated for several years. The base year for the provincial accounts estimates has been changed from 1995 to 2000. This is in accordance with international best practice and recommendations of the UN to update the base year regularly.

³ Statistics South Africa uses the Supply and Use Tables for the derivation of the benchmark estimates of GDP. The benchmark exercise allows for the comparison and confrontation of all relevant datasets in a comprehensive and systematic manner.

In 2003, the largest contribution to the economy⁴ of South Africa was made by Gauteng (33.0 per cent), followed by KwaZulu-Natal (16.5 per cent) and Western Cape (14.5 per cent). Northern Cape (2.4 per cent) made the smallest contribution to the economy of South Africa, followed by Free State (5.5 per cent), Limpopo (6.5 per cent), North West (6.5 per cent), Mpumalanga (7.0 per cent), and Eastern Cape (8.1 per cent).

**Figure 2.1: KwaZulu-Natal's Gross Value Added - 2003
at constant 2000 prices**



Source: Statistics South Africa (2004)

Table 2.4 shows that, in 2003, the KwaZulu-Natal real GDP_{PR} was estimated at R165 billion (16.5 per cent of total GDP). Between 1995 and 2003, it grew in real terms at an average annual rate of 2.85 per cent, which is slightly less than the national average growth rate of 2.89 per cent.

The structure of the economy of the province as depicted in Figure 2.1 shows that the Manufacturing industry is the highest contributor (with nearly a quarter of GDP_{PR}) to the KwaZulu-Natal economy – which means that the province has a significant portion of industrialisation. Among all the industries, the Mining and Quarrying industry makes the lowest contribution (1.59 per cent) toward GDP_{PR}.

Regional sector analysis shows that the Agriculture, Forestry and Fishing industry has the greatest comparative advantage, as indicated by the location quotient⁵ in the last column of Table 2.4. This is followed by the Transport and Communication, and Manufacturing industries. The GDP_{PR} deflator subsumes prices of all domestically produced goods and services in the regional economy. GDP_{PR} deflator also includes the prices of investment goods, government services and exports, and excludes the price of imports.

The Consumer Price Index (CPI) and inflation rate for KwaZulu-Natal and South Africa are shown in Table 2.5. In the past three years, the inflation rate for KwaZulu-Natal has exceeded the average inflation rate for South Africa. This means that the cost of living in KwaZulu-Natal is relatively higher than the cost of living in South Africa as a whole.

⁵ The location quotient is an indicator of the comparative advantage of an economy. A provincial economy has a location quotient larger (smaller) than one, or a comparative advantage (disadvantage) in a particular sector when the share of that sector in the provincial economy is greater (less) than the share of the same sector in the national economy.

Table 2.4: Composition of the KwaZulu-Natal Gross Domestic Product per Region, 2003

Industry	Gross Value Added			GVA as a proportion of GDPR	Deflator	Location Quotient
	Current R(000)	Constant R(000) (2000=100)	Percentage change	Per cent	Index (2000=100)	Index
	2003	2003	1995-2003	2003	2003	2003
Primary Industries	14,015	10,399	1.74	-	134.77	-
Agriculture, forestry & fishing	10,730	7,895	2.59	5.19	135.91	1.40
Mining & quarrying	3,284	2,504	-0.01	1.59	131.16	0.21
Secondary Industries	56,041	43,392	2.01	-	129.15	-
Manufacturing	47,563	36,049	2.41	23.00	131.94	1.18
Electricity & water	4,583	3,743	0.83	2.22	122.45	0.93
Construction	3,894	3,599	0.79	1.88	108.19	0.80
Tertiary Industries	117,568	97,259	3.64	-	120.88	-
Trade	26,536	23,173	4.64	12.83	114.51	0.92
Transport & communication	24,300	21,273	5.47	11.75	114.23	1.21
Finance, real estate & business services	31,854	25,068	4.54	15.41	127.07	0.77
Personal services	11,677	9,407	3.34	5.65	124.13	0.92
General government services	23,200	18,337	0.15	11.22	126.52	0.76
All industries at basic prices	187,623	151,049	2.98	90.74	124.21	-
Taxes less subsidies on products	19,144	14,162	1.64	9.26	-	-
GDPR	206,766	165,211	2.85	100	125.15	-

Source: Provincial Treasury, (2004) and Statistics South Africa, (2004)

Table 2.5: Consumer Price Index, 2004 (base year 2000 = 100)

Years	KwaZulu-Natal		South Africa	
	CPI	Inflation rate	CPI	Inflation rate
1997	84.9	...	84.4	8.6
1998	90.4	6.5	90.2	6.9
1999	94.7	4.8	94.9	5.2
2000	100	5.6	100	5.4
2001	105.8	5.8	105.7	5.7
2002	116.3	9.9	115.4	9.2
2003	123.5	6.7	122.2	6.3

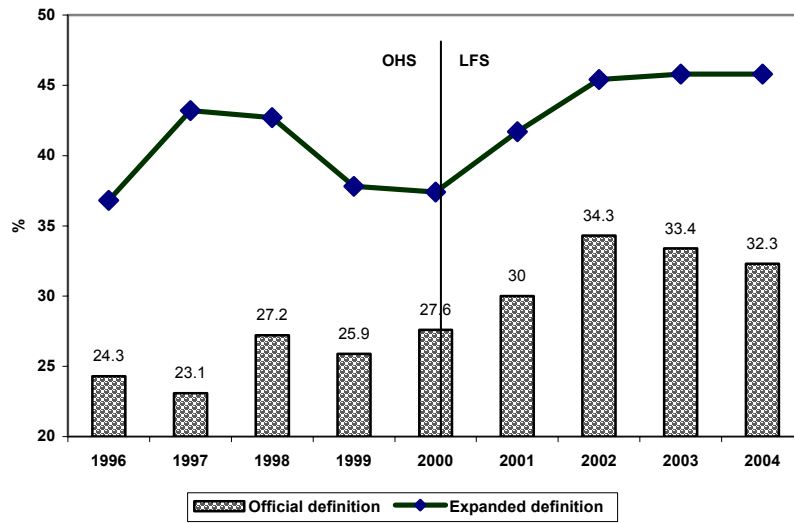
Source: Statistics South Africa, (2004)

Turning now to the labour market in the province, Figure 2.2 provides the trend of unemployment rates⁶ in KwaZulu-Natal, using both the official and the expanded definitions from the October Household Survey (OHS: 1996 – 2000), and Labour Force Survey (LFS: 2001 – 2004). Unemployment has increased by the expanded definition in particular since 2000, reaching a highest level of above 45 per cent in 2004, while unemployment by the official definition decreased for two consecutive years, from 34 to 32 per cent.

Given that KwaZulu-Natal is a sophisticated and industrialised economy, one would expect unemployment to drop. But with mass poverty, the demand for goods and services is curtailed and production is restricted. In addition, many firms' production technologies are more capital than labour-intensive. As a result, structural unemployment tends to be a problem, with massive retrenchments of workers in most industries in KwaZulu-Natal. These retrenched workers become a potential burden to the fiscus and to their respective communities.

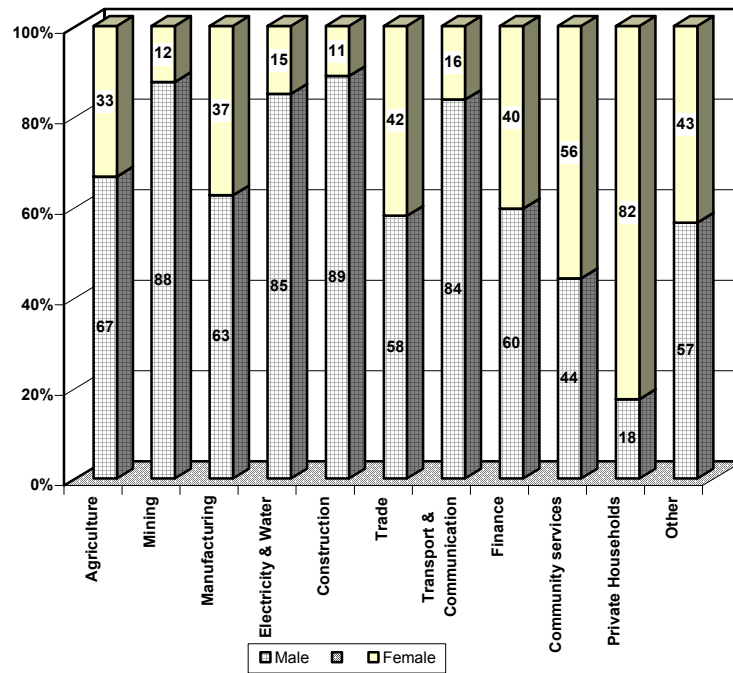
⁶ During the period 1995 to 2000, October Household Surveys (OHS) were the source of labour market data. Thereafter, Labour Force Surveys (LFS) replaced the OHS. As the survey design of the OHS differs from the LFS, the two sets of data are not comparable. The unemployment rate in terms of the expanded definition always exceeds the official definition.

Figure 2.2: KwaZulu-Natal's Unemployment Rates



Source: Statistics South Africa, (2004)

Figure 2.3: Sectoral employment by gender , 2001



Source: Statistics South Africa, (2001)

Looking at the labour pattern in the province, Figure 2.3 shows how employment is unequally split by gender and industries. The figure clearly shows that 88 per cent of all the people employed in Mining aged 15 – 65 are male, and 82 per cent of those employed in Private Households aged 15 – 65 are females. The sectors least represented by females are Mining, Electricity and Water, Construction, Transport and Telecommunication, with less than 20 per cent of employees in each of these sectors being women.

The next paragraphs look at selected socio-economic indicators at the municipal and regional levels (See Tables 2.6 and 2.7). As indicated in the introduction of this section, Statistics South Africa has benchmarked and revised the national accounts statistics. Part of the benchmark exercise consisted of changing the base year of national statistics from 1995 to 2000. The results of the benchmark exercise

show in Table 2.6 that, in 2002, the KwaZulu-Natal GDPR was underestimated by R50,8 billion, and the average per capita GDPR, by R39,7 million. As revealed in Table 2.6, there are two industrialised and developed municipalities, which collectively contribute approximately 70 per cent of the KwaZulu-Natal GDPR, namely, eThekweni (54 per cent) and uMgungundlovu (16 per cent).

Table 2.6: Selected Municipal Social & Economic Indicators

Municipality	Poverty Rates	Population Density	GDPR			GDPR Difference	GDPR per capita		GDPR Difference
	2001	2001	2002 (1995=100)	2002 (2000=100)	Share (2000=100)		2002 (1995=100)	2002 (2000=100)	
	Percent	Number	Rand billion	Rand billion	%	Rand billion	Rands	Rands	Rands
Sisonke	69.1	30	1.27	1.85	1.15	0.59	6,060	4,147	1,913
Umzinyathi	72.2	56	2.27	3.32	2.06	1.05	7,114	4,869	2,245
Amajuba	46.3	68	2.55	3.72	2.31	1.18	7,778	5,323	2,455
Umkhanyakude	71.8	45	0.77	1.13	0.70	0.36	1,927	1,319	608
Uthukela	59.5	58	3.30	4.83	3.00	1.52	7,176	4,911	2,265
Ilembe	61.8	172	3.07	4.49	2.79	1.42	7,850	5,372	2,478
Ugu	62.5	140	4.48	6.55	4.07	2.07	9,108	6,233	2,875
Uthungulu	61.2	108	11.73	17.14	10.65	5.41	18,905	12,939	5,967
Zululand	66.4	53	2.04	2.98	1.85	0.94	3,628	2,483	1,145
Umgungundlovu	47.9	104	18.46	26.97	16.76	8.51	28,467	19,482	8,985
eThekweni	35.5	1348	60.20	87.97	54.65	27.76	27,841	19,054	8,787
Average/Total	60	102	110.16	160.96	100.00	50.80	125,855	86,133	39,722

Source: Provincial Treasury, (2004) and Statistics South Africa, (2004)

Detailed trends of KwaZulu-Natal's selected economic indicators are provided in Table 2.7. The Tress Index⁷ of nearly fifty indicates that KwaZulu-Natal's economy – South Africa's second largest – is, in terms of industrial composition, neither too diverse nor too concentrated. Since 2001, the economy's structure has become more diverse and, therefore, beneficial towards the mitigation of industry-specific risks. Prices, measured by the implicit GDPR deflator, have increased consistently and by the factor of approximately a quarter between 2000 and 2003.

Since the year 2000, labour productivity has increased, but real GDPR per worker has declined below the levels realised during the period 1996 – 1998. Greater labour productivity generally entices entrepreneurs to invest in a region and could also lead to greater economic growth for KwaZulu-Natal. Between 1996 and 2004, the rate of unemployment⁸ in KwaZulu-Natal fluctuated between 24.3 and 32.3 per cent. However, the expanded definition of unemployment inflates the rate of unemployment to between 36.8 and 45.8 per cent over the same period. Since 2000, economic dependency seems to have increased in terms of both the official and expanded definitions of unemployment, which means that the potential of the economy to generate output has gone down.

Since 2000, the labour absorption rate⁹ has decreased continually, which means that it has become more difficult for KwaZulu-Natal's economy to create employment opportunities. The labour absorption rate is an alternative indicator of the lack of job opportunities in the labour market. Labour absorption may be less, on average, as economic activity in KwaZulu-Natal has been less than the average for the country as a whole, during the same period.

Table 2.7 shows that the labour participation rate¹⁰ has been declining since 2000. Many individuals may have become discouraged from seeking work, as vacancies are few and the costs associated with seeking work may be perceived as exceeding the gains. The presence of social welfare grants to the elderly and guardians may militate against labour participation, as some individuals in households where grants are received may choose to live on such receipts instead of seeking work. The labour participation rate for South Africa is itself less than the average for most Sub-Saharan African countries. This may be because of discouraged workers who stop looking for work due to the excessive cost of job-hunting, or because of job

⁷ The Tress Index indicates the level of concentration or diversification in an economy. It is estimated by ranking the nine sectors according to their contribution to Gross Value Added or employment, adding the values cumulatively and indexing them. A tress index of zero represents a totally diversified economy, while a number closer to 100 indicates a high level of concentration.

⁸ Unemployment rate equals total number of persons who are unemployed, divided by those who are economically active.

⁹ Labour absorption rate equals total number of persons who are employed, divided by total number of persons aged 15 to 65 years.

¹⁰ Labour force participation rate equals total economically active population divided by total population aged 15 to 65 years.

seekers' access to welfare grants that are not generally available in other Sub-Saharan countries. This poses questions on the appropriateness and sustainability of social security grants in the long term.

Table 2.7: Economic Indicators (1994 – 2004)

Indicator	Unit	1996	1997	1998	1999	2000	2001	2002	2003	2004
KwaZulu-Natal GDPR	Constant Rand Millions	137,980	141,548	142,774	144,182	150,911	157,577	160,957	165,211	-
KwaZulu-Natal GDPR at constant prices (change)	Per cent	4.5	2.6	0.9	1.0	4.7	4.4	2.1	2.6	-
KwaZulu-Natal GDPR per capita	Constant Rand	16,487	16,564	16,361	16,155	16,792	17,229	17,291	16,926	-
KwaZulu-Natal GDPR per capita in constant Rands (change)	Per cent	2.3	0.5	-1.2	-1.3	3.9	2.6	0.4	-2.1	-
KwaZulu-Natal GDPR per worker	Constant Rand millions	89,077	88,634	83,396	77,810	65,585	73,156	78,650	78,728	-
KwaZulu-Natal GDPR/ South Africa's GDP	Per cent	16.8	16.7	16.7	16.3	16.4	16.5	16.4	16.5	-
KwaZulu-Natal GDPR deflator	Index	75.43	80.99	86.77	92.10	100.00	106.88	118.50	125.15	-
KwaZulu-Natal Ogive/Tress	Index	48.2	47.4	45.9	47.1	49.5	47.6	52.8	53.6	-
Primary sector : KwaZulu-Natal's sector GVA/ South Africa's sector GVA	Per cent	12.9	13.3	13.9	11.8	11.5	11.1	10.3	11.1	-
Secondary sector : KwaZulu-Natal's sector GVA/South Africa's sector GVA	Per cent	20.5	20.4	20.2	20.2	20.5	20.8	20.7	20.3	-
Tertiary sector : KwaZulu-Natal's sector GVA/South Africa's sector GVA	Per cent	16.1	15.8	15.8	15.7	15.7	15.9	16.0	16.0	-
Unemployment Rate: Official definition (KwaZulu-Natal)	Per cent	24.3	23.1	27.2	25.9	27.6	30.0	34.3	33.4	32.3
Participation Rate: Official definition (KwaZulu-Natal)	Per cent	40.6	40.2	45.2	49.5	58.2	55.4	55.5	52.4	51.3
Absorption Rate (KwaZulu-Natal)	Per cent	30.7	30.9	32.9	36.7	42.2	38.9	36.5	34.9	34.8
Economic Dependency: Official definition (KwaZulu-Natal)	Per cent	146.3	149.1	121.1	102.2	71.7	80.8	80.2	90.9	95.0
Unemployment Rate: Expanded definition (KwaZulu-Natal)	Per cent	36.8	43.2	42.7	37.8	37.4	41.7	45.4	45.8	45.8
Participation Rate: Expanded definition (KwaZulu-Natal)	Per cent	48.6	54.4	57.4	58.9	67.3	66.7	66.8	64.4	64.9
Economic Dependency: Expanded definition (KwaZulu-Natal)	Per cent	105.7	83.9	74.2	69.7	48.5	50.0	49.7	55.3	56.0
Consumption of Electricity in KwaZulu-Natal as a proportion of South African total	Per cent	17.2	19.7	19.9	20.4	20.3	19.6	20.1	19.7	-
Cementitious product sales in KwaZulu-Natal as a proportion of South African total	Per cent	-	16.8	16.3	16.4	15.4	14.8	14.9	15.8	-
Registrations of closed corporations in KwaZulu-Natal as a proportion of South African total	Per cent	13.0	12.4	11.9	12.4	11.9	12.4	10.5	-	-

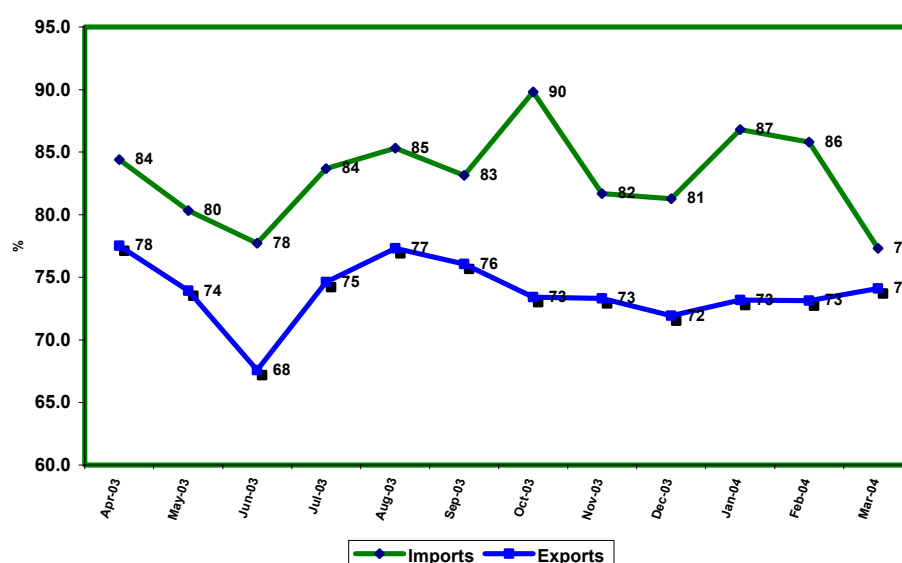
Source: Provincial Treasury, (2004) and Statistics South Africa, (2004)

Another important component of the KwaZulu-Natal's economy is the Transport and Communication industry, which has the second greatest comparative advantage, as indicated by the Location Quotient. This is natural, as KwaZulu-Natal's two harbours are the country's most important harbours, and are connected to some of South Africa's busiest transport routes. These routes have led to the presence of numerous logistics firms which render comprehensive services to clients from the sugar, ore, timber and automotive industries, among others. The transport and communications GVA has grown consistently¹¹ at a rate exceeding that of any other industry between 1995 and 2003 (See Table 2.4). This trend is generally commensurate with the increase in activity at KwaZulu-Natal's harbours. It is anticipated that the transport industry's GVA will increase with the maritime industry's anticipated growth. For this reason, KwaZulu-Natal's transport sector will remain one of the countries most important.

As can be seen in Figure 2.4, between April 2003 and March 2004, the two ports of Durban and Richards Bay in KwaZulu-Natal handled more imports than exports – that is, 85 per cent of the total imports for the country as a whole, and 75 per cent of the total export for the country as a whole. The other South African ports combined (East London, Port Elizabeth, Mossel Bay, Cape Town, and Saldanha) handled the rest. In addition, it is projected that, with the establishment of the Dube TradePort, further import and export business will take place, with more importers and export-oriented firms locating in the province.

¹¹ The standard deviation of changes in this industry's GVA is only 1.55 – less than for most of KwaZulu-Natal's industries.

Figure 2.4: Proportion of imports and exports covered by KZN ports



Source: National Ports Authority of South Africa, (2004)

2.3 KwaZulu-Natal's Economic Model Based on Supply and Use Tables

The Provincial Treasury has developed a regional Supply and Use Tables (SUT) model for the 2001 reference year, the first of its kind in the country that is compliant with the United Nations' 1993 System of National Accounts. The methodology and concepts are in accordance with the latest guidelines of an internationally agreed system of national accounts and, therefore, best practice. The KwaZulu-Natal government will use this model to prudently manage its budget through the efficient allocation of scarce funds to worthwhile areas. This is consistent with the government's efforts to alleviate poverty, redress inequalities in the distribution of income and address other formidable social and economic problems.

This section presents selected key results derived from KwaZulu-Natal's supply and use framework. These results were extracted from the Provincial Treasury's publication¹² entitled: *Regional Economic Analysis with Supply and Use Tables: A Model for KwaZulu-Natal*. With Statistics South Africa revising, rebasing and benchmarking national accounts statistics, and following the release of the 2003 estimates of the KwaZulu-Natal GDP, it became necessary for the KwaZulu-Natal Treasury to update the SUT model from the 2001 reference year to the 2003 reference year.

Table 2.8 shows that nearly a quarter of total output accrues to the compensation of employees – which means that wages and salaries represent almost 25 per cent of the value of total production. Government consumption expenditure per capita is below 500 US dollar¹³. Taxes and subsidies on production represent 1 per cent of total output. The gross operating surplus¹⁴ of 20 per cent is generated through the production of goods and services.

As can be seen in Table 2.8, the role of government and investment (GFCF) in the province is important, comprising 16 per cent and 14 per cent of KwaZulu-Natal's GDP, respectively. Household consumption represents more than a quarter of total supply at purchaser's price, while government consumes less than a tenth of total supply at purchaser's price. Less than half of total output in the province accrues to economic growth (Gross Value Added), while the remainder (54 per cent) is reutilised in the production process (as intermediate input).

¹² This publication is electronically available at the Provincial Treasury Website www.kzntreasury.gov.za. To obtain a copy of the book, please contact the Provincial Treasury's library, P.O. Box 3613 Pietermaritzburg, 3200, South Africa.

¹³ At the current exchange rate of Rand 5.8 per US dollar.

¹⁴ The concept of Gross Operating Surplus in the National Account is different from the concept of Gross Margin or profit in the Business Accounting System.

Table 2.8: Key ratios derived from KwaZulu-Natal Supply and Use Tables

1	Labour productivity (R000)	64.6
2	Average labour remuneration (R000)	33.9
3	Compensation of employees/total output (per cent)	24.5
4	Government consumption per capita (R000)	2.6
5	Compensation of employees/Gross Operating Surplus (per cent)	118.1
6	Gross Operating Surplus/total output (per cent)	20.7
7	GVA/total output (per cent)	46.6
8	Intermediate consumption/total output (per cent)	53.4
9	Intermediate consumption/total supply at purchasers' prices (per cent)	45.5
10	Final Demand/total supply at purchasers' prices (per cent)	55.5
11	Taxes less subsidies on production/total output (per cent)	1.3
12	GDPR per capita (R000)	16.2
13	Household Consumption/total supply at purchasers' prices (per cent)	26.7
14	Government Consumption/total supply at purchasers' prices (per cent)	7.0
15	GFCF/total supply at purchasers' prices (per cent)	6.3
16	Imports/total supply at purchasers' prices (per cent)	10.7
17	Exports/total supply at purchasers' prices (per cent)	14.2
18	Gross Fixed Capital Formation/GDPR (per cent)	14.4
19	Gross Operating Surplus/Intermediate consumption (per cent)	38.9
20	Compensation of employees/Gross Value Added (per cent)	52.5
21	Net trade/GDPR (per cent)	7.9
22	Government consumption/GDPR (per cent)	16.0

Source: Provincial Treasury, (2004)

Figure 2.5 presents a picture of the KwaZulu-Natal economic flow of goods and services for the 2003 reference year. It shows that, for each goods and services supplied by the province (available for consumption), a tenth imported, while the remainder is domestically produced. Most of KwaZulu-Natal's imports consist of goods (85 per cent), while only 15 per cent is made up of services. In respect of domestic production, however, nearly 50 per cent is made up of goods, and 50 per cent of services.

To balance the regional accounts, the total supply of goods and services must equal the total demand of goods and services. In other words, the total production (output) of goods and services of the value of R349,641 million must equal the total consumption (use) of goods and services of the same value of R349,641 million. How was total output consumed? Figure 5 shows that 46 per cent of output was reutilised for further processing as intermediate input, and the rest was consumed as final demand (by households, government, gross fixed capital formation, that is, for investment and changes in inventory, and export). A quarter of the final demand was exported, while three quarters were consumed domestically, of which nearly half was made up of goods and the other half of services.

The question is to identify who are the producers and consumers of the KwaZulu-Natal economy?

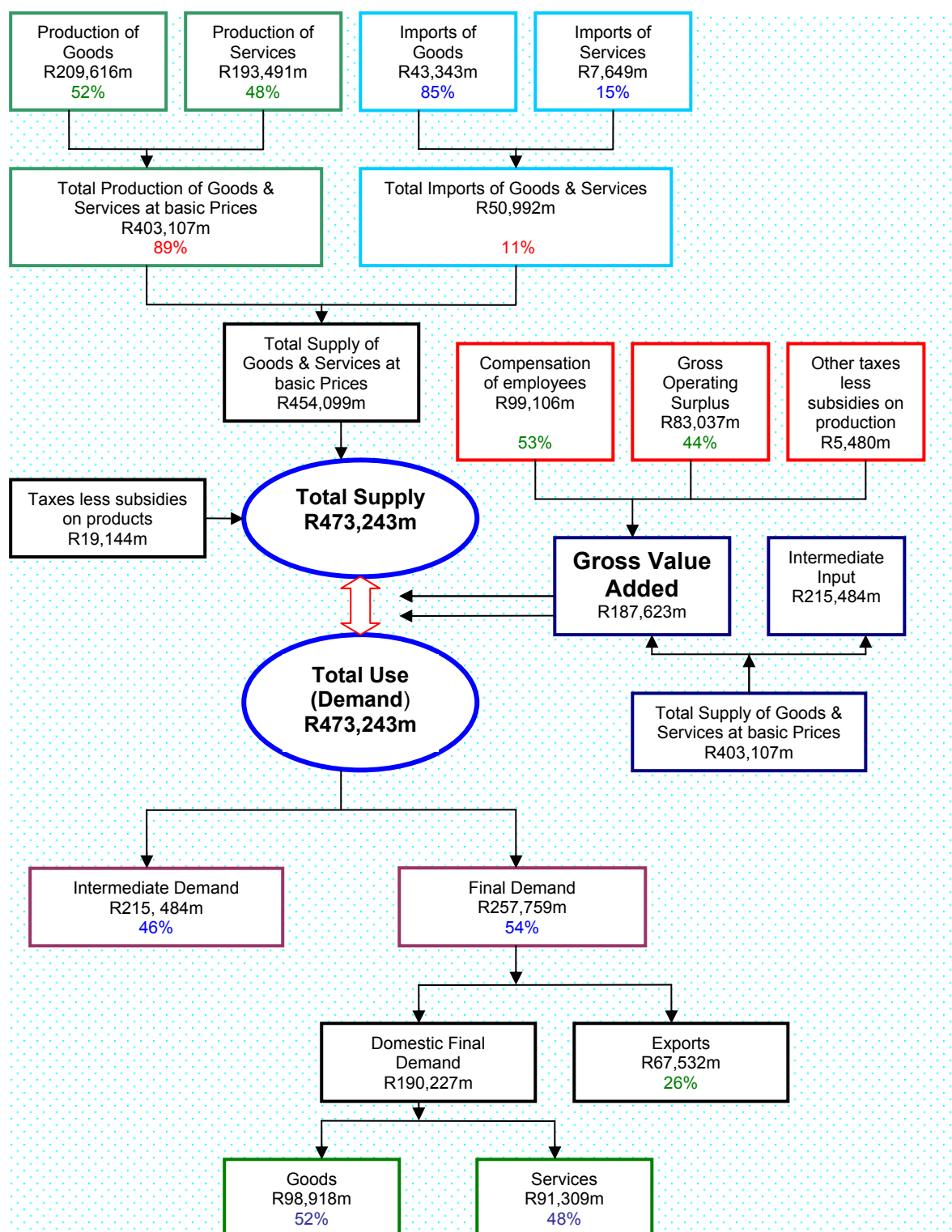
As is evident from Table 2.6, more than 70 per cent of KwaZulu-Natal's GDPR is generated by two district municipalities that are mainly classified with *first economy* status. Regional economic development has, for many years, been deferred by the wide gap that exists between the first and second economy. Discussion around the major threats to regional development has painted the following picture about the second economy in the province of KwaZulu-Natal:

- the majority of the people in the second economy are poor and live in rural areas;
- the second economy is not vibrant;
- low employment, and low self employment, low level of formal sector activities;
- the spending pattern is mainly on basic items, the major expenditure being on food;
- a poor development infrastructure;
- a small tax base;
- a weak human capacity;
- a basic level for livelihood;
- people reliance mostly on agriculture, and natural resources; and
- people spend most of their time on non-productive activities.

The Department of Economic Development and the Provincial Treasury need to combine efforts to close the gap that exists between the first and second economies. The truth is that the people in the second economy rely entirely on government facilities, and most of the grant allocations go towards providing for

their basic needs. While government expenditure is high in the second economy, government revenue generated in this second economy is minimal. The opposite is also true. Most of government revenue is generated in the first economy. Reliance of government facilities in the first economy is minimal, since people use their medical aids, most of their children attend private schools, there is intensive usage of alarm systems for house safety, and also most of people in the first economy do not qualify for basic welfare assistance. The second economy is the *main cause* of high government expenditure, low government revenue, and ultimately the main reason for the high government deficit.

Figure 2.5: KwaZulu-Natal's Flow of Goods and Services*, 2003



Source: Provincial Treasury, (2005)

Table 2.9 provides a summary of key multipliers¹⁵ derived from the Supply and Use Tables. These multipliers are also referred to as Leontief (or inverse) coefficients, and they represent the total impact on the production process in the regional economy. In other words, they incorporate both direct and indirect effects on the production process, as a result of a change in final demand for a specific product.

- GVA multipliers show how a R1 million increase in agriculture industry's output, resulting from a change in final demand, leads to an extra R341 in compensation of employees;
- Final demand multipliers show how an increase in household expenditure by 10 per cent leads to a 4.81 per cent increase in the output of manufacturing *industry*, and a 4.68 per cent increase in the output of manufacturing *product*; and.
- Other multipliers show how a R1 million increase in the agriculture industry's output, resulting from a change in final demand, leads to an extra R1,11 million output of imports (industry) and R1,3 million output of imports (product). The reason for these high multipliers in the agricultural sector is that South Africa imports most of the agricultural machinery and equipment.

Table 2. 9: Multipliers derived from the KwaZulu-Natal Supply and Use Tables

			Agriculture SIC 1	Mining SIC 2	Manufac- turing SIC 3	Electricity & Water SIC 4	Construction SIC 5	Trade SIC 6	Transport & Communication SIC 7	Finance SIC 8	Government SIC 9
			Primary Sector		Secondary Sector			Sector Tertiary			
GVA multipliers (R1 increase in X leads to RX increase in Y)	Industries	Compensation of employees	0.341	0.507	0.333	0.397	0.413	0.675	0.469	0.385	0.771
		Taxes less sub. on production	0.007	0.063	0.017	0.024	0.018	0.046	0.024	0.073	0.022
		Gross operating surplus	0.491	0.379	0.367	0.389	0.330	0.410	0.599	0.567	0.197
		Total GVA	0.840	0.950	0.718	0.811	0.762	1.132	1.093	1.025	0.991
	Products	Compensation of employees	0.311	0.193	0.212	0.385	0.396	2.842	0.485	0.362	0.708
		Taxes less sub. on production	0.007	0.024	0.011	0.024	0.018	0.193	0.025	0.066	0.022
		Gross operating surplus	0.448	0.144	0.234	0.377	0.320	1.769	0.619	0.524	0.216
		Total GVA	0.766	0.362	0.457	0.786	0.735	4.804	1.130	0.952	0.947
Final Demand multipliers (10 per cent increase in X leads to X per cent increase in Y)	Industries	Households	3.51	4.70	4.81	6.74	0.85	7.86	4.67	7.74	5.57
		Investment (GFCF)	0.64	1.48	1.27	0.67	6.96	0.35	0.39	0.91	0.24
		Exports	5.54	3.42	3.38	2.15	2.03	0.78	4.49	0.57	-2.36
		Total final demand	1.79	1.82	1.95	2.07	2.08	2.05	2.05	1.67	1.47
	Products	Households	3.55	4.82	4.68	6.83	0.75	7.96	4.66	7.77	5.57
		Investment (GFCF)	0.55	1.30	1.33	0.58	7.05	0.36	0.39	0.92	0.24
		Exports	5.59	3.47	3.64	2.16	2.05	0.92	4.50	0.60	-2.36
		Total final demand	1.86	1.33	1.78	2.25	2.26	5.09	1.99	1.64	1.54
Other multipliers (R1 increase in X leads to RX increase in Y)	Industries	Imports	1.109	0.076	0.169	0.170	0.133	0.070	0.089	0.039	0.042
		Taxes less sub. on products	0.038	0.028	0.049	0.040	0.054	0.032	0.035	0.023	0.017
		Trade & transport margins	0.011	-0.054	0.063	-0.022	0.049	-0.234	-0.217	-0.089	-0.051
	Products	Imports	0.128	0.578	0.258	0.166	0.135	0.428	0.139	0.062	0.060
		Taxes less sub. on products	0.042	0.011	0.087	0.069	0.083	0.188	0.042	0.060	0.039
		Trade & transport margins	0.063	0.047	0.196	-0.022	0.045	-4.421	-0.312	-0.076	-0.047

Source: Provincial Treasury, 2004

¹⁵ A multiplier spells out how much output expands given a unit increase in autonomous expenditure. Assuming that prices are constant, a small change in expenditure in a given direction leads to a much larger change in aggregate output in the same direction due to the effect of a multiplier. It leads to a significant primary shock and causes a direct change in the purchasing patterns of affected firms and institutions.

3. THE FISCAL FRAMEWORK AND DIVISION OF REVENUE FOR THE 2005/06 MTEF PERIOD

3.1 Background to revisions to provincial fiscal framework

As mentioned in the budget strategy overview, important changes to the provincial fiscal framework occurred during the lead up to the final Division of Revenue (DOR) proposals for the 2005/05 MTEF – changes which had major implications for the Province of KwaZulu-Natal, in particular. The 2005/06 DOR was influenced by the following two factors, both of which impact significantly on the intergovernmental fiscal framework:

- The decision to shift the social security grant function from provincial to national government; and
- The decision, taken by the Budget Council in the previous year, to review the equitable share formula for the 2005/06 MTEF.

The review of the provincial equitable share formula was undertaken with a view to developing an objective formula that balances equity and fairness in dealing with the financing of social services on the one hand, and dealing with the challenges of poverty and economic development on the other hand.

The review was to also take into account that the provincial equitable share formula would no longer fund social security grants, which, with effect 1 April 2005, would be funded via a national conditional grant.

3.2 Provincial equitable share formula

The intention of the previous ES horizontal division formula, which applied up to the 2004/05 MTEF, was to be redistributive in the allocation of national ES funding to provinces, by taking into account differences between provinces in terms of poverty levels, infrastructure backlogs, degree of urbanisation, etc. There can be no question that the previous equitable share formula was indeed redistributive to an extent, mainly due to the welfare backlog and (to a limited extent) the health components, which used pro-poor and degree of ruralness measures.

As stated earlier, however, KwaZulu-Natal was one of the provinces which argued from the inception of the formula that it was not redistributive enough, and under-compensated populous, mainly rural provinces such as KwaZulu-Natal, with high levels of poverty, unemployment and social infrastructure backlogs. It was the mounting evidence in favour of the credibility of this argument, indeed, which eventually led to the decision to review the ES formula in its entirety. The weighted share of the various components of the previous formula is listed in Table 3.1 below:

Table 3.1: Provincial equitable share components (2004)

Component	Share (weighting)
Education share – based on the size of the school-age population (ages 5-17) and the average number of learners enrolled in ordinary public schools for the past three years.	41 per cent
Health share – based on the proportion of the population with and without access to medical aid.	19 per cent
Welfare share – based on the estimated number of people entitled to social security grants (the elderly, disabled and children – weighted by using a poverty index derived from the Income and Expenditure Survey).	18 per cent
Basic share – derived from each province's share of the total population of the country.	7 per cent
Backlog component – based on the distribution of capital needs as captured in the schools register of needs, the audit of hospital facilities and the distribution of the rural population.	3 per cent
Economic component – based on the final Gross Domestic Product by Region (province) data.	7 per cent
Institutional component – divided equally among the provinces.	5 per cent

A technical Task Team was commissioned by the Budget Council in 2003, under the auspices of the Technical Committee on Finance (TCF), to come up with recommendations on the most equitable and objective way to revise the formula.

After considerable research and discussion, the TCF's Task Team concluded that:

- There was indeed a need to make the formula more fair and equitable, by making it more redistributive towards the poorer and more rural provinces. The level of redistribution would, however, depend on the weights assigned to the redistributive and the economic activity components. Excluding both components could also effect redistribution;
- Population shares should be assumed to be the basis for allocating resources. Further components should, however, be introduced to take account of province specific attributes;
- After deducting the social security component from the formula, the financing of education services constitutes approximately 50 per cent of the provincial equitable share, and thus any allocation mechanism would have to take cognisance of this. In this regard, the enrolment and school-age cohort mix was deemed to be the most suitable measure to capture the demand for education services; and
- The financing of health services constitutes approximately 27 per cent of the provincial equitable share, and the formula needs to take account of this. Several measures or options were considered that would best capture the demand for health services. Given the data challenges of some of the options, the medical and non-medical aid distinction appeared to be the best measure to use at this stage. However, further steps need to be taken to improve health information systems to provide data that could support the development of alternative measures.

In presenting its findings, the Task Team recommended, in addition to the abovementioned viewpoints, that:

- The backlog component should be phased out, and backlogs should be funded through the provincial infrastructure grant;
- The institutional component should be retained to continue to capture the costs associated with provincial administration and also to deal with the unique features of the Northern Cape; and finally
- The weights used in the formula should be structured in the manner listed in Table 3.2 below.

Table 3.2: New provincial equitable share components (2005)

Component	Share (weighting)
Education share – the enrolment/school-age cohort mix be weighted equally	51 per cent
Health share – based on the proportion of the population with and without access to medical aid (4:1 ratio).	26 per cent
Basic share – derived from each province's share of the total population of the country and it is the residual of all other component weights	14 per cent
Poverty component	3 per cent
Economic component – based on the final Gross Domestic Product by Region (province) data.	1 per cent
Institutional component – divided equally among the provinces.	5 per cent

Note that the weights of the health and education components were based on the average spending shares of these functions (excluding conditional grants) from the equitable share for the past three years.

After much deliberation, the Budget Council endorsed the recommendations and relative weightings attributed to the various components of the formula as proposed by the TCF, for forwarding for final approval by the Extended Cabinet.

3.3 Impact of Social Security function shift

As important as the revision of the horizontal ES formula was, an equally important issue which had to be considered by the Budget Council was the impact that the decision to shift the funding of social security grants to the national sphere would have on the vertical division of revenue. It was no easy task to determine the quantum of the provincial share of the budget that needed to be reallocated to the national sphere, given the widely differing expenditure patterns on this function between provinces. After considering various options, the Budget Council agreed that 24 per cent of the provincial equitable share should be reallocated to fund social security grants (including administration thereof) at a national level. At this level, and as shown in Table 3.3 below, this collectively left provinces with R2,2 billion in 2005/06 and R3,0 billion in 2006/07 in unallocated ES funding to reallocate to key functions like education, health, 'other welfare services' and infrastructure.

Table 3.3: Impact of social security function shift using the 2004 equitable share formula

Provinces	Prov social security grant budgets including administration excl. the CSG Ext grant		Using the 2004 equitable share formula weightings to remove from each province		Actual amounts remaining in provincial budgets using the 2004 equitable share formula	
	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07
	1	2	3	4	1-3	2-4
Eastern Cape	7,880	8,366	6,980	7,419	900	947
Free State	2,797	3,010	2,730	2,905	66	106
Gauteng	5,628	5,917	6,395	6,847	(766)	(930)
KwaZulu-Natal	9,980	11,002	8,665	9,336	1,315	1,666
Limpopo	6,111	6,635	5,695	6,119	415	516
Mpumalanga	2,915	3,132	3,060	3,315	(145)	(183)
Northern Cape	945	1,032	990	1,049	(45)	(17)
North West	3,726	4,200	3,458	3,705	267	495
Western Cape	3,954	4,448	3,751	4,038	203	410
TOTAL	43,934	47,744	41,724	44,734	2,210	3,010

Table 3.3 shows the financial impact of the social security function shift on the provincial equitable share funding, using the previous (2004) equitable share formula. Columns 1 and 2 show the amounts budgeted for social security grant payments including administration and excluding the Child Support Grant Extension grant by each province in the 2004/05 MTEF period. The total amounts in columns 3 and 4 represent the 24 per cent top sliced from the provincial equitable shares for 2005/06 and 2006/07. The 2004 equitable share formula weighting for each province is then used to arrive at the amounts to be removed from each province's budget. The difference between columns 1 and 3 gives the unallocated amounts remaining in provincial budgets for re-allocation to other services in 2005/06.

It is significant that the province is left unallocated amounts of R1,315 billion in 2005/06 and R1,666 billion in 2006/07 in the provincial budget. As indicated earlier, this is because of KwaZulu-Natal's responsible budgeting decision to allocate more than 65 per cent of additional equitable share funding received from National Treasury over the 2004/05 MTEF to the social welfare function – more than any other province.

3.4 Approval of Budget Council recommendations by Extended Cabinet

On 20 October 2004, in accordance with the annual national budget timetable, the Extended Cabinet convened to consider the 2005/06 Division of Revenue (DOR) proposals made by the Budget Council. After careful consideration of the two key recommendations on the table, the Extended Cabinet approved the following:

- In respect of the *social security grant function shift* – 24 per cent was to be top sliced from the provincial equitable share to fund the delivery of social security grant at the national level;
- In respect of the *review of the provincial equitable share formula* – the components and weights listed in Table 3.4 below would be used in the revised formula;

Table 3.4: 2005/06 Equitable distribution of unconditional grant, percentages

	Basic	Education	Health	Poverty	Institutional	Economic Activity	Weighted Average
	14%	51%	26%	3%	5%	1%	100%
Eastern Cape	14.2%	17.4%	15.1%	20.7%	11.1%	7.9%	16.0%
Free State	6.0%	5.8%	6.0%	7.1%	11.1%	5.7%	6.2%
Gauteng	20.0%	13.9%	17.9%	11.3%	11.1%	33.8%	15.7%
KwaZulu-Natal	21.0%	22.8%	21.8%	23.3%	11.1%	16.3%	21.7%
Limpopo	11.7%	14.9%	12.6%	17.0%	11.1%	6.5%	13.7%
Mpumalanga	7.0%	7.6%	7.2%	6.7%	11.1%	6.9%	7.5%
Northern Cape	1.8%	1.7%	1.8%	2.0%	11.1%	2.0%	2.2%
North West	8.2%	7.7%	8.4%	8.0%	11.1%	6.6%	8.1%
Western Cape	10.2%	8.2%	9.4%	3.8%	11.1%	14.2%	8.9%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

To mitigate the effect of the revisions of the ES formula on those provinces standing to lose funding in relative terms, however, the Extended Cabinet supported the Budget Council recommendation that the targeted equitable share per province should be phased-in over a three-year period, as indicated in Table 3.5 below.

Table 3.5: Phase-in percentages

	Current weighted shares	New weighted shares: 3-year phasing			New weighted shares (target)
	2005/06	2005/06	2006/07	2007/08	2005 MTEF
Eastern Cape	16.7	16.5	16.3	16.0	16.0
Free State	6.5	6.4	6.3	6.2	6.2
Gauteng	15.3	15.5	15.6	15.7	15.8
KwaZulu-Natal	20.8	21.1	21.4	21.7	21.6
Limpopo	13.6	13.7	13.7	13.7	13.6
Mpumalanga	7.3	7.4	7.5	7.5	7.5
Northern Cape	2.4	2.3	2.3	2.2	2.2
North West	8.3	8.2	8.2	8.1	8.1
Western Cape	9.0	8.9	8.9	8.9	8.9
Total	100.0	100.0	100.0	100.0	100.0

3.5 Provincial fiscal framework – 2005/06 MTEF

Given the functional responsibilities of provinces, together with the government priorities for the 2005 MTEF, the provincial equitable share and the conditional grant allocations received additional funding of R16,6 billion and R27 billion over the next three years. Table 3.6 shows the additional funding to the provincial equitable share and conditional grant baselines over the 2005/06 MTEF years.

Table 3.6: Revisions to provincial baselines

Rmillion	2005/06	2006/07	2007/08	Total revisions
Total provincial baseline allocation	199,704	216,345	227,162	
Equitable share	132,127	141,658	148,741	
Conditional grants	67,577	74,687	78,421	
Changes to baseline	9,569	12,937	21,074	43,580
Equitable share	2,579	5,099	8,937	16,615
Conditional grants	6,990	7,838	12,137	26,965
Total provincial revised allocation	209,273	229,282	248,236	
Equitable share	134,706	146,757	157,678	
Conditional grants	74,567	82,525	90,558	

Table 3.7 shows the new equitable shares by province, taking into account the upward revisions to the provincial equitable share baseline allocations of R2,579 billion, R5,099 billion and R8,937 billion over 2005/06 MTEF years. The increase in the provincial equitable share baseline allocations is to cater for the carry-through cost of the 2004 salary adjustments, as well as policy adjustments.

Table 3.7: Equitable share division over 2005 MTEF

R000	2005/06	2006/07	2007/08
Eastern Cape	22,202,309	23,839,059	25,238,734
Free State	8,660,286	9,261,995	9,765,081
Gauteng	20,810,204	22,864,963	24,774,603
KwaZulu-Natal	28,398,760	31,388,210	34,204,801
Limpopo	18,375,726	29,917,878	21,506,369
Mpumalanga	9,976,192	10,970,046	11,894,723
Northern Cape	3,124,184	3,326,755	3,491,843
North West	11,086,061	11,989,563	12,786,822
Western Cape	12,072,469	13,098,806	14,014,803
TOTAL	134,706,191	156,657,275	157,677,779

The unallocated equitable share funding available for distribution is given in the Table 3.8 below. The amounts of 'new funding' received by the province over the 2005/06 MTEF are accordingly R959 million, R1,824 billion and R3,162 billion. This increase to the 2005/06 MTEF baselines results from the phasing-in of the new formula, together with KZN's share of upward adjustments to the equitable share allocation to provinces of R2,579 billion, R5,099 billion and R8,937 billion (see Table 3.6 above).

Taking into account the amounts remaining in the provincial budget as a result of the social security grant function shift, the province therefore, in aggregate, has additional funding amounting to R2,273 billion, R3,490 billion and R4,911 billion over the 2005/06 MTEF period for distribution to departments, over and above the existing baselines.

Table 3.8: Unallocated equitable share funding available for distribution

R000	2005/06	2006/07	2007/08
1. Current equitable share with social security function	36,105,489	38,900,829	40,845,870
2. Less: 24% for social security function shift	8,665,317	9,336,199	9,803,009
3. Current equitable share without social security function	27,440,172	29,564,630	31,042,861
4. New equitable share excluding social security function	28,398,760	31,388,210	34,204,801
5. Additional funding to baseline allocation (new funding: 4 - 3)	958,588	1,823,580	3,161,940
6. Actual amount remaining in provincial budget as a result of the function shift	1,314,686	1,665,927	1,749,223
Unallocated equitable share funding available for distribution	2,273,274	3,489,507	4,911,163

As can be seen in Table 3.6 above, the conditional grant allocation to provinces received a total additional funding of R27 billion over the 2005/06 MTEF period. The bulk of this additional funding is allocated to the newly created conditional grants, emanating from the social security function shift. One of the grants is to deal with the cost of administering social security grant payments, while the other is for the grant payments themselves.

The balance of the increase in the conditional grant funding is allocated mainly to the Provincial Infrastructure Grant, the Integrated Housing and Human Settlement Grant, and the Comprehensive Agricultural Support Programme. The additional funding to the conditional grant framework also provides for the introduction of a new education conditional grant in 2006/07 and 2007/08, to cater for the recapitalisation of the Further Education Training (FET) colleges.

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

4.1 The 2005/06 MTEF Budget Process in Brief

The 2005/06 MTEF provincial budget process commenced with the issue of the *Treasury Guidelines* in August 2004, which explained how departments should prepare the 2005/06 MTEF budget submissions. The 2005/06 *Treasury Guidelines* differed from previous years, in that departments were not required to submit budget proposals for additional funding. Instead, departments were informed that the 2005/06 MTEF budget process would focus solely on the analysis and reprioritisation of departments' baseline allocations. The requirement to undertake a thorough analysis of departments' baseline allocations emanated from a Cabinet resolution taken on 26 June 2004.

The outcome of the Baseline Analysis exercise and MTEC Hearings

The Provincial Treasury in September 2004 devised a *Baseline Analysis Template* in Excel which was completed by all departments. The central question that the template attempted to answer is: *how did each department arrive at its budget at a programme and economic classification level?*

Most departments acknowledge that the template did assist them in establishing more credible baseline budgets. For example, some departments were unaware that they were over-budgeting for personnel, but, by using the template, they were able to identify and rectify the problem.

The Medium-Term Expenditure Committee (MTEC) met with all departments at the beginning of November 2004, to discuss the 2004/05 Mid-year Budget Performance, as well as the 2005/06 MTEF budget submissions.

Taking into consideration the baseline analysis of the departmental budgets and the deliberations at the MTEC Hearings, it is the Provincial Treasury's view that, given the current resource envelope (including the carry-through costs of the 2004/05 Adjustments Estimate), all departments are optimally funded with the exception of Education and Health, and, to a lesser extent, Transport (this view is substantiated later in the document – Sections 4.2 and 4.3). Subsequently, these departments were requested to submit proposals for additional funding, in consultation with the Provincial Treasury. The rationale behind this approach is that the province has the responsibility to optimally fund the Education, Health and Road functions, not only because they are among the most vital provincial functions, but more importantly because they form the backbone of any developing economy. In other words, they are the engine for economic growth. It is precisely these sectors, moreover, which have suffered in preceding MTEF allocations, owing to the consistent over-expenditure of the social welfare sector.

To further substantiate the reasons for motivating substantial amounts of additional funding to the education and health sectors, Sections 4.2 and 4.3 below give a detailed analysis of per capita spending in education and health by this province, relative to other provinces.

In addition to this, the provincial Cabinet also approved additional funding to other departments for specific projects and purposes, as explained in Section 4.4 below.

4.2 Analysis of per capita learner spending in education by province

Table 4.1 below gives the actual and projected number of learners by province over the 2000/01 – 2007/08 period. The annual number of learners for the period 2004/05 – 2007/08 are estimated, using a linear regression on the actual numbers of learners for the 2000/01 – 2003/04 period. It is not surprising to see that Gauteng, Western Cape and KZN (the main hubs of economic activity in the country) are likely to experience the highest growth in learner numbers over the 2004/05 – 2007/08 period, most likely due to migration.

Table 4.1: Number of learners

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
	Actual no. of learners				Projected no. of learners			
Eastern Cape	2,139	2,034	2,077	2,116	2,085	2,082	2,080	2,077
Free State	765	716	705	696	666	644	622	601
Gauteng	1,554	1,561	1,614	1,662	1,692	1,730	1,767	1,805
KwaZulu-Natal	2,663	2,698	2,757	2,783	2,830	2,872	2,914	2,956
Limpopo	1,845	1,816	1,839	1,817	1,814	1,808	1,802	1,796
Mpumalanga	912	904	914	915	916	918	920	922
Northern Cape	199	197	198	202	202	203	204	205
North West	910	893	916	891	894	891	887	884
Western Cape	916	918	945	957	972	987	1,002	1,017
Total/Average	11,903	11,737	11,965	12,039	12,070	12,134	12,197	12,261

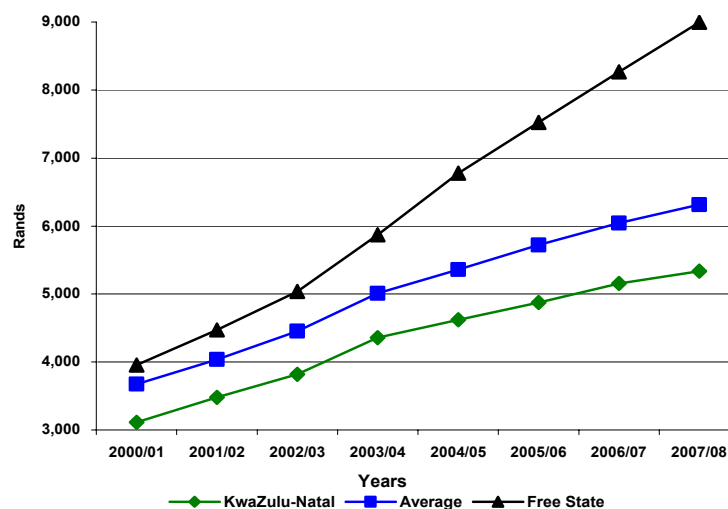
The per capita provincial education expenditure and estimates for the period 2000/01 – 2007/08 are presented in Table 4.2 below. The per capita figures are calculated by dividing the total education expenditure for each province by the corresponding number of learners. The table clearly shows that KZN has been the lowest funded province in terms of per capita education expenditure, and this trend is projected to continue in the foreseeable future.

Table 4.2: Per capita provincial education expenditure

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
	Actual expenditure				Budgeted expenditure			
Eastern Cape	3,404	3,908	4,462	4,871	5,208	5,676	6,089	6,401
Free State	3,954	4,471	5,037	5,872	6,775	7,526	8,266	8,995
Gauteng	4,412	4,685	5,037	5,727	5,589	5,807	5,973	6,140
KwaZulu-Natal	3,112	3,478	3,821	4,359	4,623	4,874	5,158	5,339
Limpopo	3,503	3,711	4,051	4,545	5,117	5,406	5,779	6,089
Mpumalanga	3,319	3,721	4,291	4,950	5,558	6,138	6,503	6,814
Northern Cape	4,894	5,234	5,965	6,460	7,122	7,832	8,197	8,564
North West	4,101	4,475	4,821	5,495	5,963	6,390	6,732	7,096
Western Cape	4,469	4,795	5,091	5,531	5,825	6,088	6,280	6,496
Total/Average	3,675	4,037	4,451	5,011	5,361	5,720	6,044	6,313

KZN relative to other provinces lowest lowest lowest lowest lowest lowest lowest lowest

Figure 4.1 below compares the per capita education expenditure for KZN, the national average and the highest funded province, Free State. A major concern emanating from this analysis is that, at the current level of funding, the gap between KZN per capita education expenditure and the national average, as well as the Free State, is widening.

Figure 4.1: Per capita education expenditure


An analysis of Table 4.3 below raises an even bigger concern in that the level of additional funding required to move KZN up to the second lowest funded education department in the country, i.e. Limpopo, seems unaffordable, given that the total amount of additional funding available to the province over the 2005/06 MTEF is R2 billion, R3 billion, and R4,2 billion, respectively. To move KZN to the national average would require the province to fund its education department by an additional amount of R2,4 billion, R3,4 billion and R4,3 billion over the 2005/06 MTEF – *from an affordability point of view, clearly not an option.*

Table 4.3: Additional funding required to match another province's per capita spending

Rmillion	05/06	06/07	07/08
Limpopo	1,528	2,638	3,591
Gauteng	2,680	3,202	3,743
Average	2,429	3,409	4,254
Eastern Cape	2,304	3,540	4,514
Western Cape	3,488	4,096	4,796
Mpumalanga	3,631	4,746	5,733
North West	4,355	5,416	6,569
Northern Cape	8,496	9,682	10,908
Free State	7,616	9,885	12,180

It is clear from the above analysis that the province cannot even increase its per capita education expenditure to the next level, i.e. Limpopo in the 2005/06 MTEF. And given that this is a per capita analysis, one cannot really adopt a phased-in approach. The Provincial Treasury's proposal, therefore, is for the province to attempt to close the gap between the provincial per capita funding differential.

4.3 Analysis of per capita spending in health by province

The calculation of the per capita expenditure for the health sector is not as simple as that for the education sector. In arriving at the health per capita expenditure, each province's health budget is divided by the corresponding provincial population without medical aid. The rationale behind using the non-medical aid population is that it is this portion of the population that will make the most use of the public health care. Another complication with the calculation of per capita health expenditure is the question whether one includes or excludes the health conditional grants (specially the National Tertiary Services and Health Professionals Training and Development grants) in the computation. Table 4.4 below shows the per capita health expenditure, including and excluding conditional grants. However, the KZN Department of Health maintains that these two conditional grants are inadequately funded, and that this province is using its equitable share allocation to assist in funding a nationally assigned function to the province.

Table 4.4: Per capita provincial health expenditure

	2005/06		2006/07		2007/08	
	Per capita Incl. grants	Per capita excl. grants	Per capita Incl. grants	Per capita excl. grants	Per capita Incl. grants	Per capita excl. grants
Eastern Cape	1053	915	1122	971	1178	1020
Free State	1294	989	1386	1048	1456	1100
Gauteng	1394	976	1458	1020	1531	1071
KwaZulu-Natal	1154	992	1257	1079	1320	1133
Limpopo	877	797	955	863	1003	906
Mpumalanga	902	873	1016	904	1066	949
Northern Cape	1326	1034	1441	1092	1513	1146
North West	918	815	978	860	1027	903
Western Cape	1500	1027	1592	1084	1672	1138
National average	1148	932	1232	992	1294	1042

Therefore, the analysis of per capita health expenditure would be inclusive of conditional grants. As can be seen from Table 4.4, the KZN per capita health expenditure is marginally higher than the national average over the 2005/06 MTEF period. In addition, KZN has the 5th lowest/highest funded health sector in the country as opposed to education, which has the lowest provincial per capita funding in the country.

Table 4.5 below shows the level of additional funding required to move KZN up to the next highest funded provincial per capita health expenditure in the country, i.e. Free State. Once again, given the total amount of additional funding available to the province over the 2005/06 MTEF, this option seems unaffordable.

Table 4.5: Additional funding required to match another province's per capita spending

Rmillion	05/06	06/07	07/08
Free State	1,191	1,095	1,150
Northern Cape	1,466	1,558	1,636
Gauteng	2,037	1,706	1,791
Western Cape	2,940	2,842	2,984

4.4 Provincial allocation for the 2005/06 MTEF

Growth rates in the 2005/06 MTEF departmental baseline allocations

Before presenting the allocation framework, it is important to note that the departmental baseline budgets¹⁶ for the 2005/06 MTEF period include positive rates of growth, although they differ across departments in terms of their levels. The negative growth rate in the Department of Traditional and Local Government Affairs for 2005/06 is due to the discontinuation of the infrastructure conditional grant allocation to that department in that year.

Table 4.6: 2005/06 MTEF Baseline Budgets

R000	Main Budget	Medium-term estimates			Medium-term estimates (%)		
	2004/05	2005/06	2006/07	2007/08	2005/06	2006/07	2007/08
1. Premier	145,244	150,777	159,824	167,815	3.8	6.0	5.0
2. Provincial Parliament	95,009	100,958	107,251	112,614	6.3	6.2	5.0
3. Agriculture and Environmental Affairs	909,085	1,003,342	1,070,781	1,124,320	10.4	6.7	5.0
4. Economic Development	131,897	140,590	150,052	157,555	6.6	6.7	5.0
5. Education	13,024,346	13,933,162	14,958,885	15,706,829	7.0	7.4	5.0
6. Provincial Treasury	156,983	169,581	179,755	188,743	8.0	6.0	5.0
<i>Provincial Growth Fund</i>	550,000	200,000	50,000	52,500	(63.6)	(75.0)	5.0
7. Health	8,766,891	9,792,811	10,672,169	11,205,777	11.7	9.0	5.0
8. Housing	936,218	973,907	1,032,756	1,084,394	4.0	6.0	5.0
9. Community Safety and Liaison	15,627	16,654	17,743	18,630	6.6	6.5	5.0
10. The Royal Household	21,319	22,598	23,954	25,152	6.0	6.0	5.0
11. Traditional and Local Government Affairs	455,148	432,493	458,443	481,365	(5.0)	6.0	5.0
12. Transport	1,804,647	2,107,772	2,226,483	2,337,807	16.8	5.6	5.0
13. Social Welfare and Population Development	10,251,025	12,252,438	13,843,595	14,535,774	19.5	13.0	5.0
14. Works	402,451	426,578	452,171	474,780	6.0	6.0	5.0
15. Arts, Culture and Tourism	110,822	116,137.0	121,976.0	128,075.0	4.8	5.0	5.0
16. Sports and Recreation	30,213	33,940	37,086	38,940	12.3	9.3	5.0
Total	37,806,925	41,873,738	45,562,924	47,841,070	10.8	8.8	5.0

Net additional funding available for distribution

The total amount of additional funding available to the province for distribution is made up of equitable share funding from national government, as well as the increase in provincial own revenue estimates over the 2005/06 MTEF period. As can be seen from Table 4.7 below, the sum of both result in amounts of **R2,441 billion**, **R3,655 billion**, and **R5,093 billion** being available for distribution in the 2005/06 MTEF. Taking into account the funding of the 2004/05 Adjustments Estimate carry-through costs, the province is left with net additional funding for distribution of R2,171 billion, R3,372 billion and R4,795 billion over the next MTEF.

¹⁶ Baseline budgets as published in the 2004/05 Budget Statements. The 2007/08 baseline budgets are derived by adding 5 per cent to the 2006/07 baseline budgets.

Table 4.7: Net additional funding available for distribution

R000	2005/06	2006/07	2007/08
Unallocated equitable share funding from national government	2,273,274	3,489,507	4,911,163
Increase in provincial own revenue estimates	167,497	165,909	181,592
Total additional funding available for distribution	2,440,771	3,655,416	5,092,755
Less: Funding of 2004/05 Adjustments Estimate carry-through costs	269,560	283,288	297,704
Net additional funding available for distribution	2,171,211	3,372,128	4,795,051

Summary of additional allocation for the 2005/06 MTEF

Table 4.8 gives a summary of the additional allocation for the MTEF period by department, which including the carry-through costs of the 2004/05 Adjustments Estimate.

As can be seen from Table 4.8, the Departments of Education and Health receive over 50 per cent of the unallocated funding available for distribution. This is not surprising, given that these departments received disproportionately lower levels of additional funding in the previous MTEF allocation process, compared to the Department of Social Welfare and Population Development.

The additional funding to the Department of Education is almost entirely allocated for compensation of employees, and this must be viewed in context. The Department of Education's budget is made up of three major expenditure items, namely personnel, capital and learner support material (LSM). Together, these items consume more than 96 per cent of the department's budget. During the last two MTEF allocation processes, substantial funding was allocated to LSM and capital. In fact, in 2001/02, the department spent only R179 million on LSM, compared to a projected R913 million in 2007/08. Similarly, expenditure on infrastructure has increased markedly, from R222 million in 2001/02 to an estimated R763 million in 2007/08. On the other hand, the department's personnel (mainly educators) expenditure estimates were projected to increase by approximately the inflation rate, i.e. there was no provision for reducing the learner: educator ratio. Also, the 2005/06 MTEF personnel baseline budget was inadequately funded to cater for the employment of temporary educators. Subsequently, the Provincial Treasury assisted the department to estimate the number of temporary educators it requires, and the financial implications thereof. This resulted in the allocation of additional funding to the department for compensation of employees. In addition, the department will receive substantial funding for the recapitalisation and equipping of FET colleges, which are to play a much more central role in provincial training and capacity-building programmes than in the past.

Over the 2005/06 MTEF, the Department of Health receives additional funding across all of its programmes. In particular, additional funding has been allocated for the roll-out of the Anti-Retroviral treatment. In addition, the funding will enable the department to maintain and even improve the standard of health services across the board, with primary health care, EMS, provincial and central hospital services, health sciences and training, and facilities management all receiving substantial additional funding. This allocation is the first instalment of a six-year phased plan to raise health standards to an acceptable level throughout the province. In this context, attention is drawn to the substantial additional amounts allocated to the department in the outer two years of the MTEF.

The Department of Transport also receives additional funding for a number of projects. The funding for the establishment of a testing station at the Durban harbour and for motor licensing collection is aimed at improving the department's own revenue collection, in line with the *Provincial Own Revenue Enhancement Strategy*. The additional funding for the provision of crucial community access roads to schools, health facilities and agricultural areas, including roads damaged in the recent floods, cannot be over-emphasised. The provision of highly critical community access roads will go a long way towards improving the mobility of the rural community, which is imperative for socio-economic development. In addition, this initiative will improve the high unemployment levels in the rural areas, given that department will undertake these projects using a labour-intensive methodology, in compliance with the EPWP principle.

Table 4.8: Summary of additional allocations, 2005/06 MTEF

	2005/06	2006/07	2007/08	2005/06	2006/07	2007/08
		R000		Percentage share		
Vote 1: Office of The Premier - Heritage	50,000	52,500	55,125	2.0	1.4	1.1
Vote 2: Parliament	28,496	16,333	17,080	1.2	0.4	0.3
Carry through of 2004/05 Adjustments Estimate	6,908	7,253	7,616	0.3	0.2	0.1
Statutory funding - carry-thru cost of 2004/05 increase in MPs salary	1,710	1,710	1,710	0.1	0.0	0.0
Bursaries	300	315	331	0.0	0.0	0.0
Employment of additional staff	5,100	5,355	5,623	0.2	0.1	0.1
Performance Management System	500	-	-	0.0	-	-
Office of The Speaker	600	-	-	0.0	-	-
Equipment (office furniture and computer)	2,000	200	250	0.1	0.0	0.0
Hansard	1,378	1,000	1,000	0.1	0.0	0.0
Building security	10,000	500	550	0.4	0.0	0.0
Vote 3: Agriculture and Environmental Affairs	75,000	101,250	127,562	3.1	2.8	2.5
Eradication of Invasive Alien Species	50,000	75,000	100,000	2.0	2.1	2.0
Nguni cattle and goat farming projects	10,000	10,500	11,025	0.4	0.3	0.2
Land care (soil erosion)	15,000	15,750	16,537	0.6	0.4	0.3
Vote 5: Education	676,680	1,134,336	1,782,348	27.7	31.0	35.0
Carry through of 2004/05 Adjustments Estimate	140,462	147,485	154,859	5.8	4.0	3.0
Pay progression for teachers	-	136,800	273,600	-	3.7	5.4
Research, strategy and EMIS	7,000	7,350	7,718	0.3	0.2	0.2
FET recapitalisation	36,000	-	-	1.5	-	-
FET colleges - non-personnel related expenditure	30,000	31,500	33,075	1.2	0.9	0.6
Reducing learner:educator ratio	129,606	341,508	695,318	5.3	9.3	13.7
Providing for substitute educators	223,612	234,193	246,503	9.2	6.4	4.8
1% pay progression for educators	110,000	235,500	371,275	4.5	6.4	7.3
Vote 6: Provincial Treasury - restructuring arising partly from the roll-out of the MFMA	20,000	21,000	22,050	0.8	0.6	0.4
Vote 7: Health	642,892	950,008	1,247,070	26.3	26.0	24.5
Carry through of 2004/05 Adjustments Estimate	85,644	89,927	94,423	3.5	2.5	1.9
Primary Health Care function shift	58,000	87,000	116,000	2.4	2.4	2.3
Roll-out of ARV	105,452	215,848	323,530	4.3	5.9	6.4
Administrative support	11,600	17,600	24,000	0.5	0.5	0.5
Primary Health Care	158,400	199,100	257,700	6.5	5.4	5.1
Emergency Medical Services	19,000	28,200	38,800	0.8	0.8	0.8
Provincial hospital services	70,000	80,000	90,000	2.9	2.2	1.8
Central Hospitals	53,000	77,000	106,000	2.2	2.1	2.1
Health Sciences and Training	19,000	28,200	38,800	0.8	0.8	0.8
Facilities management	62,796	127,133	157,817	2.6	3.5	3.1
Vote 9: Community Safety & Liaison	31,500	33,075	34,729	1.3	0.9	0.7
Carry through of 2004/05 Adjustments Estimate	1,500	1,575	1,654	0.1	0.0	0.0
Improving the effectiveness & efficiency of SAPS in KZN	30,000	31,500	33,075	1.2	0.9	0.6
Vote 10: The Royal Household - carry through of 2004/05 Adjustments Estimate	5,000	5,250	5,512	0.2	0.1	0.1
Vote 11: TLGA	35,000	36,750	38,588	1.4	1.0	0.8
Carry through of 2004/05 Adjustments Estimate	5,000	5,250	5,513	0.2	0.1	0.1
Project consolidate	30,000	31,500	33,075	1.2	0.9	0.6
Vote 12: Transport	89,760	119,500	173,976	3.7	3.3	3.4
Carry through of 2004/05 Adjustments Estimate	5,000	5,250	5,513	0.2	0.1	0.1
Rehabilitation of flood damaged roads	35,000	-	-	1.4	-	-
Establishment of a testing station at the Durban harbour (revenue enhancement)	20,000	10,500	11,025	0.8	0.3	0.2
Improvements in motor licencing revenue collection	6,760	5,250	5,513	0.3	0.1	0.1
Provision of access roads to schools, health care facilities & agricultural areas	20,000	93,500	141,925	0.8	2.6	2.8
Zimbabwe contractors to maintain the roads constructed	3,000	5,000	10,000	0.1	0.1	0.2
Vote 13: Social Welfare - Improving salary dispensation for social workers	25,397	27,028	28,659	1.0	0.7	0.6
Vote 15: Arts & Culture - carry through of 2004/05 Adjustments Estimate	9,560	10,038	10,540	0.4	0.3	0.2
Vote 16: Sport & Recreation	51,486	48,348	49,516	2.1	1.3	1.0
Carry through of 2004/05 Adjustments Estimate	12,236	12,848	13,491	0.5	0.4	0.3
Preparation of SA Games	9,750	3,675	3,859	0.4	0.1	0.1
Construction of sport facilities in rural areas	6,500	6,825	7,166	0.3	0.2	0.1
Mobilisation of mass participation programmes	4,000	5,000	5,000	0.2	0.1	0.1
Training of coaches and administrators	4,000	5,000	5,000	0.2	0.1	0.1
2010 World Cup preparation	15,000	15,000	15,000	0.6	0.4	0.3
Provincial Growth Fund	-	300,000	500,000	-	8.2	9.8
SMME Fund	200,000	-	-	8.2	-	-
Poverty Alleviation Fund	500,000	800,000	1,000,000	20.5	21.9	19.6
Total	2,440,771	3,655,416	5,092,755	100.0	100.0	100.0

The additional funding to the Department of Agriculture and Environmental Affairs is for the eradication of invasive alien species in the province, an accelerated land care programme, focussing on soil erosion, and a comprehensive Nguni cattle and goat farming project aimed at increasing basic income levels, food security and employment.

The additional funding allocated to the Department of Sport and Recreation provides for the carry-through costs of the 2004/05 Adjustments Estimate and also caters for a range of other projects, including preparation for the SA Games and the 2010 Soccer World Cup, construction of sport facilities in the rural areas, training of coaches and administrators, etc. Note that the spending of the 2010 Soccer World Cup fund will, however, be subject to the approval of an appropriate business plan by Treasury and Cabinet.

As indicated in the strategic overview, the 2005/06 budget allocation also addresses the provincial priorities of stimulating economic growth through job creation, and poverty alleviation. As mentioned, the province has established three dedicated centralised funds over the MTEF period, in the form of the Provincial Growth, Poverty Alleviation and SMME Funds. Although the funding will be held initially against Vote 6: Provincial Treasury, it must be emphasised that expenditure will occur through the various line departments which will take the lead in the various programmes and projects, depending on their nature. Detailed project identification and costing is still being finalised. Recommended projects will also be subjected to a rigorous feasibility and approval process before funds are contractually committed to individual projects.

Projects which have been provisionally identified for funding from the Provincial Growth Fund include:

- A joint venture manganese smelter project at Newcastle, aimed at supplying ferromanganese to Taiwan and China: provincial government contribution will be R90 million, mainly for supporting infrastructure;
- The revitalisation of the ship repair industry in the Durban port: provincial government contribution will be R30 million, aimed at skills development and training;
- A joint venture fish farming project with the Department of Agriculture and Environmental Affairs, with possible pilot sites identified in Nongoma, and Sisonke and Umkhanyakude District municipalities: provincial government contribution will be R30 million;
- A major textile factory in Mooi River by the Tai Yuen Group: provincial government contribution will be R36 million, mainly for road and transport infrastructure;
- The development of African craft and village markets across the province: provincial government contribution will be R40 million;
- Dube TradePort public/private joint venture: estimated government contribution in 2005/06 will be R100 million; and
- An amount of R50 million is set aside for the support of risk capital in respect to Black Economic Empowerment in the first economy.

The list is not exhaustive, and a range of projects aimed at reviving rural areas and decaying towns in outlying areas of the province is being considered. An important factor will be to ensure spatially even distribution of investment across the province.

In respect of the Poverty Alleviation Fund, R110 million of the 2005/06 budget will be transferred to Ithala as seed capital to support the establishment of co-operatives, while the balance of R390 million will be allocated to community infrastructure projects identified during the *Izimbizo* in the various district municipalities – an initial list of these projects is in the process of being compiled. Allocations from the Fund to the various districts will be made in terms of a model, measuring the relative per capita income disparities between the various regions in the province, with the provincial line departments responsible for actual implementation, according to the type of project involved. Priority will be given to income generating projects, particularly in the agricultural, agri-business and tourism sectors, and economic and social infrastructure projects.

In respect of the SMME Fund, the bulk of the funding – an amount still to be determined – will be allocated to the repositioned Ithala Finance Development Corporation as seed capital to support the growth of emergent SMME enterprises. Ithala will, in turn, contribute capital to this fund on a rand for rand basis.

5. SUMMARY OF BUDGET AGGREGATES AND FINANCING

5.1 Budget aggregates

Table 5.1 presents an overall summary of the provincial budget. For the years 2001/02 to 2003/04, audited receipts and payments figures are provided. For the 2004/05 financial year, the adjusted budget and estimated actual are given, where the latter is based on departmental projections as at the end of October 2004. For the period 2005/06 to 2007/08, reported figures relate only to *budgeted* receipts and payments.

Table 5.1: Provincial budget summary

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2001/02	Audited 2002/03	Audited 2003/04				2005/06	2006/07	2007/08
Provincial receipts									
Transfer receipts from national	24,012,263	27,515,811	32,696,839	36,905,750	37,772,421	37,772,421	44,452,641	48,818,857	53,226,193
Equitable share	21,708,330	25,156,942	29,762,736	33,058,939	33,904,370	33,904,370	28,398,760	31,388,210	34,204,801
Conditional grants	2,303,933	2,358,869	2,934,103	3,846,811	3,868,051	3,868,051	16,053,881	17,430,647	19,021,392
Provincial own receipts	985,674	1,069,075	1,123,903	901,175	901,275	1,068,068	1,120,415	1,173,812	1,239,889
Total provincial receipts	24,997,937	28,584,886	33,820,742	37,806,925	38,673,696	38,840,489	45,573,056	49,992,669	54,466,082
Provincial payment*									
Current payments	16,815,688	18,869,311	21,033,928	23,503,855	24,065,579	24,231,796	27,786,104	30,724,118	33,582,666
Transfers and subsidies	6,308,305	8,057,393	10,735,262	11,402,681	12,217,492	13,169,032	14,766,630	16,053,273	17,368,132
Payments for capital assets	1,937,201	1,846,299	2,318,952	2,900,389	2,710,973	2,628,722	3,020,322	3,215,278	3,515,284
Unallocated contingency reserve									
Total provincial payments	25,061,194	28,773,003	34,088,142	37,806,925	38,994,044	40,029,550	45,573,056	49,992,669	54,466,082
Lending									
Surplus/(deficit) before financing	(63,257)	(188,117)	(267,400)	-	(320,348)	(1,189,061)	-	-	-
Financing	841,238	820,831	449,541	-	320,348	320,348	-	-	-
Provincial roll-overs	464,164	280,606	327,932		305,385	305,385			
Provincial cash resources**	377,074	192,297	220,609		193,017	193,017			
Funding for Regulation 11		360,928							
Suspension to ensuing year		(13,000)	(99,000)		(178,054)	(178,054)			
Surplus/(deficit) after financing	777,981	632,714	182,141	-	-	(868,713)	-	-	-

* Estimated actual expenditure for 2004/05 is as at 31 October 2004

** The provincial cash resources for Estimated Actual for 2004/05 excludes over-collection in provincial own revenue for 2004/05.

Total provincial receipts grew from R28,6 billion in 2001/02, to an estimated R38,8 billion in 2004/05, representing an average annual growth rate of 16 per cent during the period¹⁷. The receipts continue to grow over the 2005/06 MTEF, although at a lower average annual rate of 12 per cent. In nominal terms, provincial own receipts will more than double over the seven-year period from 2001/02 to 2007/08.

Total provincial payments have more than kept pace with receipts, growing by an annual average rate of 17 per cent between 2001/02 and 2004/05. However, similar to receipts, the payments are expected to slow down over the 2005/06 MTEF period, projecting to grow by an annual average rate of 11 per cent over this period.

For the period 2001/02 to 2004/05, the actual payments exceeded the actual receipts, resulting in the province recording a deficit before financing in each year. This deficit also increased in each subsequent year, growing from R63,3 million in 2001/02 to an estimated deficit of R1,2 billion for 2004/05. The province is, however, planning for a balanced budget during the 2005/06 to 2007/08 MTEF period.

¹⁷ All reported growth rates in this section (Section 5) are nominal average annual growth rates.

5.2 Financing

Table 5.1 also illustrates how the province managed to finance the actual and projected budget deficit for the 2001/02 to 2004/05 financial years. The province has four sources of financing available, namely provincial roll-overs, provincial cash resources, funding in respect of Regulation 11 cases, and suspensions to the ensuing financial year.

The provincial roll-overs refer to funds that were appropriated and committed but not spent in that financial year. These funds are then re-allocated to the relevant department during the adjustments estimate in the following year. The amount rolled over is dependent on the number of projects/services that were not finalised at year end, and hence the amounts fluctuate from year to year.

Provincial cash resources refer to surplus funds in the provincial revenue fund, after taking into account all commitments. This includes unspent appropriated funds that have not been rolled over to the ensuing financial year, as well as the surplus provincial own revenue that was collected in prior financial years.

Funding in respect of Regulation 11 expenditure was a once-off financing item. When the regulations of the Social Assistance Act, 1992 were amended in 1998, Regulation 11 stipulated that all applications for the social assistance grant would be paid from the date of approval, and not from the date of application. This was subsequently challenged, and in September 2001 an out of court settlement was agreed upon. Part of the settlement was to pay additional amounts to applicants who were prejudiced as a result of the application of the regulation. Subsequently, an amount of R360,9 million was received from the National Treasury towards the end of the 2001/02 financial year but was only appropriated in the provincial budget during the 2002/03 adjustments estimate.

Suspensions to ensuing years occur when departments intentionally apply to the Provincial Treasury to have a portion of their budget suspended during the course of the year, and rolled over to the subsequent year, because of unforeseen delays in spending the funds, or slower than anticipated progress. These amounts are then recorded as part of the provincial roll-overs in the ensuing financial year.

As illustrated in Table 5.1 above, the province recorded a surplus after financing in all of the financial years, with the exception of 2004/05. The projected deficit after financing for 2004/05 amounts to R869 million, or 2.2 per cent of the adjusted budget of R38,994 billion. Although it is only a projected deficit based on the projections as at 31 October 2004, indications are that the province will, for the first time since 1997/98, close the financial year with a real deficit after taking into account any surplus provincial own revenue collected during that financial year. The most significant factor causing the deficit is the unanticipated growth in the number of social grant beneficiaries in the Department of Social Welfare and Population Development.

6. RECEIPTS

6.1 Overall position

Table 6.1 below shows the actual and estimated total revenue for the 2005/06 MTEF period. The total provincial revenue for the 2005/06 financial year is estimated at R45,6 billion, of which R44,4 billion consists of national transfers to the province. National transfers, which account for 97.5 per cent of total provincial revenue, are made up of equitable share funding of R28,4 billion and conditional grant funding of R16 billion. As can be seen, national transfers account for the bulk of the total provincial revenue. Provincial own source revenue in the 2005/06 financial year is projected at R1,1 billion, representing only 2.5 per cent of the total provincial revenue.

Table 6.1: Summary of total receipts

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2001/02	Audited 2002/03	Audited 2003/04				2005/06	2006/07	2007/08
Transfer receipts from national	24,012,263	27,515,811	32,696,839	36,905,750	37,772,421	37,772,421	44,452,641	48,818,857	53,226,193
Equitable share	21,708,330	25,156,942	29,762,736	33,058,939	33,904,370	33,904,370	28,398,760	31,388,210	34,204,801
Conditional grants	2,303,933	2,358,869	2,934,103	3,846,811	3,868,051	3,868,051	16,053,881	17,430,647	19,021,392
Provincial own receipts	985,674	1,069,075	1,123,903	901,175	901,275	1,068,068	1,120,415	1,173,812	1,239,889
Tax receipts	447,157	534,186	652,183	551,788	551,788	656,561	686,122	719,482	762,949
Non-tax receipts	499,854	497,925	426,090	335,527	335,527	378,174	397,690	414,824	431,642
Sale of goods and services other than capital assets	241,313	167,106	176,563	162,947	162,947	206,408	247,768	256,841	265,256
Fines, penalties and forfeits	16,953	21,558	23,758	21,000	21,000	23,193	28,000	30,000	32,000
Interest, dividends and rent on land	241,588	309,261	225,769	151,580	151,580	148,573	121,922	127,983	134,386
Transfers received	-	-	-	-	100	-	-	-	-
Sales of capital assets	17,519	21,634	33,771	3,796	3,796	1,757	12,549	14,551	16,603
Financial transactions	21,144	15,330	11,859	10,064	10,064	31,576	24,054	24,955	28,695
Total	24,997,937	28,584,886	33,820,742	37,806,925	38,673,696	38,840,489	45,573,056	49,992,669	54,466,082

In the outer years of the 2005/06 MTEF, the total provincial revenue is R50 billion and R54,5 billion, respectively. The equitable share, which forms the bulk of national transfers to the provincial government, is R31,4 billion in 2006/07 and R34,2 billion in 2007/08. Conditional grants provide a further R17,4 billion and R19 billion in the outer two years of the MTEF. The decline in the equitable share in the 2005/06 MTEF is not real, but is reflective of the social security function shift, which increases the conditional grant allocation, while reducing the equitable share funding.

Provincial own source revenue forms a very small proportion of total provincial revenue and, as a proportion of total provincial revenue, has been declining gradually since 2001. It is worth noting, however, that, since 1999/00, own revenue collection in the province has been experiencing a gradual but steady increase in nominal terms. The proportional or percentage decline may be due to the fact that, while both own source and national transfers are increasing, the magnitude of the latter far outweighs the former, thus increasing the denominator significantly more than the numerator.

Table 6.2 shows the analysis of total provincial receipts in terms of percentage shares and real growth rates between 2001/02 and 2007/08. Total provincial revenue is set to increase, in real terms and annually, by a healthy 6.8 per cent over the 2005/06 MTEF. The share of national transfers to total provincial revenue increases from 96.1 per cent in 2001/02 to 97.3 per cent in 2004/05. This share is expected to increase further over the MTEF, to 97.7 per cent in 2007/08. The opposite trend is true for provincial own revenue. This means that national transfers are rising at an increasing rate, when compared to the rate of increase in provincial own revenue.

From 2001/02 to 2004/05, own revenue increased, in nominal terms and annually, by 7 per cent. However, over the 2005/06 MTEF, it is expected to increase by 5.1 per cent. The projected increase is largely due to the revenue enhancement strategies implemented in 2004/05, which are expected to improve revenue recovery in the 2005/06 MTEF. In real terms, own revenue declined by an annual 3.6 per cent from 2001/02 to 2004/05, but will increase by 0.3 per cent in the 2005/06 MTEF. It should be reckoned,

however, that revenue forecasting by departments tends to be fairly conservative, and therefore actual collections are almost certain to exceed these forecasts, as has been the case in the recent past.

Table 6.2: Analysis of total receipts

	Outcome			Estimated Actual 2004/05	Medium-term estimates			Average annual growth	
	Audited 2001/02	Audited 2002/03	Audited 2003/04		2005/06	2006/07	2007/08	2001/02 - 2004/05	2004/05 - 2007/08
In Rand (000)									
Transfers from national	24,012,263	27,515,811	32,696,839	37,772,421	44,452,641	48,818,857	53,226,193		
Equitable share	21,708,330	25,156,942	29,762,736	33,904,370	28,398,760	31,388,210	34,204,801		
Conditional grants	2,303,933	2,358,869	2,934,103	3,868,051	16,053,881	17,430,647	19,021,392		
Own Revenue	985,674	1,069,075	1,123,903	1,068,068	1,120,415	1,173,812	1,239,889		
Total	24,997,937	28,584,886	33,820,742	38,840,489	45,573,056	49,992,669	54,466,082		
% of total revenue									
Transfers from national	96.1	96.3	96.7	97.3	97.5	97.7	97.7		
Equitable share	86.8	88.0	88.0	87.3	62.3	62.8	62.8		
Conditional grants	9.2	8.3	8.7	10.0	35.2	34.9	34.9		
Own Revenue	3.9	3.7	3.3	2.7	2.5	2.3	2.3		
Nominal growth (%)									
Transfers from national		14.6	18.8	15.5	17.7	9.8	9.0	16.3	12.1
Equitable share		15.9	18.3	13.9	(16.2)	10.5	9.0	16.0	0.3
Conditional grants		2.4	24.4	31.8	315.0	8.6	9.1	18.9	70.1
Own Revenue		8.5	5.1	(5.0)	4.9	4.8	5.6	2.7	5.1
Total		14.3	18.3	14.8	17.3	9.7	8.9	15.8	11.9
Real growth (%)									
Transfers from national		4.3	12.6	10.6	12.9	4.5	3.8	9.1	7.0
Equitable share		5.5	12.1	9.0	(19.6)	5.2	3.7	8.8	(4.3)
Conditional grants		(6.8)	17.9	26.2	298.3	3.3	3.9	11.5	62.3
Own Revenue		(1.2)	(0.4)	(9.1)	0.7	(0.3)	0.6	(3.6)	0.3
Total		4.1	12.1	9.9	12.6	4.4	3.7	8.7	6.8

6.2 Equitable shares

In terms of the intergovernmental fiscal system in South Africa, certain expenditure responsibilities are assigned to the provinces, while the more buoyant tax bases are assigned to the national government, in order to take advantage of the efficiency gains and effectiveness of a centralised tax administration. Consequently, the intergovernmental fiscal system in South Africa is relatively decentralised in terms of the expenditure assignment, but highly centralised in terms of revenue raising. The essence of the revenue and expenditure assignments is that provinces depend largely on transfers from national government to finance their expenditure mandates. However, municipalities rely marginally on the national government, as most of their assigned expenditure mandates are revenue generating services and utilities. Provincial own revenue constitutes of approximately 4 per cent of total provincial revenue. In contrast, municipalities raise 90 per cent of their total revenue from their own sources.

The lop-sided nature of the fiscal structure creates the problem of a vertical fiscal imbalance. However, if the requirements of Section 214 of the Constitution are correctly applied, vertical imbalances will be attenuated, since each sphere of government will, in essence, have an equitable portion of total national revenue.

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

The vertical division of nationally collected revenue between the spheres is not formula based, and continues to evolve with new policy challenges and the ongoing mediation of concurrent responsibilities. New policies and associated funding, spending, and delivery programmes are being developed for, notably, HIV and AIDS, food provision, child welfare, and early childhood development services. It is worthy to note that, despite the mediation and evolution of policies to meet challenges, the system sometimes results in provinces being saddled with unfunded mandates. A case in point is the current projected over

expenditure in most provincial departments of Social Welfare because of the uptake of social security grants, which has necessitated the current function shift as a means of easing the burden on the provinces.

While the vertical division of revenue is not formula bound, the distribution of revenue to provinces is. The efficacy or credibility of the formula depends on the data set on which it is based. However, given the inconsistencies and unreliable nature of statistics collected by the social sector departments, which account for more than 80 per cent of provincial expenditure, the question often asked is how equitable is the equitable share formula? Data inconsistency and unreliability notwithstanding, the provincial Equitable Shares (ES) formula has proved to be the most practical mechanism for ensuring an equitable distribution of the nationally collected revenue, and it is envisaged that, as data collection and analysis methodologies improve, its efficacy will equally be enhanced.

The ES is premised on the prevailing macroeconomic considerations and projected expenditure requirements of the three spheres of government. The ES allocations are non-static as they are occasionally adjusted upwards, whenever additional funding becomes available as a result of more than projected collection of revenue at the national level.

As explained in Section 3, the 2005/06 fiscal framework has been influenced by two main factors, namely, the shifting of the social security grant function from the provincial to the national government, and the consequent review of the equitable share formula.

6.3 Local Government Equitable shares

The vertical division of nationally raised revenue takes into account the fiscal capacity and functions of local government, as municipalities have the power to impose taxes and user charges. The key priorities over the medium term relate to the expansion and provision of free basic services and the phased expansion of basic infrastructure to poor households. The formula for allocating local government equitable shares is under review. The aim of the review is to develop a simpler formula that balances demand for basic services and takes more explicit account of variations in the revenue raising capacity of municipalities. Given the constitutional role of local government, the design of the new formula will seek to reinforce the following objectives:

- To provide basic services;
- To enhance socio-economic development;
- To promote efficiency and good governance;
- To ensure a fair redistribution of resources; and
- To secure stability and predictability of allocations.

Although many of the new proposals will be phased-in over three years, the review will be completed in time for the 2005 Budget.

Allocations to municipalities from the national sphere occur through an unconditional equitable share and through conditional grants. Conditional grants are allocated for infrastructure and for capacity building and restructuring. The total allocations to local government will grow from R14,8 billion in 2004/05, to R19,4 billion in 2007/08. In addition to the R2,8 billion increase over the baseline for the 2005 MTEF, a further R138,2 million is moved from the provincial to the local share as the Project Management Capacity Building Grant, and is incorporated into the main Municipal Infrastructure Grant.

6.4 Conditional grants

Conditional grants were introduced in 1998 to provide for national priorities and compensate for cross boundary usage of services, particularly hospital services. Conditional grants are used for more specific purposes than the ES, and these include infrastructure provision, institutional capacity building, and the

implementation of special initiatives of national priority (for example, HIV and AIDS, child welfare and school nutrition programmes and the internalisation of spillovers). The design of conditional grants has been somewhat variable and *ad hoc*.

Conditional grants were introduced to meet pressing needs and to expand the oversight role of the national departments in policy areas shared concurrently with provinces. They have been structured to meet the following broad objectives:

- To ensure the fulfillment of national policy objectives involving the provision of standard levels of and access to government services;
- To compensate for inter-jurisdictional spillovers resulting from services provided by sub-national governments (for example, grants to central hospitals);
- To effect transition by supporting capacity building and structural adjustments within the recipient administration; and
- To address backlogs and regional disparities in economic and social infrastructure.

Specific purpose conditional grants are non-discretionary, have more stringent conditions and require in-year monitoring and evaluation. They can be withheld, if the conditions are not complied with.

These funds are appropriated to particular provincial departments or municipal councils and therefore call for systematic accounting and reporting procedures. The grants are administered through the transferring authority (national) and the receiving (provincial or local) government. The receiving spheres of government are responsible for the expenditure and the financial accountability. The national departments or National Treasury are responsible for monitoring compliance with the conditions of the grants, and for assessing whether they are achieving desired outputs and outcomes. Conditional grants are voted as transfers in the national budgets, and recorded as revenue in the budget of the receiving sphere. They are also voted in the departmental budgets of the receiving sphere.

The current conditional grant system has been shaped by reforms introduced through successive Division of Revenue Acts since 2000. These reforms have contributed towards the clarification of accountability between spheres. They have also helped to sharpen the description of policy objectives and grant outputs, thus resulting in improved usage of grants in speeding delivery, and the strengthening of the parliamentary oversight.

One of the major changes in conditional grant funding for the 2005/06 MTEF is the introduction of conditional grants for social security. In addition, some grants have been phased out, while others have been subsumed into new grants. Social security spending (grants and administration) will be funded through a nationally administered conditional grant from 1 April 2005. This is an interim measure in preparation for the shifting of the administration of this function to the South African Social Security Agency that is being established. The current Child Support Extension Grant is incorporated into this grant. As shown in Table 6.3, the conditional grant for Social Assistance is allocated R11,9 billion in 2005/06, R13 billion in 2006/07 and R14 billion in 2007/08. This source of funding will grow by 8.6 per cent and 7.6 per cent in the 2006/07 and 2007/08 financial years, respectively.

In order to accelerate the construction, maintenance and rehabilitation of new and existing infrastructure in education, roads, schools, health facilities and agriculture, a further R500 million has been allocated to the Provincial Infrastructure Grant. In the light of emerging challenges with some of the large health grants and the need to upgrade and modernise tertiary health services, an increase of R180 million a year has been made to the National Tertiary Services (NTS) grant over the next three years. The aggregate baselines published in the 2004 MTBPS are revised upwards by R360 million in 2005/06, R875 million in 2006/07 and R2,3 billion in 2007/08. The revisions are mainly to the social security grant transfer payment and provincial infrastructure conditional grants. In addition, a new conditional grant is proposed for the re-capitalisation of FET colleges from 2006/07 onwards.

The Local Government Capacity Building Fund administered by the Department of Provincial and Local Government is to be phased out in line with previous budget announcements. The Project Management Capacity for Municipal Infrastructure is added to the Municipal Infrastructure Grant, which is transferred

directly to municipalities. The Integrated Nutrition Programme administered by the Department of Health will be incorporated into the provincial equitable shares from 2006/07. In order to enhance the provision and delivery of social infrastructure, the Housing Subsidy Programme has been allocated an additional R16,6 billion over the next three years. In the same vein, a further R500 million has been allocated to the Provincial Infrastructure Grant.

The rationalisation and consolidation of the conditional grant system is a step in the right direction, as it will overcome the problems of numerous small grants which have had little or no effect on the situations they were supposed to alleviate. The rationalisation will streamline the monitoring, reporting and evaluation mechanisms in respect of these grants.

Table 6.3: Summary of national conditional grant transfers by vote

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2001/02	Audited 2002/03	Audited 2003/04				2005/06	2006/07	2007/08
Vote 3 - Agriculture & Environmental Affairs	12,485	4,000	16,500	41,016	62,256	62,256	54,270	64,024	77,049
Land Care Grant	5,285	4,000	6,500	4,000	7,240	7,240	8,000	8,500	8,748
Comprehensive Agriculture Support Programme				37,016	37,016	37,016	46,270	55,524	68,301
Agriculture Disaster Management	7,200		10,000		18,000	18,000	-	-	-
Vote 5 - Education	133,926	226,445	297,998	493,202	493,202	493,202	545,096	620,560	734,175
Provincial Infrastructure Conditional Grant	68,179	132,449	200,121	282,594	282,594	282,594	315,121	348,194	448,190
HIV and AIDS	14,033	31,824	26,624	29,188	29,188	29,188	31,126	32,994	34,644
Flood Disaster							-	-	-
Financial Management & Quality Enhancement	47,073	50,459	51,805			-	-	-	-
Early Childhood Development	4,641	11,713	19,448			-	-	-	-
National School Nutrition Programme				181,420	181,420	181,420	198,849	239,372	251,341
Vote 7 - Health	963,970	1,165,521	1,204,999	1,336,239	1,336,239	1,336,239	1,472,562	1,529,086	1,663,237
Health Professionals Training & Dev	154,388	164,755	167,553	180,629	180,629	180,629	192,373	192,373	201,992
Integrated Nutrition Programme	132,471	136,337	176,646	24,513	24,513	24,513	26,954	-	-
HIV and A82AIDS	13,924	52,496	85,591	186,348	186,348	186,348	251,468	344,304	361,519
National Tertiary Services	427,525	488,575	551,831	619,462	619,462	619,462	691,451	732,167	768,078
Hospital Revitalisation	87,000	111,000	129,860	178,054	178,054	178,054	128,977	60,940	81,090
Provincial Infrastructure Grant	23,862	46,358	70,043	127,168	127,168	127,168	157,561	174,098	224,094
Medico-legal grant			1,000			-	-	-	-
Inkosi Albert Luthuli Central Hospital	103,800	-	-	-	-	-	-	-	-
Cholera Epidemic		147,000	6,100			-	-	-	-
Hospital Management Improvement	21,000	19,000	16,375	20,065	20,065	20,065	23,778	25,204	26,464
Vote 8 : Housing	722,647	745,804	822,390	776,023	776,023	776,023	799,659	934,457	1,142,153
Human Resettlement Grant	25,000	25,486	26,000	27,560	27,560	27,560	-	-	-
Housing Subsidy Grant	697,647	720,318	796,390	748,463	748,463	748,463	799,659	934,457	1,142,153
Capacity Building						-	-	-	-
Flood Disaster Reconstruction Grant						-	-	-	-
Vote 11 : Trad & Local Govt Affairs	39,427	74,806	76,771	55,532	55,532	55,532	-	-	-
Provincial Infrastructure Grant	10,227	19,867	30,017	14,129	14,129	14,129	-	-	-
Consolidated Municipal Infrastructure Prog		28,489	7,874	8,353	8,353	8,353	-	-	-
Flood Disaster	4,800					-	-	-	-
Local Government Capacity Building	24,400	26,450	38,880	33,050	33,050	33,050	-	-	-
Vote 12 : Transport	68,179	132,449	200,121	282,594	282,594	282,594	315,121	348,194	448,190
Prov Infrastructure Conditional Grant	68,179	132,449	200,121	282,594	282,594	282,594	315,121	348,194	448,190
Flood Disaster						-	-	-	-
Vote 13 : Social Welfare	363,299	9,844	315,324	861,205	861,205	861,205	12,864,503	13,929,986	14,948,992
Child Support Extension Grant			235,143	780,247	780,247	780,247	-	-	-
Social Assistance Grants							11,986,896	13,012,642	14,006,710
Social Assistance Grants (administration)							784,235	819,796	840,402
Financial Man.& Social Security System	642	1,200				-	-	-	-
Woman Flagship	229					-	-	-	-
Social Grant Arrears Grant (Reg. 11)	360,928					-	-	-	-
Food Relief Grant			68,185	68,185	68,185	68,185	68,185	72,276	75,890
HIV and AIDS	1,500	8,644	11,996	12,773	12,773	12,773	25,187	25,272	25,990
Vote 17: Sports and Recreation	-	-	-	1,000	1,000	1,000	2,670	4,340	7,596
Mass Sport & Recreation Participation Programme	-	-	-	1,000	1,000	1,000	2,670	4,340	7,596
Total	2,303,933	2,358,869	2,934,103	3,846,811	3,868,051	3,868,051	16,053,881	17,430,647	19,021,392

Conditional grant allocations to the province totalled 9.1 per cent of the total provincial revenue in 2001/02, but declined to 7.7 per cent in the 2002/03 financial year. In the 2003/04 financial year, however, it improved slightly to 8.8 per cent and to 10 per cent in 2004/05. In the 2005/06 MTEF period, as a result of the shifting of the social assistance function from the provincial to the national sphere of government (which will be funded through a conditional grant allocation), this category of funding will witness a strong

growth rate, in line with the national government priority of combating poverty and HIV and AIDS and addressing the infrastructure backlog. From 10 per cent in 2004/05, the conditional grant allocation will experience a sharp increase to 35.2 per cent in 2005/06, 34.9 per cent in the outer two years, while it will experience nominal annual growth rates of 8.5 per cent, and 9.1 per cent in 2006/07 and 2007/08, respectively.

In terms of allocation per department, the Department of Health has been the major recipient of grants, with an average of 47.5 per cent of total grant allocation from 2001/02 to 2004/05. In the 2005/06 MTEF, however, its average allocation will represent only 8.9 per cent of the total, as a result of the sharp increase in the allocation to social security. The Department of Housing, the second largest recipient of grant allocation, on average received 28.5 per cent of the total allocation of conditional grants to the province from 2001/02 to 2004/05. In the 2005/06 MTEF period, its allocation will average only 5 per cent of total grant allocation. The department that has been experiencing the strongest growth in its conditional grant allocation is the Department of Social Welfare and Population Development. In 2004/05, its allocation was 22 per cent. However, in the 2005/06 MTEF, it will experience a sharp increase to 80.1 per cent, and in the 2006/07 MTEF, to 79.9 per cent. It will experience a slight decline to 78.6 per cent in the 2007/08 MTEF. This sharp increase is due to the function shift mentioned above. Other significant recipients of conditional grant allocation are the Departments of Education and Transport, whose MTEF allocations will reflect 3.4 per cent and 2 per cent of the total, respectively.

6.5 Total provincial own receipts

Provincial own revenue sources continue to be limited, yet remain an important source of finance at the margin, augmenting national transfers. The limited nature and the magnitude of this source of revenue notwithstanding, it forms the focal point of any fiscally decentralised system of administration, as it has become the mechanism for ensuring financial and political accountability

The current own revenue sources for the province are very limited, and comprise motor vehicle license fees, hospital fees, interest revenue, gambling and betting taxes and levies, and other non-tax revenues. In terms of the intergovernmental fiscal system, the more buoyant revenue sources are assigned to the national government, while property rates and other revenue raising user charges for utilities are assigned to the local sphere of government. Although own revenue sources generate less than 4 per cent of the total provincial revenue, they can and should be fully exploited, if only to make them play a meaningful role at the margin of both service delivery and accountability to the citizens of the province.

Up until last year, provincial departments paid little attention to own revenue mobilisation, instead focusing primarily on expenditure control. Some of the factors that have worked against the maximisation of provincial own revenue include: the lack of motivation on the part of management, the absence of incentive structures, inaccurate or inapt information and administrative systems, the non-existence of proper asset registers, and poor debt management and recovery procedures.

The ever increasing fiscal needs of the province as a result of its socio-economic and demographic profile, the strong and intensifying spending pressures in the social sectors, the widening poverty gap, the need to clear economic and social infrastructure backlogs, and more generally, the need to address the expanded development agenda as put forward in the Provincial Growth and Development Strategy – all of these constrain the discretionary allocation of equitable share funding. And, given that these challenges have to be met against a backdrop of essentially inelastic equitable share funding, provinces have no choice but to raise additional funding from their own sources. Moreover, strengthening the link between revenue and expenditure decisions by substantially increasing own revenue can only impact positively on efficiency and accountability regarding spending, if only at the margin.

Provincial own revenue enhancement strategy

In recognition of the dire need to fully exploit all available own revenue sources, the Provincial Treasury established a dedicated Revenue Unit within its Budget Office. The main objective of the unit is to ensure that departments make every possible effort to raise the level of own revenue collection in the province significantly. To set the stage and provide an informed basis for the unit's operations, the Provincial Treasury in July 2003 appointed a firm of consultants to undertake a study on the causes of the decline in the province's own source revenue. The firm was also required, following its findings, to recommend appropriate measures for improving revenue collection, and to propose a scientific revenue forecasting model whose use could improve revenue budgeting in the provincial administration.

The consultants submitted their final report to the Provincial Treasury in December 2003. The main weaknesses identified by the consultants as hindering the maximisation of revenue collection in the province are as follows:

- The lack of commitment and dedication towards maximising the generation and collection of own revenue (the strategic objectives of major revenue collecting departments scarcely allude to revenue collection as a strategic thrust);
- The lack of adequate policies and procedures for the management and control of revenue collection;
- The lack of adequate IT systems for monitoring and controlling outstanding amounts and debts, a situation which is further aggravated by the lack of or the non-application of existing policies and procedures governing debt management; and
- An inadequate database for revenue generating assets and bases and infrequent reviews of existing rates and tariffs.

According to the report of the consultants, rectification of these weaknesses would result in a potential increase in revenue of R372,8 million. Outstanding amounts of R51,8 million and debts owed to the provincial administration amounting to R281,1 million were identified. It was also pointed out that 50 per cent of the potential increase and 60 per cent of the debts could be recovered within the short to medium term, if the recommendations were implemented as soon as possible. The consultants also developed a model for forecasting patient fees for the Department of Health. In addition, the Revenue Unit of the Budget Office has developed a model for capturing various categories of patients (that is, the statistics required for estimating or forecasting patient fees).

A provincial workshop was organised on 29 March 2004 to seek the buy-in of all the Provincial Accounting Officers and Chief Financial Officers in respect of revenue enhancement implementation strategy and to sensitise departments on the need for more effective revenue generation and collection. The workshop endorsed the initiation of a Provincial Own Revenue Enhancement Implementation Strategy by the Revenue Unit of the Provincial Treasury.

The main aspects of the strategy were the formation of a Provincial Own Revenue Improvement Task Team, Departmental Own Revenue Improvement Task Teams as well as Institutional Revenue Improvement Task Teams. The terms of reference of the teams were:

- To review the findings and recommendations of the consultant's report;
- To reprioritise the recommendations and implementation steps;
- To seek resources (that is, IT, human and financial resources);
- To put in place an own revenue improvement implementation strategy;
- To implement the departmental own revenue enhancement strategies; and
- To monitor and evaluate progress on a monthly basis.

The Provincial Own Revenue Enhancement Implementation Task Team plays a monitoring, co-ordinating, and oversight role in the implementation process.

To ensure that departments really rectify the weaknesses identified in their revenue generation and collection environment, the Provincial Treasury held regular monthly meetings with key revenue collecting

departments, assisting them to review and reprioritise the implementation strategies, and to allocate responsibilities to individuals within departments.

Given the peculiar nature of the revenue generation and collection environment of the Department of Health, it was decided to involve the institutions at district level. Thus, workshops were organised for the eleven Health districts, aimed at sensitising the district managers, hospital managers and their financial managers on the need to maximise revenue recovery. The results of this exercise have been positive so far, including a marginal improvement in revenue collection by the department in the later part of the 2004/05 financial year, and the upward revision of its revenue forecast for the 2005/06 MTEF. In order to sustain the momentum, the Revenue Unit has scheduled visits to the institutions to verify the systems and procedures in place for patient administration.

However, it is worth mentioning that one of the major challenges facing the Department of Health in the 2005/06 MTEF in its efforts to generate and collect all revenues rightfully due to the province is the need for an effective and efficient patient administration procedure. This function comprises the following crucial sub-functions:

- The need to ensure a proper screening of patients into the appropriate patient categories for the determination of fees due;
- The rigorous adherence to and application of existing fees manuals and codes; and
- The rolling out of a computerised billing and debtor system to needy institutions.

However, lack of adequate resources required for the proper execution of these functions is a major constraint. It is envisaged that, as resources become available for the total implementation of the department's own revenue improvement strategies, patient administration will improve, as will revenue collection. However, this must be viewed against the background of a service delivery environment, where the levels of free health care services are continuously increasing.

Summary of provincial own revenue trends

Table 6.4 shows the provincial own revenue by source for the 2001/02 – 2007/08 period. The bulk of provincial own source revenue falls within two categories: *Tax receipts* and *Non-tax receipts*. *Tax receipts* comprise casino and horse racing taxes and motor vehicle license fees, while *Non-tax receipts* comprise the sales of goods and services particularly patient fees, and fees for the sale of goods and services supplied or rendered by some provincial departments, as well as fines, penalties and forfeits, interest, dividends and rent on land. Other sources of provincial own revenue are *Financial transactions* which lead to the generation of receipts, and the *Sale of capital assets* (that is, the sale of obsolete capital assets by auction) by the provincial government.

Tax receipts witnessed a nominal annual average growth rate of 14 per cent over the period 2001/02 to 2003/04. *Non-tax receipts*, however, declined by a nominal annual average rate of 8.7 per cent over the same period, due to the decrease in interest income. From 2001/02 to 2003/04, *Sales of capital assets* grew by an annual average rate of 47.6 per cent.

Table 6.4: Summary of provincial own receipts

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2001/02	Audited 2002/03	Audited 2003/04				2005/06	2006/07	2007/08
Tax receipts	447,157	534,186	652,183	551,788	551,788	656,561	686,122	719,482	762,949
Non-tax receipts	499,854	497,925	426,090	335,527	335,527	378,174	397,690	414,824	431,642
Sale of goods and services other than capital assets	241,313	167,106	176,563	162,947	162,947	206,408	247,768	256,841	265,256
Fines, penalties and forfeits	16,953	21,558	23,758	21,000	21,000	23,193	28,000	30,000	32,000
Interest, dividends and rent on land	241,588	309,261	225,769	151,580	151,580	148,573	121,922	127,983	134,386
Transfers received	-	-	-	-	100	-	-	-	-
Sales of capital assets	17,519	21,634	33,771	3,796	3,796	1,757	12,549	14,551	16,603
Financial transactions	21,144	15,330	11,859	10,064	10,064	31,576	24,054	24,955	28,695
Total	985,674	1,069,075	1,123,903	901,175	901,275	1,068,068	1,120,415	1,173,812	1,239,889

With the full benefits of the Provincial Own Revenue Enhancement Implementation Strategy becoming evident in the 2005/06 MTEF, the prospects for revenue recovery should be rather optimistic. However, as mentioned earlier, conservative revenue budgeting by provincial departments has resulted in a situation where the first two years of the 2005/06 MTEF's forecasts are significantly lower than the actual level of collection for the past two years. Consequently, provincial own revenue is expected to grow nominally during the period at an annualised average rate of 2 per cent. *Tax receipts* are estimated to grow by an average annual rate of 5.2 per cent, while *Non-tax receipts* are projected to decline by 4.4 per cent annually. The main sources of the expected increases are motor vehicle license fees, fines, penalties and forfeits. The upward adjustments can largely be attributed to the revenue improvement strategies being vigorously implemented by the Department of Transport.

The sale of capital assets is expected to grow annually by an average rate of 214.7 per cent during the 2005/06 MTEF period. This large increase is attributed to the very low level of expected recovery in the 2004/05 financial year, and the increases projected in the 2005/06 MTEF.

Table 6.5 shows the total provincial own revenue collection by department. The Department of Transport will continue to play a leading role as the main contributor to total provincial revenue, accounting for 64.2 per cent of total provincial revenue for the period under review. The other major contributors are the Office of the Premier and the Department of Health, yielding on average 14.5 and 13.8 per cent for the period, respectively. Mounting spending pressures, especially in the social sector departments, and the resultant reduced bank balances and declining surplus funds, have greatly affected the revenue generating capacity of the Provincial Treasury, previously the second major contributor to provincial own revenue.

Table 6.5: Summary of provincial own receipts by vote

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2001/02	Audited 2002/03	Audited 2003/04				2005/06	2006/07	2007/08
					2004/05				
1. Premier	85,561	96,005	143,499	111,926	112,026	147,227	152,801	156,086	159,553
2. Provincial Parliament	1,939	1,433	2,261	1,091	1,091	1,562	1,091	1,150	1,208
3. Agriculture and Environmental Affairs	14,570	6,967	12,604	7,927	7,927	8,313	10,945	11,990	13,189
4. Economic Development	824	5,134	3,525	600	600	3,157	3,525	3,525	3,525
5. Education	12,269	12,158	15,419	10,000	10,000	25,438	29,050	30,350	33,500
6. Provincial Treasury	270,028	330,066	233,379	160,711	160,711	161,901	120,073	126,077	132,381
7. Health	118,225	117,809	130,630	128,573	128,573	131,418	141,419	148,490	155,915
8. Housing	1,034	1,202	620	1,125	1,125	1,125	1,193	1,264	1,327
9. Community Safety and Liasion	-	2	8	11	11	20	11	12	13
10. The Royal Household	5	17	144	35	35	38	40	44	45
11. Traditional and Local Government Affairs	3,909	3,511	2,896	3,496	3,496	2,808	3,703	3,909	3,970
12. Transport	405,539	485,856	573,102	469,647	469,647	579,043	650,251	684,266	728,282
13. Social Welfare and Population Development	68,257	6,229	2,865	4,273	4,273	3,860	4,533	4,805	5,045
14. Works	3,514	2,686	2,951	1,760	1,760	2,158	1,775	1,839	1,931
15. Arts, Culture and Tourism	-	-	-	-	-	-	-	-	-
16. Sports and Recreation	-	-	-	-	-	-	5	5	5
17. Reconstruction and Development Programme (RDP)	-	-	-	-	-	-	-	-	-
Sub-total	985,674	1,069,075	1,123,903	901,175	901,275	1,068,068	1,120,415	1,173,812	1,239,889
Provincial Parliament receipts not to be surrendered to the Provincial Revenue Fund				1,091	1,091	1,562	1,091	1,150	1,208
Total adjusted provincial own receipts	985,674	1,069,075	1,123,903	900,084	900,184	1,066,506	1,119,324	1,172,662	1,238,681

6.6 Donor funding

For the third consecutive year, Budget Statement 1 presents Table 6.6, which shows information on donor funding and agency receipts. Since these are not voted funds, they have hitherto not been reported. Despite the fact that they only provide for funding at the margin, they give an indication of the extra budgetary resources that become available to government departments, either from local or international sources.

The flow of non-budgetary resources to provincial departments may be subdivided into two main categories, namely donor funding and agency payments. In the schedule, donor funding forms only a small part of the non-budgetary resources, and ranges from 3.8 per cent to 20 per cent. On the other hand, agency

payments accounts for the major portion of this form of funding, responsible for between 80 per cent and 96 per cent of total non-budgetary resources.

Table 6.6 shows the provincial government departments receiving donor funding and funds on an agency basis between 2001/02 and 2007/08. Given the nature of donor funding, in particular, the amounts fluctuate substantially from year to year.

Table 6.6 Donor funding and agency receipt

Name of Donor Organisation	Outcome			Main budget	Adjusted budget	Estimated actual	Medium-term estimates		
	Audited 2001/02	Audited 2002/03	Audited 2003/04				2005/06	2006/07	2007/08
R000									
Donor funding	28,204	16,692	117,382	22,922	20,607	52,448	227,806	112,817	110,250
Premier	3,285	-	-	-	-	-	-	-	-
Agriculture & Environmental Affairs	4,546	-	-	1,925	-	1,925	3,556	2,567	-
Economic Development	-	-	-	-	-	26,000	67,000	67,000	67,000
Education	19,191	12,548	11,650	3,458	-	3,458	38,250	38,250	38,250
Health	1,182	1,674	98,798	70	3,138	3,596	114,000	-	-
Housing	-	-	791	2,000	2,000	2,000	5,000	5,000	5,000
Traditional & Local Government Affairs	-	2,470	6,143	15,469	15,469	15,469	-	-	-
Agency receipt	369,095	421,900	455,842	497,643	497,643	497,643	539,070	586,020	637,669
Agriculture & Environmental Affairs	-	-	-	65,000	65,000	65,000	65,000	65,000	65,000
Health	-	1,369	455	-	-	-	-	-	-
Traditional & Local Government	-	1,012	598	-	-	-	-	-	-
Transport	369,095	419,519	454,789	432,643	432,643	432,643	474,070	521,020	572,669
Total	397,299	438,592	573,224	520,565	518,250	550,091	766,876	698,837	747,919

Two provincial departments are the major beneficiaries of agency receipts. These are the Departments of Transport and Agriculture and Environmental Affairs. For the period 2005/06 MTEF, approximately 11 per cent of the agency receipts will accrue to the Department of Agriculture and Environmental Affairs for the relief of Cold Spell Disaster, while the bulk of the receipts, 89 per cent, will accrue to the Department of Transport in respect of the National Department of Transport's Bus Subsidies and Arrive Alive programmes.

7. EXPENSE

7.1 Overall position

Since 2001/02, expenditure by the province saw a significant increase from R25,061 billion to R40,030 billion in 2004/05, reflecting a nominal growth of 16.9 per cent in that period. In the current 2005/06 MTEF period, total provincial expenditure is expected to rise substantially from R45,573 billion in 2005/06, to R54,466 billion in 2007/08. This increased level of estimated expenditure represents a real opportunity for departments to improve on the quantum and quality of service delivery to the people of this province.

7.2 Expense by vote

Table 7.1 shows the summary of provincial payments and estimates by vote from 2001/02 to 2007/08. Expenditure by the province is anticipated to grow by a mammoth R7,8 billion in 2005/06 over the 2004/05 main budget. All departments' budgets are growing in the 2005/06 MTEF period, although the growth in Department of Traditional and Local Government Affairs is minimal. In 2004/05, this department received three conditional grants, namely, the Provincial Infrastructure Grant, the Local Government Support Grant and Consolidated Municipal Infrastructure Programme (CMIP), which have been discontinued with effect from 2005/06, accounting for the minimal increase in allocation from 2004/05.

Table 7.1: Summary of provincial payments and estimates by vote

R000	Outcome			Main Budget	Adjusted Budget 2004/05	Estimated actual	Medium-term estimates		
	Audited 2001/02	Audited 2002/03	Audited 2003/04				2005/06	2006/07	2007/08
1. Premier	118,474	129,344	146,846	161,434	201,884	201,884	218,176	230,790	242,337
2. Provincial Parliament	71,331	87,630	96,025	95,009	130,792	130,792	129,454	123,584	129,694
3. Agriculture and Environmental Affairs	654,197	702,560	771,442	909,085	963,846	951,541	1,078,342	1,172,031	1,261,706
4. Economic Development	84,341	109,236	108,556	131,897	146,897	146,897	140,590	150,052	157,555
5. Education	9,165,178	10,286,259	11,816,759	12,933,172	13,068,714	13,068,714	14,505,932	15,984,124	17,457,227
6. Provincial Treasury	92,377	105,790	145,972	156,983	262,021	264,254	189,581	200,755	210,793
Provincial Growth Fund	-	-	-	550,000	432,000	432,000	200,000	350,000	552,500
SMME Fund	-	-	-	-	-	-	200,000	-	-
Poverty Alleviation Fund	-	-	-	-	-	-	500,000	800,000	1,000,000
7. Health	7,030,301	7,495,572	8,212,659	8,766,891	8,875,985	8,875,985	10,379,202	11,466,566	12,347,152
8. Housing	837,141	913,179	1,081,113	936,218	975,915	975,915	969,880	1,115,306	1,332,044
9. Community Safety and Liaison	6,894	13,864	17,245	15,627	17,127	17,127	48,154	50,818	53,359
10. The Royal Household	19,752	19,796	22,746	21,319	25,212	25,212	27,598	29,204	30,664
11. Traditional and Local Government Affairs	373,284	381,331	430,551	455,148	487,186	487,186	458,593	485,759	510,047
12. Transport	1,115,351	1,190,679	1,560,662	1,804,647	1,809,647	1,809,647	2,197,532	2,345,983	2,594,370
13. Social Welfare and Population Development	5,048,717	6,872,462	9,162,839	10,251,025	10,950,554	12,009,247	13,605,622	14,727,248	15,786,395
14. Works	294,748	308,678	351,917	402,451	402,004	388,889	425,970	451,523	474,088
15. Arts, Culture and Tourism	115,943	128,504	144,186	185,806	200,608	200,608	209,503	219,815	230,804
16. Sports and Recreation	11,747	15,160	15,733	30,213	43,652	43,652	88,927	89,111	95,347
17. Reconstruction and Development Programme (RDP)	21,418	12,959	2,891						
Total	25,061,194	28,773,003	34,088,142	37,806,925	38,994,044	40,029,550	45,573,056	49,992,669	54,466,082

The increase in spending over the 2005/06 MTEF is in line with the government's response to expanded service delivery as well as the reinforcement of key programmes. The upsurge is explained by the visible effects of early childhood development in Education, the HIV and AIDS programmes in Health, as well as the extended social security net in Social Welfare and Population Development.

Table 7.2 below shows the analysis of payments and estimates by major vote. The Department of Education has consistently claimed the largest share of total provincial expenditure, and its budget is set to increase by a nominal (real) average annual growth of 10.1 (5.1) per cent between 2004/05 and 2007/08. The increased budget caters mainly for implementation of nationwide initiatives and policies for the improvement of the education system in the country. With the increased budget, the department will also seek to improve the learner: educator ratio, by employing more educators.

In the 2005/06 MTEF, the Department of Health's expenditure as a share of total provincial expenditure is expected to be consistent, averaging almost 23 per cent. The increase from R8,876 billion in 2004/05 to R12,347 billion in 2007/08, represents a real average annual growth of 6.5 per cent in that period. The increased budget will enable the Department of Health to strengthen its service delivery and fight the HIV and AIDS pandemic.

As a proportion of total expenditure, total spending by Department of Social Welfare and Population Development has seen a galloping increase from 20.1 per cent in 2001/02 to 29 per cent in 2007/08. Over 90 per cent the department's budget is allocated to social security grant payments. The increased allocation is driven almost entirely by the high take-up rates of the various grant types, particularly the disability grant.

Table 7.2: Analysis of payments and estimates by major vote

	Outcome			Estimated Actual 2004/05	Medium-term estimates			Average annual growth	
	Audited 2001/02	Audited 2002/03	Audited 2003/04		2005/06	2006/07	2007/08	2001/02 - 2004/05	2004/05 - 2007/08
In Rand (000)									
Education	9,165,178	10,286,259	11,816,759	13,068,714	14,505,932	15,984,124	17,457,227		
Health	7,030,301	7,495,572	8,212,659	8,875,985	10,379,202	11,466,566	12,347,152		
Social Welfare	5,048,717	6,872,462	9,162,839	12,009,247	13,605,622	14,727,248	15,786,395		
Other Functions	3,816,998	4,118,710	4,895,885	6,075,604	7,082,300	7,814,731	8,875,308		
Total expenditure	25,061,194	28,773,003	34,088,142	40,029,550	45,573,056	49,992,669	54,466,082		
% of total expenditure									
Education	36.6	35.7	34.7	32.6	31.8	32.0	32.1		
Health	28.1	26.1	24.1	22.2	22.8	22.9	22.7		
Social Welfare	20.1	23.9	26.9	30.0	29.9	29.5	29.0		
Other Functions	15.2	14.3	14.4	15.2	15.5	15.6	16.3		
Nominal growth (%)									
Education		12.2	14.9	10.6	11.0	10.2	9.2	12.6	10.1
Health		6.6	9.6	8.1	16.9	10.5	7.7	8.1	11.6
Social Welfare		36.1	33.3	31.1	13.3	8.2	7.2	33.5	9.5
Other Functions		7.9	18.9	24.1	16.6	10.3	13.6	16.8	13.5
Total expenditure		14.8	18.5	17.4	13.8	9.7	8.9	16.9	10.8
Real growth (%)									
Education		2.2	8.9	5.8	6.5	4.9	4.0	5.6	5.1
Health		(2.9)	3.8	3.4	12.2	5.1	2.5	1.4	6.5
Social Welfare		23.9	26.3	25.4	8.7	3.0	2.0	25.2	4.6
Other Functions		(1.8)	12.6	18.8	11.9	5.0	8.1	9.5	8.3
Total expenditure		4.5	12.3	12.4	9.3	4.4	3.7	9.7	5.8

7.3 Expense by economic classification

Provincial summary of payments and estimates by economic classification

Table 7.3 below gives a summary of payments and estimates by economic classification. *Current payments* consume over 60 per cent of total provincial spending. A large proportion of expenditure under this category is spent on *Compensation of employees*. On the whole, *Current payments* are envisaged to increase from R24,032 billion in 2004/05 to R27,753 billion in 2005/06.

Over the 2001/02 – 2007/08 period, *Transfers and subsidies* show an increase from R6,308 billion to R17,368 billion, respectively. The main contributor in this category is *Transfers to Households* by the Department of Social Welfare and Population Development, in the form of social assistance grants.

Payments for capital assets are also on an upward trend, increasing from R1,937 billion in 2001/02 to R3,515 billion 2007/08. The bulk of the expenditure under this item is spent on infrastructure, that is, *Buildings and other fixed structures*. Greater spending on capital infrastructure is most welcomed, given the substantial backlogs that exist in this province in terms of roads, classrooms, clinics, et cetera. This also emphasises the government's determination to boost its capital stock, and subsequently create jobs through higher economic growth.

Table 7.3: Summary of payments and estimates by economic classification

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited	Audited	Audited				2005/06	2006/07	2007/08
	2001/02	2002/03	2003/04						
Current payments	16,789,094	18,841,656	21,001,160	23,472,438	24,032,414	24,198,631	27,752,802	30,690,719	33,547,741
Compensation of employees	13,594,828	14,837,390	16,065,656	17,580,503	17,945,019	17,947,939	20,137,029	22,176,233	24,172,240
Goods and services	3,193,989	4,003,868	4,935,504	5,888,550	6,087,395	6,250,679	7,615,773	8,514,486	9,375,501
Other	277	398	-	3,385	-	13	-	-	-
Transfers and subsidies to:	6,308,305	8,057,393	10,735,262	11,402,681	12,217,492	13,169,032	14,766,630	16,053,273	17,368,132
Local government	776,732	795,669	1,004,621	832,085	855,736	850,859	884,973	1,044,641	1,252,629
Non-profit institutions	493,740	545,917	829,160	875,520	797,002	760,653	943,356	1,012,839	1,082,061
Households	4,585,548	6,298,195	8,394,475	9,100,522	9,919,514	10,974,640	12,248,650	13,286,151	14,296,308
Other	452,285	417,612	507,006	594,554	645,240	582,880	689,651	709,642	737,134
Payments for capital assets	1,937,201	1,846,299	2,318,952	2,900,389	2,710,973	2,628,722	3,020,322	3,215,278	3,515,284
Buildings and other fixed structures	1,540,955	1,357,048	1,718,653	2,247,620	2,044,666	1,958,458	2,253,315	2,348,409	2,620,627
Machinery and equipment	392,776	486,608	599,094	650,630	650,569	651,139	764,270	864,583	892,253
Other	3,470	2,643	1,205	2,139	15,738	19,125	2,737	2,286	2,404
Total economic classification	25,034,600	28,745,348	34,055,374	37,775,508	38,960,879	39,996,385	45,539,754	49,959,270	54,431,157
Statutory payments	26,594	27,655	32,768	31,417	33,165	33,165	33,302	33,399	34,925
Total economic classification (incl. stat. pay.)	25,061,194	28,773,003	34,088,142	37,806,925	38,994,044	40,029,550	45,573,056	49,992,669	54,466,082

Table 7.4 shows an analysis of payments and estimates by main economic classification. As a share of total expenditure, *Current* expenditure fell to 60.5 per cent in 2004/05 before increasing to 61.7 per cent in 2007/08. The increasing share over the MTEF period means that expenditure on both personnel and *Goods and services* are increasing. Expenditure on *Transfers* seems to have stabilised at approximately 32 per cent of the total expenditure over the 2005/06 MTEF. Although spending on *Capital* represents the least share of total expenditure, real average annual growth in this category is set to grow by 5.2 per cent between 2004/05 and 2007/08.

Table 7.4: Analysis of payments and estimates by economic classification

	Outcome			Estimated Actual	Medium-term estimates			Average annual growth	
	Audited	Audited	Audited		2005/06	2006/07	2007/08	2001/02 - 2004/05	2004/05 - 2007/08
	2001/02	2002/03	2003/04						
In Rand (000)									
Current	16,815,688	18,869,311	21,033,928	24,231,796	27,786,104	30,724,118	33,582,666		
Transfers	6,308,305	8,057,393	10,735,262	13,169,032	14,766,630	16,053,273	17,368,132		
Capital	1,937,201	1,846,299	2,318,952	2,628,722	3,020,322	3,215,278	3,515,284		
Compensation	13,621,422	14,865,045	16,098,424	17,981,104	20,170,331	22,209,632	24,207,165		
Non-compensation	11,439,772	13,907,958	17,989,718	22,048,446	25,402,725	27,783,037	30,258,917		
Non-compensation (excl. transfers)	5,131,467	5,850,565	7,254,456	8,879,414	10,636,095	11,729,764	12,890,785		
Non-compensation non-capital (NCNC)	9,502,571	12,061,659	15,670,766	19,419,724	22,382,403	24,567,759	26,743,633		
NCNC (excl. transfers)	3,194,266	4,004,266	4,935,504	6,250,692	7,615,773	8,514,486	9,375,501		
Total expenditure	25,061,194	28,773,003	34,088,142	40,029,550	45,573,056	49,992,669	54,466,082		
% of total expenditure									
Current	67.1	65.6	61.7	60.5	61.0	61.5	61.7		
Transfers	25.2	28.0	31.5	32.9	32.4	32.1	31.9		
Capital	7.7	6.4	6.8	6.6	6.6	6.4	6.5		
Compensation	54.4	51.7	47.2	44.9	44.3	44.4	44.4		
Non-compensation	45.6	48.3	52.8	55.1	55.7	55.6	55.6		
Non-compensation (excl. transfers)	20.5	20.3	21.3	22.2	23.3	23.5	23.7		
Non-compensation non-capital (NCNC)	37.9	41.9	46.0	48.5	49.1	49.1	49.1		
NCNC (excl. transfers)	12.7	13.9	14.5	15.6	16.7	17.0	17.2		
Nominal growth (%)									
Current		12.2	11.5	15.2	14.7	10.6	9.3	13.0	11.5
Transfers		27.7	33.2	22.7	12.1	8.7	8.2	27.8	9.7
Capital		(4.7)	25.6	13.4	14.9	6.5	9.3	10.7	10.2
Compensation		9.1	8.3	11.7	12.2	10.1	9.0	9.7	10.4
Non-compensation		21.6	29.3	22.6	15.2	9.4	8.9	24.4	11.1
Non-compensation (excl. transfers)		14.0	24.0	22.4	19.8	10.3	9.9	20.1	13.2
Non-compensation non-capital (NCNC)		26.9	29.9	23.9	15.3	9.8	8.9	26.9	11.3
NCNC (excl. transfers)		25.4	23.3	26.6	21.8	11.8	10.1	25.1	14.5
Real growth (%)									
Current		2.2	5.6	10.2	10.0	5.2	4.1	6.0	6.4
Transfers		16.3	26.3	17.4	7.6	3.5	3.0	19.9	4.7
Capital		(13.2)	19.0	8.5	10.3	1.3	4.1	3.9	5.2
Compensation		(0.6)	2.6	6.9	7.7	4.8	3.8	2.9	5.4
Non-compensation		10.7	22.6	17.3	10.6	4.1	3.7	16.7	6.1
Non-compensation (excl. transfers)		3.8	17.5	17.1	15.0	4.9	4.6	12.6	8.1
Non-compensation non-capital (NCNC)		15.6	23.1	18.6	10.6	4.5	3.6	19.1	6.2
NCNC (excl. transfers)		14.1	16.8	21.2	16.9	6.4	4.8	19.1	6.2

In 2001/02, *Compensation of employees* (excluding capitalised compensation) comprised the bulk of total provincial expenditure – 54.4 per cent thereof. As a percentage of total expenditure, this category is set to decline over time, from 54.4 per cent in 2001/02 to 44.4 per cent in 2007/08. However, over the 2005/06 MTEF expenditure on compensation is expected to grow in real terms by 5.4 per cent, relative to other categories of expenditure.

As a percentage of total expenditure, *Non-compensation* is anticipated to dominate provincial spending, over the medium-term period. In real terms, growth in this category is envisaged to be 6.1 per cent between 2004/05 and 2007/08.

In the 2005/06 MTEF period, *Non-compensation (excluding transfers)* is expected to maintain a consistent share of total expenditure. Although this category claims the least share of total expenditure relative to other categories, its real growth of 8.1 per cent is expected to exceed that of other categories of expenditure, in 2004/05 to 2007/08. The *Non-compensation non-capital (NCNC)* and *NCNC (excluding transfers)* both claim an equal growth of 6.2 per cent in 2004/05 to 2007/08, compared to a 19.1 per cent real growth in both categories in 2001/02 to 2004/05.

The expenditure on *Transfers and subsidies* shows a consistent increase over time, where a significant share is explained by transfers to households as a result of the less sustainable growth in the number of beneficiaries entitled to social grant payments.

Capital as a share of total expenditure is fairly stable, and accounting for 6.7 per cent on average between 2001/02 and 2007/08. The average annual real growth in this category is expected to maintain a constant growth of 5.2 per cent between 2004/05 to 2007/08. In the medium-term, average annual real growth in capital payments exceeds that of transfer payments, hence reversing the trend observed between 2001/02 and 2004/05. The marked real increase in capital spending indicates the turnaround that will see a rising share of capital expenditure as a percentage of total provincial expenditure. Real increase in capital spending in the 2005/06 MTEF Budget identifies greater spending on infrastructure as another pledge by government towards strengthening investment on capital stock, hence stimulating provincial growth.

Analysis of payments and estimates by economic classification - Education

Table 7.5 shows the Department of Education's summary of payments and estimates by economic classification. The substantial growth in *Compensation* is mainly characterised by, among others, the increasing number of permanent and substitute educators. A significant percentage of educators are granted prolonged sick leave for reasons that include HIV and AIDS related illnesses. This necessitates the appointment of temporary educators, over and above the budgeted Post Provisioning Norm (PPN). As a result of the pressure placed on the budget for *Compensation*, additional resources were allocated to address the need for additional substitute educators. The additional allocation will cater for a further 2,000 substitute educators, thus bringing the total number of substitute educators to 2,320, to cover maternity leave, HIV and AIDS related cases and other needs. Additional funding was also allocated to reduce the learner: educator ratio from 34,9 in 2004/05 to 32,3 in 2007/08. Other reasons that have lead to this increase in *Compensation* include costs relating to improvements in condition of service, the increase in educator numbers to address increased enrolment, the 1 per cent pay progression for educators, and the carry-through costs of funds received in the 2004/05 Adjusted Budget.

Non-compensation (excluding transfers) is growing, in real terms, but at a declining rate over 2005/06 MTEF. This is attributed to the number of schools obtaining Section 21 status. Therefore, the impact of this will lead to the allocation to *Non-Compensation* decreasing and an increase in the allocation to *Transfers*. Included under *Non-Compensation* is the budget for learner teacher support material (LTSM). Section 21 schools are paid under *Transfer and subsidies to: Non-profit institutions*, and hence a portion of the LTSM budget is included in the *Transfers* category.

Under *Payments for capital assets*, the growth is due to the backlog in the provision of classrooms, as well as the poor quality of existing classrooms. The department is focussing on the building of additional classrooms in existing schools and the rehabilitation and/or upgrading of existing classrooms, rather than

building new schools. The capacity of the department to deliver the required number of classrooms within the shortest possible time has been reviewed and improved, and the department is currently engaging in partnerships with other organisations to improve service delivery.

The department received additional allocations over the MTEF period for the Provincial Infrastructure grant. Included in this additional allocation, are funds for the Extended Public Works Programme (EPWP), to be undertaken by the Department of Works, for the maintenance and upgrading of school facilities. The department has also received a once-off allocation of R36 million for the re-capitalisation of FET colleges.

Table 7.5: Analysis of expenditure summary by economic classification - Education

	Outcome			Estimated Actual 2004/05	Medium-term estimates			Average annual growth	
	Audited 2001/02	Audited 2002/03	Audited 2003/04		2005/06	2006/07	2007/08	2001/02 - 2004/05	2004/05 - 2007/08
In Rand (000)									
Current	8,702,223	9,737,095	10,928,192	11,902,191	13,189,216	14,564,337	15,925,474		
Transfers	125,828	158,737	325,068	456,170	535,733	585,528	633,039		
Capital	337,127	390,427	563,499	710,353	780,983	834,259	898,714		
Compensation	8,223,061	9,162,315	10,008,337	10,821,932	11,930,246	13,204,213	14,502,006		
Non-compensation	942,117	1,123,944	1,808,422	2,246,782	2,575,686	2,779,911	2,955,221		
Non-compensation (excl. transfers)	816,289	965,207	1,483,354	1,790,612	2,039,953	2,194,383	2,322,182		
Non-compensation non-capital (NCNC)	604,990	733,517	1,244,923	1,536,429	1,794,703	1,945,652	2,056,507		
NCNC (excl. transfers)	479,162	574,780	919,855	1,080,259	1,258,970	1,360,124	1,423,468		
Total expenditure	9,165,178	10,286,259	11,816,759	13,068,714	14,505,932	15,984,124	17,457,227		
% of total expenditure									
Current	94.9	94.7	92.5	91.1	90.9	91.1	91.2		
Transfers	1.4	1.5	2.8	3.5	3.7	3.7	3.6		
Capital	3.7	3.8	4.8	5.4	5.4	5.2	5.1		
Compensation	89.7	89.1	84.7	82.8	82.2	82.6	83.1		
Non-compensation	10.3	10.9	15.3	17.2	17.8	17.4	16.9		
Non-compensation (excl. transfers)	8.9	9.4	12.6	13.7	14.1	13.7	13.3		
Non-compensation non-capital (NCNC)	6.6	7.1	10.5	11.8	12.4	12.2	11.8		
NCNC (excl. transfers)	5.2	5.6	7.8	8.3	8.7	8.5	8.2		
Nominal growth (%)									
Current		11.9	12.2	8.9	10.8	10.4	9.3	11.0	10.2
Transfers		26.2	104.8	40.3	17.4	9.3	8.1	53.6	11.5
Capital		15.8	44.3	26.1	9.9	6.8	7.7	28.2	8.2
Compensation		11.4	9.2	8.1	10.2	10.7	9.8	9.6	10.2
Non-compensation		19.3	60.9	24.2	14.6	7.9	6.3	33.6	9.6
Non-compensation (excl. transfers)		18.2	53.7	20.7	13.9	7.6	5.8	29.9	9.1
Non-compensation non-capital (NCNC)		21.2	69.7	23.4	16.8	8.4	5.7	36.4	10.2
NCNC (excl. transfers)		20.0	60.0	17.4	16.5	8.0	4.7	31.1	9.6
Real growth (%)									
Current		1.9	6.3	4.2	6.3	5.1	4.1	4.1	5.2
Transfers		14.9	94.0	34.3	12.7	4.0	2.9	44.1	6.5
Capital		5.4	36.8	20.6	5.5	1.7	2.6	20.3	3.2
Compensation		1.4	3.5	3.5	5.8	5.3	4.6	2.8	5.2
Non-compensation		8.6	52.5	18.9	10.0	2.7	1.2	25.3	4.6
Non-compensation (excl. transfers)		7.7	45.6	15.5	9.3	2.4	0.7	21.9	4.1
Non-compensation non-capital (NCNC)		10.4	60.8	18.1	12.1	3.2	0.6	28.0	5.2
NCNC (excl. transfers)		9.2	51.6	12.4	11.8	2.8	(0.4)	28.0	5.2

Analysis of payments and estimates by economic classification - Health

Table 7.6 below shows the Department of Health's expenditure by economic classification. As is evident, the largest share of total expenditure is in respect of *Current payments*, where the percentage share increases from 84.3 per cent in 2001/02 to 88.9 per cent in 2007/08. The peak in 2004/05 is as a result of the once-off payment for scarce skills and rural allowances. The largest component of *Current payments* is *Compensation of employees*, which reflects a steady proportion of total expenditure over the 2005/06 MTEF period of approximately 59.3 per cent. *Transfers* show a decline as a percentage of total expenditure from 2004/05 onwards, due to the Primary School Nutrition Programme being transferred to the Department of Education. For its part, *Payments for capital assets* increases from 6.1 per cent in 2002/03 to 7.3 per cent in 2007/08. This is an encouraging trend, reflecting the department's drive to improve the physical facilities and medical equipment. The high share (9.6 per cent) of *capital payments* to total expenditure in 2001/02 is attributable to the completion of the Inkosi Albert Luthuli Central Hospital.

Table 7.6: Analysis of expenditure summary by economic classification - Health

	Outcome			Estimated Actual 2004/05	Medium-term estimates			Average annual growth	
	Audited 2001/02	Audited 2002/03	Audited 2003/04		2005/06	2006/07	2007/08	2001/02 - 2004/05	2004/05 - 2007/08
In Rand (000)									
Current	5,923,643	6,576,131	7,139,957	7,940,111	9,125,159	10,161,960	10,977,032		
Transfers	432,555	460,439	560,501	366,677	410,566	436,783	464,164		
Capital	674,103	459,002	512,201	569,197	843,477	867,823	905,956		
Compensation	4,211,159	4,418,105	4,659,833	5,339,893	6,154,242	6,796,366	7,380,262		
Non-compensation	2,819,142	3,077,467	3,552,826	3,536,092	4,224,960	4,670,200	4,966,890		
Non-compensation (excl. transfers)	2,386,587	2,617,028	2,992,325	3,169,415	3,814,394	4,233,417	4,502,726		
Non-compensation non-capital (NCNC)	2,145,039	2,618,465	3,040,625	2,966,895	3,381,483	3,802,377	4,060,934		
NCNC (excl. transfers)	1,712,484	2,158,026	2,480,124	2,600,218	2,970,917	3,365,594	3,596,770		
Total expenditure	7,030,301	7,495,572	8,212,659	8,875,985	10,379,202	11,466,566	12,347,152		
% of total expenditure									
Current	84.3	87.7	86.9	89.5	87.9	88.6	88.9		
Transfers	6.2	6.1	6.8	4.1	4.0	3.8	3.8		
Capital	9.6	6.1	6.2	6.4	8.1	7.6	7.3		
Compensation	59.9	58.9	56.7	60.2	59.3	59.3	59.8		
Non-compensation	40.1	41.1	43.3	39.8	40.7	40.7	40.2		
Non-compensation (excl. transfers)	33.9	34.9	36.4	35.7	36.8	36.9	36.5		
Non-compensation non-capital (NCNC)	30.5	34.9	37.0	33.4	32.6	33.2	32.9		
NCNC (excl. transfers)	24.4	28.8	30.2	29.3	28.6	29.4	29.1		
Nominal growth (%)									
Current		11.0	8.6	11.2	14.9	11.4	8.0	10.3	11.4
Transfers		6.4	21.7	(34.6)	12.0	6.4	6.3	(5.4)	8.2
Capital		(31.9)	11.6	11.1	48.2	2.9	4.4	(5.5)	16.8
Compensation		4.9	5.5	14.6	15.3	10.4	8.6	8.2	11.4
Non-compensation		9.2	15.4	(0.5)	19.5	10.5	6.4	7.8	12.0
Non-compensation (excl. transfers)		9.7	14.3	5.9	20.4	11.0	6.4	9.9	12.4
Non-compensation non-capital (NCNC)		22.1	16.1	(2.4)	14.0	12.4	6.8	11.4	11.0
NCNC (excl. transfers)		26.0	14.9	4.8	14.3	13.3	6.9	14.9	11.4
Real growth (%)									
Current		1.1	2.9	6.4	10.3	6.0	2.8	3.4	6.3
Transfers		(3.1)	15.4	(37.4)	7.5	1.2	1.2	(11.2)	3.2
Capital		(38.0)	5.7	6.3	42.2	(2.1)	(0.6)	(11.3)	11.4
Compensation		(4.5)	(0.1)	9.7	10.6	5.1	3.4	1.5	6.3
Non-compensation		(0.6)	9.4	(4.8)	14.7	5.2	1.3	1.2	6.9
Non-compensation (excl. transfers)		(0.2)	8.3	1.4	15.5	5.6	1.3	3.1	7.3
Non-compensation non-capital (NCNC)		11.1	10.0	(6.6)	9.4	7.0	1.7	4.5	6.0
NCNC (excl. transfers)		14.7	8.9	0.3	9.7	7.8	1.7	4.5	6.0

In both nominal and real terms, the department is enjoying a healthy growth rate from 2004/05 to 2007/08 in all payment categories. This is a positive trend, bearing in mind that this department has been under severe financial constraints over the past financial years, and should release some of the pressures that have building up in the past. The negative year-on-year real growth on *Capital payments* from 2005/06 to 2007/08 can be explained by once-off payments for the replacement of medical equipment at various health institutions, as well as the reduction in the Hospital Revitalisation Grant. The average annual real growth of 6.9 per cent over the 2004/05 to 2007/08 period for *Non-compensation* is largely as a result of the additional resources required for the roll-out of the anti-retroviral therapy to 20,000 patients in 2005/06. Also, the healthy growth will allow the department to expand on the Clinic Upgrading and Building programme and the emergency medical rescue services, which will provide better access to health facilities in the deep rural areas of the province. Furthermore, the department will be able to continue upgrading its district hospitals to increase the capacity of these institutions.

Another positive trend in the Health budget over the 2005/06 MTEF period is the average annual real growth of 6.3 per cent for *Compensation*. This will allow the department to appoint desperately needed additional personnel to ease some of the pressures on the existing staff, and to improve the quality of services delivered by the department.

Analysis of payments and estimates by economic classification – Social Welfare and Population Development

Table 7.7 below shows Social Welfare's expenditure by economic classification. A large share (more than 90 per cent) of the department's total expenditure is consumed by *Transfer payments*. These relate to transfers to households in the form of social grants. *Transfers*, as a percentage share of total expenditure, shows an increase from 90.7 per cent in 2001/02 to 91.2 per cent in 2004/05. This represents an average annual real growth of 25.5 per cent between 2001/02 and 2004/05. The consistent growth in this period is explained by the rapid growth in the number of beneficiaries eligible for social security grants. In the new medium-term, real expenditure on transfer payments is set to grow by 4.6 per cent.

Expenditure on *Compensation* depicts an average annual real growth of 7.3 per cent, in the medium-term period, below the 11.8 per cent growth in the past years. *Capital expenditure* accounts for a small share of total spending, given the nature of social welfare services.

Table 7.7: Analysis of expenditure summary by economic classification - Social Welfare

	Outcome			Estimated Actual 2004/05	Medium-term estimates			Average annual growth	
	Audited 2001/02	Audited 2002/03	Audited 2003/04		2005/06	2006/07	2007/08	2001/02 - 2004/05	2004/05 - 2007/08
In Rand (000)									
Current	430,663	598,076	771,258	999,720	1,213,364	1,283,550	1,326,400		
Transfers	4,577,010	6,221,054	8,361,618	10,950,607	12,348,178	13,396,334	14,408,866		
Capital	41,044	53,332	29,963	58,920	44,080	47,364	51,129		
Compensation	182,598	207,260	240,030	308,714	389,534	417,783	438,296		
Non-compensation	4,866,119	6,665,202	8,922,809	11,700,533	13,215,688	14,309,465	15,348,099		
Non-compensation (excl. transfers)	289,109	444,148	561,191	749,926	867,510	913,131	939,233		
Non-compensation non-capital (NCNC)	4,825,075	6,611,870	8,892,846	11,641,613	13,171,608	14,262,101	15,296,970		
NCNC (excl. transfers)	248,065	390,816	531,228	691,006	823,430	865,767	888,104		
Total expenditure	5,048,717	6,872,462	9,162,839	12,009,247	13,605,622	14,727,248	15,786,395		
% of total expenditure									
Current	8.5	8.7	8.4	8.3	8.9	8.7	8.4		
Transfers	90.7	90.5	91.3	91.2	90.8	91.0	91.3		
Capital	0.8	0.8	0.3	0.5	0.3	0.3	0.3		
Compensation	3.6	3.0	2.6	2.6	2.9	2.8	2.8		
Non-compensation	96.4	97.0	97.4	97.4	97.1	97.2	97.2		
Non-compensation (excl. transfers)	5.7	6.5	6.1	6.2	6.4	6.2	5.9		
Non-compensation non-capital (NCNC)	95.6	96.2	97.1	96.9	96.8	96.8	96.9		
NCNC (excl. transfers)	4.9	5.7	5.8	5.8	6.1	5.9	5.6		
Nominal growth (%)									
Current		38.9	29.0	29.6	21.4	5.8	3.3	32.4	9.9
Transfers		35.9	34.4	31.0	12.8	8.5	7.6	33.7	9.6
Capital		29.9	(43.8)	96.6	(25.2)	7.5	7.9	12.8	(4.6)
Compensation		13.5	15.8	28.6	26.3	7.1	4.9	19.1	12.4
Non-compensation		37.0	33.9	31.1	12.9	8.3	7.3	34.0	9.5
Non-compensation (excl. transfers)		53.6	26.4	33.6	15.7	5.3	2.9	37.4	7.8
Non-compensation non-capital (NCNC)		37.0	34.5	30.9	13.1	8.3	7.3	34.1	9.5
NCNC (excl. transfers)		57.5	35.9	30.1	19.2	5.1	2.6	40.7	8.7
Real growth (%)									
Current		26.4	22.2	24.0	16.5	0.7	(1.6)	24.2	4.9
Transfers		23.8	27.4	25.3	8.2	3.2	2.4	25.5	4.6
Capital		18.3	(46.8)	88.2	(28.2)	2.2	2.8	5.8	(9.0)
Compensation		3.3	9.7	23.1	21.2	2.0	(0.1)	11.8	7.3
Non-compensation		24.7	26.9	25.5	8.4	3.0	2.1	25.7	4.5
Non-compensation (excl. transfers)		39.9	19.7	27.9	11.0	0.2	(2.1)	28.9	2.9
Non-compensation non-capital (NCNC)		24.8	27.4	25.3	8.6	3.0	2.1	25.8	4.5
NCNC (excl. transfers)		43.4	28.8	24.5	14.4	0.1	(2.3)	25.8	4.5

Analysis of payments and estimates by economic classification – Other departments

Table 7.8 below shows "Other" departments' expenditure by economic classification (i.e. all departments excluding Education, Health and Social Welfare). *Current* payments, as a percent of total expenditure, are set to increase from 46.1 per cent in 2001/02 to 60.3 per cent in 2007/08. In real terms, the increase is reflected by a strong growth of 11.1 per cent between the period 2004/05 and 2007/08. The rapid growth in *Non-Compensation* is related to establishment of the centralised provincial funds (see Section 1).

Regarding *Compensation of employees*, the real growth of 2.8 per cent in the period 2004/05 to 2007/08 suggests the strengthening of capacity by government in its efforts to improve service delivery. *Payments for capital assets* show a gradual nominal annual increase, from 6.6 per cent in 2002/03 to 8.8 per cent in 2007/08. The increase in payments for *Capital assets* identifies infrastructure spending as one of the key priorities in the 2005/06 MTEF period. This means that funds will be used to reduce backlogs, through maintenance of existing infrastructure as well as the expansion of public investment on capital stock in those communities that were previously neglected.

Table 7.8: Analysis of expenditure summary by classification - Other

	Outcome			Estimated Actual 2004/05	Medium-term estimates			Average annual growth	
	Audited 2001/02	Audited 2002/03	Audited 2003/04		2005/06	2006/07	2007/08	2001/02 -	2004/05 -
								2004/05	2007/08
In Rand (000)									
Current	1,759,159	1,958,009	2,194,521	3,389,774	4,258,365	4,714,271	5,353,760		
Transfers	1,172,912	1,217,163	1,488,075	1,395,578	1,472,153	1,634,628	1,862,063		
Capital	884,927	943,538	1,213,289	1,290,252	1,351,782	1,465,832	1,659,485		
Compensation	1,004,604	1,077,365	1,190,224	1,510,565	1,695,909	1,791,270	1,886,601		
Non-compensation	2,812,394	3,041,345	3,705,661	4,565,039	5,386,391	6,023,461	6,988,707		
Non-compensation (excl. transfers)	1,639,482	1,824,182	2,217,586	3,169,461	3,914,238	4,388,833	5,126,644		
Non-compensation non-capital (NCNC)	1,927,467	2,097,807	2,492,372	3,274,787	4,034,609	4,557,629	5,329,222		
NCNC (excl. transfers)	754,555	880,644	1,004,297	1,879,209	2,562,456	2,923,001	3,467,159		
Total expenditure	3,816,998	4,118,710	4,895,885	6,075,604	7,082,300	7,814,731	8,875,308		
% of total expenditure									
Current	46.1	47.5	44.8	55.8	60.1	60.3	60.3		
Transfers	30.7	29.6	30.4	23.0	20.8	20.9	21.0		
Capital	23.2	22.9	24.8	21.2	19.1	18.8	18.7		
Compensation	26.3	26.2	24.3	24.9	23.9	22.9	21.3		
Non-compensation	73.7	73.8	75.7	75.1	76.1	77.1	78.7		
Non-compensation (excl. transfers)	43.0	44.3	45.3	52.2	55.3	56.2	57.8		
Non-compensation non-capital (NCNC)	50.5	50.9	50.9	53.9	57.0	58.3	60.0		
NCNC (excl. transfers)	19.8	21.4	20.5	30.9	36.2	37.4	39.1		
Nominal growth (%)									
Current		11.3	12.1	54.5	25.6	10.7	13.6	24.4	16.5
Transfers		3.8	22.3	(6.2)	5.5	11.0	13.9	6.0	10.1
Capital		6.6	28.6	6.3	4.8	8.4	13.2	13.4	8.8
Compensation		7.2	10.5	26.9	12.3	5.6	5.3	14.6	7.7
Non-compensation		8.1	21.8	23.2	18.0	11.8	16.0	17.5	15.3
Non-compensation (excl. transfers)		11.3	21.6	42.9	23.5	12.1	16.8	24.6	17.4
Non-compensation non-capital (NCNC)		8.8	18.8	31.4	23.2	13.0	16.9	19.3	17.6
NCNC (excl. transfers)		16.7	14.0	87.1	36.4	14.1	18.6	35.5	22.6
Real growth (%)									
Current		1.3	6.2	47.8	20.6	5.3	8.1	16.7	11.1
Transfers		(5.5)	15.8	(10.2)	1.2	5.7	8.4	(0.6)	5.1
Capital		(2.9)	21.8	1.8	0.5	3.2	7.8	6.4	3.8
Compensation		(2.4)	4.7	21.5	7.7	0.5	0.3	7.5	2.8
Non-compensation		(1.5)	15.5	17.9	13.2	6.4	10.5	10.3	10.0
Non-compensation (excl. transfers)		1.3	15.2	36.8	18.5	6.7	11.2	16.9	12.0
Non-compensation non-capital (NCNC)		(0.9)	12.6	25.7	18.2	7.5	11.3	11.9	12.3
NCNC (excl. transfers)		6.3	8.1	79.1	30.9	8.5	12.9	11.9	12.3

7.4 Expense by policy area

Table 7.9 shows the summary of expenditure by policy area, the details of which are shown in Table 1.E of the *Annexure to Budget Statement I*. As can be seen, expenditure on *Education Affairs & Services* accounts for a large share of total expenditure. In 2004/05, expenditure in this policy area accounted for over R13 billion, with future patterns demonstrating a consistent increase. With the exception of nationally driven policies and directives, the notable expenditure in this regard is in line with the provincial government's strategy to develop human capability. Expenditure on *Community & Social Services* is the second-largest, with R12 billion in 2004/05 outstripping that of *Health Affairs & Services*. The marked expenditure on *Community & Social Services* represents the government's primary investment in poverty alleviation through the expenditure on social assistance grants.

On the whole, expenditure on policy areas is expected to rise in the new MTEF period, marking the progressive and direct policy intervention by the provincial government in achieving its over-arching broad objectives.

Table 7.9: Summary of expenditure by policy area

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2001/02	Audited 2002/03	Audited 2003/04				2005/06	2006/07	2007/08
General Public Services	1,046,156	1,135,452	1,279,158	1,403,752	1,622,003	1,609,135	1,568,853	1,646,655	1,728,957
Public Order & Safety Affairs	167,117	197,820	247,027	270,036	271,536	271,536	409,666	417,352	435,866
Education Affairs & Services	9,301,971	10,449,471	12,031,484	13,165,590	13,303,167	13,304,304	14,774,854	16,272,002	17,772,991
Health Affairs & Services	6,893,023	7,331,798	7,996,306	8,539,384	8,643,478	8,643,478	10,108,862	11,177,109	12,029,312
Community & Social Services	5,045,392	6,869,876	9,161,129	10,247,244	10,946,526	12,004,788	13,601,208	14,722,613	15,781,528
Housing & Community (Amenity) Affairs & Services	1,055,289	1,133,764	1,323,371	1,204,864	1,246,661	1,245,281	1,321,435	1,508,622	1,762,657
Recreational, Cultural & Religious Affairs & Services	99,449	106,195	112,888	151,509	175,876	175,686	255,313	265,389	282,101
Agricultural Affairs & Services	412,878	453,508	495,196	607,106	637,022	627,719	671,308	719,830	767,851
Transportation & Communication Affairs & Services	893,039	923,220	1,267,676	1,465,591	1,456,253	1,456,101	1,747,899	1,886,322	2,114,205
Other Economic Affairs & Services	146,880	171,899	173,907	751,849	691,522	691,522	1,113,658	1,376,775	1,790,614
Total	25,061,194	28,773,003	34,088,142	37,806,925	38,994,044	40,029,550	45,573,056	49,992,669	54,466,082

7.5 Infrastructure expense

Trends in infrastructure expense

Table 7.10 below shows a summary of provincial expenditure on infrastructure in terms of capital projects and maintenance (current expenditure). Under the category *Capital*, expenditure and estimates are divided into four sub-categories, namely new construction, rehabilitation/upgrading, other capital projects (e.g. provision of water, electricity, sanitation, and fencing, etc), and infrastructure transfer. The latter category refers to the transfers of funding to municipalities for infrastructure projects – for example the Housing Subsidy Grant would be classified under this category. Note that the category *Current* is included in this table for the first time, and as a result, several departments were unable to supply figures for the financial years 2001/02 – 2003/04. Table 1.C in the *Annexure to Budget Statement 1* presents a further breakdown in this regard, detailing the number of projects, the total costs, and the type of infrastructure.

Table 7.10: Summary of infrastructure expenditure and estimates

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2001/02	Audited 2002/03	Audited 2003/04				2005/06	2006/07	2007/08
Capital	2,301,066	2,100,771	2,644,687	3,143,173	2,948,846	2,863,007	3,290,271	3,586,073	4,051,259
New constructions	733,528	489,349	621,278	947,174	958,918	951,484	1,076,143	1,217,053	1,276,585
Rehabilitation/upgrading	790,047	715,144	967,498	1,270,712	1,061,876	983,664	1,175,728	1,134,170	1,366,481
Other capital projects	157,892	279,647	265,995	306,771	309,536	309,343	388,899	440,843	414,508
Infrastructure transfer	619,599	616,631	789,916	618,516	618,516	618,516	649,501	794,007	993,685
Current	139,063	140,119	244,593	308,764	439,413	452,734	799,121	846,057	875,604
Total	2,440,129	2,240,890	2,889,280	3,451,937	3,388,259	3,315,741	4,089,392	4,432,130	4,926,863

Expenditure on infrastructure is estimated to double over the period under review, from R2,440 billion 2001/02 to R4,927 billion in 2007/08. This healthy growth in infrastructure spending re-emphasises the government's commitment to improving social infrastructure in the province. Over and above the direct impact of infrastructure delivery on the communities in this province, the spin-offs thereof are considerable in that it contributes to job creation, income generation and hence poverty alleviation. Also, the already booming construction industry stands to benefit from this substantial growth in public infrastructure investment.

Table 7.11 below shows a summary of infrastructure expenditure and estimates by vote. Noticeable increases over the 2005/06 MTEF can be seen in the budgets of the Departments of Transport, Education, Health and Housing. Infrastructure spending in Transport ranges from the construction of new tarred and rural access roads, as well as the rehabilitation and routine maintenance of the existing road network. The Department of Education's infrastructure spending is geared toward the building of additional classrooms and toilets in existing schools as well as the rehabilitation and/or upgrading of existing classrooms and sanitation facilities. Health's infrastructure spending will focus, in the main, on the building of clinics in

the rural areas as well as the upgrading/replacement of unsuitable clinics. Further details on departmental spending on infrastructure can be found under each vote in Budget Statement 2.

Table 7.11: Summary of infrastructure expenditure and estimates by vote

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited	Audited	Audited						
	2001/02	2002/03	2003/04				2004/05	2005/06	2006/07
1. Premier	-	-	-	-	-	-	-	-	-
2. Provincial Parliament	1,000	1,000	1,045	1,000	26,820	26,820	244	348	383
3. Agriculture and Environmental Affairs	48,782	54,387	45,553	58,135	74,135	54,942	45,628	53,144	63,529
4. Economic Development	-	-	-	-	-	-	-	-	-
5. Education	222,233	262,607	448,278	637,745	637,745	637,745	739,286	782,243	842,459
6. Provincial Treasury	-	-	-	-	-	-	-	-	-
7. Health	624,071	324,009	347,492	570,441	459,894	459,894	728,609	731,465	726,510
8. Housing	665,204	755,407	912,305	752,339	752,279	752,279	783,466	934,457	1,142,153
9. Community Safety and Liasion	-	-	-	-	-	-	-	-	-
10. The Royal Household	-	1,385	1,542	1,200	1,600	1,051	2,000	1,678	2,237
11. Traditional and Local Government Affairs	25,704	18,161	36,917	11,203	36,311	36,311	11,704	12,381	10,264
12. Transport	793,254	764,279	1,049,687	1,285,675	1,275,675	1,227,681	1,665,712	1,789,380	2,011,879
13. Social Welfare and Population Development	31,124	32,437	11,946	42,111	42,111	42,111	25,272	27,224	29,070
14. Works	19,896	15,579	21,515	72,188	61,630	56,848	60,904	72,910	71,129
15. Arts, Culture and Tourism	8,861	11,639	13,000	19,900	20,059	20,059	20,067	20,075	20,084
16. Sports and Recreation	-	-	-	-	-	-	6,500	6,825	7,166
17. Reconstruction & Development Programme (RDP)	-	-	-	-	-	-	-	-	-
Total	2,440,129	2,240,890	2,889,280	3,451,937	3,388,259	3,315,741	4,089,392	4,432,130	4,926,863

Infrastructure Management

Infrastructure management refers to demand analysis and, scheduling, procurement, construction, facilities management and reporting. Infrastructure management has improved significantly in 2004/05.

A new reporting format was introduced in the 2004/05 financial year, with the aim of improving consistency and comparability across departments. There has been a significant improvement in the quality of the content of the reports, allowing for analysis of the expenditure and output.

Facilities Management refers to continued upkeep and care of the physical structure once constructed, throughout its useful life. It involves routine maintenance, unplanned maintenance, rehabilitation and upgrade of the physical structure.

In the period 1998 to 2002, there was a significant cut in the expenditure allocated to maintenance. This resulted in buildings deteriorating and led to backlogs in the maintenance of state infrastructure. Although infrastructure expenditure improved significantly over the last two financial years, the backlogs have not been eradicated yet, and it is estimated that it will take a significant amount of time and money before facilities management of state assets reaches an acceptable level.

Construction of infrastructure faces a number of challenges, namely:

- Quality of construction remains an issue, with inadequate controls at the inspection level before the building is handed over to the department or school governing bodies. This undermines the principle of Value for Money for government.
- There are delays in construction and penalties are not strictly enforced.
- It is not easy to achieve Black Economic Empowerment (BEE) in construction. A number of reasons for this exist, namely:
 - The effectiveness and appropriateness of the Preferential Procurement Policy Framework Act (PPPFA) formula in promoting BEE requires review;
 - Emerging contractors struggle to gain access to capital; and
 - The terms of payment by government are not supportive to emerging contractors, and departments do not pay promptly, therefore putting the emerging contractor under unnecessary strain financially.

In general, there seems to be difficulty in achieving a seamless procurement process when procuring goods and services, in general in government. There are a number of reasons for this, including, poor demand scheduling, a long appeal process, and the suspension of Tender Evaluation and Tender Award Committees by departments.

Some of the short-comings mentioned above will be addressed in the new procurement regime, that is, Supply Chain Management. However, there are serious problems which can only be addressed by procurement policy review at a Cabinet level. These are issues such as:

- Whether or not BEE is being effectively realised under the current procurement regime;
- The impact of the procurement regime on service delivery; and
- The impact of delays in procurement on costs and consequently value for money.

Demand scheduling is critical for effective and cost efficient infrastructure management. Currently, there are inadequate systems and people competencies across all departments to deal with determining the demand for infrastructure in terms of construction and facilities management. A crucial element is that the authorities in departments at both Ministerial and Head of Department levels do not place the necessary focus and emphasis on determining the need for infrastructure.

It is construction industry norm that at least 8 per cent to 10 per cent of lifecycle costs should be allocated to demand scheduling and planning. In the case of the KwaZulu-Natal province, that should equate to an average of R320 million per annum. There has been no allocation in our budgets for this, resulting in poor implementation of projects, a large wastage and costly delays. The Infrastructure unit proposed that the Provincial Statement of Infrastructure Need (PSIN) should be formulated. Although the process will cost a significant amount of money, the benefits will far outweigh the costs.

The Infrastructure unit will be engaging various key decision makers to obtain their buy in on the need and the importance of the PSIN. Various experts have been engaged, who are in a position to coordinate the project across all departments. Central expertise exists within government to successfully formulate the PSIN.

There is a serious problem with regard to finding appropriately qualified people in infrastructure management. A number of initiatives could be explored for both short term and long term, for example:

- Introducing University/ Technikon Recruitment programmes;
- Introducing bursaries targeted at promoting the necessary skills;
- Introducing scarce skills allowance to attract skilled people to public service; and
- Reskilling the current force.

Infrastructure Delivery Improvement Programme

The National Treasury is piloting the Infrastructure Delivery Improvement Programme (IDIP) aimed to addressing some of the problems in infrastructure management. The departments of Education and Transport have been selected for the pilot programme. The aim of the programme is to develop a framework for infrastructure management that will apply to all provinces for all departments.

Public Private Partnerships (PPP)

Three potential PPP projects are under consideration in the current financial year. The department of Health is investigating the outsourcing of the soft facilities management services in all of its institutions. The department has obtained Treasury Approval 1 under the PPP regulations from National Treasury, and it is envisaged that the project closure will take place in the 2005/06 financial year.

The Department of Transport is investigating the outsourcing of Plant Hire Management services and will be submitting its feasibility study to National Treasury before the end of the current financial year.

The Department of Finance and Economic Development is continuing with its investigation into Dube Trade Port. The consortium of master planners have been appointed to develop a master plan for the project, and the feasibility study is still yet to be submitted to National Treasury for approval 1.

The concessioning of the tourism public entity, The Greater St Lucia Wetlands Park Authority, to PPP is gathering momentum in the KZN tourism industry. Eight sites of the park have been concessioned to private parties on Built Operate Transfer (BOT) basis. The project aims to develop a Greater St Lucia Wetlands Park Authority as a key tourism and conservation area in the province, in order to stimulate the regional economy and create employment opportunities. The contract to develop the project has been awarded, and the expected construction period is between 12 and 24 months, depending on uninterrupted project workflow.

7.6 Transfers to public Entities

Table 7.12 below shows the summary of provincial transfers to public entities. Total transfers to public entities are set to increase from R403,105 million in 2004/05 to R454,744 million in 2005/06. In the next three years, *Ezemvelo* KZN Wildlife is set to maintain a steady increase from R269,408 million in 2005/06 to R298,991 million in 2007/08. Noticeably, this entity constitutes the largest share of total provincial transfers to public entities. In 2005/06, Ithala will receive R15,634 million, representing a significant decrease from R27,447 million in 2004/05. This decrease is due to the deposit-taking activities showing profits, which can be re-invested into the communities where Ithala operates.

Table 7.12: Summary of provincial transfers to public entities

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2001/02	Audited 2002/03	Audited 2003/04				2005/06	2006/07	2007/08
Amafa AkwaZulu-Natal	11,600	7,623	10,000	10,200	10,200	10,200	33,644	36,783	39,972
Ezemvelo KZN Wildlife	206,972	203,832	222,401	239,819	239,819	239,819	269,408	284,753	298,991
Ithala	24,843	18,000	16,000	27,447	27,447	27,447	15,634	16,709	17,544
Kwa-Zulu Natal Gambling Board	6,366	8,546	6,750	5,000	5,000	5,000	5,190	5,501	5,776
KwaZulu-Natal Public Transport Licensing Board	2,050	-	-	-	-	-	-	-	-
KwaZulu-Natal Taxi Council	2,230	2,030	5,265	5,600	5,600	5,600	5,800	5,900	-
KZN Peace Office	3,947	238	-	-	-	-	-	-	-
KZN Philharmonic Orchestra	4,000	4,000	4,000	4,000	9,000	9,000	4,000	4,200	4,410
KZN Tourism Authority	27,650	34,000	45,000	49,070	49,070	49,070	52,186	54,796	57,536
KZN Transport	2,700	-	-	-	-	-	-	-	-
Mjindi Farming (PTY) LTD	5,040	5,040	4,240	-	2,100	2,100	2,100	2,100	-
Natal Sharks Board	15,794	16,882	16,882	16,882	16,882	16,882	16,882	17,727	18,613
Provincial Planning and Development Commission	1,751	2,314	2,558	4,962	-	4,962	2,300	2,500	2,625
SA Lifesaving	33	-	-	-	-	-	-	-	-
Trade & Investment KwaZulu-Natal	8,500	14,671	14,146	15,425	15,425	15,425	30,000	32,019	33,620
Umsekeli	17,600	17,600	20,600	17,600	17,600	17,600	17,600	17,600	17,600
Total	341,076	334,776	367,842	396,005	398,143	403,105	454,744	480,588	496,687

For its part, the KZN Tourism Authority has shown a rapid nominal increase from R27,650 million in 2001/02 to R49,070 million in 2004/05. This entity is projected to receive a gradual increase between the period 2005/06 and 2007/08. After a consistent decline in the previous years, transfers to Mjindi Farming (Pty) Ltd are set to remain constant at R2,100 million between 2004/05 and 2006/07. In line with the decision taken to phase this entity out over three years, transfers to this public entity are set to be discontinued in 2007/08.

Transfers to the Natal Sharks Board are showing a steady increase from R15,794 million in 2001/02 to R18,613 million in 2007/08. In 2004/05, transfers to Umsekeli amounted to R17,600 million. It is further envisaged that transfers to this public entity will remain constant at this level, over the MTEF period. *Amafa a AkwaZulu-Natal* receives substantial increase in its allocation over the 2005/06 MTEF for, *inter alia*, the establishment of a media centre, depicting the history and culture of the Zulu kingdom.

Table 7.13 below shows the summary of provincial transfers to public entities by the transferring department. In this province, a total of six departments will make transfers to public entities in 2005/06 MTEF period. Agriculture constitutes the largest share of total transfers to public entities, followed by Arts, Culture and Tourism and Economic Development. The transfers by Transport to its KwaZulu-Natal Taxi Council are set to discontinue in 2007/08. Apart from Agriculture, which shows significant increases in respect of *Ezemvelo* KZN Wildlife, transfers by transferring departments to public entities are expected to show a gradual increase in the 2005/06 to 2007/08 MTEF period.

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

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2001/02	Audited 2002/03	Audited 2003/04		2004/05		2005/06	2006/07	2007/08
1. Premier	17,966	16,169	16,750	15,200	15,200	15,200	38,834	42,284	45,748
2. Provincial Parliament	-	-	-	-	-	-	-	-	-
3. Agriculture and Environmental Affairs	212,012	208,872	226,641	239,819	241,919	241,919	271,508	286,853	298,991
4. Economic Development	36,076	32,671	30,146	42,872	42,872	42,872	45,634	48,728	51,164
5. Education	-	-	-	-	-	-	-	-	-
6. Provincial Treasury	-	-	-	-	-	-	-	-	-
7. Health	-	-	-	-	-	-	-	-	-
8. Housing	-	-	-	-	-	-	-	-	-
9. Community Safety and Liaison	3,947	238	-	-	-	-	-	-	-
10. The Royal Household	-	-	-	-	-	-	-	-	-
11. Traditional and Local Government Affairs	19,351	19,914	23,158	22,562	17,600	22,562	19,900	20,100	20,225
12. Transport	4,280	2,030	5,265	5,600	5,600	5,600	5,800	5,900	-
13. Social Welfare and Population Development	-	-	-	-	-	-	-	-	-
14. Works	-	-	-	-	-	-	-	-	-
15. Arts, Culture and Tourism	47,444	54,882	65,882	69,952	74,952	74,952	73,068	76,723	80,559
16. Sports and Recreation	-	-	-	-	-	-	-	-	-
17. Reconstruction and Development Programme (RDP)	-	-	-	-	-	-	-	-	-
Total	341,076	334,776	367,842	396,005	398,143	403,105	454,744	480,588	496,687

7.7 Transfers to local government

One of the most important provisions of the MFMA, in the chapter on co-operative governance, relates to the requirement for national and provincial departments to provide municipalities with details of multi-year transfers to municipalities, with a view to facilitating improved budgeting, planning, and cash flow management within municipalities. Section 36 (2) of the MFMA states that the MEC for Finance in a province must, when tabling the provincial annual budget in the legislature, make known particulars of any allocations due to each municipality in terms of that budget, including the amount to be transferred to the municipality during each of the next three financial years.

In previous Budget Statements, the amounts to be transferred to municipalities were indeed indicated for the MTEF period in question. This information was presented in aggregated form, however, with only the total amounts to be transferred by each department, and to be received by each municipality, indicated. This made it difficult for municipalities, pending the publication later in the year of a provincial gazette detailing the transfers, to identify the precise purposes for which the transfers were intended, thereby compromising the planning and budgeting processes involved in finalising municipal budgets.

For this reason, in this year's Budget Statements, more comprehensive details are provided of departmental transfers to municipalities, indicating transfers per department and per grant type to each municipality. This information is presented in the tables below, in the *Annexure to Budget Statement 1*, and in the detailed departmental information provided in Budget Statement 2. An important addition to the information in this year's Budget Statements is that, for the first time, indicative allocations for the provincial housing grant are provided, per district municipality. The provision of this information should greatly enhance the credibility and accuracy of municipal budgets, not to mention the planning and project management processes involved in managing housing developments at municipal level.

The local government sphere receives three broad types of transfers from the other spheres of government. These are categorised as Equitable Share and related transfers; Conditional Transfers for Municipal Infrastructure; and Conditional Transfers for Recurrent Municipal Expenditure.

These grants are either allocated by national or provincial government. The Municipal Infrastructure Grant (MIG), Implementation for Water Services Programme – Capital, Integrated National Electrification Programme, Building for Sports and Recreation Programme) Financial Management Grant (FMG), Local Government Restructuring Grant, Municipal Systems Improvement Grant, and Water Services Operating Grant all serve as examples of national grants. Accordingly, such allocations can be found in the annual publication(s) of the Division of Revenue Act¹⁸ (DORA). DORA provides MTEF grant allocations in both the municipal and national financial year, enabling municipalities to budget effectively and implement multi-year budgeting. While the allocations for the outer years (2005/06 and 2006/07) are *indicative* only, they will only be reduced in exceptional circumstances, and hence municipalities may consider these grants as ‘secured’ or ‘firm’ revenue sources for the purposes of planning and budgeting.

In similar fashion, grants allocated by provincial departments are indicated in Table 1.G (i) (ii) (iii) (Details of transfers to municipalities) which can be found in the *Annexure to Budget Statement 1*. While this table indicates grant allocations over the MTEF period, it only indicates grant allocations in national financial years, and does not indicate allocations in municipal financial years. This notwithstanding, it is the first time that such an impressive and comprehensive array of information regarding transfers to local government appears in the Budget Statements, and marks a significant milestone in forging a closer alliance between the two spheres of government.

Table 1.G (i) (ii) (iii) indicates individual grants intended for municipalities from transferring departments over the MTEF period. In other words, every grant allocation to the local government sphere over the MTEF period is listed, in the format that indicates the transferring department or vote, the grant type or name, and the intended recipient municipality. This improves the reporting framework used by transferring provincial departments in the past, and promotes certainty and transparency as it sets out allocations per grant type over the MTEF period. This, in turn, promotes better planning and organising within the local government sphere, because municipalities are aware in advance of the details of their allocations over the MTEF period, and consequentially, can plan their budgets around those allocations. It also facilitates better co-ordination between planning, budget preparation and budget implementation in municipalities, and promotes accountability for use of public funds

Table 7.14 gives a summary of the provincial transfers to local government by category. As spelt out in the Constitution of the Republic of South Africa¹⁹, municipalities are categorised into three categories, namely category A, category B and category C.

Table 7.14: Summary of provincial transfers to local government by category

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2001/02	Audited 2002/03	Audited 2003/04				2005/06	2006/07	2007/08
Category A	27,848	31,041	54,022	55,552	54,146	54,135	283,744	359,105	575,942
Category B	37,465	74,173	99,540	81,766	104,961	104,970	483,350	564,521	545,903
Category C	26,670	55,870	52,306	72,446	71,380	71,301	66,965	69,154	74,279
Unallocated	684,749	634,585	798,753	622,321	625,249	620,453	50,914	51,861	56,505
Total	776,732	795,669	1,004,621	832,085	855,736	850,859	884,973	1,044,641	1,252,629

Category A is often referred to as a ‘metropolitan area’ and occurs where a municipality has exclusive municipal executive and legislative authority within its area. Only one such municipality, namely *eThekweni*, exists within KwaZulu-Natal, and, as indicated in Table 7.14, *eThekweni* will receive a total of R283,7 million in 2005/06. In the outer years of the MTEF, *eThekweni* will receive R359,1 million and R575,9 million, respectively.

Category B is referred to as a ‘local municipality’ and is defined as a municipality that shares municipal executive and legislative authority with a category C municipality, within whose area it falls under. Accordingly, category C is defined as a municipality having municipal executive and legislative authority in an area that includes more than one category B municipality. Such municipalities are often referred to as

¹⁸ Section 24 of the Division of Revenue Act, Act No. 5 of 2004.

¹⁹ Constitution of the Republic of South Africa, Act No. 108 of 1996.

‘district municipalities’. Therefore, a cluster of category B municipalities will fall within a category C or ‘district municipality’.

During 2005/06, category B municipalities will receive R483,3 million, while category C municipalities will receive R67 million. The transfers to category B municipalities increase to R564,5 million in 2006/07, and further increase to R545,9 million in 2007/08. In the case of category C municipalities, their allocation increases fractionally to R69,2 million in 2006/07, and then increases by a moderate 7.4 per cent to R74,3 million in 2007/08. Overall, total provincial allocations to local government will equal R885 million, R1044,6 billion, and R1252,6 billion during the new MTEF period. This means that the allocations will increase by 18 per cent in 2006/07, and by 19.9 per cent in 2007/08.

Noticeably, the 2005/06 budget marks a significant improvement in the reporting framework for allocations to the local government sphere. Prior to 2005/06, a significant amount of allocations (predominantly Housing Grants) were indicated as ‘unallocated’ by provincial departments. This was due to provincial departments being unable to timeously finalise allocations to local government by the commencement of the municipal financial year. Fortunately, one of the many improvements implemented by Provincial Treasury during the 2005/06 budget submission phase was to insist that provincial departments indicate, *a priori*, their allocations to the local government sphere, as far as possible. This has greatly improved the situation and, as indicated in Table 6.15, only about 5.8 per cent of allocations still remain unallocated for 2005/06.

Table 7.15 presents a summary of provincial transfers to local government by vote over the MTEF period. As mentioned above, total provincial departmental transfers to local government will amount to R885 million in 2005/06. Of this amount, R631,7 million, or 71.4 per cent, comes from the Department of Housing in the form of Housing Grants. The next largest transferring department is the Department of Traditional and Local Government Affairs, which will transfer R87 million (9.8 per cent) in 2005/06. This is made up of a number of individual grants, a list of which can be found in Table G.(i) (ii) (iii) in the *Annexure to Budget Statement 1*.

Table 7.15: Summary of provincial transfers to local government per vote

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2001/02	Audited 2002/03	Audited 2003/04				2005/06	2006/07	2007/08
1. Premier	938	1,049	1,183	1,179	1,220	1,220	928	937	943
2. Provincial Parliament	54	67	150	80	158	158	84	92	96
3. Agriculture and Environmental Affairs	743	1,575	1,031	4,485	4,485	4,660	3,299	3,542	3,780
4. Economic Development	56	62	57	105	105	105	90	93	99
5. Education	22,175	23,817	33,187	24,405	24,405	24,405	37,769	41,447	45,050
6. Provincial Treasury	52	68	95	138	145	157	83	88	90
7. Health	64,561	71,298	66,122	80,816	77,642	77,642	84,947	90,461	95,070
8. Housing	585,146	605,067	777,102	599,307	599,493	599,493	631,658	776,232	976,078
9. Community Safety and Liaison	4	13	23	22	22	22	98	104	110
10. The Royal Household	31	37	24	36	36	36	38	55	57
11. Traditional and Local Government Affairs	91,801	78,395	107,251	84,571	106,275	106,275	87,011	92,147	91,604
12. Transport	1,284	1,403	4,208	14,996	19,746	15,134	16,798	17,135	17,208
13. Social Welfare and Population Development	492	561	588	1,341	1,341	969	1,371	1,472	1,555
14. Works	507	537	529	660	668	588	724	751	796
15. Arts, Culture and Tourism	8,874	11,703	13,071	19,936	19,936	19,936	19,988	19,994	19,996
16. Sports and Recreation	14	17	-	8	59	59	87	91	97
Total	776,732	795,669	1,004,621	832,085	855,736	850,859	884,973	1,044,641	1,252,629

Other significant transferring provincial departments are the Department of Health which will transfer R85 million, (9.6 per cent) the Department of Education which will transfer a total of R37,8 million (4.3 per cent) in 2005/06, and the newly formed Department of Arts, Culture and Tourism which will transfer a total of R20 million (2.3 per cent) in 2005/06. Over the MTEF period, a similar trend is expected, with the abovementioned departments again being the departments which transfer the largest allocations to local government.

In the annexure of Budget Statement 1, two comprehensive tables illustrating transfers to local government are presented. The first table, Table 1.D, provides a summary of transfers to municipalities, breaking the information down to the level of local and district municipal allocations. This will allow any municipality,

irrespective of its categorisation, to determine its allocations over the MTEF, and therefore plan for their allocations. The two municipalities that will receive the largest amounts of transfers from provincial government are the *eThekweni* metropolitan, followed by the district of *uMgungundlovu*.

The second set of tables (Table 1.G (i) (ii) (iii)), as mentioned previously, indicates a complete list of provincial grants to the local government sphere. As can be seen, no less than 27 provincial grants are intended for the local government sphere during the MTEF period. Municipalities are able to see, firstly, which of the 27 grants they will be receiving, and secondly, the actual grant amount they will be receiving over the MTEF period. As in the case of DORA, allocations in the outer years (2006/07 and 2008/09) are *indicative* only, but will only be reduced in exceptional circumstances. This means that municipalities may use these allocations in their multi-year budgeting preparations.

8. THE MUNICIPAL FINANCE MANAGEMENT ACT (MFMA) – Background and implications for the Provincial Treasury

The promulgation of the Municipal Finance Management Act (MFMA), Act No. 56 of 2003, has exercised a profound effect on the provincial government's relations with the local sphere of government, particularly in the area of financial management reform. For this reason, it was decided to introduce a new section in Budget Statement 1, with a view to explaining the background to the Act, and the broad implications which this legislation has for the provincial government as a whole, and the Provincial Treasury in particular.

The MFMA, which came into effect on 1 July 2004, can be regarded as a logical continuation, at the local government level, of the financial management reforms which were initiated at national and provincial level by the Public Finance Management Act (PFMA) in 2000. Both the PFMA and MFMA have the aim of modernising financial governance in all its aspects, and maximising service delivery. Both pieces of legislation clarify roles and responsibilities of all, and assign accountability where it belongs.

Specifically, the six underlying principles of the MFMA are:

- Promoting sound financial governance by clarifying roles and responsibilities:
 - The Mayor/Executive Committee to provide political leadership and be responsible for outcomes (like MEC's/EXCO at provincial level);
 - Non-Executive councilors to play policy-approval, monitoring and oversight role (like the Provincial Legislature);
 - The Municipal Manager (Accounting Officer) and other senior managers responsible for implementation and outputs (like the provincial HoD's/AO's);
- Modernisation of financial management;
- Ensuring a strategic, integrated approach to budgeting;
- Promoting co-operative and consultative governance;
- Promoting sustainability; and
- Promoting intergovernmental relations and responsibility.

The key budget reforms that are encapsulated in the MFMA are:

- Forward looking multi-year budgets with strategic focus;
- Empowerment of councils to develop and implement policies;
- Improved integration of budgeting and planning processes;
- The implementation of a new budget process timetable with earlier adoption of budgets by council and earlier auditing of AFS's;
- Improved in-year reporting according to vote and function (involving a move away from the traditional line item budgets);
- Improved financial management information; and
- Service delivery and budget implementation plans (SDIP) developed and approved with budgets.

Other noteworthy financial management reforms piloted by the MFMA include the phased adoption of the new Standard Chart of Accounts (SCOA) and GRAP compliant accounting standards, the introduction of Supply Chain Management (SCM) principles and reform of procurement procedures, the establishment of audit committees and oversight process reforms, the provision of mechanisms for resolving financial problems and addressing financial misconduct, and an emphasis on performance measurement and prescribed financial management competency levels.

Although the MFMA took effect on 01 July 2004, some of its provisions (such as the implementation of SCM) are delayed, while others will be phased in according to the capacity of the municipalities (see GG

No. 26510 of 25 June and 26511 of 1 July 2004). This has been done in order to allow the different spheres of government to build much needed capacity to implement, manage and monitor the comprehensive reforms required by the Act. Provincial Treasuries, for their part, will only assume full responsibility for monitoring and reporting on municipal budgets with effect from 1 July 2005 – again, with a view to giving Provincial Treasuries time to build sufficient capacity to perform the various tasks and responsibilities assigned to them in terms of the MFMA.

In general, Provincial Treasuries are expected to ensure that municipalities and municipal entities incorporate and implement the full range of financial management provisions and reforms contained in the MFMA. More specifically, Provincial Treasuries are expected to assist municipalities and municipal entities in the preparation of annual budgets, monitor and report on in-year revenue collection and expenditure of municipalities and municipal entities on a monthly, quarterly, bi-annual and annual basis; and monitor compliance with the MFMA. An important challenge will be to capacitate municipalities to implement the full range of financial management reforms required by the Act, with a view to enhancing the capacity of municipalities to provide services.

It is important to emphasise that the Municipal Finance Management Act also assigns specific roles and responsibilities to provincial local government departments, mainly in the areas of the annual financial statements, audit and oversight reports, and financial misconduct. There are also several sections in the Act which require/imply joint or coordinated actions by both the Provincial Treasuries and local government departments, such as in the case of financial interventions and implementation of financial recovery plans. For this reason, the two departments in the province are currently finalising a Memorandum of Understanding (MoU), which spells out precisely the exclusive and shared roles and functions of the respective role-players in implementing the Act.

The importance of an integrated and coordinated approach to building capacity within the local sphere of government was highlighted by the Premier in his State of the Province Address on 25 May 2004:

“Local government”, stated the Premier, “is undoubtedly the corner stone of development. If there is no stability at this level of governance, there can be no real transformation, nor can we talk of tangible service delivery. All people are local. With wall to wall municipalities that came into effect from 5 December 2000, there is not a single place in this country and this province that is not under a municipality. Therefore, the real test for this government in the next five years is to build the capacity of local government thus ensuring that every citizen’s life is improved...”

For its part, as an interim measure, the Provincial Treasury established a small component within the department to oversee the Treasury preparations for the implementation of the MFMA. The interim Municipal Finance unit began functioning in February 2004, and by July 2004 it had a staff complement of 3 officials. Small as it may have been, the component has recorded significant progress to date in preparing the Provincial Treasury for the assumption of its full responsibilities on 1 July 2005. Officials in the component have been trained in municipal budget analysis and evaluation; MFMA pocket guides have been widely distributed among councilors and officials in municipalities; a total of ten MFMA orientation workshops have been conducted, in conjunction with the Department of Traditional and Local Government Affairs (DTLGA), for councillors and officials in all 61 municipalities; a municipal CFO’s Forum has been established to facilitate the sharing of information and best practice among financial management practitioners in municipalities; and officials have participated actively in the national inter-provincial task group overseeing the MFMA implementation.

From an organisational and structural point of view, the approach which will be adopted by the Provincial Treasury in the forthcoming MTEF in fulfilling its responsibilities in terms of the MFMA will be not to duplicate expertise and functions within the existing components and divisions within the Provincial Treasury. Instead, the additional local government responsibilities will be assigned, according to the nature of the specialised function involved, to the various divisions within the newly approved Provincial Treasury structure, namely *Financial Governance* (including Risk Management and Internal Audit), *Resource Management* (including Macro-economic analysis, Budget Office, Resource Acquisition and Public Finance) and *Financial Management* (including Financial Reporting, Asset Management and PPP’s, and SCM).

9. BUDGETING FOR SERVICE DELIVERY

As in past years, a section on budgeting for service delivery has been included in the Budget Statements. The section contains service delivery information for the main line departments providing services directly to the public, and details performance measures and targets. The intention of including such information is to improve the transparency of the budget, and provide a basis for holding the provincial government accountable for its use of public resources.

The concept of performance budgeting, which relies heavily on measurable targets and performance measures, is in fact going to receive increasing prominence in the forthcoming MTEF. This much was made clear by the incoming MEC for Finance and Economic Development after the April elections. In his address to the Legislature on 27 May 2004, MEC Mabuyakhulu had the following to say about the importance of performance based budgeting:

“Apart from reviewing our mandates, structures and processes from top to bottom, we will need to place renewed emphasis on the principles of performance budgeting – which is key to ensuring we achieve maximum value for money for the funds that we expend and the services we provide. Honourable Members will know that performance budgeting, which links and integrates the processes of strategic planning, financial planning and performance measurement, was formally implemented in the provincial administration some three years ago as part of the package of financial management reforms which accompanied the Public Finance Management Act.

But Mr Speaker Sir, I submit that we have not really taken performance budgeting seriously enough in recent times. We just go through the motions of compliance with the technicalities of performance budgeting, without really using it as an integrated performance management system which aligns departmental budgets to improved service delivery. Let me remind Honourable Members what performance budgeting is all about.

In performance budgeting systems, resources are analysed and allocated in terms of purposes to be served or objectives to be achieved, with a view to relating resources to results or performances. In short, the aim is to relate inputs to outputs and outcomes. And to analyse the relation between inputs, outputs and outcomes requires performance measures or service delivery indicators as they are commonly known.”

This commitment to implementing a real-time, comprehensive performance based budgeting system (PBS) throughout the provincial administration, geared to measure service delivery performance and outputs against allocated targets, was underscored by a Cabinet resolution of 23 June 2004, which tasked Provincial Treasury with the coordination of the implementation of a PBS in the province.

On 1 December 2004, the new MEC for Finance and Economic Development, Dr Mkhize, reported to the Provincial Legislature that tenders for the implementation of a PBS in the province had been invited from potential service providers, and that a decision on the award of the tender was expected shortly. In the event, the tender was awarded in February 2005, and implementation of the system is expected to start on a pilot basis in the Department of Health and the Provincial Treasury in the new financial year.

In the meantime, Performance Based Budgeting was identified as a key programme in the Governance and Administration sector of the PGDS, with the following strategic objective:

“To formulate and implement a performance-based budgeting process and methodology to ensure the co-ordination and creation of linkages between inputs and outputs in terms of the priorities of government.”

In the PGDS document itself, the PBBS is in fact described as a key tool for the implementation of the PGDS, as it entrenches a systematic decision-making process for deciding how and where government funding will be allocated. It allows leaders to see where government money is making maximum impact in terms of the realisation of priorities and to allocate further funds on the basis of performance.

It must be emphasised that implementing a comprehensive PBS in the province will be a complex and time consuming task that will have to be approached in a phased and incremental manner. The following are the main processes that will be involved in the project implementation:

- Establishing and synchronising a coherent and focused PBS for all three spheres of government;
- Creating strong process linkage between the provincial agenda and both macro and departmental budget allocations;
- Identifying resources available, expected outputs in terms of achieving the provincial priorities, and creating linkages between objectives, inputs and outputs; and
- Preparing policy guidelines for departments and municipalities to provide direction and buy-in to a PBS.

More details on the PBS system will be provided in future Budget Statements during the forthcoming MTEF, and progress on implementation will be regularly communicated to stakeholders and the public.

In the meantime, the following tables provide the reader with the expected outputs, performance measures and targets pertaining to the projected service delivery of the major service-orientated provincial departments during the 2005/06 MTEF.

Table 9.1: Health output measures

Output type	Performance measures	Performance targets	
		2004/05 Est Actual	2005/06 Estimate
District Health Services			
1. Community Health Clinics:			
To provide facilities for patients to be treated at primary health care level	Number of headcounts	18,300,000	19,000,000
2. Community Health Centres:			
To provide facilities for patients to be treated at primary health care level.	Number of headcounts	1,950,000	2,000,000
3. HIV and AIDS			
To render primary health care services mainly related to the prevention and treatment of HIV and AIDS			
(a) Voluntary Testing and Counselling	Number of sites available	600	650
(b) Distribution of condoms	Number of condoms distributed	17,2 million	20,5 million
(c) Prevention of Mother to Child Transmission	<ul style="list-style-type: none">% of all pregnant women using state services	90	90
	<ul style="list-style-type: none">% of state facilities which offer PMTCT services	100	100
(d) Antiretroviral therapy	Number of patients treated	5,900	29,000
4. District Hospitals:			
To provide for patients who require admission to a hospital for treatment at a general practitioner level.	<ul style="list-style-type: none">No. of admissions (new)	300,000	315,000
	<ul style="list-style-type: none">No. of outpatient headcounts (previously in admissions)	1,6 million	1,743 million
Provincial Hospital Services			
1. General Hospitals			
To provide hospital facilities for patients requiring treatment at specialist level.	<ul style="list-style-type: none">No. of admissions (new)	268,000	281,400
	<ul style="list-style-type: none">No. of outpatient headcounts (previously in admissions)	2,4 million	2,52 million
2. Tuberculosis Hospitals			
To provide hospital facilities for patients who require treatment for tuberculosis.	No. of admissions	9,400	9,900
3. Psychiatric Hospitals			
To provide hospital facilities for patients requiring mental health care.	Number of admissions	5,700	6,000
4. Chronic Medical Hospitals			
To provide hospital facilities for patients requiring long-term care	No. of patient days	734,600	771,400
5. Dental Training Hospitals			
To provide hospital facilities for dental health care and to provide training for dental personnel.	<ul style="list-style-type: none">Number of cases to be increased	41,700	43,800
	<ul style="list-style-type: none">Number of students trained to be maintained	86	86
Central Hospital Services			
To provide facilities and expertise for sophisticated medical procedures	<ul style="list-style-type: none">No. of admissions	78,200	82,100
	<ul style="list-style-type: none">No. of outpatient headcounts	490,000	514,500
Health facilities management			
Health facilities management	<ul style="list-style-type: none">New facilities - number of projects in progress	78	166
	<ul style="list-style-type: none">Rehabilitation - number of projects in progress	34	18
	<ul style="list-style-type: none">Replacement - number of projects in progress	18	15
	<ul style="list-style-type: none">Upgrading - number of projects in progress	89	96

Table 9.2: Education output measures

Output type	Performance measures	Performance targets	
		2004/05 Est. Actual	2005/06 Estimate
Public Ordinary School Education			
Public Primary Schools			
1. To provide educators in accordance with the PPN	<ul style="list-style-type: none">Number of educatorsLearner: educator ratio	45 781 34.9:1	47 318 34.0:1
2. To provide spaces for learners according to policy	Number of spaces provided	1.6 million	1.61 million
3. To provide basic infrastructure as per the budget allocated	<ul style="list-style-type: none">Number of classrooms builtNumber of new toilets builtLearner : Classroom ratio% of school with water supply% of capex budget spent on maintenance	953 1 810 40.5:1 72% 35%	1 192 1 810 39.6:1 74% 25%
4. To ensure that the flow of learners is optimal	<ul style="list-style-type: none">Repetition rateDropout rate	5.9% 4.0%	5.5% 3.0%
5. To foster the culture of effective learning and teaching	<ul style="list-style-type: none">% learner days lost due to learner absenteeism%worker days lost due to educator absenteeism	2.5% 6%	2% 3%
6. To attain the highest possible educational outcomes among learners	<ul style="list-style-type: none">% of learners in Grade 3 attaining acceptable outcomes in numeracy, literacy, and life skills% of learners in grade 6 attaining acceptable outcomes	94% 94%	95% 95%
Public Secondary Schools			
1. To provide educators in accordance with the PPN	<ul style="list-style-type: none">Number of educatorsLearner: educator ratio	28 671 34.9:1	29 576 33.8:1
2. To provide spaces for learners according to policy	Number of spaces provided	1 million	1 million
3. To provide basic infrastructure as per budget allocated	<ul style="list-style-type: none">Number of classrooms builtNumber of new toilets builtLearner: classroom ratio% of school with water supply% of capex budget spent on maintenance	247 690 38.3:1 72% 35%	308 690 37.8:1 74% 25%
4. To ensure that the flow of learners is optimal	<ul style="list-style-type: none">Repetition rateDropout rate	17% 7.9%	15% 7%
5. To foster the culture of effective learning and teaching	<ul style="list-style-type: none">% learner days lost due to learner absenteeism%worker days lost due to educator absenteeism	9% 6%	5% 3%
6. To attain the highest possible educational outcomes among learners	<ul style="list-style-type: none">% of learners in Grade 9 attaining acceptable educational outcomesPass rate in Grade 12 examinations% of schools with grade 12 pass rate less than 40%	82% 73% 9.5%	86% 79% 8%
7. To provide laboratories for schools	% of schools with functioning laboratories	59%	60%
Public Special School Education			
1. To provide spaces for learners in special/full service schools according to principles of inclusive education	Number of learners in special/full service schools	11 000	11 500
2. To mobilise out-of-school disabled youth to return to school	% increase in the no. of disabled youth in public special schools	2.5%	4.5%
Further Education & Training			
1. To provide an increased number of spaces in FET institutions	<ul style="list-style-type: none">% of learners enrolled in FET institutionNumber of full time equivalent enrolments in FET institutions	90% 75 000	90% 85 000
2. To promote the participation of previously marginalised groups in public FET institutions	% of population aged 15-17 attending schools and other institutions	50%	60%
3. To provide relevant and responsive quality FET learning opportunities	% success rate per level	65.5%	70%

Table 9.3 Housing output measures

Output type		Performance measures		Performance targets	
				2004/05 Est Actual	2005/06 Estimate
Housing Planning and Research					
1. Housing delivery	<ul style="list-style-type: none">No. of projects approved in terms of Provincial Housing Development PlanInformal Settlement upgrade/Slum clearance projects approvedNo of rural projects approvedNo of Greenfields projects approvedNo of farm worker projects approvedNo of Rental Housing projects approvedNo of AIDS Housing projects approvedNo. of subsidies approvedNo. of houses built in terms of Project Development ProgrammeNo. of services completed% of compliance with the norms and standardsNo of projects provided with social and economic amenities	47	47		
		20	20		
		15	15		
		20	25		
		5	5		
		5	5		
		5	5		
		39 000	39 000		
		20 000	20 000		
		20 000	20 000		
		100%	100%		
2. Manage and upgrade of hostels	No. of units upgraded	2 300 units	2 300 units		
3. Project initiation and facilitation of new projects	No. of subsidies	20 000	20 000		
4. Market the Peoples Housing Concept	No. of visits conducted	300	300		
5. Human Settlement Redevelopment Programme	<ul style="list-style-type: none">No. of projects approved in terms of Housing Resettlement Programme criteriaNo. of projects completed	28	12		
		25	8		
Housing Performance / Subsidy Programmes					
1. To provide maintenance of lease units	No. of housing units maintained	8 081	10 000		
2. Management of lease and sale of units	No. of Discount Benefit subsidies granted	8 000 cases	10 000 cases		
3. Transfer of assets to local authorities	No. of units transferred to local authorities	1 000 units	1 000 units		
4. Rental Tribunal Administration	<ul style="list-style-type: none">No. of complaints attended toCompliance with time frames in respect of complaints	1 080	1 200		
		3 months	3 months		

Table 9.4 Social Welfare output measures

Output type	Performance measures	Performance targets	
		2004/05 Est. Actual	2005/06 Estimate
Social Assistance Grants			
Payments of grants to all qualifying customers	No of beneficiaries eligible for payment		
	<ul style="list-style-type: none">• Old Age	429,598	437,331
	<ul style="list-style-type: none">• War Veterans	501	428
	<ul style="list-style-type: none">• Disability	378,989	404,396
	<ul style="list-style-type: none">• Grant-in-aid	6,179	6,797
	<ul style="list-style-type: none">• Foster Care	59,513	67,260
	<ul style="list-style-type: none">• Care Dependency	23,261	25,587
	<ul style="list-style-type: none">• Child Support Grant	911,092	1,056,519
	<ul style="list-style-type: none">• Child Support Grant Extension (7 – 13 years)	437,785	508,694
Social Welfare Services			
1. Treatment and prevention of substance abuse	<ul style="list-style-type: none">• Number of subsidies for the year	8	13
	<ul style="list-style-type: none">• Number of state institutions	2	2
	<ul style="list-style-type: none">• Number of state social work posts		55
2. Care of the older persons	<ul style="list-style-type: none">• Number of subsidies for the year	151	129
	<ul style="list-style-type: none">• Number of state institutions	1	1
	<ul style="list-style-type: none">• Number of state social work posts		30
3. Crime prevention and support	<ul style="list-style-type: none">• Number of subsidies for the year	8	6
	<ul style="list-style-type: none">• Number of state institutions	2	2
	<ul style="list-style-type: none">• Number of state social work posts		75
4. Service to persons with disabilities	<ul style="list-style-type: none">• Number of subsidies for the year	61	59
	<ul style="list-style-type: none">• Number of state institutions	2	2
	<ul style="list-style-type: none">• Number of state social work posts		30
5. Child and family care and protection	<ul style="list-style-type: none">• Number of subsidies for the year	657	662
	<ul style="list-style-type: none">• Number of state institutions	9	9
	<ul style="list-style-type: none">• Number of state social work posts		355

Table 9.5 Transport output measures

Outputs		Performance Measures	Performance targets	
			2004/05 Est. Actual	2005/06 Estimate
Roads				
Surfaced Roads				
1.	Rehabilitation of surfaced roads	<ul style="list-style-type: none">No. of square meters: Light rehabilitationNo. of square meters: Heavy rehabilitation	550 000 330 000	320 000 340 000
2.	Maintain surfaced roads	<ul style="list-style-type: none">No. of square meters: Tarred roads resealedNo. of square meters: Blacktop patching	750 000 90 000	650 000 90 000
3.	Upgrade to surfaced roads	<ul style="list-style-type: none">Kilometres upgraded: ARRUP roadsKilometres upgraded: P700 Ulundi-Richards Bay RoadKilometres upgraded: Agricultural roadsKilometres upgraded : Access to community facilitiesKilometres constructed: P577 Duffs Road	41 11 12 - -	45 14 9 9 5
Gravel Roads				
4.	Construct local access roads	<ul style="list-style-type: none">Kilometres of local roads constructedKilometres constructed using labour based construction	420 63	420 60
5.	Maintain local roads - Zibambele	Kilometres maintained using Zibambele contractors	13 400	17 600
6.	Maintain gravel roads	<ul style="list-style-type: none">Kilometres of road: bladingKilometres of road: regravellingKilometres of road: betterment and gravelling	75 000 420 380	75 000 410 440
General				
7.	Construction of causeways and bridges	<ul style="list-style-type: none">Number of causeways constructedNumber of bridges constructedNumber of pedestrian bridges constructed	45 3 1	41 2 1
9.	Remedial safety engineering measures	Number of remedial safety measures	40	42
Traffic Management				
1.	Provide a safe road environment through community outreach and development	<ul style="list-style-type: none">Number of crossing patrols providedNumber of learners educatedNumber of adults educatedNumber of awareness campaignsNumber of Community Road Safety Councils (CRSCs) trained	70 1 140 30 000 20 40	74 1 208 31 800 21 42
2.	Overloading control enforcement	<ul style="list-style-type: none">Number of vehicles weighedNumber of weighbridges maintained/calibratedNumber of weighbridges constructed	220 000 13 -	220 000 13 2
3.	Promote safe use of public roads	<ul style="list-style-type: none">Number of vehicles timed for speedNumber of vehicles checked in roadblocksNumber of kilometres patrolledNumber of days roadside courts are in operationNumber of officers trained	6 000 000 35 890 2 700 000 145 450	6 000 000 36 000 2 700 000 145 600

ANNEXURE TO BUDGET STATEMENT 1

Table 1.A: Details of provincial own receipts

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2001/02	Audited 2002/03	Audited 2003/04				2005/06	2006/07	2007/08
Tax receipts	447,157	534,186	652,183	551,788	551,788	656,561	686,122	719,482	762,949
Casino taxes	40,033	71,782	117,475	88,128	88,128	119,384	122,131	123,963	125,822
Motor vehicle licenses	361,899	438,850	505,394	440,000	440,000	506,409	530,000	560,000	600,000
Horseracing	45,225	23,554	24,449	23,660	23,660	27,709	30,595	32,123	33,731
Other taxes	-	-	4,865	-	-	3,059	3,396	3,396	3,396
Non-tax receipts	499,854	497,925	426,090	335,527	335,527	378,174	397,690	414,824	431,642
Sale of goods and services other than capital assets	241,313	167,106	176,563	162,947	162,947	206,408	247,768	256,841	265,256
Sales of goods and services produced by department	241,319	167,102	176,078	162,947	162,947	204,982	246,386	255,407	263,770
Sales by market establishments	5	4	-	1	1	-	5	5	5
Administrative fees	2,213	2,508	1,194	2,214	2,214	18,987	20,171	21,634	22,121
Other sales	239,101	164,590	174,884	160,732	160,732	185,995	226,210	233,768	241,644
Sales of scrap, waste, arms and other used current goods (excluding capital assets)	(6)	4	485	-	-	1,426	1,382	1,434	1,486
Fines, penalties and forfeits	16,953	21,558	23,758	21,000	21,000	23,193	28,000	30,000	32,000
Interest, dividends and rent on land	241,588	309,261	225,769	151,580	151,580	148,573	121,922	127,983	134,386
Interest	241,588	309,251	225,730	151,580	151,580	148,514	121,913	127,974	134,377
Dividends	-	7	-	-	-	-	-	-	-
Rent on land	-	3	39	-	-	59	9	9	9
Transfers received from:	-	-	-	-	100	-	-	-	-
Other governmental units	-	-	-	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	100	-	-	-	-
Households and non-profit institutions	-	-	-	-	-	-	-	-	-
Sales of capital assets	17,519	21,634	33,771	3,796	3,796	1,757	12,549	14,551	16,603
Land and subsoil assets	181	270	809	250	250	250	500	500	550
Other capital assets	17,338	21,364	32,962	3,546	3,546	1,507	12,049	14,051	16,053
Financial transactions	21,144	15,330	11,859	10,064	10,064	31,576	24,054	24,955	28,695
Total provincial own receipts	985,674	1,069,075	1,123,903	901,175	901,275	1,068,068	1,120,415	1,173,812	1,239,889

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

R000	Outcome			Main	Adjusted	Estimated	Medium-term estimates		
	Audited	Audited	Audited	Budget	Budget	actual			
	2001/02	2002/03	2003/04	2004/05			2005/06	2006/07	2007/08
Current payments	16,789,094	18,841,656	21,001,160	23,472,438	24,032,414	24,198,631	27,752,802	30,690,719	33,547,741
Compensation of employees	13,594,828	14,837,390	16,065,656	17,580,503	17,945,019	17,947,939	20,137,029	22,176,233	24,172,240
Salaries and wages	11,474,114	12,454,948	13,415,787	14,864,916	15,132,514	15,156,789	16,925,491	18,706,293	20,491,253
Social contributions	2,120,714	2,382,442	2,649,869	2,715,587	2,812,505	2,791,150	3,211,538	3,469,940	3,680,987
Goods and services	3,193,989	4,003,868	4,935,504	5,888,550	6,087,395	6,250,679	7,615,773	8,514,486	9,375,501
Interest and rent on land	-	-	-	2,975	-	13	-	-	-
Interest	-	-	-	-	-	13	-	-	-
Rent on land	-	-	-	2,975	-	-	-	-	-
Financial transactions in assets and liabilities	277	398	-	410	-	-	-	-	-
Unauthorised expenditure	-	-	-	-	-	-	-	-	-
Transfers and subsidies to:	6,308,305	8,057,393	10,735,262	11,402,681	12,217,492	13,169,032	14,766,630	16,053,273	17,368,132
Local government	776,732	795,669	1,004,621	832,085	855,736	850,859	884,973	1,044,641	1,252,629
Municipalities	776,701	795,632	1,004,597	832,049	855,700	850,823	884,935	1,044,586	1,252,572
Municipal agencies and funds	31	37	24	36	36	36	38	55	57
Departmental agencies and accounts	161,216	138,622	160,102	170,664	188,581	187,165	199,036	210,280	214,906
Social security funds	296	437	1,166	530	357	216	150	155	160
Entities receiving funds	160,920	138,185	158,936	170,134	188,224	186,949	198,886	210,125	214,746
Public corporations and private enterprises	291,069	278,990	346,904	423,890	456,659	395,715	490,615	499,362	522,228
Public corporations	221,381	212,471	249,208	251,952	273,252	265,284	298,163	297,601	310,926
Subsidies on production	-	-	-	-	-	2	-	-	-
Other transfers	221,381	212,471	249,208	251,952	273,252	265,282	298,163	297,601	310,926
Private enterprises	69,688	66,519	97,696	171,938	183,407	130,431	192,452	201,761	211,302
Subsidies on production	60,055	63,150	68,301	76,881	72,702	72,702	78,893	83,627	87,808
Other transfers	9,633	3,369	29,395	95,057	110,705	57,729	113,559	118,134	123,494
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Non-profit institutions	493,740	545,917	829,160	875,520	797,002	760,653	943,356	1,012,839	1,082,061
Households	4,585,548	6,298,195	8,394,475	9,100,522	9,919,514	10,974,640	12,248,650	13,286,151	14,296,308
Social benefits	4,471,203	6,115,412	8,215,635	8,921,362	9,705,320	10,771,954	12,016,475	13,042,683	14,037,949
Other transfers to households	114,345	182,783	178,840	179,160	214,194	202,686	232,175	243,468	258,359
Payments for capital assets¹	1,937,201	1,846,299	2,318,952	2,900,389	2,710,973	2,628,722	3,020,322	3,215,278	3,515,284
Buildings and other fixed structures	1,540,955	1,357,048	1,718,653	2,247,620	2,044,666	1,958,458	2,253,315	2,348,409	2,620,627
Buildings	805,871	566,924	681,659	998,103	957,264	950,630	1,096,594	1,078,870	1,178,810
Other fixed structures	735,084	790,124	1,036,994	1,249,517	1,087,402	1,007,828	1,156,721	1,269,539	1,441,817
Machinery and equipment	392,776	486,608	599,094	650,630	650,569	651,139	764,270	864,583	892,253
Transport equipment	81,399	87,267	98,049	91,901	109,375	105,496	137,156	146,519	161,734
Other machinery and equipment	311,377	399,341	501,045	558,729	541,194	545,643	627,114	718,064	730,519
Cultivated assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	792	1,674	1,158	2,039	15,638	19,089	2,737	2,286	2,404
Land and subsoil assets	2,678	969	47	100	100	36	-	-	-
Total	25,034,600	28,745,348	34,055,374	37,775,508	38,960,879	39,996,385	45,539,754	49,959,270	54,431,157
Statutory payments	26,594	27,655	32,768	31,417	33,165	33,165	33,302	33,399	34,925
Total (including statutory payments)	25,061,194	28,773,003	34,088,142	37,806,925	38,994,044	40,029,550	45,573,056	49,992,669	54,466,082
1. Included under Payment of Capital Assets are capitalised payments for:									
Compensation of employees	140,288	121,627	120,224	158,253	79,881	83,253	73,083	81,391	85,530
Total compensation of employees	13,735,116	14,959,017	16,185,880	17,738,756	18,024,900	18,031,192	20,210,112	22,257,624	24,257,770

Table 1.C Detailed expenditure for infrastructure

Category / Department / Type of structure	No. of Projects	Total Cost	Medium-term estimates		
			2005/06	2006/07	2007/08
R000					
Capital	22,491	9,452,997	3,290,271	3,586,073	4,051,259
New constructions (Buildings and infrastructure)	16,406	3,768,704	1,076,143	1,217,053	1,276,585
Agriculture & Environmental Affairs	156	92,854	24,022	35,113	33,719
Community gardens	92	59,864	16,151	21,323	22,390
Other facilities (dams & irrigation schemes)	61	28,227	6,108	10,790	11,329
Administrative blocks (office accommodation)	3	4,763	1,763	3,000	-
Education	16,100	1,224,246	481,037	498,064	533,249
New schools	2,600	228,500	105,000	129,500	155,104
Additions (sub-500's)	13,200	959,746	304,037	368,564	378,145
Mobile classrooms	300	36,000	36,000	-	-
Other	-	-	36,000	-	-
Health	48	905,791	158,925	197,943	154,758
Hospitals	3	500,000	78,925	98,000	65,000
Other health facilities (Clinics, Community health centres, etc.)	45	405,791	80,000	99,943	89,758
Housing	-	-	-	-	-
Housing projects	-	-	-	-	-
Transport	77	1,338,830	388,376	456,380	521,074
Roads	74	1,318,330	365,876	443,880	508,574
Vehicle test stations	3	20,500	13,500	3,500	3,500
Other	-	-	9,000	9,000	9,000
Social Welfare & Population Development	8	101,952	11,692	12,974	11,757
Administration blocks (includes office accommodation)	8	101,952	11,692	12,974	11,757
Works	5	84,540	5,591	9,754	14,862
Administration blocks (includes office accommodation)	5	84,540	5,591	9,754	14,862
Sports and Recreation	12	20,491	6,500	6,825	7,166
Sports facilities in rural areas	12	20,491	6,500	6,825	7,166
Rehabilitation/upgrading	3,609	4,715,416	1,175,728	1,134,170	1,366,481
Agriculture & Environmental Affairs	63	35,350	11,345	9,937	14,068
Other facilities (dams, irrigation schemes & diptanks)	58	11,963	5,300	3,250	3,413
Administrative blocks (office accommodation)	5	23,387	6,045	6,687	10,655
Education	3,166	703,929	165,249	194,199	217,481
Repairs and renovations	1,600	416,248	126,249	138,999	151,000
Preservation Programme (CSIR)	800	69,829	10,000	25,000	34,829
Water and Sanitation Programme	766	217,852	29,000	30,200	31,652
Health	70	1,000,000	173,773	75,057	161,390
Hospitals	20	600,000	160,000	60,057	143,390
Other health facilities (Clinics, Community health centres, etc.)	50	400,000	13,773	15,000	18,000
The Royal Household	1	2,237	-	-	2,237
Structural repairs - Dlamahlaha	1	2,237	-	-	2,237
Transport	259	2,840,646	796,730	834,433	954,309
Roads	246	2,776,500	763,284	818,333	939,709
Administrative blocks (office accommodation)	3	49,146	18,446	16,100	14,600
Other	10	15,000	15,000	-	-
Social Welfare & Population Development	10	62,000	3,400	3,000	5,500
Administration blocks (includes office accommodation)	10	62,000	3,400	3,000	5,500
Works	37	70,728	25,064	17,369	11,312
Administration blocks (includes office accommodation)	37	70,728	25,064	17,369	11,312
Arts, Culture and Tourism	3	526	167	175	184
Repairs and renovations	3	526	167	175	184
Other capital projects	113	909,177	388,899	440,843	414,508
Education	-	186,786	33,000	34,980	36,729
Health	100	700,000	196,765	233,293	205,031
Housing	13 200 units	-	153,865	160,350	168,368
The Royal Household	2	3,678	2,000	1,678	-
Transport (plant purchases)	-	-	-	-	-
Works	11	18,713	3,269	10,542	4,380
Infrastructure transfer	2,363	59,700	649,501	794,007	993,685
Housing	2,347	-	629,601	774,107	973,785
Arts, Culture and Tourism	16	59,700	19,900	19,900	19,900
Current (maintenance)	-	-	799,121	846,057	875,604
Provincial Parliament			244	348	383
Agriculture & Environmental Affairs			10,261	8,094	15,742
Education			60,000	55,000	55,000
Health			199,146	225,172	205,331
Traditional and Local Government Affairs			11,704	12,381	10,264
Transport			480,606	498,567	536,496
Social Welfare & Population Development			10,180	11,250	11,813
Works			26,980	35,245	40,575
Total			4,089,392	4,432,130	4,926,863

Table 1.D: Summary of transfers to municipalities

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited	Audited	Audited				2005/06	2006/07	2007/08
	2001/02	2002/03	2003/04						
A eThekweni	27,848	31,041	54,022	55,552	54,146	54,135	283,744	359,105	575,942
Total: Ugu Municipalities	8,414	12,721	15,091	20,002	24,240	24,275	64,763	73,195	69,949
B KZ211 Vulamehlo	210	329	677	1,583	1,718	1,725	9,733	9,931	9,689
B KZ212 Umdoni	2,786	3,718	3,363	1,867	2,578	2,578	5,446	6,159	6,077
B KZ213 Umzumbe	217	278	648	268	638	638	16,621	21,137	20,260
B KZ214 uMuziwabantu	314	2,140	3,537	2,620	2,997	2,997	8,750	10,419	10,170
B KZ215 Ezinoleni	212	334	847	1,388	1,538	1,538	5,318	5,921	4,972
B KZ216 Hibiscus Coast	1,852	2,727	3,005	2,797	2,972	2,972	12,654	14,700	13,535
C DC21 Ugu District Municipality	2,823	3,194	3,014	9,479	11,799	11,827	6,241	4,928	5,246
Total: uMgungundlovu Municipalities	13,992	21,726	30,547	28,718	36,190	36,292	81,921	94,057	94,838
B KZ221 uMshwathi	500	823	3,561	1,478	1,374	1,374	8,927	10,301	10,258
B KZ222 uMngeni	893	2,594	3,744	1,700	1,817	1,818	4,716	5,265	5,622
B KZ223 Mooi Mpotana	403	1,984	2,041	1,416	1,757	1,757	3,022	3,593	3,597
B KZ224 Impendle	160	564	1,270	1,268	1,497	1,497	3,532	4,660	5,176
B KZ225 Msunduzi	7,466	8,979	12,666	10,878	18,399	18,399	40,396	45,975	45,506
B KZ226 Mkhambathini	100	421	270	468	468	468	5,832	7,167	5,916
B KZ227 Richmond	736	873	2,591	703	797	797	5,349	6,515	6,203
C DC22 uMgungundlovu District Municipality	3,734	5,487	4,404	10,806	10,081	10,182	10,147	10,581	12,560
Total: Uthukela Municipalities	4,886	17,977	14,893	16,776	18,836	18,867	58,607	65,199	62,085
B KZ232 Emnambithi/Ladysmith	1,509	5,506	4,083	3,055	3,100	3,100	2,704	2,764	2,887
B KZ233 Indaka	150	844	355	1,168	1,268	1,268	13,751	16,289	15,558
B KZ234 Umtshezi	627	1,091	1,402	3,173	3,823	3,823	11,721	10,955	10,812
B KZ235 Okhahlamba	733	1,417	2,074	1,478	1,850	1,850	4,795	5,579	5,766
B KZ236 Imbabazane	150	564	271	1,168	1,168	1,168	12,115	13,973	13,053
C DC23 Uthukela District Municipality	1,717	8,554	6,708	6,734	7,627	7,658	13,521	15,639	14,009
Total: Umzinyathi Municipalities	4,735	10,408	12,869	13,908	12,868	12,871	49,030	57,933	54,436
B KZ241 Endumeni	1,168	1,878	3,164	1,685	2,028	2,028	4,273	4,586	4,597
B KZ242 Nquthu	150	1,144	1,843	1,368	1,395	1,395	11,537	13,807	12,506
B KZ244 Msinga	150	464	1,421	1,191	1,491	1,491	18,625	21,883	21,000
B KZ245 Umvoti	669	1,227	1,764	1,237	1,583	1,583	9,821	11,211	11,012
C DC24 Umzinyathi District Municipality	2,598	5,695	4,677	8,427	6,371	6,374	4,774	6,446	5,321
Total: Amajuba Municipalities	3,326	9,265	5,387	7,037	9,393	9,402	23,894	26,050	27,491
B KZ252 Newcastle	735	1,327	1,504	1,655	2,652	2,652	11,515	12,956	12,695
B KZ253 Utrecht	247	577	709	572	671	672	2,933	3,281	3,836
B KZ254 Dannhauser	357	1,720	779	952	1,016	1,016	5,388	6,379	5,958
C DC25 Amajuba District Municipality	1,987	5,641	2,395	3,858	5,054	5,062	4,058	3,434	5,002
Total: Zululand Municipalities	7,566	14,975	23,964	15,860	14,815	14,653	60,454	69,640	70,596
B KZ261 eDumbe	1,761	947	1,706	943	1,236	1,236	5,373	7,713	6,799
B KZ262 uPhongolo	120	1,555	4,112	962	1,476	1,476	6,352	7,518	7,381
B KZ263 Abaqulusi	506	2,888	1,688	2,953	2,939	2,939	12,156	12,764	12,352
B KZ265 Nongoma	108	3,416	1,885	530	1,072	1,072	13,887	16,181	16,292
B KZ266 Ulundi	910	1,041	3,197	2,036	2,061	2,061	15,381	17,950	18,198
C DC26 Zululand District Municipality	4,161	5,127	11,376	8,436	6,031	5,869	7,305	7,514	9,574
Total: Umkhanyakude Municipalities	3,943	10,428	10,839	13,181	17,402	17,388	49,274	57,213	52,576
B KZ271 Umhlabyalingana	100	964	556	1,463	2,237	2,237	13,135	14,806	13,960
B KZ272 Jozini	100	704	771	438	2,647	2,647	15,490	18,387	16,729
B KZ273 The Big 5 False Bay	100	294	1,354	1,588	2,121	2,121	3,658	3,991	3,167
B KZ274 Hlabisa	100	564	351	438	738	738	9,231	12,151	10,942
B KZ275 Mtubatuba	209	1,100	2,540	1,318	1,558	1,558	2,323	2,610	2,750
C DC27 Umkhanyakude District Municipality	3,334	6,800	5,267	7,935	8,101	8,087	5,437	5,268	5,028
Total: uThungulu Municipalities	6,868	10,563	15,236	15,417	16,612	16,492	69,690	82,225	79,689
B KZ281 Mbonambi	108	294	621	1,368	1,368	1,368	7,211	8,559	7,695
B KZ282 uMhlathuze	1,564	1,722	1,580	2,487	2,546	2,546	13,224	15,121	14,802
B KZ283 Ntambanana	100	294	621	488	888	888	6,275	8,623	7,519
B KZ284 Umlalazi	966	1,284	3,722	1,975	2,675	2,675	16,855	19,485	19,529
B KZ285 Mthonjaneni	327	580	967	768	993	993	5,043	5,747	6,266
B KZ286 Nkandla	1,216	980	771	1,338	1,338	1,338	14,281	17,579	16,295
C DC28 uThungulu District Municipality	2,587	5,407	6,954	6,992	6,804	6,684	6,801	7,111	7,583
Total: Ilembe Municipalities	5,103	8,470	11,228	12,371	13,852	13,881	54,982	66,079	65,706
B KZ291 eNdonakusuka	768	1,762	2,448	1,963	2,317	2,317	11,099	12,726	12,350
B KZ292 KwaDukuza	1,364	1,400	3,831	3,345	4,299	4,299	13,097	15,228	15,174
B KZ293 Ndwedwe	197	718	378	1,058	1,358	1,358	13,553	17,640	16,349
B KZ294 Maphumulo	196	748	378	598	738	738	11,994	15,185	14,594
C DC29 Ilembe District Municipality	2,578	3,842	4,193	5,407	5,140	5,169	5,239	5,300	7,239
Total: Sisonke Municipalities	5,302	13,512	11,793	10,943	12,133	12,150	37,700	42,084	42,816
B KZ5a1 Ingwe	210	251	836	448	598	598	12,081	13,863	14,205
B KZ5a2 Kwa Sani	224	855	1,285	220	420	420	1,750	2,284	3,137
B KZ5a3 Matatiele	2,580	1,516	2,458	1,128	1,439	1,439	2,380	2,445	2,952
B KZ5a4 Greater Kokstad	945	4,071	3,275	2,955	2,985	2,985	6,474	7,193	6,913
B KZ5a5 Ubuhlebezwe	192	695	621	1,819	2,319	2,319	11,573	13,366	12,892
C DC43 Sisonke District Municipality	1,151	6,124	3,318	4,372	4,372	4,389	3,442	2,933	2,717
Unallocated/unclassified	684,749	634,585	798,753	622,321	625,249	620,453	50,914	51,861	56,505
Total	776,732	795,669	1,004,621	832,085	855,736	850,859	884,973	1,044,641	1,252,629

Table 1.E Expenditure by policy area

R000	Outcome			Main Budget	Adjusted Budget 2004/05	Estimated actual	Medium-term estimates		
	Audited 2001/02	Audited 2002/03	Audited 2003/04				2005/06	2006/07	2007/08
GENERAL PUBLIC SERVICES	1,046,156	1,135,452	1,279,158	1,403,752	1,622,003	1,609,135	1,568,853	1,646,655	1,728,957
Executive & Legislative	137,702	160,909	182,065	183,132	264,976	263,425	270,410	277,500	293,012
Office of the Premier	6,861	5,999	7,878	8,253	17,068	17,068	15,016	15,868	16,668
Provincial Parliament (including all statutory payments and ministries)	111,089	135,114	151,441	153,560	222,696	221,145	227,796	232,428	245,680
The Royal Household	19,752	19,796	22,746	21,319	25,212	25,212	27,598	29,204	30,664
General Services	446,991	491,802	524,921	612,772	619,010	606,000	662,387	700,522	733,908
Office of the Premier	72,870	87,628	95,456	111,648	119,983	120,325	154,457	162,012	168,764
Transport	81,626	97,987	83,042	104,817	104,817	104,322	91,902	97,446	102,193
Works	292,495	306,187	346,423	396,307	394,210	381,353	416,028	441,064	462,951
General Policy & Administration	371,354	379,181	428,422	453,298	481,429	481,429	455,216	482,292	506,359
Traditional and Local Government Affairs	370,341	378,167	427,070	451,832	479,963	479,963	453,662	480,645	504,630
Agriculture & Environmental Affairs	1,013	1,014	1,352	1,466	1,466	1,466	1,554	1,647	1,729
Financial & Fiscal Affairs	90,109	103,560	143,750	154,550	256,588	258,281	180,840	186,341	195,678
Provincial Treasury	90,109	103,560	143,750	154,550	256,588	258,281	180,840	186,341	195,678
PUBLIC ORDER & SAFETY AFFAIRS	167,117	197,820	247,027	270,036	271,536	271,536	409,666	417,352	435,866
Public Order & Safety Affairs n.e.c.	6,808	12,780	15,893	15,627	17,127	17,127	48,154	50,818	53,359
Community Safety & Liaison	6,808	12,780	15,893	15,627	17,127	17,127	48,154	50,818	53,359
Traffic Control	160,309	185,040	231,134	254,409	254,409	254,409	361,512	366,534	382,507
Transport	160,309	185,040	231,134	254,409	254,409	254,409	361,512	366,534	382,507
EDUCATION AFFAIRS & SERVICES	9,301,971	10,449,471	12,031,484	13,165,590	13,303,167	13,304,304	14,774,854	16,272,002	17,772,991
Education Affairs & Services n.e.c.	411,964	577,898	743,564	770,024	779,940	779,940	937,584	1,027,781	1,087,111
Education	411,964	577,898	743,564	770,024	779,940	779,940	937,584	1,027,781	1,087,111
Subsidiary Services to Education	176,679	225,757	222,634	320,576	238,722	238,722	251,283	264,099	277,704
Education	176,679	225,757	222,634	320,576	238,722	238,722	251,283	264,099	277,704
Tertiary Education Services not leading to a University Degree	240,698	186,069	227,514	240,594	242,629	243,766	276,960	296,297	324,604
Agriculture & Environmental Affairs	10,726	12,096	15,248	18,852	16,887	18,024	13,835	14,665	15,398
Education	96,194	14,387	473	0	0	0	0	0	0
Health	133,778	159,586	211,793	221,742	225,742	225,742	263,125	281,632	309,206
Pre-primary, Primary and Secondary Education	8,076,224	9,006,349	10,343,203	11,217,163	11,423,880	11,423,880	12,575,351	13,937,881	15,287,043
Education	8,076,224	9,006,349	10,343,203	11,217,163	11,423,880	11,423,880	12,575,351	13,937,881	15,287,043
Education Services not defined by level	396,406	453,398	494,569	617,233	617,996	617,996	733,676	745,944	796,529
Education	396,406	453,398	494,569	617,233	617,996	617,996	733,676	745,944	796,529
HEALTH AFFAIRS & SERVICES	6,893,023	7,331,798	7,996,306	8,539,384	8,643,478	8,643,478	10,108,862	11,177,109	12,029,312
Administration & control of Health Affairs & Services n.e.c.	830,904	559,335	616,871	880,459	762,912	762,912	1,086,081	1,111,563	1,135,998
Health	830,904	559,335	616,871	880,459	762,912	762,912	1,086,081	1,111,563	1,135,998
Hospital & Clinic Affairs & Services	2,577,083	3,212,159	3,336,361	3,280,616	3,421,656	3,421,656	3,972,997	4,259,640	4,524,820
Health	2,577,083	3,212,159	3,336,361	3,280,616	3,421,656	3,421,656	3,972,997	4,259,640	4,524,820
Primary Health Services	3,326,700	3,363,876	3,771,028	4,041,257	4,130,858	4,130,858	4,630,789	5,352,526	5,882,880
Health	3,326,700	3,363,876	3,771,028	4,041,257	4,130,858	4,130,858	4,630,789	5,352,526	5,882,880
Ambulance Services	158,336	196,428	272,046	337,052	328,052	328,052	418,995	453,380	485,614
Health	158,336	196,428	272,046	337,052	328,052	328,052	418,995	453,380	485,614
COMMUNITY & SOCIAL SERVICES	5,045,392	6,869,876	9,161,129	10,247,244	10,946,526	12,004,788	13,601,208	14,722,613	15,781,528
Social Security & Welfare Affairs n.e.c.	401,123	574,507	698,664	912,389	875,312	898,678	1,149,060	1,213,085	1,253,829
Social Welfare and Population Development	401,123	574,507	698,664	912,389	875,312	898,678	1,149,060	1,213,085	1,253,829
Family & Child Allowances	714,523	1,340,076	2,255,091	2,851,276	3,001,012	3,363,900	3,973,947	4,454,230	4,808,708
Social Welfare and Population Development	714,523	1,340,076	2,255,091	2,851,276	3,001,012	3,363,900	3,973,947	4,454,230	4,808,708
Old Age, Disability or War Veteran's benefits other than for Government Employees	3,726,637	4,742,111	5,910,180	6,055,871	6,665,871	7,396,232	7,990,128	8,534,450	9,172,842
Social Welfare and Population Development	3,726,637	4,742,111	5,910,180	6,055,871	6,665,871	7,396,232	7,990,128	8,534,450	9,172,842
Other Social Assistance to persons	3,092	2,392	2,249	14,035	14,035	6,556	22,821	23,962	25,160
Social Welfare and Population Development	3,092	2,392	2,249	14,035	14,035	6,556	22,821	23,962	25,160
Welfare Services - Children's Residential Institutions	94,344	109,449	125,405	178,243	152,057	157,531	195,942	216,763	227,601
Social Welfare and Population Development	94,344	109,449	125,405	178,243	152,057	157,531	195,942	216,763	227,601
Welfare Services - Old Persons Residential Institutions	47,209	47,849	54,744	61,686	56,467	56,010	66,171	68,901	72,346
Social Welfare and Population Development	47,209	47,849	54,744	61,686	56,467	56,010	66,171	68,901	72,346
Welfare Services - Handicapped Persons	28,904	32,289	34,939	39,617	37,866	37,021	42,860	43,311	45,477
Social Welfare and Population Development	28,904	32,289	34,939	39,617	37,866	37,021	42,860	43,311	45,477
Welfare Services not delivered through residential institutions	17,468	16,228	16,228	29,760	23,916	21,640	37,768	40,484	42,313
Social Welfare and Population Development	17,468	16,228	16,228	29,760	23,916	21,640	37,768	40,484	42,313
Research & Development	12,092	4,975	63,629	104,367	119,990	67,220	122,511	127,427	133,252
Social Welfare and Population Development	12,092	4,975	63,629	104,367	119,990	67,220	122,511	127,427	133,252

Table 1.E Expenditure by policy area (cont.)

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2001/02	Audited 2002/03	Audited 2003/04				2005/06	2006/07	2007/08
HOUSING & COMMUNITY (AMENITY) AFFAIRS & SERVICES									
SERVICES	1,055,289	1,133,764	1,323,371	1,204,864	1,246,661	1,245,281	1,321,435	1,508,622	1,762,657
Housing Affairs & Services	829,365	901,825	1,068,091	928,031	967,728	967,728	960,693	1,105,181	1,319,999
Housing	829,365	901,825	1,068,091	928,031	967,728	967,728	960,693	1,105,181	1,319,999
Nature Conservation	212,012	208,872	226,641	239,819	241,919	241,919	271,508	286,853	298,991
Agriculture & Environmental Affairs	212,012	208,872	226,641	239,819	241,919	241,919	271,508	286,853	298,991
Pollution Abatement & Control Affairs	13,912	23,067	28,639	37,014	37,014	35,634	89,234	116,588	143,667
Agriculture & Environmental Affairs	13,912	23,067	28,639	37,014	37,014	35,634	89,234	116,588	143,667
RECREATIONAL, CULTURAL & RELIGIOUS AFFAIRS & SERVICES									
AFFAIRS & SERVICES	99,449	106,195	112,888	151,509	175,876	175,686	255,313	265,389	282,101
Sporting & Recreational Affairs & Services	11,747	15,160	15,733	24,534	39,134	39,134	84,424	84,364	90,343
Sport & Recreation	11,747	15,160	15,733	24,534	39,134	39,134	84,424	84,364	90,343
Recreational, Cultural & Religious Affairs & Services n.e.c.	0	0	0	0	9,372	9,372	15,175	15,981	17,117
Arts, Culture & Tourism	0	0	0	0	9,372	9,372	15,175	15,981	17,117
Cultural Affairs & Services	87,702	91,035	97,155	126,975	127,370	127,180	155,714	165,044	174,641
Arts, Culture & Tourism	68,499	73,622	78,304	109,175	109,605	109,605	114,581	120,432	126,449
Office of the Premier	19,203	17,413	18,851	17,800	17,765	17,575	41,133	44,612	48,192
AGRICULTURE AFFAIRS & SERVICES	412,878	453,508	495,196	607,106	637,022	627,719	671,308	719,830	767,851
Agriculture Affairs & Services, except subsidies on agricultural products	369,906	399,875	432,777	540,756	582,360	568,327	601,782	644,012	688,242
Agriculture & Environmental Affairs	369,906	399,875	432,777	540,756	582,360	568,327	601,782	644,012	688,242
Research and development	42,972	53,633	62,419	66,350	54,662	59,392	69,526	75,818	79,609
Agriculture & Environmental Affairs	42,972	53,633	62,419	66,350	54,662	59,392	69,526	75,818	79,609
TRANSPORTATION & COMMUNICATION AFFAIRS & SERVICES									
& SERVICES	893,039	923,220	1,267,676	1,465,591	1,456,253	1,456,101	1,747,899	1,886,322	2,114,205
Air transport affairs and services	19,540	18,304	24,661	23,733	9,395	9,243	7,570	8,298	8,713
Office of the Premier	19,540	18,304	24,661	23,733	9,395	9,243	7,570	8,298	8,713
Transportation Affairs & Services n.e.c.	22,405	27,152	31,884	30,969	30,969	30,969	34,103	35,889	37,288
Economic Development	2,700	0	0	0	0	0	0	0	0
Transport	19,705	27,152	31,884	30,969	30,969	30,969	34,103	35,889	37,288
Road Affairs & Services	851,094	877,764	1,211,131	1,410,889	1,415,889	1,415,889	1,706,226	1,842,135	2,068,204
Transport	851,094	877,764	1,211,131	1,410,889	1,415,889	1,415,889	1,706,226	1,842,135	2,068,204
OTHER ECONOMIC AFFAIRS & SERVICES	146,880	171,899	173,907	751,849	691,522	691,522	1,113,658	1,376,775	1,790,614
Other Economic Affairs & Services n.e.c.	18,169	21,875	23,260	27,752	29,074	29,074	37,961	40,494	42,520
Economic Development	18,169	21,875	23,260	27,752	29,074	29,074	37,961	40,494	42,520
Multipurpose Development Project Affairs & Services	31,116	44,847	31,725	34,012	69,773	69,773	31,940	34,090	35,793
Economic Development	9,698	31,888	28,834	34,012	32,100	32,100	31,940	34,090	35,793
Office of the Premier	21,418	12,959	2,891	0	37,673	37,673	0	0	0
General Economic & Commercial Affairs other than General Labour Affairs	4,754	6,458	9,639	12,130	11,430	11,430	9,130	9,744	10,232
Economic Development	4,754	6,458	9,639	12,130	11,430	11,430	9,130	9,744	10,232
Regional Development	45,397	43,837	43,401	608,003	506,293	506,293	961,559	1,215,724	1,621,510
Economic Development	45,397	43,837	43,401	58,003	74,293	74,293	61,559	65,724	69,010
Provincial Treasury	0	0	0	550,000	432,000	432,000	900,000	1,150,000	1,552,500
Tourism Affairs & Services	47,444	54,882	65,882	69,952	74,952	74,952	73,068	76,723	80,559
Arts, Culture & Tourism	47,444	54,882	65,882	69,952	74,952	74,952	73,068	76,723	80,559
GRAND TOTAL FOR ALL FUNCTIONS	25,061,194	28,773,003	34,088,142	37,806,925	38,994,044	40,029,550	45,573,056	49,992,669	54,466,082

Table 1.F Donor funding and agency receipt

Name of Donor Organisation	Outcome			Main budget	Adjusted budget	Estimated actual	Medium-term estimates		
	Audited 2001/02	Audited 2002/03	Audited 2003/04				2005/06	2006/07	2007/08
R000					2004/05				
Donor funding	28,204	16,692	117,382	22,922	20,607	52,448	227,806	112,817	110,250
Premier	3,285	-	-	-	-	-	-	-	-
Department for International Development (UK)	3,285								
Agriculture	4,546	-	-	1,925	-	1,925	3,556	2,567	-
Netherlands Funding	346								
South African Sugar Association	4,200			1,925		1,925	3,556	2,567	
Flemish Government									
Economic Development	-	-	-	-	-	26,000	67,000	67,000	67,000
European Commission - LED programme						26,000	67,000	67,000	67,000
Education & Culture	19,191	12,548	11,650	3,458	-	3,458	38,250	38,250	38,250
Zenex, South Africa									
National Department of Education	19,191	12,548	11,650	3,458		3,458			
BHP Billiton, South Africa									
Transnet, South Africa									
Flemish Government									
South African Sugar Association									
Royal Netherlands Embassy							38,250	38,250	38,250
Health	1,182	1,674	98,798	70	3,138	3,596	114,000	-	-
Global Fund for HIV/AIDS Patients			86,703				114,000		
Belgium Funding	102		552						
Crossroad Crossscape Express-South Africa	5								
Dept. of Int. Dev.(DFID) UK Abortion Care	21								
Department of National Health (Poverty Relief)	929	1,596	2,785						
Emmanuel Church, UK	52	48	1						
Bethesda Impumelelo				70					
Phillips Medical Systems		30	30						
Indigeneous Systems			1						
Tongalet Hulett			1						
Kaizer Chiefs			10						
US Funding professional Conference Group						3			
Brussel English Primary School						2			
European Union : PHC			8,427						
Dept of National Health (VEP Crises Centre)	73								
Uthungulu District Municipality			40	-					
HWSeta Learnership - St Aiden's			67		50	50			
HWSeta Learnership - Mseleni and Mosvold			161						
Johnson and Johnson (IALCH)			2						
Ramnarain Holdings (IALCH)			1						
Medtronic Africa (IALCH)			10						
NIC (IALCH)			7						
Bristol-Myers Squibb					111	111			
Dept of Water Affairs & Forestry					2,500	2,500			
Smith & Nephew					300	300			
Astra Zeneca						364			
Zinc Study (Nu Health & Pfizer)						89			
Agouron A (Pfizer)					167	167			
Siemed Services					10	10			
Housing	-	-	791	2,000	2,000	2,000	5,000	5,000	5,000
Flanders Funding			791	2,000	2,000	2,000	5,000	5,000	5,000
Traditional & Local Government Affairs	-	2,470	6,143	15,469	15,469	15,469	-	-	-
Development Bank of Southern Africa		2,470	6,143	15,469	15,469	15,469			
Agency receipt	369,095	421,900	455,842	497,643	497,643	497,643	539,070	586,020	637,669
Agriculture	-	-	-	65,000	65,000	65,000	65,000	65,000	65,000
Cold Spell Disaster - National Dept of Agriculture				65,000	65,000	65,000	65,000	65,000	65,000
Dip Tank Rehabilitation - National Dept of Agriculture									
Health	-	1,369	455	-	-	-	-	-	-
European Union Funding Systems Development		1,369	455						
Traditional & Local Government	-	1,012	598	-	-	-	-	-	-
Department of Provincial & Local Government		712	448						
Flemish Government		300							
Norwegian Government			150						
Transport	369,095	419,519	454,789	432,643	432,643	432,643	474,070	521,020	572,669
Bus Subsidies- National Transport	360,000	412,500	447,550	423,050	423,050	423,050	465,355	511,890	563,079
Overload Control - SANRA	4,637	5,362	7,239	8,369	8,369	8,369	8,715	9,130	9,590
Arrive Alive - National Transport	4,458	1,657		1,224	1,224	1,224			
Total	397,299	438,592	573,224	520,565	518,250	550,091	766,876	698,837	747,919

Table 1.G(i): Details of transfers to Municipalities: 2005/06*

Municipality	All Votes RSCL	Vote 1 1.1	Vote 3 3.1	Vote 7			Vote 8 8.1	Vote 11											Vote 12		Vote 15 15.1	Total										
				7.1	7.2	7.3		11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9	11.10	11.11	11.12	11.13			11.14	11.15	11.16	11.17	11.18					
eThekwini	19,403	-	-	29,558	916	1,250	220,427	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	283,654	
Total: Ugu Municipalities	3,930	55	-	3,963	205	-	47,624	450	175	450	270	800	310	140	200	1,590	1,500	-	826	500	240	1,000	-	231	-	450	312	-	12,000	167	-	64,763
Vulamehlo	20	-	-	-	-	-	7,577	30	200	30	40	200	30	40	100	790	-	-	170	100	40	-	-	-	231	450	312	-	-	149	-	9,733
Umdoni	-	-	-	1,020	59	-	3,819	45	200	-	-	200	-	-	-	-	-	-	151	100	40	-	-	-	-	-	-	-	-	12	-	5,446
Umzimbe	-	-	-	-	-	-	15,741	175	45	200	50	200	50	-	100	-	-	-	170	100	40	-	-	-	-	-	-	-	-	-	-	16,621
uMuziwabantu	-	-	-	472	26	-	7,767	70	30	50	70	50	50	60	-	-	-	-	165	100	40	-	-	-	-	-	-	-	-	-	-	8,750
Ezinqoleni	-	-	-	-	-	-	3,848	100	30	200	30	200	30	-	-	800	-	-	170	100	40	-	-	-	-	-	-	-	-	-	-	5,318
Hlabisa Coast	-	55	-	2,471	120	-	8,872	-	-	-	-	-	50	40	-	-	1,500	-	-	-	-	40	1,000	-	-	450	-	-	6	-	-	12,654
Ugu District Municipality	3,910	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,241
Total: uMgungundlovu Municipalities	9,229	140	-	9,263	236	1,676	54,387	550	400	600	400	600	400	-	300	800	-	-	969	600	280	-	-	441	450	-	-	-	1,200	-	-	81,921
uMshwathi	-	-	-	332	-	-	7,940	50	250	50	50	250	50	-	-	-	-	-	165	100	40	-	-	-	-	-	-	-	-	-	-	8,927
uMngeni	-	55	-	950	67	-	2,910	100	50	250	50	250	50	-	-	-	-	-	144	100	40	-	-	-	-	-	-	-	-	-	-	4,716
Mooi Mpotlana	-	30	-	770	-	-	1,817	50	50	50	50	50	50	-	-	-	-	-	165	100	40	-	-	-	-	-	-	-	-	-	-	3,022
Impendle	-	-	-	-	-	-	2,877	-	50	100	50	100	50	-	150	-	-	-	165	100	40	-	-	-	-	-	-	-	-	-	-	3,532
Msunduzi	213	55	-	7,211	110	1,676	29,581	-	50	-	50	50	50	-	-	-	-	-	165	100	40	-	-	210	-	-	-	-	1,200	-	-	40,396
Mkhambathini	-	-	-	-	-	-	4,427	50	50	50	50	50	50	-	150	800	-	-	165	100	40	-	-	-	-	-	-	-	-	-	-	5,832
Richmond	-	-	-	-	59	-	4,835	50	50	50	50	50	50	-	-	-	-	-	165	100	40	-	-	-	-	-	-	-	-	-	-	5,349
uMgungundlovu District Municipality	9,016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,147
Total: Uthukela Municipalities	3,490	190	-	4,135	112	-	42,270	600	300	500	300	500	300	250	300	3,230	-	-	649	400	200	1,000	-	231	450	-	-	-	-	-	-	58,607
Ennambithi/Ladysmith	-	55	-	2,242	67	-	-	50	50	50	50	50	50	-	100	-	-	-	-	-	40	-	-	-	-	-	-	-	-	-	-	2,704
Indaka	-	-	-	-	-	-	12,241	-	50	250	50	250	50	50	-	800	-	-	170	100	40	-	-	-	-	-	-	-	-	-	-	13,751
Umishezi	-	80	-	1,252	45	-	7,680	100	50	250	50	250	50	50	-	880	-	-	165	100	40	1,000	-	-	-	-	-	-	-	-	-	11,721
Okhahlamba	17	55	-	641	-	-	3,627	-	50	50	50	50	50	-	-	-	-	-	165	100	40	-	-	-	-	-	-	-	-	-	-	4,795
Imbabazane	-	-	-	-	-	-	10,555	100	50	50	50	50	50	-	200	800	-	-	170	100	40	-	-	-	-	-	-	-	-	-	-	12,115
Uthukela District Municipality	3,473	-	-	-	-	-	8,167	350	50	50	50	50	50	-	-	750	-	-	628	400	160	-	-	231	450	-	-	-	-	-	-	13,521
Total: Umdinyathi Municipalities	4,043	110	-	2,585	112	-	37,085	250	50	350	250	350	250	200	150	1,600	-	-	649	400	200	1,000	-	231	450	-	-	-	-	64	-	49,030
Endumeni	-	55	-	1,671	67	-	1,728	75	100	50	50	100	50	50	150	-	-	-	144	100	40	-	-	-	-	-	-	-	-	43	-	4,273
Nquthu	-	-	-	-	-	-	9,865	100	50	50	50	50	50	-	-	800	-	-	170	100	40	-	-	-	-	-	-	-	-	-	-	11,537
Mzinga	-	-	-	-	-	-	17,415	-	50	50	50	50	50	-	-	800	-	-	170	100	40	-	-	-	-	-	-	-	-	-	-	18,625
Umvoti	-	55	-	914	45	-	8,077	75	-	250	50	250	50	50	-	-	-	-	144	100	40	-	-	-	-	-	-	-	21	-	-	9,821
Umdinyathi District Municipality	4,043	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,774
Total: Amajuba Municipalities	2,477	55	-	1,681	115	-	16,232	600	50	200	150	250	200	150	250	500	-	-	330	200	120	-	-	441	450	-	-	-	-	43	-	23,894
Newcastle	-	55	-	1,209	75	-	9,676	50	-	50	50	50	50	50	100	-	-	-	165	100	40	-	-	210	-	-	-	-	-	-	-	11,515
Utrecht	-	-	-	-	20	-	2,223	100	-	50	50	50	50	-	150	-	-	-	165	100	40	-	-	-	-	-	-	-	-	35	-	2,933
Dannhauser	-	-	-	472	20	-	4,333	100	50	50	50	50	50	-	-	-	-	-	165	100	40	-	-	-	-	-	-	-	-	8	-	5,388
Amajuba District Municipality	2,477	-	-	-	-	-	-	350	-	50	-	50	50	-	-	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,058
Total: Zululand Municipalities	6,586	55	-	1,129	116	-	47,061	625	240	490	300	490	300	250	350	750	-	-	762	500	200	-	-	231	450	-	-	-	-	47	-	60,454
eDumbe	-	-	-	747	-	-	3,945	150	40	80	50	50	50	-	-	-	-	-	165	100	40	-	-	-	-	-	-	-	6	-	-	5,373
uPhongolo	-	-	-	-	27	-	5,680	-	40	100	50	50	50	50	100	-	-	-	165	100	40	-	-	-	-	-	-	-	-	-	-	6,352
Abaqulusi	-	55	-	382	39	-	9,873	100	40	80	50	50	50	50	100	750	-	-	144	100	40	-	-	-	-	-	-	-	-	41	-	12,156
Nongoma	164	-	-	-	-	-	12,974	150	40	100	50	50	50	50	75	-	-	-	144	100	40	-	-	-	-	-	-	-	-	-	-	13,887
Ulundi	38	-	-	-	50	-	14,589	125	40	80	50	50	50	50	75	-	-	-	144	100	40	-	-	-	-	-	-	-	-	-	-	15,381
Zululand District Municipality	6,384	-	-	-	-	-	-	100	40	50	50	50	50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,305
Total: Umkhanyakude Municipalities	3,766	-	-	-	-	-	37,592	625	240	530	300	530	300	250	350	2,792	-	-	824	500	200	-	-	231	450	-	-	-	-	-	-	49,274
Umlahlabaingana	-	-	-	-	-	-	11,473	150	40	100	50	50	50	50	150	500	-	-	170	100	40	-	-	231	450	-	-	-	-	-	-	13,135
Jozini	-	-	-	-	-	-	13,586	150	40	100	50	50	50	50	100	792	-	-	170	100	40	-	-	-	-	-	-	-	-	-	-	15,490
The Big 5 False Bay	-	-	-	-	-	-	2,168	100	40	100	50	50	50	50	100	750	-	-	170	100	40	-	-	-	-	-	-	-	-	-	-	3,658
Hlabisa	-	-	-	-	-	-	8,556	125	40	100	50	50	50	50	-	-	-	-	170	100	40	-	-	-	-	-	-	-	-	-	-	9,231
Mbuluzi	-	-	-	-	-	-	1,819	-	40	80	50	50	50	-	-	-	-	-	144	100	40	-	-	-	-	-	-	-	-	-	-	2,323
Umkhanyakude District Municipality	3,766	-	-	-	-	-	-	100	40	50	50	50	50	-	-	750	-	-	-	-	-	-	-	231	450	-	-	-	-	-	-	5,

*note that the transfers to municipalities against Vote 8: Housing are at this stage only provisional, and should therefore be used for planning purposes only.

Table 1.G(i): Details of transfers to Municipalities: 2005/06* (cont.)

Municipality	All Votes RSCL	Vote 1	Vote 3	Vote 7			Vote 8	Vote 11											Vote 12		Vote 15	Total							
		1.1	3.1	7.1	7.2	7.3	8.1	11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9	11.10	11.11	11.12	11.13	11.14		11.15	11.16	11.17	11.18	12.1	12.2	15.1
Total: uThungulu Municipalities	5,930	110	-	2,908	234	-	54,388	750	280	470	350	300	100	1,400	-	-	819	500	240	-	-	441	450	-	-	-	20	-	69,690
Mbonambi	-	-	-	-	-	-	5,831	150	40	80	50	50	-	700	-	-	-	170	100	40	-	-	-	-	-	-	-	-	7,211
uMhlabuze	-	55	-	1,386	173	-	11,220	-	40	-	50	50	-	-	-	-	-	-	-	40	-	210	-	-	-	-	-	-	13,224
Ntambana	-	-	-	-	-	-	5,575	150	40	100	50	50	-	-	-	-	-	170	100	40	-	-	-	-	-	-	-	-	6,275
Umlalazi	-	55	-	1,151	61	-	14,864	100	40	80	50	50	100	-	-	-	-	144	100	40	-	-	-	-	-	20	-	-	16,855
Mthonjaneni	-	-	-	371	-	-	3,997	150	40	80	50	50	-	-	-	-	-	165	100	40	-	-	-	-	-	-	-	-	5,043
Nkandla	-	-	-	-	-	-	12,901	150	40	80	50	50	-	700	-	-	-	170	100	40	-	-	-	-	-	-	-	-	14,281
uThungulu District Municipality	5,930	-	-	-	-	-	-	50	40	50	50	-	-	-	-	-	-	-	-	-	-	231	450	-	-	-	-	-	6,801
Total: Ilembe Municipalities	4,058	55	-	3,659	108	-	43,566	625	200	600	240	80	166	-	-	-	484	300	160	-	-	231	450	-	-	-	-	-	54,982
eNdondekusuka	-	-	-	804	21	-	9,640	100	50	200	-	9,640	-	-	-	-	-	144	100	40	-	-	-	-	-	-	-	-	11,099
KwaBukuba	-	55	-	2,855	87	-	9,960	-	50	-	50	-	-	-	-	-	-	-	40	-	-	-	-	-	-	-	-	-	13,097
Ndvedwe	-	-	-	-	-	-	12,787	-	50	200	40	-	166	-	-	-	-	170	100	40	-	-	-	-	-	-	-	-	13,553
Maphumulo	-	-	-	-	-	-	11,179	175	-	200	50	80	-	-	-	-	-	170	100	40	-	-	-	-	-	-	-	-	11,994
Ilembe District Municipality	4,058	-	-	-	-	-	-	350	50	-	100	-	-	-	-	-	-	-	-	-	-	231	450	-	-	-	-	-	5,239
Total: Sisonke Municipalities	1,511	40	-	1,924	98	-	28,969	725	300	400	250	310	200	750	-	-	809	500	200	-	-	231	450	-	-	33	-	-	37,700
Ingwe	-	-	-	-	-	-	11,396	100	50	-	50	80	100	-	-	-	-	165	100	40	-	-	-	-	-	-	-	-	12,081
Kwa Sani	-	-	-	-	-	-	1,338	-	50	-	50	-	-	-	-	-	-	170	100	40	-	-	-	-	-	2	-	-	1,750
Mataiele	-	40	-	1,012	20	-	812	-	50	-	50	80	-	-	-	-	-	165	100	40	-	-	-	-	-	11	-	-	2,380
Greater Kokstad	-	-	-	912	55	-	4,673	100	50	200	-	80	100	-	-	-	-	144	100	40	-	-	-	-	-	20	-	-	6,474
Ubuhlebezwe	-	-	-	-	23	-	10,750	175	50	200	-	70	-	-	-	-	-	165	100	40	-	-	-	-	-	-	-	-	11,573
Sisonke District Municipality	1,511	-	-	-	-	-	-	350	50	-	100	-	-	750	-	-	-	-	-	-	-	231	450	-	-	-	-	-	3,442
Unallocated/unclassified	414	-	1,905	-	-	-	-	-	-	-	-	-	-	1,985	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,900
Total	64,837	810	1,905	60,805	2,252	2,926	629,601	5,800	2,330	4,740	3,000	1,930	2,366	15,397	1,500	-	7,100	4,400	2,000	2,000	2,000	2,940	4,500	1,560	25,000	15,000	374	19,900	884,973

* note that the transfers to municipalities against Vote 8: Housing are at this stage only provisional, and should therefore be used for planning purposes only.

Key	Grant Name	Key	Grant Name
RSCL	Regional Service Council Levy	11.8	Shared Service Centres
1.1	Museums Services	11.9	Property Rates Implementation Act
3.1	Cleanest Town Competition	11.10	Valuation Roll
7.1	Health - Clinics	11.11	Municipal Finance Management Act
7.2	Environmental Health	11.12	Inter-departmental Monitoring
7.3	Health - HIV/AIDS	11.13	Debt Management System Implementation
8.1	Housing Subsidy Grant	11.14	Technical Support
11.1	Municipal Development Infrastructure Services (DIS) Support Grant	11.15	Facilitate Water Service Delivery Planning
11.2	Municipal Performance Management System (PMS) Grant	11.16	Facilitate Assessment of Water Service Delivery Mechanism
11.3	Municipal Development Plan Capacity Building Grant	11.17	Implement Municipal Infrastructure Investment Programmes (MIPs)
11.4	Integrated Development Planning Support Grant	11.18	Project Consolidate
11.5	Spatial Planning Grant	12.1	Municipal Transport Authority Board (MTAB)
11.6	Dev. Admin Capacity Building Grant	12.2	Maintenance - Main Roads
11.7	Provincial Municipal Assistance Programme (MAP)	15.1	Library Services

Table 1.G(ii): Details of transfers to Municipalities: 2006/07*

Municipality	All Votes	Vote 1	Vote 3	Vote 7			Vote 8	Vote 11											Vote 12			Vote 15	Total									
				7.1	7.2	7.3		11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9	11.10	11.11	11.12	11.13	11.14			11.15	11.16	11.17	11.18	12.1	12.2			
eThekwini	20,856	-	-	31,479	976	1,331	292,195	-	75	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	359,012	
Total: Ugu Municipalities	4,279	55	-	4,232	219	-	56,086	600	359	1,000	195	170	250	300	300	1,200	-	690	810	-	-	450	100	450	320	-	1,200	-	-	-	94,057	
Vulamehlo	25	-	-	-	-	-	8,924	200	40	200	-	-	-	-	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	-	10,301	
Umdoni	-	-	-	1,097	63	-	4,497	-	40	200	-	-	-	-	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	-	5,265	
Umkuzumbe	-	-	-	-	-	-	18,577	200	40	200	-	-	-	-	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	-	3,593	
uMuzwabantu	-	-	-	503	28	-	9,148	200	45	200	45	-	-	-	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	-	4,660	
Ezingoleni	-	-	-	-	-	-	4,491	-	40	200	-	120	-	50	250	1,000	-	115	135	-	-	-	-	-	-	-	-	-	-	-	45,975	
Hlabisa Coast	-	55	-	2,632	128	-	10,449	-	80	-	50	50	250	300	300	1,200	-	-	-	-	-	450	50	-	-	-	-	-	-	-	7,167	
Ugu District Municipality	4,254	-	-	-	-	-	-	-	74	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,515	
Total: uMgungundlovu Municipalities	10,068	140	-	9,866	251	1,785	64,087	740	-	950	350	300	300	300	300	1,200	-	690	810	-	-	450	100	450	320	-	1,200	-	-	-	10,581	
uMshwathi	-	-	-	354	-	-	9,347	-	-	250	50	50	50	150	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	-	10,955	
uMngeni	-	55	-	1,012	71	-	3,427	200	-	-	50	50	150	-	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	-	15,639	
Mooi Mpotlana	-	30	-	820	-	-	2,143	-	-	250	50	50	-	-	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	-	16,289	
Impendle	-	-	-	-	-	-	3,390	-	-	-	50	50	150	-	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	-	2,764	
Msunduzi	227	55	-	7,680	117	1,785	34,861	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45,975	
Mkhambathini	-	-	-	-	-	-	5,217	150	-	250	50	50	-	-	-	1,200	-	115	135	-	-	-	-	-	-	-	-	-	-	-	7,167	
Richmond	-	-	-	-	63	-	5,702	200	-	200	50	50	-	-	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	-	6,515	
uMgungundlovu District Municipality	9,841	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,581	
Total: Uthukela Municipalities	3,800	190	-	4,404	119	-	49,786	460	-	650	300	-	300	300	300	1,100	1,500	-	460	540	-	-	450	50	450	640	-	-	-	-	65,199	
Emnambithi/Ladysmith	-	55	-	2,388	71	-	-	-	-	100	50	-	100	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,289	
Indaka	-	-	-	-	-	-	14,419	-	-	150	50	-	-	-	-	550	-	115	135	-	-	-	-	-	-	-	-	-	-	-	10,955	
Umishezi	18	80	-	1,333	48	-	4,273	150	-	-	50	-	-	-	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	-	13,973	
Okhahlamba	-	55	-	683	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,639	
Imbabazane	-	-	-	-	-	-	12,433	120	-	150	50	-	100	550	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	-	-	5,579
Uthukela District Municipality	3,782	-	-	-	-	-	9,617	190	-	-	50	-	-	-	-	-	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,973
Total: Umrizinyathi Municipalities	4,396	110	-	2,753	119	-	43,679	300	-	600	250	-	300	300	300	1,600	1,500	-	460	540	-	-	450	50	440	320	-	-	66	45	-	57,933
Endumeni	-	55	-	1,780	71	-	2,035	100	-	100	50	-	100	-	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	-	-	4,586
Nquthu	-	-	-	-	-	-	11,617	100	-	150	50	-	100	100	-	1,100	-	115	135	-	-	-	-	-	-	-	-	-	-	-	-	13,807
Msinga	-	-	-	-	-	-	20,513	-	-	250	50	-	-	-	-	500	-	115	135	-	-	-	-	-	-	-	-	-	-	-	-	21,883
Umvoti	-	55	-	973	48	-	9,514	100	-	100	50	-	100	-	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	-	-	11,211
Umrizinyathi District Municipality	4,396	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,446
Total: Amajuba Municipalities	2,694	55	-	1,791	122	-	19,095	500	-	450	150	-	100	-	100	-	-	230	270	-	-	450	100	-	-	-	-	-	43	35	-	26,050
Newcastle	-	55	-	1,288	80	-	11,383	-	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,966
Utrecht	-	-	-	-	21	-	2,615	110	-	100	50	-	100	-	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	-	-	3,281
Dannhauser	-	-	-	503	21	-	5,097	200	-	250	50	-	-	-	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	-	-	6,379
Amajuba District Municipality	2,694	-	-	-	-	-	-	190	-	-	50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,434
Total: Zululand Municipalities	7,139	55	-	1,203	124	-	55,446	625	-	415	600	250	354	1,200	354	1,200	-	575	675	-	-	450	50	430	-	-	-	-	49	6	-	69,640
eDumbe	-	-	-	796	-	-	4,631	175	-	75	100	50	-	-	-	1,200	-	115	135	-	-	-	-	-	-	-	-	-	-	-	-	7,713
uPhongolo	-	-	-	-	29	-	6,694	200	-	95	100	50	100	-	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	-	-	7,518
Abaqulusi	-	55	-	407	42	-	11,638	-	-	75	100	50	104	-	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	-	-	12,764
Nongoma	170	-	-	-	-	-	15,291	150	-	95	100	50	75	-	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	-	-	16,181
Ulundi	55	-	-	-	53	-	17,192	100	-	75	100	50	75	-	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	-	-	17,950
Zululand District Municipality	6,914	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,514
Total: Umkhanyakude Municipalities	4,093	-	-	-	-	-	44,300	625	-	455	600	250	340	1,200	340	4,050	-	575	675	-	-	450	50	430	-	-	-	-	-	-	-	57,213
Umkhanyakude District Municipality	4,093	-	-	-	-	-	13,521	150	-	95	100	50	140	500	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	-	-	14,806
Umkhanyakude District Municipality	4,093	-	-	-	-	-	16,012	150	-	95	100	50	100	1,200	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	-	-	18,387
Jozini	-	-	-	-	-	-	2,546	100	-	95	100	50	100	750	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	-	-	3,991
The Big 5 False Bay	-	-	-	-	-	-	10,086	150	-	95	100	50	-	-	-	1,100	-	115	135	-	-	-	-	-	-	-	-	-	-	-	-	12,151
Hlabisa	-	-	-	-	-	-	2,135	-	-	75	100	50	-	-	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	-	-	2,610
Mbuthaba	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,268
Umkhanyakude District Municipality	4,093	-	-	-	-	-	-	75	-	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

note that the transfers to municipalities against Vote 1: Housing are at this stage only provisional, and should therefore be used for planning purposes only.

* note that the transfers to municipalities against Vote : Housing are at this stage only provisional, and should therefore be used for planning purposes only.

Table 1.G(ii): Details of transfers to Municipalities: 2006/07* (cont.)

Municipality	All Votes RSCL	Vote 1		Vote 3		Vote 7			Vote 8		Vote 11												Vote 12		Vote 15		Total		
		1.1	3.1	7.1	7.2	7.3	8.1	11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9	11.10	11.11	11.12	11.13	11.14	11.15	11.16	11.17	11.18	12.1		12.2	15.1
Total: uThungulu Municipalities	6,461	110	-	3,097	249	-	64,014	750	-	430	700	300	154	2,750	-	-	575	675	-	-	450	100	430	960	-	-	20	-	82,225
Mbonambi	-	-	-	-	-	-	6,864	150	-	75	100	50	-	750	-	-	115	135	-	-	-	-	-	320	-	-	-	-	8,559
uMhlabuze	-	55	-	1,476	184	-	13,206	-	-	-	100	50	-	-	-	-	-	-	-	-	-	50	-	-	-	-	-	-	15,121
Ntambanana	-	-	-	-	-	-	6,558	200	-	95	100	50	50	1,000	-	-	115	135	-	-	-	-	-	320	-	-	-	-	8,623
Umlalazi	-	55	-	1,226	65	-	17,495	50	-	70	100	50	104	-	-	-	115	135	-	-	-	-	-	-	-	20	-	-	19,485
Mthonjaneni	-	-	-	395	-	-	4,707	150	-	95	100	50	-	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	5,747
Nkandla	-	-	-	-	-	-	15,184	150	-	95	100	50	-	1,000	-	-	115	135	-	-	-	-	430	320	-	-	-	-	17,579
uThungulu District Municipality	6,461	-	-	-	-	-	-	50	-	-	100	-	-	-	-	-	-	-	-	-	450	50	-	-	-	-	-	-	7,111
Total: Ilembe Municipalities	4,426	55	-	3,897	115	-	51,329	654	164	600	230	292	100	1,897	-	-	345	405	-	-	450	50	430	640	-	-	-	-	66,079
eNdondokusuka	-	-	-	856	22	-	11,358	-	40	200	-	50	112	100	-	-	115	135	-	-	-	-	-	-	-	-	-	-	12,726
KwaBukiza	-	55	-	3,041	93	-	11,727	-	50	-	200	40	180	897	-	-	115	135	-	-	-	-	430	320	-	-	-	-	15,228
Ndvedwe	-	-	-	-	-	-	15,069	254	-	200	40	-	-	1,000	-	-	115	135	-	-	-	-	-	-	-	-	-	-	17,640
Maphumulo	-	-	-	-	-	-	13,175	200	-	200	40	-	-	-	-	-	115	135	-	-	-	450	50	-	-	-	-	-	15,185
Ilembe District Municipality	4,426	-	-	-	-	-	-	200	74	-	100	-	-	-	-	-	-	-	-	-	450	50	-	-	-	-	-	-	5,300
Total: Sisonke Municipalities	1,658	40	-	2,049	104	-	34,090	654	305	400	250	100	250	400	-	-	575	675	-	-	450	50	-	-	-	34	-	-	42,084
Ingwe	-	-	-	-	-	-	13,413	-	50	-	50	100	-	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	13,863
Kwa Sani	-	-	-	-	-	-	1,578	254	50	-	50	-	100	-	-	-	115	135	-	-	-	-	-	-	-	2	-	-	2,284
Mataiele	-	40	-	1,078	21	-	945	-	50	-	50	-	-	-	-	-	115	135	-	-	-	-	-	-	-	11	-	-	2,445
Greater Kokstad	-	-	-	971	59	-	5,502	-	40	200	-	-	150	-	-	-	115	135	-	-	-	-	-	-	-	21	-	-	7,193
Ubuhlebezwe	-	-	-	-	24	-	12,652	200	40	200	-	-	-	-	-	-	115	135	-	-	-	-	-	-	-	-	-	-	13,366
Sisonke District Municipality	1,658	-	-	-	-	-	-	200	75	-	100	-	-	400	-	-	-	-	-	-	450	50	-	-	-	-	-	-	2,933
Unallocated/unclassified	446	-	2,019	-	-	-	-	-	-	-	-	-	-	1,789	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,900
Total	70,316	810	2,019	64,771	2,398	3,116	774,107	5,908	903	5,950	3,725	1,662	2,448	18,586	3,000	-	5,060	5,940	-	-	4,500	650	3,510	3,840	26,000	15,000	522	19,900	1,044,641

* note that the transfers to municipalities against Vote : Housing are at this stage only provisional, and should therefore be used for planning purposes only.

Key	Grant Name	Key	Grant Name
RSCL	Regional Service Council Levy	11.8	Shared Service Centres
1.1	Museums Services	11.9	Property Rates Implementation Act
3.1	Cleanest Town Competition	11.10	Valuation Roll
7.1	Health - Clinics	11.11	Municipal Finance Management Act
7.2	Environmental Health	11.12	Inter-departmental Monitoring
7.3	Health - HIV/AIDS	11.13	Debt Management System Implementation
8.1	Housing Subsidy Grant	11.14	Technical Support
11.1	Municipal Development Infrastructure Services (DIS) Support Grant	11.15	Facilitate Water Service Delivery Planning
11.2	Municipal Performance Management System (PMS) Grant	11.16	Facilitate Assessment of Water Service Delivery Mechanism
11.3	Municipal Development Plan Capacity Building Grant	11.17	Implement Municipal Infrastructure Investment Programmes (MIIPs)
11.4	Integrated Development Planning Support Grant	11.18	Project Consolidate
11.5	Spatial Planning Grant	12.1	Municipal Transport Authority Board (MTAB)
11.6	Dev. Admin Capacity Building Grant	12.2	Maintenance - Main Roads
11.7	Provincial Municipal Assistance Programme (MAP)	15.1	Library Services

Table 1.G(iii): Details of transfers to Municipalities: 2007/08*

Municipality	All Votes	Vote 1		Vote 3		Vote 7			Vote 8		Vote 11											Vote 12			Vote 15	Total																					
		RSCL	1.1	3.1	7.1	7.2	7.3	8.1	11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9	11.10	11.11	11.12	11.13	11.14	11.15	11.16			11.17	11.18	12.1	12.2																	
eThekwini	22,312	-	-	-	33,139	1,024	1,398	505,805	-	65	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	575,843																	
Total: Ugu Municipalities	4,616	55	-	-	4,443	229	-	54,465	750	345	650	315	136	200	600	-	250	-	500	-	400	490	50	475	700	-	12,000	310	-	69,949																	
Vulamehlo	35	-	-	-	-	-	-	8,666	150	45	-	45	106	-	-	-	50	-	100	-	200	-	-	-	-	-	-	292	-	9,689																	
Umdoni	-	-	-	-	1,152	66	-	4,367	150	40	-	40	-	100	-	-	50	-	100	-	-	-	-	-	-	-	-	12	-	6,077																	
Umrzumbi	-	-	-	-	-	-	-	18,040	150	45	200	50	-	-	600	-	50	-	100	-	200	-	-	475	350	-	-	-	-	20,260																	
uMuziwabantu	-	-	-	-	528	29	-	8,883	300	40	200	40	-	-	-	-	50	-	100	-	-	-	-	-	-	-	-	-	-	10,170																	
Ezingolweni	-	-	-	-	-	-	-	4,362	-	40	-	40	30	-	-	-	50	-	100	-	-	-	-	350	-	-	-	-	-	4,972																	
Hlabisa Coast	-	55	-	-	2,763	134	-	10,147	-	40	250	40	-	100	-	-	-	-	-	-	-	-	-	-	-	-	6	-	-	13,535																	
Ugu District Municipality	4,581	-	-	-	-	-	-	-	-	65	-	60	-	-	-	-	-	-	-	-	-	-	490	50	-	-	-	-	-	5,246																	
Total: uMgungundlovu Municipalities	10,706	140	-	-	10,360	264	1,874	62,234	695	-	1,050	400	-	300	1,000	1,500	300	-	600	-	800	490	100	475	350	-	1,200	-	-	94,838																	
uMshwathi	-	-	-	-	372	-	-	9,076	160	-	100	50	-	150	-	-	50	-	100	-	200	-	-	-	-	-	-	-	-	10,258																	
uMngeni	-	55	-	-	1,063	75	-	3,329	-	200	-	50	-	-	500	-	50	-	100	-	200	-	-	-	-	-	-	-	-	5,622																	
Mooi Mpotlana	-	30	-	-	861	-	-	2,081	175	-	250	50	-	-	-	-	50	-	100	-	-	-	-	-	-	-	-	-	-	3,597																	
Impende	-	-	-	-	-	-	-	3,291	160	-	50	50	-	150	500	-	50	-	100	-	-	-	-	475	350	-	-	-	-	5,176																	
Msunduzi	236	55	-	-	8,064	123	1,874	33,864	-	-	-	50	-	-	-	-	-	-	-	-	-	-	50	-	-	-	1,200	-	-	45,506																	
Mkhambathini	-	-	-	-	-	-	-	5,066	200	-	250	50	-	-	-	-	50	-	100	-	200	-	-	-	-	-	-	-	-	5,916																	
Richmond	-	-	-	-	-	66	-	5,537	-	-	200	50	-	-	-	-	50	-	100	-	200	-	-	-	-	-	-	-	-	6,203																	
uMgungundlovu District Municipality	10,470	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	12,560																	
Total: Uthukela Municipalities	4,099	190	-	-	4,624	125	-	48,347	485	-	750	300	-	450	-	-	200	-	400	-	400	490	50	475	700	-	-	-	-	62,085																	
Ennambithi/Ladysmith	-	55	-	-	2,507	75	-	-	-	-	200	50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,887																	
Indaka	-	-	-	-	-	-	-	14,003	80	-	100	50	-	150	-	-	50	-	100	-	200	-	-	475	350	-	-	-	-	15,558																	
Umishezi	-	80	-	-	1,400	50	-	8,782	50	-	250	50	-	150	-	-	50	-	100	-	200	-	-	-	-	-	-	-	-	10,812																	
Okhahlamba	19	55	-	-	717	-	-	4,150	175	-	100	50	-	150	-	-	50	-	100	-	200	-	-	-	-	-	-	-	-	5,766																	
Imbabazane	-	-	-	-	-	-	-	12,073	180	-	100	50	-	150	-	-	50	-	100	-	-	-	-	-	350	-	-	-	-	-	13,053																
Uthukela District Municipality	4,080	-	-	-	-	-	-	9,339	-	-	-	50	-	-	-	-	-	-	-	-	-	490	50	-	-	-	-	-	-	14,009																	
Total: Umrizinyathi Municipalities	4,731	110	-	-	2,891	125	-	42,416	630	-	750	250	-	100	-	-	200	-	400	-	400	490	50	475	350	-	-	68	-	54,436																	
Endumeni	-	55	-	-	1,869	75	-	1,976	225	-	50	50	-	100	-	-	50	-	100	-	200	-	-	-	-	-	-	47	-	4,597																	
Nquthu	-	-	-	-	-	-	-	11,281	100	-	250	50	-	-	-	-	50	-	100	-	200	-	-	475	-	-	-	-	-	-	12,506																
Msinga	-	-	-	-	-	-	-	19,920	80	-	250	50	-	-	-	-	50	-	100	-	200	-	-	350	-	-	-	-	-	-	21,000																
Umvoti	-	55	-	-	1,022	50	-	9,239	225	-	200	50	-	-	-	-	50	-	100	-	-	-	-	-	-	-	21	-	-	-	11,012																
Umrizinyathi District Municipality	4,731	-	-	-	-	-	-	-	-	-	-	50	-	-	-	-	-	-	-	-	-	-	490	50	-	-	-	-	-	-	5,321																
Total: Amajuba Municipalities	2,912	55	-	-	1,880	128	-	18,543	190	-	300	200	-	150	500	1,500	100	-	200	-	200	490	100	50	-	-	43	-	-	27,491																	
Newcastle	-	55	-	-	1,352	84	-	11,054	-	-	50	50	-	-	-	-	-	-	-	-	-	-	50	-	-	-	-	-	-	-	12,695																
Utrecht	-	-	-	-	-	22	-	2,539	190	-	150	50	-	-	500	-	50	-	100	-	200	-	-	-	-	-	-	35	-	-	3,836																
Dannhauser	-	-	-	-	528	22	-	4,950	-	-	100	50	-	150	-	1,500	-	50	-	100	-	-	490	50	-	-	-	8	-	-	5,958																
Amajuba District Municipality	2,912	-	-	-	-	-	-	-	-	-	-	50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,002																
Total: Zululand Municipalities	7,694	55	-	-	1,263	130	-	53,843	550	180	640	300	250	500	1,500	1,500	250	-	500	-	400	490	50	450	300	-	-	51	-	-	70,596																
eDumbe	-	-	-	-	836	-	-	4,497	150	30	80	50	50	120	-	500	-	50	-	100	-	-	-	450	-	-	-	6	-	-	6,799																
uPhongolo	-	-	-	-	-	30	-	6,501	150	30	100	50	50	120	-	-	50	-	100	-	200	-	-	-	-	-	-	-	-	-	7,381																
Abaqulusi	-	55	-	-	427	44	-	11,301	-	30	80	50	50	120	-	-	50	-	100	-	-	-	-	-	-	-	45	-	-	-	12,352																
Nongoma	183	-	-	-	-	-	-	14,849	150	30	200	50	50	130	500	-	50	-	100	-	-	-	-	-	-	-	-	-	-	-	16,292																
Ulundi	57	-	-	-	-	56	-	16,695	100	30	180	50	50	130	500	-	50	-	100	-	200	-	-	-	-	-	-	-	-	-	18,198																
Zululand District Municipality	7,454	-	-	-	-	-	-	-	-	30	-	50	-	-	-	1,500	-	-	-	-	-	-	490	50	-	-	-	-	-	-	9,574																
Total: Umkhanyakude Municipalities	4,408	-	-	-	-	-	-	43,019	650	180	580	300	250	349	-	-	250	-	500	-	800	490	50	450	300	-	-	-	-	-	52,576																
Umkhanyakude District Municipality	4,408	-	-	-	-	-	-	13,130	150	30	200	50	50	-	-	-	50	-	100	-	200	-	-	-	-	-	-	-	-	-	13,960																
Umlabuyalingana	-	-	-	-	-	-	-	15,549	150	30	100	50	50	-	-	-	50	-	100	-	200	-	-	450	-	-	-	-	-	-	16,729																
Jozini	-	-	-	-	-	-	-	-	-	-	-	-	-	115	-	-	50	-	100	-	-	-	-	-	-	-	-	-	-	-	-																
The Big 5 False Bay	-	-	-	-	-	-	-	2,472	-	30	100	50	50	117	-	-	50	-	100	-	200	-	-	-	-	-	-	-	-	-	3,167																
Hlabisa	-	-	-	-	-	-	-	9,795	150	30	100	50	50	117	-	-	50	-	100	-	200	-	-	-	300	-	-	-	-	-	10,942																
Mbuthaba	-	-	-	-	-	-	-	2,073	200	30	80	50	50	117	-	-	50	-	100	-	-	-	-	-	-	-	-	-	-	-	2,750																
Umkhanyakude District Municipality	4,408	-	-	-	-	-	-	-	-	30	-	50	-	-	-	-	-	-	-	-	-	490	50	-	-	-	-	-	-	-	5,028																
note that the transfers to municipalities against Vote 8 : Housing are at this stage only provisional, and should therefore be used for planning purposes only.																				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

*note that the transfers to municipalities against Vote 8: Housing are at this stage only provisional, and should therefore be used for planning purposes only.

Table 1.G(iii): Details of transfers to Municipalities: 2007/08* (cont.)

Municipality	All Votes		Vote 3	Vote 7			Vote 8	Vote 11											Vote 12		Vote 15	Total							
	RSCL	1.1		3.1	7.1	7.2		7.3	8.1	11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9	11.10	11.11			11.12	11.13	11.14	11.15	11.16	11.17	11.18
Total: uThungulu Municipalities	6,963	110	-	3,252	261	-	62,163	800	210	460	350	300	50	1,000	-	250	-	500	-	1,000	490	100	450	960	-	-	20	-	79,689
Mbonambi	-	-	-	-	-	-	6,665	150	30	80	50	50	-	-	-	50	-	100	-	200	-	-	320	-	-	-	-	-	7,695
uMhlatuze	-	55	-	1,550	193	-	12,824	-	30	-	50	50	-	-	-	-	-	-	-	-	-	50	-	-	-	-	-	-	14,802
Namabana	-	-	-	-	-	-	6,369	200	30	100	50	50	50	-	-	50	-	100	-	200	-	-	320	-	-	-	-	-	7,519
Umlalazi	-	55	-	1,287	68	-	16,989	50	30	80	50	50	-	500	-	50	-	100	-	200	-	-	-	-	-	20	-	-	19,529
Mthonjaneni	-	-	-	415	-	-	4,571	200	30	100	50	50	-	500	-	50	-	100	-	200	-	-	-	-	-	-	-	-	6,266
Nkandla	-	-	-	-	-	-	14,745	200	30	100	50	50	-	-	-	50	-	100	-	200	-	-	450	320	-	-	-	-	16,295
uThungulu District Municipality	6,963	-	-	-	-	-	-	-	30	-	50	-	-	-	-	-	-	-	-	-	490	50	-	-	-	-	-	-	7,583
Total: Ilembe Municipalities	4,774	55	-	4,092	121	-	49,845	500	240	450	239	410	300	700	1,500	150	-	300	-	400	490	50	450	640	-	-	-	-	65,706
eNdondekusuka	-	-	-	899	23	-	11,029	-	45	-	44	160	-	-	-	50	-	100	-	-	-	-	-	-	-	-	-	-	12,350
KwaDukuza	-	55	-	3,193	98	-	11,388	-	40	250	40	110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,174
Ndvedwe	-	-	-	-	-	-	14,634	300	45	200	50	-	-	-	-	50	-	100	-	200	-	-	450	320	-	-	-	-	16,349
Maphumulo	-	-	-	-	-	-	12,794	200	45	-	45	140	-	700	-	50	-	100	-	200	-	-	320	-	-	-	-	-	14,594
Ilembe District Municipality	4,774	-	-	-	-	-	-	-	65	-	60	-	300	-	1,500	-	-	-	-	-	-	490	50	-	-	-	-	-	7,239
Total: Sisonke Municipalities	1,802	40	-	2,152	109	-	33,105	772	415	850	260	50	136	1,000	-	250	-	500	-	800	490	50	-	-	-	35	-	-	42,816
Ingwe	-	-	-	-	-	-	13,025	-	90	200	40	-	-	500	-	50	-	100	-	200	-	-	-	-	-	-	-	-	14,205
Kwa Sani	-	-	-	-	-	-	1,533	322	90	200	40	-	100	500	-	50	-	100	-	200	-	-	-	-	-	2	-	-	3,137
Mataiele	-	40	-	1,132	22	-	917	300	90	200	40	50	-	-	-	50	-	100	-	-	-	-	-	-	-	11	-	-	2,952
Greater Koksstad	-	-	-	1,020	62	-	5,343	-	40	-	40	-	36	-	-	50	-	100	-	200	-	-	-	-	-	22	-	-	6,913
Ubuhlebezwe	-	-	-	-	25	-	12,287	150	40	-	40	-	-	-	-	50	-	100	-	200	-	-	-	-	-	-	-	-	12,892
Sisonke District Municipality	1,802	-	-	-	-	-	-	-	65	250	60	-	-	-	-	50	-	-	-	-	-	490	50	-	-	-	-	-	2,717
Unallocated/unclassified	470	-	2,120	-	-	-	-	-	-	-	-	-	-	5,239	-	-	-	-	-	-	-	-	-	-	-	1,800	-	19,900	56,604
Total	75,487	810	2,120	68,096	2,516	3,272	973,785	6,022	1,605	6,480	3,014	1,396	2,535	11,539	6,000	2,200	-	4,400	-	5,600	4,900	650	3,700	4,000	27,075	15,000	527	19,900	1,252,629

* note that the transfers to municipalities against Vote 8: Housing are at this stage only, provisional, and should therefore be used for planning purposes only.

Key	Grant Name	Key	Grant Name
RSCL	Regional Service Council Levy	11.8	Shared Service Centres
1.1	Museums Services	11.9	Property Rates Implementation Act
3.1	Cleanest Town Competition	11.10	Valuation Roll
7.1	Health - Clinics	11.11	Municipal Finance Management Act
7.2	Environmental Health	11.12	Inter-departmental Monitoring
7.3	Health - HIV/AIDS	11.13	Debt Management System Implementation
8.1	Housing Subsidy Grant	11.14	Technical Support
11.1	Municipal Development Infrastructure Services (DIS) Support Grant	11.15	Facilitate Water Service Delivery Planning
11.2	Municipal Performance Management System (PMS) Grant	11.16	Facilitate Assessment of Water Service Delivery Mechanism
11.3	Municipal Development Plan Capacity Building Grant	11.17	Implement Municipal Infrastructure Investment Programmes (MIPs)
11.4	Integrated Development Planning Support Grant	11.18	Project Consolidate
11.5	Spatial Planning Grant	12.1	Municipal Transport Authority Board (MTAB)
11.6	Dev. Admin Capacity Building Grant	12.2	Maintenance - Main Roads
11.7	Provincial Municipal Assistance Programme (MAP)	15.1	Library Services