BUDGET STATEMENT ONE

BUDGET OVERVIEW

1. Budget Strategy and aggregates

1.1. Introduction

In the State of the Nation Address delivered by President Mbeki on 21 May 2004, he set out Government's policy objectives supported by specific targets in key service delivery areas. Based on these targets a comprehensive programme of action to deliver on the "People's Contract" was announced, the essence of which was the commitment from government to reduce poverty and create jobs.

President Mbeki stated as follows "the core of our response to all these challenges is the struggle against poverty and underdevelopment, which rests on three pillars. These are:

- Encouraging growth and development of the first economy, thus increasing its possibility to create jobs;
- Implementing our programmes to address the challenges of the second economy; and
- Building a social security net to meet the objectives of poverty alleviation."

Reflecting on the high level of optimism about our country, President Mbeki, in his State of the Nation Address delivered on the 03rd February 2006, further confirms the above policy objectives and calls on all of us to assert ourselves in accelerating the pace of service delivery, recognising that with optimism there are always expectations.

The Premier, in her State of the Province address aligns herself fully with the sentiments and aspirations expressed by the State President in taking the economy to greater heights that will benefit all. Specific focus areas according to the Premier will be;-

- providing water and sanitation to those most in need;
- Accelerating infrastructure spending to boost employment;
- Intensifying the agrarian transformation through utilization of all arable land.

Contextualised within the above development challenges the Eastern Cape adopted its Provincial Growth and Development Plan 2004-2014 (PGDP) in June 2004 and plans identifies the following six broad policy objectives:

- The systematic eradication of poverty;
- The transformation of the agrarian economy;
- Developing and diversifying our manufacturing and tourism sectors;
- Building our human resource capabilities;
- Infrastructure, including the eradication of backlogs and the development of enabling infrastructure for economic growth and development; and
- Public sector and institutional transformation in support of improved service delivery.

In support of its broad policy priorities the PGDP further sets, amongst others, the following quantified targets, which were to start in 2005:

- To maintain an economic growth rate of between 5% and 8% per annum;
- To halve the unemployment rate by 2014;
- To reduce by between 60% and 80% the number of households living below the poverty line by 2014;
- To reduce by between 60% and 80% the proportion of people suffering from hunger by 2014;
- To establish food self-sufficiency in the Province by 2014;
- To ensure universal primary education (UPE) by 2014, with all children proceeding to the first exit point in a secondary education;
- To improve the literacy rate in the Province by 50% by 2014;
- To eliminate gender disparity in education and employment by 2014;
- To reduce by two-thirds the under-five mortality rate by 2014;
- To reduce by three-quarters the maternal mortality rate by 2014;
- To halt and begin to reverse the spread of HIV/AIDS by 2014;
- To halt and begin to reverse the spread of tuberculosis by 2014;
- To provide clean water to all in the Province by 2014; and
- To eliminate sanitation problems by 2014.

By its nature, the Provincial Growth and Development Plan 2004-2014 finds close coherences with the policy framework articulated by the national government and builds on the President's bold approach for raising South Africa's development prospects into the third democratic term. The PGDP is embedded within the national government's stated socio-economic policy priorities set out in the Medium Term Strategic Framework and the National Spatial Development Perspective as it envisage to draw together the Integrated Development Plans of municipalities within the Eastern Cape, thereby enhancing economic development at a local government level.

1.2. Summary of budget aggregates.

Table 1.1 hereunder provides a summary of estimates of the main budget components (receipts and payments, budget surplus or deficit) in line with the New Economic Reporting Format.

		Outcome					Mediur	n-term estima	ate	
R'000	Audited 2002/03	Audited 2003/04	Audited 2004/05	Main appro- priation 2005/06	Adjusted appro- priation 2005/06	Revised estimate 2005/06	2006/07	% Change from Revised estimate 2007/08	2008/09	
Provincial receipts										
Transfer receipts from national	17,759,482	18,846,376	21,486,368	24,691,343	24,759,723	24,759,723	27,452,597	30,542,006	33,715,298	
Equitable share	16 211 372	16 649 754	18 310 812	22 202 309	22 202 309	22 202 309	24 642 653	27 188 826	30 091 474	
Conditional grants	1 548 110	2 196 622	3 175 556	2 489 034	2 557 414	2 557 414	2 809 944	3 353 180	3 623 824	
Financing	-	-	-	-	-	-	-	-	-	
Provincial own receipts	637 282	613 559	324 623	325 724	432 592	423 974	475 107	520 989	560 489	
Total provincial receipts	18,396,764	19,459,935	21,810,991	25,017,067	25,192,315	25,183,697	27,927,704	31,062,995	34,275,787	
Provincial payments										
Current payments	15,206,985	16,528,163	17,294,735	18,887,724	19,309,400	19,264,004	21,110,682	23,514,478	25,642,092	
Transfers and subsidies	2,625,381	3,506,159	2,826,334	2,919,444	3,009,269	3,059,175	3,688,074	4,249,940	4,892,986	
Payments for capital assets	839,053	1,677,885	1,465,311	1,585,002	1,585,209	1,561,608	2,028,368	2,715,592	3,338,465	
Direct charge	-	-	-	-	-	-	-		-	
Unallocated contingency reserve										
Total provincial payments	18,671,419	21,712,207	21,586,380	23,392,170	23,903,878	23,884,787	26,827,124	30,480,010	33,873,543	
Surplus (Deficit)	(274,655)	(2,252,272)	224,611	1,624,897	1,288,437	1,298,910	1,100,580	582,986	402,244	

Between 2005/06 and 2008/09, provincial revenue is expected to grow at an annual average rate of 10,7% (i.e. 10,5% in 2006/07, 11,2% in 2007/08 and 10,3% in 2008/09). Strong growth is Equitable share and conditional grants, whilst provincial own revenue declines by 13,7% in 2006/07 and stabilises at 6,9% for 2007/08 and 2008/09. The reason for the decline is once-off amounts in Motor vehicle licences (2005/06) as well as interest revenue that is not budgeted. The net result between estimated receipts and spending in the 2005/06 is a surplus of R428,165 million, increasing to R1 624,897 million in 2006/07, R1 104,529 million in 2007/08 and R349,810 million in 2008/09. The budgeted surplus over the 2006/07 MTEF is chiefly to address deficits and overdrafts from previous financial years.

1.3. Financing

The financial position of the province deteriorated in 2004 and drastic measures had to implemented to turn around the situation, hence a financial recovery plan was adopted by Executive Council in September 2004. Essentially the plan entailed tabling surplus budget in the following two years (R1.6 billion in 2005/06 and R900 million in 2006/07), hence a surplus budget. The surplus will be used in paying off outstanding roll overs on Conditional Grants, as well as other debts that have accumulated over the years. Part of the surplus relates to the provision for Government Employee Medical Aid Scheme (R131 million in 2006/07)

that will be allocated during the 2006/07 financial year. The province is also maintaining a limited contingency (R75 million) to respond to natural disasters like outbreaks of swine fever and other opportunistic deceases.

2. Budget process and the Medium-Term Expenditure Framework

2.1. Budget Process by Government.

South Africa has a single budgetary framework which is informed by socio economic environment. Provincial Treasury participate in all consultative discussions at both national and provincial level and these culminate in the tabling of the Medium Term Budget Policy Statement by the Minister of Finance in third quarter of each financial year.

Consequently, the provincial approach to budgeting, the formats and systems used are in line with the nationally established requirements. Hence then in terms of priorities and allocations this budget document does not deviate from the budget as presented by the Minister of Finance in the Medium Term Budget Policy Statement and during the national budget speech.

2.2. Medium-Term Expenditure Framework

The Medium Term Expenditure Framework (MTEF) details 3-year rolling expenditure and revenue plans for national and provincial departments. It matches the overall resource envelope, estimated through 'top-down' macroeconomic and fiscal policy processes, with the bottom-up estimation of the current and medium-term cost of existing departmental plans and expenditure programmes. In the nature of a three-year rolling budget process, each year the budget framework is revised. Additional resources for available expenditure are made up of the funds released by the drawdown of the contingency reserve and changes to the macroeconomic forecast.

Medium-term spending plans of national and provincial departments are prepared within the context of the Government's macroeconomic and fiscal framework set out in the previous budget. The framework set out in the previous budget outlines the resource envelope within which budget submissions are prepared.

The policy parameters and the figures contained in this document are therefore in line with the with the policy direction as captured in the 2005 Medium Term Budget Policy Statement.

2.3. Provincial Policy Framework

In line with the national policy framework for socio-economic planning and development challenges at provincial level the province adopted its Provincial Growth and Development Plan 2004-2014 (PGDP) in June 2004. The PGDP provides the strategic framework, sectoral strategies and programmes aimed at a rapid improvement in the quality of life for the poorest people of the Province. To do this, the PGDP sets out a vision with quantified and sequenced targets in the areas of economic growth, employment creation, poverty eradication and income redistribution for the 10-year period 2004-2014.

The following diagram depicts the six broad PGDP objectives, with an brief description of each objectives.

Figure 2.1 PGDP objectives



2.3.1. Agrarian transformation and food security

Strategic Approach

A key to poverty eradication lies in the rapid transformation of the agricultural sector. The challenge of poverty requires a focus on the growth of the agrarian economy in the former homelands through:

- Programmes to promote household food security by expanded smallholder production.
- Development of commercial agriculture through optimum use of the highest potential agricultural land in the former homelands.
- A focus on land redistribution and, in the longer term, land tenure reform to release land for poor households and for new commercial farming enterprises.

The dislocated agrarian economy of the ex-homelands must be integrated into the wider Provincial economy through the promotion of commercial agriculture and as a source of raw material for agroenterprises.

Core challenges for 2005-2008 MTEF until 2014

The following are core challenges for the 2005-2008 MTEF:

- Recognising the potential of the agro-industrial sector.
- Expanding the asset base of the poor.
- Shifting the balance of power between established commercial agriculture, emergent commercial agriculture and household agriculture.
- The need to simultaneously address food security, agricultural output and employment.

2.3.2. Fighting poverty

Strategic Approach

Poverty is primarily characterised by lack of access to opportunities for a sustainable livelihood. Eradicating the deep and pervasive poverty of the ex-homelands and underdeveloped townships of the Province will serve as a foundation for economic development in which all the people of the Eastern Cape can participate. Poverty eradication requires attention to the social, economic and political dimensions of poverty. The goal of poverty eradication leads to a further commitment to reduce inequality, between households and between different regions of the Province. In particular, action is required to:

- Establish greater control over and access to decision-making processes by poor people.
- Strengthen the income, asset and skills capabilities of the poor.
- Establish linkages between micro and macro levels of intervention in a mutually reinforcing manner
- State provision of grants and targeted interventions to promote social development and to provide health and education services need to be leveraged in support of these actions.

Core challenges for 2005-2008 MTEF until 2014

Regarding poverty eradication, the fundamental challenge is that of creating a comprehensive safety net while at the same time innovating more effective approaches to basic needs and basic needs industrialisation which reduces the dependency of the poor and marginalised on the State.

This suggests:

- The need for a comprehensive social security system that centralises the participation of the poor in the development and maintenance of their own welfare safety nets.
- The need to more effectively regulate the "poverty industry".
- The need to move beyond the welfarist paradigm, and in so doing, transform dependent consumer households into active producer households.
- The need to optimise job creation and economic gains in the social spend

2.3.3. Public sector transformation

Strategic Approach

The transformation of the State is a crucial condition for growth and development by way of the strong leadership role that is required from government institutions. The PGDP recognises:

- Improved capacity to plan, manage, and monitor implementation is necessary at all levels of government.
- Local Government will become the main focus for service delivery. Planning the phased delegation of powers and functions therefore becomes a key challenge.

- Local Authorities will have an increasingly important role in promoting Local Economic Development through the implementation of IDPs.
- Participation by the Provincial social partners in planning and implementation needs to be institutionalised.

Core challenges for 2005-2008 MTEF until 2014

Three generic categories of challenges require attention. The first relates to the consolidation and development of capacity within and between the spheres of Provincial and Local Government in a manner that functionally enhances the nature and character of cooperative governance. The second relates to a redefinition of the role of public utilities and parastatals. The third relates to governing the economy or, more accurately, building the capability for self-governance within the Provincial economy.

For the period 2005-2008, the focus is on public sector transformation, which is a necessary requirement for effective service delivery and systematic decentralisation of services. A key aspect of the latter is more effective support for Integrated Development Planning within Municipalities and a tangible strengthening of participative democracy.

2.3.4. Infrastructure development

Strategic approach

The development of infrastructure, especially in the former homelands, is a necessary condition to eradicate poverty through:

- The elimination of social backlogs in access roads, schools and clinics and water and sanitation;
- To leverage economic growth through access roads and improving the road, rail and air networks of the Province.

Infrastructure development, in turn, will have strong growth promotion effects on the agriculture, manufacturing and tourism sectors by improving market access and by "crowding in" private investment. Poverty alleviation should also be promoted through labour-intensive and community-based construction methods.

Core challenges for 2005-2008 MTEF until 2014

The Province is seeing increased investment in infrastructure, notably in roads and in the development of the IDZs. Provincial capital expenditure on roads was budgeted at over R1-billion in 2002/3 and is set to increase. While this growth in infrastructure investment is already a major factor in increased economic growth in the Province, further investment is needed in social infrastructure, especially in water and sanitation, school and clinic construction and in rural access roads. Well-planned rural infrastructure will play a major role in leveraging social and economic growth.

2.3.5. Manufacturing diversification and tourism

Strategic approach

The manufacturing sector requires consolidation by extending growth beyond a relatively small number of volatile export markets. Diversification into new markets can be achieved through three main strategies:

- Consolidating the value chain and supply chain in existing markets by identifying inputs that can be supplied and higher-value products linked to existing production.
- Creation of regional growth points for manufacturing development based upon availability of raw materials, skills and existing industrial profile.
- The development of agro-industries based upon expanded agricultural production in the former homelands.

The development of Provincial tourism has high potential to create employment and raise incomes in rural areas through community tourism programmes. The development and protection of existing and new parks

and reserves, improvement of infrastructure (especially along the Wild Coast), and the development of a strong marketing brand showcasing a number of core attractions and themes are priorities.

Core challenges for 2005-2008 MTEF until 2014

- The need for an active industrial strategy: The State needs to influence economic choices through the development of an industrial strategy developed in collaboration with the private sector.
- Orchestrating a shift from consumer to producer households: Key here, will be programmes that encourage self-employment within households through the forging of productive linkages wherever the potential for such linkages exist.
- The need to scale up investment in strategic economic infrastructure in the rural economy.
- The need for a policy dialogue: given the limited fiscal capability of the state, there is a need for dialogue between government, business and labour around minimum objectives of a Provincial industrial strategy that evolves creative approaches to issues of growth, employment, productivity, wages, supply chains and sectoral linkages and a host of related issues.

2.3.6. Human resource development

Strategic approach

Human resource development underlies both poverty eradication and growth in the key economic sectors through:

- Improving levels of general education by full universal primary education (UPE) and a higher uptake of further education.
- Increasing the intermediate technical skills needed in the key growth sectors of the economy.
- Promoting the high-level skills needed for further growth in the modern, export-oriented sectors.

A Provincial strategy for human resource development also underlies a reduction in inequality through progressive integration of the labour market.

Core challenges for 2005-2008 MTEF until 2014

Recent studies of the Eastern Cape Labour Market and HRD profile (HSRC: 2004) reveal a Province that is still bedevilled by immense structural and developmental challenges. If left unchecked, these challenges will compromise the growth, equity, and poverty eradication targets of the PGDP.

The following are core challenges:

- The need to address the low skills base of the Province.
- The need to scale up investment in skills development.
- Addressing labour market segmentation.
- The need to better align training and HRD outputs with socio-economic development strategies.

Given the context of these development challenges departments developed and presented their strategic plans at the MTEC hearings from which MTEF proposals were developed and tabled to the Executive Council for endorsement. A critical element in strengthening the effectiveness of the budget process is monitoring and evaluation system and this is the area that will receive more focus in the coming year.

3. The Eastern cape socio-economic outlook

The socio-economic realities of the Eastern Cape continually refer us back to the historical processes of underdevelopment and institutionalized racism which have shaped the current development challenges. We cannot escape the historical role of the Eastern Cape in South Africa's industrial development under apartheid as a labour reserve for the mining sector. This has locked the Eastern Cape economy, and particularly the former bantustan economies, into a dependent status with income inflows from remittances. The decline in mining and increased productivity and capital intensity in key export sectors has meant falling incomes, rising unemployment and increased welfare dependency. The challenge is to arrest this underdevelopment through new policy measures and strategies aimed at rapidly transforming the agrarian economy of the former Bantustans, as well as reorienting our growth strategy increasingly towards employment, creating basic needs wage goods sectors. These are the challenges which the PGDP programmes aim to address through specific interventions that are built around the particular nature of inequality and poverty in the Eastern Cape. As the socio-economic profile forms an integral part of the PGDP document issued by the Eastern Cape Government in June 2004

3.1 Economic Profile: Trends in economic growth

The economy of the Eastern Cape is characterised by extreme levels of uneven development. This is evident through a number of dualisms: between the two urban industrial manufacturing centres and the poverty-stricken and underdeveloped rural hinterland particularly in the former homeland areas of the Transkei and Ciskei; between a developed commercial farming sector and a floundering subsistence agricultural sector; and between concentrations of fairly well-developed and efficient social and economic infrastructure in the western parts of the province and its virtual absence in the east.

These pockets of vulnerability are hidden, as extreme poverty and underdevelopment within the relatively "more privileged" areas still exist. Thus significant levels of poverty and inequality are evident in the relatively more affluent western region of the Province, where a dominant privately-owned rural faming sector is contradicted by a class of landless, poor and unemployed residents of the platteland towns and small settlements along abandoned railway sidings. The broad structural features of the Eastern Cape economy thus have significantly different consequences for how poverty is experienced within the various human settlements across the Province.

3.1.1 Sectoral overview

During 2002, the Eastern Cape produced approximately 7% of national GDP although some 15% of South Africans resided in the Province. While the Eastern Cape is South Africa's third most populous province, it is ranked fifth in terms of its overall contribution to GDP. As a consequence, the Eastern Cape has the second lowest (after Limpopo) per capita gross value added (GVA) nationally. It is pegged at R9 883, significantly lower than the national average of R21 664 (HSRC, 2003). Between 1996 and 2002, the Eastern Cape saw a significant increase in its annual average GVA growth rate of 1.9%. This is, however, largely due to a corresponding decline in the annual population growth rate over this period and is significantly lower than the trends in Gauteng (3.3%), Limpopo (2.8%), KwaZulu-Natal (2.7%), Mpumalanga (2.5%) and the Northern Cape (2.5%).

The Eastern Cape economy is structurally different from the national economy in terms of the virtual absence of a local mining sector and its significantly larger tertiary sector, accounted for mainly by the public sector. Nationally, the primary sector accounted for 10% of GVA in 2002, the secondary sector for 27% and the tertiary sector for 63%. Structurally, the Eastern Cape economy remained fairly static between 1996 and 2002, with two-thirds of GVA (66-67%) accounted for by the tertiary sector (particularly the public sector), just over one-quarter accruing to secondary processing (26%), and less than one-tenth of GVA made up by the primary sector (7-8%).

With the general stagnation in agriculture over the past decade, growth within the primary sector is accounted for by forestry and fishing. Within the secondary sector, automobile and related manufacturing is

primarily responsible for GVA growth. Transport and communications and finance accounted for the highest levels of growth overall and the core growth points in the tertiary sector.



Table 3.1:Gross value added

Figure 3.1: Gross value added

3.1.2 Sector trends

The **primary sector** accounts for less than one-tenth (7%) of GVA for all sectors in the Province. Almost three quarters of the primary sector for the Province is made up by the agriculture and forestry sub-sector (73%), with forestry and logging making up exactly 25%. The only other sub-sector of any significance is the fishing and operation of fish farms (2%), with the remaining sub-sectors (notably mineral extraction) together accounting for less than 1% of GVA for 2002.

Cacadu accounted for more than one-third (37%) of GVA in the primary sector within the Eastern Cape in 2002, with the next best performer in the sector, OR Tambo, recording just 16%. Amatole (14%), Chris Hani (13%) and Alfred Nzo (8%) witnessed lower levels of GVA while Ukhahlamba (7%) and Nelson Mandela Metropole Municipality (NMMM) (5%) recorded the lowest levels of GVA within the primary sector for 2002.

The **secondary sector** for the Eastern Cape is dominated by the transport equipment sub-sector which accounts for 26% of GVA for 2002. Less significant proportionately is the fuel, petroleum, chemical and rubber products sub-sector (15%), construction (11%) and food, beverages and tobacco products (10%).

The spatial distribution of GVA in the secondary sector is far more concentrated than the primary sector, with the NMM (64%) and Amatole (22%) together accounting for 86% of GVA for the sector in 2002. After subtracting Cacadu's relatively small slice of the sector (6%), the remaining districts are left with insignificant proportions overall.

The **tertiary sector** for the Eastern Cape is structured around the core public sector services of education (22% of GVA for 2002), public administration and defence activities, and health and social work (11% each respectively). The retail trade and repair of goods sub-sector (11% of GVA in 2002), posts and telecommunications (8%), wholesale and commission trade (7%), financial intermediation (6%), activities auxiliary to financial mediation (5%) and land transport (5%) also made up a significant portion of the GVA output for the tertiary sector in 2002.

Government services account for the most significant proportion of GVA for the tertiary sectors for Ukhahlamba (68%), Alfred Nzo (68%), Chris Hani (58%) and OR Tambo (53%). The extent of these districts' structural dependence on government spending is reflected in the proportion of government

services of their GVA overall. Ultimately these figures also indicate the extent of the diversity within the tertiary sector for the NMMM.

3.2 Employment (Labour markets)

The majority of people employed in the formal sector in 2002 were employed in the tertiary sector (70%), with 21% employed in the secondary sector and just 9% in the primary sector. The total number of those employed in the Eastern Cape increased by 16% during the period 1996-2002. This is primarily accounted for by growth in employment in the tertiary sector (26%), with the secondary sector showing a negative growth rate over the same period (-4%) and the primary sector showing a slight increase (3%). Construction was the only secondary sub-sector which showed a steady growth (10%) in the period 1996-2002. The largest employer in the secondary sector, manufacturing, actually decreased (-8%) during this period. In the tertiary sector, trade (63%), finance (29%) and community services (27%) accounted for the bulk of employment growth.

Employment	Employment by sectors between 1996-2002												
	1996	í	200	2	Growth rate								
	Count	%	Count	%	%								
Agriculture	72,763	10.1	75,133	9	3								
Mining	1,359	0.2	1,183	0.1	-13								
Primary	74,123	10.3	76,316	9.1	3								
Manufacturi	140,166	19.4	128,812	15.4	-8								
Electricity	3,736	0.5	3,634	0.4	-3								
Construction	36,243	5	39,992	4.8	10								
Secondary	180,145	25	172,438	20.6	-4								
Trade	110,491	15.3	180,496	21.5	63								
Transport	41,274	5.7	42,299	5	2								
Finance	35,715	4.9	46,026	5.5	29								
Comm serv	186,066	25.8	235,822	28.1	27								
Households	93,920	13	84,678	10.1	-10								
Tertiary	467,466	64.8	589,320	70.3	26								
Total	721,733	100	838,074	100	16								
Source: Globa	al insight 2	002											

Table 3.2: Employment by Sector



Figure 3.2: Employment by sector

3.3 Unemployment

The Labour Force Survey's (September 2003) official definition of unemployment was 32% (30% male and 34% female), while the expanded definition was 49% (46% for males and 53% for females).

The census figures give significantly higher unemployment estimates than the official unemployment rate based on the Labour Force Survey. However, the number of unemployed does indicate the magnitude of the employment crisis in the province where some nine hundred thousand people are out of work.

Table 3.3: Employme	Table 3.3: Employment and Unemployment Cenus 2001													
	Employed	Unemployed	Unemployment	Economically										
Total: Eastern Cape	754,357	907,944	54.6	1,662,301										
Cacadu	94,975	52,030	35.4	147,005										
Amatole	206,982	281,320	57.6	488,302										
Chris Hani	68,778	98,351	58.8	167,129										
Ukhahlamba	34,445	39,397	53.4	73,842										
OR Tambo	94,268	180,163	65.6	274,431										
Alfred Nzo	28,451	60,569	68	89,020										
Nelson Mandela	226.625	196,074	46.4	422.699										

The racial and gender bias of the Eastern Cape labour market is reflected in the table below. The Apartheid engineered inequities between Black, Coloured and White and structural inequalities between the genders are clearly reflected in the structure of unemployment nationally, provincially and by district. The unemployment rate for White males is significantly lower (6.2% nationally and for the Eastern Cape respectively) than for any other category with White females slightly higher (11.6% nationally and 11.1% for the Eastern Cape). The Coloured population in the Eastern Cape occupies an intermediate position with unemployment levels lower (38.7%) than the Black rate (61.1%) but higher than that for Whites (8.3%).

Men constitute a significant majority in terms of the overall number of those formally employed in the Eastern Cape (53% as opposed to 47% women). Furthermore, men account for the vast majority of those employed in all sectors and sub-sectors apart from community, social and personal services (where women make up 59% of the total employees as opposed to 41% men) and domestic labour (women account for 80% of work in private households as opposed to 20% men). This trend in the community, social and personal services sub-sector is particularly significant since it accounts for the single largest proportion of those employed (29%) in the Province. Unemployment and poverty are very closely linked. Very high rates of unemployment are found throughout the Province, especially in Alfred Nzo (71.6%), OR Tambo (68.8%), Chris Hani (58.9%) and Amatole (53.2%).

Table 3.4:	Gender re	presentation	in em	plovment
	Ochaci ic	presentation	in cin	picyment

	Male		Female		Total labo	ur force
Sectors	Count	%	Count	%	Count	%
Agriculture, hunting; forestry and fishing	53044	73.2	19394	26.8	72438	10.7
Mining and quarrying	4244	93.6	291	6.4	4535	0.7
Manufacturing	58562	64.5	32210	35.5	90772	13.4
Electricity; gas and water supply	3119	81	733	19	3852	0.6
Construction	33252	90.7	3422	9.3	36674	5.4
Wholesale and retail trade	55039	52.6	49658	47.4	104697	15.5
Transport; storage and communication	22133	80.2	5456	19.8	27589	4.1
Financial, insurance, real estate and busines services	s 28780	55.8	22771	44.2	51551	7.6
Community, social and personal services Private Households	81084 17913	41.4 20	114946 71512	58.6 80	196030 89425	28.9 13.2
Total	357170	52.7	320393	47.3	677563	100.0

Source: Census 2001

3.4 Demographics

3.4.1 Population

The population of the Eastern Cape grew by 2.13% from 6.302-million in 1996 to 6.436-million in 2001. In relation to the total national population, however, the provincial population has shrunk to 14.36% of the total, down from 15.5% five years ago. The Province is nevertheless the third most populous province after KwaZulu-Natal and Gauteng. The Provincial population is distributed disproportionately between the districts. The two largest districts, OR Tambo and Amatole, are each home to 1.7-million people. The

Nelson Mandela Metro represents the next largest concentration of people (1-million), while Ukhahlamba is the least populous (341 312).

			% of to	tal % of total	
Population	1996	2001 % Change	1996	2001	
Eastern Cape	6,302,525	6,436,763	2.13	100.00	100.00
Male	2,908,056	2,975,512	2.32	46.14	46.23
Female	3,394,469	3,461,251	1.97	53.86	53.77
RSA Population	40,583,573	44,819,778	10.44	100.00	100.00
Male	19,520,887	21,434,040	9.80	48.10	47.82
Female	21,062,685	23,385,737	11.03	51.90	52.18

Table 3.5: Population: Eastern Cape and RSA

Women constitute 54% of the provincial population, compared to 52% nationally. However, while women have marginally increased their majority at the national level, a slight decline is evident in the Eastern Cape.



Figure 3.3: Eastern Cape Population by district

In the Eastern Cape, the high proportion of women is a reflection of the migrant labour system, and is particularly visible in rural labour-supplying areas, such as Alfred Nzo (where women make up 55% of the population) and OR Tambo (56%). The proportion of men in Cacadu and the Nelson Mandela Metro are the highest in the Province and mirror the national trend (48% male each versus 52% female). Figure 4 depicts the racial structure of the population in the Eastern Cape, as well as across its District Municipalities and the Nelson Mandela Metro. The Province is overwhelmingly African (3.4 million or 88% of the total). Coloureds make up 7%, whites 5%, and Indians less than 1%.

Xhosa is the home language of more than four-fifths of the Eastern Cape population (83%), with far fewer speaking Afrikaans (9%) and English (4%). The remaining 4% speak a variety of other languages.





Figure3 5 reflects that the Eastern Cape has a relatively youthful population with more than half (55%) aged between 0 and 22 years. This pattern is especially prominent in rural areas, such as OR Tambo and Alfred Nzo. Both the 1996 and 2001 census reveal that a high proportion of people aged 35-64 years are found in urban areas, such as Cacadu (30%), Nelson Mandela (31%) and Amatole (26%). However the census data for 2001 suggests that the Eastern Cape is seeing a decline in the proportion of children aged 0-8 years – a decline of some three percent. The age category 23-34 years also recorded a general, albeit more subtle decline (0.5% for the Eastern Cape as a whole).



Figure 3.5: Population by age

3.5 Income distribution

As is to be expected, the distribution of labour remuneration follows the same uneven trends characterising other features of the Eastern Cape economy. Total labour remuneration for all formal sectors in the Eastern Cape in 2002 was estimated at R37, 732 billion with the tertiary sector accounting for 75% of this. The secondary sector accounted for 22%, while the primary sector made up just 3% of labour remuneration overall. Cacadu accounted for the bulk of labour remuneration in the primary sector (43% of R1 028 137)

followed by Amatole (17%) and Chris Hani (13%), with the remaining districts accounting for less than 10% each.

NMM alone accounted for 67% of remuneration in the secondary sector and with Amatole (22%), for just less than 90% of labour remuneration in the secondary sector for 2002. Cacadu accounted for a significantly smaller slice (5%) dwindling to less than 1% in Alfred Nzo.

3.6 Educational Attainment and Human Resource/Skills base

3.6.1 Education

The Eastern Cape provincial statistics indicate a 3% improvement in the percentage of people completing Grade 10 and a 1.2% increase in the number of people receiving higher education between 1996 and 2001. Interestingly, the national averages show a decline in the percentage of people completing secondary education, while the Eastern Cape shows an improvement. However, the percentage of the Provincial population reporting no schooling increased by 2% between 1996 and 2001. This is an alarming indicator considering, that at national level, the percentage of people reporting no education has declined by 1.4%. The percentage of people reporting some primary education, completed primary and some secondary schooling all declined between 1996 and 2001, representing a possible decline in the intermediate levels of education. These Provincial aggregates suggest a need to focus on school entry and the intermediate levels of schooling, as indications are that some children are never entering the schooling system.

Higher education by gender in the Province shows women pursuing higher education particularly at university level, where considerably more women than men are present. Women also outnumber men in colleges and technikons.

Table 3.6.	1996	1997	1998	1999	2000	2001
Total Enrolment in Primary Phase	1,743,251	1,378,783	1,611,988	1,645,443	1,510,748	1,482,474
(Grades 1 - 7)						
Total Population aged 7-13	1,225,591	1,243,967	1,262,623	1,281,565	1,300,797	1,320,362
GER Primary Phase	142%	111%	128%	128%	116%	112%
Total Enrolment in Secondary Phase (Grades 8 - 12)	629,140	521,691	635,672	653,903	611,882	610,780
Total Population aged 14-18	791,654	803,532	815,592	827,836	840,268	852,914
GER Secondary Phase	79%	65%	78%	79%	73%	72%
Total Enrolment (Grades 1 to 12)	2,406,712	1,927,313	2,274,559	2,323,882	2,146,052	2,093,254
Total Population aged 7-18	2,017,245	2,050,223	2,080,980	2,112,207	2,143,914	2,173,276
GER Primary and Secondary Phases	119%	94%	109%	110%	100%	96%

Enrolment data for the Eastern Cape for 1996-2001 is given in the table below.

Source: EMIS 2002

The HSRC HRD profile of the Eastern Cape (2004) confirms low levels of educational attainment in the province. In 2001, only 6% of the population had a higher education (HE) qualification, 14% had a Senior Certificate, 30% had some secondary education, while half of the Eastern Cape population had primary school education or below. Alarmingly, a staggering 23% of the population had no formal education whatsoever. In addition, the province had an illiteracy rate of 42% in 2003.

The skills base of the Province follows the broad pattern of uneven development characterising the economy in general. The two economic powerhouses in the Eastern Cape (Amatole and Nelson Mandela Metro) together account for 67% of senior management and officials in the Province, with the lion's share accruing to NMM (40%). Similarly, the bulk of professionals (60%) are divided evenly between these two areas. Skilled workers and office workers are again concentrated within Amatole and NMMM (63%) with the metro accounting for a slightly larger share overall (35% versus 28% in Amatole). At the semi/unskilled

level does the broad trend level out somewhat with the Nelson Mandela Metro and Amatole together accounting for 45% of the Provincial labour force at this skills level.

		Cacadu	Amatole	Chris Hani	Ukhah- lamba	OR Tambo	Alfred Nzo	Nelson Mandela	Eastern Cape
Legislators, senior officials and senior	Count	3,068	8,984	2,555	1,193	3,081	821	13,081	32,783
management	%	9	27	8	4	9	3	40	5
Professionals	Count	8,483	42,688	15,009	5,568	22,014	7,254	43,570	144,586
	%	6	30	10	4	15	5	30	21
Skilled workers, office workers etc	Count	33,367	87,411	24,272	11,887	33,188	9,126	107,996	307,247
	%	11	28	8	4	11	3	35	44
semi/unskilled	Count	42,813	52,390	22,626	13,929	25,223	8,377	44,284	209,642
		20	25	11	7	12	4	21	30
Literacy rate 2001		54.5	61.3	54.5	52.8	49.1	58.1	82.7	63.5
Literacy rate 1996		56.3	54.5	48.4	46.3	41.5	50.4	79.9	57.4

Table 3.7 :Broad	Skills levels	by District and	Literacy rate
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The structure of the community, social and personal services sub-sector is particularly interesting in terms of the breakdown of positions by gender and skill. Men hold a majority (62%) within the top legislative and management positions within the sub-sector, while women account for 69% of professional positions, which in turn makes up the bulk of positions within this sub-sector (53%).

There is a very strong correlation between educational attainment and the standard of living. Although the literacy rate as indicated in the table below increased between 1996 and 2001, there are still very low levels of education throughout the Province. On average, 6.3% of the Province's population has tertiary qualifications, ranging from 5% in Ukhahlamba to 9% in the Nelson Mandela Metro.

3.6.2 Human Development Index (HDI)

Despite the somewhat bleak picture painted by many of the poverty indicators above changes in the Human Development Index (HDI) between 1996-2001 suggest that as far as life expectancy, literacy and income are concerned, the lot of the Black population in the Eastern Cape has improved. The HDI for Whites (between 0.75-0.84) is still vastly higher than that of other categories (0.45-0.58 for Blacks or 0.5-0.67 for Coloureds). However the HDI for Blacks has shown the greatest improvement between the two census periods with that of Whites declining.

The HDI are indicated in the table below.

Table 3.8

Human develo	Human development index													
	Black		White		Coloured		Asian		Total					
	1996	2001	1996	2001	1996	1996 2001		2001	1996	2001				
Cacadu	0.41	0.49	0.85	0.84	0.46	0.5	0.73	0.73	0.53	0.56				
Amatole	0.46	0.51	0.84	0.83	0.59	0.61	0.78	0.78	0.5	0.54				
Chris Hani	0.42	0.48	0.81	0.8	0.5	0.52	-	-	0.44	0.49				
Ukhahlamba	0.41	0.46	0.81	0.79	0.49	0.5	-	-	0.43	0.48				
O.R.Tambo	0.4	0.45	0.81	0.75	0.66	0.67	0.78	0.74	0.4	0.45				
Alfred Nzo	0.41	0.46	-	-	-	-	-	-	0.41	0.47				
Nelson	0.52	0.58	0.84	0.84	0.6	0.63	0.77	0.78	0.63	0.66				
Mandela Metropole														

Source: Global Insight 2002

3.7 Income Distribution

Table 3.9

Individual Income by Incom	Individual Income by Income Categories (census 2001)													
	Eastern Cape	Cacadu	Amatole	Chris Hani	Ukhahlamba	O.R.Tambo	Alfred Nzo	Nelson Mandela						
R1 - R400	20.2	21.6	17.8	23.1	35.1	29	32.5	9.6						
R401 - R800	35.7	42.4	35.2	43.1	35.3	40.2	39.9	26.6						
R801 - R1 600	14.7	14.9	15.8	11	9.7	10.7	10.6	19.5						
R1 601 - R3 200	12.7	9.1	13.6	10.3	9.6	9.1	8.9	18.1						
R3 201 - R6 400	10.1	6.9	10.7	8.6	7	7.4	6.2	14.8						
R6 401 - R12 800	4.5	3.3	4.8	2.8	2.4	2.5	1.3	7.8						
R12 801 - R25 600	1.2	0.9	1.2	0.5	0.4	0.4	0.2	2.5						
R25 601 - R51 200	0.4	0.3	0.4	0.2	0.2	0.2	0.1	0.6						
R51 201 - R102 400	0.2	0.3	0.2	0.1	0.1	0.1	0.1	0.3						
R102 401 - R204 800	0.1	0	0.1	0	0	0	0	0.1						
R204 801 or more	0.1	0	0.1	0	0	0	0	0.1						

Source: Stats South Africa 2001

3.8 Poverty and Inequality: General Development Indicators

It is commonly known that South Africa's current development path has not as yet adequately resolved questions of poverty and inequality. The labour market has failed to absorb sufficient numbers of labour market entrants. In addition insufficient opportunities have opened up for small and micro producers to enter economic activity. Simultaneously, insufficient resources have been available to address infrastructure and services backlogs, particularly in the former homeland areas. As a result poverty and inequality in the Eastern Cape is severe and widespread. Low levels of productive asset ownership accompanied by high levels of economic, services, resource and food poverty exist in the province. Experiences of poverty also differ within the province and are significantly influenced by factors relating to gender, race and spatial location.

The growth in levels of absolute poverty between 1996-2001 has been more pronounced in the Eastern Cape than is the case nationally. Statistics show that poverty in the Province increased dramatically between 1996 and 2001. The poverty rate is estimated to be 67.4%, compared to 34.3% in 1996. Even though poverty is highly evident throughout the Province, very large pockets of poverty are seen in the OR Tambo, Alfred Nzo and Chris Hani District Municipalities, which mainly incorporate former Transkei areas. The low Human Development Index (HDI) estimates and large poverty gaps in the Eastern Cape's districts confirm the high poverty rate in the Province.

		Poverty 2001					Poverty 1996					y Line	Basic Services		
Municipality	No	of %	6 Persons	HDI	Poverty	No Pe	erson	% in	HDI	Poverty	No	Proportion	Piped	Flush	Electricity
	Persons	in ir	n Poverty		Gap	in		Poverty		Gap	Households	of	Water	toilet/	
	Poverty				(R'million)					(R'million)	below	households		VIP	
											poverty line	below			
Cacadu	182 5	16	47.00%	0.54	241	144	4 370	38.2%	0.53	141	45 383	44.2%	83.8%	52.2%	71.9%
Amatole	1 207 20	56	71.90%	0.51	1 917	898	8 873	52.6%	0.5	1 013	274 267	64.6%	53.7%	39.1%	54.8%
Chris Hani	670 70	01	74.70%	0.49	1 1 1 4	513	3 774	60.6%	0.44	624	131 300	69.2%	45.8%	25.0%	50.8%
Ukhahlamba	272 48	80	71.90%	0.49	486	208	8 960	63.0%	0.43	264	62 184	72.4%	41.3%	17.3%	43.1%
OR Tambo	1 409 90	59	82.00%	0.45	2 441	1 091	1 394	64.7%	0.4	1 376	254 908	74.2%	16.6%	44.2%	28.1%
Alfred Nzo	438 30	56	79.70%	0.47	770	357	7 211	67.1%	0.41	461	96 661	77.7%	23.4%	7.2%	23.0%
Nelson Mandela	410 51	8	38.50%	0.66	591	310) 778	31.0%	0.63	329	112 190	42.3%	88.8%	79.7%	75.2%
Eastern Cape	4 591 8	16	67.40%	0.53	7 560	3 529	9 3 5 9	34.3%	0.49	4 209	976 894	63.6%	49.3%	35.2%	49.7%

Table 3.10: Household in Poverty, Poverty line & Basic Services

Source: Global Insight 2001 & Stats SA 2001

3.8.1 Households in poverty

The high poverty level in the Province is also shown by the proportion of households living below the poverty line (R800 or less a month). Almost 64% of households in the Province live in poverty. The high poverty level also reflects the rural nature of the Province.

Poverty has a very distinct spatial and racial dimension in the Eastern Cape. The overwhelming majority of the poor live in rural former homeland areas of the province.

Poverty indicators between 1996 and 2001 (Table 8) suggest a significant growth in the number of people in the Eastern Cape who fell below the poverty line. The distribution of the poor in the Eastern Cape is a stark reminder of a history of institutionalized racism with the overwhelming majority of poor people in 2001 being black (97%). The Coloured population makes up the bulk of the remaining three percent of the poor (2.6%) while the Asian and White sectors of the populations together account for less than one half percent of the poor population overall.

The largest proportion of people living in poverty in South Africa and the Eastern Cape are categorized as Black. They have also shouldered a disproportionately larger share of the growth in unemployment between 1996-2001. This trend has been even more pronounced at the provincial level with the percentage of Black persons living in poverty growing to 76% (up from 61% in 1996). While the number of White people living in poverty in the Eastern Cape doubled between 1996-2001 this represents only four percent of the White population overall.

Table 3.11

		Black		White	С	oloured		Asian
	1996	2001	1996	2001	1996	2001	1996	2001
Eastern Cape	60.80%	75.80%	2.10%	4.10%	20.80%	23.70%	6.70%	9.00%
National Total	50.30%	60.00%	2.00%	3.80%	16.80%	20.40%	6.20%	7.60%
Cacadu	55.00%	67.20%	1.90%	3.60%	28.50%	32.10%	4.10%	4.90%
Amatole	56.80%	72.90%	1.60%	3.40%	18.30%	22.50%	4.90%	7.10%
Chris Hani	63.70%	79.50%	2.50%	5.00%	26.90%	31.70%	4.20%	5.70%
Ukhahlamba	66.40%	84.30%	2.50%	5.30%	30.40%	39.00%	-	-
O.R.Tambo	65.20%	81.20%	5.80%	10.70%	16.10%	17.90%	4.70%	6.50%
Alfred Nzo	67.40%	80.10%	-	-	29.50%	33.60%	-	-
Nelson Mandela Metropole	47.10%	57.70%	2.20%	4.20%	15.90%	17.70%	8.30%	10.80%

Eastern Cape percentage of persons in poverty by Region

Source: Global Insight

3.9. Eastern cape HIV and AIDS profile

The Eastern Cape is home to 14.4% of the total population for South Africa, and is the third most denselypopulated province (2001 Census). HIV/AIDS continues to pose a major challenge for the people of South Africa and the Eastern Cape. The Eastern Cape has seen an increase of the HIV and AIDS pandemic, which calls for a multisectoral response across government departments, civil society and other sectors in the province. HIV/AIDS has social, economic and developmental consequences, and these will increase as more people infected, become ill and die of AIDS-related illnesses. The figure below depicts *HIV Prevalence* Eastern Cape and South Africa



Figure 3.6: HIV Prevalence – South Africa and Eastern Cape 1990-2002

Source: DOH Antenatal Survey, October 2002

4. Receipts

4.1 Overall position

Provincial revenue is made out of national payments in the form of equitable share and conditional grants, as well as own revenue. Table 4.1 presents a summary of provincial revenue and the split between national sourced and own revenue, i.e. audited actual revenue for 2002/03, 2003/04 and 2004/05, the preliminary outcome for 2005/06, voted revenue for 2006/07 and budget estimates for 2007/08 and 2008/09.

		Outcome						Medium-te	rm estimate	;
Receipts R'000	Audited 2002/03	Audited 2003/04	Audited 2004/05	Main appro- priation 2005/06	Adjusted appro- priation 2005/06	Revised estimate 2005/06	2006/07	2007/08	2008/09	% Change from Revised estimate 2005/06
Treasury funding ^a										
Equitable share	16 211 372	16 649 754	18 310 812	22 202 309	22 202 309	22 202 309	24 642 653	27 188 826	30 091 474	10.99
Conditional grants	1 548 110	2 196 622	3 175 556	2 489 034	2 557 414	2 557 414	2 809 944	3 353 180	3 623 824	9.87
Financing	(459708)	565 340	(356 048)		354 702	319 540				(100.00)
Total Treasury funding	17 759 482	18 846 376	21 486 368	24 691 343	24 759 723	24 759 723	27 452 597	30 542 006	33 715 298	10.88
Departmental receipts										ı
Tax receipts	106 952	138 558	163 893	205 902	251 097	266 216	223 414	245 911	263 677	(16.08)
Sales of goods and services other than capital assets	121 876	179 850	122 364	115 832	101 906	112 391	150 303	153 618	163 229	33.73
Transfers received										
Fines, penalties and forfeits	1 042	807	2 243	717	717	717	790	829	1 041	10.18
Interest, dividends and rent on land	395 799	173 050	11 930	540	75 586	41 364	100 600	120 631	132 542	143.21
Sales of capital assets		33 871								
Financial transactions in assets and liabilities	11 613	87 423	24 193	2 733	3 286	3 286				(100.00)
Total departmental receipts	637 282	613 559	324 623	325 724	432 592	423 974	475 107	520 989	560 489	12.06
Total receipts	18 396 764	19 459 935	21 810 991	25 017 067	25 192 315	25 183 697	27 927 704	31 062 995	34 275 787	10.90

Other than allowing for policy shifts, there are marginal changes between the current year and the MTEF for both the national and provincial sourced revenue. The changes from national sourced revenue are due to slight increases in allocations to take account of movements in inflation since the 2005 Budget and other policy priorities outlined in the expenditure summary:

There are also increases in the conditional grants as shown in table 4.3 below. After a shift of Social Assistance programme from Social Development (Vote 4) to SASSA, total provincial revenue is calculated to be R27, 9 billion, an increase of 10.9% from revised estimate of 2005/06. From the base 2005/06 until 2008/09, total revenue is expected to grow at an annual average rate of 10, 8% (i.e. 10, 9% in 2006/07,

11, 2% in 2007/08 and 10, 3% in 2008/09). With the above analysis, it is clear that the growth rates in national transfers are encouraging as they are above official inflation estimates with the projection of the CPIX of 5,4% for 2006/07, creating an opportunity for more programmes to be introduced.

In the 2006/07 budget and over the MTEF period, national transfers comprise about 98% of the total provincial revenue, of which 89% is through the equitable share (i.e. 89% in 2006/07, 88% in 2007/08 and 88% in 2007/08). The remaining 9% in the 2006/07 financial year flows as conditional grants.

Provincial own revenue share of total revenue has declined from 4% in 2002/03 to forecast of 2% in 2008/09, with notable decline of 47,1% in 2004/05 due to low interest revenue as a result of low cash reserves. Provincial own revenue is discussed in more detail in paragraph 8.4 below.

4.2 Equitable share

In terms of Section 214(1) of the Constitution it is required that every year an Act of Parliament (Division of Revenue Act) determine the equitable division of resources between the three spheres of government, and the horizontal division amongst provinces. The following are some of the key principles that are promoted by the Constitution:

- Equity: Promoting access to basic services in a fair, objective and equitable manner
- Efficiency: The transfer system should promote allocative efficiency by ensuring that interjurisdictional competition is an effective check on fiscal performance.
- **Predictability:** The transfers should facilitate proper budgeting by minimizing fluctuations and ensuring certainty
- **Simplicity, transparency and acceptability:** The transfer system should take cognisance of the availability of information, be transparent, and should be as broad-based as possible.
- **Redistribution and fiscal equalization:** Redistribution within any particular sphere must be managed not to undermine the fiscal viability of the relevant institution and the economic viability of its area of jurisdiction.
- **Autonomy:** Whilst the Constitution entrenches cooperative governance, it should be noted that provinces are governments in their own rights.
- Accountability: The intergovernmental transfer system provides for mechanisms that allocate funds among provinces, and not allocation of inputs and other functional resources.

The division of the equitable share allocation among provinces is done through a redistributive formula. The formula is reviewed regularly to take account of the new data, taking into account the recommendations of the Financial and Fiscal Commission. Taking account of the significant movements in population between provinces, as determined from the Census 2001 data, a broad-ranging review of the formula was done for the 2005 MTEF. It covered the structure of the formula, weights of components and other economic development and poverty related policy considerations. The review also took into account the change in the financing and administrative arrangements relating to the delivery of social security grants. For the 2006 budget no changes were made in the formula.

Provinces receive most of their revenue from the national fiscus in the form of equitable share. The Eastern Cape's share over the three-year MTEF period reflect the following amounts, R24 642 million in 2006/07, R27 189 million in 2007/08 and R30 091 million in 2008/09.

The formula as revised for the 2005/06 MTEF consists of four main components and two minor elements, as shown below; The provincial equitable share allocation is used to fund the bulk of public services rendered by provinces; hence it is the largest of the provincial allocations from the national government. It is divided horizontally between provinces comprising six components/weights as follows:

- Education share (51%) based on the school age cohort and official estimates of school enrolment, weighted equally;
- The Health component (26%) based on the estimated numbers of people with and without medical aid coverage weighted at 1:4 ratio;
- An Institutional component, (5%) allocated equally across provinces to take account of core provincial administration costs mainly for Legislatures, Treasuries, Traditional Affairs, Royal Households, Premier's Offices, etc;
- Basic component (14%) calculated on the basis of the population share of each province;
- Poverty component (3%) reinforces the redistributive bias of the formula; and
- Economic component (1%) takes care of the fact that provincial revenue raising powers have not changed.

Funds from equitable share are fungible and provincial government have full discretion in choosing their own budget mixes given underlying cost implications and national policy guidelines. The "share allocations" in the formula are therefore merely broad indications (weights of relative needs) and not intended as indicative budgets or guidelines on how much should be spent on a specific function.

The following table illustrates the revised structure of the provincial equitable share formula and the Eastern Cape percentage share in the revised formula.

	Share as deter 2005/06	rmined in the MTEF	Old Share	(2004/05)
Component	Weight	Share	Weight	Share
	%	%	%	%
Education	51	17.3	41	17,3
Health	26	15,1	19	17,0
Welfare	-	-	18	19,6
Basic	14	14,2	7	14,4
Economic Activity	1	8,1	3	8,1
Backlogs	-	-	7	20,7
Institutional	5	11,1	5	11,1
Poverty	3	19,6	-	-
Overall Share	100%	16,0	100%	16,5

Table 4.2

To avoid the impact of the formula (i.e. 16% target) not to impact negatively on service delivery National Cabinet decided that implementation of the revised formula be phased in over three, with the target being reached in the 2007/08 financial year. The weighting for the Eastern Cape therefore moved from 16,7% in 2004/05 to 16,5% in 2005/06 and are targeted to be 16% in the budget for the 2007/08 financial year.

4.3 Conditional grants

In order to provide for national priorities in provincial and local government budgets, national transfers in the form of conditional grants were introduced in 1998. They are specifically used to:

- Provide for national priorities in provincial and local government budgets;
- Promote national norms and standards;
- Compensate provinces for cross-boundary flows;
- Effect transition by supporting capacity building and organisational reforms, and
- Address backlogs and regional disparities in social infrastructure

The grant system has been shaped by major reforms that were introduced to enhance accountability, monitoring, reporting and administration responsibility of these grants. The legal framework pertaining to the conditional grants is contained in the Division of Revenue Act (DoRA). In terms of DoRA a Provincial Treasury must, within specific prescribed dates after the end of each month and in the format determined by National Treasury, and as part of its consolidated monthly report, report on: –

- Actual transfers received by the province from national departments;
- Actual expenditure on such allocations up to the end of that month;
- Actual transfers made by the province to municipalities, and projections on actual expenditure by municipalities on such allocations; and
- Any problems of compliance with this Act, by transferring provincial officers and receiving officers and steps taken to deal with such problems.

The Conditional grants are the second largest source of funding for the Eastern Cape averaging 9% of the Province's total revenue envelope. Over the next three years conditional grants grow moderately at an average rate of 12,3% (real 5,6%), a change from sharp growth that was experienced when social security grant was part of the provincial revenue. The total allocation of conditional grants will be R2 810 million in 2006/07 financial year, R3 353 million in 2007/08, and R3 624 million in 2008/09.

Education grants

As from 2006/07 financial year the department will administer three grants. The first one will be HIV/AIDS (Life skills Education) with an allocation of R25, 113 million in 2006/07, R26, 369 million in 2007/08 and R28, 144 million in 2008/09 respectively.

The second grant is National School Nutrition which is allocated R233,882 million, R245,576 million and R257,634 million in 2006/07, 2007/08 and 2008/09 financial years respectively.

The other grant is Further Education and Training College Sector Recapitalisation grant, which is included for the first time in the allocations, R61 million in 2006/07; R79 million in 2007/08 and R115,550 million in 2007/09.

The total allocated to the three grants is R319,995 million (2006/07), R350,945 million in 2007/08 and R401,328 million in 2008/09.

Health grants

The allocations for the MTEF financial years are R905,102 million in 2006/07, R964,997 million in 2007/08 and R1 008,576 million 2008/09.

The HIV and AIDS conditional grant grows substantially from R159,005 million in the 2005/06 financial year to amounts of R218,021 million, R228,922 million and R241,421 million in the 2006/07, 2007/08 and 2008/09 financial years respectively, an average annual growth rate of 17%. This grant is one of the key funding streams to mitigate the impact of the disease. The Comprehensive HIV and AIDS grant is intended to further extend, a comprehensive antiretroviral (ARV) programme. In addition to ARV treatment roll out, the grant provides for post exposure prophylaxis for victims of sexual abuse, roll-out of mother-to-child transmission prevention and targeted interventions for commercial sex workers.

The National Tertiary Services grant grows from R353,022 million in the 2005/06 financial year to amounts of R374,203 million, R392,913 million and R412,559 million in the 2006/07 MTEF period.

The Forensic Pathology Services Grant that was implemented in November 2005 with an amount of R8,866 million receives allocations of R79,994 million, R69,273 million and R59,447 million for the 2006/07 MTEF period.

Social Development grants

The responsibility for the administration and payment of social assistance conditional grants has been moved from the department to the South African Social Security Agency, hence there are no conditional grants reflected for the Department of Social Development.

Housing Grants

The Housing Subsidy Grant shows good growth during the 2006/07 MTEF period with amounts of R761,994 million, R952,554 million and R1 046,566 million for the 2006/07, 2007/08 and 2008/09 financial years, an average annual growth of 19%.

Agriculture Grants

Comprehensive Agriculture Support Programme (CASP) reflects an average growth of 18% over the MTEF years. The grant aims at assisting land redistribution for agricultural development and settlement and land acquisition grant beneficiaries. It also hopes to encourage and empower communities to take responsibility for the management of resources in order to support food security and job creation through increased productivity. This grant includes water care, soil care and junior land care programmes. The allocation of this grant is expected to increase from R47,552 million in the 2005/06 financial year to amounts of R57,061 million, R69,838 million and R73,190 million in the 2006/07, 2007/08 and 2008/09 financial years respectively.

The Land Care Grant shows a slight decrease from an allocation of R8 million in the 2005/06 financial year to an amount of R7,345 by the 2008/09 financial year. The purpose of this grant is to address the degradation of natural / agricultural resources and improve the socio-economic status and food security of rural communities.

Sports, Arts and Culture

This department administers the Mass Sport and Recreation Participation Grant, the purpose of this grant is to fund the promotion of mass participation within disadvantaged communities in a selected number of sport activities and the empowerment of communities to manage these activities. The grant increases sharply from a low base of R2,670 million in the 2005/06 financial year to R17,060 million, R22,893 million and R31,498 million in the 2006/07 MTEF period.

Provincial Infrastructure Grant

The Provincial Infrastructure grant is allocated mainly for rehabilitation, maintenance and construction of provincial infrastructure such as roads, school buildings, health facilities and agricultural infrastructure with a focus on rural development. The infrastructure grant allocation to the Province for the 2005/06 financial year was R675,330 million and increase to the R742,057 million, R984,943 million and R1 055,321 million for the 2006/07, 2007/08 and 2008/09 financial years respectively.

Table 4.3 below provides for a summary of conditional grants by Vote and grant type.

	2002/03	2003/04	2004/05		2005/06		2006/07	2007/08	2008/09
		Audited		Main	Adjusted	Revised	Medi	um-term estim	ates
		OUTCOME		appropriation	appropriatio	estimate			
R'000									
Vote 03 - Health	708,170	599,080	630,404	847,038	888,087	888,087	905,102	964,997	1,008,576
Cholera epidemic (KwaZulu-Natal)	-	6,000	6,000	-	-	-	-	-	-
Comprehensive HIV and Aids grant	33,635	38,934	98,970	159,005	159,005	159,005	218,021	228,922	241,421
Health professions training and									
development grant	241,756	79,873	97,464	127,566	137,566	137,566	127,566	133,944	140,641
Hospital construction grant	-	-	-	-	-	-	-	-	-
Hospital management and quality improvement grant	9 333	14 553	14 647	24 531	24 531	24 531	-	-	-
Hospital revitalisation grant	110 846	90 751	116.354	147 732	147 732	147 732	105,318	139 945	154 508
Integrated nutrition programme grant	168.063	172 465	23 933	26,316	26,316	26,316	-	-	-
Medico-Legal	-	1 000	1 000	8 866	8 866	8 866	79 994	69 273	59 447
National tertiary services grant	144 537	195 504	272 036	353 022	384 071	384 071	374 203	392 913	412 559
Vote 04 - Social Development	455 513	582 124	1 004 199	108 112	108 112	85 424	•	-	-
Child support extension grant	-	272 130	902 977	-	-	-	-	_	-
Child support implementation grant	-				_	-	-	_	-
Financial management and improvement of the social security system grant	1.200	-	-	-	-	-	-	-	-
Food emergency relief grant	-	94,133	94,133	-	-	-	-	-	-
		,	,						
HIV and Aids (Community-based care) grant	4,798	6,658	7,089	13,979	13,979	13,979	-	-	-
Integrated Social Development Services									
Grant	-	-	-	94,133	94,133	71,445	-	-	-
Social Assistance Administration Grant	-	-	-	-	-	-	-	-	-
Social Assistance Transfers Grant	-	-	-	-	-	-	-	-	-
Social grant arrears	449,515	209,203	-	-	-	-	-	-	-
Women flagship	-	-	-	-	-	-	-	-	-
Vote 06 - Education	83,133	52,210	229,228	261,294	295,349	295,349	319,995	350,945	401,328
Early childhood development grant	13,655	13,810	2,470	-	778	778			
Financial management and quality enhancement grant	42,240	21,684	21,683	-	18,627	18,627	-	-	-
Further Education and Training College									
Sector Recapitalisation grant	-	-	-	-	-	-	61,000	79,000	115,550
HIV and Aids (Life skills education) grant	27,238	16,716	27,816	23,692	31,993	31,993	25,113	26,369	28,144
National school nutrition programme grant		-	177 259	237 602	243 951	243 951	233 882	245 576	257 634
Vote 07 - Housing, Local Government &			117,200	201,002	240,001	240,001	200,002	240,010	201,004
Traditional Affairs	883,940	1,032,738	654,913	597,418	623,649	623,459	761,994	952,554	1,046,566
Capacity building	31,200	46,338	35,184	-	-	-	-	-	-
Housing subsidy grant	805,263	966,757	598,900	-	-	-	761,994	952,554	1,046,566
Human settlement and redevelopment grant	20,211	11,000	11,660	581,218	607,449	607,259	-	-	-
Resettlement of Doornkop	-	-	-	-	-	-	-	-	-
Disaster relief	-	-	-	16,200	16,200	16,200	-	-	-
Local government capacity building fund grant	-	-	-	-	-	-	-	-	-
Provincial project management capacity for MIG (old CMIP)	27,266	8,643	9,169	-	-	-	-	-	-
Land Distribution: Alexandra Urban Renewal Project grant	-	-	-		_				

Vote 08 - Agriculture	11,000	8,000	54,810	65,552	105,444	105,423	63,736	76,848	80,535
Comprehensive agricultural support programme grant	-	-	38,044	47,552	73,325	73,444	57,061	69,838	73,190
Land care programme grant: Poverty relief	11,000	8,000	8,766	8,000	14,119	13,979	6,675	7,010	7,345
Agriculture - Agricultural Disaster Management (Gazetted 31.03.2004)	-	-	8,000	10,000	10,000	10,000	-	-	-
Agriculture - Farmer Settlement and Development Services	-	-	-	-	8,000	8,000	-	-	
Vote 10 - Transport	394,907	456,673	609,002	675,330	675,330	675,330	742,057	984,943	1,055,321
Financial and personnel management systems support	-	-	-	-	-	-	-	-	-
Provincial infrastructure grant	286,107	433,673	609,002	675,330	675,330	675,330	742,057	984,943	1,055,321
Provincial infrastructure grant - Flood rehabilitation	108,800	23,000	-	-	-	-	-	-	-
Section 100(1)(a) - Mpumalanga	-	-	-	-	-	-	-	-	-
Supplementary grant	-	-	-	-	-	-	-	-	-
Vote 14 - Sport and Recreation South Africa	-	-	-	2,670	2,771	2,670	17,060	22,893	31,498
Mass sport and recreation participation programme grant	-	-	-	2,670	2,771	2,670	17,060	22,893	31,498
Total conditional grants	2,536,663	2,730,825	3,182,556	2,557,414	2,698,742	2,675,742	2,809,944	3,353,180	3,623,824

The detailed information on conditional grants is presented in Table A.1 in Annexure A to Budget Statement 1.

4.4 Provincial own receipts (Own revenue)

Provincial own revenue sources comprise of motor vehicle licenses, gambling and casino taxes, horseracing and betting, and health patient fees. Own revenue remains an important source of marginal funding, although sources are fairly limited. The average share of own revenue to total revenue is 2,6% while the is 4%. While the province constantly meets its collection targets there is room for improvement in realising full potential of own revenue.

In 2006/07 own revenue is expected to increase by approximately 12, 1%. On average, own revenue growth is expected to be 9, 8% between 2005/06 and 2008/09 (i.e. 12, 1% in 2006/07; 9, 7% in 2007/08 and 7, 6% in 2008/09). Although the projections reflect growth in own revenue, it still falls short in terms of the national average of 4% of the overall provincial revenue envelope. The own receipts over the MTEF per vote are captured in more detail in Table 4.4 below and Annexure A 2 to Budget Statement number one. In this section only the more significant contributors to provincial own revenue are discussed, with specific reference to administrative and policy issues that have a bearing on their performance.

Health Patient Fees

The main revenue driver for the Department of Health is Health patient fees, which are generated mainly from sales of services to external or private patients in a competitive market, and cannot therefore be classified as a compulsory fee. The provision of health services for subsidised patients is constitutionally mandated, and is provided to patients who may also pay only a portion of the tariff, or alternatively, receive services free of charge. Given the public nature and substantial government funding related to the health sector, one can argue that public health services are not rendered in a true open-market system, which is based on the economic price theory principles of supply and demand, assuming there is no monopolizing of services.

Between the 2002/03 and 2004/05 financial years, the total revenue for the Department of Health has increased (i.e. 17 % in 2002/03 and 1.6 % in 2003/04), excluding R16 million in 2002/03; R36 million and R11 million in 2004/05 in respect of financial Transactions (Refunds previous years). The slight increase is due to increased number of patients visiting the hospitals, resulting in increased payments. The budget for 2005/06 is R55,829 million and the department is projecting to achieve the agreed target by 31st March 2006. On average, estimated revenue over the MTEF will increase by 6.67% (i.e. 8%, 6% and 6% year-on-year for 2006/07, 2007/08 and 2008/09 respectively).

Provincial Treasury in concert with provincial departments has developed a Revenue Retention Policy which is expected to be passed by the Cabinet during the 2006/07 financial year. The policy will allow the departments to retain a portion of what they have collected over and above the agreed target.

Gambling and Casino Taxes

Gambling taxes and Horse racing and Betting are the main revenue drivers for the Department of Economic Affairs, Environment and Tourism. Table 4.4 reflects that between the 2002/03 and 2004/05 financial years, the overall collection for this department increased (on average) from a low base by 22, 5% per annum, (i.e. 65% in 2003/04 and a decrease of 20% in 2004/05). This includes once off amounts of approximately R10 million in respect of game sales in 2002/03, and approximately R30 million in respect of long overdue amounts for casino taxes in 2003/04. The budget for the department is declining because of distorted baselines (notably in 2003/04) and the fact the revenue from provincial parks (about R8 million forecast in 2004/05) is retained by the recently established Public Entity, the Eastern Cape Parks Board.

There are three casino's currently operating in the Eastern Cape namely; Zone 1-Boardwalk (Port Elizabeth), Zone 2-Hemingways (East London) and Zone 5-Wild Coast Sun (Mzamba). The Eastern Cape Gambling and Betting Board (ECGBB) has resolved not to re-institute the licensing process for Zones 3 and 4 pending the rollout of the route and site operator licensing and although the actual revenue to be accrued from this source is not fully quantified, hence only R646,000 has been projected as revenue for the 2006/07 financial year.

In respect of liquor license fees, the full registration of the shebeen owners was expected to be finalised in the current but due to delays this is now is expected to be finalized in the 2006/07 financial year. The temporary registration process took place during the 2004/05 financial year. It remains a challenge to accurately project revenue for this revenue source as the exact amount of licences are not yet know at this stage.

Motor vehicle licences

Between the 2002/03 and 2004/05 financial year, the overall collection for the Transport department increased by an average rate of 35, 3% per annum, (i.e. 94% in 2003/04 and a decrease of 23, 4% in 2004/05). However, the 2003/04 financial year includes once off amounts totalling R46,4 million of which R6,8 million are long outstanding revenue from 3M in respect of royalties on number plates, R33 million being proceeds from sale of government fleet to Fleet Africa, and R6,6 million being refunds from previous years. Excluding these amounts the average increase in revenue collection between 2002/03 and 2004/05 becomes 22, 6% (i.e. 35% in 2003/04 and 10, 3% in 2004/05). The increase is mainly due to Nelson Mandela Metropolitan Municipality (NMMM) infrequently releasing the monthly revenue collected in respect of motor vehicle licenses.

Motor vehicle license fees in 2004/05 represent the biggest proportion (93%) of provincial own revenue in the province. According to a National Treasury study, the average benchmark on motor vehicle licence fees collection is 39% of the total own provincial revenue. However, the projections for license fees for the period 2005/06 to 2008/09 amount to an average of 39% of total own revenue.

The average growth between 2005/06 and 2008/09 is only 0,3%, (decrease of 19% in 2006/07, 10% in 2007/08, and 10% in 2008/09). The minimal growth is due to the continuing uncertainty of recovering the outstanding amount owed by NMMM.

Interest Revenue

Revenue included under this heading consists mainly of interest earned on unspent committed funds and more specifically from improved cash and investment management policies. During the previous years up to 2003/04, interest income constituted the largest portion of own revenue collected. This was mainly due to the higher capital base accumulated during the years in question. In the financial year ending 2004/05 no interest income was earned owing to negative cash position, hence sharp decrease. With the improvement in cash position a conservative estimate indicates that a average growth rate of 55% is realizable from 2005/06 to 2007/08.

Other receipts

The balance of receipts not yet discussed, rises and falls in no apparent pattern and is sourced variously from a range of services rendered such as, boarding and lodging, tuition and examination fees, administration fees earned on insurance premiums (Commission), rental of provincial properties, sale of obsolete equipment, sale of farm produce, veterinary charges, special vehicle license numbers and others.

The majority of items included in "other receipts" are user charges which are revised annually by Accounting Officers and are based on cost recovery principles, i.e. an efficient way whereby costs are recovered for publicly provided goods and services and where the necessary incentives are provided for service delivery improvements. A further advantage of the regular revision of user charges is that it can relieve some pressure on budgets without compromising national economic policies and can within limits be expanded as required by departments.

Own receipts per Vote

Table 4.4 below depicts a summary of provincial own receipts per vote since 2002/03 and over the 2006/07 MTEF

		Outcome					Mediun	n-term esti	imate
Provincial department R'000	Audited 2002/03	Audited 2003/04	Audited 2004/05	Main appro- priation 2005/06	Adjusted appro- priation 2005/06	Revised estimate 2005/06	2006/07	2007/08	2008/09
Vote 01: Office of the Premier	581	891	218	360	360	227	378	397	417
Vote 03: Health	52 079	78 144	53 784	56 455	56 455	55 829	59 842	63 433	67 239
Vote 04: Social Development	563	9 170	901	746	746	1 247	821	862	906
Vote 05: Public Works	12 741	25 210	14 874	14 199		7 958	17 638	16 484	17 638
Vote 06: Education	31 556	73 665	40 307	29 473	29 473	31 012	49 809	52 298	54 917
Vote 07: Housing, Local Government & Traditional Affairs	4 580	12 846	11 330	7 943	7 943	9 212	8 420	8 841	9 283
Vote 08: Agriculture	7 484	4 425	6 843	4 989	4 989	4 989	5 100	5 355	5 623
Vote 09: Economic Affairs, Environment & Tourism	49 895	82 238	66 071	58 010	63 077	63 077	61 490	64 565	64 682
Vote 10: Roads & Transport	78 381	151 968	116 426	153 062	194 062	209 181	171 119	188 239	207 234
Vote 12: Provincial Treasury	398 512	174 205	12 724	97	75 097	40 875	100 100	120 105	132 112
Vote 14: Sport, Recreation, Arts & Culture	762	650	1 139	390	390	367	390	410	438
Vote 15: Safety & Liaison	148	147	6						
Total provincial own receipts by Vote	637 282	613 559	324 623	325 724	432 592	423 974	475 107	520 989	560 489

Table : Summary of provincial own receipts per Vote

4.5. Donor funding

The province is benefiting from donor funding from various countries. The following table represents the origin, extent and conditions of donor funding for each benefiting department (currency denominated in rands, except where indicated):

			2002/03	2003/04	2004/05	2005/06
.			Amount	Amount	Amount	Amount
Department	Donor Country	Purpose of funding				
Vote 01 - OTP			12,742	22,701	15,140	13,828
	Federal Republic of Germany	Rural Livelihoods Program	5,870	5,180	3,522	2,710
	Federal Republic of Germany	Provincial Admin. Project	403	352	-	
	United Kingdom	Intergrated Provincial Support Program	2,891	3,911	3,118	3,118
	Sweden	Strengthen Governance	3,578	13,258	8,500	8,000
	SIDA	Human Resource management and	-	-	-	-
		development programme				
Vote 02-Legisl	ature		-		114,027	1,729,521
		Improvement of law making in the Legislature enhancement of public participation, improvement of equality on gender and improvement of skills in the				
	EU - Brussels	Legislature.			114,027	1,729,521
Vote 03 - Healt	h		-	625	9.000	16.426
	EU	Partnership for the delivery of PHC incl. Aids				3.000
	Belgium	Partnership for the delivery of PHC incl. TB		625		625
		Contara for discass control and provention of LIV/Aida			0.000	10 902
	USA RSA	Learnerships - Health and Wseta - Nursing			9,000	10,002
	Non					1,000
Vote 06 Educa	tion		58,181	459,836	4,049,606	2,095,740
	UK (R and Euro)	Develop decentralised system of education Intsika Project - To build capacity for manangement of decentralisation in Fort Beaufort, Dutywa and	48,500	450,600	£4,045,692	£2,090,000.00
	Sweden	Grahamstown districts			1,230	5,740
	Japan	Emadakeni PS School Building	489			
	Japan	Hebron PS School Building		385		
	USAid	Boreholes	300			
	USAid	Improvement of quality education in Primary Schools District development.	3,460			
	Switzerland	Improvement of quality education in Primary Schools District development.	5,432	5,801	2,684	
	USA	Nhlontlo SSS		2,450		
	Japan	School Bulding		600		
C/F (Currency	Units)	· · · · ·	70.923	483,162	4,187,773	3,855,515

Vote 07 - DHLG&T	TA					
	EU	Contribution to LGSF				
Vote 09 - Econom	ic Affairs. Environment and Tourism				7.137	3.146
	SA: DEAET & NATIONAL	ECPB: Poverty Relief Projects			7,137	3,146
Vote 12 - Provinci	al Treasury		4,500	5,500	5,000	8,840
	Sweden	Financial Management	4,500	5,500	5,000	5,000
	EU	LED Funding	-		-	3,840
Vote 04 - Social D	evelopment		11,012	22,278	2,910	1,541
	IPSP/British Gov (Donor Support in kind	Project Management	186	231	219	
		Admin & Coordination	48	1,229	722	
		Community Needs Analysis	430	48		
		SDIMS	181	841	508	
		Community on Wheels Phase I	89	212		
		Change Managament			226	932
		Home/Community Based Care Porjects			103	377
		Roll Out (Shaw)	127	204		
		Roll Out (Pentagon)	175	358		
		CMC (Soc Security) Phase I			722	
		CMC Phase II Data Analysis			31	84
		File Management Phase 1	776	1,442		
		Ext. to File Management (1,8m) Phase II		13,258		
		Registration Campaign	9,000	3,890		
		District Development		565		
		Training in Proj. Mngt for Soc Dev PFU			39	
		Further PMBOK Training of District Management				148
	CIDA/Canadian (Donor Support in kind)	Best Pracice Study Tour			340	

5. Payments

5.1 Overall Position

The total outlays for provincial programmes, as set out in table 5.1 and Budget statement 2 for each vote, is R26 827 million for 2006/07 financial year, R30 480 million and R33 874 million for 2007/08 and 2008/09 financial years, respectively. The above figures are restated after adjusting for a shift relating to social security grant to national sphere of government. The figures reflect an increase from 2005/06 base of R2 888 (12%) in 2006/07 and an increase of R3 653 million (14%) in 2007/08. In real terms this translates to an increase of 6.9% in 2006/07 and a increase of 9.2% in 2007/08.

The revisions to the provincial fiscal framework provides for movements in inflation since the 2005 Budget and also seek to consolidate education, health, social welfare services and infrastructure (social and economic) programmes prioritised during the tabling of the 2005 Budget. In particular, the additions to the provincial equitable share are to strengthen the ability of provinces to improve access to public services; address vulnerability and inequality through proper targeting of services; increase investment in communities to ensure sustainable livelihoods; and develop the skills needed for the economy through enhanced further education and training. Additional equitable allocations therefore provide for specific personnel related expenditures, inflation and policy adjustments. The adjustments to conditional grants provide for the comprehensive housing strategy, forensic pathology services, hospital revitalisation, FET Colleges and strategic provincial infrastructure investments.

5.2 Payments by Economic Classification

The New Economic Reporting Format (NERF) has been in effect from 1 April 2004. In developing this reporting format, National Treasury adopted the GFS classification standards as well as the accounting standards set by the International Federation of Accountants as the basis for the reform. The current classification is a South African version of international standards, and provides for the classification of receipts, payments, financing and debt. It also shows the impact of transactions in these items on the cash flow and balance sheet of government.

A new standard chart of accounts that underpins the new format was implemented for all national and provincial departments as part of the migration process to BAS.

Table 5.1 hereunder represents the summary of consolidated payments by economic classification.

		Outcome					Mediun	n-term estim	ate
Economic classification R'000	Audited 2001/02	Audited 2002/03	Audited 2003/04	Main appro- priation 2004/05	Adjusted appro- priation 2004/05	Revised estimate 2004/05	2005/06	2006/07	2007/08
Current payments	15 046 774	16 714 057	17 289 116	18 888 235	19 308 950	19 271 098	21 110 682	23 514 478	25 642 093
Compensation of employees	12 174 249	13 335 904	14 307 120	15 008 232	15 274 110	15 267 181	16 284 955	17 314 998	18 395 749
Goods and services	2 814 569	3 318 282	2 935 590	3 815 842	4 033 840	4 002 917	4 824 727	6 198 425	7 245 226
Interest and rent on land	57 956	55 801	20 299	64 161	1 000	1 000	1 000	1 055	1 118
Financial transactions in assets and liabilities		13	26 107						
Unauthorised expenditure		4 057							
Transfers and subsidies to	2 625 383	3 066 310	2 832 370	2 919 385	3 009 219	3 043 950	3 688 074	4 249 939	4 892 986
Provinces and municipalities	305 576	605 732	281 757	426 094	504 048	523 506	522 075	591 186	650 645
Departmental agencies and accounts	612 619	749 728	705 438	543 333	555 273	554 847	458 632	494 302	586 463
Universities and technikons	563	70 000	19 294	12 000	12 000	12 000	13 000	15 720	16 957
Public corporations and private enterprises	706 589	511 363	505 490	604 897	533 269	539 891	758 144	697 552	788 924
Foreign governments and international organisations									
Non-profit institutions	533 074	309 042	444 264	584 566	543 389	558 210	892 844	1 244 313	1 449 954
Households	466 962	820 445	876 127	748 495	861 240	855 496	1 043 379	1 206 866	1 400 043
Payments for capital assets	999 262	1 931 837	1 464 895	1 584 550	1 585 708	1 569 739	2 028 368	2 715 592	3 338 466
Buildings and other fixed structures	786 940	1 617 733	1 382 909	1 413 818	1 411 571	1 395 696	1 784 930	2 301 638	2 693 728
Machinery and equipment	212 256	252 801	80 413	170 677	170 822	169 043	240 597	413 941	644 724
Cultivated assets		18 800			160	199	12	13	14
Software and other intangible assets		569	1 573	55	3 155	4 801	2 829		
Land and subsoil assets	66	41 934							
Total economic classification	18 671 419	21 712 204	21 586 381	23 392 170	23 903 877	23 884 787	26 827 124	30 480 008	33 873 545
Direct charge									
Total economic classification (including direct charge)	18 671 419	21 712 204	21 586 381	23 392 170	23 903 877	23 884 787	26 827 124	30 480 008	33 873 545

Compensation of employees

Personnel expenditure at R16 284,955 million accounts for 60,7% of the total budget in 2006/07 and this decreases to 54,3% in 2008/09. The main reason for the decrease is the steep growth in non-personnel expenditure, including infrastructure and conditional grant expenditure, coupled with decrease in personnel, notably from the Education department. Education personnel expenditure (87,8% in 2002/03) has been higher than the norm of 85%. For a number of years the department has aimed to reduce personnel expenditure to around 80% and in 2006/07 the budget for personnel is 79,8% of the total. These trends are in line with the provincial strategy of limiting expenditure on personnel, especially the non-professional personnel. Attention has, however been given to the funding of critical posts.

Social services sector

The social services sector, which includes the Departments of Education, Health and Social Development constitutes R20 720,495 million or 77,2% of the budget in 2006/07. This amount grows to R23 389,671 million in the 2007/08 financial year and R25 981,157 in the 2008/09 financial year, thought the percentage spent compared to total budget decrease slightly over the period to 76,7% in the 2008/09 financial year. It should be noted that the amounts for the 2005/06 financial year have been adjusted to account for the shift in social assistance grants to the South African Social Security Agency.

Further increases provide for traditional carry through costs such as improvement in conditions of services (ICS), multi-year wage agreements, including the extension of housing allowance to all public sector employees, further pay progression for educators, continued provision for scarce skills and rural allowance for specific categories of health professionals, improved salary dispensation for social workers, non-personnel inputs that are key in improving the quality of education, roll-out the education management information system (EMIS) to schools over the next three years as part of a broader approach to improved public sector management and performance reporting, improved management of hospitals, renewal of equipment and streamlined management of medicine and other supplies to accompany the hospital rehabilitation programme, smooth transition of the shifting of the primary health care component administered by non-metropolitan municipalities to provinces.

Non-social services sector

The non-social services sector comprise of all sectors excluding Health, Social Development and Education. The non social services sector expenditure constitutes R6 106,629 million or 22,8% of the budget. This amount grows to R7 090,337 million and R7 892,386 million in the 2006/07 and 2008/09 financial years respectively, while as a percentage of the total budget this sector also showed growth up to 22,3% in the 2008/09 financial year.

Capital

Capital expenditure constitutes R2 028,368 million or 7,6% of the 2006/07 budget. This amount shows good growth to R2 715,592 million - 8,9% of total budget and R3 338,465 million - 9,9% of total budget in the 2007/08 and 2008/09 financial years respectively. Year on year the expenditure grows by 29,9%, 33,9% and 22,9% for the 2006/07, 2007/08 and 2008/09 financial years respectively. These substantial increases mainly relate to infrastructure spending in line with government strategy of improving the economy.

5.3 Expenditure by Vote

Table 5.2 reflects the expenditure per vote as discussed in more detail below

Province of the Eastern Cape									
Table 5.2: Summary of provincial payments and estimation	tes by vote								
	2002/03	2003/04	2004/05		2005/06		2006/07	2008/09	
		Audited		Main	Adjusted	Revised	Medi	um-term estin	nates
		OUTCOME		appropriatio	appropriatio	estimate	mour	latoo	
R'000				n	n				
Vote 01: Office of the Premier	173 603	219 462	192 146	259 174	276 289	269 648	297 038	322 841	345 074
Vote 02: Provincial Legislature	74 018	79 615	91 540	99 371	121 380	121 381	129 039	141 941	153 236
Vote 03: Health	4 493 242	5 243 012	5 180 217	6 087 791	6 212 887	6 212 887	6 892 701	7 658 155	8 412 285
Vote 04: Social Development	381 647	485 386	419 172	539 426	539 649	536 143	762 772	957 201	1 234 731
Vote 05: Public Works	413 167	500 675	494 969	473 143	473 284	464 853	514 272	613 268	733 310
Vote 06: Education	9 148 768	10 155 292	10 654 446	11 251 320	11 521 188	11 539 084	13 065 022	14 774 315	16 334 141
Vote 07: Housing, Local Government & Traditional Affairs	844 601	1 240 872	997 567	1 008 226	1 065 255	1 056 328	1 250 606	1 481 703	1 612 098
Vote 08: Agriculture	571 591	751 961	821 936	821 819	836 894	836 073	869 670	954 759	1 059 125
Vote 09: Economic Affairs, Environment & Tourism	658 601	825 722	762 272	622 764	647 610	647 610	519 091	565 906	669 239
Vote 10: Roads & Transport	1 551 783	1 787 978	1 602 694	1 768 087	1 780 047	1 780 047	1 983 795	2 390 133	2 628 983
Vote 12: Provincial Treasury	147 219	161 243	138 518	180 390	136 407	128 762	196 762	214 697	229 726
Vote 14: Sport, Recreation, Arts & Culture	206 410	252 205	219 363	267 257	279 585	279 455	321 991	374 455	424 869
Vote 15: Safety & Liaison	6 769	8 781	11 541	13 402	13 402	12 516	24 365	30 634	36 728
Total provincial own receipts by vote	18 671 419	21 712 204	21 586 381	23 392 170	23 903 877	23 884 787	26 827 124	30 480 008	33 873 545

5.4 Capital

5.4.1 Infrastructure payments

The infrastructure allocations of the Eastern Cape Province have consistently increased over the past few years and this trend continues over the current 2006/07 MTEF period. Infrastructure remains as a key delivery challenge for the province especially in the elimination of its backlogs. This challenge is increased by the fact that the infrastructure allocations are not accompanied by the provincial departments addressing their capacity to deliver.

The other major challenge in the province is the lack of an integrated provincial infrastructure plan. The impact of the unavailability of this plan can be seen in the departmental challenges in utilizing infrastructure allocations. The province has embarked on an initiative to ensure the materialization of such an integrated infrastructure plan. This initiative is in the form of a provincial infrastructure task team, which had been initiated to assist the provincial infrastructure departments. This task team seeks to identify and eliminate infrastructure bottlenecks.

The initiative of the provincial infrastructure task team has been aligned to the National Treasury initiative of the Infrastructure Delivery Improvement Program (IDIP). The IDIP has seen the development of a framework for the improvement of infrastructure delivery management by National Treasury in collaboration with the Construction Industry Development Board. The Eastern Cape provincial treasury has been engaged in the rollout of this initiative in the Eastern Cape Province. The province is now involved in phase two of this initiative. The Eastern Cape Province has also been involved in the Accelerated Schools Delivery Initiative (ASDI). The ASDI has been targeted in the province at the department of Education, the purpose of which is to accelerate Education infrastructure delivery.

The IDIP supports proper monitoring and reporting mechanisms in the provinces, subsequently the Eastern Cape Province has been involved in developing a detailed monitoring and reporting mechanism as a means of ensuring the utilization of infrastructure allocations and the fulfillment of our legislative obligations. This monitoring and reporting mechanism draws on the principles and procedures as illustrated in the IDIP toolkit. This tool shall be used as a means of obtaining optimal as well as quality infrastructure spending.

Table 5.3 shows that the province will spend R2,990 billion of its 2006/07 budget on infrastructure projects, growing sharply to R3,783 billion and R4,384 billion in 2007/08 and 2008/09 financial years respectively.

Of the R587,263 million infrastructure allocation to Health, for the 2006/07 financial year, R135,950 million relates to the Hospital revitalization program. The Health infrastructure budget also allocates R124,848 million for new works, R279,545 million for rehabilitation and R155,890 million for maintenance of infrastructure.

The R25,805 million allocated to Social Development, for the 2006/07 financial year, will largely fund the new construction of multi purposes centres, community development centres, and service offices.

The amount of R76,706 million allocated to the department of Public Works for infrastructure relates fully to maintenance projects.

The total infrastructure allocation of R696,342 million for Education will largely be used to fund special schools, GET schools, FET schools, mud structures, new schools, additional classrooms and FET colleges.

The amount of R25,364 million allocated to Housing, Local Government and Traditional Affairs for infrastructure for the 2006/07 financial year is for the construction of traditional courts and the house of traditional leaders.

The R57,061 million infrastructure allocation to the department of Agriculture for the 2006/07 financial year, is used to support the community projects, these infrastructure projects relate to farmer support and development. The total allocation to Agriculture consists of the Agriculture CASP conditional grant. Of this amount R37,086 million is for new works and R19,975 million relates to rehabilitation/upgrading.

The department of Roads and Transport has a R1,499 billion allocation for infrastructure for the 2006/07 financial year. Of this amount R1,392 billion will largely fund the Roads infrastructure budget. The balance

of the allocation in Transport and Roads i.e. R107,764 million relates to Transport projects and EPWP projects. The main Transport project is the Kei Rail project of which R50,703 million has been allocated.

The infrastructure budget for the 2006/07, 2007/08 and the 2008/09 financial years show an increase in budget for the 2007/08 financial year as 26.5% (R792,743 million) and 15.9% (R601,320 million) increase in budget for the 2008/09 financial year. This trend indicates the increase in infrastructure allocations over the 2006/07 MTEF period.

In an attempt to achieve good levels of infrastructure spending, the Eastern Cape Province is placing an emphasis on infrastructure monitoring as well as implementation. The emphasis is now in achieving quality spending in these areas. As a means of achieving this, detailed assistance has been proposed to departments through ensuring that a strengthened monitoring and reporting system is in place as well as an integrated provincial infrastructure plan. This shall enable infrastructure challenges to be immediately identified and addressed such that the impact on spending is minimal.

Tabl	e 5.3	Summary of provincial infrastructure payments and estimates						
		N	ledium-term estima	te				
	R'000	2006/07	2007/08	2008/09				
1.	Office of the Premier							
2.	Provincial Legislature							
3.	Health	587 263	811 707	855 244				
4.	Social Development	25 805	18 192	19 508				
5.	Public Works	76 706	133 911	224 608				
6.	Education	696 342	877 453	1 222 842				
7.	Housing, Local Government and Traditional Affairs	25 364	26 821	28 216				
8.	Agriculture	57 061	69 838	73 190				
9.	Economic Affairs, Environment and tourism							
10.	Roads and Transport	1 498 759	1 820 487	1 929 931				
12.	Provincial Treasury							
14.	Sports, Recreation, Arts and Culture	22 974	24 608	30 798				
15.	Safety and Liason							
Total and e	provincial infrastructure payments stimates by vote	2 990 274	3 783 017	4 384 337				

5.5. Provincial Public Private Partnerships

The Eastern Cape Provincial Departments which have PPP projects are the department of Health and the department of Roads and Transport. The allocations for the Provincial Public Private Partnerships are R284,458 million, R301,008 million and R322,651 million for the 2006/07, 2007/08 and 2008/09 financial years respectively.

The department of Roads and Transport has one PPP project, being the Fleet Africa project. The Fleet Africa project is for the provision of motor vehicles to the provincial departments. The allocations for this

PPP project is R167,660 million, R188,665 million and R210,261 million for the 2006/07, 2007/08 and the 2008/09 financial years respectively.

The PPP project under implementation for the department of Health is the Humansdorp PPP project. The allocation for the Humansdorp PPP project is R1,298 million, R1,343 million and R1,390 million for the 2006/07, 2007/08 and the 2008/09 financial years respectively. The department of Health is currently engaged in three new PPP projects. These projects are the Port Alfred and Settlers PPP, the Pharmaceutical PPP and the Hospital Accommodation PPP project. The Port Alfred PPP project is at procurement stage, the Pharmaceutical PPP is at negotiation stage, while the Hospital Accommodation PPP is at inception and feasibility study stage. The allocations for these new PPP projects are R115,500 million, R111,000 million and R111,000 million for the 2006/07, 2007/08 and the 2008/09 financial years respectively.

The table below reflects a summary of all Public Private Partnership projects under implementation as well as new projects, the details of which are presented in each of the votes in Budget Statement 2.

Table 5.4	Sum	Summary of departmental Public-Private Partnership											
				projec	sts								
	Total	cost of p	roject				Ме	dium-tern	n estimat	e			
Project description R'000	Audited 2002/03	Audited 2003/04	Audited 2004/05	Main appro- priation 2005/06	Adjusted appro- priation 2005/06	Revised estimate 2005/06	2006/07	2007/08	2008/09	% Change from Revised estimate 2005/06			
Projects under implementation		155 960	227 804	20 270	141 962	141 962	168 958	190 008	211 651	19.02			
PPP unitary charge		188 243	228 263	5 300	157 430	157 430	172 237	191 725	212 809	(100.00)			
Advisory fees		53	36	5862			100	200	300				
Revenue generated (if applicable)		(32 336)	(495)		(15 468)	(15 468)	(3 379)	(1917)	(1 458)	(78.15)			
Project monitoring cost				9 108									
New projects				30 000	7 800	7 800	115 500	111 000	111 000	1380.77			
PPP unitary charge													
Advisory fees				7 000	7 800	7 800	101 000	101 000	101 000	1194.87			
Revenue generated (if applicable)							4 500						
Project monitoring cost				23 000			10 000	10 000	10 000				
Total Public-Private Partnership projects		155 960	227 804	50 270	149 762	149 762	284 458	301 008	322 651	89.94			

5.6 Payments by policy area

As can be noted from Table 5.5 below, the major areas of expenditure by policy area for the 2006/07 financial year are Education, Health and Economic services, with estimated expenditure of R13 billion, R6,9 billion and R3,1 billion respectively. In total, these three policy areas account for R28,475 billion or 88% of provincial expenditure (Education 49%, Health 26% and Economic Services 12 %). Each of these three major policy areas have increased compared to the adjusted budget for the 2005/06 financial year.

The table below indicates the classification of provincial expenditure per policy area.

				Annexure	A to Budget S	tatement 1					
Table A.7				Summary o	of provincial p	ayments and estimates	s by policy area				
			Outcome						Medium-tern	n estimate	
Policy area R'000	Departmement	Audited	Audited	Audited	Main appro-priation	Adjusted appro-priation	Revised estimate				% Change from Revised estimate
		2002/03	2003/04	2004/05	2005/06	2005/06	2005/06	2006/07	2007/08	2008/09	2005/06
General Pub	lic Services	1 037 777	1 199 083	1 126 807	1 233 481	1 250 990	1 234 150	1 402 767	1 578 498	1 764 150	13.66
Public Order	r & Safety	6 769	8 781	11 541	13 402	13 402	12 516	24 365	30 634	36 728	94.67
Economic A	ffairs	2 614 747	3 169 808	2 992 956	3 015 273	3 066 790	3 066 007	3 121 119	3 637 751	4 066 786	1.80
Environmen	tal Protection.	167 228	195 853	193 946	197 397	197 761	197 723	251 437	273 047	290 561	27.17
Housing & C	Community Amenitties	614 831	1 002 783	787 933	786 823	821 625	806 822	984 950	1 195 952	1 309 293	22.08
Health		4 493 242	5 243 012	5 180 217	6 087 791	6 212 887	6 212 887	6 892 701	7 658 155	8 412 285	10.94
Recreation,	Culture & Religion	206 410	252 205	219 363	267 257	279 585	279 455	321 991	374 455	424 869	15.22
Education		9 148 768	10 155 292	10 654 446	11 251 320	11 521 188	11 539 084	13 065 022	14 774 315	16 334 141	13.22
Social Prote	ction	381 647	485 386	419 172	539 426	539 649	536 143	762 772	957 201	1 234 731	42.27
Budget		18,671,419	21,712,203	21,586,381	23,392,170	23,903,877	23,884,787	26,827,124	30,480,008	33,873,544	12.32

5.7. Transfers to public entities

An amount of R542 million has been allocated to various provincial departments for transfer to public entities for the 2006/07 financial year. The department that is the most significant in terms of these transfers, is the Department of Economic Affairs, Environment and Tourism.which amounts to R464,632 million (84.2%) of the total departmental transfers for the 2005/06 financial year.

Table 5.6 provides a summary of provincial transfers to public entities by transferring department.

Province of the Eastern Cape										
Table 1.16: Summary of provincial	transfers to public entities by transfe	rring departmen	t							
Entity		2002/03	2003/04	2004/05	2005/06			2006/07	2007/08	2008/09
R'000	Provincial Department		Audited OUTCOME		Main appropriation	Adjusted appropriation	Revised estimate	Med	ium-term estim	ates
Eastern Cape Socio- Economic Council	Office of the Premier	5,900	8,000	63,000	7,500	7,500	7,500	12,931	13,754	14,579
Eastern Cape Appropriate Technology Unit	Office of the Premier	65,000	8,000	76,100	7,500	10,500	10,500	40,500	11,327	12,218
Eastern Cape Rural Finance Corporation (Uvimba)	Agriculture	5,544	15,500	17,500	17,500	17,500	17,500	18,955	20,755	22,163
Eastern Cape Tourism Board	Economic Affairs, Environment and Tourism	23,184	27,987	20,645	20,532	20,532	20,532	21,000	22,000	23,540
Eastern Cape Gambling and Betting Board	Economic Affairs, Environment and Tourism	10,630	12,400	13,364	14,364	14,364	14,364	16,746	17,633	17,690
Coega Development Corporation	Economic Affairs, Environment and Tourism	27,183	63,720	127,405	3,960	-	3,960	23,344	59,220	81,779
East London IDZ	Economic Affairs, Environment and Tourism	33,957	49,994	60,500	180,531	180,531	180,531	239,267	14,000	115,000
Eastern Cape Development Corporation	Economic Affairs, Environment and Tourism	22,000	54,055	23,946	30,780	-	30,780	30,000	32,000	33,600
Eastern Cape Parks Board	Economic Affairs, Environment and Tourism	-	-	28,754	65,000	65,000	65,000	79,700	87,407	88,216
Eastern Cape Liquor Board	Economic Affairs, Environment and Tourism	-	-	-	10,170	10,170	10,170	14,391	16,305	12,137
Mayibuye Transport Corporation	Roads and Transport	22,400	24,435	20,500	25,001	25,001	25,015	32,000	32,160	31,493
ECPACC	Sport, Recreation, Arts and Culture	9,557	11,179	14,958	12,589	12,589	12,589	13,218	13,879	15,267
Total provincial transfer to d	levelopment corporations	225,355	275,270	466,672	395,427	363,687	398,441	542,052	340,440	467,682

5.8 Transfers to local government

In terms of section 17(1) of the Division of Revenue Act, 2005, provincial treasuries must publish, with its annual budget, the allocations per municipality for every allocation made by the province to a municipality in that province.

According to section 155(1) of the Constitution of the Republic of South Africa, No. 108 of 1996, municipalities are defined as follows

- **Category A:** a municipality that has exclusive municipal executive and legislative authority in its area. Municipalities of this type are normally referred to as "metropolitan areas", Nelson Mandela is the only metropolitan municipality in the Eastern Cape at the present time.
- **Category B:** A municipality that shares municipal executive and legislative authority in its area with a category C municipality within whose area it falls. Municipalities of this type are normally referred to as "local municipalities".
- **Category C:** A municipality that has municipal executive and legislative authority in an area that includes more than one municipality. Municipalities of this type are normally referred to as " district Municipality"

A detailed and summarized version of this information as per the categories is listed in Table 5.7 below. The detailed information will be listed in Provincial Gazettes to be published with this budget. Further details appears in the Budget Statement of each Vote.

Table 5.7 shows a summary of transfers to Local Government.

		Outcome					Mediu	um-term estir	nate
Departmental transfers R'000	Audited 2001/02	Audited 2002/03	Audited 2003/04	Main appro- priation 2004/05	Adjusted appro- priation 2004/05	Revised estimate 2004/05	2005/06	2006/07	2007/08
Category A	57 384	74 678	68 342	87 575	100 755	101 037	91 107	99 541	106 413
Category B	71 468	73 350	87 662	817 248	825 355	823 689	964 085	1 170 777	1 271 146
Category C	85 450	77 961	70 095	85 227	96 783	101 783	149 275	192 313	228 036
Total provincial transfers to local government	214 302	225 989	226 099	990 050	1 022 893	1 026 509	1 204 467	1 462 631	1 605 595

5.9 Personnel numbers and costs

As can be seen from Table 10.8 below, the Province is expected to employ 121 269 people at a cost of R16 284,955 million during the 2006/07 financial year, compared to 121 086 people employed during the 2005/06 financial year at a cost of R15 269,220 million. This represents an increase of 0,2% in terms of number of staff and an increase in total costs of 6,7%. The average cost per employee has increased from R126 102 in the 2005/06 financial year to an estimated R134 288 in the 2006/07 financial year, an increase of 6,5%.

The Departments of Education and Health are expected to be the most significant employers for the 2006/07 financial year with total staff of 74 849 and 31 452 respectively. This amounts to 87,7% of the total provincial staff complement for the 2006/07 financial year. These two departments also account for the bulk of the payroll costs, with R10 432,269 million and R3 732,331 million rand respectively, making up a combined total of 87% of total staff costs. The next most significant employers for the 2006/07 financial year are the Department of Agriculture with an estimated staff complement of 4 124 at a cost of R438,771 million and the Department of Roads and Transport with estimated staff of 3 709 at a cost of R393,971 million.

Table 5.8: Personnel numbers and costs

		As at						
Personnel numbers		31 March 2003	31 March 2004	31 March 2005	31 March 2006	31 March 2007	31 March 2008	31 March 2009
	Numbers	308	343	337	391	415	427	427
Vote 01: Office of the Premier	Costs (R'000)	61,386	61,932	69,211	77,072	91,819	98,817	103,678
	Numbers	241	241	241	249	257	257	265
Vote 02: Provincial Legislature	Costs (R'000)	50,642	56,614	63,078	70,575	71,901	79,093	85,383
	Numbers	29 461	30 927	31 255	31 255	31 452	31 400	31 613
Vote 03: Health	Costs (R'000)	2,490,865	2,815,673	3,230,051	3,470,900	3,732,331	3,911,635	4,087,940
	Numbers	1 275	1 564	1 376	1 429	1 321	1 387	1 456
Vote 04: Social Development	Costs (R'000)	156,216	161,852	171,642	211,941	266,808	301,617	319,021
	Numbers	2 791	2 996	2 672	2 156	1 728	1 728	1 728
Vote 05: Public Works	Costs (R'000)	220,023	250,793	228,398	232,769	237,515	251,717	264,525
	Numbers	74 735	73 822	73 941	74 849	74 849	75 249	75 912
Vote 06: Education	Costs (R'000)	8,037,091	8,701,874	9,323,558	9,901,267	10,432,269	11,133,481	11,903,333
Vote 07: Housing, Local Government &	Numbers	1 449	1 040	651	840	1 029	1 061	1 095
Traditional Affairs	Costs (R'000)	173,138	178,148	172,569	197,223	261,781	275,324	288,978
	Numbers	5 776	5 674	5 462	4 023	4 124	4 124	4 124
Vote 08: Agriculture	Costs (R'000)	406,890	450,102	458,713	435,686	438,771	465,009	491,401
Vote 09: Economic Affairs, Environment &	Numbers	1 132	955	915	644	644	644	644
Tourism	Costs (R'000)	75,042	85,439	87,282	88,670	87,568	92,823	97,478
	Numbers	3 893	3 780	3 577	3 533	3 709	3 729	3 759
Vote 10: Roads & Transport	Costs (R'000)	309,563	334,395	311,336	357,363	393,971	417,604	444,639
	Numbers	329	334	344	344	344	344	344
Vote 12: Provincial Treasury	Costs (R'000)	45,904	50,981	59,818	65,087	95,006	100,232	106,245
	Numbers	1 049	970	882	1 328	1 328	1 328	1 328
Vote 14: Sport, Recreation, Arts & Culture	Costs (R'000)	142,865	150,421	140,497	151,460	160,432	168,449	180,110
	Numbers	30	35	36	45	69	69	69
Vote 15: Safety & Liaison	Costs (R'000)	4,625	5,426	7,826	9,207	14,783	19,197	23,015
Total provincial personnel numbers		122 469	122 681	121 689	121 086	121 269	121 747	122 764
Total provincial personnel cost (Rands)		12,174,250	13,303,650	14,323,979	15,269,220	16,284,955	17,314,998	18,395,746
Unit cost		99	108	118	126	134	142	150

5.10 Payments on training

Table 5.9 represents expense on training and bursaries by Departments on their own staff in line with the requirements of Section 30 of the Skills Development Levies Act, 1999, which requires that each public service employer in the national and provincial spheres of government must budget for at least 1% of its payroll (gross basic salary) for the training and education of their employees. Of these funds (1% of gross salary) an amount of 30% is kept by the relevant department for training purposes while 60% is allocated to Office of the Premier for transversal training and towards bursaries, the remaining 10% is allocated to Provincial Treasury for transversal financial training.

As can be noted from Table 5.9 below, it is expected that an amount of R202,146 million will be spent on training for the 2006/07 financial year, an increase of 9% compared to the revised estimate for the 2005/06 financial year. The Departments that are expected to incur the most significant expenditure for training during the 2006/07 financial year, are the Office of the Premier (R13,365 million) the Department of Health (R59,842 million), the Department of Education (R51,447 million) and the Department of Roads and Transport (R52,929 million. The combined total for these four departments is R177,583 million or 88% of the total budget for 2006/07. The reason for the relatively large training budget for the Office of the Premier is due to the transversal training function referred to in the above paragraph. Table 5.9 below provides a summary of provincial payments on training by Vote.

Table 5.9: Training costs by Vote

	2002/03	2003/04	2004/05		2005/06		2006/07	2007/08	2008/09
		Audited		Main	Adjusted	Revised	Mediu	m-term est	imates
R'000		outcome		appropriation	appropriation	estimate			
Vote 01: Office of the Premier	33,311	35,017	18,300	12,349	12,349	12,349	13,365	15,371	16,447
Vote 02: Provincial Legislature	371	914	616	628	628	628	719	793	857
Vote 03: Health	52,079	78,144	53,784	56,455	56,455	55,468	59,842	63,433	67,239
Vote 04: Social Development	1,477	1,128	1,346	1,505	1,505	1,505	1,579	1,659	1,742
Vote 05: Public Works	719	361	491	6,733	3,733	3,733	2,350	2,541	2,701
Vote 06: Education	10,892	75,536	29,581	51,997	47,997	47,997	51,447	59,093	65,402
Vote 07: Housing, Local Government & Traditional Affairs	871	698	1,036	3,928	1,004	1,004	1,094	1,155	1,133
Vote 08: Agriculture	2,200	2,500	9,776	9,830	9,830	9,830	12,219	13,646	14,590
Vote 09: Economic Affairs, Environment & Tourism	804	960	626	2,000	2,000	2,000	3,275	3,522	3,952
Vote 10: Roads & Transport	27,758	33,492	17,720	38,986	40,784	47,490	52,929	70,911	76,202
Vote 12: Provincial Treasury	542	719	586	1,245	1,245	1,245	1,800	1,899	2,013
Vote 14: Sport, Recreation, Arts & Culture	343	1,056	1,580	1,585	1,585	1,585	1,457	1,665	1,782
Vote 15: Safety & Liaison	127	42	42	80	50	70	70	70	70
Total provincial payments on training	131,494	230,567	135,484	187,321	179,165	184,904	202,146	235,758	254,130

ANNEXURES TO THE BUDGET STATEMENT NO 1.

Budget Statement 1

Table A.1: Details on information on Conditional Grants

		2002	203			2003/	14			2004	105			2005	V06		2006/07	2007/08	2008/09
	Amount Received	Provincial Roll overs	Total Available	Actual Payments	Amount Received	Provincial Roll overs	Total Available P	Actual ayments	Amount Received	Provincial Roll overs	Total Available	Actual Payments	Amount Received	Provincial Roll overs	Total Available	Estimated Actual	Medium Tern	T Expenditure	Estimates
Department/Grant																Payments			
Agriculture	6.000	5.000	11.000	11.796	8.000		8.000	7.622	46.810		46.810	14.896	55.552	31.892	87.444	87.423	63.736	76.848	80.535
Comprehensive agricultural support																			
programme grant	'				'	,			38,044		38,044	12,250	47,552	25,773	73,325	73,444	57,061	69,838	73,190
Land care programme grant: Poverty relief	6,000	5,000	11,000	11,796	8,000		8,000	7,622	8,766		8,766	2,646	8,000	6,119	14,119	13,979	6,675	7,010	7,345
Education	79,283	3,850	83,133	40,093	52,210	•	52,210	40,123	229,228	•	229,228	195,174	261,294	34,055	295,349	295,349	319,995	350,945	401,328
Early childhood development grant	9,805	3,850	13,655	9,218	13,810		13,810	7,820	2,470		2,470	1,692		778	778	778			
Financial management and quality enhancement grant	42,240		42,240	19,712	21,684		21,684	22,013	21,683		21,683	3,056		18,627	18,627	18,627			
Further Education and Training College Sector Recapitalisation grant																	61,000	79,000	115,550
HIV and Aids (Life skills education) grant	27.238		27.238	11.163	16.716		16.716	10.290	27,816		27,816	19.516	23.692	8.301	31,993	31.993	25.113	26.369	28,144
				-	-		2												
	'	'	'	·		'	'	'	RGZ,171	'	BCZ, 111	1/0,910	231,602	0,349	243,951	243,951	233,882	245,576	201,034
Health	451,252	256,918	708,170	568,722	599,080	•	599,080	581,242	623,404	7,000	630,404	540,665	847,038	41,049	888,087	888,087	905,102	964,997	1,008,576
Cholera epidemic (KwaZulu-Natal)		•	•	'	6,000	•	6,000	•	•	6,000	6,000	1,254	•		•	'	•	•	1
Comprehensive HIV and Aids grant	28,253	5,382	33,635	48,158	38,934		38,934	34,322	98,970		98,970	90,539	159,005	•	159,005	159,005	218,021	228,922	241,421
Health professions training and development grant	72,049	169,707	241,756	93,398	79,873		79,873	68,538	97,464		97,464	76,962	127,566	10,000	137,566	137,566	127,566	133,944	140,641
Hospital construction grant			•	•	'	•	•	'	•	'		•	•			'	•	•	'
Hospital management and quality improvement grant	9.333		9.333	6.909	14.553		14.553	7.248	14.647		14.647	13.705	24.531		24.531	24.531			
Hospital revitalisation grant	84,000	26,846	110,846	129,928	90,751		90,751	93,924	116,354		116,354	98,870	147,732		147,732	147,732	105,318	139,945	154,508
Integrated nutrition programme grant	131,838	36,225	168,063	137,160	172,465	•	172,465	173,433	23,933		23,933	22,815	26,316	•	26,316	26,316	•	•	
Medico-Legal		•	•	•	1,000	•	1,000			1,000	1,000	350	8,866		8,866	8,866	79,994	69,273	59,447
National tertiary services grant	125,779	18,758	144,537	153,169	195,504	•	195,504	203,777	272,036		272,036	236,170	353,022	31,049	384,071	384,071	374,203	392,913	412,559
Housing	622,204	234,470	856,674	522,706	699,095	325,000	1,024,095	853,680	645,744	•	645,744	619,513	581,218	26,231	607,449	607,259	761,994	952,554	1,046,566
Capacity building	31,200	•	31,200	47,686	46,338	•	46,338	43,970	35,184	•	35,184	35,184	•		•	'	•	•	1
Housing subsidy grant	580,806	224,457	805,263	465,013	641,757	325,000	966,757	792,625	598,900	•	598,900	572,843		•	•	•	761,994	952,554	1,046,566
Human settlement and redevelopment grant	10.198	10.013	20.211	10.007	11.000		11.000	17.085	11.660		11.660	11.486	581.218	26.231	607.449	607.259		,	I
Resettlement of Doornkop	1						1	1			1	1				1	'		,
Land Affairs	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Land Distribution: Alexandra Urban Renewal Project grant																			

	management	e grant	grant - Flood		malanga		overnment		city building fund	gement capacity for			ı grant	ntation grant	and improvement		grant	nity-based care)	onment Services		distration Grant	fore Grant				South Africa	tion participation		bove)	l Disaster 31.03.2004)	ettlement and	
356,107		286,107		70,000	•	•	27,266	•			27,266	5,998	•	•	000	1,200	'	4 798		ı				•	'	•			•			1 7 10 440
38,800		'		38,800	•	•	•	•			•	449,515	'	•		•				1		•	•	449,515		•		•	•			,
394,907		286,107		108,800		•	27,266	•			27,266	455,513	'	•		1,200		4 798		,		•	•	449,515	'	•		•	•			
356,107		286,107		70,000	•	•	20,434	•			20,434	244,643	•	•		1,100	•	3 231		'		•		240,312		•		•	•	1		- 100 ED4
456,673		433,673		23,000	•	•	8,643	•			8,643	372,921	272,130	•		'	94,133	6 658				•	•	'	'	•			•	'		- 105 201 0
•		'		•	'	•	•	•			•	209,203	'	•		•	•	,				•		209,203		•			•	,		- 100
456,673		433,673		23,000		•	8,643	•			8,643	582,124	272,130	•		•	94,133	6 658		1		•		209,203	'	•		•	•			
457,278		392,350		64,928			8,650				8,650	338,572	178,837			•	94,133	6 658		'				58,944	'	•			•	ı		- 100 C
609,002		609,002		•	•	•	9,169	•			9,169	1,004,199	902,977	•		'	94,133	7 089		'				'	•	•		•	8,000	8,000		- 177 EEC
•		'		•	•		•				•	•	'	•		•	•	,		'				'	'	•			•	,		1000
609,002		609,002		•		•	9,169	•			9,169	1,004,199	902,977	•			94,133	7 089		,				•		•		•	8,000	8,000		- 100 EEC
611,623		611,623		•	•	•	9,169	•			9,169	801,105	784,399	•		•	9,891	6.815		'			•	•		899	000	662	8,000	8,000		
675,330		675,330		•			16,200	16,200			•	108,112	•	•		ı	•	13 979		94,133		1	•	1	•	2,670		2,6/U	10,000	10,000		~
•		'		•			•				•	•	'	•		•	'			1		•	•	•	'	101		LUL	8,000		000 0	0,000
675,330		675,330		•	•	•	16,200	16,200			•	108,112	•	•		•	•	13.979		94,133		•	•	•	•	2,771		2,111	18,000	10,000	000	0,000 0
675,330		675,330		•		•	16,200	16,200			•	85,424	'	•		•	ı	13 979		71,445				•		2,670		Z,67U	18,000	10,000	000 0	0,000
742,057		742,057		•	•	•	•	•			•	•	'	•		•	•			1		•	•	•	'	17,060		11,060	•			
984,943		984,943		•			•				•	•	'	•		•	•	'		'			•	•		22,893	000	22,893	•	'		
1,055,321		1,055,321				'	•	'			'	•	'			•				ı			•	•	'	31,498	001 10	31,498	•			

Table A.1: Details on information on Conditional Grants (continued)

Budget Statement 1

			~ ^ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~		00100				
:		Outcome		Main	Adjusted		Mediu	m-term estim	late
Economic classification R'000	Audited	Audited	Audited	appro- priation	appro- priation	Kevised estimate			
	2002/03	2003/04	2004/05	2005/06	2005/06	2005/06	2006/07	2007/08	2008/09
Current payments	15 046 774	16 714 057	17 289 116	18 888 235	19 308 950	19 271 098	21 110 682	23 514 478	25 642 093
Compensation of employees	12 174 249	13 335 904	14 307 120	15 008 232	15 274 110	15 267 181	16 284 955	17 314 998	18 395 749
Salaries and wages	12 033 870	12 753 503	13 773 193	14 486 424	14 745 873	14 745 527	15 668 347	16 665 272	17 714 106
	140 379	582 401	533 927	521808	528 237	521 654	616 608	649 726	<u>- 6 : 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5</u>
Goods and services Of <i>which</i>	2 814 569	3 318 282	2 935 590	3 8 1 5 8 4 2	4 033 840	4 002 917	4 824 727	6 198 425	7 245 226
Animal feed									
Audit fees	4 527	27 725	16 006	21 102	40 443	39 843	26 331	26 455	28 758
Audit fees: external									
Communication	7 590	9 050	14 976	20 024	26 024	26 424	34 209	36 910	37 269
Computer equipment	490	010 77 600	1 400	14 200	14 200	14 200	18 986	20/3/	97/ LZ
Consultants and specialised	508 354	2/ 000 444 104	303 408 343	469 285	485 149	467 575	637 163	803 974	836 217
services Consumables	1 780	2 810	4 119	305	305	395	415	436	6 RGO
Contractors	-		-		2				
Contribution to Parmed									
Educational materials		35 140	160 979	157 937	204 570	204 570	263 618	497 838	353 588
Infrastructure									
Inventory	357 734	894 357	652 086	859 422	942 543	803 818	1 075 305	1 335 760	1 673 056
II (Data lines)		100.0	8 105	11 691	11 691	11 691	12 187	16 /19	17 /63
Legal lees Library material	4 330	GN7 0	71011	103/1	13 820	13 820	14 490	CHC 21	00/ /1
Machinery and equipment									
Maintenance and repairs and	65 656	154 754	138 220	129.660	133 892	135 502	249 613	468 480	636 620
running cost Medical Aid in respect of									
continuation members									
Medical services	92 989	4 194	109 230	61 814	61 071	64 055	80 000	75 640	72 256
Medical supplies	73 462	205 027	165 303	201 907	139 896	194 531	165 339	200 278	247 690
	226 068	208 904	167 265	468 982	387 653	448 299	389 519	482 139	504 936
Oursed and locashed amount	1 520	2 360	16 927	39 321 1 652	35 458	28 668	42 783	4/ 211	53 134 1 018
Cwired and reasonant property Printing and publications			4 903	8 421	600 I 8 676	10.959	8 578	8 993	1910
Scholar transport Sport and Recreation Equipment									
Training	44 753	94 924	72 264	157 239	159 870	163 710	196 756	230 836	248 177
Travel and subsistence	16 225	70.027	38 006	EE 170	58 21 <i>1</i>	60 7 5 3	00 617	125 020	161 686
Utilities (municipal services)	677 01	706 67	000000	7/1 00	+ c oc	CC 7 00	110.06	070 071	000 101
Veterinary supplies	15 145	19 115	21 689	14 000	13 500	13 500	15770	16 100 25 200	1 995
Other	1 362 727	1 151 383	920 187	1 110 606	1 293 637	1 298 066	14 040 1 468 540	33 990 1 734 473	2 241 057
Interest and rent on land	57 956	55 801	20 299	64 161	1 000	1 000	1 000	1 055	1 118
Interest			19 484		1 000	1 000	1 000	1 055	1 118
Rent on land	57 956	55 801	815	64 161					

Table B.2: Summary of p	ayments and	l estimates	by econo	mic classi	fication (co	ntinued)	Mediu	m-tarm actin	ata
Economic classification R'000	Audited	Andited	Andited	appro- nriation	appro- nriation	Revised			2
	2002/03	2003/04	2004/05	2005/06	2005/06	2005/06	2006/07	2007/08	2008/09
Financial transactions in assets and		13	26 107						
Unauthorised expenditure		4 057							
Transfers and subsidies to (Current)	2 625 383	3 066 310	2 832 370	2 919 385	3 009 219	3 043 950	3 641 231	4 167 027	4 812 952
Provinces and municipalities	305 576	605 732	281 757	426 094	504 048	523 506	500 914	554 101	619 252
Provincial Revenue Funds Provincial agencies and funds									
Municipalities	305 576	605 732	281757	426 094	504 048	523 506	500 914	554 101	619 252
Municipalities of which	305 576	577 732	279 257	420 812	482 266	501 724	477 096	519 902	582 719
Regional services council levie Municipal agencies and funds		26 888 28 000	28 804 2 500	31 103 5 282	38 382 21 782	38 333 21 782	42 147 23 818	39 348 34 199	42 042 36 533
Departmental agencies and accounts	612 619	749 728	705 438	543 333	555 273	554 847	458 632	494 302	586 463
Social security funds Provide list of entities receiving transfers									
Eastern Cape Socio Economic Consultative Council	5 900	19 220	8 800	24 000	24 000	24 600	26 342	28 416	30 652
Eastern Cape Provincial Arts	5 700	6 550					8 450	10 500	11 234
Cultural Council Eastern Cape Development Corporation	68 096	131 300	86 915	74 266	84 106	83 080	123 251	132 649	211 281
Eastern Cape Appropriate	6 500	8 000	8 891	7 500	000 6	000 6	10 500	11 327	12 218
Technology Unit Rural Agricultural Bank	6 320	15 500	22 000	17 500	18 100	18 100	20 000	22 500	25 000
Eastern Cape Liquor Board Eastern Cape Tourism Board	17 000	22 000	20 645	10 170 20 532	10 170 20 532	10 170 20 532	14 391 21 000	16 305 22 000	12 137 23 540
Eastern Cape Gambling &	13 130	12 400	13 364	14 364	14 364	14 364	16 746	17 633	17 690
Betting Board Eastern Cape Parks Board	37 288	34 037	44 734	65 000	65 000	65 000	19 700	87 407	88 216
Coega Development Corporation	378 000	375 145	359 431	180 000	180 000	180 000			
Council for Scientific and Industrial Research Fast I ondon Develomment Zone	50.000	141	120.022	105 000	105 000	105 000	107 000	113 000	120 000
		11 00	770 071						
Agricultural Research Council Other	24 685	26 435	20 636	25 001	25 001	25 001	31 252	32 565	34 495

Table B.2: Summary of p	ayments anc	l estimates	by econo	mic classif	ication (cc	ontinued)			
		Outcome		Main	Adjusted		Mediu	m-term estim	late
Economic classification				appro-	appro-	Revised			
R'000	Audited	Audited	Audited	priation	priation	estimate			
	2002/03	2003/04	2004/05	2005/06	2005/06	2005/06	2006/07	2007/08	2008/09
Universities and technikons	563	20 000	19 294	12 000	12 000	12 000	13 000	15 720	16 957
Public corporations and private	706 589	511 363	505 490	604 897	533 269	539 891	758 144	697 552	788 924
enterprises									
Public corporations	548 489	360 063	333 490	432 956	361 328	367 950	568 969	474 005	548 369
Subsidies on production Other transfers	548 480	360 063	333 400	137 956	361 378	367 950	568 060	474 005	548 360
Private enterprises	158 100	151 300	172 000	171 941	171 941	171 941	189 175	223 547	240 555
Subsidies on production									
Other transfers	158 100	151 300	172 000	171 941	171 941	171 941	189 175	223 547	240 555
Foreign governments and international organisations									
Non-profit institutions	533 074	309 042	444 264	584 566	543 389	558 210	892 844	1 244 313	1 449 954
Households	466 962	820 445	876 127	748 495	861 240	855 496	1 043 379	1 206 866	1 400 043
Social benefits	916		55 847	23 294	68 122	62 514	66 813	73 524	91 488
Other transfers to households	466 046	820 445	820 280	725 201	793 118	792 982	976 566	1 133 342	1 308 555
- Payments for capital assets	999 262	1 931 837	1 464 895	1 584 550	1 585 708	1 569 739	2 028 368	2 715 592	3 338 466
Buildings and other fixed structures	786 940	1 617 733	1 382 909	1 413 818	1411571	1 395 696	1 784 930	2 301 638	2 693 728
Buildings	274 273	765 476	679 281	763 994	753 994	747 872	1 037 602	1 366 575	1 731 597
Other fixed structures	512 667	852 257	703 628	649 824	657 577	647 824	747 328	935 063	962 131
Machinery and equipment	212 256	252 801	80 413	170 677	170 822	169 043	240 597	413 941	644 724
Transport equipment	1 037	91	1 320	952	952	952	19 694	21 338	23 301
Other machinery and equipment	211 219	252 710	79 093	169 725	169 870	168 091	220 903	392 603	621 423
Cultivated assets		18 800			160	199	12	13	14
Software and other intangible		569	1 573	55	3 155	4 801	2 829		
Land and subsoil assets	66	41 934							

Table B.2: Summary of pa	ayments and	l estimates	by econo	mic classif	fication (co	ontinued)			
		Outcome		Main	Adjusted		Mediu	ım-term estim	nate
Economic classification R'000	Audited	Audited	Audited	appro- priation	appro- priation	Revised estimate			
	2002/03	2003/04	2004/05	2005/06	2005/06	2005/06	2006/07	2007/08	2008/09
Transfers and subsidies to (Total)	2 625 383	3 066 310	2 832 370	2 919 385	3 009 219	3 043 950	3 688 074	4 249 939	4 892 986
Provinces and municipalities	305 576	605 732	281 757	426 094	504 048	523 506	522 075	591 186	650 645
Provincial Revenue Funds Provincial agencies and funds									
Municipalities	305 576	605 732	281 757	426 094	504 048	523 506	522 075	591 186	650 645
Municipalities of which	305 576	577 732	279 257	420 812	482 266	501 724	498 257	556 987	614 112
Regional services council		26 888	28 804	31 103	38 382	38 333	42 147	39 348	42 042
levies Municipal agencies and funds		28 000	2 500	5 282	21 782	21 782	23 818	34 199	36 533
Departmental agencies and accounts	612 619	749 728	705 438	543 333	555 273	554 847	458 632	494 302	586 463
Provide list of entities receiving transfers									
Eastern Cape Socio Economic	5 900	19 220	8 800	24 000	24 000	24 600	26 342	28 416	30 652
Consultative Council Eastern Cape Provincial Arts	5 700	6 550					8 450	10 500	11 234
Cultural Council Eastern Cape Development	68 096	131 300	86 915	74 266	84 106	83 080	123 251	132 649	211 281
Corporation SETA		000	000	7 100			10 500		070 07
Technology Unit		0000	0 09 1	nne /	9 000 B	9 UUU &		11 32/	01771
Rural Agricultural Bank Eastern Cape Liguor Board	6 320	15 500	22 000	17 500 10 170	18 100 10 170	18 100 10 170	20 000 14 391	22 500 16 305	25 000 12 137
Eastern Cape Tourism Board	17 000	22 000	20 645	20 532	20 532	20 532	21 000	22 000	23 540
Eastern Cape Gambling &	13 130	12 400	13 364	14 364	14 364	14 364	16 746	17 633	17 690
Betting Board Eastern Cape Parks Board Coega Development Corporation	37 288 378 000	34 037 375 145	44 734 359 431	65 000 180 000	65 000 180 000	65 000 180 000	19 700	87 407	88 216
East London Development Zone	50 000	99 141	120 022	105 000	105 000	105 000	107 000	113 000	120 000
Other	24 685	26 435	20.636	25 001	25 001	25 001	31 252	32 565	34 495
Universities and technikons	563	20 000	19 294	12 000	12 000	12 000	13 000	15 720	16 957
Public corporations and private	706 589	511 363	505 490	604 897	533 269	539 891	758 144	697 552	788 924
Public corporations	548 489	360 063	333 490	432 956	361 328	367 950	568 969	474 005	548 369

Table A.4(a)	Payments summ	ary by policy area	
GFS function	Category	Department	Programme
General Services	Legislative	Office of the Premier	1.1 Management
		Provincial Legislature	2.1 Administration
			2.2 Remuneration of Elected Public
			Representatives
			· · · · · · · · · · · · · · · · · · ·
	Financial and Fiscal Affairs	Provincial Treasury	12.1 Strategic Management and
			Services
			12.2 Sustainable Resources
			Management
			12.3 Asset and Liability Management
			12.4 Financial Governance
	General Services	Office of the Premier	1.2 Cabinet Office
			1.3 Corporate Services
			1.4 Organizational development &
			Governance
			1.5 Shared Legal Services
			1.6 Shared Internal Audit
		Housing Local Government &	7.1 Administration
			7.2 Housing
			7.3 Local Government
			7.4 Traditional Affairs
	Public Services	Safety and Liaison	15.1 Administration
			15.2 Eacilitation
			15.3 Einancial Manadement
			15.4 Special Programmes
	General Economic	Economic Affairs, Environment and	9.1 Administration
			9.2 Information Management
			9.3 Economic Affairs
			9.4 Environmental Affairs
	Agriculture	Agriculture	8.1 Administration 82 Sustainable Resource

Agriculture		499 939	665 446	733 822	740 734	755 579	754 796	768 429	844 487	936 227	1.81
	1. Administration	246 238	288 924	315 102	279 629	262 149	262 030	251 580	273 953	305 159	(3.99)
	2. Sustainable Resource Management	90 431	90 468	58 815	81 523	68 343	68 112	83 232	90 396	100 278	22.20
	3. Farmer Support and Development	112 182	235 236	293 471	297 289	342 605	342 538	343 655	382 160	421 574	0.33
	5 Technology Research and Development	43 088	39 318	33 737	42 745	42 245	41 905	46 252	50 368	56 135	10.37
	6. Âgricultural Economics			3 217	7 630	7 8 19	7 819	9 269	10 096	11 272	18.54
	7. Structured Agricultural Training	8 000	11 500	29 480	31 918	32 418	32 392	34 441	37 514	41 809	6.33
Transport		1 551 783	1 7 87 978	1 602 694	1 768 087	1 780 047	1 780 047	1 983 795	2 390 133	2 628 983	11.45
	1. Administration	76 441	95 194	80 606	82 520	103 537	103 537	125 967	131 603	139 937	21.66
	2. Roads Infrastrucuture	1 314 658	1 431 319	1 282 835	1 393 782	1 377 782	1 377 782	1 481 819	1 794 991	1 916 512	7.55
	3. Public Transport	80 722	135 657	109 710	146 256	127 699	127 699	170 961	186 442	207 624	33.88
	4. Traffic Management	79 962	77 050	98 106	91 137	116 637	116 637	120 492	134 403	148 766	3.31
	5. Community Based Programme (Cbp)		48 758	31 437	54 392	54 392	54 392	84 556	142 694	216 144	55.46
invironment	al Protection.	167 228	195 853	193 946	197 397	197 761	197 723	251 437	273 047	290 561	27.17
	4. Veterinary Services (DoA)	71652	86 515	88 114	81 085	81 315	81 277	101 241	110 272	122 898	24.56
	4. Environmental Affairs (DEAET)	95 576	109 338	105 832	116 312	116 446	116 446	150 196	162 775	167 663	28.98
lousing & C	ommunity Amenitties	614 831	1 002 783	787 933	786 823	821 625	806 822	984 950	1 195 952	1 309 293	22.08
Housing		614 831	1 002 783	787 933	786 823	821 625	806 822	984 950	1 195 952	1 309 293	22.08
	1. Administration	73 277	71 834	82 368	74 541	83 112	75 739	80 329	88 337	97 981	6.06
	2. Housing	516 768	894 963	660 648	645 398	671 629	667 967	824 207	1 019 689	1 1 1 7 570	23.39
	4. Development & Pplanning	24 786	35 986	44 917	66 884	66 884	63 116	80 414	87 926	93 742	27.41
lealth		4 493 242	5 243 012	5 180 217	6 087 791	6 212 887	6 212 887	6 892 701	7 658 155	8 412 285	10.94
Health		4 493 242	5 243 012	5 180 217	6 087 791	6 212 887	6 212 887	6 892 701	7 658 155	8 412 285	10.94
	Health	191 694	215 110	245 207	295 052	290 468	290 468	256 792	280 776	294 782	(11.59)
		101 604	215 110	245 207	205.052	201 468	200 468	256 702	240 776	204 782	(11.30)
		100-0	21 2 7	107 01-1	100 001	001 001	00E 003	101 001	011007	701 107	(ec.11)
	Outpatient service	2 247 675	2 5 18 3 4 6	2 558 483	2 794 563	2 840 602	2 817 442	3 052 765	3 383 823	3 844 158	8.35
	2. District Health Services	2 247 675	2 5 18 346	2 558 483	2 794 563	2 840 602	2817 442	3 052 765	3 383 823	3 844 158	8.35 8.35
	R & D Health (CS)	96 124	122 884	159 948	337 245	338 247	338 247	397 431	418 964	439 654	17.50
	6. Health Sciences and Training	96 124	122 884	159 948	337 245	338 247	338 247	397 431	418 964	439 654	17.50
	Hospital Services	1 957 749	2 386 672	2 2 16 579	2 660 931	2 743 570	2 766 730	3 185 713	3 57 4 592	3 833 691	15.14
	3. Emergency Medical Services	128 464	194 488	125 234	186 846	192 034	192 034	397 098	422 018	482 169	106.79
	4. Provincial Hospital Services	1 531 892	1 7 64 282	1 7 08 35 1	1 850 037	1 941 039	1 964 199	2 169 097	2 306 616	2 460 314	10.43
	7 Health Care Support Services	9 168	23 027	10 440	45 806	42 255	42 255	32 255	34 251	35 964	(23.67)
	8 Health Facilities Development and	288 225	404 875	372 554	578 242	568 242	568 242	587 263	811 707	855 244	3.35
Recreation, C	Culture & Religion	206 410	252 205	219 363	267 257	279 585	279 455	321 991	374 455	424 869	15.22
Recration :	and Sporting Services	153 840	180 580	157 323	188 006	198 221	198 091	214 905	237 825	262 051	8.49
	1. Administration	144 200	160 951	143 579	167 849	174 085	173 955	162 804	180 643	188 781	(6.41)
	4. Sport and Recreation	9 640	19 629	13 744	20 157	24 136	24 136	52 101	57 182	73 270	115.86
Cultural Se	rvices	52 570	71 625	62 040	79 251	81 364	81 364	107 086	136 630	162 818	31.61
	2. Cultural Affairs	39 844	53 330	47 937	58 221	61 079	61 079	63 644	70 701	76 481	4.20
	3. Libraries and Information Services	12 726	18 295	14 103	21 030	20 285	20 285	43 442	65 929	86 337	114.16
ducation		9 148 768	10 155 292	10 654 446	11 251 320	11 521 188	11 539 084	13 065 022	14 774 315	16 334 141	13.22
Pre-primar	y	2 780 757	3 176 629	3 225 228	3 340 322	3 366 589	3 368 211	3 910 825	4 827 059	5 115 783	16.11
	2.1. Public Primary Schools	2 748 868	3 142 077	3 1 79 77 3	3 292 506	3 315 736	3 317 358	3 824 561	4 684 227	4 943 121	15.29
	3.1. Primary Phase	7 487	7 247	8 518	9 777 9	11 036	11 036	16 323	22 614	27 176	47.91
	7. Early Childhood Development	24 402	27 305	36 937	38 039	39 817	39 817	69 941	120 218	145 486	75.66
Secondary	Education	5 126 598	5 547 445	6 154 409	6 529 918	6 685 090	6 683 415	7 247 868	7 819 663	8 909 454	8.45
	2.2. Public Ordinary School Education	5 119 861	5 5 3 5 9 9 5	6 147 370	6 522 236	6 676 765	6 675 090	7 236 421	7 797 445	8 887 977	8.41
	3. Independent Schools	6 737	11 450	7 039	7 682	8 325	8 325	11 447	22 218	21 477	37.50

Summary of provincial and estimates by policy area (continued)

Agricultur	_	499 939	665 446	733 822	740 734	755 579	754 796	768 429	844 487	936 227	1.81
	1. Administration	246 238	288 924	315 102	279 629	262 149	262 030	251 580	273 953	305 159	(3.99)
	2. Sustainable Resource Management	90 431	90 468	58 815	81 523	68 343	68 112	83 232	90 396	100 278	22.20
	3. Farmer Support and Development	112 182	235 236	293 471	297 289	342 605	342 538	343 655	382 160	421 574	0.33
	5. Technology Research and Development	43 088	39 318	33 737	42 745	42 245	41 905	46 252	50 368	56 135	10.37
	6. Âgricultural Economics			3 217	7 630	7 8 19	7 819	9 269	10 096	11 272	18.54
	7. Structured Agricultural Training	8 000	11 500	29 480	31 918	32 418	32 392	34 441	37 514	41 809	6.33
Transport		1 551 783	1 787 978	1 602 694	1 768 087	1 780 047	1 780 047	1 983 795	2 390 133	2 628 983	11.45
	1. Administration	76 441	95 194	80 606	82 520	103 537	103 537	125 967	131 603	1 39 937	21.66
	2. Roads Infrastrucuture	1 314 658	1 431 319	1 282 835	1 393 782	1 377 782	1 377 782	1 481 819	1 794 991	1 916 512	7.55
	3. Public Transport	80 722	135 657	109 710	146 256	127 699	127 699	170 961	186 442	207 624	33.88
	4. Traffic Management	79 962	77 050	98 106	91 137	116 637	116 637	120 492	134 403	148 766	3.31
	5. Community Based Programme (Cbp)		48 758	31 437	54 392	54 392	54 392	84 556	142 694	216 144	55.46
Environmen	al Protection.	167 228	195 853	193 946	197 397	197 761	197 723	251 437	273 047	290 561	27.17
	4. Veterinary Services (DoA)	71 652	86 515	88 114	81 085	81 315	81 277	101 241	110 272	122 898	24.56
	4. Environmental Affairs (DEAET)	95 576	109 338	105 832	116 312	116 446	116 446	150 196	162 775	167 663	28.98
Housing & C	ommunity Amenitties	614 831	1 002 783	787 933	786 823	821 625	806 822	984 950	1 195 952	1 309 293	22.08
Housing		614 831	1 002 783	787 933	786 823	821 625	806 822	984 950	1 195 952	1 309 293	22.08
	1. Administration	73 277	71 834	82 368	74 54 1	83 112	75 739	80 329	88 337	97 981	6.06
	2. Housing	516 768	894 963	660 648	645 398	671 629	667 967	824 207	1 019 689	1 117 570	23.39
	4. Development & Pplanning	24 786	35 986	44 917	66 884	66 884	63 116	80 414	87 926	93 742	27.41
Health		4 493 242	5 243 012	5 180 217	6 087 791	6 212 887	6 212 887	6 892 701	7 658 155	8 412 285	10.94
Health		4 493 242	5 2 4 3 0 1 2	5 180 217	6 087 791	6 212 887	6 212 887	6 892 701	7 658 155	8 412 285	10.94
	Health	191 694	215 110	245 207	295 052	290 468	290 468	256 792	280 776	294 782	(11.59)
	1. Administration	191 694	215 110	245 207	295 052	290 468	290 468	256 792	280 776	294 782	(11.59)
	5. Central Hospital Services										
	Outpatient service	2 247 675	2 5 1 8 3 4 6	2 558 483	2 794 563	2 840 602	2 817 442	3 052 765	3 383 823	3 844 158	8.35
	2. District Health Services	2 247 675	2518346	2 558 483	2 794 563	2 840 602	2 817 442	3 052 765	3 383 823	3 844 158	8.35
	R & D Health (CS)	96 124	122 884	159 948	337 245	338 247	338 247	397 431	418 964	439 654	17.50
	Health Sciences and Training	96 124	122 884	159 948	337 245	338 247	338 247	397 431	418 964	439 654	17.50
	Hospital Services	1 957 749	2 386 672	2 2 16 579	2 660 931	2 743 570	2 766 730	3 185 713	3 57 4 592	3 833 691	15.14
	3. Emergency Medical Services	128 464	194 488	125 234	186 846	192 034	192 034	397 098	422 018	482 169	106.79
	4. Provincial Hospital Services	1 531 892	1 7 64 282	1 7 08 35 1	1 850 037	1 941 039	1 964 199	2 169 097	2 306 616	2 4 60 314	10.43
	 Health Care Support Services 	9 168	23 027	10 440	45 806	42 255	42 255	32 255	34 251	35 964	(23.67)
	8. Health Facilities Development and Maintenance	288 225	404 875	372 554	578 242	568 242	568 242	587 263	811 707	855 244	3.35
Recreation, (Culture & Religion	206 410	252 205	219 363	267 257	279 585	279 455	321 991	374 455	424 869	15.22
Recration	and Sporting Services	153 840	180 580	157 323	188 006	198 221	198 091	214 905	237 825	262 051	8.49
	1. Administration	144 200	160 951	143 579	167 849	174 085	173 955	162 804	180 643	188 781	(6.41)
	4. Sport and Recreation	9 640	19 629	13 744	20 157	24 136	24 136	52 101	57 182	73 270	115.86
Cultural St	rvices	52 570	71 625	62 040	79 251	81 364	81 364	107 086	136 630	162 818	31.61
	2. Cultural Affairs	39 844	53 330	47 937	58 221	61 079	61 079	63 644	70701	76 481	4.20
	Libraries and Information Services	12 726	18 295	14 103	21 030	20 285	20 285	43 442	65 929	86 337	114.16
Education		9 148 768	10 155 292	10 654 446	11 251 320	11 521 188	11 539 084	13 065 022	14 774 315	16 334 141	13.22
Pre-prima	~	2 780 757	3 176 629	3 225 228	3 340 322	3 366 589	3 368 211	3 910 825	4 827 059	5 115 783	16.11
	2.1. Public Primary Schools	2 748 868	3 142 077	3 1 79 77 3	3 292 506	3 315 736	3 317 358	3 824 561	4 684 227	4 943 121	15.29
	3.1. Primary Phase	7 487	7 247	8 5 1 8	9 777 9	11 036	11 036	16 323	22 614	27 176	47.91
	7. Early Childhood Development	24 402	27 305	36 937	38 039	39 817	39 817	69 941	120 218	145 486	75.66
Secondary	Education	5 126 598	5 5 47 445	6 1 5 4 4 0 9	6 529 918	6 685 090	6 683 415	7 247 868	7 819 663	8 909 454	8.45
	2.2. Public Ordinary School Education	5 119 861	5 5 3 5 9 9 5	6 147 370	6 522 236	6 676 7 65	6 675 090	7 236 421	7 797 445	8 887 977	8.41
	3. Independent Schools	6 737	11 450	7 039	7 682	8 325	8 325	11 447	22 218	21 477	37.50

	2.5. In-School Sport and Culture		115					41 295	43 566	45 657	
	 Auxillary and Associated Services 	59 997	92 186	116 793	138 146	154 447	154 447	188 334	214 100	211 774	21.94
Educatior	ו not definable by level	418 932	465 196	481 420	562 334	568 725	568 725	752 227	861 058	965 233	32.27
	5. Further Education and Training	132 498	140 197	169 876	198 867	198 867	198 867	267 965	296 255	350 366	34.75
	 Adult Basic Education and Training 	126 471	136 293	126 047	132 097	138 488	138 488	149 775	165 625	177 219	8.15
	4.0. Public Special Schools	159 963	188 706	185 497	231 370	231 370	231 370	334 487	399 178	437 648	44.57
ial Prote	action	381 647	485 386	419 172	539 426	539 649	536 143	762 772	957 201	1 234 731	42.27
SocialSec	surity Services	381 647	485 386	419 172	539 426	539 649	536 143	762 772	957 201	1 234 731	42.27
	Social Development	381 647	485 386	419 172	539 426	539 649	536 143	762 772	957 201	1 234 731	42.27
	1. Administration	118 869	116 992	125 356	113 291	113 132	110 006	182 089	207 776	206 773	65.53
	2. Social Assistance										
	3. Social Welfare Services	246 822	262 795	258 001	360 160	343 447	343 344	448 955	584 269	762 693	30.76
	4. Development and Research	15 956	105 599	35 8 15	65 975	83 070	82 793	131 728	165 156	265 265	59.11
dget		18,671,419	21,712,203	21,586,381	23,392,170	23,903,877	23,884,787	26,827,124	30,480,008	33,873,544	12.32

Summary of provincial and estimates by policy area (continued)

Table A.6. Details of transfers to local government.

		Outcome					Me	edium-tern	n estimate	1
Municipalities R'000	Audited	Audited	Audited	Main appro- priation	Adjusted appro- priation	Revised estimate				% Change from Revised estimate
	2002/03	2003/04	2004/05	2005/06	2005/06	2005/06	2006/07	2007/08	2008/09	2005/06
Catagory	70 605	05 104	110 045	100.000	150 /10	157 005	456 200	177 146	105 001	
Nelson Mandela	73 685	85 184	116 8/15	129 909	153 / 18	157 925	156 308	177 1/6	195 021	
	01 010	07 / 2/	133 635	1/8 667	175 /62	180 617	178 768	202 600	223 0/13	
Amahlathi	300	900	1 235	1 373	1 621	1 669	1 651	1 872	223 043	
Raviaans	1 053	1 207	1 656	1 842	2 174	2 238	2 215	2 510	2 763	
Blue Crane Route	2 008	2 018	2 768	3 079	3 634	3 741	3 703	4 197	4 620	
Buffalo City	20 760	19 666	26 975	30 010	35 4 19	36 459	36 086	40 897	45 023	
Camdeboo	2 406	3 603	4 942	5 498	6 489	6 680	6 611	7 493	8 249	
Elundini	555	380	521	580	684	704	697	790	870	
Emalahleni	435	585	802	893	1 054	1 085	1 073	1 217	1 339	
Engcobo	500	650	892	992	1 171	1 205	1 193	1 352	1 488	
Gariep	1 086	1 201	1 647	1 833	2 163	2 227	2 204	2 498	2 750	
Great Kei	435	585	802	893	1 054	1 085	1 073	1 217	1 339	
Ikhwezi	713	1 367	1 875	2 086	2 462	2 534	2 508	2 843	3 130	
Ingquza										
Inkwanca	100	491	673	749	884	910	901	1 021	1 124	
Intsika Yethu	500	758	1 040	1 157	1 365	1 405	1 391	1 576	1 735	
Inxuba Yethemba	3 678	3 996	5 481	6 098	7 197	7 408	7 332	8 310	9 148	
King Sabata Dalindyebo	13 926	21 308	29 228	32 516	38 376	39 504	39 099	44 312	48 783	
Kouga	2 905	3 665	5 027	5 593	6 601	6 795	6 725	7 622	8 391	
Kou-Kamma	435	735	1 008	1 122	1 324	1 363	1 349	1 528	1 683	
Lukanji	3 311	4 397	6 031	6 710	7 919	8 152	8 068	9 144	10 067	
Makana	4 515	4 495	6 166	6 859	8 096	8 333	8 248	9 348	10 291	
Malethswai	1 090	1 745	2 394	2 663	3 143	3 235	3 202	3 629	3 995	
Mbashe	500	938	1 287	1 431	1 689	1 739	1 721	1 951	2 147	
Mbizana	500	2 017	2 767	3 078	3 633	3 739	3 701	4 195	4 618	
Mhlontlo	500	992	1 361	1 514	1 787	1 839	1 820	2 063	2 271	
Mnquma		1 454	1 994	2 219	2 619	2 696	2 668	3 024	3 329	
Ndlambe	2 169	2 780	3 813	4 242	5 007	5 154	5 101	5 781	6 365	
Ngqushwa		100	137	153	180	185	183	208	229	
Nkonkobe	4 594	6 289	8 627	9 597	11 327	11 659	11 540	13 078	14 398	
Ntabankulu	500	1 404	1 926	2 142	2 529	2 603	2 576	2 920	3 214	