

BUDGET STATEMENT 1

Budget Overview

1. BUDGET STRATEGY: AN OVERVIEW

Much as the 2005/06 Medium-Term Expenditure Framework (MTEF) budget strategy represented a bold new direction for the province with the announcement of major new initiatives to narrow the gap between the first and second economies, this year's budget strategy is about building on the initiatives of last year and focusing, to an even greater extent, on the interventions needed to place the economy on a permanently higher growth path.

The conscious decision not to change the strategic direction of the provincial budget strategy is dictated by two factors. Firstly, it is important that there should be long term consistency in the budget policy framework and direction to achieve maximum impact over time. Secondly, the characteristics and scale of the developmental challenge confronting the province have not changed in any material way. Although the province has made progress in addressing the central challenges of poverty, unemployment and service backlogs in the past year, much remains to be done in the short, medium and long term. The provincial budget will accordingly continue to play a key role as a policy instrument to address the socio-economic challenges confronting the province.

As a point of departure, therefore, the budget expenditure proposals for 2006/07 recommended by Cabinet can be categorised into three broad areas which are consistent with the themes which underpinned last year's budget, namely:

- stimulating economic growth through co-ordinated infrastructure investment,
- creating jobs and alleviating poverty through targeted interventions in the second economy, and
- expansion of existing programmes and capacity building initiatives aimed at improving service delivery.

The essential features of these three areas of intervention are summarised in the following sections.

Stimulating economic growth through co-ordinated infrastructure investment and strategic programmes

In reviewing its policy priorities for the new MTEF period, the Government of KwaZulu-Natal has made the goal of placing the province on a sustainably higher growth path its main priority. It should be emphasised, however, that the economic growth sought by government is not growth at any cost, and still less the type of jobless growth which has characterised the economy in recent years. On the contrary, the vision is to achieve economic growth which is at the same time balanced, inclusive and sustainable – this indeed is the essence of the national Accelerated and Shared Growth Initiative of South Africa (ASGI-SA) announced by the President in his State of the Nation Address. KwaZulu-Natal's economic growth strategy will be closely aligned to ASGI-SA.

A central tenet of the ASGI-SA strategy is that, if economic growth can be stepped up to average 4,5 per cent over the next five years, and 6 per cent from 2009 to 2014, then in general:

- income per capita will rise by 50 per cent in the next ten years, and
- the rate of unemployment will be halved.

The fact is, KwaZulu-Natal simply cannot afford to continue on its current trajectory of about 3,5 per cent Gross Geographic Product (GGP) growth per annum. If the average growth rate of the last five years is simply maintained, over the next decade it is unlikely that any significant inroads will be made into unemployment, the poverty gap, inequality and a relatively poor Human Development Index (HDI) for the province (see section on the provincial socio-economic profile). In short, on this trajectory, neither the goals contained in the Provincial Growth and Development Strategy (PGDS) nor the Millennium Development Goals (MDGs) are likely to be achieved.

It would be naïve, however, to expect that the provincial economy will be capable of achieving this significant step change in growth rate on its own accord. There are many pre-conditions which have to be met for this to happen. A structural growth acceleration of this magnitude will require well targeted and efficiently implemented policy interventions and development initiatives. The focus of these interventions will necessarily be on integrated infrastructure development. Overwhelmingly, empirical evidence suggests that investments in infrastructure can yield tremendous benefits in the form of economic growth and employment creation. In this regard, government has identified several key projects and programmes as priorities for the forthcoming MTEF. These can be summarised as follows:

- ***Dube Trade Port***

The trade gateway concept envisions the positioning of KwaZulu-Natal as *the* trade gateway into Africa for international trade coming into the country from the East Asian diaspora and South America. The intention is to take advantage of the province's geographic location and to build the province's logistics, transport and communications infrastructure to a world-class level able to support this strategy, which is regarded as key to achieving sustainably higher growth levels in the province.

The central feature of this strategy is the Dube TradePort (DTP), located at La Mercy on the north coast of KwaZulu-Natal, approximately 30km from the centre of Durban. This mega-project will be made up of three core elements:

- a. *King Shaka International Airport (KSIA)*, including a runway, passenger terminal and associated concessions. KSIA will have an initial 18 passenger stands and a size of 19,500m². It will cater for both domestic and international travel, with an initial capacity of four million passengers per annum, with opportunities for significant expansion. A runway length of 3,700m, able to expand to 4,000m, will accommodate the latest New Generation Large Aircraft (NGLA), including the A380 Airbus. The passenger terminal will have additional retail concession opportunities.
- b. *Trade Zone*, including a Cargo Terminal (warehousing and handling for a variety of sectors ranging from electronics and automotive to clothing and textiles), with a Perishables Centre (specialised cold storage, handling, value-addition, inspection, technical support for perishables sector), warehousing, light manufacturing, offices for related business services, as well as government support centre and agricultural ventures.
- c. *Cyberport*, providing Information, Communication and Technology (ICT) infrastructure and value adding services, creating opportunities for fully integrated technology-enabled trade and transactions.

After a slow start occasioned by land-legal disputes, the DTP project is now moving ahead rapidly, with a target date for completion in time for the World Cup in 2010. It is significant that the DTP has been identified as a key provincial project listed in the national ASGI-SA strategy document.

The Airport Company of South Africa (ACSA) has signed a Memorandum of Understanding, confirming its commitment to the project, and Power of Attorney over the site has been acquired from ACSA. Negotiations with ACSA for the latter to enter into a management contract to operate and maintain KSIA are expected to be completed by mid-year.

Discussions are also in progress on the financing model for the TradePort. The total investment required for the airport, which is part of the TradePort, is about R2,5 billion over the next four to five years. Government is setting aside R20 million, R200 million and R1,5 billion over the 2006/07 MTEF years for this project – this is over and above the R100 million in the 2005/06 budget for the TradePort. The balance of funds required will come from debt financing. The DBSA and IDC, both of which have the experience and technical skills to deliver on a project of this size, have been identified as the most suitable institutions with which to negotiate limited recourse loan financing for the balance of funds needed for the project. It is intended to conclude negotiations on a loan financing agreement by mid year, to ensure that there is no delay in implementation.

The R100 million allocated to the DTP in the 2005/06 budget will be routed via Ithala to facilitate site preparation work – including site acquisition, township approval, perimeter fencing, backbone

infrastructure outlay and the development of the N2 interchange. Site preparation and the installation of backbone infrastructure are expected to commence by the end of the calendar year.

The allocations to the DTP over the three years of the 2006/07 MTEF are based on the projected amount of funding which will be required to meet the costs of capital infrastructure outlays and DTP entity costs, according to the project master plan. The capital costs for the construction of the airport terminal, runways and related infrastructure are estimated at R132 million in 2007/08, R709 million in 2008/09 and R1,4 billion in 2009/10. It is planned to commence with the major construction work for the airport approximately a year from now.

- ***2010 World Cup stadium development***

The second major infrastructure-related programme being advanced by the provincial government relates to financial support for the development of soccer stadia in the province in preparation for the 2010 Soccer World Cup (SWC). The provincial government has taken the position that KwaZulu-Natal, home to the biggest number of soccer players and supporters in the country, should play a leading role in hosting the SWC, which has the potential to permanently boost the province's growth rate through foreign direct investment and tourism. The extent to which individual provinces benefit from the economic growth, investment and job creation generated by the SWC will of course depend on the quality of their respective bids to host important matches and teams during the World Cup.

In the 2006/07 MTEF, accordingly, R31 million, R89 million and R139,5 million is allocated to the Department of Local Government and Traditional Affairs to co-ordinate the building of soccer stadium infrastructure in the province. The department, together with the Department of Sport and Recreation, will play a co-ordinating role in assisting the district municipalities of Amajuba, Ugu, uMgungundlovu and uThungulu to build the infrastructure and facilities required for training and base camps. In the meantime, a request for funding of stadium infrastructure in eThekweni, which is bidding to host major matches including a semi-final, has been submitted to the committee of Ministers at the national level.

The provincial government is also of the view, however, that there is a need not just to build soccer stadium infrastructure, but also the sport itself in the province. The greatest proportion of the population identifies with soccer, but interest has waned in recent years for various reasons. It is necessary to rekindle excitement about soccer among spectators and players alike, both at the professional level as well as in schools around the province. Government is accordingly in the process of finalising a comprehensive strategy to develop soccer both in and out of school, including at the professional club level. In the MTEF period, therefore, funding allocations of R50 million, R55 million and R60 million have been allocated for development of soccer at all levels in the province, in collaboration with South African Football Association (SAFA). The Office of the Premier will be responsible for co-ordinating the soccer development programme.

- ***Richards Bay Industrial Development Zone***

An important part of government's infrastructure-related strategic investment programme for the medium term is the Richards Bay Industrial Development Zone (IDZ) – again, the promotion and development of IDZs across the country, which have already been proclaimed, forms an integral part of the ASGI-SA. The Richards Bay IDZ was proclaimed by the Minister of Trade and Industry in 2002. Since then, however, there has not been any significant progress in terms of infrastructure outlays required to make the IDZ work. In the 2006/07 MTEF, accordingly, R90 million and R100 million is set aside in the outer two years for development of the IDZ, allowing time in the first year of the MTEF for the stakeholders to finalise the business case, funding model and ownership arrangements.

- ***Corridor development***

Its strategic location on the eastern seaboard of the continent, with two major ports and arterial road and rail links with the industrialised hub of Gauteng, presents the Province of KwaZulu-Natal with

significant opportunities to pursue the concept of “corridor development” as a stimulus to economic growth. This concept was the subject of intensive strategising at the provincial Cabinet Lekgotla held at Didima in the Drakensberg in July 2005.

At this workshop, delegates accorded a high priority to the need for the provincial government to promote the concept of transport corridor development. In particular, the Cabinet decided that this programme should include:

- Continued support for the Lebombo SDI; and
- Development of a new corridor that is linked to the construction of P700.

In the latter instance, the revitalisation of the road and rail link in the area of the P700 road was seen as leading to spin-offs similar to those seen on the M4 to Mpumalanga. The corridor has the potential of linking two towns, namely Richards Bay and Vryheid. It was resolved that special emphasis should be placed on the promotion of creative arts alongside the corridor.

Government proposes to allocate R10 million, R20 million and R130 million to these corridor developments over the MTEF, with the Department of Local Government and Traditional Affairs responsible for co-ordinating the projects, with other role-players such as Transport, Agriculture and Environmental Affairs, Economic Development, and Arts, Culture and Tourism.

- ***Co-ordinated infrastructure provision and procurement***

The challenge facing government in implementing these and other infrastructure projects is not only to ensure that delivery and expenditure takes place within planned timeframes, but that BEE-owned companies and emerging contractors enjoy maximum benefit from the contracts put out to tender. In the past, provincial departments have been operating different policies and systems in awarding infrastructure tenders to emerging and previously disadvantaged contractors.

The Provincial Treasury has accordingly developed a standardised infrastructure procurement policy for emerging contractors to address this deficiency. The policy, which was approved by Cabinet in November 2005, seeks to promote and support affirmable business and equity in the civil and building contractor sector. It comprises a six-staged advancement programme with contract value limits determined by experience, training and capacity. It will apply to both civil engineering works such as airports, runways, bridges, roads etc, as well as general building works.

Creating jobs and alleviating poverty through targeted interventions in the second economy

The above-mentioned infrastructure-related programmes will be supplemented by a range of initiatives and interventions aimed at narrowing the gap between the first and second economies – a central feature of the budget strategy formulated last year. The government remains of the unshakeable view that, only by uplifting the masses struggling to survive in the second economy, will the province be able to achieve sustainably higher growth rates over the longer term, and hence the long term provincial vision of prosperity for all.

To this end, in its 2006/07 budget proposals, the government aims to build on the second economy initiatives and programmes implemented in the 2005/06 financial year. In the forthcoming MTEF, ring-fenced funding will be allocated to departments which have a key role to play in the second economy interventions aimed at job creation, poverty relief and black economic empowerment. These programmes are the following:

- ***Establishment of secondary co-operatives***

In the new MTEF cycle, the government intends to progress the co-operatives programme into the second phase of development, by establishing secondary and tertiary co-operatives. Eleven secondary

co-operatives will be set-up in each of the district municipalities and metro, with the main function of providing support to primary co-operatives, which are by design production units. The intention is to ensure that primary co-operatives get support from secondary and tertiary co-operatives, including the provision and loan of capital equipment, on a day to day basis and are not dependant on government support permanently. Support will be given to secondary co-operatives to empower them so that they are capable of running viable commercial enterprises. This means that secondary co-operatives will need to possess skills in financial management, marketing and general business management. For technical skills, secondary co-operatives should be the single point of entry by government departments with the required expertise, and for private sector wishing to do business with this sector.

A tertiary co-operative will provide support to co-operatives through apex level institutions. It will also advocate and engage organs of state, the private sector and stakeholders on behalf of its members. The intention is that the tertiary co-operative should manage the entire value chain, *inter alia* through the bargaining muscle it will acquire over the control of resources and markets through the sheer scale of its operations.

Funding in the amount of R50 million, R55 million and R60,5 million is allocated to the Department of Economic Development for the establishment of secondary and tertiary co-operatives over the MTEF.

This emphasis on establishing secondary and tertiary co-operatives will not come at the expense of the primary co-operatives. On the contrary, the initial allocation of R110 million to Ithala in the 2005/06 financial year for financing business applications from primary co-operatives will be augmented by allocations of R100 million, R187,1 million and R216,6 million over the 2006/07 MTEF – these funds will be managed by the Department of Economic Development.

- ***Continued support for small business development through the co-financing model***

In respect of SMME support – a central feature of both the President’s State of the Nation address and the ASGI-SA strategy – this year will see the establishment of a new co-financing model to support the growth of the small business sector in the province.

Given the huge deal flow which the initial SMME fund managed by Ithala has already generated (approximately R1,5 billion), the Head of Provincial Treasury was tasked to develop a scheme that will ensure that banks and other financial institutions participate in the funding of SMMEs in the province, thereby relieving the pressure on Ithala.

Following the interest shown by the banks and other financial institutions, the Provincial Treasury is in the process of establishing an innovative small-business-financing framework, to be called the KZN SMME FUND. The Fund is designed to enable the provincial government, in partnership with participating financial institutions, to introduce a pro-active programme to help establish small and medium enterprises within the province so as to generate jobs, enhance economic growth and development, and promote Black Economic Empowerment.

In brief, the intention is to capitalise the Fund with an initial investment of R200 million in the first year of the 2006/07 MTEF, which will be used to leverage additional funding from participating financial institutions. It is anticipated that the KZN SMME Fund will have collective financial lending capacity of approximately R1,5 billion within six months. The R200 million will be held against the Vote of the Provincial Treasury, pending its disbursement to the SMME Fund.

The Fund is designed as a central component of a small enterprise lending framework, which seeks not to compete with other commercial SMME lenders in the market, nor “crowd out” emerging loan capital, but to complement the existing offerings and provide loan options for those entrepreneurs and small businesses who are presently unable to access affordable loan finance due to a range of factors.

The full details of the exact nature, purpose and governance framework for the Fund will be set out in the Information Memorandum for the KZN SMME Fund. This document will form the basis for the participation of any other financial institution in the Fund.

The SMME Fund will be managed by KZN Growth Fund Managers (Pty) Ltd, via a specialised division. KZN Growth Fund Managers will work closely with Ithala and other interested institutions to ensure maximum support for SMME enterprises in the province. The Fund Managers will interact with interested financial institutions so as to negotiate the terms and conditions of their partnership in the SMME Fund, on preferential and effective grounds.

The initial allocation of R200 million in the first year of the MTEF will be followed by allocations of R220 million and R242 million in the outer two years, as the provincial government's contribution to the SMME Fund.

- ***Agrarian Revolution***

Another key second economy intervention is that of the Agrarian Revolution, whose main aim is to move subsistence farmers upwards towards the first economy. The objective is to develop the province's enormous potential in agriculture into a competitive advantage, by utilising all of its 590 bio-resource regions to produce vegetables, fruit and meat products for export to Europe, the USA, the Middle East and Asia. Another objective is to reduce the reliance on the importation of basic foodstuffs and to bring down food prices through a comprehensive support programme for emerging farmers which will facilitate:

- o Access to markets;
- o A dramatic reduction in farming input costs;
- o Access to support for land reform beneficiaries, and
- o Access to research and technical support for better production processes.

The focus of Agrarian Revolution projects and interventions will be on boosting the capacity of secondary agricultural co-operatives at the district level to address the whole agricultural value chain, including marketing, transport, processing, packaging and branding, the provision of technical advice and support to emerging farmers through the loan of tractors, implements and equipment. This will be achieved through using economies of scale and the bargaining muscle which comes with concentrating capital and resources at a regional level. In this way, the Agrarian Revolution interventions will complement and build on existing agricultural support programmes such as the Empowerment for Food Security, Comprehensive Agriculture Support Programme (CASP) and *Siyavuna* Programme, which are aimed at boosting production at the level of primary co-operatives.

It must be emphasised that the Agrarian Revolution concept is not only about agriculture. It embraces the whole spectrum of development in the province's rural areas, and requires a high degree of co-ordination and co-operation between various provincial departments and district municipalities. The Department of Transport's African Renaissance Road Upgrading Programme (ARRUP), which provides access to markets and lowers transport and hence production costs, plays a key role in Agrarian Revolution projects and interventions, as does the corridor development concept that is being co-ordinated by the Department of Local Government and Traditional Affairs. Other key role-players include the Departments of Economic Development, Housing, Arts, Culture and Tourism and the regional offices of the Department of Land Affairs and Land Claims Commission. In fact, the ultimate aim is to use the Agrarian Revolution concept to facilitate the development of comprehensive and co-ordinated district development plans.

The Provincial Treasury has engaged the Department of Agriculture and Environmental Affairs on an appropriate model for the planning, co-ordination, and approval of the Agrarian Revolution projects. It has been agreed that the Economic Technical Cluster of Cabinet will be used as the forum to engage other affected departments in the project planning and approval stages of the programme. A list of prioritised Agrarian Revolution projects over the three years of the MTEF, with appropriate targets in terms of job creation and socio-economic impact, will be prepared and costed in advance for approval in principle by the Technical Cluster and appropriate Cabinet Cluster.

The economic and social benefits which will result from fully exploiting the province's natural and comparative advantages in agriculture through the Agrarian Revolution concept are such that government has earmarked no less than R150 million, R180 million and R216,8 million for the programme over the MTEF.

- ***Establishment of accelerated economic development unit within Ithala***

In 2005, the provincial government broadened the role played by Ithala in the facilitation of economic development and empowerment in the province, particularly with regard to the second economy interventions.

While this approach has had a measurable impact in terms of the number of new entrepreneurs entering the market, there is a need to create better focus within Ithala in order to accelerate delivery in this all important empowerment initiative. Ithala is therefore in the process of establishing a new business unit called the Accelerated Economic Development Unit, which will facilitate delivery in the following areas:

- o Ensuring the viability of the land restitution process, through the facilitation of viable programmes for such areas;
- o Revival of township economies;
- o Promotion of commercial, as well as viable subsistence farming in previously disadvantaged communities;
- o Tourism programmes, including black-owned game parks;
- o Property and infrastructure development; and
- o Facilitation of new investment and increased trade within the province.

The unit will create capacity to deliver on the above areas in an accelerated and demonstrable manner, thus realising government objectives of reducing poverty and unemployment.

In particular, the unit will work closely with the Department of Economic Development, the Regional Offices of the Land Claims Commission and Land Affairs, and other provincial departments, with a view to ensuring the sustainability of the 20 major land restitution projects around the province. A Task Team co-ordinated by the Economic Technical Cluster of Cabinet has already been established, with the mandate to ensure that the commercial enterprises earmarked for the major land restitution projects, such as game farming and eco-tourism, cane and timber production, become viable and sustainable in as short a time as possible. Without exception, the lack of loan financing for the initial capitalisation of the projects is the single most important impediment to viability and sustainability, and this aspect will be a major focus area of Ithala's Accelerated Economic Development Unit and the other role-players mentioned.

Expansion of existing programmes and capacity building initiatives aimed at improving service delivery

The third area which government is prioritising in the 2006/07 MTEF relates to expanding and improving the quality of existing programmes and projects. Of note are the following allocations:

- R57 million to develop communal agricultural infrastructure;
- R280 million for the maintenance of the provincial road infrastructure;
- R290 million for Adult Basic Education and Training (ABET);
- R110 million to strengthen the Further Education and Training (FET) colleges; and
- R279 million to improve maintenance of hospitals.

Note that the amounts per project are the total sum over the three years of the 2006/07 MTEF period. It should also be noted that Expanded Public Works Programme (EPWP) and Broad Based Black Economic Empowerment (BBBEE) principles will apply to all additional funding allocated to infrastructure and maintenance-related projects.

Additional allocations are also set aside in order to help departments increase their internal capacity and improve service delivery. An additional allocation of R72,5 million to the Office of the Premier will strengthen the secretarial services to the Executive Council and other provincial committees. This allocation will also support the regulatory activities of the Gambling Board. A request from the Department of Housing for additional capacity has also been recommended to support various initiatives such as training of housing beneficiaries.

It is important to emphasise that, while all these prioritised projects and programmes of strategic importance to the provincial government will receive additional allocations in the new MTEF, over and above the amounts already in the baseline, this should not be interpreted to mean that government does not also regard various existing poverty alleviation and health care programmes which are already catered for in the budget as equally important priorities. Government remains committed, for example, to continue waging a relentless campaign to combat the ravaging effects of the HIV and AIDS syndrome on our society. To this end, provincial departments will be collectively spending no less than R3 billion over the forthcoming MTEF on combating HIV and AIDS, including the further expansion and roll-out of the Prevention of Mother to Child Transmission (PMTCT), anti-retroviral and home-based care programmes.

Likewise, it should be emphasised that, before the provincial Ministers' Committee on the Budget MinComBud and Executive Council decided on how the additional funding available to the province in the 2006/07 fiscal framework should be apportioned among departments and programmes, the Provincial Treasury did a comprehensive costing and bench-marking exercise to ensure that all the national priorities in the fields of education, health care (including HIV and AIDS), social welfare services and EPWP programmes were adequately funded. This exercise revealed, as the section on expenditure trends conclusively demonstrates, that the province is indeed funding these national priorities more than adequately. In summary, all the national priority programmes have been allocated healthy increases in their baseline budgets over the 2006/07 MTEF.

2. SOCIO-ECONOMIC OUTLOOK

Robust statistics can provide vital information that policymakers need to allocate funds and improve the delivery of services. Time series data on social and economic indicators can be used to evaluate the effectiveness of policy interventions on households over time. Interventions based on inadequate information or inappropriate assumptions may not achieve expected results, and may result in the wasting of scarce resources. This section reviews some of the key socio-economic indicators in the province. The idea is to give a sense of how the province is progressing towards meeting the Millennium Development Goals. The following key indicators and issues are presented:

- the demographic structure of KwaZulu-Natal;
- the economic performance of the province;
- the social development;
- the analysis of all the above indicators on the individual municipal districts; and
- a preliminary analysis of the impact of the co-operatives' initiative.

South Africa, together with 190 other member states of the United Nations, have committed themselves to improving the standards of living of all citizens. This commitment is captured by the eight Millennium Development Goals (MDGs), namely to: (1) eradicate extreme poverty and hunger, (2) achieve Universal Primary Education (UPE), (3) promote gender equality and empower women, (4) reduce child mortality, (5) improve maternal health, (6) combat HIV and AIDS, malaria and other diseases, (7) ensure environmental sustainability, and (8) develop a global partnership for development, all by 2015.

In line with the MDGs, the Provincial Government of KwaZulu-Natal has committed itself to using the provincial budget as a policy instrument for addressing the socio-economic challenges confronting the province. For the 2006/07 financial year and the years ahead until 2014, the provincial budget will continue to pursue the broad objectives of:

- increasing investments in the province;
- increasing the competitiveness of the regional economy;
- broadening participation in the economy – with a view to narrowing the gap between the first and the second economies; and
- developing skills.

Furthermore, the provincial budget will also aim at:

- stimulating economic growth through co-ordinated infrastructure investment and strategic plans;
- creating jobs and alleviating poverty through targeted interventions in the second economy; and
- expanding existing programmes and capacity building initiatives aimed at improving service delivery.

2.1. Demographic indicators

Table 2.1 gives the distribution of the South African population by province for the years 2000 to 2005, the percentage shares of the provinces to the national population, and the annual growth rates in the provincial and national population during the same period.

This table reveals that KwaZulu-Natal had a total population of about 8.9 million people in 2000, rising to a substantial 9.7 million in 2005. This makes KwaZulu-Natal the largest province in terms of population, and this has been consistent over the years. The province contributes an average of 20.7 per cent to the country's population. Gauteng is the second most populated at 19.0 per cent and Eastern Cape at 15.0 per cent. The Northern Cape has the smallest number of people at 1.9 per cent of the national population.

Gauteng, Eastern Cape and Limpopo have had significantly fluctuating shares of the country's total population, with Gauteng experiencing a boom in the share in 2003 (20.3 per cent) and remaining relatively stable at around 19.0 per cent until 2005, and the other two provinces experiencing contraction in the same period and remaining relatively stable at those rates in the two years following 2003, signalling, in part, that most of the population migrating out of these two provinces end up in Gauteng. In fact, Stats SA 2004 and 2005 mid-year population estimates confirm this; in 2004, about a quarter of all emigrants from the Eastern Cape landed in Gauteng, and the figure for 2005 was 23 per cent. Approximately 68 per cent of all Limpopo's 2004 emigrants also ended up in Gauteng, with the figure rising to 71 per cent in 2005. Limpopo and the Eastern Cape therefore show a negative net migration between 2004 and 2005, while Gauteng, North West, Western Cape and KwaZulu-Natal show a positive net migration in the same period.

Table 2.1: Total population by province and gender

Year	Gender	Province									RSA
		Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape	
2000	Male	3,160,441	1,358,083	3,948,551	4,154,070	1,460,214	2,541,874	424,897	1,734,108	2,036,917	20,819,155
	Female	3,650,932	1,402,475	3,832,079	4,703,545	1,544,702	2,953,805	444,351	1,798,716	2,141,681	22,472,286
	Total	6,811,373	2,760,558	7,780,630	8,857,615	3,004,916	5,495,679	869,248	3,532,824	4,178,598	43,291,441
2001*	Male	2,975,504	1,297,593	4,444,680	4,409,098	2,394,780	1,497,315	401,166	1,821,536	2,192,311	21,433,983
	Female	3,461,252	1,409,161	4,392,477	5,016,920	2,878,867	1,625,662	421,554	1,847,803	2,332,005	23,385,701
	Total	6,436,756	2,706,754	8,837,157	9,426,018	5,273,647	3,122,977	822,720	3,669,339	4,524,316	44,819,684
2002	Male	3,321,970	1,406,585	4,104,604	4,328,707	2,721,540	1,535,356	433,360	1,796,770	2,099,675	21,748,567
	Female	3,810,171	1,452,496	4,001,586	4,883,415	3,122,311	1,620,916	455,030	1,863,132	2,214,284	23,423,341
	Total	7,132,141	2,859,081	8,106,190	9,212,122	5,843,851	3,156,272	888,390	3,659,902	4,313,959	45,171,908
2003	Male										
	Female										
	Total	6,503,201	2,738,231	9,415,231	9,761,032	5,413,586	3,246,729	818,848	3,791,984	4,740,981	46,429,823
2004	Male	3,379,948	1,452,166	4,542,859	4,667,203	2,684,919	1,600,686	449,757	1,938,913	2,270,959	22,987,410
	Female	3,708,599	1,498,495	4,304,881	4,998,672	2,827,044	1,643,620	449,592	1,868,556	2,299,738	23,599,197
	Total	7,088,547	2,950,661	8,847,740	9,665,875	5,511,963	3,244,306	899,349	3,807,469	4,570,697	46,586,607
2005	Male	3,359,800	1,455,200	4,643,100	4,674,100	2,643,200	1,590,100	451,300	1,941,500	2,312,000	23,070,300
	Female	3,679,500	1,497,900	4,374,900	4,977,000	2,991,800	1,629,800	451,000	1,882,400	2,333,600	23,817,900
	Total	7,039,300	2,953,100	9,018,000	9,651,100	5,635,000	3,219,900	902,300	3,823,900	4,645,600	46,888,200
<i>Percentage shares</i>											
2000	Total population	15.7	6.4	18.0	20.5	6.9	12.7	2.0	8.2	9.7	100.0
2001		14.4	6.0	19.7	21.0	11.8	7.0	1.8	8.2	10.1	100.0
2002		15.8	6.3	17.9	20.4	12.9	7.0	2.0	8.1	9.6	100.0
2003		14.0	5.9	20.3	21.0	11.7	7.0	1.8	8.2	10.2	100.0
2004		15.2	6.3	19.0	20.7	11.8	7.0	1.9	8.2	9.8	100.0
2005		15.0	6.3	19.2	20.6	12.0	6.9	1.9	8.2	9.9	100.0
<i>Average share (2000-2005)</i>		15.0	6.2	19.0	20.7	11.2	7.9	1.9	8.2	9.9	100.0
<i>Annual population growth</i>											
2001	Total population	-5.5	-1.9	13.6	6.4	75.5	-43.2	-5.4	3.9	8.3	3.5
2002		10.8	5.6	-8.3	-2.3	10.8	1.1	8.0	-0.3	-4.6	0.8
2003		-8.8	-4.2	16.1	6.0	-7.4	2.9	-7.8	3.6	9.9	2.8
2004		9.0	7.8	-6.0	-1.0	1.8	-0.1	9.8	0.4	-3.6	0.3
2005		-0.7	0.1	1.9	-0.2	2.2	-0.8	0.3	0.4	1.6	0.6
<i>Average growth (2002-2005)</i>		2.6	2.3	0.9	0.6	1.9	0.8	2.6	1.0	0.8	1.1

Source: Stats SA Mid-year population estimates – various; * 2001 population census

Table 2.1 also shows that, between 2002 and 2005, the total population of South Africa grew at an average annual rate of 1.1 per cent.¹ Eastern Cape (despite a negative net migration between 2004 and 2005), Northern Cape, Free State and Limpopo grew notably faster than the national average, at 2.6 per cent, 2.6 per cent, 2.3 per cent and 1.9 per cent, respectively. KwaZulu-Natal experienced the slowest growth at 0.6 per cent.

Like all the other provinces (except Gauteng, and Northern Cape and North West in 2004 and 2005), KwaZulu-Natal has more females than males. Global Insight estimates that, in 2004, approximately 83 per

¹Growth rates between 2000 and 2001 are omitted from the average as they present outliers. This is partly a result of the fact that for 2001, population census data, instead of mid-year estimates, are used here.

cent of KwaZulu-Natal residents were black. The next largest group was Indians/Asians at nearly 8.7 per cent, followed closely by Whites at 6.2 per cent, with Coloureds being the minority group (1.3 per cent). In the same year, just over 79 per cent of the province's population spoke iSizulu as first language. The second most spoken language was English (about 15 per cent). iSixhoza was third (2.7 per cent) and Afrikaans was fourth (1.8 per cent). The remaining languages were spoken by less than one per cent of the population each, ranging from 0.79 per cent (Sesotho) to 0.02 per cent (Tshivenda).

Using the 1996 and 2001 population censuses and 2005 mid-year population estimates, Table 2.2 gives the distribution of KwaZulu-Natal's population by gender and age group.

Table 2.2: Distribution of KwaZulu-Natal population by age-group and gender, 1996, 2001 & 2005

Indicator (a)	Year (b)	Gender (c)	Age group (%) ²				Total (000) (h)	Total (%) (i)	Dependency ratio (j)
			0-4 (d)	5-14 (e)	15-64 (f)	65+ (g)			
Population	1996	Male	12.17	25.52	57.34	3.48	3,951	46.9	..
		Female	10.83	22.74	59.74	5.35	4,466	53.1	..
		Total	11.46	24.05	58.61	4.47	8,417	100	68.2
	2001	Male	11.47	25.57	59.65	3.31	4,409	46.8	..
		Female	11.5	22.54	61.56	5.8	5,017	53.2	..
		Total	10.74	23.96	60.66	4.34	9,426	100	64.4
	2005	Male	11.71	24.15	62.1	2.03	4,674	48.4	..
		Female	10.89	22.53	61.33	5.25	4,977	51.6	..
		Total	11.29	23.31	60.92	4.48	9,651	100	64.1
Percentage change (%)	1996-2001	Male	5.19	11.82	16.1	6.25	11.61	..	..
		Female	4.78	11.32	15.75	21.65	12.32	..	..
		Total	4.99	11.57	15.91	8.72	11.99	..	..
	2001-2005	Male	8.28	0.11	10.38	-34.91	6.01	..	..
		Female	6.92	-0.86	-1.16	-10.18	-0.8	..	..
		Total	7.6	-0.37	2.82	5.62	2.39	..	..
	1996-2005	Male	13.83	11.95	28.12	-30.99	18.3	..	..
		Female	12.06	10.41	14.41	9.36	11.5	..	..
		Total	12.96	11.13	19.18	14.92	14.7	..	..

Source: Stats SA, 1996 & 2001 Population censuses & 2005 mid-year population estimates

As the table reflects, the province's population grew from approximately 8.4 million people in 1996 (Table 2.2, column h) to about 9.4 million in 2001, and 9.7 million in 2005, a growth rate of 14.7 per cent (annual average 1.5 per cent). Throughout the period, just over half of the total population is female (column i).

In 1996, the largest population cohort (about 59 per cent) was those aged 15-64 (column f). This grew to around 61 per cent in 2001 and 2005. The second largest cohort is the school-going population (ages 5-14). Babies and infants (0-4 years) constitute the third largest age group, with the elderly and retired being the fewest people in the province.

Between 1996 and 2001, there was a noticeable growth in the population across all age groups, ranging from 5 per cent for the infants and 9 per cent for the elderly, to 12 per cent in the school-age population and 16 per cent among the labour force. However, between 2001 and 2005, the province saw a decline in the female population (0.9 per cent for the ages 5-14 and 1.2 per cent for 15-64 years) and a dramatic decline in the size of the age group 65+ (35 per cent among males and 10 per cent among females), which signals that a high number of people in the working age fail to reach the elderly age. The province's dependency ratio² declined from around 68.2 per cent in 1996 to some 64.1 per cent in 2005 (column j), as a result of a decline in the elderly population over the decade, and the increase in the labour force.

² Number of children aged 0-15 years plus the elderly (65+ years) per 100 working-age persons.

2.2. The economy of KwaZulu-Natal

Table 2.3, Figure 2.1, and Figure 2.2 show the trend of the KwaZulu-Natal's Gross Domestic Product per Region (GDP-R estimates at constant 2000 prices) by industry between 1995 and 2004.

Table 2.3: KwaZulu-Natal GDP-R by industry, 1995 to 2004

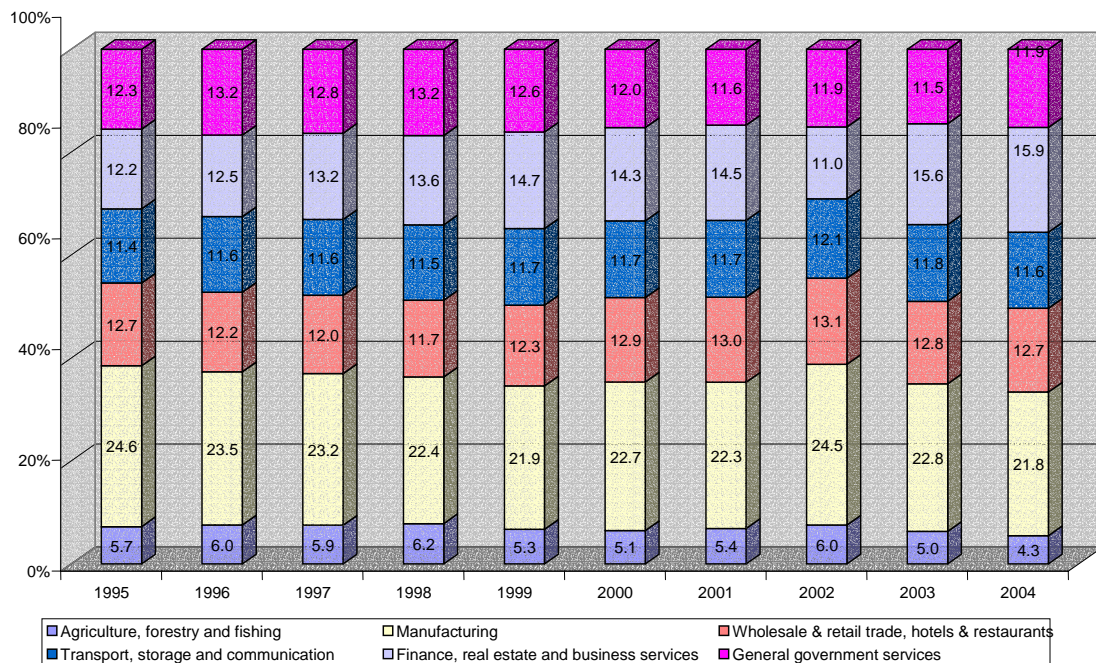
KwaZulu-Natal GDP-R; constant 2000 Rm	% contribution (averages)			% change (averages)		
	1995-99	2000-2004	1995-2004	1995-99	2000-2004	1995-2004
Primary industries	7.5	6.9	7.2	3.1	1.2	2.0
Agriculture, forestry and fishing	5.8	5.2	5.5	3.5	2.1	2.7
Mining and quarrying	1.7	1.7	1.7	2.9	-1.2	0.6
Secondary industries	29.0	27.5	28.3	1.0	3.8	2.5
Manufacturing	23.1	22.8	23.0	1.4	3.5	2.6
Electricity, gas and water	3.0	2.5	2.8	2.1	1.9	2.0
Construction	2.8	2.2	2.5	-3.3	10.0	4.1
Tertiary industries	55.0	56.3	55.6	3.0	4.4	3.8
Wholesale & retail trade, hotels & restaurants	12.2	12.9	12.5	2.7	6.0	4.6
Transport, storage and communication	11.6	11.8	11.7	4.5	6.2	5.4
Finance, real estate and business services	13.2	14.2	13.7	4.9	4.9	4.9
Personal services	5.2	5.6	5.4	3.1	3.0	3.0
General government services	12.8	11.8	12.3	0.0	0.8	0.4
All industries at basic prices	91.5	90.7	91.1	2.3	4.0	3.2
Taxes less subsidies on products	8.5	9.3	8.9	1.4	3.0	2.3
GDP-R at market prices	100.0	100.0	100.0	2.2	3.9	3.1

Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
GDP-R*	132,048	137,979	141,548	142,774	144,183	150,913	157,578	161,692	166,172	174,268
% change (96-04)		4.5	2.6	0.9	1.0	4.7	4.4	2.5	2.9	4.9

Source: Stats SA GDP-R estimates (various); * KwaZulu-Natal GDP-R ('000) at 2000 prices

KwaZulu-Natal's tertiary sector contributes more to the province's GDP-R than the other two sectors (annual average of 56 per cent). The secondary sector is the second most important. However, when disaggregating to industry level, manufacturing leads, followed by finance, real estate and business services. Wholesale & retail trade, hotels & restaurants come third. This industry is followed closely by transport, storage and communications. General government services is the fifth most important contributor to the province's GDP-R-2004.

Figure 2.1: Percentage contribution to GDP-R by industry, 1995-2004

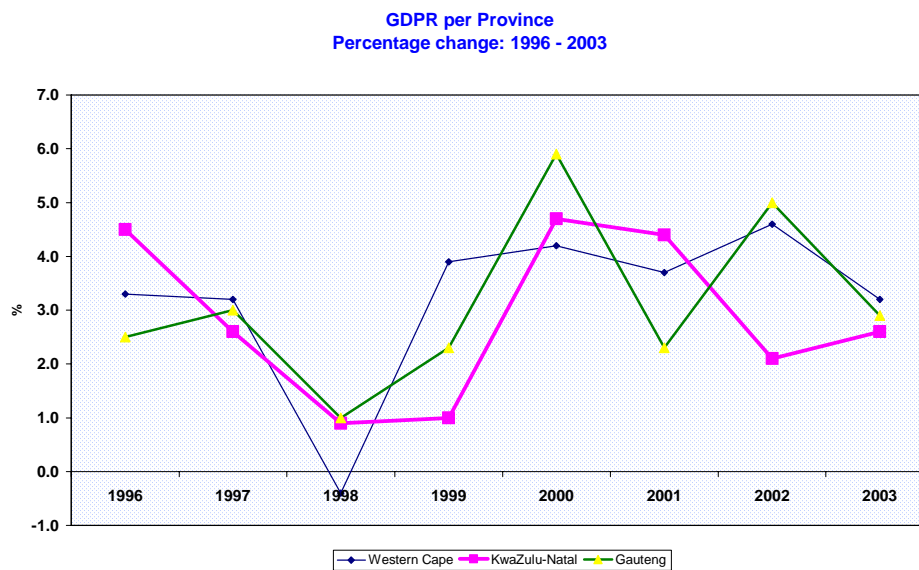


Source: Stats SA GDP-R estimates (various); * KwaZulu-Natal GDP-R at 2000 prices

In terms of growth, however, transport-storage-communication is the fastest growing industry. This is followed by finance, real estate and business services, wholesale, retail, hotels and restaurants; construction and personal services. Manufacturing comes only but sixth.

KwaZulu-Natal is the second highest contributor to the country's GDP (16.6 per cent) after Gauteng (33.5 per cent) – average 1995-2004. KwaZulu-Natal's contribution grew from 16.3 per cent in 1999 to 16.7 per cent in 2004, while Gauteng's contribution decreased from 33.6 per cent to 33.3 per cent over the same period. In growth terms, KwaZulu-Natal's GDP growth grew almost fivefold from 1.0 per cent in 1999 to 4.9 per cent in 2004. This compares better to Gauteng's, which only less than doubled from 2.3 per cent in 1999 to 4.4 per cent in 2004.

Figure 2.2: GDP by province, percentage change: 1996 - 2003



Source: Stats SA GDP estimates

2.2.1 Manufacturing in KwaZulu-Natal

Manufacturing plays the most significant role in the GDP of KwaZulu-Natal, with an annual average of nearly a quarter throughout the decade. It grew from some R29,9 billion in 1995 to around R36,8 billion in 2004. Disaggregating further to a sub-industry level, food and beverages; textiles, clothing and other goods; wood, paper, publishing and printing, petroleum, chemical, rubber and plastic products; and metals, machinery and equipment have been the most important sub-industries, contributing a steady 76 per cent of the total manufacturing production, as shown in Table 2.4

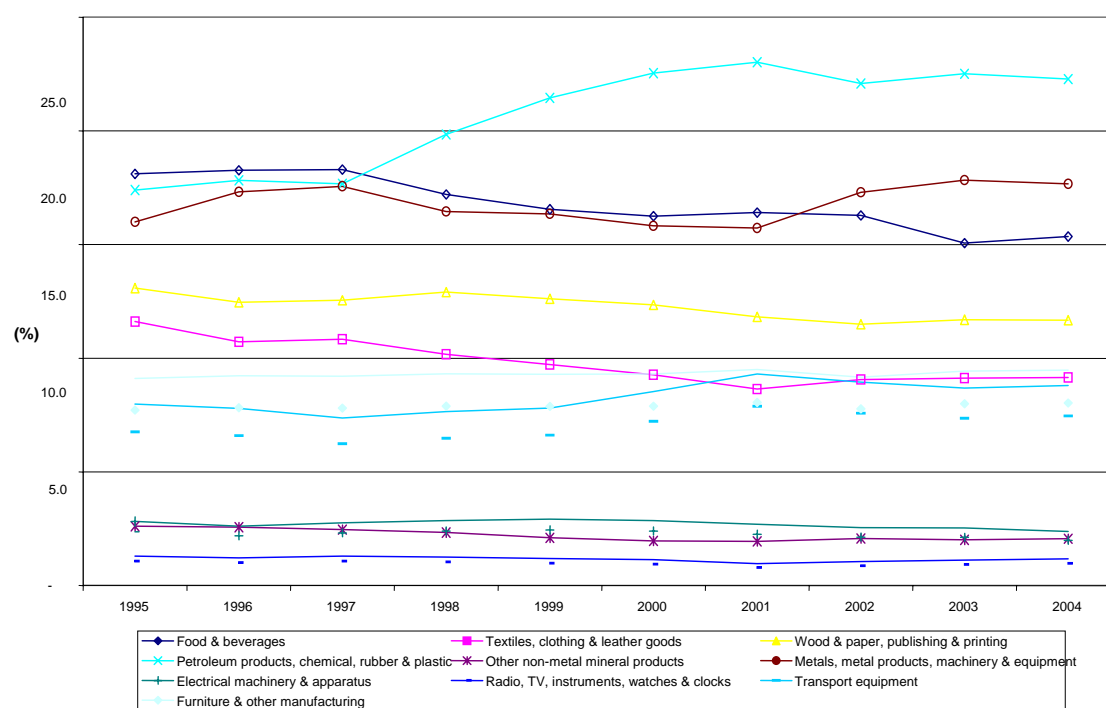
Although textiles, clothing and leather goods lost momentum and stayed around 9 per cent since 1998, petroleum, chemical, rubber and plastic products improved from around 18 per cent in the same year to a stable 22 per cent afterwards (see Figure 2.3).

Table 2.4: KwaZulu-Natal manufacturing industry, 1995-2004

Manufacturing by product (R million)	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Food & beverages	5410	5550	5712	5346	5223	5566	5781	5883	5429	5653
Textiles, clothing & leather goods	3470	3257	3380	3160	3068	3174	3045	3274	3286	3366
Wood & paper, publishing & printing	3907	3786	3916	4011	3981	4229	4163	4153	4215	4297
Petroleum products, chemical, rubber & plastic	5198	5417	5516	6166	6768	7722	8111	7983	8118	8201
Other non-metal mineral products	776	778	768	722	662	670	682	747	725	756
Metals, metal products, machinery & equipment	4780	5264	5484	5111	5159	5420	5539	6253	6430	6505
Electrical machinery & apparatus	842	794	860	886	919	977	947	920	914	875
Radio, TV, instruments, watches & clocks	386	371	406	390	374	389	341	381	402	433
Transport equipment	2383	2366	2298	2376	2461	2919	3278	3234	3131	3238
Furniture & other manufacturing	2720	2803	2875	2894	2932	3189	3346	3313	3400	3486
Total Manufacturing	29873	30386	31213	31063	31546	34255	35235	36141	36049	36810
Manufacturing by product (%)	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Food & beverages	18.1	18.3	18.3	17.2	16.6	16.2	16.4	16.3	15.1	15.4
Textiles, clothing & leather goods	11.6	10.7	10.8	10.2	9.7	9.3	8.6	9.1	9.1	9.1
Wood & paper, publishing & printing	13.1	12.5	12.5	12.9	12.6	12.3	11.8	11.5	11.7	11.7
Petroleum products, chemical, rubber & plastic	17.4	17.8	17.7	19.8	21.5	22.5	23.0	22.1	22.5	22.3
Other non-metal mineral products	2.6	2.6	2.5	2.3	2.1	2.0	1.9	2.1	2.0	2.1
Metals, metal products, machinery & equipment	16.0	17.3	17.6	16.5	16.4	15.8	15.7	17.3	17.8	17.7
Electrical machinery & apparatus	2.8	2.6	2.8	2.9	2.9	2.9	2.7	2.5	2.5	2.4
Radio, TV, instruments, watches & clocks	1.3	1.2	1.3	1.3	1.2	1.1	1.0	1.1	1.1	1.2
Transport equipment	8.0	7.8	7.4	7.7	7.8	8.5	9.3	8.9	8.7	8.8
Furniture & other manufacturing	9.1	9.2	9.2	9.3	9.3	9.3	9.5	9.2	9.4	9.5
Total Manufacturing	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Quantec Research, 2005

Figure 2.3: Shares of KwaZulu-Natal manufacturing industry by product, 1995 – 2004

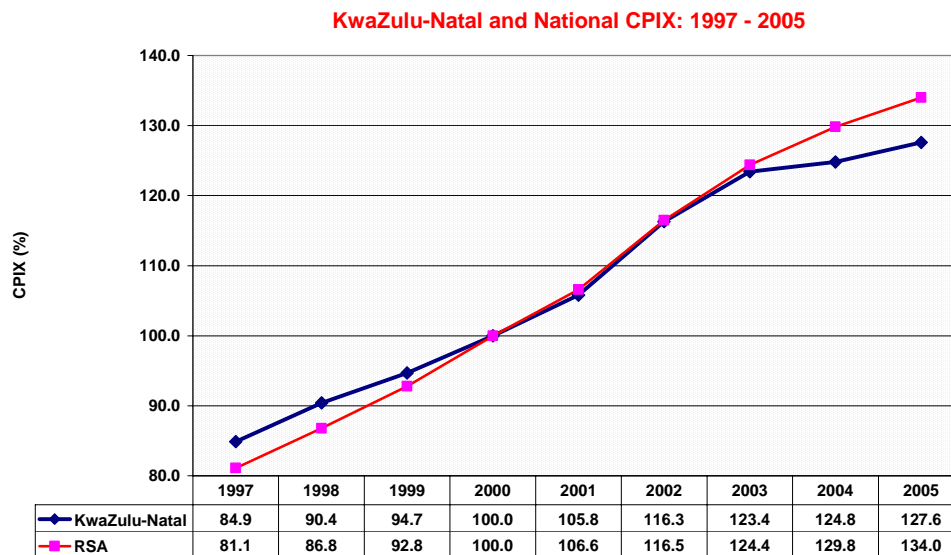


Source: Quantec Research, 2005

2.2.2 Cost of living in KwaZulu-Natal

Figure 2.4 depicts the cost of living in KwaZulu-Natal as reflected by the Consumer Price Index (CPIX) for the metropolitan area and the other cities, compared to the average for South Africa.

Figure 2.4: KwaZulu-Natal and South African CPIX, 1997-2005



Source: Stats SA CPI, 2005

According to Figure 2.4, between 1997 and 1999, it was more expensive to live in KwaZulu-Natal than elsewhere in the country, on average (the CPIX for KwaZulu-Natal was 90.0 compared to 86.9 average for the country). However, in 2002-2005 it became cheaper to live in KwaZulu-Natal compared to the national average. The low cost of living provides a good climate for investments and general development of the province.

2.3. Socio-economic indicators (Table 2.5)

Table 2.5 shows a selection of social (and demographic) indicators, comparing the performance of KwaZulu-Natal to that of the entire country.

Although KwaZulu-Natal contributes about 21 per cent to the country's total population, its share of South Africa's land is only 8 per cent, rendering it one of the most densely populated provinces; relative to the entire country (38 persons per square kilometre), KwaZulu-Natal is highly populated, with 105 persons per square kilometre. As a proportion of the total population, the province's labour force is quite large (62 per cent vs 63 per cent average for the country).

Budget Statement 1

Table 2.5: Social indicators

Indicator		KwaZulu-Natal	RSA	Year	Source	
Population (considering HIV)		9,651,100	46,888,200	2005	Stats SA	
Land cover (sq km)		92,305	1,219,078	1994		
Population density (per sq km)		105	38	2005		
Labour force		6,000,000	29,524,000	2005		
Labour force (% of total population)		62.2	63.0	2005		
Participation rate (%)		51.9	54.8	2005		
Unemployment rate (%)		31.7	26.5	2005		
Human development index		0.57	0.57	2004		Global Insight
Gini coefficient		0.64	0.62	2004		
Learner enrolment		2,783,051	12,038,922	2003	Nat Edu Dept	
Educator:learner ratio		35.8	33.6	2003		
School:learner ratio		480.8	448.5	2003		
Gross Enrolment Ratios (ordinary schools)	Male	105	105	1999	Nat Edu Dept	
	Female	107	105	1999		
	Total	106	105	1999		
	Male	93	93	2003		
	Female	95	94	2003		
	Total	94	94	2003		
Success rates - senior certificate exams	Male	77.2	71.8	2003	Nat Edu Dept	
	Female	77.2	75.1	2003		
	Total	77.2	73.3	2003		
Vacancy rates - critical occupations (%)	Edu specialist - school-based	7.7	-	2004-2005	Prov Edu Dept	
	Principal deputy - sch based	3.5	-	2004-2005		
	Teacher - sch. based	1.7	-	2004-2005		
Literacy rate		88.6	88.2	2004	Stats SA	
GDPR per capita (constant 2000 prices)		18,029	22,684	2004	Stats SA	
People living below poverty line (% of total popn)		50.5	48.5	2002	UNDP	
Poverty gap (%)*		18.9	18.0	2002	UNDP	
Population aged 65+ (% total population)		4.5	5.0	2005	Stats SA	
Disabled persons (% total population)		5.0	5.0	2001	Stats SA	
Children aged 0-14 yrs (% total population)		34.6	32.4	2005	Stats SA	
Number of grants paid	Grants for the aged	428,684	2,093,075	2005	Dept Social Welfare & National Treasury	
	Grants for disabled	353,522	1,307,459	2005		
	Care dependency grants	20,822	85,818	2005		
	Child support grants	801,897	5,633,647	2005		
Uninsured population (% of total population)		89.7	85.0	2004	Stats SA	
Per capita annual uninsured health expenditure (R)		1,017	1,014	2005	Nat Treasury	
Infant mortality rate (under 1) per 1,000 live births**		67	53.6	2005	ASSA; Stats SA	
Child mortality rate (under 5) per 1,000 live births**		129	72.1	2005	ASSA; Stats SA	
Maternal mortality per 100,000 live births		150	..	1998	Provincial Health Dept	
Total fertility rate		3.0	2.8	2005	Stats SA	
Life expectancy at birth (years)		43.6	47.0	2003:2005	UNDP; Stats SA	
HIV prevalence rate (adults aged 15-49 yrs)		19.2	16.0	2005	ASSA	
Top three causes of death per 100,000 deaths	% total mortality	AIDS	39.4	..	1998-2002	Provincial Health Dept
		TB	11.6	..	1998-2002	
		Cardiovascular	9.6	..	1998-2002	
	% case fatality	AIDS	31.5	..	1998-2002	Provincial Health Dept
		TB	13.6	..	1998-2002	
		Cardiovascular	15.6	..	1998-2002	
Number of households (000)		2,380	12,194	2004	Stats SA	
Proportion of households (%) with access to:	Tap water in dwelling or yard	58.6	67.8	2004	Stats SA	
	Refuse removal by local municipality	52.7	57.1	2004		
	Electricity from mains	72.2	80.4	2004		
	Electricity for lighting	72.2	80.3	2004		
	Telephone in dwelling or cellphone	37.7	54.6	2001:2004		
	Bucket toilet or none	8.6	10.8	2004		
Households deprived of 6 quality basic services (%)		18	12	2001	UNDP	
Households living in informal dwellings		9.2	11.3	2004	Stats SA	
Among those with access, % households who paid for water		69.6	66.3	2004	Stats SA	
Mode of travel to work/school	Foot	30.7	30.7	2001	Stats SA	
	Car	8.0	9.6	2001		
	Bus	8.6	9.1	2001		
Road density (vehicles/km)		25.8	19.8	2005	Nat Treasury	
Houses completed (1994-2005)		315,936	1,793,124	2005		

* Poverty gap measures the depth of poverty, i.e. how far away from the poverty line the poor households are
The poverty gap and rate were calculated using R354 per month national poverty line

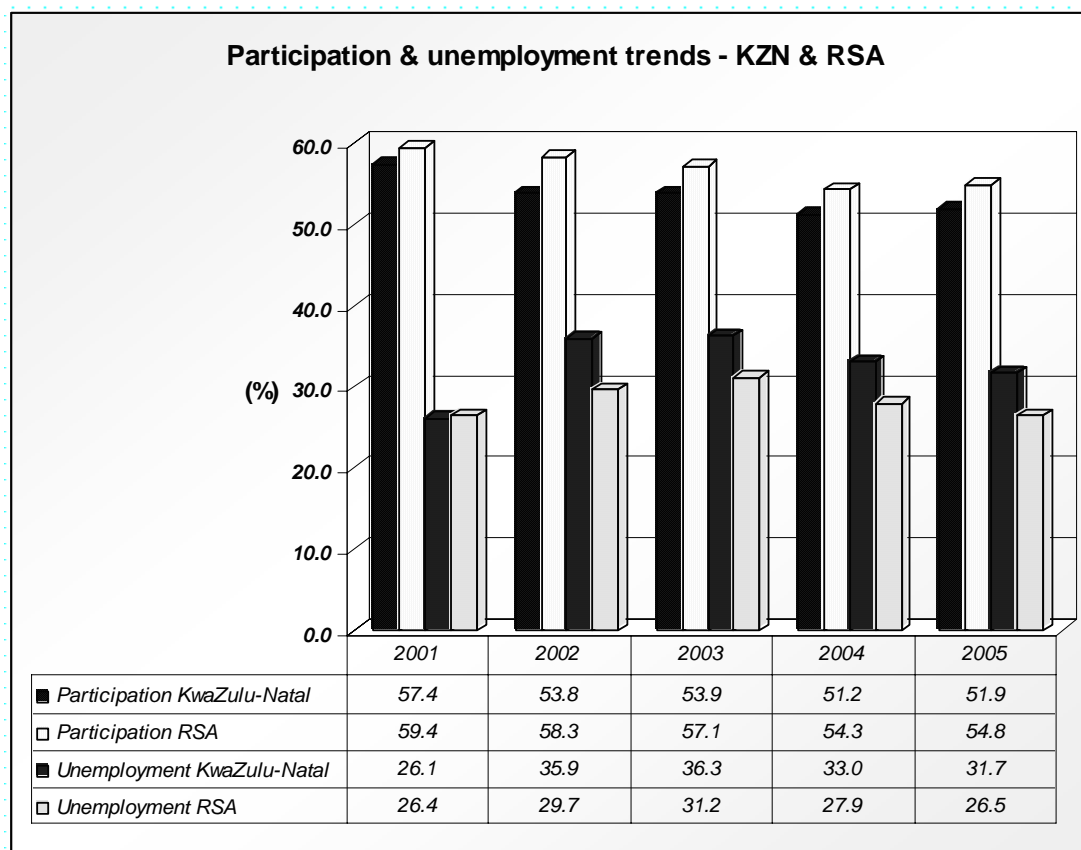
** Provincial figures are for 1998 by the Provincial Health Department, national figures for 2005 by Stats SA

2.3.1 Labour (Table 2.5)

Although KwaZulu-Natal's and South Africa's labour forces as proportions of the total population are closely similar, the labour participation rate in the province is slightly lower than the national average (52 per cent vs 55 per cent), and the unemployment rate patterns differ greatly; 32 per cent for KwaZulu-Natal and 27 per cent average for the country. Figure 2.5 gives trends in these aspects.

Throughout 2001 to 2005, KwaZulu-Natal's labour participation rates have been slightly lower than the average for the country, with the province's unemployment rates higher than the country's averages. Nonetheless, the unemployment rate in 2005 has improved impressively from the high of 36.3 per cent in 2003 (and 33.0 per cent in 2004) to 31.7 per cent in 2005.

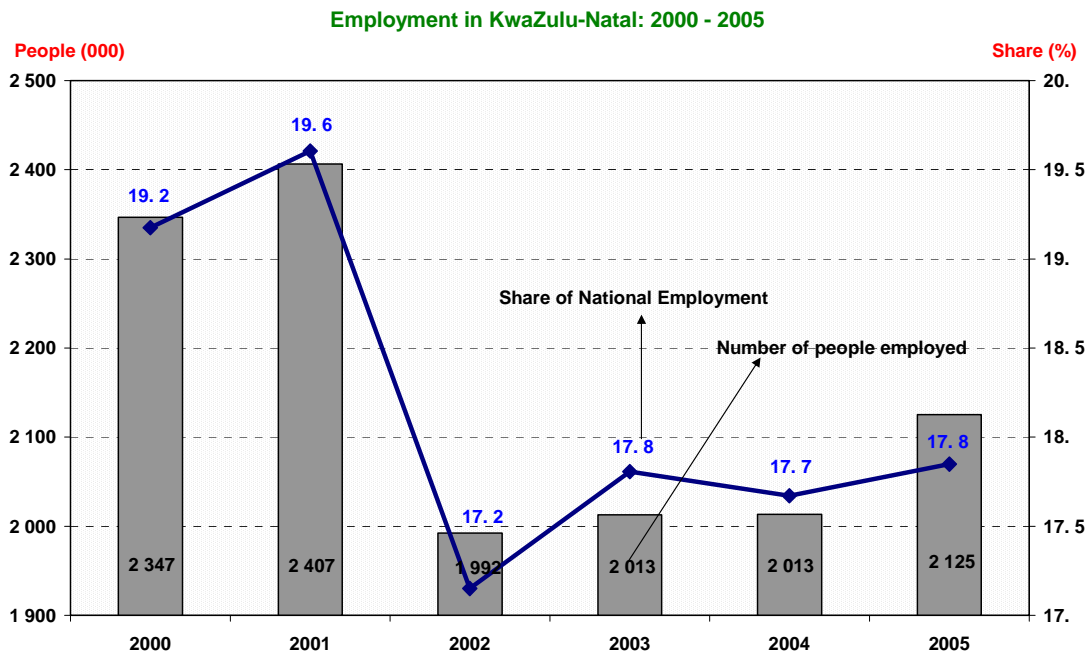
Figure 2.5: Labour participation and unemployment rate trends 2001-2005



Source: Stats SA 2005, Labour Force Survey historical series (March figures)

As can be observed from Figure 2.6 below, not only did labour participation rates fall in KwaZulu-Natal relative to the national average, but also the number of people employed in the province has declined over the period 2000 to 2005. However, 2005 saw a positive increase in employment from the lows of 2002, 2003 and 2004. Moreover, as a proportion of all employed persons in the country, KwaZulu-Natal's share is not as dismal as it has been steady around approximately 18 per cent and 20 per cent, signalling the fact that the country also shed some jobs at the same time as the province, and improved at a considerably similar rate.

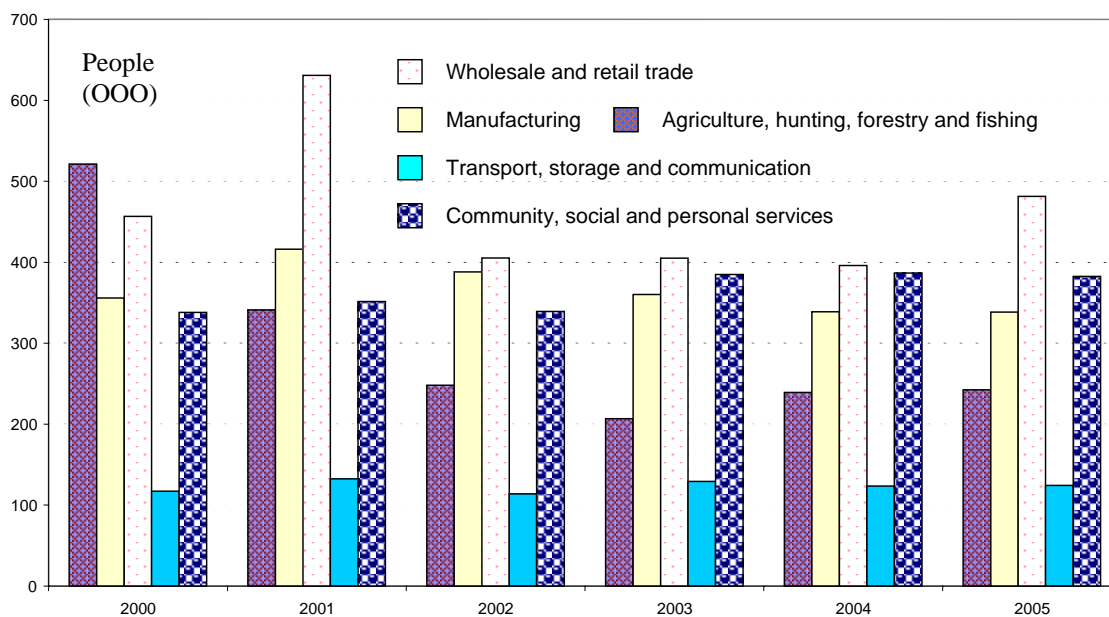
Figure 2.6: Employment trends in KwaZulu-Natal, 2000 – 2005



Source: Stats SA 2000 – 2005 Labour Force Surveys

In addition to general employment trends in the province in the past six years, Figure 2.7 gives the trends by industry (only those employing more than 10 per cent). Agriculture is only included because KwaZulu-Natal has a relative comparative advantage in relation to other provinces. It can be observed from this figure that wholesale and retail trade is currently the most significant employer in the province. In 2000, Agriculture was the most significant employer in the province, but has since shed a lot of jobs.

Figure 2.7: Employment trends by major industries in KwaZulu-Natal, 2000 – 2005



Source: Statistics South Africa: 2005 Labour Force Surveys

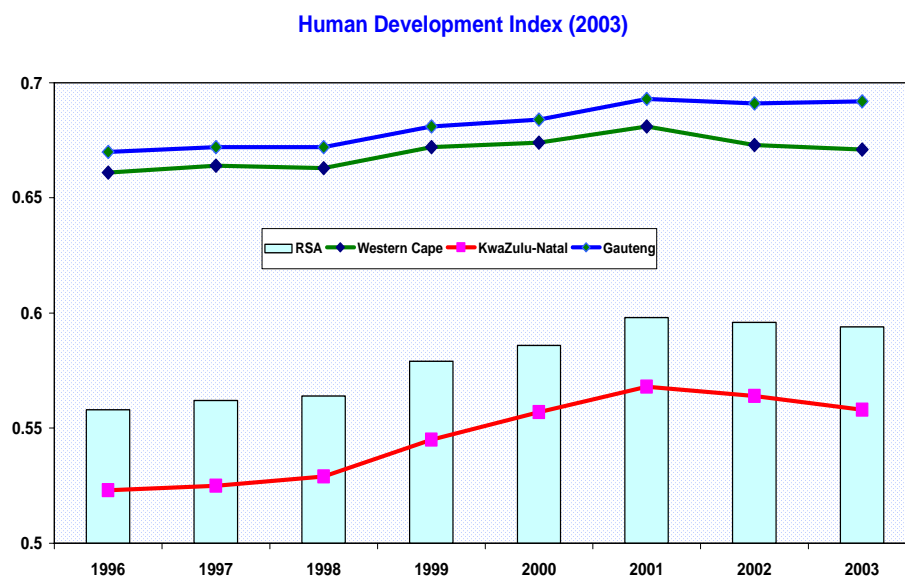
2.3.2 Socio-economic development (Table 2.5)

Despite the fact that KwaZulu-Natal is the second highest contributor to the country's GDP (16.6 per cent) after Gauteng (33.5 per cent) – average for 1995 to 2004, its 2004 GDP per capita is the fourth lowest at R18,029. More than half of the province's population lived below the national poverty line of R354 per month (nominal) in 2002, falling from 53.2 per cent in 1995. The corresponding figures for South Africa are 48.5 per cent in 2002 from 51.1 per cent in 1995.

Although the poverty gap was 18.1 per cent and 17.8 per cent for KwaZulu-Natal and the country respectively in 1995, this had actually deepened to 18.9 per cent and 18.0 per cent, respectively, by 2002. This means that the condition of people living below the poverty line has actually worsened.

Human development index (HDI) (Table 2.5)

Figure 2.8: Human Development Index, 1996 -2003



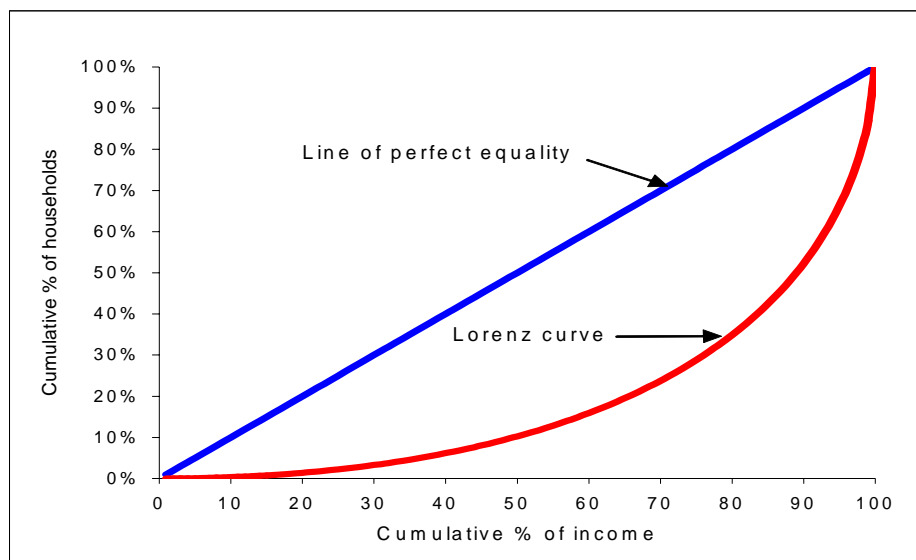
Source: Global Insight

Global Insight estimated the Human Development Index (HDI)³ for KwaZulu-Natal at 0.56 in 2003, compared to 0.57 average for the country (Figure 2.8). This rose to 0.57 in 2004 and was at par with the national average. Even though it is not shown in Figure 2.8, the HDIs for the country and the province were much higher between 1990 and 1995 - 0.705 in 1990 and 0.715 in 1995; and 0.720 in 1990 and 0.735 in 1995, respectively), as estimated by the UNDP. Basically, we have regressed as a country in terms of human development.

³ The HDI is composite, relative index that attempts to quantify the extent of human development of a community. It is based on measures of life expectancy, literacy and income. It is therefore seen as a measure of people's ability to live a long and healthy life, to communicate, to participate in the life of the community and to have sufficient resources to obtain a decent living (DBSA 2005: 22). An HDI of 0.800 or above shows high human development, medium human development is reflected by an HDI of between 0.500 and 0.799, and HDI of less than 0.500 signifies low human development (UNDP, 2003).

The Gini coefficient⁴ for the province is slightly higher than the national average (0.64 vs 0.62), signalling higher income inequality in the province.

Figure 2.9: The Lorenz curve



Source: Global Insight, 2005

Getting as many people as possible to participate in the economy is one major step in the right direction to alleviating income inequalities. The objective of creating jobs and alleviating poverty through targeted interventions in the second economy – such as the co-operatives’ initiative – is therefore vital.

2.3.3 Education and literacy (Table 2.5)

In 2003, learner enrolment in the province’s ordinary public schools constituted some 23 per cent of the national enrolment. Of concern however, is that the educator-learner, and school-learner ratios are higher for the province than the country’s average (35.8 vs 33.6 and 480.8 vs 448.5, respectively).

In 1999, the province’s Gross Enrolment Ratios (GERs) were not significantly different from the countries. The pattern remained the same in 2003. Although reliable statistics are not available, indications are that the Net Enrolment Ratios (NERs) have declined in the province since 1999.

KwaZulu-Natal’s senior certificate examinations’ pass rates are relatively better than the national averages - particularly among male students – given the fact that the total number of students who passed was proportional both to the enrolment size and the total student population size (23 per cent) relative to the country. In 2001, the province’s total pass rate was 62.8 per cent compared to 61.7 per cent average for the country. This increased to 77.2 per cent vs 73.3 per cent average for the country in 2003. This

⁴ The Gini coefficient is based on the Lorenz curve, a cumulative frequency curve that compares the distribution of income with the uniform distribution that represents equality. This equality distribution is represented by a diagonal line, and the greater the deviation of the Lorenz curve from this line, the greater the inequality (Pan American Health Organization, 2005). The coefficient varies from zero (which indicates perfect equality, with every household earning exactly the same) to one (which implies absolute inequality; with a single household earning a country's entire income) (Economist, 2005). In practice the coefficient is likely to vary from approximately 0.25 to 0.70 (Global Insight, 2005).

improvement can be attributed to the efforts by the province to fill critical positions⁵ in the education sector. The vacancy rate in the sector is now well below 10 per cent.

The proportion of adults aged 15 years and above, who can read and write with understanding (literate), is also impressively high (88.6 per cent for KwaZulu-Natal vs 88.2 average for South Africa).

2.3.4 Health (Table 2.5)

KwaZulu-Natal has a very high proportion of people not registered with any health insurance (90 per cent). As a result, the per capita annual uninsured health expenditure is higher than the national average. However, the recently established Government Employees' Medical Scheme (GEMS) is likely to reverse this condition. It is an affordable insurance scheme, and the expectation therefore is that there will be a decrease in the number of uninsured in the province.

In 1998, the province's infant and child mortality rates were 52.1 and 74.5 out of 1,000 live births respectively. These rose to 67 and 129 respectively in 2005, levels higher than the national averages. Moreover, the Actuarial and Statistical Society of South Africa (ASSA) model estimates that in 2005, KwaZulu-Natal HIV prevalence rate is higher than the national average in 2005 (15.6 per cent vs 11 per cent) (Table 2.6). This may explain the high infant and child mortality ratios.

Table 2.6 gives a detailed comparison between KwaZulu-Natal's and South Africa's HIV prevalence rates for different groups of people between 2000 and 2005.

Table 2.6: HIV prevalence rates KwaZulu-Natal and National RSA, 2000-2005

Year	Prevalence rates	Population group (%)							Total population
		Antenatal clinics	Women aged 15 - 49	Men aged 15 - 49	Adults aged 15 - 49	Adult women aged 20 - 64	Adult men aged 20 - 64	Adults age 15 - 64	
2000	RSA	22.3	15.2	12.2	13.7	14.5	13.8	14.2	7.9
	KZN	35.9	24.1	19.8	22.1	23.2	23.1	23.2	12.5
2001	RSA	24.1	16.7	13.4	15.1	16.0	15.2	15.6	8.8
	KZN	37.8	26.0	21.2	23.7	25.1	25.0	25.0	13.6
2002	RSA	25.5	18.1	14.2	16.2	17.4	16.2	16.8	9.6
	KZN	39.0	27.4	22.0	24.8	26.5	26.2	26.4	14.4
2003	RSA	26.5	19.1	14.7	17.0	18.4	17.0	17.7	10.2
	KZN	39.6	28.4	22.4	25.5	27.5	26.9	27.2	15.0
2004	RSA	27.3	20.0	15.0	17.6	19.3	17.4	18.4	10.6
	KZN	40.0	29.1	22.5	25.9	28.2	27.1	27.7	15.4
2005	RSA	27.9	20.7	15.2	18.0	19.9	17.7	18.8	11.0
	KZN	40.1	29.5	22.5	26.1	28.6	27.2	28.0	15.6
2006	RSA	28.3	21.2	15.4	18.3	20.4	17.8	19.2	11.2
	KZN	40.2	29.7	22.3	26.2	28.9	27.0	28.0	15.7

Source: ASSA AIDS Model

The provincial health department estimates that on average, between 1998 and 2002, the top three causes of death in the province were AIDS (39 per cent), TB (12 per cent) and other cardiovascular diseases (10 per cent), and adds that when specific case fatality is taken into consideration, nearly a third of AIDS cases lead to death, and less than a fifth of all TB and/or other cardiovascular diseases are fatal. There is some success in combating TB (there is a 5 per cent increase in TB cure rates) and other cardiovascular diseases while AIDS still remains a major challenge.

⁵ These include teachers and deputy principals at the school level.

2.3.5 Basic service delivery (Table 2.5)

In 2004, there were 2,4 million households in KwaZulu-Natal, approximately 20 per cent of total households in the country in the same year. Nearly 60 per cent of these households had access to tap water in dwelling, though still a figure lower than the national average (68 per cent). Just over half had their refuse removed by a local authority, a figure still lower than the national average. These figures are improvements from 2001 estimates when only 30 per cent of households had piped water in dwelling and 49 per cent had access to municipal refuse removal.

The Stats SA census 2001 reveals that in 2001, 18 per cent of all households in the province did not have access to at least six of the seven basic services. The seven basic services used are: housing type, source of energy for cooking, source of energy for heating, source of energy for light, water, refuse removal, and toilet facility. As far as housing is concerned, only 9 per cent of KwaZulu-Natal households live in informal dwellings (in 2004), compared to 11 per cent average for the country.

The National Treasury estimates that at least 315,936 houses were completed in KwaZulu-Natal by mid 2005, approximately 18 per cent of all houses completed in the country since 1994. This fact leaves KwaZulu-Natal with a backlog of not more than 218,960 houses to build, assuming that the number of informal dwelling occupants does not grow significantly over the next five years. However, given the fact that this backlog is some 69 per cent of the houses built over eleven years, there is a high probability that by the time the delivery of these outstanding houses takes place, more homeless households will have surfaced. Thus, in order to at least keep pace with the demand – since offsetting this appears farfetched – the remaining houses need to be constructed in less than ten years (at the most in half the time).

With respect to road and transport infrastructure, the province has a higher road density (26 per cent) than the national average (20 per cent) and this has facilitated growth in real terms in the transport-storage and communication industries since 2000.

The proportion of people in the province who walk to school or work is 31 per cent, a figure equal to the national average; and the proportions of those taking a bus or car are lower than the country's. A challenge of improving public transport in the province therefore needs to be confronted.

2.4 Overview of the Municipal districts

Table 2.7 gives a preview of socio-economic indicators of the KwaZulu-Natal municipal districts, comparing these characteristics to the provincial picture. In this section, we have relied heavily on the Stats SA 2001 population census, Global Insight Economic Forecast 2004 and the Development Bank of Southern Africa (DBSA) data, as they are the main sources with the latest, user-friendly information disintegrated down to municipal level.

2.4.1 Demographics (Table 2.7)

According to the 2001 estimates, the highest number of people is found in eThekweni Metropolitan Municipality (MM) (32.8 per cent). The uMgungundlovu District Municipality (DM) houses the second highest number of people (9.8 per cent) followed by uThungulu DM at 9.4 per cent. The fewest people are in Sisonke DM (3.2 per cent).

eThekweni is the smallest district in square kilometres (2,292km²) – only 2.5 per cent of KwaZulu-Natal land. Zululand is the largest municipal area (15,305km² or 16.6 per cent of KwaZulu-Natal land). This results in an estimated population density of about 1,348 persons per square kilometre for eThekweni and only 53 persons per square kilometre in Zululand.

Because of its relatively smaller population (6.1 per cent of all people in KwaZulu-Natal) and larger land (13.9 per cent of KwaZulu-Natal's land), Umkhanyakude has the second lowest population density at 45 after Sisonke (30); the average for the province is 102. This renders this municipal district hard to service as there would likely be low economies of scale in service delivery.

Table 2.7: Selected socio-economic indicators for municipal districts

Indicator	DC22: Ugu		DC23: Umkungun dlovu	DC24: Uthukela	DC25: Umzinyathi	DC26: Amajuba	DC27: Zululand	DC27: Umkhanya kude	DC28: Uthungulu	DC29: iLembe	DC43: Sisonke	Durban: Ethekwini	KwaZulu-Natal
	Ugu	Ukungun dlovu	Uthukela	Umzinyathi	Amajuba	Zululand	Umkhanya kude	Uthungulu	iLembe	Sisonke	Ethekwini	KwaZulu-Natal	
Population (2001)	704,030	927,842	656,983	456,459	468,038	804,446	573,341	885,963	560,390	298,392	3,090,117	9,426,001	
Distribution of Population	Female	7.6	9.8	7.1	5.1	4.9	8.7	6.3	9.5	6.0	3.2	32.0	100.0
	Male	7.3	9.9	6.8	4.6	5.1	8.4	5.9	9.3	5.9	3.1	33.7	100.0
	Total	7.5	9.8	7.0	4.8	5.0	8.5	6.1	9.4	5.9	3.2	32.8	100.0
Land cover (sq km)	5,046	8,942	11,329	8,079	6,910	15,305	12,818	8,215	3,260	10,109	2,292	92,305	
Population density	140	104	58	56	68	53	45	108	172	30	1,348	102	
Total number of households	150,611	216,643	134,846	90,111	96,670	144,954	101,565	171,481	514,670	72,241	786,747	2,480,539	
Households with no access to:	A telephone	10.3	7.7	9.1	18.4	5.8	15.2	13.1	14.2	12.7	13.5	3.5	9.2
	Refuse removal	79.9	54.0	71.3	80.9	43.8	79.1	92.7	76.3	75.6	71.2	13.8	49.8
	Piped water or borehole	46.4	14.1	22.4	47.0	9.0	42.1	43.9	39.7	44.8	33.3	4.8	22.6
Households with access to:	Electricity for cooking	30.9	55.2	29.3	16.2	48.3	23.5	13.0	39.8	38.9	16.6	72.0	48.3
	Heating	31.4	52.3	25.8	13.9	43.8	22.0	12.9	39.4	37.8	14.3	71.5	47.0
	Lighting	48.0	74.4	57.6	24.3	72.5	38.2	20.1	52.6	49.3	35.7	79.7	61.4
Households with 5+ members	43.9	36.3	47.0	48.9	44.0	54.4	55.7	47.8	42.2	37.6	31.0	40.0	
Households that use bucket latrine/none	18.1	7.0	19.4	44.2	7.1	40.2	58.1	31.4	19.8	13.0	5.3	17.3	
Households living in informal housing	4.5	10.3	3.1	2.4	8.4	3.0	4.3	5.3	11.8	5.7	19.6	11.2	
Labour indicators	Employed	85,956	197,053	75,651	35,625	72,333	66,897	38,194	121,741	85,155	40,734	782,934	1,602,273
	Unemployed	94,265	169,539	107,879	58,687	89,504	104,347	64,416	123,450	78,511	41,592	591,026	1,523,216
	Not economically active	222,360	229,587	191,602	145,016	122,758	258,603	196,993	265,486	166,372	86,063	744,953	2,629,793
	Labour Force	402,581	596,179	375,132	239,328	284,595	429,847	299,603	510,677	330,038	168,389	2,118,913	5,755,282
	Labour force (% of total population)	57.2	64.3	57.1	52.4	60.8	53.4	52.3	57.6	58.9	56.4	68.6	61.1
	Labour force distribution	7.0	10.4	6.5	4.2	4.9	7.5	5.2	8.9	5.7	2.9	36.8	100.0
Participation rate	44.8	61.5	48.9	39.4	56.9	39.8	34.2	48.0	49.6	48.9	64.8	54.3	
Unemployment rate	52.3	46.2	58.8	62.2	55.3	60.9	62.8	50.3	48.0	50.5	43.0	48.7	
Mode of transport	On foot	35.0	29.8	34.5	38.2	32.7	42.8	41.6	36.8	34.8	40.6	19.3	30.7
	Not applicable	54.1	49.2	54.2	55.6	51.4	50.4	53.4	49.4	51.2	51.2	49.7	51.1
Attending school/inst.	Not attending	28.1	30.0	28.1	28.8	27.0	23.6	26.9	26.9	29.2	28.9	33.1	29.2
	School	69.2	64.8	68.9	68.4	68.4	73.6	70.8	69.2	68.0	68.2	59.1	66.2
People who have never had schooling	27.1	16.8	27.3	44.3	16.1	38.9	46.3	31.6	29.8	23.8	10.0	21.9	
Persons with disability (%)	5.2	4.4	6.6	5.4	6.6	7.4	5.8	4.5	5.4	5.9	3.6	5.0	
People living on < \$1 per day	69,808	67,373	64,554	106,549	54,096	118,038	101,475	108,987	79,493	45,024	108,193	923,590	
Gini Coefficient	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.7	0.7	0.7	0.6	0.6	
Human development index	0.5	0.6	0.5	0.4	0.6	0.4	0.4	0.5	0.5	0.5	0.7	0.7	
Age distribution	0-6yrs	15.9	13.6	17.3	19.1	15.9	18.5	19.4	17.2	16.3	17.1	12.6	15.5
	7-13yrs	18.6	15.2	18.8	20.7	17.2	20.8	21.2	18.6	17.8	19.5	13.2	16.9
	14-18	13.2	11.4	13.1	13.6	12.2	14.3	14.0	12.8	12.6	13.0	10.2	12.1
	19-24	10.9	12.1	11.3	10.1	12.1	11.1	11.1	11.7	11.5	10.8	12.9	11.9
	25-65	35.7	43.1	35.3	31.6	38.9	30.9	29.9	35.6	37.4	35.3	47.4	39.5
	66+	5.6	4.6	4.1	4.9	3.8	4.3	4.3	4.1	4.5	4.3	3.8	4.2
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	0-6yrs	7.7	8.7	7.8	6.0	5.1	10.2	7.6	10.5	6.3	3.5	26.6	100.0
	7-13yrs	8.2	8.9	7.8	5.9	5.1	10.5	7.7	10.4	6.3	3.7	25.6	100.0
	14-18	8.2	9.3	7.6	5.5	5.0	10.1	7.1	10.0	6.2	3.4	27.7	100.0
19-24	6.9	10.1	6.6	4.1	5.1	7.9	5.7	9.3	5.8	2.9	35.7	100.0	
25-65	6.8	10.7	6.2	3.9	4.9	6.7	4.6	8.5	5.6	2.8	39.3	100.0	
66+	9.9	10.7	6.8	5.6	4.4	8.7	6.1	9.0	6.3	3.2	29.2	100.0	
Total	7.5	9.8	7.0	4.8	5.0	8.5	6.1	9.4	5.9	3.2	32.8	100.0	
Employment category of working household member	Paid employee	5.5	12.7	4.6	2.3	4.0	4.5	2.7	8.7	5.8	3.1	46.0	100.0
	Paid family worker	7.8	10.8	6.1	3.0	3.4	7.7	5.5	11.8	6.5	3.3	34.1	100.0
	Self-employed	5.2	11.0	4.9	2.9	4.1	4.0	3.4	6.6	4.5	2.8	50.7	100.0
	Employer	6.6	10.4	4.7	2.4	6.3	8.1	6.0	11.6	6.7	2.9	34.3	100.0
	Unpaid family worker	5.3	7.8	4.2	4.4	4.2	13.2	7.6	9.8	7.8	3.7	32.0	100.0
	Not applicable	8.3	9.4	7.4	5.7	4.7	8.5	6.2	8.6	6.0	3.7	31.4	100.0
Employment by industry	Agriculture; hunting; forestry and fishing	16.9	17.5	7.8	19.8	7.4	16.9	12.1	15.5	19.4	25.7	1.8	8.9
	Mining and quarrying	0.4	0.3	0.2	0.6	1.5	2.5	1.0	2.4	0.3	0.4	0.2	0.6
	Manufacturing	9.6	13.3	23.4	5.9	22.9	4.8	4.4	11.1	21.6	5.3	20.2	16.7
	Electricity; gas and water supply	0.8	0.8	0.8	0.3	0.7	0.6	0.6	0.7	0.3	0.4	0.7	0.7
	Construction	5.2	4.1	4.4	3.8	4.0	4.1	4.1	5.0	4.8	4.2	5.1	4.8
	Wholesale and retail trade	15.4	13.0	14.9	14.3	13.7	11.3	12.1	11.6	11.2	17.1	17.0	15.0
	Transport; storage & communication	3.4	3.4	4.9	2.9	3.4	4.2	4.1	5.3	3.1	2.3	6.5	5.1
	Financial; real estate & business services	5.6	7.5	5.1	4.6	4.9	4.9	5.0	6.2	5.4	4.8	11.1	8.4
	Community; social and personal services	18.2	21.4	20.3	26.5	21.9	27.2	32.7	18.5	12.8	18.1	19.0	19.9
	Other and not adequately defined	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Private Households	14.0	9.9	8.4	9.4	9.4	9.7	8.6	7.8	9.1	12.6	8.7	9.3
Undetermined	10.6	8.9	9.7	11.8	10.2	13.8	15.3	15.8	12.0	9.2	9.8	10.7	
Income category of workers	No income	3.4	2.4	3.2	3.9	3.3	4.7	4.9	3.3	3.1	3.6	2.2	2.7
	R 1 - R 800	48.2	40.1	42.9	46.7	45.2	44.9	37.9	36.6	50.2	56.3	22.0	33.0
	R 801 - R 1600	18.6	19.1	19.7	16.5	15.9	15.7	18.9	18.9	20.9	13.4	24.1	21.2
	R 1601 - R 3200	14.5	16.8	17.0	15.5	15.4	16.1	20.5	17.6	13.2	11.6	22.0	18.9
	R 3201 - R 51200	15.0	21.0	16.8	17.0	19.8	18.2	17.6	23.1	12.5	14.6	29.1	23.6
	R 51201 or more	0.3	0.6	0.4	0.4	0.3	0.4	0.3	0.5	0.2	0.5	0.6	0.5

Source: Stats SA 2001

In 2001, there were 2,5 million households in KwaZulu-Natal - 19 per cent of all households in South Africa. 40 per cent of households have five persons or more, with the highest household density being in Umkhanyakude (55.7 per cent). The national average in this regard is 32.9 per cent. About 6.4 of households in the province have 10 or more people. The second largest households are found in Limpopo with 3.8 per cent of the province's households comprising ten or more people – the national average here in 3.4 per cent. This fact alone puts a lot of service delivery pressures on this province, particularly the delivery of housing to accommodate large families.

Research has also revealed that a third of KwaZulu-Natal population reside in urban areas. eThekweni alone is 88 per cent urbanised. The second highest urbanisation rate is in uMgungundlovu (65 per cent) followed by Amajuba (63 per cent). In Umkhanyakude, only 3 per cent of the 573 thousand people are regarded as urban residents. This has a huge bearing on service delivery, as rural villages are usually located too far away from one another, rendering them difficult to reach.

As can be recalled from the population density distribution, Umkhanyakude has the second lowest density (45 per cent) after Sisonke (30 per cent). However, Sisonke is better urbanised than Umkhanyakude (14.2 per cent). Low densities make service delivery rather difficult and costly as there are no economies of scale compared to high density.

Except for uMgungundlovu DM (83 per cent) and eThekweni MM (68 per cent), all the other DMs have at least 91 per cent of their population as black. The average for the province is 85 per cent. With the exception of eThekweni MM (63 per cent) and uMgungundlovu DM (79 per cent) again, the rest of the DMs have more than 86 per cent of their populations speaking isiZulu as first language.

For the purposes of this portion, the population has also been hypothetically disintegrated to cater for pre-primary school-age, primary school-age, secondary and tertiary-age, working age and the retirement age. According to this classification, about 61 per cent of KwaZulu-Natal's population is the labour force. The second highest category is the primary school-going population (17 per cent), followed closely by children and babies (16 per cent). Secondary school- and college-going population constitute 12 per cent each, with the remaining 4 per cent being the elderly.

This implies that education expenditure in this province's municipal areas should be big enough to cater for a relatively high number of school going children, improve enrolment ratios (particularly net enrolment ratios), and reduce repetition and drop-out rates.

On average, eThekweni has most people in all categories (31 per cent). In all the DMs, the age groups 0-6, 7-13 and 14-18 have similar proportions, with the exception of Umzinyathi, Zululand, Umkhanyakude, Sisonke and eThekweni which have a maximum of one per cent difference in margin. The same holds for the groups 19-24, 25-65 and 66+.

Except for eThekweni, uThungulu and Zululand have more young persons than the other DMs, while uMgungundlovu (and to a lesser extent Ugu DM) has more old persons.

2.5. Economic analysis of co-operatives in KwaZulu-Natal

A co-operative is an autonomous association of people united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly and democratically controlled enterprise. The strength and reach of co-operatives are defined by the success and a number of families earning part of their income from co-operatives.

The aim of this section is to provide a review of co-operatives in KwaZulu-Natal. The analysis is conducted on DC level for each economic sector. Except otherwise stated, most of the figures presented in this section are from the KwaZulu-Natal Treasury database.

Table 2.8 gives the total number of co-operatives registered with the KwaZulu-Natal Treasury. In November 2005, 2,498 cooperatives were registered with the KwaZulu-Natal Treasury database, of which 30 per cent of these co-operatives are found in eThekweni.

The co-operatives classified under “unspecified”⁶ (1,599) are those that were either registered with a multifunction purpose or did not specify their co-businesses. Figure 2.10 gives a sector analysis of the registered co-operatives⁷.

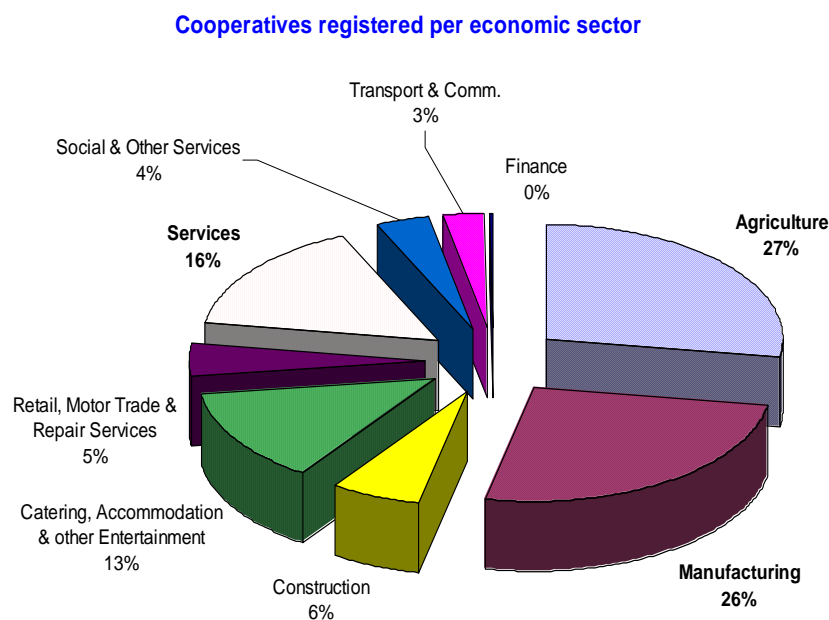
Table 2.8: Number of Cooperatives per District Municipality and per Sector, November 2005

Sectors	DC21	DC22	DC23	DC24	DC25	DC26	DC27	DC28	DC29	DC43	Durban	Other	KZN
	Ugu	Umgungu ndlovu	Uthukela	Umzinyat hi	Amajuba	Zululand	Umkhany akude	Uthungulu	Ileembe	Sisonke	Ethekwini		
Agriculture	39	42	27	4	14	10	12	24	1		77		250
Manufacturing	35	42	37	4	19	11	5	15	1		66		235
Construction	12	9	4	0	8	0	3	2	0		23		61
Catering & Accommodation	11	11	24	0	5	1	2	7	0		52	1	114
Retail, Motor Trade & Repair Services	3	4	9	0	4	0	2	0	1		16		39
Services	20	13	8	0	18	5	5	4	2		61		136
Community, Social & Other Services	2	4	2	1	2	0	0	0	0		24		35
Transport, Storage & Communications	5	4	1	0	0	0	1	0	0		16		27
Finance & Business Services	1	0	0	0	0	1	0		0		0		2
Unspecified	32	70	152	31	86	271	112	244	57	1	425	118	1599
Total	160	199	264	40	156	299	142	296	62	1	760	119	2498

Source: KwaZulu-Natal Treasury database

More than half of the co-operatives are involved in agriculture and manufacturing sectors. Finance sector is negligible. Co-operatives registered under the catering, accommodation & other entertainment sector account for 13 per cent of total co-operatives in the province.

Figure 2.10



⁶ Unspecified cooperatives also refer to those cooperatives that did not specify the nature of their businesses. Therefore, the data capturer could not determine the sector of operation.

⁷ Multifunction cooperatives classified under “unspecified” were reclassified by considering the main activity, main commodity or service produced by the cooperative.

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Tables 2.9 and 2.10 gives the total number (and distribution) of people involved in co-operatives by district municipality and by economic sector.

Table 2.9: Number of People involved in Cooperatives per DC and per Sector, November 2005

Sectors	DC21	DC22	DC23	DC24	DC25	DC26	DC27	DC28	DC29	DC43	Durban	Other	KZN
	Ugu	Umgungundlovu	Uthukela	Umzinyathi	Amajuba	Zululand	Umkhanyakude	Uthungulu	Ilembe	Sisonke	Ethekwini		
Agriculture	453	406	199	74	12	188	103	203	1	-	702	-	2,341
Manufacturing	515	350	293	48	17	236	52	164	1	-	542	-	2,218
Construction	192	76	40	-	8	-	46	20	-	-	169	-	551
Catering, Accommodation & Entertainment	97	120	220	-	5	24	30	48	-	6	511	-	1,061
Retail, Motor Trade & Repair Services	25	40	-	89	4	-	50	-	23	-	97	-	328
Services	206	113	76	-	16	108	72	46	13	-	462	-	1,112
Community, Social & Other Services	27	51	15	20	2	-	-	-	-	-	155	-	270
Transport, Storage & Communications	54	36	-	9	-	-	22	-	-	-	85	-	206
Finance & Business Services	11	-	-	-	-	20	-	-	-	-	-	-	31
Other	204	371	1,392	40	226	1,379	1,676	3,068	819	-	2,998	420	12,593
Total Membership	1,784	1,563	2,235	280	290	1,955	2,051	3,549	857	6	5,721	420	20,711

Source: KwaZulu-Natal Treasury database

Table 2.10: Percentage distribution of people involved in cooperatives per D.C and per Sector, November 2005

Sectors	DC21	DC22	DC23	DC24	DC25	DC26	DC27	DC28	DC29	DC43	Durban	Other	KZN
	Ugu	Umgungundlovu	Uthukela	Umzinyathi	Amajuba	Zululand	Umkhanyakude	Uthungulu	Ilembe	Sisonke	Ethekwini		
Agriculture	19.4	17.3	8.5	3.2	0.5	8.0	4.4	8.7	0.0	0.0	30.0	0.0	100.0
Manufacturing	23.2	15.8	13.2	2.2	0.8	10.6	2.3	7.4	0.0	0.0	24.4	0.0	100.0
Construction	34.8	13.8	7.3	0.0	1.5	0.0	8.3	3.6	0.0	0.0	30.7	0.0	100.0
Catering, Accommodation & Entertainment	9.1	11.3	20.7	0.0	0.5	2.3	2.8	4.5	0.0	0.6	48.2	0.0	100.0
Retail, Motor Trade & Repair Services	7.6	12.2	0.0	27.1	1.2	0.0	15.2	0.0	7.0	0.0	29.6	0.0	100.0
Services	18.5	10.2	6.8	0.0	1.4	9.7	6.5	4.1	1.2	0.0	41.5	0.0	100.0
Community, Social & Other Services	10.0	18.9	5.6	7.4	0.7	0.0	0.0	0.0	0.0	0.0	57.4	0.0	100.0
Transport, Storage & Communications	26.2	17.5	0.0	4.4	0.0	0.0	10.7	0.0	0.0	0.0	41.3	0.0	100.0
Finance & Business Services	35.5	0.0	0.0	0.0	0.0	64.5	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Other	1.6	2.9	11.1	0.3	1.8	11.0	13.3	24.4	6.5	0.0	23.8	3.3	100.0
Total Membership	8.6	7.5	10.8	1.4	1.4	9.4	9.9	17.1	4.1	0.0	27.6	2.0	100.0

Source: KwaZulu-Natal Treasury database

In November 2005, 20,711 people were involved in 2,498 cooperatives. Table 2.10 shows that 30 per cent of people involved in agricultural co-operatives are found in eThekweni and 19.4 per cent in Ugu. The table also gives the total distribution of co-operative membership for the entire province. In total, 27.6 per cent of people involved in co-operatives are found in eThekweni and 8.6 per cent in Ugu. The province has, on average, 9 members per co-operative, with Umkhanyakude showing an impressive average in membership, with close to 16 members in each co-operative.

Figure 2.11: Co-operative involvement by age group (%)

Cooperative Involvement By Age Group (%)

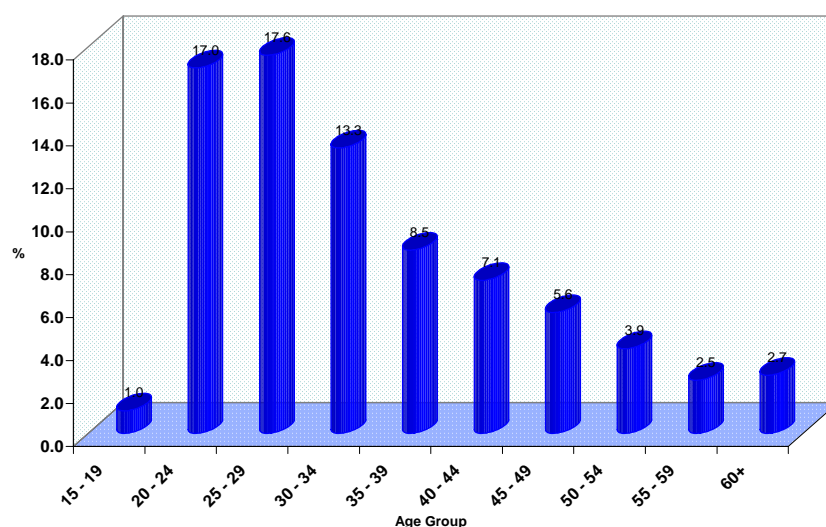


Table 2.11: People involved in cooperative and those unemployed by gender and age group

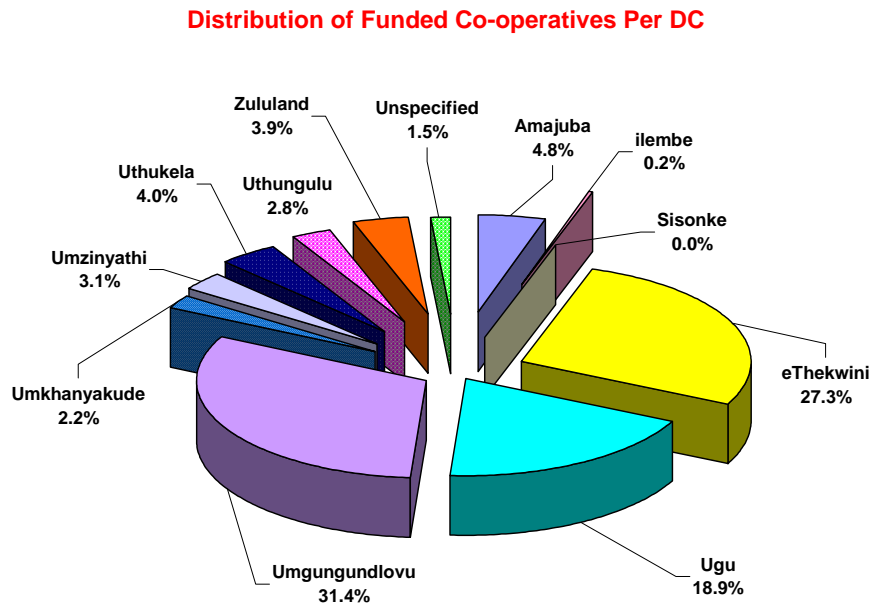
Age	People involved in Cooperatives						Unemployed					
	Female	Male	Total	Female	Male	Total	Female	Male	Total	Female	Male	Total
	a	b	c	d	e	f	g	h	i	j	k	l
15 - 19	62.9	37.1	100.0	1.0	1.2	1.0	57.6	42.4	100.0	9.4	8.3	8.9
20 - 24	60.4	39.6	100.0	15.2	20.9	17.0	54.4	45.6	100.0	22.8	22.8	22.8
25 - 29	69.1	30.9	100.0	18.0	16.8	17.6	54.9	45.1	100.0	21.5	21.0	21.3
30 - 34	61.5	38.5	100.0	12.1	15.8	13.3	56.4	43.6	100.0	14.5	13.3	13.9
35 - 39	72.0	28.0	100.0	9.1	7.4	8.5	56.3	43.7	100.0	11.7	10.8	11.3
40 - 44	78.0	22.0	100.0	8.2	4.8	7.1	53.7	46.3	100.0	8.3	8.5	8.3
45 - 49	74.2	25.8	100.0	6.2	4.5	5.6	51.1	48.9	100.0	5.8	6.6	6.1
50 - 54	76.9	23.1	100.0	4.5	2.8	3.9	47.3	52.7	100.0	3.6	4.8	4.1
55 - 59	71.7	28.3	100.0	2.6	2.2	2.5	44.9	55.1	100.0	1.8	2.7	2.2
60 +	73.4	26.6	100.0	2.9	2.2	2.7	32.4	67.6	100.0	0.6	1.4	1.0
Unspecified	66.7	33.3	100.0	20.4	21.3	20.7	0.0	0.0	0.0	0.0	0.0	0.0
Total	67.7	32.3	100.0	100.0	100.0	100.0	54.3	45.7	100.0	100.0	100.0	100.0

Source: KZN Treasury and Stats SA

Table 2.11 (column a) shows that, of all people aged 25-29 and involved in co-operatives, 69.1 per cent of them are women. The same table also shows that of all males involved in co-operatives, 1.2 per cent is in the age group of 15-19 (Table 2.11 column e).

Turning now to funding of co-operatives, Figure 2.12 gives the distribution of funded co-operatives per district municipality. In November 2005, Ithala Bank spent R61,278,348 on co-operatives. The bulk of this money (75 per cent) is spent in eThekweni (27.3 per cent), Umgungundlovu (31.4 per cent), and Ugu (18.9 per cent) (Figure 2.12).

Figure 2.12: Distribution of funded co-operatives by DC



The co-operatives approach to poverty reduction in the province is a new initiative, but it is considered that this approach promises great contribution to employment, as it targets mainly the unemployed.

3. THE FISCAL FRAMEWORK AND DIVISION OF REVENUE FOR THE 2006/07 MTEF PERIOD

3.1 Background

In terms of Section 214 of the Constitution of South Africa, every year a *Division of Revenue Act* determines the equitable division of nationally raised revenue between the three spheres of government, while the *Intergovernmental Fiscal Relations Act (Act No. 97 of 1997)* reinforces Section 214 of the Constitution by promoting co-operative governance of fiscal, budgetary and financial matters, by prescribing the process for determining the equitable sharing and allocation of revenue raised nationally.

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

The vertical division of revenue among the three spheres of government – national, provincial and local – is not based on any predetermined formula. It is determined through annual consultative processes involving the Budget Council, the Financial and Fiscal Commission (FFC) and the National Treasury. The horizontal division of revenue among provinces as well as municipalities, however, is formula-based. This is further explained in Sections 3.3 and 3.4 below.

3.2 Division of revenue and fiscal framework

The vertical division of revenue for the 2006/07 MTEF was undertaken after considering the government's priorities, the revenue raising capacity and functional responsibilities of each sphere, and the decisions of the various intergovernmental forums. The shifting of the social security function in the 2005/06 MTEF from the provincial to the national sphere as a conditional grant impacted substantially on the provincial fiscal framework. However, for the 2006/07 MTEF, the provincial equitable share was, firstly, updated with the latest data, which resulted in minor changes in the percentage shares of some provinces, with the weights of the component remaining unchanged. Secondly, the establishment of the South African Social Security Agency (SASSA) and the reallocation of the social assistance conditional grant to the agency has reduced the provincial fiscus by the extent of the grant.

Table 3.1 shows the division of revenue between the three spheres of government for the 2006/07 MTEF. The National departments have an allocation of R215 billion in 2006/07 which will increase to R255 billion in 2008/09. From 2002/03 to 2005/06, the allocation to the national departments averaged 52.8 per cent of total revenue, but this is projected to decline slightly to 50.8 per cent for the 2006/07 MTEF.

Table 3.1 Division of revenue between spheres of government, 2002/03 – 2008/09

R million	2002/03	2003/04	2004/05	2006/07	2007/08	2008/09
	Outcome			Medium-term estimates		
National departments	129,297	148,142	168,018	214,964	233,996	254,495
Provinces	107,317	122,673	137,836	176,679	196,351	217,481
<i>Equitable share</i>	93,895	107,538	120,885	150,753	167,701	187,100
<i>Conditional grants</i>	13,422	15,135	16,951	25,926	28,649	30,382
Local government	8,102	11,581	13,837	26,532	30,503	35,575
<i>Equitable share</i>	4,187	6,350	7,678	18,058	20,076	22,775
<i>Conditional grants</i>	3,916	5,231	6,159	8,474	10,428	12,801
Non-interest allocations	244,717	282,396	319,690	418,176	460,850	507,552
<i>Percentage increase</i>	13.7%	15.4%	13.2%	13.7%	10.2%	10.1%
State debt cost	46,808	46,313	48,851	52,049	53,324	55,716
Contingency reserve	–	–	–	2,500	5,000	8,000
Main budget expenditure	291,525	328,709	368,541	472,725	519,174	571,268
<i>Percentage increase</i>	10.9%	12.8%	12.1%	12.8%	9.8%	10.0%
Percentage shares						
<i>National departments</i>	52.8%	52.5%	52.6%	51.4%	50.8%	50.1%
<i>Provinces</i>	43.9%	43.4%	43.1%	42.3%	42.6%	42.8%
<i>Local government</i>	3.3%	4.1%	4.3%	6.3%	6.6%	7.0%

The table above shows that the total provincial allocation will increase from R177 billion in 2006/07 to R196 billion in 2007/08 and to R217 billion in 2008/09. The provincial allocation is made up of equitable share and conditional grant. From 2002/03 to 2005/06, the provinces were, on average, allocated 43.1 per cent of total resources; however, this is projected to decline slightly to 42.6 per cent for the 2006/07 MTEF. Total allocation to local government will witness a sharp increase from R27 billion in 2006/07 to R31 billion in 2007/08 and to R36 billion in 2008/09. From 2002/03 to 2005/06, total allocation to the local government averaged 4.1 per cent of total revenue. However, in the 2006/07 MTEF, because of the phasing out of the Regional Service Council (RSC) Levy in June 2006, the sphere will see a substantial increase in its allocation which significantly increases its share of total revenue to 6.6 on average. The increased allocation is not only to compensate for the loss of the RSC Levy, but also to ensure improved service delivery by this sphere of government.

Table 3.2 below shows the additional funding to the three spheres of government that will augment resources allocated in the previous year. In 2006/07, the additional funding to the national sphere will be R6,3 billion. This will increase to R9,4 billion in 2007/08, and will approximately double to R14,7 billion in 2008/09. The provinces will receive additional funding of R7,8 billion in 2006/07. This will increase to R13,4 billion in 2007/08 and also almost double to R21,8 billion in 2008/09. However, the baseline of the local government sphere, which receives the lowest share of total revenue, will increase sharply by R8,3 billion in 2006/07, R10,5 billion in 2007/08 and R13,9 billion in 2008/09.

Table 3.2 Changes over baseline, 2006/07 – 2008/09

R million	2006/07	2007/08	2008/09
National departments	6,303	9,436	14,742
Provinces	7,791	13,352	21,806
Local government	8,292	10,549	13,887
Allocated expenditure	22,386	33,337	50,435

Table 3.3 shows the legal division of revenue between the three spheres. The national share as reflected in this table includes all conditional grants to the other two spheres, in line with Section 214 (1) of the Constitution, while the provincial and local government allocations show only their equitable shares. The total resources available will increase from R473 billion in 2006/07 to R519 billion in 2007/08, or by 9.8 per cent. In the 2008/09 financial year, the total resources are projected to be R571 billion reflecting an increase of 10 per cent. In percentage terms, the national share will decline slightly from 64.3 per cent in 2006/07 to 63.3 per cent in 2008/09, and average 63.8 per cent for the MTEF. On the other hand, the provincial share will rise moderately from 31.8 per cent to 32.8 per cent in 2008/09, and average 32.3 per cent for the period. Likewise, the local government share will rise slightly from 3.8 per cent in 2006/07 to 4 per cent in 2008/09, and average 3.9 per cent for the period. This means that the provincial and local spheres of government with greater service delivery mandates will be receiving more funding to meet their responsibilities in the 2006/07 MTEF.

Table 3.3 Schedule 1 of the Division of Revenue Bill, 2006/07 – 2008/09

R million	2006/07	2007/08	2008/09
	Column A Allocation	Column B Forward estimates	
National ^{1, 2}	303,914	331,397	361,393
Provincial	150,753	167,701	187,100
Local	18,058	20,076	22,775
Total	472,725	519,174	571,268

1. National share includes conditional grants to provinces and local government, debt service cost and the contingency reserve.

2. The direct charges for the provincial equitable share are netted out.

3.3 Provincial equitable share

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

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

Every year, the equitable share formula is reviewed and updated for data, taking into consideration the recommendations of the FFC. In line with this, for the 2006/07 MTEF, the formula was updated for the latest available data, which resulted in shifts in individual provincial equitable shares, although the weights remained unchanged. As a result of this, the targeted share of the Province of KwaZulu-Natal is reduced by 0.1 per cent from 21.7 per cent to 21.6 per cent in 2008/09. As agreed by government, there will be a phasing in of the impact of the new formula over the next three years, in order to avoid disruptive adjustments in the provincial allocation and ensure stability in provincial budgets. Table 3.4 shows the resultant phasing-in equitable share, while Table 3.5 shows the actual allocations to the provinces for the 2006/07 MTEF.

Table 3.4: Phasing in the equitable share, 2005/06 - 2008/09

Percentage	2005/06	2006/07	2007/08	2008/09
	Base share	Medium term estimates		
	Year 1	Year 2	Year 3	Year 3
Eastern Cape	16.5	16.4	16.2	16.1
Free State	6.4	6.4	6.3	6.2
Gauteng	15.5	15.5	15.6	15.6
KwaZulu-Natal	21.1	21.2	21.4	21.6
Limpopo	13.7	13.7	13.7	13.8
Mpumalanga	7.4	7.4	7.5	7.5
Northern Cape	2.3	2.3	2.3	2.2
North West	8.2	8.2	8.1	8.1
Western Cape	8.9	8.9	8.9	8.8
Total	100.0	100.0	100.0	100.0

Table 3.5: Provincial equitable shares allocations, 2006/07 - 2008/09

R thousand	2006/07	2007/08	2008/09
	Medium term estimates		
Eastern Cape	24,642,653	27,188,826	30,091,474
Free State	9,595,367	10,566,691	11,665,775
Gauteng	23,361,686	26,071,807	29,189,980
KwaZulu-Natal	32,052,488	35,957,286	40,445,585
Limpopo	20,615,653	22,992,613	25,725,665
Mpumalanga	11,227,317	12,559,148	14,085,839
Northern Cape	3,451,507	3,790,085	4,174,210
North West	12,346,856	13,668,888	15,174,870
Western Cape	13,452,173	14,898,459	16,538,467
Total	150,745,700	167,693,803	187,091,865

3.4 The local government equitable share

The local government fiscal framework witnessed a two-part review in 2004. The first part of the review, which was completed in good time for the 2005 budget, involved the introduction of a new equitable share formula on 1 April 2005. The second review, which is still evolving, encompasses issues relating to local government taxes, among other issues. In exercising their tax autonomy, municipalities are required to

ensure that their tax policies do not significantly affect national macro-economic policy imperatives, such as factor mobility, economic stability and inflation. In line with the proposed abolishment of the Regional Service Council (RSC) Levy from 1 July 2006, the national government will table a local government taxation bill in 2006, to deal with the RSC Levy and to regulate the exercise of all other taxation powers of the municipalities. As a result of the delimitation of municipal wards and the Repeal of Cross Boundary Municipalities, the local government equitable share formula and the Municipal Infrastructure Grant (MIG) have been updated to reflect changes in population, poverty, service delivery, etc, arising from this.

The local government equitable share of nationally raised revenue takes into consideration the fiscal capacity, fiscal efficiency, developmental needs, extent of poverty, functions of local government and backlogs in municipalities, since municipalities have higher tax autonomy than the provinces. In the 2006/07 MTEF, the major priorities continue to be the need to expand the provision of basic services and basic infrastructure to poor households.

The local government equitable share formula is under review. The objective of the review exercise is the formulation of a workable formula that balances the demand for basic services, with the differential fiscal capacities of the municipalities. In line with the constitutional role of local government, the design of the new formula has four main components, for basic services, development needs, institutional needs and fiscal capacity. The purpose of the basic services component is to enable municipalities to provide basic services and free basic services to poor households. The institutional component caters for the needs of the poor municipalities with low revenue bases and low fiscal capacity, who are often unable to raise enough revenue to finance basic costs of administration and governance. The component only augments the funding of a municipality for administrative and governance costs but not the entire costs, as this remains the responsibility of each municipality. For the 2005/06 MTEF, the development component was set at zero because of the lack of consensus on what variable(s) to use to capture this component. Likewise, in the 2006/07 MTEF, the component has been shelved, based on the recommendations of the FFC.

3.5 Demarcation of provincial boundaries

In line with the policy of eliminating cross-boundary municipalities as articulated in the Cross-Boundary Municipal Law Repeal and Related Matters Acts, 2005, the Demarcation Board has redrawn several provincial boundaries. The effective date for the implementation of new boundaries will be announced by the State President in the due course. The re-determination of boundaries will have an effect on the equitable share allocations of affected provinces. Unfortunately, the Cross-Boundary Municipal Law Repeal and Related Matters Acts, 2005 did not make provision for equitable share adjustments in 2006/07. Appropriate adjustments to the affected provinces will only be made in the 2007/08 MTEF period. As a transitional arrangement, the 2006 Division of Revenue Bill has provided the following guidelines on how to deal with the situation in the 2006/07 financial year:

- The releasing province from which a particular municipality is relocated at the effective date, must continue to spend its allocation as if no relocation has taken place (Section 37 (1) (a) of DORA 2006);
- The transferring national officer of an allocation made in terms of DORA and the provincial treasury of the receiving province must monitor that the releasing province complies with paragraph (a) above (section 37 (1) (b));
- The provincial treasury of the releasing province must demonstrate compliance with paragraph (a) above to the national transferring officer, provincial treasury of the receiving province or the national treasury on request (Section 37 (1));
- The provisions of section 17 and 18 will kick into effect where the releasing province fails to comply with subsection 1(a) and (c) :(Section 37 2 (a));
- The national treasury may determine that a portion of the allocation be reallocated to the receiving province, if it stops the allocation in terms of paragraph (a): (Section 37 (2) (b)); and
- National Treasury may re-allocate a portion of the releasing province's equitable share to the receiving province after complying with the provisions of Section 216 (3) of the Constitution (Section 37 (3)).

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

4.1 The 2006/07 MTEF budget process in brief

4.1.1 Treasury Guidelines circular

The issue of the *Treasury Guidelines* document, which explains how departments should prepare the 2006/07 MTEF budget submissions, marks the start of the 2006/07 MTEF budget process.

The primary focus of the 2006/07 *Treasury Guidelines* was on the review and reprioritisation of departments' budgets, as well as on an analysis of their spatial spending and service delivery in each district municipality. The purpose of this 'spatial' exercise was to move towards attaining a comprehensive economic alignment strategy for the province, by trying to identify provincial departments' spending and service delivery gaps within a given spatial area.

It is intended that, ultimately, the Provincial Treasury will compile a profile per district municipality on services provided by provincial departments (and any gaps in services), in accordance with their legislative mandates and any sector-specific norms and standards. These profiles can then be used, together with district municipalities' IDPs, to compile a composite provincial picture of service delivery gaps in each district municipality. This should facilitate better co-ordination and alignment of provincial and local government spending and provision of services. For example, the Department of Transport will be able to plan for access roads in accordance with the schools and clinics that are scheduled to be built in that area by other departments. Similarly, municipalities will be able to align their service delivery plans with those of provincial departments.

The quality of information received from departments in their budget submissions in terms of their spatial spending and service delivery gaps was, however, relatively incomplete and inadequate. But this was expected, given that it was the first time that departments were requested to submit their budgets in such format. It was nevertheless made very clear to departments that this will become a standard approach for future budget submissions, and that they should strive to re-arrange their operations so that they are able to comply. If nothing else, the Provincial Treasury is satisfied that this approach has brought about a change in the mindset of departments, and is a first step forward in starting to align the activities of the local and provincial spheres of government.

4.1.2 Medium-Term Expenditure Committee (MTEC) recommendations

The Medium-Term Expenditure Committee (MTEC) was convened in October and November 2005 to consider a range of expenditure proposals that were submitted by all 16 provincial departments. Of the 16 departments, 11 requested additional funding over and above their baseline allocations for the 2006/07 MTEF. These requests, totalling R9,7 billion over the entire MTEF period, are listed in Table 4.1 below.

Table 4.1 Total additional funding requests by departments

R000	Medium-term estimates (R000)		
	2006/07	2007/08	2008/09
1. Premier	127,500	147,182	150,810
2. Provincial Parliament	22,297	26,981	29,501
3. Agriculture and Environmental Affairs	86,550	111,240	123,200
4. Economic Development	2,500	2,501	2,502
5. Education	441,528	558,490	629,271
7. Health	24,600	90,200	164,000
8. Housing	79,952	80,248	81,145
11. Local Government and Traditional Affairs	176,135	145,076	117,525
12. Transport	1,800,277	1,949,450	2,116,370
15. Arts, Culture and Tourism	88,977	85,124	83,905
16. Sports and Recreation	23,663	31,229	33,096
Total	2,873,979	3,227,721	3,531,325

In its recommendations to the Ministers' Committee on the Budget, the MTEC had to make substantial reprioritisation and trade-offs, given the gap between the amounts requested in additional funding from departments, and the resources available for distribution. The MTEC reprioritisation and trade-off exercise was mainly informed by the extent to which budget proposals supported the Provincial Growth and Development Strategy, their impact on poverty alleviation, the capacity of departments to spend additional funding, and the overall provincial resource envelope. In addition, specific consideration was given to strategic provincial projects such as the Dube TradePort and the Richards Bay IDZ.

It is important to highlight that the MTEC's recommendations to MinComBud also took into consideration the comprehensive costing and benchmarking exercise undertaken by the Provincial Treasury. This exercise confirmed its purpose, which was to ensure that all national priorities in the education, health and social welfare sectors, as well as in terms of the EPWP programme, were adequately funded.

In summary, the spending proposals recommended to MinComBud and Cabinet by the MTEC can be categorised into three broad areas. The first area relates to spending in order to expand service delivery coverage of existing programmes. The second spending area is on strengthening the capacity of departments to deliver on their mandate through the acquisition of appropriate skills. The third area relates to investments that are of strategic/economic importance to the province.

The MinComBud's recommendations on the 2006/07 Budget proposals were subsequently approved by Cabinet (see Table 4.4 in Section 4.3 below), and departments were thereafter informed of their allocations.

4.2. Provincial Fiscal Framework

Table 4.2 shows the provincial fiscal framework for the 2006/07 MTEF, which is made up of national transfers and provincial own source revenue. The table also shows the additional funding received from National Treasury for the 2006/07 MTEF period.

Table 4.2: Summary of additional funding

(in 000 Rands)	2006/07	2007/08	2008/09
1. Baseline Allocation	49,992,669	54,466,082	56,947,211
Transfer receipts from national	48,818,857	53,226,193	55,620,529
<i>Equitable share</i>	31,388,210	34,204,801	36,599,137
<i>Conditional grants</i>	17,430,647	19,021,392	19,021,392
<i>Social Assistance Grants</i>	13,832,438	14,847,112	14,847,112
<i>Other</i>	3,598,209	4,174,280	4,174,280
Provincial own receipts	1,173,812	1,239,889	1,326,682
2. Increase / (Decrease) in allocation	(12,801,059)	(12,533,473)	(9,937,126)
Transfer receipts from national	(12,801,059)	(12,533,473)	(9,937,126)
<i>Equitable share</i>	664,278	1,752,485	3,846,448
<i>of which: Government Employee Medical Scheme</i>	169,977	342,786	518,426
<i>Conditional grants</i>	(13,465,337)	(14,285,958)	(13,783,574)
<i>Social Assistance Grants</i>	(13,832,438)	(14,847,112)	(14,847,112)
<i>Other</i>	367,101	561,154	1,063,538
Provincial own receipts	-	-	-
3. Revised allocation	37,191,610	41,932,609	47,010,085
Transfer receipts from national	36,017,798	40,692,720	45,683,403
<i>Equitable share</i>	32,052,488	35,957,286	40,445,585
<i>of which: Government Employee Medical Scheme (GEMS)</i>	169,977	342,786	518,426
<i>Conditional grants</i>	3,965,310	4,735,434	5,237,818
<i>Social Assistance Grants</i>	-	-	-
<i>Other</i>	3,965,310	4,735,434	5,237,818
Provincial own receipts	1,173,812	1,239,889	1,326,682
Additional funding available for distribution			
<i>Equitable share</i>	664,278	1,752,485	3,846,448
Less:	267,525	444,666	620,306
<i>Provision for Government Employee Medical Scheme</i>	169,977	342,786	518,426
<i>Phasing-in of the Food Relief and HIV/AIDS conditional grants in the equitable share</i>	97,548	101,880	101,880
Additional discretionary funding available for distribution	396,753	1,307,819	3,226,142

National transfers are made up of equitable share allocation and conditional grants. The province had a baseline allocation of R50 billion in 2006/07, rising to R57 billion in 2008/09.

One of the main changes in the baseline allocation is the shifting of the funding for Social Assistance Grants from the provincial fiscal framework to the South African Social Security Agency (SASSA) in the 2006/07 MTEF. This means that conditional grant allocations to the province for the ensuing MTEF period are reduced by R13,8 billion, R14,8 billion and 14,8 billion, respectively.

The remaining conditional grant allocations to the province have been increased by R367 million, R561 million and R1,1 billion in the new MTEF.

The baseline allocations for the equitable share have been increased by R664,3 million, R1,8 billion and R3,8 billion over the 2006/07 MTEF period. However, the allocation of the total additional funding is not entirely discretionary. This is because, firstly, the funding for the Government Employee Medical Scheme (GEMS) has been earmarked by National Treasury for that purpose only. Secondly, the phasing-in of the Integrated Social Development Services (Food Relief) and HIV and AIDS conditional grants into the equitable share means that this becomes a first charge to the additional equitable share funding received.

Hence, taking into account the above commitments, the additional discretionary funding received from National Treasury amounts to R369,8 million in 2006/07, R1,3 billion in 2007/08 and R3,2 billion in 2008/09.

Although, the baseline amounts under provincial own receipts remain unchanged over the 2006/07 MTEF period, they do, however, contain at least inflation-related increases.

4.3 Summary of additional allocation for the 2006/07 MTEF

4.3.1 Existing growth in the 2005/06 MTEF baseline allocation

Table 4.3 shows the departmental baseline budgets for the 2006/07 MTEF period before any additional allocations were made. It is vital to note that these baseline budgets for the 2006/07 MTEF period include positive rates of growth across most departments, although they may differ in terms of their levels.

Table 4.3: Summary of baseline provincial budgets by vote

R000	Main Budget	Medium-term estimates (R000)			Annual percentage growth		
	2005/06	2006/07	2007/08	2008/09	2006/07	2007/08	2008/09
1. Premier	218,176	230,790	242,337	259,301	5.8	5.0	7.0
2. Provincial Parliament	129,454	123,584	129,694	138,773	(4.5)	4.9	7.0
3. Agriculture and Environmental Affairs	1,078,342	1,172,031	1,261,706	1,344,632	8.7	7.7	6.6
4. Economic Development	140,590	150,052	157,555	168,584	6.7	5.0	7.0
5. Education	14,505,932	15,984,124	17,457,227	18,627,841	10.2	9.2	6.7
6. Provincial Treasury	189,581	200,755	210,793	225,549	5.9	5.0	7.0
<i>Provincial Growth Fund</i>	200,000	350,000	552,500	591,175	75.0	57.9	7.0
<i>SMME Fund</i>	200,000	-	-	-	-	-	-
<i>Poverty Alleviation Fund</i>	500,000	800,000	1,000,000	1,070,000	60.0	25.0	7.0
7. Health	10,379,202	11,466,566	12,347,152	13,095,026	10.5	7.7	6.1
8. Housing	969,880	1,115,306	1,332,044	1,345,336	15.0	19.4	1.0
9. Community Safety and Liaison	48,154	50,818	53,359	57,094	5.5	5.0	7.0
10. The Royal Household	27,598	29,204	30,664	32,810	5.8	5.0	7.0
11. Local Government and Traditional Affairs	458,593	485,759	510,047	545,750	5.9	5.0	7.0
12. Transport	2,197,532	2,345,983	2,594,370	2,744,603	6.8	10.6	5.8
13. Social Welfare and Population Development	13,605,622	14,727,248	15,786,395	15,845,013	8.2	7.2	0.4
<i>Social Welfare Services</i>	834,491	894,810	939,283	997,901	7.2	5.0	6.2
<i>Social Assistance Grants (Programme 2)</i>	12,771,131	13,832,438	14,847,112	14,847,112	8.3	7.3	-
14. Works	425,970	451,523	474,088	507,274	6.0	5.0	7.0
15. Arts, Culture and Tourism	209,503	219,815	230,804	246,960	4.9	5.0	7.0
16. Sports and Recreation	88,927	89,111	95,347	101,490	0.2	7.0	6.4
Total	45,573,056	49,992,669	54,466,082	56,947,211	9.7	8.9	4.6

The negative growth rate in the Provincial Parliament for 2006/07 is as a result of several once-off allocations in 2005/06, including provision for the installation of a security system in the Legislature buildings, and equipment for the Office of The Speaker. Note that the lower than 7 per cent increase in 2008/09 for some departments is due to the fact that the conditional grants allocations in 2008/09 are the same as 2007/08.

4.3.2 Summary of additional allocation

Table 4.4 shows the additional allocations to departments as approved by Cabinet. The purpose of the additional funding to the respective departments is also indicated in the table below. Except for the Departments of Community Safety and Liaison and Works, all other departments are receiving additional funding in the 2006/07 MTEF. Note that the Department of Community Safety and Liaison received a substantial increase in its 2005/06 MTEF budget.

Some of the additional allocations relate to expanding and improving the quality of existing programmes and projects. Of note are the following:

- R58 million to develop communal agricultural infrastructure;
- R280 million for the maintenance of the provincial road infrastructure;
- R290 million for ABET;
- R110 million to strengthen the FET colleges; and
- R279 to improve the maintenance of hospitals.

(Note that the amounts per project are the total sum over the three years of the 2006/07 MTEF period.)

Additional funding was also allocated in order to assist several departments to increase their internal capacity. A proposed additional allocation of R72,5 million to the Office of the Premier will strengthen the secretarial services provided to the Executive Council, and other provincial committees. This allocation will also support the regulatory activities of the Gambling Board. A request from the Department of Housing for additional capacity has also been approved by Cabinet, to support various initiatives such as training of housing beneficiaries.

Moreover, there are several important strategic investments in the province that are being financed in the 2006/07 MTEF budget. These projects have also been identified in a paper on positioning the province on a higher growth path. The first is the Dube TradePort, where amounts of R20 million, R200 million and R1,5 billion have been set aside over the 2006/07 MTEF years for this project.

The second strategic project is the Richards Bay IDZ. This IDZ was proclaimed by the Minister of Trade and Industry in 2002. However, since then, there has not been any significant progress in terms of infrastructure outlays required to make the IDZ work. There are also uncertainties regarding the ownership arrangements of the IDZ Company (the IDZ operator and landlord) between the province and the Umhlathuze Municipality. Hence, amounts of R90 million and R100 million have been allocated in the outer two years of the 2006/07 MTEF so as to allow the stakeholders to finalise the business case, funding model and ownership arrangements in 2006/07.

The *Corridor* development is another strategic project that is being funded in the 2006/07 MTEF period. This project includes the development of two corridors leading to Richards Bay, namely Lubombo and P700. This investment is not only about road construction, but will also cater for tourism related services.

Finally, it is important to note that both the Provincial Growth Fund and Poverty Alleviation Fund have been fully allocated to departments for specific purposes and projects, as explained below:

- The Poverty Alleviation Fund has been allocated as follows:

- o Funding for the Agrarian Revolution, which aims at improving food security and creating economic opportunities in communities across the province, has been allocated to the Department of Agriculture and Environmental Affairs;
 - o Funds for the Co-operatives Programme (both primary and secondary) have been allocated to the Department of Economic Development; and
 - o The SMME Fund, which has been allocated to the Treasury's Vote, will be transferred to Ithala to leverage further funding from its own balance sheet. Private banks have also committed to matching provincial contributions to the Fund with their own resources. A tripartite agreement between Treasury, Ithala and the banks is already in place.
- In respect of the Provincial Growth Fund, the following allocations have been made:
 - o As a commitment to the 2010 Soccer World Cup, the province has allocated funds for the provision of soccer stadia in various regions across the province to the Department of Local Government and Traditional Affairs. This department will play a co-ordinating role between municipalities and the Department of Sport and Recreation. The province has also allocated funds for soccer development in collaboration with SAFA, for both in and out of school, to the Office of The Premier. Here again, the Office of The Premier will act as a co-ordinator between the Departments of Education and Sport and Recreation.
 - o Substantial amounts have been allocated to the Department of Economic Development for the following provincial strategic investments:
 - o Dube TradePort
 - o Industrial Development Zone (IDZ – Richards Bay)
 - o Amounts of R420 million, R660 million, and R660 million have been allocated to the Provincial Treasury for the Growth Fund. The aim of this fund is to provide for an intervention strategy to enhance growth and development in KZN. Some of the strategic objectives of the Fund are:
 - o To target productive infrastructure to crowd-in private sector investment into KZN; and
 - o To enhance the existing comparative advantages of the province by focusing on:
 - Tourism-based development projects;
 - Provision of bulk water supply;
 - Transportation and logistics for well defined economic and industrial zones; and
 - Sector specific infrastructure projects.

The institutional structure of the Growth Fund has been finalised, and a Board, known as the KZN Growth Fund Managers (Pty) Ltd, has been appointed to manage the Growth Fund. It is important to note this entity is a fully owned subsidiary of Ithala. The establishment of the Growth Fund as a completely separate independent legal entity in the form of a trust is aimed at attracting private sector investors and accommodating the legal requirements of financial institutions to facilitate their participation in the Growth Fund.

Budget Statement 1

Table 4.4: Summary of additional allocations, 2006/07 MTEF

	2006/07	2007/08	2008/09	2006/07	2007/08	2008/09
	R000			Percentage share		
Vote 1: Office of The Premier	63,950	81,262	92,269	3.5	2.5	1.7
<i>Secretarial services to Executive Council & key provincial committees</i>	2,600	2,800	3,000	0.1	0.1	0.1
<i>Soccer development (in & out-of school) in collaboration with SAFA</i>	50,000	55,000	60,000	2.8	1.7	1.1
<i>Capacitated employees - Provincial Learning Academy</i>	5,000	10,000	15,000	0.3	0.3	0.3
<i>Gambling - Regulated Gambling Industry</i>	6,350	13,462	14,269	0.4	0.4	0.3
Vote 2: Parliament	15,651	13,745	14,403	0.9	0.4	0.3
<i>Carry-through costs of 2005/06 Adjustments Estimate</i>	5,500	5,592	5,872	0.3	0.2	0.1
<i>Proposed new posts</i>	5,461	7,553	7,931	0.3	0.2	0.1
<i>Document Management System</i>	2,790	300	300	0.2	0.0	0.0
<i>IT Support and Systems</i>	1,900	300	300	0.1	0.0	0.0
Vote 3: Agriculture and Environmental Affairs	128,700	214,700	255,050	7.1	6.5	4.6
<i>Provision of support and capacity building for agricultural purposes</i>	8,700	10,200	15,000	0.5	0.3	0.3
<i>Agrarian revolution</i>	110,000	180,000	216,750	6.1	5.4	3.9
<i>Provision of agricultural infrastructure</i>	10,000	24,500	23,300	0.6	0.7	0.4
Vote 4: Economic Development	240,000	565,142	1,913,372	13.2	17.1	34.7
<i>Establishment of secondary co-ops</i>	50,000	55,000	60,500	2.8	1.7	1.1
<i>Primary co-ops</i>	100,000	187,142	216,572	5.5	5.7	3.9
<i>Incubator programme</i>	30,000	33,000	36,300	1.7	1.0	0.7
<i>Dube Trade Port</i>	20,000	200,000	1,500,000	1.1	6.1	27.2
<i>Establishment of accelerated economic development unit in Ithala IDZ</i>	40,000	-	-	2.2	-	-
	-	90,000	100,000	-	2.7	1.8
Vote 5: Education	134,954	410,900	538,183	7.4	12.4	9.8
<i>Information and Communication Technology</i>	-	40,000	80,000	-	1.2	1.5
<i>EMIS</i>	26,727	27,062	28,108	1.5	0.8	0.5
<i>National Curriculum Statement</i>	13,227	14,838	16,625	0.7	0.4	0.3
<i>ABET</i>	25,000	100,000	165,000	1.4	3.0	3.0
<i>FET - Colleges</i>	20,000	40,000	50,000	1.1	1.2	0.9
<i>No Fee Schools - 10% of the poorest learners in 2006/07 & 40% thereafter</i>	50,000	189,000	198,450	2.8	5.7	3.6
Vote 6: Provincial Treasury	869,025	1,300,200	1,497,958	47.9	39.3	27.2
<i>Carry-through costs of 2005/06 Adjustments Estimate of which</i>	79,048	77,414	77,532	4.4	2.3	1.4
<i>Communication</i>	25,000	27,000	29,000	1.4	0.8	0.5
<i>Performance Based Budgeting</i>	37,000	32,000	31,000	2.0	1.0	0.6
<i>Sila Computer Services</i>	17,048	18,414	17,532	0.9	0.6	0.3
<i>SMME Fund</i>	200,000	220,000	242,000	11.0	6.7	4.4
<i>Growth Fund</i>	420,000	660,000	660,000	23.1	20.0	12.0
<i>Provision for Government Employee Medical Scheme</i>	169,977	342,786	518,426	9.4	10.4	9.4
Vote 7: Health - Improved maintenance in hospital budgets	24,600	90,200	164,000	1.4	2.7	3.0
Vote 8: Housing	22,908	20,404	18,019	1.3	0.6	0.3
<i>Carry-through costs of 2005/06 Adjustments Estimate</i>	4,000	4,200	4,494	0.2	0.1	0.1
<i>Budget shortages/Structure change</i>	10,000	10,500	11,025	0.6	0.3	0.2
<i>Housing Development Plans</i>	2,500	2,500	2,500	0.1	0.1	0.0
<i>No of Housing Consumers trained</i>	6,408	3,204	-	0.4	0.1	-
Vote 10: The Royal Household - carry through of 2005/06 Adjustments Estimate	2,205	2,315	2,477	0.1	0.1	0.0
Vote 11: LGTA	109,826	204,137	358,499	6.1	6.2	6.5
<i>Ensure equitable sustainable basic service delivery (Project Consolidate)</i>	9,650	5,100	2,900	0.5	0.2	0.1
<i>Infrastructure provision for soccer stadia</i>	31,000	89,000	139,500	1.7	2.7	2.5
<i>Disaster management centres</i>	7,000	2,000	-	0.4	0.1	-
<i>Rural Connectivity Programme</i>	7,400	33,505	16,805	0.4	1.0	0.3
<i>Community Development Workers</i>	29,000	38,358	49,553	1.6	1.2	0.9
<i>Corridor development</i>	10,000	20,000	130,000	0.6	0.6	2.4
<i>Incorporation of Umzimkhulu in KwaZulu-Natal Province</i>	15,776	16,174	19,741	0.9	0.5	0.4
Vote 12: Transport	70,000	250,000	500,000	3.9	7.6	9.1
<i>Renewal of roads</i>	-	150,000	200,000	-	4.5	3.6
<i>Maintenance of roads</i>	30,000	50,000	200,000	1.7	1.5	3.6
<i>Access roads & Bridges - new works</i>	30,000	50,000	100,000	1.7	1.5	1.8
<i>Anti-corruption & Fraud prevention</i>	10,000	-	-	0.6	-	-
Vote 13: Social Welfare & Population Development	97,548	101,880	101,880	5.4	3.1	1.8
<i>Phasing-in of conditional grants in the equitable share, of which:</i>						
<i>Food Relief</i>	72,276	75,890	75,890	4.0	2.3	1.4
<i>HIV and AIDS</i>	25,272	25,990	25,990	1.4	0.8	0.5
Vote 15: Arts & Culture	34,911	33,140	33,533	1.9	1.0	0.6
<i>Carry-through costs of 2005/06 Adjustments Estimate</i>	18,690	19,624	20,998	1.0	0.6	0.4
<i>Cultural Affairs</i>	9,521	7,516	6,235	0.5	0.2	0.1
<i>Office administrative costs</i>	6,700	6,000	6,300	0.4	0.2	0.1
Vote 16: Sport & Recreation - Provision of sports & recreation facilities	-	16,960	17,980	-	0.5	0.3
Total	1,814,278	3,304,985	5,507,623	100.0	100.0	100.0
Less - Vote 6: Provincial Treasury						
Poverty Alleviation Fund	800,000	1,000,000	1,070,000			
Provincial Growth Fund	350,000	552,500	591,175			
Total additional funding allocated	664,278	1,752,485	3,846,448			

5. SUMMARY OF BUDGET AGGREGATES AND FINANCING

Table 5.1 presents an overall summary of the provincial budget performance. The data for 2002/03 to 2004/05 is based on audited receipts and payments, while the 2005/06 figures provide an estimated actual position as at end of November 2005. The 2006/07 to 2008/09 figures reflect the budgeted receipts and payments. It is important to note that the receipts and payments for the Social Security function that has shifted to National have been excluded for all the financial years. This is to ensure alignment to international best practices and consistency across provinces.

Table 5.1: Provincial budget summary

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual*	Medium-term estimates		
	Audited 2002/03	Audited 2003/04	Audited 2004/05				2005/06	2006/07	2007/08	2008/09
Provincial receipts									
Transfer receipts from national	21,073,652	24,045,572	26,504,481	31,681,510	31,832,888	31,832,888	36,017,798	40,692,720	45,683,403
<i>Equitable share</i>	18,714,783	21,346,612	23,599,748	28,398,760	28,398,760	28,398,760	32,052,488	35,957,286	40,445,585
<i>Conditional grants</i>	2,358,869	2,698,960	2,904,733	3,282,750	3,434,128	3,434,128	3,965,310	4,735,434	5,237,818
Provincial own receipts	1,069,075	1,136,332	1,169,467	1,120,415	1,124,029	1,168,120	1,173,812	1,239,889	1,326,682
Total provincial receipts	22,142,727	25,181,904	27,673,948	32,801,925	32,956,917	33,001,008	37,191,610	41,932,609	47,010,085
Provincial payment*									
Current payments	18,721,149	20,670,849	23,143,439	27,123,705	26,426,804	26,549,027	29,638,311	32,819,159	35,667,463
Transfers and subsidies	1,911,766	2,489,966	2,501,317	2,671,467	3,855,996	3,932,481	4,025,809	5,017,837	6,739,034
Payments for capital assets	1,796,326	2,315,679	2,369,719	3,006,753	3,496,667	3,426,268	3,527,490	4,095,613	4,603,588
Unallocated contingency reserve									
Total provincial payments	22,429,241	25,476,494	28,014,475	32,801,925	33,779,467	33,907,776	37,191,610	41,932,609	47,010,085
Lending									
Surplus/(deficit) before financing	(286,514)	(294,590)	(340,527)	-	(822,550)	(906,768)	-	-	-
Financing	820,831	449,541	498,402	-	822,550	822,550	-	-	-
Provincial roll-overs	280,606	327,932	305,385		730,993	730,993			
Provincial cash resources**	192,297	220,609	193,017		101,557	101,557			
Funding for Regulation 11	360,928								
Suspension to ensuing year	(13,000)	(99,000)	-		(10,000)	(10,000)			
Surplus/(deficit) after financing	534,317	154,951	157,875	-	-	(84,218)	-	-	-

* Estimated actual expenditure for 2005/06 is as at 30 November 2005

** The provincial cash resources for Estimated Actual for 2005/06 excludes over-collection in provincial own revenue for 2005/06.

Table 5.1 also illustrates the provincial position before and after financing. As is evident, a deficit before financing is recorded for the years 2002/03 to 2005/06. After taking into account the amounts available from financing, this position is reversed for 2002/03 to 2004/05, allowing the province to close with a surplus. However, a minimal projected deficit after financing of R84,2 million or 0.2 per cent of the adjusted budget is recorded for the 2005/06 financial year. This is largely due to projected over-expenditure in respect of Vote 5: Education and Vote 11: Local Government and Traditional Affairs. The 2006/07 MTEF period reflects a balanced budget, with no surplus or deficit. This illustrates that all financial resources available to the province have been accordingly allocated to the various provincial departments for spending over the three year MTEF period.

The province has four sources of financing available, namely provincial roll-overs, provincial cash resources, funding in respect of Regulation 11 cases, and suspensions to the ensuing financial year.

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

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

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

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

6. RECEIPTS

6.1 Overall position

Table 6.1 below shows the actual and projected total revenue for the 2006/07 MTEF period. The total provincial revenue for the 2006/07 financial year is estimated at R37,2 billion, comprising R36 billion of national transfers to the province. The national transfers to the province comprise equitable shares and conditional grants. The bulk of the total revenue is in the form of national transfers, which accounts for 97 per cent of total provincial revenue for the 2006/07 MTEF. For the outer years of the 2006/07 MTEF, total provincial revenue is estimated to be R41,9 billion and R47 billion each year, respectively. The balance of the total revenue (averaging 4.5 per cent between 2003/03 and 2004/05) comes from provincial own source revenue, which is projected to yield R1,2 billion in 2006/07, averaging 3 per cent of the total for the MTEF period. Total provincial revenue grew at a nominal rate of 14.2 per cent from 2002/03 to 2005/06, while it is estimated to grow at a nominal rate of 12.5 per cent from 2005/06 to 2008/09.

Table 6.1: Summary of total receipts

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2002/03	Audited 2003/04	Audited 2004/05				2006/07	2007/08	2008/09
				2005/06					
Transfer receipts from national	21,073,652	24,045,572	26,504,481	31,681,510	31,832,888	31,832,888	36,017,798	40,692,720	45,683,403
Equitable share	18,714,783	21,346,612	23,599,748	28,398,760	28,398,760	28,398,760	32,052,488	35,957,286	40,445,585
Conditional grants	2,358,869	2,698,960	2,904,733	3,282,750	3,434,128	3,434,128	3,965,310	4,735,434	5,237,818
Provincial own receipts	1,069,075	1,136,332	1,169,467	1,120,415	1,124,029	1,168,120	1,173,812	1,239,889	1,326,682
Total	22,142,727	25,181,904	27,673,948	32,801,925	32,956,917	33,001,008	37,191,610	41,932,609	47,010,085

6.2 Provincial equitable share

As mentioned earlier, the provincial equitable share is formula based, and reflects the magnitude of the basket of needs for the province. Total equitable share allocation to the province for the 2006/07 MTEF will grow from R32 billion in 2006/07 to more than R35,9 billion in 2007/08, and to R40,4 billion in the last year of the MTEF. For the period under review, the equitable share allocation to the province represents 85.7 per cent of total provincial revenue, increasing slightly to 86 per cent in the 2006/07 MTEF. The nominal annual growth rate of the equitable share allocation to the province was 14.9 per cent from 2002/03 to 2005/06, and 12.5 per cent from 2005/06 to 2008/09. The increases over the 2006/07 MTEF period are well above the projected inflation rate. This means that the allocation for the 2006/07 MTEF places the province in a strong position to deliver more goods and services to the people.

6.3 Conditional grants

Conditional grants were introduced in 1998 to provide for national priorities and compensate for cross boundary usage of services, particularly hospital services. Conditional grants are used for more specific purposes than the PES, and these include infrastructure provision, institutional capacity building, and the implementation of special initiatives of national priority (for example, HIV and AIDS, child welfare and school nutrition programmes and the internalisation of spill-overs). The design of conditional grants has been somewhat variable and *ad hoc*, which has given rise to certain problems and gaps in their implementation and the monitoring thereof.

A study of Health conditional grants undertaken by the Fiscal and Financial Commission (FFC) has revealed that these grants account for 11.6 per cent of total provincial conditional grants. The National Tertiary Services Grant (NTSG) and Hospital Professional Training and Development Grant (HPTDG) have not been reviewed in the recent past, despite evidence of poor performance and gaps in their design in relation to their intended policy objectives. The NTSG accounts for 54.3 per cent of total health conditional grants, while the HPTDG accounts for 17.5 per cent. In total, the grants accounts for 72 per cent of all Health grants.

The study revealed that the objectives of the NTSG have been undergoing continuous changes or re-definition, with the result that many stakeholders are not clear as to what the grant is supposed to fund. Initially, the NTSG was meant to fund what was defined as ‘central hospital services’ which referred to the first ten and later 11 central hospitals. However, from 2003/04 onwards, the grant was de-linked from these hospitals and directed to what is broadly referred to as ‘tertiary services’ in all provinces.

Currently, the purpose of the grant as stated in the Division of Revenue Act (DORA) is “to fund tertiary (highly specialised) services to ensure equitable access to these services for all citizens”. Despite the fact that the purpose of the grant has witnessed a number of changes, there has not been a systematic review of the performance of the grant.

The differential spatial distribution of tertiary services still persists, as does the differential allocation of funding, with Gauteng and Western Cape receiving the greater part of the allocation. This geographical inequity is largely systemic and cannot be resolved by diverting resources. The grant is not comprehensively specified to cover certain key health services such as level 2, or secondary services. It is explicitly aimed at providing a compensating financial mechanism for level 3, or tertiary services, and does not provide a similar mechanism for compensating spill-overs from level 2 services.

The FFC has therefore recommended that government continues using the NTSG conditional grant mechanism to finance tertiary services, and that a national policy framework be developed, clearly defining the required minimum level of service for all hospital services, and distinguishing between the requirement for secondary and tertiary services.

In terms of the Health Professions Training and Development Grant (HPTDG), the original objective was to serve as a financial subsidy for compensating a province for the additional service costs of funding students, such as medical, dental and nursing students. It was also intended to inject resources into financing the costs of qualified staff participating in teaching and research activities, particularly specialist health professionals. The grant was also intended to contribute to government’s redistributive goal of developing capacity to train medical students in areas where this facility did not exist. The current stated objective of the grant is to “compensate provinces for the additional service costs associated with training health professionals and carrying out research”.

The FFC’s recommendations in respect of the HTPDG is that it should be kept as a conditional grant, but that its framework must be tightened to ensure that it is only used to fund accredited qualifications and training.

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

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

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

These funds are appropriated to particular provincial departments or municipal councils, and require systematic accounting and reporting procedures. The grants are administered through the transferring authority (national) and the receiving (provincial or local) government. The receiving spheres of government are responsible for the expenditure and the financial accountability. The national departments or National Treasury are responsible for monitoring compliance with the conditions of the grants, and for

assessing whether they are achieving the desired outputs and outcomes. Conditional grants are voted as transfers in the national budgets, and recorded as revenue in the budget of the receiving sphere. They are also voted in the departmental budgets of the receiving sphere.

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

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

Table 6.2 depicts a summary of conditional grants to the province by grant type and per department. The conditional grant allocation to the province has been experiencing a steady growth since 2002/03. From 2002/03 to 2005/06, the conditional grant allocation to the province comprised, on average, 10.4 per cent of total provincial revenue, increasing to 10.9 per cent of total provincial revenue from 2005/06 to 2008/09. Nominally, the conditional grant allocation grew at an average annual rate of 13.3 per cent from 2002/03 to 2005/06, and it is projected to grow at an average annual rate of 15.1 per cent over the 2006/07 MTEF.

Table 6.2: Summary of national conditional grant transfers by vote

R000	Outcome			Main Budget	Adjusted Budget 2005/06	Estimated actual	Medium-term estimates		
	Audited 2002/03	Audited 2003/04	Audited 2004/05				2006/07	2007/08	2008/09
Vote 3 - Agriculture & Environmental Affairs	4,000	16,500	62,256	54,270	59,270	59,270	62,199	75,311	78,924
Land Care Grant	4,000	6,500	7,240	8,000	8,000	8,000	6,675	7,010	7,345
Comprehensive Agriculture Support Programme			37,016	46,270	46,270	46,270	55,524	68,301	71,579
Agriculture Disaster Management		10,000	18,000		5,000	5,000	-	-	-
Vote 5 - Education	226,445	297,998	493,202	545,096	588,498	588,498	710,560	849,175	952,791
Provincial Infrastructure Conditional Grant	132,449	200,121	282,594	315,121	315,121	315,121	348,194	448,190	479,007
HIV and AIDS	31,824	26,624	29,188	31,126	31,126	31,126	32,994	34,644	36,976
FET Recapitalisation							90,000	115,000	162,930
Financial Management & Quality Enhancement	50,459	51,805	-			-	-	-	-
Early Childhood Development	11,713	19,448					-	-	-
National School Nutrition Programme			181,420	198,849	242,251	242,251	239,372	251,341	273,878
Vote 7 - Health	1,165,521	1,204,999	1,153,168	1,472,562	1,575,538	1,575,538	1,774,681	2,021,679	2,245,199
Health Professionals Training & Dev	164,755	167,553	180,629	192,373	192,373	192,373	192,373	201,992	212,092
Integrated Nutrition Programme	136,337	176,646	24,513	26,954	26,954	26,954	-	-	-
HIV and AIDS	52,496	85,591	186,348	251,468	251,468	251,468	344,304	361,519	381,258
National Tertiary Services	488,575	551,831	619,462	691,451	691,451	691,451	732,167	768,078	806,482
Hospital Revitalisation	111,000	129,860	-	128,977	206,977	206,977	205,171	316,325	479,424
Provincial Infrastructure Grant	46,358	70,043	127,168	157,561	157,561	157,561	174,098	224,094	239,504
Forensic Pathology Services		1,000	-		24,976	24,976	126,568	149,671	126,439
Cholera Epidemic	147,000	6,100	-				-	-	-
Hospital Management Improvement	19,000	16,375	15,048	23,778	23,778	23,778	-	-	-
Vote 8 : Housing	745,804	822,390	776,023	799,659	799,659	799,659	1,048,376	1,310,555	1,439,900
Human Resettlement Grant	25,486	26,000	27,560	-	-	-	-	-	-
Housing Subsidy Grant	720,318	796,390	748,463	799,659	799,659	799,659	1,048,376	1,310,555	1,439,900
Vote 11 : Local Govt & Trad Affairs	74,806	76,771	55,532	-	-	-	-	-	-
Provincial Infrastructure Grant	19,867	30,017	14,129	-	-	-	-	-	-
Consolidated Municipal Infrastructure Prog	28,489	7,874	8,353	-	-	-	-	-	-
Local Government Capacity Building	26,450	38,880	33,050	-	-	-	-	-	-
Vote 12 : Transport	132,449	200,121	282,594	315,121	315,121	315,121	348,194	448,190	479,007
Prov Infrastructure Conditional Grant	132,449	200,121	282,594	315,121	315,121	315,121	348,194	448,190	479,007
Vote 13 : Social Welfare	9,844	80,181	80,958	93,372	93,372	93,372	-	-	-
Financial Man.& Social Security System	1,200								
Food Relief Grant		68,185	68,185	68,185	68,185	68,185			
HIV and AIDS	8,644	11,996	12,773	25,187	25,187	25,187			
Vote 17: Sports and Recreation	-	-	1,000	2,670	2,670	2,670	21,300	30,524	41,997
Mass Sport & Recreation Participation Programme	-	-	1,000	2,670	2,670	2,670	21,300	30,524	41,997
Total	2,358,869	2,698,960	2,904,733	3,282,750	3,434,128	3,434,128	3,965,310	4,735,434	5,237,818

In terms of allocation per department, the Department of Health was a major recipient of grant allocation from 2002/03 to 2005/06, receiving an average of 45 per cent of total grants. From 2005/06 to 2008/09, Health's average allocation will represent 43.3 per cent of the total grant allocation.

The Department of Housing, the second largest recipient of grant allocation, on average received 28 per cent of the total conditional grant allocation from 2002/03 to 2005/06. From 2005/06 to 2008/09, the department's allocation will average only 26 per cent of the total grant allocation.

The Department of Education received grant allocation of 13.8 per cent from 2002/03 to 2005/06, with a projected increase to 17.8 per cent from 2005/06 to 2008/09, due to the growing need to improve the quality of education. Other significant recipients of conditional grant funding are the Departments of Transport and Agriculture and Environmental Affairs, whose MTEF allocations reflect 9 per cent and 2 per cent of the total, on average, respectively.

The Department of Social Welfare and Population Development, which received a strong boost in grant allocation in the 2005/06 financial year, will, however, receive no grant allocation in the 2006/07 MTEF as a result of the re-allocation of the social security payment to the newly established SASSA, as well as the phasing-in of the Integrated Social Development Services (Food Relief), and HIV and AIDS conditional grants into the provincial equitable share.

6.4 Total provincial own receipts (own revenue)

6.4.1 Challenges and developments

Provincial own revenue sources continue to be limited, yet they remain an important source of finance at the margin, augmenting the total provincial resource envelope by approximately 3 per cent. Despite the limited nature and the magnitude of this revenue, it forms the focal point of any fiscally decentralised system of administration, having become a mechanism for ensuring financial and political accountability.

Current revenue sources assigned to the provinces have narrow bases, and are non-productive or have very limited buoyancy. Out of 63 identified sources, motor vehicle license fees, health patient fees, interest revenue, casino taxes, and horse racing taxes and levies contribute 85 per cent of total revenue. The prevailing intergovernmental fiscal system assigns the more buoyant revenue sources to the national sphere, while property rates and other revenue raising user charges for utilities are assigned to the local sphere of government.

Although own revenue sources generate about 3 per cent of the total provincial revenue, they can and should be more fully exploited. In order to encourage the provinces to widen their revenue bases, the Provincial Tax Regulation Process Act was promulgated in 2003.

In terms of this Act, at the beginning of the 2005/06 financial year, the Western Cape proposed the introduction of a surcharge on fuel levy of 10 cent per litre as a means of raising more revenue for sustainable road infrastructure development. It was estimated that the introduction of the levy would yield an additional revenue of R300 million. However, given the current upward surge in petroleum prices on the global market and in South Africa and its impact on consumers, the Provincial Treasury was of the view that raising fuel levy may attract public outcry. In view of this, the Public Finance Unit undertook a preliminary research to investigate the current level of vehicle taxation rates in the country, and to make a comparative analysis on a world wide basis.

The preliminary study revealed that the current tariff rates of motor vehicle licence fees were among the lowest in the world, averaging about USD16.00 per year for a small car in 2000. The preliminary study also elaborated on the various policy options available for the development of a sustainable road transport network in the country. These options include Regulatory Instruments, Co-operative Agreements, Economic Instruments and Information Instruments. It was emphasised that these instruments do not work in isolation, but a mix of instruments would likely elicit the best results. Three categories of economic instrument were identified as having the potential to develop sustainable road transport and enhance revenue generation.

The preliminary results of the study show that the current vehicle tax rates are relatively low when compared to rates in countries with the same level of economic development, especially for small or light

passenger cars. There is, therefore, a potential not only for this province but for all provinces to improve revenue collection by revising the tariffs in respect of small cars, to a level that will compare favourably with rates in countries with the same level of income as South Africa.

The study on motor vehicle licensing is on-going, and the final findings will be circulated to other provinces for comments and buy-ins. The Road Traffic Management Corporation (RTMC), which is a newly established entity to manage all issues related to road traffic, will also be consulted in this process.

Despite the implementation of the Provincial Own Revenue Enhancement Implementation Strategy⁸ in the previous financial year, the following weaknesses and risk areas continue to undermine the effective and efficient recovery of all revenue rightfully due to the province:

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

In the 2005/06 financial year, revenue workshops were held with the health district institutions, in line with the revenue enhancement strategies. These workshops revealed that one of the major challenges that the Department of Health will be facing in the 2006/07 MTEF in its efforts to generate and collect all revenues rightfully due to the province are the need for an effective and efficient patient administration procedure. This procedure comprises of the following crucial actions:

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

To rectify some of these weaknesses and risk areas identified in patient administration, the department was encouraged to devise a procedure manual that will assist in streamlining all the processes and procedures involved in patient administration and revenue recovery from all categories of patients.

The Department of Economic Development has been experiencing problems with the processing and the reconciliation of revenue from liquor licence fees. In October 2005, the department requested SITA to design an IT system for the processing of liquor licence applications, and approached the Provincial Treasury for the necessary funding for the design and implementation of this system.

Treasury approval was granted and SITA can now complete the design and refine the software for the liquor licence IT system. It should, however, be noted that the implementation of the IT system will depend on the promulgation of the KZN Liquor Bill, which will set the tone for the regulatory framework for fees and procedures for processing the applications, etc. It is anticipated that the bill will be passed to pave the way for streamlining all risks and weaknesses inherent in the liquor licensing environment.

6.4.2 Provincial own revenue trends

Tables 6.3 and 6.4 below show a summary of provincial own revenue collection by economic classification and by vote, respectively.

⁸ This strategy is based on the provincial own revenue study undertaken in December 2003.

As can be seen from Table 6.3, the bulk of provincial own source revenue falls within two categories: *Tax receipts and Non-tax receipts*. The category *Tax receipts* comprises casino and horse-racing taxes and motor vehicle license fees, while *Non-tax receipts* comprises the sale of goods and services particularly patient fees, as well as fines, penalties and forfeits, interest, dividends and rent on land. Other sources of provincial own revenue are *Financial transactions* which lead to the generation of receipts, and the *Sale of capital assets* (that is, the sale of obsolete capital assets by auction) by the provincial government.

Table 6.3: Summary of provincial own receipts

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited	Audited	Audited				2006/07	2007/08	2008/09
	2002/03	2003/04	2004/05	2005/06					
Tax receipts	534,186	643,740	677,051	686,122	719,122	790,583	799,555	839,568	904,199
Non-tax receipts	497,925	427,575	430,076	397,690	362,690	323,929	338,042	365,324	388,789
Sale of goods and services other than capital assets	167,106	178,048	227,008	247,674	217,674	207,314	227,911	244,575	262,633
Fines, penalties and forfeits	21,558	23,758	21,625	28,000	23,000	22,615	25,030	28,030	30,031
Interest, dividends and rent on land ¹	309,261	225,769	181,443	122,016	122,016	94,000	85,101	92,719	96,125
Transfers received	-	-	-	-	-	-	-	-	-
Sales of capital assets	21,634	33,771	19,041	12,549	12,549	9,543	14,661	16,670	18,703
Financial transactions	15,330	31,246	43,299	24,054	29,668	44,065	21,554	18,327	14,991
Total	1,069,075	1,136,332	1,169,467	1,120,415	1,124,029	1,168,120	1,173,812	1,239,889	1,326,682

¹ Includes an amount of R59,091 million for the Housing Fund in 2004/05

Table 6.4: Summary of provincial own receipts by vote

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited	Audited	Audited				2006/07	2007/08	2008/09
	2002/03	2003/04	2004/05	2005/06					
1. Premier	96,005	143,499	173,615	152,801	152,801	205,640	196,544	206,370	220,815
2. Provincial Parliament	1,433	2,261	1,763	1,091	1,091	1,972	1,150	1,208	1,293
3. Agriculture and Environmental Affairs	6,967	12,604	21,287	10,945	14,559	14,403	13,765	13,927	14,623
4. Economic Development	5,134	3,525	3,967	3,525	3,525	3,525	3,737	3,961	4,199
5. Education	12,158	15,419	35,062	29,050	29,050	48,142	34,130	32,609	31,169
6. Provincial Treasury	330,066	254,251	127,142	120,073	120,073	90,875	83,336	90,874	94,184
7. Health	117,809	130,630	122,003	141,419	141,419	139,419	137,219	145,450	154,178
8. Housing	1,202	620	944	1,193	1,193	1,193	500	550	600
9. Community Safety and Liaison	2	8	22	11	11	11	12	13	14
10. The Royal Household	17	144	768	40	40	40	44	45	48
11. Local Government and Traditional Affairs	3,511	2,896	943	3,703	3,703	1,060	1,113	1,154	1,290
12. Transport	485,856	564,659	614,211	650,251	650,251	663,559	695,000	736,000	796,000
13. Social Welfare and Population Development	6,229	2,865	4,953	4,533	4,533	1,609	5,325	5,695	6,094
14. Works	2,686	2,951	3,595	1,775	1,775	(3,052)	1,839	1,931	2,066
15. Arts, Culture and Tourism	-	-	98	-	-	131	86	90	97
16. Sports and Recreation	-	-	3	5	5	11	12	12	12
Housing Fund	-	-	59,091	-	-	-	-	-	-
Sub-total	1,069,075	1,136,332	1,169,467	1,120,415	1,124,029	1,168,538	1,173,812	1,239,889	1,326,682
Provincial Parliament receipts not to be surrendered to the Provincial Revenue Fund				1,091	1,091	1,972	1,150	1,208	1,293
Total adjusted provincial own receipts	1,069,075	1,136,332	1,169,467	1,119,324	1,122,938	1,166,566	1,172,662	1,238,681	1,325,389

As has already been mentioned, provincial own source revenue forms a very small proportion of total provincial revenue and this proportion has been declining gradually since 1997/98. However, from 1999/00, own revenue collection in the province has been experiencing a gradual but steady increase in nominal terms. The proportional or percentage decline may be due to the fact that, while both own source and national transfers are increasing, the magnitude of the latter far outweighs the former, thus increasing the denominator significantly more than the numerator.

In fact, from the level of 4.8 per cent of total revenue in 2002/03, provincial own revenue declined to 4.5 per cent in 2003/04 and to 4.2 in 2004/05. In the 2005/06 financial year, it is projected to yield 3.5 per cent by the end of the year. In the 2006/07 MTEF period, provincial own source revenue is projected to yield 3.2 per cent, 3 per cent, and 2.8 per cent of total provincial revenue in 2006/07, 2007/08, and 2008/09, respectively. However, revenue forecasting by departments tend to be somewhat conservative, and therefore actual collections are likely to exceed these forecast, as has been the case in the recent past.

Total actual own revenue collection experienced a nominal growth of 6.3 per cent and 2.9 per cent in 2003/04 and 2004/05, respectively. In the 2005/06 financial year, the forecast is showing a negative growth

rate of 0.1 per cent, which is most likely to change to a positive figure by the end of the year. The projected apparent decline can be attributed to the significant decrease in revenue collection from interest income by the Provincial Treasury due to spending pressures, decrease in provincial equitable share funding because of the shifting of social security payments to the national sphere, and a decrease in tariffs of patient fees collection by the Department of Health with effect from 1 December 2005. However, in the 2006/07 MTEF, growth rates of 0.5 per cent, 5.6 per cent and 7 per cent are projected for each year, respectively. From 2002/03 to 2005/06, provincial own revenue will witness an annual growth rate of 3 per cent, while from 2005/06 to 2008/09 it is expected to grow at an annual rate of 4.3 per cent.

Tax receipts grew at an annual rate of 14.2 per cent from 2002/03 to 2005/06, while from 2005/06 to 2008/09 this category is estimated to grow at an annual rate of 4.6 per cent.

Non-tax receipts, on the other hand, decreased by a nominal annual average rate of 12.8 per cent over the same period due to the reasons given above. The category *Sales of capital assets* grew by an annual average rate of 8.4 per cent from 2002/03 to 2005/06, while *Transactions in financial assets* grew by 48 per cent for the same period. From 2005/06 to 2008/09, the former is estimated to grow by 26.5 per cent, while the latter is expected to decrease by 28.1 per cent, due to conservative budgeting for this item by most provincial departments.

As shown in Table 6.4 above, the Department of Transport continues to be the main contributor to total provincial revenue, accounting for 60 per cent of total provincial revenue for the 2006/07 MTEF period. The other major contributors are the Office of the Premier and the Department of Health, yielding on average 17 per cent and 12 per cent for the period, respectively.

Mounting spending pressures, especially in the social sector departments, reduced provincial equitable share funding as a result of the function shift and the resultant reduced bank balances and declining surplus funds have greatly affected the revenue generating capacity of the Provincial Treasury, which was previously the second major contributor to provincial own revenue.

6.5 Donor funding and agency receipts

Although donor funding only provides for funding at the margin, it gives an indication of the extra budgetary resources that are available to government departments, either from local or international sources. It is becoming increasingly important to monitor the quality and quantity of services being provided with the donor funding and agency receipts.

The non-voted funding for the provision of goods and services by provincial departments comprises donor funding and agency receipts. Agency receipts account for the greater proportion of the total of non-voted funds, averaging 89 per cent of total non-voted funds from 2002/03 to 2004/05, and 75 per cent for the 2006/07 MTEF period. On the other hand, donor funding, which forms only a small proportion, averaged 11 per cent from 2002/03 to 2004/05 and 25 per cent for the 2006/07 MTEF period, reflecting a gradual increase in the donor funding being received by the departments.

Table 6.5 shows the recipients of donor funding and agency receipts by department for the 2006/07 MTEF period. Table 1.F in the *Annexure to Budget Statement 1* provides the same information, together with details of the donors and agencies. The recipients of donor funding for the 2006/07 MTEF are the Departments of Health, Education, Agriculture and Environmental Affairs, Housing and Local Government and Traditional Affairs. The Department of Health continues to be the major recipient of donor funding, with an estimated actual donor funding of R74,7 million for the 2005/06 financial year. The department has projected to spend R6,7 million of the funds received in the 2005/06 financial year, together with roll-overs from previous years. The expenditure incurred or projected to be incurred, is primarily in respect of HIV and AIDS patients. In the 2006/07 MTEF period, the department is projecting to receive R82,5 million, R91,3 million and R105 million for each year, respectively. The bulk of this is from the Global Fund for HIV and AIDS patients which, on average, accounts for 97 per cent of the total Health donations for the 2006/07 MTEF period.

The Department of Agriculture and Environmental Affairs received R1,5 million from the Flemish Government in 2005/06, which is targeted at reducing poverty and narrowing economic inequality in the context of sustainable development. Funding from this source is projected to reach R2,7 million in 2006/07.

Donor funding receipts by the Department of Education have been fluctuating over the years under review. A donation was received from the Flemish Government for an Integrated Training Programme, and is being used for the training of ward councillors and school governing bodies in the Umkhanyakude district municipality on financial and office management. Funding received from the New Zealand government is used in the training of educators in finance, mathematics and science in the Port Shepstone area. In the 2006/07 MTEF, the department is projecting to receive donations of R28,3 million, R29,6 million and R30,8 million each year, respectively.

The beneficiaries of agency receipts are the Departments of Transport and Agriculture and Environmental Affairs. Funding received by the Department of Agriculture and Environmental Affairs has been used for the mitigation of the effects of the Cold Spell disaster, rehabilitation of dip tanks and the construction of Open Pan Sugar Mills. At this stage, the Department of Agriculture and Environmental Affairs is not anticipating to receive any funding in the form of agency receipts over the 2006/07 MTEF.

This leaves the Department of Transport as the sole recipient of agency funding for the 2006/07 MTEF. The department is projecting to receive a total of R469,8 million in respect of Bus Subsidies and Overload Control Programmes during the 2005/06 financial year, of which the department is anticipating to spend R469,1 million. The department has projected that further amounts of R502 million, R551,5 million and R606 million, respectively, will be received in respect of these programmes over the 2006/07 MTEF.

Table 6.5: Donor funding and agency receipts

Name of Donor Organisation	Outcome			Main budget	Adjusted budget	Estimated actual	Medium-term estimates		
	Audited 2002/03	Audited 2003/04	Audited 2004/05				2006/07	2007/08	2008/09
R000					2005/06				
Donor funding	14,511	114,873	38,789	204,475	(28,705)	117,585	205,167	205,861	140,940
Provincial Legislature	-	-	-	-	1,912	1,702	800	-	-
Agriculture & Environmental Affairs	-	1,356	2,757	-	-	1,500	2,740	-	-
Economic Development	-	-	26,491	50,000	-	26,000	80,000	80,000	-
Education	12,548	11,650	-	33,705	-	-	28,302	29,607	30,847
Health	1,674	98,797	4,584	114,000	(39,336)	74,664	82,512	91,254	105,093
Housing	-	843	1,481	5,000	-	5,000	5,000	5,000	5,000
Local Government & Traditional Affairs	289	2,227	3,476	1,770	8,719	8,719	5,813	-	-
Agency receipt	420,222	418,179	494,814	494,833	490,955	490,955	502,000	551,500	606,000
Agriculture & Environmental Affairs	703	1,390	34,445	21,118	21,118	21,118	-	-	-
Transport	419,519	416,789	460,369	473,715	469,837	469,837	502,000	551,500	606,000
Total	434,733	533,052	533,603	699,308	462,250	608,540	707,167	757,361	746,940

7. EXPENSE

7.1 Overall position

Total expenditure in the province increased markedly from R22,4 billion in 2002/03 to R33,9 billion in 2005/06. This reflects an average nominal growth of 14.8 per cent during this period. In the 2006/07 MTEF period, total provincial expenditure is expected to increase further from R37,2 billion in 2006/07, to R41,9 billion and R47 billion in 2007/08 and 2008/09, respectively. This increase represents a nominal growth of 11.5 per cent over this period.

7.2 Expense by vote

Table 7.1 below shows the summary of provincial payments and estimates by vote. Expenditure by the province is anticipated to increase substantially by an amount of R3,4 billion in 2006/07 from an Adjusted Budget of R33,8 billion in 2005/06. The trend analysis reveals that most departments' budgets are set to increase at least in nominal terms from the 2005/06 Main Budget to the 2006/07 MTEF estimates.

Table 7.1: Summary of provincial payments and estimates by vote

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2002/03	Audited 2003/04	Audited 2004/05				2005/06	2006/07	2007/08	2008/09
1. Premier	129,344	146,846	164,536	218,176	256,296	256,118	294,740	323,599	351,570
2. Provincial Parliament	87,826	96,025	108,654	129,454	142,673	142,673	139,235	143,439	153,176
3. Agriculture and Environmental Affairs	703,332	771,441	951,912	1,078,342	1,125,056	1,129,643	1,298,906	1,474,668	1,601,557
4. Economic Development	109,236	108,556	136,872	140,590	157,590	157,590	390,052	722,697	2,081,956
5. Education	10,289,259	11,819,572	13,033,271	14,505,932	14,750,350	15,076,206	16,209,078	17,983,127	19,384,640
6. Provincial Treasury	118,581	145,970	204,786	189,581	345,093	345,093	449,780	630,993	821,507
<i>Growth Fund</i>	-	-	-	200,000	632,000	632,000	420,000	660,000	660,000
<i>SMME Fund</i>	-	-	-	200,000	200,000	200,000	200,000	220,000	242,000
<i>Poverty Alleviation Fund</i>	-	-	-	500,000	185,000	185,000	-	-	-
7. Health	7,535,369	8,244,543	8,950,609	10,379,202	10,424,516	10,303,516	11,736,761	12,795,794	13,840,988
8. Housing	913,179	1,081,113	988,078	969,880	953,747	953,747	1,252,133	1,520,850	1,661,102
9. Community Safety and Liaison	13,864	17,245	17,070	48,154	48,154	48,154	50,818	53,359	57,094
10. The Royal Household	19,796	22,746	25,385	27,598	29,525	33,786	31,409	32,979	35,287
11. Local Government and Traditional Affairs	384,501	430,551	453,642	458,593	532,253	547,823	595,585	714,184	904,249
12. Transport	1,227,463	1,565,497	1,810,262	2,197,532	2,278,917	2,278,917	2,415,983	2,844,370	3,275,420
13. Social Welfare and Population Development	431,704	511,580	542,428	834,491	902,777	801,857	894,810	939,283	997,901
14. Works	309,164	351,999	396,994	425,970	491,106	491,239	451,523	474,088	507,274
15. Arts, Culture and Tourism	128,504	144,186	192,591	209,503	229,220	229,220	254,726	263,944	280,493
16. Sports and Recreation	15,160	15,733	37,385	88,927	95,194	95,194	106,071	135,235	153,871
17. Reconstruction and Development Programme (RDP)	12,959	2,891	-	-	-	-	-	-	-
Total	22,429,241	25,476,494	28,014,475	32,801,925	33,779,467	33,907,776	37,191,610	41,932,609	47,010,085

Table 7.2 below shows the analysis of payments and estimates by major vote. The increase in provincial spending reflects the government's commitment to shift resources towards areas critical for sustainable human and community development. Although the social services sector spending is set to increase in both nominal and real terms over the 2006/07 MTEF, its share of the total budget is decreasing. This means that the spending on Other Functions is increasing at a faster rate than the social services sector over the MTEF, from R8,4 billion in 2006/07 to R12,8 billion in 2008/09. The expansion in provincial spending in this Other Functions sector reinforces the government's central objective of achieving its economic development goals.

Over the past years, the Department of Education has consistently accounted for the bulk of the provincial budget. This trend is set to continue in the 2006/07 MTEF, although at a decreasing rate, from 44.5 per cent in 2005/06 to 41.2 per cent in 2008/09. The Education budget is set to increase by an average annual nominal (real) growth rate of 8.7 (3.8) per cent between 2005/06 and 2008/09. The increased Education budget will strengthen the delivery of school education and cater for the implementation of nationwide initiatives and policies for the improvement of the education system. With the increased budget the department will effectively deal with the provision of classrooms, sanitation and water supply, the provisioning of learner teacher support material (LTSM), the reduction in the learner: educator ratio and the employment of additional educators. Furthermore, the department will begin to implement the no fee schools in the poorest schools in 2006/07 and expand over the MTEF.

Table 7.2: Analysis of payments and estimates by major vote

	Outcome			Estimated Actual 2005/06	Medium-term estimates			Average annual growth	
	Audited 2002/03	Audited 2003/04	Audited 2004/05		2006/07	2007/08	2008/09	2002/03 -	2005/06 -
								2005/06	2008/09
In Rand (000)									
Education	10,289,259	11,819,572	13,033,271	15,076,206	16,209,078	17,983,127	19,384,640		
Health	7,535,369	8,244,543	8,950,609	10,303,516	11,736,761	12,795,794	13,840,988		
Social Welfare	431,704	511,580	542,428	801,857	894,810	939,283	997,901		
Other Functions	4,172,909	4,900,799	5,488,167	7,726,197	8,350,961	10,214,405	12,786,556		
Total expenditure	22,429,241	25,476,494	28,014,475	33,907,776	37,191,610	41,932,609	47,010,085		
% of total expenditure									
Education	45.9	46.4	46.5	44.5	43.6	42.9	41.2		
Health	33.6	32.4	31.9	30.4	31.6	30.5	29.4		
Social Welfare	1.9	2.0	1.9	2.4	2.4	2.2	2.1		
Other Functions	18.6	19.2	19.6	22.8	22.5	24.4	27.2		
Nominal growth (%)									
Education		14.9	10.3	15.7	7.5	10.9	7.8	13.6	8.7
Health		9.4	8.6	15.1	13.9	9.0	8.2	11.0	10.3
Social Welfare		18.5	6.0	47.8	11.6	5.0	6.2	22.9	7.6
Other Functions		17.4	12.0	40.8	8.1	22.3	25.2	22.8	18.3
Total expenditure		13.6	10.0	21.0	9.7	12.7	12.1	14.8	11.5
Real growth (%)									
Education		8.9	6.0	10.5	2.3	5.9	3.2	8.4	3.8
Health		3.7	4.3	10.0	8.4	4.1	3.5	6.0	5.3
Social Welfare		12.3	1.9	41.2	6.2	0.2	1.7	17.3	2.7
Other Functions		11.3	7.6	34.5	2.9	16.8	19.8	17.2	12.9
Total expenditure		7.6	5.7	15.6	4.4	7.6	7.3	9.6	6.4

The growing budget for Health, from R10,3 billion in 2005/06 to R13,8 billion in 2008/09, represents a real average annual growth of 5.3 per cent in that period. This increased budget will enable the department to strengthen its service delivery as well as the fight against HIV and AIDS. Although increasing in real terms over the 2006/07 MTEF period, the department's budget as a share of the total provincial budget is expected to maintain a consistent average share of around 30 per cent.

Given the social security function shift to the South African Social Security Agency (SASSA) from 1 April 2006, Social Welfare's budget has been substantially reduced during the period under review. As a percentage share of total expenditure, total spending by Social Welfare has seen a gradual increase from 1.9 in 2002/03 to 2.4 in 2005/06. Although the percentage share of the department's expenditure is set to decrease further from 2.4 per cent in 2006/07 to 2.1 per cent in 2008/09, the department's budget is set to increase by 2.7 per cent in real terms between 2005/06 and 2008/09. The increase in the budget over the MTEF is attributed to the high levels of poverty and unemployment in the province, which in turn results in a high demand for social welfare services. Similarly, the HIV and AIDS epidemic has enormous implications for social welfare services rendered, particularly in the field of child and family care. The illness and death of parents result in the need for alternative care, such as foster care and children's homes. Additional social workers are required to provide extra services in terms of placement of these children, supervision of the placement once finalised, as well as the provision of counselling and support services to bereaved children and the families concerned.

7.3 Expense by economic classification

Provincial summary of payments and estimates by economic classification

Table 7.3 below, which presents a summary of payments and estimates by economic classification, is broken-down into three main categories, namely *Current payments*, *Transfers and subsidies*, and *Payments for capital assets*, for the period 2002/03 to 2008/09. *Current payments* consumed the bulk of the total provincial spending. A large proportion of expenditure in this category is consumed by *Compensation of employees*, which set to increase from R22,1 billion in 2006/07 to R25,5 billion in 2008/09. *Current payments* are also expected to increase from R29,6 billion in 2006/07 to R35,6 billion in 2008/09.

Transfers and subsidies are showing a substantial increase overtime, increasing from R1,9 billion in 2002/03 to R 6,7 billion in 2008/09. Transfers to *Non-profit institutions* envisaged a significant increase in the current MTEF, from R1,2 billion in 2006/07 to R1,6 billion in 207/08 and R3 billion in 2008/09. This increase is largely due to the increased funding in respect of the Dube TradePort – a subsidiary of Ithala, now registered as a Section 21 company.

The category *Transfers and subsidies to: Other* increases markedly in the 2005/06 Adjusted Budget due to the roll-over of the Growth Fund from 2004/05 to 2005/06 as well as the reclassification of expenditure from *Current payment to Transfers and Subsidies*, in respect of Growth and Development Fund (GDF).

The trend in *Payments for capital assets* shows an increase from R1,8 billion in 2002/03 to R3,4 billion in 2005/06, reaching a projected R4,6 billion in 2008/09. A significant share of expenditure under this item is spent on physical infrastructure, through *Buildings and other fixed structures*. Greater spending on capital emphasises the government's determination to boost its capital stock and subsequently job creation and economic growth.

Table 7.3: Summary of payments and estimates by economic classification

R000	Outcome			Main Budget	Adjusted Budget 2005/06	Estimated actual	Medium-term estimates		
	Audited 2002/03	Audited 2003/04	Audited 2004/05				2006/07	2007/08	2008/09
Current payments	18,691,752	20,638,081	23,109,549	27,090,403	26,391,505	26,513,728	29,557,912	32,763,292	35,647,768
Compensation of employees	14,847,458	16,092,572	17,889,221	20,113,903	19,710,291	19,666,376	22,053,149	23,713,436	25,509,713
Goods and services	3,749,097	4,502,893	5,204,297	6,976,500	6,681,214	6,845,447	7,504,763	9,049,856	10,138,055
Other	95,197	42,616	16,031	-	-	1,905	-	-	-
Transfers and subsidies to:	1,911,766	2,489,966	2,501,317	2,671,467	3,855,996	3,932,481	4,065,809	5,017,837	6,739,034
Local government	196,142	235,174	238,195	255,018	300,210	301,646	304,075	316,143	360,715
Non-profit institutions	539,162	801,136	920,584	914,557	952,436	1,098,241	1,248,064	1,585,230	3,033,935
Households	821,000	1,003,551	875,992	891,355	909,801	923,409	1,160,580	1,431,282	1,572,253
Other	355,462	450,105	466,546	610,537	1,693,549	1,609,185	1,353,090	1,685,182	1,772,131
Payments for capital assets	1,796,326	2,315,679	2,369,719	3,006,753	3,496,667	3,426,268	3,532,490	4,114,467	4,583,721
Buildings and other fixed structures	1,327,035	1,718,741	1,814,595	2,247,037	2,608,873	2,588,767	2,637,436	3,159,409	3,539,692
Machinery and equipment	466,525	594,953	540,926	756,979	883,558	833,247	890,001	950,448	1,039,121
Other	2,766	1,985	14,198	2,737	4,236	4,254	5,053	4,610	4,908
Total economic classification	22,399,844	25,443,726	27,980,585	32,768,623	33,744,168	33,872,477	37,156,211	41,895,596	46,970,523
Statutory payments	29,397	32,768	33,890	33,302	35,299	35,299	35,399	37,013	39,562
Total economic classification (incl. stat. pay.)	22,429,241	25,476,494	28,014,475	32,801,925	33,779,467	33,907,776	37,191,610	41,932,609	47,010,085

Table 7.4, shows an analysis of payments by economic classification. As a percentage of total expenditure, *Current* expenditure is declining over time, from 83.5 per cent in 2002/03 to 75.9 per cent in 2008/09. Within this category, *Compensation of employees'* share of total expenditure is declining from 66.3 per cent in 2002/03 to 58.1 per cent in 2005/06 before declining further to 54.3 per cent in 2008/09. However, between 2005/06 and 2008/09, expenditure in this area is expected to grow by 4.1 per cent in real terms.

The percentage share of *Non-compensation* increases from 33.7 per cent to 45.7 per cent over the period under review. This confirms the government commitment to increase output of non-personnel service delivery to match the increasing demand. Real growth in this category increases by 9.5 per cent annually between 2005/06 and 2008/09. The category *Non-compensation (excluding transfers)* is expected to maintain a consistent share of total expenditure of approximately 31 per cent on average over the 2006/07 MTEF period. This category accounts the least share of total expenditure relative to other categories but is still expected to grow at 7.6 per cent in real terms, in the 2006/07 MTEF period, while *Non-compensation non capital (NCNC)* and *NCNC (excl. transfers)* payments are expected to grow by 10.8 per cent and 8.8 per cent in real terms, respectively.

Expenditure on *Transfers* claims an increasing share of total expenditure from 10.9 per cent in 2006/07 to 14.3 per cent in 2008/09. This category shows a strong growth rate of 3.4 per cent in 2008/09. In real terms, this category is envisaged to grow by 14.2 per cent between 2005/06 and 2008/09, where a significant proportion is explained by transfers to entities such as Ithala, Dube TradePort, etc.

While *Capital* payments accounts for the smallest share of total expenditure, its real annual average growth rate is set to increase by 5.2 per cent between 2005/06 and 2008/09. Also, its share of the total provincial budget increases from 8 per cent in 2002/03 to 9.8 per cent in 2008/09. The real increase in capital spending supports government's efforts to reduce backlogs in the social and economic infrastructure while at the same time address unemployment through the labour intensive Expanded Public Works Programme (EPWP). In addition, increased spending on capital shows the government's commitment towards strengthening investment its capital stock and hence stimulating economic growth in the province.

Table 7.4: Analysis of payments and estimates by economic classification

	Outcome			Estimated Actual 2005/06	Medium-term estimates			Average annual growth	
	Audited 2002/03	Audited 2003/04	Audited 2004/05		2006/07	2007/08	2008/09	2002/03 - 2005/06	2005/06 - 2008/09
	In Rand (000)								
Current	18,721,149	20,670,849	23,143,439	26,549,027	29,593,311	32,800,305	35,687,330		
Transfers	1,911,766	2,489,966	2,501,317	3,932,481	4,065,809	5,017,837	6,739,034		
Capital	1,796,326	2,315,679	2,369,719	3,426,268	3,532,490	4,114,467	4,583,721		
Compensation	14,876,855	16,125,340	17,923,111	19,701,675	22,088,548	23,750,449	25,549,275		
Non-compensation	7,552,386	9,351,154	10,091,364	14,206,101	15,103,062	18,182,160	21,460,810		
Non-compensation (excl. transfers)	5,640,620	6,861,188	7,590,047	10,273,620	11,037,253	13,164,323	14,721,776		
Non-compensation non-capital (NCNC)	5,756,060	7,035,475	7,721,645	10,779,833	11,570,572	14,067,693	16,877,089		
NCNC (excl. transfers)	3,844,294	4,545,509	5,220,328	6,847,352	7,504,763	9,049,856	10,138,055		
Total expenditure	22,429,241	25,476,494	28,014,475	33,907,776	37,191,610	41,932,609	47,010,085		
% of total expenditure									
Current	83.5	81.1	82.6	78.3	79.6	78.2	75.9		
Transfers	8.5	9.8	8.9	11.6	10.9	12.0	14.3		
Capital	8.0	9.1	8.5	10.1	9.5	9.8	9.8		
Compensation	66.3	63.3	64.0	58.1	59.4	56.6	54.3		
Non-compensation	33.7	36.7	36.0	41.9	40.6	43.4	45.7		
Non-compensation (excl. transfers)	25.1	26.9	27.1	30.3	29.7	31.4	31.3		
Non-compensation non-capital (NCNC)	25.7	27.6	27.6	31.8	31.1	33.5	35.9		
NCNC (excl. transfers)	17.1	17.8	18.6	20.2	20.2	21.6	21.6		
Nominal growth (%)									
Current		10.4	12.0	14.7	11.5	10.8	8.8	12.3	10.4
Transfers		30.2	0.5	57.2	3.4	23.4	34.3	27.2	19.7
Capital		28.9	2.3	44.6	3.1	16.5	11.4	24.0	10.2
Compensation		8.4	11.1	9.9	12.1	7.5	7.6	9.8	9.0
Non-compensation		23.8	7.9	40.8	6.3	20.4	18.0	23.4	14.7
Non-compensation (excl. transfers)		21.6	10.6	35.4	7.4	19.3	11.8	22.1	12.7
Non-compensation non-capital (NCNC)		22.2	9.8	39.6	7.3	21.6	20.0	23.3	16.1
NCNC (excl. transfers)		18.2	14.8	31.2	9.6	20.6	12.0	21.2	14.0
Real growth (%)									
Current		4.6	7.6	9.6	6.1	5.8	4.1	7.3	5.3
Transfers		23.4	(3.5)	50.2	(1.6)	17.8	28.5	21.4	14.2
Capital		22.2	(1.7)	38.1	(1.9)	11.2	6.6	18.4	5.2
Compensation		2.7	6.8	5.0	6.7	2.6	3.0	4.8	4.1
Non-compensation		17.3	3.7	34.5	1.2	14.9	13.0	17.8	9.5
Non-compensation (excl. transfers)		15.3	6.3	29.3	2.3	13.9	7.0	16.6	7.6
Non-compensation non-capital (NCNC)		15.8	5.5	33.4	2.2	16.1	14.8	17.7	10.8
NCNC (excl. transfers)		12.0	10.4	25.3	4.3	15.1	7.2	15.7	8.8

Analysis of payments and estimates by economic classification – Education

Table 7.5 shows the Department of Education's summary of payments and estimates by economic classification. As a percentage of total expenditure, *Current* expenditure drops from 94.8 per cent in 2002/03 to 89.5 per cent in 2005/06 then rises marginally to 90.3 per cent in 2008/09. The increasing share of *Transfers* from 1.5 per cent in 2002/03 to 4.6 in 2005/06 and 4.9 per cent in 2008/09 is attributable to the following:

- The National School Nutrition Programme (NSNP) that was transferred from the Department of Health to Education in 2004/05;
- The increasing number of Section 21 schools which results in these schools receiving their allocation through a transfer payment from the department; and
- The introduction of the FET recapitalisation grant over the 2006/07 MTEF.

The negative growth rate in 2006/07 for *Capital expenditure* is due to once-off allocations in 2005/06 for recapitalisation of FET colleges of R36 million as well as increased allocation of R100 million from the poverty alleviation fund for the improvement of sanitation at schools.

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

	Outcome			Estimated Actual 2005/06	Medium-term estimates			Average annual growth	
	Audited 2002/03	Audited 2003/04	Audited 2004/05		2006/07	2007/08	2008/09	2002/03 - 2005/06	2005/06 - 2008/09
	In Rand (000)								
Current	9,757,287	10,931,005	11,901,164	13,488,189	14,566,535	16,238,743	17,503,859		
Transfers	158,737	325,068	646,962	699,664	799,115	837,667	948,602		
Capital	373,235	563,499	485,145	888,353	843,428	906,717	932,179		
Compensation	9,164,667	10,045,301	10,862,890	11,860,488	12,941,988	13,810,055	14,978,992		
Non-compensation	1,124,592	1,774,271	2,170,381	3,215,718	3,267,090	4,173,072	4,405,648		
Non-compensation (excl. transfers)	965,855	1,449,203	1,519,649	2,516,054	2,467,975	3,335,405	3,457,046		
Non-compensation non-capital (NCNC)	751,357	1,210,772	1,681,466	2,327,365	2,423,662	3,266,355	3,473,469		
NCNC (excl. transfers)	592,620	885,704	1,038,274	1,627,701	1,624,547	2,428,688	2,524,867		
Total expenditure	10,289,259	11,819,572	13,033,271	15,076,206	16,209,078	17,983,127	19,384,640		
% of total expenditure									
Current	94.8	92.5	91.3	89.5	89.9	90.3	90.3		
Transfers	1.5	2.8	5.0	4.6	4.9	4.7	4.9		
Capital	3.6	4.8	3.7	5.9	5.2	5.0	4.8		
Compensation	89.1	85.0	83.3	78.7	79.8	76.8	77.3		
Non-compensation	10.9	15.0	16.7	21.3	20.2	23.2	22.7		
Non-compensation (excl. transfers)	9.4	12.3	11.7	16.7	15.2	18.5	17.8		
Non-compensation non-capital (NCNC)	7.3	10.2	12.9	15.4	15.0	18.2	17.9		
NCNC (excl. transfers)	5.8	7.5	8.0	10.8	10.0	13.5	13.0		
Nominal growth (%)									
Current		12.0	8.9	13.3	8.0	11.5	7.8	11.4	9.1
Transfers		104.8	99.0	8.1	14.2	4.8	13.2	64.0	10.7
Capital		51.0	(13.9)	83.1	(5.1)	7.5	2.8	33.5	1.6
Compensation		9.6	8.1	9.2	9.1	6.7	8.5	9.0	8.1
Non-compensation		57.8	22.3	48.2	1.6	27.7	5.6	41.9	11.1
Non-compensation (excl. transfers)		50.0	4.9	65.6	(1.9)	35.1	3.6	37.6	11.2
Non-compensation non-capital (NCNC)		61.1	38.9	38.4	4.1	34.8	6.3	45.8	14.3
NCNC (excl. transfers)		49.5	17.2	56.8	(0.2)	49.5	4.0	40.0	15.8
Real growth (%)									
Current		6.2	4.6	8.3	2.8	6.4	3.2	6.3	4.1
Transfers		94.0	91.2	3.3	8.7	0.1	8.4	56.5	5.6
Capital		43.1	(17.3)	75.0	(9.6)	2.6	(1.6)	27.5	(3.0)
Compensation		3.9	3.9	4.3	3.9	1.9	3.8	4.0	3.2
Non-compensation		49.5	17.5	41.6	(3.3)	21.9	1.0	35.5	6.0
Non-compensation (excl. transfers)		42.2	0.8	58.2	(6.6)	29.0	(0.8)	31.4	6.1
Non-compensation non-capital (NCNC)		52.7	33.4	32.2	(0.9)	28.7	1.8	39.2	9.1
NCNC (excl. transfers)		41.6	12.6	49.8	(5.0)	42.7	(0.5)	33.7	10.5

Compensation's share of total expenditure shows a decrease from 89.1 per cent to 77.3 per cent between 2002/03 and 2008/09. This decline is not an indication of a reduction in the number of employees (or teachers) in the department, but rather an increased allocation in service delivery inputs such as goods and services and capital expenditure. The year on year growth for *compensation* is fairly constant and the average annual real growth from 2002/03 to 2005/06 and 2005/06 to 2008/09 is 4 per cent and 3.2 per cent respectively.

The increase in the number of Section 21 schools as well as the transfer of the NSNP from Health in 2004/05, have resulted in the high year on year growth against *Transfers* in 2003/04 and 2004/05. The high average annual real growth rate of 5.6 per cent over the 2006/07 MTEF is due to the introduction of the FET recapitalisation conditional grant.

The *Non-compensation non-capital (NCNC)* category, for its part, shows a positive growth path over the period under review. This is largely due to the additional allocations for Learner and Teacher Support Material (LTSM) and the increase in the transfers as already mentioned. The negative year on year growth in 2006/07 is due to the unpaid invoices that were carried forward from the 2004/05 financial year resulting in higher expenditure in 2005/06.

Analysis of payments and estimates by economic classification – Health

Table 7.6 below shows the Department of Health's expenditure and estimates by economic classification. The largest share of total expenditure is in respect of *Current payments*, where the percentage share decreases from 88.7 per cent in 2002/03 to 87.5 per cent in 2008/09. The increase in 2004/05 is as a result of the once-off payment for scarce skills and rural allowances.

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

	Outcome			Estimated Actual 2005/06	Medium-term estimates			Average annual growth	
	Audited 2002/03	Audited 2003/04	Audited 2004/05		2006/07	2007/08	2008/09	2002/03 - 2005/06	2005/06 - 2008/09
	In Rand (000)								
Current	6,684,833	7,256,766	8,087,868	9,067,186	10,357,387	11,300,125	12,110,440		
Transfers	391,534	475,576	275,249	325,378	339,756	314,052	336,603		
Capital	459,002	512,201	587,492	910,952	1,039,618	1,181,617	1,393,945		
Compensation	4,487,953	4,735,016	5,413,761	5,955,676	6,961,199	7,587,989	8,060,425		
Non-compensation	3,007,619	3,477,643	3,536,848	4,347,840	4,775,562	5,207,805	5,780,563		
Non-compensation (excl. transfers)	2,616,085	3,002,067	3,261,599	4,022,462	4,435,806	4,893,753	5,443,960		
Non-compensation non-capital (NCNC)	2,548,617	2,965,442	2,949,356	3,436,888	3,735,944	4,026,188	4,386,618		
NCNC (excl. transfers)	2,157,083	2,489,866	2,674,107	3,111,510	3,396,188	3,712,136	4,050,015		
Total expenditure	7,535,369	8,244,543	8,950,609	10,303,516	11,736,761	12,795,794	13,840,988		
% of total expenditure									
Current	88.7	88.0	90.4	88.0	88.2	88.3	87.5		
Transfers	5.2	5.8	3.1	3.2	2.9	2.5	2.4		
Capital	6.1	6.2	6.6	8.8	8.9	9.2	10.1		
Compensation	59.6	57.4	60.5	57.8	59.3	59.3	58.2		
Non-compensation	39.9	42.2	39.5	42.2	40.7	40.7	41.8		
Non-compensation (excl. transfers)	34.7	36.4	36.4	39.0	37.8	38.2	39.3		
Non-compensation non-capital (NCNC)	33.8	36.0	33.0	33.4	31.8	31.5	31.7		
NCNC (excl. transfers)	28.6	30.2	29.9	30.2	28.9	29.0	29.3		
Nominal growth (%)									
Current		8.6	11.5	12.1	14.2	9.1	7.2	10.7	
Transfers		21.5	(42.1)	18.2	4.4	(7.6)	7.2	(6.0)	
Capital		11.6	14.7	55.1	14.1	13.7	18.0	25.7	
Compensation		5.5	14.5	10.0	16.9	9.0	6.2	9.9	
Non-compensation		15.6	1.7	22.9	9.8	9.1	11.0	13.1	
Non-compensation (excl. transfers)		14.8	8.6	23.3	10.3	10.3	11.2	15.4	
Non-compensation non-capital (NCNC)		16.4	(0.5)	16.5	8.7	7.8	9.0	10.5	
NCNC (excl. transfers)		15.4	7.4	16.4	9.1	9.3	9.1	13.0	
Real growth (%)									
Current		2.9	7.1	7.1	8.7	4.1	2.6	5.7	
Transfers		15.1	(44.4)	12.9	(0.6)	(11.8)	2.6	(10.2)	
Capital		5.7	10.2	48.1	8.6	8.5	12.9	20.0	
Compensation		(0.0)	9.9	5.1	11.2	4.1	1.7	4.9	
Non-compensation		9.6	(2.3)	17.5	4.5	4.1	6.2	7.9	
Non-compensation (excl. transfers)		8.7	4.4	17.8	5.0	5.3	6.5	10.2	
Non-compensation non-capital (NCNC)		10.3	(4.4)	11.3	3.5	2.9	4.3	5.5	
NCNC (excl. transfers)		9.4	3.2	11.2	3.9	4.3	4.4	7.9	

The largest component of *Current payments* is *Compensation of employees*, which reflects a steady proportion of total expenditure over the 2006/07 MTEF of approximately 59 per cent. *Transfers* show a decline as a percentage of total expenditure from 2004/05 onwards, due to the school nutrition programme being transferred to the Department of Education. *Payments for capital assets* increases from 6.1 per cent in 2002/03 to 9.2 per cent in 2005/06 and remains steady in the MTEF at 10.1 per cent in 2008/09. This trend reflects the department's drive to improve the physical facilities and medical equipment.

In both nominal and real terms, the estimate is showing real growth from 2005/06 to 2008/09 in all payment categories except *Transfers*. This rate is generally not as high as it was for 2002/03 to 2005/06 period due to the significant increase to the 2005/06 MTEF allocation, which corrected past imbalances caused by mammoth increases in social security grant expenditure.

Capital payments show a positive year-on-year real growth from 8.6 per cent in 2006/07 to 12.9 per cent in 2008/09. The steady growth will allow the department to continue expansion on the Clinic Upgrading and Building programme and the emergency medical rescue services, which will provide better access to health facilities in the deep rural areas of the province. Furthermore, the department will be able to continue upgrading its district hospitals to increase the capacity of these institutions. Another positive trend in the Health's budget over the 2006/07 MTEF period is the average annual real growth of 5.6 per cent in *Compensation*. This will allow the department to appoint the needed additional personnel to ease some of the pressures on the existing staff, and to improve the quality of health services.

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

Table 7.7 below shows Social Welfare's expenditure by economic classification. The share of *Current payments* to total budget increases from 56.2 per cent in 2002/03 to 58.9 per cent in 2004/05. The sudden fall in the percentage share of *Current payments* in 2005/06 is attributed to the anticipated low expenditure

on *Compensation* due to the non filling of vacant posts, largely because of the scarcity of social workers that currently prevails throughout the country.

On average, in the 2006/07 MTEF, *Compensation* is anticipated to account for about 34 per cent. The average annual real growth rate for this category is projected to be 5.6 per cent in the period 2005/06 to 2008/09. The gradual increase reflected under this category is partly due to salary improvements of social workers employed by the department, as well as revised tariffs for social workers employed by non-governmental organisations (NGOs) and the filling up of vacant posts within the department.

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

	Outcome			Estimated Actual 2005/06	Medium-term estimates			Average annual growth	
	Audited 2002/03	Audited 2003/04	Audited 2004/05		2006/07	2007/08	2008/09	2002/03 - 2005/06	2005/06 - 2008/09
	In Rand (000)								
Current	242,454	291,033	319,259	404,139	469,630	503,165	539,745		
Transfers	138,699	193,550	200,008	360,003	381,822	399,697	420,543		
Capital	50,551	26,997	23,161	37,715	43,358	36,421	37,613		
Compensation	147,310	155,537	188,740	255,008	297,697	323,278	345,086		
Non-compensation	284,394	356,043	353,688	546,849	597,113	616,005	652,815		
Non-compensation (excl. transfers)	145,695	162,493	153,680	186,846	215,291	216,308	232,272		
Non-compensation non-capital (NCNC)	233,843	329,046	330,527	509,134	553,755	579,584	615,202		
NCNC (excl. transfers)	95,144	135,496	130,519	149,131	171,933	179,887	194,659		
Total expenditure	431,704	511,580	542,428	801,857	894,810	939,283	997,901		
% of total expenditure									
Current	56.2	56.9	58.9	50.4	52.5	53.6	54.1		
Transfers	32.1	37.8	36.9	44.9	42.7	42.6	42.1		
Capital	11.7	5.3	4.3	4.7	4.8	3.9	3.8		
Compensation	34.1	30.4	34.8	31.8	33.3	34.4	34.6		
Non-compensation	65.9	69.6	65.2	68.2	66.7	65.6	65.4		
Non-compensation (excl. transfers)	33.7	31.8	28.3	23.3	24.1	23.0	23.3		
Non-compensation non-capital (NCNC)	54.2	64.3	60.9	63.5	61.9	61.7	61.6		
NCNC (excl. transfers)	22.0	26.5	24.1	18.6	19.2	19.2	19.5		
Nominal growth (%)									
Current		20.0	9.7	26.6	16.2	7.1	7.3	18.6	10.1
Transfers		39.5	3.3	80.0	6.1	4.7	5.2	37.4	5.3
Capital		(46.6)	(14.2)	62.8	15.0	(16.0)	3.3	(9.3)	(0.1)
Compensation		5.6	21.3	35.1	16.7	8.6	6.7	20.1	10.6
Non-compensation		25.2	(0.7)	54.6	9.2	3.2	6.0	24.4	6.1
Non-compensation (excl. transfers)		11.5	(5.4)	21.6	15.2	0.5	7.4	8.6	7.5
Non-compensation non-capital (NCNC)		40.7	0.5	54.0	8.8	4.7	6.1	29.6	6.5
NCNC (excl. transfers)		42.4	(3.7)	14.3	15.3	4.6	8.2	16.2	9.3
Real growth (%)									
Current		13.7	5.4	20.9	10.6	2.3	2.7	13.2	5.1
Transfers		32.2	(0.7)	72.0	0.9	(0.1)	0.7	31.2	0.5
Capital		(49.4)	(17.6)	55.6	9.4	(19.8)	(1.2)	(13.4)	(4.6)
Compensation		0.0	16.6	29.1	11.1	3.7	2.2	14.6	5.6
Non-compensation		18.6	(4.5)	47.7	3.9	(1.5)	1.4	18.7	1.3
Non-compensation (excl. transfers)		5.7	(9.1)	16.2	9.7	(4.1)	2.8	3.7	2.6
Non-compensation non-capital (NCNC)		33.3	(3.5)	47.2	3.5	(0.1)	1.6	23.7	1.7
NCNC (excl. transfers)		34.9	(7.4)	9.2	9.7	(0.1)	3.6	10.9	4.3

Transfer payments account for the second largest share of total expenditure, after *Current* payments. As a percentage of total expenditure, this category saw an increasing trend between 2002/03 and 2005/06 before declining in the 2006/07 MTEF. The peak in 2005/06 is as a result of a roll-over from 2004/05 to 2005/06 in respect of the Integrated Social Development Services grant (Food Relief) and HIV and AIDS grant. In 2006/07 MTEF, expenditure on transfer payments is set to grow by at least the projected inflation rate.

Capital payments claim the least share of the total expenditure. This category is set to decline by 4.6 per cent in real terms between 2005/06 and 2008/09. The decline is due to the decrease in the number of capital projects to be undertaken by the department over the MTEF period.

Analysis of payments and estimates by economic classification – Other departments

Table 7.8 below shows the remaining departments' expenditure by economic classification (i.e. all departments excluding Education, Health and Social Welfare). The share of *Current* payments to total budget is set to decrease from 48.8 per cent in 2002/03 to 43.1 percent in 2008/09. This is also reflected through a decline in the percentage share of total expenditure in *Compensation* and *Non-compensation*

(*excl. transfers*). Although the proportion of *Compensation of employees* is declining, this category reflects a real average annual growth rate of 4.9 per cent in the period 2005/06 to 2008/09, illustrating the strengthening of capacity by government in its efforts to improve service delivery. In the 2006/07 MTEF, *Non-compensation* is expected to increase its share of total expenditure from 77.4 per cent in 2006/07 to 83.1 per cent in 2008/09. In real terms, the increase is reflected by a strong growth of 14.9 per cent.

Table 7.8: Analysis of expenditure summary by classification - Other

	Outcome			Estimated Actual 2005/06	Medium-term estimates			Average annual growth	
	Audited 2002/03	Audited 2003/04	Audited 2004/05		2006/07	2007/08	2008/09	2002/03 - 2005/06	2005/06 - 2008/09
In Rand (000)									
Current	2,036,575	2,191,920	2,834,870	3,589,513	4,244,759	4,777,126	5,513,419		
Transfers	1,222,796	1,495,772	1,379,098	2,547,436	2,505,116	3,466,421	5,033,286		
Capital	913,538	1,212,982	1,273,921	1,589,248	1,601,086	1,970,858	2,239,851		
Compensation	1,076,925	1,189,486	1,457,720	1,630,503	1,887,664	2,029,127	2,164,772		
Non-compensation	3,095,984	3,711,188	4,030,169	6,095,694	6,463,297	8,185,278	10,621,784		
Non-compensation (<i>excl. transfers</i>)	1,873,188	2,215,416	2,651,071	3,548,258	3,958,181	4,718,857	5,588,498		
Non-compensation non-capital (NCNC)	2,182,446	2,498,206	2,756,248	4,506,446	4,862,211	6,214,420	8,381,933		
NCNC (<i>excl. transfers</i>)	959,650	1,002,434	1,377,150	1,959,010	2,357,095	2,747,999	3,348,647		
Total expenditure	4,172,909	4,900,674	5,487,889	7,726,197	8,350,961	10,214,405	12,786,556		
% of total expenditure									
Current	48.8	44.7	51.7	46.5	50.8	46.8	43.1		
Transfers	29.3	30.5	25.1	33.0	30.0	33.9	39.4		
Capital	21.9	24.8	23.2	20.6	19.2	19.3	17.5		
Compensation	25.8	24.3	26.6	21.1	22.6	19.9	16.9		
Non-compensation	74.2	75.7	73.4	78.9	77.4	80.1	83.1		
Non-compensation (<i>excl. transfers</i>)	44.9	45.2	48.3	45.9	47.4	46.2	43.7		
Non-compensation non-capital (NCNC)	52.3	51.0	50.2	58.3	58.2	60.8	65.6		
NCNC (<i>excl. transfers</i>)	23.0	20.5	25.1	25.4	28.2	26.9	26.2		
Nominal growth (%)									
Current		7.6	29.3	26.6	18.3	12.5	15.4	20.8	15.4
Transfers		22.3	(7.8)	84.7	(1.7)	38.4	45.2	27.7	25.5
Capital		32.8	5.0	24.8	0.7	23.1	13.6	20.3	12.1
Compensation		10.5	22.6	11.9	15.8	7.5	6.7	14.8	9.9
Non-compensation		19.9	8.6	51.3	6.0	26.6	29.8	25.3	20.3
Non-compensation (<i>excl. transfers</i>)		18.3	19.7	33.8	11.6	19.2	18.4	23.7	16.3
Non-compensation non-capital (NCNC)		14.5	10.3	63.5	7.9	27.8	34.9	27.3	23.0
NCNC (<i>excl. transfers</i>)		4.5	37.4	42.3	20.3	16.6	21.9	26.9	19.6
Real growth (%)									
Current		2.0	24.3	21.0	12.6	7.4	10.5	15.3	10.1
Transfers		15.9	(11.4)	76.5	(6.4)	32.1	39.0	21.9	19.8
Capital		25.8	0.9	19.2	(4.1)	17.5	8.8	14.8	7.0
Compensation		4.7	17.8	6.9	10.2	2.6	2.1	9.6	4.9
Non-compensation		13.6	4.3	44.5	0.9	20.9	24.2	19.6	14.9
Non-compensation (<i>excl. transfers</i>)		12.1	15.0	27.9	6.2	13.8	13.4	18.1	11.1
Non-compensation non-capital (NCNC)		8.5	6.0	56.2	2.7	22.0	29.1	21.6	17.4
NCNC (<i>excl. transfers</i>)		(1.0)	32.0	35.9	14.5	11.3	16.6	21.1	14.1

The rapid growth in *Non-Compensation* is related to the emphasis government places on stimulating economic growth in the province (through its growth and development projects such as co-operatives, Dube TradePort and the Industrial Development Zone) as well as the provisioning for the Government Employee Medical Scheme.

Capital payments will increase by an average of 7 per cent in real terms per annum between 2005/06 and 2008/09. This increase supports government's effort to reduce backlogs in social and economic infrastructure and create job opportunities through labour intensive programmes.

7.4 Expense by policy area

Table 7.9 shows the summary of expenditure and estimates by policy area, the details of which are shown in Table 1.E of the *Annexure to Budget Statement 1*.

Table 7.9: Summary of expenditure by policy area

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2001/02	Audited 2002/03	Audited 2004/05				2006/07	2007/08	2008/09
				2005/06					
General Public Services	1,164,883	1,271,907	1,460,852	1,562,299	1,912,980	1,929,983	2,077,514	2,432,059	2,897,051
Public Order & Safety Affairs	210,462	247,027	282,964	409,666	418,666	418,666	439,967	475,786	465,219
Education Affairs & Services	10,452,471	12,034,297	13,290,991	14,774,854	15,027,272	15,356,704	16,501,686	18,307,911	19,731,389
Health Affairs & Services	7,371,595	8,028,190	8,699,100	10,108,862	10,142,141	10,021,141	11,435,804	12,468,684	13,491,401
Community & Social Services	429,118	509,870	537,754	830,077	898,363	796,650	889,393	933,616	992,101
Housing & Community (Amenity) Affairs & Services	1,140,078	1,332,153	1,254,245	1,328,522	1,312,541	1,312,541	1,653,474	1,963,508	2,134,746
Recreational, Cultural & Religious Affairs & Services	110,195	111,032	171,263	254,820	252,155	252,155	299,703	342,401	373,589
Agricultural Affairs & Services	459,320	499,435	657,533	673,408	744,647	749,234	872,493	1,004,608	1,098,943
Transportation & Communication Affairs & Services	923,220	1,267,676	1,456,779	1,744,759	1,817,144	1,817,144	1,930,109	2,316,096	2,750,809
Other Economic Affairs & Services	167,899	174,907	202,994	1,114,658	1,253,558	1,253,558	1,091,467	1,687,940	3,074,837
Total	22,429,241	25,476,494	28,014,475	32,801,925	33,779,467	33,907,776	37,191,610	41,932,609	47,010,085

The above table shows that the largest portion of the provincial budget is spent on Education Affairs and Services which is set to grow from R16,5 billion to R19,7 billion over the 2006/07 MTEF period – an indication of the provinces strategy to develop human capability. The second largest category is Health Affairs and Services, which is set to increase from R11,4 billion to R13,4 billion over the same period. There is also positive growth in the categories Transportation and Communication Affairs and Services, and Housing and Community Affairs and Services.

The spending on Community and Social Services is lower than to be expected due to the social security function now being a national function and no longer part of the provincial budget. The amount remaining is in respect of social welfare services and development.

On the whole, expenditure in all policy areas increases over the forthcoming MTEF, indicating the provincial government's policy intervention to achieve its broad objectives and responsibilities.

7.5 Infrastructure expense

Trends in Infrastructure Expense

Table 7.10 below shows a summary of provincial expenditure on infrastructure in terms of capital projects and maintenance projects (current expenditure). Under the category *Capital*, expenditure and estimates are divided into four sub-categories, namely *New constructions*, *Rehabilitation/upgrading*, *Other capital projects* (e.g. provision of water, electricity, sanitation, fencing etc.), and *Infrastructure transfer*. The latter category refers to transfers of funding to municipalities and public entities for infrastructure projects. For example, funding for the construction of sport and recreation facilities under the Department of Sport and Recreation is classified under this category.

Table 7.10: Summary of infrastructure expenditure and estimates

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2002/03	Audited 2003/04	Audited 2004/05				2006/07	2007/08	2008/09
				2005/06					
Capital	2,100,771	2,644,687	2,522,562	3,290,271	3,667,602	3,434,041	4,038,442	5,198,205	7,083,843
New constructions	489,349	621,277	567,904	1,076,143	1,292,606	1,079,520	1,217,953	1,466,369	1,661,152
Rehabilitation/upgrading	754,338	1,023,231	1,102,510	1,241,728	1,309,633	1,295,232	1,443,746	1,721,553	1,899,135
Other capital projects	279,647	265,994	262,629	388,899	299,619	293,545	318,742	354,202	383,301
Infrastructure transfer	577,437	734,185	589,519	583,501	765,744	765,744	1,058,001	1,656,081	3,140,255
Current	140,119	244,593	591,453	799,121	813,023	871,967	812,876	929,356	1,200,348
Total	2,240,890	2,889,280	3,114,015	4,089,392	4,480,625	4,306,008	4,851,318	6,127,561	8,284,191

Expenditure on infrastructure is expected to more than triple over the period under review, from R2,2 billion in 2002/03 to R8,3 billion in 2008/09. This positive growth in infrastructure spending is a clear indication of government's commitment to improving social infrastructure in the province. The advantage of increasing infrastructure spending does not only relate to improved service delivery, but also gives rise to job creation, income generation as well as poverty alleviation.

Table 7.11 below shows a summary of infrastructure expenditure and estimates by vote. Noticeable increases over the 2006/07 MTEF can be seen in the budgets of the Departments of Transport, Health, Housing, Local Government and Traditional Affairs, Education and Economic Development.

Table 7.11: Summary of infrastructure expenditure and estimates by vote

R000	Outcome			Main Budget	Adjusted Budget 2005/06	Estimated actual	Medium-term estimates		
	Audited 2002/03	Audited 2003/04	Audited 2004/05				2006/07	2007/08	2008/09
1. Premier	-	-	-	-	-	-	-	-	-
2. Provincial Parliament	1,000	1,045	17,094	244	13,575	13,552	2,921	883	630
3. Agriculture and Environmental Affairs	54,387	45,553	45,342	45,628	83,412	83,412	59,345	87,699	94,768
4. Economic Development	-	-	-	-	-	-	20,000	290,000	1,600,000
5. Education	262,607	448,278	418,469	739,286	854,286	742,866	807,243	867,228	890,724
6. Provincial Treasury	-	-	-	-	-	-	-	-	-
7. Health	324,009	347,492	425,842	728,609	796,947	796,947	916,307	1,082,058	1,344,547
8. Housing	755,407	912,305	741,092	783,466	790,065	790,065	1,048,376	1,310,555	1,439,900
9. Community Safety and Liaison	-	-	-	-	-	-	-	-	-
10. The Royal Household	1,385	1,542	1,794	2,000	2,000	2,000	2,000	1,678	2,140
11. Local Government and Traditional Affairs	18,161	36,917	57,688	11,704	16,680	16,680	42,580	118,513	147,743
12. Transport	764,279	1,049,687	1,299,106	1,665,712	1,747,712	1,665,712	1,825,490	2,225,465	2,625,637
13. Social Welfare and Population Development	32,437	11,946	2,237	25,272	25,272	45,792	30,946	28,478	28,693
14. Works	15,579	21,515	87,451	60,904	116,778	115,084	61,710	63,294	63,807
15. Arts, Culture and Tourism	11,639	13,000	17,900	20,067	17,898	17,898	20,075	20,084	20,097
16. Sports and Recreation	-	-	-	6,500	16,000	16,000	14,325	31,626	25,505
17. Reconstruction & Development Programme (RDP)	-	-	-	-	-	-	-	-	-
Total	2,240,890	2,889,280	3,114,015	4,089,392	4,480,625	4,306,008	4,851,318	6,127,561	8,284,191

Infrastructure spending in Transport relates to the construction of new blacktop roads, rural access roads and bridges, as well rehabilitation and/or upgrading of the existing road network. The Department of Education's infrastructure spending will focus on the building of additional classrooms and toilets in existing schools, and the rehabilitation and/or upgrading of existing classrooms and sanitation facilities. Health's infrastructure spending will largely focus on the building of clinics in rural areas, as well as the revitalisation of existing hospitals. The Department of Economic Development's infrastructure spending is specifically for the Dube TradePort project, and the Richards Bay Industrial Development Zone Project. Further details on departmental spending on infrastructure can be found in Budget Statement 2.

Infrastructure Management

Infrastructure Management refers to demand analysis and scheduling, procurement, construction, facilities management and reporting. The focus on infrastructure management by Senior Management in the province has increased in the 2005/06 financial year. The quality of infrastructure plans and reports that are received from the departments has improved significantly compared to previous financial years. There is, however, still a challenge to verify the information that is provided through the reports. In this regard, the Provincial Treasury intends to conduct site visits to infrastructure projects to verify information provided, and also to assess quality and value for money in the projects that are being undertaken.

Infrastructure development and management still faces a number of challenges in the province, including:

- **Quantifying backlogs/determining needs in infrastructure development:** The needs/backlogs relate to new constructions, rehabilitation/upgrading and maintenance. In this regard, Provincial Treasury is continuing with the exercise to determine infrastructure needs (Provincial Infrastructure Statement of Needs – PISN) which was started at the end of the 2003/04 financial year in the Department of Transport. The process will be completed at the end of 2005/06, and thereafter will be rolled out to the other departments in the 2006/07 financial year.
- **Planning for new projects:** In most departments there is no scientific-based method/process of identifying and/or prioritising projects for new constructions. In most cases, the construction or prioritisation of projects is done in an *ad hoc* manner. The PISN is meant to assist in this regard, and so will the Infrastructure Delivery Improvement Programme (IDIP), which is an initiative by National Treasury, together with the Construction Industry Development Board (CIDB) to improve infrastructure delivery in the public sector.

- **Lack of Project Management Capacity:** There is generally a lack of project management capacity in departments, and in the major implementing agent, resulting in delays and bottlenecks in infrastructure delivery. Some client departments have engaged directly with private sector based project managers to fast track the delivery of infrastructure projects. The decision to use alternative implementing agents to deliver infrastructure by some departments has highlighted the serious lack of capacity on the side of departments to manage the programmes/projects under their control. In an effort to address the lack of capacity in the major implementing agent, the Department of Works in the province is going to be part of the roll-out of the Infrastructure Delivery Improvement Programme (IDIP).

Public Private Partnerships (PPP)

There are currently three registered PPP projects in the province, namely:

- The Department of Health – outsourcing of soft line facilities management services in all of its institutions. The Treasury Approval 1 in terms of section 16 of the Treasury Regulations has been granted for this project. However, with the introduction of Supply Chain Management and the provincial priorities of job creation and poverty alleviation through the establishment of co-operatives, the department is currently re-assessing the various service delivery vehicle options.
- The Department of Transport – Plant Hire. This project is currently revisiting the feasibility study undertaken following its presentation to National Treasury.
- The Dube TradePort was initially earmarked as a PPP. However, for various reasons, Cabinet has resolved to fund the project through the fiscus of the MTEF. The master plan for this project is being finalised, and construction will be commencing soon.

Social Welfare and Population Development is exploring the possibility of establishing Secure Care Centres as PPPs. The aim of this project is to provide the rehabilitation to under-age offenders that are convicted and those still awaiting trial. This project is in the process of registration with National Treasury.

The Government Precinct is at the conceptual stage where the relevant role-players have now agreed to the memorandum of understanding to equip a team to undertake the necessary feasibility study, which will inform the location of the precinct.

There are a number of additional projects currently being reviewed which focus on the cultural, eco-tourism and heritage aspects both at municipal and provincial level, which will further enhance the initiatives undertaken to make KwaZulu-Natal the number one destination. In addition, Centres of Excellence are being explored which will encourage the development of engineering and science related skills. This will address the shortages in these specialised fields and provide additional working opportunities for the youth

7.6 Transfers to Public Entities

Table 7.12 below shows the summary of provincial transfers to public entities by department. In total, transfers to public entities are set to increase from R316,1 million in 2002/03 to R544,7 million in 2006/07 and to R668,7 million in 2008/09. The Adjusted Budget in 2005/06 reflects a decrease of R18,6 million, mainly due to a reduction in the allocation for Amafa aKwaZulu-Natali. This is in line with a decision taken to reimburse Amafa aKwaZulu-Natali on a claim back basis for work done, rather than a transfer payment. In 2006/07, Ithala will receive R144,8 million, reflecting an increase of R129,2 million from R15,6 million in 2005/06. The increase over the MTEF is as a result of increased funding for the implementation of government's growth and development programmes. Transfer to *Ezemvelo* KZN Wildlife increases gradually from R284,7 million in 2006/07 to R319,9 million in 2008/09. This entity receives the lion's share of total provincial transfers to public entities, as it is the only entity that performs nature conservation function in the province.

The KwaZulu-Natal Gambling Board shows a significant increase over the MTEF, due to additional funds for operational costs. In line with the decision to phase-out the KwaZulu-Natal Taxi Council and Mjindi

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Farming (Pty) Ltd, both entities will be discontinued in 2007/08. Regarding Umsekeli, the decision to phase-out the entity as a provincial public entity necessitated the discontinuation of the transfer in 2006/07.

Table 7.12: Summary of provincial transfers to public entities by department

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited	Audited	Audited				2006/07	2007/08	2008/09
	2002/03	2003/04	2004/05						
					2005/06				
Vote 1 - Office of the Premier	16,169	16,750	15,200	38,834	15,834	15,834	29,134	37,385	39,740
Amafa aKwaZulu-Natali	7,623	10,000	10,200	33,644	10,644	10,644	17,283	18,147	19,291
Kwa-Zulu Natal Gambling Board	8,546	6,750	5,000	5,190	5,190	5,190	11,851	19,238	20,449
Vote 3 - Agriculture and Environmental Affairs	208,872	226,641	244,228	271,508	275,880	275,880	286,853	298,991	319,920
Ezemvelo KZN Wildlife	203,832	222,401	239,819	269,408	269,408	269,408	284,753	298,991	319,920
Mjindi Farming (Pty) Ltd	5,040	4,240	4,409	2,100	6,472	6,472	2,100	-	-
Vote 4 - Economic Development	18,000	16,000	28,447	15,634	15,634	15,634	144,849	192,233	221,918
Ithala Development Finance Corporation	18,000	16,000	27,447	15,634	15,634	15,634	144,849	192,233	221,918
KZN Tourism Authority	-	-	1,000	-	-	-	-	-	-
Vote 9 - Community Safety and Liaison	238	-	-	-	-	-	-	-	-
KZN Peace Office	238	-	-	-	-	-	-	-	-
Vote 11 - Local Government & Traditional Affairs	19,914	23,158	19,600	19,900	19,900	19,900	2,500	2,625	2,700
Provincial Planning and Dev. Commission	2,314	2,558	2,000	2,300	2,300	2,300	2,500	2,625	2,700
Umsekeli Municipal Support Services	17,600	20,600	17,600	17,600	17,600	17,600	-	-	-
Vote 12 - Transport	2,030	5,265	5,600	5,800	5,800	5,800	5,900	-	-
KwaZulu-Natal Taxi Council	2,030	5,265	5,600	5,800	5,800	5,800	5,900	-	-
Vote 15 - Arts, Culture and Tourism	50,882	66,882	65,948	74,068	74,068	74,068	75,523	79,149	84,479
The Playhouse Company	-	5,000	-	5,000	5,000	5,000	3,000	3,000	3,000
KZN Tourism Authority	34,000	45,000	49,066	52,186	52,186	52,186	54,796	57,536	61,563
Natal Sharks Board	16,882	16,882	16,882	16,882	16,882	16,882	17,727	18,613	19,916
Total	316,105	354,696	379,023	425,744	407,116	407,116	544,759	610,383	668,757

7.7 Transfers to other entities

Table 7.13 below shows the summary of provincial transfers to non-listed entities by vote. A total of six departments make transfers payments to these entities over the 2006/07 MTEF period, details of which are provided within each department's chapter in Budget Statement 2.

Table 7.13: Summary of departmental transfers to other entities by Vote

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited	Audited	Audited				2006/07	2007/08	2008/09
	2002/03	2003/04	2004/05						
					2005/06				
1. Premier	-	-	-	-	6,000	6,000	-	-	-
3. Agriculture and Environmental Affairs	3,599	22,567	26,810	25,135	33,249	33,249	10,300	11,614	12,543
4. Economic Development	14,671	24,046	34,425	30,000	31,500	31,500	60,000	331,500	1,643,075
5. Education	134,505	272,706	568,458	493,630	504,630	644,109	762,656	806,007	911,508
7. Health	247,007	323,349	121,600	140,794	141,334	141,334	156,372	165,585	177,105
13. Social Welfare and Population Development	134,937	163,795	173,529	243,774	252,404	248,179	261,422	274,298	293,499
15. Arts, Culture and Tourism	9,610	8,240	10,105	10,562	6,343	6,343	10,800	11,291	11,995
Total	544,329	814,703	934,927	943,895	975,460	1,110,714	1,261,550	1,600,295	3,049,725

The total transfers are expected to increase from R1,3 billion in 2006/07 to R1,6 billion in 2007/08 and R3 billion in 2008/09. The transfers by the Department of Education are largely in respect of Section 21 Schools and FET Colleges. The significant increase in 2004/05 is due to the increase in the number of schools obtaining Section 21 status. The transfers by the Department of Economic Development are in respect of Dube TradePort, Richards Bay IDZ and Trade and Investment KZN. The substantial increase is attributed to the increased funding for Dube TradePort. The port is envisaged as a multinodal logistics platform comprising of the King Shaka International Airport, Industrial Development Zone (IDZ) and freight facility, a Cyberport, as well as commercial and associated ventures.

Transfers by Social Welfare demonstrate a gradual increase from R134,9 million in 2002/03 to R293,5 million in 2008/09, largely due to the increasing number of social welfare services institutions. The transfers by the Department of Health reflects an increase from R141,3 million in 2005/06 to R156,4 million in 2006/07, which is attributed to inflation and service delivery pressures, as well as an increase in the allocation to psychiatric day care centres.

7.8 Transfers to local government

Table 7.14 gives a summary of provincial transfers to local government by category. Each year, the local government sphere receives funds for various purposes from provincial departments. The MFMA makes certain key provisions on the chapter of co-operative governance, where it requires national and provincial departments to provide municipalities with details of multi-year transfers to municipalities, to facilitate improved budgeting, planning, and cash flow management within municipalities. Section 36 (2) of the MFMA states that the MEC for Finance in a province must, when tabling the provincial annual budget in the legislature, make known particulars of any allocations due to each municipality in terms of that budget, including the amount to be transferred to the municipality during each of the next three financial years.

The current Budget Statements give a comprehensive detail of departmental transfers to municipalities, indicating transfers per department and per grant type to each municipality. This information is presented in the tables below, in the *Annexure to Budget Statement 1*, and in the detailed departmental information provided in Budget Statement 2. Table 1.G (i) (ii) (iii) details individual grants intended to municipalities by transferring department, over the MTEF.

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

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2002/03	Audited 2003/04	Audited 2004/05				2005/06	2006/07	2007/08	2008/09
Category A	31,041	54,021	40,866	63,317	72,395	70,564	52,505	92,286	137,642
Category B	79,806	106,261	97,332	82,301	155,678	155,646	106,283	69,505	77,423
Category C	55,870	53,284	93,440	58,486	69,434	71,769	94,262	102,961	117,395
Unallocated	29,425	21,608	6,557	50,914	2,703	3,667	51,025	51,391	28,255
Total	196,142	235,174	238,195	255,018	300,210	301,646	304,075	316,143	360,715

The Constitution of the Republic of South Africa defines municipal categories as follows. Category A, refers to a municipality having exclusive municipal executive and legislative authority within its area. These municipalities are commonly known as ‘metropolitan’ areas. In this province the only metropolitan is eThekweni. As indicated in the table above, eThekweni is set to receive R52,5 million in 2006/07 going up to R137,6 million in 2008/09.

Category B, (or as ‘local municipality’) refers to a municipality that shares municipal executive and legislative authority within its area, with a Category C (defined below) municipality within whose area it falls. Over the past years, allocation to Category B municipality has increased from R79,8 million in 2002/03 to R155,6 million in 2005/06. In the 2006/07 MTEF, this trend fluctuates, showing a decline in 2007/08 and an increase in the last year of the MTEF.

Category C (or ‘district municipality’) refers to a municipality having municipal executive and legislative authority in an area that includes more than one municipality. Allocation to Category C municipality has increased consistently over the past years, from R55,8 million in 2002/03 to R69,4 million in 2005/06. In 2005/06, expenditure on transfers to this category is projected to reach R71,8 million. In the current MTEF, allocation to this category is expected to increase gradually from R94,2 million in 2006/07 to R117,4 million in 2008/09.

Table 7.15 presents a summary of provincial transfers to local government by vote over the MTEF. In 2006/07, the province will transfer a total of R304,1 million to local government. The bulk of this will come from Local Government and Traditional Affairs in the form of grants to municipalities (accounting for more than 50 per cent of the total provincial transfers). In 2006/07, this department has set aside R27,9 million in respect of infrastructure provision for soccer stadia. This allocation is set to increase to R80,1 million in 2007/08 and R125,5 million in 2008/09. The allocation for Projects Consolidate is at this stage not allocated to specific municipalities and is therefore not included in the detailed table in the *Annexure to Budget Statement 1*. Other transferring departments include Health, whereby the bulk of the transfers are earmarked towards clinics. It is envisaged that transfers by Health will decline over the MTEF, from R76,9 million in 2006/07 to R44,2 million in 2008/09. This is as a result of the provincialisation of municipal clinics, with the exception of eThekweni.

Other main transferring departments include the Department of Transport, which will transfer R42,5 million, the Department of Arts, Culture and Tourism R59,7 million and the Department of Sports and Recreation R 68,5 million, over the 2006/07 MTEF period.

During the medium-term, provincial transfers to local government will maintain a steady increase from R304,1 million in 2006/07 to R316,1 million in 2007/08 and R360,7 million in 2008/09. The substantial increase in the last year of the MTEF is largely attributed to the allocation for the provision of infrastructure for soccer stadia.

Table 7.15: Summary of departmental transfers to local government by department and grant type

	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited	Audited	Audited						
	2002/03	2003/04	2004/05	2005/06			2006/07	2007/08	2008/09
R000									
Regional Service Council Levy - All departments	50,401	67,862	52,536	64,525	61,692	61,957	17,535	-	-
Vote 1 - Office of the Premier	944	1,063	864	810	1,430	1,394	1,112	1,183	1,266
Museums Services	944	1,063	864	810	810	774	1,112	1,183	1,266
Property rates	-	-	-	-	620	620	-	-	-
Vote 3 - Agriculture and Environmental Affairs	787	1,031	750	1,905	1,905	1,905	1,190	1,241	1,328
Cleanest Town Competition	787	250	750	1,905	1,905	1,905	1,190	1,241	1,328
Buyback and recycling centres	-	781	-	-	-	-	-	-	-
Vote 7 - Health	48,104	52,456	55,657	65,983	72,877	72,877	76,971	41,336	44,229
Clinics	44,034	47,997	53,746	60,805	67,922	67,922	73,250	37,422	40,041
Environmental Health	1,866	1,853	1,911	2,252	2,029	2,029	2,390	2,516	2,692
HIV and AIDS	2,204	2,606	-	2,926	2,926	2,926	1,331	1,398	1,496
Vote 11 - Local Government & Traditional Affairs	78,395	90,798	105,747	86,521	111,977	111,917	153,767	201,791	247,461
Municipal Dev. Information Systems Support	4,615	6,000	5,700	5,800	6,150	6,150	6,228	5,701	6,395
Municipal Performance Management System	-	-	-	2,330	2,330	2,330	2,503	3,015	3,920
Municipal Dev. Plan Capacity Building Grant	-	-	-	4,740	4,740	4,740	5,300	5,340	5,300
Integrated Development Planning Support Grant	11,475	11,205	9,335	3,000	3,000	3,000	2,775	2,764	3,050
Spatial Planning Grant	-	-	7,980	1,930	3,530	3,530	1,342	1,696	1,400
Dev. Admin Capacity Building Grant	-	1,950	1,850	2,366	2,366	2,366	2,448	2,536	2,460
Provincial Management Assistance Programme	9,309	-	12,292	15,355	20,794	20,734	18,200	10,524	8,909
Shared Service Centres	-	500	3,000	1,500	3,000	3,000	6,000	4,500	20,000
Property Rates Act & Valuation Roll	-	-	2,020	7,100	7,100	7,100	4,400	6,600	8,800
MFMA: Monitoring & debt management support	-	-	4,980	8,400	8,400	8,400	-	5,600	13,850
Technical support & Infrastr. backlogs & MIP's	3,700	10,765	5,926	1,560	1,560	1,560	20,098	25,070	31,027
Water Service Delivery Plan. and Mechanisms	-	17,513	7,905	7,440	7,440	7,440	4,400	3,670	-
Disaster Management	-	-	7,900	-	-	-	5,000	3,000	3,200
Energy sector planning & integration with RED's	-	-	-	-	-	-	4,700	1,850	-
Good Gov., Org. Structure; Public Participation	-	-	3,895	25,000	-	-	15,573	11,850	12,600
Integrated Dev. Infrastructure Capacity Building	-	-	-	-	-	-	900	900	1,000
Infrastructure provision for soccer stadia	-	-	-	-	-	-	27,900	80,100	125,550
Project Consolidate	-	-	-	-	41,567	41,567	26,000	27,075	-
Discontinued grants	49,296	42,865	32,964	-	-	-	-	-	-
Vote 12 - Transport	239	2,244	18	15,374	14,374	15,996	14,522	14,000	14,000
Municipal Transport Authority Board (MTAB)	-	2,000	-	15,000	14,000	15,000	14,000	14,000	14,000
Maintenance - Main Roads	239	244	18	374	374	996	522	-	-
Vote 14 - Works	5,633	6,720	4,723	-	5,955	5,600	6,253	6,566	7,026
Property Rates	5,633	6,720	4,723	-	5,955	5,600	6,253	6,566	7,026
Vote 15 - Arts, Culture and Tourism	11,639	13,000	17,900	19,900	15,500	15,500	19,900	19,900	19,900
Library Services	11,639	13,000	17,900	19,900	15,500	15,500	19,900	19,900	19,900
Vote 16 - Sports and Recreation	-	-	-	-	14,500	14,500	12,825	30,126	25,505
Infrastructure dev. for Sport & Recreation	-	-	-	-	14,500	14,500	12,825	30,126	25,505
Total	196,142	235,174	238,195	255,018	300,210	301,646	304,075	316,143	360,715

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

The Municipal Finance Management Act (MFMA) replaced the antiquated system of local government finances inherited from the previous ‘rules-bound’ dispensation. While the former regime focussed on rules and procedures, the MFMA focuses on forward, long term strategic planning and outcomes based budgeting. This is especially evident in areas of budget preparation where the single year, line item budgeting – which was a common feature of the previous practices – has been replaced by multi-year outcomes based budgeting.

The MFMA aims to modernise budget and financial practices at all spheres of government, thereby facilitating effective service delivery at the local government sphere.

The MFMA seeks to promote a ‘government for the people, by the people’ ideology with communities and residents playing an ever pivotal role in service delivery. For example, during the budget preparation process, Section 21 of the MFMA requires communities and residents within the municipal jurisdiction to be part of the Budget and Integrated Development Planning (IDP) processes. The concerns of the broader community need to be incorporated in the planning processes of municipalities and the resources of the municipalities need to be directed towards the concerns raised by the community. Officials within municipalities can no longer work in isolation and without considering the views of the communities that they serve. Communities are also afforded the privilege of monitoring the performance of the approved budgets and IDPs of municipalities.

Another area requiring active community participation is Section 14 of the MFMA. Municipalities must involve communities when they consider disposing of municipal capital assets, especially when the assets form part of the service delivery of that municipality. Municipal managers are expected to solicit recommendations and information from the communities they serve, before they consider disposing of a capital asset. These recommendations must form part of the brief to the municipal council, before the council can decide on such matters.

Therefore the MFMA provides a unique opportunity for all communities to become part of municipal processes and ensure that they receive maximum benefit. The strategy of the current government is to ensure that the people of South Africa are involved in all processes of government and to evaluate the performance of any elected government.

Over and above a ‘people led’ government, the MFMA has also revolutionised and transformed the way government, and specifically local government, will undertake their mandated functions. Some of the key budget reforms encapsulated within the MFMA are:

- Forward looking, multi-year budgets with strategic focus;
- Empowered council to implement policies;
- Improved integration of budget and planning processes;
- New budget process timetable with earlier adoption of budgets by council and earlier audits of Annual Financial Statements (AFS);
- Improved in-year reporting according to vote and function (move away from line-item budgets);
- Improved financial management information;
- Service Delivery and Budget Implementation Plans (SDBIP) developed and approved with budgets;
- New accounting standards and format (i.e. Standard Chart of Accounts or SCoA);
- Improvements to procurement and SCM policies and processes;
- Establishment of audit committees and oversight process reforms;
- Mechanisms for resolution of financial problems and misconduct; and
- Focus on performance measurement and competency levels.

Although the MFMA has been implemented in South Africa since July 2004, during the middle of 2005 an important milestone was reached in terms of its implementation. National Treasury delegated the oversight, monitoring and ultimate implementation of the MFMA to Provincial Treasuries throughout the 9 provinces in South Africa. A total of 53 municipalities were delegated to the KwaZulu Natal Provincial Treasury on 1 July 2005. This meant that the Provincial Treasury became ultimately responsible for the effective implementation of the MFMA within these 53 municipalities in the province on this date. The remaining eight municipalities⁹ have been retained by National Treasury, based on certain criteria. The table below reflects the delegated municipalities. While the Provincial Treasury will be actively involved in the implementation of the MFMA within the delegated municipalities, they may offer assistance to other municipalities at the request of either the municipality or National Treasury.

List of Municipalities Delegated

Umhlabuyalingana	Jozini
Vulamehlo	The Big 5 False Bay
Umdoni	Hlabisa
Umzumbe	Mtubatuba
uMuziwabantu	Umkhanyakude District Municipality
Ezingolweni	eDumbe
Hibiscus Coast	uPhongolo
Ugu District Municipality	Abaqulusi
uMshwathi	Nongoma
uMngeni	Ulundi
Mpofana	Zululand District Municipality
Impendle	eNdongakusuka
Mkhambathini	KwaDukuza
Richmond	Ndwedwe
Utrecht	Maphumulo
Dannhauser	Ingwe
Amajuba District Municipality	Kwa Sani
Endumeni	Matatiele *
Nquthu	Kokstad
Usinga	Ubuhlebezwe
Umvoti	Sisonke District Municipality
Umzinyathi District Municipality	Mbonambi
Indaka	Ntambanana
Umtshezi	Umlalazi
Okhahlamba	Mthonjaneni
Imbabazane	Nkandla
Uthukela District Municipality	

* Matatiele will be replaced by Uzinkhulu Municipality after 01 March 2006

According to National Treasury's circular¹⁰, any requests for policy advice should continue to be directed to the National Treasury, while the Provincial Treasuries will perform all oversight and administrative roles. These range from rendering advice and support, training and issuing guidelines, developing processes and procedures, responding to enquiries and monitoring and implementing the MFMA. Specific roles include:

- Quarterly reviews of MFMA implementation plans, the 12 urgent implementation priority checklist and other returns;
- Ensuring ongoing compliance with MFMA reforms and monitoring progress against planned outputs;
- Consultations and visits to municipalities;
- Evaluation of content and quality of budget reporting required from municipalities;
- Monitoring the linking of budgets with IDP, SDBIP and performance contracts of senior managers;

⁹ There is 1 metropolitan and 60 District and Local municipalities in KwaZulu-Natal.

¹⁰ MFMA circular No 20, 16 August 2005.

- Monitoring publications on municipal websites;
- Ensuring that budget return forms are submitted accurately and timeously;
- Consolidating and publishing required in-year reporting, monthly and quarterly reports;
- Receiving copies of the annual financial statements submitted to the Auditor-General for auditing;
- Consulting with municipalities on the quality and content of the annual financial statements and annual reports;
- Monitoring and assisting with training and support in implementing the Supply Chain Management system, PPPs, new Generally Recognised Accounting Practice (GRAP) standards, internal controls and audits; and
- Other related activities in terms of the MFMA.

Importantly, the MFMA does not only afford communities and residents the opportunity to become involved in municipal governance, but indeed the other spheres as well. National and provincial government are expected to play pivotal roles within municipalities. Section 34 of the MFMA states that ‘the national and provincial governments must by agreement assist municipalities in building capacity of municipalities for efficient, effective and transparent financial management’ and ‘the national and provincial governments must support the efforts of municipalities to identify and resolve financial problems’. Indeed, the entire Chapter 5 of the MFMA highlights the need for a co-operative governance framework, where national and provincial governments provide support and assistance to municipalities, predominantly within the area of financial management.

This clearly articulates the roles of both the national and provincial spheres of government in the area of capacity building within the local government sphere. In keeping with this and in terms of implementing the spirit of the MFMA, the Provincial Treasury will use the provincial Budget Statements to help inform municipalities of key and pertinent information.

Often, one of the common criticisms levelled at provincial government by municipalities is provincial government’s lethargy in disclosing provincial conditional grants earmarked for local government. Even in cases where municipalities do become aware of their allocations, it is often too late within their budget preparation processes. This ultimately renders municipal budgets superficial and non-credible, as the sources of income flowing into a municipality are often missing or understated.

The budget preparation process as determined by Section 16(2) of the MFMA states that municipalities are expected to table their draft budgets by no later than 90 days before the start of the municipal financial year¹¹. This means that all municipalities need to submit their draft budgets to the Provincial Treasury early in April every year. It must be emphasised that, at this stage, the budgets are still in draft form and municipalities have 90 days in which to finalise their budgets.

However, even as a draft budget, these budgets submitted to the Provincial Treasury must be relatively accurate. This means that municipalities should be aware of their provincial allocations before the end of March each year, if they are to correctly reflect their provincial allocations. Consequentially, this implies that the Provincial Treasury should, at the very latest, inform all municipalities of their expected grants by the end of March.

Fortunately, through the synchronisation of the provincial and municipal budget preparation cycles and by the use of the provincial Budget Statements, the arduous task of informing each and every municipality of the allocation throughout the MTEF can be achieved. The provincial Budget Statements lists each and every provincial grant earmarked for individual municipalities over the MTEF period. The provincial Budget Statements should therefore be viewed by municipalities as a vital source of information during their budget preparation phase. Ideally, municipalities should source the Budget Statements for a complete and accurate listing of all provincial grants earmarked for local government.

¹¹ Except in the case of a municipal election year where the draft budget needs to be prepared 120 days before the start of the municipal financial year (National Treasury Circular 19)

It must also be stressed that, given that these provincial allocations are presented for the MTEF period, the problem of municipalities being unaware of the provincial allocations is circumvented. For example, the 2005/06 Budget Statements provided a complete listing of all 2006/07 provincial grants earmarked for municipalities. Similarly, the 2006/07 Budget Statements will provide a complete list of provincial grants to local government for the current 2006/07 MTEF period, and municipalities can no longer claim that they were unaware of the provincial allocations. Further, by providing municipalities a list of grants over the MTEF period, municipalities can also, in turn, prepare multi-year budgets.

Municipalities can thus plan, table and present their draft budget using the Budget Statement by the start of April, and once the Provincial Legislature approves the provincial budget, these draft budgets can then be finalised (in terms of provincial allocations) during the 90 day window period mentioned above. In fact, the Provincial Legislature normally approves the provincial budget well before the end of March each year, thus ensuring that municipalities have ample time to amend their budgets if needs be.

9. SUMMARY OF MAIN SERVICE DELIVERY MEASURES

As in previous years, service delivery information has been included in the Budget Statements. Tables 9.1 to 9.5 below summarise the main service delivery information for the Departments of Health, Education, Housing, Social Welfare and Transport, detailing performance measures and targets. The intention of including such information is to improve the transparency of the budget, and provide a basis for holding the provincial government accountable for its use of public resources.

As was mentioned in last year's Budget Statements, performance budgeting, which relies heavily on measurable targets and performance measures, will receive increasing prominence in the 2006/07 MTEF. Two of the province's major departments, namely Health and Transport, will go "on-line" on a comprehensive performance based budgeting system (PBS) by 1 April 2006, with five more departments to follow by 1 April 2007.

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

The tables below reflect the expected outputs, performance measures and targets pertaining to the projected service delivery of the major service-orientated provincial departments during the 2005/06 MTEF. In general, departments have shown in these performance measures that targets are being raised on the previous years' estimates. It is of concern that, in some instances, targets appear to be lower in 2006/07 than is expected to be achieved in 2005/06. This may be due to the fact that the estimated actual for 2005/06 exceeds the original targets set a year ago, and these figures are not included here for analysis. Departments are, however, encouraged to build on the measures achieved in the previous year in setting their goals for the coming year.

Table 9.1: Health output measures

Output type	Performance measures	Performance targets	
		2005/06 Est Actual	2006/07 Estimate
District Health Services			
1. Community Health Clinics:			
To provide facilities for patients to be treated at primary health care level	Number of headcounts	19,000,000	20,655,535
2. Community Health Centres:			
To provide facilities for patients to be treated at primary health care level.	Number of headcounts	2,589,921	2,795,684
3. HIV and AIDS			
To render primary health care services mainly related to the prevention and treatment of HIV and AIDS			
(a) Voluntary Testing and Counselling	Number of sites available	703	703
(b) Distribution of condoms	Number of condoms distributed	23 million	49,5 million
(c) Prevention of Mother to Child Transmission	<ul style="list-style-type: none"> • % of all pregnant women using state services • % of state facilities which offer PMTCT services 	90	90
(d) Antiretroviral therapy	Number of patients treated	29,000	45,900
4. District Hospitals:			
To provide for patients who require admission to a hospital for treatment at a general practitioner level.	<ul style="list-style-type: none"> • No. of admissions (new) • No. of outpatient headcounts (previously in admissions) 	326,425	377,775
		1,849 million	2,910 million
Provincial Hospital Services			
1. General Hospitals			
To provide hospital facilities for patients requiring treatment at specialist level.	<ul style="list-style-type: none"> • No. of admissions (new) • No. of outpatient headcounts (previously in admissions) 	346,156	322,865
		3,087 million	3,064 million
2. Tuberculosis Hospitals			
To provide hospital facilities for patients who require treatment for tuberculosis.	No. of admissions	8,000	10,196
3. Psychiatric Hospitals			
To provide hospital facilities for patients requiring mental health care.	Number of admissions	6,000	6,215
4. Chronic Medical Hospitals			
To provide hospital facilities for patients requiring long-term care	No. of patient days	771,400	810,000

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Table 9.1: Health output measures

Output type	Performance measures	Performance targets	
		2005/06 Est Actual	2006/07 Estimate
5. Dental Training Hospitals			
To provide hospital facilities for dental health care and to provide training for dental personnel.	<ul style="list-style-type: none"> Number of cases to be increased Number of students trained to be maintained 	43,800 86	46,000 86
Central Hospital Services			
To provide facilities and expertise for sophisticated medical procedures	<ul style="list-style-type: none"> No. of admissions No. of outpatient headcounts 	82,100 555,168	90,310 951,262
Health facilities management			
Health facilities management	<ul style="list-style-type: none"> New facilities - number of projects in progress Rehabilitation - number of projects in progress Replacement - number of projects in progress Upgrading - number of projects in progress 	166 18 15 96	216 13 33 118

Table 9.2: Education output measures

Output type	Performance measures	Performance targets	
		2005/06 Est. Actual	2006/07 Estimate
Public Ordinary School Education			
Public Primary Schools			
1. To provide educators in accordance with the PPN	<ul style="list-style-type: none"> Number of educators Learner: educator ratio 	47 317 34.0:1	48 357 32.4:1
2. To provide spaces for learners according to policy	Number of spaces provided	1.6 million	1.6 million
3. To provide basic infrastructure as per the budget allocated	<ul style="list-style-type: none"> Number of classrooms built Number of new toilets built Learner : Classroom ratio % of school with water supply % of capex budget spent on maintenance 	1 192 1 810 39.6:1 74% 25%	1 050 1 500 39.6:1 72% 35%
4. To ensure that the flow of learners is optimal	<ul style="list-style-type: none"> Repetition rate Dropout rate 	5.5% 3%	5.9% 4%
5. To foster the culture of effective learning and teaching	<ul style="list-style-type: none"> % learner days lost due to learner absenteeism % worker days lost due to educator absenteeism 	2% 3%	2.5% 6%
6. To attain the highest possible educational outcomes among learners	<ul style="list-style-type: none"> % of learners in Grade 3 attaining acceptable outcomes in numeracy, literacy, and life skills % of learners in grade 6 attaining acceptable outcomes 	95% 95%	94% 94%
Public Secondary Schools			
1. To provide educators in accordance with the PPN	<ul style="list-style-type: none"> Number of educators Learner: educator ratio 	29 576 33.8:1	27 365 32.4:1
2. To provide spaces for learners according to policy	Number of spaces provided	1 million	1.3 million
3. To provide basic infrastructure as per budget allocated	<ul style="list-style-type: none"> Number of classrooms built Number of new toilets built Learner: classroom ratio % of school with water supply % of capex budget spent on maintenance 	308 690 37.8:1 74% 25%	700 1 000 35:1 72% 35%
4. To ensure that the flow of learners is optimal	<ul style="list-style-type: none"> Repetition rate Dropout rate 	15% 7%	17% 7.9%
5. To foster the culture of effective learning and teaching	<ul style="list-style-type: none"> % learner days lost due to learner absenteeism % worker days lost due to educator absenteeism 	5% 3%	4% 3%
6. To attain the highest possible educational outcomes among learners	<ul style="list-style-type: none"> % of learners in Grade 9 attaining acceptable educational outcomes Pass rate in Grade 12 examinations % of schools with grade 12 pass rate less than 40% 	86% 79% 8%	82% 70.3% 9.5%
7. To provide laboratories for schools	% of schools with functioning laboratories	60%	63%
Public Special School Education			
1. To provide spaces for learners in special/full service schools according to principles of inclusive education	Number of learners in special/full service schools	12 548	12 900
2. To mobilise out-of-school disabled youth to return to school	% increase in the no. of disabled youth in public special schools	2.5%	3.7%
Further Education & Training			
1. To provide an increased number of spaces in FET institutions	<ul style="list-style-type: none"> % of learners enrolled in FET institution Number of full time equivalent enrolments in FET institutions 	90% 65 000	90% 70 000
2. To promote the participation of previously marginalised groups in public FET institutions	% of population aged 15-17 attending schools and other institutions	44%	50%
3. To provide relevant and responsive quality FET learning opportunities	% success rate per level	60.5%	65.5%

Table 9.3: Housing output measures

Output type	Performance measures	Performance targets	
		2005/06 Est Actual	2006/07 Estimate
Project Management			
1. Housing delivery	<ul style="list-style-type: none"> No. of projects approved in terms of Provincial Housing Development Plan Informal Settlement upgrade/Slum clearance projects approved No of rural projects approved No of Greenfields projects approved No of farm worker projects approved No of Rental Housing projects approved No of AIDS Housing projects approved No. of subsidies approved No. of houses built in terms of Project Development Programme No. of services completed % of compliance with the norms and standards No of projects provided with social and economic amenities 	45 8 32 2 0 0 3 25 000 21 000 20 000 100% 2	50 20 12 7 3 4 33 000 30 000 35 000 100% 4
2. Project initiation and facilitation of new projects	No. of subsidies	20 000	22 000
3. Human Settlement Redevelopment Programme	<ul style="list-style-type: none"> No. of projects completed 	48	-
Property Management			
1. To provide maintenance of lease units	No. of housing units maintained	6000	6000
2. Management of lease and sale of units	No. of Discount Benefit subsidies granted	7 000 cases	10 000 cases
3. Transfer of assets to local authorities	No. of units transferred to local authorities	0 units	1 000 units
4. Rental Tribunal Administration	<ul style="list-style-type: none"> No. of complaints attended to 	1 200	1 200

Table 9.4 Social Welfare output measures

Output type	Performance measures	Performance targets	
		2005/06 Est. Actual	2006/07 Estimate
Social Assistance Grants			
Payments of grants to all qualifying customers	No of beneficiaries eligible for payment <ul style="list-style-type: none"> Old Age War Veterans Disability Grant-in-aid Foster Care Care Dependency Child Support Grant Child Support Grant Extension (7 – 13 years) 	429,598 501 378,989 6,179 59,513 23,261 911,092 437,785	437,331 428 404,396 6,797 67,260 25,587 1,056,519 508,694
Social Welfare Services			
1. Treatment and prevention of substance abuse	<ul style="list-style-type: none"> Number of subsidies for the year Number of state institutions Number of state social work posts 	13 2 30	142 2 56
2. Care of the older persons	<ul style="list-style-type: none"> Number of subsidies for the year Number of state institutions Number of state social work posts 	269 1 20	300 1 30
3. Crime prevention and support	<ul style="list-style-type: none"> Number of subsidies for the year Number of state institutions Number of state social work posts 	21 2 50	25 2 75
4. Service to persons with disabilities	<ul style="list-style-type: none"> Number of subsidies for the year Number of state institutions Number of state social work posts 	78 2 20	80 2 30
5. Child and family care and protection	<ul style="list-style-type: none"> Number of subsidies for the year Number of state institutions Number of state social work posts 	1 018 8 250	1 100 8 355

Table 9.5 Transport output measures

Outputs	Performance Measures	Performance targets	
		2005/06 Est. Actual	2006/07 Estimate
Roads			
Surfaced Roads			
1. Rehabilitation of surfaced roads	<ul style="list-style-type: none"> No. of square meters: Light and heavy rehabilitation No. of square meters: Tarred roads resealed No. of square meters: Blacktop patching 	660 000 650 000 90 000	660 000 1 000 000 120 000
2. Upgrade to surfaced roads	<ul style="list-style-type: none"> Kilometres upgraded: Gravel to blacktop Kilometres constructed: New blacktop 	77 5	76 1
Gravel Roads			
3. Construct local access roads	<ul style="list-style-type: none"> Kilometres of local roads constructed Kilometres constructed using labour based construction 	525 60	550 33
4. Maintain local roads - <i>Zimbabwe</i>	Kilometres maintained using <i>Zimbabwe</i> contractors	17 600	20 100
5. Maintain gravel roads	<ul style="list-style-type: none"> Kilometres of road: blading Kilometres of road: betterment and gravelling 	75 000 850	85 000 900
General			
7. Construction of causeways and bridges	<ul style="list-style-type: none"> Number of causeways constructed Number of bridges constructed Number of pedestrian bridges constructed 	41 2 15	49 1 3
9. Remedial safety engineering measures	Number of remedial safety measures	42	40
Traffic Management			
1. Provide a safe road environment through community outreach and development	<ul style="list-style-type: none"> Number of crossing patrols provided Number of learners educated – schools participating Number of adults educated Number of awareness campaigns Number of Community Road Safety Councils (CRSCs) trained 	74 1 200 31 800 21 42	79 1 300 30 000 21 42
2. Overloading control enforcement	<ul style="list-style-type: none"> Number of vehicles weighed Number of weighbridges maintained/calibrated Number of weighbridges constructed 	120 000 13 1	130 000 13 -
3. Promote safe use of public roads	<ul style="list-style-type: none"> Number of hours speed timing activities – manual and automatic Number of vehicles checked in roadblocks Number of kilometres patrolled Number of officers trained 	99 000 15 000 4 500 000 600	99 000 15 000 4 500 000 600

ANNEXURE TO BUDGET STATEMENT 1

Table 1.A: Details of provincial own receipts

R000	Outcome			Main Budget	Adjusted Budget 2005/06	Estimated actual	Medium-term estimates		
	Audited 2002/03	Audited 2003/04	Audited 2004/05				2006/07	2007/08	2008/09
Tax receipts	534,186	643,740	677,051	686,122	719,122	790,583	799,555	839,568	904,199
Casino taxes	71,782	117,475	128,530	122,131	122,131	174,265	163,665	171,848	183,877
Motor vehicle licenses	438,850	496,951	515,828	530,000	563,000	582,333	600,000	630,000	680,000
Horseracing	23,554	25,918	29,002	30,595	30,595	30,589	32,290	33,904	36,277
Other taxes	-	3,396	3,691	3,396	3,396	3,396	3,600	3,816	4,045
Non-tax receipts	497,925	427,575	430,076	397,690	362,690	323,929	338,042	365,324	388,789
Sale of goods and services other than capital assets	167,106	178,048	227,008	247,674	217,674	207,314	227,911	244,575	262,633
Sales of goods and services produced by department	167,102	169,084	208,566	246,292	216,292	206,436	227,037	243,667	261,689
<i>Sales by market establishments</i>	4	-	101	5	5	123	96	102	109
<i>Administrative fees</i>	2,508	1,194	19,109	18,968	17,766	22,298	25,219	27,509	29,862
<i>Other sales</i>	164,590	167,890	189,356	227,319	198,519	184,015	201,720	216,056	231,718
Sales of scrap, waste, arms and other used current goods (excluding capital assets)	4	8,964	18,442	1,382	1,382	878	874	908	944
Fines, penalties and forfeits	21,558	23,758	21,625	28,000	23,000	22,615	25,030	28,030	30,031
Interest, dividends and rent on land	309,261	225,769	181,443	122,016	122,016	94,000	85,101	92,719	96,125
Interest ¹	309,251	225,730	180,735	122,007	122,007	93,944	84,960	92,569	95,971
Dividends	7	-	-	-	-	-	-	-	-
Rent on land	3	39	708	9	9	56	141	150	154
Transfers received from:	-	-	-	-	-	-	-	-	-
Other governmental units	-	-	-	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Households and non-profit institutions	-	-	-	-	-	-	-	-	-
Sales of capital assets	21,634	33,771	19,041	12,549	12,549	9,543	14,661	16,670	18,703
Land and subsoil assets	270	809	7	500	500	-	-	-	-
Other capital assets	21,364	32,962	19,034	12,049	12,049	9,543	14,661	16,670	18,703
Financial transactions	15,330	31,246	43,299	24,054	29,668	44,065	21,554	18,327	14,991
Total provincial own receipts	1,069,075	1,136,332	1,169,467	1,120,415	1,124,029	1,168,120	1,173,812	1,239,889	1,326,682

¹ Includes an amount of R59,091 million for the Housing Fund in 2004/05

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

R000	Outcome			Main Budget	Adjusted Budget 2005/06	Estimated actual	Medium-term estimates		
	Audited 2002/03	Audited 2003/04	Audited 2004/05				2006/07	2007/08	2008/09
Current payments	18,691,752	20,638,081	23,109,549	27,090,403	26,391,505	26,513,728	29,557,912	32,763,292	35,647,768
Compensation of employees	14,847,458	16,092,572	17,889,221	20,113,903	19,710,291	19,666,376	22,053,149	23,713,436	25,509,713
Salaries and wages	12,479,728	13,443,977	13,996,586	16,916,130	16,695,742	16,639,461	18,894,154	20,310,003	21,849,267
Social contributions	2,367,730	2,648,595	3,892,635	3,197,773	3,014,549	3,026,915	3,158,995	3,403,433	3,660,446
Goods and services	3,749,097	4,502,893	5,204,297	6,976,500	6,681,214	6,845,447	7,504,763	9,049,856	10,138,055
Interest and rent on land	-	-	22	-	-	253	-	-	-
Interest	-	-	4	-	-	243	-	-	-
Rent on land	-	-	18	-	-	10	-	-	-
Financial transactions in assets and liabilities	95,197	42,616	16,009	-	-	1,652	-	-	-
Unauthorised expenditure	-	-	-	-	-	-	-	-	-
Transfers and subsidies to:	1,911,766	2,489,966	2,501,317	2,671,467	3,855,996	3,932,481	4,065,809	5,017,837	6,739,034
Local government	196,142	235,174	238,195	255,018	300,210	301,646	304,075	316,143	360,715
Municipalities	190,509	228,454	233,350	255,018	294,255	296,046	297,822	309,577	353,689
Municipal agencies and funds	5,633	6,720	4,845	-	5,955	5,600	6,253	6,566	7,026
Departmental agencies and accounts	121,622	155,502	153,918	183,181	164,366	162,504	161,054	170,436	181,787
Social security funds	437	1,166	13,141	150	163	131	150	158	169
Entities receiving funds	121,185	154,336	140,777	183,031	164,203	162,373	160,904	170,278	181,618
Public corporations and private enterprises	233,840	294,603	312,628	427,356	1,528,222	1,445,647	1,191,174	1,513,841	1,589,393
Public corporations	230,471	265,208	298,623	313,797	1,344,598	1,344,618	1,098,312	1,416,337	1,490,376
Subsidies on production	-	-	-	-	3,565	3,565	-	-	-
Other transfers	230,471	265,208	298,623	313,797	1,341,033	1,341,053	1,098,312	1,416,337	1,490,376
Private enterprises	3,369	29,395	14,005	113,559	183,624	101,029	92,862	97,504	99,017
Subsidies on production	-	-	-	-	-	-	-	-	-
Other transfers	3,369	29,395	14,005	113,559	183,624	101,029	92,862	97,504	99,017
Foreign governments and international organisations	-	-	-	-	961	1,034	862	905	951
Non-profit institutions	539,162	801,136	920,584	914,557	952,436	1,098,241	1,248,064	1,585,230	3,033,935
Households	821,000	1,003,551	875,992	891,355	909,801	923,409	1,160,580	1,431,282	1,572,253
Social benefits	33,105	47,696	70,551	29,579	38,606	52,166	56,633	62,113	69,709
Other transfers to households	787,895	955,855	805,441	861,776	871,195	871,243	1,103,947	1,369,169	1,502,544
Payments for capital assets¹	1,796,326	2,315,679	2,369,719	3,006,753	3,496,667	3,426,268	3,532,490	4,114,467	4,583,721
Buildings and other fixed structures	1,327,035	1,718,741	1,814,595	2,247,037	2,608,873	2,588,767	2,637,436	3,159,409	3,539,692
Buildings	566,911	681,747	800,463	1,090,316	1,358,937	1,283,598	1,264,810	1,442,534	1,568,224
Other fixed structures	760,124	1,036,994	1,014,132	1,156,721	1,249,936	1,305,169	1,372,626	1,716,875	1,971,468
Machinery and equipment	466,525	594,953	540,926	756,979	883,558	833,247	890,001	950,448	1,039,121
Transport equipment	87,267	98,049	125,191	135,176	189,201	163,037	163,102	168,557	196,614
Other machinery and equipment	379,258	496,904	415,735	621,803	694,357	670,210	726,899	781,891	842,507
Cultivated assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	1,797	1,938	7,562	2,737	3,316	3,328	5,053	4,610	4,908
Land and subsoil assets	969	47	6,636	-	920	926	-	-	-
Total	22,399,844	25,443,726	27,980,585	32,768,623	33,744,168	33,872,477	37,156,211	41,895,596	46,970,523
Statutory payments	29,397	32,768	33,890	33,302	35,299	35,299	35,399	37,013	39,562
Total (including statutory payments)	22,429,241	25,476,494	28,014,475	32,801,925	33,779,467	33,907,776	37,191,610	41,932,609	47,010,085
<i>1. Included under Payment of Capital Assets are capitalised payments for:</i>									
Compensation of employees	121,627	120,224	100,415	136,900	139,100	138,500	148,100	158,500	169,600
Total compensation of employees	14,969,085	16,212,796	17,989,636	20,250,803	19,849,391	19,804,876	22,201,249	23,871,936	25,679,313

Table 1.C Detailed expenditure for infrastructure

Category / Department / Type of structure	No. of Projects	Total Cost	Medium-term estimates		
			2005/06	2006/07	2007/08
R000					
Capital	3,318	8,069,715	4,038,442	5,198,205	7,083,843
New constructions (Buildings and infrastructure)	2,554	3,660,310	2,194,329	2,701,324	3,025,452
Agriculture & Environmental Affairs	-	-	30,314	46,889	51,872
Community projects / Poverty Alleviation	-	-	7,600	13,425	18,526
Other facilities (dams, irrigation schemes, marketing, storage, etc)	-	-	19,714	33,464	33,346
Administrative blocks (office accommodation)	-	-	3,000	-	-
Education	-	1,482,672	452,283	515,999	585,424
New schools	-	245,500	75,000	82,500	88,000
Additions	-	1,237,172	352,283	408,730	476,159
Public Special Schools	-	-	25,000	24,769	21,265
Health	71	-	238,181	286,859	381,002
Hospitals	3	-	124,500	145,000	223,580
Other health facilities (Clinics, Community health centres, etc.)	68	-	113,681	141,859	157,422
Housing	2,347	-	976,376	1,234,955	1,364,300
Low cost housing	2,347	724,065	976,376	1,234,955	1,364,300
The Royal Household	3	-	2,000	1,000	2,140
Pavilion, arena and car ports and royal residences	3	-	2,000	1,000	2,140
Local Government and Traditional Affairs	31	56,031	7,280	30,763	17,988
Multi Purpose Community Centres	4	17,576	7,280	4,908	5,388
Traditional Administration Centres	27	38,455	-	25,855	12,600
Transport	81	1,619,700	461,480	561,149	597,071
Roads	74	1,503,600	424,380	506,649	572,571
Vehicle and drivers licence stations	7	77,100	24,100	41,500	11,500
Other	-	39,000	13,000	13,000	13,000
Social Welfare & Population Development	8	101,952	16,696	11,165	10,168
Administration blocks (includes office accommodation)	8	101,952	16,696	11,165	10,168
Works	13	37,922	9,719	12,545	15,487
Administration blocks (includes office accommodation)	1	544	95	278	-
Multi Purpose Centres	12	37,378	9,624	12,267	15,487
Rehabilitation/upgrading	609	4,232,618	1,443,746	1,721,553	1,899,135
Agriculture & Environmental Affairs	-	-	20,937	25,068	26,052
Other facilities (irrigation schemes & dip tanks)	-	-	14,250	14,413	14,652
Administrative blocks (office accommodation)	-	-	6,687	10,655	11,400
Education	-	707,480	263,980	248,500	195,000
Repairs and renovations	-	516,700	183,200	168,500	165,000
Water and Sanitation Programme	-	190,780	80,780	80,000	30,000
Health	96	-	158,599	195,953	249,400
Hospitals	30	-	91,122	134,235	184,558
Other health facilities (Clinics, Community health centres, etc.)	66	-	67,477	61,718	64,842
Housing	-	66,000	72,000	75,600	75,600
Hostels	-	66,000	72,000	75,600	75,600
The Royal Household	-	-	-	678	-
Structural repairs and royal residences (water pipes and sewer lines)	-	-	-	678	-
Local Government and Traditional Affairs	42	12,400	4,950	5,450	2,000
Traditional Administration Centres	42	12,400	4,950	5,450	2,000
Transport	451	3,384,519	903,282	1,149,524	1,331,713
Roads	246	2,437,516	634,530	850,066	952,920
Administrative blocks (office accommodation)	5	55,040	16,100	18,100	20,840
Other	200	891,963	252,652	281,358	357,953
Social Welfare & Population Development	-	-	3,000	5,500	5,885
Administration blocks (includes office accommodation)	-	-	3,000	5,500	5,885
Works	20	62,219	16,823	15,096	13,288
Administration blocks (includes office accommodation)	20	61,736	16,647	14,911	13,288
Other	-	483	176	185	-
Arts, Culture and Tourism	-	-	175	184	197
Repairs and renovations	-	-	175	184	197
Other capital projects	128	155,287	318,742	354,202	383,301
Education	-	129,009	40,980	42,729	45,300
Health	120	-	269,755	303,715	332,420
Local Government and Traditional Affairs	1	300	300	-	-
Works	7	25,978	7,707	7,758	5,581
Infrastructure transfer	27	21,500	81,625	421,126	1,775,955
Economic Development	2	-	20,000	290,000	1,600,000
Local Government and Traditional Affairs	-	-	27,900	80,100	125,550
Transport	5	7,000	1,000	1,000	5,000
Arts, Culture and Tourism	-	-	19,900	19,900	19,900
Sports and Recreation	20	14,500	12,825	30,126	25,505
Current (maintenance)	31	6,555	812,876	929,356	1,200,348
Provincial Parliament	-	-	2,921	883	630
Agriculture & Environmental Affairs	-	-	8,094	15,742	16,844
Education	-	-	50,000	60,000	65,000
Health	-	-	249,772	295,531	381,725
Local Government and Traditional Affairs	31	6,555	2,150	2,200	2,205
Transport	-	-	459,728	513,792	691,853
Social Welfare & Population Development	-	-	11,250	11,813	12,640
Works	-	-	27,461	27,895	29,451
Sports and Recreation	-	-	1,500	1,500	-
Total			4,851,318	6,127,561	8,284,191

Table 1.D: Summary of transfers to municipalities

R000	Outcome			Main Budget	Adjusted Budget 2005/06	Estimated actual	Medium-term estimates				
	Audited 2002/03	Audited 2003/04	Audited 2004/05				2006/07	2007/08	2008/09		
	A	eThekweni	31,041				54,021	40,866	63,317	72,395	70,564	52,505	92,286	137,642
Total: Ugu Municipalities		12,721	15,091	24,672	17,139	22,470	22,566	23,195	19,547	21,837	
B	KZ211	Vulamehlo	330	677	1,673	2,156	4,037	4,126	1,377	946	1,175
B	KZ212	Umdoni	3,718	3,363	1,886	1,627	1,741	1,753	1,503	1,046	1,306
B	KZ213	Umzumbe	278	648	1,272	880	2,462	2,462	2,027	2,035	1,675
B	KZ214	uMuziwabantu	2,140	3,537	3,051	983	1,746	1,746	1,618	1,239	1,406
B	KZ215	Ezingoleni	334	847	1,538	1,470	1,510	1,510	1,160	1,210	1,175
B	KZ216	Hibiscus Coast	2,727	3,005	2,903	3,782	3,850	3,850	3,472	696	1,110
C	DC21	Ugu District Municipality	3,194	3,014	12,349	6,241	7,124	7,119	12,038	12,375	13,990
Total: uMgungundlovu Municipalities		21,726	31,526	33,055	27,474	37,570	38,545	46,940	59,345	57,185	
B	KZ221	uMshwathi	824	3,561	1,471	987	3,145	3,145	1,858	1,060	1,475
B	KZ222	uMngeni	2,594	3,745	1,933	1,806	2,504	2,504	2,632	1,291	1,476
B	KZ223	Mooi Mpotana	1,984	2,041	1,658	1,205	1,139	1,139	1,208	1,113	1,266
B	KZ224	Impendle	564	1,270	1,268	655	2,355	2,355	850	1,600	1,275
B	KZ225	Msunduzi	8,979	12,666	7,588	10,815	12,174	12,174	8,910	1,239	1,778
B	KZ226	Mkhambathini	421	270	539	1,405	2,555	2,555	1,537	1,600	1,375
B	KZ227	Richmond	873	2,591	820	514	2,783	2,783	1,750	1,166	1,446
C	DC22	uMgungundlovu District Municipality	5,487	5,382	17,778	10,087	10,915	11,890	28,195	50,276	47,095
Total: Uthukela Municipalities		17,977	14,893	19,377	16,307	24,223	24,180	16,433	10,659	11,148	
B	KZ232	Emnambithi/Ladysmith	5,506	4,083	3,125	2,704	4,103	4,103	4,733	391	826
B	KZ233	Indaka	845	355	1,303	1,510	3,849	3,849	1,687	1,870	1,725
B	KZ234	Umtshezi	1,091	1,402	3,264	4,041	4,099	4,063	1,995	1,052	1,136
B	KZ235	Okhahlamba	1,417	2,074	2,045	1,168	4,498	4,498	2,226	1,096	1,396
B	KZ236	Imbabazane	564	271	1,168	1,560	1,560	1,560	1,175	1,550	1,575
C	DC23	Uthukela District Municipality	8,554	6,708	8,472	5,324	6,114	6,107	4,617	4,700	4,490
Total: Umzinyathi Municipalities		10,409	12,869	12,932	11,895	18,012	18,073	13,904	9,577	9,766	
B	KZ241	Endumeni	1,878	3,164	1,829	2,545	3,529	3,572	3,263	1,216	1,226
B	KZ242	Nquthu	1,145	1,843	1,503	1,360	3,060	3,060	1,787	1,740	1,725
B	KZ244	Msinga	464	1,421	1,625	1,522	2,322	2,322	1,682	1,730	1,625
B	KZ245	Umvoti	1,227	1,764	1,270	1,744	2,033	2,054	1,875	1,191	1,200
C	DC24	Umzinyathi District Municipality	5,695	4,677	6,705	4,724	7,068	7,065	5,297	3,700	3,990
Total: Amajuba Municipalities		9,265	5,387	11,736	7,662	8,676	8,715	14,698	12,184	15,923	
B	KZ252	Newcastle	1,327	1,504	1,958	1,839	1,625	1,625	1,432	450	836
B	KZ253	Utrecht	577	709	752	710	975	1,010	1,568	1,312	1,399
B	KZ254	Dannhauser	1,720	779	2,315	1,055	1,505	1,513	1,031	922	1,099
C	DC25	Amajuba District Municipality	5,641	2,395	6,711	4,058	4,571	4,567	10,667	9,500	12,590
Total: Zululand Municipalities		20,608	30,684	20,759	13,243	31,590	33,043	19,218	15,258	18,051	
B	KZ261	eDumbe	948	1,706	1,179	1,428	1,695	1,701	1,752	1,540	1,475
B	KZ262	uPhongolo	1,555	3,783	1,094	672	1,745	1,745	1,052	1,280	1,687
B	KZ263	Abaqulusi	2,888	2,017	2,982	2,283	3,729	3,770	1,571	793	893
B	KZ265	Nongoma	3,416	1,885	2,330	913	7,986	7,986	1,542	1,050	1,250
B	KZ266	Ulundi	6,674	9,917	5,384	792	7,922	7,569	7,680	7,725	8,626
C	DC26	Zululand District Municipality	5,127	11,376	7,790	7,155	8,513	10,272	5,621	2,870	4,120
Total: Umkhanyakude Municipalities		10,427	10,839	19,836	11,682	27,657	27,744	13,557	9,070	11,125	
B	KZ271	Umhlabuyalingana	964	556	2,297	1,662	5,569	5,569	1,628	900	1,185
B	KZ272	Jozini	705	771	1,272	1,862	3,504	3,524	1,612	1,590	1,455
B	KZ273	The Big 5 False Bay	295	1,354	1,923	1,500	1,850	1,850	1,712	1,510	1,705
B	KZ274	Hlabisa	564	351	1,272	675	7,554	7,597	1,712	1,600	1,855
B	KZ275	Mtubatuba	1,100	2,540	1,519	504	2,999	2,999	305	1,100	1,305
C	DC27	Umkhanyakude District Municipality	6,799	5,267	11,553	5,479	6,181	6,205	6,588	2,370	3,620
Total: uThungulu Municipalities		10,561	15,236	18,542	15,238	23,632	23,295	22,820	18,577	24,781	
B	KZ281	Mbonambi	294	621	1,553	1,380	2,580	2,580	2,142	1,804	1,670
B	KZ282	uMhlatuze	1,722	1,580	2,515	2,004	2,623	2,623	1,773	479	713
B	KZ283	Ntambanana	294	621	1,522	700	2,230	2,230	1,762	1,920	1,570
B	KZ284	Umlalazi	1,284	3,722	2,171	1,991	3,262	3,282	3,160	1,334	1,599
B	KZ285	Mthonjaneni	580	967	1,091	1,046	2,017	2,017	2,186	1,350	1,455
B	KZ286	Nkandla	980	771	1,523	1,380	2,730	2,730	1,912	1,920	1,655
C	DC28	uThungulu District Municipality	5,407	6,954	8,167	6,737	8,190	7,833	9,885	9,770	16,120
Total: Ilembe Municipalities		8,470	11,228	13,689	11,416	13,379	13,332	17,151	9,960	13,259	
B	KZ291	eNdongakusuka	1,762	2,448	2,463	1,459	1,989	1,989	1,561	922	1,345
B	KZ292	KwaDukuza	1,400	3,831	3,212	3,137	4,132	4,132	4,121	604	896
B	KZ293	Ndwedwe	718	378	1,492	766	916	916	2,211	2,109	1,754
B	KZ294	Maphumulo	748	378	1,442	815	1,115	1,115	1,977	1,650	1,875
C	DC29	Ilembe District Municipality	3,842	4,193	5,080	5,239	5,227	5,180	7,281	4,675	7,390
Total: Sisonke Municipalities		13,512	11,792	16,174	8,731	17,903	17,922	12,629	8,289	11,743	
B	KZ5a1	Ingwe	251	835	683	685	3,385	3,385	1,737	1,130	1,575
B	KZ5a2	Kwa Sani	855	1,285	552	412	2,394	2,396	1,591	1,446	2,077
B	KZ5a3	Matatiele	1,516	2,458	1,471	1,568	2,595	2,606	1,931	1,441	1,555
B	KZ5a4	Greater Kokstad	4,071	3,275	2,685	1,801	2,274	2,280	1,796	642	1,136
B	KZ5a5	Ubuhlebezwe	695	621	1,948	823	1,724	1,724	1,501	905	1,410
C	DC43	Sisonke District Municipality	6,124	3,318	8,835	3,442	5,531	5,531	4,073	2,725	3,990
Unallocated/unclassified		29,425	21,608	6,557	50,914	2,703	3,667	51,025	51,391	28,255	
Total		196,142	235,174	238,195	255,018	300,210	301,646	304,075	316,143	360,715	

Table 1.E Expenditure by policy area

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2002/03	Audited 2003/04	Audited 2004/05				2006/07	2007/08	2008/09
					2005/06				
GENERAL PUBLIC SERVICES	1,164,883	1,271,907	1,460,852	1,562,299	1,912,980	1,929,983	2,077,514	2,432,059	2,897,051
Executive & Legislative	151,412	169,392	208,618	261,223	295,158	297,921	296,350	305,988	326,967
Office of the Premier	7,660	8,227	16,339	15,016	21,876	23,099	15,631	16,412	17,368
Provincial Parliament (including all statutory payments and ministries)	123,956	138,419	166,894	218,609	243,757	241,036	249,310	256,597	274,312
The Royal Household	19,796	22,746	25,385	27,598	29,525	33,786	31,409	32,979	35,287
General Services	514,769	530,345	603,468	665,020	784,942	783,612	782,655	833,268	900,778
Office of the Premier	85,967	95,963	121,317	157,090	211,350	209,949	241,950	261,266	285,412
Transport Works	122,129	87,877	93,345	91,902	91,902	91,602	97,746	106,919	117,599
Works	306,673	346,505	388,806	416,028	481,690	482,061	442,959	465,083	497,767
General Policy & Administration	382,351	428,422	449,430	455,216	519,202	534,772	587,792	704,188	893,678
Traditional and Local Government Affairs	381,337	427,070	447,964	453,662	517,648	533,218	586,145	702,459	891,828
Agriculture & Environmental Affairs	1,014	1,352	1,466	1,554	1,554	1,554	1,647	1,729	1,850
Financial & Fiscal Affairs	116,351	143,748	199,336	180,840	313,678	313,678	410,717	588,615	775,628
Provincial Treasury	116,351	143,748	199,336	180,840	313,678	313,678	410,717	588,615	775,628
PUBLIC ORDER & SAFETY AFFAIRS	210,462	247,027	282,964	409,666	418,666	418,666	439,967	475,786	465,219
Public Order & Safety Affairs n.e.c.	12,780	15,893	17,070	48,154	48,154	48,154	50,818	53,359	57,094
Community Safety & Liaison	12,780	15,893	17,070	48,154	48,154	48,154	50,818	53,359	57,094
Traffic Control	197,682	231,134	265,894	361,512	370,512	370,512	389,149	422,427	408,125
Transport	197,682	231,134	265,894	361,512	370,512	370,512	389,149	422,427	408,125
EDUCATION AFFAIRS & SERVICES	10,452,471	12,034,297	13,290,991	14,774,854	15,027,272	15,356,704	16,501,686	18,307,911	19,731,389
Education Affairs & Services n.e.c.	581,706	758,926	727,992	947,139	967,501	909,035	1,132,139	1,119,457	1,194,544
Education	581,706	758,926	727,992	947,139	967,501	909,035	1,132,139	1,119,457	1,194,544
Subsidiary Services to Education	221,949	207,272	264,790	241,728	241,728	260,554	254,604	267,829	286,575
Education	221,949	207,272	264,790	241,728	241,728	260,554	254,604	267,829	286,575
Tertiary Education Services not leading to a University Degree	186,069	227,514	265,178	276,960	289,960	289,960	311,297	338,874	361,825
Agriculture & Environmental Affairs	12,096	15,248	21,832	13,835	14,835	14,835	18,165	20,398	21,476
Education	14,387	473	-	-	-	-	-	-	-
Health	159,586	211,793	243,346	263,125	275,125	275,125	293,132	318,476	340,349
Pre-primary, Primary and Secondary Education	9,009,349	10,346,016	11,427,877	12,575,351	12,828,769	13,203,638	13,914,144	15,544,010	16,680,179
Education	9,009,349	10,346,016	11,427,877	12,575,351	12,828,769	13,203,638	13,914,144	15,544,010	16,680,179
Education Services not defined by level	453,398	494,569	605,154	733,676	699,314	693,517	889,502	1,037,741	1,208,266
Education	453,398	494,569	605,154	733,676	699,314	693,517	889,502	1,037,741	1,208,266
HEALTH AFFAIRS & SERVICES	7,371,595	8,028,190	8,699,100	10,108,862	10,142,141	10,021,141	11,435,804	12,468,684	13,491,401
Administration & control of Health Affairs & Services n.e.c.	599,132	648,755	711,525	1,086,081	1,136,384	1,037,384	1,284,905	1,482,276	1,773,851
Health	599,132	648,755	711,525	1,086,081	1,136,384	1,037,384	1,284,905	1,482,276	1,773,851
Hospital & Clinic Affairs & Services	3,212,159	3,336,361	3,428,259	3,972,997	3,940,997	3,940,997	4,259,640	4,524,820	4,820,088
Health	3,212,159	3,336,361	3,428,259	3,972,997	3,940,997	3,940,997	4,259,640	4,524,820	4,820,088
Primary Health Services	3,363,876	3,771,028	4,253,689	4,630,789	4,655,765	4,633,765	5,437,879	5,975,974	6,377,855
Health	3,363,876	3,771,028	4,253,689	4,630,789	4,655,765	4,633,765	5,437,879	5,975,974	6,377,855
Ambulance Services	196,428	272,046	305,627	418,995	408,995	408,995	453,380	485,614	519,607
Health	196,428	272,046	305,627	418,995	408,995	408,995	453,380	485,614	519,607
COMMUNITY & SOCIAL SERVICES	429,118	509,870	537,754	830,077	898,363	796,650	889,393	933,616	992,101
Social Security & Welfare Affairs n.e.c.	219,017	216,804	237,990	366,975	358,345	351,050	390,786	410,920	429,267
Social Welfare and Population Development	219,017	216,804	237,990	366,975	358,345	351,050	390,786	410,920	429,267
Welfare Services - Children's Residential Institutions	109,449	125,405	148,898	195,942	198,151	199,406	214,763	225,101	261,962
Social Welfare and Population Development	109,449	125,405	148,898	195,942	198,151	199,406	214,763	225,101	261,962
Welfare Services - Old Persons Residential Institutions	47,849	54,744	53,756	66,171	66,171	64,658	68,901	72,346	72,433
Social Welfare and Population Development	47,849	54,744	53,756	66,171	66,171	64,658	68,901	72,346	72,433
Welfare Services - Handicapped Persons	32,289	34,939	36,885	42,860	43,450	42,298	43,311	45,477	45,564
Social Welfare and Population Development	32,289	34,939	36,885	42,860	43,450	42,298	43,311	45,477	45,564
Welfare Services not delivered through residential institutions	16,228	16,228	18,005	37,768	43,599	26,606	71,756	74,903	75,977
Social Welfare and Population Development	16,228	16,228	18,005	37,768	43,599	26,606	71,756	74,903	75,977
Research & Development	4,286	61,750	42,220	120,361	188,647	112,632	99,876	104,869	106,898
Social Welfare and Population Development	4,286	61,750	42,220	120,361	188,647	112,632	99,876	104,869	106,898

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

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2002/03	Audited 2003/04	Audited 2004/05				2006/07	2007/08	2008/09
HOUSING & COMMUNITY (AMENITY) AFFAIRS & SERVICES	1,140,078	1,332,153	1,254,245	1,328,522	1,312,541	1,312,541	1,653,474	1,963,508	2,134,746
Housing Affairs & Services	913,179	1,081,113	988,078	969,880	953,747	953,747	1,252,133	1,520,850	1,661,102
Housing	913,179	1,081,113	988,078	969,880	953,747	953,747	1,252,133	1,520,850	1,661,102
Nature Conservation	203,832	222,401	239,819	269,408	269,408	269,408	284,753	298,991	319,920
Agriculture & Environmental Affairs	203,832	222,401	239,819	269,408	269,408	269,408	284,753	298,991	319,920
Pollution Abatement & Control Affairs	23,067	28,639	26,348	89,234	89,386	89,386	116,588	143,667	153,724
Agriculture & Environmental Affairs	23,067	28,639	26,348	89,234	89,386	89,386	116,588	143,667	153,724
RECREATIONAL, CULTURAL & RELIGIOUS AFFAIRS & SERVICES	110,195	111,032	171,263	254,820	252,155	252,155	299,703	342,401	373,589
Sporting & Recreational Affairs & Services	15,160	15,733	34,033	84,424	89,942	89,942	101,233	130,365	148,537
Sport & Recreation	15,160	15,733	34,033	84,424	89,942	89,942	101,233	130,365	148,537
Recreational, Cultural & Religious Affairs & Services n.e.c.	-	-	10,394	15,175	27,992	27,992	33,194	33,038	35,081
Arts, Culture & Tourism	-	-	10,394	15,175	27,992	27,992	33,194	33,038	35,081
Cultural Affairs & Services	95,035	95,299	126,836	155,221	134,221	134,221	165,276	178,998	189,971
Arts, Culture & Tourism	77,622	77,304	109,291	113,581	115,581	115,581	133,117	138,327	146,681
Office of the Premier	17,413	17,995	17,545	41,640	18,640	18,640	32,159	40,671	43,290
AGRICULTURE AFFAIRS & SERVICES	459,320	499,435	657,533	673,408	744,647	749,234	872,493	1,004,608	1,098,943
Agriculture Affairs & Services, except subsidies on agricultural products	405,687	437,016	608,370	603,882	677,747	682,334	796,675	924,999	1,013,761
Agriculture & Environmental Affairs	405,687	437,016	608,370	603,882	677,747	682,334	796,675	924,999	1,013,761
Research and development	53,633	62,419	49,163	69,526	66,900	66,900	75,818	79,609	85,182
Agriculture & Environmental Affairs	53,633	62,419	49,163	69,526	66,900	66,900	75,818	79,609	85,182
TRANSPORTATION & COMMUNICATION AFFAIRS & SERVICES	923,220	1,267,676	1,456,779	1,744,759	1,817,144	1,817,144	1,930,109	2,316,096	2,750,809
Air transport affairs and services	18,304	24,661	9,335	4,430	4,430	4,430	5,000	5,250	5,500
Office of the Premier	18,304	24,661	9,335	4,430	4,430	4,430	5,000	5,250	5,500
Transportation Affairs & Services n.e.c.	27,152	31,884	30,967	34,103	34,103	34,103	36,389	37,788	43,478
Transport	27,152	31,884	30,967	34,103	34,103	34,103	36,389	37,788	43,478
Road Affairs & Services	877,764	1,211,131	1,416,477	1,706,226	1,778,611	1,778,611	1,888,720	2,273,058	2,701,831
Transport	877,764	1,211,131	1,416,477	1,706,226	1,778,611	1,778,611	1,888,720	2,273,058	2,701,831
OTHER ECONOMIC AFFAIRS & SERVICES	167,899	174,907	202,994	1,114,658	1,253,558	1,253,558	1,091,467	1,687,940	3,074,837
Other Economic Affairs & Services n.e.c.	21,875	23,260	26,992	38,461	37,600	37,600	43,452	45,575	48,765
Economic Development	21,875	23,260	26,992	38,461	37,600	37,600	43,452	45,575	48,765
Multipurpose Development Project Affairs & Services	23,722	8,505	7,389	8,843	6,313	6,313	10,826	11,367	12,164
Economic Development	10,763	5,614	7,389	8,843	6,313	6,313	10,826	11,367	12,164
Reconstruction & Development Programme	12,959	2,891	-	-	-	-	-	-	-
General Economic & Commercial Affairs other than General Labour Affairs	11,028	13,255	12,375	15,925	35,524	35,524	236,996	292,988	332,466
Economic Development	11,028	13,255	12,375	15,925	35,524	35,524	236,996	292,988	332,466
Regional Development	60,392	63,005	90,116	977,361	1,095,153	1,095,153	718,778	1,252,767	2,590,561
Economic Development	60,392	63,005	90,116	77,361	78,153	78,153	98,778	372,767	1,688,561
Provincial Treasury	-	-	-	900,000	1,017,000	1,017,000	620,000	880,000	902,000
Tourism Affairs & Services	50,882	66,882	66,122	74,068	78,968	78,968	81,415	85,243	90,881
Arts, Culture & Tourism	50,882	66,882	66,122	74,068	78,968	78,968	81,415	85,243	90,881
GRAND TOTAL FOR ALL FUNCTIONS	22,429,241	25,476,494	28,014,475	32,801,925	33,779,467	33,907,776	37,191,610	41,932,609	47,010,085

Table 1.F Donor funding and agency receipt

Name of Donor Organisation	Outcome			Main budget	Adjusted budget 2005/06	Estimated actual	Medium-term estimates		
	Audited 2002/03	Audited 2003/04	Audited 2004/05				2006/07	2007/08	2008/09
R000	14,511	114,873	38,789	204,475	(28,705)	117,585	205,167	205,861	140,940
Donor funding									
Provincial Legislature	-	-	-	-	1,912	1,702	800	-	-
<i>European Union Support</i>					1,912	1,702	800		
Agriculture	-	1,356	2,757	-	-	1,500	2,740	-	-
<i>Flemish Government</i>		1,356	2,757			1,500	2,740		
Economic Development	-	-	26,491	50,000	-	26,000	80,000	80,000	-
<i>European Commission - LED in KZN Programme</i>			26,491	50,000		26,000	80,000	80,000	
Education & Culture	12,548	11,650	-	33,705	-	-	28,302	29,607	30,847
<i>National Department of Education</i>	12,548	11,650							
<i>Zenex South Africa</i>									
<i>BHP Billiton, South Africa</i>				5,764			1,452		
<i>Transnet, South Africa</i>									
<i>Flemish Government</i>									
<i>South African Sugar Association</i>				26,000			25,250	28,007	30,847
<i>Royal Netherlands Embassy</i>				1,941			1,600	1,600	
<i>New Zealand Government</i>									
Health	1,674	98,797	4,584	114,000	(39,336)	74,664	82,512	91,254	105,093
<i>Global Fund for HIV/AIDS Patients</i>		86,703		114,000	(47,305)	66,695	80,012	88,754	102,593
<i>Belgium Funding (CommunicateDiseases)</i>		552			500	500			
<i>Brussel English Primary School (Bethesda)</i>			2						
<i>Zinc Study (Nu Health & Pfizer)</i>			89						
<i>Agouron A (Pfizer)</i>			178						
<i>Department of National Health (Poverty Relief)</i>	1,596	2,785							
<i>Emmanuel Church, UK</i>	48								
<i>Phillips Medical Systems (IALCH/Wentworth)</i>	30	30							
<i>Indigeneous Systems (IALCH)</i>		1							
<i>Tongaat Hulett</i>		1							
<i>Kaizer Chiefs</i>		10							
<i>European Union : PHC</i>		8,427			4,000	4,000			
<i>Siemed Services</i>			10						
<i>Uthungulu District Municipality</i>		40							
<i>HWSeta Learnership - St Aiden's</i>		67	287		225	225			
<i>HWSeta Learnership - Mseleni and Mosvold</i>		161	350		120	120			
<i>Johnson and Johnson (IALCH)</i>		2							
<i>Ramnarain Holdkings (IALCH)</i>		1							
<i>Medtronic Africa (IALCH)</i>		10							
<i>NIC (IALCH)</i>		7							
<i>Bristol-Myers Squibb</i>			378		3,120	3,120	2,500	2,500	2,500
<i>Dept of Water Affairs & Forestry</i>			2,500						
<i>Smith & Nephew</i>			300						
<i>Astra Zeneca</i>			364						
<i>Impumelelo Innovations Trust (Bethesda)</i>			70						
<i>RHRU ARV Clinic (Addington)</i>			56						
<i>Orthomedics (IALCH)</i>					2	2			
<i>Sabinet Online (IALCH)</i>					2	2			
Housing		843	1,481	5,000	-	5,000	5,000	5,000	5,000
<i>Flanders Funding</i>		843	1,481	5,000		5,000	5,000	5,000	5,000
Local Government & Traditional Affairs	289	2,227	3,476	1,770	8,719	8,719	5,813	-	-
<i>Development Bank of Southern Africa</i>	289	1,777	3,476	1,770	8,719	8,719	5,813		
<i>Flemish Government</i>		300							
<i>Norwegian Government</i>		150							
Agency receipt	420,222	418,179	494,814	494,833	490,955	490,955	502,000	551,500	606,000
Agriculture	703	1,390	34,445	21,118	21,118	21,118	-	-	-
<i>Cold Spell Disaster - National Dept of Agriculture</i>			30,945	21,118	21,118	21,118			
<i>Dip Tank Rehabilitation - National Dept of Agriculture</i>			1,000						
<i>Open Pan Sugar Mill</i>			500						
<i>Special Prog for Food Security</i>			2,000						
<i>Land Redistribution - National Dept of Agriculture</i>									
<i>Fire Disaster - National Dept of Agriculture</i>	250	632							
	453	758							
Transport	419,519	416,789	460,369	473,715	469,837	469,837	502,000	551,500	606,000
<i>Bus Subsidies- National Transport</i>	412,500	409,550	452,000	465,000	465,000	465,000	497,000	546,000	600,000
<i>Overload Control</i>	5,362	7,239	8,369	8,715	4,837	4,837	5,000	5,500	6,000
<i>Arrive Alive - National Transport</i>	1,657								
Total	434,733	533,052	533,603	699,308	462,250	608,540	707,167	757,361	746,940

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

Municipality	All Votes	Vote 1	Vote 3	Vote 7			Vote 11														Vote 12		Vote 14	Vote 15	Vote 16	Total			
	RSCL	1.1	3.1	7.1	7.2	7.3	11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9	11.10	11.11	11.12	11.13	11.14	11.15	11.16	11.17	12.1	12.2		14.1	15.1	16.1
Total: uThungulu Municipalities	1,745	124	-	3,551	249	-	750	350	430	350	180	366	2,900	-	500	-	1,350	300	400	200	90	2,685	6,300	-	-	-	-	-	22,820
Mbonambi	-	-	-	-	-	-	150	50	75	50	30	250	700	-	100	-	200	-	-	-	-	537	-	-	-	-	-	-	2,142
uMhlatuze	-	62	-	1,347	184	-	-	50	-	50	30	-	-	-	-	-	-	50	-	-	-	-	-	-	-	-	-	-	1,773
Ntambanana	-	-	-	-	-	-	200	50	95	50	30	-	500	-	100	-	200	-	-	-	-	537	-	-	-	-	-	-	1,762
Umlalazi	-	62	-	1,530	65	-	50	50	70	50	30	116	500	-	100	-	-	-	-	-	-	537	-	-	-	-	-	-	3,160
Mihonjaneni	-	-	-	674	-	-	150	50	95	50	30	-	500	-	100	-	-	-	-	-	-	537	-	-	-	-	-	-	2,186
Nkandla	-	-	-	-	-	-	150	50	95	50	30	-	700	-	100	-	200	-	-	-	-	537	-	-	-	-	-	-	1,912
uThungulu District Municipality	1,745	-	-	-	-	-	50	50	-	50	-	-	-	-	-	-	750	250	400	200	90	-	6,300	-	-	-	-	-	9,885
Total: Ilembe Municipalities	1,217	62	-	4,553	115	-	654	164	400	230	292	100	1,900	1,500	300	-	1,150	250	400	200	90	1,074	-	-	-	-	2,500	-	17,151
eNdongakusuka	-	-	-	899	22	-	-	40	-	-	-	-	500	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	1,561
KwaDukuza	-	62	-	3,654	93	-	-	50	-	50	112	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,121
Ndwedwe	-	-	-	-	-	-	254	-	200	40	180	-	700	-	100	-	200	-	-	-	-	537	-	-	-	-	-	-	2,211
Maphumulo	-	-	-	-	-	-	200	-	200	40	-	-	700	-	100	-	200	-	-	-	-	537	-	-	-	-	-	-	1,977
Ilembe District Municipality	1,217	-	-	-	-	-	200	74	-	100	-	-	-	1,500	-	-	750	250	400	200	90	-	-	-	-	-	2,500	-	7,281
Total: Sisonke Municipalities	658	50	-	2,370	104	-	654	305	600	250	100	250	1,900	-	500	-	750	250	600	200	90	2,148	-	-	-	-	850	-	12,629
Ingwe	-	-	-	-	-	-	-	50	200	50	100	-	700	-	100	-	-	-	-	-	-	537	-	-	-	-	-	-	1,737
Kwa Sani	-	-	-	-	-	-	254	50	-	50	-	100	500	-	100	-	-	-	-	-	-	537	-	-	-	-	-	-	1,591
Matatiele	-	50	-	1,510	21	-	-	50	-	50	-	150	-	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	1,931
Greater Kokstad	-	-	-	860	59	-	-	40	200	-	-	-	-	-	100	-	-	-	-	-	-	537	-	-	-	-	-	-	1,796
Ubuhlebezwe	-	-	-	-	24	-	200	40	200	-	-	-	400	-	100	-	-	-	-	-	-	537	-	-	-	-	-	-	1,501
Sisonke District Municipality	658	-	-	-	-	-	200	75	-	100	-	-	300	-	-	-	750	250	600	200	90	-	-	-	-	-	850	-	4,073
Unallocated/unclassified	113	-	1,190	-	-	-	-	-	-	-	-	-	-	-	-	-	10,198	-	-	2,700	-	-	-	2,000	522	-	8,325	-	25,048
Total	17,535	1,112	1,190	73,250	2,390	1,331	6,228	2,503	5,300	2,775	1,342	2,448	18,200	6,000	4,400	-	20,098	4,400	5,000	4,700	900	15,573	27,900	14,000	522	6,253	19,900	12,825	278,075

Key	Grant Name	Key	Grant Name
RSCL	Regional Service Council Levy - All departments	11.9	Property Rates Act & Valuation Roll
1.1	Museums Services	11.10	MFMA & Interdept monitoring & debt management support
3.1	Cleanest Town Competition	11.11	Technical support & Infrastructure backlogs & MIIP's
7.1	Health - Clinics	11.12	Facilitate Water Service Delivery Planning and Mechanisms
7.2	Environmental Health	11.13	Disaster Management
7.3	Health - HIV and AIDS	11.14	Energy sector planning & Support integration with RED's
11.1	Municipal Development Information Systems Support Grant	11.15	Integrated Development Infrastructure Capacity Building
11.2	Municipal Performance Management System Grant	11.16	Good Gov., Org. Structure & HR systems; Public Participation
11.3	Municipal Development Plan Capacity Building Grant	11.17	Infrastructure provision for soccer stadia
11.4	Intergrated Development Planning Support Grant	12.1	Municipal Transport Authority Board (MTAB)
11.5	Spatial Planning Grant	12.2	Maintenance - Main Roads
11.6	Dev. Admin Capacity Building Grant	14.1	Rates
11.7	Provincial Municipal Assistance Programme (MAP)	15.1	Library Services
11.8	Shared Service Centres	16.1	Infrastructure

Budget Statement 1

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

Municipality	All Votes	Vote 1	Vote 3	Vote 7			Vote 11															Vote 12		Vote 14	Vote 15	Vote 16	Total			
	RSCL	1.1	3.1	7.1	7.2	7.3	11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9	11.10	11.11	11.12	11.13	11.14	11.15	11.16	11.17	12.1	12.2	14.1		15.1	16.1	
eThekweni	-	132	-	37,422	1,024	1,398	-	65	-	100	-	-	-	-	-	-	-	-	-	-	-	-	40,500	11,000	-	-	-	645	-	92,286
Total: Ugu Municipalities	-	132	-	-	229	-	730	315	650	315	136	200	750	600	750	400	1,710	390	200	50	90	1,800	7,200	-	-	-	2,900	-	19,547	
Vulamehlo	-	-	-	-	-	-	150	45	-	45	106	-	100	-	150	200	-	-	-	-	-	150	-	-	-	-	-	-	946	
Umdoni	-	-	-	-	66	-	150	40	-	40	-	100	-	-	150	-	-	-	-	-	-	500	-	-	-	-	-	-	1,046	
Umzumbe	-	-	-	-	-	-	150	45	200	50	-	-	550	-	150	200	350	190	-	-	-	150	-	-	-	-	-	-	2,035	
uMuziwabantu	-	-	-	-	29	-	280	40	200	40	-	-	-	-	150	-	-	-	-	-	-	500	-	-	-	-	-	-	1,239	
Ezingoleni	-	-	-	-	-	-	-	40	-	40	30	-	100	-	150	-	350	-	-	-	-	500	-	-	-	-	-	-	1,210	
Hibiscus Coast	-	132	-	-	134	-	-	40	250	40	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	696	
Ugu District Municipality	-	-	-	-	-	-	-	65	-	60	-	-	-	600	-	-	1,010	200	200	50	90	-	7,200	-	-	-	2,900	-	12,375	
Total: uMgungundlovu Municipalities	-	170	-	-	264	-	695	250	800	300	50	300	1,450	500	900	800	1,060	440	400	50	90	1,600	18,000	1,000	-	-	100	30,126	59,345	
uMshwathi	-	-	-	-	-	-	160	50	50	50	-	150	100	-	150	200	-	-	-	-	-	150	-	-	-	-	-	-	1,060	
uMngeni	-	66	-	-	75	-	-	50	150	50	-	-	400	-	150	200	-	-	-	-	-	150	-	-	-	-	-	-	1,291	
Mooi Mprofana	-	38	-	-	-	-	175	-	200	50	-	-	-	-	150	-	-	-	-	-	-	500	-	-	-	-	-	-	1,113	
Impendle	-	-	-	-	-	-	160	-	50	50	-	150	-	-	150	-	350	190	-	-	-	500	-	-	-	-	-	-	1,600	
Msunduzi	-	66	-	-	123	-	-	-	-	-	-	-	-	-	-	-	-	50	-	-	-	-	-	1,000	-	-	-	-	1,239	
Mkhambathini	-	-	-	-	-	-	200	50	200	50	-	-	600	-	150	200	-	-	-	-	-	150	-	-	-	-	-	-	1,600	
Richmond	-	-	-	-	66	-	-	50	150	50	-	-	350	-	150	200	-	-	-	-	-	150	-	-	-	-	-	-	1,166	
uMgungundlovu District Municipality	-	-	-	-	-	-	-	50	-	-	50	-	-	500	-	-	710	200	400	50	90	-	18,000	-	-	-	100	30,126	50,276	
Total: Uthukela Municipalities	-	234	-	-	125	-	310	150	500	250	150	450	750	500	600	400	1,710	390	200	50	90	1,300	-	-	-	-	2,500	-	10,659	
Emnambithi/Ladysmith	-	66	-	-	75	-	-	-	150	50	50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	391	
Indaka	-	-	-	-	-	-	80	50	50	50	-	150	450	-	150	200	350	190	-	-	-	150	-	-	-	-	-	-	1,870	
Umtshezi	-	102	-	-	50	-	50	-	150	50	-	-	-	-	150	-	-	-	-	-	-	500	-	-	-	-	-	-	1,052	
Okhahlamba	-	66	-	-	-	-	180	50	100	50	-	150	-	-	150	200	-	-	-	-	-	150	-	-	-	-	-	-	1,096	
Imbabazane	-	-	-	-	-	-	-	50	50	50	-	150	300	-	150	-	350	-	-	-	-	500	-	-	-	-	-	-	1,550	
Uthukela District Municipality	-	-	-	-	-	-	-	50	-	-	100	-	-	500	-	-	1,010	200	200	50	90	-	-	-	-	-	2,500	-	4,700	
Total: Umzinyathi Municipalities	-	132	-	-	125	-	630	150	600	200	-	100	1,150	600	600	400	1,360	390	400	50	90	1,300	-	-	-	-	1,300	-	9,577	
Endumeni	-	66	-	-	75	-	225	-	50	50	-	100	-	-	150	-	-	-	-	-	-	500	-	-	-	-	-	-	1,216	
Nquthu	-	-	-	-	-	-	100	50	200	50	-	-	650	-	150	200	-	190	-	-	-	150	-	-	-	-	-	-	1,740	
Msinga	-	-	-	-	-	-	80	50	200	50	-	-	500	-	150	200	350	-	-	-	-	150	-	-	-	-	-	-	1,730	
Umvoti	-	66	-	-	50	-	225	-	150	50	-	-	-	-	150	-	-	-	-	-	-	500	-	-	-	-	-	-	1,191	
Umzinyathi District Municipality	-	-	-	-	-	-	-	50	-	-	-	-	-	600	-	-	1,010	200	400	50	90	-	-	-	-	-	1,300	-	3,700	
Total: Amajuba Municipalities	-	66	-	-	128	-	190	100	250	150	100	150	400	600	300	200	1,010	250	200	50	90	650	7,200	-	-	-	100	-	12,184	
Newcastle	-	66	-	-	84	-	-	-	100	50	100	-	-	-	-	-	-	50	-	-	-	-	-	-	-	-	-	-	450	
Utrecht	-	-	-	-	22	-	190	50	100	50	-	400	-	-	150	200	-	-	-	-	-	150	-	-	-	-	-	-	1,312	
Dannhauser	-	-	-	-	22	-	-	-	50	50	-	150	-	-	150	-	-	-	-	-	-	500	-	-	-	-	-	-	922	
Amajuba District Municipality	-	-	-	-	-	-	-	50	-	-	-	-	600	-	-	-	1,010	200	200	50	90	-	7,200	-	-	-	100	-	9,500	
Total: Zululand Municipalities	-	66	-	-	130	-	550	420	420	300	250	516	500	-	750	400	1,010	390	400	50	90	1,450	-	-	-	6,566	1,000	-	15,258	
eDumbe	-	-	-	-	-	-	150	70	80	50	50	-	300	-	150	-	-	190	-	-	-	500	-	-	-	-	-	-	1,540	
uPhongolo	-	-	-	-	30	-	150	70	80	50	50	-	-	-	150	200	-	-	-	-	-	500	-	-	-	-	-	-	1,280	
Abaqulusi	-	66	-	-	44	-	-	70	80	50	50	133	-	-	150	-	-	-	-	-	-	150	-	-	-	-	-	-	793	
Nongoma	-	-	-	-	-	-	150	70	80	50	50	250	100	-	150	-	-	-	-	-	-	150	-	-	-	-	-	-	1,050	
Ulundi	-	-	-	-	56	-	100	70	100	50	50	133	100	-	150	200	-	-	-	-	-	150	-	-	-	6,566	-	-	7,725	
Zululand District Municipality	-	-	-	-	-	-	-	70	-	50	-	-	-	-	-	-	1,010	200	400	50	90	-	-	-	-	-	1,000	-	2,870	
Total: Umkhanyakude Municipalities	-	-	-	-	-	-	650	420	410	300	250	-	1,650	600	750	800	1,310	390	200	50	90	1,100	-	-	-	-	100	-	9,070	
Umhlabayalingana	-	-	-	-	-	-	150	70	80	50	50	-	-	-	150	200	-	-	-	-	150	-	-	-	-	-	-	-	900	
Jozini	-	-	-	-	-	-	150	70	80	50	50	-	500	-	150	200	-	190	-	-	-	150	-	-	-	-	-	-	1,590	
The Big 5 False Bay	-	-	-	-	-	-	-	70	90	50	50	-	750	-	150	200	-	-	-	-	-	150	-	-	-	-	-	-	1,510	
Hlabisa	-	-	-	-	-	-	150	70	80	50	50	-	400	-	150	200	300	-	-	-	-	150	-	-	-	-	-	-	1,600	
Mtubatuba	-	-	-	-	-	-	200	70	80	50	50	-	-	-	150	-	-	-	-	-	-	500	-	-	-	-	-	-	1,100	
Umkhanyakude District Municipality	-	-	-	-	-	-	-	70	-	50	-	-	-	600	-	-	1,010	200	200	50	90	-	-	-	-	-	100	-	2,370	

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

Municipality	All Votes	Vote 1	Vote 3	Vote 7			Vote 11															Vote 12		Vote 14	Vote 15	Vote 16	Total			
	RSCL			7.1	7.2	7.3	11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9	11.10	11.11	11.12	11.13	11.14	11.15	11.16	11.17					12.1	12.2	
Total: uThungulu Municipalities	-	132	-	-	261	-	800	490	410	350	300	384	2,100	500	750	1,000	1,670	440	400	50	90	750	7,200	-	-	-	-	500	-	18,577
Mbonambi	-	-	-	-	-	-	150	70	80	50	50	134	450	-	150	200	320	-	-	-	-	150	-	-	-	-	-	-	1,804	
uMhlatuze	-	66	-	-	193	-	-	70	-	50	50	-	-	-	-	-	50	-	-	-	-	-	-	-	-	-	-	-	479	
Ntambanana	-	-	-	-	-	-	200	70	80	50	50	250	400	-	150	200	320	-	-	-	-	150	-	-	-	-	-	-	1,920	
Umlalazi	-	66	-	-	68	-	50	70	80	50	50	-	400	-	150	200	-	-	-	-	-	150	-	-	-	-	-	-	1,334	
Mthonjaneni	-	-	-	-	-	-	200	70	80	50	50	-	400	-	150	200	-	-	-	-	-	150	-	-	-	-	-	-	1,350	
Nkandla	-	-	-	-	-	-	200	70	90	50	50	-	450	-	150	200	320	190	-	-	-	150	-	-	-	-	-	-	1,920	
uThungulu District Municipality	-	-	-	-	-	-	-	70	-	50	-	-	-	500	-	-	710	200	400	50	90	-	7,200	-	-	-	500	-	9,770	
Total: Ilembe Municipalities	-	66	-	-	121	-	480	240	450	239	410	300	924	-	450	400	1,650	390	400	50	90	800	-	-	-	-	2,500	-	9,960	
eNdongakusuka	-	-	-	-	23	-	-	45	-	44	160	-	-	-	150	-	-	-	-	-	-	500	-	-	-	-	-	-	922	
KwaDukuza	-	66	-	-	98	-	-	40	250	40	110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	604	
Ndwedwe	-	-	-	-	-	-	280	45	200	50	-	-	524	-	150	200	320	190	-	-	-	150	-	-	-	-	-	-	2,109	
Maphumulo	-	-	-	-	-	-	200	45	-	45	140	-	400	-	150	200	320	-	-	-	-	150	-	-	-	-	-	-	1,650	
Ilembe District Municipality	-	-	-	-	-	-	-	65	-	60	-	300	-	-	-	-	1,010	200	400	50	90	-	-	-	-	-	2,500	-	4,675	
Total: Sisonke Municipalities	-	53	-	-	109	-	666	415	850	260	50	136	850	600	750	800	1,010	200	200	50	90	1,100	-	-	-	-	100	-	8,289	
Ingwe	-	-	-	-	-	-	-	90	200	40	-	-	300	-	150	200	-	-	-	-	-	150	-	-	-	-	-	-	1,130	
Kwa Sani	-	-	-	-	-	-	216	90	200	40	-	100	300	-	150	200	-	-	-	-	-	150	-	-	-	-	-	-	1,446	
Matatiele	-	53	-	-	22	-	300	90	200	40	50	36	-	-	150	-	-	-	-	-	-	500	-	-	-	-	-	-	1,441	
Greater Kokstad	-	-	-	-	62	-	-	40	-	40	-	-	-	-	150	200	-	-	-	-	-	150	-	-	-	-	-	-	642	
Ubuhlebezwe	-	-	-	-	25	-	150	40	-	40	-	-	150	-	150	200	-	-	-	-	-	150	-	-	-	-	-	-	905	
Sisonke District Municipality	-	-	-	-	-	-	-	65	250	60	-	-	100	600	-	-	1,010	200	200	50	90	-	-	-	-	-	100	-	2,725	
Unallocated/unclassified	-	-	1,241	-	-	-	-	-	-	-	-	-	-	-	-	-	11,570	-	-	-	1,350	-	-	2,000	-	-	8,155	-	24,316	
Total	-	1,183	1,241	37,422	2,516	1,398	5,701	3,015	5,340	2,764	1,696	2,536	10,524	4,500	6,600	5,600	25,070	3,670	3,000	1,850	900	11,850	80,100	14,000	-	6,566	19,900	30,126	289,068	

Key	Grant Name	Key	Grant Name
RSCL	Regional Service Council Levy - All departments	11.9	Property Rates Act & Valuation Roll
1.1	Museums Services	11.10	MFMA & Interdept monitoring & debt management support
3.1	Cleanest Town Competition	11.11	Technical support & Infrastructure backlogs & MIIP's
7.1	Health - Clinics	11.12	Facilitate Water Service Delivery Planning and Mechanisms
7.2	Environmental Health	11.13	Disaster Management
7.3	Health - HIV and AIDS	11.14	Energy sector planning & Support integration with RED's
11.1	Municipal Development Information Systems Support Grant	11.15	Integrated Development Infrastructure Capacity Building
11.2	Municipal Performance Management System Grant	11.16	Good Gov., Org. Structure & HR systems; Public Participation
11.3	Municipal Development Plan Capacity Building Grant	11.17	Infrastructure provision for soccer stadia
11.4	Intergrated Development Planning Support Grant	12.1	Municipal Transport Authority Board (MTAB)
11.5	Spatial Planning Grant	12.2	Maintenance - Main Roads
11.6	Dev. Admin Capacity Building Grant	14.1	Rates
11.7	Provincial Municipal Assistance Programme (MAP)	15.1	Library Services
11.8	Shared Service Centres	16.1	Infrastructure

Budget Statement 1

Table 1.G(iii): Details of transfers to Municipalities: 2008/09

Municipality	All Votes	Vote 1	Vote 3	Vote 7			Vote 11															Vote 12		Vote 14	Vote 15	Vote 16	Total			
	RSCL	1.1	3.1	7.1	7.2	7.3	11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9	11.10	11.11	11.12	11.13	11.14	11.15	11.16	11.17	12.1	12.2	14.1		15.1	16.1	
eThekweni	-	139	-	40,041	1,096	1,496	-	150	-	50	120	-	-	-	-	-	-	-	-	-	-	-	-	80,550	11,000	-	-	3,000	-	137,642
Total: Ugu Municipalities	-	142	-	-	245	-	1,220	340	650	350	200	200	800	2,000	1,000	1,180	1,040	-	320	-	100	1,950	9,000	-	-	-	1,100	-	21,837	
Vulamehlo	-	-	-	-	-	-	200	-	-	50	-	-	150	-	200	425	-	-	-	-	-	150	-	-	-	-	-	-	1,175	
Umdoni	-	-	-	-	71	-	300	-	-	50	60	-	-	-	200	75	-	-	-	-	-	550	-	-	-	-	-	-	1,306	
Umzumbe	-	-	-	-	-	-	200	50	-	50	100	-	500	-	200	425	-	-	-	-	-	150	-	-	-	-	-	-	1,675	
uMuziwabantu	-	-	-	-	31	-	220	40	200	50	40	-	-	-	200	75	-	-	-	-	-	550	-	-	-	-	-	-	1,406	
Ezingoleni	-	-	-	-	-	-	-	50	-	50	-	100	150	-	200	75	-	-	-	-	-	550	-	-	-	-	-	-	1,175	
Hibiscus Coast	-	142	-	-	143	-	300	100	200	50	-	100	-	-	-	75	-	-	-	-	-	-	-	-	-	-	-	-	1,110	
Ugu District Municipality	-	-	-	-	-	-	-	100	250	50	-	-	-	2,000	-	30	1,040	-	320	-	100	-	9,000	-	-	-	1,100	-	13,990	
Total: uMgungundlovu Municipalities	-	183	-	-	282	-	900	200	650	400	150	350	850	2,000	1,200	1,955	1,440	-	320	-	100	1,700	18,000	1,000	-	-	-	25,505	57,185	
uMshwathi	-	-	-	-	-	-	200	-	100	50	-	100	150	-	200	425	100	-	-	-	-	150	-	-	-	-	-	-	1,475	
uMngeni	-	71	-	-	80	-	-	-	100	50	50	150	100	-	200	425	100	-	-	-	-	150	-	-	-	-	-	-	1,476	
Mooi Mprofana	-	41	-	-	-	-	200	50	100	50	-	-	-	-	200	75	-	-	-	-	-	550	-	-	-	-	-	-	1,266	
Impendle	-	-	-	-	-	-	200	50	50	50	-	100	-	-	200	75	-	-	-	-	-	550	-	-	-	-	-	-	1,275	
Msunduzi	-	71	-	-	132	-	300	50	-	50	100	-	-	-	-	75	-	-	-	-	-	-	-	1,000	-	-	-	-	1,778	
Mkhambathini	-	-	-	-	-	-	-	-	150	50	-	-	300	-	200	425	100	-	-	-	-	150	-	-	-	-	-	-	1,375	
Richmond	-	-	-	-	71	-	-	-	150	50	-	-	300	-	200	425	100	-	-	-	-	150	-	-	-	-	-	-	1,446	
uMgungundlovu District Municipality	-	-	-	-	-	-	-	50	-	50	-	-	-	2,000	-	30	1,040	-	320	-	100	-	18,000	-	-	-	-	25,505	47,095	
Total: Uthukela Municipalities	-	249	-	-	134	-	750	200	400	300	200	450	600	2,000	800	1,105	1,240	-	320	-	100	1,400	-	-	-	-	900	-	11,148	
Emnambithi/Ladysmith	-	71	-	-	80	-	300	50	150	50	50	-	-	-	-	75	-	-	-	-	-	-	-	-	-	-	-	-	826	
Indaka	-	-	-	-	-	-	250	-	50	50	50	150	300	-	200	425	100	-	-	-	-	150	-	-	-	-	-	-	1,725	
Umtshezi	-	107	-	-	54	-	-	50	-	50	50	-	-	-	200	75	-	-	-	-	-	550	-	-	-	-	-	-	1,136	
Okhahlamba	-	71	-	-	-	-	100	-	150	50	-	150	-	-	200	425	100	-	-	-	-	150	-	-	-	-	-	-	1,396	
Imbabazane	-	-	-	-	-	-	100	50	50	50	50	150	300	-	200	75	-	-	-	-	-	550	-	-	-	-	-	-	1,575	
Uthukela District Municipality	-	-	-	-	-	-	-	50	-	50	-	-	-	2,000	-	30	1,040	-	320	-	100	-	-	-	-	-	900	-	4,490	
Total: Umzinyathi Municipalities	-	142	-	-	134	-	250	150	500	250	-	100	950	2,000	800	1,030	1,240	-	320	-	100	1,400	-	-	-	-	400	-	9,766	
Endumeni	-	71	-	-	80	-	-	50	150	50	-	-	-	-	200	75	-	-	-	-	-	550	-	-	-	-	-	-	1,226	
Nquthu	-	-	-	-	-	-	-	150	50	-	-	-	650	-	200	425	100	-	-	-	-	150	-	-	-	-	-	-	1,725	
Msinga	-	-	-	-	-	-	250	-	50	50	-	100	300	-	200	425	100	-	-	-	-	150	-	-	-	-	-	-	1,625	
Umvoti	-	71	-	-	54	-	-	50	150	50	-	-	-	-	200	75	-	-	-	-	-	550	-	-	-	-	-	-	1,200	
Umzinyathi District Municipality	-	-	-	-	-	-	-	50	-	50	-	-	-	2,000	-	30	1,040	-	320	-	100	-	-	-	-	-	400	-	3,990	
Total: Amajuba Municipalities	-	71	-	-	137	-	300	150	450	200	50	-	300	2,000	400	605	1,140	-	320	-	100	700	9,000	-	-	-	-	-	15,923	
Newcastle	-	71	-	-	90	-	300	50	150	50	50	-	-	-	-	75	-	-	-	-	-	-	-	-	-	-	-	-	836	
Utrecht	-	-	-	-	24	-	-	-	150	50	-	-	300	-	200	425	100	-	-	-	-	150	-	-	-	-	-	-	1,399	
Dannhauser	-	-	-	-	24	-	-	50	150	50	-	-	-	-	200	75	-	-	-	-	-	550	-	-	-	-	-	-	1,099	
Amajuba District Municipality	-	-	-	-	-	-	-	50	-	50	-	-	-	2,000	-	30	1,040	-	320	-	100	-	9,000	-	-	-	-	-	12,590	
Total: Zululand Municipalities	-	71	-	-	139	-	350	680	380	300	160	230	800	2,000	1,000	1,105	1,340	-	320	-	100	1,550	-	-	-	7,026	500	-	18,051	
eDumbe	-	-	-	-	-	-	-	120	50	50	30	-	400	-	200	75	-	-	-	-	-	550	-	-	-	-	-	-	1,475	
uPhongolo	-	-	-	-	32	-	200	120	80	50	30	-	-	-	200	425	-	-	-	-	-	550	-	-	-	-	-	-	1,687	
Abaqulusi	-	71	-	-	47	-	-	120	50	50	30	-	-	-	200	75	100	-	-	-	-	150	-	-	-	-	-	-	893	
Nongoma	-	-	-	-	-	-	150	120	100	50	40	115	150	-	200	75	100	-	-	-	-	150	-	-	-	-	-	-	1,250	
Ulundi	-	-	-	-	60	-	-	120	100	50	30	115	250	-	200	425	100	-	-	-	-	150	-	-	-	7,026	-	-	8,626	
Zululand District Municipality	-	-	-	-	-	-	-	80	-	50	-	-	-	2,000	-	30	1,040	-	320	-	100	-	-	-	-	-	500	-	4,120	
Total: Umkhanyakude Municipalities	-	-	-	-	-	-	350	680	420	300	160	250	1,150	2,000	1,000	1,805	1,440	-	320	-	100	1,150	-	-	-	-	-	-	11,125	
Umhlabuyalingana	-	-	-	-	-	-	-	120	100	50	40	-	-	-	200	425	100	-	-	-	-	150	-	-	-	-	-	-	1,185	
Jozini	-	-	-	-	-	-	-	120	80	50	30	-	300	-	200	425	100	-	-	-	-	150	-	-	-	-	-	-	1,455	
The Big 5 False Bay	-	-	-	-	-	-	-	120	80	50	30	-	550	-	200	425	100	-	-	-	-	150	-	-	-	-	-	-	1,705	
Hlabisa	-	-	-	-	-	-	150	120	80	50	30	250	300	-	200	425	100	-	-	-	-	150	-	-	-	-	-	-	1,855	
Mtubatuba	-	-	-	-	-	-	200	120	80	50	30	-	-	-	200	75	-	-	-	-	-	550	-	-	-	-	-	-	1,305	
Umkhanyakude District Municipality	-	-	-	-	-	-	-	80	-	50	-	-	-	2,000	-	30	1,040	-	320	-	100	-	-	-	-	-	-	-	3,620	

Table 1.G(iii): Details of transfers to Municipalities: 2008/09 (cont.)

Municipality	All Votes	Vote 1	Vote 3	Vote 7			Vote 11															Vote 12		Vote 14	Vote 15	Vote 16	Total		
	RSCL	1.1	3.1	7.1	7.2	7.3	11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9	11.10	11.11	11.12	11.13	11.14	11.15	11.16	11.17	12.1	12.2	14.1		15.1	16.1
Total: uThungulu Municipalities	-	142	-	-	279	-	300	760	400	350	180	480	1,450	2,000	1,000	2,230	1,540	-	320	-	100	750	9,000	-	-	-	-	-	24,781
Mbonambi	-	-	-	-	-	-	100	120	80	50	30	115	300	-	200	425	100	-	-	-	-	150	-	-	-	-	-	1,670	
uMhlatuze	-	71	-	-	207	-	200	80	-	50	30	-	-	-	-	75	-	-	-	-	-	-	-	-	-	-	-	713	
Ntambanana	-	-	-	-	-	-	-	120	80	50	30	115	300	-	200	425	100	-	-	-	-	150	-	-	-	-	-	1,570	
Umlalazi	-	71	-	-	73	-	-	120	80	50	30	-	300	-	200	425	100	-	-	-	-	150	-	-	-	-	-	1,599	
Mihonjaneni	-	-	-	-	-	-	-	120	80	50	30	-	300	-	200	425	100	-	-	-	-	150	-	-	-	-	-	1,455	
Nkandla	-	-	-	-	-	-	-	120	80	50	30	250	250	-	200	425	100	-	-	-	-	150	-	-	-	-	-	1,655	
uThungulu District Municipality	-	-	-	-	-	-	-	80	-	50	-	-	-	2,000	-	30	1,040	-	320	-	100	-	9,000	-	-	-	3,500	16,120	
Total: Ilembe Municipalities	-	71	-	-	129	-	1,120	440	600	250	-	200	809	2,000	600	1,030	1,240	-	320	-	100	850	-	-	-	-	3,500	13,259	
eNdongakusuka	-	-	-	-	25	-	300	45	-	50	-	100	-	-	200	75	-	-	-	-	-	550	-	-	-	-	-	1,345	
KwaDukuza	-	71	-	-	105	-	300	45	150	50	-	100	-	-	-	75	-	-	-	-	-	-	-	-	-	-	-	896	
Ndwedwe	-	-	-	-	-	-	320	100	-	50	-	-	409	-	200	425	100	-	-	-	-	150	-	-	-	-	-	1,754	
Maphumulo	-	-	-	-	-	-	200	150	200	50	-	-	400	-	200	425	100	-	-	-	-	150	-	-	-	-	-	1,875	
Ilembe District Municipality	-	-	-	-	-	-	-	100	250	50	-	-	-	2,000	-	30	1,040	-	320	-	100	-	-	-	-	3,500	-	7,390	
Total: Sisonke Municipalities	-	56	-	-	117	-	855	170	850	300	180	200	1,200	2,000	1,000	1,805	1,440	-	320	-	100	1,150	-	-	-	-	-	11,743	
Ingwe	-	-	-	-	-	-	-	-	200	50	-	-	450	-	200	425	100	-	-	-	-	150	-	-	-	-	-	1,575	
Kwa Sani	-	-	-	-	-	-	292	40	200	50	120	100	400	-	200	425	100	-	-	-	-	150	-	-	-	-	-	2,077	
Matatiele	-	56	-	-	24	-	300	40	200	50	60	-	-	-	200	75	-	-	-	-	-	550	-	-	-	-	-	1,555	
Greater Kokstad	-	-	-	-	66	-	-	45	-	50	-	100	-	-	200	425	100	-	-	-	-	150	-	-	-	-	-	1,136	
Ubuhlebezwe	-	-	-	-	27	-	263	45	-	50	-	-	150	-	200	425	100	-	-	-	-	150	-	-	-	-	-	1,410	
Sisonke District Municipality	-	-	-	-	-	-	-	-	250	50	-	-	200	2,000	-	30	1,040	-	320	-	100	-	-	-	-	-	-	3,990	
Unallocated/unclassified	-	-	1,328	-	-	-	-	-	-	-	-	-	-	-	-	-	17,927	-	-	-	-	-	-	2,000	-	-	7,000	28,255	
Total	-	1,266	1,328	40,041	2,692	1,496	6,395	3,920	5,300	3,050	1,400	2,460	8,909	20,000	8,800	13,850	31,027	-	3,200	-	1,000	12,600	125,550	14,000	-	7,026	19,900	25,505	360,715

Key	Grant Name	Key	Grant Name
RSCL	Regional Service Council Levy - All departments	11.9	Property Rates Act & Valuation Roll
1.1	Museums Services	11.10	MFMA & Interdept monitoring & debt management support
3.1	Cleanest Town Competition	11.11	Technical support & Infrastructure backlogs & MIIP's
7.1	Health - Clinics	11.12	Facilitate Water Service Delivery Planning and Mechanisms
7.2	Environmental Health	11.13	Disaster Management
7.3	Health - HIV and AIDS	11.14	Energy sector planning & Support integration with RED's
11.1	Municipal Development Information Systems Support Grant	11.15	Integrated Development Infrastructure Capacity Building
11.2	Municipal Performance Management System Grant	11.16	Good Gov., Org. Structure & HR systems; Public Participation
11.3	Municipal Development Plan Capacity Building Grant	11.17	Infrastructure provision for soccer stadia
11.4	Intergrated Development Planning Support Grant	12.1	Municipal Transport Authority Board (MTAB)
11.5	Spatial Planning Grant	12.2	Maintenance - Main Roads
11.6	Dev. Admin Capacity Building Grant	14.1	Rates
11.7	Provincial Municipal Assistance Programme (MAP)	15.1	Library Services
11.8	Shared Service Centres	16.1	Infrastructure

