

BUDGET STATEMENT NUMBER 1



BUDGET OVERVIEW

1. Budget strategy and aggregates

1.1 Introduction

Budget appropriations are voted by the Legislature to provide departments and other spending agencies with funds consistent with their identified aims and programme objectives. The Budget Statement sets out the allocations proposed by the MEC for Finance following consideration by political office-bearers and officials of the expenditure requirements of all spending agencies. Detailed submissions to the Provincial Treasury by all departments provide the essential information needed to assess competing claims on available funds. In preparing their budget submissions, departments are expected to pursue cost-effective strategies for delivering the services for which they are responsible and to ensure full political endorsement of departmental plans and priorities.

Departmental programmes give effect to the full range of government's policies and commitments. Within the limits of the resources available to the fiscus, the government allocates funds across these programmes in keeping with the Government priorities, as well as the relevant policies and the requirements of national and provincial legislation. The bulk of provincial spending goes to social services – basic education, primary health care and social security. These services make up approximately 80 per cent of total provincial spending. Provinces are also expected to fund key economic infrastructure, like provincial roads, integrated housing, agriculture, economic development. Provincial priorities for the 2006 MTEF draw from the deliberations of political office bearers at forums such as Cabinet Makgotla, Ministers Committee on Budget (MINCOMBUD), Budget Council and other relevant political forums.

The 2006 budget addressed some of the key social services and economic priorities that are summarised as follows:

Social services

- In **education**, the aim is to reduce backlogs in school equipment, expand early childhood development (Grade R), provide for teacher development and human resource management systems, extend the implementation of the new curriculum statement to grades 10-12, implement revised norms and standards for school funding, strengthen special schools, and expand information management systems.

- The **health** care priorities are to enhance human resource management and recruit health professionals, expand emergency medical services and implement a new national ambulance services model, expand primary health care, improve services in rural areas, and modernise tertiary services.

- The delivery of **social welfare services** is critical to the development of sustainable communities.

The increased allocations allow provinces to expand existing social welfare services, and at the same time gear them up for the phased implementation of the Children's Bill, the Older Persons Bill and the Child Justice Bill.

Social Sector Expanded Public Works Programme

Additions are made to the equitable share for the social services components of the Expanded Public Works Programme. The funding will cater for the expansion of existing programmes (community health workers, home/community based care and early childhood development) and provide for training of practitioners, stipends and the provision of materials, food and basic health care. As all the programmes are joint initiatives, tight co-ordination and extensive co-operation between both the national and provincial spheres as well as between the three departments is crucial, if the programmes are to succeed. In this regard, your treasury is requested to play the key facilitation role.

Non-social services

The revisions to the provincial equitable share also provide for a step up of provincial functions, including the rehabilitation and maintenance of provincial roads, the expansion of support for agriculture and bolstering provincial tourism.

1.2 Summary budget aggregates

Table 1.1 Provincial budget summary

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited						
	2002/03	2003/04	2004/05				2005/06		
Provincial receipts									
Transfer receipts from national	9 561 433	11 561 561	13 113 515	11 034 251	2 285 665	2 285 665	12 435 163	14 034 530	15 640 708
Equitable share	8 724 799	10 527 509	11 901 650	9 976 192	1 054 538	1 054 538	11 227 317	12 559 148	14 085 839
Conditional grants	836 634	1 034 052	1 211 865	1 058 059	1 231 127	1 231 127	1 207 846	1 475 382	1 554 869
Provincial own receipts	369 703	378 932	297 420	272 407	216 399	183 397	322 727	343 753	355 875
Other							148 605		
Total provincial receipts	9 931 136	11 940 493	13 410 935	11 306 658	2 502 064	2 469 062	12 906 495	14 378 283	15 996 583
Provincial payments									
Current payments	6 561 746	7 589 151	8 243 087	9 294 695	9 634 433	9 669 071	10 475 212	11 404 062	12 440 372
Transfers and subsidies	650 006	851 499	1 032 455	927 706	1 094 509	1 089 740	1 224 860	1 402 939	1 578 321
Payments for capital assets	701 101	629 401	765 415	1 073 072	1 297 658	1 299 086	1 104 908	1 419 804	1 441 540
Unallocated contingency reserve									
Total provincial payments	7 912 853	9 070 051	10 040 957	11 295 473	12 026 600	12 057 897	12 804 980	14 226 804	15 460 233
Surplus							101 515	151 479	536 350

1.3 Financing

The province has in terms of the Budget Council agreement refrained from borrowing, therefore no borrowing or proposed deficit, whether through bank overdraft or draw down of cash balances or deposits.

2. The budget process and the Medium Term Expenditure Framework

Building on the improvements to the allocation process and better alignment between planning and budgeting, the current phase of the reform programme centres on strengthening service delivery performance information and on reporting of achievements. For the past few years, departments have been requested to present their budget proposals in the context of past performance so that there is a clear link between performance and further budget allocations. The 2006 budget process aims to consolidate this approach by undertaking a thorough examination of service delivery performance and by explicitly linking requests for additional resources with policy priorities and planned outputs. The department's measurable objectives become a useful tool in this regard.

Given the opportunity presented by the new term of Government, key enhancements were introduced in the planning and budgeting cycle of national and provincial governments. The main reform was to align the planning and budgeting cycle with the election cycle. This means that key policy priorities that the new Government will tackle in the next five years should form the basis of departmental planning and budgeting. National and provincial budgets include appropriations voted by Parliament and provincial legislatures each year, together with forward estimates for the subsequent two years.

The three-year estimates of expenditure for each departmental vote comprise the Medium-Term Expenditure Framework. Expenditure implications of government policies and priorities are indicated

in advance, permitting departments and other interested parties to plan accordingly. Due to the predictability of revenue flows, departments can plan their spending programmes within an agreed expenditure envelope; policy proposals can be readily assessed against the available financial resources; Government's future spending commitments are made public, enhancing transparency and accountability; personnel and procurement planning can be conducted with greater certainty of future resource availability; expenditure planning can be linked more effectively to outputs and delivery of services; and Government's medium-term fiscal targets, tax policy and debt strategy can be linked to agreed expenditure commitments. Within their three-year spending envelope, departments have substantial discretion about how to best deploy their resources to meet their objectives.

The budget process also requires departments to undertake detailed reviews and reprioritisation within their medium-term expenditure allocations each year. Expenditure reprioritisation is closely integrated with the ongoing review of policies and programmes undertaken by spending agencies under the leadership of political heads.

3. Socio-Economic Outlook of Mpumalanga

3.1. Demographic profile

Table 3.1 shows that Mpumalanga population increased from 3.1 million in 2001 to 3.2 million in 2005.

This means that the population grew by 3% during that period. Northern Cape, Eastern Cape, Free State and Limpopo recorded the highest growth. In terms of population, Mpumalanga is the third smallest province in South Africa and a growing economic hub with huge potential.

Table 3.1: Population by province

PROVINCE	2001	2005	% of total for 2005	Growth %
Eastern Cape	6 436 763	7 039 300	15%	9%
Free State	2 706 775	2 953 100	6,3%	9%
Gauteng	8 837 178	9 018 000	19,2%	2%
KwaZulu- Natal	9 426 017	9 651 100	20,5%	2%
Limpopo	5 273 642	5 635 000	12%	7%
Mpumalanga	3 122 990	3 219 900	6,8%	3%
Northern Cape	822 727	902 300	1,9%	10%
North West	3 669 349	3 823 900	8,1%	4%
Western Cape	4 524 335	4 645 600	9,9%	3%
Total	44 819 776	46 888 200	100%	5%

Source: Statistics South Africa, Census 2001; Mid-year Population Estimates, SA 2005.

The growth in population could be attributed to natural growth factors and migration patterns within the economy as people seek better opportunities for employment and other opportunities. The province constitutes 6.8% of the total population of South Africa, occupying 79 490 square kilometres of land in South Africa, however, the total size of the province will change after the finalisation of re-demarcation of provinces. In terms of size, it is the second smallest province in South Africa.

Table 3.2: Highest level of education amongst those aged 15 and older

Level of Education	1996	2004	% of total for 2004	Growth%
No Schooling	4 599 222	299 691	14%	35%
Primary	288 700	362 171	16%	25%
Secondary (excl matric)	1 030 864	980 035	45%	36%
Matric	250 300	425 159	19%	70%
Tertiary	90 098	130 037	6%	44%
Total	1 865 842	2 197 093	100%	18%

Source: Global Insight, 2005

Table 3.2 above indicates that the number of students who attended tertiary institutions increased by 44% from 1996 to 2004. Between 1996 and 2004 the number of students in primary and secondary schools increased by 25% and 36%, respectively. The number of matriculants has increased by 70% between 1996 and 2004. It is encouraging to note that the number of people not schooling has declined quite significantly by 35%. The improvement in literacy levels in an economy reflects the extent of development in that particular economy.

Table 3.3: Population in Five-year age groups

Age group	Male	Female	Total
0 – 4	185 200	183 300	369 000
5 – 9	190 800	191 700	382 500
10 – 14	186 600	188 300	374 900
15 – 19	178 500	177 700	356 200
20 – 24	163 400	159 400	322 800
25 – 29	142 100	139 400	281 500
30 – 34	122 800	127 200	250 000
35 – 39	88 800	94 600	183 400
40 – 44	79 000	83 800	162 800
45 – 49	67 200	70 500	137 700
50 – 54	53 900	57 300	111 200
55 – 59	40 400	44 500	84 900
60 – 64	34 300	37 100	71 400
65 – 69	24 500	29 600	54 100
70 – 74	15 200	20 200	35 400
75 – 79	9 600	13 200	22 800
80+	7 800	11 500	19 300
Total	1 590 100	1 629 800	3 219 900

Stats SA, mid-year population estimates, 2005.

Table 3.3 shows that 56% of the population in Mpumalanga province is between the ages of 0 and 24, 32% is between 25 and 49 years, 11% is between 50 and 74 years and the last 1% is 75 years and above. The youth constitutes the largest portion of the population, which might impact on the dependency ratio within the province, as 35% of the population is not economically active, and below 15 years of age.

3.2. Economic Indicators

According to figures released by Statistics South Africa, the domestic economy grew by 4,5% in 2004.

The South African economy has been boosted by strong demand for commodities, low global and domestic inflation, low interest rates, increased consumption and investment (both private and public). It is interesting to note that the economic growth is diversified and broad-based, as a result, mining, construction, transport and communications recorded strong increases. The Mpumalanga economy has grown by 4,2% in 2004.

CPIX inflation (target used for inflation target by South African Reserve Bank for monetary policy) has remained within the inflation target range for the past 28 consecutive months to December 2005. The CPIX is expected to remain within the target range during the medium term expenditure framework period.

Robust consumer demand has been reinforced by strong growth in investment and improving export conditions, fuelled by continued global growth and commodity price increases. The favourable macroeconomic conditions (low interest and inflation rates) played a major role in the surge in consumer demand. The year 2005 was characterised by the higher levels of business and consumer confidence.

Table 3.4: Income distribution

Annual income per household	Number of households	Percentage of households
Less than R6 000	127 502	15%
R6 001 to R30 000	348 309	40%
R30 001 to R54 000	193 386	22%
R54 001 to R132 000	136 538	16%
More than R132 000	61 952	7%
Total	867 687	100%

Source: Global Insight, 2005

Table 3.4 which shows figures of the income distribution in the province, indicates that 15% of households earn less than R6 000 annual income per household, 40% earn annual income of between R6 001 and R30 000, the number of households who earn an annual income of between R30 001 and R54 000 is 22%, 16% is between R54 001 and R132 000, and only 7% earn annual income of more than R132 000. Table 3.4 indicates that the majority of households in the province earn a low level of income. Given the level of poverty in this province, this indicator is very critical if the province is to address its pressing challenges.

Table 3.5: Sectoral Share to Mpumalanga Economy

Sector	% Contribution
Mining and quarrying	21,4%
Agriculture and fisheries	5,3%
Manufacturing	30,1%
Electricity and water	9,9%
Construction	1,6%
Trade: Wholesale, retail and accommodation	9,8%
Transport, storage and communication	4,7%
Finance, insurance, real estate and business services	5,8%
Government and community services	11,4%
Total	100%

Source: Global Insight, 2005

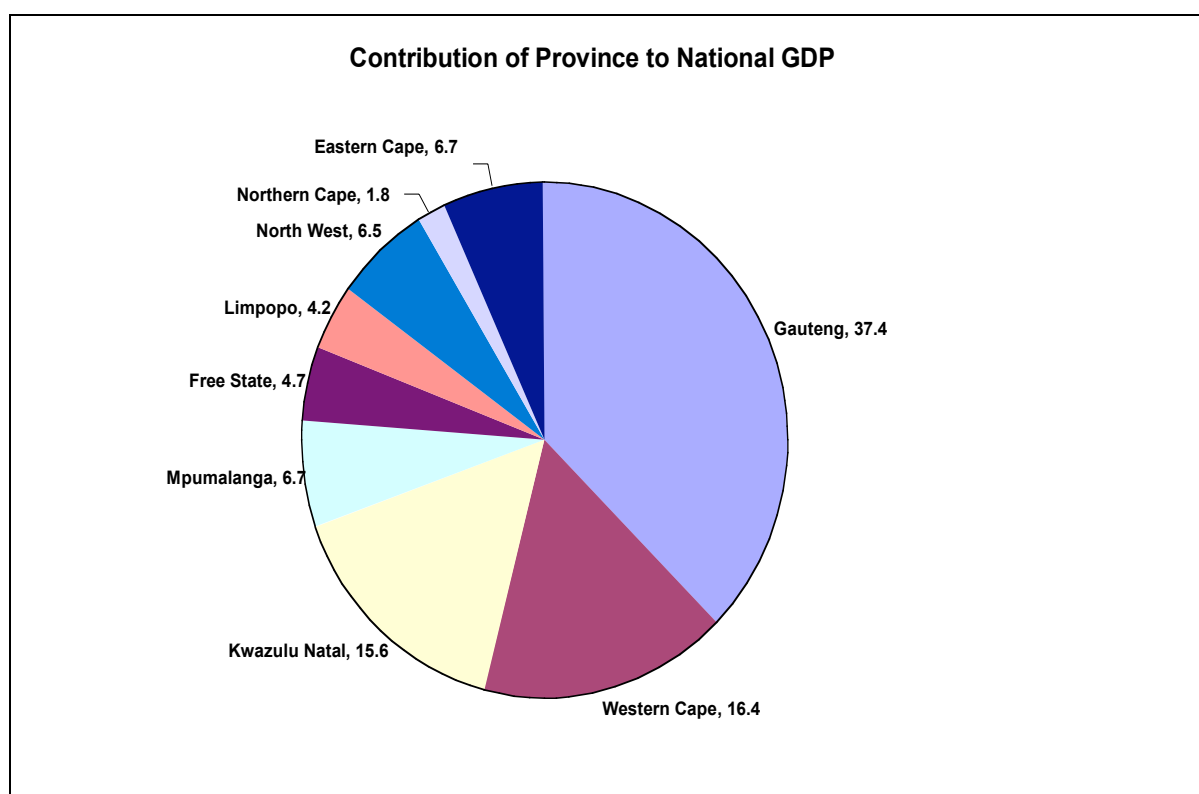
Table 3.5 indicates that the major contributors to the gross geographic product are mining, manufacturing, electricity and water, and trade. Manufacturing contributed 30,1% to the growth of the economy whilst mining and electricity and water contributed 21,4% and 9,9% respectively. The structure of the economy has not changed since 2003. Tourism, which is not yet accounted for in the National Systems of Accounts, is one of the growing sectors that are contributing to the growth of the province in revenues. This sector is also a huge employer in the province. Mining will remain an important sector for the province as more than 40% of the minerals in South Africa are extracted from the province. Manufacturing, which has a large steel component remain critical as steel is one of the critical inputs to production in the economy and globally.

Table 3.6: Average contribution to national GDP by Mpumalanga

Sector	% Contribution
Mining and quarrying	20,5%
Agriculture and fisheries	10,6%
Manufacturing	10,2%
Electricity and water	29,4%
Construction	4,7%
Trade: Wholesale, retail and accommodation	4,7%
Transport, storage and communication	3,3%
Finance, insurance, real estate and business services	1,9%
Government and community services	3,7%
Total	6,7%

Source: Global Insight, 2005

Table 3.6 show that the Mpumalanga province has contributed 6,7% to national GDP during 2004. The percentage annual average growth between 1996 and 2004. Statistics SA 's figure for the contribution to GDP by the Mpumalanga province is 6,8% for 2004.



Source: Global Insight, 2005.

According to figure 1, Gauteng Province is the highest contributor to the national GDP at 37,4%, followed by Western Cape at 16,4%, Kwazulu Natal at 15,6%, Mpumalanga and Eastern Cape at 6,7%. Free State, North West, Limpopo and North West were the lowest contributors to the national GDP. These figures indicate that the province still has a long way to go in growing its economy to accelerated levels that could cater for its economic challenges.

Table 3.7: Formal Employment by sector

Sector	% Contribution
Mining and quarrying	9,8%
Agriculture and fisheries	22,1%
Manufacturing	10,7%
Electricity and water	2,0%
Construction	3,4%
Trade: Wholesale, retail and accommodation	14,2%
Transport, storage and communication	3,5%
Finance, insurance, real estate and business services	5,0%
Government and community services	19,1%
Households	10,2%
Total	100%

Source: Global Insight, 2005

According to table 3.7, during 2004 agriculture was the highest contributor to employment at 22,1%, followed by community services at 19,1%, trade at 14,2%, manufacturing at 10,7% and households at 10,2%. The trend shows that labour intensive sectors have a potential to create more jobs and sectors which are more capital and skill intensive in nature and whose production structure rely more on machinery and high technology employ less. Sectors such as construction and tourism should be promoted, as they tend to be more labour intensive and have huge untapped growth potential.

The growth outlook of the province is expected to remain positive for the current MTEF period. Investors, SMMs, large enterprises, skilled labourers and all stakeholders who can make a positive contribution to the growth of the province are encouraged to consider Mpumalanga as a potential investment area.

4. Receipts

4.1 Overall position

Revenue estimates for 2006/07 to 2008/09 are based upon national government's equitable share, conditional grants and forecasts of provincial own revenue using economic growth parameters and estimated actual collection for 2005/06. The total amount of revenue to be derived from national sources (both the equitable share and conditional grants) and provincial own receipts amounts to R12, 804, 980 billion for 2006/07.

Table 1.7: Summary of provincial receipts

	Outcome			Main appropriation	Adjusted appropriation	Revised estimates	Medium-term estimates		
	Audited	Audited	Audited						
R thousand	2002/03	2003/04	2004/05	2005/06			2006/07	2007/08	2008/09
Transfer receipts from National									
Equitable share	8 724 799	10 527 509	11 901 650	9 976 192	1 054 538	1 054 538	11 227 317	12 559 148	14 085 839
Conditional grants	836 634	1 034 052	1 211 865	1 058 059	1 231 127	1 231 127	1 207 846	1 475 382	1 554 869
Total transfer receipts from National	9 561 433	11 561 561	13 113 515	11 034 251	2 285 665	2 285 665	12 435 163	14 034 530	15 640 708
Provincial own receipts									
Tax receipts									
Casino taxes	0	0	20 728	22 548	0	0	23 433	25 124	26 544
Horse racing taxes	0	0	2 533	3 500	0	0	4 200	4 750	4 900
Liquor licences	0	0	400	1 240	0	0	1 650	1 900	2 100
Motor vehicle licences	118 285	134 138	121 387	126 325	126 225	126 225	169 764	178 460	185 833
Sales of goods and services other than	62 139	28 918	65 718	78 404	73 498	38 009	80 644	85 890	88 885
Transfers received	0	0	5	0	0	0	0	0	0
Fines, penalties and forfeits	34 418	44 346	29 700	1 545	1 545	1 545	1 669	1 802	1 982
Interest, dividends and rent on land	14 780	12 935	41 625	35 273	11 609	12 832	38 688	41 869	43 847
Sales of capital assets	4 735	14 628	4 116	3 230	2 829	3 178	1 824	3 255	1 077
Financial transactions in assets and liabilities	135 346	143 967	11 208	454	693	1 608	855	703	707
Total provincial own receipts	369 703	378 932	297 420	272 519	216 399	183 397	322 727	343 753	355 875
Total provincial receipts	9 931 136	11 940 493	13 410 935	11 306 770	2 502 064	2 469 062	12 757 890	14 378 283	15 996 583

4.2 Equitable Share

The Constitution establishes national, provincial and local government as autonomous spheres, which are “distinctive, interdependent, and interrelated.” It also identifies functional areas of concurrent and exclusive competence. In order to give effect to the requirements of the Constitution, budgetary procedures and other institutional arrangements have undergone dramatic changes. Budget making is the responsibility of all three spheres of government. The Constitution requires that nationally raised revenues be divided equitably between the three spheres of government and that the provincial share be divided equitably between the nine provinces. In addition to equitable shares, provinces and local government also receive grants from the national share. National norms and standards may apply to provincial spending out of the equitable share and grant funds, which may be subject to conditions. The allocations from national government to provinces and local government must take into account the recommendations of the Financial and Fiscal Commission (FFC) and criteria detailed in section 214(2) of the Constitution.

Revenue sharing is necessitated by the constitutional assignment of revenue-raising and expenditure responsibility. Most of the revenue is raised nationally. Although provinces have significant expenditure requirements, they have only limited revenue sources. The equitable division of national revenues between the three spheres of government gives each the funds to provide the services and perform the functions assigned to it under the Constitution.

The provincial and local government equitable shares are further divided according to objective formulae after the recommendations of the FFC have been taken into account. The provincial formula allocates funds between the provinces according to their demographic and economic profiles taking account of the services – primarily health care, welfare and school education – for which provinces are responsible. The local government formula is designed to enable municipalities to deliver a package of basic services to low income households at affordable cost. Both formulae have a strong equity component. Taking into account the special needs of poorer areas. The province's share from nationally raised revenue for the 2006/07 is R11, 227 billion, which represents R1, 251 billion increase compared to 2005/06 adjusted equitable share of R9, 976 billion.

4.3 Conditional Grants

In addition to the equitable shares, the Constitution provides for transfers to provinces and local government out of the national equitable share of revenue. These grants can be assigned for particular purposes and may be subject to conditions provided for in the legislation. The primary purpose of conditional grants is to support compliance with national norms and standards to compensate provinces for providing services that may extend beyond provincial boundaries and to enable national priorities to be adequately provided for in sub-national budgets.

Conditional grants represent the financial flows from the national budget associated with conditions on which services are being delivered or on compliance with specified requirements by the provinces. The conditional grants included in the Province's Budget Statements 2006/07 amounts to R5, 353 billion and are for the Provincial Infrastructure (R316, 6million); Comprehensive Agricultural S u p p o r t P r o g r a m m e - C A S P (R28, 4 million); National School Nutrition Programme (R84, 5 million); National Tertiary Services (R44, 8 million); Professional Training Development (R54, 2) million); Hospital Revitalisation (R53, 5 million) and Integrated Housing and Human Resettlement Redevelopment Grant (R421 million), as well as R107,5 million for Comprehensive HIV/Aids treatment (Health) and R10, 9 million for life-skills in Education.

There are various reasons for introducing grants from the national share alongside the equitable share allocation to provinces and local government. A grant might be intended to ensure that services extending across provincial boundaries are properly financed. Where particular services are of a specialised nature and serve a wider constituency than a single province or municipality, there is a case for national government support. Where national legislation imposes expenditure mandates on provinces or municipalities, this should be affected through a suitable grant programme. Policies or programmes undertaken as joint responsibilities of two or more spheres of government might involve transfers to the implementing authorities.

Conditional grants represent the financial flows from the national budget associated with cost sharing agreements in respect of services provided by provinces or local government. The details of both allocations and associated conditions are the outcome of formal agreements between responsible Ministers and MEC's and the Budget Council.

Provincial Conditional Grants

R'000	Budget Outcomes		Medium-term estimates		
	2004/05	2005/06	2006/07	2007/08	2008/09
Vote 4: Local Government and Housing	328 165	321 123	421 002	526 286	578 228
Local Government Support Grant	22 050	-	-	-	-
Provincial Consolidated Municipal Grant (CMIP)	2 238	-	-	-	-
Integrated Housing and Human Resettlement Redevelopment	296 457	321 123	421 002	526 286	578 228
Human Resettlement & Redevelopment Pilot Prog	7 420	-	-	-	-
Vote 5: Agriculture and Land Administration	43 956	61 261	51 356	69 954	73 837
Provincial Infrastructure-Rural Development	15 309	17 132	18 996	24 616	26 323
Land Care Programme: Poverty Relief & Infrastructure Develop	9 744	5 500	4 005	4 205	4 407
Agricultural Disaster Management		15 000	-	-	-
Comprehensive Agriculture Support Programme	18 903	23 629	28 355	41 133	43 107
Vote 7: Education	175 919	210 095	254 123	304 365	318 379
Provincial Infrastructure Grant	102 068	114 213	126 638	164 105	175 487
National School Nutrition Programme	64 079	85 565	84 549	88 777	93 136
Further Education & Training College Sector Recapitalisation			32 000	40 000	37 500
HIV/Aids (Life Skills education)	9 772	10 317	10 936	11 483	12 256
Vote 10: Health	262 637	300 427	344 707	398 522	393 593
Provincial Infrastructure Grant	35 724	39 975	44 324	57 437	61 421
National Tertiary Services Grant	41 427	42 224	44 757	46 995	49 345
Health Professional Training & Development Grant	41 808	54 363	54 363	57 081	59 935
Hospital Revitalisation Grant	68 292	57 018	53 477	74 263	62 840
Integrated Nutrition Programme Grant	8 713	9 581	Converted to Equitable Share		
Hospital Management & Quality Improvement Grant	12 833	12 340	-	-	-
HIV/Aids: Health (Comprehensive)	53 840	81 392	107 479	112 853	119 015
Forensic Pathology Services Grant	-	3 534	40 307	49 893	41 037
Vote 11: Roads & Transport	102 068	114 213	126 638	164 105	175 487
Provincial Infrastructure Grant	102 068	114 213	126 638	164 105	175 487
Vote 12: Culture, Sports and Recreation	1 000	2 670	10 020	12 150	15 345
Mass participation on sport & recreation	1 000	2 670	10 020	12 150	15 345
Vote 13: Social Development	298 120	3 826 170	4 145 508	4 502 915	4 914 577
Food Emergency Relief Grant	27 651	27 651	Converted to Equitable Share		
Child Support Extension Grant	260 013	-	Converted to Transfer Grants		
Social Assistance Transfer Grants	-	3 531 761	3 877 117	4 216 740	4 601 402
Social Assistance (administration)	-	246 139	268 391	286 175	313 175
HIV/Aids (Comm Based Care)	10 456	20 619	Converted to Equitable Share		
Total Provincial Conditional Grants	1 211 865	4 835 959	5 353 354	5 978 297	6 469 446

4.4 Total Provincial Own Receipts

Existing intergovernmental fiscal relations are such that national government raises virtually all the revenue but has control over only about 40 percent of non-interest expenditure. The provincial governments on the other hand control about 60 percent of non-interest expenditure with the responsibility for health, education and welfare. Yet, in general, the provinces raise less than 5 percent of their budgets and receive large transfers from national government. The Mpumalanga Province expects to collect an amount of R322, 7 million from own provincial revenue for the 2006/07 financial year, which is only 1,9% of the total revenue.

This also means that there is not much room to increase the revenue base to be able to render more services. The Province is basically reliant on national revenues to increase before service delivery can be extended and that is why so much effort is being made to ensure that the Province's concerns are addressed in the revenue-sharing formula. The provinces have some tax assignment

powers given to them by the Constitution but the extent of provincial own revenues is currently limited consisting mainly of a number of small taxes, user charges and fees.

The biggest of which in the Mpumalanga Province are motor vehicle licenses and hospital fees. In the light of the budget constraints facing the Province attempts have been made to take full advantage of the limited revenue sources and ensuring that the taxes are being collected efficiently and effectively. Steps are being taken to improve the collection of own revenue, as this will enhance the Province's ability to deliver services.

The main sources of provincial own receipts for the 2006/07 financial years are:

- Motor vehicles licences estimated to be collected is R169, 7 million, which accounts for 53% of the total Provincial own revenue.
- Patient fees have been under-collected for some time due to the outdated system in use during the last financial years. The province is estimating to collect R22, 1 million from this source.
- Gambling and betting taxes estimated to be collected are R28, 0 million. Included in this amount are taxes received in respect of betting and totalisators from the horseracing industry.
- Other receipts including interest on the national transfers (equitable share and conditional grants) are estimated at R130, 9 million.

4.5 Summary of provincial receipts by Vote

Table 1.9: Summary of provincial own receipts Vote

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimates	Medium-term estimates		
	Audited	Audited	Audited				2006/07	2007/08	2008/09
	2002/03	2003/04	2004/05						
					2005/06				
Office of the Premier	2 604	952	1 179	1 800	432	432	480	504	534
Provincial Legislature	579	626	1 232	842	0	0	842	4 224	884
Finance	0	0	29 289	24 235	0	0	26 075	28 244	29 489
Local Government and Housing	156 500	162 069	1 146	1 205	858	2 063	1 820	1 972	2 065
Agriculture and Land Administration	6 183	4 634	6 318	4 291	4 291	4 291	4 014	4 292	3 918
Economic Development and Planning	-	-	24,197	28,133	-	-	30,247	32,794	34,680
Education	18 856	17 176	23 498	17 384	17 384	17 384	18 670	19 670	20 653
Public Works	4 935	10 494	4 415	3 025	3 025	3 009	3 230	2 767	2 872
Safety and Security	331	522	530	127	127	199	151	192	199
Health	39 833	6 450	31 642	35 152	35 152	0	36 909	38 792	39 792
Roads and Transport	133 647	170 836	173 223	155 267	155 267	155 267	199 488	209 462	219 935
Culture, Sport and Recreation	726	763	751	889	- 137	752	801	840	854
Social Services	5 479	4 410	0	0	0	0	0	0	0
Total provincial payments and estir	369 673	378 932	297 420	272 350	216 399	183 397	322 727	343 753	355 875

5. Expenditure

5.1 Overall Position

The amount to be voted in the Mpumalanga Appropriation Act, 2005 is R12, 873,177 billion. Details of the funds to be allocated within each vote for 2005/06, as well as the indicative MTEF allocations for 2006/07 to 2007/08 can be found in the Budget Statements (Budget Statement 1 and 2). Included in the allocations to the departments are the amounts of estimated own revenue, which fund provincial spending pressures that could not be accommodated within the provincial equitable share.

Total outlays for the provincial programmes are budgeted at:

Financial year 2006/2007: R 12,804,980 million
 Financial year 2007/2008: R 14,226,804 million
 Financial year 2008/2009: R 15,460,233 million

5.2 Payments by Vote

Table 1.10: Summary of provincial payments and estimates by Vote

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimates	Medium-term estimates		
	Audited	Audited	Audited				2006/07	2007/08	2008/09
	2002/03	2003/04	2004/05						
Office of the Premier	80 912	97 021	105 297	100 873	107 208	101 519	148 779	123 321	131 953
Provincial Legislature	45 115	53 423	50 897	56 685	61 846	35 106	111 824	65 270	66 969
Finance	100 917	223 560	192 162	142 895	112 895	109 265	133 741	140 428	142 384
Local Government and Housing	462 093	500 374	518 708	498 765	630 060	623 515	625 770	740 814	798 143
Agriculture and Land Administration	408 567	424 519	457 580	563 881	617 167	617 167	631 736	649 562	693 259
Economic Development and Planning	133 239	184 429	175 236	188 492	199 884	183 447	200 257	210 493	216 319
Education	3 922 090	4 528 853	4 870 716	5 737 277	5 964 056	5 964 056	6 218 010	6 909 935	7 547 846
Public Works	209 557	227 922	274 525	272 301	302 364	285 093	295 193	315 533	332 230
Safety and Security	32 564	29 294	33 667	37 245	39 654	39 286	41 724	44 510	44 136
Health	1 652 105	1 952 851	2 252 194	2 472 358	2 652 522	2 763 681	2 912 242	3 193 634	3 520 279
Roads and Transport	619 752	617 306	816 839	906 913	987 348	987 348	961 821	1 260 025	1 257 278
Culture, Sport and Recreation	57 655	61 216	70 131	74 676	96 387	96 387	93 604	102 313	103 781
Social Services	188 287	169 283	223 005	243 112	255 209	252 027	430 279	470 966	605 656
Total provincial payments and estimates	7 912 853	9 070 051	10 040 957	11 295 473	12 026 600	12 057 897	12 804 980	14 226 804	15 460 233

5.3 Payments by economic classification

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimates	Medium-term estimates		
	Audited	Audited	Audited				2006/07	2007/08	2008/09
	2002/03	2003/04	2004/05						
Current payments	6 561 746	7 588 377	8 242 127	9 294 695	9 634 433	9 669 071	10 475 212	11 404 062	12 440 372
Compensation of employees	4 871 333	5 422 599	5 882 301	6 775 737	6 793 100	6 775 532	7 426 933	7 959 639	8 512 823
Goods and services	1 690 414	2 165 778	2 359 826	2 518 958	2 841 333	2 893 539	3 048 280	3 444 423	3 927 549
Interest and rent on land									
Financial transactions in assets and liabilities									
Unauthorised expenditure									
Transfers and subsidies to:	650 006	851 499	1 032 455	927 706	1 094 509	1 089 740	1 224 860	1 402 939	1 578 321
Provinces and municipalities	27 284	59 967	81 309	55 792	70 355	69 601	71 445	50 519	54 676
Departmental agencies and accountants	0	4 206	11 617	5 789	2 690	2 690	3 650	3 881	4 112
Universities and technikons									
Public corporations and private enterprises	230 987	279 012	260 565	181 045	220 417	219 174	257 566	270 923	281 546
Foreign governments and international organisations									
Non-profit institutions	127 600	228 679	345 108	328 622	365 474	362 666	415 327	478 380	581 275
Households	264 135	279 635	333 856	356 458	435 573	435 609	476 872	599 236	656 712
Payments for capital assets	701 101	629 401	765 415	1 073 072	1 297 658	1 299 086	1 104 908	1 419 804	1 441 540
Buildings and other fixed structures	452 482	436 686	579 673	807 585	1 046 764	1 047 420	929 503	1 180 787	1 176 134
Machinery and equipment	248 619	189 654	185 361	265 198	250 638	251 410	175 038	238 624	264 981
Cultivated assets	0	0	0	0	31	31	0	0	0
Software and other intangible assets	0	61	313	289	225	225	317	333	355
Land and subsoil assets	0	3 000	68	0	0	0	50	60	70
Total economic classification	7 912 853	9 069 277	10 039 997	11 295 473	12 026 600	12 057 897	12 804 980	14 226 804	15 460 233

5.4 Payments by policy area

Table 1.13: Summary of provincial payments and estimates by policy area

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimates	Medium-term estimates		
	Audited	Audited	Audited				2006/07	2007/08	2008/09
	2002/03	2003/04	2004/05						
General public services	226 944	374 004	348 356	300 453	281 949	245 890	394 344	329 019	341 306
Public order and safety	32 564	29 294	33 667	37 245	39 654	39 286	41 724	44 510	44 136
Economic affairs	1 234 133	1 319 832	1 585 884	1 796 513	1 971 845	1 938 137	1 923 275	2 264 677	2 335 278
Environmental protection	136 982	134 344	138 296	135 074	134 918	134 918	165 733	170 936	163 808
Housing and community amenities	462 093	500 374	518 708	498 765	630 060	623 515	625 770	740 814	798 143
Health	1 652 105	1 952 851	2 252 194	2 472 358	2 652 522	2 763 681	2 912 242	3 193 634	3 520 279
Recreation, culture and religion	57 655	61 216	70 131	74 676	96 387	96 387	93 604	102 313	103 781
Education	3 922 090	4 528 853	4 870 716	5 737 277	5 964 056	5 964 056	6 218 010	6 909 935	7 547 846
Social protection	188 287	169 283	223 005	243 112	255 209	252 027	430 279	470 966	605 656
Total provincial payments and estimates	7 912 853	9 070 051	10 040 957	11 295 473	12 026 600	12 057 897	12 804 980	14 226 804	15 460 233

5.5 Provincial Infrastructure payments

The total payments for capital assets provided on the Budget Statements for this Province for 2004/05 is R808, 966 million and detailed amounts are available in Appendices and departments infrastructure plans.

Table 1.14: Summary of provincial infrastructure payments and estimates by Vote

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimates	Medium-term estimates		
	Audited	Audited	Audited				2006/07	2007/08	2008/09
	2002/03	2003/04	2004/05						
Office of the Premier	0	0	0	0	0	0	0	0	0
Provincial Legislature	0	0	0	0	0	0	50 000	0	0
Finance	0	0	1 600	2 500	2 500	1 517	0	0	0
Local Government and Housing	0	0	13 829	25 768	60 780	61 407	11 725	12 337	14 238
Agriculture and Land Administration	0	0	2 432	60 400	21 549	21 549	93 401	87 224	92 653
Economic Development and Planning	118 011	171 902	157 856	188 492	239 720	212 332	268 454	301 281	318 556
Education	90 374	211 185	129 233	246 980	336 084	336 084	268 235	341 883	351 132
Public Works	25 859	13 464	13 926	10 558	10 558	11 570	6 370	11 574	17 000
Safety and Security	0	0	0	0	0	0	60	100	120
Health	29 718	1 412	95 359	63 126	150 244	150 244	130 498	114 345	133 428
Roads and Transport	303 401	208 019	323 294	398 253	459 049	459 049	365 214	609 124	563 063
Culture, Sport and Recreation	0	0	0	0	6 000	6 000	0	0	0
Social Services	3 130	2 606	0	0	0	0	4 000	4 200	4 500
Total provincial infrastructure payments	570 493	608 588	737 529	996 077	1 286 484	1 259 752	1 197 957	1 482 068	1 494 690

5.6 Transfers

5.6.1 Transfers to Public Entities

Table 1.16: Summary of provincial transfers to public entities by transferring department

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimates	Medium-term estimates		
	Audited	Audited	Audited				2006/07	2007/08	2008/09
	2002/03	2003/04	2004/05						
Local Government and Housing	9 755	12 000	16 000	9 254	9 254	16 011	16 000	16 400	17 000
Agriculture and Land Administration	167 090	159 183	153 726	117 791	144 171	144 171	170 466	178 496	172 317
Economic Development and Planning	82 854	138 329	114 333	84 500	114 492	89 492	149 704	160 183	171 396
Education	5 000	7 021	14 500	21 000	21 000	21 000	21 000	21 000	22 470
Total provincial transfers to public	264 699	316 533	298 559	232 545	288 917	270 674	357 170	376 079	383 183

5.6.2 Transfers to local government

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimates	Medium-term estimates		
	Audited	Audited	Audited				2006/07	2007/08	2008/09
	2002/03	2003/04	2004/05		2005/06				
Category B	0	19 908	21 884	21 884	21 884	21 884	21 884	23 197	24 589
Nkangala District	0	10 432	11 683	11 683	11 683	11 683	11 683	12 383	13 127
Delmas		1 564	1 751	1 751	1 751	1 751	1 751	1 856	1 967
Emalahleni		3 500	3 920	3 920	3 920	3 920	3 920	4 155	4 405
Middelburg		4 101	4 593	4 593	4 593	4 593	4 593	4 869	5 161
Highlands		184	206	206	206	206	206	218	231
Waterval-Boven		197	221	221	221	221	221	234	248
Marblehall		404	452	452	452	452	452	479	508
Groblersdal		482	540	540	540	540	540	572	607
Gert Sibande	0	4 606	4 883	4 883	4 883	4 883	4 883	5 176	5 486
Albert Luthuli		448	475	475	475	475	475	504	534
Msukaligwa		1 524	1 616	1 616	1 616	1 616	1 616	1 713	1 816
Mkhondo		426	452	452	452	452	452	479	508
Seme		48	51	51	51	51	51	54	57
Lekwa		1 087	1 152	1 152	1 152	1 152	1 152	1 221	1 294
Govan Mbeki		1 521	1 612	1 612	1 612	1 612	1 612	1 709	1 811
Ehlanzeni District	0	3 900	4 290	4 290	4 290	4 290	4 290	4 548	4 821
Thaba Chweu		698	768	768	768	768	768	814	863
Mbom-bela		1 175	1 293	1 293	1 293	1 293	1 293	1 371	1 453
Umgindini		571	628	628	628	628	628	666	706
Nkomazi		1 456	1 601	1 601	1 601	1 601	1 601	1 697	1 799
Unallocated		970	1 028	1 028	1 028	1 028	1 028	1 090	1 155
Category C	3 043	3 618	3 960	4 480	4 688	4 824	5 437	5 953	6 579
Ehlanzeni District Municipality	1 461	1 737	1 901	2 151	2 250	2 315	2 610	2 857	3 158
Gert Sibande District Municipality	852	1 013	1 109	1 254	1 313	1 351	1 522	1 667	1 842
Nkangala District Municipality	730	868	950	1 075	1 125	1 158	1 305	1 429	1 579
Total transfers to local government	3 043	24 496	26 872	27 392	27 600	27 736	28 349	30 240	32 323

5.7 Personnel numbers and costs

Table 1.19: Summary of personnel numbers and costs by Vote¹

Personnel numbers	As at 31 March 2003	As at 31 March 2004	As at 31 March 2005	As at 31 March 2006	As at 31 March 2007	As at 31 March 2008
Office of the Premier	328	356	268	350	426	443
Provincial Legislature	120	132	122	158	158	158
Finance	134	135	136	188	315	315
Local Government and Housing	295	312	365	382	690	698
Agriculture and Land Administration	2286	2287	2328	2012	2200	2300
Economic Development and Planning	252	262	131	129	142	190
Education	31865	33969	35801	38518	39175	39345
Public Works	3668	3483	1193	1319	1319	1396
Safety and Security	112	128	139	149	151	151
Health	11452	11360	11360	14612	15489	16418
Roads and Transport	2481	2736	3226	3313	3583	3583
Culture, Sport and Recreation	232	229	256	293	359	359
Social Services	590	611	611	851	1160	1235
Total provincial personnel numbers	53815	56000	55936	62274	65167	66591
Total provincial personnel cost (R thousand)						
Unit cost (R thousand)						

Table 1.20: Summary of provincial personnel numbers and costs

	Outcome			Main appropriation	Adjusted appropriation	Revised estimates	Medium-term estimates		
	Audited	Audited	Audited				2006/07	2007/08	2008/09
	2002/03	2003/04	2004/05						
Total for province									
Personnel numbers (head count)	53 815	56 000	55 936	62 274	61 866	62 216	65 167	66 591	68 208
Personnel cost (R'000)	5 179 481	5 762 406	5 949 818	6 774 288	6 661 318	6 899 455	7 408 264	7 862 055	8 392 077
Human resources component									
Personnel numbers (head count)	525	556	569	672	608	672	839	869	896
Personnel cost (R'000)	107 885	114 403	93 279	117 112	107 791	119 564	138 557	146 679	142 893
Head count as % of total for prov	1.0%	1.0%	1.0%	1.1%	1.0%	1.1%	1.3%	1.3%	1.3%
Personnel cost as % of total for p	2.1%	2.0%	1.6%	1.7%	1.6%	1.7%	1.9%	1.9%	1.7%
Finance component									
Personnel numbers (head count)	585	662	701	786	734	795	933	980	1 006
Personnel cost (R'000)	92 744	117 404	119 522	148 721	136 411	147 088	162 035	173 950	185 356
Head count as % of total for prov	1.1%	1.2%	1.3%	1.3%	1.2%	1.3%	1.4%	1.5%	1.5%
Personnel cost as % of total for p	1.8%	2.0%	2.0%	2.2%	2.0%	2.1%	2.2%	2.2%	2.2%