



Province of the
EASTERN CAPE
PROVINCIAL TREASURY

BUDGET STATEMENT I

2007/08

Budget Statement 1

2007/08

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Eastern Cape Provincial Government

PROVINCIAL TREASURY

Budget Statement 1

for the 2007/08

Provincial Budget

**Tabled in the Provincial Legislature
on 02 March 2007**

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Budget Overview

1. Budget Strategy and aggregates

1.1. Introduction

Reduction of poverty and inequality is one single challenge confronting the province. Gaining an understanding of the issues relevant to poverty alleviation requires an understanding of the key attributes of economic development and its achievement. Economic growth and poverty alleviation are interconnected, although the mere achievement of economic growth will not automatically lead to poverty alleviation. Some social scientists believe that the major objective of economic growth should be the reduction of poverty. However, it is well understood that development strategies based on industrialization and export promotion may be powerful instruments for economic growth; but they are not sufficient to bring about substantial reductions in the level of poverty, and there may be need to address the issue of poverty reduction through special interventions. Further, the emerging concept of sustainable development which sees development as a complex integrative mix of social, economic and environmental issues makes the task even more daunting.

To understand poverty alleviation, one has to understand the complex processes that contribute to poverty so that suitable strategies can be implemented to tackle it. The choice of the economic growth model, the poverty alleviation strategy, and the application of such models and strategies and their impact on the poor are all linked to the intellectual, technical and moral capacity of the government and the structure of governance. The quality of governance is therefore an important factor in achieving economic growth and poverty alleviation as are factors such as resource endowment, infrastructure and human resources.

The recognition that the poor does not automatically benefit from economic growth has prompted the government of the Eastern Cape to focus development efforts more directly on the poor. This has included the initiations of various poverty alleviation programs as outlined in the Provincial Growth and Development Plan (PGDP), policy reforms and the establishment of improved poverty monitoring systems. In many cases, however, these poverty related development strategies have not received equal attention, nor implemented with the same seriousness by all, with the result that poverty continues to be widespread in the province.

The Budget Statement one provides a socio-economic analysis of the Eastern Cape Province, highlighting the current state of affairs, challenges confronting the province and the policy responses. The analysis thus provides the background to the formulation of the province's medium term expenditure framework and budget allocation for the financial year 2007/2008.

2. Demographic features

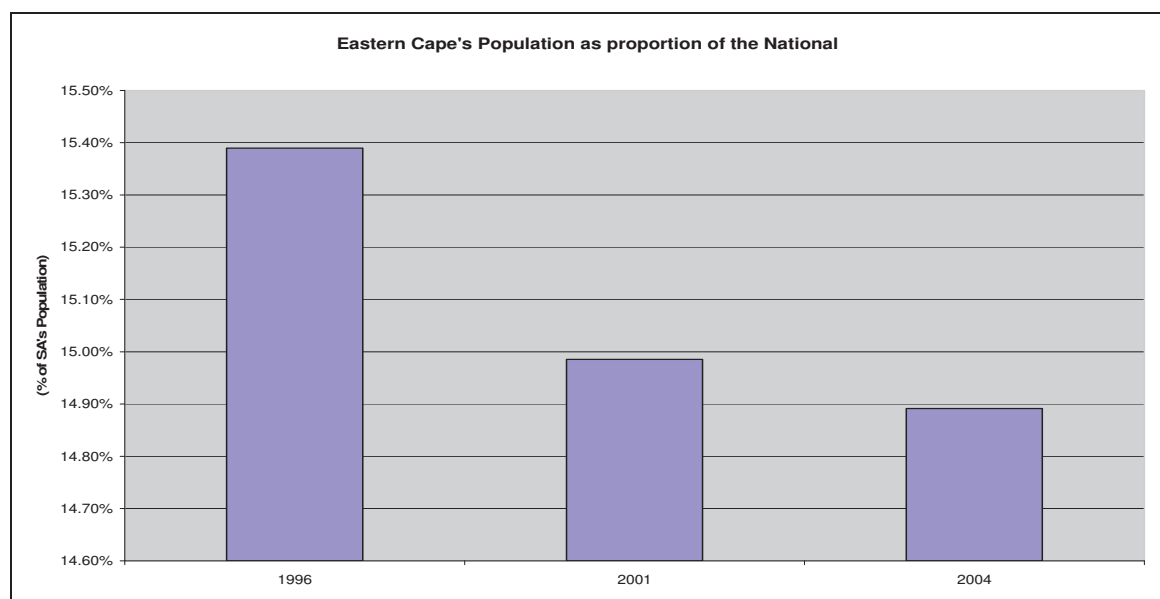
2.1. Population

The population of a region forms an integral part of the ultimate objective of the development process, as well as being a subject in the process, since the people provide labor and entrepreneurship for production and also consume the output of production. The size of the population and the number of households are important determinants of the needs of the people. These needs are expressed in the demand for infrastructure and social services, including water, sanitation, electricity, housing and hospitals. According to the Statistics South Africa (STATSSA), the population of the Eastern Cape appears to have increased from 6,5 million in 1996 to 6.8 million in 2001, indicating an increase of some 4,6% over the period (STATSSA, 2004). The Global Insight estimates the population of the province to be 7 million in 2004 (Global Insight, 2004).

Although the Eastern Cape's projected population appears to have decreased from 15,7% of the total population of the country in 1996 to 15,5% in 2001, it still remains the third most populous province in the country. According to the STATSSA 2005 mid-year population estimate, the province was home for 15% of the total population of 46,9 million of the country. Thus between 1996 and 2001, the province grew by 2.1%. With the exception of the Northern Cape which experienced a negative population growth of 2.1%, the province's growth rate was the lowest of all the provinces and significantly lower than the national average of 10.4%.

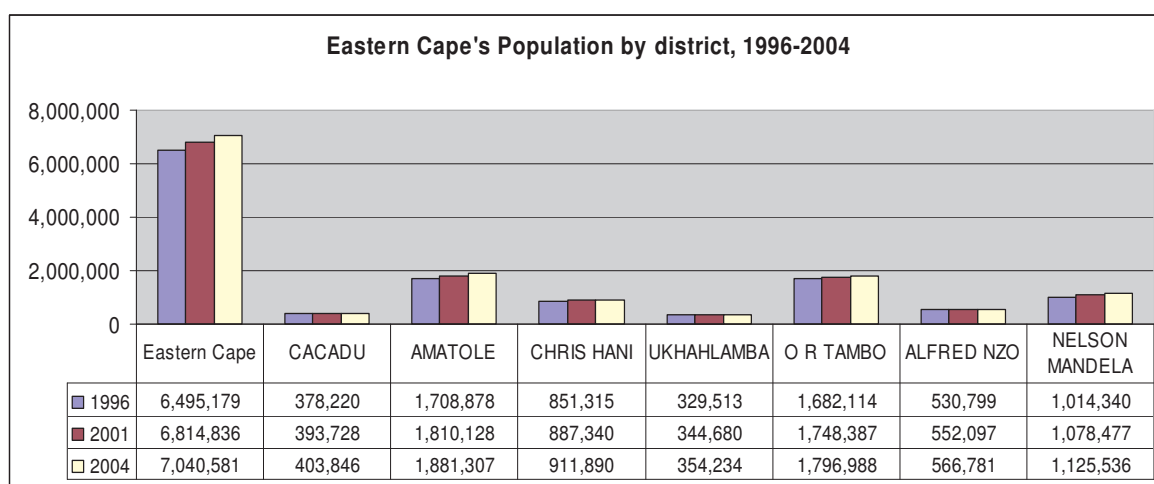
While a low population growth rate is generally desirable, it can have adverse effects on the economy and thus on development of the province.

Figure 1: Eastern Cape's Population as a Proportion of the National Population



Source: Stats in Brief, 2004. Statistics South Africa

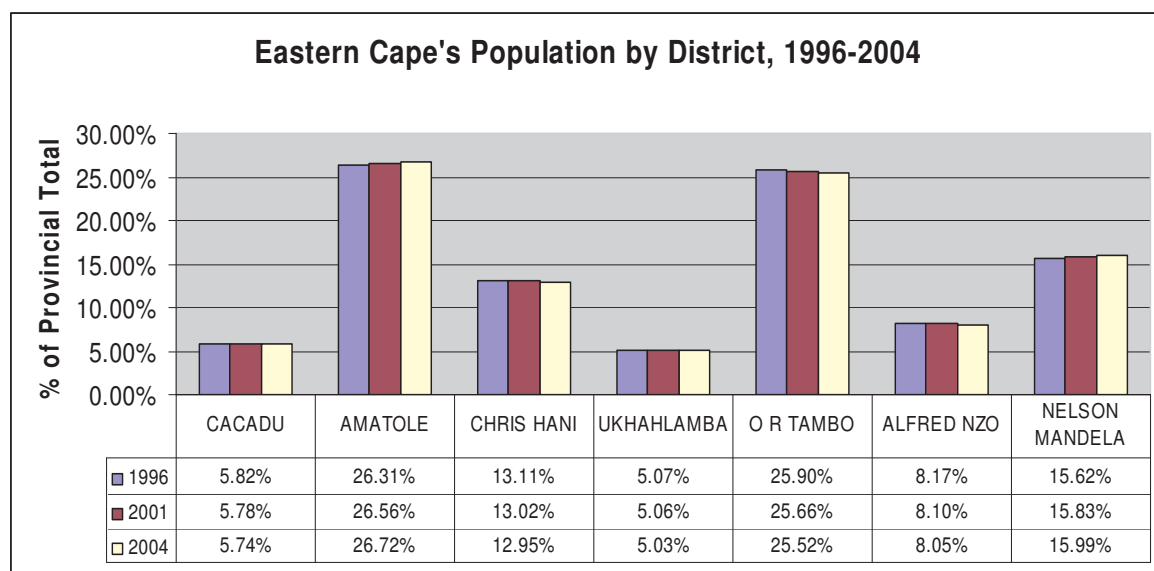
Figure 2: Eastern Cape's Population by District, 1996-2004



Source: Global Insight, 2004

Figure 2 shows that, while all the districts in the province witnessed increases in their populations, the rate of growth was not the same for all. The three districts with the highest growth rates during the period under review include Nelson Mandela Metropolitan Municipality, Amatole District and Chris Hani District, with the first two experiencing growth rates above the provincial average of 8.4%. On the other hand, the O.R. Tambo District, Cacadu District, and Alfred Nzo District experienced the lowest growth in population during the period 1996-2004. The bulk of the increase in the province's population came only from the Amatole District, O.R. Tambo District and the Nelson Mandela Metropolitan Municipality. The three municipalities accounted for 73.1% of the increases in the province's population during the period 1996-2004.

Figure 3: Eastern Cape's Composition of the Population by District (%)



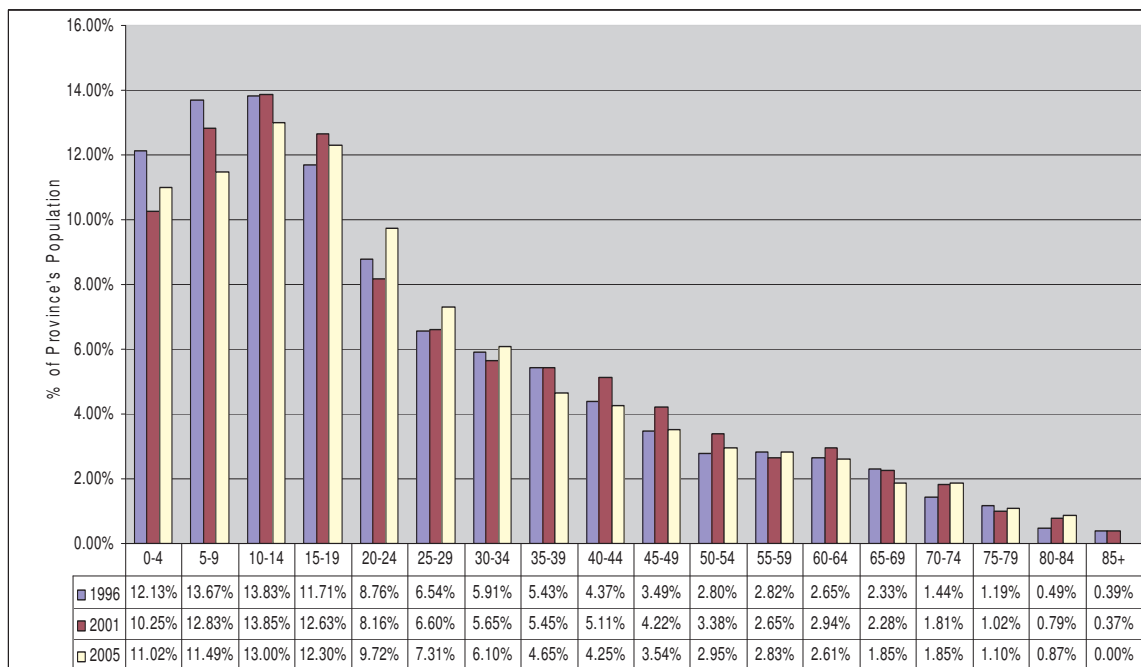
Source: Global Insight, 2004

Two-thirds of the population resided in the Amatole, O.R Tambo and Nelson Mandela Metropolitan Municipality. Although the O.R Tambo District experienced the second highest increase in population during the period, the District's share of the provincial population showed a slight decline from 25.9% in 1996 to 25.5% in 2004. The Amatole District and Nelson Mandela Metropolitan Municipality, however, increased their

shares of the provincial population. The share of the Amatole District Municipality increased from 26,3% in 1996 to 26,7% in 2004. Over the same period, the share of the Nelson Mandela Metropolitan Municipality increased from 15,6% to 16%.

Figure 4 below shows a large concentration of the provincial population in the younger age groups, the province has an expansive profile. While negative growth rates were observed for those below the age of 14 years (-10,7%) and those above 65 years (-2,3%) during the period 1996-2005, a rapid and strong growth of 3.3% was recorded for those aged between 15 and 64 years, otherwise known as the economically active population. People in this age group made up 56.3% of the provincial population.

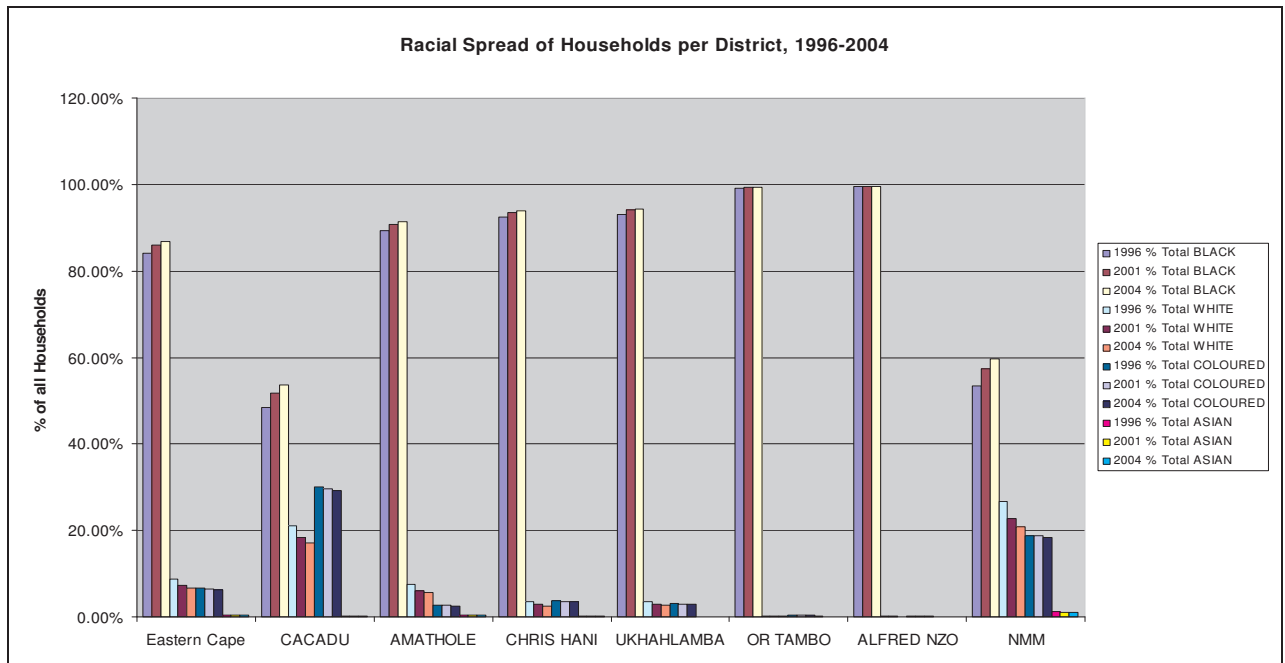
Figure 4: Eastern Cape's Population by Age, 1996, 2001 and 2005



Sources: Stats in Brief, 2004 and 2005

Figure 5 shows that the number of black households in the province increased steadily from 83% in 1996 to 87% in 2004. By contrast, the proportion of white and colored households steadily declined during the same period. While the O.R Tambo District and Alfred Nzo District (bulk of former-Transkei) was almost wholly black, the Nelson Mandela Metropolitan Municipality and Cacadu District households were predominantly white.

Figure 5: Racial Spread of Households, 1996 – 2004



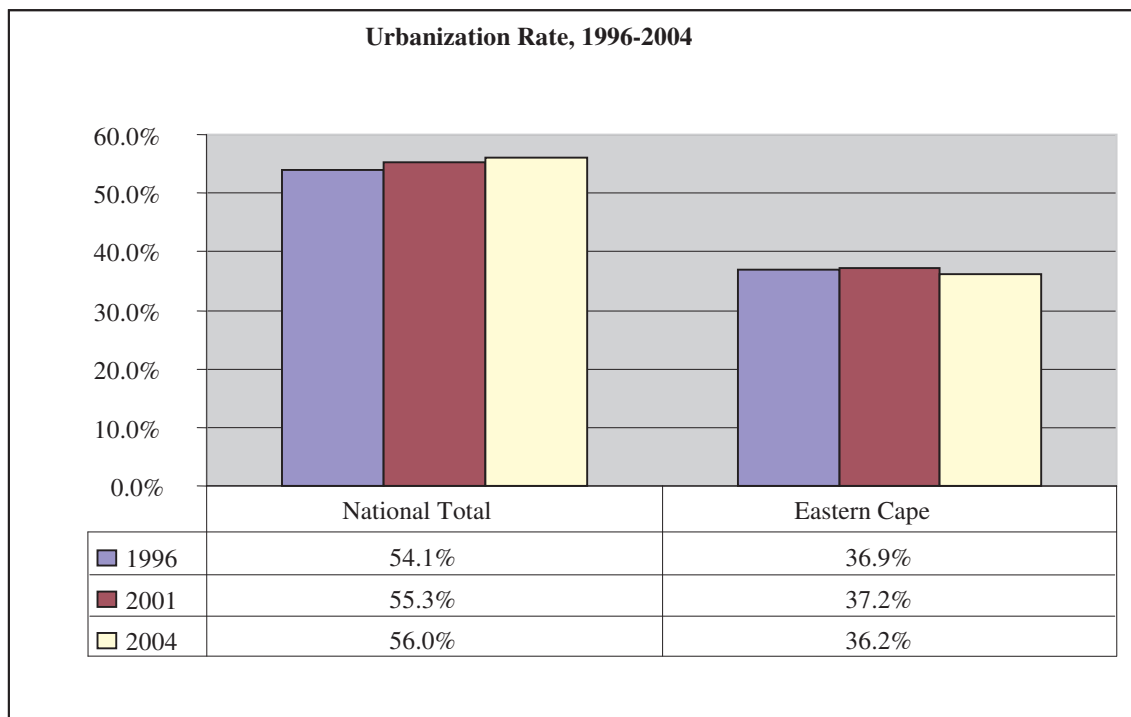
Source: Global Insight, 2004

2.2. Urbanization and Intra-provincial migration

The evidence is that the country as a whole is becoming more urbanized, with about 56% of its people in 2004 living in the urban areas. In contrast, only 36,2% of the population of the Eastern Cape Province live in the urban areas. In fact, the province has consistently been the second most rural in the country, marginally better than the North West. With the majority of the people living in the rural areas that are associated with lack of access to basic services and socio-economic infrastructure, joblessness and poverty pose huge challenges to the province.

Seemingly, there is a significant migration from the rural districts to the urban districts. The concentration of development projects, job opportunities and administrative institutions in Bhisho, East London and Port Elizabeth contribute to the migration of people to these centers. The migration trend tends to put enormous pressure on the existing facilities and resources in the more urban municipalities of Amatole and Nelson Mandela Metropolitan. Without significant increases in resources currently available in these districts, the migration may adversely affect the quality of service delivery and hence the quality of life in these districts. This could mean the provision of more resources to the urban districts that are recipient of the migrants. But such urban-bias response to the problem may have the potential to disturb social stability in non-urban areas of the province.

Figure 6: Urbanization Rate, 1996-2004



Source: Global Insight, 2004

The current migration pattern in the province could also mean the provision of more resources to the under-resourced rural districts that are experiencing significant out-migration. This should improve access to basic services, thereby raising the quality of life in these districts. Given that migration is by and large a reflection of underlying economic conditions, this approach would be seen to be addressing the problem of rural-urban migration. Indeed the strategy could be seen as bridging the urban-rural divide.

2.3. *Inter-Provincial Migration*

According to Kok and Aliber (2005), net out-migration from the Eastern Cape averaged 0.6% per annum in the period 1992-1996 and 0.8% per annum in 196-2001. Using the STATSSA 2005 mid-year estimates, Edwards and Scholtz (2006) show that net out-migration from the province during the period 2001-2006 was 323,000 or an average 65,000 people per annum. This was equivalent to 1% of the province's population for every year of the six-year period.

Table 1: Migration Patterns in the Eastern Cape Province, 2004¹

Provinces	IN-MIGRATION PATTERNS				OUT-MIGRATION PATTERNS				NET-MIGRATION PATTERNS			
	Male	Female	Total	%	Male	Female	Total	%	Male	Female	Total	%
Free State	7,117	5,195	12,312	10.03%	11,055	10,165	21,220	4.84%	(3,938)	(4,970)	(8,908)	2.82%
Gauteng	19,509	16,747	36,256	29.55%	53,643	57,986	111,629	25.45%	(34,134)	(41,239)	(75,373)	23.85%
KwaZulu-Natal	11,487	11,632	23,119	18.84%	36,943	38,321	75,264	17.16%	(25,456)	(26,689)	(52,145)	16.50%
Limpopo	1,960	1,784	3,744	3.05%	3,958	4,418	8,376	1.91%	(1,998)	(2,634)	(4,632)	1.47%
Northern Cape	2,417	2,011	4,428	3.61%	7,026	6,229	13,255	3.02%	(4,609)	(4,218)	(8,827)	2.79%
Mpumalanga	2,055	1,809	3,864	3.15%	3,084	2,396	5,480	1.25%	(1,029)	(587)	(1,616)	0.51%
North West	3,509	2,565	6,074	4.95%	15,343	12,641	27,984	6.38%	(11,834)	(10,076)	(21,910)	6.93%
Western Cape	17,124	15,783	32,907	26.82%	87,474	87,992	175,466	40.00%	(70,350)	(72,209)	(142,559)	45.12%
TOTAL	65,178	57,526	122,704	100.00%	218,526	220,148	438,674	100.00%	(153,348)	(162,622)	(315,970)	100.00%

Source: Eastern Cape Department of Social Development (2004)

The Western Cape and Gauteng provinces are the highest recipients of the people leaving the province. Kok and Aliber (2006) explain that the people said to be migrating out of the province were the (a) better educated, (b) mostly between 15 and 29 years of age and (c) had a higher income than the average. Consequently, they warn that unless the creation of sustainable employment opportunities and large-scale delivery of basic services in historically-neglected parts of the province are given priority, continued out-migration will be inevitable.

The implications of the outcome of out-migration for the provincial equitable share of the nationally raised revenue is a reduction in the allocation of resources to the province

3. Labour and employment

The socio-economic and demographic profile of the province shows that, 42% of the province's population consisted of people younger than 19 years and 9% of older than 60 years. Thus, on average, 51% of the province's population could be regarded as economically inactive, making them dependent on the remaining 49% regarded as economically active. The STATSSA 2005 mid-year estimates suggest that 54% of the province's population could be economically inactive, further reducing the economically active population to 46% and increasing the dependent ratio.

¹ Whilst the source document is not clear on the period during which this migration was recorded, it seems the period under review here is between 2001 and 2004.

Table 2: Unemployment Rate by Gender (Expanded Definition)

Description	1996			2001			2004			Post 1996 change
	Male	Female	Total	Male	Female	Total	Male	Female	Total	
South Africa	27.30%	41.90%	33.90%	30.90%	47.80%	38.60%	31.60%	51.00%	40.40%	6.50%
Eastern Cape	44.80%	52.10%	48.40%	49.10%	58.20%	53.60%	49.40%	61.80%	55.50%	7.10%
CACADU	20.03%	35.10%	26.57%	24.66%	43.80%	32.92%	24.77%	45.19%	33.61%	7.08%
AMATHOLE	50.75%	57.10%	53.71%	55.58%	64.25%	59.65%	55.58%	68.08%	61.55%	7.84%
CHRIS HANI	45.64%	55.85%	50.50%	50.13%	62.98%	56.25%	50.40%	66.93%	58.36%	7.85%
UKHAHLAMBA	40.88%	53.70%	46.90%	45.08%	60.80%	52.50%	45.63%	64.75%	54.63%	7.70%
O.R TAMBO	82.34%	88.03%	84.97%	86.97%	96.14%	91.33%	86.98%	102.32%	94.40%	9.41%
ALFRED NZO	68.10%	67.40%	67.70%	69.90%	70.75%	70.35%	70.30%	76.25%	73.35%	5.60%
NMMM	31.20%	42.00%	36.30%	36.50%	49.80%	42.80%	36.80%	52.20%	44.10%	7.80%

Source: Global Insight (2004)

Considering the current high rate of unemployment in the province of 30% in terms of the narrow definition² as at September 2005, especially amongst the youth age bracket, the actual level of dependency could be expected to be significantly higher, thus effectively reducing the level of self-sustenance and increasing dependence on both public services as well as government's social welfare grants.

According to the Global Insight (2004), unemployment in the province not only increased between 1996 and 2004, but that the rate of increase was higher in the province than was for the country. Furthermore, while the levels of unemployment are unacceptably high across the province, the situation is worse in rural districts. With the exception of the Alfred Nzo and Cacadu municipalities the rate of increase in unemployment in all the districts was higher than the provincial average of 7.1%. The O.R. Tambo Municipality recorded the highest increase of 9.4%. Surprisingly, the Alfred Nzo Municipality registered the lowest increase in the rate of unemployment. Again, while the rate of unemployment was high for both men and women, it was worse for women in all districts of the province, with those in the O.R. Tambo and Alfred Nzo appearing to be in more desperate situation than the others. There were also significant parities in the unemployment rate across races, with blacks being in the worse situation. While the unemployment rate for whites in the province increased from 6% in 1996 to 7,5% in 2004, 6.5%, the unemployment rate for blacks increased from 56,6% to 63,1% over the same period.

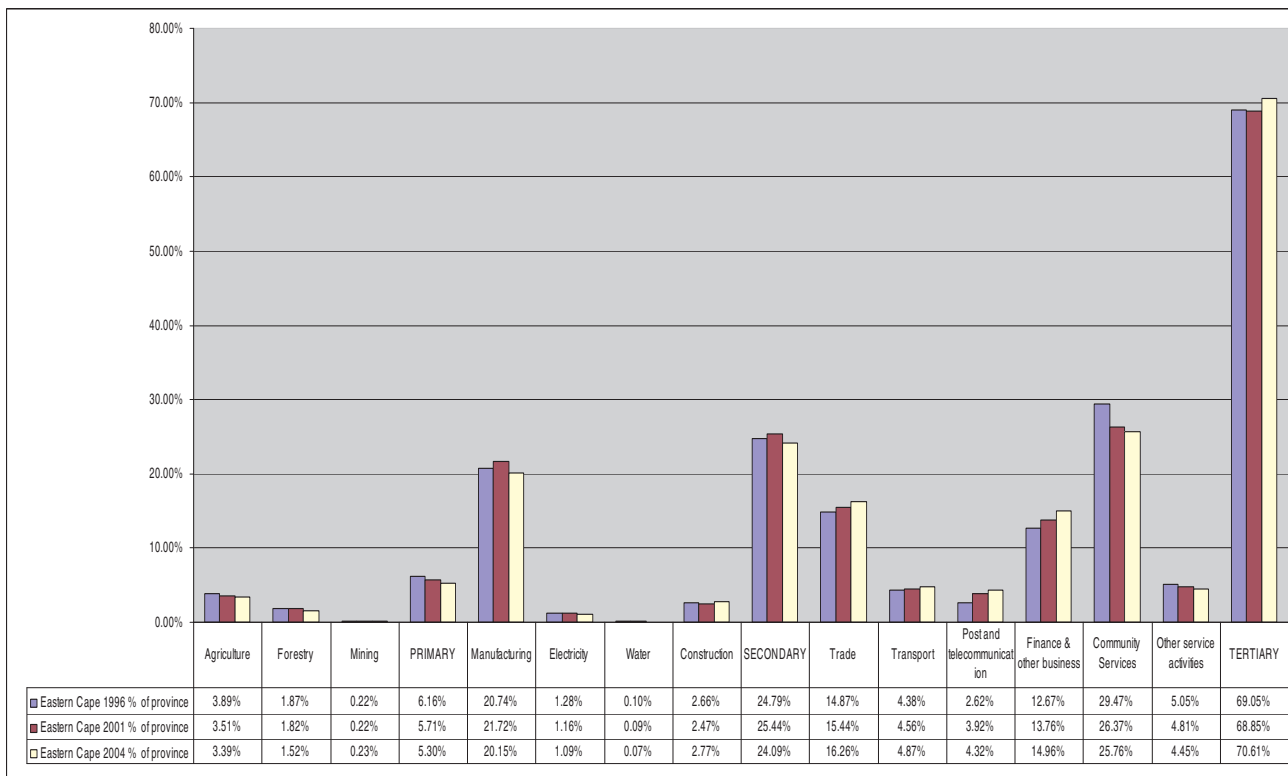
4. Economic structure and performance

Although the Eastern Cape was home to some 15% of the country's population in 2004, its contribution to the national economy was about 7%, well below its share of the population. Unlike many of the other provinces of this country, the provincial economy lacks an anchor-sector such as what mining is for some of the other provinces. If one considers that about 64% of the province's population lives in the rural areas, then the 6% share of agricultural in the total gross geographical product suggests serious structural imbalances in the economy. The province is heavily dependent on general government services. The structural disarticulation of the provincial economy calls for a radical transformation, emphasizing the importance of both the Coega IDZ and the East London IDZ in this regard.

² There are two measures of unemployment, viz. the narrow and the expanded definitions. The narrow definition looks strictly at the number of the unemployed actively looking for jobs as a proportion of the labor force, whilst the expanded definition includes those that are unemployed and not necessarily actively looking for jobs, i.e. the discouraged. Thus, the unemployment rate, narrowly defined, will always be less than the broadly defined rate.

Though the gross value added³ (GVA) by the province increased in absolute terms between 1996 and 2004, the province's contribution to the national economy consistently dropped during this time. In 1996, the province's GVA amounted to R54,1 billion or 6.8% of the national economy. In 2004, the province's GVA increased to R62,6 billion or 6.5% of the national economy. This indicates that the province's contribution to the national economy dropped by 0,3% points between 1996 and 2004.

Figure 7: GVA per Sector within the province, 1996-2004 (%)

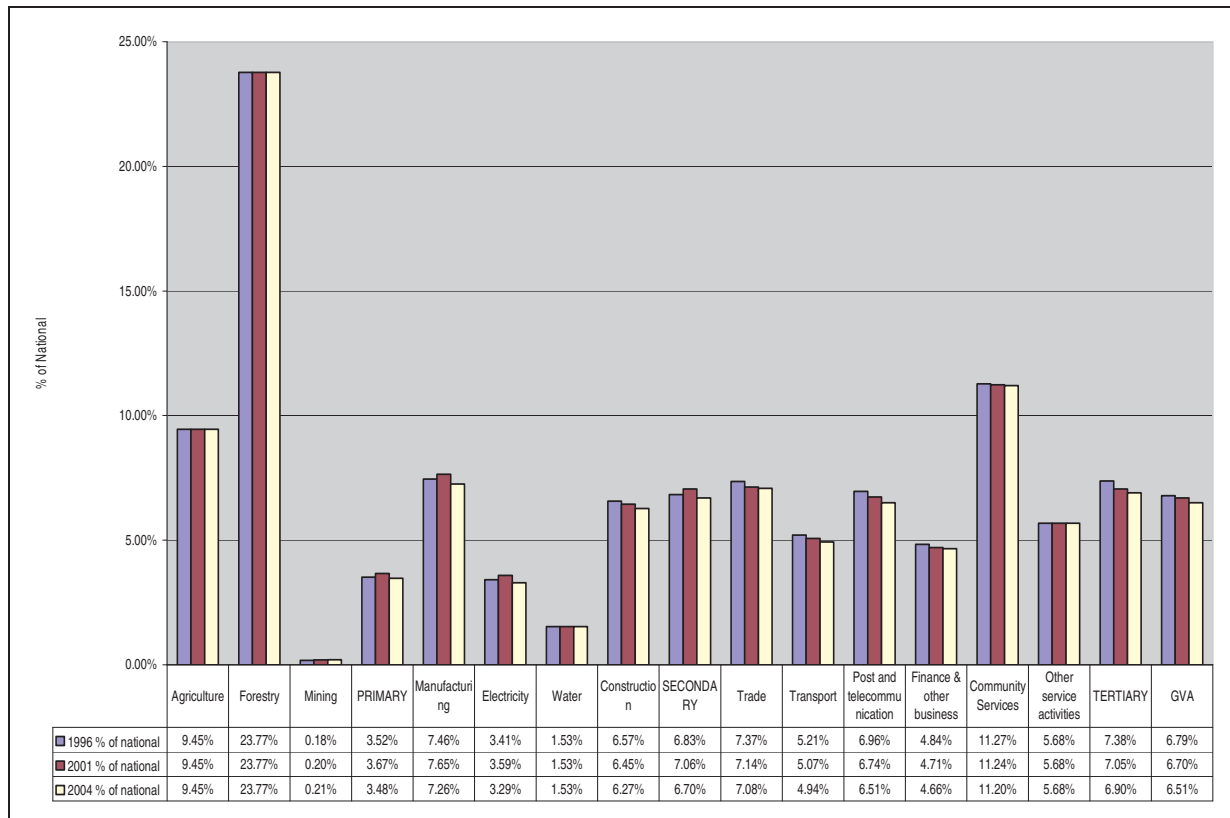


Source: Global Insight, 2004

Both the primary and secondary sectors of the province's economy showed a decline in their value added during the 1996-2004 period. Of the 13 key sectors of the provincial economy, only four, viz. trade, transport, post and telecommunications, and finance, showed consistent contributions to the gross value added (GVA) during the period 1996-2004, with finance posting the highest growth in value added of 2.3%. The contribution of manufacturing sector to the GVA dropped from 20,7% in 1996 to 20,2% in 2004. Over the same period, the contribution of community services also declined from 29,5% to 25,8%. By 2004, the province was slowly becoming more and more dependent on a few sectors and thus becoming more vulnerable as well. The manufacturing sector, the second largest sector of the provincial economy, is also heavily concentrated in a few large enterprises, particularly the automobile manufacturing. Although the province accounted for almost a quarter of all value added in the country's forestry sector between 1996 and 2004, the sector contributed not more than 2% to the province's GVA.

³ Unlike the gross geographic product by region (GDP-R), GVA is only a measure of the value added by each producer and sector in the production chain. It is by no means a measure of total output in the region. In this sense, it is similar to the gross geographical product (GGP).

Figure 8: Eastern Cape's Contribution to the National Economy (by Gross Value Added)



Source: Global Insight (2004)

Table 3: GDP-R by Magisterial Area in constant 2000 prices (% changes)

	1997	2001	2004	Cumulative average annual growth, 1997-2004
South Africa	2.60%	2.70%	4.50%	3.2%
Eastern Cape	3.00%	0.70%	4.30%	2.6%
CACADU	1.31%	1.28%	3.17%	1.92%
AMATOLE	0.31%	-2.59%	3.64%	0.45%
CHRIS HANI	0.99%	-0.91%	2.68%	0.92%
UKHAHLAMBA	2.63%	-3.75%	2.83%	0.57%
OR TAMBO	2.70%	0.36%	2.24%	1.76%
ALFRED NZO	2.25%	-0.70%	0.80%	0.78%
NMMM	3.60%	2.90%	4.70%	3.73%

Source: Global Insight (2004)

In real terms, the provincial economy recorded the fifth highest rate of growth of 2.3% between 1996 and 2004, much lower than the national average of 2.9%. With a growth rate of 2,3% per annum, average income in the province will double in 33 years. The province's heavy reliance on the government sector also gives cause for concern.

The Nelson Mandela Metropolitan Municipality achieved the highest economic growth rate of 3,7% during the 1997-2004 period. This was followed by the Cacadu District Municipality, which recorded a growth rate of 1,9% over the same period. This highlights the fact that eradicating poverty in the Eastern Cape is becoming a daunting task, requiring a radical transformation of the provinces economy through forging partnerships between the public sector, private sector, and communities.

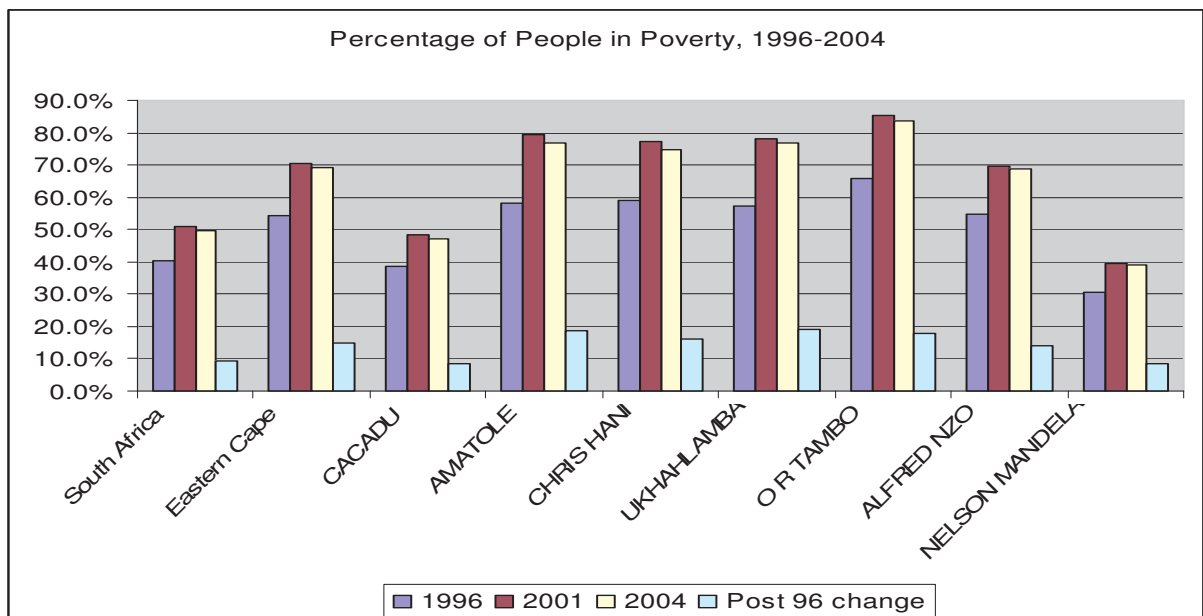
The Eastern Cape has a comparative advantage in the agriculture, manufacturing, trade and community services sectors. Although, there was a slight decline in the comparative advantage of the province in manufacturing in 2004, a slight improvement was observed in the comparative advantage in the other three sectors, with the greatest improvement witnessed in the agriculture sector.

In a national context, however, the province does not have any overall comparative advantage in any particular sector. In fact, for community services, the province shared the highest location quotient of 1.5 with Limpopo in 2004 and 1.1 for trade with the Western Cape and Gauteng. For agriculture and manufacturing, the province has the third highest location quotient. Thus, the province still needs to find its niche so as to create its own comparative advantage. In this regard, there is potential for manufacturing and the existence of the two industrial development zones should reinforce this advantage.

5. Poverty

The Provincial Growth and Development Plan (2004) explains that most of the constraints to growth and development in the province stem from severe poverty, high levels of inequality between the poor, densely-populated labor reserves and relatively affluent, sparsely-populated commercial agricultural areas, and between well-served urban centers and under-served townships and informal settlements.

Figure 9: Percentage of People in Poverty, 1996-2004



Source: Global Insight (2004)

Figure 9 and Table 4 shows that the poverty rate (defined as the percentage of people living in households with income levels below the minimum living level) in the province increased from 54,3% in 1996 to 70,6% in 2001. Thereafter, the rate dropped marginally to 69,1% in 2004. Thus the rate of poverty in the province rose

by 14,8% during the period 1996-2004, compared to an increase of 9,2% for the country as a whole for the same period. Although poverty is widespread throughout the province, it appears to be more acute in the former homelands of Transkei and Ciskei, which also happen to be very rural.

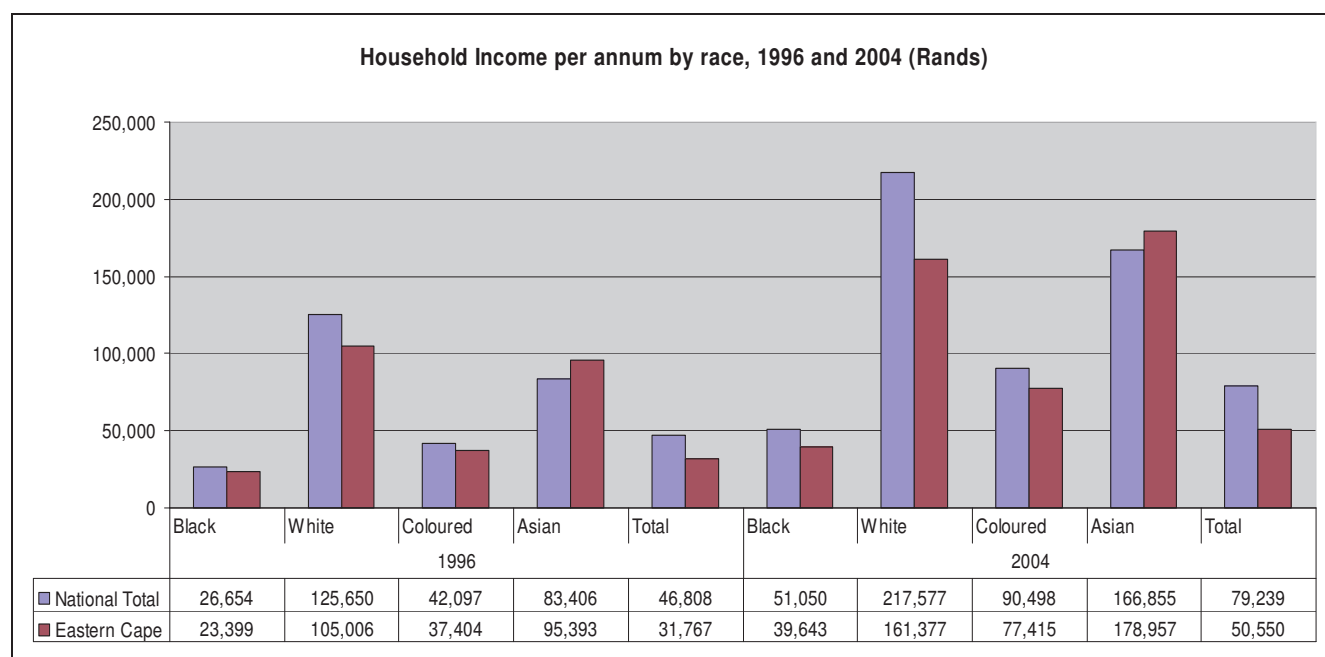
Only the Cacadu District Municipality and Nelson Mandela Metropolitan Municipality had poverty rates lower than the provincial average of 69.1% in 2004. For each of the remaining five district municipalities, the number of people living in poverty was above 68%. The O.R Tambo District Municipality had the highest percentage of people living in poverty in 2004, estimated at 83%. The Ukhahlamba District Municipality experienced the biggest increase in poverty, with the percentage of people living in poverty increasing from 57.4% in 1996 to 76,7% in 2004. This indicates an increase of 19.3% points, followed by Amatole District Municipality with 18.8% point increase, and O.R Tambo with an increase of 17.8% points.

Table 4: Poverty Rates by Race and District, 1996-2004

Description	1996				2001				2004				Post 1996 change
	Black	White	Colored	Total	Black	White	Colored	Total	Black	White	Colored	Total	
South Africa	50.3%	2.0%	16.8%	40.5%	62.4%	4.0%	21.2%	50.9%	60.6%	4.0%	20.8%	49.7%	9.2%
Eastern Cape	60.8%	2.1%	20.8%	54.3%	78.8%	4.2%	24.7%	70.6%	77.0%	4.4%	24.8%	69.1%	14.8%
CACADU	55.2%	2.2%	28.8%	38.7%	69.9%	4.3%	33.8%	48.2%	66.6%	4.4%	33.8%	47.2%	8.5%
AMATOLE	61.5%	2.6%	19.0%	58.0%	84.1%	5.5%	24.6%	79.4%	81.1%	5.7%	24.7%	76.8%	18.8%
CHRIS HANI	63.9%	1.9%	19.7%	58.9%	83.7%	3.9%	24.7%	77.1%	81.0%	4.0%	24.7%	74.9%	16.1%
UKHAHLAMBA	63.1%	2.9%	31.7%	57.4%	85.9%	6.3%	41.8%	77.9%	84.0%	6.5%	42.3%	76.7%	19.3%
O R TAMBO	66.2%	1.6%	18.8%	65.9%	85.7%	3.1%	21.9%	85.3%	84.1%	3.3%	22.6%	83.8%	17.8%
ALFRED NZO	60.4%	0.7%	24.9%	54.8%	76.4%	1.5%	29.6%	69.4%	75.3%	1.5%	30.7%	68.8%	14.0%
NELSON MANDELA	47.1%	2.2%	15.9%	30.6%	60.3%	4.4%	18.7%	39.7%	58.3%	4.6%	18.9%	39.1%	8.5%

Source: Global Insight, 2004

Figure 10: Household Income by Race, 1996 and 2004 (In current prices)



Source: Global Insight (2004)

Table 5: Changes in Household Income by Race and District in the Eastern Cape, 1996-2004

Description	% changes				
	Black	White	Colored	Asian	Total
National Total	91.53%	73.16%	114.97%	100.05%	69.29%
Eastern Cape	69.42%	53.68%	106.97%	87.60%	59.13%
CACADU	119.40%	53.80%	101.54%		67.70%
AMATOLE	51.82%	28.54%	59.40%	81.82%	43.38%
CHRIS HANI	59.73%	21.00%	57.75%		50.55%
UKHAHLAMBA	49.91%	19.61%	45.27%		40.06%
OR TAMBO	54.72%	5.37%	43.15%		53.89%
ALFRED NZO	49.65%				48.96%
NMMM	147.56%	60.11%	123.01%	101.72%	81.77%

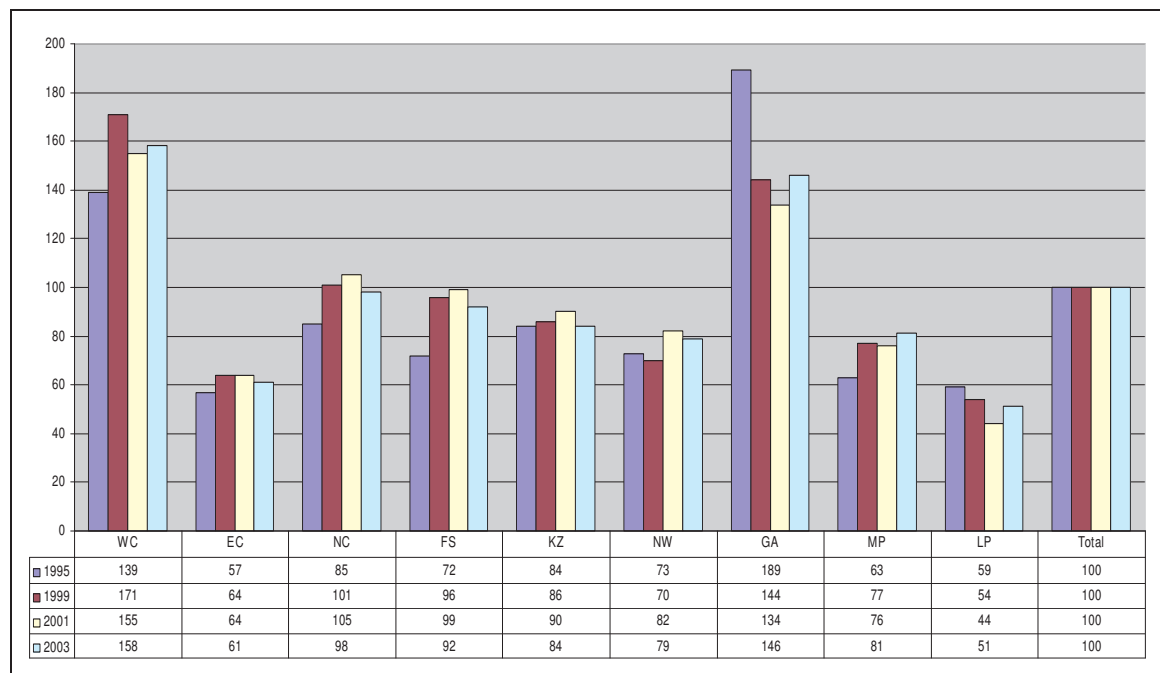
Source: Global Insight (2004)

Poverty was also found to be more profound in black households. Figure 10 shows that the annual income of a white household was 4½ times that of a black household and close to 3 times that a coloured household in the province in 1996. The gap was marginally reduced in 2004 at which period the annual income of a white household was 4 times that of a black household and twice that a coloured household in the province. While this is indicative of the prevalence of poverty in black households in the province, it also confirms the skewed distribution of income in favour of white households.

Table 5 shows that regardless of race, households in the relatively affluent district of Cacadu and Nelson Mandela Metropolitan Municipality benefited significantly from the increased income. The increases in the annual income of black households in the districts of Amatole, Chris Hani, Ukhahlamba, OR Tambo and Alfred Nzo were significantly lower than the increases in the Cacadu District Municipality and Nelson Mandela Metropolitan Municipality. This could be an indication of a widening gap in the quality of life between the urban and affluent districts, on one hand, and the more rural and deprived districts of the province, on the other.

Figure 11 shows that in 2003, the Eastern Cape and Limpopo were the two poorest provinces in the country, with per capita expenditure index values of 61 and 51, respectively. Africans in the Eastern Cape and Limpopo had expenditure indices in the low forties in 2003, compared to 71 in the Northern Cape and 88 in Gauteng. Coloreds in KwaZulu-Natal were significantly better off than in any other province, with an index of 177 in 2003 compared to 59 in the Northern Cape and 63 in the Eastern Cape. In all provinces, Whites had the highest expenditure indices in excess of 300, except in the Eastern Cape and the North West.

Figure 11: Household Expenditure by Province, 1995-2003⁴



Primary Sources: STATSSA (1995, 1999) LFS (2001, 2003)

Edwards and Scholtz (2006) found that the poverty gap in the province in 2003 was R6,2 billion, equivalent to 7% of the province's gross geographical product (GGP). This implies that a targeted transfer to the poor in the Eastern Cape equivalent to 7% of the province's GDP would be sufficient to eliminate absolute poverty. The provincial Department of Social Development (2004) estimates the poverty gap in the province in 2004 to be R7,4 billion, indicating an increase of R1,2 billion from 2003. The bulk of the poverty gap in the province, equivalent to R4.2 billion, exists in the two poorest districts of O.R Tambo (32%) and Amatole (25%).

In its transformation agenda, the provincial Department of Education cites that "the consequences of unemployment and poverty on communities, families and consequently on the school and schooling are significant and detrimental. A study on the non-payment of municipal services conducted in 2001 concluded that the major cause hereof was the inability to pay as opposed to unwillingness to pay.

⁴ In view of the reported complications around the capturing of income and expenditure data during national household surveys, per capita household expenditure, with the national average indexed at 100 for each year was calculated. It was considered best to use the figure to gauge provinces' relative positions.

Table 6: Poverty Gap⁵ by District Municipality, 2004

Description	Poverty Gap (R Million)	% Composition
Eastern Cape	7,460	100
CACADU	230	3.08
AMATOLE	1,888	25.31
CHRIS HANI	1,081	14.49
UKHAHLAMBA	479	6.42
OR TAMBO	2,390	32.04
ALFRED NZO	793	10.63
NMMM	599	8.03

Source: Eastern Cape Department of Social Development, 2004

The level of human development in the country increased from 0.56 in 1996 to 0.60 in 2001 and remained at 0.60 in 2004. In contrast, the level of human development in the province increased from 0.49 in 1996 to 0.52 in 2001, only to increase marginally to 0.53 in 2004 (Global Insight, 2004). Thus, the province's level of human development is not only below the national average, but has been declining as well. As expected, the levels of human development in the more affluent Cacadu Municipality and Nelson Mandela Metropolitan were much higher than those in the other deprived districts, with O.R Tambo Municipality consistently showing the lowest levels for all the population groups in the three-year period.

Table 7: Progress on Human Development in the Eastern Cape (HDI)

Description	1996				2001				2004			
	Black	White	Colored	Total	Black	White	Colored	Total	Black	White	Colored	Total
South Africa	0.46	0.86	0.57	0.56	0.52	0.86	0.62	0.60	0.53	0.86	0.63	0.60
Eastern Cape	0.44	0.84	0.56	0.49	0.49	0.84	0.59	0.53	0.48	0.83	0.60	0.52
CACADU	0.47	0.97	0.51	0.58	0.55	0.95	0.55	0.61	0.55	0.95	0.58	0.61
AMATOLE	0.42	0.51	0.26	0.45	0.47	0.51	0.27	0.49	0.46	0.5	0.28	0.48
CHRIS HANI	0.41	0.59	0.18	0.44	0.46	0.58	0.19	0.48	0.46	0.57	0.19	0.48
UKHAHLAMBA	0.42	0.81	0.36	0.46	0.47	0.79	0.38	0.49	0.46	0.78	0.38	0.48
OR TAMBO	0.39	0.12	0.19	0.39	0.44	0.12	0.19	0.44	0.43	0.11	0.19	0.43
ALFRED NZO	0.40	0.00	0.00	0.41	0.46	0.00	0.00	0.46	0.45	0.00	0.00	0.45
NMMM	0.52	0.84	0.60	0.63	0.59	0.84	0.64	0.66	0.59	0.84	0.65	0.66

Source: Global Insight, 2004

⁵ Poverty Gap is a measure of the level of destitution of people. Unlike a head-count ratio, which enumerates the number of people below the poverty line, a poverty gap measures the extent to which an individual is below the poverty line. It therefore measures how much money is needed to bring each poor person's income up to the poverty line.

The distribution of income as measured by the Gini co-efficient⁶ indicates that for the country as a whole, the Gini-coefficient increased from 0.60 in 1996 to 0.64 in 2001 and further to 0.65 in 2004 (Global Insight, 2004). The distribution of income in the province closely mirrored that of the country during the period under review. While the distribution of income is more or less similar in the more poverty-stricken districts, it is worth-noting that the two more affluent districts of the province show a different picture. The distribution of income was more concentrated in Cacadu District Municipality than was in the Nelson Mandela Metropolitan Municipality. The income disparity was also high amongst blacks during the period 1996-2004.

Table 8: Distribution of Income (Gini-Coefficient)

Description	1996				2001				2004			
	Black	White	Colored	Total	Black	White	Colored	Total	Black	White	Colored	Total
South Africa	0.53	0.45	0.48	0.60	0.60	0.46	0.54	0.64	0.63	0.45	0.55	0.65
Eastern Cape	0.56	0.46	0.48	0.60	0.61	0.47	0.54	0.64	0.64	0.47	0.55	0.65
CACADU	0.49	0.45	0.45	0.62	0.57	0.45	0.52	0.62	0.60	0.44	0.55	0.62
AMATOLE	0.54	0.17	0.17	0.56	0.6	0.18	0.19	0.61	0.63	0.17	0.19	0.63
CHRIS HANI	0.57	0.11	0.13	0.59	0.61	0.12	0.18	0.61	0.64	0.12	0.19	0.63
UKHAHLAMBA	0.59	0.24	0.24	0.59	0.63	0.25	0.26	0.62	0.65	0.25	0.26	0.64
OR TAMBO	0.59	0.06	0.07	0.59	0.63	-	0.07	0.63	0.65	-	0.07	0.65
ALFRED NZO	0.54	0	0	0.55	0.59	0	0	0.59	0.63	0	0	0.63
NMMM	0.48	0.43	0.44	0.55	0.57	0.46	0.51	0.57	0.59	0.46	0.52	0.58

Source: Global Insight, 2004

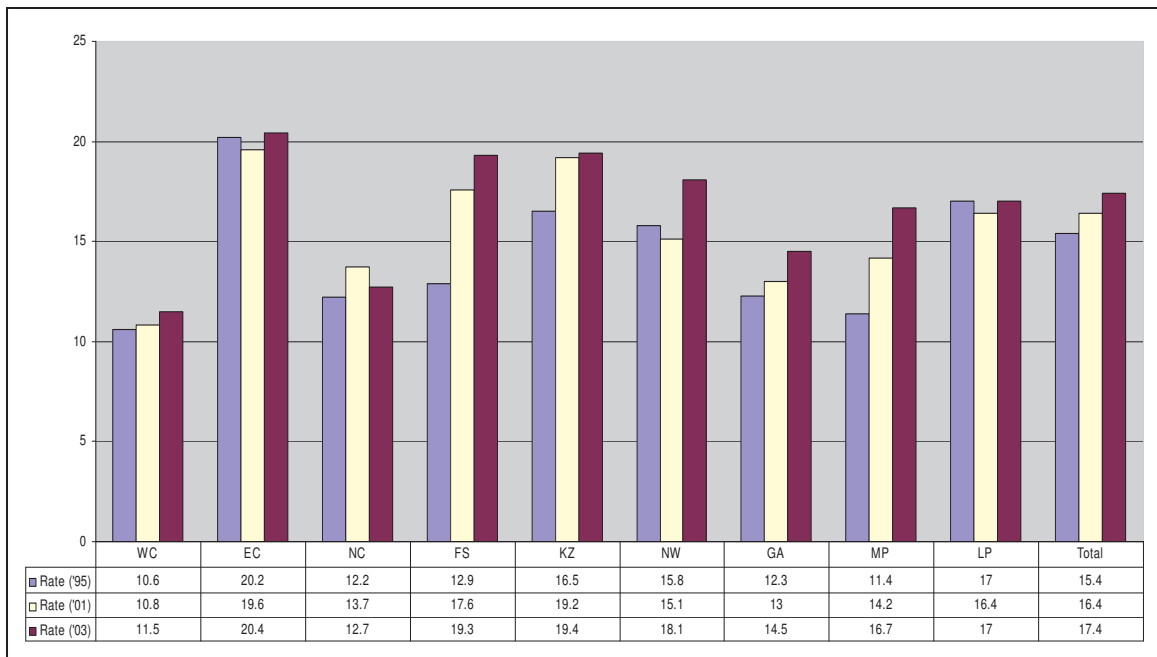
6. Other welfare challenges

According to the Department of Education (2006), four groups of people, viz. orphans, grant recipients, disabled individuals, and children in households that are unable to provide sufficient for all members were found to be under stress, i.e., were more vulnerable to shocks than others. According to the OHS (1995) and LSF (2003), there were 1,7 million single orphans in the country in 1995. By 2003, the figure had risen to 2,1 million in 2003, with African children in the majority. There were also 220 000 double orphans in 1995, rising to 371 000 in 2003, with African children in the majority. Over the same period, the Eastern Cape recorded the highest proportion of single and double orphans.

The issue with access to social grants such as old age pensions, disability grants and child support grants is that any changes in individual's eligibility for these grants may have important ramifications not only for the individual concerned, but for the entire household which is often heavily reliant on the grant (Department of Education, 2006). In general, access to social grants by households increased between 1995 and 2003, particularly in Limpopo and the Eastern Cape provinces. For the Eastern Cape, access to social grants increased from 17.5% of the total households in the province in 1995 to 46.1% in 2003. For Limpopo, the increase was from 12.8% to 47.8% over the same period.

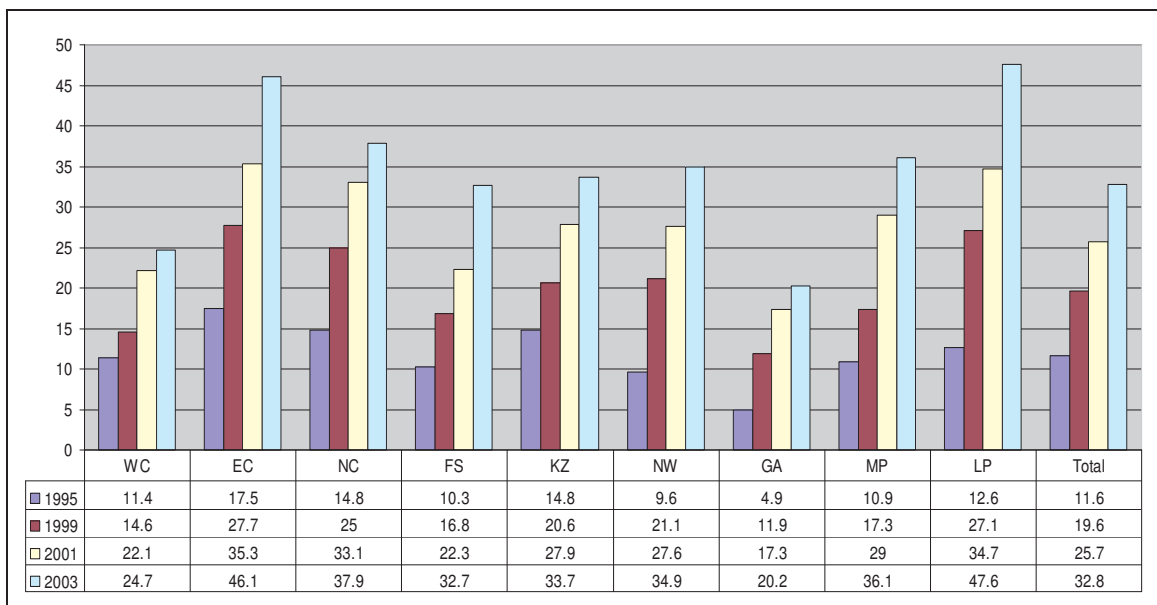
⁶ The Gini coefficient is a measure of the distribution of income within an economy and ranges between 0 and 1. A Gini coefficient of 1 basically means that all the income produced in the economy accrues to a single household or person whilst a Gini coefficient of 0 will mean that all the income produced in the economy is equally distributed amongst all households or persons in such an economy.

Figure 12: Single Orphans by Province, 1995-2003



Primary Sources: STATSSA (1995); LFS (2001, 2003)

Figure 13: Household Access to Social Grants by Province, 1995-2003



Primary Sources: STATSSA (1995, 1999); LFS (2001, 2003)

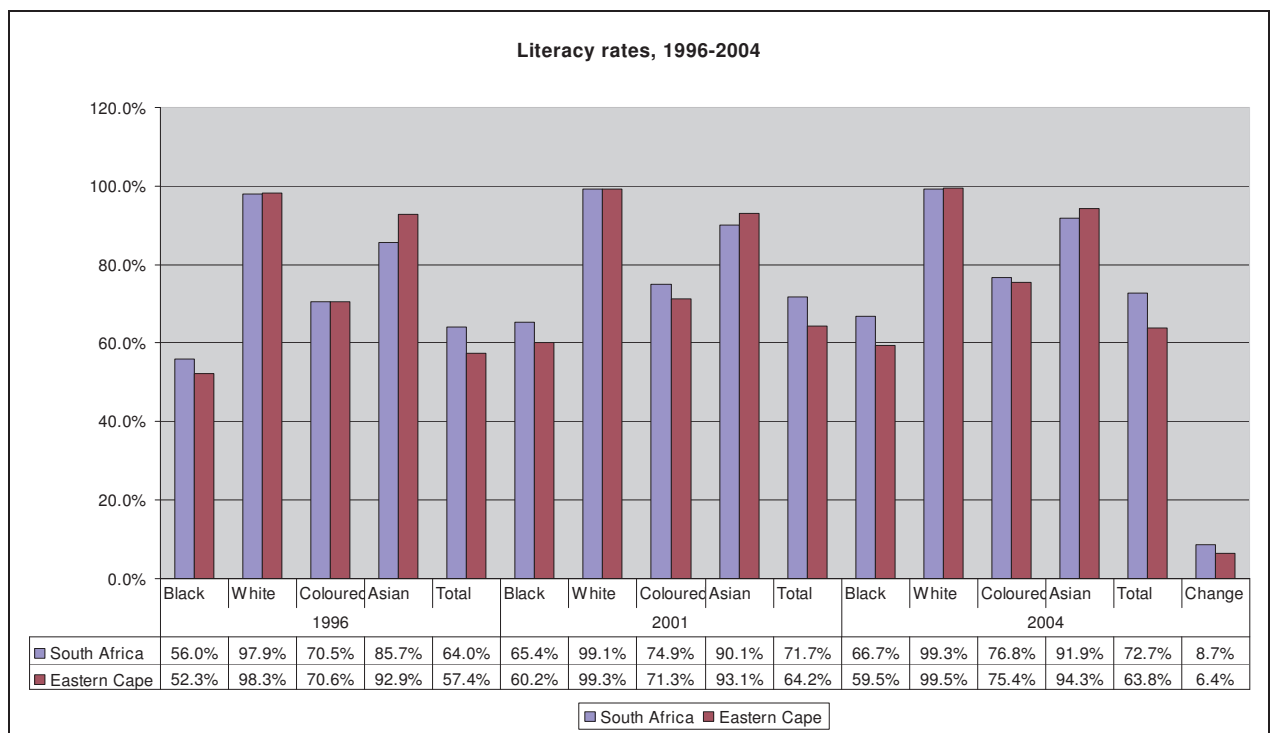
STATSSA reports that 42.4% of the households in the Eastern Cape in 2003 had children who were always, often, sometimes, or seldom hungry (STATSSA, 2003). The 2004 GHS also indicates that in July 2004, there were 106,741 child-headed households in the country. Of this figure, 28,718, representing 27% were in the Eastern Cape.

7. Education

Development practitioners generally agree that education is the key driving force for accelerated human development and a reduction in poverty. It is also argued that in the long term, sustained access to quality education influences the pace of economic growth (National Treasury, 2006). Education is said to expand the range of options from which a person may choose, thus creating opportunities for a fulfilling life. Education and training satisfy the basic human need for knowledge and skills. It provides a means of meeting basic needs, provided that adequate employment opportunities exist, and helps sustain and accelerate overall development. In addition, the level of education of the population influences its welfare through the indirect effects on health, fertility and life expectancy. Above all, education helps to increase the value of other forms of social and physical investment.

The literacy rate (defined as the percentage of the population who are 20 years and older who have attained Grade 9 or a higher qualification) in the country increased from 64% in 1996 to 71,7% in 2001, and then to 72,7% in 2004. In contrast, the literacy rate in the Eastern Cape increased from 54,4% in 1996 to 64,2% in 2001, and then dropped marginally to 63,8% in 2004. On average, the proportion of the population aged 20 years and above with a minimum qualification of Grade 9 in the country increased by 8.7% in the period 2001-2004. For the Eastern Cape, the increase was 6.4% over the same period, keeping the province's literacy rate still far below the national average.

Figure 14: Literacy Rates in Eastern Cape



Source: Global Insight, 2004

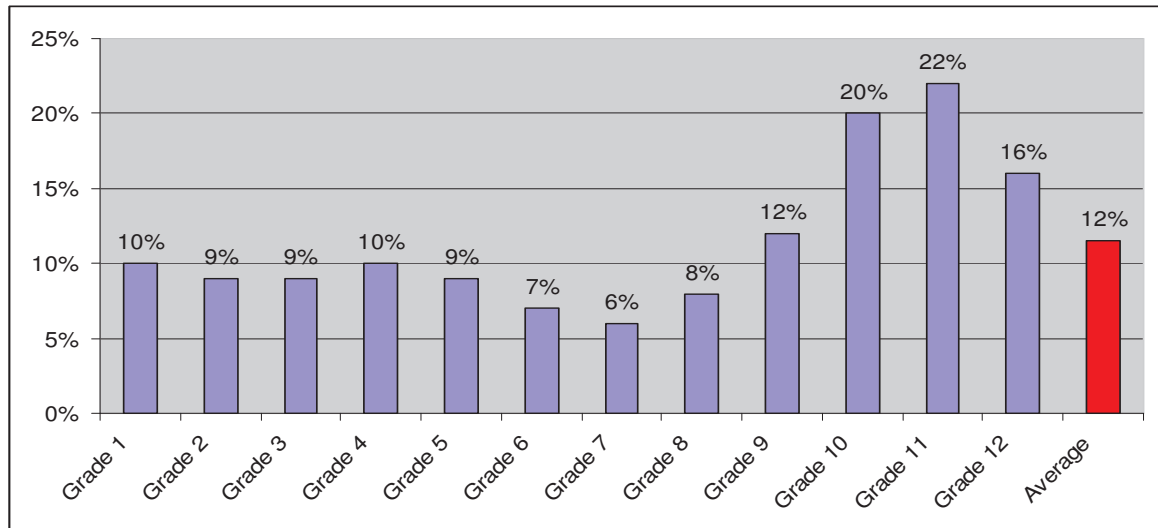
In reporting on the status of education in the Eastern Cape in the period 2001-2004, the provincial Department of Education (2004) revealed as follows:

- Public school enrolment increased by 2.6% from 2,027,791 to 2,082,160;
- The number of educators have increased by 6.2% from 60,882 to 64,667;
- The learner-educator ratio for the public schooling system decreased from 33.3 to 32.2;

- The learner classroom ratio decreased from 43 to 39.

Whilst these indicators are supposed to show progress in both the quality and quantity of education in the province, the system is marred by, amongst others, classroom backlogs, falling and dilapidated schools, over-aged learners, and high repetition rates.

Figure 15: Eastern Cape: Repetition Rates, Grades 1-12, 2002



Source: Eastern Cape Department of Education (2004)

Table 9: Eastern Cape: Structure of Enrolment in 2002

Grade	Under-Aged	Appropriately-Aged	Over-Aged
Grade 1	21%	47%	32%
Grade 2	15%	41%	43%
Grade 3	16%	35%	50%
Grade 4	16%	32%	52%
Grade 5	17%	29%	54%
Grade 6	19%	28%	53%
Grade 7	20%	27%	54%
Grade 8	19%	25%	56%
Grade 9	18%	24%	59%
Grade 10	18%	22%	60%
Grade 11	19%	22%	59%
Grade 12	21%	22%	57%
Average	18%	29%	52%

Source: Eastern Cape's Department of Education, 2004

Table 10: Selected Education Indicators, 2005⁷

Province	No. of Learners	% of <i>Total</i>	No. of Educators	% of <i>Total</i>	No. of Schools	% of <i>Total</i>	Learner- Educator Ratio	Learner- School Ratio
Eastern Cape	2,179,102	18.3	66,083	18.2	6,239	24.4	33.0	349
Free State	670,656	5.6	22,324	6.2	1,842	7.2	30.0	364
Gauteng	1,605,150	13.5	50,600	14.0	1,897	7.4	31.7	846
KwaZulu-Natal	2,681,144	22.5	77,906	21.5	5,653	22.1	34.4	474
Limpopo	1,885,872	15.8	55,361	15.3	4,187	16.4	34.1	450
Mpumalanga	895,583	7.5	26,643	7.4	1,863	7.3	33.6	481
Northern Cape	207,688	1.7	65,13	1.8	422	1.6	31.9	492
North West	836,159	7.0	26,929	7.4	2,025	7.9	31.1	413
Western Cape	949,790	8.0	30,119	8.3	1,454	5.7	31.9	653
Total	11,911,144	100.0	362,478	100.0	25,582	100.0	32.9	466

National Department of Education (2005)

The provincial Department of Education reported that repetition rates in the province in 2002 ranged from 6% for Grade 7 learners to 22% for Grade 11 learners (see Table 9). The Department also mentioned that the repetition rates were higher in the FET grades throughout the province. The public schooling system was also crowded with over-aged learners mainly as a result of the high repetition rate. According to the Department, some 52% of learners enrolled in 2002 were over-aged, 29% were appropriately aged, and 18% were under-aged (Department of Education, 2004)

The Eastern Cape had the largest number of schools in the country in 2005. The province had 6,239 schools, representing 24,4% of the total in the country. The province also had 18,3% of all learners in the country in 2005, the second highest after KwaZulu-Natal's share of 22,5%. The Eastern Cape also had 18,2% of all educators in the country in 2005. Again, this was the second highest in the country after KwaZulu-Natal which had 21,5% of the total. The learner-educator ratio of 33 during the period was the fourth highest in the country, while the learner-school ratio of 364 was the lowest in the country during the period (Table 10).

⁷ These figures are only for public ordinary schools and exclude independent schools.

Table 11: Provincial Education Expenditure as Percentage of Total Provincial Spending, 2002/03 – 2008/09

Province	Provincial education spending as percentage of total provincial spending							Percentage Growth (average annual)	
	2002/03 Outcome	2003/04 Outcome	2004/05 Outcome	2005/06 Preliminary Outcome	2006/07 Med. Term Estimate	2007/08 Med. Term Estimate	2008/09 Med. Term Estimate	2002/03- 2005/06	2005/06- 2008/09
Eastern Cape	49.6	47.5	49.3	48.7	48.7	48.5	48.2	7.5	12.3
Free State	45.6	45.8	45.3	46.0	45.3	43.6	42.9	11.5	7.4
Gauteng	38.5	40.2	39.7	38.4	35.6	37.0	37.6	8.6	11.7
KwaZulu-Natal	46.5	47.2	46.5	45.0	43.6	42.9	41.2	12.9	8.9
Limpopo	50.8	50.0	51.3	49.5	48.3	48.1	48.1	11.6	9.5
Mpumalanga	49.6	50.2	48.6	49.8	48.6	48.6	48.8	13.8	9.3
Northern Cape	44.2	41.6	42.1	39.5	37.4	37.1	38.0	9.8	7.8
North West	48.3	48.1	46.6	45.3	43.8	41.8	40.9	10.5	6.7
Western Cape	40.5	40.3	38.9	38.5	38.0	38.2	38.0	10.3	8.4
Total	45.7	45.7	45.6	44.7	43.2	43.1	42.8	10.6	9.7

Source: National Treasury (2006)

Table 11 shows that as a percentage of total provincial spending, the province's spending on education has consistently been among the four highest spending provinces in the country and also consistently been higher than the national average.

The province's spending on education grew by 7,5% between 2002/03 and 2005/06, significantly lower than the national growth rate of 10,6%. Significant strides have been made since financial year 205/2006 to increase the growth of spending on education in the province. It is estimated that spending on education in the province will increase by 12,3% during the period 2005/06-2008/2009, the highest in the country during the period.

In assessing spending patterns, Du Toit (2001) observed that most provinces have major physical infrastructure problems, including the supply and maintenance of classrooms, equipment, water, electricity and sanitation. In many provinces, the supply of learner support materials is also often poor. He contends that these issues will have to be urgently addressed to improve the quality and outcome of education in future. Table 12 shows that between 2002/03 and 2005/06, the Eastern Cape recorded the second lowest growth in spending on school capital assets. Between 2005/2006 and 2008/2009, however, the province will experience the highest increase in spending on school capital assets.

Table 12: Provincial Education Payments for Capital Assets, 2002/03 – 2008/09

Province	Percentage Growth (average annual)	
	2002/03-2005/06	2005/06-2008/09
Eastern Cape	1.6	66.7
Free State	-20.3	-2.5
Gauteng	17.2	17.5
KwaZulu-Natal	25.7	8.0
Limpopo	22.2	17.4
Mpumalanga	14.6	26.9
Northern Cape	18.7	-10.8
North West	24.2	18.0
Western Cape	41.4	-26.8
Total	17.5	20.8

Source: National Treasury (2006)

While enrolment rates in the recent years in the province were impressive and overall spending on education was quite substantial, these statistics do not indicate the ability of the schooling system to retain learners nor do they indicate the quality of the education system. The enrolment and expenditure trends do not also indicate whether learners in fact are adequately prepared for the job market, access higher education or contribute to the economy, their families, communities and society as a whole. The matriculation statistics could be a useful indicator of the education outcomes.

The number of matriculation students has been on the increase since 2004. The number increased from 33,915 in 2004 to 41,268 in 2006, indicating an increase of 21,7% over the period. The province has, however, consistently obtained the lowest matriculation pass rates in the country, although the pass rate has been on the increase in recent years. The pass rate increased from 53,5% in 2004 to 56,7% in 2005 and then to 59,3% in 2006. Over the same period, the national pass rate dropped steadily. The pass rate dropped from 70,7% in 2004 to 68,3% in 2005, and further down to 66,6% in 2006.

Matriculation results for mathematics and science are often seen as an indication of both the quality of education and the responsiveness to the needs of the labor markets. In both two subjects, however, the province has fared very badly. Only 4% of the matriculates who wrote mathematics at high grade in the province in 2005 passed, and 6.1% of the matriculates who wrote physical science at high grade passed. The corresponding national average pass rates were 8.7% in mathematics and 16.5% in physical science. It can therefore be concluded that the quality of education in the province still leaves a lot to be desired (National Treasury, 2006).

8. Health

Table 14 shows that life expectancy at birth in the province was the second highest in the country⁸ in 1996 after the Western Cape. In 2003, however, life expectancy in the province dropped to the fourth lowest, after KwaZulu-Natal, Mpumalanga and Free State. Except for 1996, the province's

Table 13: Life Expectancy at birth per province, 1996-2006

Years	EC	FS	GP	KZN	LP	MP	NC	NW	WC	SA
1996	60	53	60	53	60	54	56	53	61	57
2000	56	55	58	52	57	53	61	60	63	55
2002	54	52	55	48	54	50	59	53	63	53
2005 ASSA 2000	47	45	48	40	48	43	54	46	-	46
2006 ASSA 2003	49	47	52	43	56	46	57	50	62	51

Source: STATSSA (2004); Actuarial Society of South Africa (2005).

Table 14: Some Health Indicators by province

Infant mortality rate (deaths under 1 year per 1 000 live births)										
	EC	FS	GP	KZN	LP	MP	NC	NW	WC	SA
1998 revised	61.2	53	36.3	52.1	37.2	47.3	41.8	42	30	45
2000	70.9	61.8	44.4	68.4	51.6	58.6	46.4	55.2	31.7	59.1
2003	68.3	48.1	33.5	30.4	34.1	40.5	28.7	61.9	43.5	42.5
2006 ASSA2003	62	58	37	62	37	53	34	44	26	48
Incidence of TB (all types) (per 100 000)										
	EC	FS	GP	KZN	LP	MP	NC	NW	WC	SA
2003	590.9	611.1	373.4	782.2	181	238.1	812.4	525.3	931.5	550.1
2004	518.7	642	435.8	723.3	214.7	229.5	783.6	551.2	988.1	550.9
2005	637.9	708.3	487.8	885.9	237.2	333.6	846	711.5	1037.2	645
HIV prevalence (%) (antenatal)										
	EC	FS	GP	KZN	LP	MP	NC	NW	WC	SA
2002	23.6	28.8	31.6	36.5	15.6	28.6	15.1	26.2	12.4	26.5
2003	27.1	30.1	29.6	37.5	17.5	32.6	16.7	29.9	13.1	27.9
2004	28	29.5	33.1	40.7	19.3	30.8	17.6	26.7	15.4	29.5
2005	29.5	30.3	32.4	39.1	21.5	34.8	18.5	31.8	15.4	30.2

Source: South African Health Review, Department of Health, 2006

life expectancy has consistently been lower in each year than the national average. The province has consistently had the worst infant mortality rate between 1998 and 2006.

In terms of the incidence of all types of TB, Eastern Cape has consistently recorded the fifth largest number of reported incidences between 2003 and 2005. As is the case with all the other provinces, there seems to be an increase in the incidence of all types of TB during the period under review.

According to the Report on HIV and Syphilis Antenatal Sero-Prevalence Survey in the country (2005), national rate of increase in the HIV prevalence is on the increase. Though the Eastern Cape had the sixth highest

⁸ In the absence of notes in this regard, there is likelihood that the 1996 figure for the Eastern Cape excludes the former homelands of Transkei and Ciskei. If this is the case, then this figure will be misleading and therefore not useful for comparisons.

prevalence of HIV in the country, it is of a concern to know that while the HIV prevalence rate in the country increased by 3.7% between 2002 and 2005, the province's rate of increase was 5.9%, almost double the national average. Though prevalence rate in the province in the past three years has ranged between 25% and 30%, statistics show that it rose from around 12% in 1997.

As in education, the delivery of health services is depended mostly on the availability and accessibility of health infrastructure as well as the availability of suitably qualified and dedicated staff.

Table 15: Availability of Health Facilities in the Eastern Cape Per District, 2006

	Clinics	CHCs	Mobile Service	District Hospital	Regional Hospital	Specialized Hospital	Total Facilities
Cacadu	52	3	25	10	0	3	93
Amathole	209	7	40	14	2	3	275
Chris Hani	127	3	28	14	1	1	174
Ukhahlamba	43	1	13	8	0	2	67
OR Tambo	148	8	15	11	3	2	187
Alfred Nzo	38	1	6	3	0	0	48
NMMM	43	7	13	1	4	2	70
TOTAL	660	30	140	61	10	13	914

Source: National Department of Health (2006)

The situation with health facilities and health professionals in the province is very worrisome. While most of the provinces have seen increases in the ratio of dental practitioners to the public health dependent population, in the Eastern Cape the ratio has remained stubbornly constant between 2003 and 2006. In 2006, there was only one dental practitioner for every 100 000 health dependent people in the province, the second lowest after KwaZulu-Natal.

Table 17 shows that, for medical practitioners, the province has witnessed an increase over the years to the extent that in 2006, there were 16 medical practitioners for every 100 000 health dependent people in the province. This, however, remains far below the national average of 24 medical practitioners for every 100 000 health dependent people, and its ratio was the third lowest in the country after Limpopo and North West provinces.

Table 16: Health Personnel by Province, 2003-2006

Dental Practitioners per 100 000 population										
	EC	FS	GP	KZN	LP	MP	NC	NW	WC	SA
2003	0.99	1.5	2.79	0.7	1.01	1.75	1.87	1.49	3.35	1.58
2005	0.9	2.01	2.62	0.71	1.18	1.69	2.37	1.42	3.63	1.63
2006	0.99	2.12	3.16	0.73	1.15	2.51	2.94	1.35	3.48	1.78
Medical Practitioners per 100 000 population										
2003	12.7	23.1	25.4	21.3	14.3	17.9	28.4	11.5	31.9	19.7
2005	15.8	20.7	25.9	24.2	14.3	21.5	36.5	13.6	36.1	21.9
2006	16.1	21.4	29.7	27.5	14.8	22	34.7	14.8	38.8	23.7
Pharmacists per 100 000 population										
2003	2.2	3.2	3.7	3.2	2.2	2.7	3.1	2.1	6.4	3.1
2005	3.4	4.1	3.8	4.2	2.8	4.3	5.2	3.2	7.5	4
2006	3	3.9	4.1	4.7	3.3	4.8	6.9	3.3	8.1	4.3
Professional nurses per 100 000 population										
2003	98.5	130.7	115.1	107.3	119.3	93.7	127.1	88.9	113.9	107.1
2005	109.1	149.7	106.9	108.8	110	93.2	144.6	90	111.2	109.2
2006	102.3	139.4	113.1	111.4	110.3	96.4	126.9	88.9	114.7	109.5

Vacancies in Public Health sector										
Percentage of Medical Practitioner posts vacant										
2006	36.1	33.6	20.9	34.3	26.8	38.5	53.4	29.9	12.6	29.9
Percentage of Professional Nurse posts vacant										
2006	34	31.4	26	42.5	15	40	33.2	22.8	22	31.5
Percentage of Health professional Posts vacant										
2003	28.4	40.7	31.9	24.5	13.4	67.4	27.3	33	13.8	31.1
2005	26.6	40.5	26.7	29.6	15.8	43.9	35.1	23.1	8.1	27.2
2006	32.6	40.4	24.2	32.4	16.4	43.1	37.8	23.1	16.9	29

Source: South African Health Review, Department of Health, 2006

In 2006, there were also three pharmacists for every 100 000 health dependent people in the province, the lowest ratio in the country. The ratio was also far below the national average of four pharmacists for every 100 000 health dependent people. The province did experience an increase in the number of its professional nurses in 2006. During the year, there were 103 professional nurses for every 100 000 health dependent people in the province. Apart from the fact that this ratio was far below the national average of 109 professional nurses for every 100 000 health dependent people, the province was one of the four provinces that have experienced a decline in this ratio between 2005 and 2006. The other provinces were the Free State, Northern Cape and the North West. For this professional staff, the province features amongst the three provinces with the lowest ratio.

Vacancies for health professionals have also been very high in the province. For medical practitioners and professional nurses, the vacancy rates in the country in 2006 were 29.9% and 31.5%, respectively. In both cases, the Eastern Cape rates were higher than the national average. The vacancy rate for medical practitioners in the province stood at 36.1% in 2006, and for professional nurses the vacancy rate was 34% during the year. The province thus had the third highest rate of vacancies for medical practitioners and professional nurses in 2006.

Table 17 shows that on average, real expenditure on health in the Eastern Cape has been increasing at an average rate of 6.31% per annum. However, the rate of increase has been declining, from 13.6% in 2005/06 to a projected 4.6% in 2008/09.

Table 17: Provincial Health Expenditure
(in 2005/06 prices, R million)

Year	EC	FS	GP	KZN	LP	MP	NC	NW	WC	SA
2002/03	5,147	2,513	8,807	8,632	3,627	1,934	697	2,305	4,563	38,225
2003/04	5,692	2,783	8,892	895	4,044	2,179	904	2,457	4,991	40,892
2004/05	5,391	2,915	8,958	9,326	4,372	2,358	867	2,704	5,389	42,279
2005/06	6,122	3,099	9,973	10,517	4,790	2,664	1,098	2,957	5,707	46,928
2006/07	6,615	3,119	9,985	11,264	5,228	2,795	1,239	3,289	6,069	49,603
2007/08	7,033	3,186	10,112	11,751	5,429	2,933	1,287	3,469	6,221	51,422
2008/09	7,358	3,268	10,408	12,106	5,723	3,079	1,201	3,488	6,414	53,044

Source: South African Health Review, Department of Health, 2006

The National Department of Health reports that health care spending significantly increased in nominal terms since 1995/96. Adjusting for inflation and population growth, however, health care spending remained static during the period. Although on the average, the national real per capita expenditure on public health care has been rising, the inter-provincial comparison reveals that this has not been the case in all provinces. Together with the Western Cape, the Eastern Cape Province experienced a declining trend of per capita real expenditure on public health since 1999/00. The difference though is that while the Western Cape's per capita expenditure was declining, it was well above the national average. In the Eastern Cape, however, the figures were below the national average. The National Department of Health (2004) reports that although the inter-provincial equity gap has been closing over the past five years, four provinces, viz. Eastern Cape, North West, Mpumalanga and Limpopo, are still below the national average.

9. Infrastructure

Infrastructure plays a dual role in the regional economy, namely an improvement in the region's economic activity and an improvement in the living conditions. The provision of infrastructure services such as housing, transport and roads, water, sanitation, electricity and telecommunications represents a precondition for improved growth, thus creating economic opportunities to improve the welfare, quality of life, as well as productivity of the region's citizenry. The availability of infrastructural services raises the productivity of users by, for example, reducing the time and effort needed to obtain water, or commute to work. From an efficiency point of view, the ability of a region to compete is also largely determined by the availability of adequate and reliable infrastructure (DBSA, 2006). Analyzing access to services and housing in South Africa in 2001, the DBSA (2004) found that three of the nine provinces had a below par performance in 2001, with the Eastern Cape being one of the two provinces with the lowest access rates.

9.1 Housing

Access to shelter is one of the basic needs for human survival. As a result, the government's housing policy seeks to provide low and medium-income households with housing through a range of delivery mechanisms that incorporate essential basic services such as water, sanitation, roads, and electricity. In so doing, the sector has shifted away from the approach of simply providing shelter, to one focusing on creating complete human settlements.

Funds allocated through the integrated housing and human settlement grant account for approximately 85% of provincial housing budgets. Spending of this grant has increased strongly in the past three years, but slowed down significantly in the 2006/2007 financial year. Spending of the housing grant funding increased at an average annual rate of 7,9% during the period 2002/03 to 2005/06. For the Eastern Cape, actual spending of housing fund stood at R607 million in financial year 2005/2006. Spending during the current financial year stood at R308 million at the end of the first 10 months against a budget of R762 million (Table 19). It is projected that over R200 million of the funds would not be spent in the financial year. Actual spending of housing grant thus increased by 8,5% in 2002/03-2005/06 and 25,4% in the period 2005/06-2006/07. Spending is projected to increase by 19,9% in 2006/07-2008/09, much lower than the 25,4% recorded in the 2005/06-2006/07 period.

Table 18: Integrated housing and human settlement development grant expenditure, 2002/03-2008/09

	2005/06	2006/07	2007/08	2008/09	Percentage growth (average annual)		
Description	Preliminary Outcome (R million)	Medium-term estimates (R million)			2002/03 - 2005/06	2005/06 – 2006/07	2006/07 - 2008/09
Eastern Cape	607	762	953	1,047	8.5	25.4	19.9
Free State	370	523	653	718	24.2	41.2	24.7
Gauteng	1,357	1,758	2,197	2,414	4.6	29.6	21.2
KwaZulu-Natal	816	1,048	1,311	1,440	1.7	28.5	20.9
Limpopo	378	521	652	716	2.9	38.0	23.8
Mpumalanga	269	421	526	578	3.0	56.4	29.0
Northern Cape	103	105	131	144	27.2	2.2	12.0
North West	615	613	767	842	22.3	-3.0	11.0
Western Cape	552	599	749	822	16.0	8.5	14.2
Total	5,067	6,350	7,939	8,721	7.9	25.3	19.8

Source: National Treasury, 2006

There has been considerable progress in the delivery of houses since 1994. For the country as a whole, a total of 1,9 million houses have been built since 1994. With a share of 22.8%, the Gauteng has built the most houses, followed by KwaZulu-Natal (17.5%), and then the Eastern Cape (13.9%). Housing delivery increased in the province dropped from 58,662 in 2002/2003 to 27,119 in 2003/2004. Thereafter, the delivery increased to 37,524 in 2004/2005. In 2005/2006, only 16,874 houses were completed and/or were under construction, indicating a drop of over 55% in 2005/2006. According to National Treasury (2006), the fluctuations in the housing delivery appear to be a symptom of poor planning and project management, unpredictable lead times due to delays in land release, rezoning, and environmental impact assessment processes.

Table 19: Houses completed or under construction by province, 1994/95-2005/06

	1994/95-1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	Total	% Distribution
Eastern Cape	83,738	34,021	10,816	58,662	27,119	37,524	16,874	268,754	13.92%
Free State	55,611	16,088	7,005	9,155	16,746	16,447	17,635	138,687	7.18%
Gauteng	230,717	38,547	46,723	24,344	49,034	28,002	23,409	440,776	22.83%
KwaZulu-Natal	178,123	28,547	14,379	24,485	33,668	36,734	21,601	337,537	17.48%
Limpopo	62,151	20,996	16,667	14,953	15,810	16,514	21,973	169,064	8.76%
Mpumalanga	52,403	16,457	14,584	21,649	21,232	18,000	14,389	158,714	8.22%
Northern Cape	16,421	4,148	2,588	6,056	3,787	3,598	5,293	41,891	2.17%
North West	73,575	14,109	13,885	23,784	10,484	10,037	14,445	160,319	8.30%
Western Cape	130,646	17,730	16,634	20,500	15,735	11,756	2,040	215,041	11.14%
Total	883,385	190,643	143,281	203,588	193,615	178,612	137,659	1,930,783	100.00%

Source: National Treasury, 2006

Another measure of housing delivery relates to the number of properties transferred. It is estimated that property assets worth over R37 billion have been transferred to South African households since 1994. Table 20 shows that in total, over 1,6 million properties have been transferred to owners since 1994/95. There was a decline in the number of properties transferred between 2004/05 and 2005/06, with only KwaZulu-Natal and North West reflecting increases in properties transferred during this period.

Of the 1.6 million properties transferred nationally between 1994/95 and 2005/06, about 233,478 or 14.3% of them were in the Eastern Cape. This puts the province in the third position of highest proportion of properties transferred, after Gauteng and KwaZulu-Natal. The Eastern Cape has relied mainly on Peoples' Housing Process (PHP), an approach to housing provision that involves people building their own houses and in the process develop a sense of ownership, on one hand, and opportunities for skills acquisition and employment creation on the other hand. The province has allocated nearly R2,9 billion to PHP projects since 1994.

Table 20: Properties Transferred by Provinces, 1994/95-2005/06

Province	1994/95-2003/04		2004/05		2005/06		Total	
	Number	%	Number	%	Number	%	Number	%
Eastern Cape	201,219	14.6%	21,718	13.7%	10,541	11.0%	233,478	14.3%
Free State	108,770	7.9%	16,756	10.5%	3,052	3.2%	128,578	7.9%
Gauteng	302,764	21.9%	39,821	25.1%	21,104	22.1%	363,689	22.2%
KwaZulu-Natal	214,409	15.5%	23,801	15.0%	23,920	25.0%	262,130	16.0%
Limpopo	126,038	9.1%	14,587	9.2%	12,818	13.4%	153,443	9.4%
Mpumalanga	113,647	8.2%	9,888	6.2%	1,182	1.2%	124,717	7.6%
Northern Cape	29,316	2.1%	4,746	3.0%	792	0.8%	34,854	2.1%
North West	112,620	8.1%	8,604	5.4%	15,015	15.7%	136,239	8.3%
Western Cape	173,979	12.6%	18,973	11.9%	7,069	7.4%	200,021	12.2%
Total	1,382,762	100%	158,894	100%	95,493	100%	1,637,149	100%

Source: National Treasury, 2006

While great progress has been made in the delivery of low-cost housing, questions around quality remain. Other than the size of the properties that the subsidy could afford, there is emerging evidence that some of the houses did not comply with the required standards. Secondly, despite the delivery of some 2 million subsidized houses since 1994, the housing backlog has grown. This is because of the increased demand for these houses and the pace of urbanization far outstrips the rate of the housing delivery.

9.2 Roads

Access to transport and roads is important as it facilitates and provides access to markets for both all participants of the regional economy. The Eastern Cape accounted for 14.2% of all provincial roads in the country in 2006, making the province to have the third largest proportion of this infrastructure in the country. In terms of access roads, only 8.6% are found in the province, placing the province in the third lowest position amongst the provinces. Of the 47 816 km of provincial roads in the province, only 5 493 km or 11.5% are surfaced while 34 692 km or 72.6% are gravel. In this regard, the province has the fourth lowest distance of surfaced roads and the second longest distance of gravel roads in the country.

Table 21: Extent of provincial road networks, March 2006

Description	Surface Roads (km)	Gravel Roads (km)	Access Road (km)	Total kilometers	Total number of vehicles	Road Densities
Eastern Cape	5,493	34,692	7,631	47,816	480,059	10,0
Free State	6,310	22,046	20,000	48,356	416,029	8,6
Gauteng	3,357	1,771	2,410	7,538	2,893,665	383,9
KwaZulu-Natal	7,216	19,373	10,571	37,160	1,023,368	27,5
Limpopo	4,973	11,631	10,578	27,182	352,906	13,0
Mpumalanga	6,144	10,752	7,479	24,375	432,313	17,7
Northern Cape	3,013	53,725	12,023	68,761	160,113	2,3
North West	5,691	19,161	10,017	34,869	400,098	11,5
Western Cape	6,621	24,991	7,822	39,434	1,236,809	31,4
Total	48,818	198,142	88,531	335,491	7,395,360	-

Source: National Treasury, 2006

The potential utilization of roads is an important indicator of future spending requirements. The rate of utilization determines the extent and timing of road maintenance. Over utilization also result in traffic congestion. Potential utilization can be inferred from road densities reflected in Table 21. Of the 7,4 million registered vehicles in South Africa as at the end March 2006, some 480 059 or 6.5% (2.4% of the heavy-duty vehicles and the rest light vehicles) are registered in the Eastern Cape. This makes the province to have the third lowest road density of 10. It could be inferred that if the quality of the provincial roads were of the highest standard, then the relatively low road density should have increased the sustainability of the province's road network. By contrast, the alleged bad state of roads in the province has little to do with utilization, but more to do with the lack of maintenance.

In the 2005/2006 financial year, the country spent a total of R12,9 billion on roads. Of this figure, provinces spent R7,6 billion or 58,7%, municipalities spent R3,5 billion or 27,4%, and the national government R1,8 billion or 13,9%. The highest spending on roads is in KwaZulu-Natal, which accounts for 18 per cent of the total provincial and municipal spending, followed by Western Cape at 13,7 per cent, and Eastern Cape and Limpopo at 13,4 per cent and 11,1 per cent respectively.

Table 22: Provincial and National Roads Infrastructure Expenditure, 2005/06 -2008/09

Description	2005/06	2006/07	2007/08	2008/09	Percentage growth (average annual)		
	Prelim. Outcome	Medium-term estimates			2002/03 - 2005/03	2005/06- 2006/07	2006/07- 2008/09
Eastern Cape	5,8%	5,5%	5,9%	5,7%	1,4%	8,2%	11,9%
Free State	3,1%	4,4%	7,2%	8,7%	0,3%	54,8%	54,6%
Gauteng	2,0%	1,9%	2,0%	2,4%	0,6%	18,1%	18,5%
KwaZulu-Natal	5,2%	4,9%	5,3%	5,6%	27,3%	6,3%	15,2%
Limpopo	5,5%	4,8%	5,8%	5,2%	20,5%	4,4%	8,8%
Mpumalanga	6,2%	5,4%	6,8%	6,1%	14,7%	4,3%	8,8%
Northern Cape	4,5%	5,1%	6,1%	6,4%	11,2%	28,0%	23,3%
North West	4,6%	4,3%	5,0%	5,6%	24,1%	3,0%	17,7%
Western Cape	5,6%	6,5%	6,0%	6,1%	16,1%	27,0%	12,3%

Source: National Treasury, 2006

Table 22 shows that in 2005/06, 890 km of surfaced provincial roads were upgraded and 839 km of surfaced roads were rehabilitated in the country as a whole. Of the 1 729 km of surfaced roads upgraded and rehabilitated, 457 km or 26.43% were roads in the Eastern Cape. In addition, the Eastern Cape Province resealed 60 km of its surfaced roads, re-graveled 586 km, and undertook routine maintenance of 30 826 km of all categories of roads during the period 2005/2006. In the process, 1 242 jobs were created. While this was the third lowest number of jobs created through road construction, judging by the number of jobs created in other provinces, there is room for improvement in this regard. Comparing the length of roads on which some form of work was conducted with the jobs created makes one to think that the Expanded Public Works Program (EPWP) is not working effectively in the province. Comparing the length of roads on which some form of work was conducted with the jobs created makes one to think that the Expanded Public Works Program (EPWP) is not working effectively in the province.

Table 23: Provincial roads construction outputs, 2005/06

Description	Road Construction (Surfaced Roads)				Road Maintenance			
	Upgraded (km)	Rehabilitated (km)	Total kilometers	% of Total kilometers	Resealed tarred Roads (km)	Regravel Roads (km)	All Routine Maintenance (km)	EPWP Jobs Created
Eastern Cape	389	68	457	26.43%	60	586	30,826	1,242
Free State	39	-	39	2.26%	16	69	26,722	764
Gauteng	11	-	11	0.64%	120	6	64	1,329
KwaZulu-Natal	93	77	170	9.83%	72	868	11,084	30,647
Limpopo	115	491	606	35.05%	111	7,750	63,392	619
Mpumalanga	-	-	-	0.00%	-	-	-	-
Northern Cape	55	44	99	5.73%	90	-	1,681	2,600
North West	175	126	301	17.41%	80	49	46,170	6,325
Western Cape	13	33	46	2.66%	548	581	34,000	4,004
Total	890	839	1,729	100.00%	1,097	9,909	213,939	47,530

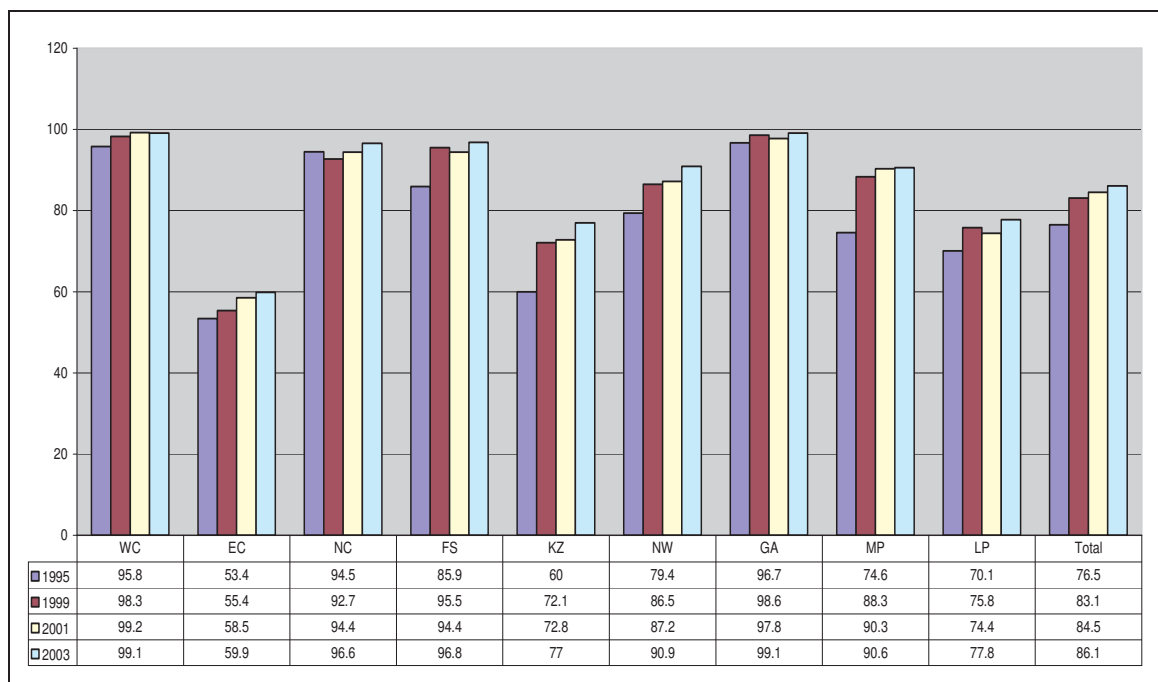
Source: National Treasury, 2006

9.3 Water

Water gives life to everything. People need clean water and sanitation to sustain their health and maintain their dignity. Water also sustains ecological systems and provides an input into the production systems that maintain livelihoods. Water thus pervades all aspects of human development. When people are denied access to clean water at home or when they lack access to water as a productive resource their choices and freedoms are constrained by ill health, poverty and vulnerability (UNDP, 2006). Access to clean water and sanitation also reduce mortality (DBSA, 2006).

Access to piped water in the country rose by almost 10% points in the period 1995-2003. Access to piped water in the Eastern Cape is a serious concern because only 59,9% of households had access to piped water in 2003, slightly up from 53,4% in 1995. Improvements in access to piped water amongst African households across all provinces contributed in narrowing the gap between race groups. Nationally, the difference between African and White households access to piped water was nearly halved from 29,6% points in 1995 to 16,5% points in 2003. The only province that has not been able to make significant inroads into this access gap is the Eastern Cape where the difference in access rates between African and White households declined marginally from 47,3% to 42,6% over the period.

Figure 16: Household Access to Water by Province, 1995-2003



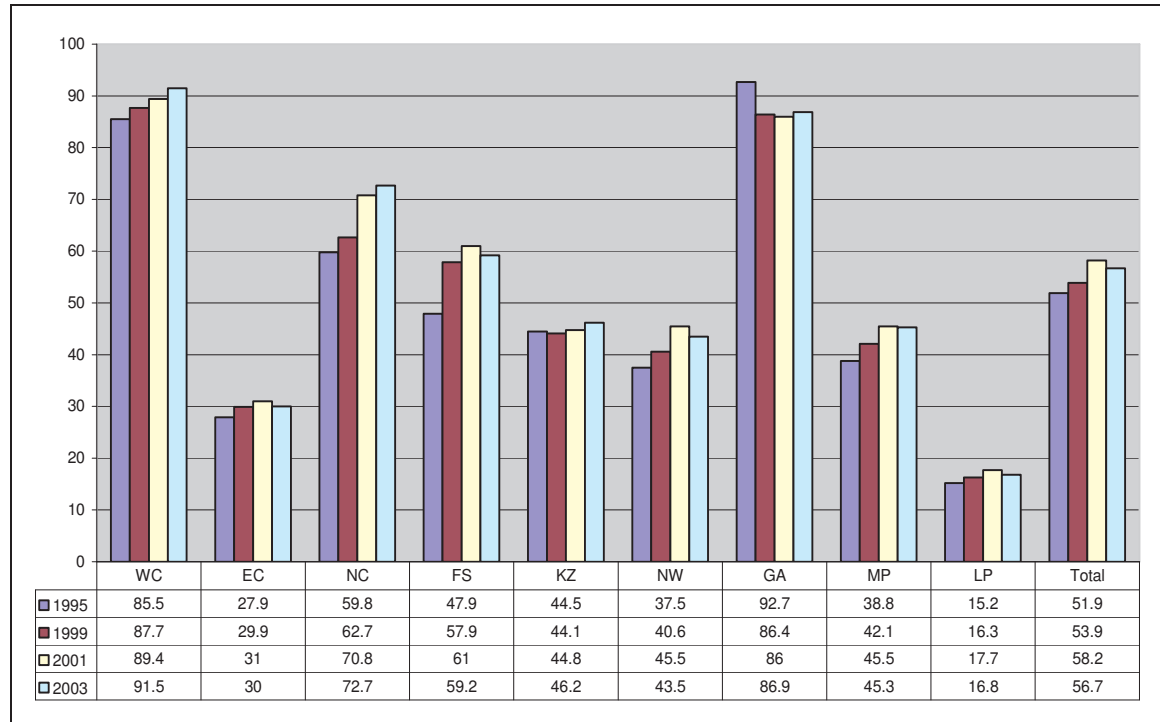
Sources: STATSSA OHS (1995;1999); LFS (2001, 2003)

9.4 Sanitation

Another household service for which access needs to be investigated is sanitation. Sanitation is essential for the promotion of improved health and living conditions. Here access to sanitation refers to households having access to flush toilets, either in their dwellings or on site, and these flush toilets can be connected either to a public sewerage system or to a septic tank. Approximately 57% of all households in the country had access to modern sanitation in 2003, some 5% higher than in 1995 (Figure 16). Unfortunately, very little change in access to sanitation has occurred in the Eastern Cape where the access increased by 2% points to 30,7%. In

three provinces including the Eastern Cape, KwaZulu-Natal, and Limpopo, there was negligible change in access to sanitation during the period 1995-2003. As a result, household access to a flush toilet in the province remained poor, with less than one-third of the households having access in 2003.

Figure 17: Household Access to Sanitation by Province, 1995-2003

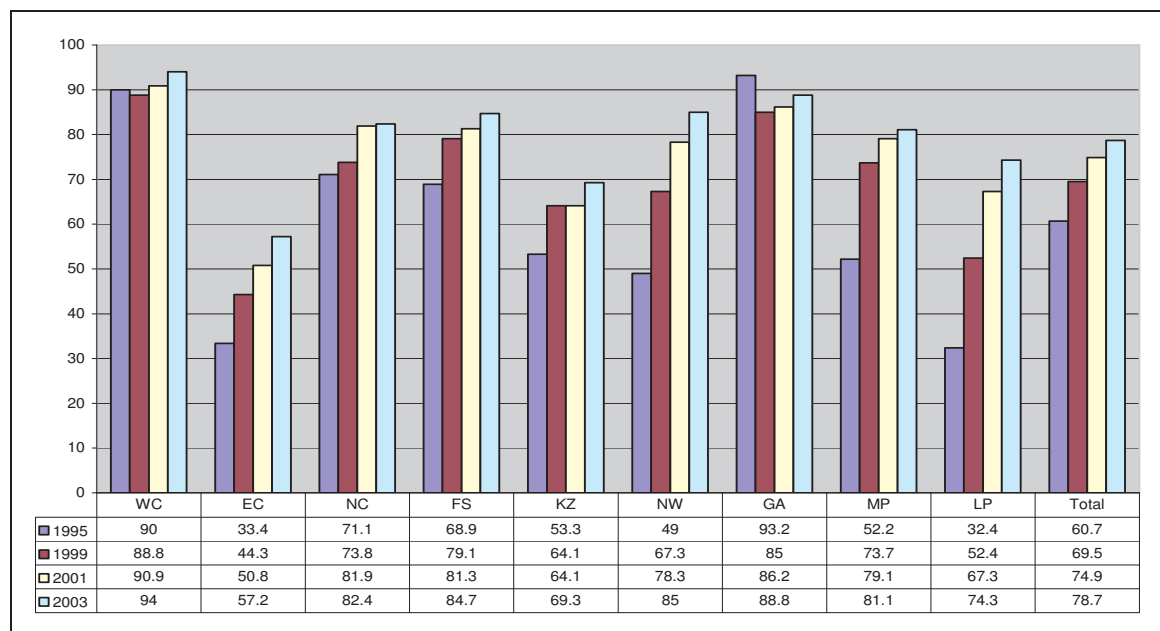


Sources: STATSSA (1995,1999); LFS (2001, 2003)

9.5 Electricity

The electrification of areas previously without electricity has also been a priority and, as a result, the proportion of households nationally with access to electricity has increased from 60.7% to 78.7% between 1995 and 2003 (Figure 18). Although the Eastern Cape had the lowest access rate at 57.2% of households, this was nearly a doubling of the rate from 33.4% in 1995. Despite this, there remains a significant room for improvement in access in the Eastern Cape, where the access rate was among the lowest in the country

Figure 18: Household Access to Electricity by Province, 1995-2003



Sources: STATSSA (1995, 1999); LFS (2001, 2003)

10. Financial Governance challenges

10.1. The 2005/2006 Audit Outcome

If the audit outcome for the financial year 2005/2006 is to be used as a measuring instrument on governance issues, then the financial year under review was very disappointing for the provincial administration. Many departments have regressed (moved from bad to worse) as evidenced by the fall in the number of unqualified reports, and an increase in the number of disclaimers. The number of disclaimers increased from three in 2004/2005 to five in 2005/2006. The number of qualified reports dropped from six in 2004/2005 to five in 2005/2006, while the number of unqualified also dropped from four in 2004/2005 to three in 2005/2006. Table 24 summarizes the number of qualification items and matters of emphasis per department.

Table 24: Summary of 2005/2006 Audit Outcomes

Department	Qualification Items	Matters of Emphasis	Audit Opinion
Education	15	14	Disclaimer
Health	23	13	Disclaimer
Economic Affairs, Environment and Tourism	12	25	Disclaimer
Housing, Local Government and Traditional Affairs	2	12	Disclaimer
Social Development	5	13	Disclaimer
Public Works	2	12	Qualified
Agriculture	3	23	Qualified
Roads and Transport	3	21	Qualified
Treasury	1	11	Qualified
Sports, Recreation, Arts and Culture	1	3	Qualified
Premier	0	7	Unqualified
Legislature	0	14	Unqualified
Safety and Liaison	0	17	Unqualified
Total Provincial	67	185	

The qualification items and matters of emphasis reported by the AG for the 2005/2006 audit have certain commonalities across departments, viz.

- Journals – lack of supporting documentation, no descriptions, non-approvals, etc.
- Misallocation of funds
- Ledger accounts – non-clearance
- Reconciliations – creditor, debtor, and cash
- Expenditure – unauthorized, irregular, fruitless and wasteful
- Transfer payments
- Overdrawn bank accounts without authority or approval
- Fixed Asset – ownership, management, reporting
- Procurement processes
- Records/documents management
- Control deficiencies
- Internal audit
- Management policies and plans – HR, supply chain, asset management, financial, etc.
- Misinterpretation or misunderstanding of policies, especially accounting policies
- Performance information
- Material changes to Annual Financial Statements after submission

To address the qualifications items and matters of emphasis outlined in the audit reports of departments, the Treasury has embarked on comprehensive intervention plans in conjunction with some departments. Essentially, the plans seek to achieve three objectives. First, they seek to pull together all the audit qualification items and matters of emphasis raised by the Auditor General. They also identify other issues not raised by the AG but may become qualification items in future. These are then placed under three categories for resolution, viz.

- Issues requiring immediate or short term intervention - issues to be addressed before the end of the current financial year
- Issues requiring medium term (6-12 months) response - issues relating to skills and capacity, systems, training, response to new accounting/financial management reforms, etc.
- Issues requiring long term (12 months and over) intervention - issues to address to sustain enhanced financial management and accountability.

Second detailed actions required to address each category of issues, including time frames, monitoring and reporting mechanisms are formulated. Finally, the resources (human and funds) required for the implementation of the plans are identified.

To date, Audit Response Plans have jointly been developed for the Department of Education and the Department of Health and implementation has commenced in the Department of Education. Implementation of the plan commenced in the Department of Health in the first week of February 2007. Since the issues to address are common to departments that received disclaimers and qualifications, the Audit Response Plans will be rolled out to the remaining departments towards the end of February 2007, with the relevant adjustments made to accommodate each department's specificities. The roll-out will commence with the three

other departments – Social Development, Housing, Local Government and Traditional Affairs, Economic Affairs, Environment and Tourism – whose 2005/2006 financials were disclaimed by the Auditor General.

Many of the qualifications issues raised by the Auditor General, such as non-availability of supporting documents, records management, data capturing, clearing of ledgers and reconciliations, journals, etc. are a result of the lack of dedicated operational staff i.e., foot soldiers, in departments to perform these functions. To put foot soldiers in departments within a short space of time, the Treasury has embarked on a large-scale recruitment of unemployed graduates with accounting, economics and related background from the pool that has registered with the Office of the Premier, Youth Commission and municipalities on a 12-months service. These recruits are put through a 1-2 weeks intensive training in BAS and PERSAL and thereafter re-deployed to departments to assist in the implementation of the intervention plans. It is envisaged that departments will endeavor to absorb the recruits after completion of the 12-months temporary employment. To date profiles of over 1700 unemployed graduates have been obtained, about 100 of which have been trained and placed in the departments of Education, Health, and Social Development. The remaining graduates are being processed for selection, training and placement.

An experienced Monitoring and Evaluation Team will be put in place to ensure quality control of the implementation process. The Team will also review work undertaken by the temporary employees and departments' own staff in addressing the audit outcomes and report on progress of the plan implementation. The Monitoring and Evaluation Team will be supported by staff in the Treasury's CFO Support Program and will report to a Steering Committee comprising of Head Official of Treasury, the relevant Head of Department, and his/her CFO.

Intervention strategies in the form of Audit Readiness Program have been put in motion to assist departments prepare for the 2006/2007 audit. A post PFMA Audit Review workshop on the 2005/2006 audit outcomes was held on 29 January 2007. This was attended by all Accounting Officers (those Accounting Officers who could not attend sent representatives), provincial Chief Financial Officers, the Provincial Auditor General (AG) and his staff, and the National Accountant General. In this meeting, the AG outlined the new issues that his office will focus on during the 2006/07 audit. They include the following:

- HR Management issues
- Supply Chain Management
- HIV/AIDS grants (Health only)
- Revitalization grants.
- Infrastructure grants.
- Fiscal dumping.

In particular the Auditor General was concerned with fiscal dumping and as such requested the Provincial Treasury to assist in resolving this problem. The Auditor General also advised departments to co-operate and consult with the Treasury in responding to management letters because once those issues appear in the Annual Report as a qualification items they cannot be changed. Departments were advised to set up their own Audit Task Teams to manage the audit process.

The Treasury has already commenced a series of workshops with departments and public entities towards preparing them for the 2006/2007 audit process. The platform created by the workshops will also be used to engage intensively with the National Treasury, Auditor General, departments and public entities on interpretations and misunderstandings of many of the new policies and accounting reforms that gave rise to qualifications for many departments and public entities in the province.

10.2. Under-spending

Spending of the provincial Infrastructure budget stood at R1.9 billion or 62% of the total allocation at the end of the third quarter of the 2006/2007 financial year. This is somewhat slow because one would expect the expenditure to be around 75%, mindful of the fact that expenditure patterns on this item may not be linear.

Departments have provided several reasons for the slow spending of their infrastructure budgets during the period under review. The Department of Roads and Transport reports of late handover of three projects – Sulenkama, Ugielangen Phase 3 and Mt Frere to R56 - to contractors due to delays in the design process. The projects were handed over in January 2007.

The Department of Health cites poor weather conditions as the major factor that caused the slow spending of infrastructure during the first three quarters of the year. According to the department, there were also procurement delays due to capacity challenges facing it. Slow submission of invoices and processing of contractors claims and consultant fees have also been cited by the department as contributory factors.

For the Department of Education, there were delays in the procurement process for the examination center project Tender. In some instances, Tenders issued did not meet CIDB regulations, resulting in them being re-specified and/or re-advertised. The Department of Public Works reports that the implementation of its major projects commenced only in September due to delays in the planning and procurement processes.

Spending by the Department of Sports, Recreation, Arts and Culture was slow in the first three quarters of the year due to the change of its implementing agent. The change was only effected at the end of the second quarter, thereby causing delays in the transfer of funds. Agriculture cites seasonality and delays in implementation caused by the challenges experienced by its contractors.

The Department of Housing, Local Government and Traditional Affairs cites delays in planning, which itself was caused by the late finalization of its organizational structure. According to the department, the number of offices to be constructed depended on its final organogram.

Generally, the under-spending of the infrastructure budget is attributable to three main factors:

- Lack of proper planning and budgeting for infrastructure, including conditional grants.
- Delays in agreeing and signing business plans between provincial departments and National counterpart parts.
- Inadequate project management skills, including the management of conditions in the conditional grants.

In order to address the problem of under spending, the Provincial Treasury plans to implement the following interventions:

- To provide support to departments on planning and budgeting techniques, step up the use of Infrastructure Development Improvement Program (IDIP), and accelerate the roll out of Technical Advisors. The (IDIP) has resulted in Provincial Technical Assistant Teams (PTATs) being deployed to the Eastern Cape. These PTATs will be used to ensure that infrastructure budgets are optimally utilized
- To assist with conditional grants approval process as per the Grants Frameworks.
- Focused monitoring and oversight in the implementation of projects, including following up on critical stages of planning, procurement, implementation, payment and reporting processes.
- The Treasury together with departments is engaged in the reviewing of business plans formats for implementation in the next budgeting cycle. The format is very user-friendly in reporting on key project activities that will be the basis of monitoring.

- The province is currently also seeking to determine the actual backlogs per department, the actual value of which is currently undetermined due to the lack of this information in the current infrastructure plans received from infrastructure departments. Means of achieving the quantification of backlogs is currently being identified and will be explored by Provincial Treasury to ensure that comprehensive infrastructure plans are in place.
- Provide assistance to departments in the development of 10 year departmental infrastructure plans. Assistance was provided to Departments for 2007/08 draft infrastructure plans that were submitted to National Treasurer in compliance with DORA.
- Develop and operate an infrastructure prioritization model, which is customised to EC requirements.
- Build in house capacity at Provincial Treasury. Posts have been advertised and interviews already conducted for others.
- Undertake a comprehensive investigation into the infrastructure delivery and performance in all departments to really understand the issues in the sector. This exercise has already begun in the Department of Education and will be extended to the other infrastructure departments.

10.3. *Suspense Accounts*

Departments of the Eastern Cape Province have, for the past several years, held suspense account balances at month and year-ends. The majority of these suspense accounts have grown over the last several years. Despite some efforts to clear these accounts, the balances still remain unacceptably high in many departments. High suspense accounts have the effect of:

- Understating expenditure as reported in the IYM. This makes trend analysis of expenditure less meaningful. If future budgets are informed by the current actual expenditure, then the resultant budget will be misleading as it will be based on a false premise.
- Attracting a qualified audit opinion or a disclaimer by the AG. A high suspense account may be indicative of poor monitoring and control, limited control environment, lack of management supervision, inappropriately skilled staff, uncharged expenditure or camouflage of fraudulent activities.
- Departments have attributed the slow/non-clearing of the suspense accounts to understaffing or inadequate training. Other reasons however could be low productivity, poor supervision and monitoring.

In order to assist departments clear their suspense accounts, a concerted and robust approach will be required. The effort required to clear the accounts will vary from department to department, based on the size and extent of the suspense accounts. However, without a means to maintain the suspense accounts after clearance of the backlogs, they could revert to their current situation. With this in mind, a phase approach is suggested to rectify the situation:

- Clear suspense account backlog
- Staffing and training departmental staff on suspense account clearance
- Implementing monitoring, measurement and supervision mechanism
- Implementing suspense account reporting mechanism and accountability

The first step is to clear the existing suspense account backlog. In doing this, Treasury has analyzed all the transactions dumped in the suspense accounts of each department and will make this information available to departments. This may require the use of additional resources, depending on the staff available in the department. These resources may need to be outsourced as the neglected suspense accounts will require more resources to clear than they would have had to maintain in the first place. Treasury will assist departments in mobilizing the resources for this task. The process would be detailed and documented in order to provide satisfactory audit evidence for the purposes of the Auditor General. Once the clearance of the backlog has taken place, there needs to be a change in mindset from clearance to maintenance. If a department finds itself needing to once again clear a vast suspense accounts then the process would have been in vain. Rather, departments should maintain their accounts on a continuous basis as part and parcel of their daily duties.

Secondly, departments would have to ensure that they have the appropriate levels of staffing, with the correct skills to maintain the cleared suspense accounts. Failing this, the accounts would again suffer neglect and revert back to their current state of disrepair. To this end, training programs would be conducted by Treasury for departmental staff and procedures and guidelines for maintenance would be prepared for use by departments.

Thirdly, monitoring and supervision need to be the cornerstone of the maintenance process. To this end, there will be a weekly monitoring and measurement of the maintenance process by departmental management. Supervision needs to be provided on daily basis to ensure the proper performance of accounting duties. Accounting Officers will be required to ensure that this is accomplished fully in their departments.

Finally, departments would be required to report on a monthly basis on the state of their suspense accounts to the Treasury. To this end, the Treasury has designed and developed a reporting tool which has already been sent to departments. Utilization of the tool would facilitate this function. Accountability for suspense accounts needs to be achieved, possible through performance management.

10.4. Supply Chain Management

Supply Chain Management (SCM) was rolled out in the Eastern Cape Province in December 2004 and since then the Provincial Treasury has been instrumental in assisting departments in the implementation process. In addition, Accounting Officers were provided with a policy blueprint, in order to enable them to customize the standard SCM policy framework to their department's needs. Provincial Treasury also issued SCM Instructions to further facilitate the establishment of SCM processes, procedures and best practices within provincial departments. Four Departments i.e., Health, Education, Transport and Public Works have their SCM structures up and running. In the other Departments, the process of mounting functional SCM structures is on going. The process of monitoring for compliance at the moment is through one on one discussion with the departments. However, Provincial Treasury is in the process of implementing a more formalized structure of monitoring.

Challenges facing departments in as far as SCM units are concerned are mainly related to the following:

- High vacancy rate
- Insufficient training. About 2/3 of the staff do not have adequate training in Supply Chain Management.

In a nutshell there is inadequate Supply Chain Management (procurement) capacity in the departments.

To address the SCM challenges, the Treasury will implement the following interventions:

- Provide support to departments in order to increase Supply Chain Management capacity. To this extent, Provincial Treasury is currently co-coordinating the submission of procurement plans from departments, including assessing their Supply Chain Management capacity. The intention is to identify bottlenecks for early intervention.

- In the 2007/08 financial year, Treasury will implement a Centralized Electronic Database of suppliers which would enhance supplier management and would provide the province with more reliable information, in order to screen the suppliers categorize them accordingly. The SCM unit (with assistance from Departments) is currently busy cleaning up the database. The implementation of a Centralized Electronic Database will facilitate the process of verification and vetting of suppliers, thus making it possible to prevent fraud and corruption and also promote BEE and SMME development.
- The formulation of procurement plans by departments over the medium term will receive serious attention by the Treasury.
- More emphasis will be placed on extensive training of departmental SCM practitioners. Treasury has facilitated training through the PFSA and will continue to do so.
- As part of intervention plan, Treasury will restructure and change focus of the PFSA delivery model. The focus/emphasis will now be on applied/practical training in critical areas of government operations, such as SCM, project planning and management, financial modeling, revenue analysis and forecasting, cash planning and management, financial monitoring and reporting, asset management, strategic planning, etc.

10.5. Internal Controls and Internal Audit

The issues raised by the AG around Internal Audit and Audit Committees in the 2005/2006 audit reports for the province include the following:

- Ineffectiveness of Internal Audit
- Audit reports not signed by the Head of the Internal Audit
- Audit reports not finalized
- Lack of effective oversight by the Audit Committees
- Quarterly reports not submitted to Audit Committees
- Audit Committees not making recommendations and/or reports to Accounting Officers
- Unable to place reliance on work done by the Internal Audit
- Audit Committee members committing fraud
- Absence of Fraud Prevention Plans in some departments

A major cause of the ineffectiveness of internal audit relates to the location of the function. Internal audit is a Treasury function. Once internal audit is detached from risk management, norms and standards, financial reporting, accounting/financial policy and training, etc. that are fundamental functions of Treasury, the complementarities and synergy between internal audit and financial governance are lost, undermining effective financial governance. In addition, three of the four departments that have outsourced their internal audit functions received disclaimers, pointing to the inefficiency in the decentralized internal audit functions.

The solution to the internal audit weaknesses and inefficiencies lies in appropriately locating the function. In the new National Treasury budget and program structures all internal audit functions have been placed under

Treasury. The Executive Council of the province has also approved the transfer of the Shared Internal Audit Services (SIAS) functions from the Office of the Premier to the Provincial Treasury. To this end, the Treasury is busy making all necessary arrangements for the migration. It is envisaged that the share internal audit functions will move to Treasury on 1 April 2007. In the medium to long term, it is envisaged that all internal audit functions would move to the Treasury. Departments will, however, remain responsible for setting and maintaining effective, efficient and transparent systems of financial and risk management and internal controls as required in the PFMA.

11. 2006/2007 Budget Performance

11.1. Revenue and Expenditure

The provincial financial performance from the revenue perspective looked very encouraging during the first three quarters of the financial year. Revenues from the major sources were generally in line with the projections, with the total revenue from the province's own sources exceeding the target. As of the end of the third quarter of the financial year, a total of R21.5 billion, representing 71.1% of the expected provincial revenue for the year had been received (Table 25). The province received R18,7 billion of the budgeted R24,6 billion equitable share during the first three quarters of the year. This represents 76% of the expected province's total equitable share.

Table 25: Provincial Revenue by Source
(R000)

Item	Adjusted Budget 2006/2007	Received April-Dec 2006	Received as % of Budget
Equitable Share	24,642,653	18,728,415	76%
Conditional Grants	2,902,534	2,215,420	76.3%
Own Source Revenue	681,345	556,104	81.6%
	28,226,532	21,499,939	76.1%

During the first three quarters of the year, 76,3% of the budgeted conditional grants amounting to R2,2 billion was also received from the National Government. Over the same period, R556,1 million was mobilized from the province's own revenue sources. This amount represents over 81% of the budgeted own-source revenue for the financial year. Compared to the budget for the period, the actual collection shows an over-collection of some 64%.

The bulk of the own revenue collected during first three quarters of the financial year came from interest income, for which a total of R196,6 million was earned. This was made possible because of the efficient cash planning and management system that is maintained by the Provincial Treasury. The system ensured that the province maintained a healthy positive bank balance throughout the first nine months of the year. Following interest income was revenue from motor vehicle licenses, fees and fines, from which R165,4 million was collected during April-December 2006. Sale of goods and services, penalties, etc. brought in over R85 million during the review period, while casino licenses and taxes brought in R49 million.

On the expenditure side, there was discouraging news. The province continued to face a serious problem of under-spending. As of the end of December 2006, total spending amounted to R19.2 billion representing 69% of the adjusted total budget. The IYM (Section 32) Report indicates that the province was heading for a year-end under-expenditure of some R303 million. Some R252 million, representing 83% of the projected end-year

under-expenditure will be attributed to the Department of Housing, Local Government and Traditional Affairs. Spending of the housing conditional grant was very slow during the review period.

Treasury's own analysis of the expenditure trends shows more serious problems. According to Treasury's analysis, all departments combined posted under-spending of R2,4 billion or 1,3% during the first three quarters of the financial year. The major cause was the Department of Education, which recorded under-expenditure of R840 million. The Department of Housing, Local Government and Traditional Affairs recorded an under-expenditure of R496,5 million or 44.4%, Health recorded R454,7 million or 8.2%, and Roads and Transport R324,1 million or 20.1% (Table 27).

From the economic perspective, the budget for compensation of employees was under-spent by R22, 5 million during April-December 2006 (Table 28). The under-spending is attributed mainly to the inability to fill funded vacant posts. It has always been and continues to be difficult to recruit and retain qualified and experienced staff in the provincial administration. In many instances, as new staff are recruited some of the existing ones leave, thereby leaving the personnel budget unchanged.

Table 26: Projected and Actual Expenditure by Department, April-December 2006
(R'000)

Department	Projected April-Dec	Actual April-Dec	Over(-)/Under (+)	Actual as % of projected
Education	10,348,323	9,508,323	840,306	91.9
Health	5,524,754	5,070,084	454,670	91.8
Social Development	621,797	536,217	85,580	86.2
Office of the Premier	246,211	200,868	45,343	81.6
Provincial. Legislature	97,448	93,252	4,196	95.7
Public Works	397,967	360,545	37,422	90.6
Housing, Local Government & Trad Affairs	1,118,360	621,884	496,476	55.6
Agriculture	707,434	586,383	121,051	82.9
Economic Affairs, Environment & Tourism	480,783	542,495	-61,712	112.8
Roads and Transport	1,609,933	1,285,852	324,081	79.9
Provincial Treasury	140,289	70,445	69,844	50.2
Sport, Recreation, Arts and Culture	246,947	220,407	26,540	89.3
Safety & Liaison	18,649	15,858	2,791	85.0
Total	21,558,895	19,112,307	2,44,588	88.7

Table 27: Projected and Actual Expenditure by Economic Item, April-December 2006
(R'000)

Item	Projected April-Dec	Actual April-Dec	Over(-)/Under (+)	Actual as % of projected
Current Payment	16,190,410	15,563,716	626,694	96,1
<i>of which Compensation of employees</i>	12,382,901	12,360,389	22,512	99,8
<i>Goods and services</i>	3,807,509	3,197,719	609,790	84,0
<i>Others</i>	-	5,608	(5,608)	-
Transfers and Subsidies	3,645,084	2,307,093	1,337,991	63,3
<i>of which Provinces and municipalities</i>	710,165	279,555	430,610	39,4
<i>Departmental agencies and accounts</i>	835,706	818,399	17,307	97,9
<i>Non-profit institutions</i>	888,251	623,627	264,624	70,2
<i>Households</i>	1,007,481	534,129	473,352	53,0
<i>Others</i>	203,481	51,383	152,098	25,3
Capital Payments	1,723,401	1,241,498	481,903	72,0
<i>Of which buildings & other fixed structures</i>	1,510,532	1,124,482	386,050	74,4
<i>Machinery and equipment</i>	207,779	111,367	96,412	53,6
<i>Others</i>	5,090	5,649	(559)	111,0
Total	21,558,895	19,112,307	2,446,588	88,7

The budget for goods and services was under-spent by R609,8 million during the first three quarters of the financial year. Spending on goods and services is positively correlated to the number of employees. Therefore if the budget for employees' compensation is under-spent, there will be a corresponding under expenditure of the budget for goods and services. Lack of credible procurement plan is also a contributory factor for under spending of the goods and services budget. Unauthorized expenditures that are dumped in suspense accounts and therefore not captured in the expenditure reports may also cause an over-statement of the under-expenditure.

Of the projected transfers and subsidies of R3,6 billion for the April-December 2006 period, R2,3 billion, representing 36,7% was not spent. The bulk of this amount is housing conditional grants, for which spending has been very discouraging throughout the year. In general, spending on transfers and subsidies budget is dependent on the recipient institutions and public entities submitting credible business plans to the government departments. Failure to submit these plans by the recipient institutions is cited as the main reason for the under expenditure. In the case of the Department of Education, the major cause of the under-spending on transfers and subsidies is attributed to the inability of the Section 21 Schools to submit credible business plans to the department. Another common factor for under-spending by departments is lack of capacity to plan, implement, monitor and evaluate transfers and subsidies. This lack of capacity results in the unrealistic budgets being submitted to Treasury or inability to adhere to procurement protocols. As Table 6 shows, under spending by major recipients of these transfers were:

Municipalities	R 430,610,000
Departmental agencies & accounts	R 17,307,000
Non-profit institutions	R 264,624,000
Households	R 473,352,000
Others	R 152,098,000

During the period under review, the capital budget was equally under-spent by some R482 million or 28%. Over R386 million of the budget for buildings and other fixed structures was not spent during the April-December period. Over R96 million of the budget for machinery and equipment was also not spent during the review period.

11.2. Conditional Grants

Actual spending of conditional grants for the first nine months totaled R1,7 billion against the projected figure of R2,2 billion, resulting in under-expenditure of R522 million or 24% (Table 28)

Table 28. Projected and Actual Expenditure of Conditional Grants, April-Dec 2006

Grant Type	Adjusted Budget 2006/07	Transfers, April - December (R'000)	Actual April - December (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Transfers	Over(-)/Under(+) as % of Transfers
Comprehensive agriculture support programme	57,061	45,649	32,025	13,624	70.2%	29.8%
Land care programme	11,050	5,340	5,277	63	98.8%	1.2%
Agricultural Disaster Management Grant	12,403	-	-	-	-	-
Further Education and Training	61,000	61,000	61,025	(25)	100.0%	0.0%
HIV / AIDS Life skills (Education)	25,113	18,835	21,097	(2,262)	112.0%	-12.0%
National school nutrition program	233,882	175,412	157,612	17,800	89.9%	10.1%
Comprehensive HIV/AIDS (Health)	232,021	167,012	191,252	(24,240)	114.5%	-14.5%
Forensic pathology services	83,606	59,997	12,107	47,890	20.2%	79.8%
Health professions training and development	127,566	95,673	61,615	34,058	64.4%	35.6%
Hospital revitalisation	105,318	78,985	89,257	(10,272)	113.0%	-13.0%
National tertiary services	374,203	280,656	237,481	43,175	84.6%	15.4%
Integrated housing & human resettlement dev.	761,994	656,700	291,090	365,610	44.3%	55.7%
Provincial infrastructure grant	742,057	556,542	522,027	34,515	93.8%	6.2%
Mass sports and recreational participating program.	17,060	13,619	11,530	2,089	84.7%	15.3%
Industrial Development Zones	58,200	-	-	-	-	-
Total Conditional Grants	2,902,534	2,215,420	1,693,395	522,025	76.4%	23.6%

The grants for which spending was very low during the review period were the forensic pathology and integrated housing and human resettlement development grant.

During the first three quarters of the financial year, R59, 9 million of the forensic pathology grant was transferred to the province. Of this amount, only R12, 1 million or 20 % was spent, leaving R47,8 million or 80% unspent. The Department of Health attributes the low spending of this grant, amongst other things, to delays in the procurement of equipment and physical construction of new mortuaries. In an attempt to improve spending of this grant, the Coega Development Corporation has been appointed to manage the construction of mortuaries costing R34 million, refurbishment of ex-SAPS mortuaries amounting to R11 million, and acquiring new equipment totaling some R14 million. Given that some tenders are still at the processing, it would seem that there would be significant end-year under-spending of this grant.

Spending of the integrated housing and human settlement development grant was the worst in the province during the first three quarters of the year. In the period April to December 2006, some R657 million of this

grant was received by the province. Expenditure during the same period stood at R291, leaving an under-expenditure of R366 million, equivalent to 56% of the total transfers to the province. This means that the Department of Housing, Local Government and Traditional Affairs has to spend some R451 million in the last quarter of the financial year, a task that is impossible to accomplish. To guard against a possible loss of part of the grant to the National Government, the department has prepared a plan that seeks to fast-track expenditure in the remaining three months of the year. The plan envisages that established contractors would be used to develop the housing projects. The department will also engage rigorously with contractors currently on site and the municipalities to address the problems that have caused many of the housing projects to be blocked so construction of houses will proceed un-impeded. Significant under-spending of this grant by the end of the year is a reality.

Spending of the comprehensive HIV/AIDS, hospital revitalization, HIV/AIDS life skills and FET recapitalization were, on the other hand, very high during the period. In the period April-December 2006, a total of R 167 million of the comprehensive HIV/AIDS grant was received from the National Government. Expenditure during the period was R24,2 million more than the receipt, indicating over-spending of some 15%.

Of the R133,4 million budgeted for the health professions, training and development grant during the financial year, R95,6 million was transferred to the province during the reporting period. Expenditure recorded during the period stood at R 61, 6 million or 64, 4 % of the actual transfers, leaving an under-expenditure of R 34 million or 35,6%. The Department of Health is of the view that actual expenditure is more than what is reported, and this attributable to outstanding journals that are yet to be processed, i.e., delayed and/or non-reconciliation of budgets with payments.

The purpose of the hospital revitalization grant is to enable the Department of Health to plan, manage, modernize, rationalize and transform health infrastructure and health technology, monitor and evaluate hospitals services, transform hospital management, and improve quality of health care in line with national policy objectives. During the review period, R79 million of the budgeted R125 million was received. Actual expenditure, however, amounted to R 89 million or 113% of actual transfers, leaving an over expenditure of R10 million.

Some R280 million of the national tertiary services grant was received during the first three quarters of the financial year. Actual expenditure, however, amounted to R237 million or 84,6% of the transfers, leaving an under-expenditure of R43 million 15, 4%.

The FET recapitalization grant seeks to recapitalize the FET Colleges to improve their capacity to contribute to skills development and training. The grant involves transfer payments to 8 colleges in the province and is governed by signed Service Level Agreements (SLA) and approved Operational Plans. During the reporting period, no service SLA was signed but the whole R61 million transferred to the province was spent.

A total of R158 million of the national schools nutrition program grant was spent during April-December of the financial year. Compared to the R176 million transferred to the province during the period, there was an under-spending of R 18 million or 10%.

During the period under review, the grant for the comprehensive agricultural support program was under-spent by some R14 million or 30%. Actual spending during the period amounted to R32 million or 70% of the actual transfers.

Expenditure of the provincial infrastructure grant stood at R522 million during the first three quarters of the year. Compared to a total of R556,5 transferred to the province during the same period, there was an under - expenditure of R35 million or 6% of actual transfers.

11.3. Infrastructure Spending

The infrastructure budget for the financial year amounted to R3,1 billion. Spending on infrastructure during the first three quarters of the financial year amounted to R1,9 billion, leaving R1,2 billion or 38,7% of the budgeted amount to be spent in the last quarter of the financial year. Table 30 indicates that, generally, all departments recorded expenditure that is less than 75% of the budgeted amount during the reporting period. Despite this, only the Department of Roads and Transport and Health have projected to under-spend their infrastructure budget by the year end. The Department of Roads and Transport spent R953,9 million of its infrastructure budget of R1,5 billion, leaving some 587,8 million to be spent in the last quarter of the year. The department projects to spend R562,7 million in the last quarter, thereby ending the financial year with an under-spending of some R25 million or 1,6%. The Department of Health spent R445,1 million during the first three quarters of the financial year, leaving R199,7 million to be spent in the last quarter. The department projects to spend R189,1 million in the last quarter, posting an under-spending of R10,5 million.

Table 29: Actual and Budgeted Infrastructure Expenditure, 2006/2007
(R'000)

Department	No. of Projects	Budget	Actual Expenditure (April-Dec)	Budget less Actual	Projected (April-March)	Under (+)/Over (-) Expenditure
Agriculture	218	63,047	32,065	30,982	30,982	-
Education	828	696,344	421,357	274,987	274,987	-
Health	246	644,727	445,077	199,650	189,142	10,508
Public Works	139	78,355	48,902	29,453	29,550	(97)
Roads and Transport	107	1,541,715	953,865	587,850	562,734	25,116
Social Development	49	25,805	20,889	4,916	4,916	-
Sports, Recreation, A&C	25	22,974	8,000	14,974	14,974	-
Housing, LGTA		25,364	148	25,216	25,216	-
Total	1,612	3,092,278	1,930,303	1,161,975	1,132,501	29,474

Table 30: Infrastructure Expenditure, 2006/2007 (Treasury Projections)
(R'000)

Department	No. of Projects	Budget	Actual Expenditure (April-Dec)	Budget less Actual	Projected (April-March)	Under (+)/Over (-) Expenditure
Agriculture	218	63,047	32,065	30,982	10,688	20,294
Education	828	696,344	421,357	274,987	140,452	134,535
Health	246	644,727	445,077	199,650	148,359	51,291
Public Works	139	78,355	48,902	29,453	16,301	13,152
Roads and Transport	107	1,541,715	953,865	587,850	317,955	269,895
Social Development	49	25,805	20,889	4,916	4,916	(2,047)
Sports, Recreation, A&C	25	22,974	8,000	14,974	8,000	6,974
Housing, LGTA		25,364	148	25,216	-	25,216
Total	1,612	3,092,278	1,930,303	1,161,975	646,671	515,304

Treasury's analysis shows that the infrastructure departments will together post end-year under-expenditure of some R515 million. Treasury estimates that the Department of Roads and Transport will under-spent on its infrastructure budget by some R270 million at the end of the financial year, Education by R134 million, Health R51 million, Housing, Local Government and Traditional Affairs R25 million, Agriculture R20 million, Public Works R13 million, and Sports, Recreation, Arts and Culture R7 million. It is only the Department of Social Development that is likely to over-spend on its infrastructure budget (Table 30)

12. The 2007 Fiscal Framework and MTEF allocations

12.1. Medium Term Expenditure Framework

The process of formulating the 2007 Medium Term Expenditure Framework commenced in June 2006 with the issuing of the 2007/2008 Budget Guidelines to departments. Departments submitted their bids and draft budget estimates (options 1 and 2) to Treasury on 10 August 2006. The 2006 MTEC Hearings took place in the last week of August through to the first week of September. Details of the 2007 fiscal framework and MTEF allocations are discussed below.

Over the medium term, revenue to the province will increase steadily from R31,5 billion in 2007/08 financial year to R39,5 in 2009/2010, representing an increase of some 25%. Transfers from National Government will increase from R30,8 billion to R38,8 billion over the same period. The province's equitable share will increase from R27,1 billion in 2007/08 to R34,1 billion in 2009/2010. Over the same period, conditional grants to the province will increase from R3,7 billion to R4,7 billion. Revenue from the province's own sources will increase from R614,4 million in 2007/2008 to R679,8 in 2009/2010 (Table 31).

Table 31: Provincial Revenue
(R'000)

R'000	Outcome			Main appro- priation 2006/07	Adjusted appro- priation 2006/07	Revised estimate 2006/07	Medium-term estimate			
	Audited 2003/04	Audited 2004/05	Audited 2005/06				2007/08	2008/09	2009/10	% Change from Revised estimate 2006/07
Provincial Receipts										
Transfer receipts from National	18 846 376	21 486 368	24 759 723	27 452 597	27 545 187	27 545 187	30 832 038	34 807 487	38 777 590	14.39
Equitable share	16 649 754	18 310 812	22 202 309	24 642 653	24 642 653	24 642 653	27 073 802	30 585 482	34 113 897	12.72
Conditional grants	2 196 622	3 175 556	2 557 414	2 809 944	2 902 534	2 902 534	3 758 236	4 222 005	4 663 693	28.05
Financing										
Provincial own receipts	542 090	318 762	648 887	475 107	681 345	660 863	614 440	650 260	679 778	
Total provincial receipts	19 388 466	21 805 130	25 408 610	27 927 704	28 226 532	28 206 050	31 446 478	35 457 747	39 457 368	13.87
Provincial Payments										
Current payments	16 520 707	17 291 262	19 048 139	21 113 386	22 252 360	22 046 739	25 016 205	27 847 925	29 239 806	13.47
Transfers & subsidies	3 513 741	2 658 244	3 136 360	3 685 328	3 220 483	3 197 492	3 455 553	4 102 094	4 449 936	8.07
Payments for capital assets	1 677 768	1 636 875	1 544 546	2 028 410	2 057 039	1 986 965	2 537 053	2 928 023	3 393 720	27.68
Total provincial payments	21 712 216	21 586 381	23 729 045	26 827 124	27 529 882	27 231 196	31 008 811	34 878 041	37 083 463	13.87

* includes provisions for government employees' medical scheme, 2010 FIFA World Cup projects, etc.

Aggregate spending by the province is projected to increase steadily over the medium term. Aggregate spending is expected to increase from R27,2 billion in the current financial year to R37,1 billion in 2009/2010, reflecting an increase of 36,2% over the period. The provincial reserve, (i.e., funds set aside to meet the outstanding debts, legal obligations and unforeseen contingencies) will drop from R974,9 million in the current financial year to R437,7 million in 2007/2008 financial year. Over the 2007 medium term, however, the reserve will increase sharply, reaching R2,4 billion in 2009/2010 by which time many of the 2010 FIFA World Cup projects would have come on board.

12.2. Education

At the beginning of the budgetary process, the education sector complained of a range of unfunded priorities that it had to deliver on. These included non-personnel non-capital for no fees schools, curriculum implementation, funding to poor schools for quality enhancement, universalizing Grade R, integrated early childhood development plan, human resource systems, capacity and monitoring. The sector also complained of budget pressures that were building around education personnel, particularly with pay progression and support staff in schools, stagnating infrastructure budgets, increasing backlogs even in most basic areas of sanitation, water and electricity. These budget pressures undermined the sector's ability to ensure access to education services to all and also improve quality of education. The situation was also making the sector vulnerable to allegations of failure to provide basic compulsory education for the relevant school age groups.

The education sector priorities for 2007 MTEF attempt to address purposefully some of the challenges outlined above. The priorities include the following:

- Building quality education through monitoring, analysis and support, i.e., expanding systemic evaluation in the sector
- Ensuring adequate and strengthened inputs, including initial teacher supply, teacher development, and availability of information and communication technology (ICT) for learning, teaching and administration; and
- A strengthened drive for adult literacy

12.3. Health

The health sector maintains that it has made significant progress towards reviewing the size and shape of the public health sector. Nevertheless, the sector continues to face numerous challenges, including the following:

- Mixture of communicable, no-communicable diseases and trauma/inter-personal violence
- Inadequate number of health professionals
- Poor infrastructure and insufficient equipment
- Inadequate systems and management skills.

The 2007 MTEF priorities for the health sector include the following:

- Ensuring adequate human resources for the public health sector. This involves increasing the numbers of health professionals, increasing remuneration of health professionals, and funding community service for nurses.

- Upgrading emergency medical services (EMS) to reduce response time to targets set: 15 minutes in urban areas and 40 minutes in rural areas; respond to the 2010 EMS requirements; and provide mix of road transportation and air ambulances
- Accelerating the hospital revitalization program. In our case, the hospitals to be revitalized include the Frontier, St. Elizabeth, Mary Theresa, Revile, St. Lucy's, St. Patrick's, All Saints, and Magdalene.
- Provision of medical equipment – medical, radiology and oncology equipment
- Accelerating HIV/AIDS prevention – reducing HIV infections, strengthening community mobilization on all elements of healthy lifestyles, increasing VCT uptake, and increasing patients on Arts
- Improving health information systems – smart card, electronic patient record, and HR database projects.

12.4. Social Development

The social development sector continues to face a number of challenges, including the following:

- Fragmentation of regulatory framework for non-governmental organizations
- Capacity challenges of non-profit organizations sector
- Inadequate social workers to meet the demand for service delivery
- Implementation challenges of the Children's Act
- Absence of targeted, comprehensive and integrated interventions and institutional mechanisms to manage illicit supply of and demand for substances of abuse

In addressing the problems outlined above, the social development sector identified the following as its priorities during the 2007 MTEF period:

- Supporting Non-governmental organizations
- Increasing social service professionals
- Addressing the rights of children to care and protection
- Prevention and treatment of substance abuse
- Promoting developmental welfare services

12.5. The 2007/2008 Budget

In the 2007 budget process, the education sector requested for funds to implement the sector's priorities outlined earlier. The sector's bid therefore included proposals to hire clerical staff in poor schools, additional pay for principals and general salary increases. To this end, the equitable share for education in the 2007 MTEF has been adjusted to allow for improvement in the level of remuneration of teachers, increase the number of clerical and support staff, hire teaching assistants (especially in the foundation phase of the schooling system) and targeted incentives teachers in critical subjects. The baseline budget for the Department of Education has therefore been adjusted for additional R316,5 million in 2008/2009 financial year and R633,1 million in 2009/2010 financial year to fund personnel and personnel-related commitments. This allocation is subject to an agreement to be reached in the Public Sector Bargaining Council.

The Department has also been allocated R100 million in 2007/2008 financial year, R114 million in 2008/2009 and R131 million in 2009/2010 for improving the quality of education through systemic evaluation, teacher supply and development and supply, information and communication technology (ICT) for learning, teaching and administration; and enhancement of adult literacy. Further, the department has been allocated R350 million over the medium term to remove all mud structure schools: R150million (R50 million from PIG) in 2007/2008 financial year, R164 million (R64 million from PIG) in 2008/2009 and R164 million (R64 million from PIG) in 2009/2010. Over the medium term, the total budget for education will increase from R14,7 billion in 2007/2008 to R17,6 billion in 2009/2010. The department, however, is requested to clean its personnel budget to get rid of the wasteful expenditure currently amounting to some R300 million related to double-packed teachers.

The Department of Health is faced with acute shortages of personnel in critical areas of its operation as well as inadequate funding for hospital revitalization and upgrade of clinical facilities. The cost pressure in the department limits the employment of health professionals in a manner that is envisaged by the department's Project 5000. The department also needs to step up its funding of EMRS in preparation for the 2010 FIFA World Cup. The 2007 budget has therefore provided substantial adjustments for personnel and personnel-related issues, EMRS and 2010 FIFA World Cup logistics (communication, vehicle replacement, etc). These include additional allocation of R250 million in 2007/2008 financial year, R265 million in 2008/2009 and R278 million in 2009/2010. The department has also been allocated R150 million of the 2007/2008 Provincial Infrastructure Grant to support the provision and upgrading of health facilities. This amount will increase to R194 million in each of the outer two years of the medium term. The total budget for health will thus increase from R8,1 billion in 2007/2008 to R9,3 billion in 2009/2010.

The Department of Economic Affairs, Environment and Tourism submitted a bid (option 2) for the 2007 budget that could not be funded from the indicative allocation. In addition, the department requested for additional funding for the following projects that would be implemented during the 2007 medium term:

- Implementation of new organizational structure
- NBI-Provincial Government Skills Development Project (R4 million).
- Restructuring of ECDC and its asset conversion program
- Industrial, trade and investment promotion
- Revitalisation of provincial parks
- Support to other public entities (ECGBB, ECLB, ECPB, Magwa & Majola Tea Estates)

To support the implementation of the above initiatives, the department has been allocated an additional amount of R55,1 million in 2007/2008 financial year.

The provincial Legislature requested for an additional R12,8 million to fund, amongst others, the increased participation in parliamentary processes, support to political parties and committees of the Legislature. Due to the inability of the Legislature to fund these initiatives from its current budget, an amount of R12,8 million has been added to its 2007/2008 baseline budget.

In order to implement the Traditional Leaders Act (Act 4 of 2005), the Department of Housing, Local Government and Traditional Affairs requested for additional funding of R12,2 million, which has been made available in the 2007/2008 budget.

An amount of R13 million has been allocated to the Department of Public Works to be used to finalise the preparatory work for the development of Bhisho Office Complex, as well as revamp the legislature precinct.

Initially, the Provincial Treasury revised downwards its baseline budget for the 2007/2008 financial year by R35 million. This amount was provided for the implementation of the Financial Management Improvement Program in the provincial administration which not take place due to some concerns expressed by the Portfolio Committee of Finance. The growing pressure on the department's budget arising from the implementation of the new organizational structure, expansion of the CFO Support Program, increased support to municipalities, and the impending take-over of the shared internal audit services from the Office of the Premier have meant that the original baseline budget has to be restored. To this end, the R35 million that was surrendered by the department has been re-allocated to it. An additional amount of R12 million has also

been allocated to the department to be used to implement the Provincial Electronic Suppliers Database and the own-revenue studies that will take place in the 2007/2008 financial year.

The Office of Premier is allocated an additional amount of R6 million to be used to support the AIDS Council (R5 million) and the Amputee Club of South Africa (R1million).

The Department of Sports, Arts and Culture will receive an additional amount of R4 million to support the African Heritage Cross Country Rally and South Africa Airways Golf Open that will take place in the province during the year.

12.6. Conditional Grants

A major shift in the conditional grants is the inclusion of the Further Education and Training (FET) recapitalization grant into the provincial equitable share commencing in April 2009. The FET program will, however, continue as part of the Department of Education normal responsibilities and the province is requested to ensure its sustained funding. To this end, the equitable share of the Department of Education for the 2009/2010 has been adjusted upwards by R124,5 million to take account of the FET recapitalization.

A new grant, Community library services, has been introduced in the 2007/2008 financial year to step up and institutionalized community library services in underserved areas. The grant is provided to support the recapitalization of library infrastructure and facilities. In the 2007/2008, R22,9 million of this grant has been allocated to the Department of Sports, Culture, Arts and Sports. This grant will increase to R42,6 million in 2008/2009, and R58,7 million in 2009/2010 financial year.

The integrated housing and human settlement development grant has been revised upwards by R100 million in the 2007/2008 budget. Additional R104 million has also be added to the allocation for 2008/2009, and R230 million for the 2009/2010 allocation.

Revisions to the following conditional grants are targeted at specific priority areas. The 2007/2008 baseline figure for the hospital revitalization grant has been revised upwards to address tender shortfalls and faster than anticipated progress on hospitals included in the program. Additional adjustments have also been made in the outer years to allow for additional hospitals to participate in the program. The national tertiary services grant baseline for 2007/2008 has also been revised upwards to fund radiology and oncology equipment, and strengthen cancer treatment services. Further additions have been made to fund adjustments in the salaries of health professionals as part of the Health Personnel Review Program. The comprehensive HIV and AIDS grant has equally been revised upwards to extend coverage of the program. The mass sports and recreation participation program has also been allocated additional funding to support the proposed "2010 Leaving a Legacy Program". This program seeks to expand mass sports participation and support club structures at grassroots level.

The Provincial Infrastructure Grant (PIG) supplements the funding of infrastructure programs funded from provincial budgets to enable backlogs in infrastructure to be addressed. This grant is allocated to the provincial departments responsible for education, health and roads. Since its inception, the whole grant has allocated to the Department of Roads and Transport.

Table 32: Provincial Infrastructure Conditional Grant
(R'000)

Department	2007/2008	2008/2009	2009/2010
Roads and Transport <i>of which EPWP (additional)</i>	838,657 96,600	877,966 135,909	1,024,873 282,816
Education	50,000	64,000	64,000
Health	150,000	194,370	194,370
Agriculture*	42,886	54,894	54,894
2010 FIFA World Cup	41,800	58,247	143,430
Total	1,123,343	1,249,477	1,481,567

* For rural agricultural roads and fencing

Commencing in the 2007/2008 budget year, the PIG has been redistributed to ensure that all beneficiary departments are allocated their share of the grant. In the 2007/2008 budget, the Department of Roads will receive a total of R838,6 million of which R96,6 million is to be used to scale up the EPWP in roads, focusing on access roads. Over the medium, infrastructure provision under the EPWP will be scaled up by a total R515 million. Over the same period, a total of R153 million of the infrastructure grant was allocated for the provision of rural farm roads and fencing along highways and major roads in the province to prevent rampant straying of animals on the roads. Details of the distribution of the infrastructure grant are shown below.

12.7. 2010 FIFA World Cup

National guidelines on budgeting for the 2010 Soccer World Cup require departments to budget for the event within their indicative figures. The budget should include both:

- Major expenditure (mainly capital works)
- Lesser expenditure (mainly human resource, goods and services, equipment, etc)

Departments were advised to submit comprehensive budgets, including details of projects, costing and implementation plans (design, procurement and timeframes) to Provincial Treasury for consideration. R41,8 million from the provincial infrastructure grant has been set aside in the 2007/2008 financial year for the 2010 FIFA World Cup-related infrastructure development. This amount will increase to R58,2 million in 2008/2009, and R121,2 million in 2010. The deadline for the submission of 2009/2010 infrastructure projects was set at 15 November 2006 and the submissions are now being evaluated for a decision during the coming financial year.

Table 33 presents details of the provincial MTEF allocations to the main sectors. Allocation to the social sector increases from the revised budget of R21,2 billion for financial year 2006/2007 to R23,8 billion in financial year 2007/2008, representing an increase of R2,6 billion or 12,3%. Over the 2007 medium term, the social services sector will receive a total of R78,8 billion. The bulk of the increases to the social sector over the medium term are allocated to education. The budget for education increases from R13,1 million in financial year 2006/2007 to R14,7 million in financial year.

2007/2008, representing an increase of R1,6 billion or 12,2%. This means that 61,5% of the additional allocation to the social services sector in the financial year 2007/2008 is given to education. Over the 2007 medium term, education will receive a total of R48,9 billion, representing 62% of the whole social sector MTEF allocation. As indicated earlier, this will assist the department to remove all mud structure schools, assist in the development of educators and improvement in their remuneration, and enhance the quality of education in the province.

Health's budget increases from R7,3 billion in the current financial year to R8,1 billion in 2007/2008 financial year. This represents an increase of some R830 million, or 11,3%. Over the 2007 medium term, the health

sector of the province will receive a total of R26,4 billion, or 33,5% of the total allocation to the social services sector in the period. The bulk of the increases in the health budget will be used to fund the improvement in remuneration of health professional staff, expand the emergency medical rescue services, the 2010 communication project of the department, and recruitment of health professionals under the Project 5000.

The Social Development budget will increase by R188,8 million or 24,8% in financial year 2007/2008. This will bring the department's allocation for financial year 2007/2008 to R950,3 million. Over the 2007 medium term, the social development sector will receive a total of R3,5 billion, representing 4,4% of the total projected allocation to the social sector in the period. The increased allocation will enable the department to focus on welfare and development interventions to support the shifting of the frontiers of poverty in the province.

Table 34: Provincial Medium Term Expenditure Framework

		2006/07			2007/08	2008/09	2009/10
		Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
R'000							
Expenditure							
Social Services		20,720,495	21,199,888	21,183,764	23,820,539	26,797,791	28,321,505
	Education	13,065,022	13,122,087	13,122,087	14,726,061	16,616,075	17,680,951
	Health	6,892,701	7,336,999	7,312,767	8,142,743	8,952,791	9,356,327
	Social Development	762,772	740,802	748,910	951,735	1,228,925	1,284,227
Economic Services		5,137,434	5,387,001	5,100,948	6,041,431	6,815,510	7,409,299
Of which is	Roads & Transport	1,983,795	2,014,413	2,014,413	2,239,065	2,446,218	2,663,696
Governance and Adminstration		969,195	942,993	931,569	1,146,841	1,264,741	1,352,660
Total		26,827,124	27,529,882	27,216,281	31,008,811	34,878,042	37,083,463
Fiscal Balance		1,100,580	696,928	941,804	437,667	579,705	2,373,905

Allocation to the economic services sector will increase from the revised R5,3 billion in the current financial year to R6 billion in the 2007/2008 financial year. Over the 2007 medium term, the sector will receive a total R20,2 billion. The bulk of the allocation to the economic services sector will be used to provide roads and transport facilities in the province. The roads and transport budget will therefore increase from the current R2 billion to R2,2 billion in financial year 2007/2008. Over the next three years, funding for roads and transportation will amount to R7,3 billion. Included in this amount is a total of R515,3 million that will be used to support the Expanded Public Works Program (EPWP).

The governance and administrative services sector will receive an additional R214,3 million in financial year 2007/2008. This will bring the allocation to the sector in financial year 2007/2008 to R1,1 billion, representing an increase of some 23%.

Table 34 presents details of the allocations to the 13 departments of the provincial administration for the financial year 2007/2008 and the two outer years of the medium term.

Table 34: Provincial Medium Term Expenditure Framework

R'000	2007/08		2008/09		2009/10	
	Medium-term estimates					
	Amount	% Share	Amount	% Share	Amount	% Share
Education	14,726,061	47.5%	16,616,075	47.6%	17,680,951	47.7%
Health	8,142,743	26.3%	8,952,791	25.7%	9,356,327	25.2%
Social Development	951,735	3.1%	1,228,925	3.5%	1,284,227	3.5%
Office Of the Premier	311,812	1.0%	332,345	1.0%	347,372	0.9%
Provincial Legislature	154,525	0.5%	169,839	0.5%	183,354	0.5%
Public Works	617,973	2.0%	727,448	2.1%	760,184	2.0%
Housing, Local Government And Traditional Affairs	1,574,138	5.1%	1,808,127	5.2%	2,063,745	5.6%
Agriculture	989,282	3.2%	1,105,115	3.2%	1,156,935	3.1%
Economic Affairs, Environment And Tourism	620,973	2.0%	728,602	2.1%	764,739	2.1%
Roads And Transport	2,239,065	7.2%	2,446,218	7.0%	2,663,696	7.2%
Provincial Treasury	243,859	0.8%	246,849	0.7%	253,037	0.7%
Sport, Recreation, Arts And Culture	406,011	1.3%	478,979	1.4%	530,516	1.4%
Safety And Liaison	30,634	0.1%	36,728	0.1%	38,381	0.1%
Total Expenditure	31,008,811	100.0%	34,878,040	100.0%	37,083,464	100.0%

13. Municipal Financial Oversight

13.1. The Context

The local government sphere plays an important role in the country's transformation process. It is accordingly important that this sphere of government is appropriately supported and capacitated to enable it fulfill its service delivery and developmental mandate and that national and provincial governments oversee, monitor and support municipalities in carrying out these responsibilities (National Treasury, 2006).

Although substantial increases have been made to the transfer (both operational and infrastructure) of local government over the last few years in recognition of its increased service delivery responsibilities, a number of municipalities are not yet in a position to meet their developmental mandate due to inadequate economic base and/or high levels of poverty and unemployment. Cumbersome administrative and budgeting systems, inefficient service delivery, poor management and disproportionate wage bills compound the problems of municipalities. National policies, such as the extension of free basic services to poor households also put additional pressure on municipalities. Municipalities also face great challenges in addressing past backlogs and spatial distortions as well as planning for sustainable growth and development (National Treasury, 2006).

Government has set a target of eradicating backlogs in infrastructure services such as sanitation, water, electricity, etc. At the same time, municipalities are required to appropriately service the remainder of the community and create conditions required for vibrant economic growth. The ability of municipalities to raise revenues from their own sources to provide for new infrastructure services and remove backlogs is influenced by local circumstances, such as income levels, affordability criteria and consumption patterns within the municipality. Municipalities with a large proportion of poor households and limited economic opportunities struggle to raise revenues as the poor households should receive basic services for free. The ability of municipalities to cross-subsidize between services and customer groups also has impact on their ability to raise funds from their own sources.

The Eastern Cape Province has 45 municipalities, including the Nelson Mandela Metropolitan Municipality. The municipalities in the province are among the poorest in the country. The size of municipal budgets also varies substantially. The overall budget of municipalities in the Eastern Cape was R10,8 billion in financial year 2005/2006, compared to R41,2 billion in Gauteng, R20,4 billion in KwaZulu-Natal and R21,7 billion in Western Cape.

13.2. Role of the Provincial Treasury

Thirty nine municipalities in the province have been assigned to the Provincial Treasury for financial oversight. In these municipalities, the Provincial Treasury has the following responsibilities to undertake:

- Monitor the planning and preparation of budgets
- Monitor the in-year monitoring implementation of the budgets
- Ensure timely submission of Annual Financial Statements and Audit Reports
- Institute financial interventions, whenever necessary
- Ensure the implementation of a Supply Chain Management Framework
- Assist in the establishment of such structures as internal audit and budget offices
- Assist in building financial management capacity
- Offer training in financial management
- Ensure harmonization of Provincial Ordinances (if any) with the MFMA

While the initial focus has been on budgeting and financial reporting, the Treasury is required to ascertain the extent of compliance with other reform priorities. These priorities appear in the National Treasury's "12 Urgent Implementation Priorities" checklist and the "MFMA Implementation Plan" template. In these areas, the Treasury is required to review the 12 urgent implementation priority checklist and return each quarter to ascertain ongoing compliance with the reforms; review municipal implementation plan each quarter to examine and discuss progress against planned outputs; review and catalogue in a Provincial Treasury database returns for municipal entities, Public Private Partnerships, long term contracts each quarter. For contracts having future budgetary implications beyond three years, the views of the Treasury should be solicited before their conclusion {s33(1)(a)(ii)(aa) of the MFMA}

In relation to urgent priorities, it is the Treasury's responsibility to seek copies of reports to the Municipal Council advising of the municipal progress to supply chain management; ensure that municipalities provide details of bank accounts and withdrawals; ensure that municipalities provide appropriate certifications and approval for shifting funds between multi-year appropriations; ensure that municipalities invite Treasury's comments concerning the securing of debts, forming entities; verify and provide bank account details for municipalities to the National Treasury; and monitor reduction in short term debt by 25% per annum {s45(4)(a) of the MFMA}.

Chapter 13 of the MFMA also requires the Treasury to play a key role in municipal interventions once serious financial problems are detected. Depending upon the circumstances surrounding the financial problem, the Provincial Executive may undertake a discretionary or non-discretionary intervention as outlined in s136 of the PFMA. It is the responsibility of the Provincial Treasury to ensure that municipal councils adopt and implement supply chain management policies. The Provincial Treasury has a duty to ensure that provincial ordinances (if any) do not conflict with the MFMA. The Treasury is also required to facilitate and/or provide training to municipalities to bolster their financial management capacities and practices.

During the current financial year, the Treasury has provided direct support and training to many of the municipalities. The Treasury has facilitated training on a range of financial governance issues to many senior managers in the low capacity municipalities; attended and participated in Councilors Induction Programs conducted by SALGA; and assisted a number of municipalities in sorting out their financial management problems. The Treasury has also provided technical advice on a range of financial management issues to many of the 39 municipalities under its oversight.

The budgets for financial year 2006/2007 tabled by the municipalities under Treasury's oversight were reviewed and comments submitted to the relevant municipalities. The Treasury is currently monitoring the implementation of the 2006/2007 municipal budgets and also scrutinizing the financial records of the municipalities to establish their responses to the 2005/2006 audit outcomes. The provincial Treasury also assists municipalities to recover outstanding debts from provincial departments and their agencies.

In gearing up to fully take on board the responsibilities assigned to it by the MFMA, the Provincial Treasury has re-organized and upgraded its Municipal Finance Unit. The department has also created six district offices with staff currently undergoing training to enhance their skill to enable them provide valuable assistance to the municipalities.

13.3. Medium Term Outlook

Although various reforms have been made to the local government fiscal system, many municipalities are still struggling to perform their developmental and service delivery responsibilities. Some of the issues that are being considered within the Treasury sector as part of further refinement of the local government fiscal review include the following:

- A detailed study of the financial viability and service delivery capacity of 22 low municipalities will be undertaken in the 2007/2008 financial year to identify the underlying factors hampering service delivery and to adjust the local government fiscal capacity accordingly.
- Improved alignment between the functional and fiscal division of powers and functions between category B and C municipalities.
- Assist municipalities to identify and introduce new sources of revenue to replace RSC and JSB levies in the medium to longer-term
- Develop appropriate capital finance arrangements for the various types and categories of municipalities, including the borrowing.
- Improve inter-relationships between provincial and municipal service delivery and funding.

14. Conclusion

Development in the 21st century entails more than solving technical economic problems to enhance efficiency in resource mobilization and allocation. It focuses on institutions, such as those that promote competition and good governance, as well as the distribution of income. The focus of development has thus shifted to the deeper question of how to transform society or foster change. The role of government in this context is not only to address the serious imperfections in the marketplace, but also to facilitate the transformation of the society by identifying the barriers to and potential catalysts for change. To achieve this, the development strategy must take as its core objective, development, i.e., the transformation of people and society. Economic growth, for its part, is affected by changes in the quantity or quality of resources, technological innovations, and changes in the incentive structure in society. To enhance the province's growth potential would require a combination of factors, including the following:

- increasing public investment in the economic infrastructure (the term "infrastructure" usually refers to public investment in constructing and maintaining roads, bridges, airports, railroads, communications networks, water supplies, solid waste management, electricity production and distribution systems, the legal system, police and fire protection services, etc.),

- increasing public investment in education (human capital),
- providing increased incentives for private investment, and
- providing incentives for research and development that may lead to technological improvements.

The first two interventions suggest a larger role for direct government involvement. Those who believe that markets are more efficient tend to advocate for the last two interventions. What has been proven though is that, achieving the first two objectives enhances that of the latter. In such case, the fundamental role of the state is to create a favorable environment for the private sector to thrive and the benefits thereof shared amongst all the participants in the economy. This underscores the government calls for well-designed public-private partnership initiatives that would support the growth and distribution agenda.

15. Summary Tables

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Table A1: Summary of provincial receipts

Summary of provincial receipts										
Receipts R'000	Outcome			Main appro- priation 2006/07	Adjusted appro- priation 2006/07	Revised estimate 2006/07	Medium-term estimate			
	Audited 2003/04	Audited 2004/05	Audited 2005/06				2007/08	2008/09	2009/10	% Change from Revised estimate 2006/07
Treasury funding										
Equitable share	19 280 758	19 182 458	20 576 464	23 542 073	23 946 003	23 667 799	26 677 655	30 064 024	31 861 199	12.72
Conditional grants	1 889 368	2 085 161	2 503 694	2 809 944	2 902 534	2 902 534	3 716 716	4 163 758	4 542 486	28.05
Financing										
Total Treasury funding	21 170 126	21 267 619	23 080 158	26 352 017	26 848 537	26 570 333	30 394 371	34 227 782	36 403 685	14.39
Provincial own receipts										
Tax receipts	138 558	163 893	367 908	223 414	330 261	330 261	273 455	307 429	333 216	(17.20)
Sales of goods and services other than capital assets	162 994	116 640	120 529	148 515	143 494	121 812	140 814	142 381	147 244	15.60
Transfers received			4 308							
Fines, penalties and forfeits	807	2 226	3 800	790	790	790	3 231	3 555	3 075	308.99
Interest, dividends and rent on land	181 997	25 364	110 883	102 386	200 652	201 378	195 914	196 044	196 158	(2.71)
Sales of capital assets	33 845		4 258				964	775		
Financial transactions in assets and liabilities	23 889	10 639	37 201	2	6 148	6 622	62	76	85	(99.06)
Total provincial own receipts	542 090	318 762	648 887	475 107	681 345	660 863	614 440	650 260	679 778	(7.02)
Total provincial receipts	21 712 216	21 586 381	23 729 045	26 827 124	27 529 882	27 231 196	31 008 811	34 878 042	37 083 463	13.87

Table A2: Summary of provincial own receipts by Vote

Summary of provincial own receipts per Vote										
Vote R'000	Outcome			Main appro- priation 2006/07	Adjusted appro- priation 2006/07	Revised estimate 2006/07	Medium-term estimate			
	Audited 2003/04	Audited 2004/05	Audited 2005/06				2007/08	2008/09	2009/10	% Change from Revised estimate 2006/07
1. Office of the Premier	891	218	418	378		331	397	417	436	19.94
2. Provincial Legislature										
3. Health	78 144	53 784	62 491	59 842	62 833	62 833	63 433	67 239	70 264	0.95
4. Social Development	563	9 170	901	821	821	989	821	862	906	(16.99)
5. Public Works	4 013	11 831	9 767	17 638	9 739	8 664	24 383	17 638	18 432	181.43
6. Education	31 556	24 844	40 307	49 809	49 809	31 012	30 976	32 308	33 762	(0.12)
7. Housing & Local Govt.	12 846	11 330	9 054	8 420	11 325	11 240	8 841	9 283	9 701	(21.34)
8. Agriculture	4 432	6 843	4 580	5 100	5 100	3 867	5 355	5 623	5 876	38.48
9. Economic Dev & Environ. Affairs	82 238	66 071	93 771	61 490	89 990	89 990	91 508	107 284	113 139	1.69
10. Roads & Transport	151 960	116 426	321 590	171 119	255 671	255 671	194 900	215 746	233 378	(23.77)
12. Provincial Treasury	174 796	18 035	105 615	100 100	195 667	195 666	193 416	193 421	193 426	(1.15)
14. Sport, Rec. Arts & Culture	651	210	393	390	390	600	410	439	458	(31.67)
15. Safety & Liaison										
Total provincial own receipts by Vote	542 090	318 762	648 887	475 107	681 345	660 863	614 440	650 260	679 778	(7.02)

Table A3: Summary of provincial payments and estimates by Vote

Summary of payments and estimates by Vote										
Votes R'000	Outcome			Main appro- priation 2006/07	Adjusted appro- priation 2006/07	Revised estimate 2006/07	Medium-term estimate			
	Audited 2003/04	Audited 2004/05	Audited 2005/06				2007/08	2008/09	2009/10	% Change from Revised estimate 2006/07
1. Office of the Premier	206 696	182 914	253 429	280 364	293 123	292 785	311 812	332 345	347 372	6.50
2. Provincial Legislature	79 615	91 540	111 042	129 039	140 590	140 590	154 525	169 839	183 354	9.91
3. Health	5 243 012	5 180 217	6 120 184	6 892 701	7 336 999	7 327 682	8 142 743	8 952 791	9 356 327	11.12
4. Social Development	485 386	419 172	539 649	762 772	740 802	748 910	951 735	1 228 925	1 284 227	27.08
5. Public Works	500 678	494 972	517 297	514 272	514 272	514 272	617 973	727 448	760 184	20.16
6. Education	10 155 301	10 654 446	11 523 158	13 065 022	13 122 087	13 122 087	14 726 061	16 616 075	17 680 951	12.22
7. Housing & Local Govt.	1 240 871	997 564	1 082 725	1 250 606	1 260 856	1 009 138	1 574 138	1 808 127	2 063 745	55.99
8. Agriculture	751 961	821 936	787 327	869 670	894 238	862 603	989 282	1 105 115	1 156 935	14.69
9. Economic Dev & Environ.	825 722	762 272	619 239	519 091	703 222	700 522	620 973	728 602	764 739	(11.36)
10. Roads & Transport	1 787 978	1 602 694	1 773 007	1 983 795	2 014 413	2 014 413	2 239 065	2 446 218	2 663 696	11.15
12. Provincial Treasury	174 010	147 750	118 992	213 436	159 245	148 159	243 859	246 849	253 037	64.59
14. Sport, Rec. Arts & Culture	252 205	219 363	270 214	321 991	325 670	325 670	406 011	478 979	530 516	24.67
15. Safety & Liaison	8 781	11 541	12 782	24 365	24 365	24 365	30 634	36 728	38 381	25.73
Total payments and estimates	21 712 216	21 586 381	23 729 045	26 827 124	27 529 882	27 231 196	31 008 811	34 878 042	37 083 463	13.87

Table A4: Summary of provincial payments and estimates by economic classification

Summary of provincial payments and estimates by economic classification										
Economic classification R'000	Outcome						Medium-term estimate			
	Audited 2003/04	Audited 2004/05	Audited 2005/06	Main appro- priation 2006/07	Adjusted appro- priation 2006/07	Revised estimate 2006/07	2007/08	2008/09	2009/10	% Change from Revised estimate 2006/07
Current payments	16 520 707	17 291 262	19 048 139	21 113 386	22 252 360	22 046 739	25 016 205	27 847 925	29 239 806	13.47
Compensation of employees	13 303 235	14 322 435	15 159 095	16 286 134	16 384 142	16 403 941	18 639 842	20 248 713	21 280 805	13.63
Goods and services	3 161 648	2 922 421	3 874 827	4 826 252	5 868 218	5 637 190	6 372 903	7 595 596	7 955 222	13.05
Interest and rent on land	55 715	20 299	815	1 000		5 573	3 460	3 616	3 779	(37.91)
Financial transactions in assets and liabilities	104	26 107	13 402							
Unauthorised expenditure	5					35				(100.00)
Transfers and subsidies	3 513 741	2 658 244	3 136 360	3 685 328	3 220 483	3 197 492	3 455 553	4 102 094	4 449 936	8.07
Provinces and municipalities	410 140	401 393	512 188	519 374	505 244	498 073	316 853	280 946	268 400	(36.38)
Departmental agencies and accounts	1 357 373	915 174	970 754	439 329	628 231	628 268	549 213	631 925	662 235	(12.58)
Universities and technikons	137 183	12 000	12 600	13 000	13 000	13 000	14 720	15 907	16 623	13.23
Public corporations and private enterprises	192 711	44 040	252 547	799 447	258 419	452 215	271 549	274 423	286 773	(39.95)
Foreign governments and international organisations										
Non-profit institutions	391 007	437 403	542 019	870 753	598 552	674 158	935 828	1 355 972	1 428 498	38.81
Households	1 025 327	848 234	846 252	1 043 425	1 217 037	931 778	1 367 390	1 542 921	1 787 407	46.75
Payments for capital assets	1 677 768	1 636 875	1 544 546	2 028 410	2 057 039	1 986 965	2 537 053	2 928 023	3 393 720	27.68
Buildings and other fixed structures	1 331 408	1 527 346	1 283 255	1 784 306	1 842 668	1 779 621	2 123 040	2 381 603	2 736 162	19.30
Machinery and equipment	285 554	108 001	257 544	241 275	212 650	204 113	410 305	542 552	653 663	101.02
Cultivated assets	18 872	1	134		192	159				(100.00)
Software and other intangible assets		9	2 818	2 829	1 529	1 886	3 708	3 868	3 895	96.61
Land and subsoil assets	41 934	1 518	795			1 186				(100.00)
Total economic classification	21 712 216	21 586 381	23 729 045	26 827 124	27 529 882	27 231 196	31 008 811	34 878 041	37 083 463	13.87

Table A5: Summary of provincial payments and estimates by economic classification

Summary of payments and estimates by economic classification										
Economic classification R'000	Outcome			Main appro- priation	Adjusted appro- priation	Revised estimate	Medium-term estimate			
	Audited	Audited	Audited				2007/08	2008/09	2009/10	% Change from Revised estimate 2006/07
	2003/04	2004/05	2005/06							
Current payments	16 520 707	17 291 262	19 048 139	21 113 386	22 252 360	22 046 739	25 016 205	27 847 925	29 239 806	13.47
Compensation of employees	13 303 235	14 322 435	15 159 095	16 286 134	16 384 142	16 403 941	18 639 842	20 248 713	21 280 804	13.63
Salaries and wages	11 312 595	13 737 603	14 971 054	15 632 870	15 830 735	15 878 103	17 310 317	18 850 817	19 811 912	9.02
Social contributions	1 990 640	584 832	188 041	653 264	553 407	525 838	1 329 525	1 397 896	1 468 892	152.84
Goods and services	3 161 648	2 922 421	3 874 827	4 826 252	5 868 218	5 637 190	6 372 903	7 595 596	7 955 223	13.05
Of which										
Audit fees	30 670	17 104	21 289	30 614	31 050	31 687	30 075	30 278	32 020	(5.09)
Communication	49 077	24 342	32 580	32 421	30 321	29 119	14 997	15 500	15 794	(48.50)
Computer equipment	2 408						1 000	1 921	1 613	
Consultancy fees			853	2 390	2 390	3 174	2 512	2 620	2 738	(20.86)
Consultants and specialised services	307 578	228 871	292 406	398 677	290 466	319 416	446 682	575 153	600 131	39.84
Consumables	5 201	4 961	6 742	8 417	9 020	7 913	10 306	10 875	11 678	30.25
Contractors	42 098	90 620	120 517	140 632	140 632	137 653	214 669	299 681	313 168	55.95
Equipment less than R 5000	16 719	14 472	10 972	12 482	12 482	12 410	13 607	13 721	13 968	9.65
Inventory	60 609	88 166	119 612	151 161	155 683	147 256	109 253	111 049	116 483	(25.81)
Legal fees	5 205	5 205	5 205	5 205	5 205	5 205	5 205	5 205	5 205	
Maintenance and repairs and running cost	86 638	85 591	86 468	88 264	88 264	84 973	86 200	197 018	152 891	1.44
Medical services				17 615	17 615	17 942	42 586	44 417	20 190	137.35
Medical supplies				28 379	28 379	28 906				(100.00)
Medicine	41 205	46 615	45 434	27 167	27 167	27 672				(100.00)
Operating Leases	300	750	600	2 600	2 600	2 600	3 000	3 160	3 320	15.38
Prof. fees, memberships & subs	106 437	67 014	7 141	121 325	101 328	94 595	13 355	11 004	11 232	(85.88)
Training	114 861	62 566	61 304	161 060	287 451	287 403	443 265	483 008	498 874	54.23
Transport	2 281	700	200	550	550	550	500	500	500	(9.09)
Travel and subsistence	119 088	21 211	29 998	43 896	36 772	19 768	78 926	83 579	80 043	299.26
Veterinary supplies	19 115	22 684	22 684	24 952	24 952	19 660	23 196	25 611	28 874	17.99
Employee bursaries		419	662	1 040	1 040	1 040	1 250	1 520	2 080	20.19
Learnerships		428	238	3 030	3 030	3 030	2 128	1 400	1 700	(29.77)
Other	2 110 022	2 018 143	2 866 439	3 209 919	4 193 177	3 976 575	4 649 958	5 479 141	5 835 674	16.93
Interest and rent on land	55 715	20 299	815	1 000		5 573	3 460	3 616	3 779	(37.91)
Interest		19 484	815	1 000		5 573	3 460	3 616	3 779	(37.91)
Rent on land	55 715	815								
Financial transactions in assets and liabilities	104	26 107	13 402							
Unauthorised expenditure	5					35				(100.00)
Transfers and subsidies to (Current)	3 494 811	2 647 283	3 119 633	3 666 415	3 186 846	3 199 290	3 426 159	4 087 114	4 436 823	7.09
Provinces and municipalities	410 140	401 389	512 183	505 355	505 259	500 636	321 853	285 946	273 400	(35.71)
Provinces		16			166		9 000	7 100	7 205	
Provincial Revenue Funds		16								
Provincial agencies and funds					166		9 000	7 100	7 205	
Municipalities	410 140	401 373	512 183	505 355	505 093	500 636	312 853	278 846	266 195	(37.51)
Municipalities	410 113	400 887	512 144	504 344	504 071	500 034	312 853	278 846	266 195	(37.43)
of which										
RSC levies				1 004	1 004	591				(100.00)
Municipal agencies and funds	27	486	39	7	18	11				(100.00)
Departmental agencies and accounts	1 356 038	915 174	970 754	447 779	636 681	636 718	558 713	642 159	672 930	(12.25)
Social security funds			1							
Public entities receiving transfers										
ECSECC	13 589	8 800	24 800	26 342	26 342	26 340	32 416	34 902	36 544	23.07
EC Appropriate Tech Unit	8 000	8 891	7 719	10 500	10 500	10 500	11 327	12 218	12 768	7.88
EC Rural Finance Corporation	15 500	22 000	17 500	20 000	20 000	20 000	22 500	25 000	26 125	12.50
EC Tourism Board	22 000	20 645	20 532	21 000	21 000	21 000	22 000	23 540	24 590	4.76
EC Gambling & Betting Board	12 400	13 364	14 364	16 746	19 246	19 246	20 233	20 690	21 486	5.13
Coega Development Corp	375 145	359 431	180 000							
EL IDZ	99 141	120 022	105 000	107 000	224 200	224 200	113 000	119 910	125 400	(49.60)
EC Development Corp	125 900	83 743	76 066	113 200	180 131	180 131	162 410	224 888	236 120	(9.84)
EC Parks Board	34 037	44 734	65 000	79 700	79 700	79 700	99 407	101 216	106 185	24.73
EC Liquor Board			10 170	14 391	14 391	14 391	22 305	23 137	24 712	54.99
Mayibuye Transport Corp	24 435	20 500								
EC Prov. Arts & Culture Council	6 550			8 450	8 450	8 450	9 500	10 234	10 695	12.43
EC Youth Commission	6 000	7 272	9 300	10 000	10 000	10 000	9 788	10 587	10 990	(2.12)
Other departmental agencies	601 841	195 272	429 202	8 450	10 721	10 760	19 850	20 900	21 706	84.48
Fort Cox Agricultural College	11 500	10 500	11 100	12 000	12 000	12 000	13 977	14 937	15 609	16.48

Table A5: Summary of provincial payments and estimates by economic classification (continued)

Summary of payments and estimates by economic classification										
Economic classification R'000	Outcome						Medium-term estimate			
	Audited 2003/04	Audited 2004/05	Audited 2005/06	Main appropriation 2006/07	Adjusted appropriation 2006/07	Revised estimate 2006/07	2007/08	2008/09	2009/10	% Change from Revised estimate 2006/07
Universities and technikons	137 183	12 000	12 600	13 000	13 000	13 000	14 720	15 907	16 623	13.23
Public corporations and private enterprises	186 566	44 040	252 547	799 447	258 419	452 215	271 549	274 423	286 773	(39.95)
Public corporations	35 266	30 990	74 868	613 829	45 801	239 598	43 865	43 280	45 227	(81.69)
Subsidies on production	29 866									
Other transfers	5 400	30 990	74 868	613 829	45 801	239 598	43 865	43 280	45 227	(81.69)
Private enterprises	151 300	13 050	177 679	185 618	212 618	212 617	227 684	231 143	241 546	7.09
Subsidies on production		13 050	510			(1)				(100.00)
Other transfers	151 300		177 169	185 618	212 618	212 618	227 684	231 143	241 546	7.09
Foreign governments and international organisations										
Non-profit institutions	391 007	437 403	530 349	857 791	579 650	666 596	915 220	1 326 187	1 400 273	37.30
Households	1 013 877	837 277	841 200	1 043 043	1 193 837	930 125	1 344 104	1 542 492	1 786 824	44.51
Social benefits	8 491	67 510	99 662	156 385	205 102	145 893	87 451	93 211	98 265	(40.06)
Other transfers to households	1 005 386	769 767	741 538	886 658	988 735	784 232	1 256 653	1 449 281	1 688 559	60.24
Transfers and subsidies to (Capital)	25 480	10 961	16 727	27 363	43 086	17 284	43 894	30 214	28 808	153.96
Provinces and municipalities		4	5	14 019	12 524	8 069				(100.00)
Provinces					4 011	(444)				(100.00)
Provincial Revenue Funds					4 011	(444)				(100.00)
Provincial agencies and funds										
Municipalities		4	5	14 019	8 513	8 513				(100.00)
Municipalities		4	5	14 019	8 513	8 513				(100.00)
of which										
Municipal agencies and funds										
Departmental agencies and accounts	7 885									
Social security funds										
Public entities receiving transfers	7 885									
Universities and technikons										
Public corporations and private enterprises	6 145									
Public corporations										
Subsidies on production										
Other transfers										
Private enterprises	6 145									
Subsidies on production										
Other transfers	6 145									
Foreign governments and international organisations										
Non-profit institutions			11 670	12 962	7 562	7 562	20 608	29 785	28 225	172.52
Households	11 450	10 957	5 052	382	23 000	1 653	23 286	429	583	1308.71
Social benefits		8 826	5 052	382			400	429	583	
Other transfers to households	11 450	2 131			23 000	1 653	22 886			1284.51
Transfers and subsidies to (Total)	3 520 291	2 658 244	3 136 360	3 693 778	3 228 933	3 205 942	3 465 053	4 112 328	4 460 631	8.08
Provinces and municipalities	410 140	401 393	512 188	519 374	505 244	498 073	316 853	280 946	268 400	(36.38)
Provinces		16			4 177	(444)	4 000	2 100	2 205	(1000.90)
Provincial Revenue Funds		16			4 011	(444)				(100.00)
Provincial agencies and funds					166		4 000	2 100	2 205	
Municipalities	410 140	401 377	512 188	519 374	501 067	498 517	312 853	278 846	266 195	(37.24)
Municipalities	410 113	400 891	512 149	518 363	500 045	497 915	312 853	278 846	266 195	(37.17)
of which										
RSC levies				1 004	1 004	591				(100.00)
Municipal agencies and funds	27	486	39	7	18	11				(100.00)

Table A5: Summary of provincial payments and estimates by economic classification (continued)

Summary of payments and estimates by economic classification													
Economic classification R'000	Outcome			Main appro- priation 2006/07	Adjusted appro- priation 2006/07	Revised estimate 2006/07	Medium-term estimate						
	Audited 2003/04	Audited 2004/05	Audited 2005/06							2007/08	2008/09	2009/10	% Change from Revised estimate 2006/07
Municipal agencies and funds	27	486	39	7	18	11				(100.00)			
Departmental agencies and accounts	1 363 923	915 174	970 754	447 779	636 681	636 718	558 713	642 159	672 930	(12.25)			
Social security funds			1										
Public entities receiving transfers	7 885												
ECSECC	13 589	8 800	24 800	26 342	26 342	26 340	32 416	34 902	36 544	23.07			
EC Appropriate Tech Unit	8 000	8 891	7 719	10 500	10 500	10 500	11 327	12 218	12 768	7.88			
EC Rural Finance Corporation	15 500	22 000	17 500	20 000	20 000	20 000	22 500	25 000	26 125	12.50			
EC Tourism Board	22 000	20 645	20 532	21 000	21 000	21 000	22 000	23 540	24 590	4.76			
EC Gambling & Betting Board	12 400	13 364	14 364	16 746	19 246	19 246	20 233	20 690	21 486	5.13			
Coega Development Corp	375 145	359 431	180 000										
EL IDZ	99 141	120 022	105 000	107 000	224 200	224 200	113 000	119 910	125 400	(49.60)			
EC Development Corp	125 900	83 743	76 066	113 200	180 131	180 131	162 410	224 888	236 120	(9.84)			
EC Parks Board	34 037	44 734	65 000	79 700	79 700	79 700	99 407	101 216	106 185	24.73			
EC Liquor Board			10 170	14 391	14 391	14 391	22 305	23 137	24 712	54.99			
Mayibuye Transport Corp	24 435	20 500											
EC Prov. Arts & Culture Council	6 550			8 450	8 450	8 450	9 500	10 234	10 695	12.43			
EC Youth Comission	6 000	7 272	9 300	10 000	10 000	10 000	9 788	10 587	10 990	(2.12)			
Other departmental agencies	601 841	195 272	429 202	8 450	10 721	10 760	19 850	20 900	21 706	84.48			
Fort Cox Agricultural College	11 500	10 500	11 100	12 000	12 000	12 000	13 977	14 937	15 609	16.48			
Universities and technikons	137 183	12 000	12 600	13 000	13 000	13 000	14 720	15 907	16 623	13.23			
Public corporations and private enterprises	192 711	44 040	252 547	799 447	258 419	452 215	271 549	274 423	286 773	(39.95)			
Public corporations	35 266	30 990	74 868	613 829	45 801	239 598	43 865	43 280	45 227	(81.69)			
Subsidies on production	29 866												
Other transfers	5 400	30 990	74 868	613 829	45 801	239 598	43 865	43 280	45 227	(81.69)			
Private enterprises	157 445	13 050	177 679	185 618	212 618	212 617	227 684	231 143	241 546	7.09			
Subsidies on production		13 050	510			(1)				(100.00)			
Other transfers	157 445		177 169	185 618	212 618	212 618	227 684	231 143	241 546	7.09			
Foreign governments and international organisations													
Non-profit institutions	391 007	437 403	542 019	870 753	598 552	674 158	935 828	1 355 972	1 428 498	38.81			
Households	1 025 327	848 234	846 252	1 043 425	1 217 037	931 778	1 367 390	1 542 921	1 787 407	46.75			
Social benefits	8 491	76 336	104 714	156 767	205 302	145 893	87 851	93 640	98 848	(39.78)			
Other transfers to households	1 016 836	771 898	741 538	886 658	1 011 735	785 885	1 279 539	1 449 281	1 688 559	62.82			
Payments for capital assets	1 677 768	1 636 875	1 544 546	2 028 410	2 057 039	1 986 965	2 537 053	2 928 023	3 393 720	27.68			
Buildings and other fixed structures	1 331 408	1 527 346	1 283 255	1 784 306	1 842 668	1 779 621	2 123 040	2 381 603	2 736 162	19.30			
Buildings	431 169	679 279	563 911	1 062 966	1 167 157	1 105 425	1 399 685	1 644 894	1 879 171	26.62			
Other fixed structures	900 239	848 067	719 344	721 340	675 511	674 196	723 355	736 709	856 991	7.29			
Machinery and equipment	285 554	108 001	257 544	241 275	212 650	204 113	410 305	542 552	653 663	101.02			
Transport equipment	69		34 913	14 183			11 179	12 077	12 395				
Other machinery and equipment	285 485	108 001	222 631	227 092	212 650	204 113	399 126	530 475	641 268	95.54			
Cultivated assets	18 872	1	134		192	159				(100.00)			
Software and other intangible assets		9	2 818	2 829	1 529	1 886	3 708	3 868	3 895	96.61			
Land and subsoil assets	41 934	1 518	795			1 186				(100.00)			
Total economic classification	21 718 766	21 586 381	23 729 045	26 835 574	27 538 332	27 239 646	31 018 311	34 888 275	37 094 157	13.87			

Table A6: Summary of provincial payments and estimates by policy area

Policy Area	Outcome						Medium-term estimate		
	Audited	Audited	Audited	Main appropriation	Adjusted appropriation	Revised estimate			
	2003/04	2004/05	2005/06	2006/07	2006/07	2006/07	2007/08	2008/09	2009/10
General Public Services	1,235,073	1,171,727	1,334,047	1,483,181	1,460,664	1,396,774	1,698,111	1,859,016	1,943,696
Public Order & Safety	8,781	11,541	12,782	24,365	24,365	24,365	30,634	36,728	38,381
Economic Affairs	3,256,323	3,081,070	3,069,500	3,243,360	3,482,677	3,448,342	3,698,134	4,117,537	4,414,805
Environmental Protection	109,338	105,832	110,073	129,196	129,196	129,196	151,186	162,398	170,565
Housing & Community Amenities	966,797	743,013	749,438	904,536	907,422	708,170	1,204,196	1,425,593	1,663,996
Health	5,243,012	5,180,217	6,120,184	6,892,701	7,336,999	7,327,682	8,142,743	8,952,791	9,356,327
Recreation, Culture and Religion	252,205	219,363	270,214	321,991	325,670	325,670	406,011	478,979	530,516
Education	10,155,301	10,654,446	11,523,158	13,065,022	13,122,087	13,122,087	14,726,061	16,616,075	17,680,951
Social Protection	485,386	419,172	539,649	762,772	740,802	748,910	951,735	1,228,925	1,284,227
Total provincial payments and estimates by policy area	21,712,216	21,586,381	23,729,045	26,827,124	27,529,882	27,231,196	31,008,811	34,878,042	37,083,463

Table A7: Summary of provincial infrastructure payments by Vote

Summary of provincial infrastructure payments by Vote				
Vote R'000	Medium-term estimates			
	2007/08	2008/09	2009/10	
1. Office of the Premier				
2. Provincial Legislature				
3. Health	876 477	866 636	855 730	
4. Social Development	30 470	16 605	19 018	
5. Public Works	180 013	263 159	275 002	
6. Education	729 633	1 083 804	1 174 688	
7. Housing, Local Government & Traditional Affairs	26 821	27 894	29 010	
8. Agriculture	112 724	128 084	135 386	
9. Economic Development & Environmental Affairs				
10. Roads & Transport	1 834 629	2 013 263	2 193 111	
12. Provincial Treasury				
14. Sport, Recreation, Arts & Culture	33 397	37 731	42 866	
15. Safety & Liaison				
Total provincial infrastructure payments & estimates by Vote	3 824 163	4 437 176	4 724 811	

A8: Summary of provincial Public-Private (PPP) projects

Summary of provincial Public-Private Partnership (PPP) Projects

Project description	Annual cost of project Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2003/04	2004/05	2005/06	2006/07	2006/07	2006/07	2007/08	2008/09	2009/10
R thousand									
Projects under implementation	155,960	227,771	147,270	169,337	172,337	172,337	191,925	213,009	222,595
PPP unitary charge	188,243	228,263	157,430	172,237	172,237	172,237	191,725	212,709	222,281
Advisory fees	53	3		100	100	100	200	300	314
Revenue generated (if applicable)	-32,336	-495	-15,468	-3,000					
Project monitoring cost			5,308						
New projects			32,800	105,500	105,500	105,500	101,000	101,000	101,000
PPP unitary charge			2,000	101,000	101,000	101,000	101,000	101,000	101,000
Advisory fees			7,800	4,500	4,500	4,500			
Revenue generated (if applicable)									
Project monitoring cost			23,000						
Total	155,960	227,771	180,070	274,837	277,837	277,837	292,925	314,009	323,595

A9: Summary of provincial transfers to local government by category

Summary of provincial transfers to local government by category										
Departmental transfers R'000	Outcome						Medium-term estimate			
	Audited 2003/04	Audited 2004/05	Audited 2005/06	Main appro- piation 2006/07	Adjusted appro- piation 2006/07	Revised estimate 2006/07				% Change from Revised estimate 2006/07
							2007/08	2008/09	2009/10	
Category A	56 769	6 834	107 542	162 193	162 193	162 193	43 333	7 429	7 776	-73.28
Category B	55 645	121 091	167 060	179 005	159 562	159 562	70 746	24 451	27 543	-55.66
Category C	48 255	36 509	120 103	109 577	109 577	109 577	99 768	115 812	118 001	-8.95
Unclassified	249 471	236 943	117 483	68 599	69 735	67 185	99 006	131 154	112 875	
Total provincial transfers to local government	410 140	401 377	512 188	519 374	501 067	498 517	312 853	278 846	266 195	

Note: Excludes regional services council levy.

A10: Summary of personnel numbers and costs by Vote

Personnel numbers and costs							
Vote R'000	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	As at 31 March 2009	As at 31 March 2010
1. Office of the Premier	573	545	574	355	403	435	435
2. Provincial Legislature	294	70	70	176	176	176	176
3. Health	30 927	138	138	97	97	97	97
4. Social Development	1 275	21	21	45	45	45	45
5. Public Works	2 996	2 384	1 940	1 842	2 002	2 103	2 198
6. Education	80 127	78 934	76 745	79 703	80 326	81 933	83 571
7. Housing, Local Government & Traditional Affairs	1 040	651	840	1 029	961	1 085	1 107
8. Agriculture	5 776	5 674	5 462	5 477	5 578	5 578	5 578
9. Economic Development & Environmental Affairs	1 132	1 061	918	981	567	575	576
10. Roads & Transport	3 780	3 577	3 533	3 717	3 779	3 821	3 990
12. Provincial Treasury	376	390	414	416	522	522	522
14. Sport, Recreation, Arts & Culture	1 049	970	882	1 328	1 328	1 328	1 328
15. Safety & Liaison	87	87	87	92	105	105	107
Total personnel numbers	129 432	94 502	91 624	95 258	95 889	97 803	99 730
Total personnel cost (R'000)	13 303 235	14 322 435	15 159 095	16 403 941	18 639 842	20 248 713	21 280 805
Unit cost (R'000)	103	152	165	172	194	207	213

A11: Summary of provincial personnel numbers and costs

Personnel numbers and costs										
Description	Outcome			Main appro- priation Adjusted appro- priation Revised estimate			Medium-term estimate			
	Audited	Audited	Audited							% Change from Revised estimate
	2003/04	2004/05	2005/06	2006/07	2006/07	2006/07	2007/08	2008/09	2009/10	2006/07
Total for province										
Personnel numbers (head count)	129 432	94 502	91 624	95 258	95 258	95 258	95 889	97 803	99 730	0.66
Personnel cost (R'000)	12 202 918	14 677 116	15 544 364	16 283 557	16 388 700	16 339 556	18 547 637	19 832 681	20 829 828	13.51
Human resources component										
Personnel numbers (head count)	4 877	4 981	4 973	5 009	5 001	5 001	5 029	5 056	5 074	0.56
Personnel cost (R'000)	658 018	674 380	646 046	616 398	625 708	623 599	698 538	734 496	770 834	12.02
Head count as % of total for department	3.77	5.27	5.43	5.26	5.25	5.25	5.24	5.17	5.09	
Personnel cost as % of total for department	5.39	4.59	4.16	3.79	3.82	3.82	3.77	3.70	3.70	
Finance component										
Personnel numbers (head count)	1 605	1 861	1 872	1 715	1 739	1 739	1 798	1 833	1 848	3.40
Personnel cost (R'000)	190 039	223 258	240 471	236 024	244 372	243 338	263 608	279 338	291 480	8.33
Head count as % of total for department	1.24	1.97	2.04	1.80	1.83	1.83	1.88	1.87	1.85	
Personnel cost as % of total for department	1.56	1.52	1.55	1.45	1.49	1.49	1.42	1.41	1.40	
Full time workers										
Personnel numbers (head count)	121 269	119 009	115 247	114 752	115 964	115 964	118 246	119 024	119 849	1.97
Personnel cost (R'000)	11 279 595	13 532 214	98 312 759	14 731 526	14 972 939	14 874 882	16 380 168	17 285 126	17 990 629	10.12
Head count as % of total for department	93.69	125.93	125.78	120.46	121.74	121.74	123.32	121.70	120.17	
Personnel cost as % of total for department	92.43	92.20	632.47	90.47	91.36	91.04	88.31	87.15	86.37	
Part-time workers										
Personnel numbers (head count)	20 954	23 139	25 178	28 822	28 822	28 822	30 273	31 176	31 233	5.04
Personnel cost (R'000)	20 753	28 553	34 634	31 245	31 275	31 219	27 593	31 651	32 952	(11.61)
Head count as % of total for department	16.19	24.49	27.48	30.26	30.26	30.26	31.57	31.88	31.32	
Personnel cost as % of total for department	0.17	0.19	0.22	0.19	0.19	0.19	0.15	0.16	0.16	
Contract workers										
Personnel numbers (head count)	8 787	8 401	8 335	9 278	9 441	9 441	9 382	9 404	9 430	(0.62)
Personnel cost (R'000)	722 750	922 750	999 413	1 226 623	1 226 507	1 221 060	1 368 997	1 460 416	1 518 888	12.12
Head count as % of total for department	6.79	8.89	9.10	9.74	9.91	9.91	9.78	9.62	9.46	
Personnel cost as % of total for department	5.92	6.29	6.43	7.53	7.48	7.47	7.38	7.36	7.29	

A12: Expenditure trends on conditional grants

Vote and grant R'000	2002/03	2003/04								
	Cumm Bal.(Based on Adj. Approp.)	Original appro- priation	Additional Allocations		Adjusted appro- priation	Actual transfers from National Treasury	Audited expen- diture	(Over) / Under Exp. (based on Adj. Approp.	(Over) / Under Exp. (based on Act. Transfers).	Cumm Bal.(Based on Adj. Approp.)
			National Allocations & Roll Overs	Provincial Roll Overs						
Vote 6: Education	43,662	81,935	-	-	81,935	52,210	40,123	41,812	12,087	85,474
Financial management and quality enhancement	22,517	43,367			43,367	21,684	22,013	21,354	(329)	43,871
Early childhood development	21,122	16,280			16,280	13,810	7,820	8,460	5,990	29,582
HIV/Aids (Lifeskills education)	23	22,288			22,288	16,716	10,290	11,998	6,426	12,021
Further Education and Training	-	-			-	-	-	-	-	-
Primary school nutrition programme	-	-			-	-	-	-	-	-
Provincial Infrastructure	-	-			-	-	-	-	-	-
Vote 6: Health	(19,263)	592,080	7,000	-	599,080	599,080	581,242	17,838	17,838	(1,425)
National tertiary services	(26,576)	195,504			195,504	195,504	203,777	(8,273)	(8,273)	(34,849)
Central hospital	-	-			-	-	-	-	-	-
Hospital Revitalisation (Rehabilitation)	(20,342)	90,751			90,751	90,751	93,924	(3,173)	(3,173)	(23,515)
Redistribution of Specilased Health Services	15,508	-			-	-	-	-	-	15,508
Health Professions training and development	(4,657)	79,873			79,873	79,873	68,538	11,335	11,335	6,678
Integrated nutrition programme	30,903	172,465			172,465	172,465	173,433	(968)	(968)	29,935
Comprehensive HIV/AIDS Health	(16,523)	38,934			38,934	38,934	34,322	4,612	4,612	(11,911)
Medico-legal	-	-	1,000		1,000	1,000	-	1,000	1,000	1,000
Malaria and Cholera Prevention	-	-	6,000		6,000	6,000	-	6,000	6,000	6,000
Hospital management and quality improvement	2,424	14,553			14,553	14,553	7,248	7,305	7,305	9,729
Provincial Infrastructure	-	-			-	-	-	-	-	-
Vote 4: Social Development	209,558	372,921	-	-	372,921	372,921	338,572	34,349	34,349	243,907
Financial management and improvement of social security system	100	-			-	-	-	-	-	100
Child support extension	-	272,130			272,130	272,130	178,837	93,293	93,293	93,293
Social security grants	-	-			-	-	-	-	-	-
Social security backlog	-	-			-	-	-	-	-	-
Victim empowerment	-	-			-	-	-	-	-	-
Criminal justice system care	-	-			-	-	-	-	-	-
HIV/Aids (Community-based care)	1,567	6,658			6,658	6,658	6,658	-	-	1,567
Woman Flagship	-	-			-	-	-	-	-	-
Food emergency relief	-	94,133			94,133	94,133	94,133	-	-	-
Social Security Grants	-	-			-	-	-	-	-	-
Administration of Social Grants	207,891	-			-	-	58,944	(58,944)	(58,944)	148,947
Marketing of the child support grant	-	-			-	-	-	-	-	-
Disaster relief	-	-			-	-	-	-	-	-
Vote 7: Local Government and Housing	534,374	707,738	-	325,000	1,032,738	707,738	862,330	170,408	170,408	379,782
Housing subsidy	535,337	641,757		325,000	966,757	641,757	792,625	174,132	174,132	384,469
Local Government & Capacity building	(16,486)	46,338			46,338	46,338	43,970	2,368	2,368	(14,118)
Hostel upgrading	-	-			-	-	-	-	-	-
Human resettlement and redevelopment	8,691	11,000			11,000	11,000	17,085	(6,085)	(6,085)	2,606
Disaster relief	-	-			-	-	-	-	-	-
Provincial project management capacity for Municipal infrastructure (MIG) [previously CMIP]	6,832	8,643			8,643	8,643	8,650	(7)	(7)	6,825
Vote 10: Roads and Transport (National Treasury)	27,707	456,673	-	-	456,673	456,673	457,278	(605)	(605)	27,102
Provincial Infrastructure	27,707	433,673			433,673	433,673	392,350	41,323	41,323	69,030
Flood Rehabilitation	-	23,000			23,000	23,000	64,928	(41,928)	(41,928)	(41,928)
Vote 8: Agriculture	(105)	8,000	-	-	8,000	8,000	7,622	378	378	273
Land care programme: Poverty relief and infrastructure development	(105)	-			-	-	-	-	-	(105)
Land Care Projects	-	8,000			8,000	-	-	8,000	-	8,000
Farmer Settlement - Drought/Disaster relief	-	-			-	-	-	-	-	-
Provincial Infrastructure	-	-			-	-	-	-	-	-
Comprehensive Agriculture support programme	-	-			-	8,000	7,622	(7,622)	378	(7,622)
Provincial Infrastructure	-	-			-	-	-	-	-	-
Vote 13: Cultural Affairs and Sport	-	-	-	-	-	-	-	-	-	-
Mass sport and recreation participation programme	-	-			-	-	-	-	-	-
Community Library Services grant	-	-			-	-	-	-	-	-
Vote 9: Economic Affairs Environ & Tourism	-	-			-	-	-	-	-	-
Unallocated Provincial Infrastructure Grant	-	-			-	-	-	-	-	-
Subtotal Conditional grants	-	-			-	-	-	-	-	-
Total Conditional grants	795,933	2,219,347	7,000	325,000	2,551,347	2,196,622	2,287,167	264,180	234,455	735,113

A12: Expenditure trends on conditional grants (continued)

Vote and grant R'000	2004/05								
	Original appropriation	Additional Allocations		Adjusted appropriation	Actual transfers from National Treasury	Audited expenditure	(Over) / Under Exp. (based on Adj. Approp.	(Over) / Under Exp. (based on Act. Transfers).	Cumm Bal. (Based on Adj. Approp.)
		National Allocations & Roll Overs	Provincial Roll Overs						
Vote 6: Education	199,503	29,725	-	229,228	229,228	195,174	34,054	34,054	119,526
Financial management and quality enhancement		21,683		21,683	21,683	3,056	18,627	18,627	62,498
Early childhood development		2,470		2,470	2,470	1,692	778	778	30,360
HIV/Aids (Lifeskills education)	22,244	5,572		27,816	27,816	19,516	8,300	8,300	20,319
Further Education and Training				-		-	-	-	-
Primary school nutrition programme	177,259			177,259	177,259	170,910	6,349	6,349	6,349
Provincial Infrastructure									
Vote 6: Health	628,286	-	7,000	635,286	623,404	540,665	94,621	89,739	93,196
National tertiary services	272,036			272,036	272,036	236,170	35,866	35,866	1,017
Central hospital				-		-	-	-	-
Hospital Revitalisation (Rehabilitation)	116,354		-	116,354	116,354	98,870	17,484	17,484	(6,031)
Redistribution of Specilased Health Services				-		-	-	-	15,508
Health Professions training and development	97,464			97,464	97,464	76,962	20,502	20,502	27,180
Integrated nutrition programme	23,933			23,933	23,933	22,815	1,118	1,118	31,053
Comprehensive HIV/AIDS Health	98,970			98,970	98,970	90,539	8,431	8,431	(3,480)
Medico-legal			1,000	1,000		350	650	650	1,650
Malaria and Cholera Prevention			6,000	6,000		1,254	4,746	4,746	10,746
Hospital management and quality improvement	19,529			19,529	14,647	13,705	5,824	942	15,553
Provincial Infrastructure									
Vote 4: Social Development	1,004,199	-	-	1,004,199	1,004,199	801,105	203,094	203,094	447,001
Financial management and improvement of social security system				-		-	-	-	100
Child support extension	902,977			902,977	902,977	784,399	118,578	118,578	211,871
Social security grants				-		-	-	-	-
Social security backlog				-		-	-	-	-
Victim empowerment				-		-	-	-	-
Criminal justice system care				-		-	-	-	-
HIV/Aids (Community-based care)	7,089			7,089	7,089	6,815	274	274	1,841
Woman Flagship				-		-	-	-	-
Food emergency relief	94,133			94,133	94,133	9,891	84,242	84,242	84,242
Social Security Grants				-		-	-	-	-
Administration of Social Grants				-		-	-	-	148,947
Marketing of the child support grant				-		-	-	-	-
Disaster relief				-		-	-	-	-
Vote 7: Local Government and Housing	654,913	-	-	654,913	654,913	628,682	26,231	26,231	406,013
Housing subsidy	598,900			598,900	598,900	572,843	26,057	26,057	410,526
Local Government & Capacity building	35,184			35,184	35,184	35,184	-	-	(14,118)
Hostel upgrading				-		-	-	-	-
Human resettlement and redevelopment	11,660			11,660	11,660	11,486	174	174	2,780
Disaster relief				-		-	-	-	-
Provincial project management	9,169			9,169	9,169	9,169	-	-	6,825
capacity for Municipal infrastructure (MIG) [previously CMIP]									
Vote 10: Roads and Transport (National Treasury)	609,002	-	-	609,002	609,002	611,623	(2,621)	(2,621)	24,481
Provincial Infrastructure	609,002			609,002	609,002	611,623	(2,621)	(2,621)	66,409
Flood Rehabilitation				-		-	-	-	(41,928)
Vote 8: Agriculture	41,543	13,266	-	54,809	54,809	14,896	39,913	39,913	40,186
Land care programme: Poverty relief and infrastructure development				-		-	-	-	(105)
Land Care Projects	3,500	5,266		8,766	8,766	2,646	6,120	6,120	14,120
Farmer Settlement - Drought/Disaster relief	38,043		-	38,043	38,043	12,250	25,793	25,793	25,793
Provincial Infrastructure									
Comprehensive Agriculture support programme		8,000		8,000	8,000		8,000	8,000	378
Provincial Infrastructure									-
Vote 13: Cultural Affairs and Sport	1,000	-	-	1,000	1,000	899	101	101	101
Mass sport and recreation participation programme	1,000			1,000	1,000	899	101	101	101
Community Library Services grant									
Vote 9: Economic Affairs Environ & Tourism									
Unallocated Provincial Infrastructure Grant									
Subtotal Conditional grants									
Total Conditional grants	3,138,446	42,991	7,000	3,188,437	3,176,555	2,793,044	395,393	390,511	1,130,504

A12: Expenditure trends on conditional grants (continued)

Vote and grant R'000	2005/06								
	Original appropriation	Additional Allocations		Adjusted appropriation	Actual transfers from National Treasury	Preliminary Outcomes	(Over) / Under Exp. (based on Adj. Approp.	(Over) / Under Exp. (on Act. Transfers).	Cumm Bal.(Based on Adj. Approp.)
		National Allocations & Roll Overs	Provincial Roll Overs						
Vote 6: Education	217,980	43,314	34,055	295,349	261,294	261,324	34,025	34,025	119,496
Financial management and quality enhancement			18,627	18,627		17,519	1,108	1,108	44,979
Early childhood development			778	778		778	-	-	29,582
HIV/Aids (Lifeskills education)	23,692		8,301	31,993	23,692	31,301	692	692	12,710
Further Education and Training			-	-		-	-	-	-
Primary school nutrition programme	194,288	43,314	6,349	243,951	237,602	211,726	32,225	32,225	32,225
Provincial Infrastructure									
Vote 6: Health	848,172	(1,134)	41,049	888,087	847,038	855,114	32,973	32,973	85,120
National tertiary services	353,022		31,049	384,071	353,022	384,970	(899)	(899)	(30,931)
Central hospital			-	-		-	-	-	-
Hospital Revitalisation (Rehabilitation)	157,732	(10,000)	-	147,732	147,732	127,612	20,120	20,120	14,089
Redistribution of Specilased Health Services			-	-		-	-	-	15,508
Health Professions training and development	127,566		10,000	137,566	127,566	131,958	5,608	5,608	22,788
Integrated nutrition programme	26,316			26,316	26,316	24,622	1,694	1,694	32,747
Comprehensive HIV/AIDS Health	159,005			159,005	159,005	162,361	(3,356)	(3,356)	(6,836)
Medico-legal		8,866	-	8,866	8,866	605	8,261	8,261	9,911
Malaria and Cholera Prevention			-	-		-	-	-	10,746
Hospital management and quality improvement	24,531			24,531	24,531	22,986	1,545	1,545	17,098
Provincial Infrastructure									
Vote 4: Social Development	10,704,981	-	-	10,704,981	10,558,683	10,455,776	249,205	102,907	696,206
Financial management and improvement of social security system				-		-	-	-	100
Child support extension				-		-	-	-	211,871
Social security grants				-		-	-	-	-
Social security backlog				-		-	-	-	-
Victim empowerment				-		-	-	-	-
Criminal justice system care				-		-	-	-	-
HIV/Aids (Community-based care)	13,979			13,979	13,979	12,644	1,335	1,335	3,176
Woman Flagship				-		-	-	-	-
Food emergency relief	94,133			94,133	94,133	91,922	2,211	2,211	86,453
Social Security Grants	9,946,979			9,946,979	9,800,681	9,732,850	214,129	67,831	214,129
Administration of Social Grants	649,890			649,890	649,890	618,360	31,530	31,530	180,477
Marketing of the child support grant				-		-	-	-	-
Disaster relief				-		-	-	-	-
Vote 7: Local Government and Housing	581,218	16,200	26,231	623,649	597,407	623,649	-	(11)	379,782
Housing subsidy	581,218		26,057	607,275	581,218	607,275	-	-	384,469
Local Government & Capacity building				-		-	-	-	(14,118)
Hostel upgrading				-		-	-	-	-
Human resettlement and redevelopment	-		174	174	-	174	-	-	2,606
Disaster relief		16,200		16,200	16,189	16,200	-	(11)	-
Provincial project management capacity for Municipal infrastructure (MIG) [previously CMIP]				-		-	-	-	6,825
Vote 10: Roads and Transport (National Treasury)	675,330	-	-	675,330	675,330	675,330	-	-	24,481
Provincial Infrastructure	675,330			675,330	675,330	675,330	-	-	66,409
Flood Rehabilitation				-		-	-	-	(41,928)
Vote 8: Agriculture	55,552	10,000	31,892	97,444	65,551	90,514	6,930	6,929	15,224
Land care programme: Poverty relief and infrastructure development	8,000		6,119	14,119	8,000	13,382	737	737	(5,487)
Land Care Projects	-			-		-	-	-	14,120
Farmer Settlement - Drought/Disaster relief		10,000	-	10,000	10,000	10,000	-	-	25,793
Provincial Infrastructure									
Comprehensive Agriculture support programme	47,552		25,773	73,325	47,551	67,132	6,193	6,192	(19,202)
Provincial Infrastructure				-		-	-	-	-
Vote 13: Cultural Affairs and Sport	2,670	-	101	2,771	2,670	2,619	152	152	152
Mass sport and recreation participation programme	2,670		101	2,771	2,670	2,619	152	152	152
Community Library Services grant									
Vote 9: Economic Affairs Environ & Tourism							-	-	
Unallocated Provincial Infrastructure Grant							-	-	
Subtotal Conditional grants							-	-	
Total Conditional grants	13,085,903	68,380	133,328	13,287,611	13,007,973	12,964,326	323,285	176,975	1,320,461

A12: Expenditure trends on conditional grants (continued)

Vote and grant R'000	2006/07									Medium-term Estimates		
	Original appropriation	Additional Allocations		Adjusted appropriation	Actual transfers from National Treasury	Preliminary Outcomes	(Over) / Under Exp. (based on Adj. Approp.	(Over) / Under Exp. (based on Act. Transfers).	Cumul Bal.(Based on Adj. Approp.)	2007/08	2008/09	2009/10
		National Allocations & Roll Overs	Provincial Roll Overs									
Vote 6: Education	319,995	-	32,917	352,912	352,912	354,023	(1,111)	31,806	85,468	393,497	463,867	367,336
Financial management and quality enhancement				-	-		-	-	44,579			
Early childhood development				-	-		-	-	29,582			
HIV/Aids (Lifeskills education)	25,113		692	25,805	25,805	25,805	-	692	12,018	26,797	28,542	30,168
Further Education and Training	61,000			61,000	61,000	61,000	-	-	-	78,815	115,788	
Primary school nutrition programme	233,882		32,225	266,107	266,107	267,218	(1,111)	31,114	(1,111)	237,885	255,537	273,168
Provincial Infrastructure									50,000		64,000	64,000
Vote 6: Health	905,102	17,612	31,253	953,967	953,967	953,032	935	32,188	54,802	1,260,945	1,349,228	1,404,984
National tertiary services	374,203			374,203	374,203	380,285	(6,082)	(6,082)	(37,013)	428,912	462,559	501,796
Central hospital				-	-		-	-	-			
Hospital Revitalisation (Rehabilitation)	105,318	14,000	19,753	139,071	139,071	134,061	5,010	24,763	(654)	246,750	228,966	189,985
Redistribution of Specialised Health Services				-	-		-	-	15,508			
Health Professions training and development	127,566			127,566	127,566	117,312	10,254	10,254	33,042	133,944	140,641	151,362
Integrated nutrition programme			1,694	1,694	1,694		1,694	3,388	32,747			
Comprehensive HIV/AIDS Health	218,021			218,021	218,021	248,115	(31,094)	(31,094)	(37,930)	233,204	264,563	314,972
Medico-legal	79,894	3,612	8,261	91,867	91,867	72,259	19,608	27,869	21,258	68,135	58,129	52,499
Malaria and Cholera Prevention				-	-		-	-	10,746			
Hospital management and quality improvement			1,545	1,545	1,545		1,545	3,090	17,098			
Provincial Infrastructure										150,000	194,370	194,370
Vote 4: Social Development	-	-	1,318	1,318	1,318	-	1,318	2,636	696,206	-	-	-
Financial management and improvement of social security system				-	-		-	-	100			
Child support extension				-	-		-	-	211,871			
Social security grants				-	-		-	-	-			
Social security backlog				-	-		-	-	-			
Victim empowerment				-	-		-	-	-			
Criminal justice system care				-	-		-	-	-			
HIV/Aids (Community-based care)			1,318	1,318	1,318		1,318	2,636	3,176			
Woman Flagship				-	-		-	-	-			
Food emergency relief				-	-		-	-	86,453			
Social Security Grants				-	-		-	-	214,129			
Administration of Social Grants				-	-		-	-	180,477			
Marketing of the child support grant				-	-		-	-	-			
Disaster relief				-	-		-	-	-			
Vote 7: Local Government and Housing	761,994	-	-	761,994	761,994	566,890	195,104	195,104	574,886	1,052,554	1,251,018	1,481,567
Housing subsidy	761,994			761,994	761,994	566,890	195,104	195,104	579,573	1,052,554	1,251,018	1,481,567
Local Government & Capacity building				-	-		-	-	(14,118)			
Hostel upgrading				-	-		-	-	-			
Human resettlement and redevelopment				-	-		-	-	2,806			
Disaster relief				-	-		-	-	-			
Provincial project management capacity for Municipal Infrastructure (MIG) [previously CMIP]				-	-		-	-	6,825			
Vote 10: Roads and Transport (National Treasury)	742,057	-	-	742,057	742,057	742,057	-	-	24,481	838,937	877,966	1,024,873
Provincial Infrastructure	742,057			742,057	742,057	742,057	-	-	66,409	838,937	877,966	1,024,873
Flood Rehabilitation				-	-		-	-	(41,928)			
Vote 8: Agriculture	63,726	16,778	737	81,251	81,251	63,569	17,682	18,419	32,169	119,734	135,429	143,613
Land care programme: Poverty relief and infrastructure development	57,061	4,375	737	62,173	62,173	56,042	6,131	6,868	(93)	69,838	73,190	80,492
Land Care Projects				-	-		-	-	14,120			
Farmer Settlement - Drought/Disaster relief		12,403		12,403	12,403		12,403	12,403	38,196			
Provincial Infrastructure				-	-		-	-	-			
Comprehensive Agriculture support programme	6,675			6,675	6,675	7,527	(852)	(852)	(20,054)	7,010	7,345	8,227
Provincial Infrastructure				-	-		-	-	42,886	54,894	54,894	
Vote 13: Cultural Affairs and Sport	17,060	-	-	17,060	17,060	17,187	(127)	(127)	25	51,049	86,250	120,113
Mass sport and recreation participation programme	17,060			17,060	17,060	17,187	(127)	(127)	25	28,369	43,662	61,397
Community Library Services grant										22,680	42,588	58,716
Vote 9: Economic Affairs Environ & Tourism		58,200		58,200	58,200		58,200					
Unallocated Provincial Infrastructure Grant							-	-		41,520	58,247	121,207
Subtotal Conditional grants							-	-				
Total Conditional grants	2,809,944	92,590	66,225	2,968,759	2,968,759	2,696,758	272,001	280,026	1,468,037	3,758,236	4,222,005	4,663,693

A13: Details of information on provincial own receipts

Table B.1 Specification of receipts

Receipts R'000	Outcome			Main appro- priation Adjusted appro- priation Revised estimate			Medium-term estimate			
	Audited 2003/04	Audited 2004/05	Audited 2005/06				% Change from Revised estimate			
							2007/08	2008/09	2009/10	2006/07
Tax receipts	138 558	163 893	367 908	223 414	330 261	330 261	273 455	307 429	333 216	(17.20)
Casino taxes	40 360	46 681	55 733	49 375	69 992	69 992	77 382	91 197	95 799	10.56
Motor vehicle licences	92 466	108 124	303 590	165 642	250 194	250 194	185 952	204 546	225 002	(25.68)
Horseracing	3 499	5 130	5 966	4 407	6 085	6 085	5 931	6 168	6 415	(2.53)
Other taxes	2 233	3 958	2 619	3 990	3 990	3 990	4 190	5 518	6 000	5.01
Sales of goods and services other than capital assets	162 994	116 640	120 529	148 515	143 494	121 812	140 814	142 381	147 244	15.60
Sales of goods and services produced by department (excluding capital assets)	162 994	116 640	120 529	148 515	143 494	121 812	140 814	142 381	147 244	15.60
Sales by market establishments	4 394	11 587	3 967	7 308	7 308	6 639	7 632	8 014	8 384	14.96
Administrative fees	651	137	554	158	158	158	195	205	220	23.42
Other sales	157 949	104 916	116 008	141 049	136 028	115 015	132 987	134 162	138 640	15.63
Of which										
Boarding & Lodging	7 948	4 851	9 582	9 825	9 825	9 825	10 085	10 316	10 780	2.65
Commission on insurance	36 022	35 931	34 890	56 331	56 331	38 297	37 100	38 140	39 856	(3.12)
Health patient fees	53 950	36 305	42 182	39 533	42 524	42 524	43 124	46 930	49 042	1.41
House rent										
Orthopaedic & surgical aid	3 187	2 302	2 675	2 675	2 675	2 675	2 675	2 675	2 795	
Letting of property	294	294	355	312	312	294	328	344	344	11.56
Sales of agricultural products	1 205	2 148	2 964	3 215	3 215	2 887	1 245	1 307	1 560	(56.88)
Other	55 343	23 085	23 191	28 980	20 968	18 317	38 243	34 255	34 059	108.78
Sales of scrap, waste, arms and other used current goods (excluding capital assets)										
Transfers received from			4 308							
Other governmental units			4 308							
Households and non-profit institutions										
Fines, penalties and forfeits	807	2 226	3 800	790	790	790	3 231	3 555	3 075	308.99
Interest, dividends and rent on land	181 997	25 364	110 883	102 386	200 652	201 378	195 914	196 044	196 158	(2.71)
Interest	181 997	25 362	110 871	102 386	200 652	201 378	195 900	196 028	196 140	(2.72)
Dividends		2	12				14	16	18	
Rent on land										
Sales of capital assets	33 845		4 258				964	775		
Land and subsoil assets										
Other capital assets	33 845		4 258				964	775		
Financial transactions in assets and liabilities	23 889	10 639	37 201	2	6 148	6 622	62	76	85	(99.06)
Total departmental receipts	542 090	318 762	648 887	475 107	681 345	660 863	614 440	650 260	679 778	(7.02)

A14: Details of information on provincial payments and estimates

Summary of payments and estimates by economic classification

Economic classification R'000	Outcome			Main appro- priation 2006/07	Adjusted appro- priation 2006/07	Revised estimate 2006/07	Medium-term estimate			
	Audited	Audited	Audited				2007/08	2008/09	2009/10	% Change from Revised estimate 2006/07
	2003/04	2004/05	2005/06							
Current payments	16 520 707	17 291 262	19 048 139	21 113 386	22 252 360	22 046 739	25 016 205	27 847 925	29 239 806	13.47
Compensation of employees	13 303 235	14 322 435	15 159 095	16 286 134	16 384 142	16 403 941	18 639 842	20 248 713	21 280 804	13.63
Salaries and wages	11 312 595	13 737 603	14 971 054	15 632 870	15 830 735	15 878 103	17 310 317	18 850 817	19 811 912	9.02
Social contributions	1 990 640	584 832	188 041	653 264	553 407	525 838	1 329 525	1 397 896	1 468 892	152.84
Goods and services	3 161 648	2 922 421	3 874 827	4 826 252	5 868 218	5 637 190	6 372 903	7 595 596	7 955 223	13.05
<i>Of which</i>										
Audit fees	30 670	17 104	21 289	30 614	31 050	31 687	30 075	30 278	32 020	(5.09)
Communication	49 077	24 342	32 580	32 421	30 321	29 119	14 997	15 500	15 794	(48.50)
Computer equipment	2 408						1 000	1 921	1 613	
Consultancy fees			853	2 390	2 390	3 174	2 512	2 620	2 738	(20.86)
Consultants and specialised services	307 578	228 871	292 406	398 677	290 466	319 416	446 682	575 153	600 131	39.84
Consumables	5 201	4 961	6 742	8 417	9 020	7 913	10 306	10 875	11 678	30.25
Contractors	42 098	90 620	120 517	140 632	140 632	137 653	214 669	299 681	313 168	55.95
Contribution to Parmed										
Educational materials	42 136	122 558	128 387	314 455	378 644	378 644	167 204	185 295	192 479	(55.84)
Equipment less than R 5000	16 719	14 472	10 972	12 482	12 482	12 410	13 607	13 721	13 968	9.65
Inventory	60 609	88 166	119 612	151 161	155 683	147 256	109 253	111 049	116 483	(25.81)
Legal fees	5 205	5 205	5 205	5 205	5 205	5 205	5 205	5 205	5 205	
Maintenance and repairs and running cost	86 638	85 591	86 468	88 264	88 264	84 973	86 200	197 018	152 891	1.44
Medical services				17 615	17 615	17 942	42 586	44 417	20 190	137.35
Medical supplies				28 379	28 379	28 906				(100.00)
Medicine	41 205	46 615	45 434	27 167	27 167	27 672				(100.00)
Operating Leases	300	750	600	2 600	2 600	2 600	3 000	3 160	3 320	15.38
Owned and leasehold property			15 095				13 029	13 940	14 567	
Prof. fees, memberships & subs	106 437	67 014	7 141	121 325	101 328	94 595	13 355	11 004	11 232	(85.88)
Scholar transport										
Sport and Recreation Equipment										
Training	114 861	62 566	61 304	161 060	287 451	287 403	443 265	483 008	498 874	54.23
Transport	2 281	700	200	550	550	550	500	500	500	(9.09)
Travel and subsistence	119 088	21 211	29 998	43 896	36 772	19 768	78 926	83 579	80 043	299.26
Utilities (municipal services)										
Veterinary supplies	19 115	22 684	22 684	24 952	24 952	19 660	23 196	25 611	28 874	17.99
Employee bursaries		419	662	1 040	1 040	1 040	1 250	1 520	2 080	20.19
Learnerships		428	238	3 030	3 030	3 030	2 128	1 400	1 700	(29.77)
Other	2 110 022	2 018 143	2 866 439	3 209 919	4 193 177	3 976 575	4 649 958	5 479 141	5 835 674	16.93
Interest and rent on land	55 715	20 299	815	1 000		5 573	3 460	3 616	3 779	(37.91)
Interest		19 484	815	1 000		5 573	3 460	3 616	3 779	(37.91)
Rent on land	55 715	815								
Financial transactions in assets and liabilities	104	26 107	13 402							
Unauthorised expenditure	5					35				(100.00)
Transfers and subsidies to (Total)	3 520 291	2 658 244	3 136 360	3 693 778	3 228 933	3 205 942	3 465 053	4 112 328	4 460 631	8.08
Provinces and municipalities	410 140	401 393	512 188	519 374	505 244	498 073	316 853	280 946	268 400	(36.38)
Provinces		16			4 177	(444)	4 000	2 100	2 205	(1000.90)
Provincial Revenue Funds		16			4 011	(444)				(100.00)
Provincial agencies and funds					166		4 000	2 100	2 205	
Municipalities	410 140	401 377	512 188	519 374	501 067	498 517	312 853	278 846	266 195	(37.24)
Municipalities	410 113	400 891	512 149	518 363	500 045	497 915	312 853	278 846	266 195	(37.17)
<i>of which</i>										
RSC levies				1 004	1 004	591				(100.00)
Municipal agencies and funds	27	486	39	7	18	11				(100.00)

A14: Details of information on provincial payments and estimates (continued)

Summary of payments and estimates by economic classification

Economic classification R'000	Outcome			Main appro- piation Adjusted appro- piation Revised estimate			Medium-term estimate			
	Audited	Audited	Audited							% Change from Revised estimate
	2003/04	2004/05	2005/06	2006/07	2006/07	2006/07	2007/08	2008/09	2009/10	2006/07
Municipal agencies and funds	27	486	39	7	18	11				(100.00)
Departmental agencies and accounts	1 363 923	915 174	970 754	447 779	636 681	636 718	558 713	642 159	672 930	(12.25)
Social security funds			1							
Public entities receiving transfers	7 885									
ECSECC	13 589	8 800	24 800	26 342	26 342	26 340	32 416	34 902	36 544	23.07
EC Appropriate Tech Unit	8 000	8 891	7 719	10 500	10 500	10 500	11 327	12 218	12 768	7.88
EC Rural Finance Corporation	15 500	22 000	17 500	20 000	20 000	20 000	22 500	25 000	26 125	12.50
EC Tourism Board	22 000	20 645	20 532	21 000	21 000	21 000	22 000	23 540	24 590	4.76
EC Gambling & Betting Board	12 400	13 364	14 364	16 746	19 246	19 246	20 233	20 690	21 486	5.13
Coega Development Corp	375 145	359 431	180 000							
EL IDZ	99 141	120 022	105 000	107 000	224 200	224 200	113 000	119 910	125 400	(49.60)
EC Development Corp	125 900	83 743	76 066	113 200	180 131	180 131	162 410	224 888	236 120	(9.84)
EC Parks Board	34 037	44 734	65 000	79 700	79 700	79 700	99 407	101 216	106 185	24.73
EC Liquor Board			10 170	14 391	14 391	14 391	22 305	23 137	24 712	54.99
Mayibuye Transport Corp	24 435	20 500								
EC Prov. Arts & Culture Council	6 550			8 450	8 450	8 450	9 500	10 234	10 695	12.43
EC Youth Commission	6 000	7 272	9 300	10 000	10 000	10 000	9 788	10 587	10 990	(2.12)
Other departmental agencies	601 841	195 272	429 202	8 450	10 721	10 760	19 850	20 900	21 706	84.48
Fort Cox Agricultural College	11 500	10 500	11 100	12 000	12 000	12 000	13 977	14 937	15 609	16.48
Universities and technikons	137 183	12 000	12 600	13 000	13 000	13 000	14 720	15 907	16 623	13.23
Public corporations and private enterprises	192 711	44 040	252 547	799 447	258 419	452 215	271 549	274 423	286 773	(39.95)
Public corporations	35 266	30 990	74 868	613 829	45 801	239 598	43 865	43 280	45 227	(81.69)
Subsidies on production	29 866									
Other transfers	5 400	30 990	74 868	613 829	45 801	239 598	43 865	43 280	45 227	(81.69)
Private enterprises	157 445	13 050	177 679	185 618	212 618	212 617	227 684	231 143	241 546	7.09
Subsidies on production		13 050	510			(1)				(100.00)
Other transfers	157 445		177 169	185 618	212 618	212 618	227 684	231 143	241 546	7.09
Foreign governments and international organisations										
Non-profit institutions	391 007	437 403	542 019	870 753	598 552	674 158	935 828	1 355 972	1 428 498	38.81
Households	1 025 327	848 234	846 252	1 043 425	1 217 037	931 778	1 367 390	1 542 921	1 787 407	46.75
Social benefits	8 491	76 336	104 714	156 767	205 302	145 893	87 851	93 640	98 848	(39.78)
Other transfers to households	1 016 836	771 898	741 538	886 658	1 011 735	785 885	1 279 539	1 449 281	1 688 559	62.82
Payments for capital assets	1 677 768	1 636 875	1 544 546	2 028 410	2 057 039	1 986 965	2 537 053	2 928 023	3 393 720	27.68
Buildings and other fixed structures	1 331 408	1 527 346	1 283 255	1 784 306	1 842 668	1 779 621	2 123 040	2 381 603	2 736 162	19.30
Buildings	431 169	679 279	563 911	1 062 966	1 167 157	1 105 425	1 399 685	1 644 894	1 879 171	26.62
Other fixed structures	900 239	848 067	719 344	721 340	675 511	674 196	723 355	736 709	856 991	7.29
Machinery and equipment	285 554	108 001	257 544	241 275	212 650	204 113	410 305	542 552	653 663	101.02
Transport equipment	69		34 913	14 183			11 179	12 077	12 395	
Other machinery and equipment	285 485	108 001	222 631	227 092	212 650	204 113	399 126	530 475	641 268	95.54
Cultivated assets	18 872	1	134		192	159				(100.00)
Software and other intangible assets		9	2 818	2 829	1 529	1 886	3 708	3 868	3 895	96.61
Land and subsoil assets	41 934	1 518	795			1 186				(100.00)
Total economic classification	21 718 766	21 586 381	23 729 045	26 835 574	27 538 332	27 239 646	31 018 311	34 888 275	37 094 157	13.87

A15: Details of payments by policy area

Policy Area	Category	Department	
General Public Services			
	Executive Legislature	Office of the Premier	Programme 1 Administration 2 Institutional Building & Transformation 3 Policy And Governance
		Provincial Legislature	1 Administration 2 Facilities for Members & Political Parties 3 Parliamentary Services 4 Members Salaries
	Financial & Fiscal Services	Provincial Treasury	1 Administration 2 Sustainable Resource Management 3 Asset & Liability Management 4 Financial Governance
	General Services	Public Works	1 Administration 2 Public Works Community Based Public Works 3 Programmes
		Local Govt.	1 Local Government 2 Local Government 3 Traditional Affairs 4 Traditional Leaders
Public Order & Safety		Safety & Liaison	1 Administration 2 Facilitation 3 Financial Management
Economic Affairs			
	General Economic Affairs	Economic Affairs	1 Administration 2 Integrated Economic Dev. Services 3 Trade & Industry Dev. 4 Business Regulation & Governance 5 Economic Planning
		Agriculture	1 Administration 2 Sustainable Resource Management 3 Farmer Support & Development 4 Veterinary Services 5 Technical Research & Dev. Services 6 Agricultural Economics 7 Structured Agricultural Training
		Transport	1 Administration 2 Roads Infrastructure 3 Public Transport 4 Traffic Management 5 Community Based Transportation

A15: Details of payments by policy area (continued)

Policy Area	Category	Department	
Environmental Protection		Environmental Affairs	
			Environ. Mgt, Sustain. Policy, Legislation, 1 Co-ord. & Monitoring 2 Planning, Impact, Pollution & Waste Mgt Ecosystems, Biodiversity & Natural 3 Heritage Mgt 4 Marine & Coastal Mgt
Housing & Community Amenities		Dept of Housing	
			1 Administration 2 Housing
Health			Dept of Health
			1 Health Administration 2 District Health Services 3 Emergency Medical Services 4 Provincial Hospital Services 5 Central Hospital Services 6 Health Science & Training 7 Health Care & Support Services 8 Health Facilities Dev. & Maintenance
Recreation, Culture and Religion			
	Recreation & Sporting Services		Dept of Sports Arts & Culture
	Cultural Services		1 Administration 3 Libraries & Archives 4 Sport & Recreation Cultural Affairs
Education	Department of Education		
			1 Administration 2 Public Ordinary Schools 3 Independent Schools 4 Public Special Schools 5 Further Education & Training 6 ABET 7 Early Childhood Development 8 Auxiliary & Associated Services
Social Protection	Dept of Social Development		
			1 Administration 2 Social Welfare Services 3 Development & Research

A16: Details of payments and estimates by policy area

Policy Area	Category	Department	Outcome			Main appro- priation	Adjusted appro- priation	Revised estimate	Medium-term estimate		
			Audited 2003/04	Audited 2004/05	Audited 2005/06				2007/08	2008/09	2009/10
General Public Services	Executive Legislature		1,235,073	1,171,727	1,334,047	1,483,181	1,460,664	1,396,774	1,698,111	1,859,016	1,943,696
		Office of the Premier	286,311	274,454	364,471	409,403	433,713	433,375	466,337	502,184	530,726
		Provincial Legislature	206,696	182,914	253,429	280,364	293,123	292,785	311,812	332,345	347,372
Financial & Fiscal Services	Provincial Treasury	1 Administration	73,806	40,541	35,997	103,727	59,084	55,394	108,169	109,902	114,682
		2 Sustainable Resource Management	12,620	10,541	9,840	20,038	28,234	14,122	53,797	56,585	59,518
		3 Asset & Liability Management	51,733	78,501	54,127	57,898	45,809	52,988	48,020	46,398	43,087
	General Services	Public Works	1 Administration	774,752	749,523	850,584	860,342	867,706	815,240	987,915	1,109,982
2 Public Works			500,678	494,972	517,297	514,272	514,272	514,272	617,973	727,448	760,184
3 Community Based Public Works Programmes			168,234	177,094	147,148	133,448	145,359	145,359	156,154	166,564	174,060
Public Order & Safety	Local Govt.	1 Local Government	274,074	254,551	333,287	346,070	353,434	300,968	369,942	382,534	399,749
		2 Local Government	206,999	188,957	243,684	242,038	224,748	205,758	241,852	248,618	259,556
		3 Traditional Affairs	65,075	65,594	89,603	104,032	128,686	95,210	128,090	133,916	140,193
Public Order & Safety	Safety & Liaison	1 Administration	8,781	11,541	12,762	24,365	24,365	24,365	30,634	36,728	38,381
		2 Facilitation	7,094	4,677	6,000	9,727	9,103	9,103	12,502	14,989	15,664
		3 Financial Management	449	3,293	3,368	8,825	9,179	9,179	11,481	13,765	14,385

A16: Details of payments and estimates by policy area (continued)

Policy Area	Category	Department	Outcome			Main appro- priation	Adjusted appro- priation	Revised estimate	Medium-term estimate		
			Audited 2003/04	Audited 2004/05	Audited 2005/06				2007/08	2008/09	2009/10
Economic Affairs	General Economic Affairs	Economic Affairs	3,256,323	3,081,070	3,069,500	3,243,360	3,482,677	3,448,342	3,696,134	4,117,537	4,414,805
			3,256,323	3,081,070	3,069,500	3,243,360	3,482,677	3,448,342	3,696,134	4,117,537	4,414,805
			716,384	656,440	509,166	389,895	574,026	571,326	469,787	566,204	594,174
			38,862	37,603	63,639	71,770	71,770	69,070	85,624	90,429	94,704
			109,000	50,695	83,510	107,008	171,951	171,951	129,687	140,319	138,304
			541,186	541,841	324,412	176,200	293,400	293,400	206,999	287,128	310,310
			27,336	26,301	37,605	34,917	36,905	36,905	46,477	47,328	49,856
									1,000	1,000	1,000
									989,282	1,105,115	1,156,935
			288,924	315,102	242,539	251,580	243,668	228,023	250,122	288,496	278,441
			90,468	58,815	54,589	83,232	81,902	71,390	94,518	101,314	105,956
			235,236	293,471	323,119	343,655	366,276	366,413	412,021	486,365	513,863
			86,515	88,114	88,563	101,241	108,986	107,512	117,147	125,177	130,388
			39,318	33,737	41,741	46,252	50,578	47,038	56,001	60,010	62,310
			-	3,217	6,312	9,269	8,387	8,646	21,532	23,295	23,872
			11,500	29,480	30,464	34,441	34,441	33,581	37,941	40,458	42,105
			1,787,978	1,602,694	1,773,007	1,983,795	2,014,413	2,014,413	2,239,065	2,446,218	2,663,696
			95,194	81,189	107,123	125,967	151,867	151,867	144,030	152,386	158,695
			1,431,319	1,282,252	1,368,965	1,481,819	1,494,437	1,494,437	1,515,105	1,566,248	1,605,001
			135,657	109,710	129,181	170,961	162,261	162,261	191,884	212,696	221,784
			77,050	98,106	113,946	120,492	123,792	123,792	146,472	160,835	167,530
			48,758	31,437	54,392	84,556	82,056	82,056	241,574	354,053	510,686
Environmental Protection		Environmental Affairs	109,338	105,832	110,073	129,196	129,196	129,196	151,186	162,398	170,365
			75,301	27,395	41,849	40,877	40,877	40,877	42,729	53,882	56,650
			-	1,653	477	2,878	2,878	2,878	4,522	2,650	2,810
			34,037	74,816	67,175	84,215	84,215	84,215	102,748	104,616	109,785
			-	1,988	572	1,226	1,226	1,226	1,187	1,240	1,320
Housing & Community Amenities		Dept of Housing	966,797	743,013	749,438	904,536	907,422	708,170	1,204,196	1,425,593	1,663,996
			71,834	82,406	83,111	80,329	86,612	83,860	102,215	106,137	110,869
			894,963	660,607	666,327	824,207	820,810	624,290	1,101,981	1,319,456	1,553,127
Health		Dept of Health	5,243,012	5,180,217	6,120,184	6,892,701	7,336,959	7,327,682	8,142,793	8,952,791	9,356,327
			215,110	245,207	248,398	256,792	443,357	438,243	369,065	410,751	404,195
			2,518,346	2,558,483	2,812,011	3,052,765	3,314,391	3,288,663	3,555,512	3,950,820	4,157,172
			194,488	125,234	219,052	397,098	256,540	297,438	380,734	419,492	439,363
			1,764,282	1,708,351	2,043,109	2,169,097	2,269,097	2,269,097	2,759,089	3,038,852	3,161,366
				-	-	-	-	-	-	-	-
			122,884	159,948	327,406	397,431	387,382	387,382	417,915	460,380	482,885
			23,027	10,440	36,049	32,255	21,505	22,257	30,701	33,826	35,401
			404,875	372,554	434,159	587,263	644,727	644,727	629,727	637,670	665,745
Recreation, Culture and Religion			252,205	219,363	270,214	321,991	325,670	325,670	406,011	478,979	530,516
	Recreation & Sporting Services	Dept of Sports Arts & Culture	198,875	171,426	206,540	258,347	261,126	261,126	334,626	400,805	446,923
			160,951	143,579	161,280	162,804	171,456	171,456	202,743	194,231	203,971
			18,295	14,103	18,407	43,442	42,942	42,942	67,909	123,141	142,714
	Cultural Services		19,629	13,744	26,853	52,101	46,728	46,728	63,974	83,433	100,238
			53,330	47,937	63,674	63,644	64,544	64,544	71,385	78,174	83,393

A16: Details of payments and estimates by policy area (continued)

Policy Area	Category	Department	Outcome			Main appro- priation	Adjusted appro- priation	Revised estimate	Medium-term estimate		
			Audited 2003/04	Audited 2004/05	Audited 2005/06				2006/07	2007/08	2008/09
Education	Department of Education		10,155,301	10,654,446	11,523,158	13,065,022	13,122,087	2006/07 13,122,087	2007/08 14,726,061	2008/09 16,616,075	2009/10 17,680,951
		1 Administration	825,935	673,525	796,219	881,902	968,143	968,143	968,591	1,026,061	1,066,337
		2 Public Ordinary Schools	8,725,982	9,330,214	10,009,326	11,144,848	11,169,342	11,169,342	12,609,444	14,176,744	15,324,441
		3 Independent Schools	18,696	15,557	18,342	27,770	27,770	27,770	35,241	46,756	58,410
		4 Public Special Schools	188,706	185,497	210,394	334,487	312,201	312,201	338,880	461,005	354,298
		5 Further Education & Training	140,198	169,876	167,932	267,965	246,528	246,528	302,200	362,737	323,147
		6 ABET	136,292	126,047	136,348	149,775	143,069	143,069	149,383	164,262	173,073
		7 Early Childhood Development	27,305	36,937	38,823	69,941	64,346	64,346	105,753	150,343	181,550
		8 Auxiliary & Associated Services	92,187	116,793	145,774	188,334	190,688	190,688	218,569	228,167	199,695
Social Protection	Dept of Social Development		485,386	419,172	539,649	762,772	740,802	748,910	951,735	1,228,925	1,284,227
		1 Administration	116,992	125,356	113,132	182,089	197,638	195,144	207,681	221,998	226,661
		2 Social Welfare Services	262,795	258,001	343,447	448,955	422,537	437,896	500,398	743,241	785,209
		3 Development & Research	105,599	35,815	83,070	131,728	120,627	115,870	163,656	263,686	272,357
total			21,712,216	21,586,381	23,729,045	26,827,124	27,529,882	27,231,196	31,008,811	34,878,042	37,083,463

A17: Details of payments for infrastructure by category

Category/type of structure	Vote	Number of projects MTEF	Total costs MTEF	Medium-term estimates		
R thousands				2007/08	2008/09	2009/10
New constructions (buildings and infrastructure)				1,326,936	1,252,000	1,122,074
Clinic	3	87	188,897	66,397	72,500	50,000
Community Health Centre	3	3	36,790	15,900	8,890	12,000
District Hospital	3	4	274,500	109,500	100,000	65,000
Regional Hospital	3	1	46,000	42,000	4,000	-
Multipurpose Centre	4	3	5,300	2,300	1,500	1,500
Justice Centre	4	1	6,896	1,370	4,026	1,500
Secure Care Centre	4	1	9,206	1,500	2,063	5,643
Service Office	4	10	27,991	10,100	7,516	10,375
Building Phase 2	4	1	6,700	5,200	1,500	-
Special Schools	6	29	470,187	157,880	218,921	93,386
House of Traditional Leaders	7		56,189	18,000	18,720	19,469
Traditional Council Offices	7		27,536	8,821	9,174	9,541
Piggery	8	3	2,100	600	700	800
tunnels	8	1	1,700	500	300	900
Citrus & Deciduous farmer support	8	2	2,062	1,362	-	700
Dipping tank	8	6	16,653	2,053	5,600	9,000
Electrified nursery structures	8	1	1,406	206	300	900
Fencing	8	68	100,321	25,547	37,390	37,384
irrigation	8	13	147,430	42,936	52,694	51,800
Livestock	8	4	6,940	3,438	300	3,202
Pig Projects	8	1	55,294	15,000	20,000	20,294
Piggery	8	1	2,150	550	800	800
Shearing / Multipurpose shed	8	3	8,430	7,630	-	800
Silo Massive	8	1	1,000	200	-	800
Soil conservation	8	1	20,583	10,877	5,000	4,706
Stock dam/water	8	5	4,477	577	2,100	1,800
Farmer support other	8	6	5,648	1,248	2,900	1,500
Blockpaving of internal streets, stormwater and water retic.	10	1	30,000	10,000	10,000	10,000
Pedestrian Road Overhead Bridge between Ikamvelihle and M	10	2	10,306	5,500	1,800	3,006
Kei Rail	10	1	141,729	35,238	51,964	54,527
Stabilization of Roads	10	1	25,200	2,000	5,600	17,600
Surfacing of Roads	10	10	474,125	78,600	130,309	265,216
Tarred Roads/Surfaced Roads	10	16	1,318,949	583,316	408,606	327,027
Renewal of internal streets, stormwater and water reticulation	10		45,000	15,000	15,000	15,000
Vehicle Testing Station	10		47,179	20,862	22,649	3,668
Recreation, Arts and Cultural facilities	14	12	35,798	13,000	12,798	10,000
Sport facilities	14	8	38,808	10,808	16,000	12,000
Monuments& memorials	14	16	1,530	920	380	230
Rehabilitation/upgrading				1,140,930	1,614,428	2,131,565
Clinic	3	50	97,940	28,430	34,210	35,300
Clinics Rehab Project Management	3	1	7,800	3,000	2,400	2,400
Community Health Centre	3	5	41,300	11,100	11,200	19,000
District Hospitals	3	21	394,228	133,200	129,493	131,535
Project Management District Hospitals	3		11,500	4,500	2,500	4,500
Rehabilitation/upgrading other projects	3		8,166	3,000	2,666	2,500
Regional Hospital	3	11	687,264	172,000	256,000	259,264
Specialized Hospital	3	1	121,028	18,000	38,028	65,000
Outreach Centre	4	1	1,000	1,000	-	-
Secure Care Centre	4	1	1,000	1,000	-	-
Service Office	4	4	5,200	5,200	-	-
FET Colleges	6	9	168,665	38,056	41,364	89,245
GET/SS Schools	6	1452	2,125,029	452,034	662,826	1,010,169
Public Transport facilities	10		91,577	28,724	30,735	32,118
Tarred Roads/Surfaced Roads	10	19	1,114,042	241,686	401,006	471,350
Recreation, Arts and Cultural facilities	14	3	9,184	-	2,000	7,184
Sport facilities	14	1	2,000	-	-	2,000

A17: Details of payments for infrastructure by category (continued)

Category/type of structure	Vote	Number of projects MTEF	Total costs MTEF	Medium-term estimates		
				2007/08	2008/09	2009/10
R thousands				915,946	1,101,848	1,128,327
Recurrent maintenance						
Maintenance - Health & Provincial Hospital facilities	3		506,186	191,100	150,449	164,637
Departmental facilities	4		1,000	1,000	-	-
Repairs & Renovations	5		708,174	170,013	263,159	275,002
Office of the Premier	5	1	10,000	10,000	-	-
Maintenance - GET Schools	6		95,631	8,351	58,316	28,964
Maintenance - SS Schools	6		63,754	5,567	38,877	19,310
Area Wide Road Maintenance	10	31	899,244	237,244	282,000	380,000
Routine maint. for 6 regions	10	6	509,878	185,922	201,994	121,962
Maintenance of gravel roads(EPWP)	10	6	222,000	60,000	72,000	90,000
Maintain the drainage system	10	5	50,300	11,800	16,500	22,000
Romix projects	10		37,000	10,000	12,000	15,000
Community based regravelling for 6 districts	10	6	16,280	16,280	-	-
Library maintenance	14	98	25,366	8,669	6,484	10,213
Office	14	1	1,308	-	69	1,239
Other capital projects				440,352	468,900	436,231
Accomodation/LSA Offices/nursing school etc	3		139,244	64,350	42,300	32,594
Regional Hospital - Resource centre	3	1	6,000	4,000	2,000	-
Provincial Hospital - Quality of care etc	3		32,000	10,000	10,000	12,000
Project management, and other capital projects	4		1,800	1,800	-	-
Administration district projects	6	8	14,000	6,000	4,000	4,000
Exam Centre	6	1	90,245	42,745	42,500	5,000
EFMS	6	1	6,700	2,000	2,000	2,700
MEC Interventions	6		11,080	3,300	2,300	5,480
Project Management	6		36,220	13,700	12,700	9,820
Bridges/Culverts	10		61,315	22,500	12,000	26,815
Roads Building Program Support	10		245,751	77,277	82,418	86,056
Project Management	10		701,128	192,680	256,682	251,766
Total provincial infrastructure			13,079,537	3,824,164	4,437,176	4,818,197

A18: Details of transfers to local government

Summary of transfers to local government by category and municipality										
Municipalities R'000	Outcome			Main appro- priation 2006/07	Adjusted appro- priation 2006/07	Revised estimate 2006/07	Medium-term estimate			
	Audited 2003/04	Audited 2004/05	Audited 2005/06				2007/08	2008/09	2009/10	% Change from Revised estimate 2006/07
Category A	56 769	6 834	107 542	162 193	162 193	162 193	43 333	7 429	7 776	(73.28)
Nelson Mandela Metro	56 769	6 834	107 542	162 193	162 193	162 193	43 333	7 429	7 776	(73.28)
Category B	55 645	121 091	167 060	179 005	159 562	159 562	70 746	24 451	27 543	(55.66)
Amahlathi	2 374	17 333	3 381	1 691	1 691	1 691	939	300	340	(44.47)
Baviaans	1 349	100	5 067	5 040	5 040	5 040	683	200	340	(86.45)
Blue Crane Route	786	7 163	1 243	4 368	4 368	4 368	9 186	300	340	110.30
Buffalo City	2 189	2 006	3 448	7 082	7 082	7 082	12 678	3 853	3 686	79.02
Camdeboo	14 202	2 481	32 735	31 416	6 676	6 676	1 344	300	340	(79.87)
Elundini		2 878	1 795	160	160	160		200	340	(100.00)
Emalahleni		353	1 487	410	410	410	400	300	340	(2.44)
Engcobo		750	1 255	650	650	650	500	642	599	(23.08)
Gariep	1 509	6 256	2 983	5 750	5 750	5 750	1 467	550	646	(74.49)
Great Kei		1 850	390	340	340	340	450	400	340	32.35
Ikhwezi	898	2 987	1 865	1 099	526	526	206	5 300	5 700	(60.84)
Ingquza		200								
Inkwanca		473	320	520	520	520		300	340	(100.00)
Intsika Yethu		1 053	1 895	210	210	210	650		340	209.52
Inxuba Yethemba	1 800	1 362	8 867	9 145	8 242	8 242	2 360	700	769	(71.37)
King Sabata Dalindyebo	415	9 100	12 205	17 382	20 902	20 902	8 020	4 147	4 352	(61.63)
Kouga	1 762	7 098	8 842	7 409	10 662	10 662	814	300	340	(92.37)
Kou-Kamma	6 749	5 058	19 429	30 348	30 348	30 348	7 529	300	340	(75.19)
Lukanji	1 890	5 047	7 129	8 294	8 294	8 294	1 304		340	(84.28)
Makana	3 569	4 511	3 901	7 513	7 513	7 513	6 469	450	822	(13.90)
Malethswai	1 247	5 700	5 334	5 539	5 539	5 539	1 766	200		(68.12)
Mbashe	43	1 816	1 505	670	670	670	800	800	876	19.40
Mbizana		804	1 275	480	480	480	700	700	769	45.83
Mhlontlo		1 591	2 573	180	180	180	450	400	340	150.00
Mnquma	2 723	700	3 933	2 830	2 830	2 830	789	400	340	(72.12)
Ndlambe	2 538	368	3 413	2 518	2 518	2 518	946	400	340	(62.43)
Ngqushwa	2 690	13 571	3 594	3 455	3 455	3 455	855	300	340	(75.25)
Nkonkobe	1 649	5 686	3 958	2 813	2 813	2 813	849	300	340	(69.82)
Ntabankulu		888	870	160	160	160	150	300	340	(6.25)
Nxuba	2 659	185	13 533	13 214	13 214	13 214	3 176	400	340	(75.96)
Nyandeni		2 691	1 667	120	120	120	450		340	275.00
Port St Johns	730	1 030	845	280	280	280	800		340	185.71
Quakeni	1 256	1 639	1 056	50	50	50	600		340	1100.00
Sakhisizwe	618	1 574	1 961	2 746	2 746	2 746	727		340	(73.53)
Senqu		2 277	913	969	969	969	190	300		(80.39)
Sundays River Valley		616	677	2 442	2 442	2 442	565	300	340	(76.86)
Tsolwana		810	360	1 110	1 110	1 110	800	341	340	(27.93)
Umzimkulu		150	1 056							
Umzimvubu		936	300	602	602	602	1 134	768	824	88.37
Unallocated										
Category C	48 255	36 509	120 103	109 577	109 577	109 577	99 768	115 812	118 001	(8.95)
Alfred Nzo	13 055	2 102	13 352	9 542	9 542	9 542	12 948	13 578	13 582	35.69
Amathole	7 700	7 379	35 634	13 562	13 562	13 562	15 990	30 469	31 425	17.90
Cacadu	3 200	6 739	3 524	10 443	10 443	10 443	13 706	14 370	14 662	31.25
Chris Hani	8 151	9 401	25 984	29 964	29 964	29 964	22 104	23 912	24 320	(26.23)
OR Tambo	6 120	6 354	20 233	12 813	12 813	12 813	17 653	18 592	18 833	37.77
Ukwahlamba	10 029	4 534	21 376	33 253	33 253	33 253	17 367	14 891	15 179	(47.77)
Unallocated										
Unallocated / unclassified	249 471	236 943	117 483	68 599	69 735	67 185	99 006	131 154	112 875	47.36
Total transfers to local government	410 140	401 377	512 188	519 374	501 067	498 517	312 853	278 846	266 195	(37.24)

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