



PROVINCE OF KWAZULU-NATAL

2007-08 BUDGET STATEMENTS

**for the
Financial Year ending 31 March 2008**

**Presented to Provincial Legislature
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FOREWORD

It is again that time of the year when the Treasury team has to publish a range of provincial budget documents in the spirit of openness and transparency. Budget information is used mainly by the Political Executive, the Legislature as well as the general public to hold government accountable to the citizens.

As is customary, the Province of KwaZulu-Natal is publishing the Budget Statements documentation which contains two primary sections – Budget Statement 1 and Budget Statement 2. Statement 1 gives an overview of the provincial fiscal framework over the 2007/08 MTEF. It presents the main budget aggregates, revenue and expenditure and highlights prevailing trends in these. Statement 1 further discusses, in detail, the socio-economic profile of the province and tracks economic sector performance over time, in order to contextualise the budget.

Budget Statement 1 also includes a discussion on the Provincial Spatial Economic Development Strategy (PSEDS). This strategy provides a spatial context to the budget, and is aligned to the principles of the National Spatial Development Perspective (NSDP). Also included in Statement 1 is a discussion on three economic analysis tools – Supply and Use Tables (SUT), Social Accounting Matrix (SAM) and Cost-Benefit Analysis (CBA). These tools can be used in determining the impact of budget decisions on a range of socio-economic indicators such as poverty, household income, expenditure, savings, etc.

Budget Statement 2 gives a detailed narrative, per department, on strategic objectives, service delivery, budgetary allocations, outputs and measurable objectives. This statement is a valuable source of information, and allows the Accounting Officers of departments to monitor budget performance against intended outputs and outcomes. This is more important in the 2007/08 MTEF, where the provincial budget framework is characterised by a very tight fiscal envelope.

It is with great honour that we present to the people of KwaZulu-Natal and the rest of South Africa a complete set of budget documents. I therefore appeal to all my government colleagues to ensure that the resources allocated in this fiscal framework are properly utilised for the betterment of our people.

A handwritten signature in blue ink, appearing to read 'Sipho Shabalala', is written over a light blue rectangular stamp.

Sipho Shabalala
Head: Provincial Treasury

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BUDGET STATEMENT 1

Budget Overview

1. BUDGET STRATEGY: AN OVERVIEW

The point of departure for the province of KwaZulu-Natal's 2007/08 budget strategy was a much tighter fiscal envelope than in the preceding Medium Term Expenditure Framework (MTEF) period. As explained in Section 4 on the budget process, there was, in reality, very little additional funding available in the provincial budget for allocation to provincial departments to accommodate sector expenditure pressures – this after taking into account:

- a downward revision of the province's equitable share (ES) following updates to the base data in the formula;
- increased funding pressures resulting from the take-over of Umzimkhulu District; and
- provision for the funding of national policy priorities.

This tight fiscal framework over the medium term commencing on 1 April 2007, however, had a positive outcome in certain respects. Indeed, it forced the provincial government to closely interrogate **where** it is spending its money, and to **what** effect. With limited funding available to meet expenditure pressures across a broad front, the necessity to plan strategically, to prioritise and make hard choices during the budget allocation process, was brought into sharper focus than ever before. Now, more than ever, it is clearly imperative for the provincial government to ensure that it achieves maximum impact and value for money in its medium term expenditure proposals.

Accordingly, in developing its 2007/08 budget strategy, the Provincial Treasury placed increased emphasis on both a spatial and a sectoral analysis of government's budget and expenditure proposals. This took various forms.

Building on the innovation introduced in the previous year, provincial departments were requested to disaggregate their budget expenditure proposals according to expenditure (excluding operational departmental costs) in the respective district municipalities in the province. This exercise was aimed at determining where the bulk of government funding is being directed, bearing in mind the widely differing socio-economic circumstances and poverty levels in the respective districts (see Section 2 on the socio-economic profile of the province).

However, merely presenting provincial government expenditure by district, while extremely useful for analytical purposes, does not in itself provide a basis for the provincial government to make the crucial budget choices and decisions that are necessary to achieve its longer term developmental goals and objectives. The real challenge is to develop a pro-active and comprehensive provincial spatial economic development strategy that can be used as a point of reference, to guide and assist provincial departments in planning and prioritising their service delivery programmes and expenditure proposals, in both a spatial and a strategic context.

It was with this objective in mind that the technical economic cluster of Cabinet developed a comprehensive Provincial Spatial Economic Development Strategy (PSEDS) during the course of 2006/07. The PSEDS seeks to address a key weakness identified in the current draft of the Provincial Growth and Development Strategy (PGDS), namely that it lacks a spatial context and is not aligned to the principles of the National Spatial Development Perspective (NSDP).

The PSEDS was not developed in isolation from previous and current national and provincial economic development policies and priorities, as described in the last two editions of the provincial Budget Statements. On the contrary, the PSEDS is rooted in the concept of a developmental state that has informed the current provincial government's economic development policy direction since 2004. It incorporates the basic tenets of a wide range of interlocking international, national and provincial developmental concepts and policies, including:

- The Millennium Development Goals (MDGs) adopted by the United Nations;
- National government's service delivery targets in respect of water, sanitation and electricity;
- The Accelerated and Shared Growth Initiative (ASGI-SA) targets of halving poverty and unemployment by 2014; and

- The province's own economic development strategy developed over the last two years, aimed at:
 - transforming the structure of the provincial economy and narrowing and eventually eliminating the gap between the first and second economies;
 - increasing investment in the province;
 - skills and capacity building;
 - broadening participation in the economy; and
 - increasing competitiveness.

The point is that both the first and second economy interventions outlined above must necessarily take place within a spatial context. The implication of this is that provincial development strategies must take cognisance of, and clearly reflect, national strategic developmental and spatial imperatives and priorities, while at the same time providing a framework for the development of municipal spatial development strategies. This, in turn, implies that the principles and imperatives of the National Spatial Development Perspective (NSDP) should form the basis of any provincial development strategy.

The NSDP recognises that social and economic development is never evenly distributed, and that spatial disparities will always exist, due to the spatial distribution of natural resources, historical imperatives and cultural factors. These spatial disparities were aggravated by apartheid spatial planning, which resulted in a disjuncture between where people live, and where social and economic opportunities are concentrated. This spatial marginalisation from economic opportunities of the majority of the population needs to be addressed in order to reduce poverty and inequality and ensure shared growth. With this in mind, the NSDP advocates that the following principles should inform government's socio-economic development programmes:

- Principle 1: Rapid economic growth that is sustained and inclusive is a pre-requisite for the achievement of poverty alleviation;
- Principle 2: Government spending on fixed investment should be focused on localities of economic growth and/or potential, in order to gear up private sector investment, stimulate sustainable economic activities and create long-term employment opportunities;
- Principle 3: Where low economic potential exists, investments should be directed at projects and programmes to address poverty and the provision of basic services in order to address past and current social inequalities; and
- Principle 4: In order to overcome the spatial distortions of apartheid, future settlement and economic development opportunities should be channelled into activity corridors and nodes that are adjacent to or link the main growth centres, in order for them to become regional gateways to the global economy.

Provincial strategies for growth and development must therefore make clear pronouncements on specific geographic areas of focus for the phased implementation of the province's development strategic objectives and priorities. In short, the province's spatial strategies should must guide and inform the:

- Spatial principles that will direct growth and development in the province, such as, *inter alia*, principles of sustainability, the need to address historic spatial imbalances, curbing urban sprawl and differentiated levels of infrastructure provision;
- Identification of priority development areas, focussing on areas in which specific types of development should be encouraged or discouraged;
- Strengthening or development of major movement routes or corridors;
- Identification of areas that have to be protected for biodiversity and conservation purposes;
- The preparation of Municipal Spatial Development Frameworks, to ensure full alignment of national, provincial and municipal spatial visions;
- Budgeting processes of all spheres of government to ensure that government creates an environment conducive for development in the prioritised areas; and
- The investment decisions of the private sector, not only in pursuance of optimal returns, but also in support of a shared spatial vision for the province.

In developing the PSEDS, therefore, the focus was on ensuring that government directs its fixed infrastructure investments in areas of greatest economic development potential (whether realised or dormant), **and** areas of greatest need, based on poverty densities. This does not imply that other areas, with lower economic growth potential, will be neglected. All areas in the province will receive investments in development and the provision of basic services.

The process of identifying areas of potential and need involved a rigorous analysis of the provincial space economy. Economic potential was categorised so as to:

- Identify areas of economic significance;
- Enable comparison among areas;
- Highlight key characteristics of the space economy; and
- Identify requirements to capitalise on economic potential.

Poverty and need was categorised so as to:

- Identify absolute numbers and spatial distribution of people in poverty/need;
- Enable comparison among areas; and
- Identify requirements to address poverty.

The fourth principle of the NSDP is that settlement and economic development opportunities should be channelled into activity corridors and nodes that are adjacent to or link the main growth centres. To this end, the PSEDS endeavours to identify such main growth centres and the related nodes and corridors.

From the classification of economic potential and the classification of poverty, a matrix of development corridors and nodes was identified which will serve two functions. These functions are:

- To facilitate the increased growth of existing centres and corridors of economic development in the province; and
- To ensure that the potential for economic development within areas of high poverty is realised.

For this reason, the nodes and development corridors include both existing well-established nodes and corridors, and those which currently do not exist, or are very weak. The nodes are defined as follows:

- **Primary Node (PN):** An urban centre with very high existing economic growth and the potential for expansion thereof. Provides service to the national and provincial economy.
- **Secondary Node (SN):** An urban centre with good existing economic development and the potential for growth. Services the regional economy;
- **Tertiary Node (TN):** A centre which should provide service to the sub-regional economy;
- **Quaternary Node (QN):** A centre which should provide service to the localised economy; and
- **5th level Node (5N):** A centre which provides service to a ward.

The first two levels of nodes were identified for priority interventions of government over the next five years. There is a need to consult extensively with municipalities on the identification of lower order nodes.

The development corridors were identified for priority interventions over the next five years. The corridors identified do not include all existing corridors within the province. Only those corridors which were identified as having the potential for greatly impacting on economic growth and the development of impoverished areas were prioritised. Those corridors not prioritised, however, will still form an important part of the provincial economy, and will not be neglected.

The corridors are defined as follows:

- **Primary Corridor (PC):** A corridor with very high economic growth potential within all three sectors which serves areas of high poverty densities; and
- **Secondary Corridor (SC):** A corridor serving areas of high poverty levels with good economic development potential within one or two sectors.

While this analysis of the space economy was being done, the PSEDs task team used the SWOT analysis technique and review of the competitive and comparative advantages of the province's economy to identify the sectors which have the greatest potential to drive growth and impact on poverty and unemployment. This exercise confirmed that the following broad sectors of the economy have the greatest potential to drive economic growth and create employment:

- Agriculture, including agri-industry (with opportunities to impact considerably on the economic needs of the poor, through Land Reform);
- Industry, including heavy and light industry and manufacturing;
- Tourism, including domestic and foreign tourism¹; and
- Services sector, including financial, social, transport, retail and government

In the services sector, the logistics and transport sector (including rail) is of paramount importance, given the province's existing competitive advantages and strategy to position the province as an internationally significant logistics hub and trade gateway into Africa. Supporting all of these sectors is, of course, the critical issue of water and energy provision. Water and electrification were identified as critical levers for the province's economic and social development during the Didima Cabinet Indaba in August 2005. For this reason, water and electricity forms an integral part of the PSEDs.

The development of the PSEDs provides the provincial government, for the first time, with a spatially referenced tool to:

- Analyse where government is currently directing the bulk of its capital development infrastructure expenditure; and
- Re-direct and reprioritise this expenditure so that it supports growth and development in the identified nodes and corridors, to achieve maximum impact (the 'massification' effect).

Accordingly, in submitting their 2007/08 MTEF budget proposals, provincial departments were requested by the Provincial Treasury to indicate how their reprioritised High Leverage programmes supported the identified nodes and corridors. For their part, the Economic Cluster departments undertook a comprehensive review of their 2007/08 MTEF expenditure proposals, to ensure that the bulk of expenditure is directed to the areas of highest economic potential and greatest need in line with the NSDP principles. The results of this exercise are still being collated and analysed – it is important to stress that the development of the PSEDs is an ongoing exercise, and will not be completed without further extensive analysis and consultation.

This consultation process involved, *inter alia*, presenting the PSEDs to district and local municipalities in the province, for their consideration, input and refinement. At a series of District Growth and Development Summits held across the province from November 2006 to February 2007, municipalities were presented, for the first time, with a spatial representation of the provincial government's economic development priorities and programmes. The intention is that the PSEDs should guide municipalities in their own IDP and LED planning processes. Municipal representatives, including local stakeholders in the private sector and civil society, were requested to confirm or amend the identified development nodes, corridors and sectors, in line with their local planning priorities and development challenges. In this way, the PSEDs can be used as a platform to spatially align the development planning processes in all three spheres of government, in accordance with the NSDP goals and principles.

Being a work in progress, part of the challenge in finalising the PSEDs is to develop a more scientific approach to analysing the relative impact of government investment in the various sectors, and sub-sectors of the economy. It is as important to determine in what sectors of the economy government should be investing, as where it should be investing, if government is to achieve maximum impact and value for the money it expends annually in the form of the provincial budget. To this end, the macro-economic unit in the Provincial Treasury has developed important analytical tools (namely, the Supply and Use Table and the Social Accounting Matrix) to assist the decision makers in government to plan and prioritise government expenditure. These tools are explained in Section 2.3 of Budget Statement 1.

¹ Although, strictly speaking, tourism is part of the services sector, for the purposes of the PSEDs it is dealt with as a separate sector.

2. SOCIO-ECONOMIC OUTLOOK

2.1 Demographic indicators

2.1.1 Total population, percentage distributions and growth rates

Population figures are vital in informing effective resource allocation. Table 2.1a presents the distribution of South Africa's population by province for the years 2000 to 2006, the percentage shares / contributions of provinces to the national population, and the annual growth rates in the provincial and national populations during the same period.

Table 2.1a: Total population by province and gender

Table 2.1d: Total population by province and gender												
Province												
Year	Gender	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape	RSA	
2000	Male	3,160,441	1,358,083	3,948,551	4,154,070	1,460,214	2,541,874	424,897	1,734,108	2,036,917	20,819,155	
	Female	3,650,932	1,402,475	3,832,079	4,703,545	1,544,702	2,953,805	444,351	1,798,716	2,141,681	22,472,286	
	Total	6,811,373	2,760,558	7,780,630	8,857,615	3,004,916	5,495,679	869,248	3,532,824	4,178,598	43,291,441	
2001*	Male	2,975,504	1,297,593	4,444,680	4,409,098	2,394,780	1,497,315	401,166	1,821,536	2,192,311	21,433,983	
	Female	3,461,252	1,409,161	4,392,477	5,016,920	2,878,867	1,625,662	421,554	1,847,803	2,332,005	23,385,701	
	Total	6,436,756	2,706,754	8,837,157	9,426,018	5,273,647	3,122,977	822,720	3,669,339	4,524,316	44,819,684	
2002	Male	3,321,970	1,406,585	4,104,604	4,328,707	2,721,540	1,535,356	433,360	1,796,770	2,099,675	21,748,567	
	Female	3,810,171	1,452,496	4,001,586	4,883,415	3,122,311	1,620,916	455,030	1,863,132	2,214,284	23,423,341	
	Total	7,132,141	2,859,081	8,106,190	9,212,122	5,843,851	3,156,272	888,390	3,659,902	4,313,959	45,171,908	
2003	Male											
	Female											
	Total	6,503,201	2,738,231	9,415,231	9,761,032	5,413,586	3,246,729	818,848	3,791,984	4,740,981	46,429,823	
2004	Male	3,379,948	1,452,166	4,542,859	4,667,203	2,684,919	1,600,686	449,757	1,938,913	2,270,959	22,987,410	
	Female	3,708,599	1,498,495	4,304,881	4,998,672	2,827,044	1,643,620	449,592	1,868,556	2,299,738	23,599,197	
	Total	7,088,547	2,950,661	8,847,740	9,665,875	5,511,963	3,244,306	899,349	3,807,469	4,570,697	46,586,607	
2005	Male	3,359,800	1,455,200	4,643,100	4,674,100	2,643,200	1,590,100	451,300	1,941,500	2,312,000	23,070,300	
	Female	3,679,500	1,497,900	4,374,900	4,977,000	2,991,800	1,629,800	451,000	1,882,400	2,333,600	23,817,900	
	Total	7,039,300	2,953,100	9,018,000	9,651,100	5,635,000	3,219,900	902,300	3,823,900	4,645,600	46,888,200	
2006	Male	3,366,700	1,457,100	4,741,100	4,717,500	2,664,100	1,606,300	456,100	1,957,600	2,361,100	23,327,600	
	Female	3,684,800	1,501,700	4,470,100	5,014,300	3,006,700	1,646,200	454,400	1,900,600	2,384,400	24,063,300	
	Total	7,051,500	2,958,800	9,211,200	9,731,800	5,670,800	3,252,500	910,500	3,858,200	4,745,500	47,390,900	
**2006	Male	3,294,900	1,457,100	4,889,700	4,802,100	2,525,500	1,722,400	544,100	1,730,700	2,361,100	23,327,600	
	Female	3,599,400	1,501,700	4,636,500	5,121,900	2,839,900	1,785,600	550,400	1,643,500	2,384,400	24,063,300	
	Total	6,894,300	2,958,800	9,526,200	9,924,000	5,365,400	3,508,000	1,094,500	3,374,200	4,745,500	47,390,900	
Outcome based on the new boundaries		-157,200	-	315,000	192,200	-305,400	255,500	184,000	-484,000	-	-	
Percentage shares												
2000	Total population	15.7	6.4	18.0	20.5	6.9	12.7	2.0	8.2	9.7	100.0	
2001		14.4	6.0	19.7	21.0	11.8	7.0	1.8	8.2	10.1	100.0	
2002		15.8	6.3	17.9	20.4	12.9	7.0	2.0	8.1	9.6	100.0	
2003		15.2	6.3	19.0	20.7	11.8	7.0	1.9	8.2	9.8	100.0	
2004		15.2	6.3	19.0	20.7	11.8	7.0	1.9	8.2	9.8	100.0	
2005		15.0	6.3	19.2	20.6	12.0	6.9	1.9	8.2	9.9	100.0	
2006		14.9	6.2	19.4	20.5	12.0	6.9	1.9	8.1	10.0	100.0	
**2006		14.5	6.2	20.1	20.9	11.3	7.4	2.3	7.1	10.0	100.0	
Outcome based on the new boundaries		-0.3	-	0.7	0.4	-0.6	0.5	0.4	-1.0	-	-	
Average share (2000-2006)		15.1	6.3	19.0	20.7	11.3	7.7	2.0	8.0	9.9	100.0	
Annual population growth												
2001	Total population	-5.5	-1.9	13.6	6.4	75.5	-43.2	-5.4	3.9	8.3	3.5	
2002		10.8	5.6	-8.3	-2.3	10.8	1.1	8.0	-0.3	-4.6	0.8	
2003		-8.8	-4.2	16.1	6.0	-7.4	2.9	-7.8	3.6	9.9	2.8	
2004		9.0	7.8	-6.0	-1.0	1.8	-0.1	9.8	0.4	-3.6	0.3	
2005		-0.7	0.1	1.9	-0.2	2.2	-0.8	0.3	0.4	1.6	0.6	
2006		0.2	0.2	2.1	0.8	0.6	1.0	0.9	0.9	2.2	1.1	
**2006		-2.1	0.2	5.6	2.8	-4.8	8.9	21.3	-11.8	2.2	1.1	
Average growth (2002-2006)		2.1	1.9	1.2	0.7	1.6	0.8	2.2	1.0	1.1	1.1	
Average growth (2002-**2006)		1.6	1.9	1.9	1.1	0.5	2.4	6.3	-1.5	1.1	1.1	

Source: Stats. SA various publications

Notes: *2001 population census; **2006 Mid-year population estimates based on the new boundaries.

Table 2.1a shows that, in 2000, there were 43,3 million people in the country, 8,9 million of whom resided in KwaZulu-Natal. These figures rose to 47,4 million and 9,9 million in 2006 for the province (based on the new boundaries), respectively. The province was in the lead throughout these years, contributing an average of 20.9 per cent to the country's population. This was consistently followed by Gauteng at 20.1 per cent and Eastern Cape at 14.5 per cent. The Northern Cape, with an average contribution of 2.3 per cent, has the smallest population.

Between 2001 and 2006, the total population of South Africa grew at an average annual rate of 1.1 per cent.² The Eastern Cape (1.6 per cent), Northern Cape (6.3 per cent), Free State (1.9 per cent), and Mpumalanga (2.4 per cent) had notably higher growth rates than the whole nation. KwaZulu-Natal grew at the same pace as the Western Cape and the country as a whole (1.1 per cent). Limpopo experienced the slowest population growth rate, at 0.5 per cent.

The new boundaries in the country have had a significant impact on provincial population sizes. As Table 2.1a shows, the new boundaries caused some provinces to gain or lose people. Those provinces that increased their population sizes include KwaZulu-Natal (0.4 per cent), Gauteng (0.7 per cent), Mpumalanga (0.5 per cent) and the Northern Cape (0.4 per cent). The provinces that lost people include the Eastern Cape (0.3 per cent), Limpopo (0.6 per cent) and the North West (1.0 per cent). The population sizes of the Free State and Western Cape provinces remained the same.

As KwaZulu-Natal's population continues to grow, great pressure is being placed on service delivery areas such as water, housing, energy, education, and health. Considering the fact that KwaZulu-Natal has a huge backlog in service delivery, fast and effective measures need to be put in place to accommodate the increase in population arising from the new demarcation. To meet the increased demand for goods and services, the province's budget must increase accordingly.

2.1.2 Population by gender and age group

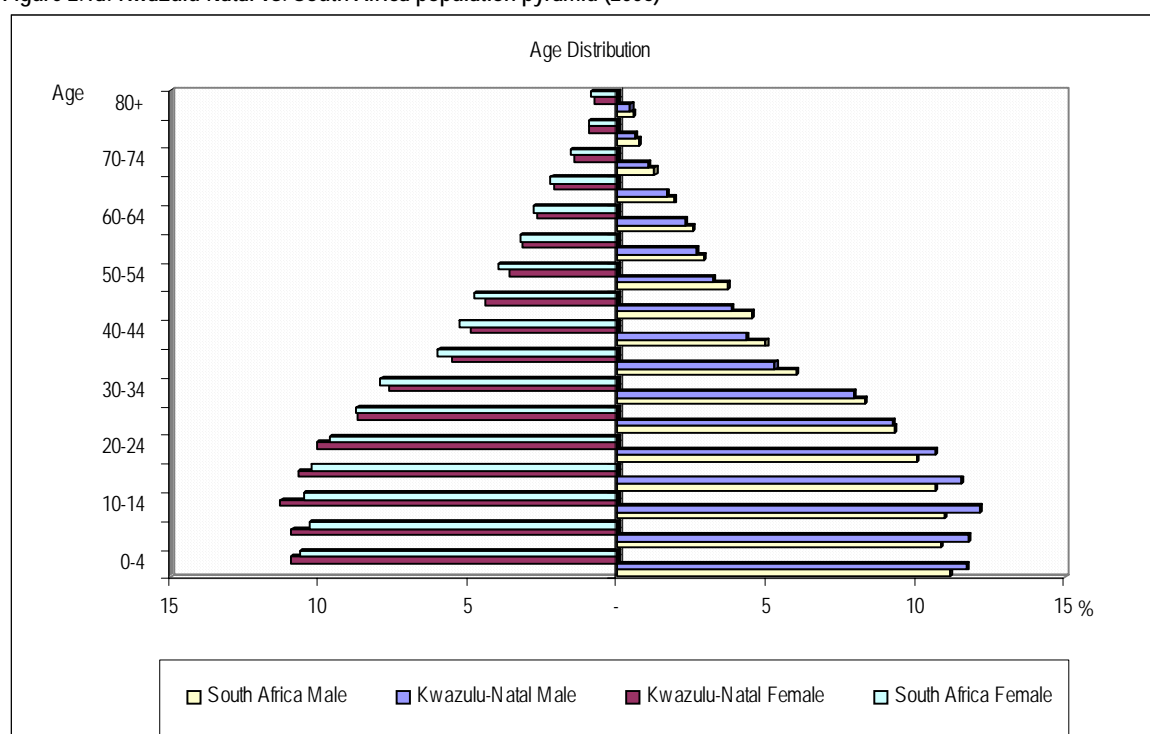
Like all the other provinces (except Gauteng throughout the period and North West since 2004), KwaZulu-Natal has more females than males (Table 2.1a).

Figure 2.1a shows the population pyramid of South Africa versus that of KwaZulu-Natal for the year 2006. The figure shows that, in 2006, the proportions of males and females found within the age-range 0-24 in KwaZulu-Natal were greater than those found in the whole country. For the older age-range 30-80+, the pattern changes, with lower proportions of males and females in KwaZulu-Natal than in South Africa as a whole.

This might be due to the fact that KwaZulu-Natal has the highest number of HIV and AIDS sufferers. According to a report by the Health Systems Trust, in 2006, total deaths attributed to AIDS-related causes were higher in KwaZulu-Natal than in the entire country on average – that is, 57.1 per cent for KwaZulu-Natal and 47.5 per cent for the country as a whole. Another possible reason is that people within the economically active population migrate from KwaZulu-Natal to other provinces, especially Gauteng, in search of employment opportunities.

² Growth rates between 2000 and 2001 are omitted from the average, as they present outliers. This is partly a result of the fact that, for 2001, population census data, instead of mid-year estimates, are used here.

Figure 2.1a: KwaZulu-Natal vs. South Africa population pyramid (2006)



Source: Stats SA 2006 Mid-year population estimates.

Table 2.1b shows that, in 1996, approximately 59.0 per cent of the province's population formed the labour force (those aged 15-64 years) (column f). This grew to approximately 61.0 per cent in 2001 and fell to approximately 60.0 per cent in 2006, posing serious implications for the labour participation and unemployment rates. The second largest age group is consistently the school-age population (ages 5-14). Babies and infants (0-4 years) constitute the third largest age group, with the elderly making up the smallest age-group people in the province.

The province's overall dependency ratio³ declined from approximately 68.2 per cent in 1996 to 64.1 per cent in 2005, and a further 63.5 per cent in 2006 (column j). This is evidenced, in part, by the fall in the elderly population over the decade, and the fact that the labour force age-group itself outgrew the other age-groups during the same period. The decrease in the dependency ratio implies that there is a decrease in the strain on the productive population that is expected to support the economically dependent population in the province.

³ Number of children -aged 0-15 years – or elderly (65+ years) per 100 working-age persons.

Table 2.1b: Distribution of KwaZulu-Natal population by age-group and gender

Indicator (a)	Year (b)	Gender (c)	Age group (%) ⁽²⁾				Total (‘000) (h)	Total (%) (i)	Dependency ratio (j)
			0-4 (d)	5-14 (e)	15-64 (f)	65+ (g)			
Population	1996	Male	12.17	25.52	57.34	3.48	3,951	46.9	..
		Female	10.83	22.74	59.74	5.35	4,466	53.1	..
		Total	11.46	24.05	58.61	4.47	8,417	100	68.2
	2001	Male	11.47	25.57	59.65	3.31	4,409	46.8	..
		Female	11.5	22.54	61.56	5.8	5,017	53.2	..
		Total	10.74	23.96	60.66	4.34	9,426	100	64.4
	2005	Male	11.71	24.15	62.1	2.03	4,674	48.4	..
		Female	10.89	22.53	61.33	5.25	4,977	51.6	..
		Total	11.29	23.31	60.92	4.48	9,651	100	64.1
	2006	Male	11.71	23.87	60.71	3.70	4,717	48.47	..
		Female	10.92	22.21	61.56	5.31	5,014	51.53	..
		Total	11.31	23.01	61.15	4.53	9,731	100.00	63.5
	*2006	Male	11.51	23.45	59.64	3.64	4,802	48.39	..
		Female	10.69	21.74	60.27	5.54	5,121	51.61	..
		Total	11.10	22.60	59.96	4.59	9,924	100.00	63.5
Percentage change (%)	1996-2001	Male	5.19	11.82	16.1	6.25	11.61	..	..
		Female	4.78	11.32	15.75	21.65	12.32	..	..
		Total	4.99	11.57	15.91	8.72	11.99	..	..
	2001-2005	Male	8.28	0.11	10.38	-34.91	6.01	..	..
		Female	6.92	-0.86	-1.16	-10.18	-0.8	..	..
		Total	7.6	-0.37	2.82	5.62	2.39	..	..
	1996-2005	Male	13.83	11.95	28.12	-30.99	18.3	..	..
		Female	12.06	10.41	14.41	9.36	11.5	..	..
		Total	12.96	11.13	19.18	14.92	14.7	..	..
Percentage change (%)	1996-2006	Male	13.22	10.02	24.56	25.16	19.41	..	..
		Female	11.69	8.16	14.15	9.82	12.26	..	..
		Total	12.45	9.09	18.94	15.43	15.62	..	..
	*1996-2006	Male	15.25	11.99	26.80	27.40	21.56	..	..
		Female	14.08	10.48	16.60	12.18	14.67	..	..
		Total	14.67	11.23	21.70	19.79	17.90	..	..

Source: Stats SA, various publications,

Notes: * 2006 Mid-year population estimates (based on the new boundaries)

2.2 The economy of KwaZulu-Natal

2.2.1 Performance and trends of the KwaZulu-Natal economy

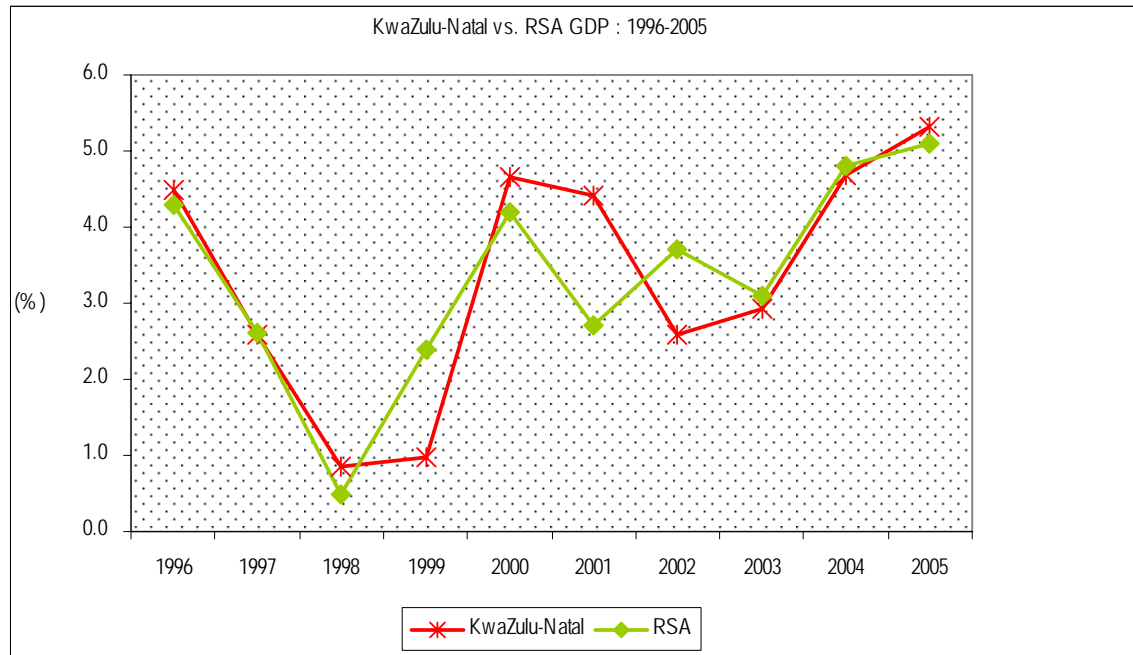
KwaZulu-Natal's Gross Domestic Product per Region (GDP-R) was estimated at R132,0 billion in 1995. This rose to a massive R183,4 billion, ten years later. The GDP-R growth rate rose over five-fold, from 1.0 per cent in 1999 to 5.3 per cent in 2005. This was slightly higher than the 2005 national GDP growth rate of 5.1 per cent (Figure 2.2a). The five-fold trend performance suggests that the provincial economy has the potential to reach a 10 per cent growth rate by the year 2014, which far exceeds ASGI-SA's target of 6.0 per cent.

KwaZulu-Natal is the second highest contributor to the country's GDP (16.6 per cent), after Gauteng (33.5 per cent)⁴. The province's contribution grew from 16.3 per cent in 1999 to 16.7 per cent in 2004, and then fell to 16.3 per cent in 2005, while Gauteng's contribution increased from 33.6 per cent to 33.7 per cent over the same period, and remained constant at 33.7 per cent in 2005.

Table 2.2a and Figures 2.2a, 2.2b, and 2.2c show the performance and trends of the KwaZulu-Natal economy, and the GDP-R estimates by industry between 1995 and 2005. KwaZulu-Natal's tertiary or service sector contributed more to the province's GDP-R than the other two sectors (annual average of 55.2 per cent). The secondary sector was the second most important. This is in line with international trends of advanced economies, whereby the service sector is the main contributor to the economy.

⁴ These percentages are averages for the years 1995 to 2005.

Figure 2.2a: KwaZulu-Natal and RSA performance: 1996 - 2005



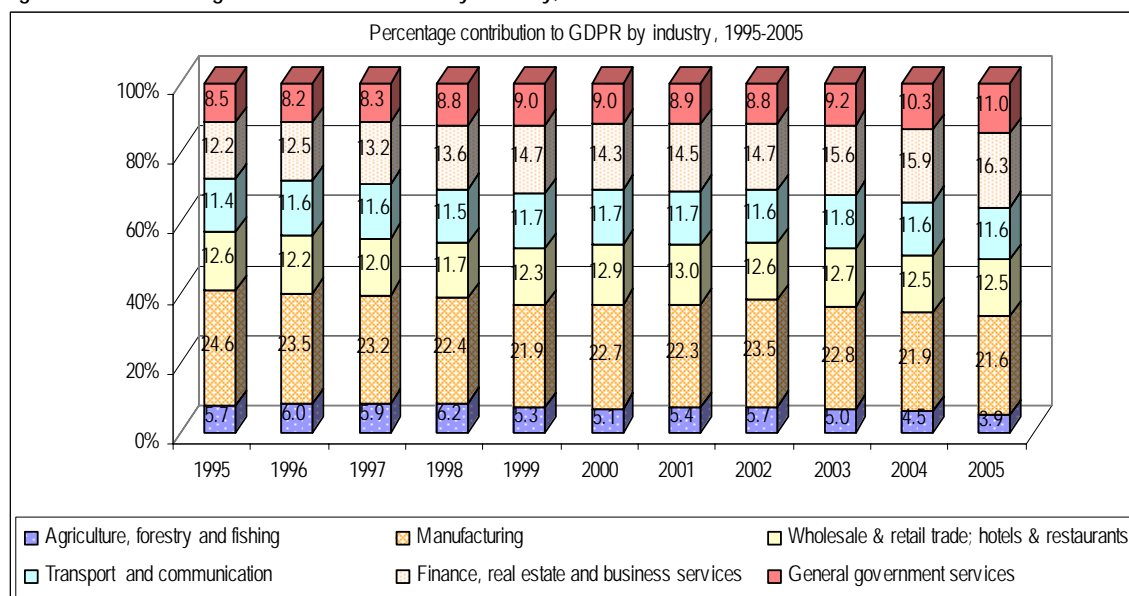
Source: Stats SA GDP estimates, 2006

Table 2.2a: KwaZulu-Natal GDP-R by industry, 1995 to 2005

KwaZulu-Natal GDP-R; constant 2000 Rm	Percentage contribution (averages)						Percentage change (averages)					
	1995-2000		2001-2005		1995-2005		1995-2000		2001-2005		1995-2005	
Primary industries	7.4		6.4		7.0		2.9		1.4		2.1	
Agriculture, forestry and fishing	5.7		4.9		5.3		3.6		2.3		3.0	
Mining and quarrying	1.7		1.5		1.6		1.8		-1.4		0.2	
Secondary industries	28.8		26.9		27.9		2.4		3.0		2.7	
Manufacturing	23.0		22.4		22.8		2.8		2.9		2.9	
Electricity, gas and water	3.0		2.4		2.7		2.9		0.6		1.8	
Construction	2.7		2.1		2.4		-1.8		8.1		3.1	
Tertiary industries	55.2		57.0		56.0		3.1		4.8		4.0	
Wholesale & retail trade, hotels & restaurants	12.3		12.7		12.5		3.8		6.0		4.9	
Transport, storage and communication	11.6		11.7		11.6		4.9		5.9		5.4	
Finance, real estate and business services	13.4		15.4		14.3		4.1		5.9		5.0	
Personal services	5.2		5.6		5.4		3.4		3.2		3.3	
General government services	12.7		11.7		12.2		-0.1		1.8		0.8	
All industries at basic prices	91.4		90.4		90.9		2.8		4.0		3.4	
Taxes less subsidies on products	8.6		9.6		9.1		1.6		3.3		2.5	
GDP-R at market prices	100.0		100.0		100.0		2.7		4.0		3.3	
Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	
GDP-R*	132,048	137,979	141,548	142,774	144,183	150,913	157,578	161,692	166,172	174,268	183,382	
% change ('96-'05)	4.5	2.6	0.9	1.0	4.7	4.4	2.6	2.9	4.7	5.3		

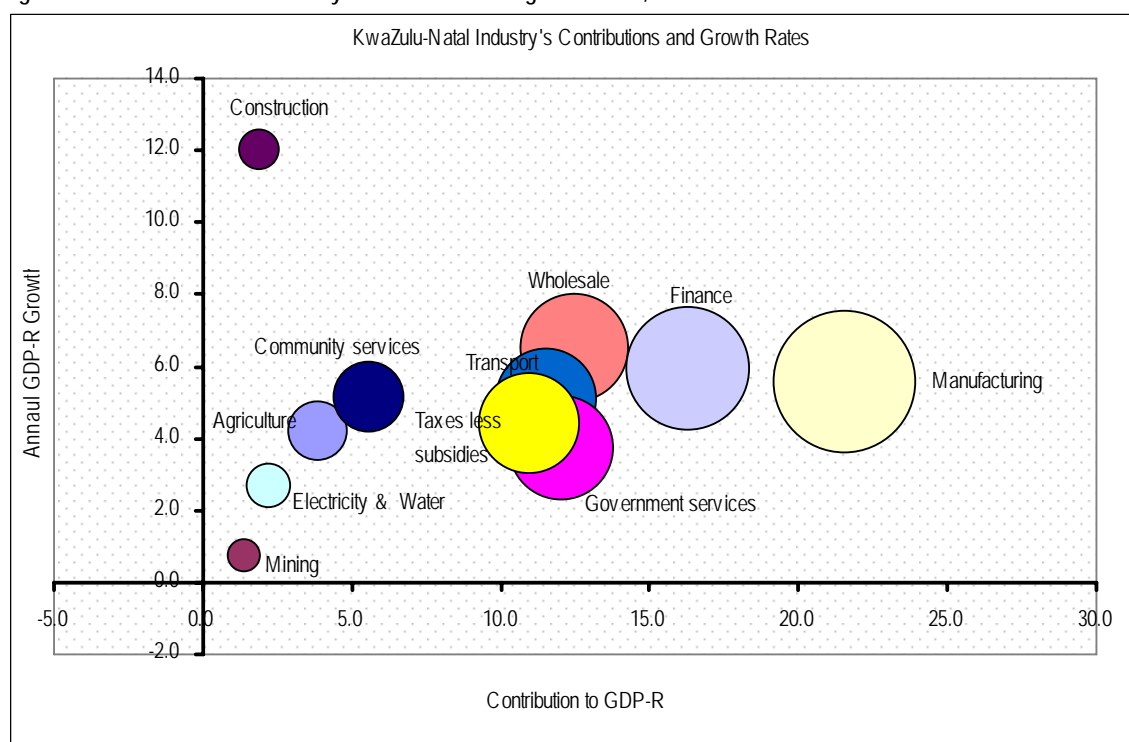
Source: Stats SA GDP estimates, 2006

Figure 2.2b: Percentage contribution to GDP-R by industry, 1995-2005



Source: Stats SA GDP-R estimate, 2006

Figure 2.2c: KwaZulu-Natal industry's contribution and growth rates, 2006



Source: Stats SA GDP-R estimate, 2006.

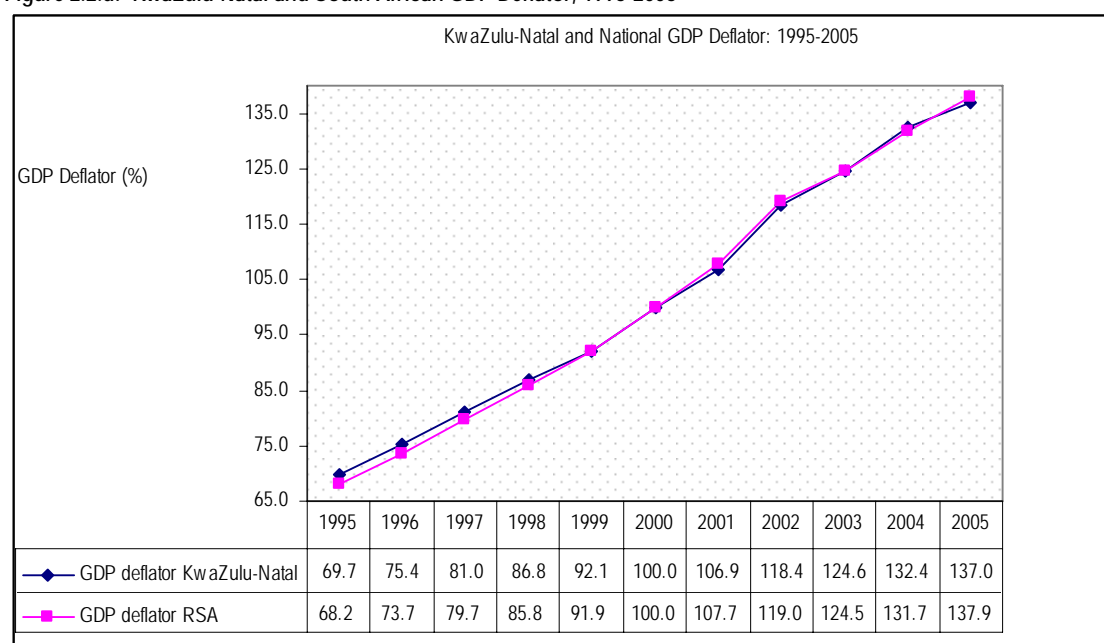
As indicated earlier, in 2005, the KwaZulu-Natal economy grew by 5.3 per cent, outpacing the national growth rate of 5.1 per cent. In terms of industrial expansion, Figure 2.2c shows that *Construction* grew the fastest (12.0 per cent), followed by *Wholesale and retail* (6.5 per cent) and *Finance and real estate* (5.9 per cent). The lowest level of growth occurred in the *Mining* industry (0.7 per cent), which can be attributed to the fact that there are few mining activities in the province.

In terms of industry's contribution, Figure 2.2c shows that the *Manufacturing* industry (21.6 per cent) is the highest contributor to the KwaZulu-Natal economy, followed by *Finance and real estate* (16.3 per cent) and the *Wholesale and retail* industries (12.5 per cent). The lowest contributing industry was *Mining*, followed by *Construction*, even though, as was observed earlier, the latter industry experienced the highest growth. Although the *Manufacturing* industry is the highest contributor to the regional economy, two critical facts are notable. Firstly, its contribution is gradually declining (from 24.6 per cent in 1995 to 21.6 per cent in 2005), implying that the province is becoming less industrialised. Secondly, it is not the fastest growing industry in the province.

2.2.2 Cost of living in KwaZulu-Natal

Figure 2.2d depicts the cost of living (using GDP deflator⁵) in KwaZulu-Natal, compared to the average figures for South Africa.

Figure 2.2.d: KwaZulu-Natal and South African GDP Deflator, 1995-2005



Source: Stats SA CPI, 2005

Over the years, the GDP deflator has exhibited a relatively steady upward swing (trend), rising from 69.7 in 1995 to 137.0 in 2005 in KwaZulu-Natal, and from 68.2 in 1995 to 137.9 in 2005 nationally. The figures reveal two distinct periods. Firstly, between 1995 and 1999, KwaZulu-Natal's deflator was higher than the average for the country as a whole, implying that it was more expensive to live in KwaZulu-Natal than in the rest of the country on average. Secondly, between 2000 and 2005, the cost of living in KwaZulu-Natal was closely identical to the national average, in terms of price levels.

⁵ GDP deflator is a price index that measures the overall level of prices of goods and services included in GDP. It is often given by the formula: $\text{GDP deflator} = \frac{\text{nominal GDP}}{\text{Real GDP}}$.

2.3 KwaZulu-Natal Economic Model for Policy Analysis

2.3.1 Overview of the KwaZulu-Natal Social Accounting Matrix

The Provincial Treasury has, for the first time, developed a comprehensive tool that will enable the government to allocate limited resources in an effective manner and to monitor and evaluate its plan of action. The tool comprises a set of econometric models⁶ based on the KZN Social Accounting Matrix (SAM), Cost-Benefit Analysis (the CBA Framework), and Supply and Use Tables (SUT) (including the Gross Value Added (GVA)). The KwaZulu-Natal SAM, SUT and CBA are consistent with the United Nations 1993 System of National Accounts (1993 SNA) and, therefore, international best practice. These instruments can be used to assess the impact of social and economic policies, or the impact of an infrastructure project and regional investment on various economic variables (economic growth, employment and sector performance) and on socio and demographic variables (poverty, population group, income group, race, urbanisation, environment). For example, what is the expected impact of the 2010 soccer world-cup (or any investment and infrastructure project) on:

- KZN economic sectors (eg. agriculture),
- Population race groups (eg. Africans),
- Gender (eg. women) and income group (eg. people earning between R100 to R1500 p.m.),
- Profession (e.g domestic workers),
- Employment (eg. job creation and wage distribution),
- Economic growth (GDP),
- Household or government consumption expenditure, and
- Taxes and subsidies, etc.

Although each tool (SAM, CBA and SUT) is used for a specific purpose, each tool complements the other tools.

- *Supply and Use Tables*: The KZN 2001 SUT was disaggregated from 20 to 30 industries, and thereafter, updated to the 2005 reference year. The updated SUT can be used, among others, to determine the province's comparative advantages; to depict the forward and backward linkages generated through an investment; to assess the production and cost structure of commodities, industries and sectors; to determine inter-industry impact analysis through multipliers; to assess the number of jobs created (sustained) through infrastructure projects; to analyse the flow of goods and services within the regional economy; and to assess the impact of investment on various sectors.
- *Cost Benefit Analysis*: This is a technique that can be used to determine the relative merits of alternative government projects in order to reach a high degree of socio-economic efficiency in the application of funds. For example, it can be used to assess capital projects that require immediate capital expenditure but which only realise net benefits over time.
- *Social Accounting Matrix*: The KZN SAM is an extension of the 2005 SUT. It presents the regional economy in a matrix format, depicting the linkages that exist between all the different role players (public sector, business sector, household) in the regional economy. The construction of a regional SAM is more complicated than that of the national SAM, because of data limitations at the provincial level. Given the degree of provincial specificity, regional integrated economic accounts were compiled, based on the United Nations System of National Accounts. The KZN SAM is an econometric tool for analytical purposes used, among others, to quantify social and economic impacts of projects and investments.

⁶ Detailed figures encapsulated in the KwaZulu-Natal CBA – SUT – SAM are available at KZN Treasury.

In addition to the Leontief multiplier, the KZN SAM includes also the following multipliers:

1. *Labour multipliers* (which determine the extent to which an activity contributes to job creation within different sectors; that is, how wages and salaries are distributed among various labourers);
2. *Household multipliers* (which determine the extent to which an activity or project/investment contribute to poverty alleviation in the province; that is, how a household's income, expenditure and saving are affected);
3. *Capital multipliers* (which determine the extent to which a specific investment contributes to overall government goals);
4. *Social impact multiplier* (which determine the extent to which an activity or project/investment contribute to the welfare of the population. It includes environmental impact and social and demographic impacts such as impact on certain race groups, income groups, age groups, gender categories, etc.); and
5. *Tax multipliers* (which determine the extent to which an activity impacts on taxes and subsidies).

2.3.2 Snapshot of the KZN SAM

Table 2.3a is an aggregation of the KZN SAM that depicts the Provincial Accounting Matrix (PAM), from which the disaggregated SAM was built. The schematic presentation of the SAM consists of the following:

- Goods and services accounts (products),
- Production accounts (industries),
- Factor accounts (labour),
- Institutional accounts (households, government and private enterprises),
- Capital accounts (gross fixed capital formation), and
- Trade accounts (rest of the world).

The first two accounts '*Goods and services accounts*' and '*Production accounts*' are compiled from the Supply and Use Table. The other accounts are compiled from various sources such as the South African Reserve Bank, Statistics South Africa, Government departments, etc (refer to Table 2.3a).

The provincial economic and population growth rates are estimated to increase below 10 per cent between 2003 and 2008, while the provincial government expenditure is estimated to increase by more than 100 per cent during the same period. This high expenditure level should contribute to a reduction in poverty. Yet, according to the Global Insight database, the number of people living in poverty is greater today than in 2003. Therefore, it becomes imperative to evaluate government policy and government expenditure in order to understand why, despite a substantial increase in government expenditure, poverty still persists.

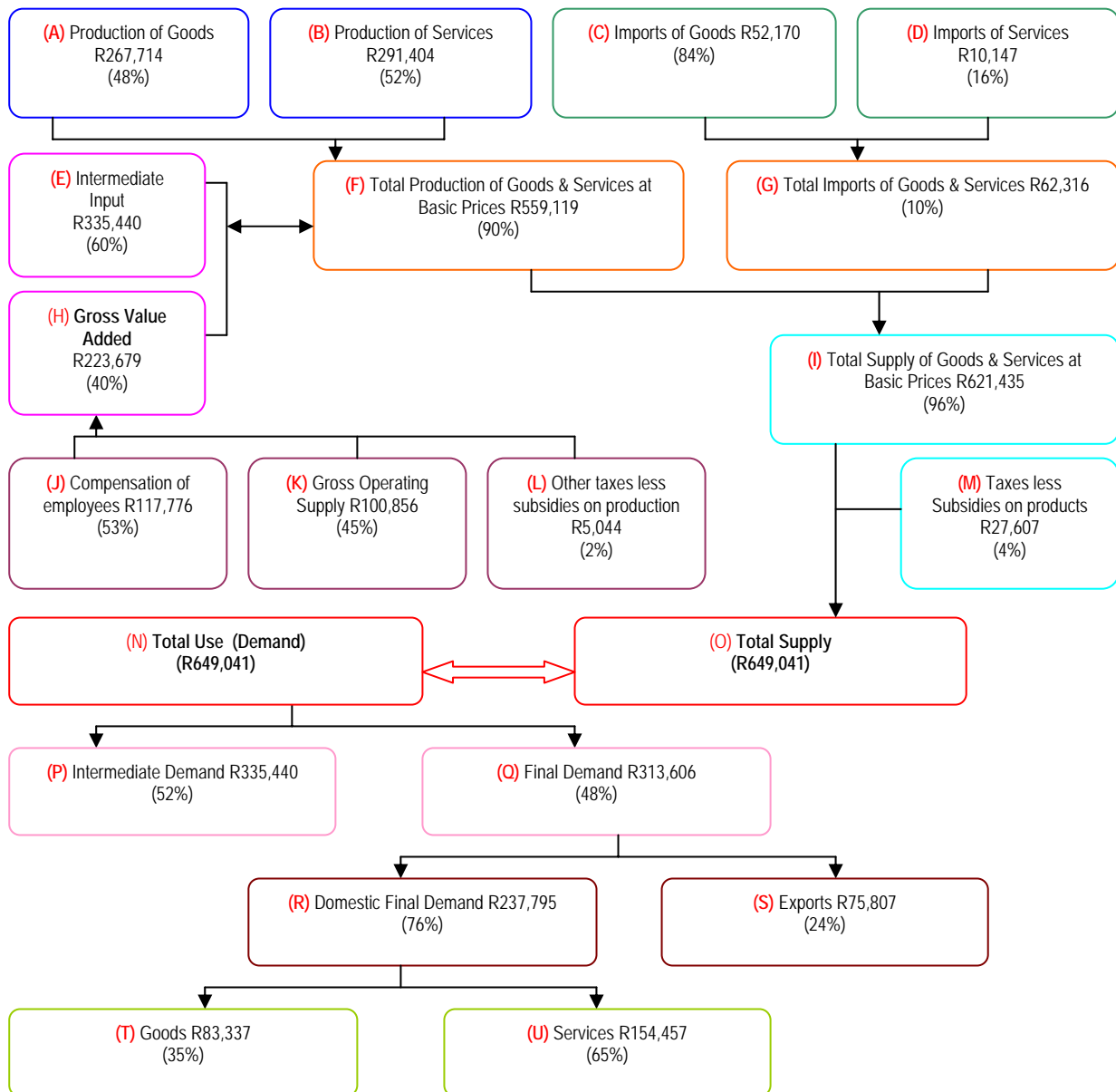
At a micro level, a sound analytical tool is required to assist with the identification of developmental projects that are sustainable and cost-effective, and investments that are associated with high socio-economic impact and aligned with the broader government policy priorities.

Table 2.3a

Kwazulu-Natal Social Accounting Matrix:
Provincial Accounting Matrix (PAM 2005, R milliion)

Integrated Economic Account (classification)		Goods and services	Production	Generation of income	Allocation of primary income	Secondary distribution of income	Use of disposable income	Capital		Financial intermediaries	Trade (Rest of the World)		TOTAL
		1	2	3	4	5	6	7	8	9	10	11	12
Goods and services	1	Trade and Transport Margins 0	Use/Intermediate consumption 335,440				Final Consumption Expenditure 198,747	Changes in inventories 1,663	Gross fixed capital formation 37,385		Exports of goods and services 75,807		649,042
Production	2	Supply Output 559,119											559,119
Generation of income	3		Domestic net value added, at basic prices 190,132								Compensation of employees from ROW 158		190,290
Allocation of primary income	4	Taxes less subsidies on products 27,607		Net generated income at basic prices 189,563	Property income : resident sector 115,785						Property income from ROW 2,315		335,250
Secondary distribution of income	5				Net National Income 212,535	Current Transfers : Resident sector 112,651					Current transfers from ROW 98		325,284
Use of disposable income	6					Net disposable income 211,130	Adj. for change in net equity hh. On resident pension funds 16,124				Adj. for change in net equity hh. On resident pension funds from ROW 0		227,254
Capital	7						Net savings 12,383	Capital transfers		Borrowing 80,006		Capital transfers from ROW -200	92,189
Capital	8		Consumption of fixed capital 33,547						Net fixed capital formation 3,588				37,385
Financial intermediaries	9								Lending 86,588			Net lending of ROW -6,582	80,006
Trade (Current)	10	Imports of goods and services 62,316		Compensation of employees to ROW 727	Property Income to ROW 6,950	Current transfers to ROW 1,503	Adj. for change in net equity hh. On resident pension funds to ROW						71,496
Trade (Capital)	11							Capital transfers to ROW 100			Current external balance -6,882		-6,782
TOTAL	12	649,042	559,119	190,290	335,250	325,284	227,254	92,189	37,385	80,006	71,496	-6,782	

Source: KZN Provincial Treasury, (2007)

Figure 2.3a: KwaZulu-Natal's Flow of Goods and Services, 2005 (R million)

Source: Provincial Treasury, (2007)

Figure 2.3a shows the flow of goods and services in KwaZulu-Natal. It indicates that, in 2005, total supply⁷, that is the total value of goods and services produced in the province, amounted to R649,041 million (Box O), of which R621,435 million (96 per cent) was from the total supply of goods and services at basic prices (Box I), and R27,607 million (4 per cent) was from taxes less subsidies on products (Box M). From the total production of R621,435 million (Box I), 90 per cent was domestically produced (Box F), and the rest was imported (Box G). The KZN domestic production (Box F) was made up of the production of goods (48 per cent – Box A) and services (52 per cent – Box B). 60 per cent of total domestic production represents the cost of production or intermediate inputs (Box E), and the balance is the gross value added (Box H). Total imports (Box G) comprised imports of goods (84 per cent – Box C) and imports of services (16 per cent – Box D).

To balance the economic accounts, the total demand must equal total supply. In other words, total production (supply) and total consumption (demand or use) must be equal (Box N and Box O). The

⁷ Total Supply is domestic production plus Imports of goods and services ready for consumption. Also, total supply per sector minus cost of production equals to Gross Value Added (GVA) for that sector. The sum of GVA equals GDP-R.

demand or consumption of goods and services is made up of one portion that is re-utilised in the production process as intermediate inputs (52 per cent - Box P), and another portion that goes for final demand (48 per cent - Box Q). The components of final demand consist of domestic final demand (76 per cent - Box R) (that is, household consumption expenditure, government consumption expenditure, and gross fixed capital formation) and foreign final demand or exports (24 per cent - Box S). The domestic final consumption expenditure consists of the consumption of goods (35 per cent - Box T) and services (65 per cent - Box U).

2.4 Labour market: performance and trend

Poverty alleviation and massive job creation have, for the past decades, been identified as key strategic priorities in the province. This section describes the structure, performance and trend of the KwaZulu-Natal Labour market.

According to Statistics South Africa's mid-year estimates, in 2006, there were 9,9 million people living in KwaZulu-Natal. Statistics South Africa's Labour Force Survey estimates that, in the same year, out of the 9,9 million people, 6,1 million people (61.2 per cent of total population) were in the working-age group of 15-65 years, also referred to as the labour force. Of the 6,1 million working-age people:

- 3,1 million people (51.5 per cent) were economically active, and
- 2,9 million people (48.5 per cent) were not economically active (example: full time students).

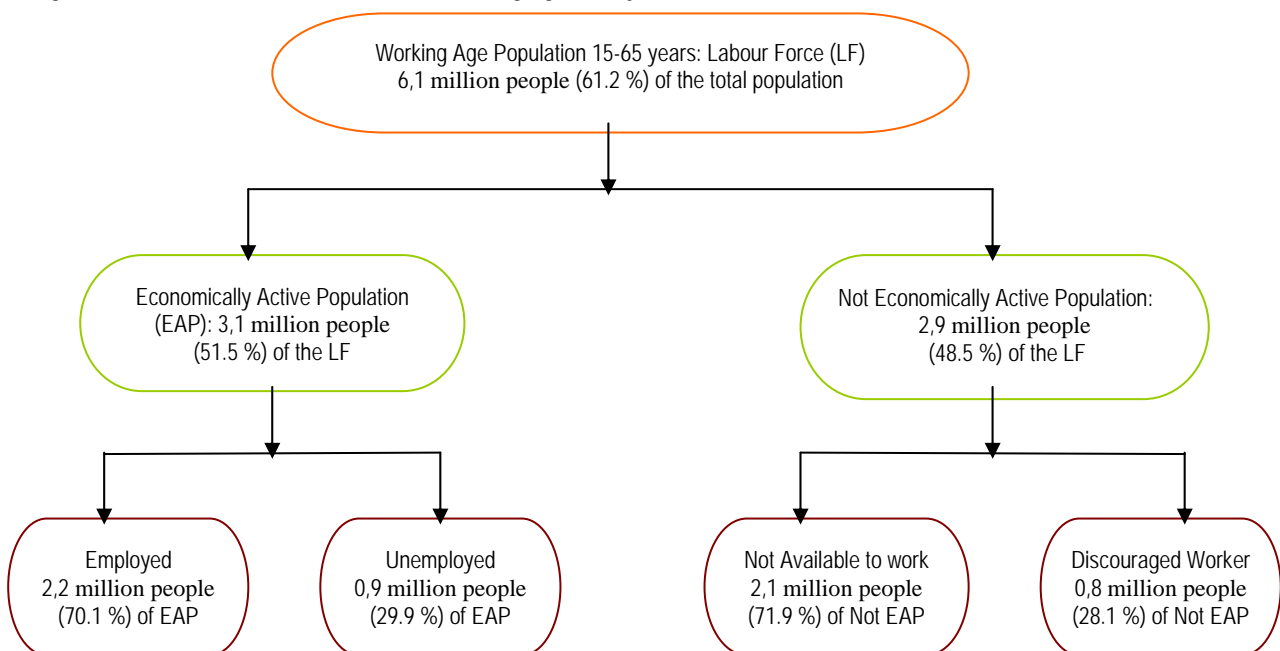
Of the economically active population (3,1 million people):

- 2,2 million people (70.1 per cent) were employed, and
- 0,9 million people (29.9 per cent) were unemployed (official definition).

Of the not economically active population (2,9 million people):

- 2,1 million people (71.9 per cent) were not available to work (example: full time students), and
- 0,8 million people (28.1 per cent) were discouraged work-seekers.

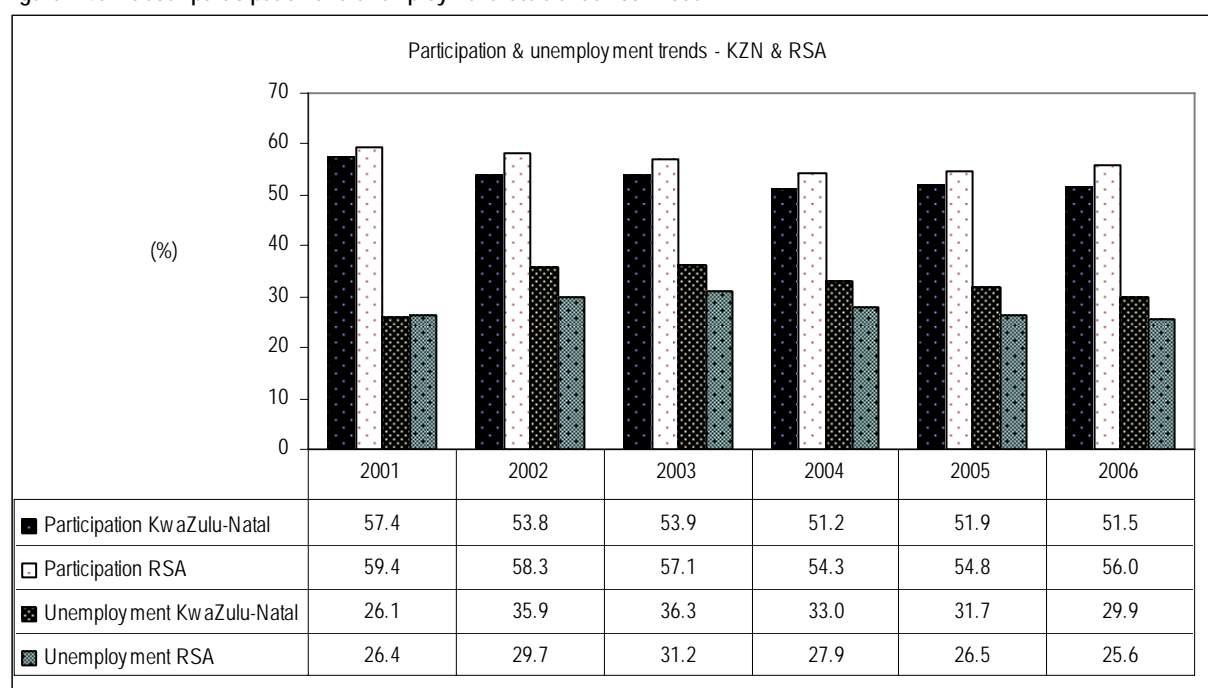
Figure 2.4a: KwaZulu-Natal's Labour Force: Working Age 15-65 years



Source: Stats SA 2006, Labour Force Survey

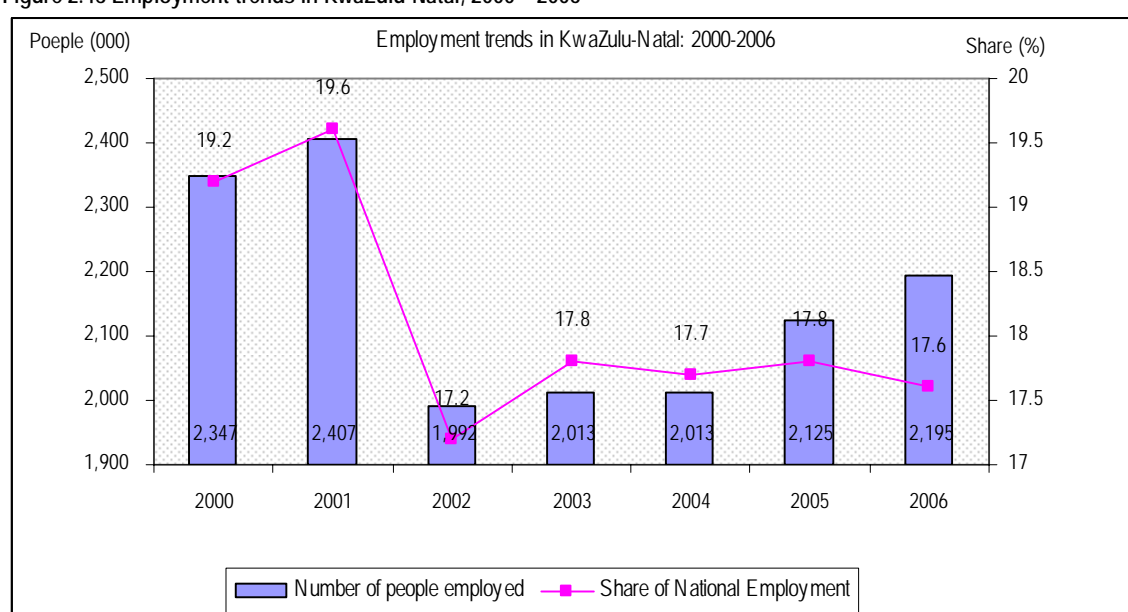
Figure 2.4b provides the trends and patterns of unemployment and labour participation for KwaZulu-Natal and for the country as a whole, between 2001 and 2006. Although KwaZulu-Natal's and South Africa's labour forces, as proportions of the total population, are closely similar, Figure 2.4b shows that, for the entire period (except in 2001), the labour participation rates in the province were slightly lower than the national average (51.5 per cent versus 56.0 per cent in 2006), and the unemployment rate for KwaZulu-Natal (29.9 per cent) was higher than for the country as a whole (25.6 per cent). Nonetheless, the province's unemployment rate has improved impressively, from 36.3 per cent in 2003 to 29.9 per cent in 2006.

Figure 2.4b: Labour participation and unemployment rate trends 2001-2006



Source: Stats SA 2006, Labour Force Survey

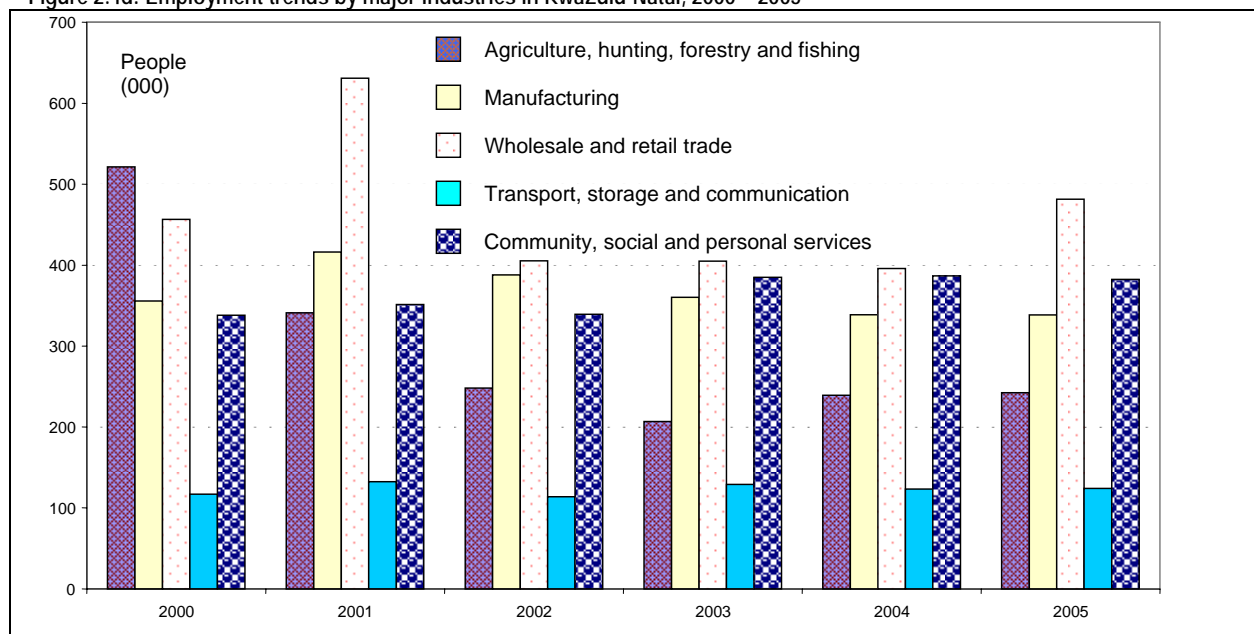
Figure 2.4c Employment trends in KwaZulu-Natal, 2000 – 2006



Source: Stats SA 2006, Labour Force Surveys

As can be observed from Figure 2.4c, not only have unemployment rates in KwaZulu-Natal improved, but also the number of people employed in the province has grown over the same period, rising from 2,013,000 in 2003 to 2,195,000 in 2006.

Figure 2.4d: Employment trends by major industries in KwaZulu-Natal, 2000 – 2005



Source: Statistics South Africa: 2005 Labour Force Survey

In addition to general employment trends in the province in the past six years, Figure 2.4d gives the trends by industry. Only the five top employing industries are presented, that is, those employing more than 10 per cent of labour force. *Agriculture* is important to the province, in view of the comparative advantage that KwaZulu-Natal has over other provinces in this sector. It can be observed from this figure that *Wholesale and retail trade* accounts for more than a quarter (26.2 per cent) of the total employment in the province.

The general increase in GDP-R by 4.7 per cent in 2004 and 5.3 per cent in 2005 could have been a major contributing factor to the decline in unemployment. As the economy is labour-intensive, more people tend to be employed during boom and less during slumps. The introduction of co-operatives and SMMs by the government of KwaZulu-Natal has, without a doubt, helped to uplift the living standards of many in the province by creating employment opportunities for them.

The fall in the labour levels in the Agriculture sector since 2000 is probably a result of uncertainty brought about by land reform in South Africa, which led to a fall in production and a resultant low labour absorption rate by the sector. The improvement later in 2003 is possibly due to stability after the implementation of this land reform initiative. This period could have also seen skills development for the new farm occupants/owners, revived productivity in the sector and agriculture after the low productivity years, leading to more people being employed again. Another important factor could be that, since the previously disadvantaged do not have funds to purchase major machinery; they tend to use more labour intensive practices on their farms, hence increasing employment levels in this sector.

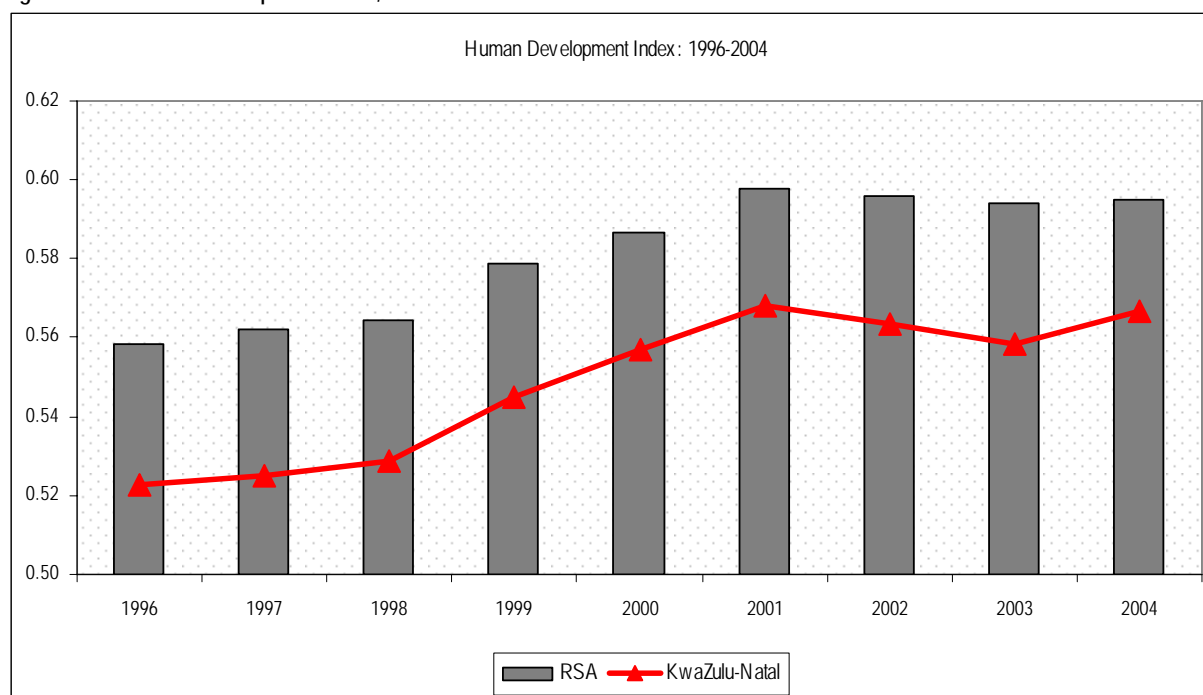
In order for the Agriculture sector to continue on this positive trend, continuous monitoring of land redistribution is essential, to ensure increased productivity and to avoid 'white elephant' projects. With the Agrarian Revolution initiative, it is possible that the number of employed in the Agriculture sector will increase even more.

2.5 Social development

The uneven distribution of wealth and, consequently, high poverty levels for the majority of people in rural areas remain a multi-dimensional challenge for the province. Figure 2.5a highlights the Human Development Index (HDI⁸).

2.5.1 Socio-economic development

Figure 2.5a: Human Development Index, 1996 -2004



Source: Global Insight, 2006

Global Insight estimated the HDI for KwaZulu-Natal to be 0.56 in 2003, compared to the 0.59 average for the country (Figure 2.5a). Although this rose to 0.57 in 2004, it was still lower than the national average. In fact, throughout the period under review, the HDI for the province was lower than the national average. This can be attributed to the high HIV prevalence rates in the province, as these directly affect longevity. The positive change in 2004 might be as a result of increased literacy and access to education. From policy point of view, the introduction of ABET⁹, the increased funding of FET¹⁰ colleges and increased social grants contributed to the higher literacy rate.

Longevity, high literacy rates and reduced income inequalities, therefore, are essential elements in improving a province's HDI, and, in the case of KwaZulu-Natal, literacy rates are impressive. However, greater effort needs to be focussed on reducing mortality and income inequality.

⁸ The HDI is a composite relative index that attempts to quantify the extent of human development of a community. It is based on measures of life expectancy, literacy and income. It is therefore seen as a measure of people's ability to live a long and healthy life, to communicate, to participate in the life of the community and to have sufficient resources to obtain a decent living (DBSA 2005: 22). An HDI of 0.800 or above shows high human development. Medium human development is reflected by an HDI of between 0.500 and 0.799, an HDI of less than 0.500 signifies low human development (UNDP, 2003).

⁹ Adult Basic Education and Training

¹⁰ Further Education and Training

Budget Statement 1

Table 2.5a: Social indicators

Indicator		KwaZulu-Natal	RSA	Year	Source
Population (considering HIV)		9,924,000	47,390,900	2006	Stats SA
Population density (per sq km)		108	39	2006	Stats SA
Land cover (sq km)		92,305	1,219,078	1994	Stats SA
Labour force		6,072,000	29,852,000	2006	Stats SA
Labour force (% of total population)		61.2	63.0	2006	Stats SA
Participation rate (%)		51.5	56.0	2006	Stats SA
Unemployment rate (%)		29.9	25.6	2006	Stats SA
Absorption rate (%)		36.1	41.7	2006	Stats SA
Human development index		0.57	0.57	2004	Global Insight
Gini coefficient		0.64	0.62	2004	
Learner enrolment		2,916,743	13,936,737	2005	Department of education
Educator:learner ratio		33.6	32.0	2005	
School:learner ratio		469.0	459.0	2005	
Gross Enrolment Ratios (ordinary schools)	Male	99.0	97.0	2005	Department of education
	Female	97.0	97.0	2005	
	Total	98.0	97.0	2005	
Success rates - senior certificate exams	Male	70.3	69.7	2005	Department of education
	Female	70.6	67.2	2005	
	Total	70.5	68.3	2005	
Vacancy rates - critical occupations (%)	Edu specialist - school-based	7.7	-	2004-2005	Prov Edu Dept
	Principal deputy - sch based	3.5	-	2004-2005	
	Teacher - sch. based	1.7	-	2004-2005	
Literacy rate		88.6	88.2	2004	Stats SA
GDPR per capita (constant 2000 prices)		19,001	23,799	2005	Stats SA
GDPR per capita (constant 2000 prices)		17,309	23,291	2006	Quantec
People living below poverty line (% of total popn)		12.5	9.1	2004	Global Insight
Poverty gap (R million)**		8,819	40,760	2004	Global Insight
Population aged 65+ (% total population)		4.5	5.0	2006	Stats SA
Disabled persons (% total population)		5.0	5.0	2001	Stats SA
Children aged 0-14 yrs (% total population)		34.6	32.4	2006	Stats SA
Number of grants paid	Grants for the aged	428,684	2,093,075	2005	Dept Social Welfare & National Treasury
	Grants for disabled	353,522	1,307,459	2005	
	Care dependency grants	20,822	85,818	2005	
	Child support grants	801,897	5,633,647	2005	
Uninsured population (% of total population)		89.7	85.0	2004	Stats SA
Per capita annual uninsured health expenditure (R)		1,017	1,014	2005	Nat Treasury
Infant mortality rate (under 1) per 1,000 live births**		67	53.6	2005	ASSA: Stats SA
Child mortality rate (under 5) per 1,000 live births**		129	72.1	2005	ASSA: Stats SA
Maternal mortality per 100,000 live births		150	..	1998	Provincial Health Dept
Total fertility rate		3.0	2.7	2006	Stats SA
Life expectancy at birth (years)		43.0	51.0	2006	Dept of Health
People living with AIDS		1,540,183	5,372,476	2006	Dept of Health
People living with AIDS % of total population		15.5	11.3	2006	Dept of Health
HIV prevalence rate (adults aged 15-49 yrs)		19.2	18.2	2005:2006	ASSA, Stats SA
Top three causes of death per 100,000 deaths	AIDS	39.4	..	1998-2002	Provincial Health Dept
	% total mortality TB	11.6	..	1998-2002	
	Cardiovascular	9.6	..	1998-2002	
	AIDS	31.5	..	1998-2002	Provincial Health Dept
	% case fatality TB	13.6	..	1998-2002	
	Cardiovascular	15.6	..	1998-2002	
Number of households ('000)		2,457	12,726	2006	Stats SA
Proportion of households (%) with access to:	Tap water in dwelling or yard	62.1	68.4	2006	Stats SA
	Refuse removal by local municipality	56.0	60.1	2005	
	Electricity from mains	72.0	80.2	2006	
	Electricity for lighting	72.2	80.3	2004	
	Telephone in dwelling or cellphone	37.7	54.6	2001:2004	
	Bucket toilet or none	7.7	7.9	2006	
Households deprived of 6 quality basic services (%)		18	12	2001	UNDP
Households living in informal dwellings		14.8	15.9	2006	Stats SA
Among those with access, % households who paid for water		53.8	47.8	2005	Stats SA
Mode of travel to work/school	Foot	30.7	30.7	2001	Stats SA
	Car	8.0	9.6	2001	
	Bus	8.6	9.1	2001	
Road density (vehicles/km)		25.8	19.8	2005	Nat Treasury
Houses completed (1994-2005)		315,936	1,793,124	2005	

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

*** Provincial figures are for 1998 and are supplied by the Provincial Health Department; national figures for 2005 are from Stats SA.*

Table 2.5b gives a detailed comparison between KwaZulu-Natal's and South Africa's HIV prevalence rates for different groups of people between 2000 and 2006. In 2006, deaths caused by AIDS accounted for 57.1 per cent of total deaths in KwaZulu-Natal, and 47.5 per cent in South Africa as a whole.

It should be borne in mind, though, that these rates are projected model estimates only, and they do not take into consideration positive changes in policy and implementation. Thus, it is possible that the rates are higher or lower than reported here.

Table 2.5b: HIV prevalence rates KwaZulu-Natal and National RSA, 2000-2006

Year	Prevalence rates	Antenatal clinics	Population group (%)						Total population	deaths due to AIDS
			Women aged 15 - 49	Men aged 15 - 49	Adults aged 15 - 49	Adult women aged 64	Adult men 20 - 64	Adults age 20 - 64		
2000	RSA	22.3	15.2	12.2	13.7	14.5	13.8	14.2	7.9	26.4
	KZN	35.9	24.1	19.8	22.1	23.2	23.1	23.2	12.5	38.0
2001	RSA	24.1	16.7	13.4	15.1	16.0	15.2	15.6	8.8	-
	KZN	37.8	26.0	21.2	23.7	25.1	25.0	25.0	13.6	-
2002	RSA	25.5	18.1	14.2	16.2	17.4	16.2	16.8	9.6	39.8
	KZN	39.0	27.4	22.0	24.8	26.5	26.2	26.4	14.4	51.7
2003	RSA	26.5	19.1	14.7	17.0	18.4	17.0	17.7	10.2	-
	KZN	39.6	28.4	22.4	25.5	27.5	26.9	27.2	15.0	-
2004	RSA	27.3	20.0	15.0	17.6	19.3	17.4	18.4	10.6	44.0
	KZN	40.0	29.1	22.5	25.9	28.2	27.1	27.7	15.4	-
2005	RSA	27.9	20.7	15.2	18.0	19.9	17.7	18.8	11.0	55.8
	KZN	40.1	29.5	22.5	26.1	28.6	27.2	28.0	15.6	65.5
2006	RSA	28.3	21.2	15.4	18.3	20.4	17.8	19.2	11.2	47.5
	KZN	40.2	29.7	22.3	26.2	28.9	27.0	28.0	15.7	57.1

Source: ASSA AIDS Model

For example, the provincial Department of Health estimates that, on average, between 1998 and 2002, the top three causes of death in the province were AIDS (39.0 per cent), TB (12.0 per cent) and other cardiovascular diseases (10.0 per cent). It is further suggested that, when specific case fatality is taken into consideration, nearly a third of AIDS cases led to death, and less than a fifth of all TB and/or other cardiovascular diseases were fatal. The department reports that, during this period, there was a 5.0 per cent increase in TB cure rates, reflecting some progress in fighting this disease. Nonetheless, policies need to be reviewed and there is a need to improve monitoring of implementation in the province to ensure maximum impact of government expenditure on the programmes aimed at addressing the issue of HIV and AIDS.

2.6 Overview of the municipal districts

2.6.1 Population

According to Stats SA (2006 mid-year population estimates), KwaZulu-Natal has approximately 9.9 million people, accounting for approximately 21.0 per cent of the total population in the country, a percentage that is higher than for any other province. The highest number of people in the province is found in the eThekweni Metropolitan Municipality (32.8 per cent). The uMgungundlovu District Municipality (DM) houses the second highest number of people at 9.8 per cent, followed by the uThungulu District Municipality at 9.4 per cent. The smallest district, population-wise, is Sisonke DM with 3.2 per cent.

eThekweni is the smallest district in square metres (2,292m²), occupying only 2.5 per cent of KwaZulu-Natal's land. Zululand is the largest municipal area (15,305m² or 16.6 per cent of the province).

Because of its relatively smaller population (6.1 per cent of all people in the province) and larger land (13.9 per cent of KwaZulu-Natal's land), Umkhanyakude has the second lowest population density of 47 after Sisonke's 31; the average for the province is 108. This renders this municipal district hard to service, as there are likely to be low economies of scale in service delivery.

Except for the uMgungundlovu DM (83.0 per cent) and the eThekweni Municipal Metropole (68.0 per cent), all of the other district municipalities have at least 91.0 per cent African. With the exception of eThekweni (63.0 per cent) and uMgungundlovu (79.0 per cent) again, the rest of the district municipalities have more than 86.0 per cent of their populations speaking isiZulu as a first language.

2.6.2 Households

In 2001, there were 2,5 million households in KwaZulu-Natal, representing 19.0 per cent of all households in South Africa. This fact poses serious implications for the delivery of basic services in the province. For instance, KwaZulu-Natal has about 40.0 per cent of families comprising five persons or more, with the highest household density being in Umkhanyakude, at 55.7 per cent. The national average in this regard is 32.9 per cent. Even at ten persons and higher, the province still leads at 6.4 per cent. The second largest families are found in Limpopo, with 3.8 per cent of the province's households comprising ten or more people.

Similar to the distribution of the population among district municipalities, most of the households are in eThekweni (31.7 per cent) and iLembe (20.7 per cent). Sisonke has the lowest number of households in KwaZulu-Natal (2.9 per cent).

2.6.3 Urbanisation

Nearly a third of KwaZulu-Natal's population resides in urban areas. eThekweni alone is 88.0 per cent urbanised. The second highest urbanisation rate is in uMgungundlovu (65.0 per cent), followed by Amajuba (63.0 per cent). In Umkhanyakude, only 3.0 per cent of the 573,000 people are regarded as urban residents. This has a huge bearing on service delivery, as rural villages are usually located far away from one another, rendering them difficult to reach.

As can be recalled from the population density distribution, Umkhanyakude has the second lowest density (47.0 per cent) after Sisonke (31.0 per cent). However, Sisonke is far more urbanised than Umkhanyakude, which is only 14.2 per cent, making it more accessible than Umkhanyakude.

Table 2.6a: Selected socio-economic indicators for municipal districts

		DC27:											
		DC21: Ugu	DC22: Umguvundlovu	DC23: Uthukela	DC24: Umzinyathi	DC25: Amajuba	DC26: Zululand	DC27: Umkhanyakude	DC28: Uthungulu	DC29: iLembe	DC43: Sisonke	Durban: Ethekweni	KwaZulu-Natal
Indicator													
Population 2006	Female	379,021	501,946	363,655	261,217	250,973	445,605	322,680	486,581	307,314	163,901	1,639,008	5,121,900
	Male	350,553	475,408	326,543	220,897	244,907	403,376	283,324	446,595	283,324	148,865	1,618,308	4,802,100
	Total	744,300	972,552	694,680	476,352	496,200	843,540	605,364	932,856	585,516	317,568	3,255,072	9,924,000
Distribution of Population	Female	7.4	9.8	7.1	5.1	4.9	8.7	6.3	9.5	6.0	3.2	32.0	100.0
	Male	7.3	9.9	6.8	4.6	5.1	8.4	5.9	9.3	5.9	3.1	33.7	100.0
	Total	7.5	9.8	7.0	4.8	5.0	8.5	6.1	9.4	5.9	3.2	32.8	100.0
Land cover (sq km)		5,046	8,942	11,329	8,079	6,910	15,305	12,818	8,215	3,260	10,109	2,292	92,305
Population density 2006		148	109	61	59	72	55	47	114	180	31	1,420	108
Total number of households 2006		149,182	214,587	133,566	89,256	95,753	143,578	100,601	169,854	509,786	71,555	779,281	2,457,000
Total households (%)		6.1	8.7	5.4	3.6	3.9	5.8	4.1	6.9	20.7	2.9	31.7	100.0
Households with no access to:	A telephone	10.3	7.7	9.1	18.4	5.8	15.2	13.1	14.2	12.7	13.5	3.5	9.2
	Refuse removal	79.9	54.0	71.3	80.9	43.8	79.1	92.7	76.3	75.6	71.2	13.8	49.8
	Piped water or borehole	46.4	14.1	22.4	47.0	9.0	42.1	43.9	39.7	44.8	33.3	4.8	22.6
Households with access to:	Electricity for cooking	30.9	55.2	29.3	16.2	48.3	23.5	13.0	39.8	38.9	16.6	72.0	61.8
	Heating	31.4	52.3	25.8	13.9	43.8	22.0	12.9	39.4	37.8	14.3	71.5	58.3
	Lighting	48.0	74.4	57.6	24.3	72.5	38.2	20.1	52.6	49.3	35.7	79.7	72.0
Households with 5+ members		43.9	36.3	47.0	48.9	44.0	54.4	55.7	47.8	42.2	37.6	31.0	40.0
Households that use bucket latrine/none		18.1	7.0	19.4	44.2	7.1	40.2	58.1	31.4	19.8	13.0	5.3	7.7
Households living in informal housing		4.5	10.3	3.1	2.4	8.4	3.0	4.3	5.3	11.8	5.7	19.6	12.8
Labour indicators	Employed	117,754	269,949	103,636	48,804	99,091	91,644	52,323	166,777	116,656	55,803	1,072,564	2,195,000
	Unemployed	57,863	104,069	66,220	36,024	54,940	64,052	39,541	75,778	48,193	25,531	362,791	935,000
	Not economically active	248,843	256,931	214,422	162,287	137,378	289,402	220,455	297,105	186,187	96,313	833,677	2,943,000
	Labour Force	424,735	628,987	395,776	252,498	300,257	453,502	316,090	538,780	348,200	177,656	2,235,519	6,072,000
	Labour force (% of total pop)	57.1	64.7	57.0	53.0	60.5	53.8	52.2	57.8	59.5	55.9	68.7	61.2
	Labour force distribution	7.0	10.4	6.5	4.2	4.9	7.5	5.2	8.9	5.7	2.9	36.8	100.0
	Participation rate	41.3	59.5	42.9	33.6	51.3	34.3	29.1	45.0	47.3	45.8	64.2	51.5
	Unemployment rate	32.9	27.8	39.0	42.5	35.7	41.1	43.0	31.2	29.2	31.4	25.3	29.9
	Employed	5.4	12.3	4.7	2.2	4.5	4.2	2.4	7.6	5.3	2.5	48.9	100.0
	Unemployed	6.2	11.1	7.1	3.9	5.9	6.9	4.2	8.1	5.2	2.7	38.8	100.0
	Not economically active	8.5	8.7	7.3	5.5	4.7	9.8	7.5	10.1	6.3	3.3	28.3	100.0
	Labour Force	7.0	10.4	6.5	4.2	4.9	7.5	5.2	8.9	5.7	2.9	36.8	100.0
Mode of transport	On foot	35.0	29.8	34.5	38.2	32.7	42.8	41.6	36.8	34.8	40.6	19.3	30.7
	Not applicable	54.1	49.2	54.2	55.6	51.4	50.4	53.4	49.4	51.2	51.2	49.7	51.1
Attending school/inst.	Not attending	28.1	30.0	28.1	28.8	27.0	23.6	26.9	26.9	29.2	28.9	33.1	29.2
	School	69.2	64.8	68.9	68.4	68.4	73.6	70.8	69.2	68.0	68.2	59.1	66.2
People who have never had schooling		27.1	16.8	27.3	44.3	16.1	38.9	46.3	31.6	29.8	23.8	10.0	21.9
Persons with disability (%)		5.2	4.4	6.6	5.4	6.6	7.4	5.8	4.5	5.4	5.9	3.6	5.0
People living on < \$1 per day		69,808	67,373	64,554	106,549	54,096	118,038	101,475	108,987	79,493	45,024	108,193	923,590
Gini Coefficient		0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.7	0.7	0.7	0.6	0.6
Human development index		0.5	0.6	0.5	0.4	0.6	0.4	0.4	0.5	0.5	0.5	0.7	0.7
Age distribution	0-6yrs	15.9	13.6	17.3	19.1	15.9	18.5	19.4	17.2	16.3	17.1	12.6	15.5
	7-13yrs	18.6	15.2	18.8	20.7	17.2	20.8	21.2	18.6	17.8	19.5	13.2	16.9
	14-18	13.2	11.4	13.1	13.6	12.2	14.3	14.0	12.8	12.6	13.0	10.2	12.1
	19-24	10.9	12.1	11.3	10.1	12.1	11.1	11.1	11.7	11.5	10.8	12.9	11.9
	25-65	35.7	43.1	35.3	31.6	38.9	30.9	29.9	35.6	37.4	35.3	47.4	39.5
	66+	5.6	4.6	4.1	4.9	3.8	4.3	4.3	4.1	4.5	4.3	3.8	4.2
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	0-6yrs	7.7	8.7	7.8	6.0	5.1	10.2	7.6	10.5	6.3	3.5	26.6	100.0
	7-13yrs	8.2	8.9	7.8	5.9	5.1	10.5	7.7	10.4	6.3	3.7	25.6	100.0
	14-18	8.2	9.3	7.6	5.5	5.0	10.1	7.1	10.0	6.2	3.4	27.7	100.0
	19-24	6.9	10.1	6.6	4.1	5.1	7.9	5.7	9.3	5.8	2.9	35.7	100.0
	25-65	6.8	10.7	6.2	3.9	4.9	6.7	4.6	8.5	5.6	2.8	39.3	100.0
	66+	9.9	10.7	6.8	5.6	4.4	8.7	6.1	9.0	6.3	3.2	29.2	100.0
	Total	7.5	9.8	7.0	4.8	5.0	8.5	6.1	9.4	5.9	3.2	32.8	100.0
Employment category of working household member	Paid employee	5.5	12.7	4.6	2.3	4.0	4.5	2.7	8.7	5.8	3.1	46.0	100.0
	Paid family worker	7.8	10.8	6.1	3.0	3.4	7.7	5.5	11.8	6.5	3.3	34.1	100.0
	Self-employed	5.2	11.0	4.9	2.9	4.1	4.0	3.4	6.6	4.5	2.8	50.7	100.0
	Employer	6.6	10.4	4.7	2.4	6.3	8.1	6.0	11.6	6.7	2.9	34.3	100.0
	Unpaid family worker	5.3	7.8	4.2	4.4	4.2	13.2	7.6	9.8	7.8	3.7	32.0	100.0
	Not applicable	8.3	9.4	7.4	5.7	4.7	8.5	6.2	8.6	6.0	3.7	31.4	100.0
Employment by industry	Agriculture: hunting; Mining and quarrying	16.9	17.5	7.8	19.8	7.4	16.9	12.1	15.5	19.4	25.7	1.8	8.9
	Manufacturing	0.4	0.3	0.2	0.6	1.5	2.5	1.0	2.4	0.3	0.4	0.2	0.6
	Electricity: gas and water supply	9.6	13.3	23.4	5.9	22.9	4.8	4.4	11.1	21.6	5.3	20.2	16.7
	Construction	0.8	0.8	0.8	0.3	0.7	0.6	0.6	0.7	0.3	0.4	0.7	0.7
	Wholesale and retail trade; accommodation and food services	5.2	4.1	4.4	3.8	4.0	4.1	4.1	5.0	4.8	4.2	5.1	4.8
	Transport; storage & information communication	15.4	13.0	14.9	14.3	13.7	11.3	12.1	11.6	11.2	17.1	17.0	15.0
	Financial; real estate and professional services	3.4	3.4	4.9	2.9	3.4	4.2	4.1	5.3	3.1	2.3	6.5	5.1
	Community; social and cultural services	5.6	7.5	5.1	4.6	4.9	4.9	5.0	6.2	5.4	4.8	11.1	8.4
	Other and not adequately classified	18.2	21.4	20.3	26.5	21.9	27.2	32.7	18.5	12.8	18.1	19.0	19.9
	Private Households	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Undetermined	14.0	9.9	8.4	9.4	9.4	9.7	8.6	7.8	9.1	12.6	8.7	9.3	
	10.6	8.9	9.7	11.8	10.2	13.8	15.3	15.8	12.0	9.2	9.8	10.7	
Income category of workers	No income	3.4	2.4	3.2	3.9	3.3	4.7	4.9	3.3	3.1	3.6	2.2	2.7
	R 1 - R 800	48.2	40.1	42.9	46.7	45.2	44.9	37.9	36.6	50.2	56.3	22.0	33.0
	R 801 - R 1600	18.6	19.1	19.7	16.5	15.9	15.7	18.9	18.9	20.9	13.4	24.1	21.2
	R 1601 - R 3200	14.5	16.8	17.0	15.5	15.4	16.1	20.5	17.6	13.2	11.6	22.0	18.9
	R 3201 - R 51200	15.0	21.0	16.8	17.0	19.8	18.2	17.6	23.1	12.5	14.6	29.1	23.6
	R 51201 or more	0.3	0.6	0.4	0.4	0.3	0.4	0.3	0.5	0.2	0.5	0.6	0.0

2.6.4 Provincial Spatial Economic Development Strategy

In order to convert undoubted economic development potential into a reality, the province needs to be realistic about where monies are being spent, and to what effect. It was precisely with these objectives in mind that the technical economic cluster of the Cabinet developed a comprehensive Provincial Spatial Economic Development Strategy (PSEDS) during the course of the past year.

The PSEDS seeks to address two key weaknesses identified in the current draft of the Provincial Growth and Development Strategy (PGDS), namely that it lacks a spatial context and is not aligned to the principles of the National Spatial Development Perspective (NSDP).

It is essential that provincial strategies for growth and development outline specific geographic areas of focus for a phased implementation of the province's development strategic objectives and priorities. In developing the PSEDS, therefore, the focus was on ensuring that government directs its fixed infrastructure investments in areas of greatest economic development potential and areas of greatest need, based on poverty densities. This does not imply that other areas, with lower economic growth potential, will be neglected. All areas in the province will receive investments in development and the provision of basic services.

This process of identifying areas of potential and need involved a rigorous analysis of identifying development and growth corridors that have the highest economic potential, as well as the highest need as measured by poverty densities. This issue is discussed at greater length under Section 1: *Budget Strategy: An Overview*.

Figure 2.6a below shows the nodes in pink. The bigger the node, the more urbanised the area and the higher the potential growth. The smaller the node, the less urbanised the area and the smaller the growth potential.

Figure 2.6b shows the corridors represented by the coloured lines. The greens lines are for agricultural activities in the area, red lines show tourism activities, and brown lines represent activities relating to industrial activities.

Figure 2.6a – Nodes

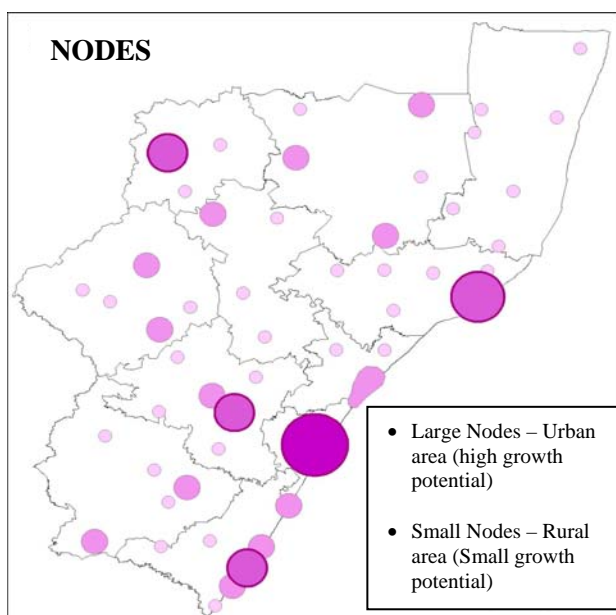
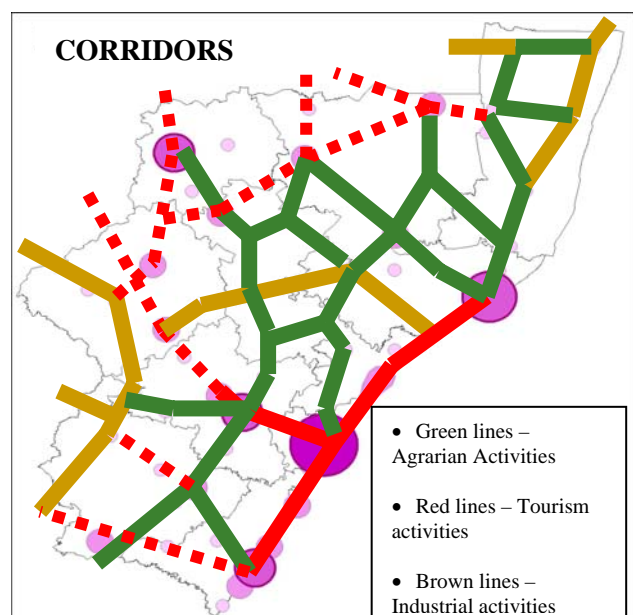


Figure 2.6b – Corridors



It is evident from Figures 2.6a and 2.6b that eThekweni, uThungulu, Ugu and Sisonke are identified as urban areas. It transpires further that the eastern part of the province is more industrial in nature, and that the inland area is more agricultural. The coastal area is dominated by tourism activities. However, it is acknowledged that this activity is spread throughout the province and, as such, each district is encouraged to unlock its potential for growth in respect of this sector.

The alignment of the PSEDs to municipal IDPs is especially critical, so that ultimately the development planning processes of all three spheres of government can be aligned and synchronised. Only in this way will government be able to achieve its common goal of sustainable and shared economic growth. In this regard, an important start has already been made, and the PSEDs is being provided to all municipalities in the province during a series of municipal development and growth summits, as a guide to inform the municipal IDP and LED planning and implementation frameworks.

Furthermore, the provincial spatial economic development strategy aims to discover the comparative advantages of the district municipalities, and further indicate the sectors that are important for growth and development in the province (refer to Table 2.6b).

Table 2.6b: The Comparative Advantages and Government Priorities per District Municipality

District municipalities	Sectors			Other linking Corridors
	Agriculture	Industry	Tourism	
eThekweni	Securing agricultural land for commercial purposes.	Dube trade port corridor	Beaches and Cultural tourism destinations	Umbumbulu, Hammarsdale, portshepstone, etc.
Umgungundlovu	Agricultural potential in low income areas	uMngeni - Durban Corridor upgrade	Arts & craft, and heritage sites	Midlands meander & Albert falls, Edendale Valley etc.
Uthungulu	Expansion of land reform initiatives for citrus, tea, cane, and timber productions and processing.	Richard Bay IDZ,	Zulu heritage trail, cruise, and Forestry tourism	Nkandla, Richards bay, Ngoye and Ntonjaneni, etc
Ilembe	Develop agricultural potential along the Maphumulo and Ndwedwe corridor and protection of potential agricultural land for commercial production (Umhlanga - ballito)	Mandeni & Stanger industrial township and links to Dube trade port	Zulu heritage trail, eco tourism to link with beach tourism market resorts	Maphumulo, Ndwedwe, Mandeni, Umhlanga, etc
Amajuba	Development of livestock farming, game farming and Chelmsford Dam agricultural complex.	Newcastle industrial townships, Bio-Diesel productions etc.	Battle field resorts, Drakensberg and cultural tourism	Danhauser, Utrecht, Drakensberg and Newcastle, etc
Ugu	Development of Sugar cane and Banana agricultural productions	Port Shepstone Industrial Township	Golf, beach, Margate airport tourism	Port Shepstone, Durban, Margate, etc
Uthukela	Support land reform beneficiaries in Weenen & Winterton and develop Maize, Beef farming,	Emnambithi industrial area	Battle fields, eco tourism	Emnambithi, Ladysmith, etc
Zululand	Development of agriculture along the Ulundi – Richards and develop Maize, bio fuels, livestock, green beans farming, etc	Richards bay corridor	Zulu heritage routes, Ulundi airport and Amakhosi eco tourism	Nongoma, Mpumalanga, Richards bay etc.
Umkhanyakude	Improve the roads, free water from Pongola dam. Develop Maize, bio fuels, livestock, and green beans farming	St Lucia, Pongola dam Ndumo and Thembe reserves,	Mkhuze airstrip tourism for agricultural export etc	Maputo, Swaziland, etc.
Umzinyathi	Develop Small scale Intensive agriculture in Tugela & Mooi river valley		Zulu heritage and Battle field routes, Develop cultural potential of Msinga	Weenen, Msinga, Nkandla, etc
Sisonke	Development of Bio fuels, livestock, green beans farming, game, and timber, etc.	Plan Umzimkhulu Investment potential, housing,	Drakensberg, Ingwe/ Paton tourism development	Impendle, Umzimkhulu, Ixopo, Kokstad etc.

2.7 Progress on co-operatives in KwaZulu-Natal

The Co-operatives Programme has two very specific objectives, namely to provide food security and create economic activity at a very basic community level. The previously disadvantaged communities now own co-operative businesses, and are being enabled, through the programme, to participate in the mainstream economy. The programme does not seek to establish primary co-operatives that will always be dependent on government support, but intends to establish co-operatives at both secondary and tertiary levels, with the aim of servicing the primary co-operatives to ensure their sustainability.

Though more co-operatives have received training, currently over 4,000 of them have worked with FET colleges to draw up business plans. Over 1,000 have had their funding approved by Ithala, and a few have made own savings and are operational without any funding from Ithala. According to Ithala records, a total of R169,6 million in loan capital has already been approved to fund co-operatives, contributing to the creation of more than 7,130 jobs in the province.

Great strides have been made in collaboration with the University of Zululand in developing and implementing a curriculum which has made it possible for students to undertake studies on co-operatives and entrepreneurship. Young people can now study and make a career for themselves after obtaining a certificate, a diploma, and degrees on co-operatives. In addition, the University of Zululand recently appointed two specialists in co-operatives who will be responsible for overseeing the revamping of the co-operatives programme and the elimination of identified weaknesses in this programme.

To date, many ordinary people have testified that they are now able to support their families through this programme. Most of the co-operatives are involved in the manufacturing and agricultural sectors. The other sectors with a remarkable number of co-operatives are services and catering/accommodation. Based on the success of the programme so far, it is envisaged that the numbers of co-operatives will accelerate in the future.

3. THE FISCAL FRAMEWORK AND DIVISION OF REVENUE FOR THE 2007/08 MTEF PERIOD

3.1 Background

Section 214 (1) of the Constitution of South Africa necessitates that, every year, a *Division of Revenue Act* determines the equitable division of nationally raised revenue between the three spheres of government. This section of the Constitution is further supported by the *Intergovernmental Fiscal Relations Act (Act No. 97 of 1997)* which promotes co-operative governance of fiscal, budgetary and financial matters, by prescribing the process for determining the equitable sharing and allocation of revenue raised nationally.

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

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

3.2 Division of revenue and fiscal framework

The division of revenue for the 2007/08 MTEF period was done in the context of the government's priorities, the revenue raising capacity and functional responsibilities of each sphere of government, and the decisions of the various inter-governmental fora. The budget policy framework that underpins the 2007/08 MTEF division of revenue seeks to enhance economic growth and people-centred development through strategic economic investment, progressive realisation of the basic social rights, and by improving public sector governance and service delivery.

Table 3.1 gives the division of revenue between the three spheres of government for the 2007/08 MTEF. The annual growth rate in main budget expenditure is expected to peak at 14.3 per cent in 2006/07. Over the 2007/08 MTEF, it is projected to increase by an annual average growth rate of over 10 per cent. The percentage share of national departments decreases marginally over the MTEF period, at the expense of growing provincial and local government shares.

Table 3.1: Division of revenue between spheres of government, 2003/04 – 2009/10

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
R million	Outcome			Revised	Medium-term estimates		
National departments	148,201	168,046	195,309	218,338	242,660	266,068	290,861
Provinces	122,673	137,836	153,782	178,305	202,765	229,296	254,444
<i>Equitable share</i>	107,538	120,885	135,292	150,753	171,271	193,474	215,784
<i>Conditional grants</i>	15,135	16,951	18,490	27,552	31,494	35,822	38,660
Local government	11,521	13,808	16,682	27,614	33,856	40,433	44,108
<i>Equitable share</i>	6,350	7,678	9,643	18,058	20,676	23,775	29,444
<i>Conditional grants</i>	5,171	6,131	7,038	9,557	13,181	16,659	14,664
Non-interest allocations	282,396	319,690	365,772	424,257	479,282	535,797	589,413
<i>Percentage increase</i>	15.4%	13.2%	14.4%	16.0%	13.0%	11.8%	10.0%
State debt cost	46,313	48,851	50,912	52,193	53,501	53,570	51,537
Contingency reserve	–	–	–	–	2,000	6,000	10,000
Main budget expenditure	328,709	368,541	416,684	476,450	534,783	595,367	650,950
<i>Percentage increase</i>	12.8%	12.1%	13.1%	14.3%	12.2%	11.3%	9.3%
Percentage shares							
<i>National departments</i>	52.5%	52.6%	53.4%	51.5%	50.6%	49.7%	49.3%
<i>Provinces</i>	43.4%	43.1%	42.0%	42.0%	42.3%	42.8%	43.2%
<i>Local government</i>	4.1%	4.3%	4.6%	6.5%	7.1%	7.5%	7.5%

The increase in the provincial equitable share allocations is mainly to provide for improvements in the delivery of social services, viz., education, health and social welfare. Specific attention has been given to the enhancement of human resources in social services. In the health sector, in particular, substantial additional funding has been directed towards boosting the number of health professionals such as doctors, nurses, physiotherapists, as well as expanding the relatively new mid-level workers categories such as pharmacy assistants.

The marked increase in the conditional grant allocation to provinces over the 2007/08 MTEF is partly due to the funding of the Gautrain Rapid Rail Link project in Gauteng province. This conditional grant is administered by the national Department of Transport. The significant increase in the Provincial Infrastructure Grant also contributes to the increased conditional grant allocation to provinces over the new MTEF. The increase in the conditional grant allocation to the local government sphere in the 2007/08 MTEF is to cater, in part, for the 2010 FIFA World Cup stadia.

Table 3.2 below summarises the additional funding allocated to the three spheres of government against the 2006/07 MTEF baseline allocations. A total of over R95,5 billion has been added to the baseline allocations of the three spheres over the 2007/08 MTEF period. Although, by definition, resources are always limited, the addition of R95,5 billion is sizeable, by any measure. Hence, all spheres of government must ensure that this considerable amount of additional funding is translated into increased level and quality of services to the public, in particular to the deprived population.

Table 3.2 Changes over baseline, 2007/08 – 2009/10

R million	2007/08	2008/09	2009/10
National departments	8,249	10,328	19,396
Provinces	6,228	11,470	21,538
Local government	4,356	6,408	7,577
Allocated expenditure	18,833	28,206	48,510

3.3 Provincial equitable share

Provinces' revenue is made up of national transfers and own-receipts. The bulk of national transfers come in the form of equitable share allocation, and the balance comes from conditional grants (see Table 3.1). Unlike the division of revenue between the spheres of government (vertical split) which is based on value judgement, the provincial equitable share allocation of the nationally raised revenue is formula driven.

The formula used to divide the equitable share between provinces is objective-based and redistributive by design. The formula is reviewed and updated annually, based on the latest available data. For the 2007/08 MTEF, the structure of the formula, as well as the distribution of weights by components, remains unchanged, as listed below:

Component	Share (weighting)
Education share – based on the size of the school-age population (ages 5 – 17) and the number of learners (Grade R to 12) enrolled in public ordinary schools	51 per cent
Health share – based on the proportion of the population with and without access to medical aid	26 per cent
Basic share – derived from each province's share of the total population of the country	14 per cent
Institutional component – divided equally among the provinces.	5 per cent
Poverty component – used to reinforce the redistributive bias of the formula	3 per cent
Economic component – based on the final Gross Domestic Product by Region (province) data.	1 per cent

Although the structure of the formula remains unchanged, the data used in the formula was influenced by the re-benchmarking of the General Household Surveys (GHS), the re-demarcation of provincial boundaries to eradicate cross-boundary municipalities, and the use of latest available information, which is explained below.

The re-benchmarking of General Household Survey (GHS) impacted on the population shares of provinces. Statistics South Africa (Stats SA) used mortality data from administration records of Home Affairs, and with the benefit of a more sophisticated demographic model, arrived at different population growth rates and absolute population figures for provinces in their 2004 mid-term population estimates. These were factored into the GHS for that year and re-benchmarked for past and subsequent periods. This ensures that the growth rates for the entire period bear some relation to one another. Specifically, the population model was updated with the latest available mortality data. This resulted in revisions of population statistics of all provinces, impacting on the equitable share formula and provincial equitable share allocations. For the KZN province, this exercise saw a decline of its population share which, in turn, impacted negatively on the basic, health and poverty components of the formula.

Another factor that had a negative impact on the KZN share of the formula is the decrease in school enrolment numbers for the province, prior to the re-demarcation of the provincial boundaries. In addition, the share of the KZN health component in the formula decreased as a result of increased share of the KZN population with medical aid.

The re-demarcation of the provincial boundaries was undertaken with the aim of eradicating cross-boundary municipalities. The net impact of the exclusion of Matatiele from and the incorporation of Umzimkhulu in the KZN province is an increase of 198,000 people (2.1 per cent) to the KZN population figure. Without the re-benchmarking of the population figures, the share of KZN population relative to total population would have increased from 20.9 per cent to 21.3 per cent. But, following the re-benchmarking exercise, the KZN population share fell back to 20.9 per cent, and this can be seen in the Basic Share column in Table 3.3 below. Hence, the decrease in the population's share from the re-benchmarking exercise netted out the increase in the share, following the re-demarcation of the provincial boundaries.

In addition to the above updates in the formula, there were two policy changes that impacted on the outcome of the shares for provinces. These are explained below.

Firstly, to smooth the impact of new data updates to the provincial equitable share formula in previous years, government agreed to use five-year 'moving averages'. For the 2007/08 MTEF division of revenue, the use of 'moving averages' in the formula was discontinued, because it:

- Distorts the demographic shifts in provinces. The historical information tends to significantly mute migration patterns, particularly towards provinces that have greater in-ward migration;
- Introduces a further lag in the formula, as historic information forms a greater determinant in the formula. For example, the 2005 GHS will only account for 20 per cent of the output where its data is used, and the demographic shifts are markedly different from the 2002 GHS; and
- It proved to be difficult to rework historical information with confidence, particularly in the environment that the 2002 and 2003 GHSs had to be re-benchmarked first, before they are re-aligned to the new boundaries.

Secondly, unlike in the past, when any revisions to the structure of the formula or the data that feed into the formula were phased in over a three-year period, for the 2007/08 Budget it was agreed not to phase in the impacts of the data updates effected to the formula. For example, the changes in data arising from the re-demarcation of boundaries brought about a structural shift in the expenditure of affected provinces as schools, clinics, hospitals and other public facilities move from one province to another, and hence the need to shift the resources, accordingly. The bulk of the spending on these facilities relates to personnel and complementary inputs (such as books, medicines, etc) that are non-discretionary in nature. So the province that releases an area sees its expenditure responsibility dropping immediately, while the one that receives an area will have to pay for these costs. There may also be discretionary spending on,

for example, infrastructure and refurbishments. The immediate and non-discretionary nature of these expenditures suggests that phasing-in is not an option.

The impact of the above revisions to the formula on provinces' shares of the nationally raised revenue is shown in Table 3.3 below. The share of the KZN province for the 2007/08 division of revenue remains at 21.6 per cent, which is the same level as the 2006/07 share. The financial implications of these are reflected in Table 3.4 below, which gives the shares of the horizontal division of revenue among provinces in rand term.

Table 3.3: Components and shares of equitable share formula by provinces

	Education 51%	Health 26%	Basic 14%	Poverty 3%	Economic Activity 1%	Institutional 5%	Weighted Average
Eastern Cape	16.9%	15.1%	14.5%	21.2%	8.1%	11.1%	15.8%
Free State	5.7%	6.3%	6.2%	7.4%	5.5%	11.1%	6.3%
Gauteng	14.8%	18.8%	20.1%	11.4%	33.3%	11.1%	16.5%
KwaZulu-Natal	22.9%	21.5%	20.9%	23.2%	16.7%	11.1%	21.6%
Limpopo	14.1%	12.1%	11.3%	16.5%	6.7%	11.1%	13.1%
Mpumalanga	8.6%	7.6%	7.4%	7.0%	6.8%	11.1%	8.2%
Northern Cape	2.2%	2.4%	2.3%	2.6%	2.2%	11.1%	2.7%
North West	6.5%	7.0%	7.1%	7.0%	6.3%	11.1%	7.0%
Western Cape	8.2%	9.2%	10.0%	3.8%	14.4%	11.1%	8.8%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 3.4: Provincial equitable shares allocations, 2007/08 - 2009/10

'R000	2007/08	2008/09	2009/10
Eastern Cape	27,073,802	30,585,482	34,113,897
Free State	10,745,189	12,137,283	13,536,283
Gauteng	28,217,485	31,878,070	35,556,007
KwaZulu-Natal	37,067,018	41,870,497	46,697,600
Limpopo	22,339,538	25,237,308	28,148,861
Mpumalanga	14,140,126	15,972,436	17,813,772
Northern Cape	4,597,686	5,194,044	5,793,243
North West	11,972,842	13,524,310	15,083,422
Western Cape	15,117,707	17,074,395	19,041,227
Total	171,271,393	193,473,825	215,784,312

3.4 Conditional grants to provinces

Conditional grants to provinces are classified into two types, namely Schedule 4 and 5 grants, which have different governance arrangements. Schedule 4 grants are more general grants that supplement various programmes also funded by provinces, such as infrastructure and central hospitals. Transfer and spending accountability arrangements differ in each case. More than one national or provincial department may be responsible for different outputs expected from the grant, so accountability is broader and more comprehensive, and related to entire programmes rather than specific projects. Schedule 5 grants are specific conditional grants, with specific responsibilities for both the transferring and receiving accounting officers.

Minimal changes were made to the conditional grant framework for the 2007/08 MTEF. A new conditional grant, namely the Community Library Services grant, was introduced to step up and consolidate library services at provincial level. This grant will be administered by the national Department of Arts and Culture. The Further Education Training (FET) College Sector Recapitalisation grant, administered by the national Department of Education, is phased into the provincial equitable share from 1 April 2009.

Table 3.5 shows the revisions to conditional grants which amount to R2,9 billion, R4,9 billion and R6,6 billion over the next three years. As can be seen from the table, more than half of the additional funding is channelled towards the Provincial Infrastructure Grant and the Gautrain Rapid Rail Link grant. While the latter grant is earmarked for the Gauteng province only, the Provincial Infrastructure Grant is distributed across all provinces, using the provincial equitable share formula presented in the last column of Table 3.3 above.

Table 3.5: Revisions to conditional grant baseline allocations, 2007/08 - 2009/10

Rmillion	2007/08	2008/09	2009/10
FET: Bursaries	100	200	–
Hospital Revitalisation	200	300	500
Ccomprehensive HIV and AIDS	300	500	850
National Tertiary Services Grant	100	400	530
Integrated Housing and Human Settlements	300	400	520
Provincial Infrastructure Grant	840	1,150	2,300
Community Library Services	180	338	466
Gautrain Rapid Rail Link	878	1,530	1,230
Sports and Recreation	40	85	187
Total	2,938	4,903	6,583

Total revised conditional grant allocations by transferring national departments to provinces are listed in Table 3.6 below. Taking into account the additions made to the baseline allocation, the total conditional grant allocations amount to R31,5 billion in 2007/08, R35,8 billion in 2008/09 and R38,7 billion in 2009/10 (see Table 3.6). The provincial shares of these conditional grant allocations are presented and explained in Section 6 of this document.

Table 3.6: Revised conditional grant allocations to provinces by national departments, 2007/08 - 2009/10

'R000	2007/08	2008/09	2009/10
Agriculture	461,725	483,887	529,827
Comprehensive Agricultural Support Programme grant	415,000	434,918	478,410
Land Care Programme grant: Poverty Relief and Infrastructure Development	46,725	48,969	51,417
Arts and Culture	180,000	338,000	466,000
Community Library Services grant	180,000	338,000	466,000
Education	1,905,633	2,201,392	1,501,344
Further Education and Training College Sector Recapitalisation grant	595,000	795,000	–
HIV and Aids (Life Skills Education) grant	157,695	167,905	177,401
National School Nutrition Programme grant	1,152,938	1,238,487	1,323,943
Health	11,320,982	12,543,229	13,725,822
Comprehensive HIV and Aids grant	1,945,575	2,235,423	2,676,186
Forensic Pathology Services grant	551,383	466,878	421,662
Health Professions Training and Development grant	1,596,189	1,675,999	1,759,799
Hospital Revitalisation grant	1,906,629	2,282,663	2,581,796
National Tertiary Services grant	5,321,206	5,882,266	6,286,379
Housing	8,237,946	9,852,842	11,530,823
Integrated Housing and Human Settlement Development grant	8,237,946	9,852,842	11,530,823
National Treasury	6,164,025	6,846,707	7,996,707
Provincial Infrastructure grant	6,164,025	6,846,707	7,996,707
Sport and Recreation South Africa	194,000	290,000	402,250
Mass Sport and Recreation Participation Programme grant	194,000	290,000	402,250
Transport	3,029,411	3,265,993	2,507,211
Gautrain Rapid Rail Link grant	3,029,411	3,265,993	2,507,211
Total	31,493,722	35,822,050	38,659,984

3.5 The local government equitable share and grants

In ensuring that each municipality has a sufficient resource base to execute its constitutional mandate, government continues to explore efficient options of financing local government. The local government equitable share formula, which was reviewed in 2004, will be fully implemented in 2007/08.

The local government fiscal framework is currently being reviewed with the focus on an assessment of the impact and implementation of the new property rates legislation, the alignment between the functional and fiscal division of powers and functions between category B (local) and Category C (district municipalities) and other related matters such as the restructuring of the electricity distribution industry. The review of the local government fiscal framework will also look at ensuring greater alignment between resource generation and allocation. In this respect, municipalities need to be vigilant with regard to revenue powers, and they need to consider national macro-economic policy imperatives such as inflation targeting.

In arriving at the equitable share allocation to the local sphere of government, consideration is given to all available information on the fiscal capacity, fiscal efficiency, development needs, extent of poverty and backlogs in municipalities. The local government equitable share formula itself is made up of the following components:

- Basic services component – The purpose of the *basic services component* is to enable municipalities to provide basic services and free basic services to poor households, such as water, sanitation, electricity, refuse removal.
- Development component – This component has been set at zero since the inception of the current formula and will remain inactivated until a suitable factor can be found that adequately captures the development needs of local government.
- Institutional support component – The *institutional support component* aims at mainly poor municipalities, which are often unable to raise sufficient revenue to fund the basic costs of administration and governance.
- Revenue raising capacity correction – This component raises additional resources to fund the cost of basic services and administrative infrastructure. The basic approach is to use the relationship between demonstrated revenue-raising capacity among municipalities that report information and objective municipal information from Stats SA to proxy revenue-raising capacity for all municipalities.
- Correction and stabilisation factor – This component is applied as a guarantee mechanism to the indicative outer-years baseline amounts, with the aim of ensuring that municipalities are given what they were ‘promised’ in the previous MTEF round of allocations, as far as this is possible. This is especially important with the publication of three-year budget allocations.

Table 3.7 reflects the national allocations to local government, which grow from a revised allocation of R27,5 billion in 2006/07 to R35,3 billion, R43,1 billion and R47,2 billion in 2007/08, 2008/09 and 2009/10, respectively.

The national allocations to local government are made up of direct and indirect transfers. Only the direct transfers are appropriated in the Division of Revenue Act, while the indirect transfers relate to in-kind transfers and are therefore off-budget. Direct transfers to local government come in the form of discretionary equitable share allocation and conditional grants.

The equitable share allocation increases substantially from R9,8 billion in 2005/06 to R29,9 billion. This increased allocation recognises the inadequacy of fiscal capacity in a significant number of municipalities which are in rural areas and, as such, do not have a sizeable ratepayers’ base from which to generate sufficient revenue. More often than not, these municipalities have the greatest development needs. For example, in the KZN province, more than half of the municipalities rely on getting at least 70 per cent of their funding from sources other than their own revenue generation.

The infrastructure conditional grant also increases markedly over the 2007/08 MTEF. This is partly due to the introduction of the 2010 FIFA World Cup Stadia grant, totalling R7,8 billion over the MTEF.

Table 3.7: National transfers to local government, 2003/04 – 2009/10

R million	2003/04	2004/05 Outcome	2005/06	2006/07 Revised estimate	2007/08	2008/09 Medium-term estimates	2009/10
Direct transfers to local government							
Equitable share and related	6,623	7,811	9,808	18,358	21,226	24,375	29,906
Equitable share ¹	6,350	7,678	9,643	18,058	20,676	23,775	29,444
Water and sanitation operating	273	133	165	300	550	600	462
Infrastructure	4,102	5,299	6,286	7,931	12,390	17,119	15,302
Municipal infrastructure grant	2,442	4,481	5,436	6,756	7,549	8,053	9,130
Public transport infrastructure	–	–	242	170	1,174	3,170	2,325
National electrification	245	196	297	355	468	596	897
Local neighbourhood development partnership grant	–	–	–	50	500	1,500	1,650
Implementation of water	1,022	208	–	–	–	–	–
Disaster relief	–	280	311	–	–	–	–
2010 FIFA World Cup stadia	–	–	–	600	2,700	3,800	1,300
Poverty relief funds and other ²	393	134	–	–	–	–	–
Current transfers	796	699	588	790	695	350	400
Restructuring grant	494	388	255	445	350	–	–
Financial management grant	151	129	133	145	145	150	200
Municipal systems improvement grant	151	182	200	200	200	200	200
Sub total direct transfers³	11,521	13,808	16,682	27,079	34,311	41,843	45,608
Indirect transfers to local government							
Water and sanitation operating	817	819	904	440	490	531	393
Water services regional bulk	–	–	–	–	300	450	650
National electrification programme	–	–	–	–	105	210	350
Electrification of schools and clinics	–	–	–	–	45	90	150
Sub total indirect transfers	817	819	904	440	940	1,281	1,543
Total	12,339	14,627	17,586	27,520	35,251	43,124	47,151

1. Includes main local government equitable share, replacement of RSC levies and special support for councillors' remuneration

2. Includes phasing out of poverty relief grants and Urban Transport Fund.

3. Reflects local government's share of the division of revenue.

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

4.1 The 2007/08 MTEF budget process in brief

4.1.1 Treasury Guidelines circular

The issue of the *Treasury Guidelines* document marks the start of the 2007/08 MTEF budget process. This document explains the policy framework and format within which departments should prepare the 2007/08 MTEF budget submissions. The 2007/08 budget process focused on the compilation of reprioritised budgets and service delivery that are aligned with the Provincial Spatial Economic Development Strategy (PSEDS), Provincial Growth and Development Strategy (PGDS) and Accelerated and Shared Growth Initiative of South Africa (ASGI-SA). As was the case in the 2006/07 budget process, departments were requested to provide the spatial spending and service delivery within the District Municipal Areas, and to consider the budget proposals received from the Public Entities. Finally, departments were requested to identify and cost two 'Initiatives', as identified through the PSEDS mapping process.

4.1.2 Initiative measurement criteria

The 2004/05 measurement tool was enhanced and utilised as an impartial tool to measure the initiatives submitted by the provincial departments. Each initiative was rated against the following seven criteria:

- Evidence that the initiative contributes to the government policy priorities;
- Credible service delivery information;
- Alignment of the initiative to the core functions of the department;
- Evidence that the department underwent thorough reprioritisation with a view to fund part of the initiative from within budget;
- Is the costing / initiative realistic;
- Has there been consistent under-spending (by a margin of more than 3 per cent) over the last 2-3 years; and
- Adequate political involvement in the budget formulation process.

Of the seven criteria, the first three were considered as mandatory and had to be complied with if an initiative was to be considered. In addition to this, an initiative had to satisfy at least three of the last four criteria. In terms of the rating exercise, each of the first three criteria translated to '2' points if complied with, and a '0' if not. The remaining criteria were awarded '1' point if complied with, and a '0' if not. A higher score was accorded to the first three criteria simply because they were seen as being essential. An initiative therefore could score a maximum of 10 points or 100 per cent. An initiative was only supported if it scored 90 per cent or more.

4.1.3 Allocation process

The Medium-Term Expenditure Committee (MTEC) met with all departments in September 2006 to discuss the 2007/08 MTEF Budget proposals. Table 4.1 shows a summary of all departments' original requests for additional funding over the 2007/08 MTEF. In spite of sizeable growth rates already in their baseline budgets (see Table 4.3), departments requested, in total, R5,8 billion, R7,2 billion and R8,9 billion over the 2007/08 MTEF (a grand total of R22 billion). Although the noble intent of all of the proposed initiatives could not be denied, most of the additional funding requests were ambitious and out of touch with reality and the fiscal framework.

With the exception of the Provincial Treasury and Works, all departments submitted requests for additional funding, with the largest coming from the Department of Education. This department requested additional R9,1 billion over the 2007/08 MTEF to further fund *Compensation of employees* and the Quality Improvement Development Support and Upliftment Programme (QIDS-UP).

The second largest request of nearly R6 billion came from the Department of Health to address the tuberculosis disease (as well as the provision of nutrition) and increase to capacity in the delivery of primary health care. The third largest request of R3,4 billion came from the Department of Transport to cater, in the main, for the maintenance of the existing road network as well as to increase the provision of access (such as roads and bridges) to community facilities (such as schools and health clinics). The Department of Agriculture also submitted a fairly large budget request of R1,8 billion over the MTEF. This request was mainly aimed at supplementing the current allocation for the Agrarian Revolution.

Table 4.1: Summary of additional funding requested by departments

Description of initiatives	Amounts requested R(000)		
	2007/08	2008/09	2009/10
Office of The Premier	146,800	162,948	174,719
Provincial Legislature	89,949	100,362	108,638
Agriculture and Environmental Affairs	524,235	578,633	713,883
Economic Development	36,567	35,072	38,288
Education	2,400,949	3,039,600	3,632,274
Health	1,249,209	1,875,959	2,857,427
Housing	1,700	1,860	4,480
Community Safety and Liaison	15,002	15,827	16,539
The Royal Household	3,000	-	-
Local Government & Traditional Affairs	117,300	95,700	110,000
Transport	1,145,900	1,159,800	1,076,500
Social Welfare	27,198	27,198	27,198
Arts, Culture and Tourism	71,832	83,298	96,172
Sports and recreation	12,682	11,942	30,853
Total	5,842,323	7,188,199	8,886,971

In October 2006, a preliminary Ministers' Committee on the Budget (MinComBud) meeting was convened to consider the MTEC recommendations on the initial 2007/08 MTEF Budget proposals, in principle, since the provincial allocations from National Treasury were unknown at that stage. At this meeting, the MinComBud supported some of the MTEC recommendations and requested for further motivation from some departments in respect of the initiatives they submitted. Having been presented with a tight provincial fiscal framework, the MinComBud had to make some crucial decisions. On the revenue side, the addition to the fiscal resource envelope was constrained to under R6 billion for the entire MTEF period, while the fiscal requirement on the expenditure side was, in this context, unaffordable at R28 billion. The expenditure requests included the following:

- Carry-through costs of the 200/07 Adjustments Estimate (total of R299 million);
- Costs associated with the re-demarcation of the provincial boundaries (total of R2,258 billion);
- Funding of national priorities (total of R4,5 billion); and
- Costed provincial initiatives submitted by departments in their budget submissions (total of R21 billion).

Faced with this challenge, the MinComBud agreed that the province should first fully fund the carry-through costs of the 2006/07 Adjustments Estimate and the re-demarcation of the provincial boundaries (see Table 4.4), followed by national priorities and provincial initiatives submitted by departments. This is explained in detail under Section 4.2 which deals with the provincial fiscal framework.

Taking into account the resolutions of the preliminary MinComBud meeting, the MTEC presented a revised set of the 2007/08 MTEF Budget proposals to the MinComBud on 28 November 2006 for consideration. The Committee endorsed the 2007/08 MTEF Budget proposals, and these were subsequently approved by Cabinet on the same day (see Table 4.6 in Section 4.3 below).

4.2. Provincial Fiscal Framework

Table 4.2 shows a summary of the provincial fiscal framework for the 2007/08 MTEF budget. The difference (section 1 of the table) between the baseline allocations and the revised allocations yield the additional resource made available to the province. The provincial equitable share allocations increase in disproportionate proportion over the MTEF by R1,1 billion in 2007/08, R1,4 billion in 2008/09 and R3,2 billion in 2009/10. The increases in the conditional grant allocations are mainly due to the increase in the allocations of the Infrastructure Conditional Grants. There was also a considerable upward revision in the provincial own receipts, which is mainly attributable to Transport's revenue estimates.

Table 4.2: Summary of Provincial Fiscal Framework

(R000)	2007/08	2008/09	2009/10
1. Receipts			
Baseline Allocation	41,932,609	47,010,085	50,344,488
Transfer receipts from national	40,692,720	45,683,403	48,918,305
Equitable share	35,957,286	40,445,585	43,479,004
Conditional grants	4,735,434	5,237,818	5,439,301
Provincial own receipts	1,239,889	1,326,682	1,426,183
Increase / (Decrease) in allocation	1,581,919	1,995,549	4,315,372
Transfer receipts from national	1,398,667	1,825,011	4,147,044
Equitable share	1,109,732	1,424,912	3,218,596
Conditional grants	288,935	400,099	928,448
Provincial own receipts	183,252	170,538	168,328
Revised allocation	43,514,528	49,005,634	54,659,860
Transfer receipts from national	42,091,387	47,508,414	53,065,349
Equitable share	37,067,018	41,870,497	46,697,600
Conditional grants	5,024,369	5,637,917	6,367,749
Provincial own receipts	1,423,141	1,497,220	1,594,511
2.1 New funding available for distribution	1,292,984	1,595,450	3,386,924
Equitable share	1,109,732	1,424,912	3,218,596
Less: Phasing-in of the FET College Recapitalisation Grant			(175,150)
Net equitable share	1,109,732	1,424,912	3,043,446
Provincial own receipts	183,252	170,538	168,328
2.2 Net new funding available for distribution	1,292,984	1,595,450	3,211,774
3. Less Non-Discretionary Expenditure Responsibilities	1,398,269	1,733,568	2,589,049
Carry-through costs of 2006/07 Adjustments Estimate	134,506	93,942	70,590
Net financial implication of demarcation (Net of Umzimkhulu and Matatiele)	729,179	749,163	779,612
Funding of national spending priorities	534,584	890,463	1,738,847
4. Surplus/(deficit) [2 - 3]	(105,285)	(138,118)	622,725
Add Re-allocation from baseline budgets	235,000	222,000	68,750
5. Net discretionary funding available for allocation to provincial priorities	129,715	83,882	691,475

Section 2.1 of Table 4.2 gives the new funding available for distribution which amounts to R1,3 billion, R1,6 billion and R3,4 billion over the 2007/08 MTEF. The **net** new funding available for distribution is arrived at by taking into account the phasing-in of the FET College Sector Recapitalisation conditional grant of R175,2 million into the equitable share in 2009/10. Clearly, in the first two years of the MTEF, the **net** new funding of R1,3 billion in 2007/08, R1,6 billion in 2008/09 and R3,2 billion in 2009/10 does not compare favourably with the expenditure responsibilities which are unavoidable.

As mentioned above, the non-discretionary expenditure responsibilities, which were agreed to by MinComBud and approved by Cabinet, are as follows:

- Carry-through costs of the 2006/07 Adjustments Estimate – this caters for the carry-through costs of any adjustments in departments' budgets in the 2006/07 Adjustments Estimate. Details of these allocations are listed in Table 4.5 below.
- The net financial implications resulting from expenditure responsibility associated with the incorporation of Umzimkhulu and the parting of Matatiele – these financial implications are presented in Table 4.3. Note that these figures were submitted by departments as part of their 2007/08 MTEF budget submission, and signed off by the respective Accounting Officers and MECs.

- National spending priorities – in the main, the province had to fund increases in Education, Health, and Social Welfare personnel, over and above inflation adjustments. The increase in Education's personnel budget is to provide for costs associated with the 2007 Wage Agreements and the 2008 Wage Negotiations, as well as for the improvements in the remuneration levels of teachers and school managers. This will also cater for increases in the number of clerical support staff, the hiring of teaching assistants, and targeted incentives to teachers in critical subjects. In Health, the increase in personnel allocation is to provide for the phased implementation of the Health Professionals Remuneration Review. The increased allocation is to also cater for the creation of additional posts for health professionals to boost health professional numbers in the next five years. The additional funding in Social Welfare is to increase the number of social auxiliary workers. The breakdown of these allocations for the three departments is given in Table 4.5 below.

As can be seen from Section 4 of Table 4.2, after taking into account the above three non-discretionary expenditure responsibilities, the province is left with a deficit of R105,3 million and R138,1 million in 2007/08 and 2008/09, respectively, and a surplus of R622,7 million in 2009/10 for discretionary allocation. Clearly the province has a fiscal conundrum in 2007/08 and 2008/09, where it does not have adequate resources to fund its non-discretionary commitments, let alone the discretionary ones. The real funding pressure is a direct result of KZN inheriting Umzimkhulu. To meet its fiscal requirements, therefore, the province had to reduce the baseline budgets of some departments. In this case, the allocation to the Department of Economic Development for the Richards Bay IDZ was reduced by R45 million, R50 million and R53,7 million over the MTEF period, respectively. In addition, reductions were made in the Growth Fund (R160 million in 2007/08 and R160 million in 2008/09) and the SMME Fund (R30 million in 2007/08, R12 million in 2008/09 and R15 million in 2009/10). It is critical to note that the funding resulting from the reduction of current departments' baseline budgets is **not** new money.

Taking into account these internal re-allocations from the baseline budgets of the Provincial Treasury and Economic Development, the province was left with R130 million, R83,9 million and R691,5 million to allocate towards provincial bids. These allocations are shown in Table 4.5 below.

Table 4.3 shows the net unavoidable expenditure responsibility associated with the re-demarcation of the provincial boundaries. Note that, although departments were allocated with the net costs (that is, the difference between Umzimkhulu and Matatiele expenditure responsibilities) of the demarcation, they will have to budget fully for services to be rendered in the Umzimkhulu area. In total, the provincial spending in Umzimkhulu will increase from R808,3 million in 2007/08, to R869,2 million in 2009/10.

Table 4.3: Net financial impact of demarcation

R(000)	2007/08			2008/09			2009/10		
	Umzimkhulu Expenditure	Matatiele Expenditure	Net Expenditure Resp.	Umzimkhulu Expenditure	Matatiele Expenditure	Net Expenditure Resp.	Umzimkhulu Expenditure	Matatiele Expenditure	Net Expenditure Resp.
Office of the Premier	-	-	-	-	-	-	-	-	-
Provincial Parliament	-	-	-	-	-	-	-	-	-
Agriculture and Environmental Affairs	25,084	-	25,084	26,889	-	26,889	28,825	-	28,825
Economic Development	-	-	-	-	-	-	-	-	-
Education	394,660	(21,548)	373,112	414,393	(22,625)	391,768	445,472	(24,322)	421,150
Provincial Treasury	-	-	-	-	-	-	-	-	-
Health	192,740	(48,882)	143,858	202,377	(52,440)	149,937	216,543	(56,189)	160,354
Housing	-	-	-	-	-	-	-	-	-
Community Safety and Liaison	3,000	(59)	2,941	3,500	(62)	3,438	1,800	(65)	1,735
The Royal Household	-	-	-	-	-	-	-	-	-
Traditional and Local Government Affairs	54,636	(750)	53,886	32,510	(925)	31,585	34,786	-	34,786
Transport	115,323	(4,648)	110,675	133,411	(4,984)	128,427	119,745	(5,345)	114,400
Social Welfare and Population Development	10,323	(3,246)	7,077	10,839	(3,409)	7,430	11,652	(3,665)	7,987
Works	5,331	-	5,331	5,220	-	5,220	5,595	-	5,595
Arts, Culture and Tourism	5,400	-	5,400	2,500	-	2,500	2,675	-	2,675
Sport and Recreation	1,815	-	1,815	1,970	-	1,970	2,105	-	2,105
Total	808,311	(79,133)	729,179	833,608	(84,445)	749,163	869,198	(89,586)	779,612

4.3 Summary of additional allocation for the 2007/08 MTEF

4.3.1 Existing growth in the 2006/07 MTEF baseline allocation

Table 4.4 shows the departmental baseline budgets for the 2006/07 MTEF period, before any additional allocations were made. This serves as an important reminder that departments' baseline budgets for the 2006/07 MTEF already include positive rates of growth, although this may differ in terms of the levels.

Table 4.4: Existing growth rates in 2006/07 MTEF baseline budgets

Programme R(000)	Main Budget 2006/07	Medium-Term Baseline Budgets			Ann. % gr 06/07-09/10
		2007/08	2008/09	2009/10	
1. Office of the Premier	294,740	323,599	351,570	377,938	8.6
2. Provincial Legislature	139,235	143,439	153,176	164,664	5.8
3. Agriculture & Environmental Affairs	1,298,906	1,474,668	1,601,557	1,723,279	9.9
4. Economic Development	390,052	722,697	2,081,956	2,238,103	79.0
5. Education	16,209,078	17,983,127	19,384,639	20,625,167	8.4
6. Provincial Treasury	1,069,780	1,510,993	1,723,507	1,852,770	20.1
7. Health	11,736,761	12,795,794	13,840,988	14,793,273	8.0
8. Housing	1,252,133	1,520,850	1,661,102	1,928,811	15.5
9. Community Safety & Liaison	50,818	53,359	57,094	61,376	6.5
10. The Royal Household	31,409	32,979	35,287	37,933	6.5
11. Local Government & Traditional Aff	595,585	714,184	904,249	972,068	17.7
12. Transport	2,415,983	2,844,370	3,275,420	3,485,151	13.0
13. Social Welfare & Population Develc	894,810	939,283	997,901	1,072,744	6.2
14. Works	451,523	474,088	507,274	545,320	6.5
15. Arts, Culture & Tourism	254,726	263,944	280,493	301,530	5.8
16. Sport & Recreation	106,071	135,235	153,871	164,361	15.7
Total	37,191,610	41,932,609	47,010,084	50,344,488	10.6

4.3.2 Summary of additional allocations

The additional allocations to departments and their respective purposes are summarised in Table 4.5 below. As explained above, the province had very little fiscal room to accommodate the provincial bids that were submitted by departments during the budget process. The amounts of R150 million in 2007/08, R107 million in 2008/09 and R727 million in 2009/10 that remained after funding the non-discretionary expenditure responsibilities were thinly spread across most departments.

There are two areas in Table 4.5 that seems to be inconsistent. Firstly, a number of the additional allocations towards the national priorities are made in only the first year of the MTEF. The only way to rectify this irregularity would be to further reduce the baseline budgets of some departments. And this was not an option. Secondly, some of the additional allocations to the provincial initiatives are given only in year one and three of the 2007/08 MTEF. This anomaly is a direct result of the lower level of net discretionary funding available for distribution in year two (R84 million) of the MTEF, compared to year one (R130 million). Once again, the decision to further cut some departments' budgets to address this inconsistency was not an option. However, given that these discrepancies arise in years two and three of the 2007/08 MTEF, there is an opportunity to provide for the carry-through of these additional allocations in the 2008/09 MTEF.

A précis of the purpose of the main additional allocations made to departments, over and above the costs associated with the re-demarcation of provincial boundaries and the carry-through costs of the 2006/07 Adjustments Estimate, is provided below.

The Provincial Legislature was allocated additional funding to cater for spending pressures in respect of the 'Taking Legislature to the People' programme, as well as the Legislature's newspaper, and technology improvements.

Additional funding was given to the Department of Economic Development for the establishment of a non-profit agency to promote the local music industry. This funding will be used to acquire suitable premises, infrastructure and equipment needed for a recording studio, as well as to meet the operational expenses of the agency. This funding is limited to the three years of the 2007/08 MTEF period in the amounts of R10 million, R12 million and R15 million, respectively. Thereafter, the agency should be self sustaining, and full ownership will be transferred to the shareholders of the agency at the time.

More than 50 per cent of the additional funding was allocated to the Department of Education. Over and above the phasing-in of the FET College Sector Recapitalisation grant into the equitable share, the following national priorities were also funded:

- *Personnel* – additional allocations of R97 million, R553,3 million and R1,1 billion were allocated over the MTEF for the costs associated with the 2007 Wage Agreements and the 2008 Wage Negotiations, as well as for the improvements in the remuneration levels of teachers and school managers. The additional funding will also be used to increase the number of clerical support staff, to hire teaching assistants especially in the foundation phase of the schooling system, and to provide targeted incentives to teachers in critical subjects.
- *Quality Improvement Development System and Upliftment Programme (QIDS-UP)* – the funding towards this priority is to address the lack of basic resources in a number of schools servicing poor learners, especially in quintiles 1, 2 and 3. The programme aims to provide to schools equipped media centres, computers, fully equipped science laboratories, etc.
- *Teacher Development* – The amounts allocated towards this priority are for the implementation of the Continuing Professional Development System, project development and project management with higher Education Institutions. The aim is to upgrade under-qualified educators in all phases, including Inclusive Education, Further Education and Training and Early Childhood Development, through the National Professional Diploma in Education for teachers and the Advanced Certificate in Education Management and Leadership for principals.
- *Provision of Bursaries* – The data available suggest that South Africa is likely to face an increasing shortage of educators due to resignations, death and age-based retirement and inadequate supply of new entrants into the profession. The extent of the shortfall will depend on the success of policy initiatives to attract and retain educators. Human resource planning needs to target potential learners to choose teaching as a career. This additional allocation for bursaries is aimed at enticing matriculants into the profession.
- *Systemic evaluation* – This additional funding will enable the department to gauge average educational performance, prior to Grade 12. There is a need for rigorous evidence of what schooling resources and management practices must be prioritised to ensure quality in the context of constrained resources. A systemic evaluation will be conducted, similar to Grade 3 and 6 assessments in South Africa. Such evaluations are common in developing countries, where universal testing is not feasible. The focus will be on monitoring, understanding and tackling school quality challenges in the General Education and Training band.

The Department of Health received additional funding for the development of oncology services, as well as for national priorities. The purpose for the additional funding towards the national priorities is as follows:

- *Personnel* – This additional amount will be utilised to fund the Health Professionals Remuneration Review, to encourage the retention and recruitment of health professionals. The intention is to target the remuneration of professional nurses in 2007/08, doctors, dentists and pharmacists in 2008/09, and other professional groups (such as physiotherapists and occupational therapists) in 2009/10;
- *Additional costs for health personnel* – This allocation will mainly be used to fund the recruitment of additional health personnel. The funding will boost health professional numbers nationally over a five-year period. The key strategy is to strengthen the delivery of health-care, given the staffing shortfalls in many core areas of health services. Note that the carry-through costs have not yet been determined, and this will be rectified in the 2008/09 budget process; and

- *Expansion of emergency medical services* – This additional allocation is aimed at enabling the department to meet the FIFA requirements for the 2010 World Cup, as well as to meet the increasing local demand for the service.

The Department of Community Liaison and Safety received dedicated additional funding to enhance the province's capacity to prevent and address crime. The funding will be used to establish a voluntary crime prevention corps, consisting of approximately 1,000 personnel.

The Department of Local Government and Traditional Affairs was allocated additional funding for the following initiatives:

- Massification projects, intended to fast track the delivery of water and sanitation to facilitate comprehensive municipal strategies to eradicate backlogs, to provide for operations and maintenance of infrastructure, and to build municipal technical capacity; and
- The rehabilitation of small towns project, aimed at upgrading town centres and facilitating rural towns to become financially sustainable.

The increased additional funding to the Department of Transport is primarily for addressing backlogs in the maintenance of the existing road network in the province, as well as for the construction of access roads and bridges to link rural communities to public facilities, such as schools, clinics, police stations, etc. Most of these projects will be implemented through the EPWP programme.

To assist in the establishment of district offices, amounts of R10 million and R15 million were allocated to the Department of Sport and Recreation for 2007/08 and 2009/10, respectively. Included in these amounts are allocations for additional support staff to be employed. The carry-through costs of this additional funding will be given to the department in the 2008/09 budget process. The department also received additional funding of R5,9 million and R2 million for 2007/08 and 2008/09, respectively, for major events such as the Pro 20 Cricket World Cup, Indigenous Games, etc.

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Table 4.5: Summary of additional allocations, 2007/08 MTEF

	2007/08	2008/09	2009/10	2007/08	2008/09	2009/10
	R000			Percentage share		
Vote 1: Office of The Premier - carry through of 2006/07 Adjustments Estimate: Izimbizo	8,560	9,160	9,800	0.7	0.6	0.3
Vote 2: Provincial Legislature	34,642	32,462	34,854	2.7	2.0	1.0
Carry through of 2006/07 Adjustments Estimate	10,842	11,602	12,414	0.8	0.7	0.4
Constituency allowance	8,665	9,272	9,921	0.7	0.6	0.3
Statutory payments	2,177	2,330	2,493	0.2	0.1	0.1
Taking Parliament to the People	10,200	10,700	11,200	0.8	0.7	0.3
Iso Elibanzi	3,500	3,760	4,040	0.3	0.2	0.1
Technological Improvements	7,100	3,200	3,200	0.5	0.2	0.1
Public Hearings	3,000	3,200	4,000	0.2	0.2	0.1
Vote 3: Agriculture and Environmental Affairs	33,134	26,889	168,825	2.6	1.7	5.0
Net financial implication of demarcation (Net of Umzimkhulu and Matatiele)	25,084	26,889	28,825	1.9	1.7	0.9
Agrarian Revolution			100,000	-	-	3.0
Ezemvelo KZN Wildlife	8,050	-	40,000	0.6	-	1.2
Debt write-offs - Nedcor Group Loan	8,050			0.6	-	-
Infrastructure improvements - Road Maintenance			40,000	-	-	1.2
Vote 4: Economic Development	(18,256)	(19,743)	(18,750)	(1.4)	(1.2)	(0.6)
Carry through of 2006/07 Adjustments Estimate - Admin costs iro Co-ops	9,744	10,235	11,000	0.8	0.6	0.3
Establishment of Music Recording Studio	10,000	12,000	15,000			
Decrease in Richards Bay IDZ budget	(45,000)	(50,000)	(53,750)	(3.5)	(3.1)	(1.6)
Revised model for integrated business support	7,000	8,022	9,000	0.5	0.5	0.3
Vote 5: Education	566,096	969,031	1,853,147	43.8	60.7	54.7
Net financial implication of demarcation (Net of Umzimkhulu and Matatiele)	373,112	391,768	421,150	28.9	24.6	12.4
Phasing-in of the FET College Recapitalisation Grant			175,150			5.2
National priorities:	192,984	577,263	1,256,847	14.9	36.2	37.1
Personnel (mainly for 2007 Wage Agreement)	96,984	120,744	245,808	7.5	7.6	7.3
Personnel - (mainly for 2008 Wage Negotiations)		432,519	865,039	-	27.1	25.5
Teacher Development	16,000			1.2		
Teacher Development and Initial Supply (Bursaries)	20,000			1.5		
Systemic Evaluation	20,000			1.5		
Quality Improvement Development Support and Upliftment Programme	40,000	24,000	146,000	3.1	1.5	4.3
Vote 6: Provincial Treasury	(171,500)	(166,000)	(15,000)	(13.3)	(10.4)	(0.4)
Carry through of 2006/07 Adjustments Estimate	18,500	6,000	-	1.4	0.4	-
Planning/management costs of the Government Precinct	6,000	6,000		0.5	0.4	-
A1 GrandPrix	12,500			1.0	-	-
Decrease in SMME Fund	(30,000)	(12,000)	(15,000)			
Decrease in KZN Growth Fund budget	(160,000)	(160,000)		(12.4)	(10.0)	-
Vote 7: Health	511,708	513,137	702,582	39.6	32.2	20.7
Carry-through costs of 2006/07 Adjustments Estimate - XDR-MDR TB	80,250	50,000	30,000	6.2	3.1	0.9
Net financial implication of demarcation (Net of Umzimkhulu and Matatiele)	143,858	149,937	160,354	11.1	9.4	4.7
Development of Oncology Services			30,228			
National priorities:	287,600	313,200	482,000	22.2	19.6	14.2
Health Professional Remuneration Review	237,600	313,200	432,000	18.4	19.6	12.8
Additional posts for health personnel	20,000			1.5		
Expansion of Emergency Medical Services in preparation for 2010	30,000		50,000	2.3	-	1.5
Vote 8: Housing - Capacity building in municipal housing component			5,000	-	-	0.1
Vote 9: Community Safety and Liaison	25,441	41,438	61,735	2.0	2.6	1.8
Net financial implication of demarcation (Net of Umzimkhulu and Matatiele)	2,941	3,438	1,735	0.2	0.2	0.1
Employment of voluntary corps	20,000	35,000	50,000	1.5	2.2	1.5
Improving the effectiveness of the SAPS			5,000	-	-	0.1
Creating public awareness	2,500	3,000	5,000	0.2	0.2	0.1
Vote 10: The Royal Household - carry through of 2006/07 Adjustments Estimate	3,500	3,745	4,026	0.3	0.2	0.1
Vote 11: LGTA	53,886	31,585	124,786	4.2	2.0	3.7
Net financial implication of demarcation (Net of Umzimkhulu and Matatiele)	53,886	31,585	34,786	4.2	2.0	1.0
Massification projects - Water and Sanitation			50,000	-	-	1.5
Rehabilitation of small towns			40,000	-	-	1.2
Vote 12: Transport	150,675	128,426	399,207	11.7	8.0	11.8
Net financial implication of demarcation (Net of Umzimkhulu and Matatiele)	110,675	128,426	114,400	8.6	8.0	3.4
Dube Trade Port (R102 - Ballito and M4 - R102)			84,807	-	-	2.5
Maintaining the existing road network	20,000		150,000	1.5	-	4.4
Access to community facilities	20,000		50,000	1.5	-	1.5
Vote 13: Social Welfare & Population Development	61,077	7,430	22,987	4.7	0.5	0.7
Net financial implication of demarcation (Net of Umzimkhulu and Matatiele)	7,077	7,430	7,987	0.5	0.5	0.2
National priorities:	54,000					
Employment of Social Auxiliary Workers	24,000			1.9		
Scholarships for social workers	10,000			0.8		
Substance abuse	20,000			1.5		
Early childhood development			10,000	-	-	0.3
Home community-based care			5,000	-	-	0.1
Vote 14: Works Net financial implication of demarcation (Net of Umzimkhulu and Matatiele)	5,331	5,220	5,595	0.4	0.3	0.2
Vote 15: Arts & Culture	9,500	7,150	9,425	0.7	0.4	0.3
Carry-through costs of 2006/07 Adjustments Estimate - Special Events	1,600	1,650	1,750	0.1	0.1	0.1
Net financial implication of demarcation (Net of Umzimkhulu and Matatiele)	5,400	2,500	2,675	0.4	0.2	0.1
Accelerating transformation in the tourism industry	2,500	3,000	5,000	0.2	0.2	0.1
Vote 16: Sport & Recreation	19,190	5,520	18,705	1.5	0.3	0.6
Carry-through costs of 2006/07 Adjustments Estimate	1,510	1,550	1,600	0.1	0.1	0.0
Net financial implication of demarcation (Net of Umzimkhulu and Matatiele)	1,815	1,970	2,105	0.1	0.1	0.1
Major sport events	5,865	2,000		0.5	0.1	-
Decentralisation from regional to district municipal areas	10,000		15,000	0.8	-	0.4
Total	1,292,984	1,595,450	3,386,924	100.0	100.0	100.0

Before arriving at the final budget for each department, some adjustments needed to be made to cater for any shifting of functions between departments, in line with the rule of thumb that funds must follow function. The first function shift was from the Department of Health in respect of the Provincial AIDS Action Unit, to the Office of The Premier. The second one was from the Provincial Treasury to the Department of Economic Development for the purpose of the Growth Fund and the SMME Fund. The financial implications of these functions are given in Table 4.6 below.

It is important to note that annual amounts of R50 million of the SMME funding are earmarked for expenditure on youth over the 2007/08 MTEF period. This funding will be channelled via Ithala. How this will work is that both the Department of Economic Development and the Youth Commission will help youths applying for business loans to obtain funding for their business proposals. The youths will approach *Umsombomvu*, which is a national youth empowerment initiative, to help draw up business plans. They will then work through the department to have their plans submitted to Ithala for funding from the SMME Fund.

Table 4.6: Function shifts between departments, 2007/08 MTEF

Functions/Departments (R000)	2007/08	2008/09	2009/10
Provincial AIDS Action Unit			
Receiving Department: Office of The Premier	10,500	11,800	12,700
Releasing Department: Health	(10,500)	(11,800)	(12,700)
Growth Fund and SMME Fund			
Receiving Department: Economic Development	690,000	730,000	954,650
<i>Growth Fund</i>	500,000	500,000	709,500
<i>SMME Fund</i>	190,000	230,000	245,150
Releasing Department: Provincial Treasury	(690,000)	(730,000)	(954,650)
<i>Growth Fund</i>	(500,000)	(500,000)	(709,500)
<i>SMME Fund</i>	(190,000)	(230,000)	(245,150)

Table 4.7 shows the revised budgets of departments for the 2007/08 MTEF period, after taking into account all of the adjustments to the baseline allocations. The overall provincial budget grows by 17 per cent in 2007/08 over the 2006/07 main budget, translating to a significant growth rate of more than 10 per cent in real term.

The substantial opposing growth rates in the Department of Economic and Development and the Provincial Treasury in 2007/08 are due to the function shift, explained above. Other than that, all departments' budgets are growing above the projected inflation rate in 2007/08.

Table 4.7: Summary of Revised Budgets by departments, 2007/08 MTEF

R000	Main Budget	Medium-term estimates (R000)			Annual percentage growth		
	2006/07	2007/08	2008/09	2009/10	2007/08	2008/09	2009/10
1. Premier	294,740	332,159	360,730	387,738	12.7	8.6	7.5
2. Provincial Legislature	139,235	178,081	185,638	199,518	27.9	4.2	7.5
3. Agriculture and Environmental Affairs	1,298,906	1,507,802	1,628,446	1,892,633	16.1	8.0	16.2
4. Economic Development	390,052	1,394,441	2,792,213	3,174,003	257.5	100.2	13.7
5. Education	16,209,078	18,630,316	20,457,547	22,678,919	14.9	9.8	10.9
6. Provincial Treasury	1,069,780	649,493	827,507	883,120	(39.3)	27.4	6.7
7. Health	11,736,761	13,423,315	14,375,559	15,792,291	14.4	7.1	9.9
8. Housing	1,252,133	1,520,850	1,796,788	2,096,708	21.5	18.1	16.7
9. Community Safety and Liaison	50,818	78,800	98,532	123,111	55.1	25.0	24.9
10. The Royal Household	31,409	36,479	39,032	41,959	16.1	7.0	7.5
11. Local Government and Traditional Affairs	595,585	768,070	935,834	1,096,854	29.0	21.8	17.2
12. Transport	2,415,983	3,066,372	3,501,226	4,078,550	26.9	14.2	16.5
13. Social Welfare and Population Development	894,810	1,000,360	1,005,331	1,095,731	11.8	0.5	9.0
14. Works	451,523	479,419	512,494	550,915	6.2	6.9	7.5
15. Arts, Culture and Tourism	254,726	287,394	313,838	347,070	12.8	9.2	10.6
16. Sports and Recreation	106,071	161,177	174,919	220,740	52.0	8.5	26.2
Total	37,191,610	43,514,528	49,005,634	54,659,860	17.0	12.6	11.5

5. SUMMARY OF BUDGET AGGREGATES AND FINANCING

Table 5.1 below provides an analysis of the overall provincial budget performance by comparing total receipts against total payments, resulting in a surplus or deficit before financing over the seven-year period under review. The table also provides the details of the financing items and amounts to provide the net position after financing for each financial year. The data for 2003/04 to 2005/06 is based on audited receipts and payments, while the 2006/07 figures provide an estimated actual position as at the end of December 2006. The 2007/08 to 2009/10 data reflects the budgeted receipts and payments for the MTEF period. It is important to mention that the receipts and payments for the Social Security function that shifted to National with effect from 1 April 2006 have been excluded for all the financial years. This is to ensure alignment to international best practices and consistency across provinces. The detailed analysis of the provincial total receipts and payments is provided under Sections 6 and 7 of the Budget Statement.

Table 5.1: Provincial budget summary

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited	Audited	Audited						
	2003/04	2004/05	2005/06				2006/07	2007/08	2008/09	2009/10
Provincial receipts									
Transfer receipts from national	24,045,572	26,504,481	31,832,888	36,017,798	36,032,918	36,032,918	42,091,387	47,508,414	53,065,349
<i>Equitable share</i>	21,346,612	23,599,748	28,398,760	32,052,488	32,052,488	32,052,488	37,067,018	41,870,497	46,697,600
<i>Conditional grants</i>	2,698,960	2,904,733	3,434,128	3,965,310	3,980,430	3,980,430	5,024,369	5,637,917	6,367,749
Provincial own receipts	1,136,332	1,169,452	1,227,267	1,173,812	1,273,812	1,369,108	1,423,141	1,497,220	1,594,511
Total provincial receipts	25,181,904	27,673,933	33,060,155	37,191,610	37,306,730	37,402,026	43,514,528	49,005,634	54,659,860
Provincial payment*									
Current payments	20,859,161	23,248,618	26,813,012	29,752,996	29,848,693	29,954,475	33,802,320	37,143,380	40,758,721
Transfers and subsidies	2,312,014	2,411,822	3,127,861	3,923,898	3,983,242	4,037,531	5,156,224	6,994,786	8,031,222
Payments for capital assets	2,305,319	2,354,035	3,366,206	3,514,716	3,597,280	3,597,690	4,555,984	4,867,468	5,869,917
Unallocated contingency reserve									
Total provincial payments	25,476,494	28,014,475	33,307,079	37,191,610	37,429,215	37,589,696	43,514,528	49,005,634	54,659,860
Lending									
Surplus/(deficit) before financing	(294,590)	(340,542)	(246,924)	-	(122,485)	(187,670)	-	-	-
Financing	449,541	498,402	452,618	-	122,485	122,485	-	-	-
Provincial roll-overs	327,932	305,385	351,061	-	112,485	112,485	-	-	-
Provincial cash resources**	220,609	193,017	101,557	-	-	-	-	-	-
Suspension to ensuing year	(99,000)	-	-	-	10,000	10,000	-	-	-
Surplus/(deficit) after financing	154,951	157,860	205,694	-	-	(65,185)	-	-	-

* Estimated actual expenditure for 2006/07 is as at 31 December 2006

** The provincial cash resources for Estimated Actual for 2006/07 excludes over-collection in provincial own revenue for 2006/07.

As is evident, the province recorded a deficit before financing for the period 2003/04 to 2006/07. After taking into account the amounts available from financing, this position is reversed for 2003/04 to 2005/06, resulting in the province closing the years with a surplus, which in most instances was re-allocated in the ensuing financial year in the form of roll-overs or provincial cash resources. However, as at the end of December 2006, a minimal projected deficit after financing of R65,2 million or 0.2 per cent of the Adjusted Budget is recorded for the 2006/07 financial year. This is largely due to projected over-expenditure in the two main social sector departments, namely Vote 5: Education and Vote 7: Health. Based on prior years' trends, it is likely that the departments' projections for the remaining quarter are inflated and that the province is likely to close-out the 2006/07 financial year with a surplus after financing. Any surplus/(deficit) that may arise from the 2006/07 financial year will be taken into account when the province prepares its Adjustments Estimate for the 2007/08 financial year.

The total provincial payments equal total provincial receipts over the 2007/08 MTEF period, thereby reflecting a balanced budget before and after financing. This indicates that all financial resources available to the province have been allocated to the 16 provincial departments for spending over the three-year MTEF period.

The province has three sources of financing available, namely provincial roll-overs, provincial cash resources, and suspensions to the ensuing financial year.

Provincial roll-overs refer to funds that were appropriated and committed but not spent in that financial year. These commitments are in respect of once-off expenditure such as acquisition of machinery and equipment, completion of infrastructure projects, etc., as well as unspent conditional grants. These unspent funds are then re-allocated to the relevant department during the adjustments estimate in the following year.

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

Suspensions to ensuing years occur when departments intentionally apply to the Provincial Treasury to have a portion of their budget suspended during the course of the year, and re-allocated in the next or later financial year, because of unforeseen delays in spending the funds, or slower than anticipated progress. This process will ensure that the department will have the funding available to complete the project during the subsequent financial years.

6. RECEIPTS

6.1 Overall position

Table 6.1 below shows the actual and projected total revenue for the 2007/08 MTEF period. The bulk (over 96 per cent) of provincial revenue for the 2007/08 financial year consists of national transfers to the province, which comprise of equitable share funding and conditional grants. Provincial own receipts make up the balance of the total provincial funding.

Table 6.1: Analysis of total receipts

	Outcome			Adjusted Budget 2006/07	Medium-term estimates			Average annual growth	
	Audited 2003/04	Audited 2004/05	Audited 2005/06		2007/08	2008/09	2009/10	2003/04 - 2006/07	2006/07 - 2009/10
In Rand (000)									
Transfers from national	24,045,572	26,504,481	31,832,888	36,032,918	42,091,387	47,508,414	53,065,349		
<i>Equitable share</i>	21,346,612	23,599,748	28,398,760	32,052,488	37,067,018	41,870,497	46,697,600		
<i>Conditional grants</i>	2,698,960	2,904,733	3,434,128	3,980,430	5,024,369	5,637,917	6,367,749		
Own Revenue	1,136,332	1,169,452	1,227,267	1,273,812	1,423,141	1,497,220	1,594,511		
Total	25,181,904	27,673,933	33,060,155	37,306,730	43,514,528	49,005,634	54,659,860		
% of total revenue									
Transfers from national	95.5	95.8	96.3	96.6	96.7	96.9	97.1		
<i>Equitable share</i>	84.8	85.3	85.9	85.9	85.2	85.4	85.4		
<i>Conditional grants</i>	10.7	10.5	10.4	10.7	11.5	11.5	11.6		
Own Revenue	4.5	4.2	3.7	3.4	3.3	3.1	2.9		
Nominal growth (%)									
Transfers from national		10.2	20.1	13.2	16.8	12.9	11.7	14.4	13.8
<i>Equitable share</i>		10.6	20.3	12.9	15.6	13.0	11.5	14.5	13.4
<i>Conditional grants</i>		7.6	18.2	15.9	26.2	12.2	12.9	13.8	17.0
Own Revenue		2.9	4.9	3.8	11.7	5.2	6.5	3.9	7.8
Total		9.9	19.5	12.8	16.6	12.6	11.5	14.0	13.6
Real growth (%)									
Transfers from national		5.9	15.3	7.7	11.2	8.2	6.9	9.6	8.7
<i>Equitable share</i>		6.2	15.6	7.4	10.0	8.3	6.7	9.7	8.3
<i>Conditional grants</i>		3.4	13.5	10.3	20.1	7.6	8.1	9.0	11.8
Own Revenue		(1.1)	0.8	(1.2)	6.3	0.9	1.9	(0.5)	3.0
Total		5.6	14.7	7.4	11.0	8.0	6.7	9.2	8.5

In the 2007/08 MTEF period, the total provincial revenue is R43,5 billion, R49 billion and R54,7 billion, respectively. The equitable share, which forms the largest share of national transfers to the provincial government, is R37,1 billion in 2007/08, R41,9 billion in 2008/09 and 46,7 billion in 2009/10. Conditional grant funding provides a further R5 billion, R5,6 billion and R6,4 billion in the three years of the MTEF period.

The balance of the total revenue comes from provincial own source revenue, which forms a small proportion of total provincial revenue. Note that there is a gradual decline in share of total revenue, due to national transfers increasing at a faster rate than own revenue. Own revenue is, nevertheless, showing a steady increase in nominal terms.

Table 6.1 also shows the analysis of total provincial receipts in terms of percentage shares, as well as nominal and real average annual growth rates from 2003/04 to 2009/10. Total provincial revenue is set to increase in real terms by a healthy annual average of 8.5 per cent over the 2007/08 MTEF. The share of national transfers increases from 95.5 per cent in 2003/04, to 96.6 per cent in 2006/07 and continues this trend to 97.1 per cent in 2009/10. The opposite trend is noted for provincial own revenue, which declines from 4.5 per cent of total receipts in 2003/04 to a projected 2.9 per cent of the total in 2009/10.

Provincial own revenue is projected to yield R1,3 billion in 2006/07, climbing to R1,6 billion in 2009/10. In nominal terms, own revenue increased by an annual average of 3.9 per cent from 2003/04 to 2006/07. However, in the 2007/08 MTEF, this annual average nominal growth is expected to increase to 7.8 per cent. This is largely due to the on-going effects of the revenue enhancement strategies implemented in 2004/05, as well as more realistic revenue forecasting by departments. In real terms, own revenue declined by an annual average of 0.5 per cent from 2003/04 to 2006/07, but will increase by 3 per cent in the 2007/08 MTEF.

6.2 Provincial equitable share

The provincial equitable share is formula based, and is the main source of revenue that enables the province to deliver primarily on its statutory obligations. Table 6.1 above shows that the total equitable share allocation to the province for the 2007/08 MTEF will grow by a healthy annual average 8.3 per cent in real terms. Although this is down slightly from 9.7 per cent between 2003/04 and 2006/07, the growth will ensure that improved levels of service will be delivered in the province. For the period under review, the equitable share allocation to the province rises from 84.8 per cent of total provincial revenue in 2003/04 to 85.9 per cent in 2006/07. The share then stabilises at 85.4 per cent in the outer years of the MTEF. An analysis of how the provincial equitable share is determined is explained in detail in Section 3.3 of this document.

6.3 Conditional grants

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

As can be seen from Table 6.1 above, the conditional grant allocation to the province has experienced a steady growth since 2003/04. From 2003/04 to 2006/07, the conditional grant allocation comprised, on average, 10.5 per cent of total provincial revenue, increasing to an average of 11.5 per cent of total provincial revenue from 2007/08 to 2009/10. Nominally, the conditional grant allocation grew at an average annual rate of 13.8 per cent from 2003/04 to 2006/07, and it is projected to grow at an average annual rate of 17 per cent over the 2007/08 MTEF.

These sizeable increases in conditional grant allocations are of concern to the province. As the fiscal arrangement in South Africa stabilises and matures, so the roles and uses of conditional grants as funding mechanisms to provinces should diminish. But the opposite is true.

A review of conditional grants undertaken by the Financial and Fiscal Commission (FFC) recommended that, in general, conditional grants should only be used to address problems of spill-over benefits, and the funding of national priority programmes that still need to be permanently established in provincial budgets. It was also confirmed that, in the latter case, the conditional grants should be phased in as part of equitable share funding once the national priority has been established at provincial level.

The FFC also proposed that the HIV and AIDS conditional grant (administered by the Department of Health) be retained as a conditional grant and not phased into equitable share funding. The response by government was that, while this proposal has merit, there are areas of the grant that could well be phased into equitable share. For example, the Mother-to-Child Prevention Programme is now sufficiently established in provincial activities and could therefore be phased into equitable share.

On the other hand, the FFC proposed that the Hospital Revitalisation grant be incorporated into the Provincial Infrastructure Grant, as the stricter conditions attached to the Hospital Revitalisation grant are limiting service delivery. Government response was that this proposal would be explored in 2007/08.

The National Tertiary Services grant and the Hospital Professional Training and Development grant were reviewed by the FFC, and it was agreed that both should remain grants. Various proposals were made to strengthen the performance and the monitoring of these grants, such as the need for the National Department of Health to establish sufficiently capacitated units to co-ordinate and manage the grants.

The FFC also proposed the merging of the Land Care and the Comprehensive Agricultural Support grants into a single Schedule 4 grant, as the objectives appear to overlap. This proposal was not supported by government, as no real overlap in objectives is evident.

With regard to the HIV and AIDS (Life Skills Education) grant, the FFC proposed that it should remain a conditional grant, with funding based on enrolment rather than the education portion of the provincial equitable share formula, as is the case at present. This was opposed by government, as it intends phasing the grant into the equitable share once it becomes part of the education system, and provincial education departments take up full responsibility for it.

Table 6.2 depicts a summary of conditional grants to the province by department and grant type. In terms of allocation per department, the Department of Health is the major recipient of grant allocation, receiving above 40 per cent of total grants. Note that the Hospital Revitalisation and Forensic Pathology Services grants decrease from 2007/08 to 2009/10. This is due largely to initial start-up expenses in the Forensic Pathology Services grant and the cut in Hospital Revitalisation funding as a result of the department's history of under-spending. The main reason for the under-spending was capacity constraints, as well as a lengthy delay in the King George V project due to legal action.

The Department of Housing, the second largest recipient of grant allocation, received more than a quarter of the total conditional grant allocation from 2003/04 to 2006/07. The conditional grant funding shows strong increases over the 2007/08 MTEF, rising from R1 billion in 2006/07 to almost R1,9 billion in 2009/10.

The Department of Education receives the third largest share of grant allocation over the entire period under review. The FET College Sector Recapitalisation grant within this department ceases in 2009/10, due to incorporation into equitable share.

Table 6.2: Summary of national conditional grant transfers by vote

R000	Outcome			Main	Adjusted	Estimated	Medium-term estimates		
	Audited	Audited	Audited	Budget	Budget	actual			
	2003/04	2004/05	2005/06		2006/07		2007/08	2008/09	2009/10
Vote 3 - Agriculture & Environmental Affairs	16,500	62,256	59,270	62,199	65,879	65,879	75,311	78,924	86,978
Land Care Grant	6,500	7,240	8,000	6,675	10,355	10,355	7,010	7,345	8,227
Comprehensive Agriculture Support Programme	-	37,016	46,270	55,524	55,524	55,524	68,301	71,579	78,751
Agriculture Disaster Management	10,000	18,000	5,000	-	-	-	-	-	-
Vote 5 - Education	297,998	493,202	588,498	710,560	710,560	710,560	876,773	983,632	865,890
Provincial Infrastructure Conditional Grant	200,121	282,594	315,121	348,194	348,194	348,194	466,022	503,352	527,555
HIV and AIDS	26,624	29,188	31,126	32,994	32,994	32,994	35,292	37,610	39,765
FET College Sector Recapitalisation	-	-	-	90,000	90,000	90,000	115,453	163,371	-
Financial Management & Quality Enhancement	51,805	-	-	-	-	-	-	-	-
Early Childhood Development	19,448	-	-	-	-	-	-	-	-
National School Nutrition Programme	-	181,420	242,251	239,372	239,372	239,372	260,006	279,299	298,570
Vote 7 - Health	1,204,999	1,153,168	1,575,538	1,774,681	1,786,121	1,786,121	2,137,492	2,266,633	2,624,236
Health Professionals Training & Dev	167,553	180,629	192,373	192,373	192,373	192,373	201,992	212,092	222,425
Integrated Nutrition Programme	176,646	24,513	26,954	-	-	-	-	-	-
HIV and AIDS	85,591	186,348	251,468	344,304	344,304	344,304	466,922	557,696	696,179
National Tertiary Services	551,831	619,462	691,451	732,167	732,167	732,167	789,578	879,102	949,411
Hospital Revitalisation	129,860	-	206,977	205,171	205,171	205,171	268,433	201,793	304,239
Provincial Infrastructure Grant	70,043	127,168	157,561	174,098	174,098	174,098	259,758	288,193	336,599
Forensic Pathology Services	1,000	-	24,976	126,568	138,008	138,008	150,809	127,757	115,383
Cholera Epidemic	6,100	-	-	-	-	-	-	-	-
Hospital Management Improvement	16,375	15,048	23,778	-	-	-	-	-	-
Vote 8 : Housing	822,390	776,023	799,659	1,048,376	1,048,376	1,048,376	1,310,555	1,575,586	1,853,916
Human Resettlement Grant	26,000	27,560	-	-	-	-	-	-	-
Integrated Housing & Human Settlement Dev. Grant	796,390	748,463	799,659	1,048,376	1,048,376	1,048,376	1,310,555	1,575,586	1,853,916
Vote 11 : Local Govt & Trad Affairs	76,771	55,532	-	-	-	-	-	-	-
Provincial Infrastructure Grant	30,017	14,129	-	-	-	-	-	-	-
Consolidated Municipal Infrastructure Prog	7,874	8,353	-	-	-	-	-	-	-
Local Government Capacity Building	38,880	33,050	-	-	-	-	-	-	-
Vote 12 : Transport	200,121	282,594	315,121	348,194	348,194	348,194	573,012	649,422	818,843
Prov Infrastructure Conditional Grant	200,121	282,594	315,121	348,194	348,194	348,194	573,012	649,422	818,843
Vote 13 : Social Welfare	80,181	80,958	93,372	-	-	-	-	-	-
Financial Man. & Social Security System	-	-	-	-	-	-	-	-	-
Food Relief Grant	68,185	68,185	68,185	-	-	-	-	-	-
HIV and AIDS	11,996	12,773	25,187	-	-	-	-	-	-
Vote 15 : Arts, Culture & Tourism	-	-	-	-	-	-	13,950	26,195	36,115
Library Services Grant	-	-	-	-	-	-	13,950	26,195	36,115
Vote 16: Sports and Recreation	-	1,000	2,670	21,300	21,300	21,300	37,276	57,525	81,771
Mass Sport & Recreation Participation Programme	-	1,000	2,670	21,300	21,300	21,300	37,276	57,525	81,771
Total	2,698,960	2,904,733	3,434,128	3,965,310	3,980,430	3,980,430	5,024,369	5,637,917	6,367,749

Other significant recipients of conditional grant funding are the Departments of Agriculture and Environmental Affairs and Transport. The Department of Social Welfare and Population Development, which received a strong boost in grant allocation in the 2005/06 financial year, receives no grant allocation from 2006/07 onwards due to the phasing-in of the Integrated Social Development Services (previously Food Relief), and HIV and AIDS conditional grants into the equitable share.

A new grant commences in 2007/08 within the Department of Arts, Culture and Tourism, namely the Library Services grant.

6.4 Total provincial own receipts (own revenue)

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

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

Table 6.3: Summary of provincial own receipts

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2003/04	Audited 2004/05	Audited 2005/06				2007/08	2008/09	2009/10
Tax receipts	643,740	677,051	822,356	799,555	879,555	927,872	981,515	1,038,032	1,093,697
Non-tax receipts	427,269	429,418	310,750	338,042	358,042	384,835	400,165	418,700	457,419
Sale of goods and services other than capital assets	177,428	226,064	198,036	227,918	227,918	211,713	231,213	248,898	272,654
Fines, penalties and forfeits	23,758	21,625	19,253	25,030	25,030	23,981	28,030	30,031	33,733
Interest, dividends and rent on land ¹	226,083	181,729	93,461	85,094	105,094	149,141	140,922	139,771	151,032
Transfers received	-	-	-	-	-	-	-	-	-
Sales of capital assets	33,771	19,041	20,222	14,661	14,661	19,235	16,670	18,703	20,977
Financial transactions	31,552	43,942	73,939	21,554	21,554	37,166	24,791	21,785	22,418
Total	1,136,332	1,169,452	1,227,267	1,173,812	1,273,812	1,369,108	1,423,141	1,497,220	1,594,511

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

Table 6.4: Summary of provincial own receipts by vote

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2003/04	Audited 2004/05	Audited 2005/06				2007/08	2008/09	2009/10
1. Premier	143,499	173,615	203,322	196,544	216,544	224,648	233,479	249,815	268,551
2. Provincial Legislature	2,261	1,763	2,732	1,150	1,150	1,150	1,981	2,119	2,278
3. Agriculture and Environmental Affairs	12,604	21,287	19,613	13,765	13,765	18,340	19,491	20,465	21,968
4. Economic Development	3,525	3,967	4,322	3,737	3,737	3,932	3,961	4,199	4,514
5. Education	15,419	35,062	55,999	34,130	34,130	35,335	32,609	31,169	33,507
6. Provincial Treasury	254,251	127,142	91,117	83,336	103,336	146,587	138,297	137,047	148,142
7. Health	130,630	122,003	137,689	137,219	137,219	125,157	133,450	142,178	153,742
8. Housing	620	929	889	500	500	2,152	841	751	724
9. Community Safety and Liaison	8	22	12	12	12	29	20	21	23
10. The Royal Household	144	768	129	44	44	44	45	48	52
11. Local Government and Traditional Affairs	2,896	943	1,953	1,113	1,113	1,236	1,154	1,290	1,387
12. Transport	564,659	614,211	703,249	695,000	755,000	801,000	851,000	901,000	952,000
13. Social Welfare and Population Development	2,865	4,953	2,444	5,325	5,325	5,897	4,374	4,531	4,871
14. Works	2,951	3,595	3,641	1,839	1,839	2,901	1,931	2,066	2,221
15. Arts, Culture and Tourism	-	98	143	86	86	665	490	499	507
16. Sports and Recreation	-	3	13	12	12	35	18	22	24
Housing Fund	-	59,091	-	-	-	-	-	-	-
Sub-total	1,136,332	1,169,452	1,227,267	1,173,812	1,273,812	1,369,108	1,423,141	1,497,220	1,594,511
Provincial Legislature receipts not to be surrendered to the Provincial Revenue Fund	-	-	-	1,150	1,150	1,150	1,981	2,119	2,278
Total adjusted provincial own receipts	1,136,332	1,169,452	1,227,267	1,172,662	1,272,662	1,367,958	1,421,160	1,495,101	1,592,233

Provincial own source revenue, which forms a small proportion of total provincial revenue, has grown from R1,1 billion in 2003/04 to an estimated R1,4 billion in 2006/07, and is expected to reach 1,6 billion by 2009/10. In the 2006/07 financial year, the Adjusted Budget for own revenue is less than R1,3 billion, but, in terms of the departmental revenue estimates as at December 2006, this is likely to be almost R1,4 billion. The Department of Health is the exception in that it is the only department projecting to collect less than the Adjusted Budget, mainly due to a decrease in tariffs of patient fees.

As can be seen in Table 6.3, *Tax receipts*, the most significant category by value, exhibited fairly strong growth from 2003/04 to the 2006/07 Adjusted Budget, but is expected to stabilise somewhat from 2006/07 to 2009/10.

Non-tax receipts, on the other hand, shows a variable trend with a negative growth from R427,3 million in 2003/04 to R310,8 million in 2005/06, before increasing to an anticipated R384,8 million in the 2006/07 Estimated Actual. This improvement is expected to continue, reaching R457,4 million by 2009/10. This is primarily due to a vast improvement expected in respect of *Interest, dividends and rent on land*. The main contributor to this category is Provincial Treasury, and the revenue accrued depends on cash balances and interest rates. Past projections have been conservative, as is evidenced by a R20 million upward adjustment in the 2006/07 Adjusted Budget.

The two minor categories by value, namely *Sales of capital assets* and *Financial transactions*, show similar trends from 2003/04 to the 2006/07 Adjusted Budget. Both show negative growth over this period and this is expected to turn around significantly to positive growth over the MTEF period. Trends in these categories have always been difficult to project, as evident from historical figures. The projections in the 2007/08 MTEF are based on the 2006/07 Adjusted Budget figures.

As shown in Table 6.4 above, the Department of Transport continues to be the main contributor to total provincial revenue, accounting for an average of almost 60 per cent of total provincial revenue for the 2007/08 MTEF period. Historically, the department's own revenue has shown strong growth, rising from R564,7 million in 2003/04 to R755 million in the 2006/07 Adjusted Budget. Note that the department revised its 2006/07 Main Budget upwards by R60 million in the Adjustments Estimate process, due to strong performance at the time. In the new MTEF, the department is expecting an inflationary-linked annual growth in own revenue. The department also reports that there is a disparity in license fees in all nine provinces and, once this issue is addressed and a uniform fee for licences is implemented, revenue will, in all likelihood, increase.

Another major contributor to provincial own revenue is the Office of the Premier, yielding more than 16 per cent of total own revenue over the 2007/08 MTEF. The Office of the Premier is projecting reasonable growth over the new MTEF, and this is in line with the expected growth in the gambling industry, which is the department's prime source of revenue.

The Department of Health is projecting a minimal growth over the new MTEF, mainly due to the introduction of the national Uniform Patient Fee Structure. This resulted in a reduction in fees collected, as rates are now set at levels last seen in 2002.

Own revenue collection by the Provincial Treasury declined sharply from R254,3 million in 2003/04 to R91,1 million in 2005/06. The main reasons for this were:

- Declining interest rates over the period;
- More accurate spending against cash-flow projections by departments, resulting in a decrease in provincial money available for investment; and
- The move of approximately R12,7 billion in respect of Social Security grant funding to the South African Social Security Agency (SASSA).

However, from the 2006/07 Adjusted Budget (and Estimated Actual) estimates, this declining trend is expected to reverse due to the interest earned on the Inter-governmental Cash Co-ordination (IGCC) account (funds are only withdrawn when required), as well as improving interest rates. In the 2007/08 MTEF, revenue projections are conservative, given the unknown behaviour of the interest rate.

6.5 Donor funding and agency receipts

Table 6.5 below shows information on donor funding and agency receipts, per department, for the period under review. Table 1.F in the *Annexure to Budget Statement 1* provides the same information, together with details of the donors and agencies. This funding, although not voted for and fairly minimal in value, is nevertheless an indication of extra budgetary resources available to the province, from both local and international sources. It is becoming increasingly important to monitor the quality and quantity of services being provided with regard to donor funding and agency receipts. To this extent, the Provincial Treasury will require departments to report at least on a quarterly basis in 2007/08.

Table 6.5: Donor funding and agency receipt

Name of Donor Organisation	Outcome			Main budget	Adjusted budget	Estimated actual	Medium-term estimates		
	Audited 2003/04	Audited 2004/05	Audited 2005/06				2007/08	2008/09	2009/10
R000									
Donor funding	104,931	46,696	67,222	137,171	139,744	139,749	202,147	226,809	94,786
Provincial Legislature	-	-	1,141	1,107	1,107	853	-	-	-
Agriculture & Environmental Affairs	1,356	2,757	28	2,740	2,740	9,085	16,549	14,917	14,917
Economic Development	-	26,491	3,618	80,000	80,000	80,000	80,000	105,891	-
Education	1,708	7,907	1,934	27,907	27,640	27,054	29,607	30,847	-
Health	98,797	4,584	58,632	17,010	22,510	17,010	74,431	75,154	79,869
Housing	843	1,481	780	5,000	2,340	2,340	1,560	-	-
Local Government & Traditional Affairs	2,227	3,476	1,089	3,407	3,407	3,407	-	-	-
Agency receipt	419,489	495,010	511,905	512,629	512,629	514,029	555,688	610,173	670,681
Agriculture & Environmental Affairs	1,390	34,445	21,118	-	-	1,400	-	-	-
Health	346	-	-	-	-	-	-	-	-
Local Government and Traditional Affairs	964	196	-	6,402	6,402	6,402	-	-	-
Transport	416,789	460,369	490,787	506,227	506,227	506,227	555,688	610,173	670,681
Total	524,420	541,706	579,127	649,800	652,373	653,778	757,835	836,982	765,467

6.5.1 Agency receipts

Agency receipts account for the greater proportion of the total of non-voted funds, increasing from R419,5 million in 2003/04 to R670,7 million in 2009/10. The primary beneficiary of agency receipts is the Department of Transport, to fund bus transport subsidies. In fact, this department is the only department projecting agency receipts over the 2007/08 MTEF. Previously, the Department of Agriculture and Environmental Affairs received funding for the mitigation of the effects of the Cold Spell disaster, rehabilitation of dip tanks and the construction of Open Pan Sugar Mills. The Department of Transport is projecting to receive R555,7 million in respect of Bus Subsidies and Overload Control Programmes during the 2007/08 financial year. The increases in 2007/08 and the outer years relate to projected high fuel prices, which affect the bus transport industry and therefore require more funding from the state.

6.5.2 Donor funding

The main recipients of donor funding for the 2007/08 MTEF are the Departments of Agriculture and Environmental Affairs, Economic Development, Education, Health, and Housing.

The Department of Health is the major recipient of donor funding over the period under review, with a projected funding of R74,4 million in 2007/08, climbing to R79,9 million in 2009/10. The varying trend in Health relates mainly to the Global Fund, where funding in 2003/04 was received late. These funds were spent mainly in 2004/05 and therefore additional funds were only required and provided in 2005/06. This pattern repeats itself in 2006/07. This fund is primarily in respect of HIV and AIDS patients.

The Department of Economic Development is another major recipient of donor funding, particularly in the period from 2006/07 to 2008/09. The funding is from the European Commission, and it brings

together a skilled private and public sector technical team funded through the European Union and the provincial government to implement projects for local economic development.

The Department of Agriculture and Environmental Affairs receives funding primarily from the Flemish Government. The funds are used for various projects, such as traditional food promotion, agricultural information centres, quantification and optimisation of land use, Makhathini capacity building and sustainable natural resource management. Further to this, the Flemish government is contributing approximately R60 million over 5 years, from 2007/08 onwards, for the Food Security programme. This is an integrated programme led by the department, and will involve other departments like Health, Local Government and Traditional Affairs, Education, Housing, Social Welfare and Economic Development.

The Department of Education receives donor funds from the Flemish and New Zealand governments and the Royal Netherlands Embassy. Funds from the Flemish and New Zealand governments are paid directly into the Education Development Trust, whereas funds from the Royal Netherlands Embassy are paid directly over to the department, for developing educational training centres.

7. EXPENSE

7.1 Overall position

Total expenditure in the province increased from R25,5 billion in 2003/04 to R37,6 billion in 2006/07 and continues to rise over the 2007/08 MTEF to R54,7 billion in 2009/10. The additional allocation over the 2007/08 MTEF caters for:

- Carry through costs of 2006/07 Adjustments Estimate;
- National sector specific priorities for Education; Health and Social Welfare and Population Development;
- Costs associated with the re-demarcation of provincial boundaries; and
- Other provincial functions, which, in the main, are largely funded in the final year of the 2007/08 MTEF period.

7.2 Expense by vote

Table 7.1 below illustrates the summary of provincial payments and estimates by vote. The trend analysis reveals that most departments' budgets are set to increase sizeably from the 2006/07 Main Budget to 2007/08 and over the ensuing two financial years.

Table 7.1: Summary of provincial payments and estimates by vote

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2003/04	Audited 2004/05	Audited 2005/06				2007/08	2008/09	2009/10
1. Premier	146,846	164,536	244,395	294,740	318,965	318,965	342,659	372,530	400,438
2. Provincial Legislature	96,025	108,654	126,083	139,235	172,218	176,067	178,081	185,638	199,518
3. Agriculture and Environmental Affairs	771,441	951,912	1,204,095	1,298,906	1,304,136	1,289,569	1,507,802	1,628,446	1,892,633
4. Economic Development	108,556	136,872	143,310	390,052	512,424	502,424	1,394,441	2,792,213	3,174,003
5. Education	11,819,572	13,033,271	15,030,000	16,209,078	16,136,078	16,264,847	18,576,821	20,384,512	22,533,275
6. Provincial Treasury	145,970	204,786	308,079	449,780	415,322	399,081	630,993	821,507	883,120
<i>Growth Fund</i>	-	-	47,900	420,000	20,000	20,000	-	-	-
<i>SMME Fund</i>	-	-	100,000	200,000	300,000	300,000	-	-	-
<i>Poverty Alleviation Fund</i>	-	-	175,000	-	-	-	-	-	-
<i>Other developmental initiatives</i>	-	-	-	-	28,000	28,000	18,500	6,000	-
7. Health	8,244,543	8,950,609	10,555,752	11,736,761	11,819,251	11,868,048	13,412,815	14,363,759	15,779,591
8. Housing	1,081,113	988,078	974,159	1,252,133	1,251,183	1,251,183	1,520,850	1,796,788	2,096,708
9. Community Safety and Liaison	17,245	17,070	48,495	50,818	58,943	58,943	78,800	98,532	123,111
10. The Royal Household	22,746	25,385	29,956	31,409	34,609	38,436	36,479	39,032	41,959
11. Local Government and Traditional Affairs	430,551	453,642	470,972	595,585	687,306	694,306	768,070	935,834	1,096,854
12. Transport	1,565,497	1,810,262	2,279,024	2,415,983	2,536,833	2,536,948	3,119,867	3,574,261	4,224,194
13. Social Welfare and Population Development	511,580	542,428	746,226	894,810	1,000,485	1,018,706	1,000,360	1,005,331	1,095,731
14. Works	351,999	396,994	489,758	451,523	450,573	441,284	479,419	512,494	550,915
15. Arts, Culture and Tourism	144,186	192,591	238,658	254,726	269,728	269,728	287,394	313,838	347,070
16. Sports and Recreation	15,733	37,385	95,217	106,071	113,161	113,161	161,177	174,919	220,740
17. Reconstruction and Development Programme (RDP)	2,891	-	-	-	-	-	-	-	-
Total	25,476,494	28,014,475	33,307,079	37,191,610	37,429,215	37,589,696	43,514,528	49,005,634	54,659,860

The above table reflects that the provision for the Growth Fund and SMME Fund under Vote 6: Provincial Treasury has been discontinued with effect from 2007/08. These funds have now been allocated to Vote 4: Economic Development, who is responsible for the implementation and monitoring of the Funds. This, together with funding for the Co-operatives Programme and Dube TradePort during 2006/07, explains the rapid increase in the expenditure allocation to Vote 4: Economic Development.

Table 7.2 below shows the analysis of payments and estimates by major vote. Although the social services sector spending is set to increase in both nominal and real terms over the 2007/08 MTEF, its share of the total budget decreases from 80.8 per cent in 2003/04 to 77.4 per cent in 2006/07, and further to 72.1 per cent in 2009/10. This means that the spending on Other Functions is increasing at a faster rate than the social services sector over the 2007/08 MTEF, from R8,5 billion in 2006/07 to R15,3

billion in 2009/10. The expansion in provincial spending on Other Functions, especially Economic Development, Housing, Agriculture and Transport, reinforces the provincial government's objective of achieving its economic development goals.

Table 7.2: Analysis of payments and estimates by major vote

	Outcome			Adjusted Budget 2006/07	Medium-term estimates			Average annual growth	
	Audited 2003/04	Audited 2004/05	Audited 2005/06		2007/08	2008/09	2009/10	2003/04 - 2006/07	2006/07 - 2009/10
In Rand (000)									
Education	11,819,572	13,033,271	15,030,000	16,136,078	18,576,821	20,384,512	22,533,275		
Health	8,244,543	8,950,609	10,555,752	11,819,251	13,412,815	14,363,759	15,779,591		
Social Welfare	511,580	542,428	746,226	1,000,485	1,000,360	1,005,331	1,095,731		
Other Functions	4,900,799	5,488,167	6,975,101	8,473,401	10,524,532	13,252,032	15,251,263		
Total expenditure	25,476,494	28,014,475	33,307,079	37,429,215	43,514,528	49,005,634	54,659,860		
% of total expenditure									
Education	46.4	46.5	45.1	43.1	42.7	41.6	41.2		
Health	32.4	31.9	31.7	31.6	30.8	29.3	28.9		
Social Welfare	2.0	1.9	2.2	2.7	2.3	2.1	2.0		
Other Functions	19.2	19.6	20.9	22.6	24.2	27.0	27.9		
Nominal growth (%)									
Education		10.3	15.3	7.4	15.1	9.7	10.5	10.9	11.8
Health		8.6	17.9	12.0	13.5	7.1	9.9	12.8	10.1
Social Welfare		6.0	37.6	34.1	(0.0)	0.5	9.0	25.1	3.1
Other Functions		12.0	27.1	21.5	24.2	25.9	15.1	20.0	21.6
Total expenditure		10.0	18.9	12.4	16.3	12.6	11.5	13.7	13.5
Real growth (%)									
Education		6.0	10.7	2.2	9.5	5.2	5.8	6.2	6.8
Health		4.3	13.2	6.6	8.0	2.7	5.1	8.0	5.2
Social Welfare		1.9	32.1	27.6	(4.9)	(3.7)	4.3	19.7	(1.5)
Other Functions		7.6	22.0	15.6	18.2	20.7	10.1	14.9	16.3
Total expenditure		5.7	14.2	6.9	10.6	8.0	6.7	8.9	8.4

The Department of Education has consistently accounted for the bulk of the provincial budget, and this trend is set to continue over the 2007/08 MTEF, although at a declining rate, from 43.1 per cent in 2006/07 to 41.2 per cent in 2009/10. The Education budget is set to increase by an average annual nominal (real) growth rate of 11.8 (6.8) per cent between 2006/07 and 2009/10. This positive growth over the 2007/08 MTEF caters for improving the remuneration levels of teachers and school managers (principals), providing for teacher development and targeted incentives to teachers in critical subjects, appointing additional clerical support staff, hiring teaching assistants, as well as providing much needed basic resources, such as equipping media centres and science laboratories in the schools that service poor learners. Furthermore, a systematic evaluation will be implemented to gauge average educational performance prior to Grade 12, with the focus on monitoring, understanding and tackling school quality challenges in the General Education and Training band.

The budget for Health also shows relatively good average annual real growth of 5.2 per cent for the period 2006/07 to 2009/10. This growth builds on the significant average annual real growth of 8 per cent between 2003/04 and 2006/07. This increased budget will enable the department to strengthen its service delivery, as well as the fight against HIV and AIDS and XDR-MDR TB. Also, the increased allocation will enable the department to meet national priorities such as the costs associated with the Health Professional Remuneration Review and expansion of the Emergency Medical Services in preparation for the 2010 World Cup. Although increasing in real terms over the 2007/08 MTEF period, the department's budget as a share of the total provincial budget declines from 30.8 per cent in 2007/08 to 28.9 per cent in 2009/10.

Given the social security function shift to the South African Social Security Agency (SASSA) from April 2006, Social Welfare's budget shows a substantial reduction and, in keeping with international standards, the prior years have been adjusted accordingly. As a percentage share of total expenditure, spending by Social Welfare also declines over the MTEF period from 2.7 per cent in 2006/07, to 2 per cent in 2009/10. The expenditure in this department showed significant increases between 2003/04 and 2006/07. However, the 2006/07 allocation includes a roll-over of approximately R105 million in respect of the unspent Integrated Social Development Services grant, which distorts the growth rates over the

period. This roll-over also accounts for the decrease from 2006/07 to 2007/08. Furthermore, the department was allocated additional funding to cater for the employment of social auxiliary workers, scholarships for social workers and substance abuse, for the 2007/08 year only. The carry-through costs in the outer years will only be allocated during the 2008/09 MTEF. This explains the negative annual average real growth of 3.7 per cent between 2007/08 and 2008/09.

The average annual nominal (real) growth of 21.6 (16.3) per cent for Other Functions between 2006/07 and 2009/10 demonstrates the provincial government's commitment to economic growth. The positive growth is linked to the sizeable allocation for the Dube TradePort of R3,3 billion over the 2007/08 MTEF period, as well as the provision for the Growth and SMME Funds residing under the Department of Economic Development. The Department of Transport receives funding over the 2007/08 MTEF to improve and maintain the current road network, as well as for specific projects such as Dube TradePort (R102–Ballito and M4–R102) intersections. Also, additional resources were allocated for identified corridor developments and infrastructure development for soccer stadia during the 2006/07 MTEF period to the Department of Local Government and Traditional Affairs.

7.3 Expense by economic classification

7.3.1 Provincial summary of payments and estimates by economic classification

Table 7.3 below, which presents a summary of payments and estimates by economic classification, is broken-down into three main categories, namely *Current payments*, *Transfers and subsidies*, and *Payments for capital assets*, for the period 2003/04 to 2009/10. *Current payments* consume the bulk of the total provincial spending. A large proportion of expenditure in this category relates to *Compensation of employees*, which is set to increase from R25 billion in 2007/08, to R30 billion in 2009/10. Total *Current payments* are expected to increase from R33,8 billion to R40,8 billion over the same period.

Table 7.3: Summary of payments and estimates by economic classification

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2003/04	Audited 2004/05	Audited 2005/06				2007/08	2008/09	2009/10
Current payments	20,826,393	23,214,728	26,777,647	29,717,597	29,811,259	29,917,041	33,828,530	37,143,319	40,755,454
Compensation of employees	16,092,572	17,889,221	19,604,852	22,053,149	21,935,181	21,888,627	24,985,565	27,261,431	29,977,488
Goods and services	4,691,205	5,295,678	7,156,627	7,664,448	7,876,078	8,017,428	8,842,965	9,881,888	10,777,966
Other	42,616	29,829	16,168	-	-	10,986	-	-	-
Transfers and subsidies to:	2,312,014	2,411,822	3,127,861	3,923,898	3,983,242	4,037,531	5,090,824	6,952,955	7,989,466
Local government	241,482	258,572	340,102	344,408	391,799	361,442	417,337	490,978	574,058
Non-profit institutions	811,036	920,584	1,131,404	1,248,064	1,450,710	1,503,847	1,806,987	3,265,708	3,482,484
Households	819,291	766,120	784,299	978,580	938,295	966,381	1,210,333	1,407,041	1,685,257
Other	440,205	466,546	872,056	1,352,846	1,202,438	1,205,861	1,656,167	1,789,228	2,247,667
Payments for capital assets	2,305,319	2,354,035	3,366,206	3,514,716	3,597,280	3,597,690	4,555,984	4,867,468	5,869,918
Buildings and other fixed structures	1,708,381	1,798,925	2,645,758	2,619,662	2,748,149	2,742,710	3,547,563	3,913,786	4,623,346
Machinery and equipment	594,953	540,901	700,813	890,051	830,202	837,366	1,000,577	948,055	1,240,700
Other	1,985	14,209	19,635	5,003	18,929	17,614	7,844	5,627	5,872
Total economic classification	25,443,726	27,980,585	33,271,714	37,156,211	37,391,781	37,552,262	43,475,338	48,963,742	54,614,838
Statutory payments	32,768	33,890	35,365	35,399	37,434	37,434	39,190	41,892	45,022
Total economic classification (incl. stat. pay.)	25,476,494	28,014,475	33,307,079	37,191,610	37,429,215	37,589,696	43,514,528	49,005,634	54,659,860

Transfers and subsidies show a substantial increase over time, increasing from R2,3 billion in 2003/04 to R8 billion in 2009/10. The significant increase against *Transfers and subsidies to: Non-profit institutions* from R1,8 billion in 2007/08 to R3,4 billion in 2009/10 is mainly due to increasing funding in respect of the Dube TradePort – a Section 21 company. The category *Transfers and subsidies to: Households* relates mainly to the housing subsidy grants and shows a steady increase over the period under review. The remaining category *Transfers and subsidies to: Other* includes the provincial Growth and SMME Funds, accounting for the sharp increase from 2005/06 to the 2006/07 Main Budget.

The trend in *Payments for capital assets* shows an increase from R2,3 billion in 2003/04 to R5,9 billion in 2009/10. A significant share of expenditure under this item is spent on physical infrastructure, through *Buildings and other fixed structures*. Greater spending on capital emphasises the government's determination to boost its capital stock and subsequently job creation and economic growth.

Table 7.4 provides an analysis of payments by economic classification. As a percentage of total expenditure, *Current* expenditure is declining over time, from 81.9 per cent in 2003/04 to 74.7 per cent in 2009/10. Within this category, *Compensation of employees'* share of total expenditure also shows a decrease from 63.3 per cent in 2003/04 to 58.7 per cent in 2006/07, before declining further to 54.9 per cent in 2009/10. Although the percentage share is declining, there is still real average annual growth of 6.1 per cent between 2006/07 and 2009/10, meaning that non-compensation increases at a faster rate than compensation, with an annual average real growth of 11.6 per cent for the same period. This declining share clearly shows that more resources are being targeted towards service delivery spending.

Table 7.4: Analysis of payments and estimates by economic classification

	Outcome			Adjusted Budget 2006/07	Medium-term estimates			Average annual growth	
	Audited	Audited	Audited		2007/08	2008/09	2009/10	2003/04 -	2006/07 -
	2003/04	2004/05	2005/06					2006/07	2009/10
In Rand (000)									
Current	20,859,161	23,248,618	26,813,012	29,848,693	33,867,720	37,185,211	40,800,476		
Transfers	2,312,014	2,411,822	3,127,861	3,983,242	5,090,824	6,952,955	7,989,466		
Capital	2,305,319	2,354,035	3,366,206	3,597,280	4,555,984	4,867,468	5,869,918		
Compensation	16,125,340	17,923,111	19,640,217	21,972,615	25,024,755	27,303,323	30,022,510		
Non-compensation	9,351,154	10,091,364	13,666,862	15,456,600	18,489,773	21,702,311	24,637,350		
Non-compensation (excl. transfers)	7,039,140	7,679,542	10,539,001	11,473,358	13,398,949	14,749,356	16,647,884		
Non-compensation non-capital (NCNC)	7,045,835	7,737,329	10,300,656	11,859,320	13,933,789	16,834,843	18,767,432		
NCNC (excl. transfers)	4,733,821	5,325,507	7,172,795	7,876,078	8,842,965	9,881,888	10,777,966		
Total expenditure	25,476,494	28,014,475	33,307,079	37,429,215	43,514,528	49,005,634	54,659,860		
% of total expenditure									
Current	81.9	83.0	80.5	79.7	77.8	75.9	74.6		
Transfers	9.1	8.6	9.4	10.6	11.7	14.2	14.6		
Capital	9.0	8.4	10.1	9.6	10.5	9.9	10.7		
Compensation	63.3	64.0	59.0	58.7	57.5	55.7	54.9		
Non-compensation	36.7	36.0	41.0	41.3	42.5	44.3	45.1		
Non-compensation (excl. transfers)	27.6	27.4	31.6	30.7	30.8	30.1	30.5		
Non-compensation non-capital (NCNC)	27.7	27.6	30.9	31.7	32.0	34.4	34.3		
NCNC (excl. transfers)	18.6	19.0	21.5	21.0	20.3	20.2	19.7		
Nominal growth (%)									
Current		11.5	15.3	11.3	13.5	9.8	9.7	12.7	11.0
Transfers		4.3	29.7	27.3	27.8	36.6	14.9	19.9	26.1
Capital		2.1	43.0	6.9	26.7	6.8	20.6	16.0	17.7
Compensation		11.1	9.6	11.9	13.9	9.1	10.0	10.9	11.0
Non-compensation		7.9	35.4	13.1	19.6	17.4	13.5	18.2	16.8
Non-compensation (excl. transfers)		9.1	37.2	8.9	16.8	10.1	12.9	17.7	13.2
Non-compensation non-capital (NCNC)		9.8	33.1	15.1	17.5	20.8	11.5	19.0	16.5
NCNC (excl. transfers)		12.5	34.7	9.8	12.3	11.7	9.1	18.5	11.0
Real growth (%)									
Current		7.1	10.7	5.9	8.0	5.3	5.0	7.9	6.1
Transfers		0.2	24.5	21.2	21.6	30.9	10.0	14.8	20.5
Capital		(1.9)	37.3	1.7	20.5	2.4	15.4	11.1	12.5
Compensation		6.8	5.2	6.5	8.4	4.6	5.2	6.2	6.1
Non-compensation		3.7	30.0	7.6	13.8	12.5	8.6	13.2	11.6
Non-compensation (excl. transfers)		4.8	31.8	3.6	11.1	5.5	8.0	12.7	8.2
Non-compensation non-capital (NCNC)		5.5	27.8	9.6	11.8	15.8	6.7	13.9	11.4
NCNC (excl. transfers)		8.1	29.3	4.5	6.8	7.1	4.4	13.5	6.1

The percentage share of *Non-compensation* increases from 36.7 per cent to 45.1 per cent over the seven-year period under review. This confirms the government's commitment to increasing output of non-personnel service delivery to match the increasing demand. The category *Non-compensation (excluding transfers)* is expected to maintain a consistent share of total expenditure of approximately 30 per cent on average, over the 2007/08 MTEF period.

Expenditure on *Transfers* claims an increasing share of total expenditure, from 10.6 per cent in 2006/07 to 14.6 per cent in 2009/10. In real terms, this category is envisaged to grow by 20.5 per cent between

2006/07 and 2009/10, mainly due to transfers in respect of Co-operatives Programme, Growth and SMME Funds, Dube TradePort and housing subsidy grants.

While *Capital payments* accounts for the smallest share of total expenditure, the annual average real growth rate stands at 12.5 per cent between 2006/07 and 2009/10. Also, the share of the total provincial budget increases from 9 per cent in 2003/04 to 10.7 per cent in 2009/10. The real increase in capital spending supports government's efforts to reduce backlogs in the social and economic infrastructure, while at the same time address unemployment through the labour intensive Expanded Public Works Programme (EPWP). In addition, increased spending on capital shows the government's commitment towards strengthening investment in its capital stock, and hence stimulating economic growth in the province.

7.3.2 Analysis of payments and estimates by economic classification – Education

Table 7.5 shows the Department of Education's summary of payments and estimates by economic classification. *Current* expenditure, as a share of total expenditure, drops from 92.5 per cent in 2003/04 to 88.8 per cent in 2007/08, before increasing slightly to 89 per cent in 2009/10. The increasing share of *Transfers* from 2.8 per cent in 2003/04 to 5.5 per cent in 2009/10 is attributable to the increasing number of Section 21 schools which results in these schools receiving their allocation through a transfer payment from the department, the introduction of the FET College Sector Recapitalisation grant in 2006/07, and the introduction of No Fee Schools which resulted in a portion of the schools allocation (petty cash) being paid over to schools as a transfer payment to reimburse schools for the loss of revenue.

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

	Outcome			Adjusted Budget 2006/07	Medium-term estimates			Average annual growth	
	Audited	Audited	Audited		2007/08	2008/09	2009/10	2003/04 -	2006/07 -
	2003/04	2004/05	2005/06					2006/07	2009/10
In Rand (000)									
Current	10,931,005	11,901,164	13,536,573	14,585,004	16,488,355	18,146,110	20,028,055		
Transfers	325,068	646,962	752,855	855,315	1,054,089	1,176,457	1,249,472		
Capital	563,499	485,145	740,572	695,759	1,034,377	1,061,945	1,255,748		
Compensation	10,045,301	10,862,890	11,879,394	13,084,148	14,767,800	16,258,675	18,046,483		
Non-compensation	1,774,271	2,170,381	3,150,606	3,051,930	3,809,021	4,125,837	4,486,792		
Non-compensation (excl. transfers)	1,449,203	1,519,649	2,387,161	2,196,615	2,754,932	2,949,380	3,237,320		
Non-compensation non-capital (NCNC)	1,210,772	1,681,466	2,399,444	2,356,171	2,774,644	3,063,892	3,231,044		
NCNC (excl. transfers)	885,704	1,038,274	1,657,179	1,500,856	1,720,555	1,887,435	1,981,572		
Total expenditure	11,819,572	13,033,271	15,030,000	16,136,078	18,576,821	20,384,512	22,533,275		
% of total expenditure									
Current	92.5	91.3	90.1	90.4	88.8	89.0	88.9		
Transfers	2.8	5.0	5.0	5.3	5.7	5.8	5.5		
Capital	4.8	3.7	4.9	4.3	5.6	5.2	5.6		
Compensation	85.0	83.3	79.0	81.1	79.5	79.8	80.1		
Non-compensation	15.0	16.7	21.0	18.9	20.5	20.2	19.9		
Non-compensation (excl. transfers)	12.3	11.7	15.9	13.6	14.8	14.5	14.4		
Non-compensation non-capital (NCNC)	10.2	12.9	16.0	14.6	14.9	15.0	14.3		
NCNC (excl. transfers)	7.5	8.0	11.0	9.3	9.3	9.3	8.8		
Nominal growth (%)									
Current		8.9	13.7	7.7	13.1	10.1	10.4	10.1	11.2
Transfers		99.0	16.4	13.6	23.2	11.6	6.2	38.1	13.5
Capital		(13.9)	52.6	(6.1)	48.7	2.7	18.2	7.3	21.8
Compensation		8.1	9.4	10.1	12.9	10.1	11.0	9.2	11.3
Non-compensation		22.3	45.2	(3.1)	24.8	8.3	8.7	19.8	13.7
Non-compensation (excl. transfers)		4.9	57.1	(8.0)	25.4	7.1	9.8	14.9	13.8
Non-compensation non-capital (NCNC)		38.9	42.7	(1.8)	17.8	10.4	5.5	24.8	11.1
NCNC (excl. transfers)		17.2	59.6	(9.4)	14.6	9.7	5.0	19.2	9.7
Real growth (%)									
Current		4.6	9.2	2.5	7.6	5.5	5.6	5.4	6.2
Transfers		91.2	11.7	8.1	17.3	7.0	1.6	32.2	8.4
Capital		(17.3)	46.6	(10.6)	41.5	(1.6)	13.2	2.7	16.4
Compensation		3.9	5.0	4.8	7.4	5.5	6.2	4.6	6.4
Non-compensation		17.5	39.4	(7.8)	18.8	3.8	4.1	14.7	8.7
Non-compensation (excl. transfers)		0.8	50.8	(12.4)	19.3	2.6	5.0	10.0	8.8
Non-compensation non-capital (NCNC)		33.4	37.0	(6.6)	12.1	5.9	0.9	19.6	6.2
NCNC (excl. transfers)		12.6	53.3	(13.8)	9.1	5.2	0.5	14.2	4.8

The erratic spending trend on *Capital expenditure* between 2003/04 and 2006/07 is due to the department's poor spending record in 2004/05. Although the department, together with the Provincial Treasury, intervened during the second half of that year with projects such as the *Fast-track* programme, the benefits thereof were only realised during 2005/06. This, together with a once-off allocation of R100 million during the Adjustments Estimate for the improvement of sanitation at schools, resulted in the positive nominal growth of 52.6 per cent in 2005/06. Unfortunately, the expenditure in 2006/07 is again lower than initially budgeted, resulting in a decrease of R100 million in the 2006/07 Adjusted Budget, and hence the negative nominal year-on-year growth of 6.1 per cent from 2005/06 to 2006/07. Nevertheless, *Capital expenditure* is expected to grow at an average annual real growth rate of 16.4 per cent over the period 2006/07 to 2009/10.

Compensation's share of total expenditure shows a decrease from 85 per cent to 80.1 per cent between 2003/04 and 2009/10. While the percentage share is decreasing, the expenditure is still increasing in real terms, with an average annual real growth rate of 6.4 per cent between 2006/07 and 2009/10. This increase caters for the 2007 wage agreement and provides for the 2008 wage negotiations, appointment of additional support staff, and incentives for teachers in critical subjects. The fact that the *Compensation* share of total expenditure is decreasing gives an indication that the other items, such as goods and services, transfers and capital expenditure, are increasing at a faster rate than *Compensation*.

The increase in the number of Section 21 schools in 2004/05 resulted in the high year-on-year growth against *Transfers* in 2004/05. The significant nominal growth of 23.2 per cent in 2007/08 is attributable to the petty cash component that is payable to No Fee Schools. These two factors, together with the introduction of the FET College Sector Recapitalisation grant have resulted in the average annual real growth of 8.4 per cent between 2006/07 and 2009/10.

The *Non-compensation non-capital (NCNC)* category, for its part, shows a sharp increase in 2005/06 as a result of a carry-over of committed expenditure from 2004/05. This carry-over also accounts for the negative year-on-year growth in 2006/07. The average annual nominal (real) growth between 2006/07 and 2009/10 of 11.1 (6.2) per cent caters for, among others, improvement in Information Technology and Communication, Education Management Information System, provision for expansion of No Fee Schools as well as implementation of the Quality Improvement Development Support and Upliftment Programme.

7.3.3 Analysis of payments and estimates by economic classification – Health

Table 7.6 below shows the Department of Health's expenditure by economic classification. As was the case in previous years, the largest share of total expenditure is in respect of *Current payments*, where the percentage remains at approximately 88.6 per cent for the period 2003/04 to 2009/10. The peak of 90.4 per cent in 2004/05 is as a result of the once-off payment for scarce skills and rural allowances. The largest component of *Current payments* is *Compensation of employees*, which reflects a steady proportion of total expenditure over the 2007/08 MTEF period, of approximately 57.6 per cent.

Compensation also shows a positive trend over the 2006/07 to 2009/10 period, with an average annual real growth of 5.4 per cent. This will allow the department to implement the Health Professional Remuneration Review, as well as appoint additional personnel to ease some of the pressures on the existing staff, and to improve the quality of services delivered by the department.

Transfers show a significant decline between 2003/04 and 2004/05 due to the National School Nutrition Programme being transferred to the Department of Education. The percentage share of total expenditure also declines from 3.2 per cent in 2006/07 to 2.4 per cent in 2009/10 as a result of municipal clinics and other institutions being transferred to the department, resulting in these costs now being catered for under *Current* rather than as a subsidy transfer.

The share of total expenditure on *Payments for capital assets* increases from 6.2 per cent in 2003/04 to 9.4 per cent in 2006/07 before declining to 9 per cent in 2009/10. The significant share decrease in 2008/09 is largely attributable to the decrease in the Hospital Revitalisation grant in that year.

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

	Outcome			Adjusted Budget 2006/07	Medium-term estimates			Average annual growth	
	Audited 2003/04	Audited 2004/05	Audited 2005/06		2007/08	2008/09	2009/10	2003/04 - 2006/07	2006/07 - 2009/10
In Rand (000)									
Current	7,256,766	8,087,868	9,312,160	10,325,734	11,848,938	12,852,673	13,968,151		
Transfers	475,576	275,249	300,459	383,957	378,449	359,937	385,164		
Capital	512,201	587,492	943,133	1,109,560	1,185,428	1,151,149	1,426,276		
Compensation	4,735,016	5,413,761	5,925,640	6,748,445	7,708,001	8,309,633	9,060,106		
Non-compensation	3,509,527	3,568,732	4,661,996	5,102,690	5,736,698	6,086,010	6,751,369		
Non-compensation (excl. transfers)	3,033,951	3,293,483	4,361,537	4,718,733	5,358,249	5,726,073	6,366,205		
Non-compensation non-capital (NCNC)	2,997,326	2,981,240	3,718,863	3,993,130	4,551,270	4,934,861	5,325,093		
NCNC (excl. transfers)	2,521,750	2,705,991	3,418,404	3,609,173	4,172,821	4,574,924	4,939,929		
Total expenditure	8,244,543	8,950,609	10,555,752	11,819,251	13,412,815	14,363,759	15,779,591		
% of total expenditure									
Current	88.0	90.4	88.2	87.4	88.3	89.5	88.5		
Transfers	5.8	3.1	2.8	3.2	2.8	2.5	2.4		
Capital	6.2	6.6	8.9	9.4	8.8	8.0	9.0		
Compensation	57.4	60.5	56.1	57.1	57.5	57.9	57.4		
Non-compensation	42.6	39.9	44.2	43.2	42.8	42.4	42.8		
Non-compensation (excl. transfers)	36.8	36.8	41.3	39.9	39.9	39.9	40.3		
Non-compensation non-capital (NCNC)	36.4	33.3	35.2	33.8	33.9	34.4	33.7		
NCNC (excl. transfers)	30.6	30.2	32.4	30.5	31.1	31.9	31.3		
Nominal growth (%)									
Current		11.5	15.1	10.9	14.8	8.5	8.7	12.5	10.6
Transfers		(42.1)	9.2	27.8	(1.4)	(4.9)	7.0	(6.9)	0.1
Capital		14.7	60.5	17.6	6.8	(2.9)	23.9	29.4	8.7
Compensation		14.3	9.5	13.9	14.2	7.8	9.0	12.5	10.3
Non-compensation		1.7	30.6	9.5	12.4	6.1	10.9	13.3	9.8
Non-compensation (excl. transfers)		8.6	32.4	8.2	13.6	6.9	11.2	15.9	10.5
Non-compensation non-capital (NCNC)		(0.5)	24.7	7.4	14.0	8.4	7.9	10.0	10.1
NCNC (excl. transfers)		7.3	26.3	5.6	15.6	9.6	8.0	12.7	11.0
Real growth (%)									
Current		7.1	10.6	5.5	9.2	4.0	4.0	7.7	5.7
Transfers		(44.4)	4.8	21.6	(6.2)	(8.8)	2.4	(10.8)	(4.3)
Capital		10.2	54.2	12.0	1.7	(6.9)	18.6	23.9	3.9
Compensation		9.9	5.1	8.4	8.7	3.4	4.3	7.8	5.4
Non-compensation		(2.3)	25.4	4.2	7.0	1.7	6.2	8.5	4.9
Non-compensation (excl. transfers)		4.3	27.2	3.0	8.1	2.4	6.4	10.9	5.6
Non-compensation non-capital (NCNC)		(4.4)	19.8	2.2	8.5	3.9	3.3	5.4	5.2
NCNC (excl. transfers)		3.1	21.3	0.5	10.0	5.1	3.3	7.9	6.1

In both nominal and real terms, the department is showing average annual growth from 2006/07 to 2009/10 in all categories except *Transfers*. This rate is, however, not as high as it was for 2003/04 to 2006/07, due to the significant increased allocation that the department received in the 2005/06 MTEF allocation, which corrected past imbalances. Despite the fact that the Hospital Revitalisation grant reduces over the 2007/08 MTEF, resulting in a negative nominal and real year-on-year growth in 2008/09, the *Capital* payments still show an average annual real growth of 3.9 per cent for the 2006/07 to 2009/10 period. This gives an indication that the department will continue to improve its capital assets through the Clinic Upgrading and Building programme and the expansion of emergency medical services, which will provide better access to health facilities in the deep rural areas of the province as well as comply with FIFA 2010 requirements. Furthermore, the department will continue upgrading its district hospitals to increase the capacity of these institutions.

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

Table 7.7 below shows Social Welfare's expenditure by economic classification. As a share of the department's total expenditure, *Current payments* decrease from 56.9 per cent in 2003/04 to 45.9 per cent in 2006/07, before increasing again to 52.7 per cent in 2009/10. Despite this decline in the share of total expenditure, *Current* payments show an average annual real growth of 3.1 per cent between 2006/07 and 2009/10.

The sudden fall in the percentage share of *Current* payments in 2006/07 is caused by the year-on-year increase in *Transfers* from 43.3 per cent in 2005/06 to 47.1 per cent in 2006/07. This increase relates to the roll-over of some R105 million in respect of the Integrated Social Development Services grant. The shares of total expenditure for *Current* and *Transfers* stabilise at 52.8 and 41.8 per cent, respectively, over the 2007/08 MTEF.

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

	Outcome			Adjusted Budget 2006/07	Medium-term estimates			Average annual growth	
	Audited 2003/04	Audited 2004/05	Audited 2005/06		2007/08	2008/09	2009/10	2003/04 - 2006/07	2006/07 - 2009/10
In Rand (000)									
Current	291,033	319,259	381,763	459,621	523,951	536,758	577,440		
Transfers	193,550	200,008	323,187	471,172	422,988	414,085	459,716		
Capital	26,997	23,161	41,276	69,692	53,421	54,488	58,575		
Compensation	155,537	188,740	235,538	291,904	349,004	350,674	377,399		
Non-compensation	356,043	353,688	510,688	708,581	651,356	654,657	718,332		
Non-compensation (excl. transfers)	162,493	153,680	187,501	237,409	228,368	240,572	258,616		
Non-compensation non-capital (NCNC)	329,046	330,527	469,412	638,889	597,935	600,169	659,757		
NCNC (excl. transfers)	135,496	130,519	146,225	167,717	174,947	186,084	200,041		
Total expenditure	511,580	542,428	746,226	1,000,485	1,000,360	1,005,331	1,095,731		
% of total expenditure									
Current	56.9	58.9	51.2	45.9	52.4	53.4	52.7		
Transfers	37.8	36.9	43.3	47.1	42.3	41.2	42.0		
Capital	5.3	4.3	5.5	7.0	5.3	5.4	5.3		
Compensation	30.4	34.8	31.6	29.2	34.9	34.9	34.4		
Non-compensation	69.6	65.2	68.4	70.8	65.1	65.1	65.6		
Non-compensation (excl. transfers)	31.8	28.3	25.1	23.7	22.8	23.9	23.6		
Non-compensation non-capital (NCNC)	64.3	60.9	62.9	63.9	59.8	59.7	60.2		
NCNC (excl. transfers)	26.5	24.1	19.6	16.8	17.5	18.5	18.3		
Nominal growth (%)									
Current		9.7	19.6	20.4	14.0	2.4	7.6	16.5	7.9
Transfers		3.3	61.6	45.8	(10.2)	(2.1)	11.0	34.5	(0.8)
Capital		(14.2)	78.2	68.8	(23.3)	2.0	7.5	37.2	(5.6)
Compensation		21.3	24.8	23.9	19.6	0.5	7.6	23.3	8.9
Non-compensation		(0.7)	44.4	38.8	(8.1)	0.5	9.7	25.8	0.5
Non-compensation (excl. transfers)		(5.4)	22.0	26.6	(3.8)	5.3	7.5	13.5	2.9
Non-compensation non-capital (NCNC)		0.5	42.0	36.1	(6.4)	0.4	9.9	24.8	1.1
NCNC (excl. transfers)		(3.7)	12.0	14.7	4.3	6.4	7.5	7.4	6.1
Real growth (%)									
Current		5.4	14.8	14.6	8.5	(1.8)	2.9	11.5	3.1
Transfers		(0.7)	55.2	38.7	(14.6)	(6.1)	6.2	28.8	(5.2)
Capital		(17.6)	71.1	60.7	(27.1)	(2.2)	2.9	31.4	(9.8)
Compensation		16.6	19.8	17.9	13.8	(3.7)	3.0	18.1	4.1
Non-compensation		(4.5)	38.7	32.0	(12.5)	(3.6)	5.0	20.4	(4.0)
Non-compensation (excl. transfers)		(9.1)	17.2	20.5	(8.5)	1.0	2.9	8.7	(1.7)
Non-compensation non-capital (NCNC)		(3.5)	36.4	29.5	(10.9)	(3.8)	5.2	19.5	(3.4)
NCNC (excl. transfers)		(7.4)	7.6	9.1	(0.7)	2.0	2.9	2.8	1.4

For its part, *Capital* spending as a percentage of total expenditure also increased sharply in 2006/07, due to the deliberate drive by the department to provide and improve on its facilities such as care centres, regional and district offices.

On average, over the 2007/08 MTEF, *Compensation* is anticipated to account for about 34.7 per cent, with an average annual real growth of 4.1 per cent. This increase will cater for salary improvements of social workers employed by the department, as well as revised tariffs for social workers employed by non-governmental organisations (NGOs) and the filling of key vacant posts within the department.

Transfer payments account for the second largest share of total expenditure, after *Current payments*. In the new medium-term, real expenditure on transfer payments is set to decrease by 5.2 per cent between 2006/07 and 2009/10. This is due to the base year (2006/07) including the aforementioned roll-over of R105,7 million in respect of the Integrated Social Development Services grant. Also affecting growth analysis is the lack of carry-through costs for additional allocations of R20 million received in 2007/08 for substance abuse. These carry-through costs will be addressed during the 2008/09 budget process.

7.3.5 Analysis of payments and estimates by economic classification – Other departments

Table 7.8 below shows the remaining departments' expenditure by economic classification (i.e. all departments excluding Education, Health and Social Welfare). The share of *Current* payments to total budget is set to decrease from 48.6 per cent in 2003/04 to 40.8 percent in 2009/10. This is also reflected through a decline in the percentage share of total expenditure on *Compensation* and *Non-compensation (excl. transfers)*. Although the proportion of *Compensation of employees* is declining, this category reflects a healthy average annual real growth rate of 6.2 per cent for the period 2006/07 to 2009/10, illustrating the strengthening of capacity by government in its efforts to improve service delivery. In the 2007/08 MTEF, *Non-compensation* is expected to increase its share of total expenditure from 78.2 per cent in 2006/07 to 83.4 per cent in 2009/10. In real terms, the increase is reflected by a strong annual average growth of 18.8 per cent over the 2007/08 MTEF.

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

Capital payments also show a substantial annual average real growth of 16.6 per cent between 2006/07 and 2009/10. This increase supports government's effort to reduce backlogs in social and economic infrastructure and create job opportunities through labour intensive programmes.

Table 7.8: Analysis of expenditure summary by classification - Other

	Outcome			Adjusted Budget 2006/07	Medium-term estimates			Average annual growth	
	Audited 2003/04	Audited 2004/05	Audited 2005/06		2007/08	2008/09	2009/10	2003/04 - 2006/07	2006/07 - 2009/10
In Rand (000)									
Current	2,380,357	2,940,327	3,582,516	4,478,334	5,006,476	5,649,670	6,226,831		
Transfers	1,317,820	1,289,603	1,751,360	2,272,798	3,235,298	5,002,476	5,895,114		
Capital	1,202,622	1,258,237	1,641,225	1,722,269	2,282,758	2,599,886	3,129,318		
Compensation	1,189,486	1,457,720	1,599,645	1,848,118	2,199,950	2,384,341	2,538,525		
Non-compensation	3,711,313	4,030,447	5,375,456	6,625,283	8,324,582	10,867,691	12,712,738		
Non-compensation (excl. transfers)	2,393,493	2,740,844	3,624,096	4,352,485	5,089,284	5,865,215	6,817,624		
Non-compensation non-capital (NCNC)	2,508,691	2,772,210	3,734,231	4,903,014	6,041,824	8,267,805	9,583,420		
NCNC (excl. transfers)	1,190,871	1,482,607	1,982,871	2,630,216	2,806,526	3,265,329	3,688,306		
Total expenditure	4,900,799	5,488,167	6,975,101	8,473,401	10,524,532	13,252,032	15,251,263		
% of total expenditure									
Current	48.6	53.6	51.4	52.9	47.6	42.6	40.8		
Transfers	26.9	23.5	25.1	26.8	30.7	37.7	38.7		
Capital	24.5	22.9	23.5	20.3	21.7	19.6	20.5		
Compensation	24.3	26.6	22.9	21.8	20.9	18.0	16.6		
Non-compensation	75.7	73.4	77.1	78.2	79.1	82.0	83.4		
Non-compensation (excl. transfers)	48.8	49.9	52.0	51.4	48.4	44.3	44.7		
Non-compensation non-capital (NCNC)	51.2	50.5	53.5	57.9	57.4	62.4	62.8		
NCNC (excl. transfers)	24.3	27.0	28.4	31.0	26.7	24.6	24.2		
Nominal growth (%)									
Current		23.5	21.8	25.0	11.8	12.8	10.2	23.5	11.6
Transfers		(2.1)	35.8	29.8	42.3	54.6	17.8	19.9	37.4
Capital		4.6	30.4	4.9	32.5	13.9	20.4	12.7	22.0
Compensation		22.6	9.7	15.5	19.0	8.4	6.5	15.8	11.2
Non-compensation		8.6	33.4	23.3	25.6	30.5	17.0	21.3	24.3
Non-compensation (excl. transfers)		14.5	32.2	20.1	16.9	15.2	16.2	22.1	16.1
Non-compensation non-capital (NCNC)		10.5	34.7	31.3	23.2	36.8	15.9	25.0	25.0
NCNC (excl. transfers)		24.5	33.7	32.6	6.7	16.3	13.0	30.2	11.9
Real growth (%)									
Current		18.7	17.0	19.0	6.4	8.2	5.5	18.2	6.7
Transfers		(6.0)	30.4	23.5	35.5	48.2	12.8	14.8	31.3
Capital		0.5	25.3	(0.1)	26.1	9.2	15.2	7.9	16.6
Compensation		17.8	5.4	9.9	13.3	3.9	1.9	10.9	6.2
Non-compensation		4.4	28.1	17.3	19.6	25.2	11.9	16.2	18.8
Non-compensation (excl. transfers)		10.0	27.0	14.3	11.3	10.5	11.2	16.9	11.0
Non-compensation non-capital (NCNC)		6.2	29.3	24.9	17.3	31.2	10.9	19.7	19.5
NCNC (excl. transfers)		19.6	28.4	26.2	1.5	11.5	8.1	24.7	7.0

7.4 Expense by District Municipal Area

One of the reforms during the 2006/07 provincial budget process was the spatial analysis of provincial spending and service delivery in District Municipal Areas (DMA). The purpose of this is to move towards attaining a comprehensive economic alignment strategy for the province, by trying to identify provincial departments' spending and service delivery gaps within a given spatial area. However, many challenges were identified. For example, not all departments' organisational structures are aligned to the district boundaries, making it extremely difficult to allocate spending within the DMAs, and many departments were not in a position to collect expenditure data at this level. Also, the data was skewed in favour of those DMAs in which the Head Office is located. As a result of these shortcomings, the data per DMA was not published in the 2006/07 Budget Statements.

In the 2007/08 budget process, another attempt was made to at least align departments' budgets with the Provincial Spatial Economic Development Strategy (PSEDS) which was approved by the Provincial Executive in September 2006. This PSEDS maps out the developmental nodes and corridors, which should be the areas of focus for the province. In order to ascertain whether provincial spending and indeed service delivery does in fact align itself to this strategy, it is crucial that departments are able to provide spending by DMA, and therefore departments were again requested to submit spending by DMA in the 2007/08 budget process. To ensure more accurate information, departments were requested to exclude operational (head office) costs from the data so that only actual service delivery spending is mapped. Despite the difficulties, departments did provide this information as accurately as possible.

Table 7.9 below provides the analysis of provincial spending (excluding operational costs) per district municipal area for 2006/07 to 2009/10. Detail of departmental spending within each DMA is provided in Budget Statement 2. This is the first time that such information has been collated and, in light of the many challenges, this data only provides an estimate of what is spent within each DMA. The Provincial Treasury will continue engaging with provincial departments to improve on the quality and accuracy of this information.

Table 7.9: Summary of expenditure and estimates by district municipal area

District Municipal Area	Estimated Actual	Medium-term estimates			Percentage share				Average annual growth
		2007/08	2008/09	2009/10	2006/07	2007/08	2008/09	2009/10	2006/07 - 2009/10
R000	2006/07								
eThekweni	7,781,886	9,429,567	11,578,893	12,687,941	24.4	24.4	26.4	26.0	17.7
Ugu	1,947,358	2,192,193	2,387,118	2,600,234	6.1	5.7	5.4	5.3	10.1
uMgungundlovu	4,944,212	7,215,139	8,114,321	9,375,759	15.5	18.7	18.5	19.2	23.8
Uthukela	1,843,909	2,070,870	2,234,560	2,441,904	5.8	5.4	5.1	5.0	9.8
Umzinyathi	1,677,397	1,909,443	2,069,166	2,264,187	5.3	4.9	4.7	4.6	10.5
Amajuba	2,379,610	2,681,434	2,893,752	3,141,005	7.5	6.9	6.6	6.4	9.7
Zululand	2,910,394	3,153,350	3,418,946	3,716,575	9.1	8.2	7.8	7.6	8.5
Umkhanyakude	2,079,536	2,263,787	2,466,934	2,693,158	6.5	5.9	5.6	5.5	9.0
uThungulu	2,560,860	2,952,965	3,201,767	3,481,141	8.0	7.6	7.3	7.1	10.8
Ilembe	2,128,112	2,365,090	2,584,226	2,824,416	6.7	6.1	5.9	5.8	9.9
Sisonke	1,587,749	2,387,403	2,934,106	3,577,293	5.0	6.2	6.7	7.3	31.1
Total	31,841,023	38,621,241	43,883,787	48,803,613	100.0	100.0	100.0	100.0	15.3

As is evident from the above table, the bulk of provincial spending occurs within eThekweni, with spending increasing from R7,8 billion in 2006/07 to R12,7 billion in 2009/10. As a proportion of total expenditure, spending within this area increases from 24.4 per cent in 2006/07 to 26 per cent in 2009/10. The second largest spending is within the uMgungundlovu district at R4,9 billion (15.5 per cent of total) in 2006/07, growing to R9,4 billion (19.2 per cent of total spending) in 2009/10.

Spending within the Sisonke district shows a sharp increase from 2006/07 to 2007/08 of just under R800 million, resulting in the percentage share of total spending increasing from 5 per cent to 6.2 per cent.

This district also records the highest average annual nominal growth rate of 31.1 per cent between 2006/07 and 2009/10. The strong growth rate in this area can be ascribed to the incorporation of Umzimkhulu as part of this province.

Overall, spending within DMAs is set to increase at an annual average nominal growth of 15.3 per cent, ranging from the lowest of 8.5 per cent in Zululand to the highest of 31.1 per cent in Sisonke, as already mentioned.

7.5 Expense by policy area

Table 7.10 shows the summary of expenditure and estimates by policy area, the details of which are shown in Table 1.E of the *Annexure to Budget Statement 1*.

Table 7.10: Summary of expenditure by policy area

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2003/04	Audited 2004/05	Audited 2005/06				2007/08	2008/09	2009/10
General Public Services	1,296,615	1,468,382	1,803,873	2,092,823	2,219,183	2,203,169	2,585,365	3,021,573	3,337,835
Public Order & Safety Affairs	247,027	282,964	418,928	439,967	448,092	448,092	513,038	528,962	581,093
Education Affairs & Services	12,034,297	13,290,991	15,310,355	16,501,686	16,444,546	16,581,952	18,921,501	20,756,868	22,930,299
Health Affairs & Services	8,028,190	8,699,100	10,279,527	11,435,804	11,519,298	11,570,078	13,084,705	14,013,172	15,402,785
Community & Social Services	509,870	537,754	742,313	889,393	995,068	1,014,370	994,693	999,531	1,089,496
Housing & Community (Amenity) Affairs & Services	1,332,153	1,254,245	1,326,603	1,653,474	1,654,524	1,629,171	1,971,858	2,270,754	2,646,220
Recreational, Cultural & Religious Affairs & Services	116,031	170,163	265,646	302,703	310,205	310,177	390,781	429,659	502,153
Agricultural Affairs & Services	499,435	657,533	814,333	872,493	857,860	862,220	1,009,496	1,099,903	1,284,319
Transportation & Communication Affairs & Services	1,242,969	1,450,349	1,805,411	1,914,800	2,026,650	2,026,650	2,540,787	2,994,458	3,610,122
Other Economic Affairs & Services	169,907	202,994	540,090	1,088,467	953,789	943,817	1,502,304	2,890,754	3,275,538
Total	25,476,494	28,014,475	33,307,079	37,191,610	37,429,215	37,589,696	43,514,528	49,005,634	54,659,860

The above table shows that the largest portion of the provincial budget is spent on Education Affairs and Services (43 per cent of total expenditure), which is set to grow from R18,9 billion to R22,9 billion over the 2007/08 MTEF period – an indication of the province's strategy to develop human capability. Health Affairs and Services is set to increase from R13,1 billion to R15,4 billion between 2007/08 and 2009/10.

Spending on the third social sector area, namely Community and Social Services, is relatively low due to the social security function now being a national function and no longer part of the provincial budget. The amount remaining is in respect of social welfare services and development. The sharp increase from 2005/06 to the 2006/07 Estimated Actual, and the subsequent decrease to 2007/08, is due to the roll-over of some R105 million for the Integrated Social Development Services grant included in 2006/07.

The strong growth in Other Economic Affairs and Services from R169,9 million in 2003/04 to over R3 billion in 2009/10 is attributable to the province's commitment to economic growth through the SMME Fund, Growth Fund, Co-operatives Programme as well as the Dube TradePort and Richards Bay Industrial Development Zone.

There is also good growth between 2006/07 and 2009/10 in the category Transportation and Communication Affairs and Services, Housing and Community (Amenity) Affairs and Services, and Recreational, Cultural and Religious Affairs and Services. On the whole, expenditure in all policy areas increases over the forthcoming MTEF, indicating the provincial government's policy intervention to achieve its broad objectives and responsibilities.

7.6 Infrastructure expense

7.6.1 Trends in infrastructure expense

Table 7.11 below shows a summary of provincial expenditure on infrastructure in terms of capital projects and maintenance projects (current expenditure). Under the category *Capital*, expenditure and estimates are divided into four sub-categories, namely *New constructions*, *Rehabilitation/upgrading*, *Other capital projects* (e.g. provision of water, electricity, sanitation, fencing etc.), and *Infrastructure transfer*. The latter category refers to transfers of funding to municipalities and public entities for infrastructure projects, as well as the housing subsidy grant under Vote 8: Housing. Included in the medium term estimates is the provision for Dube TradePort, growing from R200 million in 2007/08 to R1,5 billion and R1,6 billion in 2008/09 and 2009/10, respectively.

Table 7.11: Summary of infrastructure expenditure and estimates

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2003/04	Audited 2004/05	Audited 2005/06				2007/08	2008/09	2009/10
Capital	2,746,316	2,522,562	3,214,400	4,024,668	4,087,388	4,026,704	5,354,763	7,298,541	8,496,253
New constructions	621,277	567,904	979,204	1,217,953	1,147,752	1,149,364	1,555,861	1,690,057	2,150,924
Rehabilitation/upgrading	1,024,456	1,124,305	1,225,233	1,429,972	1,557,279	1,536,150	1,900,469	2,133,218	2,373,712
Other capital projects	366,398	240,834	225,400	318,742	253,656	215,200	385,720	336,643	419,258
Infrastructure transfer	734,185	589,519	784,563	1,058,001	1,128,701	1,125,990	1,512,713	3,138,623	3,552,359
Current	142,964	591,453	694,408	841,650	855,985	875,792	1,005,005	1,192,415	1,358,098
Total	2,889,280	3,114,015	3,908,808	4,866,318	4,943,373	4,902,496	6,359,768	8,490,956	9,854,351

Expenditure on infrastructure increases radically over the period under review, from R2,9 billion in 2003/04 to R9,9 billion in 2009/10. This positive trend in infrastructure spending is a clear indication of government's commitment to improving social and economic infrastructure in the province. The advantage of increasing infrastructure spending does not only relate to improved service delivery, but also gives rise to job creation, income generation as well as poverty alleviation.

Table 7.12 below shows the same information by vote. Noticeable increases over the 2007/08 MTEF can be seen in a number of departments, confirming the province's commitment to improve on its capital stock and reduce backlogs in infrastructure and simultaneously provide job opportunities through labour intensive programmes.

Table 7.12: Summary of infrastructure expenditure and estimates by vote

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2003/04	Audited 2004/05	Audited 2005/06				2007/08	2008/09	2009/10
1. Premier	-	-	-	-	7,143	7,143	3,455	45	-
2. Provincial Parliament	1,045	17,094	12,205	5,921	5,921	3,895	1,933	1,754	1,885
3. Agriculture and Environmental Affairs	45,553	45,342	74,267	59,345	60,036	55,473	70,969	78,118	83,988
4. Economic Development	-	-	-	20,000	120,000	120,000	245,000	1,550,000	1,653,750
5. Education	448,278	418,469	747,674	807,243	707,243	725,372	974,055	1,012,514	1,113,961
6. Provincial Treasury	-	-	-	-	-	-	-	-	-
7. Health	347,492	425,842	736,770	916,307	953,145	938,145	1,084,467	1,130,827	1,329,514
8. Housing	912,305	741,092	809,212	1,048,376	998,376	998,376	1,255,555	1,520,586	1,813,916
9. Community Safety and Liasion	-	-	-	-	-	-	-	-	-
10. The Royal Household	1,542	1,794	-	2,000	2,000	920	1,000	784	1,188
11. Local Government and Traditional Affairs	36,917	57,688	19,972	42,580	51,092	58,092	127,215	176,872	189,041
12. Transport	1,049,687	1,299,106	1,325,224	1,837,490	1,873,566	1,844,747	2,443,524	2,864,371	3,488,588
13. Social Welfare and Population Development	11,946	2,237	36,692	30,946	57,280	46,271	44,984	44,752	45,379
14. Works	21,515	87,451	114,059	61,710	59,399	55,890	58,401	67,231	86,806
15. Arts, Culture and Tourism	13,000	17,900	16,733	20,075	30,725	30,725	17,584	17,597	18,917
16. Sports and Recreation	-	-	16,000	14,325	17,447	17,447	31,626	25,505	27,418
Total	2,889,280	3,114,015	3,908,808	4,866,318	4,943,373	4,902,496	6,359,768	8,490,956	9,854,351

Infrastructure spending in Transport relates to the construction of new blacktop roads, rural access roads and bridges, as well rehabilitation and/or upgrading of the existing road network. The Department of Education's infrastructure spending will focus on the building of additional classrooms and toilets in existing schools, and the rehabilitation and/or upgrading of existing classrooms and sanitation facilities. Health's infrastructure spending will largely focus on the building of clinics in rural areas, as well as the revitalisation of existing hospitals. The increase against Vote 8: Housing over the 2007/08 MTEF is in line with the increased conditional grant to address the backlog in housing requirements. For its part, the Department of Economic Development's infrastructure spending is specifically for the Dube TradePort and Richards Bay Industrial Development Zone projects. The sharp increase against Vote 11: Local Government and Traditional Affairs relates to the provision of soccer stadia across the province. Further details on departmental spending on infrastructure can be found in *Annexure – Budget Statement 1* and *Budget Statement 2*.

7.6.2 Infrastructure management

The management of infrastructure refers to the analysis of demand and the scheduling, procurement, implementation and facilities management, and the continual reporting at each of these stages. Since the 2005/06 financial year, the focus on infrastructure by Senior Management of departments has increased. There has been a marked improvement in the quality of Infrastructure Plans submitted and this must continue for the province to address its infrastructure backlogs and needs. The Provincial Treasury is monitoring the reports and physically visiting sample sites to verify the quality and progress. Due to various reasons ranging from lack of skill to lack of observance of procedures and processes, the quality and value for money realised is not always up to the required standards.

Infrastructure delivery in the province still faces a number of challenges, including:

- *Quantifying backlogs/ determining needs in Infrastructure development:*
There is a need for infrastructure backlogs and future infrastructure needs to be quantified to enable adequate resourcing and timeframes for backlogs to be addressed. The exercise to this effect, Provincial Infrastructure Statement of Needs (PSIN), has resulted in the Provincial Spatial Development Plan (PSDP), which maps the province in its capacities. Provincial departments were asked to consider this plan in preparation of their budgets.
- *Planning for new projects:*
Provincial departments do not utilise a common scientific method/process in identifying and or prioritising for new constructions. In most cases, the result is that infrastructure projects are implemented in an *ad hoc* manner, which, in turn, creates backlogs for fellow infrastructure departments. The PSIN and PSDP are meant to help in aligning the strategic planning of infrastructure among departments. The Infrastructure Delivery Improvement Programme (IDIP), as legislated in the DoRA, is a national initiative driven by National Treasury, DBSA and CIDB, to help in improving the infrastructure delivery within the public sector.
- *Capacity:*
There is a general shortage of infrastructure related skills within the country, especially in the public service. This situation is expected to persist in the foreseeable future, especially as the World Cup related infrastructure is implemented. This is affecting the costing models within the infrastructure professions, as those with capacity find it more expensive to acquire resources including personnel.
- *Lack of Project Management Capacity in Departments:*
Departments are experiencing bottlenecks in physically implementing projects, especially through the Department of Works. Some client departments have engaged directly with private sector based project managers. This decision has exposed the client departments as they do not have the inherent capacity to manage programmes and projects under their control. The Department of Works has been brought in to participate in the roll-out of the Infrastructure Delivery Improvement Programme, to facilitate the better delivery of infrastructure in Education and Health departments. The success of this process is dependent on the better relations between Works and both Education and Health

departments. Due to the lack of capacity, IDIP is faltering within Education, but it is expected to fair better in Health, using the lessons learned from Education.

For infrastructure delivery and the related spending patterns to improve, these challenges will have to be surmounted at a faster pace; otherwise the gains made in the previous financial years will be lost.

7.6.3 Public-Private Partnerships (PPP)

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

Government Precinct:

Three departments, namely the Provincial Treasury, Department of Works and the Provincial Legislature have been tasked to explore the viability of procuring office accommodation for all provincial departments, as well as building a new Provincial Legislature complex. A transaction advisor is in the process of being appointed to undertake the necessary feasibility study and recommend a suitable location and project design.

Secure Care Centres:

The Department of Social Welfare and Population Development is in the process of appointing a transaction advisor to undertake the feasibility study to determine the possibility of establishing secure care centres as PPPs. The aim of this project is to provide rehabilitation centres for under-age offenders that are convicted, and those still awaiting trial.

Supply and maintenance of major plant (Transport):

The department has finalised a feasibility study for the supply and maintenance of major plant such as graders and bulldozers to both the department and *Vukuzakhe* emerging contractors as a Public-Private Partnership (PPP). However, the study still needs to conclude on the sustainability of the PPP.

Umhlathuze Municipality:

The municipality is exploring the possibility of private sector participation in providing water and sanitation services in rural areas in a sustainable manner. The municipality is finalising the feasibility study for this project, and will soon apply for Treasury Approval 1.

Hibiscus Coast Development Municipality:

The municipality will appoint a transaction advisor to undertake a feasibility study on the possibility for the development of a prime section of beachfront land situated in the town of Umtentweni, KwaZulu-Natal.

There are a number of additional projects currently being reviewed which focus on the cultural, eco-tourism and heritage aspects, both at municipal and provincial level, which will further enhance the initiatives undertaken to make KwaZulu-Natal the number one destination.

7.7 Transfers to public entities

Table 7.13 below shows the summary of provincial transfers to public entities by department. In total, transfers to public entities are set to increase from R370,7 million in 2003/04 to R594,1 million in 2006/07 and then rising further to R1,5 billion in 2007/08 and R2,1 billion in 2009/10. The large share is allocated to Ithala who receive funding from the Department of Agriculture and Environmental Affairs and the Department of Economic Development. The sharp increase in the transfer in 2007/08 by the Department of Agriculture and Environmental Affairs is explained by the fact that some Agrarian Revolution funding will be transferred to Ithala to fund co-operatives. The Department of Economic Development utilises Ithala for the implementation of government's growth and development programmes, as well as the Co-operatives Programme. This also explains the increased allocation over the 2007/08 MTEF period.

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

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2003/04	Audited 2004/05	Audited 2005/06				2007/08	2008/09	2009/10
					2006/07				
1. Premier	16,750	15,200	15,834	29,134	29,134	29,134	39,824	42,312	45,486
2. Provincial Parliament	-	-	-	-	-	-	-	-	-
3. Agriculture and Environmental Affairs	242,641	254,228	288,957	291,853	313,853	313,853	482,641	532,660	713,360
4. Economic Development	16,000	28,447	15,634	144,849	144,849	144,849	875,142	944,572	1,185,265
5. Education	-	-	-	-	-	-	-	-	-
6. Provincial Treasury	-	-	-	-	-	-	-	-	-
7. Health	-	-	-	-	-	-	-	-	-
8. Housing	-	-	-	-	-	-	-	-	-
9. Community Safety and Liaison	-	-	-	-	-	-	-	-	-
10. The Royal Household	-	-	-	-	-	-	-	-	-
11. Local Government and Traditional Affairs	23,158	19,600	19,900	2,500	19,500	19,500	2,625	2,700	2,800
12. Transport	5,265	5,600	5,800	5,900	5,900	5,900	-	-	-
13. Social Welfare and Population Development	-	-	-	-	-	-	-	-	-
14. Works	-	-	-	-	-	-	-	-	-
15. Arts, Culture and Tourism	66,882	65,948	79,068	75,523	80,823	80,823	81,149	86,479	92,590
16. Sports and Recreation	-	-	-	-	-	-	-	-	-
17. Reconstruction and Development Programme (RDP)	-	-	-	-	-	-	-	-	-
Total	370,696	389,023	425,193	549,759	594,059	594,059	1,481,381	1,608,723	2,039,501

The transfer to *Ezemvelo* KZN Wildlife increases gradually from R286,8 million in 2006/07 to R383,9 million in 2009/10. This entity receives the second largest share of total provincial transfers to public entities, as it is the only entity that performs the nature conservation function in the province.

The KwaZulu-Natal Gambling Board shows a significant increase over the MTEF, due to additional funds for operational costs. In line with the decision to phase out the KwaZulu-Natal Taxi Council and Mjindi Farming (Pty) Ltd, both entities will be discontinued in 2007/08. Regarding *Umsekeli*, the delays in finalising the phasing-out of this entity resulted in re-instating the transfer in the Adjusted Budget for 2006/07. No provision is made for the MTEF.

7.8 Transfers to other entities

Table 7.14 below shows the summary of provincial transfers to entities other than public entities by vote. Nine departments make transfers payments to these entities over the 2007/08 MTEF period, details of which are provided within each department's chapter in Budget Statement 2.

Table 7.14: Summary of departmental transfers to other entities by Vote

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2003/04	Audited 2004/05	Audited 2005/06				2007/08	2008/09	2009/10
					2006/07				
1. Premier	-	-	16,652	-	6,015	6,015	5,627	6,207	6,673
3. Agriculture and Environmental Affairs	6,567	16,810	66,472	15,523	15,205	12,870	7,020	7,513	8,077
4. Economic Development	24,046	35,425	31,500	60,000	160,000	160,000	299,000	1,608,575	1,718,059
5. Education	291,881	570,902	675,531	767,203	823,403	889,846	1,007,384	1,144,665	1,215,295
7. Health	323,349	121,600	136,496	156,372	180,332	153,764	188,585	200,105	213,391
11. Local Government and Traditional Affairs	23,158	19,600	40,600	2,500	19,500	19,500	2,625	2,700	2,800
13. Social Welfare and Population Development	163,795	173,529	283,910	261,422	268,572	285,743	297,367	296,797	318,632
15. Arts, Culture and Tourism	8,240	10,105	5,348	10,800	16,250	16,250	9,291	9,995	11,120
16. Sports and Recreation	3,546	4,528	13,920	5,870	3,784	4,234	4,247	4,457	4,791
Total	844,582	952,499	1,270,429	1,279,690	1,493,061	1,548,222	1,821,146	3,281,014	3,498,838

The total transfers are expected to increase from R845 million in 2003/04 to R1,5 billion in 2006/07 and then increasing more than two-fold to R3,5 billion in 2009/10. The largest increase over the 2007/08 MTEF is recorded under Vote 4: Economic Development and relates mainly to the transfers in respect of the construction of the Dube TradePort and Richards Bay IDZ. The Dube TradePort is a multi-nodal logistics platform comprising of the King Shaka International Airport, Industrial Development Zone (IDZ) and freight facility, a Cyber port, as well as commercial and associated ventures.

The transfers by the Department of Education are largely in respect of Section 20 and 21 Schools and FET Colleges. The significant increase in 2004/05 is due to the increase in the number of schools obtaining Section 21 status, while the 2007/08 MTEF period also caters for transfers to No Fee Schools in the form of 'petty cash' to enable these schools to fund the costs that were previously met from the school fees collected.

Transfers by Social Welfare demonstrate a gradual increase from R163,8 million in 2003/04 to R318,6 million in 2009/10, largely due to the increasing number of social welfare services institutions, as well as the increase in the subsidy amount to these institutions. The nominal decrease in 2008/09 is attributable to the additional funding of R20 million afforded to the department in 2007/08 for which the carry-through budget will only be allocated during the 2008/09 budget process.

The decrease in the transfers by the Department of Health in 2004/05 is in respect of the National School Nutrition Programme that was transferred to the Department of Education. The other transfers relate to entities that receive funding from the department for the provision of general clinic services, HIV and AIDS services, district hospital services, general hospital services, and Tuberculosis services. The decrease from the 2006/07 Adjusted Budget to the Estimated Actual is due to delays in finalising contracts with various HIV and AIDS based NGOs. The increase over the 2007/08 MTEF can be attributed to inflation, as well as anticipated improvements in conditions of service.

7.9 Transfers to local government

As part of its Constitutional obligation, provincial government supports and strengthens the capacity of municipalities to manage their own affairs, exercise their powers and perform their functions. Towards this end, provincial departments allocate specific grants and subsidies for various purposes to the local sphere of government. Chapter 5 of the MFMA sets norms and standards to promote co-operative governance in respect of the transfer process between national, provincial and local sphere of government. To this end, it requires national and provincial departments to provide municipalities with details of multi-year transfers to municipalities, to facilitate improved budgeting, planning, and cash flow management within municipalities. Section 36 (2) of the MFMA states that the MEC for Finance in a province must, when tabling the provincial annual budget in the Legislature, make known particulars of any allocations due to each municipality in terms of that budget, including the amount to be transferred to the municipality during each of the next three financial years.

This section and Budget Statement 2 give effect to this provision by providing comprehensive detail of departmental transfers to municipalities, indicating transfers per department and per grant type to each municipality. A summary of this information is provided in the tables below, and the details are provided in the *Annexure to Budget Statement 1*, and in the detailed departmental information provided in Budget Statement 2. Table 1.G (i) (ii) (iii) details individual grants intended to municipalities by transferring department, over the MTEF. Table 7.15 below provides a summary of the transfers per municipal category as defined in the Constitution. It must be noted that the amounts reflected in these tables are in terms of the provincial financial year running from 1 April to 31 March. The total provincial transfers to local government are set to increase from R417 million in 2007/08, to over R574 million in 2009/10.

Table 7.15: Summary of provincial transfers to local government by category

R000	Outcome			Main Budget	Adjusted Budget 2006/07	Estimated actual	Medium-term estimates		
	Audited 2003/04	Audited 2004/05	Audited 2005/06				2007/08	2008/09	2009/10
Category A	139,536	133,491	130,586	156,340	181,644	152,098	198,318	294,616	214,322
Category B	59,433	67,122	142,909	83,376	125,089	125,668	71,037	34,482	39,646
Category C	25,994	57,302	64,192	66,655	59,354	57,028	104,857	117,443	99,446
Unallocated	16,519	657	2,415	38,037	25,712	26,648	43,125	44,437	220,644
Total	241,482	258,572	340,102	344,408	391,799	361,442	417,337	490,978	574,058

Category A, (Metropolitan Council), refers to a municipality that has exclusive municipal executive and legislative authority within its area. The Province of KwaZulu-Natal has one such metropolitan council, namely eThekweni, which will receive a total transfer of R198,3 million from various provincial departments in 2007/08. The allocation over the ensuing two years increases to R294,6 million and then declines to R214,3 million.

Category B (local municipality), refers to municipalities that share municipal executive and legislative authority with a Category C (defined below) municipality within whose area it falls. The allocations to Category B municipalities will decrease from R71 million in 2007/08 to R39,6 million in 2008/09. This decrease is in line with the primary health care function currently being rendered by local authorities being transferred to the Department of Health during 2007/08 financial year.

Category C, (district municipality), refers to municipalities that have municipal executive and legislative authority in an area that includes more than one municipality. The allocation to Category C municipalities is set to increase from R104,9 million in 2007/08 to R117,4 million in 2008/09, before declining to R99,4 million in 2009/10. The drop in the last year is in respect of the infrastructure provision for soccer stadia that has not been allocated to specific municipalities. This also largely accounts for the significant increase in the *Unallocated* amount in 2009/10.

Table 7.16 below presents a summary of provincial transfers to local government by vote and grant type over the seven-year period from 2003/04 to 2009/10.

In terms of amendments to legislation, the Regional Service Council Levy fell away with effect from 1 July 2006, and therefore no forward estimates are provided over the 2007/08 MTEF. As is evident, nine provincial departments will be transferring funds to local government in respect of 17 different grant types. The bulk of these transfers will come from Health, Housing, and Local Government and Traditional Affairs.

Table 7.16: Summary of departmental transfers to local government by department and grant type

R000	Outcome			Main Budget	Adjusted Budget 2006/07	Estimated actual	Medium-term estimates		
	Audited 2003/04	Audited 2004/05	Audited 2005/06				2007/08	2008/09	2009/10
Regional Service Council Levy - All departments	51,409	52,536	58,294	17,535	17,121	15,895	-	-	-
Vote 1 - Office of the Premier	1,063	864	1,348	1,112	1,112	1,112	5,514	5,804	6,184
Museums Services	1,063	864	1,102	1,112	1,112	1,112	1,183	1,266	1,361
Airport subsidy	-	-	-	-	-	-	4,331	4,538	4,823
Property rates	-	-	246	-	-	-	-	-	-
Vote 3 - Agriculture and Environmental Affairs	1,031	750	750	1,190	1,190	586	616	659	706
Cleanest Town Competition	250	750	750	1,190	1,190	586	616	659	706
Buyback and recycling centres	781	-	-	-	-	-	-	-	-
Vote 7 - Health	52,456	55,657	67,143	76,971	76,690	76,917	80,947	42,709	45,913
Clinics	47,997	53,746	65,236	73,250	73,779	74,006	78,453	40,041	43,045
Environmental Health	1,853	1,911	1,907	2,390	2,911	2,911	2,494	2,668	2,868
HIV and Aids	2,606	-	-	1,331	-	-	-	-	-
Vote 8 - Housing	113,559	113,832	110,187	122,000	172,000	142,171	130,600	180,600	192,754
Hostel Redevelopment and Upgrading	55,731	60,000	66,214	72,000	122,000	122,000	75,600	125,600	148,754
Municipal Rates and Taxes	57,828	53,832	43,973	50,000	50,000	20,171	55,000	55,000	40,000
Capacity Building - Flanders Programme	-	-	-	-	-	-	-	-	4,000
Vote 11 - Local Government & Traditional Affairs	-	12,292	66,979	72,100	71,199	71,199	128,785	172,773	224,501
Provincial Management Assistance Programme	-	12,292	25,412	18,200	14,200	14,200	15,000	20,000	50,000
Infrastructure provision for soccer stadia	-	-	-	27,900	31,000	31,000	89,000	139,500	149,963
Project Consolidate	-	-	41,567	26,000	25,999	25,999	24,785	13,273	24,538
Vote 12 - Transport	2,244	18	-	14,522	14,522	15,595	21,491	26,452	31,355
Municipal Transport Authority Board (MTAB)	2,000	-	-	14,000	14,000	14,873	13,000	17,000	22,000
Maintenance - Main Roads	244	18	-	522	522	722	8,491	9,452	9,355
Vote 14 - Works	6,720	4,723	5,401	6,253	5,940	5,942	6,028	6,329	6,804
Property Rates	6,720	4,723	5,401	6,253	5,940	5,942	6,028	6,329	6,804
Vote 15 - Arts, Culture and Tourism	13,000	17,900	15,500	19,900	17,600	17,600	19,230	30,147	38,423
Library Services	13,000	17,900	15,500	19,900	17,600	17,600	17,400	17,400	18,705
Recapitalisation of community libraries	-	-	-	-	-	-	1,830	12,747	19,718
Vote 16 - Sports and Recreation	-	-	14,500	12,825	14,425	14,425	24,126	25,505	27,418
Infrastructure dev. for Sport & Recreation	-	-	14,500	12,825	14,425	14,425	24,126	25,505	27,418
Total	241,482	258,572	340,102	344,408	391,799	361,442	417,337	490,978	574,058

The purpose of the *Clinics* grant under Vote 7 is to subsidise primary health care for personal services provided by local authorities/municipal clinics which, apart from eThekweni, will be taken over by the department during 2007/08, hence the decrease in the outer years. The *Environmental Health* subsidy is provided to municipalities as a subsidy for personnel costs, as well as sampling for testing purposes. The *HIV and AIDS* grant was used to implement HIV and AIDS programmes in eThekweni and Msunduzi, and is now integrated into the primary health care services.

The *Hostel Redevelopment and Upgrading* grant under Vote 8: Housing is mainly earmarked for eThekweni municipality, with a small amount unallocated at this stage. The department also envisages assisting municipalities in capacity building with effect from 2009/10, as part of the Flanders Programme.

The most significant allocation from the Department of Local Government and Traditional Affairs is in respect of the grant for the provision of soccer stadia, which is set to increase from R31 million in 2006/07 to R150 million in 2009/10. The department will also continue with the Provincial Management Assistance Programme and Project Consolidate.

The Airport subsidy under the Office of the Premier will be paid over to the Zululand District Municipality for the operational costs of the airport, which will be transferred to the municipality with effect from 1 April 2007.

Other main transferring departments include the Department of Arts, Culture and Tourism in respect of library subsidies and recapitalisation of libraries amounting to R87,8 million and the Department of Sports and Recreation for infrastructure development amounting to R77 million, over the 2007/08 MTEF period.

8. REVIEW OF MUNICIPAL FINANCIAL MANAGEMENT

8.1 Introduction

Whereas the previous system of local government under apartheid failed to meet the basic needs of the majority of South Africans, the new democratic system of local government strives toward an efficient, effective and transparent public administration that conforms to Constitutional principles.

The Constitution, Act No. 108 of 1996, established the national, provincial and local spheres of government as distinctive, interdependent and interrelated within the national fiscal policy framework.

One of the main objectives of local government is to ensure the provision of services to the community in a sustainable manner. The Constitution also requires municipalities to structure and manage administration, budgeting and planning processes to give priority to the basic needs of the community and to promote the social and economic development of the community.

To give effect to the Constitution, a legal framework had to be set to ensure a uniform system of local government throughout the country. This framework is articulated in the following legislation:¹¹

- *The Municipal Structures Act (117 of 1998)*, which establishes the categories of municipalities and the structures within them;
- *The Municipal Demarcation Act (27 of 1998)*, which defines municipal boundaries;
- *The Municipal Systems Act (32 of 2000)*, which deals with the powers and functions, planning processes, delegations, performance management and raising of revenue within the municipal structures;
- *The Municipal Finance Management Act (56 of 2003) (MFMA)*, which strives to modernise budgeting and financial management, thereby ensuring that municipalities provide services in an affordable and sustainable manner;
- *The Municipal Property Rates Act (2004)*, which deals with the imposition of property rates by municipalities to enhance their revenue-raising abilities in an equitable and responsible manner; and
- *The Intergovernmental Relations Framework Act (13 of 2005)*, which establishes a framework for the three spheres of government to promote and facilitate intergovernmental relations, and mechanisms and procedures to facilitate the settlement of disputes.

The role of the KwaZulu-Natal Provincial Treasury is to provide guidance and assistance to municipalities in terms of its statutory obligations, as well as the implementation of relevant national government directives. This entails continuous interaction between provincial and municipal officials to formulate local government policy implementation mechanisms. Such mechanisms include regulatory frameworks, interventions, guideline circulars, workshops, seminars, training and any other technical support that might be required by municipalities.

The promulgation of the MFMA is an important milestone in the area of local government financial management. Its underlying principles endorse greater financial accountability and sustainability of municipalities and municipal entities, thereby facilitating effective service delivery to communities. The implementation of the Act requires a number of financial reforms at municipal level, the most significant being the budget process and its link to the Integrated Development Plan (IDP), in-year and post financial year reporting, audit and internal controls, and supply chain management.

Consisting of 61 municipalities, KwaZulu-Natal has the greatest number of municipalities per province in the country. The province is predominantly rural (51 per cent)¹² and, due to massive poverty occurrences in the rural areas, there is a rapid rural-urban migration of people in search of better public

¹¹ National Treasury Local Government Budgets and Expenditure Review, 2001/02 – 2007/08

¹² MFQR: September 2006 (Vol. 1 pp7)

services and job opportunities. As a result, municipalities are finding it increasingly difficult to balance their budget between the need for new services and the maintenance of existing infrastructure.

While the Demarcation Act of 2000 reduced the number of municipalities in the country from 840 to 283¹³, it has also created municipalities in the traditional rural areas that were previously under the governance of traditional leaders. This has created a challenge for municipal political office bearers to find a way to work in environments that were formerly the domain of traditional leaders.

8.2 Overseeing the Implementation of the MFMA

As the custodian of the MFMA, the National Treasury delegated the responsibility to oversee the implementation of the Act in 53 municipalities to the Provincial Treasury during July 2005. This year is the second consecutive year that the Provincial Treasury has assumed this responsibility.

Based on certain criteria, the remaining eight municipalities in KwaZulu-Natal are being monitored directly by the National Treasury, but the Provincial Treasury assists these municipalities on occasion at the request of either the municipality or National Treasury.

Within three months after assuming the responsibility of overseeing the implementation of the Act of 53 municipalities, the MEC for Finance and Economic Development and the Head of the Provincial Treasury tabled a strategic plan to meet the specific provincial challenges. This was followed by a further sub-delegation of responsibility to respective heads of divisions within the Provincial Treasury.

To ensure the effective implementation of the MFMA, the Provincial Treasury utilised a phased-in implementation strategy, as published in the *Republic of South Africa Government Gazette* No. 26510 and 26511 dated 25 June 2004 and 1 July 2004, respectively. This strategy takes into account the diverse capacity of municipalities to implement the MFMA reforms and the need for institutional strengthening, building municipal capacity, and improving municipal consultation, reporting, transparency and accountability. Toward this end, municipalities were classified into three capacity levels, namely high, medium and low. The largest 50 municipalities (in terms of budget size) are considered to have the highest capacity and were expected to fully comply with the Act as from 1 July 2005, while those municipalities deemed to have the lowest capacity must fully comply by 1 July 2007.

The KwaZulu-Natal municipalities are listed below (Table 1) in accordance to their capacity levels:

Table 1: List of Delegated and Non-Delegated Municipalities

Capacity (Delegated)				Capacity (Non Delegated)		
Low		Medium	High	Low	Medium	High
Vulamehlo	Dannhauser	Umdoni	Ugu	iLembe	Umgungundlovu	Msunduzi
Umzumbe	Amajuba	Umgweni	KwaDukuza			Newcastle
Umuziwabantu	Edumbe	Mkhambathini	Hibiscus Coast			Umhlathuze
Ezingolweni	Uphongolo	Umtshezi				uTungulu
Umshwati	Abaqulusi	Uthukela				eThekweni
Mpofana	Nongoma	Endumeni				Ladysmith
Impendle	Ulundi	Umvoti				
Richmond	Jozini	Zululand				
Indaka	Hlabisa	Umlabuyalingana				
Okhahlamba	Mtubatuba	Umkhanyakude				
Imbabazane	Ntambanana	Mbonambi				
Nquthu	Umlalazi	Nkandla				
Msinga	Mthonjaneni	Maphumulo				
Umzinyathi	Mandeni	Ingwe				
Emadlangeni	Ndwedwe	Umzimkhulu				
Sisonke	Kwa Sani					
Ubuhlebezwe	The Big Five False Bay					
Greater Kokstad						

¹³ National Treasury Local Government Budgets and Expenditure Review, 2001/02 – 2007/08 (Page 8)

During the past financial year, the Provincial Treasury devoted substantial resources towards streamlining the implementation of the MFMA. In order to cope with the challenges of monitoring 53 municipalities, the Provincial Treasury deemed it necessary to strengthen its internal capacity. In addition to the recruitment of a dedicated general manager for Municipal Finance, another seven budget analysts were appointed during the last quarter of 2006. This increased the capacity of the Municipal Finance team from four officials to 13, which makes it possible to have one manager responsible for five districts and one budget analyst per district. Each analyst will be responsible for a maximum of six municipalities.

Treasury also intensified its monitoring role in terms of the MFMA by convening quarterly Medium Term Expenditure Committee (MTEC) hearings at each of the ten District Municipalities.

The MTEC hearings allow the Provincial Treasury to:

- Track municipal compliance in terms of the MFMA;
- Identify specific problems with the implementation of the MFMA; and
- Seek solutions and determine actions necessary to solve any problems identified.

As per Section 71(7) of the MFMA, the Provincial Treasury submits quarterly reports to the Provincial Legislature to inform them and the general public of the status of municipal budgets.

8.3 Inter-governmental relations

The MFMA facilitates the way for a closer working relationship between the Provincial Treasury, and the provincial department responsible for local government and municipalities.

Towards this end, the Provincial Treasury and the Department of Local Government and Traditional Affairs signed a Memorandum of Understanding to clarify the roles and responsibilities as encapsulated in the MFMA. A steering committee and a technical working committee consisting of representatives from both departments were also established, to ensure the efficient implementation of the municipal finance reforms required in terms of the MFMA.

During the past financial year, the Provincial Treasury also reviewed the manner in which it interacts with municipalities. A provincial Municipal Chief Financial Officer (CFO) Forum meeting was held during September 2006 to provide a platform for municipalities to deliberate on challenges facing their sphere of government and address problems relating to the budget preparation process. The next provincial CFO Forum meeting is scheduled to be held during March 2007.

In addition to this, four municipal CFO forum meetings were held at district level to address district specific challenges, discuss quarterly municipal reports and resolve budget related problems. The district CFO Forum meetings will be replaced by quarterly MTEC hearings during the 2007/08 financial year.

The Provincial Treasury also participated in the provincial IDP evaluation process to ensure that there is proper alignment between municipal budgets and municipal development planning.

8.4 Support to municipalities

Technical assistance was provided to municipalities in the areas of budgeting, supply chain management and financial governance. The Provincial Treasury also provided guidance on multi-year budgeting and compilation of various reports. Towards this end, ten district workshops were held during 2006 to train municipal officials to complete the In-Year-Monitoring Model (IYM), and the format and content of the annual budget as required in terms of Circular 28 of National Treasury dated 12 December 2005.

Significant financial assistance has also been provided to municipalities through the finance management grant since 2000/01. More than R700 million has been transferred through this grant and,

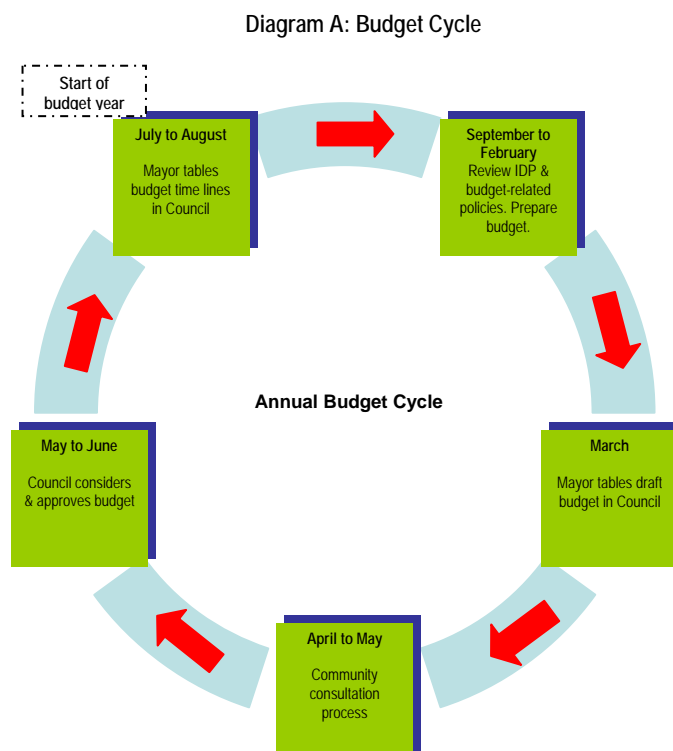
over the medium term, a further R450 million is to be allocated. The primary objective of the grant is building financial management capacity in municipalities. The actual and estimated allocations of the grant for the period 2003/04 – 2009/10 are shown in Tables 7.15 and 7.16 in the Section 7.8 of this Budget Statement.

The Provincial Treasury supports the establishment of forums between district and local municipalities to discuss common problems faced by a family of municipalities in a particular district. In order to minimise cost, municipalities in each district are encouraged to work together and even share resources where it is economically viable to do so. Currently, certain municipalities in the province are successfully sharing internal audit and supply chain management functions. It must, however, be emphasised that the decision to share resources and functions should be based on the findings of a sound feasibility study. During 2007, the Provincial Treasury will embark on an exercise to determine other functions that can be shared by municipalities in the same district.

8.5 Municipal budget process

In line with the phased-in implementation strategy for the MFMA, the legislated tabling and approval dates for budgets applied for the first time to the 2005/06 municipal budgets cycle. As illustrated in Diagram A below, the mayor must table the budget time-lines in Council, at least 10 months before the start of the budget year. Since there is a correlation between the number of municipalities tabling their time-lines during September and the number of municipalities approving their budgets before the start of a new financial year, the process is monitored closely by the Provincial Treasury. Of the delegated municipalities in the province, 75 per cent have tabled their budget time-lines in respect of the 2007/08 budget, and the Provincial Treasury had to assist the non-compliant municipalities with the preparation of their time-lines.

It must also be emphasised that municipal councils must consider approval of their annual budgets at least 30 days before the start of the budget year, to allow adequate time for consultation on the budget before approval. During the 2005/06 financial year, the Provincial Treasury diligently kept track of the progress in this regard, and provided technical assistance to municipalities when required. The same measures will be applied to ensure that all KwaZulu-Natal municipal budgets are approved before 30 June 2007.



8.6 Municipal budget performance reports

The combined provincial municipal budget, including the budgets for the ten district municipalities and eThekweni Metro for the 2006/07 financial year, amounts to R24,2 billion. The municipal budgets per district and metropolitan area are listed below (Table 2). The municipal budgets have grown by 18.8 per cent between 2005/06 and 2006/07.

Table 2: Municipal budgets by district and metropolitan areas as per revenue source (2006/07)

Municipal District (R000)	Capital				Operating					TOTAL
	Grants and subsidies	External Loans	Internal Income	Other	Property Rates	Water and Electricity	Sanitation & Refuse Removal	Grants and Subsidies	Other Income	
uGu	174,697	118,804	54,956	72,504	227,156	169,434	50,921	252,092	139,200	1,259,764
uMgungundlovu	262,299	20,000	193,966	-	458,817	806,140	132,513	299,416	492,325	2,665,476
uThukela	140,228	16,804	13,000	13,019	108,157	206,298	13,492	196,502	43,190	750,690
uMzinyathi	139,660	-	17,005	-	40,226	56,943	7,527	133,991	25,919	421,271
Amajuba	66,183	27,143	6,195	35	135,268	234,501	35,203	180,675	26,501	711,704
Zululand	194,342	2,724	26,800	7,889	52,110	99,022	26,275	234,969	57,659	701,790
uMkanyakude	147,983	3,005	12,533	4,095	11,303	27,958	2,723	161,316	29,893	400,809
uThungulu	161,967	268,271	7,504	192,569	121,481	427,839	77,400	395,191	191,683	1,843,905
Ilembe	232,994	22,736	61,201	56,064	97,685	180,581	29,146	189,733	41,352	911,492
Sisonke	201,616	11,592	7,097	8,365	36,198	52,382	13,618	138,731	27,315	496,914
eThekweni	1,419,491	900,000	485,742	41,800	3,152,500	4,667,622	165,134	2,381,001	819,837	14,033,127
TOTAL	3,141,460	1,391,079	885,999	396,340	4,440,901	6,928,720	553,952	4,563,617	1,894,874	24,196,942

In terms of the delegation from the National Treasury, the Provincial Treasury monitors the submission of budget performance reports by delegated municipalities within the province. From July 2006 to March 2007, the Provincial Treasury analysed and produced ten monthly and three quarterly reports on the budget performance of the 18 delegated high and medium capacity municipalities in the province.

Regrettably, a large number of high and medium capacity municipalities do not comply with the reporting requirements of the MFMA. However, it is worth noting that a few low capacities municipalities have started to comply with the reporting requirements of the MFMA, despite the fact that they are only required to do so by July 2007.

8.7 Municipal expenditure

Under-expenditure of grant funding remains a concern, in addition to the low expenditure levels on capital projects. The primary cause of under-expenditure seems to be a lack of proper planning by municipalities. Also, prior to August 2006, the Provincial Municipal Infrastructure Grant (MIG) office lacked the capacity to verify project registrations in time. However, the national department responsible for local government is currently assisting municipalities to capture MIG projects, verifying project registration forms, and providing hands-on support to 22 struggling municipalities. This initiative should help improve spending on capital budgets.

8.8 Municipal revenue

During the 2006/07 financial year, the Regional Service Council Levy, which used to be an additional source of revenue for municipalities, was abolished. Although the equitable share formula was adjusted to compensate for the loss in revenue, it affected the budget of municipalities, as equitable share allocations may only be utilised with due regard to the national government policy objectives, which may not necessarily be in line with municipal objectives.

Currently, the main sources of municipal revenue are property rates, refuse removal, and water and electricity sales. One of the biggest challenges facing municipalities in KwaZulu-Natal is the collection of outstanding debt. In an attempt to rectify the situation, the Provincial Treasury encouraged municipalities to identify those state departments that have not paid their municipal accounts, and convened meetings between municipalities and state departments to facilitate the settlement process.

8.9 Challenges

During the interaction with municipalities, it became apparent that municipalities are facing many service delivery challenges such as:

- *Lack of Resources* – Lower capacity municipalities do not have the means to generate revenue as they have no tax base;
- *High staff turnover at low capacity municipalities* – The most affected municipalities are those in the rural areas. There is a small pool of expertise in the municipal labour market from which to attract and fill vacant positions. The problem is exacerbated by the fact that these municipalities must compete with high and medium capacity municipalities for suitably qualified personnel;
- *Unattractive salary packages* – Low capacity municipalities cannot compete with the salary packages that are offered by medium and high capacity municipalities. This inhibits recruitment and retention of skilled staff;
- *Frequent budget adjustments* – Unrealistic revenue forecasting during the budget process necessitates budget adjustments during the year and this might hamper new infrastructural and social development programmes;
- *Low expenditure on capital projects* – The primary cause of under-expenditure appears to be a lack of proper planning by municipalities;
- *Emphasis on detailed line items* – In certain municipalities, budgets are not clearly linked to output or performance indicators, thus making it difficult to assess whether policy priorities have been achieved; and
- *Inability to raise debt from capital markets* – Some municipalities have no revenue base and, as a result, cannot borrow money in the capital market. Due to their risk profile, there is no guarantee that they will be able to service such loans.

8.10 Future plans

In spite of the challenges facing municipalities, satisfactory progress has been made with regard to the implementation of the MFMA in KwaZulu-Natal. Every endeavour will be made to support the municipalities to deal with those issues that hamper compliance with the Act.

The Provincial Treasury intends strengthening the working relationship with municipalities in the future and the implementation of the requirements of the MFMA will be actively monitored. Specific focus will be placed on the following implementation areas:

- *Municipal Budget Timelines* – 25 per cent of the delegated municipalities in KwaZulu-Natal did not table their budget time-lines for the 2007/08 budget timeously. The Provincial Treasury will continue to provide technical assistance to make sure that all municipalities compile their budget time-lines in respect of the 2008/09 financial year, by 1 September 2007;
- *Alignment of Budget and Strategic Plans* – To give effect to project plans and deliver on the priorities identified by the community it is important that the budget and IDP are linked and that realistic revenue and expenditure projections are made. The Provincial Treasury will continue to participate in the provincial IDP Review process to ensure that municipalities adopt realistic budget implementation plans. It is anticipated that this will minimise frequent budget adjustments as a result of unrealistic budgeting processes;

- *Timeous Adoption of Draft and Final Budgets* – All KwaZulu-Natal municipalities, except one, adopted their budgets before the start of the 2006/07 financial year. A target of 100 per cent compliance in respect of the adoption of the 2007/08 municipal budgets has been set. To ensure that this is achieved, the Provincial Treasury will stringently monitor the implementation of the 2007/08 budget time-lines tabled in the respective municipal councils;
- *Expenditure Reports* – A number of medium capacity municipalities continue to be erratic in submitting their monthly IYM and quarterly MFMA reports. As a result, there is a need to review the effectiveness of current communication strategies between stakeholders. The Provincial Treasury will play a vital role during the 2007/08 financial year to ensure that all the low capacity municipalities gear themselves to achieve full compliance with the MFMA by 1 July 2007; and
- *Municipal Bank Overdrafts* – The Provincial Treasury will continue to monitor the extent to which municipalities are reducing their bank overdrafts, in order to meet the 2008 overdraft elimination deadline.

9. MEASURING PERFORMANCE IN GOVERNMENT

As was mentioned in past Budget Statements, performance budgeting, which relies heavily on measurable targets and performance measures, will receive increasing prominence in the 2007/08 MTEF. The implementation of a comprehensive performance budgeting system began in earnest in 2005/06 and, initially, two departments were expected to be operational by the beginning of the 2006/07 financial year. One department has gone ‘on-line’ on the Performance Budgeting System (PBS) during 2006/07. The Department of Health is due to go ‘on-line’ by 1 April 2007, along with five more departments. A further five departments are scheduled to be operational by 1 April 2008. A full review of the implementation process and challenges is given below.

9.1 Performance Budgeting System general progress review and challenges

9.1.1 Purpose and overview of progress

Over the last 18 months, solid progress has been made with the implementation of the PBS system in several departments. However, there are also various challenges that need to be addressed and overcome.

Seven provincial departments are currently in the process of implementing the PBS, as summarised below. Further details are provided in the departmental sections.

- The Department of Transport (DoT) is post-*go live*, but not fully rolled out to the regions.
- The Department of Health (DoH) is approaching its *go-live* date on 1 April 2007.
- The 5 remaining departments, all of which began their implementations in April 2006, are due to go live on 1 April 2007, but, in some cases, the quality and quantity of non-financial data submitted by them is not up to standard, as detailed in the departmental sections below.

9.1.2 Common implementation problem sources

Certain implementation problems are common to more than one department, and these common issues are discussed in this section, to avoid repetition.

In many cases, deliverables are being delayed due to poor responses by departments, largely due to the following main reasons:

- Failure to take responsibility: nominated PBS project managers in departments either do not accept these responsibilities or do not assign them significant priority.
- Confusion over level and assignment of responsibility. There is often uncertainty as to who is responsible for what, leading to difficulties in planning workshops.
- Lack of co-ordination within a department: One section within a department accepts PBS, but fails to brief other sections and does not co-ordinate meetings or documents with other sections.
- Resistance to a system seen as a ‘Treasury initiative for financial control of line departments’ and therefore not relevant to them. This attitude ignores the fact that that PBS relates to both non-financial information and performance measurement as well as financial. In the case of the Provincial Legislature and Office of the Premier, it is also not appreciated that PBS can be used both with respect to their own deliverables, as well as for oversight of the deliverables of the line departments.

- Lack of continuity between PBS project manager and backup person: when one person takes leave or moves, the replacement is unable to co-ordinate as effectively.
- Lack of depth of departmental project task teams (this relates to the previous point).
- Lack of a general sense of urgency on the part of departments: an impression that the implementation timeline is not crucial.

Many of these issues could be overcome if the following was paid attention to:

- Appointment by the Provincial Treasury of a full-time PBS Project Manager to work closely with the PBS consultants. This post is in the process of being filled.
- Constitution of reasonably-sized PBS task teams within departments. Currently there are only one or two people to deal with, due to the lack of properly constituted PBS task teams in most departments.
- Inviting PBS consultants, or at least the Treasury PBS project manager, to attend provincial CFO and IT forums. In terms of the provincial CFO forum, PBS is now a permanent item on its agenda.

9.2 Review of PBS per department

9.2.1 Department of Transport (DoT)

The level of support by Transport for PBS has been excellent, with significant input made by the department into the customisation of the system. The response at training workshops has also been excellent. Furthermore, buy-in from management has been very good and the department's existing budget structure and non-financial information suited the PBS system perfectly.

The department is proposed to go live by 1 April. The system is not yet rolled out to all regional offices, however. There are two impediments to full provincial roll-out:

- The department's current network data-line capacity appears to be insufficient to support viable operation of the PBS client-server system. However, this is currently being addressed.
- The department is waiting for certain system functionalities, which it regards as critical, to be completed on the system.

9.2.2 Department of Health (DoH)

Health been the only department that has actively driven its PBS implementation, rather than in response to requests and input from the service provider. This highlights the extent to which PBS has been prioritised and valued by the current departmental leadership. There has also been excellent buy-in from senior managers such as the HOD and the CFO, as well as delivery managers.

This department has made excellent progress, especially given its size and the concomitant logistics. The department faces unique challenges due to size and dispersion of client department, as well as ongoing structure changes, e.g. Primary Health Care (PHC) emphasis.

Attendance at all PBS workshop phases has been very good and a valuable set of non-financial information for PBS has been compiled. Most PBS deliverables have been delivered on time and to deadline.

Expectations for balance of implementation:

- Implementation is 80 per cent complete, important remaining milestones are sign-off of revisions to non-financial information and 'point and click' training on PBS.

- Main challenge thereafter is IT infrastructure: upgrading of lines and equipment. The department uses the Oracle database application, and this will require some further customisation of the system, but will not impose software upgrade costs on the department.

9.2.3 Department of Agriculture (DoA)

The response in this department has been varied. While there has not been active resistance as in certain other departments, the department is about 2 months behind the implementation timeline due to delays in scheduling workshops, largely due to the absence of a PBS project manager in the department.

- Middle managers appreciate the need for PBS and recognise the value added in terms of activity costing and outputs capturing. However, PBS project co-ordination has been lacking at times: more depth is required in the implementation team.
- Attendance at workshops was lower than expected. Due to the size of the department, it is difficult to assess whether a class size is fully representative of the programmes and regions of the department. From the non-financial data return, it appears as if there was under attendance.
- The budget structure needs to be streamlined. Part of this process will be informed by the needs of the PBS system.
- The department's non-financial information set is still in first draft and must be 'cleaned' by PBS and then approved by the department.
- Point and click training is scheduled for March/April.

9.2.4 Premier's Office

This department is the champion of the provincial strategy and of provincial monitoring and evaluation, and therefore should be strongly supportive of a system that integrates planning and budgeting. However, up until recently, top-level buy-in was missing. On 29 January, PBS consultants were invited to demonstrate and discuss the system at the departmental EXCO, and subsequently there appears to be significant high-level buy-in. At this meeting, the DG confirmed that the Office of the Premier would proceed with the implementation and undertook to support the system and its objectives.

The following impediments still remain:

- The department has at times been unresponsive or slow in response to PBS matters.
- It appears as if the department is considering the implementation of the SAS system or some component of it, which raises the issue of system duplication.
- The department's budget structure (*objectives* segment) is not compliant with National Treasury requirements, and will require revision.
- Finally, the department's non-financial information set is still in first draft, and must be 'cleaned' by PBS and then approved by the department.

9.2.5 Department of Economic Development (DED)

The buy-in and support from middle management and the Budget Office has been very good, but project co-ordination commitment from the CFO's office has been erratic, resulting in delays in scheduling workshops. The CFO has resigned, and there is no decision yet as to whom the project will be delegated to.

- Due to the erratic response, the implementation has been delayed by approximately 2-3 months and it will be difficult to make up these lags. There may therefore be some overrun of the computer lab training into April 2007.
- The department's non-financial information set is still in first draft, and must be 'cleaned' by PBS and then approved by the department.
- However, *go-live* will still take place on 1 April.
- Point and click training due in March/April.

9.2.6 Provincial Legislature

There has been erratic response from the Legislature: some upper management are behind the project, but those tasked with project co-ordination are less committed.

Another issue has been dissent within the management team around the usefulness or applicability of PBS to the Legislature. Some managers have confused outputs with measurable objectives and have made the assumption that PBS only measures the performance of the Legislature in terms of its measurable objective. They then claim that since these measurable objectives are 'out of their control' that their performance is not measurable by a system such as PBS.

In response, PBS is more concerned with *outputs*, and the Legislature will certainly be able to identify and measure their management outputs. They will also have full control over these, unlike the 'political' objectives of the Legislature.

Other issues are:

- Turnout at the training was disappointing at first, but has improved with time.
- Restructuring of the budget structure is in progress, as the format for the sector has undergone some changes for the 2007/08 year.
- Bureaucratic red tape and unco-operativeness was evident at lower levels when attempting to install a PBS demo server. Fortunately, this was subsequently resolved.
- The implementation is approximately 2 months behind schedule because of the poor initial turnout at workshops.
- The department's non-financial information set is still in first draft and must be 'cleaned' by PBS and then approved by the department.
- *Go-live* is still expected to take place on 1 April.
- Point and click training due in March/April.

9.2.7 Provincial Treasury

The Provincial Treasury is, as a department, the champion of the PBS implementation. As such there has been excellent support and buy-in from the Treasury. Implementation deliverables have generally taken place with little or no delays, but attendance at workshop 2 was less than expected and affected the size of the non-financial data set.

The remaining issues are:

- Treasury to drive overall provincial upgrade of data lines to ensure the PBS system functions effectively in the regional offices.
- Appointment of a Treasury PBS Coordinator.

- As with the other implementing departments, the Treasury's non-financial information set is still in first draft and must be 'cleaned' by PBS and then approved by the department.
- *Go-live* is expected to take place on 1 April.
- Point and click training due in March/April.

9.3 Service delivery tables

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

The tables reflect the expected outputs, performance measures and targets pertaining to the projected service delivery of the major service-orientated provincial departments during the 2007/08 MTEF. Note that, in the Departments of Health, Housing, Transport and Social Welfare, the performance measures differ in the 2007/08 Budget Statements when compared to the 2006/07 version. This is because the various sectoral fora have agreed on a set base of measures for their departments in all nine provinces. Where possible, departments have provided the 2006/07 Estimated Actual for comparative purposes under the new measures.

In general, departments have shown in these performance measures that targets are being raised on the previous years' estimates to reflect the real growth evident in their financial budgets.

Table 9.1: Service delivery measures – Health

Output type	Performance measures	Performance targets	
		2006/07 Est. Actual	2007/08 Estimate
District Health Services			
1. Clinics and Community Health Centres:			
To provide facilities for patients to be treated at primary health care level	<ul style="list-style-type: none">• PHC headcount• Expenditure per headcount (Rand)• PHC utilisation rate• PHC utilisation rate for under 5 year olds• PHC supervision rate	19,594,566 R268 2.0 visits 4.0 visits 100.0%	19,986,457 R344 2.0 visits 4.0 visits 100%
2. District Hospitals			
Rendering of a hospital service at a district level	<ul style="list-style-type: none">• Number of admissions• Patient day equivalent (PDE)• OPD headcount• Bed utilisation rate• Caesarean section rate• Average length of stay• Expenditure per day patient equivalent (PDE) (Rand)	348 280 2 555 595 1 900 028 67.0% 16.0% 6.0 days R1,000	355 245 2 606 706 1 938 028 72% 15% 5 days R814
3. HIV and AIDS, TB and STI control			
Rendering a primary health care service in respect of HIV and AIDS, TB and STI Control	<ul style="list-style-type: none">• Number of sites rendering ART services• Number of patients on treatment• Dedicated HIV and AIDS budget spent• Fixed facilities with ARV drug stock-out• Fixed PHC facilities offering PMTCT• Fixed PHC facilities offering VCT to non-antenatal patients• PMTCT uptake• VCT uptake• Nevirapine dose to baby coverage rate• New smear positive PTB cases cured at first attempt rate• STI partner treatment rate• TB sputa specimen - turnaround time of more than 48 hours• TB treatment interruption rate• Male condom distribution rate - public health sector facilities	67 75 120 100% 0.0% 100.0% 100.0% 63.5% 288,000 50% 32.0% 22.0% 24.0% 10.0% 11 per male	67 137 145 100% 0.0% 100.0% 100.0% 70% 300,000 60% 40% 27% 15% 10.0% 11 per male

Table 9.1: Service delivery measures – Health

Output type	Performance measures	Performance targets	
		2006/07 Est. Actual	2007/08 Estimate
4. Disease prevention and control	<ul style="list-style-type: none"> • Outbreak response times of less than 24 hours • Number of cataract operations performed • Cataract surgery rate • Case fatality rate for malaria • Case fatality rate for cholera 	100.0% 8,700 N/A 0.6% 0.0%	100.0% 9,100 N/A 0% 0%
5. Maternal, child and women health	<ul style="list-style-type: none"> • Deliveries at all facilities • Teenage delivery rate • Immunisation coverage 	202,420 10.0% 90.0%	205 000 10.0% 90.0%
Provincial Hospital Services			
General (Regional) Hospitals			
Rendering of hospital services at a general specialist level and a platform for training of health workers and research	<ul style="list-style-type: none"> • Number of separations • Patient day equivalent (PDE) • OPD headcount • Bed utilisation • Caesarean section rate • Case fatality rate for surgery separations • Average length of stay • Expenditure per day patient equivalent (PDE) (Rand) 	320,000 2759760 1 963 006 70.0% 31.0% 6% 6 days R962	330,000 2814955 2 002 266 75% 25% 5% 5 days R1,128
Central Hospital Services			
1. Central Hospital Services			
Rendering of a highly specialised medical health and quaternary service on a national basis and a platform for the training of health workers and research	<ul style="list-style-type: none"> • Number of separations • Patient day equivalent (PDE) • OPD headcount • Bed utilisation rate • Caesarean section rate • Case fatality rate for surgery separations • Average length of stay • Expenditure per day patient equivalent (PDE) (Rand) 	16 980 186 584 127 988 62.0% 75.0% 4.5% 10 days R1,613	17 300 190 000 130 000 65% 60% 4% 9 days R1,877
2. Provincial tertiary hospitals			
To provide tertiary health services and create a platform for the training of health workers	<ul style="list-style-type: none"> • Number of separations • Patient day equivalent (PDE) • OPD headcount • Bed utilisation rate • Caesarean section rate • Case fatality rate for surgery separations • Average length of stay 	50,916 473,000 362,000 77.0% 34.0% 6.0% 7.8 days R1,300	60,000 480,000 372,000 78% 30% 5% 6 days R1,877

Table 9.2 Service delivery measures – Education

Output type	Performance measures	Performance targets	
		2006/07 Est. Actual	2007/08 Estimate
Public Ordinary School Education			
1. Public Ordinary Schools			
1.1 To provide educators in accordance with the PPN	• Number of educators (publicly employed)	77,208	81,069
	• Number of permanent educators who have left public ordinary schools	2,620	2,751
	• Attrition rate for permanent educators	3.4%	3.4%
	• Total possible working days per educator	204	204
	• Total possible working days lost due to educator absenteeism	No data	7
1.2 To provide access in the public ordinary schooling system in accordance with policy	• Learners benefiting from the school nutrition programme	1,508,594	1,584,401
	• Number of learner days covered by the nutrition programme	156	156
1.3 To put the basic infrastructure for public ordinary schooling in place in accordance with policy	• Percentage of public ordinary schools with a water supply	85%	92%
	• Percentage of public ordinary schools with at least two functional toilets per classroom	60%	63%
1.4 To increase access to learning	• Total possible learner days per learner	196	200
	• Total learner days lost due to absenteeism	11	11
	• Percentage of learning days lost due to learner absenteeism in public ordinary schools	5.5%	5.1%
	• Percentage of non-section 21 schools with all LSMs and other required materials delivered on day one of the school year	34.1%	35.7%
	• Programme reach in terms of average days per learner	156	156
	• Percentage of public ordinary schools with electricity	65%	70%
	• Expenditure on maintenance as a percentage of the value of school infrastructure	0.16%	0.18%
	• Percentage of schools with more than 40 learners per class	38%	36%
	• Percentage of schools with Section 21 status	50%	54%
2. Public Primary Schools			
2.1 To provide educators in accordance with the PPN	• Number of educators (publicly employed)	48,357	50,774
	• Number of non-educators (publicly employed)	2,999	3,149
2.2 To put the basic infrastructure for public schooling in place in accordance with policy	• Number of public ordinary schools with a water supply	1,861	1,954
	• Number of schools with electricity	2,095	2,200
	• Number of schools with at least two functional toilets per classroom	738	755
3. Public Secondary Schools			
3.1 To provide educators in accordance with the PPN	• Number of educators (publicly employed)	28,851	30,295
	• Number of non-educators (publicly employed)	2,494	2,618
3.2 To put the basic infrastructure for public schooling in place in accordance with policy	• Number of schools with a water supply	928	975
	• Number of schools with electricity	1,147	1,173
	• Number of schools with at least two functional toilets per classroom	284	298
	• Number of schools with a science laboratory	0	0
Further Education and Training (FET)			
To ensure that quality education occurs in special schools	• Number of educators	1,850	1,980
	• Active learnership agreements in the province	1,440	1,685
	• Number of learnership agreements involving FET colleges as provider	70	94
	• Full-time equivalent students	90,000	105,000
	• Students (headcount)	101,000	110,000
	• Students (headcount - females)	35,350	42,000
	• Students (headcount – females in technical fields)	12,372	15,960
	• Students completing programmes successfully during the year	64,800	77,700
	• FET College throughput rate	72%	74%

Table 9.3: Service delivery measures – Housing

Output type	Performance measures	Performance targets	
		2006/07 Est. Actual	2007/08 Estimate
Housing Development Implementation			
1. Individual	● Number of subsidies approved	1,200	1,350
2. Project Linked	● Number of subsidies approved	10,250	13,300
	● Number of houses completed	7,000	12,409
3. Peoples Housing Process	● Number of subsidies approved	-	-
	● Number of houses completed	10,086	4,800
4. Consolidation	● Number of subsidies approved	220	450
5. Institutional	● Number of subsidies approved	4	1,180
6. Relocation	● Number of subsidies approved	50	20
7. Disaster	● Number of subsidies approved	7,000	7,500
8. Rural Housing	● Number of subsidies approved	25,640	11,200
	● Number of houses completed	1,573	3,100
9. All subsidy instruments	● Number of properties transferred	10,638	13,000
	● Number of subsidies approved	44,364	35,000
	● Number of sites completed	23,521	21,800
	● Number of houses completed	18,659	22,800
10. Hostel Redevelopment Programme	● Number of units upgraded	3,500	4,000
11. Social and Economic Amenities	● Number of projects implemented	4	10
Housing Property Management			
1. Rental Tribunal	● Number of cases resolved	1,200	1,200
2. Discount benefit scheme	● Number of residential properties transferred	10,000	10,000
3. Devolution of rental stock	● Number of houses and properties devolved to municipalities	1,000	1,000
4. Maintenance of all rental units	● Number of units maintained	5,000	5,000

Table 9.4: Service delivery measures – Transport

Outputs	Performance measures	Performance targets	
		2006/07 Est. Actual	2007/08 Estimate
Road Infrastructure			
Surfaced Roads			
1. Rehabilitation of surfaced roads	<ul style="list-style-type: none">No. of square meters: Light and heavy rehabilitation	660,000	1,800,000
2. Maintain surfaced roads	<ul style="list-style-type: none">No. of square meters: Tarred roads resealed	1,000,000	1,700,000
	<ul style="list-style-type: none">No. of square meters: Blacktop patching	120,000	140,000
3. Construct surfaced roads	<ul style="list-style-type: none">Kilometres constructed: New blacktop roads	1	1
	<ul style="list-style-type: none">Kilometres upgraded: Upgrade gravel to blacktop road	76	84
Gravel Roads			
4. Construct local access roads	<ul style="list-style-type: none">Kilometres of gravel roads constructed	420	360
	<ul style="list-style-type: none">Kilometres constructed using labour based construction	14	15
5. Maintain local roads - <i>Zimbabwe</i>	<ul style="list-style-type: none">Kilometres maintained using <i>Zimbabwe</i> contractors	20,100	23,000
6. Maintain gravel roads	<ul style="list-style-type: none">Kilometres of road: blading	85,000	86,000
	<ul style="list-style-type: none">Kilometres of road: betterment and gravelling	900	1,000
General			
7. Construction of causeways and bridges	<ul style="list-style-type: none">Number of causeways constructed	49	59
	<ul style="list-style-type: none">Number of bridges constructed	1	4
	<ul style="list-style-type: none">Number of pedestrian bridges constructed	11	6
8. To improve the skill and cost efficiency of road construction and maintenance	<ul style="list-style-type: none">Number of courses offered by the T² Centre	30	30
Traffic Management			
1. Reduce road traffic crashes in general and fatalities in particular	<ul style="list-style-type: none">Number of remedial safety engineering measures	40	40
	<ul style="list-style-type: none">Number of crossing patrols provided	79	83
2. Facilitate behavioural and attitude change of road users	<ul style="list-style-type: none">Number of schools participating	285	300
	<ul style="list-style-type: none">Number of adults educated	30 000	30 000
	<ul style="list-style-type: none">Number of awareness campaigns	21	30
	<ul style="list-style-type: none">Number of Community Road Safety Councils (CRSCs) trained	42	42
3. Protect the road environment through the regulation and enforcement of the freight industry	<ul style="list-style-type: none">Hours of overloading control enforcement	25 000	25 000
	<ul style="list-style-type: none">Number of vehicles weighed	160 000	160 000
	<ul style="list-style-type: none">Number of weighbridges maintained/calibrated	13	16
	<ul style="list-style-type: none">Number of weighbridges constructed	0	1
4. Promote safe use of public roads	<ul style="list-style-type: none">Number of traffic officers employed	450	480
	<ul style="list-style-type: none">Hours of manual speed timing activities	75 000	55 000
	<ul style="list-style-type: none">Hours of automatic speed timing activities	24 000	30 000
	<ul style="list-style-type: none">Number of vehicles checked in roadblocks	15 000	30 000
	<ul style="list-style-type: none">Number of kilometres patrolled (official and subsidised vehicles)	4 500 000	5 500 000
	<ul style="list-style-type: none">Number of officers trained	600	200
5. To maximise revenue collection through the levying of appropriate charges for services rendered and through effective debtor control	<ul style="list-style-type: none">% of licenses paid on time	97%	97%

Table 9.5: Service delivery measures – Social Welfare

Output type	Performance measures	Performance targets	
		2006/07 Est. Actual	2007/08 Estimate
Social Welfare Services			
1. Substance Abuse	<ul style="list-style-type: none">Number of Substance Abuse govt centresNumber of Substance Abuse NGO centresNumber of interviews by govt. – substance abuseNumber of interviews by NGOs – substance abuseNumber of drug awareness campaigns by govt.Number of youth interviewed by NGOs for drug abuseNumber of youth interviewed by govt. for drug abuse	2 5 1,703 14,000 120 7,000 800	2 7 1,870 15,400 120 7,700 880
2. Care of the Aged	<ul style="list-style-type: none">Number of Homes for the Aged – govt centresNumber of Homes for the Aged – NGO centresNumber of older persons interviewed by govt.Number of older persons interviewed by NGOsNumber of Service Centres for the aged run by NGOs	1 53 2,000 15,000 170	1 54 2,200 16,500 200
3. Crime prevention and support	<ul style="list-style-type: none">Number of Children interviewed in conflict with the law (govt.)Number of Adults interviewed for pre-sentence reports (govt.)	5,000 2,200	5,500 2,420
4. Services to Disabled	<ul style="list-style-type: none">Number of Protective Workshops run by govt.Number of Disabled working at govt. protective workshopsNumber of Protective Workshops run by NGOsNumber of Disabled working at NGOs protective workshopsNumber of Homes for Disabled run by govt.Number of Homes for Disabled run by NGOsNumber of Disabled clients interviewed by govt. officialsNumber of Disabled clients interviewed by NGO social workers	2 190 33 915 0 14 1,200 20,000	2 190 35 1,000 0 15 1,320 22,000
	<ul style="list-style-type: none">Number of Places of Safety run by govt.Number of Children who stay in Places of safety run by govt.Number of Secure Care Centres run by govt.Number of Children who stay in Secure care Centres run by govt.Number of Secure care Centres outsourced to NGOsNumber of Children who reside in Secure Care Centres run by NGOsNumber of ECD sites registered by govt.Number of ECD sites registered and managed by NGOsNumber of Children's Court Cases handled by govt.Number of Children's Court Cases handled by NGOs	7 600 2 720 0 0 0 1,250 12,000 4,000	7 750 2 1,500 0 0 0 1,350 15,000 6,000
6. Victim empowerment	<ul style="list-style-type: none">Number of shelters for victims of domestic violence run by govt.Number of inmates in govt shelters for domestic violenceNumber of shelters for victims of domestic violence run by NGOsNumber of inmates in govt shelters for victims of domestic violence run by NGOs	0 0 10 250	0 0 12 300
7. HIV and AIDS	<ul style="list-style-type: none">Number of clients interviewed with HIV and AIDSNumber of community-based care organisations which serve HIV and AIDS clients	2500 96	2,750 106
8. Social relief	<ul style="list-style-type: none">Number of clients interviewed for social relief applications	6,500	7,000
9. Care and support services to families	<ul style="list-style-type: none">Number of marriage couples receiving marriage counselling by NGOsNumber of families receiving family therapy by NGOs	1,200 200	1,320 220

ANNEXURE TO BUDGET STATEMENT 1

Table 1.A: Details of provincial own receipts

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2003/04	Audited 2004/05	Audited 2005/06				2007/08	2008/09	2009/10
Tax receipts	643,740	677,051	822,356	799,555	879,555	927,872	981,515	1,038,032	1,093,697
Casino taxes	117,475	128,530	162,073	163,665	183,665	183,698	192,089	205,535	220,950
Motor vehicle licenses	496,951	515,828	624,302	600,000	660,000	706,000	745,000	785,000	821,688
Horseracing	25,918	29,002	31,982	32,290	32,290	34,574	40,610	43,452	46,711
Other taxes	3,396	3,691	3,999	3,600	3,600	3,600	3,816	4,045	4,348
Non-tax receipts	427,269	429,418	310,750	338,042	358,042	384,835	400,165	418,700	457,419
Sale of goods and services other than capital assets	177,428	226,064	198,036	227,918	227,918	211,713	231,213	248,898	272,654
Sales of goods and services produced by department	168,464	207,622	196,674	227,044	227,044	210,779	230,305	247,954	271,663
Sales by market establishments	-	101	126	98	98	152	108	119	128
Administrative fees	1,194	19,109	25,403	25,226	25,226	24,967	27,523	29,869	32,111
Other sales	167,270	188,412	171,145	201,720	201,720	185,660	202,674	217,966	239,424
Sales of scrap, waste, arms and other used current goods (excluding capital assets)	8,964	18,442	1,362	874	874	934	908	944	991
Fines, penalties and forfeits	23,758	21,625	19,253	25,030	25,030	23,981	28,030	30,031	33,733
Interest, dividends and rent on land	226,083	181,729	93,461	85,094	105,094	149,141	140,922	139,771	151,032
Interest ¹	226,082	181,022	93,025	84,960	104,960	149,107	140,779	139,617	150,870
Dividends	-	-	-	-	-	-	-	-	-
Rent on land	1	707	436	134	134	34	143	154	162
Transfers received from:	-	-	-	-	-	-	-	-	-
Other governmental units	-	-	-	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Households and non-profit institutions	-	-	-	-	-	-	-	-	-
Sales of capital assets	33,771	19,041	20,222	14,661	14,661	19,235	16,670	18,703	20,977
Land and subsoil assets	809	7	5,607	-	-	-	-	-	-
Other capital assets	32,962	19,034	14,615	14,661	14,661	19,235	16,670	18,703	20,977
Financial transactions	31,552	43,942	73,939	21,554	21,554	37,166	24,791	21,785	22,418
Total provincial own receipts	1,136,332	1,169,452	1,227,267	1,173,812	1,273,812	1,369,108	1,423,141	1,497,220	1,594,511

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

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

R000	Outcome			Main	Adjusted	Estimated	Medium-term estimates		
	Audited 2003/04	Audited 2004/05	Audited 2005/06	Budget	Budget 2006/07	actual	2007/08	2008/09	2009/10
Current payments	20,826,393	23,214,728	26,777,647	29,717,597	29,811,259	29,917,041	33,763,130	37,101,488	40,713,699
Compensation of employees	16,092,572	17,889,221	19,604,852	22,053,149	21,935,181	21,888,627	24,985,565	27,334,600	30,020,735
Salaries and wages	13,443,977	13,996,586	16,407,849	18,892,710	18,528,278	18,260,445	21,078,624	23,054,557	25,310,839
Social contributions	2,648,595	3,892,635	3,197,003	3,160,439	3,406,903	3,628,182	3,906,941	4,280,043	4,709,896
Goods and services	4,691,205	5,295,678	7,156,627	7,664,448	7,876,078	8,017,428	8,777,565	9,766,888	10,692,964
Interest and rent on land	-	13,773	281	-	-	388	-	-	-
Interest	-	13,755	-	-	-	362	-	-	-
Rent on land	-	18	281	-	-	26	-	-	-
Financial transactions in assets and liabilities	42,616	16,056	15,887	-	-	10,519	-	-	-
Unauthorised expenditure	-	-	-	-	-	79	-	-	-
Transfers and subsidies to:	2,312,014	2,411,822	3,127,861	3,923,898	3,983,242	4,037,531	5,156,224	6,994,786	8,031,222
Local government	241,482	258,572	340,102	344,408	391,799	361,442	417,337	490,978	574,058
Municipalities	234,762	253,727	334,581	338,155	385,859	355,500	411,309	484,649	567,254
Municipal agencies and funds	6,720	4,845	5,521	6,253	5,940	5,942	6,028	6,329	6,804
Departmental agencies and accounts	145,602	153,918	172,654	160,810	203,364	216,996	176,512	188,068	200,820
Social security funds	1,166	13,141	11,015	150	139	13,084	150	161	172
Entities receiving funds	144,436	140,777	161,639	160,660	203,225	203,912	176,362	187,907	200,648
Public corporations and private enterprises	294,603	312,628	698,698	1,191,174	998,212	988,003	1,478,721	1,600,174	2,045,787
Public corporations	265,208	298,623	692,507	1,098,312	808,983	810,142	1,390,108	1,510,002	1,933,852
Subsidies on production	-	-	36,031	-	-	-	-	-	-
Other transfers	265,208	298,623	656,476	1,098,312	808,983	810,142	1,390,108	1,510,002	1,933,852
Private enterprises	29,395	14,005	6,191	92,862	189,229	177,861	88,613	90,172	111,935
Subsidies on production	-	-	-	-	1,000	-	-	-	-
Other transfers	29,395	14,005	6,191	92,862	188,229	177,861	88,613	90,172	111,935
Foreign governments and international organisations	-	-	704	862	862	862	934	986	1,060
Non-profit institutions	811,036	920,584	1,131,404	1,248,064	1,450,710	1,503,847	1,872,387	3,307,539	3,524,240
Households	819,291	766,120	784,299	978,580	938,295	966,381	1,210,333	1,407,041	1,685,257
Social benefits	47,696	70,586	86,189	56,633	66,626	87,701	82,132	69,779	75,165
Other transfers to households	771,595	695,534	698,110	921,947	871,669	878,680	1,128,201	1,337,262	1,610,092
Payments for capital assets¹	2,305,319	2,354,035	3,366,206	3,514,716	3,597,280	3,597,690	4,555,984	4,867,468	5,869,917
Buildings and other fixed structures	1,708,381	1,798,925	2,645,758	2,619,662	2,748,149	2,742,710	3,547,563	3,913,786	4,623,346
Buildings	696,747	810,463	1,300,552	1,264,810	1,355,546	1,372,855	1,588,934	1,599,878	1,813,162
Other fixed structures	1,011,634	988,462	1,345,206	1,354,852	1,392,603	1,369,855	1,958,629	2,313,908	2,810,184
Machinery and equipment	594,953	540,901	700,813	890,051	830,202	837,366	1,000,577	948,055	1,240,699
Transport equipment	97,129	124,595	149,578	162,902	177,810	203,216	174,169	173,621	238,453
Other machinery and equipment	497,824	416,306	551,235	727,149	652,392	634,150	826,408	774,434	1,002,247
Cultivated assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	1,938	7,573	18,707	5,003	18,929	17,614	7,844	5,627	5,872
Land and subsoil assets	47	6,636	928	-	-	-	-	-	-
Total	25,443,726	27,980,585	33,271,714	37,156,211	37,391,781	37,552,262	43,475,338	48,963,742	54,614,838
Statutory payments	32,768	33,890	35,365	35,399	37,434	37,434	39,190	41,892	45,022
Total (including statutory payments)	25,476,494	28,014,475	33,307,079	37,191,610	37,429,215	37,589,696	43,514,528	49,005,634	54,659,860
1. Included under Payment of Capital Assets are capitalised payments for:									
Compensation of employees	120,224	100,415	113,602	148,100	148,100	148,100	180,157	220,218	240,224
Total compensation of employees	16,212,796	17,989,636	19,718,454	22,201,249	22,083,281	22,036,727	25,165,722	27,554,818	30,260,959
Goods and Services	-	-	-	-	-	-	355,695	375,596	415,596
Total Goods and Services	-	-	-	-	-	-	9,133,260	10,142,484	11,108,560

Table 1.C Detailed expenditure for infrastructure

Category / Department / Type of structure	No. of Projects	Total Cost	Medium-term estimates		
			2007/08	2008/09	2009/10
R000					
Capital	1,762	29,860,393	5,354,763	7,298,541	8,496,253
New constructions (Buildings and infrastructure)	345	4,983,860	1,555,861	1,690,057	2,150,924
Office of the Premier	1	1,800	1,755	45	-
Kwa-Ceza Chapel	1	1,800	1,755	45	-
Agriculture & Environmental Affairs	7	154,117	46,456	51,879	55,782
Maphophoma Dam	1	14,375	4,000	5,000	5,375
Sibonokuhle Irrigation	1	3,075	1,000	1,000	1,075
Agricultural infrastructure	-	90,579	25,456	31,379	33,744
Maphophoma Market Infrastructure	1	7,150	3,000	2,000	2,150
Muden Riverside Canal	1	500	500	-	-
Agric Storage Facilities	3	38,438	12,500	12,500	13,438
Education	283	1,864,371	560,886	632,556	670,929
New schools	13	284,924	82,500	88,000	114,424
Additions	145	1,533,413	453,617	523,291	556,505
Water and sanitation	125	46,034	24,769	21,265	-
Other	-	-	-	-	-
Health	7	870,874	286,859	254,455	329,560
Hospitals	4	463,925	145,000	150,183	168,742
Other health facilities (Clinics, Community health centres, etc.)	3	406,949	141,859	104,272	160,818
Housing	-	-	-	-	-
Low cost housing	-	-	-	-	-
The Royal Household	2	2,294	322	784	1,188
Pavilion, arena and car ports and royal residences	2	2,294	322	784	1,188
Local Government and Traditional Affairs	-	82,158	28,479	26,151	27,528
Multi Purpose Community Centres	-	82,158	28,479	26,151	27,528
Traditional Administration Centres	-	-	-	-	-
Transport	25	1,877,344	609,808	700,058	1,016,831
Roads	5	1,610,344	514,935	621,360	938,564
Vehicle and drivers licence stations	4	48,000	38,000	8,000	8,000
Other	16	219,000	56,873	70,698	70,267
Social Welfare & Population Development	2	56,500	10,734	10,502	15,790
Administration blocks (includes office accommodation)	2	56,500	10,734	10,502	15,790
Works	14	68,402	4,562	13,627	33,316
Administration blocks (includes office accommodation)	7	43,605	2,862	7,806	19,540
Multi Purpose Centres	7	24,797	1,700	5,821	13,776
Rehabilitation/upgrading	499	13,136,746	1,900,469	2,133,218	2,373,712
Office of the Premier	1	1,700	1,700	-	-
Provincial Guesthouse	1	1,700	1,700	-	-
Provincial Legislature (Office accommodation)	-	3,382	1,050	1,124	1,208
Renovations to Legislature Building	-	3,382	1,050	1,124	1,208
Agriculture & Environmental Affairs	-	71,686	22,262	23,819	25,605
Office Buildings	-	34,310	10,655	11,400	12,255
Diplanks Rehabilitation	-	37,376	11,607	12,419	13,350
Education	240	793,524	281,295	235,056	277,173
Repairs and renovations	200	651,334	201,295	205,056	244,983
Water and Sanitation Programme	-	142,190	80,000	30,000	32,190
Health	36	727,766	208,556	249,400	269,810
Hospitals	31	535,603	134,235	184,558	216,810
Other health facilities (Clinics, Community health centres, etc.)	5	192,163	74,321	64,842	53,000
The Royal Household	1	678	678	-	-
Structural repairs and royal residences (water pipes and sewer lines)	1	678	678	-	-
Local Government and Traditional Affairs	-	14,499	5,026	4,615	4,858
Traditional Administration Centres	-	14,499	5,026	4,615	4,858
Transport	191	11,439,720	1,360,240	1,593,403	1,769,066
Roads	8	2,439,720	894,924	988,160	1,155,046
Pedestrian sidewalks	-	-	11,000	11,000	11,000
Other	183	9,000,000	454,316	594,243	603,020
Social Welfare & Population Development	-	9,000	3,000	3,000	3,000
Administration blocks (includes office accommodation)	-	9,000	3,000	3,000	3,000
Works	27	74,198	16,478	22,604	22,780
Administration blocks (includes office accommodation)	26	66,248	13,428	17,031	20,048
Other	1	7,950	3,050	5,573	2,732
Arts, Culture and Tourism	3	593	184	197	212
Repairs and renovations	3	593	184	197	212
Other capital projects	244	1,139,952	385,720	336,643	419,258
Education	35	198,853	59,874	66,902	82,114
Health	-	852,167	291,487	243,132	317,548
Social Welfare & Population Development	180	57,000	20,000	20,000	17,000
Works	29	31,932	14,359	6,609	2,596
Infrastructure transfer	674	10,599,835	1,512,713	3,138,623	3,552,359
Economic Development	2	2	245,000	1,550,000	1,653,750
Housing	642	10,071,816	1,135,187	1,400,218	1,691,523
Local Government and Traditional Affairs	-	378,463	89,000	139,500	149,963
Transport	-	19,000	2,000	6,000	11,000
Arts, Culture and Tourism	13	53,505	17,400	17,400	18,705
Sports and Recreation	17	77,049	24,126	25,505	27,418
Current (maintenance)	-	3,442,255	1,005,005	1,192,415	1,358,098
Provincial Legislature	-	2,190	883	630	677
Agriculture & Environmental Affairs	-	7,272	2,251	2,420	2,601
Education	-	233,745	72,000	78,000	83,745
Health	-	1,094,001	297,565	383,840	412,596
Housing	-	249,866	120,368	120,368	122,393
Local Government and Traditional Affairs	-	18,008	4,710	6,606	6,692
Transport	-	1,728,077	471,476	564,910	691,691
Social Welfare & Population Development	-	32,089	11,250	11,250	9,589
Works	-	75,507	23,002	24,391	28,114
Sports and Recreation	-	1,500	1,500	-	-
Total	1,762	33,302,648	6,359,768	8,490,956	9,854,351

Table 1.D: Summary of transfers to municipalities

R000		Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
		Audited	Audited	Audited				2006/07	2007/08	2008/09
		2002/03	2003/04	2004/05						
A	eThekweni	139,536	133,491	130,586	156,340	181,644	152,098	198,318	294,616	214,322
Total: Ugu Municipalities		6,934	10,046	15,864	16,760	16,263	15,880	16,899	15,436	13,256
B	KZ211 Vulamehlo	29	900	2,840	300	550	550	-	-	160
B	KZ212 Umdoni	1,695	1,001	1,256	1,163	1,237	1,237	1,232	71	76
B	KZ213 Umzumbe	-	500	1,600	750	500	500	-	-	160
B	KZ214 uMuziwabantu	477	443	1,247	1,028	1,104	1,104	644	31	193
B	KZ215 Ezingolweni	-	900	884	500	876	637	-	-	160
B	KZ216 Hibiscus Coast	2,599	2,493	3,004	3,042	3,251	3,221	3,223	284	307
C	DC21 Ugu District Municipality	2,134	3,809	5,033	9,977	8,745	8,631	11,800	15,050	12,200
Total: uMgungundlovu Municipalities		30,539	45,927	56,087	51,500	45,027	44,120	74,133	69,120	54,598
B	KZ221 uMshwathi	434	331	2,456	871	371	371	393	-	160
B	KZ222 uMngeni	1,283	981	2,339	1,495	2,128	1,468	1,267	151	162
B	KZ223 Mpofana	553	703	732	808	808	808	857	41	45
B	KZ224 Impendle	-	-	1,405	300	2,551	2,076	-	-	160
B	KZ225 Msunduzi	23,363	27,836	35,196	21,839	22,604	23,167	24,274	20,202	21,217
B	KZ226 Mkhambathini	-	-	800	400	1,550	1,550	-	-	160
B	KZ227 Richmond	424	18	2,948	563	102	62	66	71	76
C	DC22 uMgungundlovu District Municipality	4,482	16,058	10,211	25,224	14,913	14,618	47,276	48,655	32,618
Total: Uthukela Municipalities		5,505	9,464	18,139	9,436	11,403	11,589	12,408	3,533	5,612
B	KZ232 Emnambithi/Ladysmith	2,045	2,315	3,771	4,483	4,483	4,483	4,711	151	162
B	KZ233 Indaka	10	900	3,139	500	750	750	-	-	-
B	KZ234 Umtshezi	797	860	1,900	1,695	1,715	1,695	1,765	161	174
B	KZ235 Okhahlamba	519	793	3,301	1,369	1,369	1,366	1,232	71	76
B	KZ236 Imbabazane	-	900	800	450	1,250	1,568	-	-	-
C	DC23 Uthukela District Municipality	2,134	3,696	5,228	939	1,836	1,727	4,700	3,150	5,200
Total: Umzinyathi Municipalities		5,567	7,732	11,845	8,348	11,170	11,047	9,992	4,426	5,457
B	KZ241 Endumeni	2,415	1,624	1,610	2,813	3,102	3,102	2,982	151	163
B	KZ242 Nquthu	162	800	2,489	700	700	772	-	-	160
B	KZ244 Usinga	-	923	1,560	400	3,407	3,312	-	-	-
B	KZ245 Umvoti	913	765	978	1,425	1,417	1,417	1,510	125	134
C	DC24 Umzinyathi District Municipality	2,077	3,620	5,208	3,010	2,544	2,444	5,500	4,150	5,000
Total: Amajuba Municipalities		2,459	4,878	6,773	9,220	13,615	12,705	12,313	12,359	5,383
B	KZ252 Newcastle	704	813	1,086	1,132	4,275	3,504	1,207	161	173
B	KZ253 eMadlangeni	35	-	300	521	522	522	22	24	25
B	KZ254 Dannhauser	525	315	902	481	1,062	1,052	584	24	185
C	DC25 Amajuba District Municipality	1,195	3,750	4,485	7,086	7,756	7,627	10,500	12,150	5,000
Total: Zululand Municipalities		14,034	11,870	28,881	11,761	16,526	15,741	13,006	14,237	17,933
B	KZ261 eDumbe	753	651	712	1,272	792	777	400	-	160
B	KZ262 uPhongolo	1,388	156	900	527	500	503	30	32	195
B	KZ263 Abaqulusi	582	393	3,620	613	2,672	2,672	651	118	127
B	KZ265 Nongoma	-	-	6,809	400	100	100	-	-	160
B	KZ266 Ulundi	6,746	4,758	7,410	6,608	8,071	8,073	6,094	6,399	6,868
C	DC26 Zululand District Municipality	4,565	5,912	9,430	2,341	4,391	3,616	5,831	7,688	10,423
Total: Umkhanyakude Municipalities		2,845	9,418	24,715	6,865	12,392	12,674	1,550	2,150	7,433
B	KZ271 Umhlabuyalingana	105	900	3,500	500	2,000	2,000	-	-	160
B	KZ272 Jozini	150	500	3,621	600	3,004	3,004	-	-	160
B	KZ273 The Big Five False Bay	583	900	900	750	3,950	3,951	-	-	160
B	KZ274 Hlabisa	-	500	6,281	500	31	292	-	-	160
B	KZ275 Mtubatuba	100	-	3,941	-	450	550	-	-	160
C	DC27 Umkhanyakude District Municipality	1,907	6,618	6,472	4,515	2,957	2,877	1,550	2,150	6,633
Total: uThungulu Municipalities		9,029	10,397	21,985	13,565	23,233	22,906	14,339	14,571	15,305
B	KZ281 Mbonambi	-	950	2,034	700	1,210	1,210	-	-	160
B	KZ282 uMhlathuze	1,400	1,620	2,304	6,593	9,303	9,303	9,845	5,777	5,299
B	KZ283 Ntambanana	-	500	1,530	500	800	800	-	-	160
B	KZ284 Umlalazi	3,117	1,147	1,197	2,157	5,219	5,219	2,163	144	154
B	KZ285 Mthonjaneni	313	319	1,892	1,174	913	913	831	-	-
B	KZ286 Nkandla	-	950	1,818	700	1,280	1,250	-	-	160
C	DC28 uThungulu District Municipality	4,199	4,911	11,210	1,741	4,508	4,211	1,500	8,650	9,372
Total: Ilembe Municipalities		4,855	7,354	10,083	16,644	20,911	22,187	19,467	13,850	8,695
B	KZ291 Mandeni	984	939	1,356	1,421	1,467	1,410	966	25	186
B	KZ292 KwaDukuza	1,708	1,802	4,006	3,809	6,472	7,800	4,001	175	189
B	KZ293 Ndwedwe	-	800	150	700	2,802	3,044	-	-	160
B	KZ294 Maphumulo	-	569	180	700	800	800	-	-	160
C	DC29 Ilembe District Municipality	2,163	3,244	4,391	10,014	9,370	9,133	14,500	13,650	8,000
Total: Sisonke Municipalities		3,660	7,338	12,729	5,932	13,903	13,847	1,787	2,243	5,420
B	KZ5a1 Ingwe	-	-	2,005	700	3,900	3,845	-	-	160
B	KZ5a2 Kwa Sani	2	-	2,060	500	500	500	-	-	160
B	KZ5a3 Matatiele	987	1,123	2,082	1,581	2,670	2,709	-	-	-
B	KZ5a4 Kokstad	1,513	516	3,148	919	1,075	1,075	62	66	71
B	KZ5a5 Ubuhlebezwe	20	15	910	424	1,024	1,174	25	27	29
B	KZ5a6 Umzimkhulu	-	-	-	-	2,400	2,400	-	-	-
C	DC43 Sisonke District Municipality	1,138	5,684	2,524	1,808	2,334	2,144	1,700	2,150	5,000
Unallocated/unclassified		16,519	657	2,415	38,037	25,712	26,648	43,125	44,437	220,644
Total		241,482	258,572	340,102	344,408	391,799	361,442	417,337	490,978	574,058

Table 1.E Expenditure by policy area

R000	Outcome			Main	Adjusted	Estimated	Medium-term estimates		
	Audited	Audited	Audited	Budget	Budget	actual			
	2003/04	2004/05	2005/06		2006/07		2007/08	2008/09	2009/10
GENERAL PUBLIC SERVICES	1,296,615	1,468,382	1,803,873	2,092,823	2,219,183	2,203,169	2,585,365	3,021,573	3,337,835
Executive & Legislative	173,617	211,623	284,148	302,533	347,868	350,852	356,947	377,447	410,346
Office of the Premier	12,452	19,344	19,825	21,814	25,276	27,325	22,147	23,374	24,775
Provincial Legislature (including all statutory payments and ministries)	138,419	166,894	234,367	249,310	287,983	285,091	298,321	315,041	343,612
The Royal Household	22,746	25,385	29,956	31,409	34,609	38,436	36,479	39,032	41,959
General Services	550,828	607,993	785,364	791,781	820,239	809,227	888,538	951,522	1,019,147
Office of the Premier	98,096	104,086	197,056	236,337	256,740	254,691	272,302	297,991	320,789
Transport	106,227	115,101	107,181	112,485	121,485	121,600	144,995	149,524	156,284
Works	346,505	388,806	481,127	442,959	442,014	432,936	471,241	504,007	542,074
General Policy & Administration	428,422	449,430	458,469	587,792	674,817	681,817	751,265	916,976	1,075,001
Local Government and Traditional Affairs	427,070	447,964	456,915	586,145	673,170	680,170	749,536	915,126	1,073,012
Agriculture & Environmental Affairs	1,352	1,466	1,554	1,647	1,647	1,647	1,729	1,850	1,989
Financial & Fiscal Affairs	143,748	199,336	275,892	410,717	376,259	361,273	588,615	775,628	833,341
Provincial Treasury	143,748	199,336	275,892	410,717	376,259	361,273	588,615	775,628	833,341
PUBLIC ORDER & SAFETY AFFAIRS	247,027	282,964	418,928	439,967	448,092	448,092	513,038	528,962	581,093
Public Order & Safety Affairs n.e.c.	15,893	17,070	48,495	50,818	58,943	58,943	78,800	98,532	123,111
Community Safety & Liaison	15,893	17,070	48,495	50,818	58,943	58,943	78,800	98,532	123,111
Traffic Control	231,134	265,894	370,433	389,149	389,149	389,149	434,238	430,430	457,982
Transport	231,134	265,894	370,433	389,149	389,149	389,149	434,238	430,430	457,982
EDUCATION AFFAIRS & SERVICES	12,034,297	13,290,991	15,310,355	16,501,686	16,444,546	16,581,952	18,921,501	20,756,868	22,930,299
Education Affairs & Services n.e.c.	755,005	722,102	850,126	1,123,627	956,768	857,415	1,070,192	1,117,429	1,230,945
Education	755,005	722,102	850,126	1,123,627	956,768	857,415	1,070,192	1,117,429	1,230,945
Subsidiary Services to Education	275,112	508,694	709,917	639,459	715,341	703,143	732,360	787,802	756,497
Education	275,112	508,694	709,917	639,459	715,341	703,143	732,360	787,802	756,497
Tertiary Education Services not leading to a									
University Degree	227,514	265,178	297,585	311,297	327,156	329,860	358,770	387,432	416,622
Agriculture & Environmental Affairs	15,248	21,832	29,483	18,165	36,028	40,827	40,294	47,083	50,746
Education	473	-	-	-	-	-	-	-	-
Health	211,793	243,346	268,102	293,132	291,128	289,033	318,476	340,349	365,876
Pre-primary, Primary and Secondary Education	10,291,719	11,196,401	12,714,551	13,541,263	13,515,541	13,794,175	15,630,731	17,145,767	19,114,365
Education	10,291,719	11,196,401	12,714,551	13,541,263	13,515,541	13,794,175	15,630,731	17,145,767	19,114,365
Education Services not defined by level	484,947	598,616	738,176	886,040	929,740	897,359	1,129,448	1,318,438	1,411,870
Education	484,947	598,616	738,176	886,040	929,740	897,359	1,129,448	1,318,438	1,411,870
HEALTH AFFAIRS & SERVICES	8,028,190	8,699,100	10,279,527	11,435,804	11,519,298	11,570,078	13,084,705	14,013,172	15,402,785
Administration & control of Health Affairs & Services n.e.c.	648,755	711,525	1,069,289	1,284,905	1,337,827	1,332,645	1,546,924	1,623,179	1,854,956
Health	648,755	711,525	1,069,289	1,284,905	1,337,827	1,332,645	1,546,924	1,623,179	1,854,956
Hospital & Clinic Affairs & Services	3,336,361	3,428,259	3,864,687	4,259,640	4,331,997	4,324,012	4,784,185	5,124,673	5,545,537
Health	3,336,361	3,428,259	3,864,687	4,259,640	4,331,997	4,324,012	4,784,185	5,124,673	5,545,537
Primary Health Services	3,771,028	4,253,689	4,924,947	5,437,879	5,390,094	5,428,714	6,200,035	6,708,272	7,334,449
Health	3,771,028	4,253,689	4,924,947	5,437,879	5,390,094	5,428,714	6,200,035	6,708,272	7,334,449
Ambulance Services	272,046	305,627	420,604	453,380	459,380	484,707	553,561	557,048	667,843
Health	272,046	305,627	420,604	453,380	459,380	484,707	553,561	557,048	667,843
COMMUNITY & SOCIAL SERVICES	509,870	537,754	742,313	889,393	995,068	1,014,370	994,693	999,531	1,089,496
Social Security & Welfare Affairs n.e.c.	216,804	237,990	344,418	390,786	407,090	438,597	458,715	443,402	476,767
Social Welfare and Population Development	216,804	237,990	344,418	390,786	407,090	438,597	458,715	443,402	476,767
Welfare Services - Children's Residential									
Institutions	114,405	134,898	187,949	214,763	208,763	208,605	218,383	254,257	274,041
Social Welfare and Population Development	114,405	134,898	187,949	214,763	208,763	208,605	218,383	254,257	274,041
Welfare Services - Old Persons Residential									
Institutions	54,744	53,756	65,086	68,901	70,901	68,121	72,346	72,433	77,865
Social Welfare and Population Development	54,744	53,756	65,086	68,901	70,901	68,121	72,346	72,433	77,865
Welfare Services - Handicapped Persons	34,939	36,885	44,680	43,311	44,311	46,213	45,477	45,564	48,981
Social Welfare and Population Development	34,939	36,885	44,680	43,311	44,311	46,213	45,477	45,564	48,981
Welfare Services not delivered through residential institutions	27,228	32,005	41,470	71,756	72,955	75,509	104,903	86,977	92,675
Social Welfare and Population Development	27,228	32,005	41,470	71,756	72,955	75,509	104,903	86,977	92,675
Research & Development	61,750	42,220	58,710	99,876	191,048	177,325	94,869	96,898	119,165
Social Welfare and Population Development	61,750	42,220	58,710	99,876	191,048	177,325	94,869	96,898	119,165

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

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2003/04	Audited 2004/05	Audited 2005/06				2007/08	2008/09	2009/10
HOUSING & COMMUNITY (AMENITY) AFFAIRS & SERVICES									
SERVICES	1,332,153	1,254,245	1,326,603	1,653,474	1,654,524	1,629,171	1,971,858	2,270,754	2,646,220
Housing Affairs & Services	1,081,113	988,078	974,159	1,252,133	1,251,183	1,251,183	1,520,850	1,796,788	2,096,708
Housing	1,081,113	988,078	974,159	1,252,133	1,251,183	1,251,183	1,520,850	1,796,788	2,096,708
Nature Conservation	222,401	239,819	269,408	284,753	286,753	286,753	307,041	319,920	383,914
Agriculture & Environmental Affairs	222,401	239,819	269,408	284,753	286,753	286,753	307,041	319,920	383,914
Pollution Abatement & Control Affairs	28,639	26,348	83,036	116,588	116,588	91,235	143,967	154,046	165,598
Agriculture & Environmental Affairs	28,639	26,348	83,036	116,588	116,588	91,235	143,967	154,046	165,598
RECREATIONAL, CULTURAL & RELIGIOUS AFFAIRS & SERVICES									
AFFAIRS & SERVICES	116,031	170,163	265,646	302,703	310,205	310,177	390,781	429,659	502,153
Sporting & Recreational Affairs & Services	15,733	34,033	90,458	101,233	108,323	108,323	156,207	169,585	215,006
Sport & Recreation	15,733	34,033	90,458	101,233	108,323	108,323	156,207	169,585	215,006
Recreational, Cultural & Religious Affairs & Services n.e.c.	-	10,394	32,281	33,194	33,119	33,119	37,421	39,532	42,497
Arts, Culture & Tourism	-	10,394	32,281	33,194	33,119	33,119	37,421	39,532	42,497
Cultural Affairs & Services	100,298	125,736	142,907	168,276	168,763	168,735	197,153	220,542	244,650
Arts, Culture & Tourism	82,304	109,291	124,728	136,117	136,244	136,216	153,274	173,915	194,599
Office of the Premier	17,994	16,445	18,179	32,159	32,519	32,519	43,879	46,627	50,051
AGRICULTURE AFFAIRS & SERVICES	499,435	657,533	814,333	872,493	857,860	862,220	1,009,496	1,099,903	1,284,319
Agriculture Affairs & Services, except subsidies on agricultural products	437,016	608,370	738,909	796,675	783,232	783,275	932,359	1,017,434	1,195,602
Agriculture & Environmental Affairs	437,016	608,370	738,909	796,675	783,232	783,275	932,359	1,017,434	1,195,602
Research and development	62,419	49,163	75,424	75,818	74,628	78,945	77,137	82,469	88,717
Agriculture & Environmental Affairs	62,419	49,163	75,424	75,818	74,628	78,945	77,137	82,469	88,717
TRANSPORTATION & COMMUNICATION AFFAIRS & SERVICES									
Air transport affairs and services	1,242,969	1,450,349	1,805,411	1,914,800	2,026,650	2,026,650	2,540,787	2,994,458	3,610,122
Office of the Premier	18,304	24,661	9,335	4,430	4,430	4,430	4,331	4,538	4,823
Transportation Affairs & Services n.e.c.	18,304	24,661	9,335	4,430	4,430	4,430	4,331	4,538	4,823
Transport	31,884	30,967	34,097	47,389	94,389	94,389	70,788	77,478	80,373
Road Affairs & Services	31,884	30,967	34,097	47,389	94,389	94,389	70,788	77,478	80,373
Transport	1,192,781	1,394,721	1,761,979	1,862,981	1,927,831	1,927,831	2,465,668	2,912,442	3,524,926
Transport	1,192,781	1,394,721	1,761,979	1,862,981	1,927,831	1,927,831	2,465,668	2,912,442	3,524,926
OTHER ECONOMIC AFFAIRS & SERVICES	169,907	202,994	540,090	1,088,467	953,789	943,817	1,502,304	2,890,754	3,275,538
Other Economic Affairs & Services n.e.c.	23,260	26,992	33,720	43,452	43,550	43,550	45,575	48,765	52,423
Economic Development	23,260	26,992	33,720	43,452	43,550	43,550	45,575	48,765	52,423
Multipurpose Development Project Affairs & Services	20,441	18,260	31,153	245,155	257,352	257,352	508,299	589,892	641,069
Economic Development	17,550	18,260	31,153	245,155	257,352	257,352	508,299	589,892	641,069
Reconstruction & Development Programme	2,891	-	-	-	-	-	-	-	-
General Economic & Commercial Affairs other than General Labour Affairs	12,337	17,719	14,370	18,237	17,501	17,501	19,149	20,489	22,026
Economic Development	12,337	17,719	14,370	18,237	17,501	17,501	19,149	20,489	22,026
Regional Development	51,987	73,901	386,967	703,208	542,021	532,021	839,918	2,139,067	2,458,485
Economic Development	51,987	73,901	64,067	83,208	194,021	184,021	821,418	2,133,067	2,458,485
Provincial Treasury	-	-	322,900	620,000	348,000	348,000	18,500	6,000	-
Tourism Affairs & Services	61,882	66,122	73,880	78,415	93,365	93,393	89,363	92,541	101,535
Arts, Culture & Tourism	61,882	66,122	73,880	78,415	93,365	93,393	89,363	92,541	101,535
GRAND TOTAL FOR ALL FUNCTIONS	25,476,494	28,014,475	33,307,079	37,191,610	37,429,215	37,589,696	43,514,528	49,005,634	54,659,860

Table 1.F Donor funding and agency receipt

Name of Donor Organisation	Outcome			Main budget	Adjusted budget	Estimated actual	Medium-term estimates		
	Audited 2003/04	Audited 2004/05	Audited 2005/06				2007/08	2008/09	2009/10
R000	105,033	46,708	67,261	137,171	139,753	139,749	202,147	226,809	94,786
Donor funding	105,033	46,708	67,261	137,171	139,753	139,749	202,147	226,809	94,786
Provincial Legislature	-	-	1,141	1,107	1,107	853	-	-	-
European Union Support	-	-	1,141	1,107	1,107	853	-	-	-
Agriculture	1,356	2,757	28	2,740	2,740	9,085	16,549	14,917	14,917
Flemish Government	1,356	2,757	28	2,740	2,740	8,388	14,382	12,750	12,750
Dutch Funding (NUFFIC)	-	-	-	-	-	697	2,167	2,167	2,167
Economic Development	-	26,491	3,618	80,000	80,000	80,000	80,000	105,891	-
European Commission - LED in KZN Programme	-	26,491	3,618	80,000	80,000	80,000	80,000	105,891	-
Education & Culture	1,708	7,907	1,934	27,907	27,640	27,054	29,607	30,847	-
Flemish Government	1,708	6,595	-	1,719	1,452	1,676	-	-	-
Zenex South Africa	-	145	-	-	-	-	-	-	-
BHP Billiton, South Africa	-	-	-	-	-	-	-	-	-
Transnet, South Africa	-	-	1,934	24,065	24,065	23,949	28,007	30,847	-
New Zealand Government	-	1,167	-	2,123	2,123	1,429	1,600	-	-
Health	98,899	4,596	58,671	17,010	22,519	17,010	74,431	75,154	79,869
Global fund for HIV/AIDS Patients	86,703	-	45,055	14,510	14,510	14,510	71,931	72,654	77,369
Bristol-Myers Squibb (Ladysmith)	-	378	3,691	2,500	2,500	2,500	2,500	2,500	2,500
European Union : PHC	8,427	-	9,000	-	4,703	-	-	-	-
Belgium Funding (Communcable Diseases)	552	-	500	-	-	-	-	-	-
Zinc Study (Nu Health & Pfize)(Grey's)	-	89	-	-	-	-	-	-	-
Agouron A Pfizer (Grey's)	-	178	-	-	9	-	-	-	-
Department of National Health (Poverty Relief)	2,785	-	-	-	-	-	-	-	-
HWSeta Learnership - St Aiden's	67	287	226	-	376	-	-	-	-
HWSeta Learnership - Mseleni and Mosvold	161	350	121	-	202	-	-	-	-
Dept of Water Affairs & Forestry (Environ HO)	-	2,500	-	-	-	-	-	-	-
Smith & Nephew (Library (IALCH)	-	300	-	-	-	-	-	-	-
Astra Zeneca (Grey's)	-	364	-	-	-	-	-	-	-
Impumelelo Innovations Trust (Bethesda)	-	70	-	-	-	-	-	-	-
RHRU ARV Clinic (Addington)	-	56	-	-	-	-	-	-	-
Orthomedics (IALCH)	-	-	2	-	-	-	-	-	-
Sabinet ONLINE (IALCH)	-	-	2	-	-	-	-	-	-
Mbonambi Municipality	-	-	10	-	-	-	-	-	-
Synthes(PTY)LTD	-	-	20	-	-	-	-	-	-
HWSeta Learnership - Pharmacy	-	-	-	-	201	-	-	-	-
Other (less than R50 000 per donor)	102	12	39	-	9	-	-	-	-
Housing	843	1,481	780	5,000	2,340	2,340	1,560	-	-
Flanders Funding	843	1,481	780	5,000	2,340	2,340	1,560	-	-
Local Government & Traditional Affairs	2,227	3,476	1,089	3,407	3,407	3,407	-	-	-
Development Bank of SA	1,777	3,476	1,089	3,407	3,407	3,407	-	-	-
Flemish Government	300	-	-	-	-	-	-	-	-
Norwegian Government	150	-	-	-	-	-	-	-	-
Agency receipt	419,489	495,010	511,905	512,629	512,629	514,029	555,688	610,173	670,681
Agriculture	1,390	34,445	21,118	-	-	1,400	-	-	-
Cold Spell Disaster	-	30,945	21,118	-	-	-	-	-	-
Dip Tank Rehabilitation	-	1,000	-	-	-	-	-	-	-
Open Pan Sugar Mill	-	500	-	-	-	-	-	-	-
Special Programme for Food Security	-	2,000	-	-	-	-	-	-	-
Other	1,390	-	-	-	-	1,400	-	-	-
Health	346	-	-	-	-	-	-	-	-
European Union Funding Systems Development	346	-	-	-	-	-	-	-	-
Local Government & Traditional Affairs	964	196	-	6,402	6,402	6,402	-	-	-
DPLG	1,160	-	-	4,660	4,660	4,660	-	-	-
LGWSETA	(196)	196	-	1,742	1,742	1,742	-	-	-
Transport	416,789	460,369	490,787	506,227	506,227	506,227	555,688	610,173	670,681
Bus Subsidies	409,550	452,000	482,000	497,000	497,000	497,000	546,000	600,000	660,000
Overload Control	7,239	8,369	8,787	9,227	9,227	9,227	9,688	10,173	10,681
Arrive Alive	-	-	-	-	-	-	-	-	-
Total	524,522	541,718	579,166	649,800	652,382	653,778	757,835	836,982	765,467

Budget Statement 1

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

Municipality	Vote 1		Vote 3	Vote 7		Vote 8			Vote 11			Vote 12		Vote 14	Vote 15		Vote 16	Total
	1.1	1.2	3.1	7.1	7.2	8.1	8.2	8.3	11.1	11.2	11.3	12.1	12.2	14.1	15.1	15.2	16.1	
eThekwini	132	-	-	37,422	1,024	66,000	35,490	-	-	45,000	-	11,000	2,250	-	-	-	-	198,318
Total: Ugu Municipalities	132	-	-	4,738	229	-	-	-	1,500	8,000	-	-	-	-	2,300	-	-	16,899
Vulamehlo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Umdoni	-	-	-	1,166	66	-	-	-	-	-	-	-	-	-	-	-	-	1,232
Umzumbe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
uMuziwabantu	-	-	-	615	29	-	-	-	-	-	-	-	-	-	-	-	-	644
Ezinqolweni	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hibiscus Coast	132	-	-	2,957	134	-	-	-	-	-	-	-	-	-	-	-	-	3,223
Ugu District Municipality	-	-	-	-	-	-	-	-	1,500	8,000	-	-	-	-	2,300	-	-	11,800
Total: uMgungundlovu Municipalities	170	-	-	10,423	264	-	14,000	-	1,500	20,000	-	2,000	-	-	1,650	-	24,126	74,133
uMshwathi	-	-	-	393	-	-	-	-	-	-	-	-	-	-	-	-	-	393
uMngeni	66	-	-	1,126	75	-	-	-	-	-	-	-	-	-	-	-	-	1,267
Mpofana	38	-	-	819	-	-	-	-	-	-	-	-	-	-	-	-	-	857
Impendle	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Msunduzi	66	-	-	8,085	123	-	14,000	-	-	-	-	2,000	-	-	-	-	-	24,274
Mkhambathini	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Richmond	-	-	-	-	66	-	-	-	-	-	-	-	-	-	-	-	-	66
uMgungundlovu District Municipality	-	-	-	-	-	-	-	-	1,500	20,000	-	-	-	-	1,650	-	24,126	47,276
Total: Uthukela Municipalities	234	-	-	7,349	125	-	-	-	1,500	-	-	-	-	-	3,200	-	-	12,408
Emnambithi/Ladysmith	66	-	-	4,570	75	-	-	-	-	-	-	-	-	-	-	-	-	4,711
Indaka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Umtshezi	102	-	-	1,613	50	-	-	-	-	-	-	-	-	-	-	-	-	1,765
Okhahlamba	66	-	-	1,166	-	-	-	-	-	-	-	-	-	-	-	-	-	1,232
Imbabazane	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Uthukela District Municipality	-	-	-	-	-	-	-	-	1,500	-	-	-	-	-	3,200	-	-	4,700
Total: Umzinyathi Municipalities	132	-	-	4,235	125	-	-	-	1,500	-	-	-	-	-	4,000	-	-	9,992
Endumeni	66	-	-	2,841	75	-	-	-	-	-	-	-	-	-	-	-	-	2,982
Nquthu	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Msinga	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Umvoti	66	-	-	1,394	50	-	-	-	-	-	-	-	-	-	-	-	-	1,510
Umzinyathi District Municipality	-	-	-	-	-	-	-	-	1,500	-	-	-	-	-	4,000	-	-	5,500
Total: Amajuba Municipalities	66	-	-	1,619	128	-	-	-	1,500	8,000	-	-	-	-	1,000	-	-	12,313
Newcastle	66	-	-	1,057	84	-	-	-	-	-	-	-	-	-	-	-	-	1,207
eMadlangeni	-	-	-	-	22	-	-	-	-	-	-	-	-	-	-	-	-	22
Dannhauser	-	-	-	562	22	-	-	-	-	-	-	-	-	-	-	-	-	584
Amajuba District Municipality	-	-	-	-	-	-	-	-	1,500	8,000	-	-	-	-	1,000	-	-	10,500
Total: Zululand Municipalities	66	4,331	-	941	130	-	10	-	1,500	-	-	-	-	6,028	-	-	-	13,006
eDumbe	-	-	-	400	-	-	-	-	-	-	-	-	-	-	-	-	-	400
uPhongolo	-	-	-	-	30	-	-	-	-	-	-	-	-	-	-	-	-	30
Abaqulusi	66	-	-	541	44	-	-	-	-	-	-	-	-	-	-	-	-	651
Nongoma	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ulundi	-	-	-	-	56	-	10	-	-	-	-	-	-	6,028	-	-	-	6,094
Zululand District Municipality	-	4,331	-	-	-	-	-	-	1,500	-	-	-	-	-	-	-	-	5,831
Total: Umkhanyakude Municipalities	-	-	-	-	-	-	-	-	1,500	-	-	-	-	-	50	-	-	1,550
Umhlabuyalingana	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jozini	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
The Big 5 False Bay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hlabisa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mtubatuba	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Umkhanyakude District Municipality	-	-	-	-	-	-	-	-	1,500	-	-	-	-	-	50	-	-	1,550

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

Municipality	Vote 1		Vote 3	Vote 7		Vote 8			Vote 11			Vote 12		Vote 14	Vote 15		Vote 16	Total
	1.1	1.2	3.1	7.1	7.2	8.1	8.2	8.3	11.1	11.2	11.3	12.1	12.2	14.1	15.1	15.2	16.1	
Total: uThungulu Municipalities	132	-	-	6,946	261	-	5,500	-	1,500	-	-	-	-	-	-	-	-	14,339
Mbonambi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
uMhlathuze	66	-	-	4,086	193	-	5,500	-	-	-	-	-	-	-	-	-	-	9,845
Ntambanana	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Umlalazi	66	-	-	2,029	68	-	-	-	-	-	-	-	-	-	-	-	-	2,163
Mthonjaneni	-	-	-	831	-	-	-	-	-	-	-	-	-	-	-	-	-	831
Nkandla	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
uThungulu District Municipality	-	-	-	-	-	-	-	-	1,500	-	-	-	-	-	-	-	-	1,500
Total: Ilembe Municipalities	66	-	-	4,780	121	-	-	-	1,500	8,000	-	-	-	-	5,000	-	-	19,467
Mandeni	-	-	-	943	23	-	-	-	-	-	-	-	-	-	-	-	-	966
KwaDukuza	66	-	-	3,837	98	-	-	-	-	-	-	-	-	-	-	-	-	4,001
Ndwedwe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maphumulo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ilembe District Municipality	-	-	-	-	-	-	-	-	1,500	8,000	-	-	-	-	5,000	-	-	14,500
Total: Sisonke Municipalities	-	-	-	-	87	-	-	-	1,500	-	-	-	-	-	200	-	-	1,787
Ingwe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Kwa Sani	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Matatiele	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Greater Kokstad	-	-	-	-	62	-	-	-	-	-	-	-	-	-	-	-	-	62
Ubuhlebezwe	-	-	-	-	25	-	-	-	-	-	-	-	-	-	-	-	-	25
Umzimkhulu	-	-	-	-	-	-	-	-	-	-	-	13,000	-	-	-	-	-	-
Sisonke District Municipality	-	-	-	-	-	-	-	-	1,500	-	-	-	-	-	200	-	-	1,700
Unallocated/unclassified	53	-	616	-	-	9,600	-	-	-	-	24,785	-	6,241	-	-	1,830	-	43,125
Total	1,183	4,331	616	78,453	2,494	75,600	55,000	-	15,000	89,000	24,785	13,000	8,491	6,028	17,400	1,830	24,126	417,337

Key	Grant Name	Key	Grant Name
1.1	Museum Services	11.1	Provincial Management Assistance Programme
1.2	Airport Subsidy	11.2	Infrastructure provision for soccer stadia
3.1	Cleanest Town Competition	11.3	Project Consolidate
7.1	Health - Municipal Clinics	12.1	Municipal Transport Planning and Infrastructure
7.2	Environmental Health	12.2	Maintenance - Main Roads
8.1	Hostel Redevelopment & Upgrading	14.1	Municipal Rates
8.2	Municipal Rates and Taxes	15.1	Library Services
8.3	Capacity Building - Flanders Programme	15.2	Recapitalisation of community libraries
		16.1	Infrastructure

Budget Statement 1

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

Municipality	Vote 1		Vote 3	Vote 7		Vote 8			Vote 11			Vote 12		Vote 14	Vote 15		Vote 16	Total
	1.1	1.2		7.1	7.2	8.1	8.2	8.3	11.1	11.2	11.3	12.1	12.2		15.1	15.2		
eThekweni	139	-	-	40,041	1,096	115,000	35,490	-	-	89,500	-	11,000	2,350	-	-	-	-	294,616
Total: Ugu Municipalities	142	-	-	-	244	-	-	-	2,000	10,000	-	-	-	-	3,050	-	-	15,436
Vulamehlo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Umdoni	-	-	-	-	71	-	-	-	-	-	-	-	-	-	-	-	-	71
Umzumbe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
uMuziwabantu	-	-	-	-	31	-	-	-	-	-	-	-	-	-	-	-	-	31
Ezingolweni	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hibiscus Coast	142	-	-	-	142	-	-	-	-	-	-	-	-	-	-	-	-	284
Ugu District Municipality	-	-	-	-	-	-	-	-	2,000	10,000	-	-	-	-	3,050	-	-	15,050
Total: uMgungundlovu Municipalities	183	-	-	-	282	-	14,000	-	2,000	20,000	-	6,000	-	-	1,150	-	25,505	69,120
uMshwathi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
uMngeni	71	-	-	-	80	-	-	-	-	-	-	-	-	-	-	-	-	151
Mpofana	41	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	41
Impendle	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Msunduzi	71	-	-	-	131	-	14,000	-	-	-	-	6,000	-	-	-	-	-	20,202
Mkhambathini	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Richmond	-	-	-	-	71	-	-	-	-	-	-	-	-	-	-	-	-	71
uMgungundlovu District Municipality	-	-	-	-	-	-	-	-	2,000	20,000	-	-	-	-	1,150	-	25,505	48,655
Total: Uthukela Municipalities	249	-	-	-	134	-	-	-	2,000	-	-	-	-	-	1,150	-	-	3,533
Emnambithi/Ladysmith	71	-	-	-	80	-	-	-	-	-	-	-	-	-	-	-	-	151
Indaka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Umtshezi	107	-	-	-	54	-	-	-	-	-	-	-	-	-	-	-	-	161
Okhahlamba	71	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	71
Imbabazane	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Uthukela District Municipality	-	-	-	-	-	-	-	-	2,000	-	-	-	-	-	1,150	-	-	3,150
Total: Umzinyathi Municipalities	142	-	-	-	134	-	-	-	2,000	-	-	-	-	-	2,150	-	-	4,426
Endumeni	71	-	-	-	80	-	-	-	-	-	-	-	-	-	-	-	-	151
Nquthu	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Msinga	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Umvoti	71	-	-	-	54	-	-	-	-	-	-	-	-	-	-	-	-	125
Umzinyathi District Municipality	-	-	-	-	-	-	-	-	2,000	-	-	-	-	-	2,150	-	-	4,150
Total: Amajuba Municipalities	71	-	-	-	138	-	-	-	2,000	10,000	-	-	-	-	150	-	-	12,359
Newcastle	71	-	-	-	90	-	-	-	-	-	-	-	-	-	-	-	-	161
eMadlangeni	-	-	-	-	24	-	-	-	-	-	-	-	-	-	-	-	-	24
Dannhauser	-	-	-	-	24	-	-	-	-	-	-	-	-	-	-	-	-	24
Amajuba District Municipality	-	-	-	-	-	-	-	-	2,000	10,000	-	-	-	-	150	-	-	12,150
Total: Zululand Municipalities	71	4,538	-	-	139	-	10	-	2,000	-	-	-	-	6,329	1,150	-	-	14,237
eDumbe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
uPhongolo	-	-	-	-	32	-	-	-	-	-	-	-	-	-	-	-	-	32
Abaqulusi	71	-	-	-	47	-	-	-	-	-	-	-	-	-	-	-	-	118
Nongoma	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ulundi	-	-	-	-	60	-	10	-	-	-	-	-	-	6,329	-	-	-	6,399
Zululand District Municipality	-	4,538	-	-	-	-	-	-	2,000	-	-	-	-	-	1,150	-	-	7,688
Total: Umkhanyakude Municipalities	-	-	-	-	-	-	-	-	2,000	-	-	-	-	-	150	-	-	2,150
Umhlabyalingana	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jozini	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
The Big 5 False Bay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hlabisa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mtubatuba	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Umkhanyakude District Municipality	-	-	-	-	-	-	-	-	2,000	-	-	-	-	-	150	-	-	2,150

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

Municipality	Vote 1		Vote 3	Vote 7		Vote 8			Vote 11			Vote 12		Vote 14	Vote 15		Vote 16	Total
	1.1	1.2	3.1	7.1	7.2	8.1	8.2	8.3	11.1	11.2	11.3	12.1	12.2	14.1	15.1	15.2	16.1	
Total: uThungulu Municipalities	142	-	-	-	279	-	5,500	-	2,000	-	-	-	-	-	6,650	-	-	14,571
Mbonambi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
uMhlathuze	71	-	-	-	206	-	5,500	-	-	-	-	-	-	-	-	-	-	5,777
Ntambanana	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Umlalazi	71	-	-	-	73	-	-	-	-	-	-	-	-	-	-	-	-	144
Mthonjaneni	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nkandla	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
uThungulu District Municipality	-	-	-	-	-	-	-	-	2,000	-	-	-	-	-	6,650	-	-	8,650
Total: Ilembe Municipalities	71	-	-	-	129	-	-	-	2,000	10,000	-	-	-	-	1,650	-	-	13,850
Mandeni	-	-	-	-	25	-	-	-	-	-	-	-	-	-	-	-	-	25
KwaDukuza	71	-	-	-	104	-	-	-	-	-	-	-	-	-	-	-	-	175
Ndwedwe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maphumulo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ilembe District Municipality	-	-	-	-	-	-	-	-	2,000	10,000	-	-	-	-	1,650	-	-	13,650
Total: Sisonke Municipalities	-	-	-	-	93	-	-	-	2,000	-	-	-	-	-	150	-	-	2,243
Ingwe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Kwa Sani	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Matatiele	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Greater Kokstad	-	-	-	-	66	-	-	-	-	-	-	-	-	-	-	-	-	66
Ubuhlebezwe	-	-	-	-	27	-	-	-	-	-	-	-	-	-	-	-	-	27
Umzimkhulu	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sisonke District Municipality	-	-	-	-	-	-	-	-	2,000	-	-	-	-	-	150	-	-	2,150
Unallocated/unclassified	56	-	659	-	-	10,600	-	-	-	-	13,273	-	7,102	-	-	12,747	-	44,437
Total	1,266	4,538	659	40,041	2,668	125,600	55,000	-	20,000	139,500	13,273	17,000	9,452	6,329	17,400	12,747	25,505	490,978

Key	Grant Name	Key	Grant Name
1.1	Museum Services	11.1	Provincial Management Assistance Programme
1.2	Airport Subsidy	11.2	Infrastructure provision for soccer stadia
3.1	Cleanest Town Competition	11.3	Project Consolidate
7.1	Health - Municipal Clinics	12.1	Municipal Transport Planning and Infrastructure
7.2	Environmental Health	12.2	Maintenance - Main Roads
8.1	Hostel Redevelopment & Upgrading	14.1	Municipal Rates
8.2	Municipal Rates and Taxes	15.1	Library Services
8.3	Capacity Building - Flanders Programme	15.2	Recapitalisation of community libraries
		16.1	Infrastructure

Budget Statement 1

Table 1.G(iii): Details of transfers to Municipalities: 2009/10

Municipality	Vote 1		Vote 3	Vote 7		Vote 8			Vote 11			Vote 12		Vote 14	Vote 15		Vote 16	Total
	1.1	1.2	3.1	7.1	7.2	8.1	8.2	8.3	11.1	11.2	11.3	12.1	12.2	14.1	15.1	15.2	16.1	
eThekweni	149	-	-	43,045	1,178	130,000	25,000	-	-	-	-	11,000	2,450	-	1,500	-	-	214,322
Total: Ugu Municipalities	153	-	-	-	263	-	-	640	5,000	-	-	-	-	-	7,200	-	-	13,256
Vulamehlo	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	160
Umdoni	-	-	-	-	76	-	-	-	-	-	-	-	-	-	-	-	-	76
Umzumbe	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	160
uMuziwabantu	-	-	-	-	33	-	-	160	-	-	-	-	-	-	-	-	-	193
Ezingolweni	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	160
Hibiscus Coast	153	-	-	-	154	-	-	-	-	-	-	-	-	-	-	-	-	307
Ugu District Municipality	-	-	-	-	-	-	-	-	5,000	-	-	-	-	-	7,200	-	-	12,200
Total: uMgungundlovu Municipalities	197	-	-	-	303	-	10,000	480	5,000	-	-	11,000	-	-	200	-	27,418	54,598
uMshwathi	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	160
uMngeni	76	-	-	-	86	-	-	-	-	-	-	-	-	-	-	-	-	162
Mpofana	45	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45
Impendle	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	160
Msunduzi	76	-	-	-	141	-	10,000	-	-	-	-	11,000	-	-	-	-	-	21,217
Mkhambathini	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	160
Richmond	-	-	-	-	76	-	-	-	-	-	-	-	-	-	-	-	-	76
uMgungundlovu District Municipality	-	-	-	-	-	-	-	-	5,000	-	-	-	-	-	200	-	27,418	32,618
Total: Uthukela Municipalities	268	-	-	-	144	-	-	-	5,000	-	-	-	-	-	200	-	-	5,612
Emnambithi/Ladysmith	76	-	-	-	86	-	-	-	-	-	-	-	-	-	-	-	-	162
Indaka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Umtshezi	116	-	-	-	58	-	-	-	-	-	-	-	-	-	-	-	-	174
Okhahlamba	76	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	76
Imbabazane	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Uthukela District Municipality	-	-	-	-	-	-	-	-	5,000	-	-	-	-	-	200	-	-	5,200
Total: Umzinyathi Municipalities	153	-	-	-	144	-	-	160	5,000	-	-	-	-	-	-	-	-	5,457
Endumeni	77	-	-	-	86	-	-	-	-	-	-	-	-	-	-	-	-	163
Nquthu	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	160
Msinga	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Umvoti	76	-	-	-	58	-	-	-	-	-	-	-	-	-	-	-	-	134
Umzinyathi District Municipality	-	-	-	-	-	-	-	-	5,000	-	-	-	-	-	-	-	-	5,000
Total: Amajuba Municipalities	76	-	-	-	147	-	-	160	5,000	-	-	-	-	-	-	-	-	5,383
Newcastle	76	-	-	-	97	-	-	-	-	-	-	-	-	-	-	-	-	173
eMadlangeni	-	-	-	-	25	-	-	-	-	-	-	-	-	-	-	-	-	25
Dannhauser	-	-	-	-	25	-	-	160	-	-	-	-	-	-	-	-	-	185
Amajuba District Municipality	-	-	-	-	-	-	-	-	5,000	-	-	-	-	-	-	-	-	5,000
Total: Zululand Municipalities	76	4,823	-	-	150	-	-	480	5,000	-	-	-	-	6,804	600	-	-	17,933
eDumbe	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	160
uPhongolo	-	-	-	-	35	-	-	160	-	-	-	-	-	-	-	-	-	195
Abaqulusi	76	-	-	-	51	-	-	-	-	-	-	-	-	-	-	-	-	127
Nongoma	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	160
Ulundi	-	-	-	-	64	-	-	-	-	-	-	-	-	6,804	-	-	-	6,868
Zululand District Municipality	-	4,823	-	-	-	-	-	-	5,000	-	-	-	-	-	600	-	-	10,423
Total: Umkhanyakude Municipalities	-	-	-	-	-	-	-	800	5,000	-	-	-	-	-	1,633	-	-	7,433
Umlabuyalingana	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	160
Jozini	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	160
The Big 5 False Bay	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	160
Hlabisa	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	160
Mtubatuba	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	160
Umkhanyakude District Municipality	-	-	-	-	-	-	-	-	5,000	-	-	-	-	-	1,633	-	-	6,633

Table 1.G(iii): Details of transfers to Municipalities: 2009/10 (cont.)

Municipality	Vote 1		Vote 3	Vote 7		Vote 8			Vote 11			Vote 12		Vote 14	Vote 15		Vote 16	Total
	1.1	1.2	3.1	7.1	7.2	8.1	8.2	8.3	11.1	11.2	11.3	12.1	12.2	14.1	15.1	15.2	16.1	
Total: uThungulu Municipalities	153	-	-	-	300	-	5,000	480	5,000	-	-	-	-	-	4,372	-	-	15,305
Mbonambi	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	160
uMhlathuze	77	-	-	-	222	-	5,000	-	-	-	-	-	-	-	-	-	-	5,299
Ntambanana	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	160
Umlalazi	76	-	-	-	78	-	-	-	-	-	-	-	-	-	-	-	-	154
Mthonjaneni	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nkandla	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	160
uThungulu District Municipality	-	-	-	-	-	-	-	-	5,000	-	-	-	-	-	4,372	-	-	9,372
Total: Ilembe Municipalities	76	-	-	-	139	-	-	480	5,000	-	-	-	-	-	3,000	-	-	8,695
Mandeni	-	-	-	-	26	-	-	160	-	-	-	-	-	-	-	-	-	186
KwaDukuza	76	-	-	-	113	-	-	-	-	-	-	-	-	-	-	-	-	189
Ndwedwe	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	160
Maphumulo	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	160
Ilembe District Municipality	-	-	-	-	-	-	-	-	5,000	-	-	-	-	-	3,000	-	-	8,000
Total: Sisonke Municipalities	-	-	-	-	100	-	-	320	5,000	-	-	-	-	-	-	-	-	5,420
Ingwe	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	160
Kwa Sani	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	160
Matatiele	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Greater Kokstad	-	-	-	-	71	-	-	-	-	-	-	-	-	-	-	-	-	71
Ubuhlebezwe	-	-	-	-	29	-	-	-	-	-	-	-	-	-	-	-	-	29
Umzimkhulu	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sisonke District Municipality	-	-	-	-	-	-	-	-	5,000	-	-	-	-	-	-	-	-	5,000
Unallocated/unclassified	60	-	706	-	-	18,754	-	-	-	149,963	24,538	-	6,905	-	-	19,718	-	220,644
Total	1,361	4,823	706	43,045	2,868	148,754	40,000	4,000	50,000	149,963	24,538	22,000	9,355	6,804	18,705	19,718	27,418	574,058

Key	Grant Name	Key	Grant Name
1.1	Museum Services	11.1	Provincial Management Assistance Programme
1.2	Airport Subsidy	11.2	Infrastructure provision for soccer stadia
3.1	Cleanest Town Competition	11.3	Project Consolidate
7.1	Health - Municipal Clinics	12.1	Municipal Transport Planning and Infrastructure
7.2	Environmental Health	12.2	Maintenance - Main Roads
8.1	Hostel Redevelopment & Upgrading	14.1	Municipal Rates
8.2	Municipal Rates and Taxes	15.1	Library Services
8.3	Capacity Building - Flanders Programme	15.2	Recapitalisation of community libraries
		16.1	Infrastructure

BUDGET STATEMENT 2

Departmental Estimates

