



# **PROVINCE OF KWAZULU-NATAL**

## **2008-09 BUDGET STATEMENTS**

**for the  
Financial Year ending 31 March 2009**

**Presented to Provincial Legislature  
28 February 2008**

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# FOREWORD

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The preparation of an annual budget, either national or provincial, is not a straightforward science. Several trade-offs and subjective judgements have to be made in certain instances between compelling government programmes and projects deserving of funding. The 2008/09 MTEF brings with it very particular budgetary constraints which have necessitated that hard choices be made in resource allocation. The biggest budgetary pressure is a direct result of higher than budgeted for salary adjustments for the public service, and the fact that national additional allocations are not adequate to fully accommodate this expenditure. The impact of this will be greater on the large provincial departments, such as Education and Health, who are required to absorb this expenditure from within their baselines.


The second budgetary pressure, which affects KwaZulu-Natal specifically, is the significant escalation of construction costs associated with the flagship project – the Dube TradePort. There are two reasons for this. The first reason relates to the delay in the finalisation of the record of decision to begin the construction of the new airport. The second reason is the general increase in the construction inflation country-wide, due to higher demand for construction material.

Apart from these two spending areas, there are many other pressures that affect nearly all provincial departments, and these are discussed fully in this document.

It is against this tight fiscal framework that the 2008/09 Budget Statements were prepared. The Budget Statements documentation contains two primary sections – Budget Statement 1 and Budget Statement 2. As per National Treasury's guide, Budget Statement 1 gives an overview of the budget strategy, including the overall provincial fiscal framework and aggregates of revenue and expenditure. It further provides a broad overview of the socio-economic profile of the province.

Budget Statement 2 provides a more detailed account, per department, on budgetary allocations, outputs, measurable objectives and service delivery targets, in the spirit of openness and transparency around fiscal resource allocation and utilisation. It allows the departmental Accounting Officers to monitor their budget performance against intended outputs and outcomes. This Statement gives adequate information for the Political Executive, the Legislature and the general public to hold government accountable to its citizens.

I am very honoured to present to the people of KwaZulu-Natal and the rest of the country the 2008/09 MTEF Budget Statements 1 and 2. As per the directive of the MEC for Finance and Economic Development, the Provincial Treasury will continue to monitor the budget performance of all provincial departments, to ensure proper utilisation of fiscal resources for the benefit of the people of this province.



**Sipho Shabalala**  
**Head: Provincial Treasury**



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# **BUDGET STATEMENT 1**

## **Budget Overview**



## **1. BUDGET STRATEGY: AN OVERVIEW**

It is natural for a developing country like South Africa to face fiscal constraints. Resource requirements are always larger than the fiscal resource envelope can accommodate, in any given year. In the provincial sphere of government, these constraints are even more pronounced. This is largely due to the limited provincial tax revenues, compounded by the fact that the allowable provincial taxes are also not as highly productive as national taxes. These constraints, therefore, meant that some tough choices needed to be made on what can and cannot be financed in the 2008/09 MTEF.

For KwaZulu-Natal, in particular, there are several budgetary pressures that have arisen in the last year or two. The first one relates to the incorporation of Umzimkhulu into the province. The revisions of the equitable share allocation did not fully finance the expenditure needs in this particular municipality in 2007/08. Going forward, the same scenario is likely to persist. The second budgetary pressure (this affects all provinces albeit in varying degrees) is a direct result of the public sector wage agreement. The agreement was 1.5 per cent more than budgeted for, thus putting severe pressure on the personnel budgets of provincial departments. The third pressure relates to a vital provincial project – the King Shaka International Airport/Dube TradePort (KSIA/DTP). As a result of the delays in finalising the record of decision (ROD), construction costs have escalated phenomenally. This will certainly put pressure on the provincial resources going forward. The last set of issues that will put pressure on KZN's 2008/09 MTEF relate to allocations that were made in 2007/08 but were not carried through, due to a shortfall in the equitable share allocation for the 2008/09 financial year. The shortfall is a direct result of the revisions in the equitable share data, including population growth rates and school enrolment figures. These variables showed a projected declining rate of increase, hence a reduction in the equitable share allocation for the 2008/09 financial year. The province had to make good on this shortfall as a first charge on the provincial revenue fund in 2008/09.

Resource constraints do have a positive effect, however. Firstly, they instil a culture of discipline in spending, and foster innovation to do things differently and achieve more with limited resources. Secondly, budgetary constraints ensure that only the most deserving projects or programmes are financed.

In order to determine which programmes or projects ultimately received the funding from the provincial *fiscus*, a range of issues had to be considered. First and foremost, was the alignment of the proposed projects with the national and provincial governments' policy priorities.

Both the national and provincial governments, indeed, expended considerable effort during 2007 towards ensuring that government's programmes and expenditure priorities were focused on achieving results in terms of the electoral mandate, and ensuring value added processes and optimum service delivery. This focus was driven by the realisation that less than two years of the current government's term of office remained. At the provincial Cabinet Indaba held at Alpine Heath in April 2007, the provincial executive resolved that there was a need to re-focus on the twin overarching goals of **eradicating poverty** and **growing the economy**, and that all provincial programmes were to reflect these priorities clearly.

At the national Cabinet Lekgotla held in July, meanwhile, the main objective was to define government's strategic posture for the period leading up to 2009/10 and the end of the current government's mandate period. Emerging from this Lekgotla was an Annexure to the current Medium Term Strategic Framework (MTSF) of government, which identified 24 priority or 'apex' projects for immediate government action. The 24 projects define specific actions that will help to catalyse faster movement across all areas of government work, in the build up to 2009/10. The apex priorities range from the need to increase investment in productive infrastructure, fighting poverty through labour intensive methods of delivering services, second economy interventions, strengthening human capital development through programmes such as early childhood development and further education and

training, intensification of the fight against HIV and AIDS and TB, and other interventions aimed at promoting social cohesion. In broad terms, the priorities seek to build on the existing MTSF and 2014 vision of government, namely to:

- grow the economy to sustainably higher levels;
- halve poverty and unemployment; and
- promote social inclusion.

On 17 and 18 September 2007, the provincial executive convened a follow-up *Indaba* at Selborne Estate on the south coast, at which each provincial Cabinet Cluster presented their Programmes of Action aligned to the **apex priorities** for the remaining months of the current term of office and the Medium Term Expenditure Framework. The following critical points of emphasis were highlighted at the *Indaba*:

- (i) The integrated approach to service delivery needs to move **beyond planning** at cluster level, to **joint budgeting** and **joint strategic implementation** of Cluster projects intended to make high impact in prioritised geographic areas. In this regard, it is necessary for each cluster to identify joint sustainable projects that they will implement between now and the end of the current term of office, with specific **realistic targets**;
- (ii) There is a need to strengthen an integrated approach to the provision of basic services (particularly water, sanitation and electricity) in the province, and to fast-track the delivery of these. Towards this end, regular reports need to be submitted to Cabinet on progress made with regard to meeting targets; and
- (iii) The integration and co-ordination should cascade to the **local sphere** of government, so that there is no disjuncture in the delivery of services between the province and municipalities.

The Selborne *Indaba* was specifically timed to allow the resolutions taken at the *Indaba* to be incorporated into departmental MTEF budget proposals, and the subsequent MTEC and Mincombud deliberations in November.

Apart from the need for provincial programmes to align to the national and provincial policy priorities as described above, the second litmus test used in recommending additional funding was the extent to which proposed projects and programmes were spatially aligned to the Provincial Spatial Economic Development Strategy (PSEDS), as approved by Cabinet in 2006. The objectives and structure of the PSEDS were explained in detail in the overview section of the 2007/08 Budget Statements. Suffice it to say that the PSEDS seeks to ensure 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. The PSEDS provides the provincial government 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 2008/09 MTEF budget proposals, provincial departments were once again requested by the Provincial Treasury to indicate how their budget proposals and requests for additional funding support the identified nodes and corridors in the PSEDS.

Thirdly, the provincial budget strategy had to accommodate other policy priorities that were determined by the social sector (Education, Health and Social Welfare)<sup>1</sup>.

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<sup>1</sup> This is fully presented in Section 4.2 of Budget Statement 1.

For Education, the following non-personnel interventions were financed:

- Early childhood development;
- The provision of a full set of textbooks for Grades 10-12;
- Expansion of Grade R; and
- The expansion of inclusive education to accommodate learners with special needs.

For Health, two areas of intervention were funded. The first was the strengthening of the fight against multi drug resistant and extremely drug resistant tuberculosis (MDR/XDR TB). KZN has a particular challenge with respect to MDR/XDR in that it probably has the highest number of cases relating to this kind of TB. The second proposal that was recommended for funding in the Health sector was a general adjustment to the Health baseline in order to accommodate wide-spread budgetary pressures in different programmes such as primary health care and tertiary health services.

For Social Welfare and Population Development, four initiatives were funded. These are:

- Expansion of early childhood development;
- Implementation of monitoring and evaluation capacity for welfare services;
- Expansion of home/community based care; and
- The expansion of services to children in conflict with the law as required by the Children's Act of 2005 (No. 38 of 2005).

The fourth consideration was the extent to which the budget proposals contributed to the economic growth of the province. To this end, additional allocations have been made to support the struggling agricultural sector in the outer years of the 2008/09 MTEF. KZN has a comparative advantage in this sector which needs to be unlocked in order to improve rural economic development.

Another strategic economic investment made relates to the acceleration of construction work in the DTP, to ensure timely delivery of this project. DTP is a flagship project for the province and promises to deliver significant economic gains, once complete.

This budget also makes significant investments in strengthening this province's road network, particularly the strategic routes, including the John Ross Highway and access routes to the new airport and DTP in general.

In summary, the 2008/09 budget strategy responds directly to national and provincial policy directives. It gives effect to the will of National and Provincial Cabinets to address issues of poverty by investing in agriculture and welfare services that target the poor, skills development, employment creation through labour-based service delivery methods and general economic growth through strategic investments in economic infrastructure such as the Dube TradePort and investments in strategic roads corridors. The strategy balances social and economic investment requirements, and is spatially referenced to ensure that expenditure is directed to areas of the province with the highest growth potential and greatest need.



## 2 SOCIO-ECONOMIC OUTLOOK

### 2.1 Introduction

The journey to prosperity is a process that the government of KwaZulu-Natal has embarked on with the single purpose of ensuring sustainable wellness and a better life for all. As a result of this, the main objectives of the KwaZulu-Natal provincial government, as detailed in the KZN Provincial Spatial Economic Development Strategy (PSEDS), are to alleviate poverty, create more jobs, and grow the regional economy. Given that education and health are irrefutably linked to economic growth and poverty reduction, both departments are to play a strategic role in achieving the aforementioned objectives. This strategic role justifies the largest budget allocations being made to the Departments of Education and Health.

This section reviews some of the key selected socio-economic indicators in the province. It also provides an indication of how the province is progressing towards meeting some of the key PSEDS targets. Finally, the section provides extracts from executive summaries of some of the papers compiled by the KZN Provincial Treasury, with the aim of informing policy formulation and contextualising the budget.

### 2.2 KwaZulu-Natal economy at a glance

The information provided in the box below provides a snapshot glance of a number of key economic indicators, including brief unemployment statistics and GDP-R. The GDP-R is also provided by sector in Figure 2.2.

#### **GDP-R (2006)**

KZN real GDP of R193.1 billion is contributing 16.3 per cent to South Africa's GDP. GDP-R growth rate 5.3 per cent – manufacturing had the highest contribution (21.5 per cent), construction was the fastest growing industry (10.6 per cent), agriculture and mining are experiencing a negative growth (See Figure 2.2).

#### **Unemployment (2007)**

Unemployment rate 29.2 per cent, negative growth in unemployment rate of 2.3 per cent, labour participation rate 53.3 per cent, number of people employed 2.3 million.

#### **Poverty (2006)**

Poverty rate 50.6 per cent, number of people in poverty 5.1 million, poverty gap R8.8 million.

Number of people living on less than \$1 per day is 1.2 million.

#### **Development (2006)**

Illiteracy rate (15+) of 26 per cent, HDI 0.6, Gini coefficient 0.7, life expectancy 42.7 (males) and 47.8 (females), HIV prevalence rate 15.8, deaths due to HIV/Aids to total deaths 57 per cent.

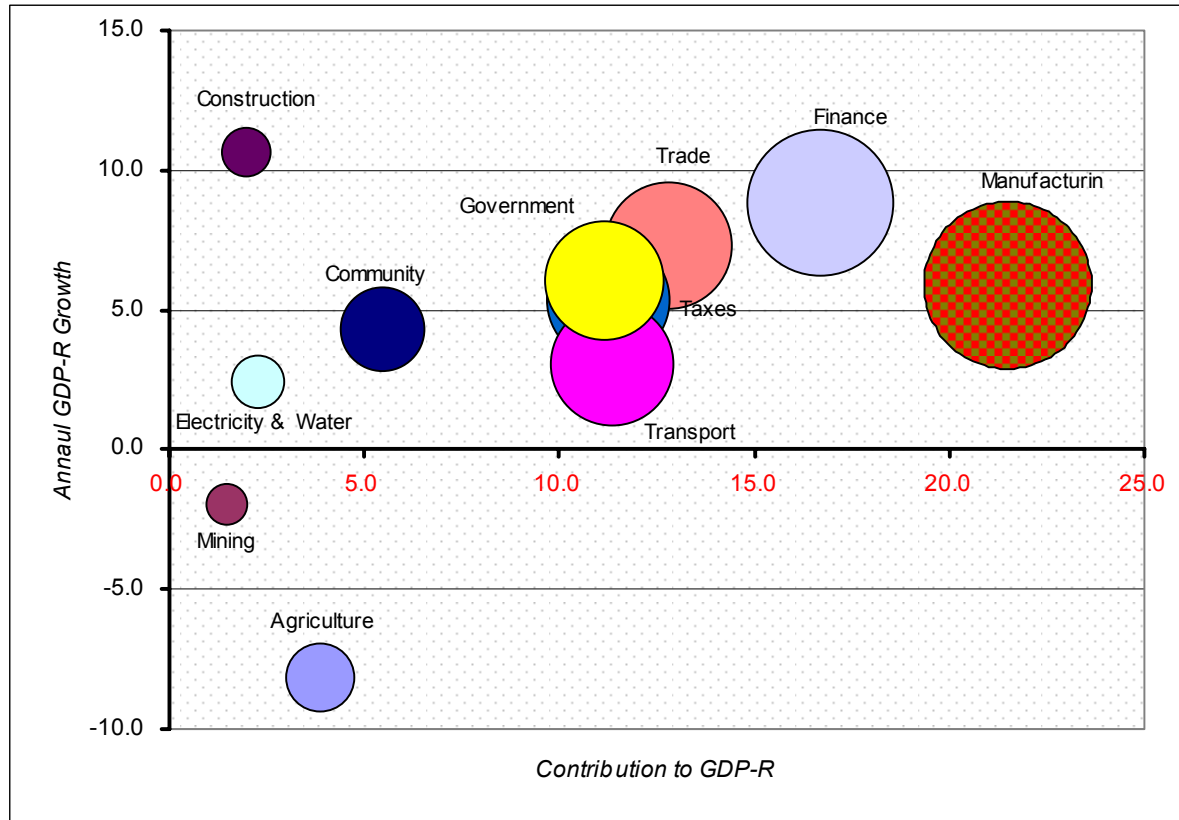
#### **Demographics (2007)**

Total population 10 million, population growth 0.9 per cent, total number of households 2.6 million.

As indicated earlier, the Kwazulu-Natal Government grew by 5.3 per cent. Figure 2.2 below indicates that the Construction industry remains the fastest growing industry (10.6 per cent). Mining and Agriculture are experiencing negative growth.

Figure 2.2 also shows that the Manufacturing industry is the highest contributor to the KwaZulu-Natal economy, followed by Finance, followed by Trade. The lowest contributors are Mining and Construction, although, as was observed earlier, the latter industry experienced the highest growth.

Figure 2.2: KwaZulu-Natal Real GDP, 2006



## 2.3 A review of some key PSEDs targets

In line with the Accelerated and Shared Growth Initiatives of South Africa (ASGI-SA), the main objectives of the KwaZulu-Natal provincial government, as spelled out in the KZN Provincial Spatial Economic Development Strategy (PSEDS), is to achieve an 8 per cent economic growth, halve unemployment (i.e. 18.8 per cent) and poverty (i.e. 28.8 per cent) by 2014. This sub-section then assesses how the province has fared against these targets since the year 2000. The analysis is based on the following questions:

1. What is the actual average annual growth rate for GDP-R, unemployment and poverty rates between 2000 and 2007?
2. What is the average annual growth rate required (or expected) in order to achieve GDP-R, unemployment and poverty targets by 2014?
3. What then, is the gap?

Table 2.3 below reveals that, between 2000 and 2007, the regional economy grew, on average, at 0.1 per cent. This is far below the 0.3 per cent required on average each year from 2007, to achieve an 8 per cent target in 2014. At a minimum, an additional 0.29 per cent GDP-R growth rate is required, on average, each year in order to achieve the set target.



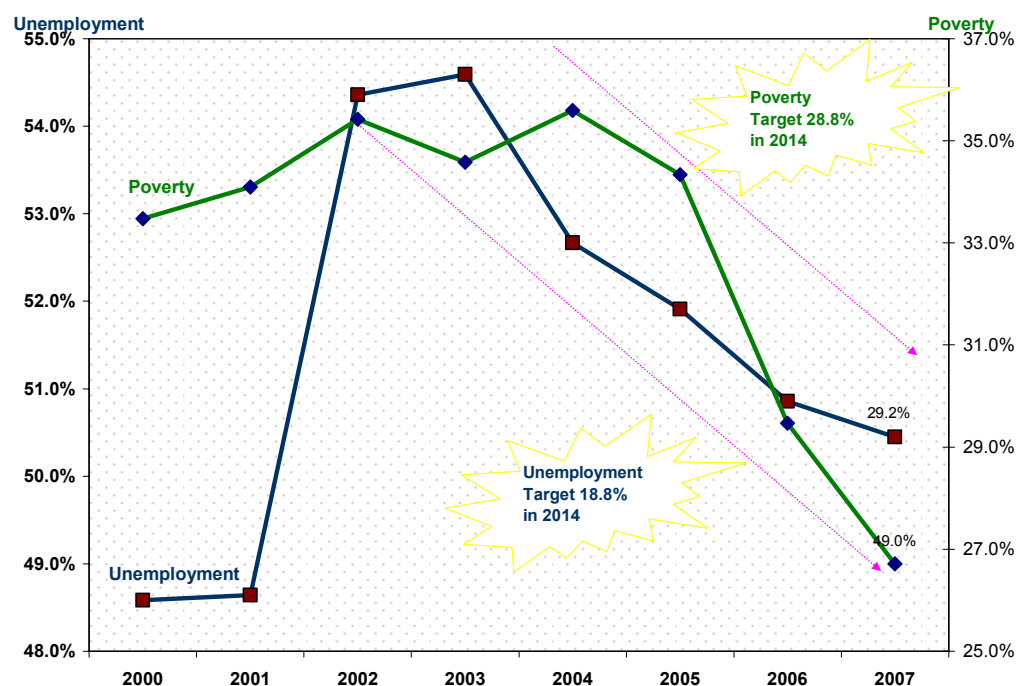
**Table 2.3: Average annual growth rate of selected key economic indicator<sup>2</sup>**

Variables	Average Annual Growth Rate (%)			Targets (%)
	Actual 2000 - 2007	Expected 2007 - 2014	The Gap 2007 - 2014	2014
GDP-R growth rate	0.11	0.30	0.19	8.0
Unemployment rate	0.43	-1.80	-2.23	18.8
Poverty rate	-2.20	-3.60	-1.40	28.8

Source: Stats SA (2007), Global Insight (2007), Own calculations.

The rate of unemployment has declined since 2004. Despite this, the unemployment rate in the province is greater in 2007 than it was in 2000. On average between 2000 and 2007, unemployment has been growing at a rate of 0.4 per cent each year (see Table 2.3) instead of declining at the expected rate of 1.8 per cent. Hence, in order to halve unemployment by 2014, unemployment needs to be reduced by, on average, 2.23 per cent each year.

Although poverty has been reducing on average at a rate of 2.2 per cent each year between 2000 and 2007, the province still requires an additional 1.4 per cent reduction on average each year in order to achieve a total reduction of 3.6 per cent per year. This gap equates, in monetary terms, to a poverty gap of R8.8 million.

**Figure2.3a: Unemployment rate and poverty rate, 2000 – 2007**

Source: Stats. SA (2007), Global Insight (2007), Own calculations.

<sup>2</sup> The formula used in calculating the average annual growth rate is

$$\left\{ \frac{(C_t)}{C_{t-1}} \right\}^{1/t} - 1 \} * 100$$

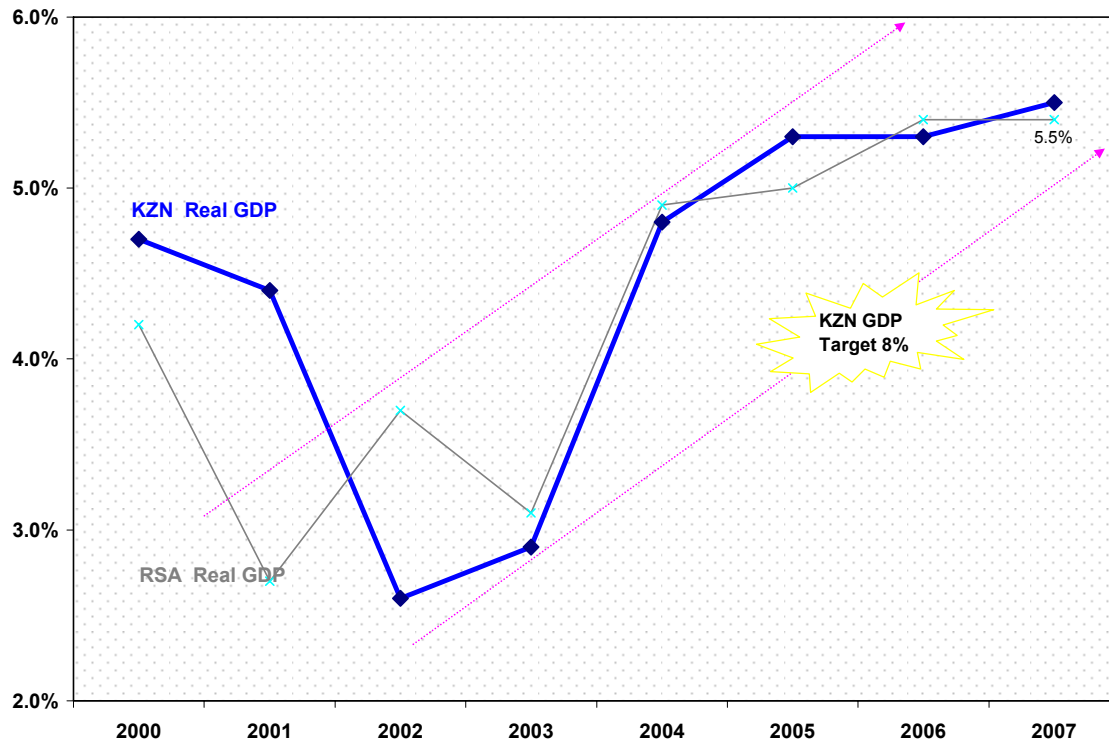
Where

C<sub>t</sub> is the current period

C<sub>t</sub> – 1 is the previous period

t is 7 years

Figure 2.3b: KZN Real GDP and RSA real GDP, 2000 – 2006



Source: Stats. SA (2007), Global Insight (2007).

In summary, as can be seen in Figure 2.3a and Figure 2.3b, despite the recent growth in the regional economy, on average the gap still remains at 0.2 per cent for GDP-R, 2.2 per cent for unemployment, and 1.4 per cent for poverty each year. This suggests that more capacity is needed to expand the economy, reduce unemployment and poverty to a level that will enable the province to reach the set targets.

## 2.4 Selected policy papers that inform budget allocation

To contextualise the budget allocations, the KZN Provincial Treasury has developed a number of policy papers. These papers are:

- A review of KwaZulu-Natal's socio-economic development;
- The impact of KZN provincial expenditure on poverty reduction;
- Sector analysis with Supply and Use Tables (KZN SUT, 2005): a Regional Economic Model for Investment Development; and
- The development of a Social Accounting Matrix (KwaZulu-Natal SAM, 2005) for regional policy analysis.

This section provides a brief snapshot of these publications. For more information, the reader is encouraged to obtain a copy of each of these policy papers from the Provincial Treasury.

### 2.4.1 Review of KwaZulu-Natal socio-economic development<sup>3</sup>

The paper reviews the performance of the province of KwaZulu-Natal for the period 1995 to date through a discussion of selected key socio-economic indicators. The study finds, among other things, that KwaZulu-Natal is home to a population size averaging 9.6 million between 1995 and 2006, roughly 21 per cent of South Africa's total population. Approximately 53 per cent of these people are females, and about 60 per cent constitute the labour force. Roughly 85 per cent of the province's population is black, 47.5 per cent live in the urban areas, and 54 per cent are classified as poor.

The province's GDP-R was estimated at R183.4 billion in 2006, of which R108 billion is accounted for by the tertiary sector. Between 1995 and 2005, manufacturing was the provincial economy's leading sector, contributing an average of 22. per cent to the provincial GDP-R, with the tertiary sector as a whole contributing 27.1 per cent. Since 2004, consumer goods price inflation in the province has been quite high, remaining between 5 per cent and 10 per cent per annum.

The province has an average location quotient of 51.8, and its ports handle about 75.5 per cent of total cargo processed at the country's principal seaports. It also hosts not less than 25 per cent of all air tourists and 18 per cent of land tourists entering the country. Between January 2003 and March 2005, air tourists injected not less than R795 million per quarter into the provincial economy during their visits, while the minimum quarterly expenditure of land tourists was R1.3 billion.

Climatically, KwaZulu-Natal is one of the warmest and rainiest provinces in the country, with temperatures averaging 19°C and annual rainfall (measured as a soil absorption level) at a minimum of 21mm between 1996 and 2004.

The number of people infected with HIV in the province is estimated to have increased from 337 000 in 1995 to about 1.4 million in 2004, translating into prevalence rates of between 3.9 per cent in 1995 and 15.6 per cent in 2005.

Informal dwellings (or shacks) in backyards or elsewhere, and rooms on shared property are increasing at a disturbing rate as habitats in the province. However, a growing number of households are also acquiring houses on separate stands. There is also a gradual decline in the number of households drawing water from non-piped sources.

Around 81 per cent of the total school-age population in the province attended school between 1999 and 2005, with the number of learners failing the senior certificate examinations decreasing between 2000 and 2003, but increasing in 2004 and 2005. Between 1999 and 2005, an average of 64 per cent of all persons in the province aged 15 years and over held less than a matriculation certificate. Although the rate of poverty in the province has been on the decline, with the HDI improving, urban poverty and the Gini coefficient have been worsening.

Despite this, the share of non-interest spending allocated to provinces has grown quite strongly. The question then is whether this growth in provincial spending has translated into tangible improvement in the quality of life of the people of this province, particularly in reducing poverty.

### 2.4.2 Is the KwaZulu-Natal provincial expenditure impacting on the poor?<sup>4</sup>

The pressing challenges of socio-economic development, as noted in the preceding section, are a reminder of how much further we still need to go as a province to reach the 2014 targets. A vast number of our population still subsist on less than a dollar per day, the pool of unskilled and unemployed labour

<sup>3</sup> Compiled by Felleng Mahlatsi (KZN Treasury, 2007)

<sup>4</sup> Compiled by Moses Obinyeluaku and Jabulani Sithole (KZN Treasury, 2007)

remains excessively and disproportionately large, and access to education and health facilities and other basic amenities still fall far short of requirements.

The provincial budget is meant to play a key role as a policy instrument in addressing the social-economic challenges facing the province. This means that growth in provincial expenditure should be able to translate into tangible improvement in the quality of life of the people of KwaZulu-Natal. If this is true, then one would expect an increase in government expenditure to reduce poverty, and an innovation in government expenditure in period  $t$  to reduce the number of people who are poor in period  $t+1$ . This analysis provides evidence for KwaZulu-Natal, using the Vector autoregressive (VAR) technique – Granger Causality and impulse response function. It seeks to quantify the effectiveness of different types of government expenditure in contributing to poverty reduction in the province.

The result of this study reveals that the performance of agriculture leaves much to be desired. It seems that the employment in this sector is not contributing to poverty reduction in any meaningful way, and that the production does not improve with the concomitant increase in expenditure. This being the case, it is clear that the sector does not only need fiscal injection, but it needs micro-reforms in order to address the structural unemployment and reverse casualisation of jobs that persist in the sector. At the same time, more emphasis should be placed on secondary agriculture, to ensure that production matches the competitive global world.

In trying to close the inequality gap in the education sector, government should strive to maintain an expenditure mix that contributes directly to the reduction of illiteracy. Of course, in an economy such as KwaZulu-Natal, it remains important to focus on technical skills' development. Such a mix would certainly see a better relationship between education expenditure and poverty reduction.

The health sector can be regarded as contributing to the recent positive changes in the relationship between government expenditure and poverty reduction. Of the three sectors analysed, the health sector appears to be ahead of both agriculture and education in terms of its impact. As such, the sector has to continue the programmes that are funded in the period up to 2006 and expand their reach so that the impact can be the same if it is represented spatially within the province.

#### **2.4.3 The development of the KZN Supply and Use Table (SU-Tables) for sector analysis and investment development<sup>5</sup>**

This policy paper provides a regional economic model for sector analysis and investment development. In addition, this study focuses on the methodology used to construct the SU-Tables, including a complete regional economic accounting system, the three approaches of estimating regional GDP, and the techniques used to balance the matrices.

The results presented here centre around the Leontief inverse multipliers, the monetary flow of goods and services within the province, key economic ratios derived from the KZN SU-Tables, the way output is distributed among various sectors and industries, and simulations based on the multipliers. The model is based on the RSU-Table framework to identify where economic deficiencies occur, and which industries the provincial government can most suitably develop given rigid budget constraints and the need to alleviate poverty.

The study reveals that the secondary sector accounts for 56 per cent of total cost of production and contributes 29 per cent to regional economic growth. The Leontief multipliers show that the manufacturing industry is the greatest beneficiary of every R1 spent in any of the nine industries of the economy. This is an indication that manufacturing is the most sustainable industry in the province. Although the service industries are booming, the province will sustain its industrialisation status. The

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<sup>5</sup> Compiled by Kambale Kavese (KZN Treasury, 2007)

primary sector's total cost of production and contribution to GDP-R is negligible, at less than 6 per cent of the total output for the province as a whole.

In terms of income distribution, the study reveals that for every R1 that accrues to business owners, workers get R1.2. The cost of production in the province stands at 60 per cent of total production output. Taxes less subsidies on products represent less than 1 per cent of total output. The study also provides a range of ratios such as labour productivity, average labour remuneration, and per capita GDP-R.

Simulation through Leontief inverse multipliers reveals that a 10 per cent increase in investment (Gross Fixed Capital Formation) only creates a 1 per cent increase in total industry and product outputs, while a 10 per cent increase in household consumption expenditure raises total industry and product outputs by 4.6 per cent. Taken individually, the inverse multipliers results show that an increase in investment will have the highest impact in the construction sector, while an increase in household income will have the highest impact in the trade sector.

These SU-Tables were used as cornerstones in the construction of the regional Social Accounting Matrix that follows in the next section.

#### **2.4.4 The Development of a Social Accounting Matrix (KwaZulu-Natal SAM, 2005) for Regional Policy Analysis<sup>6</sup>**

The KZN Regional Social Accounting Matrix (RSAM) developed in this study, focuses on poverty, labour, fiscal and growth policies. This section shows, among other things, what level of future growth is sustainable in the province and what input (sector, labour, skill, etc.) is required to achieve such growth. It shows how income is generated in the province and, more importantly, how it is distributed among households of different income groups, occupation and race. The paper examines the development and performance of key fiscal and socio-economic indicators and considers how an additional R1 in the *fiscus* will impact both the regional economy as a whole, and the well-being of specific categories of households in targeted groups. It tests whether the income generated in the province reached the targeted social group. What the model shows is that more than half of the regional income ends up in the hands of whites, while the share going to blacks is about 37 per cent. Households in the low income group receive less than 5 per cent of the total income, yet they constitute almost three-quarters of the population, while households in the higher income group, who are the minority, receive more than three-quarters of total income generated in the province. This signals that the gap between the first and the second economies is still wide.

The study also analyses the trend and performance of the KwaZulu-Natal economy. It reveals that between 1995 (base year) and 2006, the real GDP-R grew by 47 per cent and the regional budget grew impressively by 241 per cent in real terms. Are such growths pro-poor, pro-jobless, and sustainable? The trend analysis shows that, during the same period, unemployment grew by 78 per cent and poverty by 33 per cent, meaning that growth in GDP-R and growth in provincial government expenditure did not fully translate into tangible job creation and improvement of the quality of life.

In the RSAM model, household simulations were performed to assess the impact of a 10 per cent increase in household income on the overall economy of the province. Simulation results using the Leontief multipliers show that an additional 10 per cent increase in household income will lead to an 8 per cent increase in the output of the trade industry, and 5 per cent increase in the output of the agriculture industry. This is in line with the economic theory that says poor households spend most of their income on food.

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<sup>6</sup> Compiled by Kambale Kavese (KZN Treasury, 2007)

Looking at growth sustainability, the study forecasts the level of future growth and then calculates the level of input required to achieve the targeted output. The finding is that there is a diminishing marginal return and an insignificant sector and labour input requirement in the primary sector, in contrast with a high sector input and highly skilled labour requirement in the tertiary sector. For example, the RSAM model predicts a need for 41 000 professionals by 2010, 40 per cent of whom need to be black. The level of growth and employment expected by 2010 is subject to the ability of the government to meet, among other things, the high demand of highly skilled labour.

The Leontief multipliers derived from the RSAM model show that, for every R1 spent in any of the nine sectors of the KZN economy, the impact is greatest in the manufacturing industry, and causes this industry's demand to increase. This could be one of the reasons why this industry consistently maintained its industrialisation sustainability.

## 2.5 The Supply Chain Expenditure Analysis<sup>7</sup>

During the 2007/08 financial year, the Provincial Treasury Supply Chain Management (SCM) unit commissioned a comprehensive expenditure analysis, in order to fully understand the impact of provincial procurement expenditure on the provincial priorities of broad-based economic empowerment, unemployment and poverty reduction.

The expenditure analysis (presented in Table 2.4 below) revealed the following alarming statistics:

- Almost 80 per cent of the provincial procurement budget (i.e. *Goods and services* and expenditure on *Capital payments*) is being distributed among only seven per cent of provincial suppliers which equates to 1 106 suppliers in 2007/08; and
- 93 per cent of provincial suppliers (equating to 14 737 suppliers in 2007/08) are competing to attain a portion of the remaining 20 per cent of the provincial procurement budget.

**Table 2.4: SCM Spend Analysis - Budget threshold**

Budget Threshold (% of Budget)	2005/2006		2006/2007		2007/2008	
	No. of suppliers	% Suppliers	No. of suppliers	% Suppliers	No. of suppliers	% Suppliers
5	14 553	71.7	15 272	73.0	11 251	71.0
15	4 251	20.9	4 316	20.6	3 486	22.0
80	1 500	7.4	1 322	6.3	1 106	7.0
<b>100</b>	<b>20 304</b>	<b>100.0</b>	<b>20 910</b>	<b>100.0</b>	<b>15 843</b>	<b>100.0</b>

Source: KwaZulu-Natal Treasury, 2007

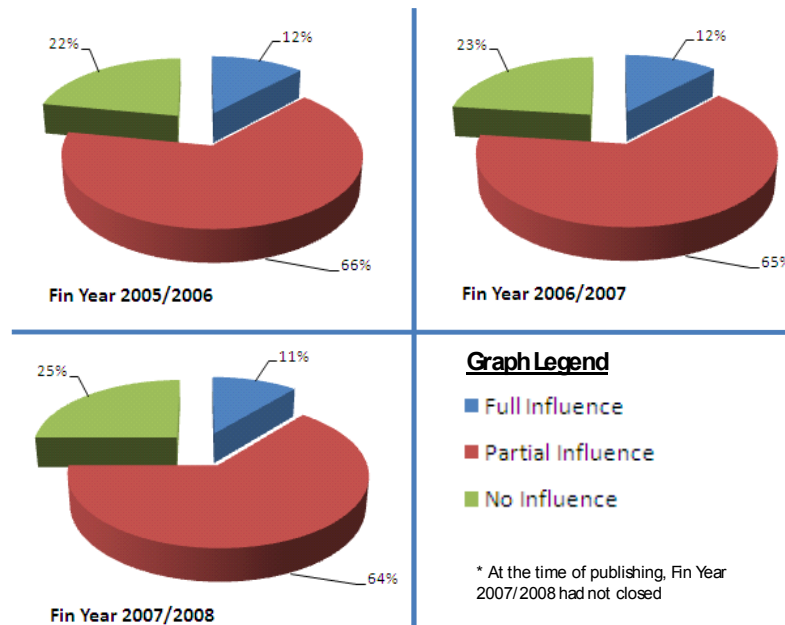
The statistics illustrated here highlight the ineffectiveness of government procurement processes to make a visible impact on combating poverty and opening up economic opportunities to the previously disadvantaged groups thus reducing unemployment. The procurement expenditure currently benefits only a few suppliers.

The Provincial Preferential Procurement Framework Act (PPPFA) has failed to induce broad based economic empowerment. The apparent anomalies in the Black Economic Empowerment (BEE) codes of Good Practice have also done very little to broaden the base of economic participation, to include previously marginalised groups and businesses in the province.

<sup>7</sup> Compiled by Supply Chain Management Unit (KZN Treasury, 2007)

Given its massive purchasing power and the level of influence government has on procurement expenditure, it is the Provincial Treasury's view that there is a need for more aggression in pursuing broad based economic empowerment objectives. Figure 2.4 demonstrates that provincial government can influence, fully or partially, no less than 70 per cent of procurement expenditure. It is with this in mind that KwaZulu-Natal is developing its own Charter to ensure that there is broad economic participation in the province.

**Figure 2.4: Levels of Influence**



As a way forward, the KZN provincial government will embark on an aggressive plan of action, which aims to do the following:

- The KZN provincial government will facilitate and guarantee the award of nearly 12 per cent of procurement spend to small enterprises and co-operatives as per the identified sectors. In monetary terms, this constitutes an injection of almost R1.2 billion into the local economy. The identified sectors are:
  - Agriculture, forestry and fishing;
  - Catering, accommodation and other trade;
  - Clothing, textile, leather and footwear;
  - Community, social and personal services;
  - Construction;
  - Finance and business services;
  - Retail, motor trade and repair services;
  - Transport, storage and communication; and
  - Wholesale trade, commercial agent and allied services.

- Fast track the implementation of BEE Codes of Good Practice by establishing a separate charter that specifically regulates the KwaZulu-Natal economy.
- The KwaZulu-Natal scorecard will be applicable to all procurement above R100 000 and the province will only conduct business with service providers demonstrating a minimum of Level 6 (60 per cent) BEE compliance. **No exceptions will be considered.**
- In terms of the provincial charter, the province will aim to identify suitable accreditation agencies for the accreditation of provincial suppliers.
- All accredited suppliers will be stored in a comprehensive database indicating their levels of BEE compliance.

Given the different levels of influence, the province will adopt a phased-in approach with respect to the charter, in that specific targets will be determined for a ten-year span. These targets will be in line with the generic BEE scorecard, as promulgated in the BEE Codes of Good Practice.

Undoubtedly, these initiatives will have a dramatic effect on the SCM processes in the province. These changes are, however, necessary to achieve the desired BEE outcomes.



### **3. THE FISCAL FRAMEWORK AND DIVISION OF REVENUE FOR THE 2008/09 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 Section 9 of 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. This division of revenue 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 2008/09 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 2008/09 MTEF division of revenue continues to seek enhanced 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 below gives the division of revenue between the three spheres of government for the 2008/09 MTEF.

The annual growth rate in main budget expenditure is expected to peak at 15.3 per cent in 2007/08. Over the 2008/09 MTEF, it is projected to increase by an annual average growth rate of over 11 per cent. The percentage share of national departments decreases marginally over the MTEF period, at the expense of growing provincial and local government shares.

The increase in the provincial equitable share allocation is mainly to provide for improvements in the delivery of social services, *viz.*, education, health and social welfare.

**Table 3.1 Division of revenue between spheres of government, 2004/05 – 2010/11**

R million	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
	Outcome			Revised	Medium-term estimates		
National departments	167 289	194 723	212 629	246 937	273 929	302 672	324 142
Provinces	138 511	154 368	178 871	205 224	238 076	268 158	293 640
Equitable share	120 885	135 292	150 753	172 862	199 377	225 466	246 306
Conditional grants	17 627	19 076	28 118	32 362	38 699	42 692	47 334
Local government	13 808	16 682	26 501	37 127	41 855	47 651	55 732
Equitable share	7 678	9 643	18 058	20 676	24 889	30 156	36 196
Conditional grants	6 130	7 038	8 443	16 451	16 966	17 495	19 536
<b>Non-interest allocations</b>	<b>319 608</b>	<b>365 772</b>	<b>418 000</b>	<b>489 288</b>	<b>553 860</b>	<b>618 481</b>	<b>673 514</b>
Percentage increase	13.2%	14.4%	14.3%	17.1%	13.2%	11.7%	8.9%
State debt cost	48 851	50 912	52 192	52 829	51 236	51 125	51 156
Contingency reserve	–	–	–	–	6 000	12 000	20 000
<b>Main budget expenditure</b>	<b>368 459</b>	<b>416 684</b>	<b>470 192</b>	<b>542 117</b>	<b>611 096</b>	<b>681 606</b>	<b>744 670</b>
Percentage increase	12.1%	13.1%	12.8%	15.3%	12.7%	11.5%	9.3%
Percentage shares							
National departments	52.3%	53.2%	50.9%	50.5%	49.5%	48.9%	48.1%
Provinces	43.3%	42.2%	42.8%	41.9%	43.0%	43.4%	43.6%
Local government	4.3%	4.6%	6.3%	7.6%	7.6%	7.7%	8.3%

The bulk of the conditional grant allocation to provinces over the 2008/09 MTEF is allocated to fund various Health sector initiatives such as health professionals training and development, hospital revitalisation and forensic pathology services, etc. Over the 2008/09 MTEF, 35 per cent of the conditional grant allocation goes to the Health sector. This is followed by Housing in relation to its Integrated Housing and Human Settlement Grant and thereafter by the Infrastructure Grant to Provinces. The bulk of the increase in the conditional grant allocations also occurred against these categories. The increase in the conditional grant allocation to the local government sphere in the 2008/09 MTEF is, in part, to cater for the 2010 FIFA World Cup stadia and public transport infrastructure and systems.

Table 3.2 below summarises the additional funding allocated to the three spheres of government against the 2007/08 MTEF baseline allocations. A total of over R115.6 billion has been added to the baseline allocations of the three spheres over the 2008/09 MTEF period. Although resources are always limited, the addition of R115.6 billion is sizeable. As such, all spheres of government must ensure that this considerable amount of additional funding is translated into increased level and quality of service to the public, in particular to the deprived population.

**Table 3.2 Changes over baseline, 2008/09 – 2010/11**

R million	2008/09	2009/10	2010/11
National departments	13 358	17 388	24 760
Provinces	7 891	12 743	25 043
Local government	2 748	2 599	9 095
<b>Allocated expenditure</b>	<b>23 997</b>	<b>32 731</b>	<b>58 898</b>

### 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 an 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 2008/09 MTEF, the structure of the formula, as well as the distribution of weights by components, remains unchanged, as listed below:

Component	Share (weighting)
<b>Education share</b> – based on the size of the school-age population (ages 6 – 17) and the number of learners (Grade R to 12) enrolled in public ordinary schools	51 per cent
<b>Health share</b> – based on the proportion of the population with and without access to medical aid	26 per cent
<b>Basic share</b> – derived from each province's share of the total population of the country	14 per cent
<b>Institutional component</b> – divided equally among the provinces.	5 per cent
<b>Poverty component</b> – used to reinforce the redistributive bias of the formula	3 per cent
<b>Economic component</b> – 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 use of latest available information, which is explained below.

The Education component continues to take into account the size of the school-age population (age 6 – 17) and the total number of learners (Grade R to 12) enrolled in public ordinary schools. This part of the formula was partially updated to take into account the 2007 snap-shot survey done by the National Department of Education on enrolment figures. The age cohorts portion of the education share was, however, not updated and remains with the 2001 census figure.

The Health component continues to take into account the proportion of the provincial population on medical aid and the proportion of the province not on medical aid. This was updated to take into account the General Household Survey of 2007, as undertaken by Stats SA.

The Basic share, which is derived from the province's share of the total population of the country, was updated with the Community Survey 2007 figures.

The Institutional component remains unchanged and the Poverty component was only updated with the Community Survey 2007 figures, while the IES Survey remains at the year 2000 levels.

Finally, the Economic component was updated with the 2005 Gross Domestic Product per Region (GDP-R) data.

The impact of the above revisions to the data used in 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 was 21.6 per cent, which was the same level as the 2006/07 share. The updated figures of the formula have resulted in a slight increase in the province's share of nationally raised revenue, which stands at 21.7 per cent in 2008/09. 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 terms.

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

	Education	Health	Basic	Poverty	Economic Activity	Institutional	Weighted Average
	51%	26%	14%	3%	1%	5%	100%
Eastern Cape	16.9%	14.9%	13.5%	20.0%	7.9%	11.1%	15.6%
Free State	5.7%	6.2%	5.7%	6.9%	5.5%	11.1%	6.1%
Gauteng	15.2%	19.0%	21.5%	12.4%	33.7%	11.1%	17.0%
KwaZulu-Natal	23.0%	21.5%	21.2%	23.9%	16.3%	11.1%	21.7%
Limpopo	14.1%	12.0%	10.8%	16.0%	6.7%	11.1%	12.9%
Mpumalanga	8.5%	7.6%	7.5%	7.3%	6.7%	11.1%	8.2%
Northern Cape	2.1%	2.4%	2.2%	2.5%	2.2%	11.1%	2.7%
North West	6.4%	6.9%	6.7%	6.7%	6.3%	11.1%	6.8%
Western Cape	8.1%	9.6%	10.9%	4.2%	14.7%	11.1%	9.0%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**Table 3.4: Provincial equitable shares allocations, 2008/09 - 2010/11**

Rmillion	2008/09	2009/10	2010/11
Eastern Cape	31 383	35 343	38 446
Free State	12 413	13 932	15 104
Gauteng	33 064	37 638	41 384
KwaZulu-Natal	43 246	49 022	53 678
Limpopo	25 935	29 252	31 869
Mpumalanga	16 436	18 562	20 250
Northern Cape	5 341	6 028	6 571
North West	13 821	15 500	16 790
Western Cape	17 739	20 189	22 214
<b>Total</b>	<b>199 377</b>	<b>225 466</b>	<b>246 306</b>

### 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, and include the Infrastructure Grant to Provinces which aims to address backlogs in provincial infrastructure. 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 purpose conditional grants, with specific responsibilities for both the transferring and receiving accounting officers.

Minimal changes were made to the conditional grant framework for the 2008/09 MTEF. A new conditional grant, namely the Devolution of Property Rates Fund Grant to Provinces, was introduced for the provinces to take over the function of the payment of property rates on provincially owned properties. This function was previously performed by the National Department of Public Works.

Table 3.5 shows the revisions to conditional grants which amount to R2.9 billion, R4.1 billion and R8.6 billion over the next three years for all provinces. Unlike in the 2007/08 MTEF, where more than half of the additional funding was allocated to the Infrastructure Grant to Provinces and the Gautrain Rapid Rail Link grant, the 2008/09 MTEF additional allocations seem to be distributed more broadly, with the largest share over the MTEF going to the new Devolution of Property Rates Fund Grant to Provinces followed by the Infrastructure Grant to Provinces and then to the Integrated Housing and Human Settlement grant. The increases in these grants account for just over 50 per cent of the additional conditional grant funding over the 2008/09 MTEF. All nine conditional grants listed in Table 3.5 are distributed across all provinces, using the provincial equitable share formula presented in the last column of Table 3.3 above, whereby KwaZulu-Natal's share of the additional funding calculated at 21.7 per cent equates to R3.3 billion over the 2008/09 MTEF.

**Table 3.5: Revisions to conditional grant baseline allocations, 2008/09 - 2010/11**

Rmillion	2008/09	2009/10	2010/11
Comprehensive Agriculture Support Programme	100	150	250
National School Nutrition Programme	345	493	918
Hospital Revitalisation	600	500	900
Comprehensive HIV and AIDS	350	600	1 150
Forensic Pathology Services Grant	–	70	110
National Tertiary Services Grant	193	248	640
Integrated Housing and Human Settlements	–	200	2 000
Infrastructure Grant to Provinces	400	800	1 500
Devolution of Property Rate Funds Grant to Provinces	889	997	1 096
<b>Total</b>	<b>2 878</b>	<b>4 058</b>	<b>8 565</b>

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 R38.7 billion in 2008/09, R42.7 billion in 2009/10 and R47.3 billion in 2010/11. 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, 2008/09 - 2010/11**

Rmillion	2008/09	2009/10	2010/11
<b>Agriculture</b>	<b>584</b>	<b>679</b>	<b>812</b>
Comprehensive Agricultural Support Programme grant	535	628	757
Land Care Programme Grant: Poverty Relief and Infrastructure Development	49	51	55
<b>Arts and Culture</b>	<b>338</b>	<b>441</b>	<b>494</b>
Community Library Services grant	338	441	494
<b>Education</b>	<b>2 546</b>	<b>1 994</b>	<b>2 536</b>
Further Education and Training College Sector Recapitalisation grant	795	–	–
HIV and Aids (Life Skills Education) grant	168	177	188
National School Nutrition Programme grant	1 583	1 817	2 348
<b>Health</b>	<b>13 686</b>	<b>15 144</b>	<b>17 349</b>
Comprehensive HIV and Aids grant	2 585	3 276	3 987
Forensic Pathology Services grant	467	492	557
Health Professions Training and Development grant	1 676	1 760	1 865
Hospital Revitalisation grant	2 883	3 082	3 637
National Tertiary Services grant	6 076	6 534	7 303
<b>Housing</b>	<b>9 853</b>	<b>11 731</b>	<b>14 223</b>
Integrated Housing and Human Settlement Development grant	9 853	11 731	14 223
<b>National Treasury</b>	<b>7 247</b>	<b>8 797</b>	<b>10 080</b>
Infrastructure Grant to Provinces	7 247	8 797	10 080
<b>Public Works</b>	<b>889</b>	<b>997</b>	<b>1 096</b>
Devolution of Property Rate Funds Grant to Provinces	889	997	1 096
<b>Sport and Recreation South Africa</b>	<b>290</b>	<b>402</b>	<b>426</b>
Mass Sport and Recreation Participation Programme grant	290	402	426
<b>Transport</b>	<b>3 266</b>	<b>2 507</b>	<b>318</b>
Gautrain Rapid Rail Link grant	3 266	2 507	318
<b>Total</b>	<b>38 699</b>	<b>42 692</b>	<b>47 334</b>

### 3.5 The local government equitable share and grants

Municipalities have a constitutional mandate to deliver crucial services that meet the public service needs of all and, at the same time, facilitate local economic development within their jurisdiction. Significant progress has been made in ensuring that municipalities are efficiently funded to continue the roll-out of infrastructure and services on a sustainable basis. Following the revision and implementation of a new equitable share which was fully implemented during 2007/08, there is a continuing rise in local government's share of nationally raised revenue. The local government equitable share formula, which was reviewed in 2004 and was fully implemented in 2007/08, will continue in 2008/09.

As part of an ongoing review of the local government fiscal framework, a few options are currently being explored that will look at providing funding to weaker municipalities with limited resources. A number of these municipalities will already start to receive more focused attention over the MTEF, in areas such as the implementation of budget reforms and improved financial management.

The equitable share allocation to the local sphere of government is an important supplement to existing municipal revenue and takes into account the fiscal capacity, fiscal efficiency, developmental needs, extent of poverty and backlogs in municipalities, to the extent that such information is available. 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 R39.2 billion in 2007/08 to R44.2 billion, R50.4 billion and R58.1 billion in 2008/09, 2009/10 and 2010/11, 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 allocations and conditional grants.

The equitable share allocation increases significantly from R18.1 billion in 2006/07 to R36.2 billion in 2010/11. 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 KwaZulu-Natal, 31 of the 61 municipalities rely on getting at least 60 per cent of their funding from sources other than their own revenue generation.

The infrastructure conditional grant also increases markedly from R7.4 billion in 2006/07 to R18.2 billion in 2010/11. This is partly due to the introduction of the 2010 FIFA World Cup Stadia grant, totalling R4.3 billion over the MTEF. Other grants showing healthy growth are the Municipal Infrastructure grant and the Public Transport Infrastructure grant that grow from R5.9 billion and R518 million in 2006/07 to R11.7 billion and R4.5 billion in 2010/11, respectively.

**Table 3.7: National transfers to local government, 2004/05 – 2010/11**

	2004/05	2005/06 Outcome	2006/07	2007/08 Revised estimate	2008/09	2009/10	2010/11
R million					Medium-term estimates		
<b>Direct transfers to local government</b>							
<b>Equitable share and related</b>	<b>7 811</b>	<b>9 808</b>	<b>18 442</b>	<b>21 297</b>	<b>25 750</b>	<b>31 011</b>	<b>36 766</b>
Equitable share <sup>1</sup>	7 678	9 643	18 058	20 676	24 889	30 156	36 196
Water and sanitation operating	133	165	384	622	861	855	570
<b>Infrastructure</b>	<b>5 299</b>	<b>6 286</b>	<b>7 449</b>	<b>14 954</b>	<b>15 725</b>	<b>15 652</b>	<b>18 193</b>
Municipal infrastructure grant	4 481	5 436	5 939	8 691	8 657	10 330	11 678
Public transport infrastructure	–	242	518	974	3 170	2 325	4 465
National electrification	196	297	391	468	596	897	951
Neighbourhood development partnership grant	–	–	–	116	407	700	1 000
Implementation of water services projects	208	–	–	–	–	–	–
Disaster relief	280	311	–	–	–	–	–
2010 FIFA World Cup stadia development	–	–	600	4 605	2 895	1 400	100
Poverty relief funds	134	–	–	–	–	–	–
Municipal drought relief fund	–	–	–	100	–	–	–
<b>Current transfers</b>	<b>699</b>	<b>588</b>	<b>610</b>	<b>875</b>	<b>380</b>	<b>988</b>	<b>773</b>
Restructuring grant	388	255	265	530	–	–	–
Financial management grant: Municipalities	129	133	145	145	180	300	365
Municipal systems improvement grant	182	200	200	200	200	200	212
2010 World Cup host city operating grant	–	–	–	–	–	488	196
<b>Sub total direct transfers<sup>2</sup></b>	<b>13 808</b>	<b>16 682</b>	<b>26 501</b>	<b>37 127</b>	<b>41 855</b>	<b>47 651</b>	<b>55 732</b>
<b>Indirect transfers to local government</b>							
Water and sanitation operating	819	904	440	490	269	–	–
Regional bulk infrastructure	–	–	–	300	450	650	689
National electrification	819	863	893	973	1 151	1 421	1 649
Backlogs in water & sanitation at clinics and schools	–	–	–	105	210	350	–
Backlogs in electrification of clinics and schools	–	–	–	45	90	150	–
Neighbourhood development partnership grant	–	–	50	61	123	170	49
Financial Management grant: DBSA	69	66	53	53	50	–	–
<b>Sub total indirect transfers</b>	<b>1 707</b>	<b>1 833</b>	<b>1 436</b>	<b>2 027</b>	<b>2 343</b>	<b>2 741</b>	<b>2 387</b>
<b>Total</b>	<b>15 515</b>	<b>18 515</b>	<b>27 936</b>	<b>39 154</b>	<b>44 198</b>	<b>50 392</b>	<b>58 119</b>

1. Includes main local government equitable share and RSC/JSB replacement grant

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





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

### 4.1 The 2008/09 MTEF budget process in brief

#### 4.1.1 Treasury Guidelines circular

The preparation and distribution of the *Treasury Guidelines* document marks the start of the 2008/09 MTEF budget process. This document explains the policy framework and format within which departments were required to prepare the 2008/09 MTEF budget submissions.

The 2008/09 budget process continued to focus 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). Again, as in previous budget processes, 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. This approach was building on previous years' budget reforms. The social sector departments, being Health, Education and Social Welfare and Population Development, were requested to cost the agreed national priorities which require additional funding, as well as to cost a maximum of two provincial 'Initiatives'. The other departments were requested to identify and cost a maximum of two 'Initiatives' as identified through the PSEDS mapping process and the Provincial Cabinet *Indaba*. The Public Entities were also given the opportunity to cost two 'Initiatives'. At this stage, departments were also instructed to provide for carry-through costs of the higher than anticipated wage agreement from within their baselines and that this should therefore not be included in the requests for additional funding.

#### 4.1.2 Initiative measurement criteria

The measurement tool used in prior budget processes was again used to assess requests for additional funding, and this was used as an indication of whether requests for additional funding should be supported in principle, or not. As such, each initiative was rated against the following seven criteria:

- Evidence that the initiative contributes to 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 in principle if it scored 90 per cent or more.

### 4.1.3 Allocation process

The Medium-Term Expenditure Committee (MTEC) met with most departments in November 2007 to discuss the 2008/09 MTEF Budget proposals. Table 4.1 shows a summary of all departments' original requests for additional funding over the 2008/09 MTEF. In spite of sizeable growth rates already in their baseline budgets (see Table 4.3), departments requested, in total, R6.4 billion, R8.1 billion and R9.5 billion over the 2008/09 MTEF (a total of R24 billion over the 3 years of the MTEF). Although most of the requests for additional funding were based on sound principles, the tight *fiscus* could not accommodate all of the funding requests.

With the exception of the Department of Economic Development, the Department of Housing and the Royal Household, all departments submitted requests for additional funding, with the largest coming from the Department of Education. This department requested an additional R11.4 billion over the 2008/09 MTEF to further fund a number of national priorities such as early childhood development, expansion of Grade R in public schools and expansion of inclusive education to accommodate learners with special needs, among others. Funding was also requested for some provincial priorities, namely learner transport for normal and special schools and an increased focus on developing boarding schools.

The second largest request of R7.1 billion came from the Department of Health, to fund a number of nationally determined sector priorities, such as assisting in strengthening the management of tuberculosis, emergency medical services and health information systems and telemedicine. The department also requested funding for two provincial priorities: infrastructure development and implementation of primary health care structures. The third largest request of R1.5 billion came from the Department of Social Welfare and Population Development, to cater for nationally determined sector priorities such as the implementation of the Children's Act, home and community based care and early childhood development. They also requested funding for the following provincial priorities: improvement of service delivery and sustainable livelihoods. The Office of the Premier also submitted a fairly large additional funding request of R1.1 billion over the MTEF. This request was aimed at providing funding for programmes such as the provincial 2010 co-ordination, human rights, youth commission, and the Luwamba project, among others.

**Table 4.1 Summary of additional funding requested by departments**

Department	Amounts requested R(000)			
	2008/09	2009/10	2010/11	Total
Office of The Premier	387 329	336 175	342 389	1 065 894
Provincial Legislature	67 869	47 079	48 611	163 559
Agriculture and Environmental Affairs	201 518	201 900	31 968	435 386
Economic Development	-	-	-	-
Education	2 585 488	3 860 686	4 995 892	11 442 066
Provincial Treasury	21 513	-	-	21 513
Health	1 940 161	2 441 638	2 734 672	7 116 471
Housing	-	-	-	-
Community Safety and Liaison	29 328	27 088	23 899	80 315
The Royal Household	-	-	-	-
Local Government & Traditional Affairs	300 000	130 000	120 000	550 000
Transport	381 100	239 200	189 380	809 680
Social Welfare and Population Development	259 042	467 920	775 307	1 502 269
Works	117 030	107 031	103 543	327 604
Arts, Culture and Tourism	130 141	189 330	166 311	485 782
Sport and Recreation	54 202	57 185	60 044	171 431
<b>Total</b>	<b>6 474 721</b>	<b>8 105 232</b>	<b>9 592 016</b>	<b>24 171 970</b>

In early December 2007, the Ministers' Committee on the Budget (MinComBud) meeting was convened to consider the MTEC recommendations on the initial 2008/09 MTEF Budget proposals. At this meeting, the MinComBud was presented with the provincial fiscal framework, as well as the recommendations made by the MTEC. On the revenue side, at this stage, the addition to the fiscal resource envelope was constrained to approximately R6.3 billion for the entire MTEF period, while the fiscal requirement on the expenditure side was, in this context, unaffordable at R24 billion.

Faced with this challenge, the MinComBud agreed that the province should fund the following:

- The carry-through costs of the 2007/08 Adjustments Estimate;
- The carry-through costs from the 2007/08 budget process, in instances where funding could not be allocated to the outer years of the MTEF due to the tight fiscal envelope at that stage;
- Other commitments relating specifically to an undertaking that the province had made to allocate R300 million towards the construction of the Moses Mabhida Soccer Stadium;
- The nationally determined sector priorities for Education, Health and Welfare; and
- That the balance of the funding be allocated to fund the provincial priorities that were recommended by MTEC, to the level that the remaining funding allowed.

The recommendations were endorsed by MinComBud, and were subsequently approved by Cabinet. The details of the additional allocations over the 2008/09 MTEF, per department, are provided in Table 4.4.

## 4.2. Provincial Fiscal Framework

Table 4.2 shows a summary of the provincial fiscal framework for the 2008/09 MTEF budget. The difference between the baseline allocations and the revised allocations yields the additional resource made available to the province (section 1 of the table).

The provincial equitable share allocation increases over the MTEF by R1.4 billion in 2008/09, R2.3 billion in 2009/10 and R4.2 billion in 2010/11.

The increases in the conditional grant allocations are due to the increase in a number of conditional grants over the MTEF, such as the allocations of the Infrastructure Grant to Provinces, National School Nutrition Programme, Hospital Revitalisation grant, National Tertiary Services, Integrated Housing and Human Settlements grant as well the introduction of a new conditional grant under the Department of Works for the devolution of property rates.

There was also a considerable upward revision in the provincial own receipts, which is mainly attributable to revenue estimates provided by the Office of the Premier and the Department of Transport.

Section 2 of Table 4.2 gives the new funding available for distribution which amounts to R1.5 billion, R2.4 billion and R4.3 billion over the 2008/09 MTEF.

**Table 4.2: Summary of Provincial Fiscal Framework**

(in 000 Rands)	2008/09	2009/10	2010/11
<b>1. Receipts</b>			
<b>Baseline Allocation</b>	<b>49 005 634</b>	<b>54 659 860</b>	<b>57 557 387</b>
Transfer receipts from national	47 508 414	53 065 349	55 867 205
Equitable share	41 870 497	46 697 600	49 499 456
Conditional grants	5 637 917	6 367 749	6 367 749
Provincial own receipts	1 497 220	1 594 511	1 690 182
<b>Increase / (Decrease) in allocation</b>	<b>2 095 292</b>	<b>3 395 408</b>	<b>6 459 544</b>
Transfer receipts from national	2 000 788	3 270 574	6 299 481
Equitable share	1 375 146	2 324 408	4 178 592
Conditional grants	625 642	946 166	2 120 889
Provincial own receipts	94 504	124 834	160 063
<b>Revised allocation</b>	<b>51 100 926</b>	<b>58 055 268</b>	<b>64 016 931</b>
Transfer receipts from national	49 509 202	56 335 923	62 166 686
Equitable share	43 245 643	49 022 008	53 678 048
Conditional grants	6 263 559	7 313 915	8 488 638
Provincial own receipts	1 591 724	1 719 345	1 850 245
<b>2. New funding available for distribution (excluding conditional grants)</b>	<b>1 469 650</b>	<b>2 449 242</b>	<b>4 338 655</b>
Equitable share	1 375 146	2 324 408	4 178 592
Provincial own receipts	94 504	124 834	160 063
<b>3. Less Non-discretionary Expenditure Responsibilities</b>	<b>799 544</b>	<b>1 245 360</b>	<b>2 382 727</b>
Carry-through costs of 2007/08 Adjustments Estimate	147 415	114 284	114 052
Provincial contribution to the construction of Moses Mabhida Stadium	150 000	150 000	-
Funding of national spending priorities (2007/08 priorities not catered for in outer years)	145 300	153 980	163 138
Funding of national spending priorities (2008/09 priorities)	356 829	827 096	2 105 537
<b>4. Surplus/(Deficit) [2-3]</b>	<b>670 106</b>	<b>1 203 882</b>	<b>1 955 928</b>
Add Re-allocation from baseline budgets	500 000	316 500	1 212 988
Government Employee Medical Scheme	200 000	250 000	500 000
Provincial Growth Fund	300 000	66 500	-
DubeTradePort	-	-	712 988
<b>5. Net discretionary funding available for allocation to provincial priorities</b>	<b>1 170 106</b>	<b>1 520 382</b>	<b>3 168 916</b>

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

- The carry-through costs of the 2007/08 Adjustments Estimate – this caters for the carry-through costs of any adjustments in departments' budgets in the 2007/08 Adjustments Estimate. Details of these allocations are listed in Table 4.4 below.
- The carry-through costs from the 2007/08 budget process, whereby funding could not be allocated to the outer years of the MTEF due to the tight fiscal envelope at that stage;
- Other commitments relating specifically to an undertaking that the province had made to allocate R300 million towards the construction of the Moses Mabhida Soccer Stadium;
- National spending priorities (Personnel) – in the main, the province had to fund increases in personnel related inflation adjustments across all 16 departments, following the higher than budgeted wage agreement. Education, Health, and Social Welfare personnel budgets were increased, over and above inflation adjustments, partly due to the impact of the new Occupation Specific Dispensation. 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 the Education sector; and
- National spending priorities (Other) – In the social sector, the national sector priorities were funded at higher levels than was recommended by National Treasury. In Education, the priorities funded were early childhood development, the provision of a full set of text books for Grades 10 – 12, the expansion of Grade R in public schools and the expansion of inclusive education to accommodate learners with special needs. In Health, the priorities funded were strengthening the management of tuberculosis and especially MDR/ XDR, as well as a general health baseline adjustment. In Social Welfare, the priorities funded were the expansion of early childhood development, expansion of

home and community based care, the expansion of services provided for children in conflict with the law and developing monitoring and evaluation capacity for welfare services.

As can be seen from Section 4 of Table 4.2, after taking into account the above non-discretionary expenditure responsibilities, the province was left with a surplus of R670 million in 2008/09, R1.2 billion in 2009/10 and R2 billion in 2010/11. To augment the fiscal resource envelope, the province decided to re-allocate some funding away from historically low-spending programmes back into the fiscal framework for further re-allocation. This can be seen in Section 4 of Table 4.2 which indicates that R950 million was taken from the Government Employees Medical Scheme (GEMS) and added into the provincial *fiscus* over the MTEF, R366.5 million from the Growth Fund and R712.9 million in the outer year from the Dube TradePort due to revised cashflow projections of the project.

After taking these internal re-allocations into account, the net discretionary funding available for allocation to provincial priorities increases to R1.2 billion in 2008/09, R1.5 billion in 2009/10 and R3.2 billion in 2010/11. These allocations are shown in Table 4.4 below.

### 4.3 Summary of additional allocation for the 2008/09 MTEF

#### 4.3.1 Existing growth in the 2007/08 MTEF baseline allocation

Table 4.3 shows the departmental baseline budgets for the 2007/08 MTEF period, before any additional allocations were made. This serves as an important reminder that departments' baseline budgets for the 2007/08 MTEF already include positive rates of growth, although this may differ in terms of the levels.

**Table 4.3: Existing growth rates in 2007/08 MTEF baseline budgets**

Programme R(000)	Main Budget 2007/08	Medium-Term Baseline Budgets			Ann. % gr 07/08-10/11
		2008/09	2009/10	2010/11	
1. Office of the Premier	342 659	372 530	400 438	424 464	7.4
2. Provincial Legislature	178 081	185 638	199 518	211 489	5.9
3. Agriculture & Environmental Affairs	1 507 802	1 628 446	1 892 633	2 006 191	10.0
4. Economic Development	1 394 441	2 792 213	3 174 003	3 364 443	34.1
5. Education	18 576 821	20 384 512	22 533 275	23 885 272	8.7
6. Provincial Treasury	649 493	827 507	883 120	936 107	13.0
Operation budget	288 207	303 081	327 318	346 957	6.4
Growth and Development (incl. GEMS)	361 286	524 426	555 802	589 150	17.7
7. Health	13 412 815	14 363 759	15 779 591	16 726 366	7.6
8. Housing	1 520 850	1 796 788	2 096 708	2 222 510	13.5
9. Community Safety & Liaison	78 800	98 532	123 111	130 498	18.3
10. The Royal Household	36 479	39 032	41 959	44 477	6.8
11. Local Government & Traditional Affairs	768 070	935 834	1 096 854	1 162 665	14.8
12. Transport	3 119 867	3 574 261	4 224 194	4 477 646	12.8
13. Social Welfare and Population Development	1 000 360	1 005 331	1 095 731	1 161 475	5.1
14. Works	479 419	512 494	550 915	583 970	6.8
15. Arts, Culture & Tourism	287 394	313 838	347 070	367 894	8.6
16. Sport and Recreation	161 177	174 919	220 740	233 984	13.2
<b>Total</b>	<b>43 514 528</b>	<b>49 005 634</b>	<b>54 659 860</b>	<b>57 939 451</b>	<b>10.0</b>

#### 4.3.2 Summary of additional allocations

The additional allocations to departments and their respective purposes are summarised in Table 4.4 below.

The reader is reminded that the funding in the fiscal envelope during the 2007/08 budget process was insufficient to fully fund the national priorities over the full MTEF. An undertaking was given to the respective departments, at that stage, that the carry-through costs of these priorities would be provided during the 2008/09 budget process. As such, Table 4.4 also contains the allocation of funding, for the *2007/08 MTEF not catered for in outer years*.

As can be seen in Table 4.4, all departments receive an additional allocation for the Government Employees Medical Scheme (GEMS) and a personnel inflation adjustment. The GEMS funding was previously housed under Vote 6: Provincial Treasury, but, after careful consideration, a decision was taken to distribute the funds to all the provincial departments for addition to their baselines, to absorb any pressures which may arise from the uptake of GEMS in the future. The personnel inflation adjustment is provided to accommodate the increase in personnel related inflation adjustments.

Most departments also reflect an additional banking and tax function allocation which resulted from this function being shifted from the Provincial Treasury to the respective departments, when the banking and tax function was decentralised. A short description of the purpose of the main additional allocations made to departments, over and above the carry-through costs of the 2007/08 Adjustments Estimate, the GEMS re-distribution, the personnel inflation adjustment and the banking and tax function shift, is provided below.

The Office of the Premier was allocated additional funding for the co-ordination of the implementation of the 2010 Soccer World Cup provincial strategy. Additional funding was also allocated to the Youth Commission, to profile the Youth Commission, promote economic participation, build capacity, institutionalise youth development and undertake nation building projects.

The Provincial Legislature was allocated additional funding to cater for spending pressures in respect of the 'Taking Legislature to the People' programme, and specifically the public participation aspect thereof which aims to facilitate public access to legislative processes, by assisting members of the public to reach centres where hearings are being held.

The Department of Agriculture and Environmental Affairs was allocated additional funding for the Unlocking Makhathini Flats project which aims to develop this area, and a comprehensive Makhathini Development Plan has been completed in this regard. Funding was also allocated to the public entity *Ezemvelo* KZN Wildlife for roads and fencing, in preparation for the influx of visitors in 2010.

Additional funding was given to the Department of Economic Development for a skills development initiative, in conjunction with the Department of Science and Technology, to address the shortage of science, engineering and maths skills in the province. Funding was also provided for the rejuvenation of trading centres in townships, to facilitate commercial activities in these areas. The department was also allocated funding for the provision of fan parks relating to the Confederation Cup and the 2010 Soccer World Cup. Finally, the cashflow requirement of the Dube Trade Port has changed to the extent that greater cash requirements are necessary in the 2008/09 and 2009/10 financial years, while the outer year sees a reduction in budgetary requirement. As such, the budget is added to in the first two years of the MTEF, but is reduced in the outer year.

A large proportion of the additional funding was allocated to the Department of Education. The following national priorities were funded:

- *Teacher Development, Learner Transport for Special Schools and Systemic Evaluation* – these three were national priorities for which additional funding was provided in the 2007/08 budget process.

As mentioned above, the fiscal framework at the time did not allow for the carry-through costs to be funded;

- *Education Personnel* – An additional amount was provided for the implementation of the Occupational Specific Dispensation;
- *Early Childhood Development (0-4)* – The amounts allocated towards this priority are part of an integrated bid with the National Department of Social Development. The Department of Education's portion relates to the training of practitioners, cooks and gardeners and the paying of stipends to them while they are being trained;
- *Textbooks for Grade 10-12* – This funding is towards a new set of text books for the New Curriculum Statement (NCS), which is being implemented for Grade 12 for the first time in 2008;
- *Expansion of Grade R* – This additional funding is made available to support the universal enrolment of quality Grade R by 2010. A need was identified to increase the access to Grade R, as well as to improve quality through increased resources such as personnel, training, infrastructure and planning and implementation; and
- *Expansion of Inclusive Education (learners with disabilities)* – the funding will be utilised to provide support to learners with disabilities and those experiencing barriers to learning. It is planned to accommodate learners with special needs in full service public ordinary schools by providing additional personnel, infrastructure and operational funding. The schools will therefore be able to provide specific capital improvements to meet the criteria of all-inclusive schools, additional training will be provided to staff and additional support will be provided through specialist district-based support teams. In addition, funds are allocated for the building of new schools for learners with disabilities.
- *Provincial Priorities (FET Colleges, FET Training, Learner Transport, Senior Certificate Failure Rate)* – In addition to the national priorities discussed above, the department was also allocated additional funding for a number of provincial priorities, as listed below:
  - *FET Colleges* – The department will continue its support to learners enrolled in respect of National Department of Education (NATED) Programmes and the concurrent phasing in of National Certificate (Vocational) (NC(V)) courses;
  - *FET Training* – The FET colleges will run various short courses to address the skills gap for the 2010 Soccer World Cup and beyond. As training will be largely subsidised, deserving learners will be recruited from 2007 matriculants and unemployed members of the public;
  - *Learner Transport* – Funding has been allocated to the department to increase access to education by providing learner transport;
  - *Boarding Schools* – The department received funds towards the rehabilitation and upgrade of historically disadvantaged boarding schools, in line with the strategy to increase access by consolidating small, non-viable and rural schools; and
  - *Senior Certificate Failure Rate* – Funding has been allocated to the department to assist with the costs relating to the 2007 matric failure rate and the 3-year plan to assist the matriculants to re-write their matric exams under the old curriculum.

The Provincial Treasury received additional funding to strengthen the research capacity for policy development. This will initially be used to conduct a province-wide sector review of the education system. The findings of this research should help the province to develop a set of targeted policy interventions that will enhance the output of the sector. Funding was also allocated to strengthen support to the municipalities, and to the Internal Audit Improvement Plan which aims at expanding its scope to include performance audits, information technology and systems audits, internal audit services to

municipalities in line with the MFMA, workshops and training in the implementation of a risk management framework for the province for the development of risk strategies. Funding was also provided towards the construction of the Moses Mabhida Soccer stadium.

The Department of Health received additional funding for the emergency medical services, modernisation of tertiary services, infrastructure development and the implementation of primary health care structures, as well as for national priorities. The purpose for the additional funding towards the national priorities is as follows:

- *Provincial Health Baseline Adjustment* – This additional amount was provided for as a general health baseline adjustment to assist in funding pressures arising from the high medical inflation rate and the OSD; and
- *Tuberculosis MDR/XDR* – This allocation will mainly be used to strengthen the province's management of TB cases, focusing on those areas highly affected by the disease. Part of this focus is to ensure that the number of cases that progress towards MDR/XDR are reduced. The additional funding will assist in obtaining the additional beds required for the patients to ensure isolation during their six month stay in hospital. The strengthening of case management will also assist in providing nutritional support to patients while on treatment. The overall aim is to reduce the default rate of patients on treatment and increase the cure rate.

The Department of Community Safety and Liaison received dedicated additional funding to further expand the voluntary crime prevention corps, for which additional funding was already provided over the 2007/08 MTEF. The intention is to enhance the province's capacity to prevent and address crime.

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 additional funding to the Department of Transport is for the upgrade of the John Ross Highway to support the growth of the Richards Bay Industrial Development Zone, for the upgrade and construction of roads required for the King Shaka International Airport and the Dube TradePort, and for access to community facilities via the construction of pedestrian bridges.

The Department of Social Welfare and Population Development was provided with additional funding for the carry-through costs of the national priorities which were not fully funded during the 2007/08 budget process. These are employment of social auxiliary workers, scholarship for social workers and substance abuse. The department was also provided with further funding for sector specific national priorities which include the implementation of OSD in the welfare sector, expansion of early childhood development, expansion of community and home based care, developing monitoring and evaluation capacity for welfare services and expansion of services to children in conflict with the law.

The Department of Arts, Culture and Tourism received additional funding for a number of initiatives, including infrastructure investments, funding the capital requirements of the Natal Sharks Board, strengthening of community owned business projects within the arts fraternity, contribution to the hosting of the Tourism *Indaba* by the province, the financing of 2010-linked arts and culture projects and financial assistance to the Philharmonic Orchestra in its endeavour to accommodate the previously disadvantaged groups in this form of art.



In line with the spirit of the 2010 Soccer World Cup, the Department of Sport and Recreation was allocated additional funding to augment sport and recreation programmes and to finance the construction of sports facilities in under-privileged areas.

**Table 4.4: Summary of additional allocations, 2008/09 MTEF**

	2008/09	2009/10	2010/11	2008/09	2009/10	2010/11
	R000			Percentage share		
<b>Vote 1: Office of The Premier</b>	<b>25 272</b>	<b>52 355</b>	<b>40 147</b>	<b>1.7</b>	<b>2.1</b>	<b>0.9</b>
Carry through of 2007/08 Adjustments Estimate	21 200	22 471	23 820	1.4	0.9	0.5
<i>Izimbizo provincial co-ordination</i>	3 180	3 370	3 573	0.2	0.1	0.1
<i>Human Rights</i>	12 720	13 483	14 292	0.9	0.6	0.3
<i>Youth Commission</i>	5 300	5 618	5 955	0.4	0.2	0.1
2010 Provincial Strategy		25 000	10 000	-	1.0	0.2
Personnel inflation adjustment	971	1 608	1 949	0.1	0.1	0.0
Government Employee Medical Scheme	763	897	1 860	0.1	0.0	0.0
Youth Commission	2 182	2 217	2 350	0.1	0.1	0.1
Banking and Tax function transferred from Provincial Treasury	156	162	168	0.0	0.0	0.0
<b>Vote 2: Provincial Legislature</b>	<b>23 070</b>	<b>22 223</b>	<b>23 789</b>	<b>1.6</b>	<b>0.9</b>	<b>0.5</b>
Carry through of 2007/08 Adjustments Estimate:	17 833	16 252	17 228	1.2	0.7	0.4
<i>Feasibility study for legislature complex</i>	2 500	-	-	0.2	-	-
<i>Increase in constituency allowance</i>	15 333	16 252	17 228	1.0	0.7	0.4
Public Participation	4 180	4 348	4 522	0.3	0.2	0.1
Personnel inflation adjustment	789	1 332	1 627	0.1	0.1	0.0
Government Employee Medical Scheme	90	106	220	0.0	0.0	0.0
Banking and Tax function transferred from Provincial Treasury	178	185	192	0.0	0.0	0.0
<b>Vote 3: Agriculture and Environmental Affairs</b>	<b>20 848</b>	<b>55 460</b>	<b>124 543</b>	<b>1.4</b>	<b>2.3</b>	<b>2.9</b>
Banking and Tax function transferred from Provincial Treasury	140	145	150	0.0	0.0	0.0
Personnel inflation adjustment	5 043	8 654	10 572	0.3	0.4	0.2
Government Employee Medical Scheme	5 665	6 661	13 821	0.4	0.3	0.3
Unlocking Makhathini Flats	-	40 000	100 000	-	1.6	2.3
Ezemvelo KZN Wildlife - Roads & Fencing	10 000	-	-	0.7	-	-
<b>Vote 4: Economic Development</b>	<b>(145 695)</b>	<b>199 242</b>	<b>(617 416)</b>	<b>(9.9)</b>	<b>8.1</b>	<b>(14.2)</b>
Personnel inflation adjustment	734	1 216	1 471	0.0	0.0	0.0
Government Employee Medical Scheme	329	386	802	0.0	0.0	0.0
Skills development initiative together with Dept. of Science & Technology	4 156	2 965	3 299	0.3	0.1	0.1
Reduction in Growth Fund	(300 000)	(66 500)	-	(20.4)	(2.7)	-
Dube TradePort	119 086	196 175	(712 988)	8.1	8.0	(16.4)
Rejuvenation of Trading Centres in townships	15 000	45 000	90 000	1.0	1.8	2.1
Fan Parks	15 000	20 000	-	1.0	0.8	-
<b>Vote 5: Education</b>	<b>808 472</b>	<b>1 058 719</b>	<b>1 943 853</b>	<b>55.0</b>	<b>43.2</b>	<b>44.8</b>
Banking and Tax function transferred from Provincial Treasury	1 319	1 370	1 420	0.1	0.1	0.0
Personnel inflation adjustment	139 283	245 412	301 572	9.5	10.0	7.0
Government Employee Medical Scheme	172 816	203 203	421 627	11.8	8.3	9.7
Carry through of 2007/08 Adj. Estimate - OSD additional cost	60 705	64 043	67 245	4.1	2.6	1.5
Boarding Schools	12 000	24 000	26 000	0.8	1.0	0.6
FET Colleges	174 000	-	-	11.8	-	-
FET Training 2010	18 000	21 000	-	1.2	0.9	-
Learner Transport	49 000	87 000	139 940	3.3	3.6	3.2
Senior Certificate Failure Rate - 2007	30 000	26 000	-	2.0	1.1	-
National Priorities (2007/08 MTEF not catered for in outer years)	59 360	62 921	66 696	4.0	2.6	1.5
<i>Teacher Development</i>	16 960	17 977	19 056	1.2	0.7	0.4
<i>Learner Transport for Special Schools</i>	21 200	22 472	23 820	1.4	0.9	0.5
<i>Systemic Evaluation</i>	21 200	22 472	23 820	1.4	0.9	0.5
National Priorities (2008/09 MTEF)	91 989	323 770	919 353	6.3	13.2	21.2
<i>Education Personnel</i>	-	86 791	260 806	-	3.5	6.0
<i>Early Childhood Development (0-4)</i>	21 662	32 547	97 802	1.5	1.3	2.3
<i>Textbooks for Grades 10-12 to support the NCS</i>	30 327	43 396	54 335	2.1	1.8	1.3
<i>Expansion of Grade R</i>	-	97 640	282 540	-	4.0	6.5
<i>Expansion of Inclusive Education (learners with disabilities)</i>	40 000	63 396	223 870	2.7	2.6	5.2
<b>Vote 6: Provincial Treasury</b>	<b>(305 435)</b>	<b>(387 854)</b>	<b>(573 386)</b>	<b>(20.8)</b>	<b>(15.8)</b>	<b>(13.2)</b>
Operational budget	41 314	6 430	10 005	2.8	0.3	0.2
<i>Carry-through costs of 2007/08 Adjustments Estimate - Biometric Access</i>	26 000	-	-	1.8	-	-
<i>Personnel inflation adjustment</i>	1 007	1 670	2 033	0.1	0.1	0.0
<i>Government Employee Medical Scheme</i>	695	818	1 696	0.0	0.0	0.0
<i>Strengthen research capacity for policy development</i>	2 000	2 500	3 000	0.1	0.1	0.1
<i>Internal Audit Improvement Plan</i>	6 000	-	-	0.4	-	-
<i>Municipal Support</i>	10 000	6 000	8 000	0.7	0.2	0.2
<i>Decrease i.r.o the decentralisation of Tax and Banking function</i>	(4 388)	(4 558)	(4 724)	(0.3)	(0.2)	(0.1)
Growth and Development	(346 749)	(394 284)	(583 391)	(23.6)	(16.1)	(13.4)
<i>Ifihle Training Academy</i>	14 977	11 518	5 759	1.0	0.5	0.1
<i>Feasibility Study for Government Precinct</i>	6 700	-	-	0.5	-	-
<i>Government Employee Medical Scheme</i>	(518 426)	(555 802)	(589 150)	(35.3)	(22.7)	(13.6)
<i>2010 Soccer Stadium (Provincial Contribution)</i>	150 000	150 000	-	10.2	6.1	-

Table 4.4: Summary of additional allocations, 2008/09 MTEF (cont.)

	2008/09	2009/10	2010/11	2008/09	2009/10	2010/11
	R000			Percentage share		
<b>Vote 7: Health</b>	<b>492 362</b>	<b>755 420</b>	<b>2 370 516</b>	<b>33.5</b>	<b>30.8</b>	<b>54.6</b>
Banking and Tax function transferred from Provincial Treasury	1 621	1 685	1 748	0.1	0.1	0.0
Personnel inflation adjustment	72 562	124 382	160 786	4.9	5.1	3.7
Government Employee Medical Scheme	129 722	152 532	316 490	8.8	6.2	7.3
Emergency Medical Services	-	-	60 000	-	-	1.4
Modernisation of Tertiary Services	-	-	150 000	-	-	3.5
Infrastructure development	-	-	282 000	-	-	6.5
Implementation of Primary Health Care Structures	-	-	410 000	-	-	9.4
National priorities	288 457	476 821	989 492	19.6	19.5	22.8
<i>Additional posts for health personnel (carry-through of 2007/08 allocation)</i>	21 200	22 472	23 820	1.4	0.9	0.5
<i>Tuberculosis - MDR/XDR</i>	74 155	97 640	242 597	5.0	4.0	5.6
<i>Provincial Health Baseline Adjustment</i>	193 102	356 709	723 075	13.1	14.6	16.7
<b>Vote 8: Housing</b>	<b>2 905</b>	<b>4 073</b>	<b>6 641</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>
Personnel inflation adjustment	1 235	2 110	2 567	0.1	0.1	0.1
Government Employee Medical Scheme	1 670	1 963	4 074	0.1	0.1	0.1
<b>Vote 9: Community Safety and Liaison</b>	<b>5 490</b>	<b>10 697</b>	<b>16 104</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>
Deployment of voluntary corps	5 000	10 000	15 000	0.3	0.4	0.3
Personnel inflation adjustment	236	398	485	0.0	0.0	0.0
Government Employee Medical Scheme	254	299	619	0.0	0.0	0.0
<b>Vote 10: The Royal Household</b>	<b>324</b>	<b>441</b>	<b>725</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Personnel inflation adjustment	135	219	265	0.0	0.0	0.0
Government Employee Medical Scheme	189	222	460	0.0	0.0	0.0
<b>Vote 11: LGTA</b>	<b>91 982</b>	<b>34 682</b>	<b>105 657</b>	<b>6.3</b>	<b>1.4</b>	<b>2.4</b>
Banking and Tax function transferred from Provincial Treasury	205	213	221	0.0	0.0	0.0
Personnel inflation adjustment	2 911	4 923	6 004	0.2	0.2	0.1
Government Employee Medical Scheme	3 866	4 546	9 432	0.3	0.2	0.2
Rehabilitation of small towns	-	15 000	50 000	-	0.6	1.2
Massification of water, sanitation and electrification	85 000	10 000	40 000	5.8	0.4	0.9
<b>Vote 12: Transport</b>	<b>167 741</b>	<b>293 091</b>	<b>258 416</b>	<b>11.4</b>	<b>12.0</b>	<b>6.0</b>
John Ross Highway	60 000	114 100	66 000	4.1	4.7	1.5
Construction & upgrading supporting road network to KSIA and DTP	82 000	137 200	57 000	5.6	5.6	1.3
Access to community facilities	10 000	20 000	75 000	0.7	0.8	1.7
Pedestrian bridges	-	-	25 000	-	-	0.6
Personnel inflation adjustment	6 540	11 007	13 320	0.4	0.4	0.3
Government Employee Medical Scheme	8 943	10 516	21 819	0.6	0.4	0.5
Banking and Tax function transferred from Provincial Treasury	258	268	277	0.0	0.0	0.0
<b>Vote 13: Social Welfare &amp; Population Development</b>	<b>192 782</b>	<b>268 489</b>	<b>489 500</b>	<b>13.1</b>	<b>11.0</b>	<b>11.3</b>
Banking and Tax function transferred from Provincial Treasury	290	301	312	0.0	0.0	0.0
Personnel inflation adjustment	3 670	6 409	8 231	0.2	0.3	0.2
Government Employee Medical Scheme	6 966	8 191	16 995	0.5	0.3	0.4
National Priorities (2007/08 MTEF not allocated in outer years)	57 240	60 674	64 314	3.9	2.5	1.5
<i>Employment of Social Auxiliary Workers</i>	25 440	26 966	28 584	1.7	1.1	0.7
<i>Scholarship for Social Workers</i>	10 600	11 236	11 910	0.7	0.5	0.3
<i>Substance abuse</i>	21 200	22 472	23 820	1.4	0.9	0.5
National Priorities (2008/09 MTEF)	124 616	192 914	399 648	8.5	7.9	9.2
<i>Implementing OSD</i>	40 075	45 566	47 814	2.7	1.9	1.1
<i>Expansion of Early Childhood Development</i>	32 493	65 094	195 604	2.2	2.7	4.5
<i>Expansion of Home and Community Based Care</i>	21 662	32 547	65 201	1.5	1.3	1.5
<i>Developing Monitoring and Evaluation Capacity for Welfare Services</i>	9 332	13 009	16 694	0.6	0.5	0.4
<i>Expansion of services to "Children in Conflict With the Law"</i>	21 054	36 698	74 335	1.4	1.5	1.7
<b>Vote 14: Works</b>	<b>9 747</b>	<b>12 735</b>	<b>22 458</b>	<b>0.7</b>	<b>0.5</b>	<b>0.5</b>
Banking and Tax function transferred from Provincial Treasury	125	130	134	0.0	0.0	0.0
Personnel inflation adjustment	2 656	4 414	5 328	0.2	0.2	0.1
Government Employee Medical Scheme	6 966	8 191	16 996	0.5	0.3	0.4
<b>Vote 15: Arts &amp; Culture</b>	<b>41 422</b>	<b>26 547</b>	<b>79 542</b>	<b>2.8</b>	<b>1.1</b>	<b>1.8</b>
Tourism mentorship and adopt a guest	1 500	1 800	1 700	0.1	0.1	0.0
Improvement of hospitality and tour operators	430	470	600	0.0	0.0	0.0
Community owned business projects	4 450	3 922	4 157	0.3	0.2	0.1
TKZN - Tour of SA Cycling	2 000	2 000	2 000	0.1	0.1	0.0
TKZN - Tourism Indaba	2 850	4 560	-	0.2	0.2	-
Philharmonic Orchestra	2 000	2 500	3 000	0.1	0.1	0.1
Infrastructure investment	19 297	-	56 943	1.3	-	1.3
2010 Build-up projects	3 833	4 062	3 604	0.3	0.2	0.1
Natal Sharks Board - Funding of capital requirements	3 381	4 915	3 853	0.2	0.2	0.1
Personnel inflation adjustment	716	1 197	1 463	0.0	0.0	0.0
Government Employee Medical Scheme	869	1 022	2 120	0.1	0.0	0.0
Banking and Tax function transferred from Provincial Treasury	96	99	102	0.0	0.0	0.0
<b>Vote 16: Sport &amp; Recreation</b>	<b>38 363</b>	<b>42 922</b>	<b>47 566</b>	<b>2.6</b>	<b>1.8</b>	<b>1.1</b>
Carry-through costs of 2007/08 MTEF - District Offices (Admin Costs)	7 500	7 913	8 308	0.5	0.3	0.2
Personnel	12 278	12 954	13 602	0.8	0.5	0.3
Personnel inflation adjustment	599	1 083	1 294	0.0	0.0	0.0
Government Employee Medical Scheme	386	454	943	0.0	0.0	0.0
Sport and recreation programmes	10 000	12 500	15 000	0.7	0.5	0.3
Sport facilities	7 600	8 018	8 419	0.5	0.3	0.2
<b>Total</b>	<b>1 469 650</b>	<b>2 449 242</b>	<b>4 338 655</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Table 4.5 shows the revised budgets of departments for the 2008/09 MTEF period, after taking into account all of the adjustments to the baseline allocations mentioned above. The overall provincial budget grows by 17.4 per cent in 2008/09 over the 2007/08 main budget, translating to a significant growth rate of more than 10 per cent in real terms.

The net negative growth rate in Provincial Treasury over the 2008/09 MTEF relates to the decision to distribute the GEMS funding, which was housed under Vote 6, to all the provincial departments to cover the costs of any increased GEMS uptake which may occur in future. The growth rate in the Department of Economic Development relates to additional funding allocated to the department in 2008/09 and 2009/10 for the Dube TradePort, and a reduction in this budget in the outer year is due to revised cashflow projections relating to this project. Other than that, all departments' budgets are growing above the projected inflation rate in 2008/09.

**Table 4.5: Summary of Revised Budgets by departments, 2008/09 MTEF**

R000	Main Budget	Medium-term estimates (R000)				Annual percentage growth		
	2007/08	2008/09	2009/10	2010/11	2008/09	2009/10	2010/11	
1. Premier	342 659	397 802	452 793	464 612	16.1	13.8	2.6	
2. Provincial Parliament	178 081	208 708	221 741	235 278	17.2	6.2	6.1	
3. Agriculture and Environmental Affairs	1 507 802	1 665 752	1 972 785	2 171 887	10.5	18.4	10.1	
4. Economic Development	1 394 441	2 646 518	3 373 245	2 747 027	89.8	27.5	(18.6)	
5. Education	18 576 821	21 389 127	23 914 043	26 420 070	15.1	11.8	10.5	
6. Provincial Treasury	649 493	522 072	495 266	362 721	(19.6)	(5.1)	(26.8)	
Operation budget	278 207	333 795	317 648	339 874	20.0	(4.8)	7.0	
Growth & development	371 286	188 277	177 618	22 847	(49.3)	(5.7)	(87.1)	
7. Health	13 412 815	15 042 826	16 843 770	19 523 923	12.2	12.0	15.9	
8. Housing	1 520 850	1 799 693	2 137 881	2 617 256	18.3	18.8	22.4	
9. Community Safety and Liaison	78 800	104 022	133 808	146 602	32.0	28.6	9.6	
10. The Royal Household	36 479	39 356	42 400	45 202	7.9	7.7	6.6	
11. Local Government and Traditional Affairs	768 070	1 027 816	1 131 536	1 268 322	33.8	10.1	12.1	
12. Transport	3 119 867	3 755 282	4 533 179	4 764 172	20.4	20.7	5.1	
13. Social Welfare and Population Development	1 000 360	1 198 113	1 364 220	1 650 975	19.8	13.9	21.0	
14. Works	479 419	733 087	799 914	866 319	52.9	9.1	8.3	
15. Arts, Culture and Tourism	287 394	355 260	371 648	447 436	23.6	4.6	20.4	
16. Sport and Recreation	161 177	215 492	267 039	285 129	33.7	23.9	6.8	
Total	43 514 528	51 100 926	58 055 268	64 016 931	17.4	13.6	10.3	



## 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 2004/05 to 2006/07 is based on audited receipts and payments, while the 2007/08 figures provide an estimated actual position as at the end of December 2007. The 2008/09 to 2010/11 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 of 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 Budget Statement 1.

**Table 5.1: Provincial budget summary**

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited	Audited	Audited						
	2004/05	2005/06	2006/07				2007/08	2008/09	2009/10
Provincial receipts									
Transfer receipts from national	26 504 481	31 832 888	36 032 918	42 091 387	42 677 360	42 677 360	49 509 202	56 335 923	62 166 686
Equitable share	23 599 748	28 398 760	32 052 488	37 067 018	37 424 754	37 424 754	43 245 643	49 022 008	53 678 048
Conditional grants	2 904 733	3 434 128	3 980 430	5 024 369	5 252 606	5 252 606	6 263 559	7 313 915	8 488 638
Provincial own receipts	1 169 452	1 227 267	1 446 417	1 423 141	1 423 141	1 536 819	1 591 724	1 719 345	1 850 245
Total provincial receipts	27 673 933	33 060 155	37 479 335	43 514 528	44 100 501	44 214 179	51 100 926	58 055 268	64 016 931
Provincial payment*									
Current payments	23 248 618	26 813 012	29 396 366	33 867 720	34 235 421	34 794 788	38 369 765	43 063 949	47 717 373
Transfers and subsidies	2 411 822	3 127 861	4 052 105	5 090 824	5 378 832	5 398 131	7 210 990	8 120 565	8 036 959
Payments for capital assets	2 354 035	3 366 206	3 432 926	4 555 984	4 923 743	4 758 408	5 520 171	6 870 754	8 262 599
Unallocated contingency reserve									
Total provincial payments	28 014 475	33 307 079	36 881 397	43 514 528	44 537 996	44 951 327	51 100 926	58 055 268	64 016 931
Lending									
Surplus/(deficit) before financing	(340 542)	(246 924)	597 938	-	(437 495)	(737 148)	-	-	-
Financing	498 402	452 618	122 485	-	437 495	437 495	-	-	-
Provincial roll-overs	305 385	351 061	112 485	-	160 637	160 637	-	-	-
Provincial cash resources**	193 017	101 557	-	-	276 858	276 858	-	-	-
Suspension to ensuing year	-	-	10 000	-	-	-	-	-	-
Surplus/(deficit) after financing	157 860	205 694	720 423	-	-	(299 653)	-	-	-

\* Estimated actual expenditure for 2007/08 is as at 31 December 2007

\*\* The provincial cash resources for Estimated Actual for 2007/08 excludes over-collection in provincial own revenue for 2007/08.

In aggregate, the province recorded a deficit before financing for 2004/05 and 2005/06 and a surplus in 2006/07. The estimated actual for 2007/08 also reflects an estimated deficit of R737 million. However, after taking into account roll-overs and other provincial cash resources, the province showed a surplus of R158 million in 2004/05, rising to R720 million in 2006/07. The surplus at the end of one financial year is re-allocated in the ensuing financial year to fund roll-overs and other spending pressures.

The projected deficit after financing of R300 million for the 2007/08 financial year is largely due to the spending pressures under Vote 7: Health, which the department is attributing to the higher than budgeted occupation specific dispensation (OSD) and increased demand for services, particularly regarding the roll-out of the anti-retroviral treatment. A further contributing factor to the projected deficit is that the projected expenditure by the Department of Education includes the estimated cost of the OSD for educators, although this dispensation has not yet been finalised. Furthermore, the department had not included the projected recovery of salaries as a result of implementing the 'no work no pay' policy. It is thus likely that the projected over-expenditure on compensation by the department will not materialise in the current financial year. Nevertheless, any surplus/(deficit) that may arise from the 2007/08 financial year will be taken into account when the province prepares its Adjustments Estimate for the 2008/09 financial year.

The total provincial payments equal total provincial receipts over the 2008/09 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 projects during subsequent financial years.

## 6. RECEIPTS

### 6.1 Overall position

Table 6.1 below shows the actual and projected total revenue for the 2008/09 MTEF period. National transfers to the province, which comprise equitable share funding and conditional grants, make up 96.9 per cent of provincial revenue for the 2008/09 financial year. Provincial own receipts make up the balance of the total provincial funding.

**Table 6.1: Analysis of total receipts**

	Outcome			Adjusted Budget 2007/08	Medium-term estimates			Average annual growth	
	Audited	Audited	Audited					2004/05 -	2007/08 -
	2004/05	2005/06	2006/07		2008/09	2009/10	2010/11	2007/08	2010/11
<b>In Rand (000)</b>									
Transfers from national	26 504 481	31 832 888	36 032 918	42 677 360	49 509 202	56 335 923	62 166 686		
Equitable share	23 599 748	28 398 760	32 052 488	37 424 754	43 245 643	49 022 008	53 678 048		
Conditional grants	2 904 733	3 434 128	3 980 430	5 252 606	6 263 559	7 313 915	8 488 638		
Own Revenue	1 169 452	1 227 267	1 446 417	1 423 141	1 591 724	1 719 345	1 850 245		
<b>Total</b>	<b>27 673 933</b>	<b>33 060 155</b>	<b>37 479 335</b>	<b>44 100 501</b>	<b>51 100 926</b>	<b>58 055 268</b>	<b>64 016 931</b>		
<b>% of total revenue</b>									
Transfers from national	95.8	96.3	96.1	96.8	96.9	97.0	97.1		
Equitable share	85.3	85.9	85.5	84.9	84.6	84.4	83.8		
Conditional grants	10.5	10.4	10.6	11.9	12.3	12.6	13.3		
Own Revenue	4.2	3.7	3.9	3.2	3.1	3.0	2.9		
<b>Nominal growth (%)</b>									
Transfers from national		20.1	13.2	18.4	16.0	13.8	10.3	17.2	13.4
Equitable share		20.3	12.9	16.8	15.6	13.4	9.5	16.6	12.8
Conditional grants		18.2	15.9	32.0	19.2	16.8	16.1	21.8	17.4
Own Revenue		4.9	17.9	(1.6)	11.8	8.0	7.6	6.8	9.1
<b>Total</b>		<b>19.5</b>	<b>13.4</b>	<b>17.7</b>	<b>15.9</b>	<b>13.6</b>	<b>10.3</b>	<b>16.8</b>	<b>13.2</b>
<b>Real growth (%)</b>									
Transfers from national		15.3	8.0	10.3	9.2	8.6	5.4	11.2	7.7
Equitable share		15.6	7.6	8.8	8.8	8.2	4.6	10.6	7.2
Conditional grants		13.5	10.5	22.9	12.3	11.5	10.9	15.5	11.5
Own Revenue		0.8	12.4	(8.4)	5.3	3.1	2.8	1.3	3.7
<b>Total</b>		<b>14.7</b>	<b>8.1</b>	<b>9.6</b>	<b>9.1</b>	<b>8.5</b>	<b>5.3</b>	<b>10.8</b>	<b>7.6</b>

In the 2008/09 MTEF, the total provincial revenue is R51.1 billion, R58.1 billion and R64 billion respectively. The largest share of national transfers to the provincial government is the equitable share, which is R43.2 billion in 2008/09, R49 billion in 2009/10 and R53.7 billion in 2010/11. Conditional grant funding provides a further R6.3 billion, R7.3 billion and R8.5 billion in the three years of the MTEF.

The balance of the total revenue comes from provincial own source revenue, which forms a small proportion of total provincial revenue. There is a gradual decline in the share of total own revenue, due to national transfers increasing at a faster rate than own revenue. Despite this, own revenue is 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 2004/05 to 2010/11. In real terms, total provincial revenue is set to increase over the 2008/09 MTEF by 7.6 per cent, which is lower than that of the 2007/08 MTEF, which was 10.8 per cent. The share of national transfers increases from 95.8 per cent in 2004/05 to 96.8 per cent in 2007/08, and continues to rise over the 2008/09 MTEF period to 97.1 per cent in 2010/11. Provincial own revenue illustrates the opposite trend, decreasing from 4.2 per cent in 2004/05 to 2.9 per cent in 2010/11.

In 2007/08, provincial own revenue is projected to yield R1.4 billion, rising to R1.9 billion in 2010/11. In nominal terms, own revenue increased by an annual average of 6.8 per cent from 2004/05 to 2007/08. Over the 2008/09 MTEF, this annual average nominal growth is expected to increase by 9.1 per cent. This is largely due to the on-going effects of the revenue enhancement strategies implemented in 2004/05. In real terms, own revenue increases from an annual average of 1.3 per cent (between the period 2004/05 to 2007/08) to 3.7 per cent over the 2008/09 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 2008/09 MTEF will grow by an annual average of 7.2 per cent in real terms. This is a decrease from 10.6 per cent between 2004/05 to 2007/08. However, 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 decreases from 85.3 per cent of total provincial revenue in 2004/05, to 84.9 per cent in 2007/08. The share continues to decrease over the 2008/09 MTEF, dropping to 83.8 per cent in 2010/11. 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, child welfare and school nutrition programmes). The design of conditional grants has been somewhat variable and *ad hoc*, which has given rise to certain problems and gaps in the implementation and monitoring thereof.

As can be noted from Table 6.1 above, the conditional grant allocation to the province has been experiencing a steady growth since 2004/05. Over the period 2004/05 to 2007/08, the conditional grant allocation to the province comprised, on average, 10.9 per cent of total provincial revenue, increasing to an average of 12.7 per cent of total provincial revenue from 2008/09 to 2010/11. Nominally, the conditional grant allocation grew at an average annual rate of 21.8 per cent from 2004/05 to 2007/08. Over the 2008/09 MTEF, it is projected to grow at an average annual rate of 17.4 per cent, 4.4 per cent less than the previous period.

The sizeable increases in conditional grant allocations are of concern to Provincial Treasury. As the fiscal arrangement in South Africa has stabilised and matured, the roles and uses of conditional grants as funding mechanisms to provinces should diminish. But this seems not to be the case.

A review of conditional grants undertaken by the Financial and Fiscal Commission (FFC) has recommended that the National School Nutrition Programme (NSNP) grant be extended from Primary to Secondary Schools, with all Provincial Education Departments (PEDs) adopting and entrenching the NSNP as their full responsibility. The Provincial Treasury's view, however, is that, prior to the NSNP being extended to secondary schools, the current targeted learners (Grade R to 7) should be covered for all days of the school year, which is not currently the case. Furthermore, the full cost implications of the extension need to be assessed. Provincial flexibility needs to be taken into account, as each province has its own unique circumstances which may not fit squarely within the national norm.

The FFC review further states that, with respect to the financing of school infrastructure and education outcomes, the commission recommends the following. Firstly, that the conditions of the Infrastructure Grant to Provinces, which targets, educational infrastructure, should specify the requirements for provinces to use such funds to support development of infrastructure in areas with need and where it is likely to improve school outcomes. Secondly, that effective co-ordination of planning for the various provincial and municipal infrastructure grants must be instituted, to ensure optimal outcomes from school infrastructure investment.

Table 6.2 depicts a summary of conditional grants to the province by department and grant type.



Table 6.2: Summary of national conditional grant transfers by vote

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited	Audited	Audited				2008/09	2009/10	2010/11
	2004/05	2005/06	2006/07						
<b>Vote 3 - Agriculture &amp; Environmental Affairs</b>	<b>62 256</b>	<b>59 270</b>	<b>65 879</b>	<b>75 311</b>	<b>115 311</b>	<b>115 311</b>	<b>95 382</b>	<b>111 670</b>	<b>133 350</b>
Land Care Programme: Poverty Relief & Infra. Dev.	7 240	8 000	10 355	7 010	7 010	7 010	7 345	8 227	8 721
Comprehensive Agriculture Support Programme	37 016	46 270	55 524	68 301	68 301	68 301	88 037	103 443	124 629
Agriculture Disaster Management	18 000	5 000	-	-	40 000	40 000	-	-	-
<b>Vote 5 - Education</b>	<b>493 202</b>	<b>588 498</b>	<b>710 560</b>	<b>876 773</b>	<b>876 773</b>	<b>876 773</b>	<b>1 179 775</b>	<b>1 187 939</b>	<b>1 508 789</b>
Infrastructure Grant to Provinces	282 594	315 121	348 194	466 022	466 022	466 022	602 756	715 793	906 856
HIV and AIDS (Life Skills Education)	29 188	31 126	32 994	35 292	35 292	35 292	37 610	39 765	42 686
FET College Sector Recapitalisation	-	-	90 000	115 453	115 453	115 453	162 974	-	-
National School Nutrition Programme	181 420	242 251	239 372	260 006	260 006	260 006	376 435	432 381	559 247
<b>Vote 7 - Health</b>	<b>1 153 168</b>	<b>1 575 538</b>	<b>1 786 121</b>	<b>2 137 492</b>	<b>2 325 729</b>	<b>2 325 729</b>	<b>2 453 338</b>	<b>2 932 995</b>	<b>3 208 731</b>
Health Professionals Training & Development	180 629	192 373	192 373	201 992	201 992	201 992	212 092	222 425	235 771
Integrated Nutrition Programme	24 513	26 954	-	-	-	-	-	-	-
Comprehensive HIV and AIDS	186 348	251 468	344 304	466 922	466 922	466 922	629 694	828 174	927 793
National Tertiary Services	619 462	691 451	732 167	789 578	789 578	789 578	903 297	980 406	1 090 250
Hospital Revitalisation	-	206 977	205 171	268 433	360 194	360 194	285 666	422 907	432 608
Infrastructure Grant to Provinces	127 168	157 561	174 098	259 758	259 758	259 758	294 832	344 545	369 903
Forensic Pathology Services	-	24 976	138 008	150 809	247 285	247 285	127 757	134 538	152 406
Hospital Management Improvement	15 048	23 778	-	-	-	-	-	-	-
<b>Vote 8 : Housing</b>	<b>776 023</b>	<b>799 659</b>	<b>1 048 376</b>	<b>1 310 555</b>	<b>1 310 555</b>	<b>1 310 555</b>	<b>1 575 586</b>	<b>1 891 016</b>	<b>2 353 255</b>
Integrated Housing & Human Settlement Dev. Grant	776 023	799 659	1 048 376	1 310 555	1 310 555	1 310 555	1 575 586	1 891 016	2 353 255
<b>Vote 11 : Local Govt &amp; Trad Affairs</b>	<b>55 532</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Infrastructure Grant to Provinces	14 129	-	-	-	-	-	-	-	-
Consolidated Municipal Infrastructure Prog	8 353	-	-	-	-	-	-	-	-
Local Government Capacity Building	33 050	-	-	-	-	-	-	-	-
<b>Vote 12 : Transport</b>	<b>282 594</b>	<b>315 121</b>	<b>348 194</b>	<b>573 012</b>	<b>573 012</b>	<b>573 012</b>	<b>662 702</b>	<b>834 737</b>	<b>896 084</b>
Infrastructure Grant to Provinces	282 594	315 121	348 194	573 012	573 012	573 012	662 702	834 737	896 084
<b>Vote 13 : Social Welfare &amp; Population Development</b>	<b>80 958</b>	<b>93 372</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Integrated Social Development Services Grant	68 185	68 185	-	-	-	-	-	-	-
HIV and AIDS	12 773	25 187	-	-	-	-	-	-	-
<b>Vote 14 : Works</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>210 846</b>	<b>236 264</b>	<b>259 891</b>
Devolution of Property Rate Funds Grant to Provinces	-	-	-	-	-	-	210 846	236 264	259 891
<b>Vote 15 : Arts, Culture &amp; Tourism</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13 950</b>	<b>13 950</b>	<b>13 950</b>	<b>26 195</b>	<b>34 146</b>	<b>38 282</b>
Community Library Services Grant	-	-	-	13 950	13 950	13 950	26 195	34 146	38 282
<b>Vote 16: Sport and Recreation</b>	<b>1 000</b>	<b>2 670</b>	<b>21 300</b>	<b>37 276</b>	<b>37 276</b>	<b>37 276</b>	<b>59 735</b>	<b>85 148</b>	<b>90 256</b>
Mass Sport & Recreation Participation Programme	1 000	2 670	21 300	37 276	37 276	37 276	59 735	85 148	90 256
<b>Total</b>	<b>2 904 733</b>	<b>3 434 128</b>	<b>3 980 430</b>	<b>5 024 369</b>	<b>5 252 606</b>	<b>5 252 606</b>	<b>6 263 559</b>	<b>7 313 915</b>	<b>8 488 638</b>

In terms of allocation per department, the Department of Health is the major recipient of grant allocation, receiving almost 40 per cent of total grants in 2008/09. This is a significantly lower share when compared to the 44.3 per cent in 2007/08. The significant increases for the Hospital Revitalisation Grant and Forensic Pathology Services grant in the 2007/08 Adjusted Budget is due to the roll-over of unspent funds from the previous financial year. It must also be noted that the Hospital Revitalisation grant allocation for 2008/09 was reduced during the 2007/08 MTEF, due to the department's history of poor spending as a result of capacity constraints, as well as delays in the King George V project because of tender and site problems. Furthermore, the Forensic Pathology Services grant decreases from 2007/08 to 2008/09 largely due to initial upgrading of facilities and start-up costs.

The Department of Housing, the second largest recipient of grant allocation, received, on average, more than a quarter of the total conditional grant allocation from 2004/05 to 2007/08. The conditional grant funding shows strong average annual nominal growth over the 2008/09 MTEF, rising from R1.3 billion in 2007/08 to almost R2.4 billion in 2010/11.

The Department of Education receives the third largest share of grant allocation over the entire period under review. The share remains fairly constant at approximately 17 per cent over the entire period. Note that the FET College Sector Recapitalisation grant within this department ceases in 2009/10, due to its incorporation into the equitable share.

Other significant recipients of conditional grant funding are the Departments of Transport and Agriculture and Environmental Affairs. The Department of Social Welfare and Population Development, which received a strong boost in grant allocation in the 2005/06 financial year, has, however, received 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 provincial equitable share.

A new grant commenced in 2008/09 within the Department of Works, namely the Devolution of Property Rate Funds Grant to Provinces. This grant commences at R210.8 million in 2008/09 and grows to R259.9 million in 2010/11 and is in respect of managing the payment of property rates for the provincially owned land and buildings to the various municipalities. This function was previously administered by the national Department of Public Works.

## 6.4 Total provincial own receipts (own revenue)

Tables 6.3 and 6.4 below reflect a summary of provincial own source revenue collection, by economic classification as well as by vote, respectively.

The bulk of provincial own source revenue falls within two categories: *Tax receipts* and *Non-tax receipts*. The category *Tax receipts* comprises mostly of casino and horse-racing taxes and motor vehicle license fees, while *Non-tax receipts* comprises the sale of goods and services particularly health patient fees, as well as fines, penalties and forfeits, interest, dividends and rent on land. Other sources of provincial own revenue include *Financial transactions* and the *Sale of capital assets*.

**Table 6.3: Summary of provincial own receipts**

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2004/05	Audited 2005/06	Audited 2006/07		2007/08		2008/09	2009/10	2010/11
Tax receipts	677 051	822 356	953 871	981 515	981 515	1 031 254	1 129 198	1 216 332	1 308 129
Non-tax receipts	429 418	310 750	414 142	400 149	400 149	437 347	422 637	460 295	498 005
Sale of goods and services other than capital assets	226 064	198 036	218 176	231 196	231 196	228 666	250 277	274 056	294 253
Fines, penalties and forfeits	21 625	19 253	19 734	28 030	28 030	32 696	30 031	33 733	35 757
Interest, dividends and rent on land <sup>1</sup>	181 729	93 461	176 232	140 923	140 923	175 985	142 329	152 506	167 995
Transfers received	-	-	300	-	-	50	-	-	-
Sales of capital assets	19 041	20 222	7 972	16 670	16 670	16 719	18 703	20 977	22 236
Financial transactions	43 942	73 939	70 132	24 807	24 807	51 449	21 186	21 741	21 875
<b>Total</b>	<b>1 169 452</b>	<b>1 227 267</b>	<b>1 446 417</b>	<b>1 423 141</b>	<b>1 423 141</b>	<b>1 536 819</b>	<b>1 591 724</b>	<b>1 719 345</b>	<b>1 850 245</b>

<sup>1</sup> 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 2004/05	Audited 2005/06	Audited 2006/07		2007/08		2008/09	2009/10	2010/11
1. Premier	173 615	203 322	238 565	233 479	233 479	276 830	300 151	325 052	350 055
2. Provincial Legislature	1 763	2 732	2 776	1 981	1 981	1 993	2 119	2 278	2 415
3. Agriculture and Environmental Affairs	21 287	19 613	15 138	19 491	19 491	15 982	20 465	21 968	23 286
4. Economic Development	3 967	4 322	4 910	3 961	3 961	3 961	4 199	4 514	4 785
5. Education	35 062	55 999	66 110	32 609	32 609	56 492	31 169	33 507	35 425
6. Provincial Treasury	127 142	91 117	169 861	138 297	138 297	174 178	139 521	149 466	164 764
7. Health	122 003	137 689	121 289	133 450	133 450	134 928	142 178	153 742	165 769
8. Housing	929	889	3 577	841	841	979	877	939	995
9. Community Safety and Liaison	22	12	27	20	20	71	21	23	24
10. The Royal Household	768	129	46	45	45	51	48	52	55
11. Local Government and Traditional Affairs	943	1 953	1 776	1 154	1 154	1 432	1 290	1 387	1 470
12. Transport	614 211	703 249	812 247	851 000	851 000	862 108	941 830	1 018 134	1 092 539
13. Social Welfare and Population Development	4 953	2 444	4 474	4 374	4 374	4 111	4 065	4 370	4 632
14. Works	3 595	3 641	4 228	1 931	1 931	3 063	3 253	3 349	3 439
15. Arts, Culture and Tourism	98	143	633	490	490	554	499	523	549
16. Sport and Recreation	3	13	760	18	18	86	39	41	43
Housing Fund	59 091	-	-	-	-	-	-	-	-
<b>Sub-total</b>	<b>1 169 452</b>	<b>1 227 267</b>	<b>1 446 417</b>	<b>1 423 141</b>	<b>1 423 141</b>	<b>1 536 819</b>	<b>1 591 724</b>	<b>1 719 345</b>	<b>1 850 245</b>
Provincial Legislature receipts not to be surrendered to the Provincial Revenue Fund	-	-	2 776	1 981	1 981	1 993	2 119	2 278	2 415
<b>Total adjusted provincial own receipts</b>	<b>1 169 452</b>	<b>1 227 267</b>	<b>1 443 641</b>	<b>1 421 160</b>	<b>1 421 160</b>	<b>1 534 826</b>	<b>1 589 605</b>	<b>1 717 067</b>	<b>1 847 830</b>

As can be seen in Table 6.3 above, *Tax receipts*, the most significant category by value, exhibits fairly constant growth from 2004/05 to 2010/11. *Tax receipts* consists of casino taxes, motor vehicle license fees, horse racing, liquor license fees and other taxes and reached R953.9 million in 2006/07. This is 16 per cent more than the R822.4 million collected in 2005/06. *Tax receipts* increase annually and are projected to increase at an annual average rate of 10.1 per cent over the MTEF to reach R1.3 billion in 2010/11.

*Tax receipts*, as a percentage of total provincial own-sourced revenue, increased from 57.9 per cent in 2004/05 to 65.9 per cent in 2006/07 and are further projected to stabilise at an average of 70.7 per cent of provincial own-sourced revenue over the medium term. The estimated increase over the MTEF is mainly due to the increase in motor vehicle license fees, liquor license fees (once the revised KwaZulu-Natal Liquor Licensing Bill has been enacted), as well as gaming revenues from casino and limited gambling machines, coupled with the implementation of the new KwaZulu-Natal Gaming and Betting Bill.

*Non-tax receipts* shows a very different trend to the *Tax receipts* trend, decreasing from R429.4 million in 2004/05 to R310.8 million in 2005/06, before increasing to R498 million in 2010/11. The main contributor to this category is *Sales of goods and services other than capital assets*, which mainly consists of health patient fees and sales by market establishments, which reached R198 million in 2005/06. This is a decrease of 12.4 per cent from the R226.1 million collected in 2004/05 (mainly due to the implementation of the revised Uniform Health Patient Fees). *Sales of goods and services* are projected to reach R294.3 million in 2010/11, at an annual average rate of 8.4 per cent over the 2008/09 MTEF. *Sales of goods and services*, as a percentage of total provincial own-sourced revenue, decreases from 19.3 per cent in 2004/05 to 16.1 per cent in 2005/06 and is projected to stabilise at 16 per cent of provincial own-sourced revenue over the medium term. The other main contributor to this category is reflected under Vote 6: Provincial Treasury, namely interest revenue, and the revenue accrued from this source depends on cash balances and interest rates, hence the fluctuating trend.

The two minor categories by value, *Sales of capital assets* and *Financial transactions*, both show negative growth trends from 2004/05 to the 2007/08 Adjusted Budget. *Sales of capital assets* is expected to turn around significantly to a positive average growth rate of 10.1 per cent between the 2007/08 adjusted budget and the outer year of the MTEF. *Financial transactions*, however, reflects a negative annual average growth rate over the 2008/09 MTEF to reach R21.9 million in 2010/11. Trends in these categories have always been difficult to project due to the unpredictability of these sources of provincial own-source revenue. The projections for the 2008/09 MTEF are based on the 2007/08 Adjusted Budget.

As shown in Table 6.4 above, the Department of Transport continues to be the main contributor to total provincial own revenue, accounting for an average of almost 60 per cent of total provincial own revenue over the 2008/09 MTEF period. Historically, the department's revenue has shown strong growth, with own revenue collections rising from R614.2 million in 2004/05 to R851 million in the 2007/08 Adjusted Budget. This increase is set to continue over the 2008/09 MTEF to R1.1 billion in 2010/11, at an annual average rate of 8.7 per cent.

Revenue generated from motor vehicle license fees increased by 21 per cent from R515.8 million in 2004/05 to R624.3 million in 2005/06 and is projected to increase to R947 million in 2010/11. These increases are linked to the net growth of the motor vehicle population over the same period. The increase in the purchase of motor vehicles contributed to the motor vehicle license revenue due to registration and licensing of cars, as more people purchase cars (the emerging black middle class) and businesses expand their economic activities. The growth in projected revenue can also be attributed to the initiative of the Department of Transport to improve service delivery at the various registering authorities for the registration and licensing of motor vehicles.

Another major contributor to provincial own revenue is the Office of the Premier, yielding more than 19 per cent of total own revenue over the 2008/09 MTEF. The Office of the Premier is projecting reasonable growth over the 2008/09 MTEF and this is in line with the expected growth in the gambling

industry, which is the department's main source of revenue. Casino taxes also include tax revenue from Limited Gambling Machines (LGMs).

Revenue generated from casino and horse racing taxes increased by 23.2 per cent from R157.5 million in 2004/05 to R194.1 million in 2005/06, and by 19.7 per cent to R232.2 million in 2006/07. It is further projected that tax from casino and horse racing revenue will increase by 19 per cent to R276.4 million in 2007/08. This increase is set to continue over the 2008/09 MTEF to R349.1 million in 2010/11 at an annual average rate of 14.5 per cent.

The current tax regime imposed on casinos proves to be optimal since it is designed to leverage the maximum benefit from the gambling industry, while business and economic realities are acknowledged. The present tax structure has the possibility of increasing receipts from this source by simply tightening the tax band / levels. This method is also very effective in dealing with fiscal drag, as tax bands could be lowered just as easily as they can be raised. Revenue generated from gambling is unpredictable and it is therefore acknowledged that casino taxes depend to a large extent on the unexpected increases or decreases in people's disposable income.

The Department of Health is expected to collect just under 10 per cent of provincial own revenue over the 2008/09 MTEF. The department is projecting a minimal growth over the 2008/09 MTEF mainly due to the introduction of the national Uniform Health Patient Fees Structure. This has resulted in the reduction in fees collected, as rates are now set at levels last seen in 2002, and this affects the principal revenue source of the department.

Health revenue increased by 9.4 per cent from R122 million in 2004/05 to an estimated actual of R134.9 million in 2007/08 and is projected to increase to R165.8 million in 2010/11. The largest proportion of revenue generated by the health sector is from user fees, which include payments from Medical Aid Schemes, the Workmen's Compensation Fund, the Road Accident Fund, boarding and lodging, parking fees and fees charged to doctors for using state facilities for private practice.

The Provincial Treasury also generates a significant portion of own revenue through the interest earned on a positive cash balance in the Inter-Governmental Cash Co-ordination (IGCC) account and the paymaster-general account. Since 2005/06, there has been a change in institutional arrangements with regard to the payments of Social Assistance Grants. With the institutional shift of social security grants from an equitable allocation to a conditional grant administered by the national Department of Social Development, funds overpaid, paid in advance as well as the interest earned on surpluses revert back to the national department and not to the Provincial Revenue Fund, as was the case before 2005/06.

Revenue generated by the Provincial Treasury decreased by 28.3 per cent from R127.1 million in 2004/05 to R91.1 million in 2005/06, and then increased by 86.4 per cent to R169.9 million in 2006/07. It is further projected that revenue will increase by 2.6 per cent to R174.2 million in 2007/08. This increase is set to continue over the 2008/09 MTEF at an annual average rate of 6 per cent.

## **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 is not voted for, and is fairly minimal in value. The funding gives an indication of additional local and international resources available to the province.

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, with effect from 2007/08, the Provincial Treasury required departments to report on donor funding and agency receipts on a quarterly basis.

**Table 6.5 Donor funding and agency receipt**

Name of Donor Organisation	Outcome			Main budget	Adjusted budget	Estimated actual	Medium-term estimates		
	Audited 2004/05	Audited 2005/06	Audited 2006/07						
R000					2007/08		2008/09	2009/10	2010/11
<b>Donor funding</b>	<b>46 696</b>	<b>63 613</b>	<b>175 303</b>	<b>124 603</b>	<b>154 734</b>	<b>167 627</b>	<b>182 701</b>	<b>44 397</b>	<b>15 217</b>
Provincial Legislature	-	1 141	157	-	1 273	1 273	-	-	-
Agriculture & Environmental Affairs	2 757	28	9 085	16 549	16 549	16 549	14 917	14 917	14 917
Economic Development	26 491	-	109 738	-	-	-	49 162	-	-
Education	7 907	1 934	19 435	29 607	29 607	40 000	38 000	19 000	-
Provincial Treasury	-	-	-	200	200	200	-	-	-
Health	4 584	58 641	33 453	74 431	98 321	100 821	77 522	10 080	-
Housing	1 481	780	851	723	2 074	2 074	3 100	400	300
Local Government & Traditional Affairs	3 476	1 089	2 584	3 093	6 710	6 710	-	-	-
<b>Agency receipt</b>	<b>495 010</b>	<b>511 905</b>	<b>527 369</b>	<b>555 688</b>	<b>599 568</b>	<b>599 568</b>	<b>610 173</b>	<b>670 681</b>	<b>710 922</b>
Office of the Premier	-	-	-	-	22 148	22 148	-	-	-
Agriculture & Environmental Affairs	34 445	21 118	1 400	-	-	-	-	-	-
Local Government and Traditional Affairs	196	-	1 742	-	-	-	-	-	-
Transport	460 369	490 787	524 227	555 688	577 420	577 420	610 173	670 681	710 922
<b>Total</b>	<b>541 706</b>	<b>575 518</b>	<b>702 672</b>	<b>680 291</b>	<b>754 302</b>	<b>767 195</b>	<b>792 874</b>	<b>715 078</b>	<b>726 139</b>

### 6.5.1 Donor funding

The recipients of donor funding over the 2008/09 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 funding increasing from R4.6 million in 2004/05 to a projected amount of R100.8 million in 2007/08, whereafter it decreases to R10 million in 2009/10. The majority of the department's donations are small once-off allocations, but include renewable contracts with two major donors, namely the Global Fund and the European Union Primary Health Care Programme. These funds are primarily in respect of HIV and AIDS, TB and Malaria patients. Funds from these two donations are received on an intermittent basis and, for this reason, projections have not been provided over the full MTEF period. The varying trend in receipts for the donor funds relates to funding that was received late in 2003/04. These funds were spent mainly in 2004/05, and therefore additional funds were only required and provided for in 2005/06. The provision from 2007/08 onwards is in respect of the continuation of certain critical activities under Phase 2 of the Global Fund Programme.

The Department of Economic Development is another major recipient of donor funding that is received from the European Union, until 2008/09. The funding 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 donor funds reflected against the Department of Education from 2004/05 onwards are received 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.

The Department of Agriculture and Environmental Affairs receives donor funding primarily from the Flemish Government to fund 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 a further R60 million over a 5-year period 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. This programme aims to improve livelihoods for poor families through improved food security in various municipal areas. The department also received donor funding from a Dutch donor organisation,

NUFFIC (Netherlands Organisation for International Co-operation in Higher Education) from 2006/07 onwards, for capacity building at the Cedara College.

The Department of Housing entered into a co-operative agreement with the Flemish Government in order to establish housing components at municipalities in the province. It is anticipated that the housing project will be finalised in 2010/11, where after no further funding will be forthcoming for this purpose from the Flemish Government.

The once-off donation under Vote 6: Provincial Treasury is in respect of funds received from PBS (Pty) Ltd towards the 2008/09 Budget Gala dinner.

### **6.5.2 Agency receipts**

Agency receipts, which form part of the total non-voted funds, increased from R495 million in 2004/05 to R710.9 million in 2010/11. The primary beneficiary of agency receipts is the Department of Transport that utilises these receipts to fund bus transport subsidies. This is the only department that is projecting agency receipts over the 2008/09 MTEF.

The Department of Agriculture and Environmental Affairs received funding in prior years to mitigate the effects of the Cold Spell disaster, rehabilitation of dip tanks and the construction of Open Pan Sugar Mills.

The Department of Local Government and Traditional Affairs and the Office of the Premier are the other departments that also received funding in previous years. The former department was reimbursed by the Local Government Water and Related Services Sector Education and Training Authority (LGWSETA) on a claim-back basis for the training provided to Community Development Workers (CDWs). The Office of the Premier received a once-off amount of R22.1 million in the 2007/08 Adjusted Budget from the Department of Labour, towards the roll-out of a strategic literacy programme, targeting illiterate adults in the province.

## 7. EXPENSE

### 7.1 Overall position

Total provincial expenditure increased from R28 billion during 2004/05 to an estimated R45 billion in 2007/08. This positive growth is set to continue over the 2008/09 MTEF, with aggregated expenditure rising to R64 billion in 2010/11. The additional allocation, over and above the existing (2007/08 MTEF) growth within the various departments' baseline caters for:

- Carry-through costs of the 2007/08 Adjustments Estimate;
- National sector specific priorities for Education, Health and Social Welfare;
- Increased personnel costs associated with higher inflation;
- Provincial government commitment towards the construction of the Moses Mabhida Soccer Stadium; and
- Various provincial functions, such as FET colleges, learner transport, health care (especially in 2010/11), construction and maintenance of the road network, the Dube TradePort, massification of water, sanitation and electrification at municipal level, etc.

### 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 2007/08 Main Budget to 2008/09 and over the ensuing two financial years. Further detail of the expenditure and estimates is given under each Vote's chapter in Budget Statement 2.

**Table 7.1: Summary of provincial payments and estimates by vote**

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2004/05	Audited 2005/06	Audited 2006/07				2008/09	2009/10	2010/11
1. Premier	164 536	244 395	310 089	342 659	397 089	397 089	397 802	452 793	464 612
2. Provincial Legislature	108 654	126 083	160 791	178 081	215 510	217 198	208 708	221 741	235 278
3. Agriculture and Environmental Affairs	951 912	1 204 095	1 291 802	1 507 802	1 563 865	1 377 745	1 665 752	1 972 785	2 171 887
4. Economic Development	136 872	143 310	414 628	1 394 441	1 478 441	1 478 441	2 646 518	3 373 245	2 747 027
5. Education	13 033 271	15 030 000	16 218 726	18 576 821	18 836 900	19 003 096	21 389 127	23 914 043	26 420 070
6. Provincial Treasury	204 786	630 979	506 002	649 493	578 664	372 858	522 072	495 266	362 721
Operational budget	204 786	308 079	246 002	278 207	300 579	291 994	333 795	317 648	339 874
Growth Fund	-	47 900	20 000	-	-	-	-	-	-
SMME Fund	-	100 000	215 000	-	-	-	-	-	-
Poverty Alleviation Fund	-	175 000	-	-	-	-	-	-	-
Other developmental initiatives	-	-	25 000	371 286	278 085	80 864	188 277	177 618	22 847
7. Health	8 950 609	10 555 752	11 663 951	13 412 815	13 925 428	14 572 383	15 042 826	16 843 770	19 523 923
8. Housing	988 078	974 159	1 252 921	1 520 850	1 520 850	1 520 850	1 799 693	2 137 881	2 617 256
9. Community Safety and Liaison	17 070	48 495	59 360	78 800	78 800	78 800	104 022	133 808	146 602
10. The Royal Household	25 385	29 956	38 147	36 479	37 354	38 715	39 356	42 400	45 202
11. Local Government and Traditional Affairs	453 642	470 972	654 132	768 070	784 305	784 305	1 027 816	1 131 536	1 268 322
12. Transport	1 810 262	2 279 024	2 539 187	3 119 867	3 120 081	3 121 635	3 755 282	4 533 179	4 764 172
13. Social Welfare and Population Development	542 428	746 226	941 579	1 000 360	1 065 223	1 036 992	1 198 113	1 364 220	1 650 975
14. Works	396 994	489 758	450 267	479 419	479 509	495 243	733 087	799 914	866 319
15. Arts, Culture and Tourism	192 591	238 658	266 249	287 394	293 200	293 200	355 260	371 648	447 436
16. Sport and Recreation	37 385	95 217	113 566	161 177	162 777	162 777	215 492	267 039	285 129
<b>Total</b>	<b>28 014 475</b>	<b>33 307 079</b>	<b>36 881 397</b>	<b>43 514 528</b>	<b>44 537 996</b>	<b>44 951 327</b>	<b>51 100 926</b>	<b>58 055 268</b>	<b>64 016 931</b>

The Growth Fund and SMME Fund under Vote 6: Provincial Treasury in 2005/06 and 2006/07 were relocated to Vote 4: Economic Development with effect from 1 April 2007. The Provincial Treasury was the custodian of the provincial funding set aside for the increase in the uptake of membership to the Government Employee Medical Scheme (GEMS) within departments. In 2007/08, the original provision of R342 million was reduced to R214 million in the Adjustments Estimate as the department did not anticipate any expenditure during 2007/08, resulting in the decrease against *Other developmental initiatives* under Provincial Treasury. The provision of R340 million, R400 million and R830 million for

the 2008/09 MTEF has been distributed to the various departments. The allocation against *Other developmental initiatives* over the MTEF includes funding of R150 million in 2008/09 and 2009/10, being the province's contribution towards the construction of the Moses Mabhida Soccer stadium, as well as funding for the Ifihlile Training Academy and the feasibility costs for the Provincial Government Precinct.

The substantial increase from 2007/08 to 2008/09 against Vote 4: Economic Development is related to the acceleration of construction work in the Dube TradePort to ensure timely delivery of this project. The allocation for this flagship project, which promises to deliver significant economic gains once complete, is R1.4 billion in 2008/09 and 2009/10 and R728 million in 2010/11.

The social sector services, comprising of Education, Health and Social Welfare and Population Development, also reflect positive growth over the MTEF to deal with both national sector priorities, such as the occupation specific dispensation, early childhood development, tuberculosis – MDR and XDR, community home based care, etc., and provincial priorities, such as boarding schools, learner transport, primary and tertiary health care and health infrastructure improvement in the final year.

Table 7.2 below shows the analysis of payments and estimates by major vote. As mentioned, the social services sector spending is set to increase substantially in both nominal and real terms over the 2008/09 MTEF. However, its share of the total budget decreases from 80.4 per cent in 2004/05 to 76 per cent in 2007/08, and further to 72.6 per cent in 2009/10 before increasing to 74.3 per cent. This means that the spending on Other Functions is increasing at a faster rate than the social services up to 2009/10.

**Table 7.2: Analysis of payments and estimates by major vote**

	Outcome			Adjusted Budget 2007/08	Medium-term estimates			Average annual growth	
	Audited	Audited	Audited		2008/09	2009/10	2010/11	2004/05 - 2007/08	2007/08 - 2010/11
	2004/05	2005/06	2006/07						
<b>In Rand (000)</b>									
Education	13 033 271	15 030 000	16 218 726	18 836 900	21 389 127	23 914 043	26 420 070		
Health	8 950 609	10 555 752	11 663 951	13 925 428	15 042 826	16 843 770	19 523 923		
Social Welfare & Population Dev.	542 428	746 226	941 579	1 065 223	1 198 113	1 364 220	1 650 975		
Other Functions	5 488 167	6 975 101	8 057 141	10 710 445	13 470 860	15 933 235	16 421 963		
<b>Total expenditure</b>	<b>28 014 475</b>	<b>33 307 079</b>	<b>36 881 397</b>	<b>44 537 996</b>	<b>51 100 926</b>	<b>58 055 268</b>	<b>64 016 931</b>		
<b>% of total expenditure</b>									
Education	46.5	45.1	44.0	42.3	41.9	41.2	41.3		
Health	31.9	31.7	31.6	31.3	29.4	29.0	30.5		
Social Welfare & Population Dev.	1.9	2.2	2.6	2.4	2.3	2.3	2.6		
Other Functions	19.6	20.9	21.8	24.0	26.4	27.4	25.7		
<b>Nominal growth (%)</b>									
Education		15.3	7.9	16.1	13.5	11.8	10.5	13.1	11.9
Health		17.9	10.5	19.4	8.0	12.0	15.9	15.9	11.9
Social Welfare & Population Dev.		37.6	26.2	13.1	12.5	13.9	21.0	25.2	15.7
Other Functions		27.1	15.5	32.9	25.8	18.3	3.1	25.0	15.3
<b>Total expenditure</b>		<b>18.9</b>	<b>10.7</b>	<b>20.8</b>	<b>14.7</b>	<b>13.6</b>	<b>10.3</b>	<b>16.7</b>	<b>12.9</b>
<b>Real growth (%)</b>									
Education		10.7	2.9	8.2	6.9	6.7	5.5	7.2	6.4
Health		13.2	5.4	11.2	1.7	6.9	10.7	9.9	6.4
Social Welfare & Population Dev.		32.1	20.3	5.4	5.9	8.7	15.6	18.8	10.0
Other Functions		22.0	10.2	23.8	18.4	12.9	(1.5)	18.5	9.6
<b>Total expenditure</b>		<b>14.2</b>	<b>5.6</b>	<b>12.5</b>	<b>8.0</b>	<b>8.5</b>	<b>5.3</b>	<b>10.7</b>	<b>7.3</b>

The Department of Education remains the highest spending provincial department, although at a declining rate, from 42.3 per cent in 2007/08 to 41.3 per cent in 2010/11. The budget, however, is set to increase by an average annual nominal (real) growth rate of 12.9 (7.3) per cent between 2007/08 and 2010/11. This positive growth over the 2008/09 MTEF is largely due to the 2008 Wage settlement, textbooks for Grades 10 to 12, learner transport, boarding schools, support to learners in respect of the 2007 Senior Certificate Curriculum, infrastructure improvement, early childhood development (including Grade R expansion), change in the FET curriculum and expansion of inclusive education.

The budget for Health shows the same trend as Education, with good average annual nominal (real) growth of 11.9 (6.4) per cent. This growth builds on the significant average annual real growth of 9.9 per cent between 2004/05 and 2007/08. Also, the 2007/08 Adjusted Budget includes non-recurrent roll-over funding of R188 million, which has a negative impact on the year-on-year growth to 2008/09. The growth in the Health budget over the 2008/09 MTEF 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 assist the department to meet national priorities such as the occupation specific dispensation and the expansion of the emergency medical services in preparation for the 2010 World Cup. The department's percentage share of the total provincial budget declines between 2004/05 and 2009/10 from 31.9 per cent to 29 per cent, but then shows a significant increase to 30.5 per cent in the final year.

Given the social security function shift to the South African Social Security Agency (SASSA) from April 2006, Social Welfare and Population Development's budget shows a substantial reduction and, in keeping with international standards, the prior years have been adjusted accordingly. Social Welfare and Population Development enjoys the largest growth among the social sector departments, with an annual average real growth of 10 per cent between 2007/08 and 2010/11. This strong growth over the 2008/09 MTEF caters for, among others, the implementation of OSD, employment of social auxiliary services and expansion of Home Community Based Care, early childhood development and services for children in conflict with the law.

The growth in the Other Functions in 2008/09 and 2009/10 relates mainly to the Departments of Economic Development and Transport, in respect of the Dube TradePort. In 2010/11, there is a decline in the allocation for Dube TradePort, resulting in a decrease in the percentage share for Other Functions from 27.4 per cent in 2009/10 to 25.7 per cent in 2010/11, and a similar increase in the social services sector. This significant shift of 1.7 per cent (R1 billion in 2010/11) shows the impact that the Dube TradePort project has on the provincial budget.

### 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 2004/05 to 2010/11. *Current payments* consume the bulk of the total provincial spending and is set to rise from R35 billion in 2007/08 (Estimated actual) to over R47 billion in 2010/11. The largest proportion of expenditure relates to *Compensation of employees*, which is set to increase from the estimated actual of R26 billion in 2007/08, to R35 billion in 2010/11.

**Table 7.3: Summary of payments and estimates by economic classification**

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates			
	Audited	Audited	Audited				2007/08	2008/09	2009/10	2010/11
	2004/05	2005/06	2006/07							
Current payments	23 214 728	26 777 647	29 359 667	33 828 530	34 197 724	34 755 403	38 329 194	43 020 150	47 670 830	
Compensation of employees	17 889 221	19 604 852	21 589 946	24 985 565	25 367 595	25 941 938	28 264 516	31 560 227	34 738 666	
Goods and services	5 295 678	7 156 627	7 740 444	8 842 965	8 830 129	8 812 571	10 064 678	11 459 923	12 932 164	
Other	29 829	16 168	29 277	-	-	894	-	-	-	
Transfers and subsidies to:	2 411 822	3 127 861	4 052 105	5 090 824	5 378 832	5 398 131	7 210 990	8 120 565	8 036 959	
Local government	258 572	340 102	478 394	417 337	617 225	742 938	944 853	997 826	788 073	
Non-profit institutions	920 584	1 131 404	1 504 390	1 806 987	2 204 878	2 280 422	3 532 145	3 358 687	2 897 030	
Households	766 120	784 299	1 005 541	1 210 444	1 145 648	1 014 756	1 307 273	1 633 253	2 055 793	
Other	466 546	872 056	1 063 780	1 656 056	1 411 081	1 360 015	1 426 719	2 130 799	2 296 063	
Payments for capital assets	2 354 035	3 366 206	3 432 926	4 555 984	4 923 743	4 758 408	5 520 171	6 870 754	8 262 599	
Buildings and other fixed structures	1 798 925	2 645 758	2 791 388	3 547 563	3 917 577	3 932 899	4 532 549	5 556 984	6 583 571	
Machinery and equipment	540 901	700 813	618 514	1 000 577	977 695	796 620	981 816	1 302 081	1 665 743	
Other	14 209	19 635	23 024	7 844	28 471	28 889	5 806	11 689	13 285	
Total economic classification	27 980 585	33 271 714	36 844 698	43 475 338	44 500 299	44 911 942	51 060 355	58 011 469	63 970 388	
Statutory payments	33 890	35 365	36 699	39 190	37 697	39 385	40 571	43 799	46 543	
Total economic classification (incl. stat. pay.)	28 014 475	33 307 079	36 881 397	43 514 528	44 537 996	44 951 327	51 100 926	58 055 268	64 016 931	

*Transfers and subsidies to: Local government* show a steady increase between 2004/05 and 2006/07. The decline to the 2007/08 Main Budget is due to the discontinuation of the Regional Service Council Levy, while the increase during that year is in respect of the transfers by the Department of Local Government and Traditional Affairs being finalised, which were provided for against *Goods and services*, as well as the introduction of the transfers to local government relating to the Hostel

Redevelopment and Upgrading programme. The spike in 2008/09 and 2009/10 and subsequent decline in 2010/11 is associated with the provincial government's contribution to the construction of the Moses Mabhida soccer stadium in Durban, as well as upgrading of other stadia in various municipalities in preparation for the 2010 Soccer World Cup.

A significant portion against *Transfers and subsidies to: Non-profit institutions* is in respect of the Dube TradePort which explains the increase between 2007/08 and 2009/10, and then the decline in the last year. It is envisaged that this flagship project will be completed in time for the 2010 Soccer World Cup. 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 2006/07, and continued growth over the MTEF.

The trend in *Payments for capital assets* also shows good growth over the seven year period, increasing from R2.4 billion in 2004/05 to R8.3 billion in 2010/11. 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 the largest but it is declining over time, from 83 per cent in 2004/05 to 74.2 per cent in 2009/10, before increasing to 74.5 per cent in 2010/11. Within this category, *Compensation's* share of total expenditure also shows a decrease from 64 per cent in 2004/05 to 57 per cent in 2007/08, before declining further to 54.3 per cent in 2010/11. Although the percentage share is declining, there is still real average annual growth of 5.5 per cent between 2007/08 and 2010/11, meaning that non-compensation increases at a faster rate than compensation, with an annual average real growth of 9.5 per cent for the same period. The declining share for *Compensation of employees* 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 2007/08	Medium-term estimates			Average annual growth	
	Audited	Audited	Audited		2008/09	2009/10	2010/11	2004/05 -	2007/08 -
	2004/05	2005/06	2006/07					2007/08	2010/11
<b>In Rand (000)</b>									
Current	23 248 618	26 813 012	29 396 366	34 235 421	38 369 765	43 063 949	47 717 373		
Transfers	2 411 822	3 127 861	4 052 105	5 378 832	7 210 990	8 120 565	8 036 959		
Capital	2 354 035	3 366 206	3 432 926	4 923 743	5 520 171	6 870 754	8 262 599		
Compensation	17 923 111	19 640 217	21 626 645	25 405 292	28 305 087	31 604 026	34 785 209		
Non-compensation	10 091 364	13 666 862	15 254 752	19 132 704	22 795 839	26 451 242	29 231 722		
Non-compensation (excl. transfers)	7 679 542	10 539 001	11 202 647	13 753 872	15 584 849	18 330 677	21 194 763		
Non-compensation non-capital (NCNC)	7 737 329	10 300 656	11 821 826	14 208 961	17 275 668	19 580 488	20 969 123		
NCNC (excl. transfers)	5 325 507	7 172 795	7 769 721	8 830 129	10 064 678	11 459 923	12 932 164		
<b>Total expenditure</b>	<b>28 014 475</b>	<b>33 307 079</b>	<b>36 881 397</b>	<b>44 537 996</b>	<b>51 100 926</b>	<b>58 055 268</b>	<b>64 016 931</b>		
<b>% of total expenditure</b>									
Current	83.0	80.5	79.7	76.9	75.1	74.2	74.5		
Transfers	8.6	9.4	11.0	12.1	14.1	14.0	12.6		
Capital	8.4	10.1	9.3	11.1	10.8	11.8	12.9		
Compensation	64.0	59.0	58.6	57.0	55.4	54.4	54.3		
Non-compensation	36.0	41.0	41.4	43.0	44.6	45.6	45.7		
Non-compensation (excl. transfers)	27.4	31.6	30.4	30.9	30.5	31.6	33.1		
Non-compensation non-capital (NCNC)	27.6	30.9	32.1	31.9	33.8	33.7	32.8		
NCNC (excl. transfers)	19.0	21.5	21.1	19.8	19.7	19.7	20.2		
<b>Nominal growth (%)</b>									
Current		15.3	9.6	16.5	12.1	12.2	10.8	13.8	11.7
Transfers		29.7	29.5	32.7	34.1	12.6	(1.0)	30.7	14.3
Capital		43.0	2.0	43.4	12.1	24.5	20.3	27.9	18.8
Compensation		9.6	10.1	17.5	11.4	11.7	10.1	12.3	11.0
Non-compensation		35.4	11.6	25.4	19.1	16.0	10.5	23.8	15.2
Non-compensation (excl. transfers)		37.2	6.3	22.8	13.3	17.6	15.6	21.4	15.5
Non-compensation non-capital (NCNC)		33.1	14.8	20.2	21.6	13.3	7.1	22.5	13.9
NCNC (excl. transfers)		34.7	8.3	13.6	14.0	13.9	12.8	18.4	13.6
<b>Real growth (%)</b>									
Current		10.7	4.6	8.5	5.5	7.1	5.9	7.9	6.2
Transfers		24.5	23.5	23.6	26.2	7.5	(5.4)	23.9	8.7
Capital		37.3	(2.7)	33.6	5.6	18.8	14.9	21.3	13.0
Compensation		5.2	5.0	9.4	4.9	6.6	5.2	6.5	5.5
Non-compensation		30.0	6.4	16.8	12.2	10.8	5.6	17.4	9.5
Non-compensation (excl. transfers)		31.8	1.4	14.4	6.7	12.3	10.5	15.2	9.8
Non-compensation non-capital (NCNC)		27.8	9.5	12.0	14.5	8.2	2.3	16.1	8.2
NCNC (excl. transfers)		29.3	3.3	5.9	7.3	8.7	7.8	12.2	7.9

The percentage share of *Non-compensation* increases from 36 per cent to 45.7 per cent over the seven-year period under review, while the category *Non-compensation (excluding transfers)* is also expected to increase over the 2008/09 MTEF, from 30.5 per cent to 33.1 per cent. This confirms the government's commitment to increasing output of non-personnel service delivery to match the increasing demand.

Expenditure on *Transfers* claims an increasing share of total expenditure up to 2009/10, where it peaks at 14 per cent compared to 8.6 per cent in 2004/05. The declining share to 12.6 per cent in 2010/11 is attributed to the reduction in the funding for Dube TradePort and local government for the construction and upgrading of soccer stadia ending in the 2009/10 financial year. This decline has a positive influence on the *Current* share where these funds have been allocated within departments, particularly in the Department of Health in 2010/11.

While *Capital payments* account for the smallest share of total expenditure, the annual average real growth rate is the highest at 13 per cent between 2007/08 and 2010/11. Also, the share of the total provincial budget increases from 8.4 per cent in 2004/05 to 12.9 per cent in 2010/11. The real increase in capital spending supports government's efforts to reduce backlogs in respect of social and economic infrastructure, while at the same time, addressing 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 comprises the highest proportion of the department's budget. However, as a share of total expenditure, *Current* drops from 91.3 per cent in 2004/05 to 87.6 per cent in 2008/09, before increasing slightly to 88.7 per cent in 2009/10 and then dropping again to 87.2 per cent in 2010/11.

The *Transfers* share, expressed as a share of the total expenditure, increases between 2006/07 and 2008/09, mainly attributable to the introduction of the FET College Sector Recapitalisation grant in 2006/07, as well as the introduction of No Fee Schools in 2006/07 to 10 per cent of the poorest learners and then to 40 per cent from 2007/08. In terms of the No Fee School policy, schools serving low-income communities should no longer charge fees, and this 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. The *Transfer* share declines to 4.7 per cent and 4.5 per cent in 2009/10 and 2010/11, respectively, which is largely due to the decision by the department to initially manage FET funds internally (the FET College Sector Recapitalisation grant is phased into the equitable share from 2009/10), to manage expenditure on FET more effectively.

The *Capital expenditure* share increases substantially from 3.7 per cent of the total expenditure to 8.3 per cent between 2004/05 and 2010/11. The increase over the 2008/09 MTEF can mainly be ascribed to the increase in the Infrastructure Grant to Provinces. In Education, this conditional grant primarily addresses school infrastructure needs, backlogs in infrastructure provision, eradication of unsafe facilities, as well as the development of appropriate capacity to deliver and manage infrastructure.

*Compensation's* share of total expenditure shows a decrease from 83.3 per cent to 76.4 per cent between 2004/05 and 2010/11. While the percentage share is decreasing, the expenditure is still increasing in real terms, with an average annual real growth rate of 4.9 per cent between 2007/08 and 2010/11. In the main, this increase caters for the 2007 wage agreement, 2008 wage negotiations, including the Occupational Specific Dispensation for educators, as well as teacher assistants and additional support staff, personnel inflationary adjustment in respect of the annual salary increase and government's contribution towards the Government Employee Medical Scheme (GEMS). The fact that the *Compensation* share of total expenditure is decreasing, gives an indication that the other spending categories are increasing at a faster rate than *Compensation*.

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

	Outcome			Adjusted Budget 2007/08	Medium-term estimates			Average annual growth	
	Audited	Audited	Audited					2004/05 -	2007/08 -
	2004/05	2005/06	2006/07		2008/09	2009/10	2010/11	2007/08	2010/11
<b>In Rand (000)</b>									
Current	11 901 164	13 536 573	14 543 373	16 628 434	18 738 152	21 219 786	23 048 005		
Transfers	646 962	752 855	927 895	1 174 089	1 391 426	1 133 318	1 188 417		
Capital	485 145	740 572	747 458	1 034 377	1 259 549	1 560 939	2 183 648		
Compensation	10 862 890	11 879 394	12 951 146	15 031 608	16 572 749	18 699 302	20 182 101		
Non-compensation	2 170 381	3 150 606	3 267 580	3 805 292	4 816 378	5 214 741	6 237 969		
Non-compensation (excl. transfers)	1 519 649	2 387 161	2 311 765	2 631 203	3 424 952	4 081 423	5 049 552		
Non-compensation non-capital (NCNC)	1 681 466	2 399 444	2 492 202	2 770 915	3 556 829	3 653 802	4 054 321		
NCNC (excl. transfers)	1 038 274	1 657 179	1 592 227	1 596 826	2 165 403	2 520 484	2 865 904		
<b>Total expenditure</b>	<b>13 033 271</b>	<b>15 030 000</b>	<b>16 218 726</b>	<b>18 836 900</b>	<b>21 389 127</b>	<b>23 914 043</b>	<b>26 420 070</b>		
<b>% of total expenditure</b>									
Current	91.3	90.1	89.7	88.3	87.6	88.7	87.2		
Transfers	5.0	5.0	5.7	6.2	6.5	4.7	4.5		
Capital	3.7	4.9	4.6	5.5	5.9	6.5	8.3		
Compensation	83.3	79.0	79.9	79.8	77.5	78.2	76.4		
Non-compensation	16.7	21.0	20.1	20.2	22.5	21.8	23.6		
Non-compensation (excl. transfers)	11.7	15.9	14.3	14.0	16.0	17.1	19.1		
Non-compensation non-capital (NCNC)	12.9	16.0	15.4	14.7	16.6	15.3	15.3		
NCNC (excl. transfers)	8.0	11.0	9.8	8.5	10.1	10.5	10.8		
<b>Nominal growth (%)</b>									
Current		13.7	7.4	14.3	12.7	13.2	8.6	11.8	11.5
Transfers		16.4	23.3	26.5	18.5	(18.5)	4.9	22.0	0.4
Capital		52.6	0.9	38.4	21.8	23.9	39.9	28.7	28.3
Compensation		9.4	9.0	16.1	10.3	12.8	7.9	11.4	10.3
Non-compensation		45.2	3.7	16.5	26.6	8.3	19.6	20.6	17.9
Non-compensation (excl. transfers)		57.1	(3.2)	13.8	30.2	19.2	23.7	20.1	24.3
Non-compensation non-capital (NCNC)		42.7	3.9	11.2	28.4	2.7	11.0	18.1	13.5
NCNC (excl. transfers)		59.6	(3.9)	0.3	35.6	16.4	13.7	15.4	21.5
<b>Real growth (%)</b>									
Current		9.2	2.5	6.5	6.1	8.1	3.8	6.0	6.0
Transfers		11.7	17.5	17.9	11.6	(22.2)	0.2	15.7	(4.6)
Capital		46.6	(3.7)	28.9	14.7	18.3	33.7	22.1	21.9
Compensation		5.0	4.0	8.1	3.8	7.7	3.1	5.7	4.9
Non-compensation		39.4	(1.1)	8.5	19.2	3.4	14.3	14.4	12.1
Non-compensation (excl. transfers)		50.8	(7.6)	6.0	22.6	13.8	18.2	13.9	18.1
Non-compensation non-capital (NCNC)		37.0	(0.9)	3.6	20.9	(1.9)	6.0	12.0	7.9
NCNC (excl. transfers)		53.3	(8.4)	(6.6)	27.7	11.1	8.6	9.5	15.5

The significant real growth of 17.5 and 17.9 per cent against *Transfers* in 2006/07 and 2007/08, respectively, is attributable to the petty cash component that is payable to No Fee Schools, with 10 and then 40 per cent of the poorest learners being exempted from paying school fees. In addition, the introduction of the FET College Sector Recapitalisation grant in 2006/07 has resulted in an average annual real growth of 15.7 per cent between 2004/05 and 2007/08. The department also received an additional allocation in 2008/09 for the phasing in of the National Certificates (Vocational) (NC(V)) in terms of the FET Act, 2006, while concurrently phasing out the old curriculum. This once-off increase, coupled with the phasing in of the FET College Sector Recapitalisation grant into the equitable share, contributes to negative real growth rates of 22.2 per cent in 2009/10 and 4.6 per cent for the period 2007/08 to 2010/11.

The negative real growth of 8.4 per cent in 2006/07 against *Non-compensation non-capital (NCNC)(excluding transfers)* can be attributed to the implementation of expenditure controls and measures to realise savings to off-set major spending pressure in respect of *Compensation of employees*, due to the large number of unbudgeted substitute teacher posts filled during the year, as well as the increase in the allocation in the Norms and Standards allocation to an increased number of No Fee schools, mid-way through the 2006/07 financial year. The real negative growth of 6.6 per cent in 2007/08 is largely due to the fact that the department had decided to, in the absence of a managing agent, transfer the stationery allocation to Section 20 Schools, instead of the department managing purchases on the schools' behalf.

However, the *(NCNC)(excluding transfers)* category shows positive real growth of 15.5 per cent for the period 2007/08 to 2010/11, and this can be ascribed to increased funding introduced from 2007/08, towards National priorities such as Information Technology and Communication, the Quality Improvement Development Support and Upliftment Programme, early childhood development (0 to 4

year olds), text books for Grades 10 to 12 to support the National Curriculum Statement, expansion of Grade R, expansion of inclusive education, as well as Provincial priorities such as FET Training for 2010, learner transport, and support to repeaters of the 2007 Senior Certificate.

### 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 an average of approximately 88 per cent for the period 2004/05 to 2010/11. The peak of 90.4 per cent in 2004/05 is as a result of the once-off back-pay for scarce skills and rural allowances in that year. The largest component of *Current payments* is *Compensation*, which reflects a steady proportion of total expenditure over the 2007/08 MTEF period, of approximately 57 per cent.

*Compensation* also shows a positive trend over the 2007/08 to 2010/11 period, with an average annual real growth of 6.3 per cent. This will allow the department to continue the implementation of the Health Professional Remuneration Review (also known as the Occupational Specific Dispensation or OSD), begun in 2007/08.

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

	Outcome			Adjusted Budget 2007/08	Medium-term estimates			Average annual growth	
	Audited	Audited	Audited		2008/09	2009/10	2010/11	2004/05 - 2007/08	2007/08 - 2010/11
	2004/05	2005/06	2006/07						
In Rand (000)									
Current	8 087 868	9 312 160	10 359 501	12 131 929	13 381 350	14 792 144	16 990 886		
Transfers	275 249	300 459	366 242	404 636	407 983	424 202	446 856		
Capital	587 492	943 133	938 208	1 388 863	1 253 493	1 627 424	2 086 181		
Compensation	5 413 761	5 925 640	6 628 829	7 913 564	8 707 238	9 612 664	11 053 931		
Non-compensation	3 536 848	4 630 112	5 034 990	6 011 864	6 335 588	7 231 106	8 469 992		
Non-compensation (excl. transfers)	3 261 599	4 329 653	4 668 748	5 607 228	5 927 605	6 806 904	8 023 136		
Non-compensation non-capital (NCNC)	2 949 356	3 686 979	4 096 782	4 623 001	5 082 095	5 603 682	6 383 811		
NCNC (excl. transfers)	2 674 107	3 386 520	3 730 540	4 218 365	4 674 112	5 179 480	5 936 955		
Total expenditure	8 950 609	10 555 752	11 663 951	13 925 428	15 042 826	16 843 770	19 523 923		
% of total expenditure									
Current	90.4	88.2	88.8	87.1	89.0	87.8	87.0		
Transfers	3.1	2.8	3.1	2.9	2.7	2.5	2.3		
Capital	6.6	8.9	8.0	10.0	8.3	9.7	10.7		
Compensation	60.5	56.1	56.8	56.8	57.9	57.1	56.6		
Non-compensation	39.5	43.9	43.2	43.2	42.1	42.9	43.4		
Non-compensation (excl. transfers)	36.4	41.0	40.0	40.3	39.4	40.4	41.1		
Non-compensation non-capital (NCNC)	33.0	34.9	35.1	33.2	33.8	33.3	32.7		
NCNC (excl. transfers)	29.9	32.1	32.0	30.3	31.1	30.8	30.4		
Nominal growth (%)									
Current		15.1	11.2	17.1	10.3	10.5	14.9	14.5	11.9
Transfers		9.2	21.9	10.5	0.8	4.0	5.3	13.7	3.4
Capital		60.5	(0.5)	48.0	(9.7)	29.8	28.2	33.2	14.5
Compensation		9.5	11.9	19.4	10.0	10.4	15.0	13.5	11.8
Non-compensation		30.9	8.7	19.4	5.4	14.1	17.1	19.3	12.1
Non-compensation (excl. transfers)		32.7	7.8	20.1	5.7	14.8	17.9	19.8	12.7
Non-compensation non-capital (NCNC)		25.0	11.1	12.8	9.9	10.3	13.9	16.2	11.4
NCNC (excl. transfers)		26.6	10.2	13.1	10.8	10.8	14.6	16.4	12.1
Real growth (%)									
Current		10.6	6.1	9.1	3.9	5.5	9.7	8.6	6.3
Transfers		4.8	16.2	2.9	(5.1)	(0.7)	0.6	7.8	(1.8)
Capital		54.2	(5.1)	37.9	(15.0)	23.9	22.5	26.3	8.9
Compensation		5.1	6.7	11.2	3.6	5.4	9.9	7.6	6.3
Non-compensation		25.7	3.7	11.2	(0.8)	9.0	11.9	13.2	6.6
Non-compensation (excl. transfers)		27.5	2.8	11.9	(0.5)	9.6	12.6	13.6	7.1
Non-compensation non-capital (NCNC)		20.0	6.0	5.1	3.5	5.3	8.8	10.2	5.8
NCNC (excl. transfers)		21.6	5.1	5.3	4.3	5.8	9.5	10.4	6.5

*Transfers* remain constant between 2004/05 and 2007/08 at approximately three per cent. Thereafter, the share declines to 2.7 per cent, 2.5 per cent and 2.3 per cent for the three years of the 2008/09 MTEF 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 *Capital* increases from 6.6 per cent in 2004/05 to 10 per cent in 2007/08, before declining to 8.3 per cent in 2008/09. The significant share decrease in 2008/09 is largely attributable to the decrease in the Hospital Revitalisation grant in that year. The share grows to 10.7 per cent in 2010/11 due to significant additional funding allocated in the outer years of the MTEF to cater for the implementation of Primary Health Care Structures, Infrastructure development, and Modernisation of Tertiary Services, as well as other spending pressures.

The department is showing real average annual growth from 2007/08 to 2010/11 in all categories except *Transfers*. This rate is, however, not as high as it was for 2004/05 to 2007/08, due to the significant increased allocation that the department received in the 2005/06 MTEF allocation, which corrected past imbalances.

The negative real average annual growth in *Transfers* from 2007/08 to 2010/11 is attributable to the take over of municipal institutions by the province, as was mentioned above.

Despite the fact that the Hospital Revitalisation grant reduces in 2008/09, 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 8.9 per cent for the 2007/08 to 2010/11 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 and Population Developments' expenditure by economic classification. As a share of the department's total expenditure, *Current* decreases from 58.9 per cent in 2004/05 to 52.4 per cent in 2007/08, with the downward trend continuing over the 2008/09 MTEF reaching 46.4 per cent in 2010/11. Despite this decline in the share of total expenditure, *Current* payments show an average annual real growth of 5.7 per cent between 2007/08 and 2010/11.

The sustained decrease in the percentage share of *Current* payments over the entire period is caused by the year-on-year increase in *Transfers* from 36.9 per cent in 2004/05 to 49.2 per cent in 2010/11. The increase in *Transfers* peaks in 2006/07 at 45.3 per cent and this relates to the roll-over of just over R105 million in respect of the Integrated Social Development Services grant in that year. Thereafter, the trend stabilises at around 42 per cent for 2007/08 and 2008/09 before increasing over the last two years of the MTEF to 49.2 per cent in 2010/11. The main reason for this increase is the significant increases in funding for national priorities such as early childhood development, home community based care services and services to 'Children in conflict with the law'.

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

In 2008/09, *Compensation* is anticipated to account for 36.7 per cent, which is significantly higher than in previous years. The main reason for this is the Occupational Specific Dispensation (OSD) for social workers. Thereafter *Compensation's* share declines to 33.7 per cent in 2010/11. The average annual real growth from 2007/08 to 2010/11 is at a healthy 10.1 per cent. Apart from the OSD and annual salary increments, this increase will cater for the filling of key vacant posts within the department.

Table 7.7: Analysis of expenditure summary by economic classification - Social Welfare &amp; Population Development

	Outcome			Adjusted Budget 2007/08	Medium-term estimates			Average annual growth	
	Audited	Audited	Audited					2004/05 -	2007/08 -
	2004/05	2005/06	2006/07		2008/09	2009/10	2010/11	2007/08	2010/11
<b>In Rand (000)</b>									
Current	319 259	381 763	458 518	558 019	634 223	691 290	766 422		
Transfers	200 008	323 187	426 986	449 603	501 858	608 695	812 465		
Capital	23 161	41 276	56 075	57 601	62 032	64 235	72 088		
Compensation	188 740	235 538	285 983	357 460	439 115	494 248	556 322		
Non-compensation	353 688	510 688	655 596	707 763	758 998	869 972	1 094 653		
Non-compensation (excl. transfers)	153 680	187 501	228 610	258 160	257 140	261 277	282 188		
Non-compensation non-capital (NCNC)	330 527	469 412	599 521	650 162	696 966	805 737	1 022 565		
NCNC (excl. transfers)	130 519	146 225	172 535	200 559	195 108	197 042	210 100		
<b>Total expenditure</b>	<b>542 428</b>	<b>746 226</b>	<b>941 579</b>	<b>1 065 223</b>	<b>1 198 113</b>	<b>1 364 220</b>	<b>1 650 975</b>		
<b>% of total expenditure</b>									
Current	58.9	51.2	48.7	52.4	52.9	50.7	46.4		
Transfers	36.9	43.3	45.3	42.2	41.9	44.6	49.2		
Capital	4.3	5.5	6.0	5.4	5.2	4.7	4.4		
Compensation	34.8	31.6	30.4	33.6	36.7	36.2	33.7		
Non-compensation	65.2	68.4	69.6	66.4	63.3	63.8	66.3		
Non-compensation (excl. transfers)	28.3	25.1	24.3	24.2	21.5	19.2	17.1		
Non-compensation non-capital (NCNC)	60.9	62.9	63.7	61.0	58.2	59.1	61.9		
NCNC (excl. transfers)	24.1	19.6	18.3	18.8	16.3	14.4	12.7		
<b>Nominal growth (%)</b>									
Current		19.6	20.1	21.7	13.7	9.0	10.9	20.5	11.2
Transfers		61.6	32.1	5.3	11.6	21.3	33.5	31.0	21.8
Capital		78.2	35.9	2.7	7.7	3.6	12.2	35.5	7.8
Compensation		24.8	21.4	25.0	22.8	12.6	12.6	23.7	15.9
Non-compensation		44.4	28.4	8.0	7.2	14.6	25.8	26.0	15.6
Non-compensation (excl. transfers)		22.0	21.9	12.9	(0.4)	1.6	8.0	18.9	3.0
Non-compensation non-capital (NCNC)		42.0	27.7	8.4	7.2	15.6	26.9	25.3	16.3
NCNC (excl. transfers)		12.0	18.0	16.2	(2.7)	1.0	6.6	15.4	1.6
<b>Real growth (%)</b>									
Current		14.8	14.5	13.4	7.0	4.1	5.9	14.2	5.7
Transfers		55.2	26.0	(1.9)	5.1	15.8	27.5	24.2	15.8
Capital		71.1	29.6	(4.3)	1.4	(1.1)	7.2	28.5	2.4
Compensation		19.8	15.8	16.4	15.7	7.4	7.5	17.3	10.1
Non-compensation		38.7	22.4	0.6	1.0	9.4	20.2	19.5	9.9
Non-compensation (excl. transfers)		17.2	16.3	5.2	(6.2)	(3.0)	3.2	12.7	(2.1)
Non-compensation non-capital (NCNC)		36.4	21.8	1.0	0.9	10.4	21.2	18.8	10.5
NCNC (excl. transfers)		7.6	12.5	8.3	(8.4)	(3.6)	1.9	9.4	(3.5)

*Transfers* account for the second largest share of total expenditure in 2008/09 and 2009/10, after *Current*. In 2010/11 *Transfers* becomes the largest share of the budget indicating the strong growth in the role of the private sector in providing social welfare services to the province. In the new medium-term, real growth in expenditure on *Transfers* is set to increase by 15.8 per cent between 2007/08 and 2010/11. This is due to the effect of the various national priorities funded in the 2008/09 MTEF. As was mentioned earlier, the funding for a number of these priorities grows strongly in the two outer years of the MTEF.

The negative real average annual growth in *Non-compensation (excluding transfers)* over the 2008/09 MTEF is as a result of a number of once-off payments in *Goods and services* in 2007/08 (the base year) including the finalisation of the asset register, a forensic investigation and skills development, as well as the purchase of nutritional supplements for TB patients from the roll-over of R58.9 million.

### 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 and Population Development). The share of *Current* payments to total budget is set to decrease from 53.6 per cent in 2004/05 to 42.1 per cent in 2010/11. 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* is declining, this category reflects a healthy average annual real growth rate of 6.9 per cent for the period 2007/08 to 2010/11, illustrating the strengthening of capacity by government in its efforts to improve service delivery. In the 2008/09 MTEF, *Non-compensation* is expected to continue increasing its share of total expenditure, from 80.4 per cent in 2007/08 to 81.8 per cent in 2010/11 – a strong annual average real growth of 10.2 per cent between 2007/08 and 2010/11.

The category *Transfers* shows strong growth for the period 2007/08 to 2009/10 and then declines in 2010/11. This is largely due to the Dube TradePort funding which is at its highest during 2008/09 and 2009/10, as well as the contributions to building and upgrading soccer stadia at local government level in preparation of the 2010 Soccer World Cup. Despite this, the category reflects the highest average annual real growth of 12.7 per cent over the 2008/09 MTEF. This is an indication of the increased allocation for housing delivery in the Department of Housing as well as the growth and co-operatives funds in the Department of Economic Development.

*Capital* payments also show a substantial annual average real growth of 11.3 per cent between 2007/08 and 2010/11, with the share of total expenditure increasing from 22.8 per cent in 2007/08 to 23.9 per cent in 2010/11. The bulk of the *Capital* expenditure is in respect of the construction, and rehabilitation/upgrading of the road network in the province.

**Table 7.8: Analysis of expenditure summary by classification - Other**

	Outcome			Adjusted Budget 2007/08	Medium-term estimates			Average annual growth	
	Audited	Audited	Audited		2008/09	2009/10	2010/11	2004/05 -	2007/08 -
	2004/05	2005/06	2006/07					2007/08	2010/11
<b>In Rand (000)</b>									
Current	2 940 327	3 582 516	4 034 974	4 917 039	5 615 256	6 359 541	6 910 801		
Transfers	1 289 603	1 751 360	2 330 982	3 350 504	4 909 723	5 954 350	5 589 221		
Capital	1 258 237	1 641 225	1 691 185	2 442 902	2 945 881	3 619 344	3 921 941		
Compensation	1 457 720	1 599 645	1 760 687	2 102 660	2 585 985	2 797 812	2 992 855		
Non-compensation	4 030 447	5 375 456	6 296 454	8 607 785	10 884 875	13 135 423	13 429 108		
Non-compensation (excl. transfers)	2 740 844	3 624 096	3 965 472	5 257 281	5 975 152	7 181 073	7 839 887		
Non-compensation non-capital (NCNC)	2 772 210	3 734 231	4 605 269	6 164 883	7 938 994	9 516 079	9 507 167		
NCNC (excl. transfers)	1 482 607	1 982 871	2 274 287	2 814 379	3 029 271	3 561 729	3 917 946		
<b>Total expenditure</b>	<b>5 488 167</b>	<b>6 975 101</b>	<b>8 057 141</b>	<b>10 710 445</b>	<b>13 470 860</b>	<b>15 933 235</b>	<b>16 421 963</b>		
<b>% of total expenditure</b>									
Current	53.6	51.4	50.1	45.9	41.7	39.9	42.1		
Transfers	23.5	25.1	28.9	31.3	36.4	37.4	34.0		
Capital	22.9	23.5	21.0	22.8	21.9	22.7	23.9		
Compensation	26.6	22.9	21.9	19.6	19.2	17.6	18.2		
Non-compensation	73.4	77.1	78.1	80.4	80.8	82.4	81.8		
Non-compensation (excl. transfers)	49.9	52.0	49.2	49.1	44.4	45.1	47.7		
Non-compensation non-capital (NCNC)	50.5	53.5	57.2	57.6	58.9	59.7	57.9		
NCNC (excl. transfers)	27.0	28.4	28.2	26.3	22.5	22.4	23.9		
<b>Nominal growth (%)</b>									
Current		21.8	12.6	21.9	14.2	13.3	8.7	18.7	12.0
Transfers		35.8	33.1	43.7	46.5	21.3	(6.1)	37.5	18.6
Capital		30.4	3.0	44.4	20.6	22.9	8.4	24.8	17.1
Compensation		9.7	10.1	19.4	23.0	8.2	7.0	13.0	12.5
Non-compensation		33.4	17.1	36.7	26.5	20.7	2.2	28.8	16.0
Non-compensation (excl. transfers)		32.2	9.4	32.6	13.7	20.2	9.2	24.2	14.2
Non-compensation non-capital (NCNC)		34.7	23.3	33.9	28.8	19.9	(0.1)	30.5	15.5
NCNC (excl. transfers)		33.7	14.7	23.7	7.6	17.6	10.0	23.8	11.7
<b>Real growth (%)</b>									
Current		17.0	7.4	13.5	7.5	8.1	3.8	12.6	6.5
Transfers		30.4	26.9	33.9	38.0	15.8	(10.3)	30.4	12.7
Capital		25.3	(1.7)	34.5	13.5	17.3	3.5	18.3	11.3
Compensation		5.4	5.0	11.2	15.8	3.3	2.2	7.2	6.9
Non-compensation		28.1	11.7	27.3	19.1	15.2	(2.3)	22.1	10.2
Non-compensation (excl. transfers)		27.0	4.4	23.5	7.0	14.7	4.3	17.8	8.6
Non-compensation non-capital (NCNC)		29.3	17.6	24.7	21.3	14.4	(4.6)	23.8	9.8
NCNC (excl. transfers)		28.4	9.4	15.3	1.3	12.2	5.1	17.4	6.1

## 7.4 Expense by District Municipal Area

Table 7.9 below provides the analysis of provincial spending (excluding operational costs) per district municipal area (DMA) for 2006/07 to 2010/11. Detail of departmental spending within each DMA is provided in Budget Statement 2.

It must be mentioned that this information was first published in the 2007/08 Budget Statements and departments are continuing to improve on the quality and accuracy of the data. In view of this, the information should again be seen as only an estimate of what is spent within each DMA. This process will be assisted with the revised configuration of government's financial system (Basic Accounting System) which allows users to identify the municipal area in which the expenditure is incurred with



effect from 1 April 2008. Also, the data does not include operational costs, since the idea of this table is to indicate the spending on service delivery only within each DMA.

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

District Municipal Area	Audited Actual	Estimated Actual	Medium-term estimates			Percentage share					Average annual growth
	2006/07	2007/08	2008/09	2009/10	2010/11	2006/07	2007/08	2008/09	2009/10	2010/11	2007/08 - 2010/11
<b>R000</b>											
eThekweni	8 623 332	12 111 903	12 498 490	13 795 216	15 592 105	28.2	30.5	27.6	27.0	27.9	8.8
Ugu	1 796 083	2 167 195	2 549 898	2 915 064	3 173 002	5.9	5.5	5.6	5.7	5.7	13.6
uMgungundlovu	6 988 115	8 409 984	11 181 206	12 863 322	13 465 036	22.9	21.2	24.7	25.2	24.1	17.0
Uthukela	1 569 670	1 854 694	2 220 540	2 415 476	2 617 553	5.1	4.7	4.9	4.7	4.7	12.2
Umkhanyathi	1 239 326	1 571 231	1 796 599	2 050 051	2 300 623	4.1	4.0	4.0	4.0	4.1	13.6
Amajuba	1 214 713	1 539 153	1 776 568	2 046 417	2 256 257	4.0	3.9	3.9	4.0	4.0	13.6
Zululand	2 348 230	3 014 377	3 322 734	3 697 151	4 091 672	7.7	7.6	7.3	7.2	7.3	10.7
Umkhanyakude	1 564 606	2 585 527	2 268 594	2 618 136	2 969 870	5.1	6.5	5.0	5.1	5.3	4.7
uThungulu	2 405 189	2 561 285	3 648 160	4 141 776	4 538 049	7.9	6.4	8.0	8.1	8.1	21.0
Ilembe	1 551 984	2 261 189	2 203 935	2 383 415	2 602 901	5.1	5.7	4.9	4.7	4.7	4.8
Sisonke	1 226 827	1 683 627	1 859 972	2 077 011	2 268 603	4.0	4.2	4.1	4.1	4.1	10.5
<b>Total</b>	<b>30 528 076</b>	<b>39 760 165</b>	<b>45 326 695</b>	<b>51 003 035</b>	<b>55 875 671</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>12.0</b>

As is evident from the above table, the bulk of provincial spending occurs within eThekweni, with spending increasing from R8.6 billion in 2006/07 to R15.6 billion in 2010/11. However, as a proportion of total expenditure, spending within this area decreases from 28.2 per cent to 27.9 per cent in 2010/11. The second largest spending is within the uMgungundlovu district, where spending is set to increase from R7 billion in 2006/07 to R13.5 billion in 2010/11, an annual average growth rate of 17 per cent between 2007/08 and 2010/11. As a percentage of total expenditure, uMgungundlovu area is stabilising at around 25 per cent over the 2008/09 MTEF.

The fastest growing spending occurs in uThungulu with an average annual growth rate of 21 per cent between 2007/08 and 2010/11. The share of total expenditure is also rising from 6.4 per cent in 2007/08 to 8.1 per cent in 2010/11. This growth is largely due to the funding for the Richards Bay Industrial Development Zone and John Ross Highway.

Overall, spending within DMAs is set to increase at an annual average nominal growth of 12 per cent, ranging from the lowest of 4.7 per cent in Umkhanyakude to the highest of 21 per cent in uThungulu.

## 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 2004/05	Audited 2005/06	Audited 2006/07				2007/08	2008/09	2009/10
General Public Services	1 474 739	1 788 547	2 000 296	2 233 150	2 379 583	2 387 685	2 905 200	3 144 325	3 410 518
Public Order & Safety Affairs	282 964	418 928	448 507	513 038	514 038	515 576	540 671	597 576	643 437
Education Affairs & Services	13 290 991	15 310 355	16 511 110	18 921 501	19 204 227	19 362 927	21 800 947	24 356 321	26 904 165
Health Affairs & Services	8 699 100	10 279 527	11 390 105	13 084 705	13 584 252	14 230 515	14 664 684	16 433 555	19 072 705
Community & Social Services	537 754	742 313	936 023	994 693	1 056 056	1 029 249	1 186 913	1 352 385	1 638 466
Housing & Community (Amenity) Affairs & Services	1 254 245	1 326 603	1 640 016	1 971 858	1 988 935	1 982 228	2 311 305	2 727 216	3 242 143
Recreational, Cultural & Religious Affairs & Services	170 163	265 646	306 906	390 111	387 635	388 305	500 353	558 747	654 771
Agricultural Affairs & Services	657 533	814 333	848 394	1 009 496	1 035 862	864 655	1 081 799	1 305 807	1 465 150
Transportation & Communication Affairs & Services	1 443 992	1 820 737	2 032 130	2 540 886	2 538 886	2 538 886	3 163 178	3 905 075	4 091 944
Other Economic Affairs & Services	202 994	540 090	767 910	1 855 090	1 848 522	1 651 301	2 945 876	3 674 261	2 893 632
Total	28 014 475	33 307 079	36 881 397	43 514 528	44 537 996	44 951 327	51 100 926	58 055 268	64 016 931

The above table confirms that the largest portion of the provincial budget is spent on Education Affairs and Services, which is set to grow from R21.8 billion to R26.9 billion over the 2008/09 MTEF period – an indication of the province’s strategy to develop human capability. Health Affairs and Services, the second largest policy area, is set to increase from R14.7 billion to R19.1 billion between 2008/09 and 2010/11.

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. Nevertheless, the expenditure is showing positive growth from R538 million in 2004/05 to over R1.6 billion in 2010/11.

The strong growth in Other Economic Affairs and Services between 2007/08 and 2009/10 is mainly in respect of the Dube TradePort. Other projects/initiatives contributing to the increase in this area are the SMME Fund, Growth Fund, Co-operatives Programme and Richards Bay Industrial Development Zone.

There is also good growth over the period under review in the category Transportation and Communication Affairs and Services as well as Housing and Community (Amenity) 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 construction*, *Rehabilitation/upgrading*, *Other capital projects* (e.g. provision of water, electricity, sanitation, fencing in schools, hospital equipment etc.), and *Infrastructure transfer*. The *Infrastructure transfer* category refers to transfers of funding to municipalities and public entities for infrastructure projects, as well as the Integrated Housing and Human Settlement Development grant under Vote 8: Housing. The provincial contribution to the construction of the Moses Mabhida Stadium, for the 2010 Soccer World Cup, is also catered for under this category. Included also, is the provision for the Dube TradePort, which is R1.4 billion in 2008/09 and 2009/10, reducing to R728 million in 2010/11.

Table 7.11: Summary of infrastructure expenditure and estimates

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates			
	Audited 2004/05	Audited 2005/06	Audited 2006/07				2007/08	2008/09	2009/10	2010/11
Capital	2 457 967	3 145 711	3 787 439	5 354 763	5 777 673	5 759 835	7 938 363	9 351 581	9 972 811	
New constructions	567 933	979 203	1 097 557	1 555 539	1 787 288	1 760 226	2 257 831	2 866 708	3 710 903	
Rehabilitation/upgrading	1 064 305	1 159 019	1 350 119	1 900 791	2 055 480	2 027 276	2 132 047	2 590 596	2 754 887	
Other capital projects	126 737	222 926	304 786	385 720	248 392	285 820	394 043	423 990	557 834	
Infrastructure transfer	698 992	784 563	1 034 977	1 512 713	1 686 513	1 686 513	3 154 442	3 470 287	2 949 187	
Current	653 247	762 962	912 278	1 006 505	1 139 386	1 062 008	1 207 082	1 363 101	1 452 413	
Total	3 111 214	3 908 673	4 699 717	6 361 268	6 917 059	6 821 843	9 145 445	10 714 682	11 425 224	

At a cursory overview, Table 7.11 shows an increase in value of the provincial allocations for infrastructure from R3.1 billion in 2004/05 to R11.4 billion in 2010/11. This growth is a historical spending trend that continues from prior periods. The growth in infrastructure expenditure, over the years, is due to the provincial government’s commitment to improving the quality of life of the citizens of this province, and *inter alia*, contributes positively to the economy of 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.

The maintenance portion of the infrastructure budget shows a decreasing trend from 19 per cent of the infrastructure budget in 2004/05 to 13 per cent in 2008/09. It should be noted, however, that, due to the general age of the province's infrastructure, larger maintenance activities take place under the category *Rehabilitation/Upgrading*.

Table 7.12 below shows the same information by vote. The increases in the infrastructure allocations mentioned above are reflected against most departments, and especially within the major infrastructure departments like Transport, Housing, Education and Health.

**Table 7.12: Summary of infrastructure expenditure and estimates by vote**

R000	Outcome			Main Budget	Adjusted Budget 2007/08	Estimated actual	Medium-term estimates		
	Audited 2004/05	Audited 2005/06	Audited 2006/07				2008/09	2009/10	2010/11
1. Premier	-	-	3 538	3 455	18 703	18 703	8 415	5 039	5 341
2. Provincial Legislature	17 094	12 205	4 174	1 933	5 742	5 742	1 754	1 885	1 999
3. Agriculture and Environmental Affairs	45 342	74 267	53 097	70 969	125 993	94 052	95 244	120 037	181 147
4. Economic Development	-	-	-	245 000	476 000	476 000	1 493 439	1 481 424	769 073
5. Education	418 469	747 673	767 496	974 055	974 055	971 438	1 226 918	1 407 679	1 931 053
6. Provincial Treasury	-	-	-	-	-	-	150 000	150 000	-
7. Health	425 842	736 770	720 195	1 084 467	1 278 396	1 208 048	1 233 437	1 519 829	1 936 450
8. Housing	741 092	809 212	1 054 333	1 255 555	1 285 555	1 283 617	1 555 586	1 871 016	2 333 255
9. Community Safety and Liasion	-	-	-	-	-	-	-	-	-
10. The Royal Household	3 588	2 340	3 547	2 500	2 500	2 059	2 750	3 025	3 328
11. Local Government and Traditional Affairs	53 093	17 498	35 893	127 215	131 005	131 005	158 055	182 469	42 287
12. Transport	1 299 106	1 325 224	1 893 584	2 443 524	2 461 701	2 461 701	3 029 651	3 775 782	3 963 484
13. Social Welfare and Population Development	2 237	36 692	41 113	44 984	43 984	46 071	46 752	45 379	48 101
14. Works	87 451	114 059	73 479	58 401	60 329	70 311	64 555	79 504	83 878
15. Arts, Culture and Tourism	17 900	16 733	30 666	17 584	21 470	21 470	38 894	28 917	80 995
16. Sport and Recreation	-	16 000	18 602	31 626	31 626	31 626	39 995	42 697	44 833
<b>Total</b>	<b>3 111 214</b>	<b>3 908 673</b>	<b>4 699 717</b>	<b>6 361 268</b>	<b>6 917 059</b>	<b>6 821 843</b>	<b>9 145 445</b>	<b>10 714 682</b>	<b>11 425 224</b>

Infrastructure spending in Transport relates to the construction of new blacktop roads, rural access roads and bridges, including pedestrian bridges that will assist in providing access to community facilities. Also included within this allocation is the rehabilitation and/or upgrading of the existing road network. The Department of Education's infrastructure spending will provide for the building of additional classrooms and toilets in existing schools, rehabilitation and/or upgrading of existing classrooms and sanitation facilities and laboratories, computer centres and ECD spaces. Health's infrastructure spending will largely focus on the building of clinics in rural areas, as well as the revitalisation of existing hospitals. For its part, the Department of Economic Development's infrastructure spending is mainly for the Dube TradePort. The sharp increase against Vote 11: Local Government and Traditional Affairs in 2007/08 to 2009/10 relates to the provision of soccer stadia across the province, which therefore explains the decrease in the outer year of the MTEF. Further details on departmental spending on infrastructure can be found in *Annexure – Budget Statement 1* and *Budget Statement 2*.

### 7.6.2 Infrastructure management

Since 2005/06, the focus on infrastructure delivery by departments, including their Implementing Agents, has increased and, as such, there has been a marked improvement in the delivery of infrastructure. This improvement is evident in the Infrastructure Plans prepared by departments, and generally improved spending by departments on infrastructure. However, despite this improvement, some problems do persist and these are not all easily overcome.

Some of the issues that still need improvement, in order to realise the full potential of infrastructure spending, are:

- *Registrations*

The introduction of the Construction Industry Development Board (CIDB) brought a shock to the infrastructure industry as contractors, regardless of the size of their operations, were exposed to common standards and regulations. It should, however, be noted that departments are still operating different registration databases, in addition to the Treasury database, and this can potentially confuse the targeted suppliers, which could lead to:

- ii) Duplication of selection by various training programmes and subsequently construction service providers; and
- iii) Contractors having to align various departmental requirements.

There is a need for a consolidated database of suppliers, which can be used by all departments for acquiring services and capacitating the construction industry. This will lead to improved progress and more focused training of emerging contractors.

- *Maintenance*

The unbalanced provision of infrastructure in the past resulted in generally under-serviced rural areas in the province, and backlogs. Due to pressure in addressing these backlogs and the poor skills levels within departments, the maintenance of infrastructure in some departments has not been adequately catered for. This is an area that needs urgent attention, as it has the potential to perpetuate the status quo.

The prevailing prices of construction resulting from the scarcity of construction workers as a result of the 2010 construction boom are bound to exist at least up to the World Cup. To realise enhanced value for money, departments should take into account the scarcity of construction specialists during this time and consider updating their maintenance on existing structures and preparing better plans for new projects for post World Cup. This will enable sustained demand for services in the construction industry even after the industry boom related to the World Cup has ceased.

- *Institutional changes (incl. memory loss)*

The removal of trade barriers in South Africa, that accompanied the attainment of democracy, exposed the country as a whole and therefore the province to the world markets. This led to the fluidity of the Infrastructure skills base, especially to other provinces and foreign countries.

Skills shortage is a global phenomenon, and the investment in current and future personnel needs has been neglected in the preceding decades by the global markets in general. In developing countries like South Africa, and relatively rural areas, the impact is more pronounced. This has been compounded by the rationalisation of government and the institutions of higher learning. The number of client bodies, provinces and municipalities has grown exponentially, and the private need for houses has also increased, beyond the prevailing plans.

This has led to construction companies' share prices being higher than they have been in recent memory, and construction companies are plying their trade all over the world, leading to South Africa competing with Dollar and Euro markets of the Gulf and Europe (e.g. London 2012 Olympics) for the same.

Departments and relevant construction related institutions should have co-ordinated capacity building programmes, which will be targeted at the country as a whole, in support of national programmes such as ASGI-SA.

- *Use of Innovative methods of Infrastructure Planning and Delivery*

The energy issues, as highlighted by countrywide electricity blackouts, challenges the construction industry to recognise the changing face of the industry. The booming construction has also exposed the finite nature of resources, like cement among others, and personnel. Some of these challenges can be addressed by better use of material and finding substitutes for the current shortages. The engagement of suppliers by client departments needs to be co-ordinated to realise better economies of scale in terms of price and personnel. It is also incumbent on the industry to review the energy needs, and usage of buildings, especially in a sunny and warm area like this province.

All these factors have the potential to affect the efficiency and effectiveness of infrastructure planning and delivery into the future.

### 7.6.3 Public-Private Partnerships (PPP)

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

#### *Government Precinct:*

Three departments, namely the Provincial Treasury, Department of Works and the Provincial Legislature were 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 was appointed to undertake the necessary feasibility studies and recommend suitable locations for the two projects. The feasibility study for the Legislature complex has been finalised and is awaiting Treasury Approval 1. The study for the Government Precinct is at an advanced stage and should be completed in 2007/08. Both projects, if approved, will reach the procurement stages during 2008/09.

#### *Secure Care Centres:*

The Department of Social Welfare and Population Development appointed 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. The feasibility study for this project is in an advanced stage and should be finalised in 2007/08. The procurement stage should be finalised in the latter part of 2008/09.

#### *Supply and Maintenance of Major Plant:*

The Department of Transport 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, due to sustainability challenges, the project was discontinued.

#### *Umhlathuze Municipality Water and Sanitation Project:*

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 finalizing the feasibility study for this project, but has not yet applied for Treasury Approval 1. The future of the project is being discussed.

#### *Hibiscus Coast Development:*

The Hibiscus local municipality appointed 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. Progress on this project is slow, but the study should be completed in 2008/09.

#### *Eco-tourism in Nature Conservation Service areas:*

The Board of *Ezemvelo* KZN Wildlife is in the process of appointing Transaction Advisors to undertake a feasibility study for the outsourcing of all the eco-tourism and commercial functions at the Royal Natal National Park and certain surrounding parks in the uKhahlamba area under its control. This project includes the possible redevelopment of the old hotel in the park. The Board also intends to appoint consultants to undertake a pre-feasibility study on the outsourcing of eco-tourism and commercial functions at the other conservation areas under its control. The Terms of Reference for the study have been drafted, and are being considered by the Board and the Department of Agriculture and Environmental Affairs.

#### *Greater Kokstad Municipality – New Civic Centre.*

The Greater Kokstad Municipality appointed Transaction Advisors to undertake a feasibility study for the provision of a new Civic Centre in the municipality on a PPP basis. The study should be finalised early in 2008/09.

There are a number of additional projects, identified by departments and municipalities, under review. These projects will further enhance the provincial infrastructure and 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 R389 million in 2004/05 to R1.2 billion in the 2007/08 Adjusted Budget, and then rising further to R1.9 billion in 2010/11. A number of provincial public entities have been, or are in the process of being, de-listed between 2004/05 and 2007/08, namely Mjindi Farming (Pty) Ltd, Umsekeli Municipal Support Services and KwaZulu-Natal Taxi Council. On the other hand, the Youth Commission was scheduled to be established and operational during 2007/08. However, due to unforeseen delays, the entity was not fully operational in 2007/08 and youth projects were therefore managed by the parent department, namely the Office of the Premier. There is however, a substantial provision over the 2008/09 MTEF period for this entity.

Over the 2008/09 MTEF, the largest share is allocated to Ithala who receive funding from the Department of Agriculture and Environmental Affairs and the Department of Economic Development. The decrease to this entity in 2007/08 by the Department of Agriculture and Environmental Affairs is due to the reprioritisation of Agrarian Revolution funds to off-set spending pressures elsewhere in the department's budget. However, further Agrarian Revolution funding was allocated to Ithala in the outer years for agricultural 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 2008/09 MTEF period.

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

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2004/05	Audited 2005/06	Audited 2006/07				2008/09	2009/10	2010/11
<b>Vote 1 - Office of the Premier</b>	<b>15 200</b>	<b>15 834</b>	<b>29 134</b>	<b>39 824</b>	<b>32 575</b>	<b>32 575</b>	<b>49 794</b>	<b>53 317</b>	<b>56 516</b>
Amafa aKwaZulu-Natali	10 200	10 644	17 283	18 147	18 147	18 147	19 291	20 738	21 980
KwaZulu-Natal Gambling Board	5 000	5 190	11 851	19 238	14 428	14 428	15 449	16 679	17 682
Kwazulu Natal Youth Commission	-	-	-	2 439	-	-	15 054	15 900	16 854
<b>Vote 3 - Agriculture and Environmental Affairs</b>	<b>254 228</b>	<b>288 957</b>	<b>311 852</b>	<b>482 641</b>	<b>317 744</b>	<b>317 744</b>	<b>335 910</b>	<b>490 360</b>	<b>519 782</b>
Ezemvelo KZN Wildlife	239 819	269 408	286 752	307 041	307 041	307 041	329 920	383 914	406 949
Mjindi Farming (PTY) LTD	4 409	2 050	2 100	-	8 400	8 400	-	-	-
Ithala Development Finance Corporation	10 000	17 499	23 000	175 600	2 303	2 303	5 990	106 446	112 833
<b>Vote 4 - Economic Development</b>	<b>28 447</b>	<b>15 634</b>	<b>144 859</b>	<b>875 142</b>	<b>759 142</b>	<b>759 142</b>	<b>644 572</b>	<b>1 118 765</b>	<b>1 256 381</b>
Ithala Development Finance Corporation	27 447	15 634	144 859	875 142	759 142	759 142	644 572	1 118 765	1 256 381
KZN Tourism Authority	1 000	-	-	-	-	-	-	-	-
<b>Vote 11 - Local Government &amp; Traditional Affairs</b>	<b>19 600</b>	<b>19 900</b>	<b>19 500</b>	<b>2 625</b>	<b>2 625</b>	<b>2 628</b>	<b>3 000</b>	<b>3 100</b>	<b>3 297</b>
Provincial Planning and Dev. Commission	2 000	2 300	2 500	2 625	2 625	2 628	3 000	3 100	3 297
Umsekeli Municipal Support Services	17 600	17 600	17 000	-	-	-	-	-	-
<b>Vote 12 - Transport</b>	<b>5 600</b>	<b>5 800</b>	<b>5 906</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
KwaZulu-Natal Taxi Council	5 600	5 800	5 906	-	-	-	-	-	-
<b>Vote 15 - Arts, Culture and Tourism</b>	<b>65 948</b>	<b>79 068</b>	<b>80 823</b>	<b>81 149</b>	<b>84 182</b>	<b>84 182</b>	<b>95 060</b>	<b>104 816</b>	<b>104 793</b>
The Playhouse Company	-	10 000	5 000	5 000	5 000	5 000	5 350	5 751	6 096
KZN Tourism Authority	49 066	52 186	58 096	57 536	60 036	60 036	66 413	72 740	72 150
Natal Sharks Board	16 882	16 882	17 727	18 613	19 146	19 146	23 297	26 325	26 547
<b>Total</b>	<b>389 023</b>	<b>425 193</b>	<b>592 074</b>	<b>1 481 381</b>	<b>1 196 268</b>	<b>1 196 271</b>	<b>1 128 336</b>	<b>1 770 358</b>	<b>1 940 769</b>

The transfer to *Ezemvelo* KZN Wildlife continues to increase over the seven-year period under review, with an allocation of R406.9 million in 2010/11. 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 grant to the KZN Gambling Board was reduced by R4.8 million in the 2007/08 Adjustments Estimate, in line with the anticipated under-expenditure identified by the Gambling Board. The allocation over the 2008/09 MTEF has been adjusted accordingly.

For its part, the Natal Sharks Board received additional funding in the 2007/08 Adjustments Estimate for repairs to damaged drum lines and off-shore netting, which were damaged in coastal storms in March 2007. Additional funds are allocated over the MTEF to meet the entity's capital requirements.

## 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 transfer payments to these entities over the 2008/09 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	Audited	Audited				2008/09	2009/10	2010/11
	2004/05	2005/06	2006/07						
1. Office of the Premier	352	889	551	774	380	380	828	890	944
3. Agriculture and Environmental Affairs	16 810	29 261	7 636	7 020	6 837	6 837	6 511	6 958	7 375
4. Economic Development	35 425	31 500	160 000	299 000	554 835	554 835	1 657 000	1 690 541	952 287
5. Education	580 902	675 531	869 684	1 007 384	1 127 384	1 192 263	1 338 434	1 076 563	1 128 499
7. Health	121 600	136 496	142 747	188 585	215 376	218 089	227 649	241 384	256 084
9. Community Safety and Liaison	270	-	3 920	3 000	3 000	3 000	3 100	3 300	3 498
11. Local Government and Traditional Affairs	19 600	19 900	19 500	2 625	2 625	2 628	3 000	3 100	3 297
13. Social Welfare and Population Development	185 261	283 910	280 646	297 367	305 171	313 224	379 244	447 396	607 759
16. Sport and Recreation	4 528	13 920	4 246	4 247	4 907	4 907	8 457	9 291	10 023
<b>Total</b>	<b>964 748</b>	<b>1 191 407</b>	<b>1 488 930</b>	<b>1 810 002</b>	<b>2 220 515</b>	<b>2 296 163</b>	<b>3 624 223</b>	<b>3 479 423</b>	<b>2 969 766</b>

The aggregated payments and estimates increase from R964.7 million in 2004/05 to R2.2 billion in 2007/08, increasing further to R3 billion in 2010/11. The significant increase under Vote 4: Economic Development in 2007/08 to 2009/10 and subsequent decrease in the last year is in respect of the construction of the Dube TradePort. The allocation is in line with the anticipated progress of this project, which is planned to be completed in time for the 2010 Soccer World Cup.

The transfers by the Department of Education are largely in respect of Section 20 and 21 Schools and FET Colleges. The significant increase in 2006/07 is due to the introduction of no fee schools which receive a transfer from the department in the form of 'petty cash', to enable these schools to fund the costs that were previously met from the school fees collected. The further increase in the 2007/08 Adjustments Estimate relates to the decision of the department to transfer funds to certain schools for the acquisition of their stationary, rather than using the department's procurement process. A further contributing factor to the increase in the 2007/08 Estimated actual and 2008/09 budget is the fact that, in line with the implementation of the new FET Act, two curricula are being offered concurrently in 2007/08 and 2008/09.

Transfers by the other departments show a gradual increase over the seven-year period and include transfers for social welfare services institutions, the provision of general clinic services, HIV and AIDS services, district hospital services, general hospital services, and tuberculosis services by various non governmental organisations and transfers to sporting organisations.

## 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 out norms and standards to promote co-operative governance in respect of the transfer process between the national, provincial and local spheres 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 Provincial 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) and (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 R742.9 million in the 2007/08 Estimated Actual, to over R788 million in 2010/11.

The substantial increase in the 2007/08 Adjustments Estimate and subsequent decrease in 2008/09 for Category B and C municipalities is largely due to the funding arrangement by the Department of Local Government and Traditional Affairs. At the beginning of a financial year, the department allocates funds against direct payments (*Goods and services*) and, only once a municipality has met the set criteria, do the funds get transferred. Such transfers are then formally allocated during the Adjustments Estimate of that financial year.

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

Table 7.15: Summary of provincial transfers to local government by category									
R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2004/05	Audited 2005/06	Audited 2006/07				2007/08	2008/09	2009/10
	Category A	133 491	130 586	162 245	198 318	258 191	385 036	655 988	632 687
Category B	67 122	142 909	116 674	71 037	207 139	211 995	152 251	108 895	101 089
Category C	57 302	64 192	67 198	80 731	141 650	141 650	114 213	56 828	52 744
Unallocated	657	2 415	132 277	67 251	10 245	4 257	22 401	199 416	112 239
Total	258 572	340 102	478 394	417 337	617 225	742 938	944 853	997 826	788 073

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 R656 million from various provincial departments in 2008/09. The allocation over the ensuing two years decreases to R632.7 million and R522 million. The sharp increase in the 2007/08 Estimated Actual is in respect of the transfer by the Department of Housing for the Hostel Redevelopment and Upgrading programme. The increase in 2008/09 and 2009/10 relates to the two-year allocation of R300 million, being provincial government's contribution towards the construction of the Moses Mabhida soccer stadium.

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 R152.3 million in 2008/09 to R101 million in 2010/11.

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 decrease from R114.2 million in 2008/09 to R52.7 million in 2010/11. The significant allocation against *Unallocated* in 2009/10 relates to the transfer in respect of infrastructure for soccer stadia, which will be allocated to the respective municipalities on a needs basis during the 2009/10 budget.

Table 7.16 below presents a summary of provincial transfers to local government by vote and grant type over the seven-year period from 2004/05 to 2010/11.

In terms of amendments to legislation, the Regional Service Council Levy fell away with effect from 1 July 2006. As is evident, 11 provincial departments will be transferring funds to local government in respect of 28 different grant types over the 2008/09 MTEF. The bulk of these transfers will come from Provincial Treasury, Housing, Local Government and Traditional Affairs and Works.



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

	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2004/05	Audited 2005/06	Audited 2006/07				2008/09	2009/10	2010/11
<b>R000</b>									
<b>Regional Service Council Levy - All departments</b>	<b>52 536</b>	<b>58 294</b>	<b>14 767</b>	-	-	-	-	-	-
<b>Vote 1 - Office of the Premier</b>	<b>864</b>	<b>1 348</b>	<b>1 341</b>	<b>5 514</b>	<b>5 514</b>	<b>5 514</b>	<b>5 804</b>	<b>6 184</b>	<b>1 443</b>
Subsidies to Museums	864	1 102	1 341	1 183	1 183	1 183	1 266	1 361	1 443
Municipal Rates	-	246	-	-	-	-	-	-	-
Transfer to Zululand DM iro airport	-	-	-	4 331	4 331	4 331	4 538	4 823	-
<b>Vote 3 - Agriculture and Environmental Affairs</b>	<b>750</b>	<b>750</b>	<b>453</b>	<b>616</b>	<b>3 343</b>	<b>3 405</b>	<b>994</b>	<b>1 054</b>	<b>3 560</b>
Cleanest Town Competition	750	750	453	616	3 343	3 405	994	1 054	3 560
<b>Vote 4 - Economic Development</b>	-	-	-	-	-	-	<b>3 100</b>	<b>10 000</b>	<b>10 000</b>
Joint Project Funding	-	-	-	-	-	-	3 100	10 000	10 000
<b>Vote 6 - Provincial Treasury</b>	-	-	-	-	<b>21 563</b>	<b>21 563</b>	<b>150 000</b>	<b>150 000</b>	-
Casino Levies Pay-Over	-	-	-	-	21 563	21 563	-	-	-
Soccer Stadium 2010 (Provincial Allocation)	-	-	-	-	-	-	150 000	150 000	-
<b>Vote 7 - Health</b>	<b>55 657</b>	<b>67 143</b>	<b>71 143</b>	<b>80 947</b>	<b>81 355</b>	<b>81 546</b>	<b>43 027</b>	<b>46 767</b>	<b>50 705</b>
Subsidy: Environmental Health	1 911	1 907	630	2 494	2 494	2 494	2 668	2 868	3 068
Subsidy: Municipal Clinics	53 746	65 236	70 513	78 453	78 861	79 052	40 359	43 899	47 637
<b>Vote 8 - Housing</b>	<b>113 832</b>	<b>110 187</b>	<b>120 182</b>	<b>130 600</b>	<b>172 750</b>	<b>304 687</b>	<b>272 150</b>	<b>274 000</b>	<b>314 240</b>
Hostel Redevelopment and Upgrading	60 000	66 214	100 000	75 600	95 600	227 537	200 000	200 000	280 000
Municipal Rates and Taxes	53 832	43 973	20 182	55 000	25 000	25 000	20 000	20 000	20 000
Capacity Building - Flanders Programme	-	-	-	-	-	-	-	4 000	4 240
Maintenance of R293 Hostels	-	-	-	-	52 150	52 150	52 150	50 000	10 000
<b>Vote 11 - Local Government &amp; Traditional Affairs</b>	<b>12 292</b>	<b>66 979</b>	<b>223 079</b>	<b>128 785</b>	<b>259 127</b>	<b>259 127</b>	<b>190 770</b>	<b>198 563</b>	<b>48 617</b>
Project Consolidate	-	41 567	39 039	24 785	34 343	34 343	-	-	-
Provincial Management Assistance Programme	12 292	25 412	14 200	15 000	15 000	15 000	12 700	15 000	15 000
Infrastructure provision for soccer stadia	-	-	31 000	89 000	89 000	89 000	139 500	149 963	-
Municipal Governance	-	-	-	-	-	-	4 000	-	-
Strategic Support	-	-	-	-	3 570	3 570	3 520	4 300	4 417
Spatial Development	-	-	1 612	-	3 150	3 150	4 250	2 000	750
Development Administration	-	-	1 966	-	-	-	2 250	2 000	750
Municipal Development Information Services	-	-	5 478	-	4 795	4 795	5 750	2 500	1 500
Centre Management Support	-	-	-	-	4 000	4 000	-	3 500	4 200
Local Economic Development Catalyst	-	-	-	-	13 783	13 783	11 000	9 000	11 300
Synergistic Partnerships	-	-	-	-	3 000	3 000	2 800	2 800	1 200
Small Town Regeneration	-	-	-	-	7 250	7 250	5 000	7 500	9 500
Discontinuation of old grants	-	-	129 784	-	-	-	-	-	-
Corridor development	-	-	-	-	23 200	23 200	-	-	-
Umzimkhulu Support	-	-	-	-	58 036	58 036	-	-	-
<b>Vote 12 - Transport</b>	<b>18</b>	<b>-</b>	<b>10 369</b>	<b>21 491</b>	<b>18 491</b>	<b>9 095</b>	<b>11 500</b>	<b>11 550</b>	<b>11 600</b>
Municipal Transport Planning and Infrastructure	-	-	10 022	13 000	10 000	9 074	11 000	11 000	11 000
Maintenance Main Roads	18	-	347	8 491	8 491	21	500	550	600
<b>Vote 14 - Works</b>	<b>4 723</b>	<b>5 401</b>	<b>5 035</b>	<b>6 028</b>	<b>6 028</b>	<b>8 947</b>	<b>217 175</b>	<b>243 068</b>	<b>267 103</b>
Property Rates	4 723	5 401	5 035	6 028	6 028	8 947	217 175	243 068	267 103
<b>Vote 15 - Arts, Culture and Tourism</b>	<b>17 900</b>	<b>15 500</b>	<b>17 600</b>	<b>19 230</b>	<b>24 928</b>	<b>24 928</b>	<b>26 328</b>	<b>30 805</b>	<b>53 631</b>
Tourism Development ( Building of lodges )	-	-	-	-	2 800	2 800	-	-	-
Library Building Projects	17 900	15 500	17 600	17 400	17 400	17 400	17 400	18 705	19 827
Recapitalisation of Community Libraries	-	-	-	1 830	4 728	4 728	8 928	12 100	33 804
<b>Vote 16 - Sport and Recreation</b>	<b>-</b>	<b>14 500</b>	<b>14 425</b>	<b>24 126</b>	<b>24 126</b>	<b>24 126</b>	<b>24 005</b>	<b>25 835</b>	<b>27 174</b>
Infrastructure	-	14 500	14 425	24 126	24 126	24 126	24 005	25 835	27 174
<b>Total</b>	<b>258 572</b>	<b>340 102</b>	<b>478 394</b>	<b>417 337</b>	<b>617 225</b>	<b>742 938</b>	<b>944 853</b>	<b>997 826</b>	<b>788 073</b>

The purpose of the *Municipal 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 transfers under Vote 8: Housing in respect of Hostel Redevelopment and Upgrading and Maintenance of R293 Hostels is mainly earmarked for the eThekweni municipality. 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 the final year during 2009/10.

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 was transferred to the municipality with effect from 1 April 2007. The agreement with the municipality is that provincial government will provide funding for the operational cost up to 2009/10 only.

The payment of property rates has been devolved to provinces with effect from 1 April 2008. The Department of Works will be responsible to manage these payments and hence the grant allocation of R211 million in 2008/09, rising to R260 million in 2010/11.

Other main transferring departments include the Department of Arts, Culture and Tourism in respect of library subsidies and recapitalisation of libraries amounting to R110.8 million and the Department of Sport and Recreation for infrastructure development amounting to R77 million, over the 2008/09 MTEF period.

## 8. REVIEW OF MUNICIPAL FINANCIAL MANAGEMENT

### 8.1 Introduction

The legacy of apartheid has left scars on the service delivery system at the local government sphere which has to redress previous imbalances and inequalities. Since the advent of democracy, government as a whole has made measurable progress in addressing backlogs and spatial distortions, and in planning for a sustainable future. Post 2001 census surveys show that access to proper sanitation, water and electricity has improved significantly. Government has set a target of eradicating the remaining backlogs in water by 2008, sanitation by 2010, electricity by 2012 and all other backlogs in basic services delivery by 2013. At the same time, municipalities are challenged with maintaining appropriate service levels throughout communities that benefit from these essential services, and to provide the necessary infrastructure required for economic growth. Local government's share of revenue from the national fiscus (equitable share allocation) will continue to increase by an average of 18 per cent, over the Medium Term Expenditure Framework (MTEF), to give impetus to the provision of service delivery.

KwaZulu-Natal is one of the nine provinces that evolved as a result of the amalgamation process of the previous administrative system of government that characterised the Public Service in South Africa, prior to 1994. Consisting of 61 municipalities, KwaZulu-Natal has the greatest number of municipalities per province in the country. Although the province is comprised of a combination of rural and urban areas, it is predominantly a rural province<sup>8</sup> and, due to rapid rural-urban migration, the development of urban areas has always been seen as a priority for the channeling of resources.

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.

### 8.2 Implementation of the MFMA

The promulgation of the Municipal Finance Management Act (MFMA) was 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 Provincial Treasury assumed the responsibility of monitoring and assisting municipalities with the implementation of the MFMA in July 2005. The aim was to provide assistance with the roll-out of the MFMA, as both delegated and non-delegated municipalities were unfamiliar with this new piece of legislation. Municipal officials had to be educated on new policies and regulations that replaced provincial ordinances, and were expected to adapt to the modernised practices of municipal financial management and accountability. In addition, the process of demarcation resulted in the formation of 61 municipalities (district and local) across the Province of KwaZulu-Natal.

As from 1 July 2007, all municipalities are expected to be fully compliant in terms of the relevant provisions of the MFMA. Some of the low capacity municipalities have experienced difficulty in preparing and submitting budget performance reports timeously. In an attempt to address this, the Provincial Treasury undertook an initiative to train municipal finance officials from low capacity municipalities, to capacitate them to meet the full reporting requirements of the national directives.

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<sup>8</sup> Sourced from Municipal Finance Quarterly Review: September 2006 (Vol.pp7)

### **8.3 Municipal Support Programme**

Several municipalities requested assistance from the MEC for Finance and Economic Development to intervene and assist with financial problems encountered at their municipalities. Stemming from this request, the MEC tasked the Provincial Treasury with providing support and institute financial improvement measures in an attempt to resolve the financial management issues currently encountered.

In terms of Sections 5 and 6 of the MFMA, the Provincial Treasury embarked on a Municipal Support Programme to assist municipalities that are experiencing difficulties in meeting their constitutionally mandated obligations. The project's aim is to arrest the financial decline currently confronting many municipalities, and to develop interventions that will ensure their long term sustainability. The project seeks to provide hands-on assistance with regard to the re-engineering of various municipal financial processes. The municipalities will also be assisted to bring their reporting requirements up to date. It is anticipated that this project will result in a general improvement in the municipal administration.

In order to manage the effectiveness and efficiency of these interventions, a Municipal Task Team was established for each municipality identified. Members of the task team include the Mayor, Municipal Manager, CFO, Provincial Treasury representatives and members from the service providers that were appointed by the Provincial Treasury to assist with the project. The project commenced in November 2007, and seven municipalities are currently being supported.

Technical assistance was also given to municipalities in the areas of budgeting, supply chain management and financial governance. The Provincial Treasury also provided guidance on multi-year budgeting and the compilation of various reports.

It is expected that municipalities will need additional technical assistance during the course of the current medium term budget implementation framework. The scarcity of competent financial practitioners results in delays or non submission of reports to both provincial and national government departments. In addition, some municipalities continue to submit inconsistent budget performance reports to the Provincial Treasury and other organs of state. The Provincial Treasury prioritised this weakness, and is attending to this during the course of the 2007/08 municipal financial year.

### **8.4 Municipal expenditure**

An evaluation of budget performance across the province revealed that, as with previous financial years, under-spending of both capital budgets and grant funding continues to be an area of concern. The aggregated figure for the 2006/07 financial year indicates that the joint capital spending by all municipalities in the ten districts, including the eThekweni municipality, amounted to only 64 per cent of the budget.

The primary cause of under-spending appears to be a lack of proper planning by municipalities. Of particular concern is the under-spending on capital programmes at rural municipalities, where inadequate levels of basic infrastructure and services are predominant. If the poor spending trend on capital budgets continues, it is unlikely that the majority of these municipalities will meet the millennium targets set for water, sanitation and electricity infrastructure.

A number of municipalities do not have effective policies to ensure adequate accountability. This has resulted in the Provincial Treasury developing generic policies that municipalities can adopt and amend to suit their unique circumstances, at no cost to the municipality. The development of generic policies stems from the fact that certain municipalities tasked consultants to develop policies. However, many consultants had a limited understanding of the municipal environment, their fees were found to be excessive and the value added was limited.

The Provincial Treasury was also actively involved in assisting municipalities with the interpretation and implementation of the Property Rates Act. In the absence of regulations guiding the implementation of the Property Rates Act, some municipalities increased the rates randage beyond an acceptable economic increase, and the Provincial Treasury had to intervene. In order to assist in mitigating the hardship on poorer communities as a result of implementing the Property Rates Act, the Provincial Treasury will monitor the implementation process, and will provide technical assistance to municipal officials.

The Provincial Treasury will continue to monitor the impact of the allocated budget in terms of improving the welfare of communities. During 2006, the number of households that benefited from the provision of free basic water, electricity, sewage and sanitation services equated to 1 248 565, 137 371 and 546 724 respectively, out of a total of 2 589 000 households<sup>9</sup>. The number of households receiving free basic water is the second highest, and sewage and sanitation the third highest, in comparison to all other provinces. The number of those benefiting from free basic electricity, however, is the third lowest in comparison to all other provinces.

The proportionally fewer number of households receiving basic services is of concern, given the current levels of poverty across the districts. One of the causes of the under-performance in terms of rendering free basic services relates to the fact that the majority of these municipalities are reliant on grants to invest in water and electricity infrastructure. The amount of free basic services they will be able to provide is therefore limited by the amount of grants they receive in a given financial year. The problem, however, is compounded by the trend of under-spending on capital expenditure by most municipalities.

The responsibility of the Provincial Treasury has increased as a result of the further delegation of another six municipalities during 2007, in addition to the 53 municipalities delegated during 2005 by National Treasury.

## 8.5 Municipal debtors

One of the biggest challenges facing municipalities in KwaZulu-Natal is the collection of outstanding debt. The problem is compounded by state departments that fail to settle their municipal accounts timeously. In an attempt to rectify the situation, the Provincial Treasury encouraged municipalities to identify those state departments that have failed to settle their municipal accounts, and facilitated meetings between the municipalities and the state departments to resolve the queries. In a number of instances, the unsettled debt is a result of municipalities billing the incorrect government department. Provincial Treasury is currently reviewing the way municipalities recover their outstanding debt. A lack of capacity and ineffective credit controls have also been identified as factors contributing to the current debt position.

A cumulative amount of R25 billion is owed to all the municipalities across the country. KwaZulu-Natal municipalities account for R4.4 billion (18 per cent) of the total debt<sup>10</sup>.

In order for the Provincial Treasury to discharge the prescripts of Section 44 of the MFMA, a Provincial Government Debt Steering Committee (PGDSC) was established to deal specifically with debt recovery. The inaugural meeting of this committee was held on the 22 June 2007. The committee is composed of all provincial departments' Chief Financial Officers and representatives from five municipalities, namely, eThekweni Metro, Umngeni, Umhlathuze, Umdoni, and Msunduzi. The PGDSC has commenced with resolving the outstanding rates and service debt between provincial organs of state and municipalities.

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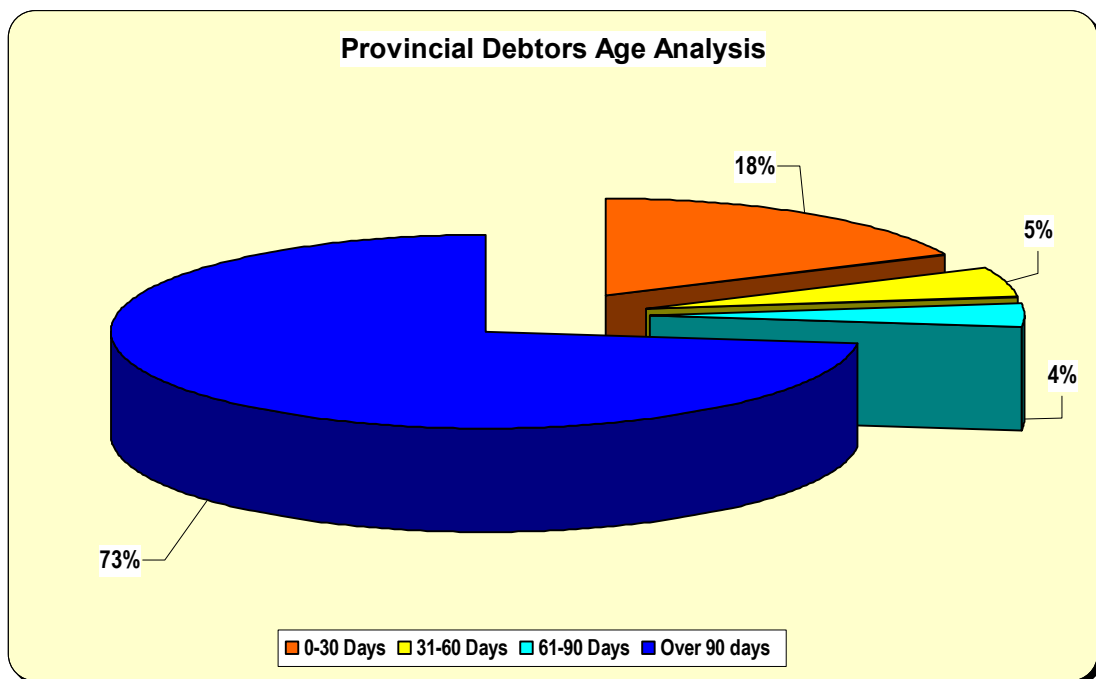
<sup>9</sup> Source: Statistics South Africa : 2007

<sup>10</sup> Source: National Treasury

A large portion of the debt, which runs into billions, relates to household debtors for goods and services rendered. An investigation conducted by Provincial Treasury revealed that one of the root causes of outstanding household debt appears to be poverty. Another reason identified is the deliberate withholding of payment for what is perceived by consumers as the poor quality of municipal services. The converse of this is that municipalities are unable to provide better services because of their low revenue bases.

The diagram below (Diagram A: Debtors Age Analysis) shows a summary of the ageing of debtors at the end of June 2007 for the KwaZulu-Natal municipalities.

Diagram A: Debtors Age Analysis



## 8.6 Co-operative governance

While there have been some improvements in communication and working relationships at the district level, there are still some challenges that need attention. Very few municipalities have the vision to see the value of shared services in the context of a competitive budget environment. There are local municipalities that are performing functions that are the responsibility of either the district or the provincial departments. These municipalities are advised to draft service level agreements in order to ensure that there is proper accountability at all levels.

Service level agreements should also apply to functions, such as the provision of library services and environmental health, that should be provided by the relevant provincial departments and district municipalities, respectively. The continuing rendering of these functions by municipalities has a serious negative impact on their budgets and the quality of the services rendered. In addition, municipalities are placed in a situation where they are hesitant to improve these services as they are conscious that these functions will ultimately revert to provincial departments. As a result, community members, as consumers of these services, are negatively affected.

## 8.7 Municipal equitable share allocation

Due to a revision of the equitable share formula, the equitable share allocation of 31 local municipalities in KZN was reduced in the 2007/08 municipal financial year. The reduction is determined by comparing the equitable share allocation in 2007/08 with the allocation of the equitable share in 2006/07, as per DoRA. Although 31 local municipalities were affected, the total municipal equitable share allocation for 2007/08 in KZN, compared to 2006/07, increased by R380 million. Between 2006/07 and 2007/08, the equitable share allocation increased by 12.3 per cent, and projections show further increases of 15.3 per cent between 2007/08 and 2008/09, and 25.4 per cent between 2008/09 and 2009/10.

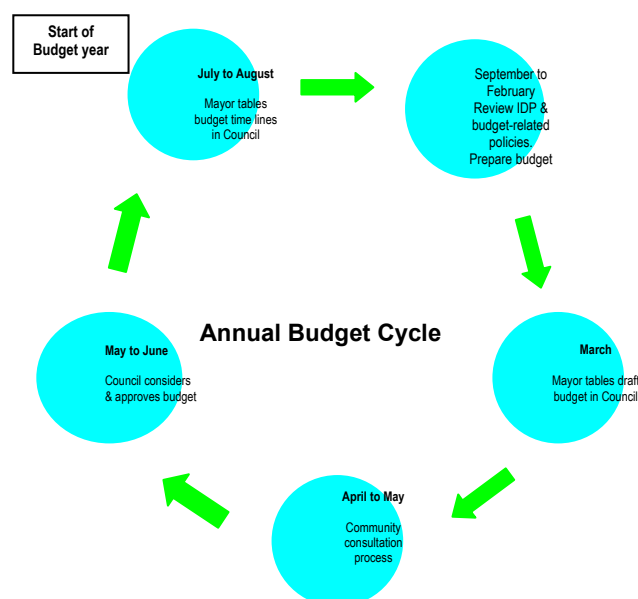
A reduction in the equitable share allocation to municipalities severely handicaps their ability to deliver free basic services to indigents and sustain their current operations. This is further exacerbated by the fact that municipalities make provision for increases in councillor allowances from the equitable share allocations, while the number of indigents is also increasing. The reduction in the equitable share and the resultant crisis in municipalities has affected service delivery and the financial viability of municipalities, to some extent.

This reduction in equitable share adversely affected those municipalities that secure more than 60 per cent of income from grants and subsidies. These municipalities have a constraint in terms of generating their own revenue, as they are predominantly rural in nature with a small or no own revenue base.

## 8.8 Budget process

The Provincial Treasury oversees the budget processes of 58 municipalities in the province. Diagram B: Budget Cycle shows that the Mayor of the municipality must table the draft annual budget at a council meeting at least 90 days before the start of the municipal budget year, to allow sufficient time for consultation on the budget prior to adoption. The budget adoption process affords Provincial Treasury the opportunity to assist municipalities in compiling credible budgets that seek to address the needs of their communities. The draft budgets of 53 municipalities were evaluated and written responses were forwarded to them for consideration, prior to them adopting final budgets for 2007/08. Provincial Treasury rendered assistance to seven municipalities that had difficulties in adopting their 2007/08 budgets. All KwaZulu-Natal municipalities adopted their final budgets, prior to the commencement of the 2007/08 financial year.

Diagram B: Budget Cycle



Many municipalities have shown improvement in the following areas of the budgeting process:

- Multi-year budgets for capital and operating budgets;
- Tabling and approving budgets within prescribed timetables;
- Integrating IDPs with budgets;
- Service Delivery Budget Implementation Plans;
- Consultation with communities, national and provincial departments; and
- Budget documentation of improved content and quality.

In comparison to 2006/07, the 2007/08 budgets showed a marked improvement in terms of compliance with the new budget formats and their contents. All of the delegated municipalities compiled multi-year budgets in 2007/08, compared with the previous year where Provincial Treasury returned a number of budget inputs to the respective municipalities that were not in line with the prescribed guidelines. In most cases, municipalities managed to compile their budgets in accordance with the expected policy guidelines.

Although there is a general improvement in the quality of the budget inputs received from municipalities, the number of 'struggling' municipalities appears to be increasing. The final approved budgets for the 2007/08 municipal financial year is reflected in Table 8.1.



**Table 8.1: Consolidated Municipal Budgets (Operating & Capital) for MTEF, 2007/08 - 2009/10**

R000	Category	Medium-term estimates		
		2007/08	2008/09	2009/10
<b>A eThekweni</b>	<b>H</b>	<b>15 354 103</b>	<b>16 621 984</b>	<b>16 756 897</b>
<b>Total: Ugu Municipalities</b>		<b>1 774 953</b>	<b>1 832 237</b>	<b>1 913 632</b>
B KZ211 Vulamehlo	L	37 904	22 527	26 191
B KZ212 Umdoni	M	138 331	137 720	118 773
B KZ213 Umzumbe	L	57 587	59 075	66 512
B KZ214 uMuziwabantu	L	52 743	49 577	52 247
B KZ215 Ezingolweni	L	13 582	-	-
B KZ216 Hibiscus Coast	H	408 830	444 988	478 065
C DC21 Ugu District Municipality	H	1 065 976	1 118 350	1 171 844
<b>Total: uMgungundlovu Municipalities</b>		<b>2 718 589</b>	<b>2 608 664</b>	<b>2 666 871</b>
B KZ221 uMshwathi	L	64 372	33 533	34 154
B KZ222 uMngeni	M	214 861	242 595	229 973
B KZ223 Mpofana	L	99 511	63 137	65 693
B KZ224 Impendle	L	12 180	11 153	14 051
B KZ225 Msunduzi	H	1 961 767	2 078 244	2 193 303
B KZ226 Mkhambathini	M	40 161	23 009	22 551
B KZ227 Richmond	L	51 171	65 333	40 286
C DC22 uMgungundlovu District Municipality	M	274 566	91 660	66 860
<b>Total: Uthukela Municipalities</b>		<b>845 458</b>	<b>807 453</b>	<b>837 878</b>
B KZ232 Emnambithi/Ladysmith	H	285 748	266 516	281 588
B KZ233 Indaka	L	34 746	31 340	31 677
B KZ234 Umtshezi	M	116 534	127 484	138 844
B KZ235 Okhahlamba	L	83 026	36 018	38 262
B KZ236 Imbabazane	L	47 830	42 317	46 122
C DC23 Uthukela District Municipality	M	277 574	303 778	301 385
<b>Total: Umzinyathi Municipalities</b>		<b>517 743</b>	<b>502 179</b>	<b>489 040</b>
B KZ241 Endumeni	M	133 903	126 210	128 931
B KZ242 Nguthu	L	38 289	40 749	50 657
B KZ244 Msinga	L	44 376	7 129	-
B KZ245 Umvoti	L	128 290	132 699	122 492
C DC24 Umzinyathi District Municipality	L	172 885	195 392	186 960
<b>Total: Amajuba Municipalities</b>		<b>818 077</b>	<b>20 553</b>	<b>19 915</b>
B KZ252 Newcastle	H	681 518	-	-
B KZ253 eMadlangeni	L	20 490	19 414	18 719
B KZ254 Dannhauser	L	31 605	1 139	1 196
C DC25 Amajuba District Municipality	L	84 464	-	-
<b>Total: Zululand Municipalities</b>		<b>795 984</b>	<b>760 775</b>	<b>791 806</b>
B KZ261 eDumbe	L	40 972	42 077	49 282
B KZ262 uPhongolo	L	59 082	48 772	54 417
B KZ263 Abaqulusi	L	279 069	204 930	187 444
B KZ265 Nongoma	L	44 022	48 284	40 294
B KZ266 Ulundi	L	93 051	99 675	102 115
C DC26 Zululand District Municipality	M	279 788	317 037	358 254
<b>Total: Umkhanyakude Municipalities</b>		<b>411 990</b>	<b>435 893</b>	<b>450 366</b>
B KZ271 Umhlabuyalingana	M	38 970	34 820	34 964
B KZ272 Jozini	L	43 559	47 454	45 997
B KZ273 The Big Five False Bay	L	11 669	12 280	12 626
B KZ274 Hlabisa	L	52 964	47 393	48 421
B KZ275 Mtubatuba	L	38 710	40 492	30 828
C DC27 Umkhanyakude District Municipality	M	226 118	253 454	277 530
<b>Total: uThungulu Municipalities</b>		<b>1 947 621</b>	<b>1 928 800</b>	<b>1 899 126</b>
B KZ281 Mbonambi	M	52 125	7 629	8 372
B KZ282 uMhlathuze	H	1 321 991	1 350 931	1 307 840
B KZ283 Ntambanana	L	17 313	19 236	19 456
B KZ284 Umlalazi	L	126 570	120 027	138 316
B KZ285 Mthonjaneni	L	35 433	32 420	37 724
B KZ286 Nkandla	M	39 767	26 332	28 042
C DC28 uThungulu District Municipality	H	354 422	372 225	359 376
<b>Total: Ilembe Municipalities</b>		<b>1 136 649</b>	<b>1 137 470</b>	<b>1 127 498</b>
B KZ291 Mandeni	L	140 573	139 945	81 351
B KZ292 KwaDukuza	H	638 824	623 737	655 480
B KZ293 Ndwedwe	L	39 795	39 663	42 108
B KZ294 Maphumulo	M	36 814	40 710	40 890
C DC29 Ilembe District Municipality	L	280 643	293 415	307 669
<b>Total: Sisonke Municipalities</b>		<b>591 529</b>	<b>545 631</b>	<b>566 996</b>
B KZ5a1 Ingwe	M	43 914	30 015	39 041
B KZ5a2 Kwa Sani	L	54 751	16 238	16 968
B KZ5a4 Greater Kokstad	L	137 000	133 800	143 577
B KZ5a5 Ubuhlebezwe	L	79 987	82 197	91 719
B KZ5a6 Umzimkhulu	L	74 759	81 780	81 843
C DC43 Sisonke District Municipality	L	201 118	201 601	193 848
<b>Total</b>		<b>26 912 696</b>	<b>27 201 639</b>	<b>27 520 025</b>

Source: National Treasury (adapted)

## **8.9 Challenges**

Motivating municipalities to move beyond compliance and to start instilling a culture of service delivery across all municipalities throughout the province remains a challenge.

There is limited knowledge and experience to deal with the new functions and initiatives as required by the MFMA. The increased demand requires the Provincial Treasury to draw on experiences by firstly building internal capacity, before any value adding efforts can be undertaken at the municipal level.

The lack of financial management capacity in municipalities adversely affects the budget preparation and evaluation processes. The fragmented accounting systems used by municipalities and the use of various (non-standardised) charts of accounts impede the ability to fully understand the operations of municipalities. It is understood that National Treasury is currently exploring options to address these shortcomings.

The lack of experienced project managers has resulted in a number of municipalities failing to implement projects and spend grant funding timeously. This has resulted in the withholding of grants by National Government due to non-spending. The MIG allocation does not appear to be synchronised with the implementation of projects. That is, institutional constraints, rather than funding, appear to be hindering service delivery.

Provincial Treasury has recognised an enormous gap in financial discipline within municipalities. There is a tremendous opportunity for municipalities to reduce wastage and improve revenue enhancement. Savings can be achieved through effective controls, economical procurement and shared services. The success of municipalities depends on financial viability, and is mostly determined by the municipality's ability to enhance and sustain its own sources of funding.

Some delegated municipalities are still struggling to align their IDPs with their budgets. This is reflective of a lack of proper consultation with important stakeholders and the alignment of strategies to operations. This challenge is not specific to KwaZulu-Natal, but appears to be wide-spread in other parts of the country as well.

The current multiple reporting requirement is problematic for both municipalities and departments alike. The inconsistency in reporting affects decision-making and the identification of appropriate support strategies. The submission of several similar reports by municipalities to various stakeholders is a time-consuming exercise that compromises the municipalities' core business operations.

There are very few municipalities that have demonstrated sufficient interest in the concept of shared services both vertically (between a municipality and district) or horizontally between municipalities, even though insufficient revenue is a common problem across all local and district municipalities.

Doubt is often cast on the credibility of the data captured and uploaded by municipalities to the local government database. There is a lack of control by the Municipal Manager/Chief Financial Officer in verifying the information on the reports submitted, by way of endorsing his/her signature. It has also been discovered that, in some instances, the Municipal Manager/Chief Financial Officer does not see these reports, prior to submission to the local government database.

The Provincial Treasury will endeavour to support the delegated municipalities in the ensuing year, to ensure compliance with all applicable legislations and to assist them in achieving their objective of service delivery.

## **9. MEASURING PERFORMANCE IN GOVERNMENT**

The focus of both the national and provincial government has converged on the need to understand what the financial resources allocated in a financial year actually end up buying. As such, measuring performance in government, as well as the costs associated with service delivery, has become a focal point. In support of this, the implementation of the Performance Budgeting System (PBS) continues to be rolled out in the province. The commencement of the PBS roll-out began as early as 2004/05 in a phased approach, and it was envisaged that the implementation in departments would be phased in over approximately 3 – 4 years. At the outset of this chapter, it is important to mention that there have been a number of delays in the implementation of this system, with the details thereof discussed below. 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**

Since the inception of the PBS project, solid progress has been made with the implementation of the PBS system in several departments. However, a number of challenges have been encountered. Some have been resolved, but others still need to be addressed and overcome. These are discussed in more detail in section 9.1.2 below.

Twelve provincial departments have commenced with the implementation of PBS. As Phase 1 of the implementation plan, implementation commenced in the Departments of Transport, Health, the Provincial Legislature, Economic Development, the Provincial Treasury, the Office of the Premier and Agriculture and Environmental Affairs. Phase 2 saw the commencement of implementation during 2007/08 in the Departments of Community Safety and Liaison, Local Government and Traditional Affairs, Arts, Culture and Tourism, Education and Housing. The final phase of the project will see the implementation in the Departments of Sport and Recreation, Works, Social Welfare and Population Development and the Royal Household. Further details are provided in the departmental sections below.

It is important to mention at this stage that, while the project as a whole is somewhat behind schedule, a number of important and worthwhile customisations have been made to the system. These include the ability of PBS to draw information from BAS and to provide the monthly In Year Monitoring report ‘at the click of a button’. PBS will be further customised to include a functionality whereby the quarterly Infrastructure Reporting Model can be drawn in a similar fashion, as well as the quarterly service delivery report. Further, the implementation initially focussed only on the capturing of **quantitative** outputs in PBS. Over time, as departments such as the Provincial Legislature and Provincial Treasury began implementation, it has become apparent that the outputs need to have a categorisation functionality, as some outputs are qualitative and timeliness linked.

#### **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.

- Failure to take responsibility: nominated PBS project managers in departments either do not accept these responsibilities or do not assign them significant priority; and
- Lack of continuity between the PBS project manager and the backup person: when one person takes leave or moves, the replacement is unable to co-ordinate as effectively.

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 is critical; and
- 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.

## **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 very good. The department decided to pilot the system in its Merebank offices to ascertain and prepare a snag-list from this focussed implementation. This resulted in the problem being identified that there was data congestion on the internet link. This was resolved by PBS lending the department a server. The full roll-out of PBS in the entire department will be undertaken once the successful implementation at the Merebank offices has been completed.

### **9.2.2 Department of Health (DoH)**

Health, aside from Transport, has 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 departmental leadership.

The department decided, from the outset, to pilot the system in only one district municipality i.e. Amajuba. While training on the system has occurred across the entire department, the system is being implemented only in the Amajuba district municipality, with the intention of full roll-out after successful implementation in this district. Again, there have been problems with the servers at some of the hospitals in this district, in terms of data congestion. One of the servers was damaged by continuous power failures. The department has subsequently recommended that PBS be installed at the Greys, Edendale and Northdale hospitals in Pietermaritzburg, and these are scheduled to go live towards the end of 2007/08. Training has also occurred in the interim on all the customisations that have been made to the system.

The main challenge remaining in this department is the 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 and Environmental Affairs (DAEA)**

During the Section 18 (of the PFMA) intervention of this department at the beginning of 2007/08, the acting Head of Department requested that the implementation of PBS be put on hold until some of the problems have been resolved in the department. It was therefore decided that the department would be brought on board with the final set of departments which are scheduled for implementation in 2008.

### **9.2.4 Office of the Premier**

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. The buy-

in from this department has improved substantially, to the point where they will probably be the first department that is fully live on the PBS system.

During the implementation of PBS, it became apparent that the department's budget structure (*objectives* segment) was not compliant with National Treasury requirements, and required revision. This impediment to the implementation was successfully overcome, though, and the department is in advanced stages of capturing its outputs on the system.

#### **9.2.5 Department of Economic Development (DED)**

The buy-in and support from the project champion in the department has been quite erratic. This was mitigated, to an extent, by the arrival of the new Head of Department. As mentioned above, the department had to wait for the output categorisation on the system to be finalised, as a number of their outputs are qualitative and timeliness related. This customisation has been finalised and the system is therefore ready for outputs capturing.

#### **9.2.6 Provincial Legislature**

After a difficult start in the department, with varying degrees of support of the implementation of the system from various levels, the department is at the stage of implementation where outputs have been captured on the system. The project was delayed slightly, as the PBS system required further customisation in that the outputs were often timeliness and qualitative related, as opposed to quantity related.

#### **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 department. Implementation deliverables have been delayed slightly, as the Provincial Treasury also had to wait for the output categorisation to be finalised, before output capturing could commence.

The remaining issues are:

- Provincial Treasury needs to drive the overall provincial upgrade of data lines to ensure that the PBS system functions effectively in the regional offices; and
- The appointment of a Provincial Treasury PBS co-ordinator is critical.

#### **9.2.8 Department of Community Safety and Liaison**

PBS has undertaken a Systems Overview Audit (SOA) of the department, which is the first step of the implementation of the system. Training workshops have been scheduled and the department is therefore on track with the project plan. The system has also been populated with non-financial information.

#### **9.2.9 Department of Local Government and Traditional Affairs**

PBS has undertaken the SOA of the department, which is the first step of the implementation of the system. Training workshops have been scheduled and the department is therefore on track with the project plan. The system has also been populated with non-financial information.

### 9.2.10 Department of Arts, Culture and Tourism

PBS has undertaken the SOA of the department, which is the first step of the implementation of the system. Training workshops have been scheduled and the department is therefore on track with the project plan. The system has also been populated with non-financial information.

### 9.2.11 Department of Education

PBS has undertaken the SOA of the department, which is the first step of the implementation of the system. Training on PBS has not commenced and will, more than likely, only commence in 2008/09 following a request by the department. The department has undergone extensive training on Fiscal and Financial Management provided by AFReC and has therefore requested a postponement of the PBS training. The PBS demo has been installed at the department.

### 9.2.12 Department of Housing

PBS has undertaken the SOA of the department. The implementation of PBS was delayed as there was a concern that the installation of PBS would result in a duplication of work, as the department uses the national Housing Subsidy System (HSS) for the monitoring of service delivery. The department, PBS and the national Department of Housing had a meeting to discuss and resolve this matter. As such, the department is now fully on board for the continuation of the implementation of PBS.

## 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 and Population Development, 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 for 2007/08 and 2008/09. Note that the Departments of Health, Housing, Transport and Social Welfare and Population Development are reporting against a set of agreed upon base measures, which are similar across all nine provinces for the respective departments. Where possible, departments have provided the 2007/08 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	
		2007/08 Est. Actual	2008/09 Estimate
District Health Services			
1. Clinics and Community Health Centres:			
To provide facilities for patients to be treated at primary health care level	● PHC headcount	21 079 790	22 350 000
	● Expenditure per headcount (Rand)	R70	R79
	● PHC utilisation rate	2.3 visits	2.4 visits
	● PHC utilisation rate for under 5 year olds	4 visits	4 visits
	● PHC supervision visit rate	53%	55%

Table 9.1: Service delivery measures – Health

Output type	Performance measures	Performance targets	
		2007/08 Est. Actual	2008/09 Estimate
2. District Hospitals			
Rendering of a hospital service at a district level	• Separations (total)	329 406	371 300
	• Patient day equivalent (PDE)	4 903 785	5 600 000
	• OPD headcount	2 168 440	2 545 000
	• Utilisation rate – usable beds	62%	64%
	• Caesarean section rate	20%	19%
	• Fatality rate – surgery	4%	4%
	• Average length of stay	5.6 days	5.6 days
	• Expenditure per day patient equivalent (PDE) (Rand)	R1 367	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	• ART service points registered	74	79
	• ART patients – total registered	124 866	174 700
	• HIV and AIDS budget spent	100%	100%
	• VCT facility rate-non-antenatal clients(fixed PHC)	97%	98%
	• HIV testing rate(excluding antenatal)	91%	93%
	• PMTCT facility rate (fixed PHC)	96%	97%
	• Nevirapine antenatal clients uptake rate	70%	76%
	• Nevirapine newborn uptake rate	93%	95%
	• TB sputa results less 48 hours rate	30%	35%
	• New smear positive PTB cure rate	44%	46%
	• TB treatment interruption rate	12%	11%
	• STI partner treatment rate	24%	25%
	• Male condom distribution rate	7%	8%
	4. Disease prevention and control		
	• Outbreak response times of less than 24 hours	100%	100%
	• Number of cataract operations performed	5 883	7 050
5. Maternal, child and women health			
	• Deliveries at all facilities	187 970	199 090
	• Delivery rate of less than 18 year olds in facilities	9%	9%
	• Immunisation coverage under 1 year old	83%	90%
6. 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	• Separations - total	342 480	382 000
	• Patient day equivalent (PDE)	2 407 259	3 059 425
	• OPD total headcount	2 345 542	3 385 000
	• Utilisation rate – usable beds	71%	72%
	• Caesarean section rate	31%	31%
	• Fatality rate – surgery	5.1%	5%
	• Average length of stay	5.2 days	5.2 days
	• Expenditure per day patient equivalent (PDE) (Rand)	R1 024	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	• Separations - total	13 208	17 500
	• Patient day equivalent (PDE)	139 697	160 000
	• OPD headcount	151 012	158 000
	• Utilisation rate – usable beds	41%	45%
	• Caesarean section rate	75%	75%
	• Fatality rate – surgery	6%	6%
	• Average length of stay	5 days	7 days
	• Expenditure per day patient equivalent (PDE) (Rand)	R3 130	R1,877
2. Provincial tertiary hospitals			
To provide tertiary health services and create a platform for the training of health workers	• Separations - total	44 790	52 000
	• Patient day equivalent (PDE)	382 631	446 000
	• OPD headcount	301 634	305 000
	• Utilisation rate – usable beds	82%	82%
	• Caesarean section rate	27%	28%
	• Fatality rate – surgery	12%	11%
	• Average length of stay	8 days	8 days
	• Expenditure per day patient equivalent (Rand)	R2 735	R1,877

Table 9.2: Service delivery measures – Education

Output type	Performance measures	Performance targets	
		2007/08 Est. Actual	2008/09 Estimate
1. Public Ordinary Schools			
1.1 To provide access in the public ordinary schooling system in accordance with policy	• Number of learner days covered by the nutrition programme	237 720 798	238 794 798
	• Number of learners benefiting from scholar transport	1 480	5 000
1.2 To put the basic infrastructure for public ordinary schooling in place in accordance with policy	• Number of public ordinary schools with a water supply	4 970	5 200
	• Number of public ordinary schools with adequate number of toilets	3 792	4 200
	• Number of public ordinary schools with electricity	4 260	4 610
1.3 To increase access to learning	• Number of learners in public ordinary schools with special needs	14 630	34 621
	• Expenditure on maintenance as a percentage of the value of school infrastructure (estimated R18 billion)	R120 million	R135 million
	• Number of schools with more than 40 learners per class	2 280	1 800
	• Number of non-section 21 schools with all LSMs and other required materials delivered on day one of the school year	3 129	2 950
	• Number of schools with Section 21 status	3 912	3 912
	• Number of working days lost due to educator absenteeism in public ordinary schools	7	8
2. Public Primary Schools			
2.1 To increase access to quality learning	• Repetition rate in Grades 1 to 7	2.1%	2%
	• Number of learners in Grade 3 attaining acceptable outcomes in mathematics, literacy and natural science	201 000	210 327
	• Number of learners in Grade 6 attaining acceptable outcomes mathematics, literacy and natural science	168 200	176 660
3. Public Secondary Schools			
3.1 To increase access to quality learning	• Number of girl learners who take mathematics and science in Grades 10 to 12	327 462	343 835
	• Repetition rate in Grades 8 to 12	15	14
	• Pass ratio in Grade 12 examinations	6.7:10	6.8:10
	• Pass ratio in Grade 12 for mathematics and science	5.3:10	5.6:10
	• Number of learners in Grade 9 attaining acceptable educational outcomes	177 812	193 237
4. Further Education and Training			
1.1 To ensure that quality education occurs in FET institutions	• Number of FET students relative to youth in the province	113 850	150 000
	• FET college throughput rate	74%	89%
1.2 To increase access to and relevance of FET learning opportunities	• Number of female students who are in technical fields	40 000	32 400
	• Number of learners placed in learnerships through FET colleges	2 625	6 000



**Table 9.3 Service delivery measures – Housing**

Output type	Performance measures	Performance targets	
		2007/08 Est. Actual	2008/09 Estimate
Development of sustainable human settlements			
1. Implementation of national housing programmes			
1.1 Individual	● Number of subsidies to beneficiaries	1 350	810
1.2 Project Linked	● Number of subsidies to beneficiaries	13 300	9 200
	● Number of houses completed	12 409	9 610
1.3 Peoples Housing Process	● Number of houses completed	4 800	3 500
1.4 Consolidation	● Number of subsidies to beneficiaries	450	250
1.5 Institutional	● Number of subsidies to beneficiaries	1 180	1 750
1.6 Relocation	● Number of subsidies to beneficiaries	20	925
1.7 Disaster	● Number of subsidies to beneficiaries	7 500	2 500
1.8 Rural Housing	● Number of subsidies to beneficiaries	11 200	6 000
	● Number of houses completed	3 100	6 500
1.9 All subsidy instruments	● Number of properties transferred	13 000	20 203
	● Number of subsidies to beneficiaries	35 000	21 935
	● Number of sites completed	21 800	20 732
	● Number of houses completed	22 800	25 360
1.10 Hostel Redevelopment Programme	● Number of units upgraded	4 000	4 000
1.11 Social and Economic Amenities	● Number of projects implemented	10	10
Strengthening governance and service delivery			
1. Regulate the relationship between the landlords and tenants			
1.1 Rental Tribunal	● Number of cases resolved	1 200	1 200
2. Creation of humane living conditions for hostel residents			
2.1 Discount benefit scheme	● Number of residential properties transferred	10 000	10 000
2.3 Maintenance of all rental units	● Number of units maintained	5 000	5 644

Table 9.4: Service delivery measures – Transport

Outputs	Performance measures	Performance targets			
		2007/08 Est. Actual	2008/09 Estimate		
<b>Road Infrastructure</b>					
<b>Surfaced Roads</b>					
1. Rehabilitation of surfaced roads	<ul style="list-style-type: none"><li>No. of square meters: Light and heavy rehabilitation</li></ul>	1 800 000	2 200 000		
2. Maintain surfaced roads	<ul style="list-style-type: none"><li>No. of square meters: Tarred roads resealed</li><li>No. of square meters: Blacktop patching</li></ul>	1 700 000 140 000	2 000,000 160 000		
	3. Construct surfaced roads	<ul style="list-style-type: none"><li>Kilometres upgraded: Upgrade gravel to blacktop road</li></ul>	84	100	
<b>Gravel Roads</b>					
4. Construct local access roads	<ul style="list-style-type: none"><li>Kilometres of gravel roads constructed</li></ul>	360	350		
5. Maintain local roads - <i>Zimbabwe</i>	<ul style="list-style-type: none"><li>Kilometres maintained using <i>Zimbabwe</i> contractors</li></ul>	23 000	25 000		
6. Maintain gravel roads	<ul style="list-style-type: none"><li>Kilometres of road: blading</li><li>Kilometres of road: betterment and gravelling</li></ul>	86 000 1 000	100 000 1 000		
	<b>General</b>				
7. Construction of causeways and bridges	<ul style="list-style-type: none"><li>Number of causeways constructed</li><li>Number of bridges constructed</li><li>Number of pedestrian bridges constructed</li></ul>	59 4 6	51 2 10		
	<b>Traffic Management</b>				
	1. Reduce road traffic crashes in general and fatalities in particular	<ul style="list-style-type: none"><li>Number of remedial safety engineering measures</li><li>Number of crossing patrols provided</li></ul>	40 83	40 88	
2. Facilitate behavioural and attitude change of road users		<ul style="list-style-type: none"><li>Number of schools participating</li><li>Number of adults educated</li><li>Number of awareness campaigns</li><li>Number of Community Road Safety Councils (CRSCs) trained</li></ul>	300 30 000 30 42	315 30 000 30 41	
	3. Protect the road environment through the regulation and enforcement of the freight industry	<ul style="list-style-type: none"><li>Hours of overloading control enforcement</li><li>Number of vehicles weighed</li><li>Number of weighbridges maintained/calibrated</li><li>Number of weighbridges constructed</li></ul>	25 000 160 000 16 1	25 000 150 000 15 -	
		4. Promote safe use of public roads	<ul style="list-style-type: none"><li>Number of traffic officers employed</li><li>Hours of manual speed timing activities</li><li>Hours of automatic speed timing activities</li><li>Number of vehicles checked in roadblocks</li><li>Number of kilometres patrolled (official and subsidised vehicles)</li><li>Number of officers trained</li></ul>	480 55 000 30 000 30 000 5 500 000 200	610 55 000 35 000 18 900 5 600 000 250
			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"><li>% of licenses paid on time</li></ul>	97%

Table 9.5: Service delivery measures – Social Welfare and Population Development

Output type	Performance measures	Performance targets		
		2007/08 Est. Actual	2008/09 Estimate	
Social Welfare Services				
1. Substance Abuse, Prevention and Rehabilitation	No of funded NPOs delivering services for substance abuse, prevention and rehabilitation	n/a	12	
	No. of substance abuse treatment centres run by government (govt.)	2	2	
	No. of substance abuse treatment centres managed by NPOs	7	12	
	No. of clients utilising out-patient treatment centres for substance abused managed by NPOs	n/a	15 400	
	No. of clients utilising in-patient treatment centres for substance abuse managed by NPOs	n/a	2 075	
	No. of clients utilising in-patient treatment centres for substance abuse run by govt.	n/a	500	
	No. of practitioners available in in-patient substance abuse treatment centres managed by NPOs	n/a	60	
	No. of practitioners available in out-patient substance abuse treatment centres managed by NPOs	n/a	21	
	No. of practitioners available in in-patient substance abuse treatment centres run by govt.	n/a	34	
	No. of practitioners employed by govt. substance abuse treatment centres who received training	n/a	34	
	No. of practitioners employed by registered and funded NPO substance abuse treatment centres who received training	n/a	60	
	No. of Local Drug Action Committees established	n/a	23	
	No. of prevention programmes for substance abuse implemented by govt.	n/a	8	
	No. of prevention programmes substance abuse implemented by NPOs	n/a	40	
	2. Care and Services to Older Persons	No. of govt. funded NPOs delivering care and services to older persons	n/a	12
		No. of residential facilities for older persons run by govt.	1	1
		No. of residential facilities for older persons managed by NPOs	54	54
		No. of service centres for older persons managed by NPOs	200	282
		No. of older persons residing in residential facilities run by govt.	n/a	60
No. of older persons residing in residential facilities managed by NPOs		n/a	3 648	
No. of older persons using service centres managed by NPOs		n/a	20 155	
No. of older persons reached through home based care programmes managed by NPOs		n/a	600	
No. of older persons residing in govt. residential facilities who received counselling		n/a	60	
No. of older persons residing in residential facilities managed by NPOs who received counselling		n/a	1 850	
No. of care givers employed at govt. residential facilities for older persons		n/a	24	
No. of counsellors employed at govt. residential facilities for older persons		n/a	1	
No. of care givers employed at NPO residential facilities for older persons		n/a	400	
No. of counsellors employed for older persons managed by NPOs		n/a	40	
No. of NPOs care givers trained in home-based care for older persons		n/a	100	
No. of home based care programmes implemented for older persons by NPOs		n/a	5	
No. of reported cases of abuse of older persons		n/a	120	
3. Crime prevention and support		No. of govt. funded NPOs delivering services on crime prevention and support	n/a	7
		No. of secure care centres run by govt.	2	2
	No. of places of safety managed by govt.	n/a	7	
	No. of children in conflict with the law awaiting trial in correctional services facilities	n/a	4 800	
	No. of children in conflict with the law awaiting trail in secure care centres run by govt.	975	1 500	
	No. of children in conflict with the law awaiting trial in places of safety run by govt.	n/a	400	
	No. of children in conflict with the law assessed	5 480	6 000	
	No. of cases of children in conflict with the law referred to criminal court	n/a	2 200	
	No. of children in conflict with the law referred to diversion programmes	1 800	2 500	
	No. of children in conflict with the law who participated in diversion programmes	n/a	2 400	
	No. of pre-sentence reports completed for children in conflict with the law	n/a	560	
	No of pre-sentence reports completed for adults in conflict with the law	4 000	2 800	
	No. of children in conflict with the law in home based supervision	450	500	
	No. of probation officers employed by govt.	n/a	80	
	No. of probation officers trained	n/a	80	
	No. of prevention programmes for crime prevention and support implemented by govt.	n/a	10	
	No. of prevention programmes for crime prevention and support implemented by NPOs	n/a	40	
	4. Services to Persons with Disabilities	No. of govt. funded NPOs providing services to persons with disabilities	n/a	27
		No. of residential facilities for persons with disabilities run by govt.	1	1
No. of residential facilities for persons with disabilities managed by NPOs		15	17	
No. of protective workshops for persons with disabilities managed by NPOs		35	38	
No. of protective workshops for persons with disabilities run by govt.		2	2	
No. of persons with disabilities residing in facilities run by govt.		n/a	58	
No. of persons with disabilities residing in residential facilities managed by NPOs		n/a	997	
No. of persons with disabilities accessing services in protective workshops run by govt.		186	190	
No. of persons with disabilities accessing services in protective workshops managed by NPOs		1 390	1 758	
No. of persons with disabilities accessing services provided by social workers		21 000	22 000	
No. of persons with disabilities referred by social workers to specialised services		n/a	20	
No. of staff working at residential facilities for persons with disabilities		n/a	50	
No. of staff working at protective workshops for persons with disabilities		n/a	100	

Table 9.5: Service delivery measures – Social Welfare and Population Development

Output type	Performance measures	Performance targets	
		2007/08 Est. Actual	2008/09 Estimate
5. Child care and protection services	• No. of govt. funded NPOs delivering child care and protection services	n/a	83
	• No. of children's homes run by govt.	1	1
	• No. of registered and funded children's homes managed by NPOs	55	51
	• No. of places of safety run by govt.	7	7
	• No. of registered and funded shelters managed by NPOs	n/a	25
	• No. of registered and funded drop-in centres managed by NPOs	n/a	4
	• No. of children in children's homes run by govt.	70	60
	• No. of children in registered and funded children's homes managed by NPOs	2 345	3 457
	• No. of children in places of safety run by govt.	2 400	1 000
	• No. of children registered and funded drop in centres managed by NPOs	n/a	1 000
	• No. of children with disabilities accessing facilities run by govt.	n/a	16
	• No. of children with disabilities accessing registered and funded facilities managed by NPOs	n/a	85
	• No. of children in govt. residential facilities referred to specialised services	n/a	100
	• No. of children in registered and funded NPO residential facilities referred to specialised services	n/a	260
	• No. of children receiving govt. services within the community referred to specialised services	n/a	200
	• No. of children receiving registered and funded NPO services within the community referred to specialised services	n/a	260
	• No. of children who died in residential facilities run by govt.	n/a	12
	• No. of children who died in registered and funded residential facilities managed by NPOs	n/a	10
	• No. of practitioners employed in registered and funded shelters managed by NPOs	n/a	64
	• No. of practitioners employed in residential facilities run by govt.	n/a	362
	• No. of practitioners employed in registered and funded residential facilities managed by NPOs	n/a	5 000
	• No. of practitioners employed by govt. to render child care and protection services	n/a	274
	• No. of practitioners employed by registered & funded NPOs to render child care & protection services	n/a	274
	• No. of govt. practitioners delivering a service on child care and protection that received training	n/a	100
	• No. of NPO practitioners delivering a service on child care and protection that received training	n/a	100
	• No. of child care and protection programmes implemented by govt.	n/a	50
	• No. of child care and protection programmes implemented by registered and funded NPOs	n/a	20
	• No. of reported cases of child abuse	3 000	1 300
	• No. of reported cases of child neglect	950	420
	• No. of reported cases of child exploitation	n/a	12
	• No. of reported cases of orphaned children	n/a	24 000
	• No. of reported cases where children were abandoned	n/a	100
	• No. of reported cases of children with disabilities who have suffered abuses, neglect, exploitation	n/a	36
	• No. of children placed in foster care by govt.	n/a	40 000
	• No. of children placed in foster care by registered and funded NPOs	n/a	10 000
	• No. of children adopted	60	40
	• No. of registered ECD sites managed by NPOs	n/a	2 135
	• No. of registered and funded ECD sites managed by NPOs	1 350	1 360
	• No. of children in funded and registered ECD sites managed by NPOs	75 000	83 000
	• No. of ECD practitioners who received training	n/a	1 881
	• No. of children in ECD sites that receive govt. subsidies	75 000	83 000
	• No. of practitioners employed to render ECD services by NPOs	n/a	4 091
6. Victim empowerment	• No. of registered and funded shelters for domestic violence managed by NPOs	12	12
	• No. of adults residing in registered and funded shelters for domestic violence managed by NPOs	n/a	1 224
	• No. of children residing in shelters for domestic violence managed by registered and funded NPOs	n/a	939
	• No. of adults with disabilities residing in shelters for domestic violence	n/a	4
	• No. of victims participating in programmes within the shelters for domestic violence managed by registered and funded NPOs	n/a	200
	• No. of victims residing in registered and funded NPO shelters for domestic violence who received counselling	n/a	200
	• No. of victims of domestic violence in community who received counselling by registered & funded NPOs	n/a	500
	• No. of counsellors working in shelters for domestic violence managed by NPOs	n/a	25
	• No. of victim empowerment practitioners employed by registered and funded NPOs who received training	n/a	25
7. HIV and AIDS	• No. of Home/Community Based Care (HCBC) organisations providing care and support services to Orphans in Vocational Counselling (OVC), Child Headed Households and families	106	154
	• No. of HCBC organisations involved in Information Education Counselling	n/a	40
	• No. of HCBC organisations involved in community mobilisation	n/a	50
	• No. of HCBC organisations that have an income generating component	n/a	52
	• No. of HCBC organisations that have support groups linked to them	n/a	55
	• No. of beneficiaries receiving food parcels from HCBC organisations	n/a	9 000
	• No. of beneficiaries receiving school uniforms from HCBC organisations	n/a	200
	• No. of beneficiaries receiving cooked meals from HCBC organisations	n/a	16 000
	• No. of beneficiaries receiving anti-retrovirals supported with food supplements from HCBC organisations	n/a	30 000
	• No. of OVC referred to alternative care by HCBC organisations	n/a	3 500

**Table 9.5: Service delivery measures – Social Welfare and Population Development**

Output type	Performance measures	Performance targets	
		2007/08 Est. Actual	2008/09 Estimate
7. HIV and AIDS (cont.)	• No. of OVC referred to social grants by HCBC organisations	n/a	4 000
	• No. of OVC referred to primary health clinics by HCBC organisations	n/a	150
	• No. of OVC referred to services from HCBC organisations	n/a	30 500
	• No. of older persons receiving services from HCBC organisations	n/a	300
	• No. of families receiving services from HCBC organisations	n/a	11 500
	• No. of Child Headed Households receiving services from HCBC organisations	n/a	4 000
	• No. of community care givers rendering care and support services in HCBC organisations	1 250	1 800
	• No. of home visits made by HCBC community care givers	n/a	1 800 000
	• No. of HCBC community caregivers receiving a stipend	n/a	1 800
	• No. of caregivers trained on HCBC	n/a	800
	• No. of childcare forums for HIV and AIDS established	n/a	70
	• No. of co-ordinating structure for HIV and AIDS established	n/a	9
	• No. of active support groups for HIV and AIDS	n/a	60
8. Social relief	• No. of social relief applications approved	9 200	10 000
	• No. of social relief applications that were referred to a social worker	9 200	10 000
9. Care and support services to families	• No. of govt. funded NPOs providing services on care support to families	n/a	5
	• No. of couples receiving marriage counselling by govt.	1 210	160
	• No. of couples receiving marriage counselling by NPOs	3 000	1 500
	• No. of families who received family therapy services by NPOs	n/a	20
	• No. of families who received re-unification services by govt.	n/a	200
	• No. of families who received re-unification services by NPOs	60	200
	• No. of couples who attended marriage enrichment programmes conducted by govt.	65	100
	• No. of couples who attended marriage enrichment programmes conducted by NPOs	n/a	1 000
	• No. of families receiving family preservation services offered by govt.	n/a	100
	• No. of families receiving family preservation services offered by NPOs	n/a	100
	• No. of parents who participated in parental programmes conducted by Gov	700	200
	• No. of parents who participated in parental programmes conducted by NPOs	1 550	800
	• No. of marriage enrichment programmes implemented by govt.	n/a	4
	• No. of marriage enrichment programmes implemented by NPOs	n/a	10
	• No. of parental programmes implemented by govt.	n/a	5
	• No. of parental programmes implemented by NPOs	n/a	10



# ANNEXURE – BUDGET STATEMENT 1

Table 1.A: Details of provincial own receipts

R000	Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
	Audited 2004/05	Audited 2005/06	Audited 2006/07				2008/09	2009/10	2010/11
<b>Tax receipts</b>	<b>677 051</b>	<b>822 356</b>	<b>953 871</b>	<b>981 515</b>	<b>981 515</b>	<b>1 031 254</b>	<b>1 129 198</b>	<b>1 216 332</b>	<b>1 308 129</b>
Casino taxes	128 530	162 073	194 038	192 089	192 089	234 335	254 652	275 024	297 026
Motor vehicle licenses	515 828	624 302	717 899	745 000	745 000	751 000	825 830	887 822	954 408
Horseracing	29 002	31 982	38 174	40 610	40 610	42 103	44 671	49 138	52 086
Other taxes	3 691	3 999	3 760	3 816	3 816	3 816	4 045	4 348	4 609
<b>Non-tax receipts</b>	<b>429 418</b>	<b>310 750</b>	<b>414 142</b>	<b>400 149</b>	<b>400 149</b>	<b>437 347</b>	<b>422 637</b>	<b>460 295</b>	<b>498 005</b>
Sale of goods and services other than capital assets	226 064	198 036	218 176	231 196	231 196	228 666	250 277	274 056	294 253
Sales of goods and services produced by dept.	207 622	197 025	217 085	230 288	230 288	227 700	249 298	273 013	293 142
<i>Sales by market establishments</i>	101	126	132	108	108	227	200	210	221
<i>Administrative fees</i>	19 109	25 403	28 365	27 523	27 523	29 009	31 069	34 463	37 717
<i>Other sales</i>	188 412	171 496	188 588	202 657	202 657	198 464	218 029	238 340	255 204
Sales of scrap, waste, arms and other used current goods (excluding capital assets)	18 442	1 011	1 091	908	908	966	979	1 043	1 111
Fines, penalties and forfeits	21 625	19 253	19 734	28 030	28 030	32 696	30 031	33 733	35 757
Interest, dividends and rent on land	181 729	93 461	176 232	140 923	140 923	175 985	142 329	152 506	167 995
Interest <sup>1</sup>	181 022	93 025	175 862	140 780	140 780	175 956	142 274	152 445	167 927
Dividends	-	-	-	-	-	-	-	-	-
Rent on land	707	436	370	143	143	29	55	61	68
<b>Transfers received from:</b>	<b>-</b>	<b>-</b>	<b>300</b>	<b>-</b>	<b>-</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other governmental units	-	-	-	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	300	-	-	50	-	-	-
Households and non-profit institutions	-	-	-	-	-	-	-	-	-
<b>Sales of capital assets</b>	<b>19 041</b>	<b>20 222</b>	<b>7 972</b>	<b>16 670</b>	<b>16 670</b>	<b>16 719</b>	<b>18 703</b>	<b>20 977</b>	<b>22 236</b>
Land and subsoil assets	7	5 607	-	-	-	-	-	-	-
Other capital assets	19 034	14 615	7 972	16 670	16 670	16 719	18 703	20 977	22 236
<b>Financial transactions</b>	<b>43 942</b>	<b>73 939</b>	<b>70 132</b>	<b>24 807</b>	<b>24 807</b>	<b>51 449</b>	<b>21 186</b>	<b>21 741</b>	<b>21 875</b>
<b>Total provincial own receipts</b>	<b>1 169 452</b>	<b>1 227 267</b>	<b>1 446 417</b>	<b>1 423 141</b>	<b>1 423 141</b>	<b>1 536 819</b>	<b>1 591 724</b>	<b>1 719 345</b>	<b>1 850 245</b>

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

# Budget Statement 1

R000	Outcome			Main Budget	Adjusted Budget 2007/08	Estimated actual	Medium-term estimates		
	Audited 2004/05	Audited 2005/06	Audited 2006/07				2008/09	2009/10	2010/11
<b>Current payments</b>	<b>23 214 728</b>	<b>26 777 647</b>	<b>29 359 667</b>	<b>33 828 530</b>	<b>34 197 724</b>	<b>34 755 403</b>	<b>38 329 194</b>	<b>43 020 150</b>	<b>47 670 830</b>
Compensation of employees	17 889 221	19 604 852	21 589 946	24 985 565	25 367 595	25 941 938	28 264 516	31 560 227	34 738 666
Salaries and wages	14 067 458	16 485 681	17 869 275	21 172 251	21 243 731	21 237 844	23 743 036	26 526 777	29 039 509
Social contributions	3 821 763	3 119 171	3 720 671	3 813 314	4 123 864	4 704 094	4 521 480	5 033 450	5 699 157
Goods and services	5 295 678	7 156 627	7 740 444	8 842 965	8 830 129	8 812 571	10 064 678	11 459 923	12 932 164
Interest and rent on land	13 773	281	390	-	-	4	-	-	-
Interest	13 755	-	364	-	-	-	-	-	-
Rent on land	18	281	26	-	-	4	-	-	-
Financial transactions in assets and liabilities	16 056	15 887	28 887	-	-	889	-	-	-
Unauthorised expenditure	-	-	-	-	-	1	-	-	-
<b>Transfers and subsidies to:</b>	<b>2 411 822</b>	<b>3 127 861</b>	<b>4 052 105</b>	<b>5 090 824</b>	<b>5 378 832</b>	<b>5 398 131</b>	<b>7 210 990</b>	<b>8 120 565</b>	<b>8 036 959</b>
Local government	258 572	340 102	478 394	417 337	617 225	742 938	944 853	997 826	788 073
Municipalities	253 727	334 581	473 350	411 309	611 197	733 991	938 524	991 022	780 861
Municipal agencies and funds	4 845	5 521	5 044	6 028	6 028	8 947	6 329	6 804	7 212
Departmental agencies and accounts	393 737	442 062	505 560	483 442	488 517	488 739	564 434	626 126	652 155
Social security funds	13 141	11 015	77	150	161	132	188	195	198
Entities receiving funds	380 596	431 047	505 483	483 292	488 356	488 607	564 246	625 931	651 957
Public corporations and private enterprises	72 809	429 290	557 960	1 171 680	921 135	869 847	861 299	1 503 613	1 642 784
Public corporations	58 804	100 199	194 852	1 083 067	807 306	798 296	794 099	1 412 508	1 543 039
Subsidies on production	-	36 031	-	-	-	-	-	-	-
Other transfers	58 804	64 168	194 852	1 083 067	807 306	798 296	794 099	1 412 508	1 543 039
Private enterprises	14 005	329 091	363 108	88 613	113 829	71 551	67 200	91 105	99 745
Subsidies on production	-	-	-	-	-	-	-	-	-
Other transfers	14 005	329 091	363 108	88 613	113 829	71 551	67 200	91 105	99 745
Foreign governments and international organisations	-	704	260	934	1 429	1 429	986	1 060	1 124
Non-profit institutions	920 584	1 131 404	1 504 390	1 806 987	2 204 878	2 280 422	3 532 145	3 358 687	2 897 030
Households	766 120	784 299	1 005 541	1 210 444	1 145 648	1 014 756	1 307 273	1 633 253	2 055 793
Social benefits	77 656	87 370	98 195	82 243	94 198	90 755	95 839	102 454	109 207
Other transfers to households	688 464	696 929	907 346	1 128 201	1 051 450	924 001	1 211 434	1 530 799	1 946 586
<b>Payments for capital assets<sup>1</sup></b>	<b>2 354 035</b>	<b>3 366 206</b>	<b>3 432 926</b>	<b>4 555 984</b>	<b>4 923 743</b>	<b>4 758 408</b>	<b>5 520 171</b>	<b>6 870 754</b>	<b>8 262 599</b>
Buildings and other fixed structures	1 798 925	2 645 758	2 791 388	3 547 563	3 917 577	3 932 899	4 532 549	5 556 984	6 583 571
Buildings	810 463	1 300 552	1 362 650	1 588 934	1 850 256	1 896 191	1 903 337	2 286 012	3 087 645
Other fixed structures	988 462	1 345 206	1 428 738	1 958 629	2 067 321	2 036 708	2 629 212	3 270 972	3 495 926
Machinery and equipment	540 901	700 813	618 514	1 000 577	977 695	796 620	981 816	1 302 081	1 665 743
Transport equipment	125 978	149 578	108 524	176 906	207 086	221 233	189 202	256 461	330 342
Other machinery and equipment	414 923	551 235	509 990	823 671	770 609	575 387	792 614	1 045 620	1 335 401
Cultivated assets	-	-	23	-	-	99	42	45	48
Software and other intangible assets	7 573	18 707	17 503	7 844	28 471	28 790	5 764	11 644	13 237
Land and subsoil assets	6 636	928	5 498	-	-	-	-	-	-
<b>Total</b>	<b>27 980 585</b>	<b>33 271 714</b>	<b>36 844 698</b>	<b>43 475 338</b>	<b>44 500 299</b>	<b>44 911 942</b>	<b>51 060 355</b>	<b>58 011 469</b>	<b>63 970 388</b>
Statutory payments	33 890	35 365	36 699	39 190	37 697	39 385	40 571	43 799	46 543
<b>Total (including statutory payments)</b>	<b>28 014 475</b>	<b>33 307 079</b>	<b>36 881 397</b>	<b>43 514 528</b>	<b>44 537 996</b>	<b>44 951 327</b>	<b>51 100 926</b>	<b>58 055 268</b>	<b>64 016 931</b>
<b>1. Included under Payment of Capital Assets are capitalised payments for:</b>									
Compensation of employees	100 415	113 602	171 199	180 157	180 157	180 157	220 218	240 224	252 235
<b>Total compensation of employees</b>	<b>17 989 636</b>	<b>19 718 454</b>	<b>21 761 145</b>	<b>25 165 722</b>	<b>25 547 752</b>	<b>26 122 095</b>	<b>28 484 734</b>	<b>31 800 451</b>	<b>34 990 901</b>
Goods and Services	-	-	-	355 695	355 695	355 695	375 596	415 596	436 375
<b>Total goods and services</b>	<b>5 295 678</b>	<b>7 156 627</b>	<b>7 740 444</b>	<b>9 198 660</b>	<b>9 185 824</b>	<b>9 168 266</b>	<b>10 440 274</b>	<b>11 875 519</b>	<b>13 368 539</b>



Table 1.C Detailed expenditure for infrastructure

Category / Department / Type of structure	No. of Projects	Total Cost	Medium-term estimates		
			2008/09	2009/10	2010/11
<b>R000</b>					
<b>Capital</b>	<b>1 886</b>	<b>30 844 432</b>	<b>7 938 363</b>	<b>9 351 581</b>	<b>9 972 811</b>
<b>New constructions (Buildings and infrastructure)</b>	<b>495</b>	<b>7 248 227</b>	<b>2 257 831</b>	<b>2 866 708</b>	<b>3 710 903</b>
Office of the Premier	1	1 800	45	-	-
Kwa-Ceza Chapel	1	1 800	45	-	-
Agriculture & Environmental Affairs	8	198 875	68 973	63 128	66 774
Maphophoma Dam	1	16 072	5 000	5 375	5 697
Sibonokuhle Irrigation	1	3 215	1 000	1 075	1 140
Agricultural infrastructure	-	75 017	23 473	25 090	26 454
Maphophoma Market Infrastructure	1	6 429	2 000	2 150	2 279
Mushroom Bases	2	57 960	25 000	16 000	16 960
Agric Storage Facilities	3	40 182	12 500	13 438	14 244
Education	360	3 235 553	894 016	949 525	1 392 012
New Schools (classrooms & toilets)	11	571 294	99 000	151 676	320 618
Upgrades and additions	155	930 289	396 790	273 499	260 000
Accelerated Needs Delivery	40	490 000	200 000	140 000	150 000
Curriculum Redress	12	225 909	25 909	100 000	100 000
Water and Sanitation	80	88 000	33 000	25 000	30 000
Mobile Classrooms	50	32 000	10 000	10 000	12 000
ELSEN	12	316 931	55 265	70 912	190 754
FET Sites	-	244 495	44 495	100 000	100 000
Roll out of ECD and Pre-Grade R	-	317 078	10 000	78 438	228 640
Health	7	1 433 241	293 561	446 031	693 649
Hospitals	4	725 879	164 289	189 866	371 724
Other health facilities (Clinics, Community health centres, etc.)	3	707 362	129 272	256 165	321 925
Housing	-	-	120 000	120 000	140 000
Social and Economic Facilities	-	380 000	120 000	120 000	140 000
Local Government and Traditional Affairs	15	47 864	13 000	18 864	16 000
Multi Purpose Community Centres	15	47 864	13 000	18 864	16 000
Transport	25	1 877 344	811 338	1 200 925	1 294 922
Roads	5	1 610 344	716 640	935 822	926 863
Vehicle and drivers licence stations	4	48 000	8 000	8 000	8 480
Pedestrian bridges	15	207 000	17 000	27 000	107 000
Other	1	12 000	69 698	230 103	252 579
Social Welfare & Population Development	2	56 500	10 502	15 790	16 737
Administration blocks (includes office accommodation)	2	56 500	10 502	15 790	16 737
Works	10	72 566	17 522	28 741	26 303
Administration blocks (includes office accommodation)	10	72 566	17 522	28 741	26 303
Arts, Culture and Tourism	7	93 400	15 884	10 000	50 116
Recapitalisation of libraries	1	33 400	2 000	10 000	4 000
Art centres	6	60 000	13 884	-	46 116
Sport and Recreation	60	41 084	12 990	13 704	14 390
Sports facilities in rural areas	60	41 084	12 990	13 704	14 390
<b>Rehabilitation/upgrading</b>	<b>491</b>	<b>12 686 954</b>	<b>2 132 047</b>	<b>2 590 596</b>	<b>2 754 887</b>
Office of the Premier	1	8 965	3 706	-	-
Public Service Training Academy	1	8 965	3 706	-	-
Provincial Legislature (Office accommodation)	-	3 613	1 124	1 208	1 281
Renovations to Legislature Building	-	3 613	1 124	1 208	1 281
Agriculture & Environmental Affairs	-	189 732	23 851	54 308	111 573
Office Buildings	-	36 749	11 432	12 290	13 027
Diptanks Rehabilitation	-	39 920	12 419	13 350	14 151
Makhathini Flats Development	-	113 063	-	28 668	84 395
Education	240	-	130 000	287 983	354 983
Repairs and renovations	200	-	90 000	234 983	294 983
Emergency Repair Response	40	-	40 000	53 000	60 000
Health	36	930 166	292 804	329 772	307 590
Hospitals	31	625 281	198 664	237 935	188 682
Other health facilities (Clinics, Community health centres, etc.)	5	304 885	94 140	91 837	118 908
Local Government and Traditional Affairs	-	9 000	2 000	3 000	4 000
Traditional Administration Centres	-	9 000	2 000	3 000	4 000
Transport	191	11 439 720	1 653 403	1 883 166	1 926 020
Roads	8	2 439 720	1 048 160	1 269 146	1 300 884
Pedestrian sidewalks	-	-	11 000	11 000	11 000
Other	183	9 000 000	594 243	603 020	614 136
Social Welfare & Population Development	-	11 180	5 000	3 000	3 180
Administration blocks (includes office accommodation)	-	11 180	5 000	3 000	3 180
Works	17	77 704	14 549	27 947	35 208
Administration blocks (includes office accommodation)	17	77 704	14 549	27 947	35 208
Arts, Culture and Tourism	6	16 874	5 610	212	11 052
Repairs and renovations to facilities	6	16 874	5 610	212	11 052

Table 1.C Detailed expenditure for infrastructure (cont.)

Category / Department / Type of structure	No. of Projects	Total Cost	Medium-term estimates		
			2008/09	2009/10	2010/11
<b>R000</b>					
<b>Other capital projects</b>	<b>224</b>	<b>1 335 335</b>	<b>394 043</b>	<b>423 990</b>	<b>557 834</b>
Education	35	228 124	110 902	75 676	84 058
Health	-	1 015 735	251 372	324 310	440 053
Local Government and Traditional Affairs	-	21 000	1 000	5 000	15 000
Social Welfare & Population Development	180	57 000	20 000	17 000	18 020
Works	9	13 476	10 769	2 004	703
<b>Infrastructure transfer</b>	<b>676</b>	<b>9 573 916</b>	<b>3 154 442</b>	<b>3 470 287</b>	<b>2 949 187</b>
Economic Development	4	3 743 936	1 493 439	1 481 424	769 073
Provincial Treasury	1	300 000	150 000	150 000	-
Housing	642	5 107 571	1 330 098	1 644 360	2 133 113
Local Government and Traditional Affairs	-	289 463	139 500	149 963	-
Arts, Culture and Tourism	13	55 932	17 400	18 705	19 827
Sport and Recreation	16	77 014	24 005	25 835	27 174
<b>Current (maintenance)</b>	<b>-</b>	<b>361 388</b>	<b>1 207 082</b>	<b>1 363 101</b>	<b>1 452 413</b>
Office of the Premier	-	-	4 664	5 039	5 341
Provincial Legislature	-	-	630	677	718
Agriculture & Environmental Affairs	-	-	2 420	2 601	2 800
Education	-	-	92 000	94 495	100 000
Health	-	-	395 700	419 716	495 158
Housing	-	272 286	105 488	106 656	60 142
Royal Household	-	-	2 750	3 025	3 328
Local Government and Traditional Affairs	-	15 484	2 555	5 642	7 287
Transport	-	-	564 910	691 691	742 542
Social Welfare & Population Development	-	-	11 250	9 589	10 164
Works	-	64 191	21 715	20 812	21 664
Sport and Recreation	-	9 427	3 000	3 158	3 269
<b>Total</b>	<b>1 886</b>	<b>31 205 820</b>	<b>9 145 445</b>	<b>10 714 682</b>	<b>11 425 224</b>

Table 1.D: Summary of transfers to municipalities

R000		Outcome			Main Budget	Adjusted Budget	Estimated actual	Medium-term estimates		
		Audited	Audited	Audited				2008/09	2009/10	2010/11
		2004/05	2005/06	2006/07						
						2007/08				
<b>A</b>	<b>eThekweni</b>	<b>133 491</b>	<b>130 586</b>	<b>162 245</b>	<b>198 318</b>	<b>258 191</b>	<b>385 036</b>	<b>655 988</b>	<b>632 687</b>	<b>522 001</b>
	<b>Total: Ugu Municipalities</b>	<b>10 046</b>	<b>15 864</b>	<b>17 441</b>	<b>16 899</b>	<b>34 771</b>	<b>34 771</b>	<b>33 181</b>	<b>15 843</b>	<b>10 174</b>
B	KZ211 Vulamehlo	900	2 840	750	-	4 050	4 050	-	160	170
B	KZ212 Umdoni	1 001	1 256	1 461	1 232	3 691	3 691	1 528	1 708	1 811
B	KZ213 Umzumbe	500	1 600	700	-	2 140	2 140	600	160	170
B	KZ214 uMuziwabantu	443	1 247	1 314	644	938	938	501	607	643
B	KZ215 Ezingolweni	900	884	337	-	1 400	1 400	600	160	169
B	KZ216 Hibiscus Coast	2 493	3 004	3 308	3 223	4 227	4 227	3 092	3 410	3 394
C	DC21 Ugu District Municipality	3 809	5 033	9 571	11 800	18 325	18 325	26 860	9 638	3 817
	<b>Total: uMgungundlovu Municipalities</b>	<b>45 927</b>	<b>56 087</b>	<b>34 224</b>	<b>50 007</b>	<b>51 249</b>	<b>53 186</b>	<b>66 599</b>	<b>51 394</b>	<b>46 323</b>
B	KZ221 uMshwathi	331	2 456	421	393	993	993	89	260	276
B	KZ222 uMngeni	981	2 339	1 716	1 267	5 791	5 791	2 042	1 720	1 824
B	KZ223 Mpofana	703	732	851	857	907	2 844	1 520	1 701	1 803
B	KZ224 Impendle	-	1 405	2 032	-	1 032	1 032	200	160	170
B	KZ225 Msunduzi	27 836	35 196	13 189	24 274	17 304	17 304	38 870	34 703	29 316
B	KZ226 Mkhambathini	-	800	1 750	-	1 750	1 750	1 057	518	327
B	KZ227 Richmond	18	2 948	90	66	896	896	621	132	140
C	DC22 uMgungundlovu District Municipality	16 058	10 211	14 175	23 150	22 576	22 576	22 200	12 200	12 467
	<b>Total: Uthukela Municipalities</b>	<b>9 464</b>	<b>18 139</b>	<b>10 497</b>	<b>12 408</b>	<b>43 749</b>	<b>43 749</b>	<b>40 553</b>	<b>14 518</b>	<b>14 531</b>
B	KZ232 Emnambithi/Ladysmith	2 315	3 771	3 992	4 711	9 412	9 412	5 949	4 934	5 010
B	KZ233 Indaka	900	3 139	850	-	1 750	1 750	-	-	-
B	KZ234 Umtshezi	860	1 900	1 019	1 765	24 959	24 959	30 031	6 860	7 271
B	KZ235 Okhahlamba	793	3 301	1 148	1 232	1 432	1 432	873	974	1 033
B	KZ236 Imbabazane	900	800	1 242	-	3 996	3 996	100	-	-
C	DC23 Uthukela District Municipality	3 696	5 228	2 246	4 700	2 200	2 200	3 600	1 750	1 217
	<b>Total: Umzinyathi Municipalities</b>	<b>7 732</b>	<b>11 845</b>	<b>11 411</b>	<b>9 992</b>	<b>21 104</b>	<b>21 104</b>	<b>9 579</b>	<b>7 555</b>	<b>8 142</b>
B	KZ241 Endumeni	1 624	1 610	2 143	2 982	3 076	3 076	2 704	2 910	3 086
B	KZ242 Nquthu	800	2 489	972	-	1 978	1 978	-	160	170
B	KZ244 Msinga	923	1 560	2 956	-	6 108	6 108	1 000	1 500	1 500
B	KZ245 Umvoti	765	978	1 052	1 510	2 570	2 570	415	347	369
C	DC24 Umzinyathi District Municipality	3 620	5 208	4 288	5 500	7 372	7 372	5 460	2 638	3 017
	<b>Total: Amajuba Municipalities</b>	<b>4 878</b>	<b>6 773</b>	<b>13 990</b>	<b>12 313</b>	<b>16 025</b>	<b>16 025</b>	<b>16 164</b>	<b>4 847</b>	<b>5 835</b>
B	KZ252 Newcastle	813	1 086	3 507	1 207	4 069	4 069	2 533	2 676	2 617
B	KZ253 eMadlangeni	-	300	710	22	1 872	1 872	257	286	304
B	KZ254 Dannhauser	315	902	1 219	584	584	584	124	185	197
C	DC25 Amajuba District Municipality	3 750	4 485	8 554	10 500	9 500	9 500	13 250	1 700	2 717
	<b>Total: Zululand Municipalities</b>	<b>11 870</b>	<b>28 881</b>	<b>17 030</b>	<b>13 006</b>	<b>27 471</b>	<b>32 390</b>	<b>25 428</b>	<b>24 323</b>	<b>18 473</b>
B	KZ261 eDumbe	651	712	957	400	1 080	1 080	552	218	232
B	KZ262 uPhongolo	156	900	500	30	1 430	1 430	930	640	680
B	KZ263 Abaqulusi	393	3 620	2 560	651	2 612	2 612	1 039	1 159	1 228
B	KZ265 Nongoma	-	6 809	100	-	2 380	2 380	630	418	442
B	KZ266 Ulundi	4 758	7 410	7 145	6 094	11 638	16 557	12 389	10 428	9 874
C	DC26 Zululand District Municipality	5 912	9 430	5 768	5 831	8 331	8 331	9 888	11 460	6 017
	<b>Total: Umkhanyakude Municipalities</b>	<b>9 418</b>	<b>24 715</b>	<b>19 113</b>	<b>1 550</b>	<b>22 055</b>	<b>22 055</b>	<b>9 473</b>	<b>10 174</b>	<b>13 100</b>
B	KZ271 Umhlabyalingana	900	3 500	2 000	-	3 235	3 235	2 300	2 010	2 320
B	KZ272 Jozini	500	3 621	4 004	-	4 581	4 581	1 100	1 660	2 170
B	KZ273 The Big Five False Bay	900	900	5 950	-	680	680	965	177	187
B	KZ274 Hlabisa	500	6 281	292	-	2 114	2 114	-	160	169
B	KZ275 Mtubatuba	-	3 941	1 031	-	645	645	458	225	238
C	DC27 Umkhanyakude District Municipality	6 618	6 472	5 836	1 550	10 800	10 800	4 650	5 942	8 016
	<b>Total: uThungulu Municipalities</b>	<b>10 397</b>	<b>21 985</b>	<b>25 342</b>	<b>14 339</b>	<b>34 270</b>	<b>32 270</b>	<b>28 688</b>	<b>12 778</b>	<b>6 394</b>
B	KZ281 Mbonambi	950	2 034	3 180	-	6 065	6 065	600	160	170
B	KZ282 uMhlathuze	1 620	2 304	4 095	9 845	8 481	6 481	18 926	9 344	4 387
B	KZ283 Ntambanana	500	1 530	1 030	-	700	700	400	160	170
B	KZ284 Umlalazi	1 147	1 197	5 006	2 163	4 513	4 513	346	268	285
B	KZ285 Mthonjaneni	319	1 892	1 094	831	1 011	1 011	421	136	144
B	KZ286 Nkandla	950	1 818	1 250	-	2 000	2 000	45	210	222
C	DC28 uThungulu District Municipality	4 911	11 210	9 687	1 500	11 500	11 500	7 950	2 500	1 016
	<b>Total: Ilembe Municipalities</b>	<b>7 354</b>	<b>10 083</b>	<b>20 862</b>	<b>19 467</b>	<b>25 334</b>	<b>25 334</b>	<b>28 771</b>	<b>18 178</b>	<b>23 540</b>
B	KZ291 Mandeni	939	1 356	1 354	966	5 516	5 516	1 103	609	647
B	KZ292 KwaDukuza	1 802	4 006	7 885	4 001	7 900	7 900	10 068	10 149	10 760
B	KZ293 Ndwedwe	800	150	5 064	-	5 457	5 457	1 000	1 660	2 170
B	KZ294 Maphumulo	569	180	1 000	-	3 811	3 811	750	510	319
C	DC29 Ilembe District Municipality	3 244	4 391	5 559	14 500	2 650	2 650	15 850	5 250	9 644
	<b>Total: Sisonke Municipalities</b>	<b>7 338</b>	<b>12 729</b>	<b>13 962</b>	<b>1 787</b>	<b>72 761</b>	<b>72 761</b>	<b>8 028</b>	<b>6 113</b>	<b>7 321</b>
B	KZ5a1 Ingwe	-	2 005	2 321	-	3 243	3 243	45	210	223
B	KZ5a2 Kwa Sani	-	2 060	854	-	250	250	156	335	354
B	KZ5a3 Matatiele	1 123	2 082	1 712	-	-	-	-	-	-
B	KZ5a4 Greater Kokstad	516	3 148	1 021	62	2 267	2 267	1 625	1 599	1 695
B	KZ5a5 Ubuhlebezwe	15	910	1 540	25	305	305	997	107	114
B	KZ5a6 Umzimkhulu	-	-	5 000	-	18 300	18 300	700	112	119
C	DC43 Sisonke District Municipality	5 684	2 524	1 514	1 700	48 396	48 396	4 505	3 750	4 816
	<b>Unallocated/unclassified</b>	<b>657</b>	<b>2 415</b>	<b>132 277</b>	<b>67 251</b>	<b>10 245</b>	<b>4 257</b>	<b>22 401</b>	<b>199 416</b>	<b>112 239</b>
	<b>Total</b>	<b>258 572</b>	<b>340 102</b>	<b>478 394</b>	<b>417 337</b>	<b>617 225</b>	<b>742 938</b>	<b>944 853</b>	<b>997 826</b>	<b>788 073</b>

**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
<b>GENERAL PUBLIC SERVICES</b>	<b>1 474 739</b>	<b>1 788 547</b>	<b>2 000 296</b>	<b>2 233 150</b>	<b>2 379 583</b>	<b>2 387 685</b>	<b>2 905 200</b>	<b>3 144 325</b>	<b>3 410 518</b>
<b>Executive &amp; Legislative</b>	<b>211 623</b>	<b>284 148</b>	<b>332 421</b>	<b>346 947</b>	<b>394 879</b>	<b>397 706</b>	<b>390 290</b>	<b>423 917</b>	<b>450 271</b>
Office of the Premier	19 344	19 825	23 645	22 147	26 230	26 230	17 953	19 380	20 543
Provincial Legislature (including all statutory payments and ministries)	166 894	234 367	270 629	288 321	331 295	332 761	332 981	362 137	384 526
The Royal Household	25 385	29 956	38 147	36 479	37 354	38 715	39 356	42 400	45 202
<b>General Services</b>	<b>614 350</b>	<b>770 038</b>	<b>809 557</b>	<b>889 109</b>	<b>948 009</b>	<b>962 593</b>	<b>1 202 178</b>	<b>1 326 764</b>	<b>1 410 876</b>
Office of the Premier	110 443	181 730	244 950	272 873	330 469	329 799	321 409	370 993	377 891
Transport	115 101	107 181	121 944	144 995	146 209	145 061	155 254	164 103	175 135
Works	388 806	481 127	442 663	471 241	471 331	487 733	725 515	791 668	857 850
<b>General Policy &amp; Administration</b>	<b>449 430</b>	<b>458 469</b>	<b>640 839</b>	<b>751 265</b>	<b>767 500</b>	<b>767 487</b>	<b>1 009 958</b>	<b>1 108 883</b>	<b>1 244 315</b>
Local Government and Traditional Affairs	447 964	456 915	639 208	749 536	765 771	765 758	1 008 108	1 106 894	1 242 207
Agriculture & Environmental Affairs	1 466	1 554	1 631	1 729	1 729	1 729	1 850	1 989	2 108
<b>Financial &amp; Fiscal Affairs</b>	<b>199 336</b>	<b>275 892</b>	<b>217 479</b>	<b>245 829</b>	<b>269 195</b>	<b>259 899</b>	<b>302 774</b>	<b>284 761</b>	<b>305 056</b>
Provincial Treasury	199 336	275 892	217 479	245 829	269 195	259 899	302 774	284 761	305 056
<b>PUBLIC ORDER &amp; SAFETY AFFAIRS</b>	<b>282 964</b>	<b>418 928</b>	<b>448 507</b>	<b>513 038</b>	<b>514 038</b>	<b>515 576</b>	<b>540 671</b>	<b>597 576</b>	<b>643 437</b>
<b>Public Order &amp; Safety Affairs n.e.c.</b>	<b>17 070</b>	<b>48 495</b>	<b>59 360</b>	<b>78 800</b>	<b>78 800</b>	<b>78 800</b>	<b>104 022</b>	<b>133 808</b>	<b>146 602</b>
Community Safety & Liaison	17 070	48 495	59 360	78 800	78 800	78 800	104 022	133 808	146 602
<b>Traffic Control</b>	<b>265 894</b>	<b>370 433</b>	<b>389 147</b>	<b>434 238</b>	<b>435 238</b>	<b>436 776</b>	<b>436 649</b>	<b>463 768</b>	<b>496 835</b>
Transport	265 894	370 433	389 147	434 238	435 238	436 776	436 649	463 768	496 835
<b>EDUCATION AFFAIRS &amp; SERVICES</b>	<b>13 290 991</b>	<b>15 310 355</b>	<b>16 511 110</b>	<b>18 921 501</b>	<b>19 204 227</b>	<b>19 362 927</b>	<b>21 800 947</b>	<b>24 356 321</b>	<b>26 904 165</b>
<b>Education Affairs &amp; Services n.e.c.</b>	<b>718 332</b>	<b>839 536</b>	<b>927 040</b>	<b>1 070 192</b>	<b>1 126 517</b>	<b>1 070 440</b>	<b>1 184 357</b>	<b>1 217 780</b>	<b>1 344 302</b>
Education	718 332	839 536	927 040	1 070 192	1 126 517	1 070 440	1 184 357	1 217 780	1 344 302
<b>Subsidiary Services to Education</b>	<b>508 694</b>	<b>709 917</b>	<b>576 856</b>	<b>732 360</b>	<b>835 662</b>	<b>816 200</b>	<b>929 064</b>	<b>993 714</b>	<b>1 236 296</b>
Education	508 694	709 917	576 856	732 360	835 662	816 200	929 064	993 714	1 236 296
<b>Tertiary Education Services not leading to a University Degree</b>	<b>268 948</b>	<b>308 175</b>	<b>338 973</b>	<b>358 770</b>	<b>381 599</b>	<b>373 008</b>	<b>427 054</b>	<b>462 147</b>	<b>505 623</b>
Agriculture & Environmental Affairs	21 832	29 483	46 206	40 294	50 239	42 053	61 248	65 126	68 531
Education	3 770	10 590	27 563	-	-	8	-	-	-
Health	243 346	268 102	265 204	318 476	331 360	330 947	365 806	397 021	437 092
<b>Pre-primary, Primary and Secondary Education</b>	<b>11 196 401</b>	<b>12 714 551</b>	<b>13 818 917</b>	<b>15 630 731</b>	<b>15 677 491</b>	<b>15 857 602</b>	<b>17 607 174</b>	<b>19 986 256</b>	<b>21 750 695</b>
Education	11 196 401	12 714 551	13 818 917	15 630 731	15 677 491	15 857 602	17 607 174	19 986 256	21 750 695
<b>Education Services not defined by level</b>	<b>598 616</b>	<b>738 176</b>	<b>849 324</b>	<b>1 129 448</b>	<b>1 182 958</b>	<b>1 245 677</b>	<b>1 653 298</b>	<b>1 696 424</b>	<b>2 067 249</b>
Education	598 616	738 176	849 324	1 129 448	1 182 958	1 245 677	1 653 298	1 696 424	2 067 249
<b>HEALTH AFFAIRS &amp; SERVICES</b>	<b>8 699 100</b>	<b>10 279 527</b>	<b>11 390 105</b>	<b>13 084 705</b>	<b>13 584 252</b>	<b>14 230 515</b>	<b>14 664 684</b>	<b>16 433 555</b>	<b>19 072 705</b>
<b>Administration &amp; control of Health Affairs &amp; Services n.e.c.</b>	<b>711 525</b>	<b>1 069 289</b>	<b>1 215 026</b>	<b>1 546 924</b>	<b>1 753 266</b>	<b>1 688 542</b>	<b>1 777 487</b>	<b>2 098 241</b>	<b>2 566 839</b>
Health	711 525	1 069 289	1 215 026	1 546 924	1 753 266	1 688 542	1 777 487	2 098 241	2 566 839
<b>Hospital &amp; Clinic Affairs &amp; Services</b>	<b>3 428 259</b>	<b>3 864 687</b>	<b>4 330 755</b>	<b>4 784 185</b>	<b>4 900 267</b>	<b>5 137 599</b>	<b>5 339 644</b>	<b>5 837 984</b>	<b>6 721 153</b>
Health	3 428 259	3 864 687	4 330 755	4 784 185	4 900 267	5 137 599	5 339 644	5 837 984	6 721 153
<b>Primary Health Services</b>	<b>4 253 689</b>	<b>4 924 947</b>	<b>5 370 301</b>	<b>6 200 035</b>	<b>6 375 856</b>	<b>6 834 483</b>	<b>6 915 052</b>	<b>7 736 926</b>	<b>8 922 508</b>
Health	4 253 689	4 924 947	5 370 301	6 200 035	6 375 856	6 834 483	6 915 052	7 736 926	8 922 508
<b>Ambulance Services</b>	<b>305 627</b>	<b>420 604</b>	<b>474 023</b>	<b>553 561</b>	<b>554 863</b>	<b>569 891</b>	<b>632 501</b>	<b>760 404</b>	<b>862 205</b>
Health	305 627	420 604	474 023	553 561	554 863	569 891	632 501	760 404	862 205
<b>COMMUNITY &amp; SOCIAL SERVICES</b>	<b>537 754</b>	<b>742 313</b>	<b>936 023</b>	<b>994 693</b>	<b>1 056 056</b>	<b>1 029 249</b>	<b>1 186 913</b>	<b>1 352 385</b>	<b>1 638 466</b>
<b>Social Security &amp; Welfare Affairs n.e.c.</b>	<b>237 990</b>	<b>344 418</b>	<b>434 408</b>	<b>458 715</b>	<b>488 821</b>	<b>499 001</b>	<b>529 075</b>	<b>588 146</b>	<b>633 331</b>
Social Welfare and Population Development	237 990	344 418	434 408	458 715	488 821	499 001	529 075	588 146	633 331
<b>Welfare Services - Children's Residential Institutions</b>	<b>134 898</b>	<b>187 949</b>	<b>208 599</b>	<b>218 383</b>	<b>231 852</b>	<b>235 679</b>	<b>304 020</b>	<b>346 546</b>	<b>493 641</b>
Social Welfare and Population Development	134 898	187 949	208 599	218 383	231 852	235 679	304 020	346 546	493 641
<b>Welfare Services - Old Persons Residential Institutions</b>	<b>53 756</b>	<b>65 086</b>	<b>69 934</b>	<b>72 346</b>	<b>77 181</b>	<b>75 128</b>	<b>78 886</b>	<b>81 765</b>	<b>86 512</b>
Social Welfare and Population Development	53 756	65 086	69 934	72 346	77 181	75 128	78 886	81 765	86 512
<b>Welfare Services - Handicapped Persons</b>	<b>36 885</b>	<b>44 680</b>	<b>45 736</b>	<b>45 477</b>	<b>47 428</b>	<b>51 218</b>	<b>48 605</b>	<b>50 411</b>	<b>53 378</b>
Social Welfare and Population Development	36 885	44 680	45 736	45 477	47 428	51 218	48 605	50 411	53 378
<b>Welfare Services not delivered through residential institutions</b>	<b>32 005</b>	<b>41 470</b>	<b>50 112</b>	<b>104 903</b>	<b>92 452</b>	<b>88 915</b>	<b>154 329</b>	<b>187 652</b>	<b>264 857</b>
Social Welfare and Population Development	32 005	41 470	50 112	104 903	92 452	88 915	154 329	187 652	264 857
<b>Research &amp; Development</b>	<b>42 220</b>	<b>58 710</b>	<b>127 234</b>	<b>94 869</b>	<b>118 322</b>	<b>79 308</b>	<b>71 998</b>	<b>97 865</b>	<b>106 747</b>
Social Welfare and Population Development	42 220	58 710	127 234	94 869	118 322	79 308	71 998	97 865	106 747

**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
<b>HOUSING &amp; COMMUNITY (AMENITY) AFFAIRS &amp; SERVICES</b>	<b>1 254 245</b>	<b>1 326 603</b>	<b>1 640 016</b>	<b>1 971 858</b>	<b>1 988 935</b>	<b>1 982 228</b>	<b>2 311 305</b>	<b>2 727 216</b>	<b>3 242 143</b>
Housing Affairs & Services	988 078	974 159	1 252 921	1 520 850	1 520 850	1 520 850	1 799 693	2 137 881	2 617 256
Housing	988 078	974 159	1 252 921	1 520 850	1 520 850	1 520 850	1 799 693	2 137 881	2 617 256
Nature Conservation	239 819	269 408	286 752	307 041	307 041	307 041	329 920	383 914	406 949
Agriculture & Environmental Affairs	239 819	269 408	286 752	307 041	307 041	307 041	329 920	383 914	406 949
Pollution Abatement & Control Affairs	26 348	83 036	100 343	143 967	161 044	154 337	181 692	205 421	217 938
Agriculture & Environmental Affairs	26 348	83 036	100 343	143 967	161 044	154 337	181 692	205 421	217 938
<b>RECREATIONAL, CULTURAL &amp; RELIGIOUS AFFAIRS &amp; SERVICES</b>	<b>170 163</b>	<b>265 646</b>	<b>306 906</b>	<b>390 111</b>	<b>387 635</b>	<b>388 305</b>	<b>500 353</b>	<b>558 747</b>	<b>654 771</b>
Sporting & Recreational Affairs & Services	34 033	90 458	108 793	156 207	157 807	157 807	209 996	261 168	278 867
Sport & Recreation	34 033	90 458	108 793	156 207	157 807	157 807	209 996	261 168	278 867
Recreational, Cultural & Religious Affairs & Services n.e.c.	10 394	32 281	34 933	37 421	38 080	38 080	40 088	43 241	46 190
Arts, Culture & Tourism	10 394	32 281	34 933	37 421	38 080	38 080	40 088	43 241	46 190
Cultural Affairs & Services	125 736	142 907	163 180	196 483	191 748	192 418	250 269	254 338	329 714
Arts, Culture & Tourism	109 291	124 728	131 021	153 274	155 788	155 788	196 160	196 456	268 359
Office of the Premier	16 445	18 179	32 159	43 209	35 960	36 630	54 109	57 882	61 355
<b>AGRICULTURE AFFAIRS &amp; SERVICES</b>	<b>657 533</b>	<b>814 333</b>	<b>848 394</b>	<b>1 009 496</b>	<b>1 035 862</b>	<b>864 655</b>	<b>1 081 799</b>	<b>1 305 807</b>	<b>1 465 150</b>
Agriculture Affairs & Services, except subsidies on agricultural products	608 370	738 909	767 993	932 359	904 010	754 348	956 769	1 181 433	1 333 324
Agriculture & Environmental Affairs	608 370	738 909	767 993	932 359	904 010	754 348	956 769	1 181 433	1 333 324
Research and development	49 163	75 424	80 401	77 137	131 852	110 307	125 030	124 374	131 826
Agriculture & Environmental Affairs	49 163	75 424	80 401	77 137	131 852	110 307	125 030	124 374	131 826
<b>TRANSPORTATION &amp; COMMUNICATION AFFAIRS &amp; SERVICES</b>	<b>1 443 992</b>	<b>1 820 737</b>	<b>2 032 130</b>	<b>2 540 886</b>	<b>2 538 886</b>	<b>2 538 886</b>	<b>3 163 178</b>	<b>3 905 075</b>	<b>4 091 944</b>
Air transport affairs and services	18 304	24 661	9 335	4 430	4 430	4 430	4 331	4 538	4 823
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.	30 967	34 097	83 384	70 788	67 788	67 788	79 037	83 067	87 755
Transport	30 967	34 097	83 384	70 788	67 788	67 788	79 037	83 067	87 755
Road Affairs & Services	1 394 721	1 761 979	1 939 411	2 465 668	2 466 668	2 466 668	3 079 810	3 817 470	3 999 366
Transport	1 394 721	1 761 979	1 939 411	2 465 668	2 466 668	2 466 668	3 079 810	3 817 470	3 999 366
<b>OTHER ECONOMIC AFFAIRS &amp; SERVICES</b>	<b>202 994</b>	<b>540 090</b>	<b>767 910</b>	<b>1 855 090</b>	<b>1 848 522</b>	<b>1 651 301</b>	<b>2 945 876</b>	<b>3 674 261</b>	<b>2 893 632</b>
Other Economic Affairs & Services n.e.c.	26 992	33 720	36 619	45 575	52 486	52 486	66 825	72 791	78 453
Economic Development	26 992	33 720	36 619	45 575	52 486	52 486	66 825	72 791	78 453
Multipurpose Development Project Affairs & Services	18 260	21 153	186 702	508 299	334 610	334 610	678 468	803 510	827 173
Economic Development	18 260	21 153	186 702	508 299	334 610	334 610	678 468	803 510	827 173
General Economic & Commercial Affairs other than General Labour Affairs	17 719	14 370	13 516	19 149	19 252	19 252	69 495	74 235	78 768
Economic Development	17 719	14 370	13 516	19 149	19 252	19 252	69 495	74 235	78 768
Regional Development	73 901	396 967	437 791	1 192 704	1 350 178	1 152 957	2 020 007	2 600 327	1 785 480
Economic Development	73 901	74 067	177 791	821 418	1 072 093	1 072 093	1 831 730	2 422 709	1 762 633
Provincial Treasury	-	322 900	260 000	371 286	278 085	80 864	188 277	177 618	22 847
Tourism Affairs & Services	66 122	73 880	93 282	89 363	91 996	91 996	111 081	123 398	123 758
Arts, Culture & Tourism	66 122	73 880	93 282	89 363	91 996	91 996	111 081	123 398	123 758
<b>GRAND TOTAL FOR ALL FUNCTIONS</b>	<b>28 014 475</b>	<b>33 307 079</b>	<b>36 881 397</b>	<b>43 514 528</b>	<b>44 537 996</b>	<b>44 951 327</b>	<b>51 100 926</b>	<b>58 055 268</b>	<b>64 016 931</b>

Table 1.F Donor funding and agency receipt

Name of Donor Organisation	Outcome			Main budget	Adjusted budget	Estimated actual	Medium-term estimates		
	Audited 2004/05	Audited 2005/06	Audited 2006/07				2008/09	2009/10	2010/11
<b>R000</b>	<b>46 696</b>	<b>63 613</b>	<b>175 303</b>	<b>124 603</b>	<b>154 734</b>	<b>167 627</b>	<b>182 701</b>	<b>44 397</b>	<b>15 217</b>
<b>Donor funding</b>									
Provincial Legislature	-	1 141	157	-	1 273	1 273	-	-	-
European Union Support	-	1 141	157	-	1 273	1 273	-	-	-
Agriculture	2 757	28	9 085	16 549	16 549	16 549	14 917	14 917	14 917
Flemish Government	2 757	28	8 388	14 382	14 382	14 382	12 750	12 750	12 750
Dutch Funding (NUFFIC)	-	-	697	2 167	2 167	2 167	2 167	2 167	2 167
Economic Development	26 491	-	109 738	-	-	-	49 162	-	-
European Commission - LED in KZN Programme	26 491	-	109 738	-	-	-	49 162	-	-
Education & Culture	7 907	1 934	19 435	29 607	29 607	40 000	38 000	19 000	-
Flemish Government	6 595	-	-	-	-	-	-	-	-
South African Sugar Association	145	-	-	-	-	-	-	-	-
Royal Netherlands embassy	-	1 934	19 435	28 007	28 007	40 000	38 000	19 000	-
New Zealand Government	1 167	-	-	1 600	1 600	-	-	-	-
Provincial Treasury	-	-	-	200	200	200	-	-	-
PBS (PTY) LTD	-	-	-	200	200	200	-	-	-
Health	4 584	58 641	33 453	74 431	98 321	100 821	77 522	10 080	-
Global fund for HIV/AIDS Patients	-	45 055	17 094	71 931	74 207	74 207	57 362	-	-
Bristol-Myers Squibb (Ladysmith)	378	3 691	307	2 500	(2 500)	-	-	-	-
European Union : PHC	-	9 000	12 816	-	21 500	21 500	20 160	10 080	-
Belgium Funding (Communicable Diseases)	-	500	-	-	800	800	-	-	-
HWSeta Learnership - St Aiden's	287	226	693	-	329	329	-	-	-
TB Global Fund	-	-	778	-	3 983	3 983	-	-	-
Rashid Suliman & Associates	-	-	6	-	2	2	-	-	-
Other (Donations ended by 2006/07)	3 919	169	1 440	-	-	-	-	-	-
Housing	1 481	780	851	723	2 074	2 074	3 100	400	300
Flanders Funding - Housing Project	1 481	780	851	723	-	-	3 100	400	300
Flanders Funding - Groutville Project	-	-	-	-	2 074	2 074	-	-	-
	-	-	-	-	-	-	-	-	-
Local Government & Traditional Affairs	3 476	1 089	2 584	3 093	6 710	6 710	-	-	-
Development Bank of SA	3 476	1 089	2 134	3 093	6 710	6 710	-	-	-
Flemish Government	-	-	300	-	-	-	-	-	-
Norwegian Government	-	-	150	-	-	-	-	-	-
<b>Agency receipt</b>	<b>495 010</b>	<b>511 905</b>	<b>527 369</b>	<b>555 688</b>	<b>599 568</b>	<b>599 568</b>	<b>610 173</b>	<b>670 681</b>	<b>710 922</b>
Office of the Premier	-	-	-	-	22 148	22 148	-	-	-
Department of Labour - Literacy Programme	-	-	-	-	22 148	22 148	-	-	-
Agriculture	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	-	-	1 400	-	-	-	-	-	-
Local Government & Traditional Affairs	196	-	1 742	-	-	-	-	-	-
LGWSETA	196	-	1 742	-	-	-	-	-	-
Transport	460 369	490 787	524 227	555 688	577 420	577 420	610 173	670 681	710 922
Bus Subsidies	452 000	482 000	515 000	546 000	567 732	567 732	600 000	660 000	699 600
Overload Control	8 369	8 787	9 227	9 688	9 688	9 688	10 173	10 681	11 322
<b>Total</b>	<b>541 706</b>	<b>575 518</b>	<b>702 672</b>	<b>680 291</b>	<b>754 302</b>	<b>767 195</b>	<b>792 874</b>	<b>715 078</b>	<b>726 139</b>

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

Municipality	Vote 1		Vote 3	Vote 4	Vote 6	Vote 7		Vote 8				Vote 11										Vote 12		Vote 14	Vote 15		Vote 16	Total		
	1.1	1.2	3.1	4.1	6.1	7.1	7.2	8.1	8.2	8.3	8.4	11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9	11.10	11.11	12.1	12.2	14.1	15.1	15.2		16.1	
eThekweni	139	-	-	2 400	150 000	40 041	1 096	150 000	3 500	-	52 150	-	89 500	-	-	-	-	-	-	-	-	-	11 000	-	151 962	-	4 200	-	655 988	
Total: Ugu Municipalities	142	-	-	-	-	-	244	-	-	-	-	1 300	10 000	-	610	350	250	250	-	2 000	350	-	-	-	4 285	12 000	-	1 400	33 181	
Vulamehlo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Umdoni	-	-	-	-	-	-	71	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 457	-	-	-	1 528	
Umzumbe	-	-	-	-	-	-	-	-	-	-	-	600	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	600	
uMuziwabantu	-	-	-	-	-	-	31	-	-	-	-	100	-	-	-	-	-	-	-	-	-	-	-	-	370	-	-	-	501	
Ezingolweni	-	-	-	-	-	-	-	-	-	-	-	600	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	600	
Hibiscus Coast	142	-	-	-	-	-	142	-	-	-	-	-	-	-	-	-	-	-	-	-	350	-	-	-	2 458	-	-	-	3 092	
Ugu District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	10 000	-	610	350	250	250	-	2 000	-	-	-	-	-	12 000	-	1 400	26 860	
Total: uMgungundlovu Municipalities	183	-	-	-	-	-	282	7 000	11 000	-	-	1 400	20 000	-	100	300	-	1 000	-	-	700	1 000	-	-	22 334	-	-	1 300	66 599	
uMshwathi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	89	-	-	-	89	
uMngeni	71	-	-	-	-	-	80	-	-	-	-	500	-	-	-	-	-	-	-	-	-	-	-	-	1 391	-	-	-	2 042	
Mpofana	41	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 479	-	-	-	1 520	
Impendle	-	-	-	-	-	-	-	-	-	-	-	200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200	
Msunduzi	71	-	-	-	-	-	131	7 000	11 000	-	-	-	-	-	-	-	-	-	-	-	350	1 000	-	-	19 318	-	-	-	38 870	
Mkhambathini	-	-	-	-	-	-	-	-	-	-	-	200	-	-	-	-	-	-	-	-	350	-	-	-	7	-	-	500	1 057	
Richmond	-	-	-	-	-	-	71	-	-	-	-	500	-	-	-	-	-	-	-	-	-	-	-	-	50	-	-	-	621	
uMgungundlovu District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	20 000	-	100	300	-	1 000	-	-	-	-	-	-	-	-	-	-	800	22 200
Total:Uthukela Municipalities	249	-	-	-	-	-	134	23 500	-	-	-	2 000	-	-	100	200	-	1 000	-	-	350	-	-	-	10 720	900	-	1 400	40 553	
Emnambithi/Ladysmith	71	-	-	-	-	-	80	-	-	-	-	1 500	-	-	-	-	-	-	-	-	350	-	-	-	3 948	-	-	-	5 949	
Indaka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Umtshezi	107	-	-	-	-	-	54	23 500	-	-	-	400	-	-	-	-	-	-	-	-	-	-	-	-	5 970	-	-	-	30 031	
Okhahlamba	71	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	802	-	-	-	873	
Imbabazane	-	-	-	-	-	-	-	-	-	-	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100	
Uthukela District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100	200	-	1 000	-	-	-	-	-	-	-	-	900	-	1 400	3 600
Total: Umzinyathi Municipalities	142	-	-	-	-	-	134	-	-	-	-	200	-	-	610	450	250	250	-	2 000	-	1 000	-	-	2 643	500	-	1 400	9 579	
Endumeni	71	-	-	-	-	-	80	-	-	-	-	100	-	-	-	-	-	-	-	-	-	-	-	-	2 453	-	-	-	2 704	
Nquthu	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Msinga	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 000	-	-	-	-	-	-	1 000	
Umvoti	71	-	-	-	-	-	54	-	-	-	-	100	-	-	-	-	-	-	-	-	-	-	-	-	190	-	-	-	415	
Umzinyathi District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	610	450	250	250	-	2 000	-	-	-	-	-	500	-	1 400	5 460	
Total: Amajuba Municipalities	71	-	-	-	-	-	138	-	-	-	-	200	10 000	-	100	600	500	750	-	-	350	-	-	-	2 155	-	-	1 300	16 164	
Newcastle	71	-	-	-	-	-	90	-	-	-	-	100	-	-	-	-	-	-	-	-	350	-	-	-	1 922	-	-	-	2 533	
eMadlangeni	-	-	-	-	-	-	24	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	233	-	-	-	257	
Dannhauser	-	-	-	-	-	-	24	-	-	-	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	124	
Amajuba District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	10 000	-	100	600	500	750	-	-	-	-	-	-	-	-	-	1 300	13 250	
Total: Zululand Municipalities	71	4 538	-	-	-	-	139	-	5 500	-	-	1 400	-	-	600	450	250	250	-	2 000	-	-	-	-	8 430	400	-	1 400	25 428	
eDumbe	-	-	-	-	-	-	-	-	-	-	-	500	-	-	-	-	-	-	-	-	-	-	-	-	52	-	-	-	552	
uPhongolo	-	-	-	-	-	-	32	-	-	-	-	500	-	-	-	-	-	-	-	-	-	-	-	-	398	-	-	-	930	
Abaqulusi	71	-	-	-	-	-	47	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	921	-	-	-	1 039	
Nongoma	-	-	-	-	-	-	-	-	-	-	-	400	-	-	-	-	-	-	-	-	-	-	-	-	230	-	-	-	630	
Ulundi	-	-	-	-	-	-	60	-	5 500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6 829	-	-	-	12 389	
Zululand District Municipality	-	4 538	-	-	-	-	-	-	-	-	-	-	-	-	600	450	250	250	-	2 000	-	-	-	-	-	400	-	1 400	9 888	
Total: Umkhanyakude Municipalities	-	-	-	-	-	-	-	-	-	-	-	2 400	-	-	600	450	250	250	-	2 000	350	2 000	-	-	73	-	-	1 100	9 473	
Umhlabyalingana	-	-	-	-	-	-	-	-	-	-	-	950	-	-	-	-	-	-	-	-	350	1 000	-	-	-	-	-	-	2 300	
Jozini	-	-	-	-	-	-	-	-	-	-	-	100	-	-	-	-	-	-	-	-	-	1 000	-	-	-	-	-	-	1 100	
The Big Five False Bay	-	-	-	-	-	-	-	-	-	-	-	950	-	-	-	-	-	-	-	-	-	-	-	-	15	-	-	-	965	
Hlabisa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Mtubatuba	-	-	-	-	-	-	-	-	-	-	-	400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	458	
Umkhanyakude District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	600	450	250	250	-	2 000	-	-	-	-	-	-	-	1 100	4 650	

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

Municipality	Vote 1		Vote 3	Vote 4	Vote 6	Vote 7		Vote 8				Vote 11									Vote 12		Vote 14	Vote 15		Vote 16	Total		
	1.1	1.2	3.1	4.1	6.1	7.1	7.2	8.1	8.2	8.3	8.4	11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9	11.10	11.11	12.1	12.2	14.1	15.1		15.2	16.1
Total: uThungulu Municipalities	142	-	-	-	-	-	279	15 000	-	-	-	900	-	-	600	450	250	250	-	-	350	-	-	-	3 567	3 600	-	3 300	28 688
Mbonambi	-	-	-	-	-	-	-	-	-	-	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	600
uMhlathuze	71	-	-	-	-	-	206	15 000	-	-	-	-	-	-	-	-	-	-	-	-	350	-	-	-	3 299	-	-	-	18 926
Ntambanana	-	-	-	-	-	-	-	-	-	-	-	400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400
Umlalazi	71	-	-	-	-	-	73	-	-	-	-	100	-	-	-	-	-	-	-	-	-	-	-	-	102	-	-	-	346
Mthonjaneni	-	-	-	-	-	-	-	-	-	-	-	300	-	-	-	-	-	-	-	-	-	-	-	-	121	-	-	-	421
Nkandla	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45	-	-	-	45
uThungulu District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	600	450	250	250	-	-	-	-	-	-	-	3 600	-	2 800	7 950
Total: Ilembe Municipalities	71	-	-	-	-	-	129	-	-	-	-	2 100	10 000	-	100	700	500	750	-	1 000	350	1 000	-	-	9 271	-	-	2 800	28 771
Mandeni	-	-	-	-	-	-	25	-	-	-	-	700	-	-	-	-	-	-	-	-	-	-	-	-	378	-	-	-	1 103
KwaDukuza	71	-	-	-	-	-	104	-	-	-	-	1 000	-	-	-	-	-	-	-	-	-	-	-	-	8 893	-	-	-	10 068
Ndwedwe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 000	-	-	-	-	-	-	1 000
Maphumulo	-	-	-	-	-	-	-	-	-	-	-	400	-	-	-	-	-	-	-	-	350	-	-	-	-	-	-	-	750
Ilembe District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	10 000	-	100	700	500	750	-	1 000	-	-	-	-	-	-	-	2 800	15 850
Total: Sisonke Municipalities	-	-	-	700	-	-	93	-	-	-	-	800	-	-	100	300	-	1 000	-	2 000	-	-	-	-	1 735	-	-	1 300	8 028
Ingwe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45	-	-	-	45
Kwa Sani	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	156	-	-	-	156
Greater Kokstad	-	-	-	-	-	-	66	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 364	-	-	195	1 625
Ubuhlebezwe	-	-	-	400	-	-	27	-	-	-	-	500	-	-	-	-	-	-	-	-	-	-	-	-	70	-	-	-	997
Umzimkhulu	-	-	-	300	-	-	-	-	-	-	-	300	-	-	-	-	-	-	-	-	-	-	-	-	100	-	-	-	700
Sisonke District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100	300	-	1 000	-	2 000	-	-	-	-	-	-	-	1 105	4 505
Unallocated/unclassified	56	-	994	-	-	-	318	4 500	-	-	-	-	-	4 000	-	-	-	-	-	-	-	-	-	500	-	-	4 728	7 305	22 401
Total	1 266	4 538	994	3 100	150 000	40 359	2 668	200 000	20 000	-	52 150	12 700	139 500	4 000	3 520	4 250	2 250	5 750	-	11 000	2 800	5 000	11 000	500	217 175	17 400	8 928	24 005	944 853

Key	Grant Name	Key	Grant Name
1.1	Museum Services	11.4	Strategic Support
1.2	Airport Subsidy	11.5	Spatial Development
3.1	Cleanest Town Competition	11.6	Development Administration
4.1	Joint Project Funding	11.7	Municipal Development Information Services
6.1	2010 Soccer Stadium	11.8	Centre Management Support
7.1	Health - Municipal Clinics	11.9	Local Economic Development Catalyst
7.2	Environmental Health	11.10	Synergistic Partnerships
8.1	Hostel Redevelopment & Upgrading	11.11	Small Town Regeneration
8.2	Municipal Rates and Taxes	12.1	Municipal Transport Planning and Infrastructure
8.3	Capacity Building - Flanders Programme	12.2	Maintenance - Main Roads
8.4	Maintenance of R293 Hostels	14.1	Property Rates
11.1	Provincial Management Assistance Programme	15.1	Library Building Projects
11.2	Infrastructure provision for soccer stadia	15.2	Recapitalisation of Community Libraries
11.3	Municipal Governance	16.1	Infrastructure



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

Municipality	Vote 1		Vote 3	Vote 4	Vote 6	Vote 7		Vote 8				Vote 11										Vote 12		Vote 14	Vote 15		Vote 16	Total		
	1.1	1.2	3.1	4.1	6.1	7.1	7.2	8.1	8.2	8.3	8.4	11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9	11.10	11.11	12.1	12.2	14.1	15.1	15.2		16.1	
eThekweni	149	-	-	-	150 000	43 045	1 178	190 000	11 000	-	50 000	-	-	-	-	-	-	-	-	-	-	-	11 000	-	170 315	-	6 000	-	632 687	
Total: Ugu Municipalities	153	-	-	-	-	-	263	-	-	640	-	-	-	-	388	-	-	250	500	1 500	350	-	-	-	4 799	7 000	-	-	15 843	
Vulamehlo	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160	
Umdoni	-	-	-	-	-	-	76	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 632	-	-	-	1 708	
Umzumbe	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160	
uMuziwabantu	-	-	-	-	-	-	33	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	414	-	-	-	607	
Ezingolweni	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160	
Hibiscus Coast	153	-	-	-	-	-	154	-	-	-	-	-	-	-	-	-	-	-	-	-	350	-	-	-	2 753	-	-	-	3 410	
Ugu District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	388	-	-	250	500	1 500	-	-	-	-	-	7 000	-	-	9 638	
Total: uMgungundlovu Municipalities	197	-	-	10 000	-	-	303	5 000	6 000	480	-	-	-	-	500	500	500	250	-	-	700	1 500	-	-	25 014	450	-	-	51 394	
uMshwathi	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100	-	-	-	260	
uMngeni	76	-	-	-	-	-	86	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 558	-	-	-	1 720	
Mpofana	45	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 656	-	-	-	1 701	
Impendle	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160	
Msunduzi	76	-	-	-	-	-	141	5 000	6 000	-	-	-	-	-	-	-	-	-	-	-	350	1 500	-	-	21 636	-	-	-	34 703	
Mkhambathini	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	350	-	-	-	8	-	-	-	518	
Richmond	-	-	-	-	-	-	76	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56	-	-	-	132	
uMgungundlovu District Municipality	-	-	-	10 000	-	-	-	-	-	-	-	-	-	-	500	500	500	250	-	-	-	-	-	-	-	-	450	-	-	12 200
Total:Uthukela Municipalities	268	-	-	-	-	-	144	-	-	-	-	-	-	-	500	500	500	250	-	-	350	-	-	-	12 006	-	-	-	14 518	
Emnambithi/Ladysmith	76	-	-	-	-	-	86	-	-	-	-	-	-	-	-	-	-	-	-	-	350	-	-	-	4 422	-	-	-	4 934	
Indaka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Umtshezi	116	-	-	-	-	-	58	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6 686	-	-	-	6 860	
Okhahlamba	76	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	898	-	-	-	974	
Imbabazane	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Uthukela District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	500	500	250	-	-	-	-	-	-	-	-	-	-	1 750	
Total: Umzinyathi Municipalities	153	-	-	-	-	-	144	-	-	160	-	-	-	-	388	-	-	250	500	1 500	-	1 500	-	-	2 960	-	-	-	7 555	
Endumeni	77	-	-	-	-	-	86	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2 747	-	-	-	2 910	
Nquthu	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160	
Msinga	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 500	-	-	-	-	-	-	1 500	
Umvoti	76	-	-	-	-	-	58	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	213	-	-	-	347	
Umzinyathi District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	388	-	-	250	500	1 500	-	-	-	-	-	-	-	-	2 638	
Total: Amajuba Municipalities	76	-	-	-	-	-	147	-	-	160	-	-	-	-	500	250	250	250	-	-	350	-	-	-	2 414	450	-	-	4 847	
Newcastle	76	-	-	-	-	-	97	-	-	-	-	-	-	-	-	-	-	-	-	-	350	-	-	-	2 153	-	-	-	2 676	
eMadlangeni	-	-	-	-	-	-	25	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	261	-	-	-	286	
Dannhauser	-	-	-	-	-	-	25	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	185	
Amajuba District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	250	250	250	-	-	-	-	-	-	-	-	450	-	1 700	
Total: Zululand Municipalities	76	4 823	-	-	-	-	150	-	3 000	480	-	-	-	-	387	-	-	250	500	1 500	-	-	-	-	9 157	4 000	-	-	24 323	
eDumbe	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	58	-	-	-	218	
uPhongolo	-	-	-	-	-	-	35	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	445	-	-	-	640	
Abaqulusi	76	-	-	-	-	-	51	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 032	-	-	-	1 159	
Nongoma	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	258	-	-	-	418
Ulundi	-	-	-	-	-	-	64	-	3 000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7 364	-	-	-	10 428	
Zululand District Municipality	-	4 823	-	-	-	-	-	-	-	-	-	-	-	-	387	-	-	250	500	1 500	-	-	-	-	-	-	4 000	-	-	11 460
Total: Umkhanyakude Municipalities	-	-	-	-	-	-	-	-	-	800	-	-	-	-	387	-	-	250	500	1 500	350	3 000	-	-	82	3 305	-	-	-	10 174
Umhlabyalingana	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	350	1 500	-	-	-	-	-	-	-	2 010
Jozini	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	1 500	-	-	-	-	-	-	-	1 660
The Big Five False Bay	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17	-	-	-	177
Hlabisa	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160
Mtubatuba	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	65	-	-	-	225
Umkhanyakude District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	387	-	-	250	500	1 500	-	-	-	-	-	-	3 305	-	-	5 942

Budget Statement 1

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

Municipality	Vote 1		Vote 3	Vote 4	Vote 6	Vote 7		Vote 8				Vote 11								Vote 12		Vote 14	Vote 15		Vote 16	Total			
	1.1	1.2	3.1	4.1	6.1	7.1	7.2	8.1	8.2	8.3	8.4	11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9	11.10	11.11	12.1	12.2	14.1		15.1	15.2	16.1
Total: uThungulu Municipalities	153	-	-	-	-	-	300	5 000	-	480	-	-	-	-	250	-	-	250	500	-	350	-	-	-	3 995	1 500	-	-	12 778
Mbonambi	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160
uMhlathuze	77	-	-	-	-	-	222	5 000	-	-	-	-	-	-	-	-	-	-	-	-	350	-	-	-	3 695	-	-	-	9 344
Ntambanana	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160
Umlalazi	76	-	-	-	-	-	78	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	114	-	-	-	268
Mthonjaneni	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	136	-	-	-	136
Nkandla	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50	-	-	-	210
uThungulu District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	250	-	-	250	500	-	-	-	-	-	-	1 500	-	-	2 500
Total: Ilembe Municipalities	76	-	-	-	-	-	139	-	-	480	-	-	-	-	500	250	250	250	500	1 500	350	1 500	-	-	10 383	2 000	-	-	18 178
Mandeni	-	-	-	-	-	-	26	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	423	-	-	-	609
KwaDukuza	76	-	-	-	-	-	113	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9 960	-	-	-	10 149
Ndwedwe	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	1 500	-	-	-	-	-	-	1 660
Maphumulo	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	350	-	-	-	-	-	-	-	510
Ilembe District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	250	250	250	500	1 500	-	-	-	-	-	2 000	-	-	5 250
Total: Sisonke Municipalities	-	-	-	-	-	-	100	-	-	320	-	-	-	-	500	500	500	250	500	1 500	-	-	-	-	1 943	-	-	-	6 113
Ingwe	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50	-	-	-	210
Kwa Sani	-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	175	-	-	-	335
Greater Kokstad	-	-	-	-	-	-	71	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 528	-	-	-	1 599
Ubuhlebezwe	-	-	-	-	-	-	29	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	78	-	-	-	107
Umzimkhulu	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	112	-	-	-	112
Sisonke District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	500	500	250	500	1 500	-	-	-	-	-	-	-	-	3 750
Unallocated/unclassified	60	-	1 054	-	-	-	854	-	-	-	-	15 000	149 963	-	-	-	-	-	-	-	-	-	550	-	-	-	6 100	25 835	199 416
Total	1 361	4 823	1 054	10 000	150 000	43 899	2 868	200 000	20 000	4 000	50 000	15 000	149 963	-	4 300	2 000	2 000	2 500	3 500	9 000	2 800	7 500	11 000	550	243 068	18 705	12 100	25 835	997 826

Key	Grant Name	Key	Grant Name
1.1	Museum Services	11.4	Strategic Support
1.2	Airport Subsidy	11.5	Spatial Development
3.1	Cleanest Town Competition	11.6	Development Administration
4.1	Joint Project Funding	11.7	Municipal Development Information Services
6.1	2010 Soccer Stadium	11.8	Centre Management Support
7.1	Health - Municipal Clinics	11.9	Local Economic Development Catalyst
7.2	Environmental Health	11.10	Synergistic Partnerships
8.1	Hostel Redevelopment & Upgrading	11.11	Small Town Regeneration
8.2	Municipal Rates and Taxes	12.1	Municipal Transport Planning and Infrastructure
8.3	Capacity Building - Flanders Programme	12.2	Maintenance - Main Roads
8.4	Maintenance of R293 Hostels	14.1	Property Rates
11.1	Provincial Management Assistance Programme	15.1	Library Building Projects
11.2	Infrastructure provision for soccer stadia	15.2	Recapitalisation of Community Libraries
11.3	Municipal Governance	16.1	Infrastructure

Table 1.G(iii): Details of transfers to Municipalities: 2010/11

Municipality	Vote 1		Vote 3	Vote 4	Vote 6	Vote 7		Vote 8				Vote 11										Vote 12		Vote 14	Vote 15		Vote 16	Total		
	1.1	1.2	3.1	4.1	6.1	7.1	7.2	8.1	8.2	8.3	8.4	11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9	11.10	11.11	12.1	12.2	14.1	15.1	15.2		16.1	
eThekweni	158	-	-	-	-	45 599	1 260	250 000	14 000	-	10 000	-	-	-	-	-	-	-	-	-	-	-	11 000	-	189 984	-	-	-	522 001	
Total: Ugu Municipalities	161	-	-	-	-	-	281	-	-	678	-	-	-	-	417	-	-	-	600	800	150	-	-	-	5 087	2 000	-	-	10 174	
Vulamehlo	-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	170	
Umdoni	-	-	-	-	-	-	81	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 730	-	-	-	1 811	
Umzumbe	-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	170	
uMuziwabantu	-	-	-	-	-	-	35	-	-	169	-	-	-	-	-	-	-	-	-	-	-	-	-	-	439	-	-	-	643	
Ezingolweni	-	-	-	-	-	-	-	-	-	169	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	169	
Hibiscus Coast	161	-	-	-	-	-	165	-	-	-	-	-	-	-	-	-	-	-	-	-	150	-	-	-	2 918	-	-	-	3 394	
Ugu District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	417	-	-	-	600	800	-	-	-	-	-	2 000	-	-	3 817	
Total: uMgungundlovu Municipalities	209	-	-	10 000	-	-	324	-	4 000	509	-	-	-	-	467	250	250	500	-	-	300	2 000	-	-	26 514	1 000	-	-	46 323	
uMshwathi	-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	106	-	-	-	276	
uMngeni	81	-	-	-	-	-	92	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 651	-	-	-	1 824	
Mpofana	47	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 756	-	-	-	1 803	
Impendle	-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	170	
Msunduzi	81	-	-	-	-	-	151	-	4 000	-	-	-	-	-	-	-	-	-	-	-	150	2 000	-	-	22 934	-	-	-	29 316	
Mkhambathini	-	-	-	-	-	-	-	-	-	169	-	-	-	-	-	-	-	-	-	-	150	-	-	-	8	-	-	-	327	
Richmond	-	-	-	-	-	-	81	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	59	-	-	-	140	
uMgungundlovu District Municipality	-	-	-	10 000	-	-	-	-	-	-	-	-	-	-	467	250	250	500	-	-	-	-	-	-	-	-	1 000	-	-	12 467
Total: Uthukela Municipalities	283	-	-	-	-	-	154	-	-	-	-	-	-	-	467	250	250	250	-	-	150	-	-	-	12 727	-	-	-	14 531	
Emnambithi/Ladysmith	81	-	-	-	-	-	92	-	-	-	-	-	-	-	-	-	-	-	-	-	150	-	-	-	4 687	-	-	-	5 010	
Indaka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Umtshezi	121	-	-	-	-	-	62	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7 088	-	-	-	7 271	
Okhahlamba	81	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	952	-	-	-	1 033	
Imbabazane	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Uthukela District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	467	250	250	250	-	-	-	-	-	-	-	-	-	-	-	1 217
Total: Umzinyathi Municipalities	163	-	-	-	-	-	154	-	-	170	-	-	-	-	417	-	-	-	600	2 000	-	1 500	-	-	3 138	-	-	-	-	8 142
Endumeni	82	-	-	-	-	-	92	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2 912	-	-	-	3 086	
Nquthu	-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	170	
Msinga	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 500	-	-	-	-	-	-	1 500	
Umvoti	81	-	-	-	-	-	62	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	226	-	-	-	369	
Umzinyathi District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	417	-	-	-	600	2 000	-	-	-	-	-	-	-	-	3 017	
Total: Amajuba Municipalities	81	-	-	-	-	-	158	-	-	170	-	-	-	-	467	-	-	250	-	-	150	-	-	-	2 559	2 000	-	-	-	5 835
Newcastle	81	-	-	-	-	-	104	-	-	-	-	-	-	-	-	-	-	-	-	-	150	-	-	-	2 282	-	-	-	2 617	
eMadlangeni	-	-	-	-	-	-	27	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	277	-	-	-	304	
Dannhauser	-	-	-	-	-	-	27	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	197	
Amajuba District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	467	-	-	250	-	-	-	-	-	-	-	-	2 000	-	-	2 717
Total: Zululand Municipalities	81	-	-	-	-	-	160	-	2 000	509	-	-	-	-	417	-	-	-	600	2 000	-	-	-	-	9 706	3 000	-	-	-	18 473
eDumbe	-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	62	-	-	-	232	
uPhongolo	-	-	-	-	-	-	37	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	473	-	-	-	680	
Abaqulusi	81	-	-	-	-	-	55	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 092	-	-	-	1 228	
Nongoma	-	-	-	-	-	-	-	-	-	169	-	-	-	-	-	-	-	-	-	-	-	-	-	-	273	-	-	-	442	
Ulundi	-	-	-	-	-	-	68	-	2 000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7 806	-	-	-	9 874	
Zululand District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	417	-	-	-	600	2 000	-	-	-	-	-	-	3 000	-	-	6 017
Total: Umkhanyakude Municipalities	-	-	-	-	-	-	-	-	-	847	-	-	-	-	416	-	-	-	600	2 000	150	4 000	-	-	87	5 000	-	-	-	13 100
Umhlabyalingana	-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	150	2 000	-	-	-	-	-	-	-	2 320
Jozini	-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	2 000	-	-	-	-	-	-	-	2 170
The Big Five False Bay	-	-	-	-	-	-	-	-	-	169	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18	-	-	-	187	
Hlabisa	-	-	-	-	-	-	-	-	-	169	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	169	
Mtubatuba	-	-	-	-	-	-	-	-	-	169	-	-	-	-	-	-	-	-	-	-	-	-	-	-	69	-	-	-	238	
Umkhanyakude District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	416	-	-	-	600	2 000	-	-	-	-	-	-	5 000	-	-	8 016

Table 1.G(iii): Details of transfers to Municipalities: 2010/11 (cont.)

Municipality	Vote 1		Vote 3	Vote 4	Vote 6	Vote 7		Vote 8				Vote 11										Vote 12		Vote 14	Vote 15		Vote 16	Total		
	1.1	1.2	3.1	4.1	6.1	7.1	7.2	8.1	8.2	8.3	8.4	11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9	11.10	11.11	12.1	12.2	14.1	15.1	15.2		16.1	
Total: uThungulu Municipalities	163	-	-	-	-	-	321	-	-	509	-	-	-	-	416	-	-	-	600	-	150	-	-	-	4 235	-	-	-	6 394	
Mbonambi	-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	170	
uMhlathuze	82	-	-	-	-	-	238	-	-	-	-	-	-	-	-	-	-	-	-	-	150	-	-	-	3 917	-	-	-	4 387	
Ntambanana	-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	170	
Umlalazi	81	-	-	-	-	-	83	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	121	-	-	-	285	
Mthonjaneni	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	144	-	-	-	144	
Nkandla	-	-	-	-	-	-	-	-	-	169	-	-	-	-	-	-	-	-	-	-	-	-	-	-	53	-	-	-	222	
uThungulu District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	416	-	-	-	600	-	-	-	-	-	-	-	-	-	1 016	
Total: Ilembe Municipalities	81	-	-	-	-	-	149	-	-	509	-	-	-	-	467	-	-	250	600	1 500	150	2 000	-	-	11 007	6 827	-	-	23 540	
Mandeni	-	-	-	-	-	-	28	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	449	-	-	-	647	
KwaDukuza	81	-	-	-	-	-	121	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10 558	-	-	-	10 760	
Ndwedwe	-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	2 000	-	-	-	-	-	-	2 170	
Maphumulo	-	-	-	-	-	-	-	-	-	169	-	-	-	-	-	-	-	-	-	-	150	-	-	-	-	-	-	-	319	
Ilembe District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	467	-	-	250	600	1 500	-	-	-	-	-	6 827	-	-	9 644	
Total: Sisonke Municipalities	-	-	-	-	-	-	107	-	-	339	-	-	-	-	466	250	250	250	600	3 000	-	-	-	-	2 059	-	-	-	7 321	
Ingwe	-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	53	-	-	-	223	
Kwa Sani	-	-	-	-	-	-	-	-	-	169	-	-	-	-	-	-	-	-	-	-	-	-	-	-	185	-	-	-	354	
Greater Kokstad	-	-	-	-	-	-	76	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 619	-	-	-	1 695	
Ubuhlebezwe	-	-	-	-	-	-	31	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	83	-	-	-	114	
Umkhulu	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	119	-	-	-	119	
Sisonke District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	466	250	250	250	600	3 000	-	-	-	-	-	-	-	-	4 816	
Unallocated/unclassified	63	-	3 560	-	-	-	2 038	30 000	-	-	-	15 000	-	-	-	-	-	-	-	-	-	-	600	-	-	-	33 804	27 174	112 239	
Total	1 443	-	3 560	10 000	-	-	47 637	3 068	280 000	20 000	4 240	10 000	15 000	-	-	4 417	750	750	1 500	4 200	11 300	1 200	9 500	11 000	600	267 103	19 827	33 804	27 174	788 073

Key	Grant Name	Key	Grant Name
1.1	Museum Services	11.4	Strategic Support
1.2	Airport Subsidy	11.5	Spatial Development
3.1	Cleanest Town Competition	11.6	Development Administration
4.1	Joint Project Funding	11.7	Municipal Development Information Services
6.1	2010 Soccer Stadium	11.8	Centre Management Support
7.1	Health - Municipal Clinics	11.9	Local Economic Development Catalyst
7.2	Environmental Health	11.10	Synergistic Partnerships
8.1	Hostel Redevelopment & Upgrading	11.11	Small Town Regeneration
8.2	Municipal Rates and Taxes	12.1	Municipal Transport Planning and Infrastructure
8.3	Capacity Building - Flanders Programme	12.2	Maintenance - Main Roads
8.4	Maintenance of R293 Hostels	14.1	Property Rates
11.1	Provincial Management Assistance Programme	15.1	Library Building Projects
11.2	Infrastructure provision for soccer stadia	15.2	Recapitalisation of Community Libraries
11.3	Municipal Governance	16.1	Infrastructure





# **BUDGET STATEMENT 2**

## **Departmental Estimates**

