

**Eastern Cape  
overview and estimates of provincial  
expenditure**

**2010/11**

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Province of the  
**EASTERN CAPE**  
**PROVINCIAL TREASURY**

**Eastern Cape  
overview and estimates of provincial  
expenditure**

**2010/11**

Tabled in the Provincial Legislature  
on 03 March 2010



## **Foreword**

The 2010 MTEF budget heralds the beginning of the new term of government following the April 2009 elections. 2010 is also a year in which the country will be hosting a FIFA WORLD CUP, which is expected to boost tourism in the country, a welcome event after the negative effect of the worst recession since 1992. While recession has been a negative experience, some lessons have been learnt from it. These in the main have taught how important it is for government to be cautious of efficiency in spending. It has also been important to note that the impact of a recession has been mitigated by fiscal prudence that has seen the country in good stead to afford a deficit because of the surpluses that have been maintained between 2005/06 and 2008/09 financial years.

In this context, the Eastern Cape government is tabling a budget that continues to support pro poor policy priority areas. The 2010 budget targets specifically the provision of education, quality health care, employment growth, sustainable human settlements, economic infrastructure and efficiency in the public service. Improving the lives of the people of the Eastern Cape is a central theme in the provincial 2010 medium term framework.

Provincial Treasury in partnership with the Office of the Premier will ensure that government departments and public entities improve the utilization of resources, thus we need to do more with less. Some of the initiatives that have been undertaken involve instituting budget austerity measures with a view to redirect spending from non-core items to critical service delivery areas. This will be complemented by focused efforts to tighten up procurement and human resource practices.

Accordingly, the 2010 Overview and Estimates of Provincial Expenditure (previously known as Budget Statements 1 and 2) set out how the provincial government will translate the resource base in response to government's strategic priorities.

The Budget Overview, as the name implies, presents an overview of the budget, discusses and anticipates budget trends and developments over the current and forthcoming MTEF periods. It also provides a snapshot of the socio-economic and demographic profile of the province, while taking care to isolate salient features. The Estimates of Provincial Expenditure provides details on the funding of votes for 2010/11 financial year and the MTEF.

A debt of gratitude goes to the Executive Council and Legislature for their continued guidance, and my colleagues in provincial and national departments for their co-operation and support in putting together this budget.

**Qonda Kalimashe**

**Acting Superintendent General and  
Head Official: Treasury**



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## List of Acronyms

CBC	Cabinet Budget Committee
EXCO	Executive Council
FET	Further Education and Training
FFC	Financial and Fiscal Commission
GHS	General Household Survey
IDP	Integrated Development Plans
MEC	Member of Executive Committee
MINCOM BUD	Minister's Committee of Budget
MTEC	Medium Term Expenditure Committee
MTEF	Medium Term Expenditure Framework
MTSF	Medium-term Strategic Framework
PGDP	Provincial Growth and Development Plan
RAF	Road Accident Fund
Stats SA	Statistics South Africa
TCF	Technical Committee on Finance
APP	Annual Performance Plan
DDG	Deputy Director General
SCOA	Standard Chart of Accounts
SCM	Supply Chain Management
HROPT	Human Resource Operational Project Team
ECDC	Eastern Cape Development Corporation
ELIDZ	East London Industrial Development Zone
ASGISA	Accelerated and Shared Growth Initiative for South Africa



## **Section A: Overview of provincial expenditure**

# 1 Budget Strategy and Aggregates

## 1.1 Introduction

The 2010/11 Medium-Term Expenditure Framework (MTEF) marks the beginning of the medium term planning cycle for the new term of government. Following the release of the new Medium Term Strategic Framework government is gearing itself to impact positively on the socio-economic circumstances of the poor and the more vulnerable in society and continue to bridge the gap between the first and second economies. The new administration has set itself ten strategic medium term priorities, which are complemented by the development of ten specific policy outcomes with measurable outputs. This will enable government assess its performance and thereby help the broader society to hold government accountable.

Aligning to the national medium term strategic priorities the province has adopted eight strategic priorities to inform the intergraded strategic planning, budgeting and service delivery in the province. Despite the economic recession and its adverse effects on the fiscal framework for the 2010 MTEF, government will continue spending its budget to support pro-poor programmes, broadly indicated by the following policy objectives:

- Speeding up growth and transforming the economy to create decent work and sustainable livelihoods
- Massive programme to build social and economic infrastructure;
- Rural development, land and agrarian reform and food security;
- Strengthen education, skills and human resource base;
- Improving the Health profile of the Province;
- Intensifying the fight against crime and corruption;
- Building a developmental state and improving the public service, and strengthening democratic institutions;
- Building cohesive, caring and sustainable communities.

In support of government policy commitments this budget tables bold proposals that see significant growth in the social services sector, especially in Education, Health and Housing. This, nevertheless, remains a tight budget and in the context of our fiscal challenges, it is crucial that departments are more efficient in spending their budget by *doing more with less*. In this regard, the provincial administration will spare no effort in stepping up oversight to ensure wastage is eliminated and government is more effective in carrying out its service delivery mandate. Specifically, the theme for this year's planning and budgeting has been "*integrated planning for enhanced service delivery*". In preparing for the 2010/11 MTEF budget departments were encouraged to premise their planning and budgeting on the Medium Terms Strategic Priorities within the available resource envelope. In addition to identifying new policy proposals, departmental strategic plans should address measures to scale up and implement existing programmes and priorities. When tabling their budget bids for the 2010 MTEF, departments were advised to ensure an alignment of their strategic priorities to the national MTSF.

## 1.2 Planning and Budgeting for 2010 MTEF

Table 1.1 sets out a summary of actual and estimated provincial receipts and payments for the period 2006/07 to 2012/13.

**Table 1.1 Summary of Budget Aggregates, Eastern Cape Provincial Government**

R' 000	2006/07	2007/08	2008/09	2009/10			2010/11	2011/12	2012/13
	Audited			Main budget	Adjusted budget	Revised estimate	Medium-term estimates		
<b>Provincial receipts</b>									
Transfer receipts from national	27 375 360	30 526 711	36 352 543	41 340 837	42 848 172	42 848 172	47 587 075	51 220 315	54 377 710
Equitable share	24 642 653	27 344 125	32 131 702	35 940 398	37 314 768	37 314 768	40 134 424	42 856 005	44 693 156
Conditional grants	2 732 707	3 182 586	4 220 841	5 400 439	5 533 404	5 533 404	7 452 651	8 364 310	9 684 554
Provincial own receipts	800 451	1 008 246	965 989	703 652	703 652	717 817	636 990	686 175	731 398
<b>Total provincial receipts</b>	<b>28 175 811</b>	<b>31 534 957</b>	<b>37 318 532</b>	<b>42 044 489</b>	<b>43 551 824</b>	<b>43 565 989</b>	<b>48 224 065</b>	<b>51 906 490</b>	<b>55 109 108</b>
<b>Provincial payments</b>									
Current payments	21 953 700	24 750 944	31 028 131	33 533 584	35 164 625	37 395 843	38 703 056	41 251 688	43 211 766
Transfers and subsidies	3 061 436	3 292 781	4 823 707	5 697 299	5 824 515	5 727 751	5 871 753	6 257 542	7 235 032
Payments for capital assets	1 867 526	2 165 504	3 196 290	3 403 850	3 576 292	3 528 811	3 648 986	4 396 961	4 661 985
Payments for financial assets	4 823	5 286	20 823						
Unallocated contingency reserve									
<b>Total provincial payments</b>	<b>26 887 485</b>	<b>30 214 514</b>	<b>39 068 951</b>	<b>42 634 734</b>	<b>44 565 433</b>	<b>46 652 405</b>	<b>48 223 795</b>	<b>51 906 191</b>	<b>55 108 782</b>
<b>Surplus / (deficit) before financing</b>	<b>1 288 326</b>	<b>1 320 443</b>	<b>(1 750 419)</b>	<b>( 590 245 )</b>	<b>(1 013 609 )</b>	<b>(3 086 416 )</b>	<b>270</b>	<b>299</b>	<b>325</b>
<b>Financing</b>									
National rollovers									
Provincial rollovers	66 251	177 340	69 653		230 414	230 414			
Previous years surplus			1 680 766	590 245	783 195				
<b>Surplus / (deficit) after financing</b>	<b>1 354 577</b>	<b>1 497 783</b>	<b>( 0 )</b>	<b>( 0 )</b>	<b>( 0 )</b>	<b>(2 856 002 )</b>	<b>270</b>	<b>299</b>	<b>325</b>

The revenue has increased from R28.1 billion in 2006/07 financial year to R55.1 billion in 2012/13 financial year. The main appropriation for the 2009/10 financial year was R42.6 billion, this has been augmented by the national adjustments allocations of R1.7 billion, comprising of R1.4 billion adjustments to the equitable share and R363 million as adjustments to conditional grants, made up of roll-overs of R231 million and additional allocations for unforeseeable and unavoidable expenditure of R133 million, resulting in an adjusted appropriation of R44.6 billion for the 2009/10 financial year. The projected expenditure is R46.6 billion, giving rise to a deficit of R2.9 billion, for which R783.1 million was budgeted in the adjusted estimate. The remainder of R2.1 billion will be funded through a number of options, notably the redirecting of expenditure from non-core items over the MTEF.

## 1.3 National Policy Priorities for the Medium-Term

The provincial and national budget processes are intrinsically linked as the two processes are interdependent. The Medium-Term Strategic Framework for the 2010/11 MTEF is determined by the National Executive Council but the planning and budgeting for the implementation of the policy priorities takes place at the national sphere in consultation the provincial and local spheres. Thus it is the budgets of the national, provincial and local spheres of government that gives expression to the implementation of these policy priorities.

The national government's mandate underscores the need to create a democratic, non-racial, non-sexist and prosperous society. To achieve this, the government has set itself the following Millennium Development Goals:

- Halve poverty and unemployment by 2014 (Goal 1);
- Ensure a more equitable distribution of the benefits of economic growth and reduce inequality (Goal 1);
- Improve the nation's health profile and skills base and ensure universal access to basic services (Goal 2, 4, 5 and 6);
- Improve the safety of citizens by reducing incidents of crime and corruption;
- Build a nation free of all forms of racism, sexism, tribalism and xenophobia (Goal 3).

The 10 point development agenda/Strategic framework for the 5-year term of office for the new administration which broadly defines spending priorities for the 2010 MTEF are as follows:

- Speeding up economic growth and transforming the economy to create decent work and sustainable livelihoods
- Strengthen our skills and human resource base
- Improve the health profile of the nation
- Comprehensive rural development strategy linked to land and agrarian reform and food security
- Intensify the fight against crime and corruption
- Massive programme to build economic and social infrastructure
- Build cohesive, caring and sustainable communities
- Sustainable resource management and use
- Pursuing African development and enhanced international co-operation
- Building a developmental state including improvement in public services and strengthening democratic institutions.

These are encapsulated at a broader level in the national priorities, provincial priorities, APEX priorities and the Provincial Growth and Development Plan.

## **2 Budget Process and the Medium-term Expenditure Framework**

### **2.1 Introduction**

The main goal of the annual budget process is to, within the spirit of intergovernmental fiscal relations as embodied in the Constitution, Public Finance Management Act (PFMA) and the Intergovernmental Fiscal Relations Act, translate the derived provincial priorities as encapsulated in the PGDP into departmental budgets. The Treasury is the key driver of the process, with continuous active involvement from provincial departments and their national counterparts. The detailed process is explained in 2.2 to 2.6 below with a diagrammatic presentation in 2.7.

## **2.2 Preparatory work on the budget by the government**

The preparatory work in the budget process starts around April each year with departments reviewing their expenditure outcomes for the previous year as well as their strategic plans for the following budget year. The strategic plans are reviewed in relation to the priorities as identified by the political executive with strict alignment to the PGDP and national priorities. The departments use the outer (MTEF) years indicative allocations to determine their resource envelopes. This helps with the reprioritization, which is a critical part in the budget process. The departments submit the first budget submission to Provincial Treasury around July, after which budget analyst from Treasury work closely with the departments in evaluating the budget submissions for, amongst other things, linkages with provincial and national priorities in considering resource envelopes.

The submission by departments helps Provincial Treasury to review the current forecasts for the ensuing medium term expenditure framework (2011/12 – 2013/14), which is very important in the budget formulation process. The evaluation of the departmental submissions is enhanced by the clear identification of priorities, which are to be contained in the MEC letter that accompanies the departmental submission. The political priorities are translated into departmental spending plans and these form the basis of discussions and interaction between Treasury and departments, on how the departmental budgets give effect to budget priorities. The evaluation of budgets also forms the basis of recommendation to the Cabinet Budget Committee, and subsequently to the Executive Council (EXCO) on how resources for the coming year should be allocated.

## **2.3 National Medium Term Budget Policy Statement**

The National Minister of Finance tables the Medium Term Budget Policy Statement (MTBPS) before Parliament at the end of October each year.

The MTBPS is a significant step forward in public transparency and accountability as it sets out Government's medium-term macroeconomic trends, fiscal parameters, revenue considerations and policy and spending plans over the next 3-years. This informs the national budget and allows Parliament and the public to actively engage with Government's medium-term priorities and spending plans before the national budget is tabled.

## **2.4 Integrated Development Planning (IDP), as a support to the budget process**

The key objective of the IDPs is to link the planning processes so that better and cost effective service delivery is achieved, through the joint implementation of projects. Within the provincial government the co-ordination of plans is managed through the clusters.

As it relates to the local government sphere, the IDP is co-ordinated through inter-governmental fora like the Premier's Co-ordinating Forum (PCF). This is therefore supported at high level as PCF is driven by the Office of the Premier. The integration of planning is still meeting challenges in terms of co-ordination.

## **2.5 Budget Makgotlas**

The Budget Makgotlas are crucial to the recommendation stage of the budget process. These are annual gatherings where the cluster departments review progress in meeting the priorities agreed to during the previous year, as a basis of identifying new spending priorities for the following year. Thereafter the departments are expected to align their planning to the set priorities and this informs deliberations in the following Budget / Medium Term Expenditure Committee (MTEC) hearings. The PGDP priorities as well as the nationally determined priorities are key inputs during these deliberations.

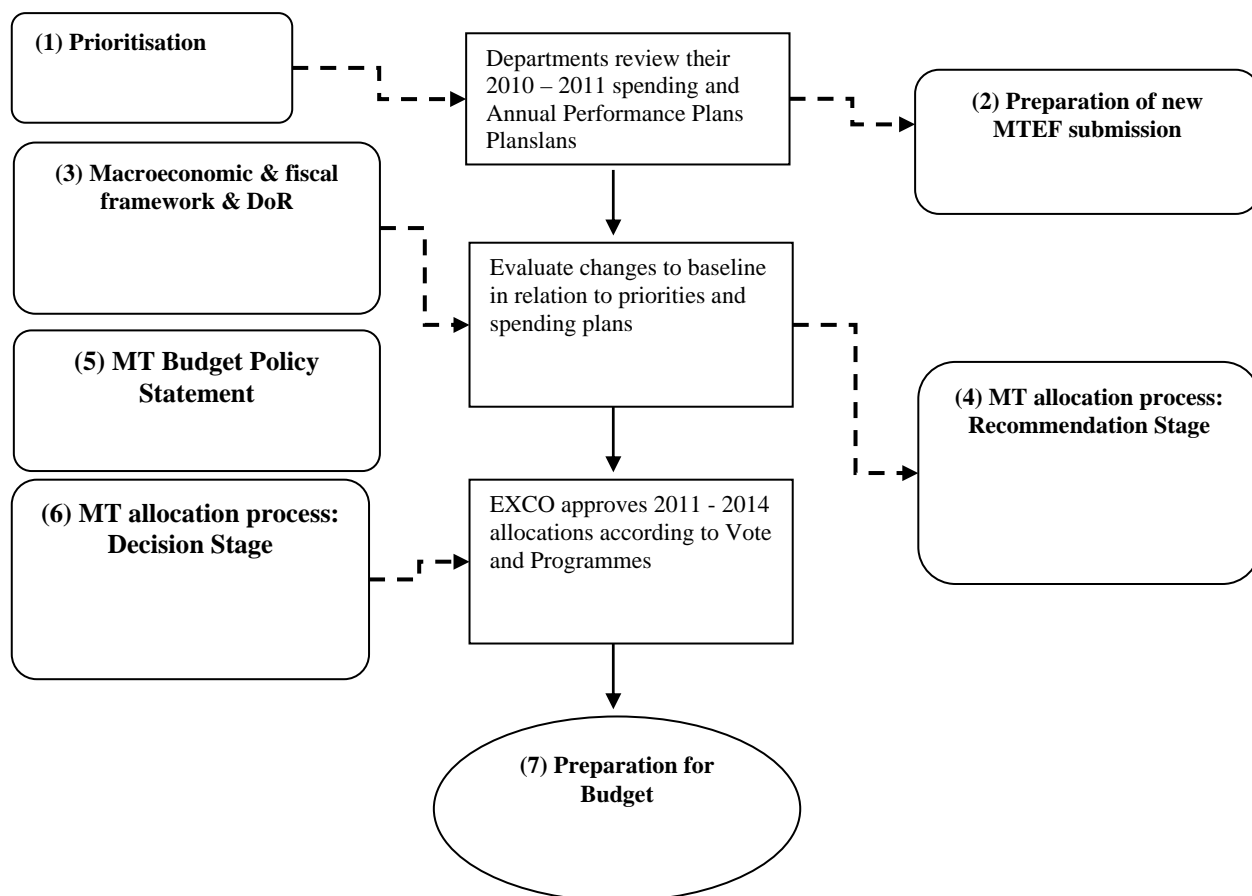
## **2.6 Linkage to National Processes**

The budgeting and planning process is fully aligned to that of the national government. The budget process makes provision for early consideration of any new spending pressures, especially where these relate to the expansion of the fiscal envelope, either through equitable share or conditional grant funding. It is in this context that in setting the fiscal framework, the division of revenue and the provincial budget framework, various role players like the national Cabinet, the Budget Council, the sectoral Ministers' and Member of Executive Council Committees (MINMECs) play an active role in the budget process. Treasuries and national and provincial departments participate in the relevant technical committees to examine, research and formulate recommendations regarding key national and provincial spending pressures and priorities that feed into the annual division of revenue debates.



## 2.7 Diagrammatic representation of the budget process in the Eastern Cape (2011/12 MTEF)

Figure 2.1 The Eastern Cape Provincial Budget Process



## 3 Socio-Economic Review

### 3.1 Introduction

The Eastern Cape is located in the south-eastern part of South Africa and is divided into six district municipalities, namely, Alfred Nzo, Amatole, Cacadu, Chris Hani, O.R. Tambo, and Ukhahlamba, and a metropolitan called the Nelson Mandela Bay. More than sixty percent of the province is rural, a reversal of the national average of 63-37 urban-rural split, and comprises of the former homelands of Transkei and Ciskei. The Eastern Cape provides easy access to four other counties in South Africa, namely, the Western Cape, the Northern Cape, the Free State and KwaZulu-Natal and also shares an international border with the kingdom of Lesotho.

This section of Budget Statement 1 serves as to provide the regional socio-economic context which naturally forms the basis in all provincial government strategic planning processes. It begins with a brief overview of the demographic profile of the province, highlighting the distribution of the provincial population between various groups and regions. Subsequent sections provide an overview of public service delivery and economic performance in the province over the recent past.

## 3.2 Demographic Profile

### *Population and Density*

Population is an important part of our society. The structure of the population, the skills as well as the health of the population has a bearing on the economy of the province. The central issue regarding the size of the population is the available resources to meet the demand of the population. The Western nations experienced a very slow population growth over the decades. By contrast in many developing countries populations have been increasing in excess of 2.5 per cent over the past few decades. This means that many developing countries today start with considerably higher person-to- land ratios.

Estimates from Statistics South Africa's 2007 Community Survey and the 2009 mid-year population estimates indicate that the South African population increased from approximately 48.5 million in 2007 to 49.3 million by mid-2009. This represents a total increase of 818 075 people, or a percentage increase of 1.7. Over the same period, the Eastern Cape population is estimated to have increased by about 120 855 (or 1.9 percent) from 6.53 million to 6.65 million (table 3.1).

**Table 3.1 Population and Households Distribution by Province, 2007 and 2009**

Province	Population 2007	Population 2009	Percent share National (2009)	Δ population (2007 -2009)	Percent 2007 - 2009	Pop. density (per km <sup>2</sup> )
EC	6 527 746	6 648 601	13.5	120 855	1.9	39
FS	2 773 066	2 902 518	5.9	129 452	4.7	22
GP	10 451 709	10 531 308	21.4	79 599	.8	637
KZN	10 259 230	10 449 141	21.2	189 911	1.9	112
LP	5 238 286	5 227 503	10.6	- 10 783	-0.2	42
MP	3 643 435	3 606 572	7.3	- 36 863	1	47
NC	1 058 057	1 147 137	2.3	89 080	8.4	3
NW	3 271 946	3 450 517	7.	178 571	5.5	32
WC	5 278 591	5 356 844	10.9	78 253	1.5	41
<b>SA</b>	<b>48 502 066</b>	<b>49 320 141</b>	<b>100.</b>	<b>818 075</b>	<b>1.7</b>	<b>40</b>

Notes: Δ denotes change; HH stands for household; population figures for 2009 are mid-year estimates.

Source: Stats SA, Mid-Year Population Estimates (2009), Community Survey (2007)

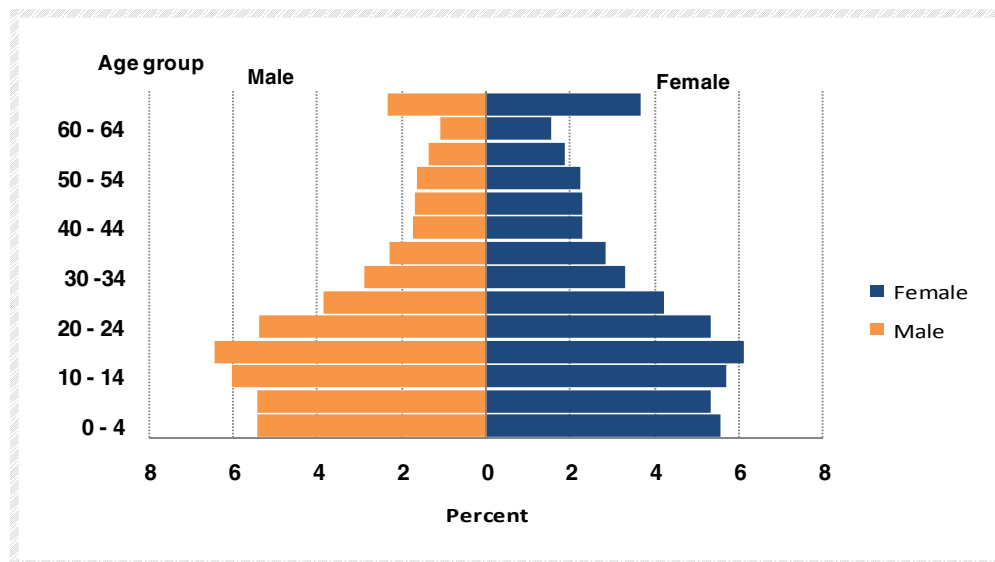
Based on population size the Eastern Cape is the third largest province in the country, with 13.5 percent of the national population, after Gauteng (21.4 percent) and KwaZulu-Natal (KZN) (21.2 percent) (table 3.1). In terms of the geographic spread the Eastern Cape Province encloses 169,056 km<sup>2</sup>, or 13.8 percent of the total 1,221,219 km<sup>2</sup> land area of South Africa and has a population density of 39 people per square kilometer. Accordingly the province is considered to be predominantly rural. Gauteng and Kwa-Zulu Natal were the two most densely populated regions in the country with 637 and 112 people per km<sup>2</sup>, respectively.

Given the fact that the population of the province had increased by approximately 120 855 by 2009, clearly there will be more demand on the province's resources (social services and the like). Given the limited resources in the province, it is of vital importance that choices have to be made. Priorities should be made with respect to the provincial fiscus.

#### ***Age and Gender Distribution***

The distribution of the Eastern Cape population by age and gender is illustrated in fig 3.1 below. Children between the ages of 10 - 19 years make up the largest portion (24.3 percent or approximately 1.6 million) of the total population. Although the population size increases gradually between the age categories 10-14 and 15-19, there are substantial declines in numbers between the age groups of 20-24 and 30-34. This decline is partly due to the high mortality and migration rates within these groups. The differences in numbers for the older age groups are only marginal. Anecdotal evidence suggests that young people leave the province after they have finished with schooling for economic opportunities in other provinces. The Eastern Cape Province should have a retention strategy through job creation and other economic opportunities for the youth. The province is losing its return on human capital investment through skills that are lost to other provinces. What makes matters worse is the fact that a component of the provincial fiscal envelope, namely, the Provincial Equitable Share is population driven; it therefore follows that emigration to other provinces adversely affect the provincial resources.

**Figure 3.1: Distribution of the Eastern Cape's Population by Age and Gender, 2009**



*Source: Calculations based on StatsSA 2009 mid-year Population Estimates*

Collectively, children between the ages of 0 and 19 years constitute about 3.1 million or 46.9 percent of the total population in the province. Adding the two groups of 0-19 and 20-34 results into 4.7 million people (or 71.4 percent), implying that the provincial population is predominantly youth<sup>1</sup>. This finding calls for more children and youth intervention programmes.

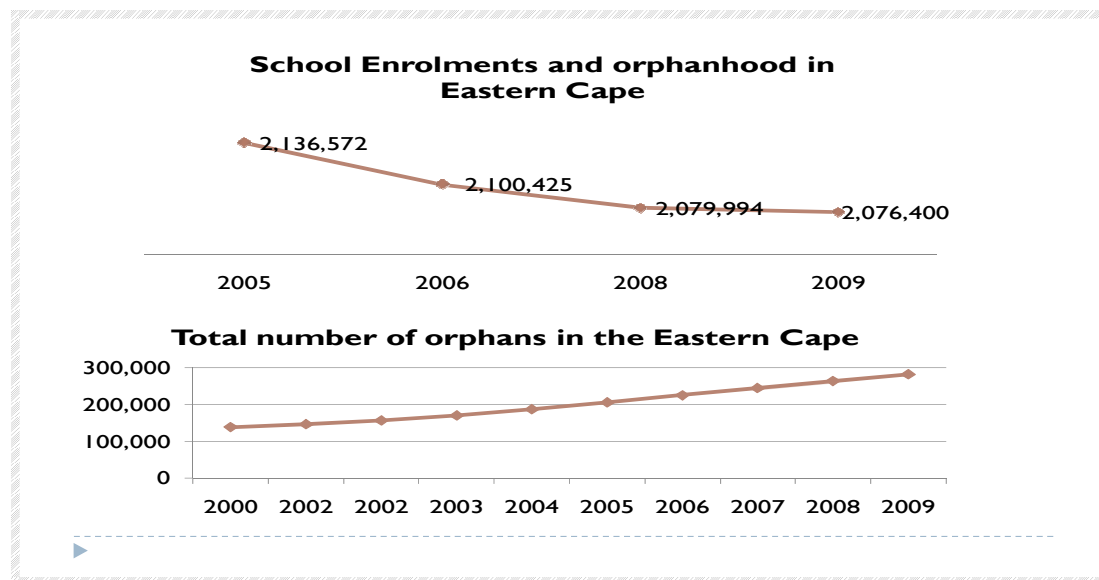
<sup>1</sup> The 2008 National Youth Development Agency Act number 54, defines "youth" as persons between ages 14 and 35. While Children's Act No. 38, 2005, defines "Child" as any person under eighteen years of age.

Whilst dealing with the issue of children it is important to consider the case of orphans in the Eastern Cape. The premature death of parents deprives children of love, support and care. In the case of the Eastern Cape, the number of estimated orphans has been increasing since 2000 and is still projected to reach a high of 282,000 by 2009 (ASSA, 2003). Though, the average annualized growth rate of orphaned children which was about 5.7 percent in 2001 seem to have peaked at 10 percent in 2005 and eventually plummeted 6.7 percent in 2009, however the magnitude at which this rate increases is still a cause for concern (ASSA, 2003).

The problem of orphan-hood is further exacerbated by the adverse effects of HIV/AIDS related deaths. Of the 139 thousand estimated orphaned children in 2000, about 18 thousand or 13.1 percent were as a result of HIV/AIDS related deaths, a number which is projected to have accelerated to about 194 thousand, accounting for 68.8 percent of the total projected orphans in 2009 (ASSA, 2003). Although the number of orphaned children resulting from HIV/AIDS related deaths is continuously increasing, the annualize growth rate dropped from 53.2 percent in 2001 to 13 percent in 2009. This suggests that the number of HIV/Aids related deaths is increasing but at a decreasing rate. This may suggest that the scourge of HIV/AIDS in the province has reached saturation levels.

Orphan-hood has an adverse impact on the number of children who are enrolled at school. In 2008 school enrolment was standing at 2 079 994 but dropped to 2 076 400 in 2009, constituting a difference of 3 594 between 2008 and 2009. Whilst there is a plethora of reasons which could be attributed to a decrease in school enrolments in the Eastern Cape; orphanage is a matter of a serious concern in the province. Fig 3.2 below illustrates that whilst the number of school enrolments declines the number of orphans is gradually rising. This calls for an urgent government intervention to dedicate resources in order to enable the children who are supposed to be at school but are excluded as a result of being orphans.

**Figure 3.2: School enrolments and orphan hood in the Eastern Cape**



Source: Adapted from ASSA (2003) and StatSA (2009)

In terms of gender, the province accommodates more women who represent 52.9 percent of the total provincial population compared to 47.1 percent for males. With the exception of 5-9 to 15-19 age cohorts, males are outnumbered by their female counterparts in all the remaining age cohorts. It is therefore not surprising that compared to females, there are fewer males at the age of 80 years and older. Although the

population of the elderly in the Eastern Cape appears to be very small, there are however serious implications in terms of providing health and social welfare services for this age group.

### ***HIV and AIDS***

The incidence of HIV infections is one of the most important indicators of the progression of the epidemic that needs to be monitored, particularly in the more mature stage of the epidemic. Hence Millennium Development Goal (MDG) number 6 has identified HIV/AIDS as one of the diseases that requires particular attention.

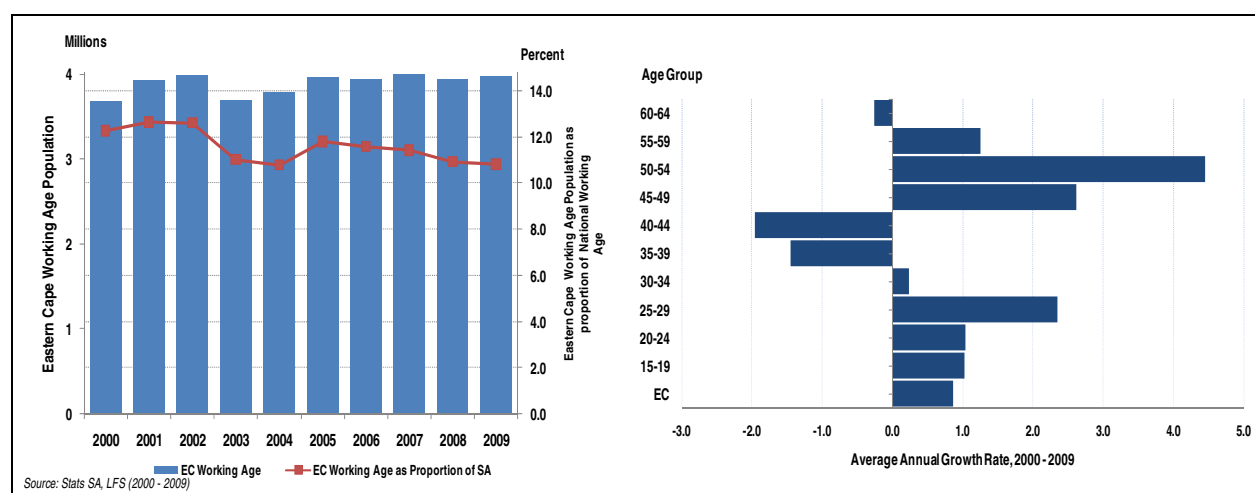
The Eastern Cape has the third largest number of HIV positive people in South Africa (Nathea Nicolay, Metropolitan October 2008). The epidemic is still growing quickly with new infections double the number of AIDS related deaths. The Actuarial Society of South Africa's model shows that 11 percent of the population and one in every five adults are estimated to be HIV positive and an estimated of 110 thousand people were in need of antiretroviral treatment in 2008 with about 44 percent having taken up treatment.

These figures suggest that the scourge of AIDS is still rampant in the province and this might compromise any developmental strategy the province might have going forward. HIV/Aids has far reaching effects as it leads to an increase in the number of orphans whilst at the same time reducing human capital in the province.

### ***Working Age Population***

Between 2000 and 2009 there was a slight increase in the number of working age people (i.e. those aged 15-64 years) in the province from approximately 3.7 million to just below 4 million, implying an annual average growth rate of 0.9 % (see figure 3.3 ). Within the working age group, the 50 – 54 group showed the highest annual average growth rate of 4.4 %, pointing to the gradual ageing of the provincial work force. Those between the ages of 30-44 years showed slow to negative growth rates. Possible factors to account for these differential growth rates include increased labour mobility between provinces in search of better employment opportunities, and, or the negative impacts of HIV/Aids within young workers. Indeed a close scrutiny of figure 3.3 reveals that the ratio of the Eastern Cape to SA working age population has been gradually declining from just above 12 percent in 2000 to below 11 percent in 2009.

**Figure 3.3: Working-age population, Eastern Cape**



By 2009 approximately 59.7 percent (4 million) of the provincial population could be classified as of the working age. The remaining 40.3 percent (2.7 million) was distributed between the two remaining groups, 0-15 and 65+, implying a dependency ratio<sup>2</sup> of 67.4 percent. The dependency ratio is an age-population ratio between those typically too young or too old to work (the dependent part) to those who are typically able to work (the working-age population). This dependency ratio could serve as an indicator of the ‘dependency burden’ in the province. Given the high unemployment rate in the Eastern Cape, this burden is likely to be the responsibility of the state through various social and income support grants.

### **Migration**

Table 3.4 shows the estimated and projected inter- provincial migration streams for the period 2006-2011. In both 2008 and 2009 mid-year estimates, Western Cape and Gauteng were the two major provinces that gained from inter-provincial migration; figures in the table, however suggests that in both provinces, the estimated net gain is beginning to decrease. The estimated net gain plunged from around 473 thousand in the 2008 mid-year estimates to about 447 persons in the 2009 mid-year estimates and from approximately 194 thousand people in 2008 to about 137 thousand in 2009 for Gauteng and Western Cape provinces respectively. Over the same period KZN’s net gain increased marginally from an estimated 4 thousand in 2008 to 12 thousand people in 2009.

Regarding the Eastern Cape Province, the 2008 mid-year estimates and projections for the period 2006-2011 suggest that the total number of about 415 thousand people estimated to have emigrated from the Eastern Cape Province has dropped to approximately 390 thousand people in the 2009 mid-year estimates. Over the same period the estimated number of immigrants plummeted from around 120 thousand people to about 117 thousand people. This implies that the province’s net loss to other province estimated at about 295 thousand people in the 2008 mid-year estimates is projected to have dropped to approximately 274 thousand people in the 2009 mid-year estimates.

**Table 3.2: Estimated and Projected Provincial Migration Streams, (2006-2011)**

<b>Region</b>	<b>2006-2011 (Mid-year estimates)</b>			<b>2006 - 2011 (2009 Mid-year estimates)</b>		
	<b>Emmigrants</b>	<b>Immigrants</b>	<b>Net Gain/Loss</b>	<b>Emmigrants</b>	<b>Immigrants</b>	<b>Net Gain/Loss</b>
EC	415 141	119 676	- 295 465	390 100	116 500	- 273 600
FS	160 161	100 208	- 59 953	125 900	94 100	- 31 800
GP	342 563	815 663	473 100	29 500	741 900	712 400
KZN	192 689	196 696	4 007	195 200	207 300	12 100
LP	286 286	106 406	- 179 880	286 700	97 500	- 189 200
MP	192 246	130 458	- 61 788	166 600	122 800	- 43 800
NC	80 470	53 366	- 27 104	66 600	41 100	- 25 500
NW	189 535	143 092	- 46 443	193 900	161 800	- 32 100
WC	124 407	317 933	193 526	112 800	249 800	137 000

Source: Stats SA, Mid-Year Population Estimates (2008 and 2009)

### **Spatial Distribution**

Table 3.5 shows the number of people in each district municipality by racial group. The highest concentration of population is located in OR Tambo (28.5 percent) and Amatole (25.5 percent). Cumulatively the two districts contain about 54 percent of the total provincial population. Despite its metropolitan status the Nelson

<sup>2</sup> (Dependency Ratio = (number of people under 15 years) + (number of people aged 65 and over)/ (number of people between 15 and 64 years) X 100 = (2,277,420 + 393,809) / (3,961,769) X 100 = 67.4 percent.

Mandela Metropolitan district is only the third largest in terms of population size, with the highest population density of about 538 people per square km. Although Cacadu is the largest district in the Eastern Cape in terms of geographic spread, it however only accommodates 5.6 percent of the population with the least population concentration of around 6 people per square km. UKhahlamba has a much smaller percentage (4.7 percent) of the provincial population and lesser concentrated at 12 people per persons per square km, when compared with the other six district municipalities.

**Table 3.3: Eastern Cape Population by district municipality and racial group, 2007**

District Municipality	Race					Provincial	Area	Pop. density
	Black	Coloured	Indian/Asian	White	Total	share (%)	(km <sup>2</sup> )	people per km <sup>2</sup>
Cacadu	168 019	146 119	627	48 720	363 485	6	58 272	6
Amathole	1 536 487	64 471	2 909	60 886	1 664 753	26	23 594	71
Chris Hani	760 772	22 371	866	14 586	798 595	12	36 728	22
Ukhahlamba	288 199	12 088	273	7 806	308 366	5	25 689	12
O.R. Tambo	1 853 564	5 155	2 062	1 443	1 862 224	29	15 960	117
Alfred Nzo	475 474	2 186	266	1 465	479 391	7	6 859	70
NMM	634 793	237 051	9 643	169 444	1 050 931	16	1 953	538
Total	5 717 308	489 441	16 646	304 350	6 527 745	100	169 055	39

Source: Own Calculations based on Stats SA, Community Survey (2007) and ASSA Model (2003)

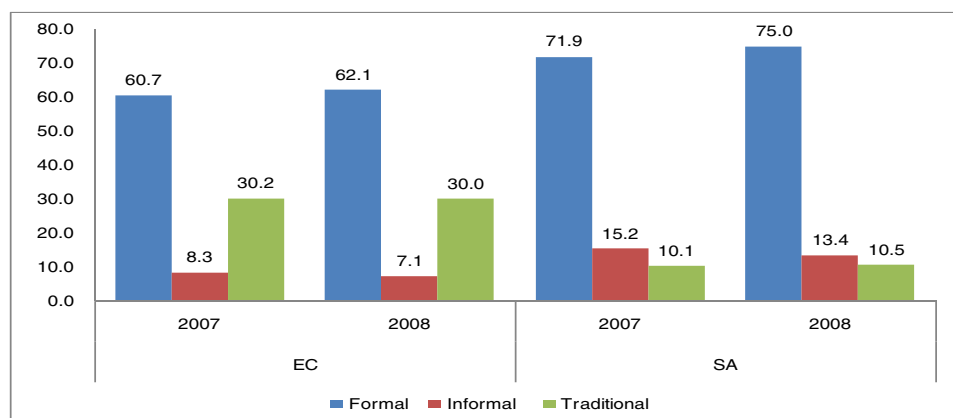
### 3.3 Access to Basic Services

#### *Housing*

The characteristics of the dwellings in which households live and their access to various services and facilities provide an important indication of the well-being of household members. It is widely recognized that shelter satisfies a basic human need for physical security and comfort. Participatory poverty assessments in South Africa suggest that local communities view poverty not only as lacking or being deficient in income, but also being isolated, having inadequate education and health services, lacking water supply, and the inability to participate in the economic and social life of the community (Stats SA, 2009).

A comparison of the 2007 and 2008 General Household Surveys (GHS) reveals that there is an improvement in access to housing in the Eastern Cape Province. This improvement is however trailing below the average national percentages in all types of dwelling. The percentage of households living in formal dwelling (house, flat, semi detached house, unit in a complex, room in the backyard) slightly increased from 60.7 percent in 2007 to 62.1 percent in 2008, while the proportion of households living in informal housing shack and squatter settlement) decreased from 8.3 percent to 7.1 percent over the two survey periods. In so far as traditional dwelling is concerned, figure 3.4 indicates that there is no significant change in the percentage of the households living in traditional houses (figure 3.4).

**Figure 3.4: Households Living in Formal, Informal and Traditional Dwellings (%)**

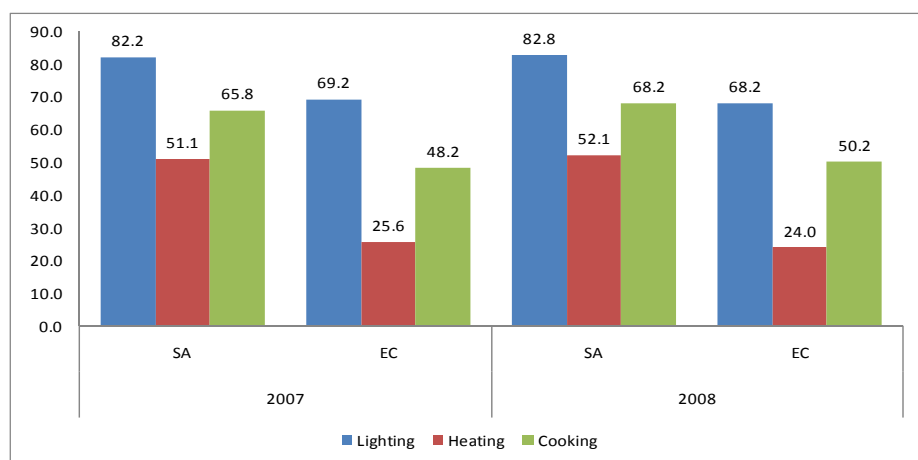


Source: Own Calculations based on Stats SA, GHS (2007 and 2008)

### Electricity

Figure 3.5 highlights the results pertaining to the use of electricity as the energy source for lighting, cooking and heating in 2007 and 2008 at both national and the Eastern Cape Province. The proportion of the national households who use electricity for lighting marginally increased from 82.2 percent in 2007 to 82.8 percent in 2008. The same pattern prevails when focusing at the use electricity for cooking and heating. Over the same period, the percentage of the households using electricity for lighting and heating in the Eastern Cape Province has slightly dropped from 69.2 percent and 25.6 percent to 68.2 percent and 24.0 percent respectively. While use of electricity for cooking recorded a 1.8 percentage improvement from 48.2 percent to 50.2 percent over the period under review.

**Figure 3.5: Households Using Electricity for Lighting, Cooking and Heating (%)**



Source: Own Calculations based on Stats SA, GHS (2007 and 2008)

### Sanitation

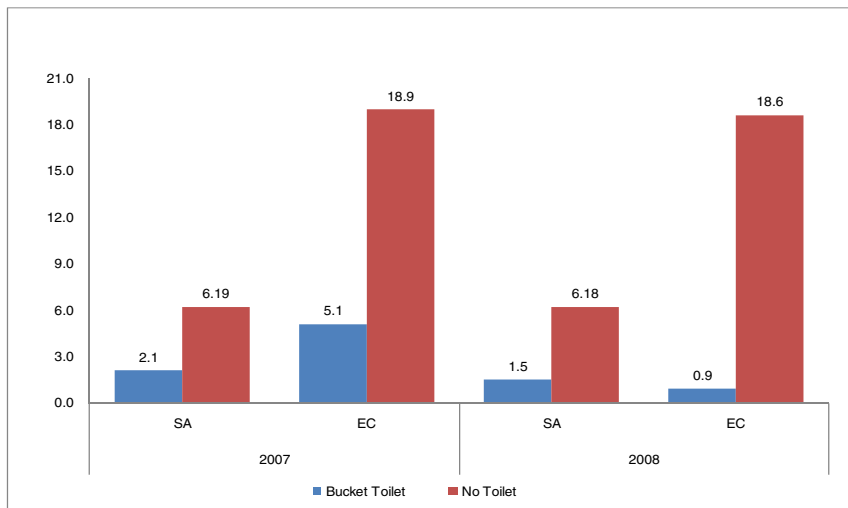
Amongst others, adequate sanitation facilities and access to clean drinking water are all strongly associated with positive health and well-being outcomes. After publishing their White Paper on Basic Household Sanitation in 2003, the Department of Water Affairs and Forestry developed and launched the National

<sup>3</sup> White Paper on Basic Household Sanitation, Department of Water Affairs and Forestry, September 2001.



Sanitation Programme. This programme is mainly aimed at eliminating the sanitation backlog by 2010 as well as eradicating the bucket system (Stats SA, 2009).

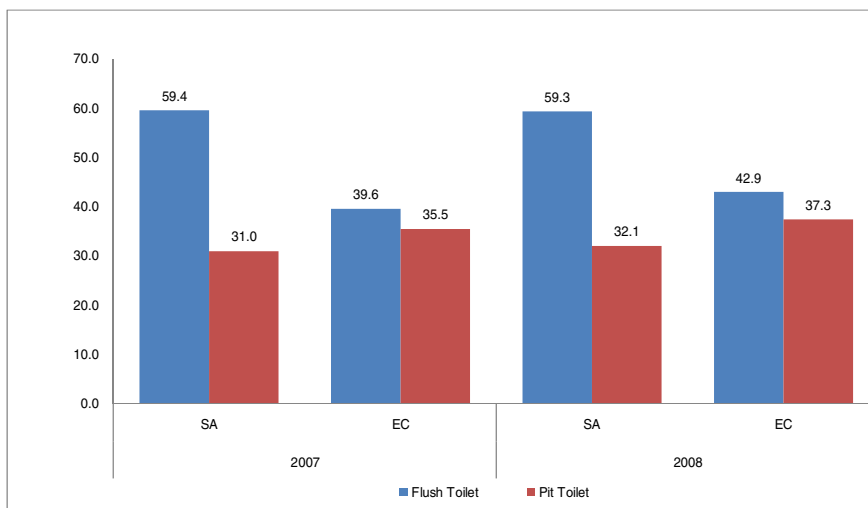
**Figure 3.6: Households using bucket toilets or no toilet facility (%)**



*Source: Own Calculations based on Stats SA, GHS (2007 and 2008)*

In line with the national observation, the percentage of households using bucket toilets in the Eastern Cape significantly declined from 5.1 percent in 2007 to 0.9 percent in 2008. Though the proportion of households with no toilet facilities insignificantly dropped from 18.9 percent to 18.6 percent over the period, this is however still high compared to the national values of around 6.2 percent.

**Figure 3.7: Households using flushed and pit toilets (%)**



*Source: Own Calculations based on Stats SA, GHS (2007 and 2008)*

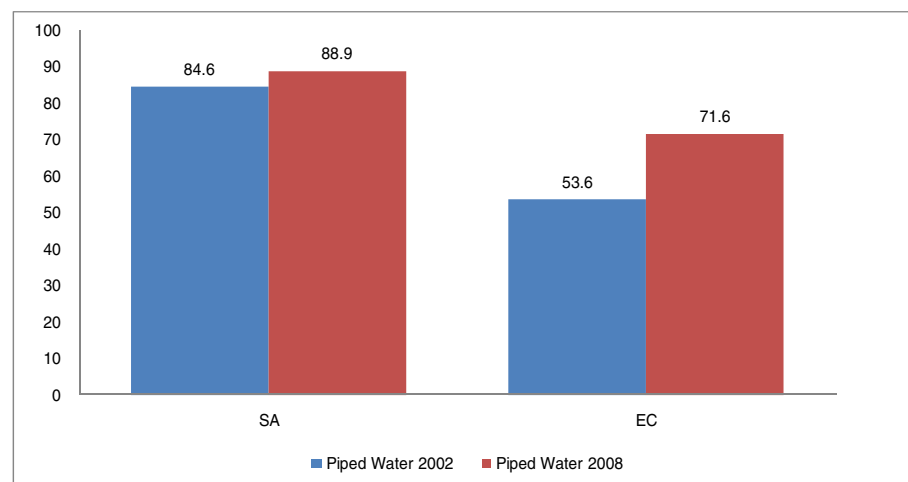
Figure 3.7 shows the percentage of households using flushed and pit toilets (in-site or off-site) at both national level and the Eastern Cape Province increased. In terms of growth rates, more households are either

using flushed or pit toilets. Nevertheless, figure 3.5 above reveals that the proportion of households using flushed toilets has slightly dropped from 59.4 percent in 2007 to 59.3 percent in 2008. While over the same period, Eastern Cape Province recorded an improvement from 39.6 percent to 42.9 percent. In so far as pit toilets are concerned, there are significant improvements in the percentage of households using pit toilets at both national level (from 31 percent in 2007 to 32.1 percent in 2008) and the Eastern Cape Province (from 35.5 percent to 37.3 percent).

### **Water**

Section 27 (b) of the South African Constitution regards access to clean and safe water as one of the basic human rights. In line with this basic right, figure 3.8 confirms that South Africa, particularly the Eastern Cape Province has indeed made progress in increasing access to safe water. Though the national proportion of households with access to piped water is far higher than that of the Eastern Cape Province, the province has however made significant inroads in increasing the percentage of households with access to piped water from 53.6 percent in 2002 to 71.6 percent in 2008.

**Figure 3.8: Percentage of Households with Access to Piped or Tap Water in the Dwelling, off-Site or on-Site**

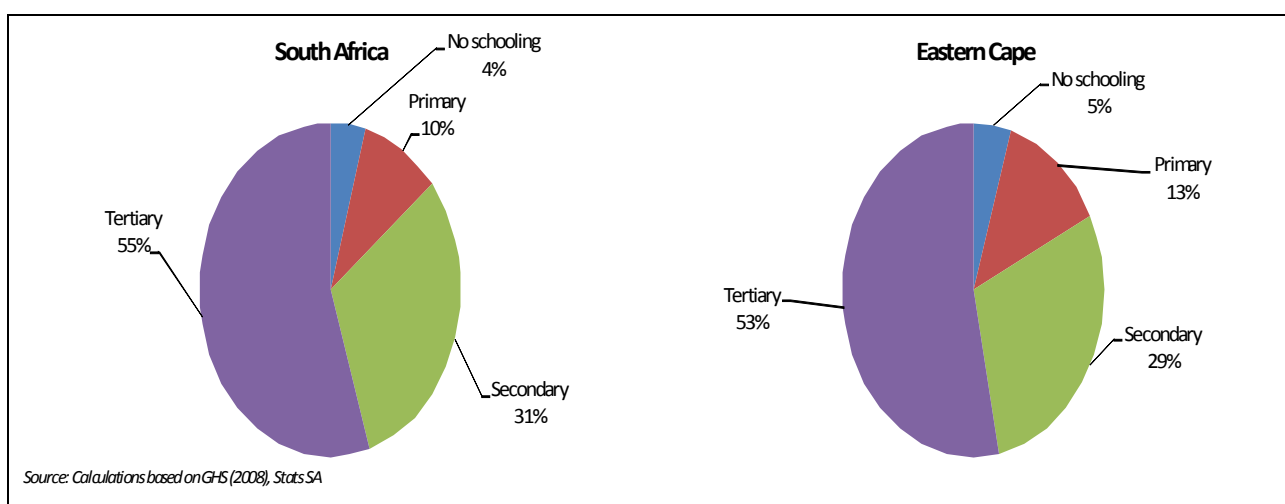


*Source: Own Calculations based on Stats SA, GHS (2002 and 2008)*

### **Education**

Figure 3.9 illustrates the education levels by the end of 2008 for those older than 20 years. Generally, the Eastern Cape Province compares well with national averages. The proportion of those older than 20 years with no schooling at all was 4 % in the country, compared to 5% in the province; and those with tertiary education was 55% nationally and 53% provincially. As a point of caution these crude ratios should be interpreted with some care, as they fail to adjust for differences in the quality of education between regions.

Figure 3.9: Qualifications of People Older than 20 years

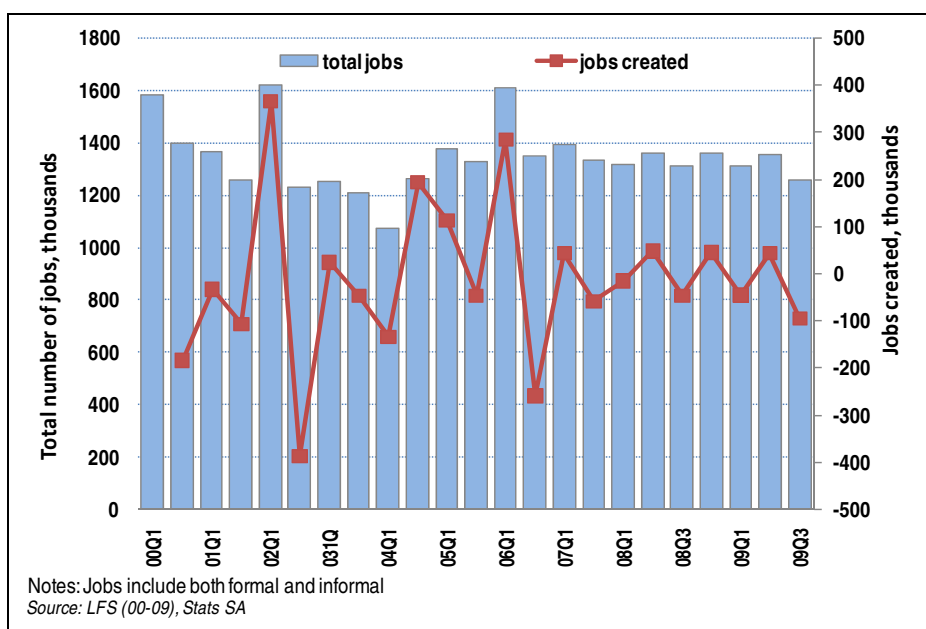


### 3.4 Economic Indicators

#### Job Creation

Between the first quarter of 2000 and the third quarter of 2009 the Eastern Cape economy shed more than 320 000 formal and informal jobs (figure 3.10). Over the same period job creation has been very minimal and seasonal (see right scale of figure 3.10). This is likely to pose some formidable challenges for the Eastern Cape government in its attempt to eradicate poverty and underemployment in the province.

Figure 3.10: Employment, Eastern Cape



## Unemployment Rate in Eastern Cape

Unemployment is regarded as one of the most challenging economic problems facing the province of the Eastern Cape. The structure of the provincial economy is dominated by the tertiary sector which requires high skilled labour while the Eastern Cape is prominently dominated by skilled and semi-skilled and unskilled labour. The table below provides a comparison of unemployment statistics across provinces between the third quarter of 2008 and 2009.

**Table 3.4 Unemployment Rate and Number by province, 3Q2008 – 3Q2009**

		<b>Unemployment</b>				
		3Q2008	4Q2008	1Q2009	2Q2009	3Q2009
South Africa	Unemployment ('000)	4122	3873	4184	4125	4192
	Rate (%)	23.2	21.9	23.5	26.6	24.5
Western Cape	Unemployment ('000)	457	392	442	490	542
	Rate (%)	19.7	16.9	18.4	20.5	22.5
<b>Eastern Cape</b>	<b>Unemployment ('000)</b>	<b>496</b>	<b>458</b>	<b>521</b>	<b>524</b>	<b>460</b>
	<b>Rate (%)</b>	<b>27.4</b>	<b>25.2</b>	<b>28.4</b>	<b>27.9</b>	<b>26.8</b>
Northern Cape	Unemployment ('000)	90	87	105	102	109
	Rate (%)	22.6	21.6	27.4	26.5	29.9
Free State	Unemployment ('000)	250	242	227	285	304
	Rate (%)	22.9	22.6	25.4	26.9	28.6
KwaZulu-Natal	Unemployment ('000)	729	690	733	586	566
	Rate (%)	22	20.8	22.6	19.3	18.7
North West	Unemployment ('000)	317	310	326	325	306
	Rate (%)	26.8	25.7	26.9	27.7	27.9
Gauteng	Unemployment ('000)	1131	1062	1119	1188	1294
	Rate (%)	21.8	20.7	21.7	23.1	25.8
Mpumalanga	Unemployment ('000)	279	280	307	324	304
	Rate (%)	23.2	23.1	24.7	26.5	25.7
Limpopo	Unemployment ('000)	372	353	354	300	308
	Rate (%)	29.5	31.7	28.1	24.9	25.5

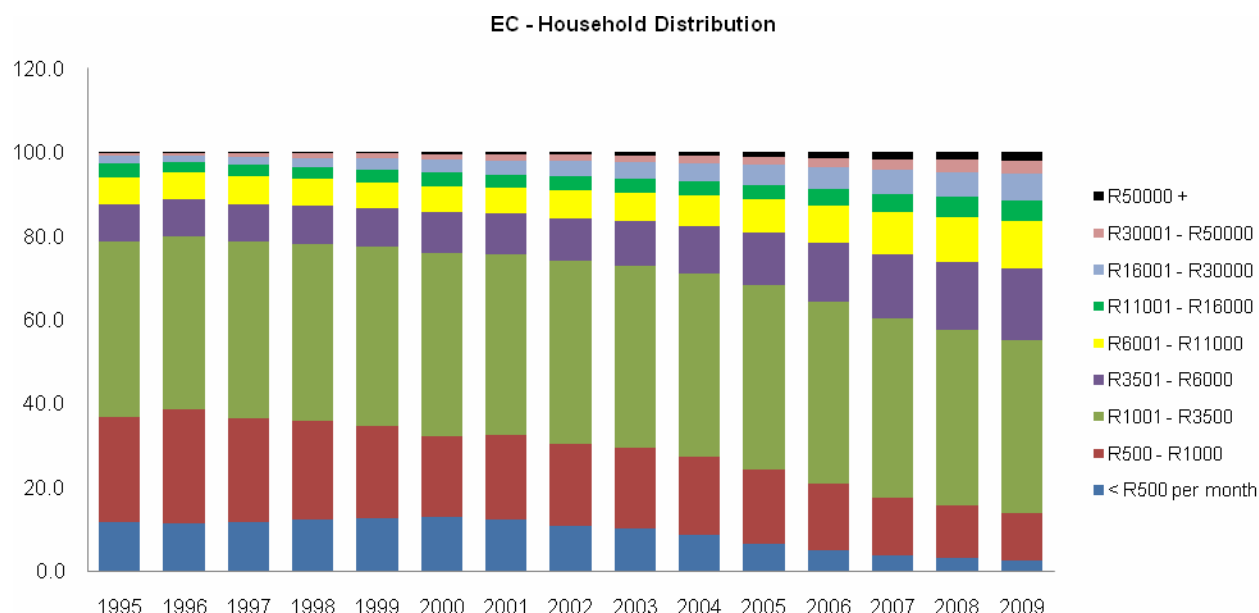
**Source: Stats SA and Own Calculations**

From the table 3.4, the Western Cape and KwaZulu-Natal have managed to keep their unemployment rates below the national since the third quarter of 2008. Estimates obtained from labour force surveys indicate that between the third quarter 2008 and 2009, the unemployment rate in the Eastern Cape ranged from a minimum of 25.2 to a maximum of 28.4 percent. The Eastern Cape Province's unemployment rate has always been above South Africa's rate, decreasing to 26.8 percent in the third quarter of 2009. Also, the province had the highest unemployment rate after Limpopo in the third quarter of 2008 and was in the first position in terms of high unemployment rate in the second quarter of 2009. The high level of unemployment rate is due to the fact that the province is mostly rural while the growth of its economy is driven by the tertiary sector. The enhancement of the primary and secondary sectors is needed to dilute the high rate of unemployment in the province.

### Labour Remuneration

Labour remuneration is defined as the sum of wages, salaries, and fringe benefits paid to workers. The following figure shows the shares of household numbers by monthly labour remuneration (as proxy for household income) in the Eastern Cape Province between 1995 and 2009.

Figure 3.11: Labour Remuneration per Income Category in the Eastern Cape, 1995 – 2009



Source: EC Socio-Economic Review, 2010

Figure 3.11 shows that there was an improvement in terms of income distribution over the past fourteen years. High income level has increased while low income has seen a decrease in number. However, there is an increase in the number of people earning no income.

For the gender, age group and sectors' income distribution analysis, the analysis focused on the 2008 household survey and included none- income earning group to figure out the impact of this category on the income distribution in the province. According to the 2008 household survey in Table 3.23, Eastern Cape is distributed across different income categories, with the largest portion of employed people earning no income, five hundred rand or less per month (43 percent). The percentage of employed people falling in the range of R11 001 or more per month represented approximately only 9.4 percent of the total employed people in the province.

### Structure of the Economy

Table 3.7 below reports on the structure of output and value added for the 10 sectors and three broad aggregates representing primary, secondary and tertiary industries in the Eastern Cape. The dominance of the services sector in the Eastern Cape economy comes out clearly. About 60.6 percent of the Eastern Cape's output and 77.2 percent of the province's value added originate in the tertiary sector. The corresponding shares for the secondary sector are 37.4 percent and 20.4 percent, while those for the primary sector are 2 percent and 2.4 percent respectively.

Table 3.5: Output and Value Added, Eastern Cape Economy

	Q(%)	VA(%)	VA/Q
Agriculture	1.8	2.2	47.7
Mining	0.2	0.2	54.7
<b>Primary</b>	<b>2.0</b>	<b>2.4</b>	<b>48.2</b>
Manufacturing	33.0	17.4	21.0
Electricity and Water	1.0	1.1	44.8
Construction	3.4	1.9	21.8
<b>Secondary</b>	<b>37.4</b>	<b>20.4</b>	<b>21.7</b>
Trade and Accommodation	12.4	15.1	48.8
Transport and Communication	9.8	10.1	40.9
Finance and Business Services	16.5	20.7	50.0
General Government Services	16.7	25.6	61.2
Community and Social Services	5.2	5.8	44.4
<b>Tertiary</b>	<b>60.6</b>	<b>77.2</b>	<b>50.9</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>39.9</b>

Key:

Q: Output

VA: Value Added

Q (%): Output as a share of total Q

VA (%): Value Added as a share of total VA

VA/Q: Value Added share of total Output

Source: Own calculations based on the 2004 ECSAM

The intensity of value added in production is also shown in table 3.5. This gives an indication of the contribution of factors of production towards enhancing the value of intermediate inputs used in the production process. Among the three broad aggregates, the secondary sector has the lowest share of average value added in production (21.7 percent). However within the secondary sector, the share of value added in production of electricity and water is more than twice that of the secondary industry as a whole. In the primary sector the distribution of value added and intermediate inputs is almost evenly distributed. The tertiary sector has the highest average value added in production, with more than half of the total output attributed to factor payments. This implies that the driver of the Eastern Cape economy is the tertiary sector. The tertiary industry is mostly labour intensive wherein labour represents 53.3 percent of total value added. Notwithstanding, the tertiary sector is skills driven and therefore absorbs mainly skilled labour. The prevailing skills shortage in the Eastern Cape labour market underlies the formal employment creation problem in a critical way. The labour skills shortage underscores that there is an inability in the labour market to transform pools of unskilled labour into skilled ones. The skills shortage is not only limited to newly emerging service sectors, but is pervasive in the manufacturing sector too.

The accumulation of skills does not happen overnight and therefore requires serious public policy commitment, resources and careful monitoring to ensure that the skills that businesses seek are indeed being produced. An aggressive human capital accumulation policy will alleviate the skills shortage but will also improve the quality of the workforce, engender a sense of job security and reduce the implicit costs for employers of doing business with labour.

## *Economic Performance*

The depth of the recession took the country and the government by surprise and nobody knew exactly how long the downturn would last. The Eastern Cape also experienced a severe drought with limited grazing for animals. Against the backdrop of a sharply weakening economy together with weak business and consumer confidence indices, final household consumption expenditure has fallen substantially in South Africa. The economy lost more than 200,000 jobs in early 2009 leading to an increase in the unemployment rate of 23.5 percent in the first quarter of 2009 from a low of 21.9 percent in the fourth quarter of 2008. These job losses have throttled household consumption expenditure.

This section reviews the recent performance of the Eastern Cape economy. The discussion revolves around the output and employment dynamics between the first quarter of 2008 and the second quarter of 2009. This time frame sufficiently captures the duration of the recent global recession and its impact on the Eastern Cape economy.

According to table 3.6, economic contraction in the Eastern Cape started during the third quarter of 2008. Real GDP contracted at an annualized rate 0.3 percent in the third quarter of 2008 following successive growth rates of 4.9 percent, 2.6 percent and 3.2 percent in the preceding three quarters. The Eastern Cape economy further contracted by an annualized rate of 2.8 percent in the fourth quarter of 2008 confirming a recession in the provincial economy for the first time in 17 years. Economic contraction persisted in the first quarter of 2009 - leading the economy to its nadir - with a sharp decline in real output of 4.1 percent. In the second quarter, however, economic contraction slowed to an annualized rate of 2.4. The output performance of the different sectors between the first quarter of 2008 and the second quarter of 2009 is also reflected in table 3.6.

**Table 3.6: Annualised Percentage Change in Seasonally Adjusted Quarterly GDP by Sector, Eastern Cape**

	2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2
Primary sector	6.0	-1.0	7.2	-5.5	-2.6	-4.5
Agriculture, forestry and fishing	7.8	-2.1	7.8	-6.2	-0.8	-5.0
Mining and quarrying	-24.0	23.5	-4.3	6.8	-32.6	5.5
Secondary sector	0.6	12.2	-6.1	-16.9	-16.7	-7.1
Manufacturing	-1.4	13.2	-10.5	-22.8	-23.3	-11.5
Electricity and water	-4.6	-0.3	5.3	0.1	0.9	0.1
Construction	15.4	11.3	18.1	14.4	14.4	12.0
Tertiary sector	3.1	1.0	1.4	1.8	0.1	-0.3
Wholesale & retail trade; hotels & restaurants	3.9	-4.1	-6.8	0.1	-1.6	-2.9
Transport and communication	2.4	3.2	3.4	0.6	-1.3	-0.8
Finance, real estate and business services	0.8	1.1	0.8	0.3	-1.8	-1.9
Community, social and other personal services	4.6	3.9	6.1	2.6	3.0	2.3
General government services	4.7	2.7	5.6	5.0	2.6	2.3
All industries at basic prices	2.6	3.3	-0.2	-2.7	-3.7	-1.8
Taxes less subsidies on products	2.6	1.8	-1.5	-3.8	-8.5	-8.2
GDPR at market prices	2.6	3.2	-0.3	-2.8	-4.1	-2.4

*Source: Statistics South Africa, 2009*

Real output in the primary sector contracted at an annualized rate of 2.6 percent in the first quarter of 2009 following a decline of 5.5 percent in the fourth quarter of 2008. Real output in the primary sector further shrunk by 4.5 percent in the second quarter of 2009, completing three consecutive quarters of uninterrupted decline. A pronounced drop in activity in the manufacturing sector coupled with a growth slowdown in the utilities sector has been responsible for the decline in real output in the secondary sector since the start of the economic contraction. In the construction sector, real output increased at an annualized rate of 12 percent in the second quarter of 2009 compared with a growth rate of 14.4 percent registered in the both the first quarter of 2009 and fourth quarter of 2008. The overall services sector has been moderately hit by the worldwide recession. Between the first of 2008 and the first quarter of 2009, the services sector recorded a positive growth rate each quarter, before recording a modest output decline of 0.3 percent in the second quarter 2009. The slowdown in domestic economic activity alongside considerable weakness in the national and global demand contributed immensely to the poor employment performance during the last half of 2008 and the first half of 2009.

**Table 3.7: Annualized change in Seasonally Adjusted Quarterly Employment by Sector, Eastern Cape**

	2008Q2	2009Q1	2009Q2	Qrt to Qrt change		Yr to Yr change	
				Number	%	Number	%
Agriculture	84000	82000	86000	4000	4.9	2000	2.4
Mining	2000	3000	1000	-2000	-66.7	-1000	-50.0
Manufacturing	174000	195000	200000	5000	2.6	26000	14.9
Utilities	3000	4000	4000	0	0.0	1000	33.3
Construction	112000	88000	109000	21000	23.9	-3000	-2.7
Trade	318000	315000	320000	5000	1.6	2000	0.6
Transport	84000	67000	77000	10000	14.9	-7000	-8.3
Finance	139000	107000	128000	21000	19.6	-11000	-7.9
Community and social services	341000	304000	307000	3000	1.0	-34000	-10.0
<b>Total</b>	<b>1257000</b>	<b>1165000</b>	<b>1232000</b>	<b>67000</b>	<b>5.8</b>	<b>-25000</b>	<b>-2.0</b>

*Source: Statistics South Africa, 2009*

Table 3.7 indicate that between the second quarter of 2008 and second quarter of 2009, a total of 25 000 jobs were lost in the province representing a 2 percent year on year decline in employment. However quarter to quarter changes in employment between the first quarter of 2009 and the second quarter of 2009 presents an encouraging picture. A total of 67 000 jobs were created and these were generated in all the sectors except mining which shed 2000 jobs.

#### ***Output and Employment in the District Municipalities***

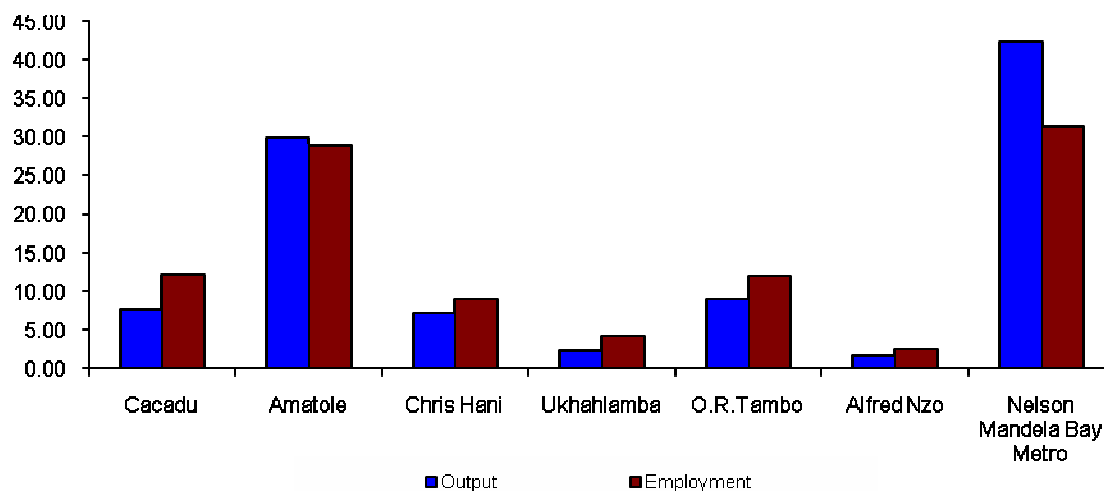
Figure 3.12 shows that in 2008 Nelson Mandela Metro (NMM) generated the largest percent of the Eastern Cape's output and employment, followed by Amatole district. These two districts collectively account for 72.3 percent and 60.2 percent of the output and employment in the province respectively. However in NMM the share of output (41 percent) is significantly higher than that of employment (31 percent). This also applies to Amatole district where the contribution to employment is 28.9 percent compared to a 29.9 percent contribution to output. In the other districts the shares of employment are higher than the shares of output albeit by small margins.

According to table 3.8, economic contraction in the Eastern Cape started during the third quarter of 2008. Real GDP contracted at an annualized rate 0.3 percent in the third quarter of 2008 following successive



growth rates of 4.9 percent, 2.6 percent and 3.2 percent in the preceding three quarters. The Eastern Cape economy further contracted by an annualized rate of 2.8 percent in the fourth quarter of 2008 confirming a recession in the provincial economy for the first time in 17 years. Economic contraction persisted in the first quarter of 2009 - leading the economy to its nadir - with a sharp decline in real output of 4.1 percent. In the second quarter, however, economic contraction slowed to an annualized rate of 2.4. The output performance of the different sectors between the first quarter of 2008 and the second quarter of 2009 is also reflected in table 3.8.

**Figure 3.12: District Shares of the Provincial Output and Employment (Percentage), 2007**



*Source: Quantec Regional Data (2007)*

The public sector appears to dominate in all the districts of the Eastern Cape in terms of contribution to output except for NMM (table 3.10a). Four districts recorded public sector contributions in excess of 40 percent each in 2008, namely; OR Tambo (47 percent share), Alfred Nzo (46 percent), UKhahlamba (43 percent) and Chris Hani (40 percent). In Cacadu and Amatole the public sector generated 34 percent and 33 percent of the total output in respectively (Table 3.10a). Nevertheless in absolute terms Amatole generated most of the public sector output (R 8.1 billion) in 2007 reflecting the location of the provincial government in the Amatole district.

**Table 3.8: Sector Shares in Output and Employment by District, 2008****a. Sector Shares in Output**

	Cacadu	Amatole	Chris Hani	Ukhahlamba	O.R.Tambo	Alfred Nzo	NMM
Agriculture, forestry and fishing	15.1	2.0	4.6	8.6	2.4	5.2	0.7
Mining	0.1	0.1	0.3	0.5	0.4	0.8	0.1
Manufacturing	11.5	17.2	7.2	10.9	5.2	5.0	25.5
Electricity & water	1.5	1.3	1.3	2.0	1.0	3.1	1.1
Construction	3.0	2.0	6.3	3.4	5.3	4.7	1.5
Wholesale & retail trade	13.0	15.7	13.3	12.7	11.9	15.8	14.2
Transport & communication	5.8	6.6	9.4	6.9	7.1	4.9	9.7
Finance and business services	15.9	22.1	17.4	12.2	19.7	14.6	24.7
Government services	34.1	33.0	40.2	42.7	46.9	46.0	22.6

*Source: Quantec Regional Data (2008)*

In terms of employment the public sector also features prominently in all the districts of the province (table 3.8b). The proportion of the labour force in the public sector is particularly high in OR Tambo (54 percent) and Alfred Nzo (51 percent) where the sector generates more than 50 percent of the employment. Manufacturing is the leading sector in NMM accounting for more than a quarter of NMM's output and more than 60 percent of the provincial manufacturing output.

**b. Sector Shares in Employment**

	Cacadu	Amatole	Chris Hani	Ukhahlamba	O.R.Tambo	Alfred Nzo	NMM
Agriculture, forestry and fishing	27.4	3.9	11.3	16.3	2.9	7.9	1.4
Mining	0.3	0.4	0.9	0.9	1.5	1.0	0.2
Manufacturing	7.6	16.5	5.9	6.8	4.7	4.7	24.3
Electricity & water	0.5	0.5	0.4	0.4	0.4	0.7	0.4
Construction	7.2	5.0	6.1	6.1	5.0	5.1	3.4
Wholesale & retail trade	13.6	16.1	15.5	16.1	15.0	16.9	17.3
Transport & communication	1.6	2.9	2.5	2.1	2.4	2.8	4.3
Finance and business services	9.7	16.3	12.8	8.3	13.6	10.4	17.9
Government services	32.1	38.5	44.4	42.9	54.4	50.5	30.8

*Source: Quantec Regional Data (2008)*

The other district where manufacturing is important is Amatole district, with a share of 17 percent of the district output and close to 30 percent of the provincial manufacturing output. Manufacturing in Cacadu is worth mentioning, the sector generates 11.5 percent of the district's output and 5 percent of the provincial manufacturing output. Manufacturing is also important in UKhahlamba generating close to 11 percent of the total output in the district. However UKhahlamba produces a mere 1.4 percent of the province's total manufacturing output. The manufacturing sector employed 57 000 people in NNM and 35000 people in Amatole, this translate to 24 percent and 16 percent of the labour force in these districts respectively. NMM and Amatole generated 51 percent and 32 percent of the provincial manufacturing employment in 2008 respectively. In Cacadu district and UKhahlamba 6800 people and 2100 people were employed in the manufacturing sector in 2008 respectively. In the remaining districts manufacturing plays a relatively minor role in terms of both output and employment.

Agriculture is an important sector in Cacadu generating 15 percent of the output in that district and 41 percent of the provincial agricultural output. However there is weak agricultural activity in the predominantly rural districts of UKhahlamba, OR Tambo and Alfred. Mining plays a minor role in the province generating less than 1 percent of the total output in all the districts. However it is interesting to note that while the contribution of mining to OR Tambo's economy is 0.4 percent, OR Tambo produce most of the province's mining output at 24 percent. The other districts that make significant contributions to the provincial mining output are Amatole (23 percent), Chris Hani (15 percent) and NMM (15 percent). The wholesale and retail sector makes a fairly even and substantial contribution of between 12 percent and 16 percent in all the seven district economies. The sector accounts for the largest share of GDP in the relatively urbanized districts of Amatole (16 percent) and NMM (14 percent) as well as in the rural district of Alfred Nzo (16 percent). However Alfred Nzo accounts for the smallest share of the total wholesale and retail output in the province at 1.8 percent compared to Amatole (33 percent) and NMM (42 percent).

Finance and business services is heavily concentrated in Amatole and NMM where the sector contributes more than 20 percent to total output in these districts. The finance and services sector also generates a substantial share of output in OR Tambo (20 percent) and Chris Hani (17 percent). In the remaining district the sector contribute between 12 percent and 15 percent. The transport and communication generates the largest contribution to output in the NMM (10 percent) and Chris Hani (9 percent).

## **4 Receipts**

### **4.1 Overall Position**

Total provincial receipts are comprised of national transfers, namely conditional grants and equitable share together with own revenue raised by the province. For the 2010/11 financial year, total receipts will amount to R48.2 billion. This represents an increase of R6 billion from the baseline budget. Non conditional transfers in the form of equitable share account for 83.3 percent of total receipts to the province while income derived from narrow based tax sources make up 1.3 percent of total revenues. Conditional grants on the other hand will contribute 15.4 percent to total receipts for the province in the 2010/ 11. The 2009/10 main budget for total receipts has been adjusted upwards from R42 billion to R43.6 billion. These adjustments are broken down as follows: the original budget for equitable share has been adjusted upwards from R35.9 billion to R37.3 billion while conditional grants have been adjusted upwards by R132.96 million from R5.4 billion (table 4.1).

**Table 4.1: Summary of Provincial Receipts**

	2006/07	2007/08	2008/09	2009/10			2010/11	2011/12	2012/13
R' 000	Audited			Main budget	Adjusted budget	Revised estimate	Medium-term estimates		
Transfer receipts from national									
Equitable share	24 642 653	27 344 125	32 131 702	35 940 398	37 314 768	37 314 768	40 134 424	42 856 005	44 693 156
Conditional grants	2 732 707	3 182 586	4 220 841	5 400 439	5 533 404	5 533 404	7 452 651	8 364 310	9 684 554
<b>Total receipts from National</b>	<b>27 375 360</b>	<b>30 526 711</b>	<b>36 352 543</b>	<b>41 340 837</b>	<b>42 848 172</b>	<b>42 848 172</b>	<b>47 587 075</b>	<b>51 220 315</b>	<b>54 377 710</b>
<b>Provincial own receipts</b>									
Tax receipts	312 671	333 644	384 057	393 710	393 710	389 084	<b>433 123</b>	469 615	510 404
Casino taxes	72 052	82 433	87 718	94 368	94 368	86 031	<b>103 805</b>	108 995	114 445
Horse racing taxes	3 119	4 190	4 466	5 272	5 272	7 737	<b>5 799</b>	6 089	6 393
Liquor licences	6 276	5 931	1 977	7 249	7 249	8 495	<b>7 974</b>	8 373	8 791
Motor vehicle licences	231 224	241 090	289 896	286 821	286 821	286 821	<b>315 545</b>	346 158	380 774
Sales of goods and services other than capital assets	104 631	131 007	163 928	164 396	164 396	124 045	<b>175 360</b>	186 284	197 253
Transfers received		16							
Fines, penalties and forfeits	6 002	6 255	8 529	7 517	7 517	7 561	<b>8 268</b>	9 095	1 005
Interest, dividends and rent on land	315 230	494 003	369 087	132 077	132 077	134 657	<b>11 373</b>	11 816	12 400
Sales of capital assets	30 777	4 768	12 100	1 125	1 125	1 229	<b>1 286</b>	<b>1 413</b>	<b>1 554</b>
Financial transactions in assets and liabilities	31 140	38 553	28 288	4 827	4 827	61 241	<b>7 580</b>	7 952	8 782
<b>Total provincial own receipts</b>	<b>800 451</b>	<b>1 008 246</b>	<b>965 989</b>	<b>703 652</b>	<b>703 652</b>	<b>717 817</b>	<b>636 990</b>	<b>686 175</b>	<b>731 398</b>
<b>Total provincial receipts</b>	<b>28 175 811</b>	<b>31 534 957</b>	<b>37 318 532</b>	<b>42 044 489</b>	<b>43 551 824</b>	<b>43 565 989</b>	<b>48 224 064</b>	<b>51 906 492</b>	<b>55 109 108</b>

Source: EC Provincial Treasury, 2010

Over the medium term, total receipts will increase from R48.2 billion in the 2010/11 financial year to R55 billion in 2012/13. Taking inflation into consideration and using inflation projections of 6.4; 5.9; and 5.7 percent for 2010/11, 2011/12 and 2012/13 respectively, it is noted that total receipts will grow at a decreasing rate from 3.7 percent in 2010/11 to 0.4 percent in 2012/13 ( table 4.2). The decrease in total receipts can be attributed to the estimated negative growth rate of 1.3 percent in equitable share allocation in the 2012/13 financial year (in real terms), and the estimated negative average annual growth rate of 3 percent for own revenue over the medium term (in nominal terms). Conditional grant receipts are expected to grow at an annual average growth rate of 20.3% over the MTEF. Most of the money collected from provincial own revenue sources come from casino taxes and motor vehicle license fees. For the period 2010/11 to 2012/13 financial year, tax receipts collected from casinos are expected to increase at an average annual rate of 10 percent while actual tax receipts collected from motor vehicle license (MVL) fees on the other hand are estimated to increase at an annual average rate of 6 percent.

**Table 4.2: Growth Rates in Provincial Receipts**

		2010/11	2011/12	2012/13	2009/10- 2012/13
Equitable Share	Nominal	7.5%	6.8%	4.3%	6.2%
	Real	1.0%	0.8%	-1.3%	0.2%
Conditional Grants	Nominal	33.8%	12.3%	15.9%	20.3%
	Real	0.26	0.06	0.10	13.5%
Own Revenue	Nominal	-20.6%	7.7%	6.6%	-3.0%
	Real	-25.4%	1.7%	0.8%	-8.5%
<b>Total Receipts</b>	<b>Nominal</b>	<b>10.3%</b>	<b>7.6%</b>	<b>6.2%</b>	<b>8.0%</b>
	<b>Real</b>	<b>3.7%</b>	<b>1.7%</b>	<b>0.4%</b>	<b>1.9%</b>

Source: EC Provincial Treasury, 2010

## 4.2 Equitable Share

In terms of Section 214(1) of the Constitution it is required that every year an Act of Parliament (Division of Revenue Act) determine the equitable division of resources between the three spheres of government, and the horizontal division amongst provinces. The following are some of the key principles that are promoted by the Constitution:

- **Equity:** Promoting access to basic services in a fair, objective and equitable manner
- **Efficiency:** The transfer system should promote allocative efficiency by ensuring that inter-jurisdictional competition is an effective check on fiscal performance.
- **Predictability:** The transfers should facilitate proper budgeting by minimizing fluctuations and ensuring certainty
- **Simplicity, transparency and acceptability:** The transfer system should take cognisance of the availability of information, be transparent, and should be as broad-based as possible.
- **Redistribution and fiscal equalization:** Redistribution within any particular sphere must be managed not to undermine the fiscal viability of the relevant institution and the economic viability of its area of jurisdiction.
- **Autonomy:** Whilst the Constitution entrenches cooperative governance, it should be noted that provinces are governments in their own rights.
- **Accountability:** The intergovernmental transfer system provides for mechanisms that allocate funds among provinces, and not allocation of inputs and other functional resources.

The division of the equitable share allocation among provinces is done through a redistributive formula. The formula is reviewed regularly to take into account any changes in the underlying demographic data of the province, and also incorporating the recommendations of the Financial and Fiscal Commission. For the 2010/11 Budget, Government agreed that the structure and components of formula be kept the same, but that some of the individual components of the formula be updated using the latest official demographic and economic output statistics of the province.

The provincial equitable formula for the 2010/11 MTEF consists of six components, as shown below:

- Education share (51%) based on the school age cohort and official estimates of school enrolment, weighted equally;
- The Health component (26%) based on the estimated numbers of people with and without medical aid coverage weighted at 1:4 ratio;
- An Institutional component, (5%) allocated equally across provinces to take account of core provincial administration costs mainly for Legislatures, Treasuries, Traditional Affairs, Royal Households, Premier's Offices, etc;
- Basic component (14%) calculated on the basis of the population share of each province;
- Poverty component (3%) reinforces the redistributive bias of the formula; and
- Economic component (1%) takes care of the fact that provincial revenue raising powers have not changed.

Funds from equitable share are fungible and provincial government have full discretion in choosing their own budget mixes given underlying cost implications and national policy guidelines. The “share allocations” in the formula are therefore merely broad indications (weights of relative needs) and not intended as indicative budgets or guidelines on how much should be spent on a specific function.

The following table illustrates the structure of the provincial equitable share formula together with the corresponding Eastern Cape percentage shares in the formula. The provincial share of the national raised revenue declines from 15.6 to 15.2 percent between 2009/10 and 2010/11. The main factor behind such declines includes the outward migration of people from the Eastern Cape.

**Table 4.3 Equitable Share Formula Components, Eastern Cape**

Component	2009/10		2010/11		Percentage point change
	Weight	Share	Weight	Share	
	%	%	%	%	
Education	51	16.80	51	16.8	0
Health	26	13.79	26	14.0	0.2
Basic	14	13.50	14	13.5	0
Economic	1	7.87	1	7.8	-0.07
Institutional	5	11.40	5	11.1	-0.3
Poverty	3	16.70	3	16.7	0
<b>Overall Share</b>	<b>100</b>	<b>15.6</b>	<b>1.0</b>	<b>15.2</b>	<b>-0.4</b>

To avoid any possible negative impacts on service delivery from these downward adjustments in weighted shares National Cabinet has decided that the 0.8 percentage point decline be phased in over the MTEF period. The weighted share for the Eastern Cape therefore moves from 15.6% in 2009/10 to 15.5% in 2010/11, instead of the indicated 15.2%. The weighted shares for the two outer years decline gradually to 15.4% in 2011/12 and 04/05 to 16,5% in 2005/06 and to 16% in the budget for the 2007/08 financial year.

### 4.3 Conditional Grants

In order to provide for national priorities in provincial and local government budgets, national transfers in the form of conditional grants were introduced in 1998. They are specifically used to:

- Provide for national priorities in provincial and local government budgets;
- Promote national norms and standards;
- Compensate provinces for cross-boundary flows;
- Effect transition by supporting capacity building and organisational reforms, and
- Address backlogs and regional disparities in social infrastructure

The grant system has been shaped by major reforms that were introduced to enhance accountability, monitoring, reporting and administration responsibility of these grants. The legal framework pertaining to the conditional grants is contained in the Division of Revenue Act (DoRA). In terms of DoRA a Provincial Treasury must, within specific prescribed dates after the end of each month and in the format determined by National Treasury, and as part of its consolidated monthly report, report on: –

- Actual transfers received by the province from national departments;

- Actual expenditure on such allocations up to the end of that month;
- Actual transfers made by the province to municipalities, and projections on actual expenditure by municipalities on such allocations; and
- Any problems of compliance with this Act, by transferring provincial officers and receiving officers and steps taken to deal with such problems.

Table 4.4 gives a detailed 2010/11 MTEF budget for conditional grants in the province

**Table 4.4: Summary of Conditional Grants**

R'000s	Outcome			Original Appropriation	Adjustment	Adjusted Appropriation	Medium-term estimates		
Department/Grant	2006/07	2007/08	2008/09	2009/10			2010/11	2011/12	2012/13
<b>Agriculture</b>	<b>104 015</b>	<b>100 365</b>	<b>112 153</b>	<b>137 591</b>	<b>20 000</b>	<b>157 591</b>	<b>188 725</b>	<b>219 801</b>	<b>230 792</b>
Agricultural Disaster Management Grant	24 806	20 000	2 000	4 000	20 000	24 000			
Comprehensive Agricultural Support Programme Grant	63 047	69 898	102 808	120 364		120 364	160 004	170 557	179 085
Ilima/Letsema projects grant				5 000		5 000	20 000	40 000	42 000
Land Care Programme Grant Poverty Relief & Infrastructure Development	16 162	10 467	7 345	8 227		8 227	8 721	9 244	9 707
<b>Education</b>	<b>352 912</b>	<b>448 891</b>	<b>557 871</b>	<b>516 863</b>		<b>516 863</b>	<b>1 299 882</b>	<b>1 484 964</b>	<b>1 580 516</b>
Early Childhood Development Grant									
Financial Management and Quality Enhancement Grant		50 000							
Further Education and Training College Sector Recapitalisation Grant	61 000	88 248	115 671				555 208	581 579	610 484
HIV and Aids (Life Skills Education) Grant	25 805	26 797	28 542	30 168		30 168	32 189	34 346	35 322
National School Nutrition Programme Grant	266 107	283 846	413 658	486 695		486 695	702 936	845 166	909 644
Technical Secondary Schools Recapitalisation grant							9 549	23 873	25 066
<b>Health</b>	<b>956 554</b>	<b>1 096 904</b>	<b>1 294 956</b>	<b>1 362 343</b>	<b>96 320</b>	<b>1 458 663</b>	<b>1 838 526</b>	<b>2 076 109</b>	<b>2 293 126</b>
Comprehensive HIV and Aids Grant	232 021	233 204	300 522	401 727	91 975	493 702	690 940	859 157	1 013 609
Forensic Pathology Services Grant	91 867	119 704	90 324	61 214		61 214	69 345	73 506	77 185
Health Professions Training and Development Grant	133 392	110 150	140 641	151 362		151 362	160 444	170 071	178 730
Hospital Revitalisation Grant	125 071	204 934	290 927	238 611		238 611	360 660	386 048	406 909
National Tertiary Services Grant	374 203	428 912	472 542	509 429		509 429	557 137	587 327	616 693
2010 World Cup Health Preparation Strategy Grant					4 345	4 345			
Integrated Nutrition Programme Grant									
<b>Housing Settlements</b>	<b>761 994</b>	<b>509 477</b>	<b>1 251 018</b>	<b>1 313 378</b>		<b>1 313 378</b>	<b>1 598 646</b>	<b>1 802 873</b>	<b>2 561 647</b>
Integrated Housing and Human Settlement Development Grant	761 994	509 477	1 251 018	1 313 378		1 313 378	1 598 646	1 802 873	2 561 647
<b>National Treasury</b>	<b>742 139</b>	<b>1 123 343</b>	<b>1 317 909</b>	<b>1 661 391</b>		<b>1 661 391</b>	<b>2 010 800</b>	<b>2 305 798</b>	<b>2 520 560</b>
Provincial Infrastructure Grant	742 139	1 123 343	1 317 909	1 661 391		1 661 391	2 010 800	2 376 694	2 520 560
Of which	742 139	1 081 823	1 259 662	1 661 391		1 661 391	2 028 135	2 341 246	2 341 246
Transport	742 139	838 937	877 966	1 124 873		1 124 873	1 130 073	1 135 017	1 135 017
Education		50 000	132 432	202 141		202 141	508 525	722 633	722 633
Agriculture		42 886	54 894	54 894		54 894	54 894	54 894	54 894
Health		150 000	194 370	279 483		279 483	334 643	428 702	428 702
Unallocated		41 520	58 247				- 17 335	- 35 448	179 314
<b>Transport</b>				<b>126 540</b>		<b>126 540</b>	<b>153 596</b>	<b>166 953</b>	<b>180 460</b>
Overload Control Grant							5 519		
Public Transport Operations Grant				126 540		126 540	148 077	166 953	180 460
<b>Sport and Recreation South Africa</b>	<b>17 187</b>	<b>28 511</b>	<b>44 895</b>	<b>62 765</b>		<b>62 765</b>	<b>66 531</b>	<b>70 523</b>	<b>74 049</b>
Mass Sport and Recreation Participation Programme Grant	17 187	28 511	44 895	62 765		62 765	66 531	70 523	74 049
<b>Trade and Industry</b>	<b>58 200</b>								
Industrial Development Zones	58 200								
<b>Sport, Recreation, Arts &amp; Culture</b>		<b>17 010</b>	<b>42 588</b>	<b>55 515</b>		<b>55 515</b>	<b>77 240</b>	<b>80 974</b>	<b>79 273</b>
Community Libraries		17 010	42 588	55 515		55 515	77 240	80 974	79 273
<b>Public Works</b>			<b>119 638</b>	<b>164 053</b>	<b>16 645</b>	<b>180 698</b>	<b>218 705</b>	<b>156 315</b>	<b>164 131</b>
Devolution of Property Rates Funds Grant			119 638	134 061	16 645	150 706	147 467	156 315	164 131
Expanded Public Works Programme Incentive Grant				29 992		29 992	60 354		
Expanded Public Works Programme Grant for Social Sector							10 884		
<b>Total conditional grants</b>	<b>2 993 001</b>	<b>3 324 501</b>	<b>4 741 028</b>	<b>5 400 439</b>	<b>132 965</b>	<b>5 533 404</b>	<b>7 452 651</b>	<b>8 364 310</b>	<b>9 684 554</b>

Source: EC Provincial Treasury, 2010



The Conditional grants are the second largest source of funding for the province averaging 16.4 % of the provincial revenue envelope. Over the next three years conditional grants grow sharply from 15.5 per cent the total provincial revenue in the 2010/11 financial year to 16.1 per cent in 2011/12. In rand terms, conditional grants allocations will grow by R1.7 billion in 2010/11, R911.7 million in 2011/12 and R1.3 billion in 2012/13.

The total allocation for conditional grants in the province will be R7.45 billion in the 2010/11 financial year, R8.36 billion in 2011/12, and R9.68 billion in 2012/13. The following section provides the details of the grants.

## **Education grants**

As from 2010/11 financial year the department of education will be administering only five grants. These include:

- The HIV/AIDS (Life skills Education),
- The National School Nutrition Programme grant,
- Technical Secondary School Recapitalisation,
- Further Education and Training College Sector Recapitalisation Grant,
- Infrastructure Grant for the Provinces,

**HIV/Aids (Life Skills):** This grant will provide for life skills training, sexuality and HIV and Aids education in primary and secondary schools. For the 2010/11 MTEF period the grant will receive an allocation of R32.2 million for the 2010/11 financial year, R34.3 million in 2011/12 and R35.32 million in 2012/13.

**Further Education and Training Colleges:** The purpose of this grant is to recapitalize FET colleges in the province. For 2010/11 financial year the allocation for this grant amounts to R555 million, R582 million in 2011/12 and R610 million in 2012/2013.

**National School Nutrition Programme:** This grant seeks to improve nutrition of poor school children, enhance active learning capacity and improve attendance in schools. The MTEF budget for this grant is R2.5 billion spread out into R703 million for 2010/11, R845 million and R910 million for the remaining two MTEF outer years.

**Technical Secondary School Recapitalization:** The grant is intended to boost the number of industrial and related apprenticeship and learner ship in scarce skills areas. This grant will receive R9.5 million in 2010/11, R24 million in 2011/12, and R25 million in 2012/13.

## **Expanded Public Works Programme Incentive (Education):**

Expanded Public Works Programme Incentive Grant is intended to create 4.5 million short term jobs – the equivalent of 2 million full time low skilled jobs for unemployed South Africans. The department was allocated an amount of R500 000 in the 2010/11 financial year.

## Housing

Currently there are two grants administered by the department of Housing, the integrated Housing and Human Settlement Development grant and the Expanded Public Works Programme Incentive Grant.

**Integrated Housing and Human Settlement Development:** The aim of this grant is to facilitate the establishment of habitable, stable and sustainable human settlements in which all citizens have access to social and economic amenities.

In the 2010/11 MTEF period the allocation for the grant amounts to R1.6 billion, R1.8 billion and R 2.6 billion for each the years, respectively, over the MTEF period. During the first two years of the MTEF period the grant will not experience any year on year growth because of the poor past expenditure performance on the grant. This resulted in the national transferring department withholding portion of the grant in the previous financial years. In absolute terms the grant has experienced stable growth.

**Expanded Public Works Programme Incentive Grant:** This is intended to create 4.5 million short term jobs – the equivalent of 2 million full time low skilled jobs for unemployed South Africans. The department was allocated an amount of R500 000 in the 2010/11 financial year.

## Agriculture Grants

**CASP:** The department administers three conditional grants of which the largest is the Comprehensive Agricultural Support programme (CASP) with an allocation of R160 million in the 2010/11 financial year, R171 million and R179 million respectively. The purpose of the Comprehensive Agriculture Support Programme is to create a favorable and supporting agricultural services environment for the farming community, in particular subsistence, emerging and commercial farmers. The grant aims at assisting land redistribution for agricultural development and settlement and land acquisition grant beneficiaries. It also hopes to encourage and empower communities to take responsibility for the management of resources in order to support food security and job creation through increased productivity. This grant includes water care, soil care and junior land care programmes.

**The Land Care Grant:** This grant shows marginal increases from the 2010/11 to 2012/13 financial year. The current value of the grant is R8.7 million which increases to R9.7 million in 2012/13. The purpose of this grant is to address the degradation of natural / agricultural resources and improve the socio-economic status and food security of rural communities.

**Ilima/Letsema projects grant:** This is a new grant administered by the department. For the 20010/11 MTEF period the grant will experience strong growth from R20 million in 2010/11 to R42 million in 2012/13. The grant is aimed at assisting previously disadvantaged South African farming communities to achieve an increasing share in agricultural production.

## Public Health Grants

For the department of Health there will be six grants under its administration. These include:

- Comprehensive HIV and Aids Grant;
- Forensic Pathology Services Grant;
- Health Professions Training and Development Grant;
- Hospital Revitalisation Grant;
- National Tertiary Services Grant
- Provincial infrastructure grant on Health

**Comprehensive HIV and Aids Grant:** This grant is to enable the health sector to develop a specific response to HIV and Aids. In addition to HIV and Aids prevention programmes, the grant supports specific interventions that include voluntary counselling and testing, prevention of mother-to-child transmission, post-exposure prophylaxis and home-based care. The allocations for the 2010/11 MTEF financial years are R691 million in 2010/11, R859 million in 2011/12 and R1.013 billion in 2012/13.

The substantial increases in allocations over the MTEF period are mainly due to increased HIV/Aids treatment uptake in 2010 and beyond.

**Forensic Pathology Service Grant:** The Forensic Pathology Service grant will assist with the transfer of medico-legal mortuaries from the South African Police Service to the health sector and to provide comprehensive forensic pathology services for the criminal justice system. The allocations for the 2010/11 MTEF financial years are R69 million in 2010/11, R74 million in 2011/12 and R77 million in 2012/13.

**Health Profession Training and Development Grant:** The purpose of this grant is to fund the costs associated with the training of health professionals, and the development and recruitment of medical specialists. The allocations for the MTEF financial years are R160 million in 2010/11, R170 million in 2011/12 and R179 million in 2012/13.

**The Hospital Revitalisation Grant:** This grant will assist with the transformation and modernising of infrastructure and equipment in public hospitals. Over the 2010 MTEF financial years the grant will receive a total amount of R1.15 billion, with R361 million allocated for the 2010/11 financial year, R386 million for 2011/12 and R407 million for 2012/13.

**National Tertiary Service's Grant:** The main aim of this grant is to provide strategic funding to enable provinces to plan, modernise, and transform the tertiary hospital service delivery platform in line with national policy objectives. For the 2010/11 financial year the grant will receive an allocation of R557 million, R587 million in 2011/12 and R617 million for 2012/13.

## **Sports, Recreation, Arts and Culture**

Under Sports, Recreation, Arts and Culture there are three grant allocations over the MTEF period. These are the Community Libraries, Mass Sport and Recreation Participation Programme and Expanded Public Works Programme Incentives grants.

**Community Libraries:** The purpose of this grant is to enable community libraries provide direct access to information and knowledge and thereby contribute towards education and self-empowerment. The budget for this grant over the medium term includes R77 million for 2010/11, R81 million in 2011/12, and R80 million for the 2012/13 financial year

**Mass Sport and Recreation Participation Programme:** The purpose of this grant is to promote mass participation within communities and schools in selected sports and recreation activities, and the empowerment of communities and schools in conjunction with stakeholders and development of communities through sport. The grant will receive a total allocation of R211 million over the 20/10 MTEF period, with R67 million for 2010/11, R71 million and R74 million for 2011/12

**Expanded Public Works Programme Incentives:** The purpose is to provide incentives to provinces and municipalities to increase spending on labour-intensive programmes that promote community participation in sport and related activities. The once-off budget for this grant is R117 000 in 2010/11.

## **Roads and Public Works**

The department will administer six grants over the 2010/11 MTEF period. These include:

- Infrastructure grant for the provinces;
- The Provincial infrastructure grant for Transport and Public Works;
- Overload Control Grant;
- Public Transport Operations Grant;
- Devolution of Property Rates Funds Grant;
- Expanded Public Works Programme Incentive Grant;

**Devolution of Property Rates and Taxes Grant:** The purpose of the Devolution of Rates and Taxes grant is to facilitate the transfer of property rates expenditure responsibility to provinces; and to enable provincial accounting officers to be fully accountable for their expenditure and payment of provincial property rates. An amount of R147.5 million in 2010/11, R156.3 million in 2011/12 and R164.1 million in 2012/13 have been allocated.

**Expanded Public Works Programme Incentive Grant:** The purpose of this grant is to provide incentives to provinces and municipalities to increase spending on labour-intensive programmes in sectors other than the social sector. For the 2010/11 financial year this grant will only be allocated a once off amount of R28 million.

**Expanded Public Works Programme Incentive Grant - Social sector:** The purpose of this grant is to subsidise Non-Profit Organisations (NPOs) in Home and Community Based Care (HCBC). Over the MTEF period this grant has been allocated a once off budget of R6 million in 2010/11.

**Infrastructure grant for provinces:** This grant will receive more than R3.4 billion over the MTEF period. The purpose is to augment provincial funding to accelerate construction, maintenance and rehabilitation of new and existing infrastructure in education, roads, health and agriculture, and also contributes to rural development.

**Overload Control Grant:** This grant will receive only a once-off R5.5 million allocation for the coming 2010/11 financial year.

**Public Transport Operations Grant:** This is to provide supplementary funding towards public transport services provided by the provincial departments of Transport. The grant will receive R148 million in 2010/11, R167 million in 2011/12 and R180 million for the 2012/13 financial year.

#### **4.4 Total Provincial Own Receipts (Own Revenue)**

Own revenue has over the years contributed less than 5% of total provincial receipts. The sources of revenue that have a major contribution to total own revenue collection are gambling and betting taxes, and motor vehicle license fees with an annual average collection of 11% and 31% respectively from 2006 to 2008 financial years. Over the same period, Provincial Treasury has collected an average of 52%, mainly from interest. Hospital fees collected are mainly for cost recovery. Own revenue collection has shown a fluctuating growth trend throughout the years. To understand the underlying causes of fluctuations in own revenue collection and to enhance revenue collection, the province commissioned an own revenue study. This study is approaching its final stages. A number of recommendations have been proposed, included in these are revenue enhancement opportunities. The department is currently studying the relationship between increases in tariffs and changes in vehicle population, the final outcome of which will be written recommendations on the standardization of motor vehicle tariffs.

**Table 4.5: Provincial Own Receipts**

	2006/07	2007/08	2008/09	2009/10			2010/11	2011/12	2012/13
R' 000	Audited			Main budget	Adjusted budget	Revised estimate	Medium-term estimates		
Transfer receipts from national									
Equitable share	24 642 653	27 344 125	32 131 702	35 940 398	37 314 768	37 314 768	40 134 424	42 856 005	44 693 156
Conditional grants	2 732 707	3 182 586	4 220 841	5 400 439	5 533 404	5 533 404	7 452 651	8 364 310	9 684 554
<b>Total receipts from National</b>	<b>27 375 360</b>	<b>30 526 711</b>	<b>36 352 543</b>	<b>41 340 837</b>	<b>42 848 172</b>	<b>42 848 172</b>	<b>47 587 075</b>	<b>51 220 315</b>	<b>54 377 710</b>
<b>Provincial own receipts by department</b>									
Department/Vote	2006/07	2007/08	2008/09	2009/10			2010/11	2011/12	2012/13
Vote 06: Education	30 412	44 982	58 556	52 467	52 467	40 084	54 081	56 569	59 397
Vote 03:Health	78 260	69 793	90 102	67 284	67 284	68 964	74 013	77 714	81 600
Vote 04: Social Development	2 563	4 972	13 945	997	997	3 711	3 288	3 845	4 418
Vote 01: Premier	166	109	379	191	191	191	202	231	258
Vote 02:Provincial Legislature	180	242	965	245	245	245	270	297	327
Vote 05: Public Works	11 627	11 751	12 270	13 101	13 101	13 865	14 411	15 770	17 301
Vote 07: Local Government						1 276			
Vote 08:Agriculture	3 565	3 938	4 527	5 743	5 743	5 743	6 317	6 633	6 965
Vote 09:Economic Developl	90 625	99 556	95 897	111 809	111 809	132 184	122 990	129 140	135 597
Vote 10:Roads and Transport	275 647	275 646	317 867	315 263	315 263	315 263	346 830	380 572	409 631
Vote 11: Housing	15 146	9 152	11 411	12 142	12 142	9 942	13 357	14 540	14 964
Vote 12:Provincial Treasury	291 643	486 705	358 282	123 952	123 952	125 421	581	114	120
Vote 14:Sports, Arts and Culture	607	1 386	1 731	458	458	928	650	750	820
Vote 15:Safety and Liaison	10	14	57						
<b>Total Provincial Own Receipts</b>	<b>800 451</b>	<b>1 008 246</b>	<b>965 989</b>	<b>703 652</b>	<b>703 652</b>	<b>717 817</b>	<b>636 990</b>	<b>686 175</b>	<b>731 398</b>
<b>Provincial own receipts by economic classification</b>									
Tax receipts	312 671	333 644	384 057	393 710	393 710	389 084	<b>433 123</b>	469 615	510 404
Universities and technikons	72 052	82 433	87 718	94 368	94 368	86 031	<b>103 805</b>	108 995	114 445
Foreign governments	3 119	4 190	4 466	5 272	5 272	7 737	<b>5 799</b>	6 089	6 393
International organisations	6 276	5 931	1 977	7 249	7 249	8 495	<b>7 974</b>	8 373	8 791
Public corporations and private enterprises	231 224	241 090	289 896	286 821	286 821	286 821	<b>315 545</b>	346 158	380 774
Sales of goods and services other than capital assets	104 631	131 007	163 928	164 396	164 396	124 045	<b>175 360</b>	186 284	197 253
Transfers received		16							
Fines, penalties and forfeits	6 002	6 255	8 529	7 517	7 517	7 561	<b>8 268</b>	9 095	1 005
Interest, dividends and rent on land	315 230	494 003	369 087	132 077	132 077	134 657	<b>11 373</b>	11 816	12 400
Sales of capital assets	30 777	4 768	12 100	1 125	1 125	1 229	<b>1 286</b>	<b>1 413</b>	<b>1 554</b>
Financial transactions in assets and liabilities	31 140	38 553	28 288	4 827	4 827	61 241	<b>7 580</b>	7 952	8 782
<b>Total</b>	<b>800 451</b>	<b>1 008 246</b>	<b>965 989</b>	<b>703 652</b>	<b>703 652</b>	<b>717 817</b>	<b>636 990</b>	<b>686 175</b>	<b>731 398</b>
<b>Total provincial receipts</b>	<b>800 461</b>	<b>1 008 260</b>	<b>966 046</b>	<b>703 652</b>	<b>703 652</b>	<b>717 817</b>	<b>636 989</b>	<b>686 177</b>	<b>731 398</b>

Table 4.5 above gives a summary of provincial receipts for the period 2006/07 to 2010. An estimated total provincial collection of R2 billion has been budgeted for from 2010/11 to 2012/13 for own receipts. The 2009/10 revised budgeted collection of R717.8 million for 2009/10 financial year is based on actual collections as at the end of December 2009. This represents an increase of 13.9 percent from the adjusted budget of R703.7 million. From the 2009/10 revised estimate to 2010/11, total provincial own receipts are expected to drop by 21 percent from R717.9 million in 2009/10 to R636.9 million in 2010/11. This is mainly due to the fact that from 2010/11 to 2012/13, Provincial Treasury's interest receipts have not been budgeted for as provincial expenditure requirements suggest that there would not be an accumulation of bank reserves over the MTEF.

The 2010/11 "own revenue" budget for the Department of Education has been reduced from the baseline budget by 10% to R54 million. The department approached Provincial Treasury in 2009 to request that the budget be reduced from R57 million to R54 million. The budget of R54 million is based on the annual average of R50 million over the past three years.

The budget for the Department of Transport is expected to increase from R346.8 million in 2010/11 to R409.6 million in 2012/13; this represents an annual average increase of 8.7 percent over this period. The department collects most of its revenue from MVL fees where revenue is driven by vehicle population and tariffs. According to the National Traffic Information System (eNatis), total live vehicle population for the province has increased from 586295 in 2006 to 637292 in 2008. The department on the other hand has been increasing MVL fees annually and the last increase was in 2008.

The budget for the Department of Economic Development and Environmental Affairs on the other hand is estimated to increase from R123 million in 2010/11 to R135.6 million in 2012/13, representing an annual average growth rate of 5 percent. Most of the revenue for this department comes from two sources, namely the Eastern Cape Gambling Board, which collects gambling and betting taxes, and the Eastern Cape Liquor Board, which collects liquor license fees. Revenue collected from tax receipts is estimated to perform as follows:

- Casino taxes are estimated to increase from R104 million in 2010/11 to R114 million in 2012/13
- Horse racing will increase from R5 million in 2010/11 to R6 million in 2012/13
- Liquor license fees will increase from R7million in 2010/11 to R8 million in 2012/13.

The Department of Sport, Arts and Culture collects most of its revenue from renting out campsites. The tariffs or rental amounts charged are renewed annually. For 2010/11 to 2012/13 financial years, the total departmental budget is estimated to grow at an average rate of 12% per annum from 2010/11 to 2012/13.

The budget for Provincial Treasury has dropped from R119 million in 2009/10 to R581 thousand in 2010/11. This represents a decrease of 99% from the 2009/10 financial year. For the period 2010/11 to 2012/13, total provincial own revenue is expected to decline at an average rate of 3 percent per annum in nominal terms (table 4.2).

## **5 Payments**

### **5.1 Overall Position**

Informed by the policy strategic thrust of government whose primary intention is to bring about better living conditions to the people of the Eastern Cape Province, the expenditure patterns have remained positive and continue to reflect positive trajectory. In the period 2006/07 to 2009/10 the provincial expenditure grew from R26.9 billion to a revised estimate of R46.6 billion. Over the next coming three years, expenditure to the tune of R153 billion is projected by the Eastern Cape Province. The bulk of the projected expenditure over the MTEF period is accounted for by the departments of Education and Health with R73 billion and R43 billion, respectively.

## 5.2 Payments by Vote

**Table 5.1: Summary of Provincial Payments and Estimate**

Department	2006/07	2007/08	2008/09	2009/10			2010/11	2011/12	2012/13
R'000	Audited			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
Education	12 872 243	14 475 134	17 875 193	19 447 507	20 529 488	21 169 525	22 679 786	24 629 177	25 560 856
Health	7 257 118	8 013 008	10 498 181	11 328 346	11 773 927	13 340 680	13 340 872	14 327 994	15 212 783
Social Development	730 319	880 426	1 317 567	1 434 015	1 454 622	1 454 622	1 560 151	1 732 236	1 826 250
Office of the Premier	286 004	324 266	379 258	400 930	407 022	407 022	424 838	450 999	474 237
Provincial Legislature	130 912	161 517	216 460	250 122	271 610	271 610	310 629	325 768	342 546
Roads And Public Works	2 060 190	2 403 062	3 088 694	3 139 321	3 219 713	3 219 713	3 131 724	3 301 608	3 517 046
Local Govt and Trad. Affairs	397 913	608 204	609 561	659 016	770 271	792 590	707 627	718 779	756 010
Agriculture and Rural Development	871 799	1 070 680	1 251 734	1 408 766	1 474 975	1 414 388	1 502 004	1 504 142	1 584 111
Economic Dev. and Environmental Affairs	677 090	736 167	856 200	1 115 025	1 084 593	1 083 418	839 711	890 354	937 114
Transport	454 970	549 800	685 114	888 089	916 205	916 207	945 106	971 980	1 027 258
Housing	695 835	395 340	1 229 073	1 474 789	1 531 715	1 475 856	1 826 049	2 043 393	2 814 543
Provincial Treasury	117 255	167 371	268 871	259 972	261 240	235 578	304 481	322 938	339 653
Sport, Recreation, Arts And Culture	312 050	396 664	751 987	781 315	821 808	821 808	602 939	638 753	665 807
Safety And Liaison	23 787	32 875	41 058	47 521	48 244	49 388	47 878	48 071	50 567
<b>Total payments and estimates by dept.</b>	<b>26 887 486</b>	<b>30 214 514</b>	<b>39 068 951</b>	<b>42 634 734</b>	<b>44 565 433</b>	<b>46 652 405</b>	<b>48 223 795</b>	<b>51 906 191</b>	<b>55 108 782</b>

Table 5.1 above shows actual expenditure trends between 2006/07 and 2009/10 financial years as well as the 2010/11 MTEF. In aggregate terms, provincial expenditure increased from R26, 9 billion in 2006/07 to a revised estimate of R46.6 billion in 2009/10. Over the 2010 MTEF period, the province projects total expenditure of R153 billion.

As depicted in Table 5.1 above, the provincial budget has largely been social service oriented hence large expenditure is accounted for by this sector. The social services sector accounts for more than 75 per cent of the provincial expenditure, followed by economic services sector and lastly the administration sector. Within the social sector, the Department of Education accounts for the bulk of the expenditure. This confirms government's concerted response in addressing socio economic and human capital challenges facing the province. Critical service areas such as school nutrition, scholar transport, learner teacher support material and school infrastructure and general improvement in the conditions of services for teachers have been driving factors in the expenditure trends of the department.

Consistent with the strategic intent of building sound human capital and improving the general welfare of the population, the envisaged expenditure of the Education department over the 2010/11 MTEF takes a positive trajectory. In this period an amount of R73 billion is projected to be spent by the department. The Department of Health is the second largest department in terms of expenditure and as such is projected to spend R43 billion over the next three financial years. The envisaged expenditure will seek to inter alia: improve functionality of health care facilities, particularly at primary and district levels, upscale facilities dealing with HIV/AIDS related matters and recruit more health professionals. With regards to the economic cluster the trends reveal that the Department of Roads and Public Works followed by Housing, Agriculture and Economic Development and Environmental Affairs project to spend over R20 billion over the next three financial years. This approach emphasizes governments' commitment to stimulate economic growth, create job opportunities, improve investment in SMMEs support, encourage and support entrepreneurship and support trade and investments.



### 5.3 Payment by Economic Classification

Table 5.2 below shows the provincial expenditure in terms of economic classification level in the period 2006/07 to 2009/10 and 2010/11 MTEF period. According to the table above, the bulk of the provincial expenditure is accounted for by current payments in the form of compensation of employees followed by goods and services. A large share of the compensation of employees is attributable to labour intensive departments like Education and Health. These two departments alone employ more than 100 000 employees in the province. The majority of these employees are found at the coal face of service delivery in schools and hospitals. Expenditure under goods and services is driven more by critical service delivery items, such as medical supplies, school nutrition, learner support material and funding of no fee schools.

**Table 5.2: Summary of Provincial Payments and Estimates by Economic Classification**

Economic Classification	2006/07	2007/08	2008/09	2009/10	2009/10	2009/10	2010/11	2011/12	2012/13
R'000		Audited		Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
<b>Current payments</b>	<b>21 953 700</b>	<b>24 750 944</b>	<b>31 028 131</b>	<b>33 533 584</b>	<b>35 164 625</b>	<b>37 395 843</b>	<b>38 703 056</b>	<b>41 251 688</b>	<b>43 211 766</b>
Compensation of employees	16 515 903	18 616 508	22 934 501	25 002 946	26 406 009	28 263 504	29 548 093	31 301 157	32 427 088
Goods and services	5 437 234	6 131 181	8 069 660	8 524 811	8 758 616	9 132 339	9 154 964	9 950 531	10 784 678
Interest and rent on land	562	3 255	23 971	5 827	-	-	-	-	-
<b>Transfers and subsidies</b>	<b>3 061 437</b>	<b>3 292 781</b>	<b>4 823 707</b>	<b>5 697 299</b>	<b>5 824 515</b>	<b>5 727 751</b>	<b>5 871 753</b>	<b>6 257 542</b>	<b>7 235 032</b>
Provinces and municipalities	480 642	470 736	730 605	801 346	935 391	857 482	538 059	563 100	594 529
Departmental agencies and accounts	631 010	878 108	986 948	1 298 625	1 183 996	1 183 996	954 293	931 705	986 362
Universities and technikons	14 600	17 592	118 754	122 653	122 653	124 274	129 116	155 911	165 906
Foreign governments & int. organisations	-	-	1 000	1 045	1 045	1 045	-	-	-
Public corporations & private enterprises	265 823	283 052	61 772	233 217	229 479	229 425	216 421	238 170	255 237
Non-profit institutions	773 228	860 593	1 404 733	1 687 367	1 766 363	1 799 402	2 055 712	2 156 274	2 260 757
Households	896 134	782 700	1 519 895	1 553 046	1 585 588	1 532 127	1 978 152	2 212 383	2 972 241
<b>Payments for capital assets</b>	<b>1 867 526</b>	<b>2 165 504</b>	<b>3 196 290</b>	<b>3 403 850</b>	<b>3 576 292</b>	<b>3 528 811</b>	<b>3 648 986</b>	<b>4 396 961</b>	<b>4 661 985</b>
Buildings and other fixed structures	1 080 586	1 337 105	2 092 900	2 751 914	3 021 817	2 950 450	3 003 752	3 914 410	4 156 907
Machinery and equipment	778 380	826 770	1 091 288	647 180	544 671	570 948	636 108	472 820	494 861
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	56	-	-	-	-	-	-
Biological assets	107	-	-	-	-	-	-	-	-
Land and sub-soil assets	22	-	-	-	-	500	-	-	-
Software and other intangible assets	8 432	1 629	12 047	4 757	9 804	6 913	9 126	9 731	10 217
<b>Payments for financial assets</b>	<b>4 823</b>	<b>5 286</b>	<b>20 823</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total economic classification</b>	<b>26 887 486</b>	<b>30 214 514</b>	<b>39 068 951</b>	<b>42 634 734</b>	<b>44 565 433</b>	<b>46 652 405</b>	<b>48 223 795</b>	<b>51 906 191</b>	<b>55 108 782</b>

Source: EC Provincial Treasury, 2010

Table 5.3 below illustrates the summary of provincial payments by economic classification “of which items” in respect of Goods and services over the next three years. The expenditure on inventory (medical supplies) increased from R 228.2 million in 2006/07 to R796 million in 2008/09 financial year and is projected to rise to R1.3 billion by year 2013. The expenditure of R938.9 million has been recorded on contractor item in the 2009/10 financial year and is expected to reach R1.1 million in 2010/11 financial year. The expenditure on this item relates to construction of new physical infrastructure and rehabilitation of the ageing infrastructure (e.g. roads), building of community health care centers, clinics, schools, etc. Expenditure on inventory (food and food supplies) has increased from R181 million in the 2006/07 financial year to R738.6 million in 2009/10 financial year. This item is projected to register an expenditure of R3.2 billion in the MTEF period. The critical cost drivers underpinning expenditure on this item, is the school nutrition programme, Learner Teacher Support Material (LTSM) and scholar transport.

**Table 5.3: Summary of Provincial Payments and Estimates by Economic Classification “of which items”**

Economic classification	2006/07	2007/08	2008/09	2009/10			2010/11	2011/12	2012/13
R'000	Audited			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
<b>Current payments</b>	<b>21 953 700</b>	<b>24 750 944</b>	<b>31 028 131</b>	<b>33 533 584</b>	<b>35 164 625</b>	<b>37 395 843</b>	<b>38 703 056</b>	<b>41 251 688</b>	<b>43 211 766</b>
<i>Goods and services</i>	<b>5 437 234</b>	<b>6 131 181</b>	<b>8 069 660</b>	<b>8 524 811</b>	<b>8 758 616</b>	<b>9 132 339</b>	<b>9 154 964</b>	<b>9 950 531</b>	<b>10 784 678</b>
<i>of which</i>									
Administrative fees	12 583	15 347	10 218	26 120	26 281	21 038	14 983	16 525	15 846
Advertising	42 047	59 822	79 652	75 336	85 450	78 580	75 740	81 334	85 192
Assets <R5000	111 107	100 564	170 929	172 237	175 790	153 851	159 722	180 954	192 298
Audit cost: External	29 620	55 150	71 048	63 589	66 381	64 769	86 026	93 659	107 289
Bursaries (employees)	55 693	83 318	133 009	161 292	155 396	153 234	144 626	155 649	162 730
Catering: Departmental activities	43 717	92 774	543 524	104 703	105 340	235 274	86 357	98 156	102 093
Communication	158 950	191 376	243 135	234 643	264 790	306 370	229 901	293 543	332 020
Computer services	179 138	166 124	167 043	211 991	221 311	179 565	220 310	227 348	233 078
Cons/prof:business & advisory services	764 868	592 240	535 900	883 467	645 300	624 114	572 873	578 488	645 910
Cons/prof: Infrastructure & planning	114 596	49 234	313 713	397 041	584 536	481 936	479 445	501 996	482 036
Cons/prof: Laboratory services	6 398	6 056	325 813	419 236	404 864	446 016	489 681	595 806	668 549
Cons/prof: Legal cost	34 241	36 182	28 240	39 763	62 528	40 752	72 106	80 792	65 292
Contractors	446 945	632 418	1 016 895	937 324	831 231	978 469	1 117 353	977 517	1 085 127
Agency & support/outsourced services	7 873	6 492	75 725	130 965	117 867	120 416	190 130	228 250	278 056
Entertainment	10 931	5 842	16 124	13 724	14 099	22 649	11 242	13 358	14 149
Government motor transport	120 094	104 885	152 034	134 095	147 224	229 130	80 206	73 650	77 138
Housing	-	-	-	-	-	-	5	5	5
Inventory : Food and food supplies	181 947	322 560	151 899	697 998	680 484	738 675	942 107	1 121 973	1 231 245
Inventory : Fuel, oil and gas	-	509	71 480	57 339	56 895	66 471	65 851	75 265	96 289
Inventory :Learn & teacher support mat.	367 103	648 107	371 205	354 465	487 186	417 932	349 322	352 229	372 947
Inventory : Raw materials	77 696	3 416	34 894	44 488	43 998	40 885	37 270	37 999	39 893
Inventory : Medical supplies	228 250	251 678	796 675	943 032	1 183 368	1 163 031	1 011 858	1 138 141	1 229 492
Medsas inventory interface	-	-	2 956	5 631	5 631	9 285	-	-	-
Inventory : Military stores	-	-	-	-	-	-	-	-	-
Inventory : Other consumables	1 302 071	1 255 251	422 881	378 836	379 605	562 990	363 961	460 713	498 374
Inventory : Stationery and printing	70 404	61 313	201 798	108 004	106 695	151 171	199 387	202 101	216 342
Lease payments	176 983	201 988	330 128	330 315	394 208	414 761	466 331	546 971	613 538
Owned & leasehold property expenditure	189 285	280 823	350 419	291 186	293 272	267 905	367 492	455 164	508 174
Transport provided dept activity	112 854	262 414	502 987	420 306	316 928	207 626	468 368	490 958	503 946
Travel and subsistence	364 084	428 187	593 073	567 745	566 397	550 204	496 626	503 452	529 876
Training & staff development	49 962	59 351	128 568	156 610	172 587	149 016	213 425	224 995	246 274
Operating expenditure	129 200	111 642	140 432	101 635	98 351	155 572	84 036	88 622	92 753
Venues and facilities	48 593	46 118	60 185	61 697	63 159	73 389	57 722	54 919	58 724
Other	-	-	27 078	-	1 464	27 265	500	-	-

Source: EC Provincial Treasury, 2010

## 5.4 Payment by Policy Area

Table 5.4: Summary of Provincial Payments and Estimates by Policy Area

Policy area / department R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2006/07	2007/08	2008/09		2009/10		2010/11	2011/12	2012/13
General public services	1 500 323	2 049 315	2 647 688	2 990 352	3 218 031	3 213 537	3 215 638	3 342 688	3 530 941
Public Order and Safety	23 787	32 875	41 058	47 521	48 244	49 388	47 878	48 071	50 567
Economic Affairs	3 372 935	3 831 583	4 560 784	4 953 416	5 026 066	4 965 457	4 744 519	4 936 838	5 229 116
Environmental Protection	122 875	140 169	147 420	177 473	161 532	161 532	205 963	207 040	217 920
Housing and Community Amenities	695 835	395 340	1 229 073	1 474 789	1 531 715	1 475 856	1 826 049	2 043 393	2 814 543
Health	7 257 118	8 013 008	10 498 181	11 328 346	11 773 927	13 340 680	13 340 872	14 327 994	15 212 783
Recreation, Culture and Religion	312 050	396 664	751 987	781 315	821 808	821 808	602 939	638 753	665 807
Education	12 872 243	14 475 134	17 875 193	19 447 507	20 529 488	21 169 525	22 679 786	24 629 177	25 560 856
Social protection	730 319	880 426	1 317 567	1 434 015	1 454 622	1 454 622	1 560 151	1 732 236	1 826 250
<b>Total: Social protection</b>	<b>730 319</b>	<b>880 426</b>	<b>1 317 567</b>	<b>1 434 015</b>	<b>1 454 622</b>	<b>1 454 622</b>	<b>1 560 151</b>	<b>1 732 236</b>	<b>1 826 250</b>
<b>Total provincial payments and estimates by policy area</b>	<b>26 887 486</b>	<b>30 214 514</b>	<b>39 068 951</b>	<b>42 634 734</b>	<b>44 565 433</b>	<b>46 652 405</b>	<b>48 223 795</b>	<b>51 906 191</b>	<b>55 108 782</b>

Table 5.4 highlights the summary of provincial payment and estimate by policy area for the period 2006/07 financial year to 2012/13 financial year. The social services sector (Education and Health) accounts for more than 75 per cent of the provincial expenditure, followed by economic affairs and general public service sectors, respectively. Expenditure for Education and Health sectors continued to dominate over the past financial years.

## 5.5 Infrastructure Payments

Over the 2010/11 MTEF, a total amount of R 5,3 billion (Table 5.5 ) has been allocated for infrastructure. The bulk of this allocation is to the department of Roads and Transport, Health and Education. Allocations to the three departments amount to R16,3 billion representing 95% of the provincial infrastructure budget.

Table 5.5: Infrastructure by Vote

VOTE	OUTCOME			Main Budget	Adjusted Budget 2009/10	Revised Budget	2010/11 MTEF		
	2006/07	2007/08	2008/09				2010/11	2011/12	2012/13
Health	695 439	807 864	962 928	1 241 016	1 285 383	1 241 016	1 481 303	1 640 648	1 726 425
Social Development	29 334	26 906	26 808	19 273	26 273	26 273	41 121	43 265	45 605
Roads and Public Works	78 480	168 257	269 779	234 800	234 800	234 800	2 222 516	2 337 919	2 479 006
Education	560 339	552 337	987 032	981 837	981 837	981 837	1 323 485	1 488 253	1 597 471
Local Government & Traditional Affairs				25 000	25 000	25 000	7 242	7 682	8 080
Agriculture	62 898	64 329	131 369	139 268	150 250	150 250	154 515	165 229	179 254
Transport	33 496	1 868 125	2 126 165	2 201 912	2 174 098	2 174 098	32 434	29 777	29 739
Sport, Recreation, Arts & Culture	16 974	26 637	263 698	257 383	265 512	265 512	53 185	51 408	47 987
<b>TOTAL</b>	<b>1 476 960</b>	<b>3 514 455</b>	<b>4 767 779</b>	<b>5 100 489</b>	<b>5 143 153</b>	<b>5 098 786</b>	<b>5 315 801</b>	<b>5 764 181</b>	<b>6 113 567</b>

The allocations to these departments continue to fund the projects that were being implemented in the previous financial years ie:

- The Department of Roads and Transport infrastructure budget will be utilized for impassible/inaccessible roads, re-gravelling of roads and Community Based Public Works Program. This Department takes up a significant share of the infrastructure budget as its total allocations in the 2010/11 MTEF amounts to 41 percent of the total Provincial Infrastructure Allocations.

- The bulk of Department of Education's infrastructure allocation falls under Programme 2: Public Ordinary School Education and the allocations. The infrastructure budget over the MTEF grows from R981.837 million in 2009/10 to R1.323 billion in 2010/11, representing an increase of 26 per cent or R341, 648 million. This positive growth should enable the department to make provision for pressing infrastructural needs, particularly in respect of the roll-out of Grade R, rebuilding of mud structure schools and non-school buildings. Over the new MTEF, the infrastructure deliverables will, in addition to classrooms and toilets, also include laboratories, computer and ECD centres. The increase in the budget is commensurate with the increase in the Infrastructure Grant, which specifically focuses on the backlogs in education and school infrastructure needs, including the replacing of unsafe and inappropriate school structures, maintenance and improving infrastructure delivery capacity.
- The Department of Health's infrastructure budget will be utilized for the construction of clinics, community health centres, district hospitals, regional hospitals, the replacement of obsolete equipment and the buying of new and modern equipment such as the linear Accelerators at PE and EL hospital complexes.

**Table 5.6: Summary of Provincial Infrastructure payments and estimates per category**

R'000	OUTCOME			Main Appropriation	Adjusted Appropriation. 2009/10	Revised Appropriation	2010/11 MTEF		
	2006/07	2007/08	2008/09				2010/11	2011/12	2012/13
New and replacement assets	526 705	926 380	1 034 206	487 344	671 228	723 932	1 720 455	1 773 031	1 843 657
Existing infrastructure assets	948 647	2 570 334	3 483 573	4 323 803	4 229 925	4 132 854	3 557 846	3 903 650	4 194 310
Upgrades and additions	200 972	1 307 174	1 919 232	2 887 201	2 232 586	2 528 870	1 502 157	1 974 947	2 104 958
Rehabilitation, renovations and refurbishments	520 500	778 819	848 468	506 479	846 041	730 142	341 143	194 710	299 790
Maintenance and repairs	227 175	484 341	715 873	930 123	1 151 298	873 842	1 714 546	1 733 993	1 789 562
Infrastructure Transfers	1 608	17 741	250 000	289 342	242 000	242 000	37 500	87 500	75 600
Current							37 500	87 500	75 600
Transfers	1 608	17 741	250 000	289 342	242 000	242 000			
<b>Total Provincial Infrastructure Payments and Estimates</b>	<b>1 476 960</b>	<b>3 514 455</b>	<b>4 767 779</b>	<b>5 100 489</b>	<b>5 143 153</b>	<b>5 098 786</b>	<b>5 315 801</b>	<b>5 764 181</b>	<b>6,113,567</b>

Table 5.6 indicates the split of the Provincial Infrastructure payments and estimates per category. The province is continuing to support the prioritization of maintenance to infrastructure and to ensure that the lifecycle costing of infrastructure as demonstrated by the increasing allocations from 2006/7 to 2012/13 financial years.

## 5.6 Transfers

### *Transfers to Public Entities*

The Eastern Cape has thirteen entities listed in Schedule 3 of the PFMA: nine of these are listed as Provincial Public Entities, while four as Government Business Enterprises. The sector has received over R3.1 billion in funding over the past four years, with an estimated R2.5 billion investment planned over the MTEF. A summary of all transfers to public entities is presented and summarised by transferring department in Table 1.16. Specific details relating to transfers to public entities are contained in the relevant Vote in the *Estimates of Provincial Expenditure*.

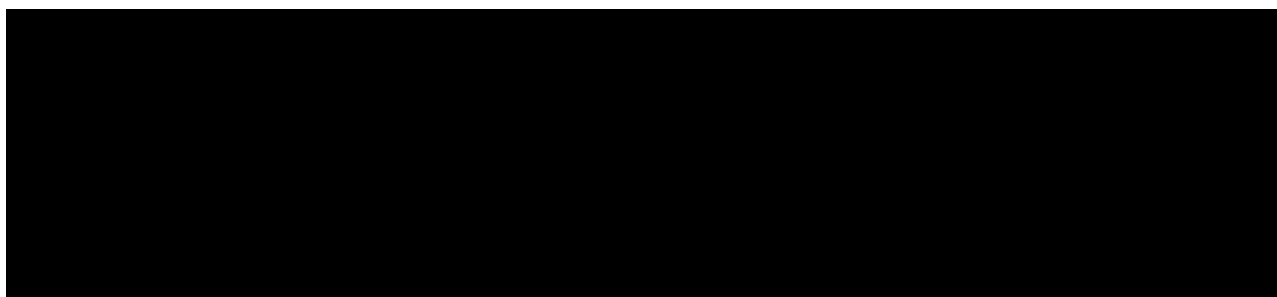
**Table 5.7: Summary of Provincial Transfers to Public Entities by transferring Department**

R'000	Outcome			Main appropriation	Adjusted appropriation 2009/10	Revised estimate	Medium-term estimates		
	2006/07	2007/08	2008/09				2010/11	2011/12	2012/13
Vote 01: Office of the Premier	49,842	59,331	64,047	66,431	64,456	64,456	51,801	54,239	56,946
Vote 08: Agriculture	20,000	52,500	25,000	45,000	45,000	45,000	152,600	55,072	57,826
Vote 09: Economic Dev. & Env. Affairs	538,668	561,855	619,376	789,688	800,988	800,988	529,369	576,001	606,241
Vote 10: Roads & Transport	41,252	50,565	37,195	51,500	51,500	51,500	44,669	46,429	48,750
Vote 14: Sport, Recreation, Arts & Culture	19,181	17,993	23,300	20,395	31,401	31,401	35,725	32,033	38,643
<b>Total provincial transfers to public entities</b>	<b>668,943</b>	<b>742,244</b>	<b>768,918</b>	<b>973,014</b>	<b>993,345</b>	<b>993,345</b>	<b>814,164</b>	<b>763,774</b>	<b>808,406</b>

Total transfers to public entities decrease to R814,2 million (-18.0 per cent) in 2010/11, from a revised estimate of R993,3 million. This decrease is as a result of once-off projects financed at the Coega Development Corporation in 2009/10.

### *Transfers to Development Corporations*

A summary of transfers to development corporations, by entity, including those transfers already incorporated in Table 5.7 is presented here.

**Table 5.8: Summary of Provincial Transfers to Development Corporations by Entity**


Transfers to development corporations account for 62 per cent of total transfers to public entities in the 2010/11 financial year, with transfers to the Eastern Cape Development Corporation (ECDC) and East London Industrial Development Zone (ELIDZ) taking the largest share. There is also a R50 million decrease in funding (from R150 million in 2009/10) allocated for AsgiSA projects. From 2010/11, AsgiSA projects have been assigned to the Department of Agriculture, and therefore there is a R100 million shift in transfers from the EC Development Corporation to the EC Rural Finance Corporation in that year. Provision for AsgiSA projects has not been made beyond 2010/11 as these funds will only become available once the Transkei Development and Reserve Fund (TDRF) has been reassigned. The funds from TDRF will be ring-fenced for rural development initiatives in the province.

### *Transfers to Local Government*

Table 5.8 above illustrates summary of provincial transfers to local municipalities over the MTEF period. There is steady increase of transfers to local municipalities. The main purpose of these transfers is to enable the municipalities to deliver bulk infrastructure or basic services to the people (e.g. water, electricity, sanitation, etc). The lack of a credible information system for collecting information on expenditure by

district and local municipalities has severely hampered attempts to show the spatial distribution of the provincial expenditure.

**Table 5.9: Summary of Provincial Transfers to Local Municipality by Category**

R' 000	2006/07	2007/08	2008/09	2009/10			2010/11	2011/12	2012/13	% change from 2009/10
	Audited			Main budget	Adjusted budget	Revised estimate	Medium-term estimates			
Category A	88 768	82 163	195 166	262 586	280 838	271 870	168 323	173 700	180 105	(38.09)
Category B	151 163	54 120	378 540	342 735	445 056	304 831	204 868	218 343	232 584	(32.79)
Category C	110 300	108 499	172 084	187 419	205 658	220 627	183 671	201 467	213 664	(16.75)
Unclassified	110 414	225 954	( 12 545 )	8 606	3 839	58 793	4 500	( 0 )	1	(92.35)
<b>Total transfers to local govt</b>	<b>460 645</b>	<b>470 736</b>	<b>733 245</b>	<b>801 346</b>	<b>935 391</b>	<b>856 121</b>	<b>561 362</b>	<b>593 509</b>	<b>626 355</b>	<b>(34.43)</b>

## 5.7 Personnel Numbers and Costs

Table 5.9 below illustrates summary of personnel numbers and costs by vote over the MTEF period. The provincial personnel numbers and costs increased over the MTEF period. Provincial government is the largest employer in the province given that the province has highest unemployment rate in the country. The department of Education and Health accounts for 80 per cent in terms of personnel numbers and costs.

**Table 5.10 Personnel Numbers and Costs by Vote**

Vote R'000	As at 31 March 2007	As at 31 March 2008	As at 31 March 2009	As at 31 March 2010	As at 31 March 2011	As at 31 March 2012	As at 31 March 2013
1. Office Of The Premier	411	391	369	332	460	459	459
2. Provincial Legislature	237	256	257	291	341	350	361
3. Health	33 543	34 597	40 719	45 393	48 848	55 921	62 193
4. Social Development	1 426	2 152	2 719	2 901	3 176	3 469	4 597
5. Roads And Public Works	2 392	2 380	5 171	3 576	3 705	3 710	3 716
6. Basic Education	74 266	75 255	84 473	87 990	88 343	90 572	92 830
7. Local Government And Traditional Affairs	590	749	238	1 603	1 603	1 603	1 603
8. Agriculture And Rural Development	3 221	3 429	3 431	3 429	3 429	3 429	3 586
9. Economic Development And Environmental Affairs	1 021	565	693	700	710	743	781
10. Transport	1 296	1 517	1 586	1 644	1 634	1 647	1 655
11. Human Settlements	132	169	469	555	545	557	557
12. Provincial Treasury	301	428	419	703	727	727	727
14. Sport, Recreation, Arts And Culture	958	1 244	1 765	1 750	1 750	1 750	1 750
15. Safety And Liaison		84	125	122	126	121	121
<b>Total personnel numbers</b>	<b>119 794</b>	<b>123 216</b>	<b>142 434</b>	<b>150 989</b>	<b>155 397</b>	<b>165 058</b>	<b>174 936</b>
Total personnel cost (R'000)	10 706 948	11 726 254	13 755 201	16 817 643	17 372 413	18 630 223	19 222 683
Unit cost (R'000)	89	95	97	111	112	113	110

Source: Provincial Treasury, 2009

Table 5.11 Provincial Personnel Numbers and Costs

R' 000	2005/06	2006/07	2007/08	2008/09			2009/10	2010/11	2011/12	% change from 2008/09
	Audited			Main budget	Adjusted budget	Revised estimate	Medium-term estimates			
Total for the Province										
Personnel numbers (head count)	119 794	123 216	142 434	146 437	146 291	150 989	155 397	165 058	174 936	2.92
Personnel cost (R'000)	16 515 903	18 616 508	22 934 501	25 002 946	26 406 009	28 263 504	29 548 093	31 301 157	32 427 088	4.55
of which										
Human resources component										
Personnel numbers (head count)	4 634	5 108	6 044	6 247	5 947	5 948	5 898	5 934	5 951	(0.84)
Personnel cost (R'000)	652 637	775 156	936 083	1 117 629	1 045 491	838 971	960 030	957 364	924 164	14.43
Head count as % of total for department	3.87	4.15	4.24	4.27	4.07	3.94	3.80	3.59	3.40	(3.65)
Personnel cost as % of total for department	3.95	4.16	4.08	4.47	3.96	2.97	3.25	3.06	2.85	9.45
Finance component										
Personnel numbers (head count)	1 564	2 216	2 441	2 914	3 248	3 281	3 257	3 276	3 132	(0.73)
Personnel cost (R'000)	267 919	338 779	363 345	521 088	603 578	503 007	641 281	668 721	689 632	27.49
Head count as % of total for department	1.31	1.80	1.71	1.99	2.22	2.17	2.10	1.98	1.79	(3.55)
Personnel cost as % of total for department	1.62	1.82	1.58	2.08	2.29	1.78	2.17	2.14	2.13	21.95
Full time workers										
Personnel numbers (head count)	109 886	110 402	124 137	126 907	126 818	126 784	128 261	130 523	132 812	1.16
Personnel cost (R'000)	15 109 182	16 806 383	20 626 483	22 491 794	22 609 114	11 823 551	25 599 104	27 399 771	28 358 558	116.51
Head count as % of total for department	91.73	89.60	87.15	86.66	86.69	83.97	82.54	79.08	75.92	(1.70)
Personnel cost as % of total for department	91.48	90.28	89.94	89.96	85.62	41.83	86.64	87.54	87.45	107.10
Part-time workers										
Personnel numbers (head count)	419	388	428	270	271	270	268	266	266	(0.74)
Personnel cost (R'000)	89 281	103 905	7 722 022	134 880	135 188	129 087	198 145	206 012	214 501	53.50
Head count as % of total for department	0.35	0.31	0.30	0.18	0.19	0.18	0.17	0.16	0.15	(3.56)
Personnel cost as % of total for department	0.54	0.56	33.67	0.54	0.51	0.46	0.67	0.66	0.66	46.82
Contract workers										
Personnel numbers (head count)	7 646	8 824	10 125	12 524	12 542	12 884	11 667	11 819	12 011	(9.45)
Personnel cost (R'000)	440 209	560 129	3 653 056	803 508	807 308	524 581	1 039 213	1 164 106	1 102 838	98.10
Head count as % of total for department	6.38	7.16	7.11	8.55	8.57	8.53	7.51	7.16	6.87	(12.01)
Personnel cost as % of total for department	2.67	3.01	15.93	3.21	3.06	1.86	3.52	3.72	3.40	89.49

Source: Provincial Treasury, 2009

## 5.8 Payments on Training

Training for government employees is an important priority in order to build human capital so that service delivery could be driven effectively and efficiently. Training constitutes group of items that provide details of staff development and the related costs in terms of external training or the development of training material and manuals for in-house training. Table 1.21 below highlights the summary of provincial personnel numbers and costs. The provincial training costs increased from R145.8 million in 2006/07 to R114.5 million in 2008/09. For 2009/10, training costs recorded an amount of R260.1 million which higher than the previous years.

**Table 5.12 Payments on Training by Vote**

R' 000	2005/06	2006/07	2007/08	2008/09			2009/10	2010/11	2011/12	% change from 2008/09
	Audited			Main budget	Adjusted budget	Revised estimate	Medium-term estimates			
1. Office Of The Premier	1 063	1 698	2 210	4 482	4 482	4 482	4 730	4 915	5 161	5.53
2. Provincial Legislature	23	23								
3. Health	56 083	53 556	100 283	103 442	103 442	29 604	91 716	95 904	100 699	209.81
4. Social Development	1 579	1 659		1 840	1 840	1 840	2 180	2 282	2 295	18.48
5. Roads And Public Works	5 010	5 822	6 314	6 736	6 736	6 736	6 737	6 738	7 006	0.01
6. Basic Education	35 992	61 053	102 347	113 139	106 696	105 676	167 262	175 795	186 434	58.28
7. Local Government And Traditional Affairs	2 537	2 666	3 335	4 818	4 818	4 207	3 713	3 386	3 659	(11.75)
8. Agriculture And Rural Development	11 310	13 481	9 774	19 985	19 985		20 181	20 497		
9. Economic Development And Environmental Affairs			4 588	4 810	4 810	4 654	3 972	5 111	5 367	(14.65)
10. Transport	5 066	3 658	1 534	1 655	1 655	1 655	1 704	1 811	1 860	2.96
11. Human Settlements	797	965		1 500	1 500	420	650	700	735	54.76
12. Provincial Treasury	884	755	1 284	204	976	777	1 078	1 141	1 207	38.74
14. Sport, Recreation, Arts And Culture	2 719	2 520	5 843	6 504	6 504	6 456	6 763	7 223	4 414	4.76
15. Safety And Liaison	106	199	1 010	479	479	479	508	529	555	6.05
Total payments on training	123 169	148 055	238 522	269 593	263 922	166 986	311 194	326 033	319 392	86.36

Source: Provincial Treasury, 2009



## **Annexure to the Overview of Provincial Expenditure**



## Table A.1: Details of information on conditional grants

Table A1: Details of information on conditional

Department/Grant	Purpose	2006/07		2007/08		2008/09		2009/10		2010/11	2011/12	2012/13
		Total Available	Actual Payments	Total Available	Actual Payments	Total Available	Actual Payments	Total Available	Estimated Actual Payments	Medium-term estimates		
<b>Agriculture</b>		<b>104 015</b>	<b>84 137</b>	<b>100 365</b>	<b>93 242</b>	<b>112 153</b>	<b>97 363</b>	<b>137 591</b>	<b>157 591</b>	<b>188 725</b>	<b>219 801</b>	<b>230 792</b>
Agricultural Disaster Management Grant	To relief farmers from the effects of drought/veldfire, cold spell, hail storm and flood in identified areas	24 806	12 400	20 000	20 000	2 000	-	4 000	24 000			
Comprehensive Agricultural Support Programme Grant	To create a favourable and supportive agricultural services environment for the farming community, in particular subsistence, emerging and commercial farmers.	63 047	63 409	69 898	63 459	102 808	90 018	120 364	120 364	160 004	170 557	179 085
Ilima/Letsema projects grant	The grant is aimed at assisting previously disadvantaged South African farming communities to achieve an increase in agricultural production.							5 000	5 000	20 000	40 000	42 000
Land Care Programme Grant: Poverty Relief & Infrastructure Development	Aims to further expand farm infrastructure for dipping, fencing, and rehabilitation of irrigation schemes where these could be viable.	16 162	8 328	10 467	9 783	7 345	7 345	8 227	8 227	8 721	9 244	9 707
<b>Education</b>		<b>352 912</b>	<b>253 621</b>	<b>448 891</b>	<b>408 040</b>	<b>557 871</b>	<b>581 239</b>	<b>516 863</b>	<b>516 863</b>	<b>1 300 382</b>	<b>1 484 964</b>	<b>1 580 516</b>
Early Childhood Development Grant	Provide support to early childhood development	-	-	-	-	-	-	-	-	-	-	-
Financial Management and Quality Enhancement Grant	This grant is to improve financial management in the education system and improve the quality of education in schools	-	-	50 000	294	-	-	-	-	-	-	-
Technical Secondary Schools Recapitalisation	To boost the number of industrial related apprenticeship and learnerships in scarce skills									9 549	23 873	25 066
Expanded Public Works Programme Incentive Grant	Provides incentives to provinces and municipalities to increase spending on labour-intensive programmes.									500		
Further Education and Training College Sector Recapitalisation Grant	To recapitalize FET colleges	61 000	61 000	88 248	90 172	115 671	115 671	-	-	555 208	581 579	610 484
HIV and Aids (Life Skills Education) Grant	To provide for life skills training, sexuality and HIV and Aids education in primary and secondary schools.	25 805	25 979	26 797	26 394	28 542	27 967	30 168	30 168	32 189	34 346	35 322
National School Nutrition Programme Grant	Seeks to improve nutrition of poor school children, enhance active learning capacity and improve attendance in schools.	266 107	166 642	283 846	291 180	413 658	437 601	486 695	486 695	702 936	845 166	909 644
<b>Economic Development &amp; Environmental Affairs</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 684</b>	<b>-</b>	<b>-</b>
Expanded public works programme incentive grant	Enables the health sector to develop a specific response to HIV and Aids. In addition to HIV and Aids prevention programmes, the grant supports specific interventions that include voluntary counselling and testing, prevention of mother-to-child transmissio									1 684		

grants

**Table A1: Details of information on conditional grants  
(continued)**

Department/Grant	Purpose	2006/07		2007/08		2008/09		2009/10		2010/11	2011/12	2012/13
		Total Available	Actual Payments	Total Available	Actual Payments	Total Available	Actual Payments	Total Available	Estimated Actual Payments	Medium-term estimates		
<b>Agriculture</b>		<b>104 015</b>	<b>84 137</b>	<b>100 365</b>	<b>93 242</b>	<b>112 153</b>	<b>97 363</b>	<b>137 591</b>	<b>157 591</b>	<b>188 725</b>	<b>219 801</b>	<b>230 792</b>
Agricultural Disaster Management Grant	To relief farmers from the effects of drought/veldfire, cold spell, hail storm and flood in identified areas	24 806	12 400	20 000	20 000	2 000	-	4 000	24 000			
Comprehensive Agricultural Support Programme Grant	To create a favourable and supportive agricultural services environment for the farming community, in particular subsistence, emerging and commercial farmers.	63 047	63 409	69 898	63 459	102 808	90 018	120 364	120 364	160 004	170 557	179 085
Ilima/Letsema projects grant	The grant is aimed at assisting previously disadvantaged South African farming communities to achieve an increase in agricultural production.							5 000	5 000	20 000	40 000	42 000
Land Care Programme Grant: Poverty Relief & Infrastructure Development	aims to further expand farm infrastructure for dipping, fencing, and rehabilitation of irrigation schemes where these could be viable.	16 162	8 328	10 467	9 783	7 345	7 345	8 227	8 227	8 721	9 244	9 707
<b>Education</b>		<b>352 912</b>	<b>253 621</b>	<b>448 891</b>	<b>408 040</b>	<b>557 871</b>	<b>581 239</b>	<b>516 863</b>	<b>516 863</b>	<b>1 300 382</b>	<b>1 484 964</b>	<b>1 580 516</b>
Early Childhood Development Grant	Provide support to early childhood development	-	-	-	-	-	-	-	-	-	-	-
Financial Management and Quality Enhancement Grant	This grant is to improve financial management in the education system and improve the quality of education in schools	-	-	50 000	294	-	-	-	-	-	-	-
Technical Secondary Schools Recapitalisation	To boost the number of industrial related apprenticeship and learnerships in scarce skills									9 549	23 873	25 066
Expanded Public Works Programme Incentive Grant	Provides incentives to provinces and municipalities to increase spending on labour-intensive programmes.									500		
Further Education and Training College Sector Recapitalisation Grant	To recapitalize FET colleges	61 000	61 000	88 248	90 172	115 671	115 671	-	-	555 208	581 579	610 484
HIV and Aids (Life Skills Education) Grant	To provide for life skills training, sexuality and HIV and Aids education in primary and secondary schools.	25 805	25 979	26 797	26 394	28 542	27 967	30 168	30 168	32 189	34 346	35 322
National School Nutrition Programme Grant	Seeks to improve nutrition of poor school children, enhance active learning capacity and improve attendance in schools.	266 107	166 642	283 846	291 180	413 658	437 601	486 695	486 695	702 936	845 166	909 644
<b>Economic Development &amp; Environmental Affairs</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 684</b>	<b>-</b>	<b>-</b>
Expanded public works programme incentive grant	Enables the health sector to develop a specific response to HIV and Aids. In addition to HIV and Aids prevention programmes, the grant supports specific interventions that include voluntary counselling and testing, prevention of mother-to-child transmissio									1 684		
<b>Health</b>		<b>956 554</b>	<b>940 225</b>	<b>1 096 904</b>	<b>1 111 209</b>	<b>1 294 956</b>	<b>1 270 897</b>	<b>1 362 343</b>	<b>1 458 663</b>	<b>1 872 185</b>	<b>2 076 109</b>	<b>2 293 126</b>
Comprehensive HIV and Aids Grant	Enables the health sector to develop a specific response to HIV and Aids. In addition to HIV and Aids prevention programmes, the grant supports specific interventions that include voluntary counselling and testing, prevention of mother-to-child transmissio	232 021	277 964	233 204	298 891	300 522	335 865	401 727	493 702	690 940	859 157	1 013 609
2010 World Cup Health Preparation Strategy Grant	Aims to address health interventions towards 2010 World Cup								4 345			

**Table A1: Details of information on conditional grants (continued)**

Department/Grant	Purpose	2006/07		2007/08		2008/09		2009/10		2010/11	2011/12	2012/13
		Total Available	Actual Payments	Total Available	Actual Payments	Total Available	Actual Payments	Total Available	Estimated Actual Payments	Medium-term estimates		
<b>Health</b>		<b>956 554</b>	<b>940 225</b>	<b>1 096 904</b>	<b>1 111 209</b>	<b>1 294 956</b>	<b>1 270 897</b>	<b>1 362 343</b>	<b>1 458 663</b>	<b>1 872 185</b>	<b>2 076 109</b>	<b>2 293 126</b>
Comprehensive HIV and Aids Grant	Enables the health sector to develop a specific response to HIV and Aids. In addition to HIV and Aids prevention programmes, the grant supports specific interventions that include voluntary counselling and testing, prevention of mother-to-child transmissio	232 021	277 964	233 204	298 891	300 522	335 865	401 727	493 702	690 940	859 157	1 013 609
2010 World Cup Health Preparation Strategy Grant	Aims to address health interventions towards 2010 World Cup								4 345			
Expanded public works programme incentive grant - Social sector	Provides incentives to the Social sector departments for increased spending on labour-intensive programmes.									6 012		
Expanded public works programme incentive grant	Provides incentives to provinces and municipalities to increase spending on labour-intensive programmes.									27 647		
Forensic Pathology Services Grant	Assists with the transfer of medico-legal mortuaries from the South African Police Service to the health sector and to provide comprehensive forensic pathology services for the criminal justice system.	91 867	39 708	119 704	119 636	90 324	58 768	61 214	61 214	69 345	73 506	77 185
Health Professions Training and Development Grant	Funds the costs associated with the training of health professionals, and the development and recruitment of medical specialists	133 392	134 712	110 150	109 510	140 641	141 321	151 362	151 362	160 444	170 071	178 730
Hospital Revitalisation Grant	Plays a key role in transforming and modernising infrastructure and equipment in hospitals.	125 071	135 382	204 934	196 400	290 927	257 881	238 611	238 611	360 660	386 048	406 909
National Tertiary Services Grant	aims to provide strategic funding to enable provinces to plan, modernise, and transform the tertiary hospital service delivery platform in line with national policy objectives.	374 203	352 272	428 912	386 772	472 542	477 062	509 429	509 429	557 137	587 327	616 693
Integrated Nutrition Programme Grant	To implement integrated nutrition activities aimed at improving the nutritional status of South Africans.	-	187	-	-	-	-	-	-			
<b>Housing</b>		<b>761 994</b>	<b>637 467</b>	<b>509 477</b>	<b>525 386</b>	<b>1 251 018</b>	<b>1 004 842</b>	<b>1 313 378</b>	<b>1 313 378</b>	<b>1 599 146</b>	<b>1 802 873</b>	<b>2 561 647</b>
Expanded Public Works Programme Incentive Grant	Provides incentives to provinces and municipalities to increase spending on labour-intensive programmes.									500		
Integrated Housing and Human Settlement Development Grant	Facilitates the establishment of habitable, stable and sustainable human settlements in which all citizens have access to social and economic amenities.	761 994	637 467	509 477	525 386	1 251 018	1 004 842	1 313 378	1 313 378	1 598 646	1 802 873	2 561 647
<b>National Treasury</b>		<b>742 139</b>	<b>742 139</b>	<b>1 123 343</b>	<b>1 007 232</b>	<b>1 317 909</b>	<b>1 063 530</b>	<b>1 661 391</b>	<b>1 661 391</b>	<b>2 010 800</b>	<b>2 305 798</b>	<b>2 520 560</b>
Provincial Infrastructure Grant	Augments provincial funding to accelerate construction, maintenance and rehabilitation of new and existing infrastructure in education, roads, health and agriculture, and also contributes to rural development.	742 139	742 139	1 123 343	1 007 232	1 317 909	1 063 530	1 661 391	1 661 391	2 010 800	2 305 798	2 520 560
<i>Of which</i>												
<i>Transport / Roads &amp; Public Works</i>		742 139	742 139	838 937	838 937	877 966	877 966	1 124 873	1 124 873	1 120 414	1 117 832	1 221 947
<i>Education</i>				50 000		132 432	51 298	202 141	202 141	504 179	711 692	777 979
<i>Agriculture</i>				42 886	37 279	54 894	54 894	54 894	54 894	54 425	54 063	59 098
<i>Health</i>				150 000	131 016	194 370	79 372	279 483	279 483	331 782	422 211	461 536
<i>Unallocated</i>		-	-	41 520	-	58 247	-	-	-	-	-	-

**Table A1: Details of information on conditional grants (continued)**

Department/Grant	Purpose	2006/07		2007/08		2008/09		2009/10		2010/11	2011/12	2012/13
		Total Available	Actual Payments	Total Available	Actual Payments	Total Available	Actual Payments	Total Available	Estimated Actual Payments	Medium-term estimates		
<b>Transport</b>		-	-	-	-	-	-	126 540	126 540	153 596	166 953	180 460
Overload Control Grant		-	-	-	-	-	-	-	-	5 519		
Public Transport Operations Grant	To provide supplementary funding towards public transport services provided by provincial departments of transport.	-	-	-	-	-	-	126 540	126 540	148 077	166 953	180 460
<b>Provincial and Local Government</b>		-	-	-	-	-	-	-	-	-	-	-
Disaster Relief Grant	Provide relief to areas affected by disasters	-	-	-	-	-	-	-	-	-	-	-
<b>Sport and Recreation South Africa</b>		17 187	16 918	28 511	27 010	44 895	44 895	62 765	62 765	66 531	70 523	74 049
Mass Sport and Recreation Participation Programme Grant	Promotes mass participation by historically disadvantaged communities in a selected number of developmental sporting activities.	17 187	16 918	28 511	27 010	44 895	44 895	62 765	62 765	66 531	70 523	74 049
<b>Trade and Industry</b>		58 200	58 200	-	-	-	-	-	-	-	-	-
Industrial Development Zones	Provide for economic infrastructure in the East London IDZ	58 200	58 200	-	-	-	-	-	-	-	-	-
<b>Social Development</b>		-	-	-	-	-	-	-	-	5 074	-	-
Expendable Public Works Programme - Social sector	To support and provide appropriate social welfare services and development interventions	-	-	-	-	-	-	-	-	202		
Expanded Public Works Programme	To fund the administration of social assistance grants.	-	-	-	-	-	-	-	-	4 872		
<b>Sport, Recreation, Arts &amp; Culture</b>		-	-	17 010	10 467	42 588	38 437	55 515	55 515	77 357	80 974	79 273
Expanded Public Works Programme Incentive Grant	Provides incentives to provinces and municipalities to increase	-	-	17 010	10 467	42 588	38 437	55 515	55 515	117		
Community Libraries	provide direct access to information and knowledge, contributing to education and self-empowerment.	-	-	17 010	10 467	42 588	38 437	55 515	55 515	77 240	80 974	79 273
<b>Public Works</b>		-	-	-	-	119 638	119 638	164 053	180 698	177 171	156 315	164 131
Devolution of Property Rates Funds Grant	To facilitate the transfer of property rates expenditure responsibility to provinces; and to enable provincial accounting officers to be fully accountable for their expenditure and payment of provincial property rates.	-	-	-	-	119 638	119 638	134 061	150 706	147 467	156 315	164 131
Expanded Public Works Programme Incentive Grant - Social sector	Provides incentives to the Social sector departments for increased spending on labour-intensive programmes.	-	-	-	-	-	-	29 992	29 992	-		
Expanded Public Works Programme Incentive Grant	Provides incentives to provinces and municipalities to increase spending on labour-intensive programmes.	-	-	-	-	-	-	-	-	29 704	-	-
<b>Total conditional grants</b>		2 993 001	2 732 707	3 324 501	3 182 586	4 741 028	4 220 841	5 400 439	5 533 404	7 452 651	8 364 310	9 684 554

# Table A.2: Details of information on provincial own receipts

**Table A2: Details of total provincial receipts**

R' 000	2006/07	2007/08	2008/09	2009/10			2010/11	2011/12	2012/13	% change from 2009/10
	Audited			Main budget	Adjusted budget	Revised estimate	Medium-term estimates			
<b>Tax receipts</b>	312 671	333 644	384 057	393 710	393 710	389 084	<b>433 123</b>	469 615	510 404	11.32
Casino taxes	72 052	82 433	87 718	94 368	94 368	86 031	<b>103 805</b>	108 995	114 445	20.66
Horse racing taxes	3 119	4 190	4 466	5 272	5 272	7 737	<b>5 799</b>	6 089	6 393	(25.05)
Liquor licences	6 276	5 931	1 977	7 249	7 249	8 495	<b>7 974</b>	8 373	8 791	(6.13)
Motor vehicle licences	231 224	241 090	289 896	286 821	286 821	286 821	<b>315 545</b>	346 158	380 774	10.01
<b>Sales of goods and services other than capital assets</b>	104 631	131 007	163 928	164 396	164 396	124 045	<b>175 360</b>	186 284	197 253	41.37
Sales of goods and services produced by department (excluding capital assets)	95 222	122 170	163 441	154 391	154 391	114 040	<b>164 354</b>	174 177	183 935	44.12
Sales by market establishments	30 542		4 075							
Administrative fees	89	1 784	4 941							
Other sales	64 591	120 386	154 425	154 391	154 391	114 040	<b>164 354</b>	174 177	183 935	44.12
<i>Of which</i>										
Boarding & Lodging	8 336	9 299	5 833	18 339	18 339	13 299	<b>19 771</b>	21 332	23 160	48.67
Commission on insurance	7 794	8 011	26 224	45 399	45 399	16 412	<b>37 956</b>	39 748	41 717	131.27
External exams			281	226	226	45	<b>246</b>	258	271	446.67
Health patient fees	41 014	56 054	73 771	55 142	55 142	53 390	<b>60 661</b>	63 694	66 879	13.62
Registration, tuition & exam fees	1 277	1 277	1 277	1 277	1 277	1 277	<b>1 277</b>	1 277	1 277	
Sales of agricultural products	2 453	1 284	11 680							
Subsidised Motor Transport	1 568	1 883	1 256	1 926	1 926	2 308	<b>1 966</b>	2 030	2 061	(14.82)
Vehicle repair service	2 149	43 362	1 360	29 875	29 875	25 805	<b>39 709</b>	42 793	45 239	53.88
Other		( 784 )	32 743	2 207	2 207	1 504	<b>2 768</b>	3 045	3 331	84.04
Sales of scrap, waste, arms and other used current goods (excluding capital assets)	9 409	8 837	487	10 005	10 005	10 005	<b>11 006</b>	12 107	13 318	10.00
<b>Transfers received from</b>		16								
Other governmental units										
Universities and technikons										
Foreign governments										
International organisations										
Public corporations and private enterprises		16								
Households and non-profit institutions										
<b>Fines, penalties and forfeits</b>	6 002	6 255	8 529	7 517	7 517	7 561	<b>8 268</b>	9 095	1 005	9.35
<b>Interest, dividends and rent on land</b>	315 230	494 003	369 087	132 077	132 077	134 657	<b>11 373</b>	11 816	12 400	(91.55)
Interest	315 230	493 998	369 087	132 077	132 077	134 657	<b>11 373</b>	11 816	12 400	(91.55)
Dividends										
Rent on land		5								
<b>Sales of capital assets</b>	30 777	4 768	12 100	1 125	1 125	1 229	1 286	1 413	1 554	4.64
Land and subsoil assets	3 073	374								
Other capital assets	27 704	4 394	12 100	1 125	1 125	1 229	<b>1 286</b>	1 413	1 554	4.64
<b>Financial transactions in assets and liabilities</b>	31 140	38 553	28 288	4 827	4 827	61 241	<b>7 580</b>	7 952	8 782	(87.62)
<b>Total departmental receipts</b>	<b>800 451</b>	<b>1 008 246</b>	<b>965 989</b>	<b>703 652</b>	<b>703 652</b>	<b>717 817</b>	<b>636 990</b>	<b>686 175</b>	<b>731 398</b>	<b>(11.26)</b>





# Table A.3: Details of information on provincial payments and estimates

**Table A3: Details of provincial payments and estimates by economic classification**

R 000	2006/07	2007/08	2008/09	2009/10			2010/11	2011/12	2012/13	% change from 2009/10
	Audited			Main budget	Adjusted budget	Revised estimate	Medium-term estimates			
<b>Current payments</b>	21 953 700	24 750 944	31 028 131	33 533 584	35 164 625	37 395 843	<b>38 703 056</b>	41 251 688	43 211 766	3.50
Compensation of employees	16 515 903	18 616 508	22 934 501	25 002 946	26 406 009	28 263 504	<b>29 548 093</b>	31 301 157	32 427 088	4.55
Salaries and wages	14 177 891	16 008 514	19 466 822	21 616 477	22 994 328	26 154 909	<b>25 552 140</b>	27 248 787	28 200 135	(2.30)
Social contributions	2 338 013	2 607 994	3 467 679	3 386 469	3 411 681	2 108 595	<b>3 995 953</b>	4 052 371	4 226 953	89.51
Goods and services	5 437 234	6 131 181	8 069 660	8 524 811	8 758 616	9 132 339	<b>9 154 964</b>	9 950 531	10 784 678	0.25
<i>Of which</i>										
Administrative fees	12 583	15 347	10 218	26 120	26 281	21 038	<b>14 983</b>	16 525	15 846	(28.78)
Advertising	42 047	59 822	79 652	75 336	85 450	78 580	<b>75 740</b>	81 334	85 192	(3.61)
Assets <R5000	111 107	100 564	170 929	172 237	175 790	153 851	<b>159 722</b>	180 954	192 298	3.82
Audit cost: External	29 620	55 150	71 048	63 589	66 381	64 769	<b>86 026</b>	93 659	107 289	32.82
Bursaries (employees)	55 693	83 318	133 009	161 292	155 396	153 234	<b>144 626</b>	155 649	162 730	(5.62)
Catering: Departmental activities	43 717	92 774	543 524	104 703	105 340	235 274	<b>86 357</b>	98 156	102 093	(63.30)
Communication	158 950	191 376	243 135	234 643	264 790	306 370	<b>229 901</b>	293 543	332 020	(24.96)
Computer services	179 138	166 124	167 043	211 991	221 311	179 565	<b>220 310</b>	227 348	233 078	22.69
Cons/prof: business & advisory services	764 868	592 240	535 900	883 467	645 300	624 114	<b>572 873</b>	578 488	645 910	(8.21)
Cons/prof: Infrastructure & planning	114 596	49 234	313 713	397 041	584 536	481 936	<b>479 445</b>	501 996	482 036	(0.52)
Cons/prof: Laboratory services	6 398	6 056	325 813	419 236	404 864	446 016	<b>489 681</b>	595 806	668 549	9.79
Cons/prof: Legal cost	34 241	36 182	28 240	39 763	62 528	40 752	<b>72 106</b>	80 792	65 292	76.94
Contractors	446 945	632 418	1 016 895	937 324	831 231	978 469	<b>1 117 353</b>	977 517	1 085 127	14.19
Agency & support/outourced services	7 873	6 492	75 725	130 965	117 867	120 416	<b>190 130</b>	228 250	278 056	57.89
Entertainment	10 931	5 842	16 124	13 724	14 099	22 649	<b>11 242</b>	13 358	14 149	(50.36)
Government motor transport	120 094	104 885	152 034	134 095	147 224	229 130	<b>80 206</b>	73 650	77 138	(65.00)
Housing							5	5	5	
Inventory: Food and food supplies	181 947	322 560	151 899	697 998	680 484	738 675	<b>942 107</b>	1 121 973	1 231 245	27.54
Inventory: Fuel, oil and gas		509	71 480	57 339	56 895	66 471	<b>65 851</b>	75 265	96 289	(0.93)
Inventory: Learn & teacher support material	367 103	648 107	371 205	354 465	487 186	417 932	<b>349 322</b>	352 229	372 947	(16.42)
Inventory: Raw materials	77 696	3 416	34 894	44 488	43 998	40 885	<b>37 270</b>	37 999	39 893	(8.84)
Inventory: Medical supplies	228 250	251 678	796 675	943 032	1 183 368	1 163 031	<b>1 011 858</b>	1 138 141	1 229 492	(13.00)
Medsas inventory interface			2 956	5 631	5 631	9 285				(100.00)
Inventory: Military stores										
Inventory: Other consumables	1 302 071	1 255 251	422 881	378 836	379 605	562 990	<b>363 961</b>	460 713	498 374	(35.35)
Inventory: Stationery and printing	70 404	61 313	201 798	108 004	106 695	151 171	<b>199 387</b>	202 101	216 342	31.90
Lease payments	176 983	201 988	330 128	330 315	394 208	414 761	<b>466 331</b>	546 971	613 538	12.43
Owned & leasehold property expenditure	189 285	280 823	350 419	291 186	293 272	267 905	<b>367 492</b>	455 164	508 174	37.17
Transport provided dept activity	112 854	262 414	502 987	420 306	316 928	207 626	<b>468 368</b>	490 958	503 946	125.58
Travel and subsistence	364 084	428 187	593 073	567 745	566 397	550 204	<b>496 626</b>	503 452	529 876	(9.74)
Training & staff development	49 962	59 351	128 568	156 610	172 587	149 016	<b>213 425</b>	224 995	246 274	43.22
Operating expenditure	129 200	111 642	140 432	101 635	98 351	155 572	<b>84 036</b>	88 622	92 753	(45.98)
Venues and facilities	48 593	46 118	60 185	61 697	63 159	73 389	<b>57 722</b>	54 919	58 724	(21.35)
Other			27 078		1 464	27 265	<b>500</b>			(98.17)
Interest and rent on land	562	3 255	23 971	5 827						
Interest		11	17 929							
Rent on land	562	3 244	6 042	5 827						
<b>Transfers and subsidies (Current)</b>	2 878 536	3 132 970	4 560 207	5 441 629	5 560 845	5 465 859	<b>5 776 351</b>	6 155 894	7 123 293	5.68
Provinces and municipalities	472 006	470 736	480 605	559 346	693 391	615 482	<b>538 059</b>	563 100	594 529	(12.58)
Provinces							13	14	14	
Provincial Revenue Funds										
Provincial agencies and funds							13	14	14	
Municipalities	472 006	470 736	480 605	559 346	693 391	615 482	<b>538 046</b>	563 086	594 514	(12.58)
Municipalities	471 727	470 736	480 568	559 346	693 391	615 460	<b>538 046</b>	563 086	594 514	(12.58)
Municipal agencies and funds	279		37			22				(100.00)
Departmental agencies and accounts	631 010	878 108	986 948	1 298 625	1 183 996	1 183 996	<b>954 293</b>	931 705	986 362	(19.40)
Social security funds										
Entities	631 010	878 108	986 948	1 298 625	1 183 996	1 183 996	<b>954 293</b>	931 705	986 362	(19.40)
Universities and technikons	14 600	17 592	118 754	122 653	122 653	124 274	<b>129 116</b>	155 911	165 906	3.90
Foreign governments and international organisations			1 000	1 045	1 045	1 045				(100.00)
Public corporations and private enterprises	82 641	113 752	56 772	224 717	220 979	220 925	<b>210 961</b>	232 464	249 246	(4.51)
Public corporations	43 913	65 615	35 755	46 738	43 000	42 946	<b>39 209</b>	40 723	42 759	(8.70)
Subsidies on production		12 314								
Other transfers	43 913	53 301	35 755	46 738	43 000	42 946	<b>39 209</b>	40 723	42 759	(8.70)
Private enterprises	38 728	48 137	21 017	177 979	177 979	177 979	<b>171 752</b>	191 741	206 487	(3.50)
Subsidies on production										
Other transfers	38 728	48 137	21 017	177 979	177 979	177 979	<b>171 752</b>	191 741	206 487	(3.50)
Non-profit institutions	784 766	869 832	1 396 233	1 682 197	1 753 193	1 788 010	<b>1 966 770</b>	2 060 332	2 155 009	10.00
Households	893 513	782 950	1 519 895	1 553 046	1 585 588	1 532 127	<b>1 977 152</b>	2 212 383	2 972 241	29.05
Social benefits	6 509	22 395	14 485	7 526	12 113	11 174	<b>8 115</b>	8 324	8 767	(27.38)
Other transfers to households	887 004	760 555	1 505 410	1 545 520	1 573 475	1 520 953	<b>1 969 037</b>	2 204 059	2 963 474	29.46

**Table A3: Details of provincial payments and estimates by economic classification (continued)**

R 000	2006/07	2007/08	2008/09	2009/10			2010/11	2011/12	2012/13	% change from 2009/10
	Audited			Main budget	Adjusted budget	Revised estimate	Medium-term estimates			
Transfers and subsidies (Capital)	202 900	159 811	263 500	255 670	263 670	263 670	95 402	101 648	111 739	(63.82)
Provinces and municipalities	8 635		250 000	242 000	242 000	242 000				(100.00)
Provinces										
Provincial Revenue Funds										
Provincial agencies and funds										
Municipalities	8 635		250 000	242 000	242 000	242 000				(100.00)
Municipalities	8 635		250 000	242 000	242 000	242 000				(100.00)
Municipal agencies and funds										
Departmental agencies and accounts										
Social security funds										
Entities										
Universities and technikons										
Foreign governments and international organisations										
Public corporations and private enterprises	183 182	169 300	5 000	8 500	8 500	8 500	5 460	5 706	5 991	(35.76)
Public corporations	5 000	5 000	5 000	8 500	8 500	8 500	5 460	5 706	5 991	(35.76)
Subsidies on production										
Other transfers	5 000	5 000	5 000	8 500	8 500	8 500	5 460	5 706	5 991	(35.76)
Private enterprises	178 182	164 300								
Subsidies on production										
Other transfers	178 182	164 300								
Non-profit institutions	8 462	( 9 239)	8 500	5 170	13 170	13 170	88 942	95 942	105 748	575.34
Households	2 621	( 250)					1 000			
Social benefits										
Other transfers to households	2 621	( 250)					1 000			
Transfers and subsidies (Total)	3 081 436	3 292 781	4 823 707	5 697 299	5 824 515	5 729 529	5 871 753	6 257 542	7 235 032	2.48
Provinces and municipalities	480 641	470 736	730 605	801 346	935 391	857 482	538 059	563 100	594 529	(37.25)
Provinces							13	14	14	
Provincial Revenue Funds										
Provincial agencies and funds							13	14	14	
Municipalities	480 641	470 736	730 605	801 346	935 391	857 482	538 046	563 086	594 514	(37.25)
Municipalities	480 362	470 736	730 568	801 346	935 391	857 460	538 046	563 086	594 514	(37.25)
Departmental agencies and accounts	631 010	878 108	986 948	1 298 625	1 183 996	1 183 996	954 293	931 705	986 362	(19.40)
Social security funds										
Entities	631 010	878 108	986 948	1 298 625	1 183 996	1 183 996	954 293	931 705	986 362	(19.40)
Universities and technikons	14 600	17 592	118 754	122 653	122 653	124 274	129 116	155 911	165 906	3.90
Foreign governments and international organisations			1 000	1 045	1 045	1 045				(100.00)
Public corporations and private enterprises	265 823	283 052	61 772	233 217	229 479	229 425	216 421	238 170	255 237	(5.67)
Public corporations	48 913	70 615	40 755	55 238	51 500	51 446	44 669	46 429	48 750	(13.17)
Subsidies on production		12 314								
Other transfers	48 913	58 301	40 755	55 238	51 500	51 446	44 669	46 429	48 750	(13.17)
Private enterprises	216 910	212 437	21 017	177 979	177 979	177 979	171 752	191 741	206 487	(3.50)
Subsidies on production										
Other transfers	216 910	212 437	21 017	177 979	177 979	177 979	171 752	191 741	206 487	(3.50)
Non-profit institutions	793 228	860 593	1 404 733	1 687 367	1 766 363	1 801 180	2 055 712	2 156 274	2 260 757	14.13
Households	896 134	782 700	1 519 895	1 553 046	1 585 588	1 532 127	1 978 152	2 212 383	2 972 241	29.11
Social benefits	6 509	22 395	14 485	7 526	12 113	11 174	8 115	8 324	8 767	(27.38)
Other transfers to households	889 625	760 305	1 505 410	1 545 520	1 573 475	1 520 953	1 970 037	2 204 059	2 963 474	29.53
Payments for capital assets	1 867 526	2 165 504	3 196 290	3 403 850	3 576 292	3 528 811	3 648 986	4 396 961	4 661 985	3.41
Buildings and other fixed structures	1 080 586	1 337 105	2 092 900	2 751 914	3 021 817	2 950 450	3 003 752	3 914 410	4 156 907	1.81
Buildings	971 496	1 147 218	1 797 642	1 790 512	1 994 710	1 911 906	2 290 049	3 050 075	3 256 553	19.78
Other fixed structures	109 090	189 887	295 258	961 402	1 027 107	1 038 544	713 703	864 335	900 354	(31.28)
Machinery and equipment	778 380	826 770	1 091 288	647 180	544 671	570 948	636 108	472 820	494 861	11.41
Transport equipment	5 917	1 336	2 252	53 570	43 527	42 443	110 184	71 428	76 950	159.60
Other machinery and equipment	772 463	825 434	1 089 036	593 610	501 144	528 505	525 924	401 392	417 910	(0.49)
Heritage assets										
Specialised military assets			56							
Biological assets	107					500				(100.00)
Land and sub-soil assets	22									
Software and other intangible	8 432	1 629	12 047	4 757	9 804	6 913	9 126	9 731	10 217	32.01
Of which: Capitalised compensation										
Of which: Capitalised goods and services										
Payments for financial assets	4 823	5 286	22 436							
Total economic classification	26 907 485	30 214 514	39 070 565	42 634 734	44 565 433	46 654 183	48 223 795	51 906 191	55 108 782	3.36



## Table A.4 (a): Details of payments by policy area

Table A4 (a): Payments summary by policy

Function	Category	Department	Programme
General public services	Executive and legislative	Office of the Premier	Administration Institutional Building and Transformation Policy and Governance
		Provincial Legislature	Administration Facilities For Members And Political Parties Parliamentary Services Direct Charge / members salaries
	Financial and fiscal affairs	Provincial Treasury	Administration Sustainable Resource Management Asset And Liability Management Financial Governance
	General services	Roads & Public Works	Administration Public Works Roads Infrastructure Community Based Public Works Programme
		Local Government & Traditional Affairs	Administration Local Governance Development And Planning Traditional Institutional Management
Public order and safety	Police services	Safety & Liaison	Corporate Services Community Safety Financial Management
Economic Affairs	General economic affairs	Economic Development & Environmental Affairs	Administration Economic Development
	Agriculture	Agriculture & Rural Development	Administration Sustainable Resource Management Farmer Support and Development Veterinary Services Technology Research and Development Services Agricultural Economics Structured Agricultural Training
	Transport	Transport	Administration Public and Freight Transport Traffic Management Community Based Programme
Roads & Public Works		Roads Infrastructure	
Environmental Protection	Environmental protection	Economic Development & Environmental Affairs	Environmental Affairs
Housing and community amenities	Housing development	Human Settlements	Administration Housing Planning And Research Housing Development Housing Asset Management
Health	Outpatient services	Health	District Health Services Emergency Medical Services
	Research & Development		Health Science And Training
	Hospital services		Provincial Hospital Services Central Hospital Services Health Care And Support Services
	General		Health Administration Health Facilities Development And Maintenance

area

**Table A4 (a): Payments summary by policy area  
(continued)**

Function	Category	Department	Programme
Recreation, culture and religion	Recreational & sporting services	Sport, Recreation, Arts & Culture	Sports and Recreation
	Cultural services		Cultural Affairs
			Library and Archives Services
	General		Administration
Education	Pre-primary	Basic Education	Early Childhood Development
	Primary & secondary		Public Ordinary School Education
			Independent School Subsidies
			Public Special School Education
			Further Education And Training
Subsidiary service to education	Administration		
	Auxiliary And Associated Services		
	Education not definable by level	Adult Basic Education And Training	
Social protection	Social security services	Social Development	Administration
			Social Welfare Services
			Development And Research

**Table A.4 (a): Details of payments by policy area - continued**

**Table A4 (b): Details of payments and estimates by policy area**

Policy area / department R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2006/07	2007/08	2008/09		2009/10		2010/11	2011/12	2012/13
<b>General public services</b>									
Executive and Legislature	416 916	485 783	595 718	651 052	678 632	678 632	735 467	776 767	816 784
Office of the Premier	286 004	324 266	379 258	400 930	407 022	407 022	424 838	450 999	474 237
Provincial Legislature	130 912	161 517	216 460	250 122	271 610	271 610	310 629	325 768	342 546
Financial and fiscal services	117 255	167 371	268 871	259 972	261 240	235 578	304 481	322 938	339 653
Provincial Treasury	117 255	167 371	268 871	259 972	261 240	235 578	304 481	322 938	339 653
General services	966 152	1 396 161	1 783 099	2 079 328	2 278 159	2 299 327	2 175 690	2 242 984	2 374 504
Public Works	568 239	787 957	1 173 538	1 420 312	1 507 888	1 506 737	1 468 063	1 524 205	1 618 494
Local Government & Traditional Affairs	397 913	608 204	609 561	659 016	770 271	792 590	707 627	718 779	756 010
<b>Total: General public services</b>	<b>1 500 323</b>	<b>2 049 315</b>	<b>2 647 688</b>	<b>2 990 352</b>	<b>3 218 031</b>	<b>3 213 537</b>	<b>3 215 638</b>	<b>3 342 688</b>	<b>3 530 941</b>
<b>Public Order and Safety</b>									
Police services	23 787	32 875	41 058	47 521	48 244	49 388	47 878	48 071	50 567
Safety & Liaison	23 787	32 875	41 058	47 521	48 244	49 388	47 878	48 071	50 567
<b>Total: Public Order and Safety</b>	<b>23 787</b>	<b>32 875</b>	<b>41 058</b>	<b>47 521</b>	<b>48 244</b>	<b>49 388</b>	<b>47 878</b>	<b>48 071</b>	<b>50 567</b>
<b>Economic Affairs</b>									
General economic affairs	554 215	595 998	708 780	937 552	923 061	921 886	633 748	683 314	719 195
Economic Development & Environmental Affairs	554 215	595 998	708 780	937 552	923 061	921 886	633 748	683 314	719 195
Agriculture & Rural Development	871 799	1 070 680	1 251 734	1 408 766	1 474 975	1 414 388	1 502 004	1 504 142	1 584 111
Agriculture & Rural Development	871 799	1 070 680	1 251 734	1 408 766	1 474 975	1 414 388	1 502 004	1 504 142	1 584 111
Transport	454 970	549 800	685 114	888 089	916 205	916 207	945 106	971 980	1 027 258
Transport	454 970	549 800	685 114	888 089	916 205	916 207	945 106	971 980	1 027 258
Roads and Public Works	1 491 951	1 615 105	1 915 156	1 719 009	1 711 825	1 712 976	1 663 661	1 777 403	1 898 552
Roads Infrastructure	1 491 951	1 615 105	1 915 156	1 719 009	1 711 825	1 712 976	1 663 661	1 777 403	1 898 552
<b>Total: Economic Affairs</b>	<b>3 372 935</b>	<b>3 831 583</b>	<b>4 560 784</b>	<b>4 953 416</b>	<b>5 026 066</b>	<b>4 965 457</b>	<b>4 744 519</b>	<b>4 936 838</b>	<b>5 229 116</b>
<b>Environmental Protection</b>									
Environmental Protection	122 875	140 169	147 420	177 473	161 532	161 532	205 963	207 040	217 920
Economic Development & Environmental Affairs	122 875	140 169	147 420	177 473	161 532	161 532	205 963	207 040	217 920
<b>Total: Environmental Protection</b>	<b>122 875</b>	<b>140 169</b>	<b>147 420</b>	<b>177 473</b>	<b>161 532</b>	<b>161 532</b>	<b>205 963</b>	<b>207 040</b>	<b>217 920</b>

**Table A4 (b): Details of payments and estimates by policy area (continued)**

Policy area R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2005/06	2006/07	2007/08		2008/09		2009/10	2010/11	2011/12
<b>Housing and Community Amenities</b>									
Housing Development	695 835	395 340	1 229 073	1 474 789	1 531 715	1 475 856	1 826 049	2 043 393	2 814 543
Human Settlements	695 835	395 340	1 229 073	1 474 789	1 531 715	1 475 856	1 826 049	2 043 393	2 814 543
<b>Total: Housing and Community Amenities</b>	<b>695 835</b>	<b>395 340</b>	<b>1 229 073</b>	<b>1 474 789</b>	<b>1 531 715</b>	<b>1 475 856</b>	<b>1 826 049</b>	<b>2 043 393</b>	<b>2 814 543</b>
<b>Health</b>									
Outpatient services	3 559 348	4 031 359	5 373 451	5 420 159	5 658 899	6 547 451	6 606 662	7 113 765	7 583 954
Research & development	364 582	375 126	547 955	526 067	555 931	753 101	566 522	606 306	632 766
Hospital services	2 308 267	2 661 544	3 135 924	3 430 315	3 576 585	4 034 729	4 101 968	4 254 281	4 467 068
General	1 024 921	944 979	1 440 851	1 951 805	1 982 512	2 005 399	2 065 720	2 353 642	2 528 995
<b>Total: Health</b>	<b>7 257 118</b>	<b>8 013 008</b>	<b>10 498 181</b>	<b>11 328 346</b>	<b>11 773 927</b>	<b>13 340 680</b>	<b>13 340 872</b>	<b>14 327 994</b>	<b>15 212 783</b>
<b>Recreation, Culture and Religion</b>									
Recreational and sporting services	42 777	61 271	323 277	339 249	352 569	352 569	134 488	144 336	151 229
Cultural services	101 364	132 906	167 154	189 040	213 285	213 285	270 038	288 778	301 239
General	167 909	202 487	261 556	253 026	255 954	255 954	198 413	205 639	213 339
<b>Total: Recreation, Culture and Religion</b>	<b>312 050</b>	<b>396 664</b>	<b>751 987</b>	<b>781 315</b>	<b>821 808</b>	<b>821 808</b>	<b>602 939</b>	<b>638 753</b>	<b>665 807</b>
<b>Education</b>									
Pre-primary	46 313	79 298	249 108	367 316	307 816	290 486	528 492	652 168	676 000
Primary & secondary	11 649 195	13 014 935	15 864 460	17 007 888	18 081 107	18 798 868	19 910 821	21 557 056	22 477 920
Subsidiary services to education	1 020 933	1 225 888	1 607 746	1 911 006	1 967 125	1 868 339	1 941 204	2 019 543	2 076 076
Education not definable by level	155 802	155 013	153 879	161 297	173 441	211 832	299 269	400 411	330 860
<b>Total: Education</b>	<b>12 872 243</b>	<b>14 475 134</b>	<b>17 875 193</b>	<b>19 447 507</b>	<b>20 529 488</b>	<b>21 169 525</b>	<b>22 679 786</b>	<b>24 629 177</b>	<b>25 560 856</b>
<b>Social protection</b>									
Social security services	411 340	548 816	795 888	859 973	859 973	859 973	943 132	1 012 754	1 065 894
Development and research	125 789	141 437	186 074	201 856	176 715	176 715	202 924	240 329	254 809
General	193 190	190 173	335 605	372 186	417 934	417 934	414 095	479 153	505 547
<b>Total: Social protection</b>	<b>730 319</b>	<b>880 426</b>	<b>1 317 567</b>	<b>1 434 015</b>	<b>1 454 622</b>	<b>1 454 622</b>	<b>1 560 151</b>	<b>1 732 236</b>	<b>1 826 250</b>
<b>Total provincial payments and estimates by policy area</b>	<b>26 887 486</b>	<b>30 214 514</b>	<b>39 068 951</b>	<b>42 634 734</b>	<b>44 565 433</b>	<b>46 652 405</b>	<b>48 223 795</b>	<b>51 906 191</b>	<b>55 108 782</b>

# Table A.5: Details of transfers to local government

Table A5: Details of transfers to local government by category and municipality

R' 000	2006/07	2007/08	2008/09	2009/10			2010/11	2011/12	2012/13	% change from 2009/10
	Audited			Main budget	Adjusted budget	Revised estimate	Medium-term estimates			
Category A	88 768	82 163	195 166	262 586	280 838	271 870	168 323	173 700	180 105	(38.09)
Nelson Mandela Metro	88 768	82 163	195 166	262 586	280 838	271 870	168 323	173 700	180 105	(38.09)
Category B	151 163	54 120	378 540	342 735	445 056	304 831	204 868	218 343	232 584	(32.79)
Amahlathi	3 247	1 931	3 460	2 874	4 650	3 464	3 040	3 143	3 300	(12.25)
Baviaans	3 229	461	1 214	814	1 259	1 000	863	890	934	(13.73)
Blue Crane Route	629	3 095	5 812	747	1 686	3 615	822	822	863	(77.27)
Buffalo City	11 965	7 409	109 384	62 117	68 042	38 052	65 683	68 112	73 661	72.61
Camdeboo	29 758	2 495	3 037	4 869	6 009	5 913	5 546	5 703	5 989	(6.20)
Elundini			392	491	1 734	700	740	752	789	5.66
Emalahleni			293	112	241		123	123	129	
Engcobo			565	108	462	49	763	802	843	1457.70
Gariep	4 014	2 213	3 537	5 243	7 804	3 373	5 543	5 735	6 022	64.33
Great Kei	10	-	750	125	954	683	138	138	145	(79.80)
Ikwezi	708	324	1 356	848	1 636	1 035	899	927	973	(13.17)
Ingquza			456	941	3 593	262	1 480	1 507	1 582	464.84
Inkwanca			352	452	1 835	147	498	498	523	238.59
Intsika Yethu			535	116	143	473	328	340	357	(30.63)
Inxuba Yethemba	7 085	2 682	4 730	6 804	23 756	5 765	7 221	7 446	7 819	25.26
King Sabata Dalindyebo	14 944	11 506	142 543	143 828	180 709	172 891	41 641	48 097	49 578	(75.91)
Kouga	1 768	1 205	2 230	3 184	3 717	1 990	3 048	3 154	3 312	53.17
Koukamma	25 894		261	84	5 620	2 555	537	564	593	(78.97)
Lukhanji	4 485	2 408	22 441	11 279	14 475	13 057	9 086	9 386	9 855	(30.42)
Makana	5 585	2 758	9 864	8 756	15 490	7 623	9 339	9 590	10 070	22.51
Maletswai	4 715	1 527	2 698	3 594	5 315	7 819	3 768	3 926	4 123	(51.81)
Matatiele		1 373	5 516	2 805	3 883	1 784	3 132	3 276	3 439	75.56
Mbhashe			2 195	550	1 067	873	273	287	301	(68.78)
Mbizana	300		1 768		805		446	472	496	
Mhlontlo			1 248	194	1 316	102	659	686	721	545.72
Mnquma	2 714	2 496	5 950	2 278	4 621	2 856	2 394	2 490	2 614	(16.18)
Ndlambe	2 566	2 495	24 245	3 227	4 357	3 262	3 378	3 524	3 700	3.56
Ngqushwa	2 425	2 000	515	278	1 678	595	857	890	936	43.96
Nkonkobe	1 544	2 248	2 624	4 792	7 651	3 342	5 564	5 722	6 010	66.48
Ntabankulu			1 028	54	1 181	49	59	59	62	20.69
Nxuba	10 923	1 216	2 822	57 004	47 195	8 889	18 975	20 982	24 130	113.47
Nyandeni			1 380	2 198	2 593	2 000	218	218	229	(89.10)
Port St Johns			1 956	3 319	7 028	3 176	381	393	412	(88.00)
Qaukeni	8 590		1 183	2 366	2 251	2 251	127	127	133	(94.36)
Sakiszwe	1 469	343	1 934	1 491	1 910	1 848	1 567	1 631	1 712	(15.21)
Senqu	653	566	2 211	1 207	1 744	746	1 477	1 532	1 608	98.02
Sundays River Valley	1 943	1 369	3 038	3 253	4 764	2 463	3 890	4 032	4 235	57.95
Tsolwana			60	122	545		134	134	141	
Umzimkhulu										
Umzimvubu			2 957	212	1 340	129	233	233	244	80.50
Unallocated										
Category C	110 300	108 499	172 084	187 419	205 658	220 627	183 671	201 467	213 664	(16.75)
Alfred Nzo	714	1 000	11 326	10 560	12 294	10 343	7 381	6 661	7 337	(28.64)
Amathole	12 509	17 778	33 925	42 262	37 967	58 569	32 050	31 282	34 788	
Cacadu	9 038	24 470	31 502	51 219	50 695	55 375	45 646	51 610	53 854	(17.57)
Chris Hani	24 017	18 637	41 936	35 400	35 700	38 301	32 082	36 586	40 391	(16.24)
OR Tambo	1 544	1 900	15 591	14 474	14 874	12 735	10 530	9 813	8 221	(17.31)
Ukhahlamba	21 563	8 703	20 622	30 409	28 672	24 301	22 434	27 970	29 651	(7.68)
Unallocated	40 915	36 011	17 182	3 095	25 456	21 003	33 548	37 545	39 422	59.73
Unallocated / unclassified	110 414	225 954	( 12 545 )	8 606	3 839	58 793	4 500	( 0 )	1	
Total transfers to local government	460 645	470 736	733 245	801 346	935 391	856 121	561 362	593 509	626 355	(34.43)





## **Section B: Estimates of provincial expenditure**