



PROVINCE OF KWAZULU-NATAL

**ESTIMATES
OF
PROVINCIAL
EXPENDITURE**

2010/11

**for the
Financial Year ending 31 March 2011**

**Presented to Provincial Legislature
4 March 2010**

Quantity Printed 680

ISBN: 0-86967-407-2

To obtain further copies of this document, please contact:

Provincial Treasury
5th Floor
Treasury House
145 Chief Albert Luthuli Street
3201
P.O. Box 3613
Pietermaritzburg
3200
Tel: +27 (0) 33 – 897 4310
Fax: +27 (0) 33 – 897 4433

FOREWORD

The 2010/11 MTEF is markedly different from the 2009/10 budget, in the sense that the largest portion of additional funding from the equitable share is earmarked for the higher than anticipated wage agreement and the implementation of the Occupation Specific Dispensation (OSD) for health practitioners and educators. In fact, out of R2.123 billion in additional earmarked funding from the equitable share allocated in 2010/11, R2.118 billion will finance OSD and salary increases for the public service in 2010/11. What this means, is that there is little additional funding available to finance core government programmes.

This reality, therefore, meant that the provincial government had to be more creative in reprioritising the existing baseline to release resources needed to finance service delivery programmes. In recognition of this tight fiscal framework, Cabinet approved that the allocations for the construction of soccer stadia linked to the 2010 World Cup, which remained in the baseline beyond 2010, be recalled back to the *fiscus* for reallocation to other pressing expenditure areas. Amounts of R172.513 million, R181.139 million and R193.196 million over the next three MTEF years were then recalled. These amounts were used to finance a few provincial priorities such as the transfer of the management of community libraries to the province, strengthening the Municipal Support Programme within Provincial Treasury, and the costs associated with the implementation of the Job Evaluation exercise for the Provincial Legislature. It was also necessary to allocate funding for the payment of overdraft service fees.

Also marking a departure from the norm is that the province is budgeting for a surplus of R1.211 billion, R1.805 billion and R2.220 billion in the 2010/11 MTEF. The rationale for a surplus budget is to ensure that the province returns to a cash positive position in the next two to three years. As a result of the cumulative over-expenditure of the past three years, the provincial *fiscus* has been in deficit (overdraft). The budgeted surplus will therefore assist in financing this deficit. The realisation of this surplus will be dependent on the extent to which all Accounting Officers manage their budgets and adhere to the stringent cost-cutting measures articulated in the Provincial Recovery Plan which was approved by Cabinet in October 2009.

There are two main components of these Estimates of Provincial Expenditure (EPE), formerly known as the Budget Statements. The first part gives an overview of the budget strategy, the fiscal framework and aggregates of revenue and expenditure, and is called the Overview of Provincial Expenditure (OPE). The second section provides a detailed account, by vote, of all additional allocations made to various spending areas, as approved by Cabinet. This document is a very useful tool for monitoring the implementation of the budget and provides an opportunity to the Executive, the Provincial Legislature and the general public to hold the administrative arm of government accountable.

I therefore present to the people of KwaZulu-Natal and South Africa the Estimates of Provincial Expenditure for the 2010/11 MTEF, and invite you to familiarise yourselves with the contents thereof.



S'miso Les Magagula
Acting Head: KwaZulu-Natal Provincial Treasury

CONTENTS

FOREWORD	i
CONTENTS	iii
LIST OF ANNEXURES	v
LIST OF ABBREVIATIONS	vii
OVERVIEW OF PROVINCIAL EXPENDITURE	
1. Budget Strategy: An Overview	1
2. Socio-Economic Outlook	3
3. The Fiscal Framework and Division of Revenue for the 2010/11 MTEF period	23
4. Provincial Budget Process and the Medium-Term Expenditure Framework	31
5. Summary of Budget Aggregates and Financing	41
6. Receipts	45
7. Payments	55
8. Review of Municipal Finance Management	83
9. Measuring Performance in Government	93
ESTIMATES OF PROVINCIAL EXPENDITURE: Departmental Estimates	
Vote 1: Office of the Premier	1
Vote 2: Provincial Legislature	41
Vote 3: Agriculture, Environmental Affairs and Rural Development	71
Vote 4: Economic Development and Tourism	129
Vote 5: Education	175
Vote 6: Provincial Treasury	227
Vote 7: Health	267
Vote 8: Human Settlements	327
Vote 9: Community Safety and Liaison	369
Vote 10: The Royal Household	391
Vote 11: Co-operative Governance and Traditional Affairs	413
Vote 12: Transport	487
Vote 13: Social Development	533
Vote 14: Public Works	567
Vote 15: Arts and Culture	599
Vote 16: Sport and Recreation	639

LIST OF ANNEXURES

Overview of Provincial Expenditure	97
Estimates of Provincial Expenditure	
Vote 1: Office of the Premier	31
Vote 2: Provincial Legislature	65
Vote 3: Agriculture, Environmental Affairs and Rural Development	103
Vote 4: Economic Development and Tourism	163
Vote 5: Education	215
Vote 6: Provincial Treasury	259
Vote 7: Health	309
Vote 8: Human Settlements	355
Vote 9: Community Safety and Liaison	387
Vote 10: The Royal Household	407
Vote 11: Co-operative Governance and Traditional Affairs	453
Vote 12: Transport	519
Vote 13: Social Development	559
Vote 14: Public Works	589
Vote 15: Arts and Culture	627
Vote 16: Sport and Recreation	665

LIST OF ABBREVIATIONS

Abbreviation	Full description
ABET	Adult Basic Education and Training
ACE	Advanced Certificate in Education
AEPE	Adjusted Estimates Of Provincial Expenditure
AFR	Asset Financing Reserve
AFS	Annual Financial Statements
AG	Auditor General
AHS	Animal Horse Sickness
AIDC	Automotive Industry Development Centre
AMIP	Asset Management Improvement Plan
AMPR	Asset Management Plan
AOP	Annual Oversight Plan
APP	Annual Performance Plan
AQM	Air Quality Management
ARRUP	African Renaissance Roads Upgrading Programme
ART	Anti-retroviral Therapy
ARV	Anti-retroviral
ASGISA	Accelerated and Shared Growth Initiative of South Africa
AZT	Azidothymidine
B&B	Bed and Breakfast
BAS	Basic Accounting System
BBBEE	Broad Based Black Economic Empowerment
BEE	Black Economic Empowerment
BEF	Business Enabling Fund
BER	Bureau for Economic Research
BIS	Business Intelligence System
BPO	Business Process Outsourcing
BRE	Business Retention and Expansion
CA	Contagious Abortion
C-AMP	Custodian – Asset Management Plan
CAMPR	Consolidated Annual Municipal Performance Report
CARA	Conservation of Agricultural Resources Act
CASP	Comprehensive Agricultural Support Programme
CCA	Comprehensive Compliance Assessment
CDG	Care Dependency Grant
CDP	Community Development Programme
CDW	Community Development Worker
CETA	Construction Education Training Authority
CFO	Chief Financial Officer
CHC	Community Health Centre
CHH	Child Headed Household
CIBD	Construction Industry Development Board
CiDP	Communities-in Dialogue Programme
CIPRO	Central Intellectual Property Registration Office
CMP	Change Management Programme
CMP	Community Mass Participation
COHOD	Committee of Head of Department
CPA	Commonwealth Parliamentary Association
CPF	Community Policing Forum
CPIX	Consumer Price Index
CRSC	Community Road Safety Council
CRU	Community Residential Unit
CSA	Control Self Assessment
CSF	Community Safety Forum
CSF	Classical Swine Fever
CSG	Child Support Grant
CSI	Corporate Social Investment

Abbreviation	Full description
CSP	Community, Social and Personal services
CSP	Comprehensive Service Plan
CTA	Common Task for Assessment
CYCC	Child and Youth Care Centres
DAEA & RD	Department of Agriculture, Environmental Affairs and Rural Development
DBSA	Development Bank of South Africa
DCF	District Co-ordinating Fora
DCGTA	Department of Co-operative Governance and Traditional Affairs
DDP	Democracy Development Programme
DEDT	Department of Economic Development and Tourism
DG	Director General
DHF	District Heritage Forums
DIF	District Inter-government Forum
DIMS	District Information Management Systems
DIS	Development Information Services
DISSA	Disability Sport South Africa
DLA	Department of Land Affairs
DM	District Municipality
DME	Department of Minerals and Energy
DORA	Division of Revenue Act
DOTS	Directly Observed Treatment Short-course
DPSA	Department of Public Service and Administration
DPSS	Development Planning Shared Services
DRC	Democratic Republic of Congo
DTI	Department of Trade and Industry
DTP	Dube TradePort
DWAF	Department of Water Affairs and Forestry
ECD	Early Childhood Development
ECDP	Emerging Contractor Development Programme
ECM	Enterprise Content Management
EEDBS	Extended Enhanced Discount Benefit Scheme
EIA	Environmental Impact Assessment
EIP	Environmental Implementation Plan
EKZNW	<i>Ezemvelo</i> KZN Wildlife
ELMS	Electronic Litigation Management System
ELRC	Education Labour Relations Council
EMF	Environmental Management Framework
EMIS	Education Management Information System
EMS	Emergency Medical Service
ENA	Enrolled Nursing Assistant
eNATIS	National Traffic Information System
EPE	Estimates of Provincial Expenditure
EPWP	Expanded Public Works Programme
ETDP	Education, Training and Development Practice
EU	European Union
FASSET	Financial and Accounting Services Sector Education and Training
FBO	Faith Based Organisation
FET	Further Education and Training
FETC	Further Education and Training College
FFC	Financial and Fiscal Commission
FIFA	Federation of International Football Association
FINA	<i>Federation Internationale de Natation Amateur</i>
FINMIP	Financial Management Improvement Plan
FMD	Foot and Mouth Disease
FMG	Financial Management Grant
FOSAD	Forum of South African Directors-General
GCIS	Government Communication and Information System
GDP	Gross Domestic Product
GDPR	Gross Domestic Product by Region
GEMS	Government Employees Medical Scheme

Abbreviation	Full description
GET	General Education and Training
GFCF	Gross Fixed Capital Formation
GIAMA	Government Immoveable Asset Management Act
GIS	Geographical Information System
GRAP	Generally Recognised Accounting Practice
GWM&ES	Government Wide Monitoring and Evaluation System
HCBC	Home/Community Based Care
HCDS	Human Capital Development Strategy
HDA	Housing Development Agency
HDI	Historically Disadvantaged Individual
HDI	Human Development Index
HET	Higher Education and Training
HIV and AIDS	Human Immune Virus/Acquired Immune Deficiency Syndrome
HOD	Head of Department
HR	Human Resource
HRD	Human Resource Development
HRM	Human Resource Management
HWSETA	Health and Welfare Sector Education Training Authority
IA	Implementing Agents
IA	Internal Audit
IALCH	<i>Inkosi</i> Albert Luthuli Central Hospital
IAS	Invasive Alien Species
IAT	Internal Audit Technician
ICS	Improvement in Conditions of Service
ICT	Information Communication Technology
ICTe	Information and Communication Technology-electronics
IDC	Industrial Development Corporation
IDIP	Infrastructure Delivery Improvement Programme
IDP	Integrated Development Plan
IDT	Independent Development Trust
IDZ	Industrial Development Zone
IEC	Independent Electoral Commission
IECS	Integrated Examination Computer System
IES	Income and Expenditure Survey
IGCC	Inter-Governmental Cash Co-ordination
IGP	Infrastructure Grant to Provinces
IGR	Inter-governmental Relations
IMDP	Integrated Master Development Plan
IMF	International Monetary Fund
IMFO	Institute of Municipal Finance Officers
INP	Integrated Nutrition Programme
IPG	Inter Provincial Games
IPIP	Infrastructure Project Implementation Plan
IRM	Infrastructure Reporting Model
ISDM	Integrated Service Delivery Model
ISPPIA	International Standards for the Professional Practice of Internal Audit
IT	Information Technology
ITB	Ingonyama Trust Board
ITC	Information Technology Communication
ITHALA	Ithala Development Finance Corporation
IWMP	Integrated Waste Management Plan
IYDS	Integrated Youth and Development Strategy
IYM	In-Year Monitoring
JCC	Joint Co-ordinating Committee
JCPS	Justice Crime Prevention and Security
JE	Job Evaluation
JSB	Joint Services Board
KSIA	King Shaka International Airport
KWANALU	KwaZulu-Natal Agricultural Union
KZN	KwaZulu-Natal

Abbreviation	Full description
L:E	Learner: Education
LAN	Local Area Network
LARP	Land and Agrarian Reform Programme
LCF	Local Competitiveness Fund
LED	Local Economic Development
LGWSETA	Local Government Water and Related Services Sector Education and Training Authority
LM	Local Municipality
LMRF	Local Economic Development Monitoring Research Facility
LOC	Local Organising Committee
LPM	Limited Payout Machines
LTSM	Learner Teacher Support Materials
LUMS	Land Use Management System
M&E	Monitoring and Evaluation
MAP	Management Assistance Programme
MDG	Millennium Development Goal
MDR	Multi Drug Resistant
MDR/XDR	Multi Drug Resistant/Extra Drug Resistant
MEC	Member of Executive Council
MFMA	Municipal Finance Management Act
MHSP	Municipal Housing Sector Plan
MIG	Municipal Infrastructure Grant
MinComBud	Ministers' Committee on the Budget
MIS	Management Information System
MM	Municipal Manager
MNC&WH	Maternal, Neo-natal Child, and Women's Health
MOU	Memorandum of Understanding
MPA	Municipal Performance Act
MPCC	Multi-purpose Community Centre
MPL	Member of Provincial Legislature
MPRA	Municipal Property Rates Act
MRM	Moral Regeneration Movement
MS	Master System
MSP	Municipal Support Programme
MSRPP	Mass Sport and Recreation Participation Programme
MSS	Mass School Sport
MTEF	Medium-Term Expenditure Framework
MTREF	Medium-Term Revenue and Expenditure Framework
MTSF	Medium-Term Strategic Framework
MTTR	Mean-time to Resolve
MYHDP	Multi-year Housing Development Plan
NATED	National Education
NC(V)	National Curriculum Vocational
NCNC	Non-compensation, Non-capital
NCOP	National Council of Provinces
NCS	National Curriculum Statement
NDHS	National Department of Human Settlements
NDoSP	National Department of Sport and Recreation
NDoT	National Department of Transport
NEMA	National Environmental Management Act
NEPA	National Education Policy Act
NERF	New Economic Reporting Format
NGO	Non-government Organisation
NHLS	National Health Laboratory Service
NHS	National Health System
NIP	National Integrated Plan
NPO	Non-profit Organisation
NQF	National Qualifications Framework
NSDP	National Spatial Development Perspective
NSIC	National Small Industry Corporation Ltd of India
NSLA	National Strategy for Learner Attainment

Abbreviation	Full description
NSNP	National School Nutrition Programme
NTCE	National Tourism Careers Expo
NUFFIC	Netherlands Organisation for International Co-operation in Higher Education
NVP	Newborn Baby Nevirapine
NYS	National Youth Service
NYS	National Youth Service
OPD	Out-patients Department
OPE	Overview of Provincial Expenditure
OPMS	Organisational Performance Management System
OSD	Occupational Specific Dispensation
OTP	Office of the Premier
OVC	Orphans and Vulnerable Children
PAHC	Primary Animal Health Care
PALC	Public Adult Learning Centre
PARMED	Parliamentary Medical Aid
PBS	Performance Budgeting System
PCC	Provincial Co-ordinating Committee
PCF	Provincial Co-ordinating Forum
PCV	Pneumococcal
PDA	Planning Development Act
PDE	Patient-day Equivalent
PDMC	Provincial Disaster Management Centre
PERSAL	Personnel and Salary System
PFMA	Public Finance Management Act
PGDS	Provincial Growth and Development Strategy
PGITO	Provincial Government Information Officer
PHC	Primary Health Care
PIA	Programme Implementation Agent
PICT	Provincial Information Communication Technology
PIJF	Provincial Integrated Justice Forum
PILIR	Policy on Incapacity Leave and Ill Health Retirement
PIP	Provincial Infrastructure Plan
PISN	Provincial Infrastructure Statement of Needs
PLRO	Provincial Land Reform Office
PMDS	Performance Management Development System
PMG	Payment-general Account
PMS	Project Management System
PMTCT	Prevention of Mother-to-child transmission
PMU	Provincial Monitoring Unit
PN	Professional Nurse
PPDC	Provincial Planning and Development Commission
PPN	Post Provisioning Norm
PPP	Public Private Partnership
PPPFA	Preferential Procurement Policy Framework Act
PRF	Provincial Revenue Forum
PSCBC	Public Service Co-ordinating Bargaining Council
PSD	Provincial Supplies Database
PSEDs	Provincial Spatial Economic Development Strategy
PSETA	Public Sector Education and Training Authority
PT	Provincial Treasury
PTB	Pulmonary Tuberculosis
PVA	Public Viewing Area
QIDS-UP	Quality Improvement Development System and Upliftment Programme
QPR	Quarterly Performance Report
RBIDZ	Richards Bay Industrial Development Zone
RDP	Reconstruction and Development Programme
RLCC	Regional Land Claims Commission
RNCS	Revised National Curriculum Statement
RRTF	Rural Road Transport Forum
RSCL	Regional Service Council Levy

Abbreviation	Full description
RTI	Road Traffic Inspectorate
RV	Rota Virus
S&T	Subsistence and Travel
SACCO	Saving Co-operatives
SACE	South African Council for Educators
SACSSP	South African Council for Social Service Professions
SAFA	South African Football Association
SALGA	South African Local Government Association
SANLITPPS	South African National Liberation Institute of Technology, Philosophy and Political Science
SANRA	South African National Roads Agency
SAPS	South African Police Services
SAQA	South African Qualifications Authority
SARB	South African Reserve Bank
SARB	South African Reserve Bank
SARS	South African Revenue Services
SAS	Statistical Analysis Software
SASA	South African Schools Act
SASAMS	South African Schools Administration and Management System
SA-SAMS	South African School Administration and Management System
SASCOC	South African Sports Confederation and Olympic Committee
SASSA	South African Social Security Agency
SCM	Supply Chain Management
SCOA	Standard Chart of Accounts
SCOPA	Standing Committee on Public Accounts
SDBIP	Service Delivery and Budget Implementation Plan
SDF	Spatial Development Framework
SDIP	Service Delivery Improvement Plan
SEA	Strategic Environment Assessment
SEDA	Small Enterprise Development Agency
SEP-LG	Socio-Economic Profiles of Local Government
SET	Science, Engineering and Technology
SETA	Sector Education Training Authority
SGBs	School Governing Bodies
SIP	Strategic Infrastructure Plan
SITA	State Information Technology Agency
SLA	Service Level Agreement
SMME	Small Medium and Micro Enterprise
SMS	Senior Management Service
SNRM	Sustainable Natural Resource Management
SOE	State of Environment
SOE	State Owned Enterprise
SP	Strategic Plan
SPV	Special Purpose Vehicle
SRSA	Sport and Recreation South Africa
SSEP	Support Service Enhancement Plan
STI	Sexually Transmitted Infection
TA	Technical Assistant
TAC	Traditional Administrative Centre
TAU	Technical Assistance Unit
TB	Tuberculosis
TC	Traditional Council
TCF	Technical Council on Finance
TDTC	Technology Demonstration Cum Training Centre
THETA	Tourism, Hospitality, Sport, Education and Training Authority
TIK	Trade and Investment KwaZulu-Natal
TIPS	Trade and Industry Policy Service
TKZN	KwaZulu-Natal Tourism Authority
TLTP	Taking Legislature to the People
TPCC	Technical Provincial Co-ordinating Committee
TPCF	Technical Provincial Co-ordinating Forum

Abbreviation	Full description
TSCs	<i>Thusong</i> Service Centres
TVR	Treasury Views Recommendation
U-AMPS	User Asset Management Plans
UEAB	Unauthorised Expenditure Authorisation Bill
UKZN	University of KwaZulu-Natal
UNESCO	United Nations Education, Scientific and Cultural Organisation
UNIZULU	University of Zululand
UNODC	United Nations Office on Drugs and Crime
UPFS	Uniform Patient Fee Structure
URP	Urban Renewal Programme
URS	User Requirement Statement
USA	United States of America
VAB	Valuation Appeal Board
VAT	Value Added Tax
VCT	Voluntary Counselling and Testing
VEP	Victim Empowerment
VSC	Victim Support Centre
VSCPP	Volunteer Social Crime Prevention Programme
VSP	Voluntary Severance Package
WESSA	Wildlife and Environment Society of South Africa
WTO	World Trade Organisation
XDR	Extreme Drug Resistance
YMCA	Young Men's Christian Academy

**OVERVIEW
OF
PROVINCIAL
EXPENDITURE**

1. BUDGET STRATEGY: AN OVERVIEW

Similar to the 2009/10 budget, the 2010/11 budget was crafted during unfavourable economic conditions. Although there are signs of economic recovery world-wide, the situation has not improved substantially enough to warrant an expansionary fiscal stance. Also, the South African economy seems to be lagging behind the world-wide recovery trajectory, and this means that revenue collection, which is a function of economic activity, will remain sluggish in the next two to three years, thus affecting the amount available to provinces in the form of equitable share. Constraining the fiscal resource envelope even further in KwaZulu-Natal, is the persistent overdraft position due to the higher than budgeted for expenditure of the past three financial years.

The overdraft position has a double-edged sword effect. Firstly, the interest income that the province used to earn from positive cash balances in the revenue fund has disappeared. As a result, the province has had to revise downward the estimated own-revenue by R115.226 million in 2010/11, R126.857 million in 2011/12 and R105.237 million in 2012/13. This revenue would have been available for allocation to provincial departments.

Secondly, the overdraft facility attracts service charges which will have to be paid for by the provincial *fiscus*. The estimations are that the province will be spending more than R200 million annually in servicing this overdraft.

The higher than budgeted for expenditure of the past three years, and the resultant negative cash position in the province, are largely attributed to the costs associated with the improvements in the remuneration of the public service in the form of Occupation Specific Dispersations (OSD), as well as the annual salary adjustments. In 2009/10, the funding shortfall for OSD and salary adjustments is estimated at R1.100 billion for KwaZulu-Natal, and this will carry-through to the 2010/11 MTEF, if not fully financed immediately.

Given such a tight fiscal resource envelope, the province has had to approach the 2010/11 budget differently. The strategy has been to find ways of improving the cash position through internal reprioritisation of the existing baseline, implementation of a very tight cashflow management regime, cost-containment, as well as budgeting for a 'surplus' in the next three years. A surplus budget of R1.211 billion, R1.805 billion and R2.220 billion, as indicated in the fiscal framework section of this document, is therefore intended to finance the current overdraft and get the province back to a positive cash position. The budgeted surplus was realised by the following:

- Carry-through of the Cabinet-approved 7.5 per cent reduction in departments' *Goods and services* budgets, as tabled in the *Explanatory Memorandum to the 2009/10 Budget Statements*, into the 2010/11 MTEF;
- Not allocating the entire amount received from National Treasury through the equitable share allocation to departments; and
- Recalling the allocations for the construction of soccer stadia that were kept in the provincial baseline beyond 2010.

The realisation of the budget surplus in the next three years will depend on two things, going forward. First, it will depend on whether the public service wage agreement remains within budget in the years ahead. Second, the province needs to strictly adhere to the cost-cutting measures contained in the Provincial Recovery Plan approved by Cabinet in October 2009. Some of the cost-cutting measures include:

- Freezing of all posts except critical posts;
- Limiting domestic and international travel by officials;
- Elimination of catering in meetings;

- Cutting down on communications expenditure;
- No performance bonuses to be paid in 2010/11; and
- Review of supply chain management practices to eliminate collusion between suppliers and government officials, etc.

It must be emphasised that these cost-cutting measures should not compromise service delivery to the citizens of the province, but should instead improve government's efficiency.

Despite these fiscal austerity measures, the provincial budget continues to grow over the MTEF and will be able to finance several government expenditure areas.

The largest additional allocation from the equitable share in the 2010/11 MTEF is earmarked for the higher than anticipated wage agreement and the implementation of the OSD for health practitioners and educators. There is also a small amount allocated to Provincial Treasuries to strengthen their capacity in supporting municipalities as they implement the Municipal Finance Management Act.

Conditional grants also continue to grow strongly in the 2010/11 MTEF. Amounts of R2.158 billion, R2.301 billion and R3.405 billion are added to various conditional grants. The largest beneficiaries of these additional allocations are the Comprehensive HIV and AIDS grant and the Infrastructure Grant to Provinces.

At a provincial level, additional funding (realised through the reprioritisation of the provincial baseline) has been allocated to the following areas:

- Payment of the interest on the existing overdraft;
- Financing the carry-through costs of the 2009/10 Adjustments Estimate;
- Implementation of the Job Evaluation review exercise for the Provincial Legislature;
- The transfer of the community libraries function to provinces; and
- The devolution of the management of ill-health (PILIR) from national to provinces.

In conclusion, the strategy in the 2010/11 budget formulation has been to reprioritise the existing baseline in order to finance core service delivery. Also, the province has had to take very bold steps to improve the current cash position and, if all the cost-cutting measures are successful, the province will be cash positive in the next three years. Despite the stringent fiscal measures, the province will continue to fund core programmes that were identified by Cabinet for the 2010/11 MTEF.

2. SOCIO-ECONOMIC OUTLOOK

2.1 Introduction

The South African Reserve Bank (SARB), following its mandate of a low and stable inflation rate, increased the Repo rate during October 2006. The South African (SA) economy at that time showed some signs of overheating after recording economic growth rates of over 5 per cent per annum during 2005, 2006 and 2007. The KwaZulu-Natal (KZN) economy experienced growth rates of over 6 per cent for the same period (measured by the regional Gross Domestic Product, or GDP-R). On the positive side, the economic performance of the domestic and provincial economies resulted in a fairly significant decrease in the official unemployment rate, with total employment in the private sector increasing by almost 21 per cent from 2005 to 2008, while disposable per capita income increased in real terms by almost 12 per cent. It is now generally accepted that the SA economy experienced an exceptional and historic economic growth phase from 2003 to 2008.

However, the overheating of the economy resulted in a significant increase in the deficit of the current account of the balance of payments and an ever increasing demand for foreign short term capital inflows. The subsequent external constraints faced by the domestic economy resulted in the domestic currency losing value against major international currencies and depreciating, for example, from about R7 to the dollar in December 2006, to just over R10 to the dollar in November 2008. The loss of value of the domestic currency and the record crude oil prices experienced during 2007 and 2008 resulted in the SA inflation rate breaching its upper target band in March 2007.

For the most part, the SA and KZN economies experienced a cooling down period during 2008, recording a per annum economic growth rate of 3.68 per cent and 3.93 per cent, respectively. The majority of domestic and provincial macro-economic indicators also recorded only moderate increases during 2008. However, fundamentally the domestic and provincial economies were still in a very healthy state, despite the electricity debacle that occurred during January 2008 and the subsequent months. Although national debt levels were at very high levels during 2008 (household debt to disposable income of households increased from 54 per cent in 2005 to 81 per cent in 2008), the SA financial system showed no signs of distress or risk taking.

In general, the forecast for the domestic and provincial economies for 2009 was very similar to 2008, but without the electricity problems. There was no reason to believe that the domestic or the provincial economies would record growth rates of less than 2 per cent during 2009 and, therefore, the stage then was set for another unspectacular yet solid year for the domestic and provincial economies.

The financial crisis that started unfolding in the United States of America (USA) in February 2007 started to spill over into the international financial system during the first quarter of 2008. During September 2008, the financial crisis intensified when Lehman Brothers Holdings Incorporated filed for Chapter 11 bankruptcy protection. It then became clear that the financial crisis of the developed world would also affect the financial systems of the developing countries, although at a lower velocity. It also became apparent that the real economies of the world would not escape the aftermath of the international financial crisis, through its effect on the availability of credit and debt repayment losses.

The SA and KZN economies experienced very little of the financial crisis and were still growing at positive rates during the first three quarters of 2008 as predicted, while the majority of developed countries experienced significant economic downturns. The domestic and provincial economies joined the long list of economies in recession during the first quarter of 2009. South Africa's gross domestic product (GDP) growth rate for the first quarter of 2009 stood at -6.4 per cent quarter-on-quarter, seasonally adjusted and annualised, compared with a -1.8 per cent contraction in the fourth quarter of 2008. The KZN economy experienced a -6.11 per cent quarter-on-quarter growth rate during the first quarter of 2009, compared with a -0.41 per cent contraction in the fourth quarter of 2008. The contraction in growth has been blamed on a slump in export demand that forced both manufacturers and miners to cut production. The SA and KZN economies also recorded negative growth rates during the second quarter of 2009, whereas some of the developed economies recorded positive growth rates. However, both the

domestic and provincial economies recorded positive growth rates during the third quarter of 2009, signalling the end of the recession. It must, however, be emphasised that, although the domestic and provincial economies experienced positive growth rates during the third quarter of 2009, both economies were still recording negative year-on-year growth rates during the third quarter. Therefore, the economies recorded positive growth rates on a quarterly basis, but not on a yearly basis.

Nonetheless, there seems to be some consensus among a number of private sector economists, National Treasury and the SARB, among others, that the world economy is recovering from the global financial crisis and subsequent global economic recession. This view is supported by the sharp increases in commodity prices, the significant bull markets in international stock markets, the recovery of the housing market in the USA and a number of other economic indicators. However, there are also some signs that the recovery will be very slow and not without any doubts. For example, unemployment rates are still increasing in many countries, *albeit* at a slower pace. There are also signs that inflationary pressures are building up, posing a real threat to the current expansionary interest rate environment. Many countries are also finding it increasingly difficult to continue with their expansionary fiscal policy, with long-term interest rates likely to rise.

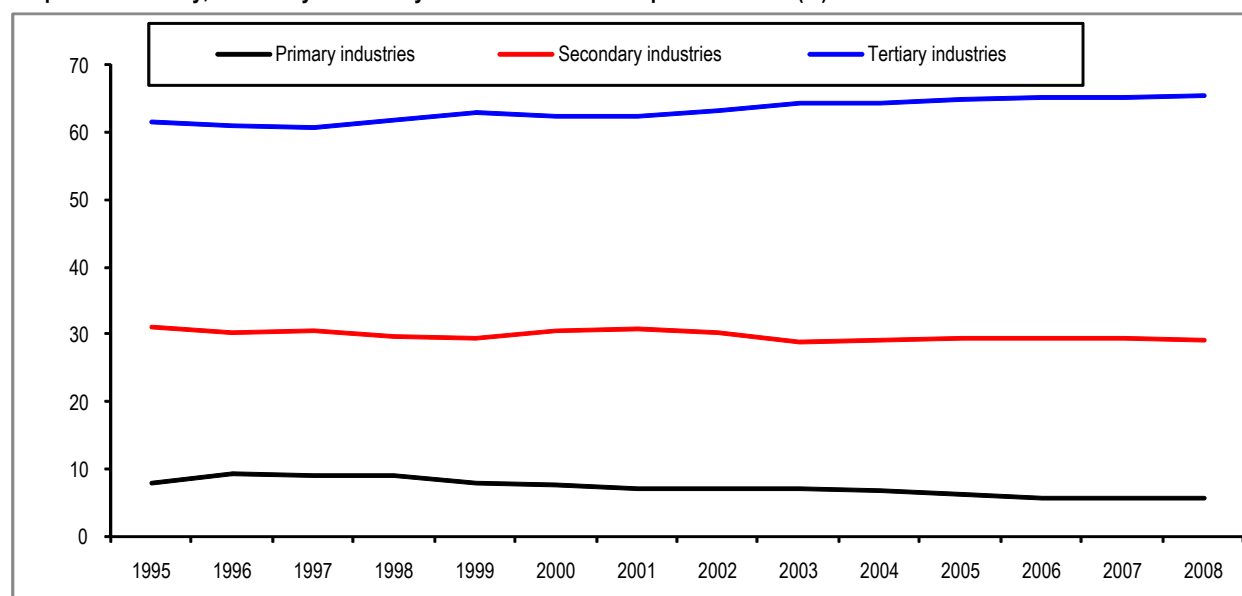
The above paints a mixed picture of the current state of the world economy, suggesting that the world economy is indeed in recovery mode, but that the sustainability of the recovery is questionable and under some threat. The improving economic environment and the risks imposed by the uncertainty of its sustainability are, without a doubt, the main drivers and determinants of the current state of the national and provincial economy and their future prospects, given that domestic interest rates seem to have been largely unsuccessful in stimulating local demand, and that domestic fiscal policy has reached its limits in terms of its expansionary stance.

Most significantly and relevant to the SA and provincial economy, the world demand for international goods and services (our exports), i.e. international trade, is still very depressed, and the increase in domestic demand in the developing countries has not yet translated into increasing demand for our exports. Current demand for international goods and services is at present at about 2006 levels. However, there are some signs of a recovery in international trade, although very tentative.

Governments in many countries, especially developed countries and newly industrialised countries, made substantial use of fiscal policy as part of their recession-fighting strategy. Budget deficits were allowed to increase substantially since 2008. The Organisation for Economic Co-operation and Development has warned that the world's 30 leading industrialised economies will see their indebtedness grow to 100 per cent of output in 2010, a near doubling from the percentage 20 years ago. Japan's, Italy's and Greece's public debt is forecast to hit 200 per cent, 127.3 per cent and 111.8 per cent of output in 2010, respectively. During March 2009, the USA Congressional Budget Office estimated that USA public debt will rise from 40.8 per cent of GDP in 2008, to 70.1 per cent in 2012. French public debt exceeded 75 per cent of GDP in the third quarter of 2009. These significant increases in public debt are not predicted to subside overnight, and will most probably determine the cause of fiscal policy for the next 5 to 10 years. It seems probable that the significant debt burden incurred during, and as a result of, the recession will significantly limit future expenditure and/or the current 'low' tax levels.

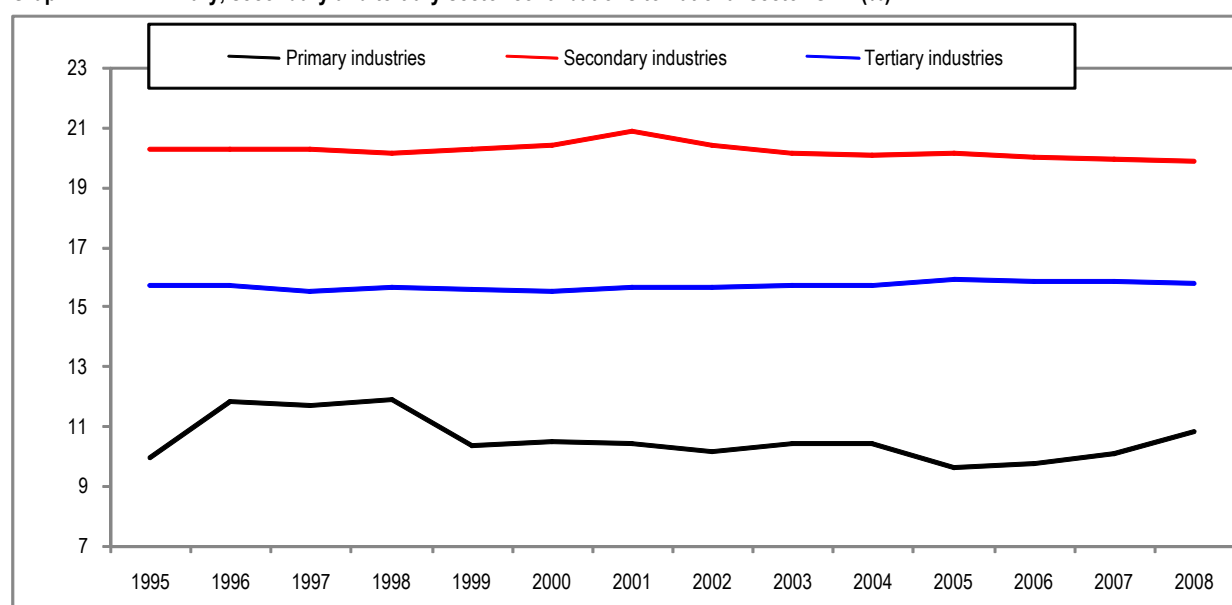
2.2 Structure of the KwaZulu-Natal economy

Graph 2.1 suggests that the contribution of both the primary and secondary sectors to the provincial GDP decreased, while the contribution of the tertiary sector to the provincial GDP increased since 1995. The contribution of the primary and secondary sectors to the provincial GDP decreased from 7.77 per cent and 30.91 per cent to 5.22 per cent and 28.99 per cent, respectively, while the contribution of the tertiary sector to the provincial GDP increased from 61.31 per cent to 65.29 per cent since 1995. It must be emphasised that, although the contribution of the secondary sector decreased for the period, it was only marginal and therefore the secondary sector can best be described as a stable sector, rather than a decreasing or stagnant sector. It must also be emphasised that a decrease in contribution by no means implies a decrease in absolute terms, but only a decrease in relative terms.

Graph 2.1: Primary, secondary and tertiary sector contributions to provincial GDP (%)

Source: Stats. SA (2009), Own calculations

Graph 2.2 below suggests that the contribution of the tertiary sector to the national sector GDP stayed fairly constant, while the contribution of the primary and secondary sectors to their national sector GDP increased and decreased, respectively, since 1995. The contribution of the primary sector to the national sector GDP increased from 9.94 per cent to 10.79 per cent, while the contribution of the secondary sector to the national sector GDP decreased from 20.26 per cent to 19.85 per cent. The contribution of the tertiary sector to the national sector GDP stayed fairly constant, at 15.50 per cent since 1995. The provincial primary sector seems to be a fairly insignificant sector, from a national perspective. It is also somewhat surprising to note that the tertiary sector in the province contributed only about 15 per cent to the national tertiary sector GDP, considering that the province is the second most populated province and the premier tourist destination in SA.

Graph 2.2: Primary, secondary and tertiary sector contributions to national sector GDP (%)

Source: Stats. SA (2009), Own calculations

Spearman's rank correlation coefficient is a non-parametric measure of correlation – that is, it assesses how well an arbitrary monotonic function could describe the relationship between two variables, without making any assumptions about the frequency distribution of the variables. In principle, ρ is simply a special case of the Pearson product-moment coefficient in which two sets of data X_i and Y_i are converted to rankings x_i and y_i before calculating the coefficient. In practice, however, a simpler procedure is usually used to calculate ρ . The raw scores are converted to ranks, and the difference d_i between the ranks of each observation on the two variables is calculated.

ρ is given by:

$$\rho = 1 - \frac{6 \sum d_i^2}{n(n^2 - 1)}$$

where:

$d_i = x_i - y_i$ = the difference between the ranks of corresponding values X_i and Y_i

n = the number of values in each data set (same for both sets).

Table 2.1 indicates the rating of each provincial sub-sector in terms of its contribution towards its national sub-sector GDP and provincial GDP, where 1 is the greatest contribution and 10 the least contribution. For example, the provincial agriculture, forestry and fishing sub-sector is the provincial sub-sector that contributed the most to its national counterpart, but only seventh most with regard to the provincial GDP. The provincial manufacturing sub-sector is the provincial sub-sector that contributed the most to provincial GDP, but it is only the third most contributing provincial sub-sector to the national sub-sector GDP. The provincial mining and quarrying sub-sector is the worst contributing provincial sub-sector on both accounts.

Table 2.1: Provincial sub-sector contribution towards GDP-R and national sub-sector GDP rating: 2000 to 2008

Provincial sub-sector	National sector rating	Provincial GDP rating
Agriculture, forestry and fishing	1	7
Transport, storage and communication	2	4
Manufacturing	3	1
Electricity, gas and water	4	9
Wholesale and retail trade; hotels and restaurants	5	3
Personal services	6	6
Construction	7	8
General government services	8	5
Finance, real estate and business services	9	2
Mining and quarrying	10	10

Source: StatsSA (2009), Own calculations

The Spearman's Rank-order correlation coefficient is calculated to be 0.20, suggesting that there is very little relationship between the provincial sub-sector's contribution towards its national counterpart and provincial GDP. Thus, the behaviour of each provincial sub-sector towards its national counterpart is very different to its behaviour towards the provincial GDP. For example, if a provincial sub-sector is performing well on a national level, then it does not necessarily suggest that the provincial economy, as such, is performing better or worse.

Table 2.2 indicates the changes in each provincial sub-sector's contribution towards the national sub-sector GDP and provincial GDP for the period in a ratings format, with 1 indicating the provincial sub-sector that increased its contribution the most, and where 10 is indicating the provincial sub-sector that increased its contribution the least, or decreased its contribution the most.

For example, the provincial agriculture, forestry and fishing sub-sector increased its contribution towards the national agriculture, forestry and fishing sub-sector the most of all provincial sub-sectors, whereas it increased its contribution towards the provincial GDP very little, or its contribution might even have decreased over the period.

Table 2.2: Provincial sub-sector change in contribution towards GDP-R and national sub-sector GDP rating: 2000 to 2008

Provincial sub-sector	National sector rating	Provincial GDP rating
Agriculture, forestry and fishing	1	8
Wholesale and retail trade; hotels and restaurants	2	2
Manufacturing	3	9
General government services	4	10
Personal services	5	5
Finance, real estate and business services	6	1
Transport, storage and communication	7	3
Mining and quarrying	8	7
Electricity, gas and water	9	6
Construction	10	4

Source: StatsSA (2009), Own calculations

The Spearman's Rank-order correlation coefficient is calculated to be -0.26, suggesting an insignificant relationship, as well. However, it is a marginally stronger relationship compared to the previous relationship, and it is also a negative relationship.

The weak correlation statistics suggest that the provincial sub-sectors that are performing well at a national level are not necessarily performing well at a provincial level, and *vice versa*. The provincial agriculture, forestry and fishing sub-sector is a good example of this, as it is the provincial sub-sector that contributes the most of all the provincial sub-sectors towards the national sub-sector GDP, whereas it contributes very little towards the provincial GDP. The sub-sector, thus, is doing well from a national perspective, but not from a provincial perspective. There is, thus, significant scope in the provincial agriculture, forestry and fishing sub-sector to increase its contribution to the provincial GDP.

The correlation statistics also support the argument that the provincial manufacturing sub-sector is a very significant economic sub-sector for the provincial economy, but has shown signs of a deteriorating trend over the past 13 years. The deteriorating trend is supported by the decreasing labour productivity trend observed. Labour productivity in the sub-sector can be greatly enhanced by capital and infrastructure expansion and utilisation.

2.2.1 Methodology of the model

A structural model has been developed in an attempt to model the provincial economy. This model will allow the Provincial Treasury to model the quarterly and annual performance of the different economic sectors in the province and to forecast the real GDP of the province, based on national GDP estimates. The model is a structural one and therefore its stability and relevance are dependent on the degree of the stability of the structural relationship between national GDP and provincial GDP since 1995.

Table 2.3 below indicates the yearly structural relationship between national GDP and provincial GDP per sector from 1995 to 2008.

Table 2.3: Structural GDP relationship - Provincial sector GDP as a % of national sector GDP: per year

Industry	1995	1998	2000	2002	2003	2004	2006	2008
Primary industries	9.94	11.86	10.50	10.18	10.44	10.38	9.75	10.79
Agriculture, forestry and fishing	31.22	30.82	28.00	28.36	29.62	29.46	28.69	28.78
Mining and quarrying	4.37	6.02	4.36	3.66	3.75	3.77	3.40	3.45
Secondary industries	20.26	20.14	20.38	20.41	20.13	20.09	19.97	19.85
Manufacturing	20.92	20.93	21.24	21.16	21.28	21.24	21.16	21.15
Electricity, gas and water	17.39	17.40	17.96	19.74	16.97	17.05	17.22	17.16
Construction	18.02	16.73	15.74	15.02	14.61	14.64	14.48	14.41
Tertiary industries	15.68	15.64	15.51	15.63	15.71	15.69	15.81	15.80
Wholesale and retail trade; hotels and restaurants	16.22	15.95	15.91	16.86	16.99	16.99	16.97	16.99
Transport, storage and communication	23.30	22.30	21.57	21.32	21.45	21.37	21.51	21.67
Finance, real estate and business services	13.96	13.93	13.78	13.31	13.42	13.44	13.81	13.79
Personal services	16.39	16.37	16.33	16.33	16.34	16.34	16.29	16.23
General government services	13.66	13.82	13.54	13.76	13.68	13.61	13.62	13.67

Source: StatsSA (2009), Own calculations

Some provincial sectors have experienced a steady increase in their contribution to national sector GDP, whereas some sectors have experienced a steady decrease in their contribution to national sector GDP. However, no dramatic and significant structural changes have occurred over the period, therefore the structural relationship seems to display a high degree of stability.

Table 2.4 indicates the average structural relationship for the three periods. This table also supports the argument of structural stability in the relationship between national sector and provincial sector GDP from 1995 to 2008.

Table 2.4: Average structural GDP relationship - provincial sector GDP as a % of national sector GDP: per period

Industry	Average 1995 to 2008	Average 1995 to 2000	Average 2000 to 2008
Primary industries	10.56	11.03	10.24
Agriculture, forestry and fishing	29.02	29.42	28.64
Mining and quarrying	4.33	5.23	3.72
Secondary industries	20.2	20.25	20.19
Manufacturing	21.13	21.04	21.2
Electricity, gas and water	17.59	17.51	17.69
Construction	16.01	16.93	15.36
Tertiary industries	15.69	15.6	15.72
Wholesale and retail trade; hotels and restaurants	16.54	16	16.83
Transport, storage and communication	21.88	22.43	21.47
Finance, real estate and business services	13.76	13.93	13.65
Personal services	16.33	16.37	16.31
General government services	13.66	13.64	13.66
GDPR at market prices	15.68	15.13	16.01

Source: StatsSA (2009), Own calculations

In terms of the 2009 GDP-R estimates, the average structural relationship between 2000 and 2008 has been used, because of the stability in the trend behaviour experienced in each sector since 2000.

2.2.2 Provincial GDP quarter 3 and 4 of 2008 and quarter 1, 2 and 3 of 2009

The provincial GDP estimates per sector for 2008 and for each of the three quarters of 2009 are supplied in Table 2.5.

Table 2.5: Provincial GDP quarter 3 and 4 of 2008 and quarter 1, 2 and 3 of 2009 - Constant 2005 prices

R million	2008 Q3 KZN	2008 Q4 KZN	2009 Q1 KZN	2009 Q2 KZN	2009 Q3 KZN
Primary industries	4 298	2 707	3 012	4 789	4 319
Agriculture, forestry and fishing	3 436	1 836	2 252	3 978	3 515
Mining and quarrying	862	871	760	811	804
Secondary industries	19 899	19 102	16 804	17 163	18 159
Manufacturing	16 378	15 548	13 381	13 606	14 489
Electricity, gas and water	1 595	1 550	1 440	1 502	1 582
Construction	1 926	2 004	1 983	2 055	2 088
Tertiary industries	43 156	45 188	43 024	42 781	43 445
Wholesale and retail trade; hotels and restaurants	9 030	10 545	8 663	8 571	8 841
Transport, storage and communication	8 971	9 112	8 569	8 620	8 975
Finance, real estate and business services	12 949	13 397	13 464	13 078	13 004
Personal services	4 188	3 991	4 219	4 271	4 269
General government services	8 018	8 144	8 109	8 241	8 356
GDPR at market prices	76 602	76 290	71 628	73 527	74 709

Source: StatsSA (2009), Own calculations

Table 2.6 indicates the 2008 and 2009 quarter-on-quarter growth rates in provincial GDP for the particular quarters. The provincial economy recorded three consecutive negative growth quarters, both on a non-seasonal adjusted and a seasonal adjusted basis, as indicated. However, the provincial economy already recorded a positive growth rate in the second quarter of 2009, but only on a non-seasonal adjusted basis.

On a seasonal adjusted basis, the provincial economy recorded a positive growth rate only in the third quarter of 2009. Technically, therefore, the provincial economy is no longer in a recession, but rather on a growth or recovery path.

Table 2.6: Provincial GDP and economic growth rate: quarter-on-quarter

	2008 Q3 KZN	2008 Q4 KZN	2009 Q1 KZN	2009 Q2 KZN	2009 Q3 KZN
Primary industries	-11.74	-37.02	11.25	59.02	-9.83
Agriculture, forestry and fishing	-13.96	-46.57	22.64	76.67	-11.65
Mining and quarrying	-1.62	1.06	-12.76	6.74	-0.89
Secondary industries	2.23	-4.00	-12.03	2.14	5.81
Manufacturing	2.03	-5.06	-13.94	1.68	6.49
Electricity, gas and water	5.14	-2.79	-7.09	4.26	5.37
Construction	1.64	4.03	-1.06	3.64	1.61
Tertiary industries	1.79	4.71	-4.79	-0.56	1.55
Wholesale and retail trade; hotels and restaurants	1.33	16.78	-17.85	-1.07	3.15
Transport, storage and communication	4.45	1.57	-5.96	0.60	4.11
Finance, real estate and business services	1.18	3.46	0.50	-2.86	-0.57
Personal services	-0.41	-4.71	5.73	1.22	-0.04
General government services	1.57	1.57	-0.43	1.63	1.40
GDPR at constant 2000 prices	0.79	-0.41	-6.11	2.65	1.61
GDPR at constant 2000 prices (seasonal adjusted)	0.34	-0.48	-1.89	-1.06	0.30

Source: StatsSA (2009), Own calculations

Table 2.7 indicates the 2008 and 2009 year-on-year growth rates in provincial GDP for the particular quarters. It is clearly evident that the provincial economy has continued to record negative growth rates on a yearly basis. The annualised growth rates, both on a seasonal and non-seasonal adjusted basis, suggest that economic activity is still below the levels experienced during 2008. The annualised growth rates also indicate that the majority of economic sectors are still recording negative growth rates.

Table 2.7: Provincial GDP and economic growth rate: year-on-year

	2008 Q4 KZN	2009 Q1 KZN	2009 Q2 KZN	2009 Q3 KZN
Primary industries	6.00	2.71	-1.05	-5.80
Agriculture, forestry and fishing	9.60	6.18	0.98	-5.54
Mining and quarrying	-5.02	-8.72	-7.64	-6.72
Secondary industries	-1.15	-6.71	-11.69	-9.46
Manufacturing	-2.19	-9.03	-15.14	-12.42
Electricity, gas and water	0.79	-0.69	-0.21	-0.65
Construction	6.02	7.70	8.53	7.90
Tertiary industries	3.51	2.11	1.07	0.42
Wholesale and retail trade; hotels and restaurants	-1.63	-2.93	-3.52	-2.47
Transport, storage and communication	3.19	1.68	0.57	-0.08
Finance, real estate and business services	7.40	4.87	2.21	-0.15
Personal services	1.46	2.08	2.67	2.76
General government services	4.96	4.24	4.39	4.04
KZN - GDPR at constant 2005 prices (seasonal adjusted annualised)	2.02	-0.66	-3.07	-3.11
GDPR at constant 2005 prices	1.66	-1.26	-3.25	-2.47

Source: StatsSA (2009), Own calculations

2.3 Performance of the KZN economy and provincial government expenditure

Table 2.8 indicates the growth in provincial GDP (in real terms), the increase in the provincial budget (in nominal terms), the increase in the total provincial population and the increase in the potential provincial workforce from 2000 to 2009.

The table shows that provincial GDP increased on average by 3.42 per cent year-on-year in real terms since 2000, whereas the provincial budget increased on average by 5.14 per cent year-on-year in real terms since 2000. The total provincial population and workforce increased, on average, by 1.89 per cent and 2.34 per cent year-on-year since 2000.

Table 2.8: Selected performance indicators for KZN

R	KZN GDP (real terms)	KZN budget (nominal terms)	KZN population (all ages)	KZN population (15-65)
2000	150 911 404 436	21 799 650 000	8 857 615	5 251 871
2001	157 577 175 968	25 061 194 000	9 426 018	5 588 889
2002	160 957 189 915	22 429 241 000	9 212 122	5 699 908
2003	166 358 000 000	25 476 494 000	9 761 032	5 806 228
2004	174 133 000 000	28 014 475 000	9 665 875	5 907 719
2005	183 363 000 000	33 307 079 000	9 651 100	6 005 404
2006	192 938 336 691	36 881 397 000	9 924 000	6 095 237
2007	202 928 316 036	44 951 327 000	10 014 500	6 192 803
2008	210 123 137 266	51 100 926 000	10 105 500	6 284 396
2009	204 236 375 442 [^]	54 659 860 000	10 449 300	6 463 900
Average real value	180 352 593 575	34 368 164 300	9 706 706	5 929 635
Average year-on-year % change	3.42	5.14*	1.89	2.34

Source: StatsSA (2009), National Treasury (2009), Own calculations

[^] Estimate based on first three quarters annualised

* Deflated using the average yearly consumer price index from 2001 to 2009

Table 2.9 below indicates that the per capita GDP for both the total population and the workforce increased in real terms, suggesting an increase in the average standard of living and an increase in labour return in the province since 2000. The provincial economy thus seems to have performed fairly well during the period. However, there can be little doubt that the provincial economy has been negatively affected by the above-mentioned economic shocks, and that economic growth has slowed down considerably during 2009 and will most probably consolidate around the pre-2008 GDP levels during 2010.

Table 2.9: Per capita indicators for KZN

R	KZN GDP per capita (all ages)	KZN GDP per capita (15-65)	KZN budget per capita (all ages)	KZN budget per capita (15-65)
2000	17 037	28 735	2 461	4 151
2001	16 717	28 195	2 659	4 484
2002	17 472	28 239	2 435	3 935
2003	17 043	28 652	2 610	4 388
2004	18 015	29 476	2 898	4 742
2005	18 999	30 533	3 451	5 546
2006	19 442	31 654	3 716	6 051
2007	20 263	32 768	4 489	7 259
2008	20 793	33 436	5 057	8 131
2009	19 545	31 596	5 231	8 456
Average real value	18 533	30 328	3 501	5 714
Average year-on-year % change	1.61	1.1	3.07*	2.62*

Source: StatsSA (2009), National Treasury (2009), Own calculations

* Deflated using the average yearly consumer price index from 2001 to 2009

Graph 2.3 below suggests that provincial GDP and provincial government expenditure will increase by between 1 per cent and 2 per cent in real terms during 2009 and 2010, respectively^{1 2}.

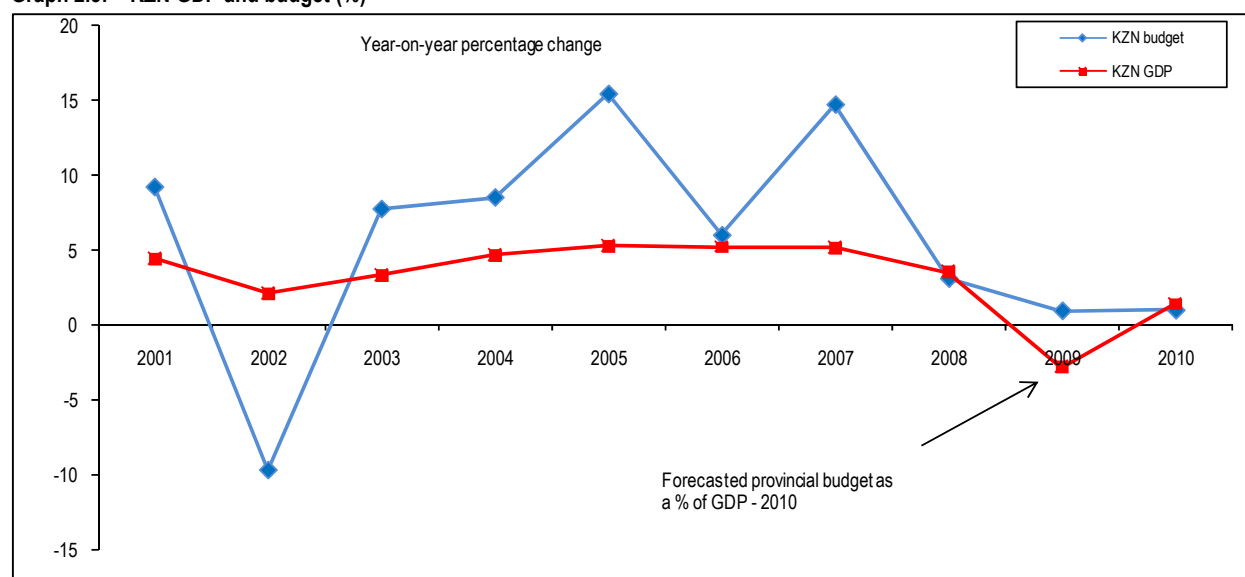
The significant economic downturn during 2009 is clearly evident. It must, however, be emphasised that the slowdown in economic activity in KZN started well before the international financial recession, but it was the resulting world economic recession that ultimately tipped the provincial economy into recession.

Provincial government expenditure will continue to be under pressure because of the significant revenue constraints faced by the national *fiscus*, but will nonetheless increase by very moderate real levels.

¹ Own calculations and are based on a sustained world economic recovery during 2010 and the continued expansionary monetary policy stance.

² National Treasury Medium Term Budget Policy Statements and Adjusted Estimates of National Expenditure - 2008

Graph 2.3: KZN GDP and budget (%)

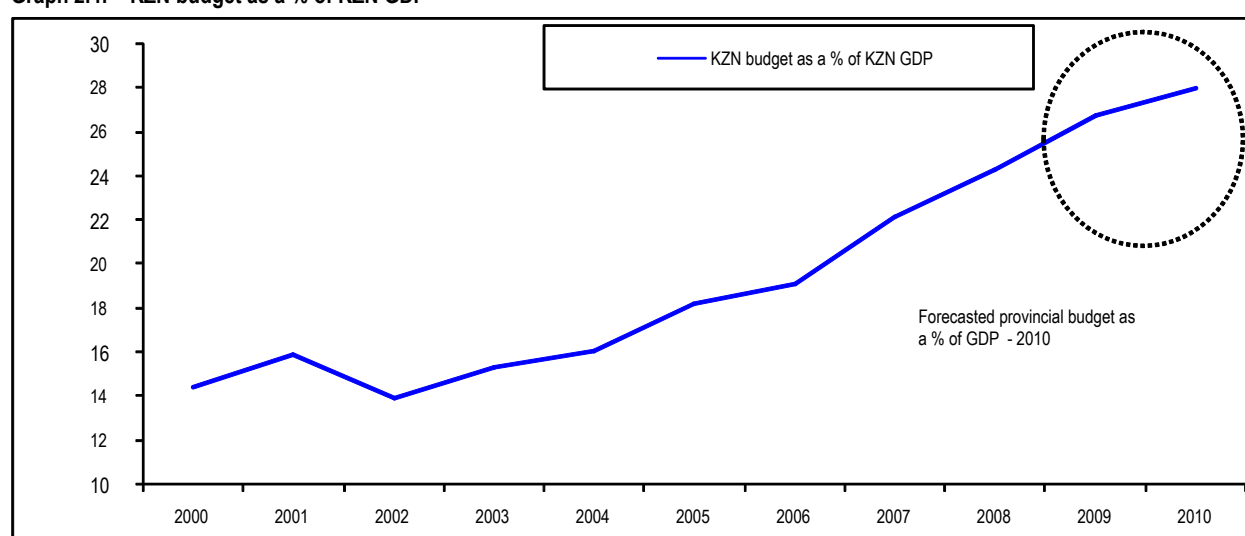


Source: StatsSA (2009), National Treasury (2009), Own calculations

Provincial government expenditure as a percentage of provincial GDP will continue to increase during 2010, approaching fairly high and even unsustainable levels (see Graph 2.4), suggesting an increasingly greater involvement of the provincial government in the provincial economy. The increased expenditure is, however, of very little benefit if the increase in expenditure does not contribute to the expansion of potential GDP, i.e. the increase in provincial government expenditure should create favourable supply-side dynamics. The emphasis must be on continued infrastructure investment.

In the 1930s, John Maynard Keynes argued that government spending – particularly increases in government spending – boosted growth by injecting purchasing power into the economy. According to Keynes, government could reverse economic downturns by borrowing money from the private sector and then returning the money to the private sector through various spending programmes. Economists, however, will also generally agree that government spending becomes a burden at some point, either because government becomes too large or because outlays are misallocated. In such cases, the cost of government exceeds the benefit. The fact of the matter is that the significant increase in deficit spending was necessary, given the potential economic depression. However, there should be an exit strategy to normalise the budget deficit, once the economy has settled into its growth phase.

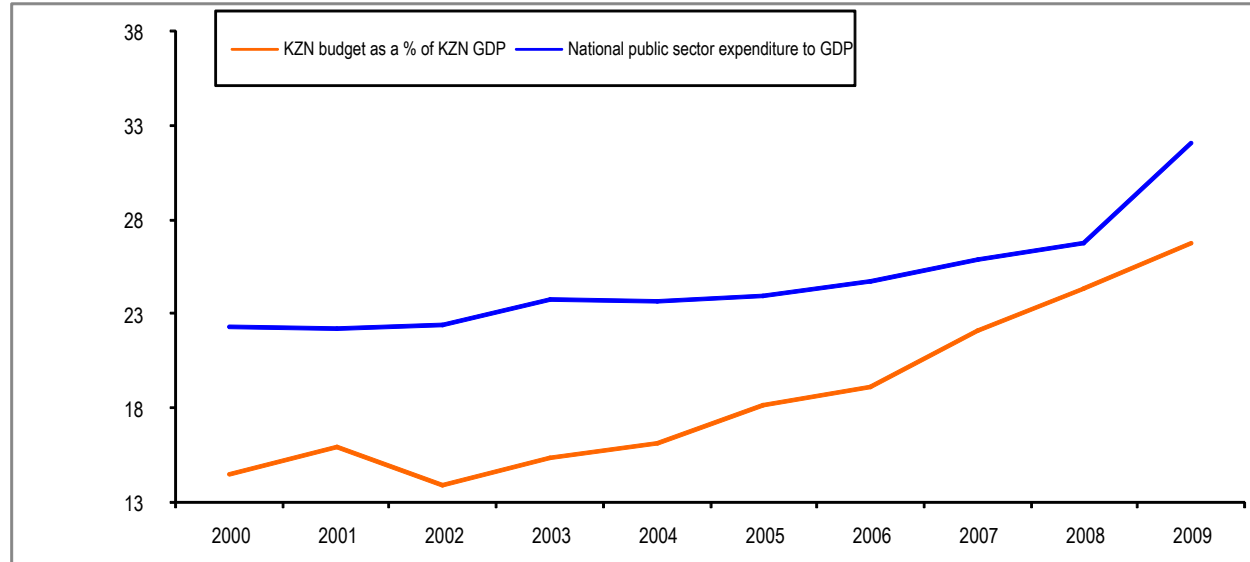
Graph 2.4: KZN budget as a % of KZN GDP



Source: StatsSA (2009), National Treasury (2009), Own calculations

Graph 2.5 suggests that provincial government expenditure as a percentage of provincial GDP is still below the national ratio, although it has been increasing fairly rapidly since 2000. Thus, there still seems to be scope for increased provincial government expenditure in KZN, but the sustainability of continued deficit expenditure is becoming questionable. Obviously, the increase in provincial expenditure is largely dependent on the availability of additional equitable share resources to provinces in the ensuing MTEF.

Graph 2.5: KZN budget as a % of KZN GDP compared to national public-sector expenditure as a % of GDP



Source: StatsSA Reserve Bank (2009), National Treasury (2009), Own calculations

2.4 Macro-economic indicators for the province

Table 2.10 supplies a brief overview of the behaviour of a number of provincial macro-economic indicators over the stated period. It is evident that all of the indicators recorded significant improvements since 2002. However, the significant negative effects of contractionary monetary conditions in 2008 and the world economic and domestic recession in 2009 are evident. The provincial economy clearly did not escape the effects of the world financial and economic crises. It is, however, very encouraging that, given the magnitude of the crises, the provincial economy seems to have stood firm, suggesting that, fundamentally, the economy was in a very healthy state. The downturn should, therefore, only be of a cyclical nature and not of a structural nature, and thus the provincial economy should recover fairly substantially and quickly, given the assumptions that world trade resumes and domestic monetary policy stays expansionary during 2010.

Table 2.10: Provincial macro-economic indicators - Average per month per year

	Buildings reported as completed, constant prices	Number of claims for unemployment benefits	Cementitious sales, tons	Electricity usage, gigawatt-hours	Civil cases recorded and summonses issued for debt	Total fuel consumption litres
Average 2002	683 033 846	-	317 613	9 407	14 636	715 750 549
Average 2003	688 404 477	-	360 059	9 808	13 506	753 736 595
Average 2004	1 165 888 359	-	404 299	10 566	11 734	780 257 505
Average 2005	1 131 325 867	-	463 572	10 762	8 130	803 760 349
Average 2006	1 359 675 176	-	497 920	10 794	7 300	815 951 388
Average 2007	1 608 532 013	28 995	530 945	10 798	7 870	863 876 908
Average 2008	1 611 588 538	32 172	491 066	10 310	8 115	890 719 771
Average 2009	1 803 411 378	51 642	501 490	10 320	9 685	849 585 203

Source: Various sources including StatsSA, DME, Labour Dept, etc, Own calculations

Table 2.11 suggests that about 8 000 companies and close corporations closed down during 2009 in KZN. However, presently, the total number of companies and close corporations still exceeds that of 2007. The table also indicates that 14.13 per cent of all companies and close corporations are located in KZN.

This seems to be a fairly low number, indicating that the province will have to spend a lot of effort to attract greater numbers of direct investment into the province.

Table 2.11: Number of active CO and CC entities per province - Total per period

Province	2002	2003	2004	2005	2006	2007	2008	2009
Eastern Cape	2 529	3 152	581	1 366	3 529	6 060	15 315	13 536
Free State	1 681	1 914	2 592	3 650	5 238	7 108	10 515	7 673
Gauteng	40 982	41 486	63 195	81 878	83 044	91 465	146 012	109 513
KwaZulu-Natal	8 654	9 917	12 994	19 708	24 638	26 160	39 364	31 299
Limpopo	2 885	3 906	371	2 325	8 557	10 323	18 242	13 832
Mpumalanga	6 608	8 024	536	2 958	10 286	12 771	16 562	11 058
North West	1 293	1 299	352	1 922	5 344	5 805	10 389	7 959
Northern Cape	529	548	95	316	755	1 128	2 044	1 605
Western Cape	12 566	11 243	17 801	22 136	23 627	26 343	32 688	25 060

Source: Cipro (2009), Own calculations

2.5 Unemployment and labour market

Table 2.12 supplies information regarding the KZN labour market over the stated period, and it is evident that the total labour force contracted considerably over the period. It is also evident that the number of people employed and unemployed decreased. However, the number of people not economically active and discouraged work seekers increased substantially over the period, suggesting a loss of confidence in a larger part of the provincial labour market in finding employment. This has serious implications for current and future government expenditure, because of the increase in social welfare demands.

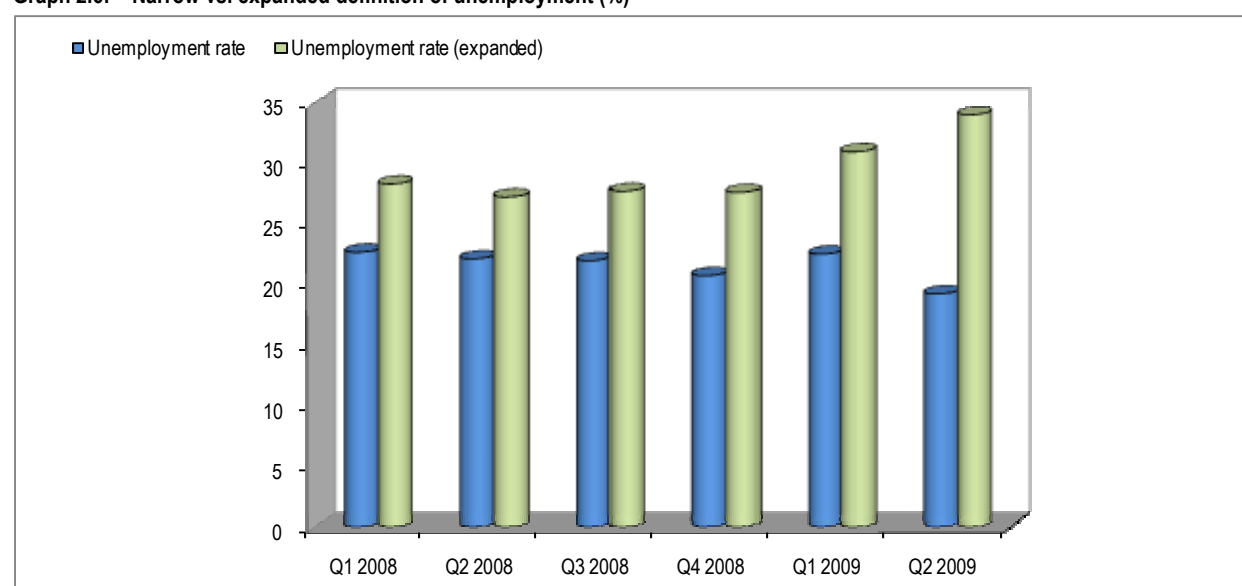
Table 2.12: Provincial labour market dynamics - Total per period

	Population of working age (15–64 years)	Labour force	Employed	Unemployed	Not economically active	Discouraged work seekers
Q1 2008	6 250 000	3 315 000	2 562 000	753 000	2 935 000	183 000
Q2 2008	6 273 000	3 359 000	2 614 000	745 000	2 914 000	167 000
Q3 2008	6 295 000	3 312 000	2 583 000	729 000	2 983 000	186 000
Q4 2008	6 318 000	3 321 000	2 631 000	690 000	2 997 000	224 000
Q1 2009	6 340 000	3 248 000	2 514 000	733 000	3 093 000	271 000
Q2 2009	6 362 000	3 043 000	2 457 000	586 000	3 319 000	448 000
Q3 2009	6 384 000	3 024 000	2 458 000	566 000	3 360 000	481 000

Source: StatsSA (2009), Own calculations

Graph 2.6 shows that, although unemployment according to the narrow definition has decreased since the beginning of 2008, unemployment according to the expanded definition has actually increased.

Graph 2.6: Narrow vs. expanded definition of unemployment (%)



Source: StatsSA (2009), Own calculations

The narrow definition, therefore, is significantly misleading in describing the unemployment situation in the province.

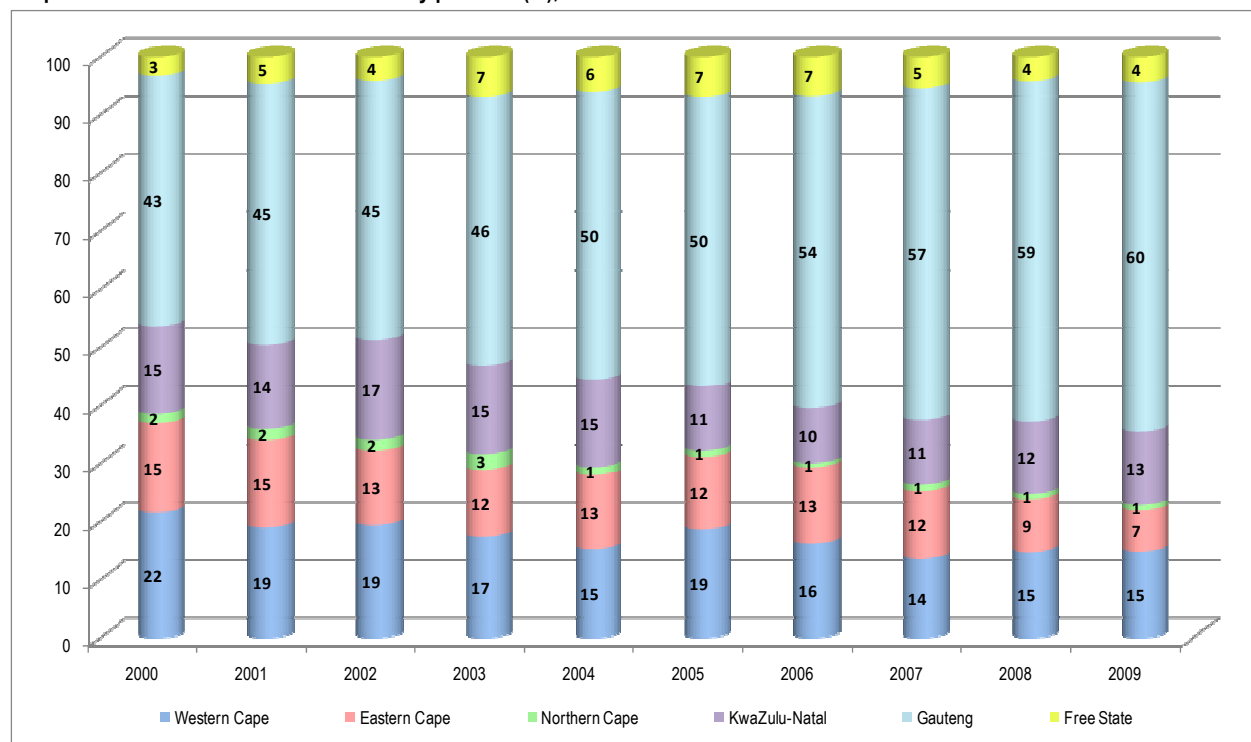
A breakdown of the different economic sectors indicates that all of the sectors, except construction and finance, decreased their employment numbers since the beginning of 2008, particularly the private household sector and the manufacturing sector. The provincial economy lost about 173 000 jobs since the world economic crises, and up to the second quarter of 2009. Further job loss, although not to the same extent, is expected during the last two quarters of 2009, because of the lagging nature of unemployment.

The deterioration of the labour market conditions in the province during 2009 is predicted to continue through the first two quarters of 2010, whereafter the labour market will consolidate until the end of 2010. Employment creation is predicted to resume only in 2011. Unfortunately, the majority of people that became unemployed during 2009 will find it very difficult to find alternative employment, and thus will become part of the permanent pool of unemployed people in the province, with significant implications for poverty alleviation and government expenditure in the province.

2.6 Debt analysis

In the present economic climate, many South African consumers are facing financial difficulties. While the value of the total consumer credit granted declined consistently from December 2007 to June 2009, more than seven million consumers are more than three months in arrears with debt repayments, according to the National Credit Regulator. This means that most of these consumers have already received, or will receive, a letter of demand from their credit providers. This section provides information that indicates the extent of the unpaid debt in the country. The number of civil cases recorded in all provinces declined on average by 5.5 per cent between 2008 and 2009. This could be attributed to the National Credit Act which was enacted to assist indebted people to solve their debts without any further loans. However, Graph 2.7 shows that Gauteng had a bigger share of highly indebted people at 50.8 per cent on average, between 2000 and 2009, followed at a distance by the Western Cape, KwaZulu-Natal and Eastern Cape at 17.1 per cent, 13.4 per cent and 12.1 per cent, respectively.

Graph 2.7: Share of recorded civil cases by province (%), 2000-2009*

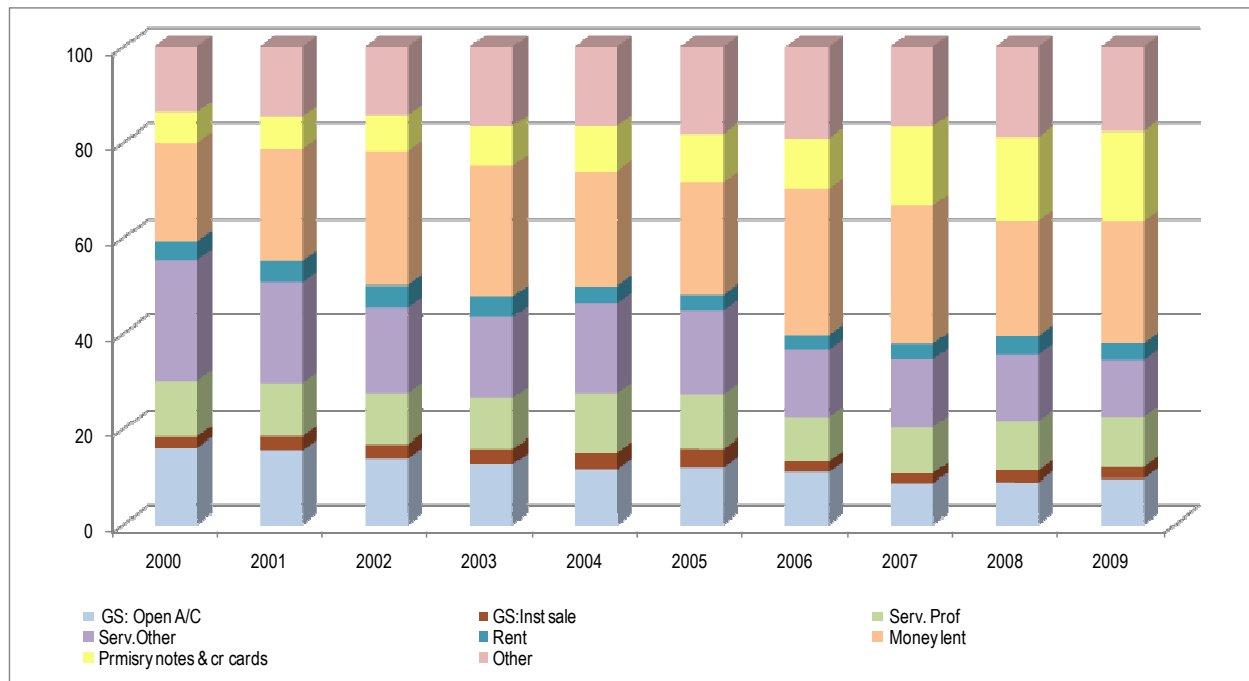


Source: StatsSA 2009 & own calculations

*2009 data are reported as at October

Graph 2.8 gives proportions of summons issued for debt for both business enterprises and private persons. It shows that money lent was the largest type of debt, followed by goods sold on open accounts. However, the percentage share of the promissory notes, other bills and credit cards has been increasing since 2006. With the waves of the economic downturn still with us, although the statistics show that the economy is on a recovery path, these groups of people are the most vulnerable to the harsh impact of the recession.

Graph 2.8: Summons issued for debt by type - business enterprises and private persons (%), 2000-2009

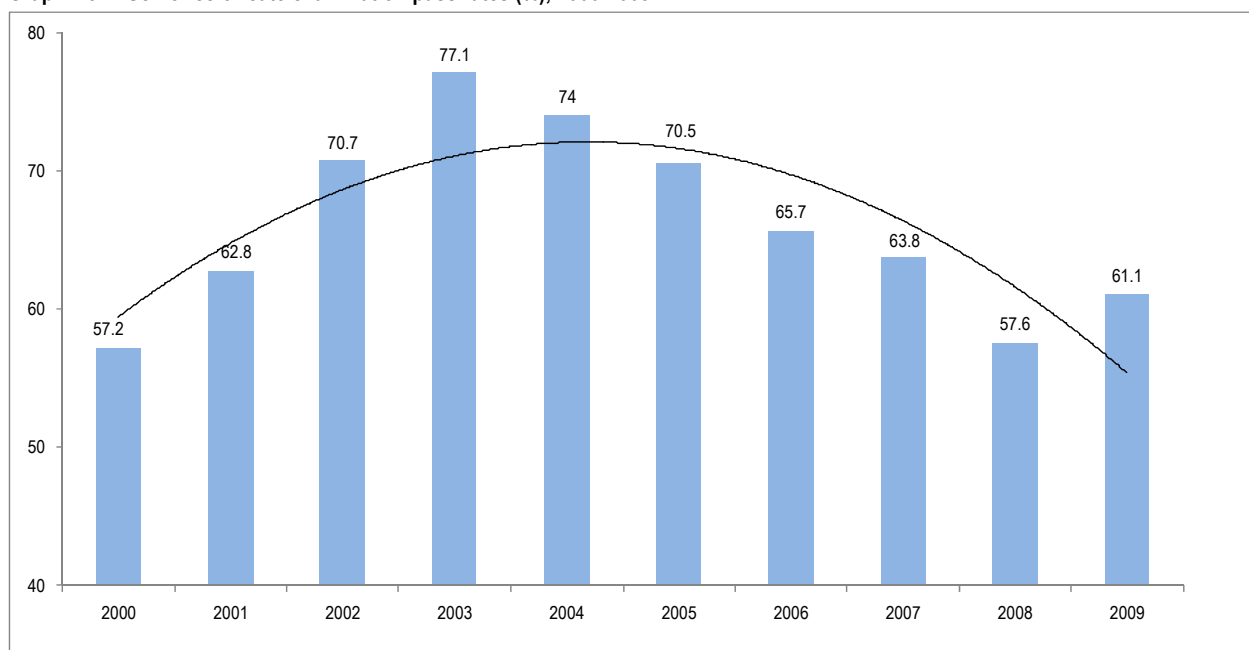


Source: StatsSA 2009 and own calculations
 *2009 data are reported as at October

2.7 Literacy and skills development

Graph 2.9 reflects the pass rates for the senior certificate examinations between 2000 and 2009.

Graph 2.9: Senior certificate examination pass rates (%), 2000-2009

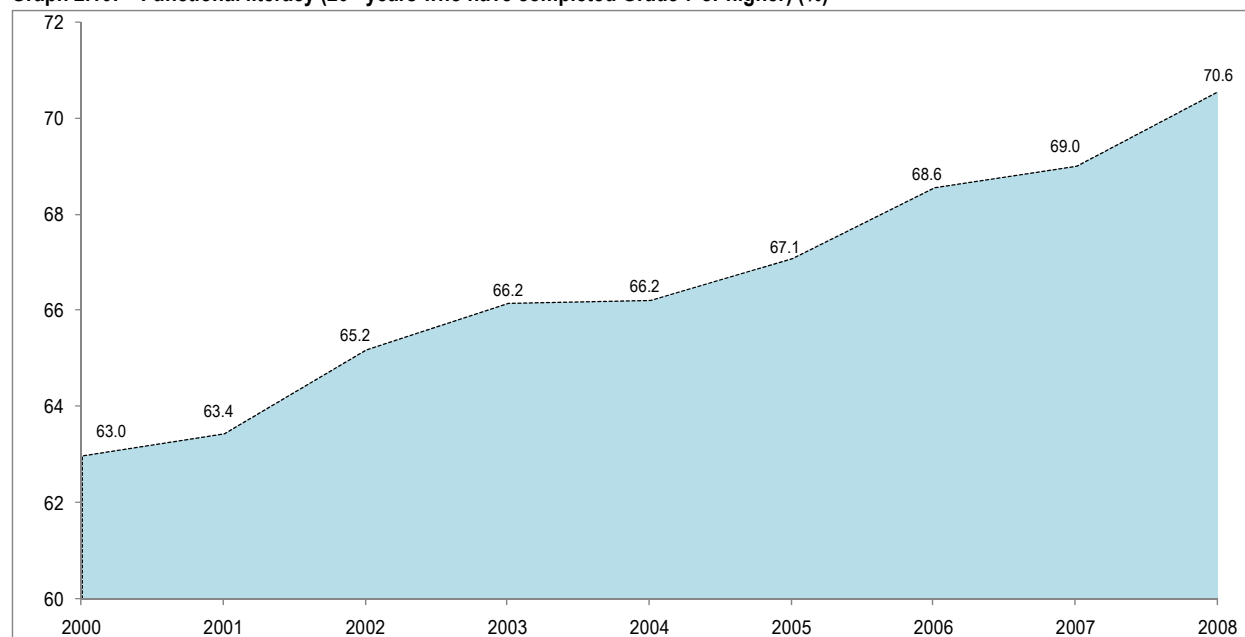


Source: Department of Education, various

Graph 2.9 reveals that the KwaZulu-Natal 2009 matric class performance improved remarkably, by 3.5 per cent from 57.6 per cent in 2008 to 61.1 per cent in 2009. The challenge is upon all the relevant stakeholders to ensure that this upward performance is maintained.

Similarly, the number of people in the province, who are aged 20 years and above, and have completed Grade seven or higher, has been increasing since 2004 (Graph 2.10). This shows that there is great potential in human capital development in the province. The province is, more than ever, determined to continue working to ensure sustainable skills development in the coming years.

Graph 2.10: Functional literacy (20+ years who have completed Grade 7 or higher) (%)

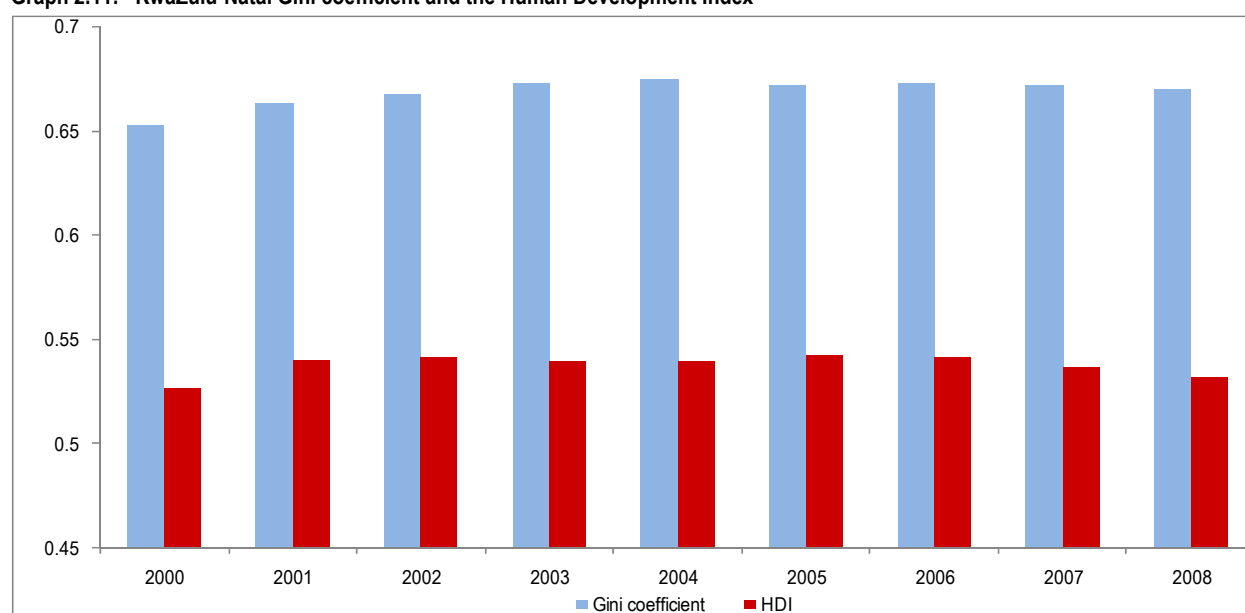


Source: Global Insight, 2009

2.8 Gini coefficient and Human Development Index

Graph 2.11 shows the Gini coefficient and Human Development Index (HDI) between 2000 and 2008.

Graph 2.11: KwaZulu-Natal Gini coefficient and the Human Development Index



Source: Global Insight, 2009

The statistics show that the HDI for the province declined from 0.54 in 2007 to 0.53 in 2008. This indicates that we have regressed as a province in terms of human development. Again, the Gini coefficient for the province on average (0.67) was slightly higher than the national average (0.66), signalling higher income inequality in the province.

2.9 Domestic Investment in KwaZulu-Natal: Mitigating the impact of the recession

The SARB estimates that the real gross fixed capital formation (GFCF) in South Africa has been growing since 2000. The main investment component is transport, followed by investment in buildings and machinery. These developments could be attributed to construction projects in preparation for the 2010 World Cup. In KZN, investment in machinery led, followed by buildings and transport equipment (Graph 2.12). Machinery investment could similarly be attributed to high-technology investments projects in the province, such as the King Shaka International Airport at La Mercy and the Moses Mabhida stadium which was completed in time for the 2010 World Cup.

Graph 2.12: KwaZulu-Natal GFCF, 2000 – 2008 (%)



Source: SARB, 2009 & Quantec, 2009

2.10 KwaZulu-Natal grant beneficiaries

The importance of social grants in South Africa in supporting the poor cannot be over-emphasised. Social grants have always been a major monthly income source for over 12 million people. Social grants have played an increasingly important role in reducing poverty and inequality in the country since 2000. The harsh economic environment, characterised by massive retrenchment, increasing food prices and consumer debt, has made social grants inherently indispensable as a way of supporting the poor.

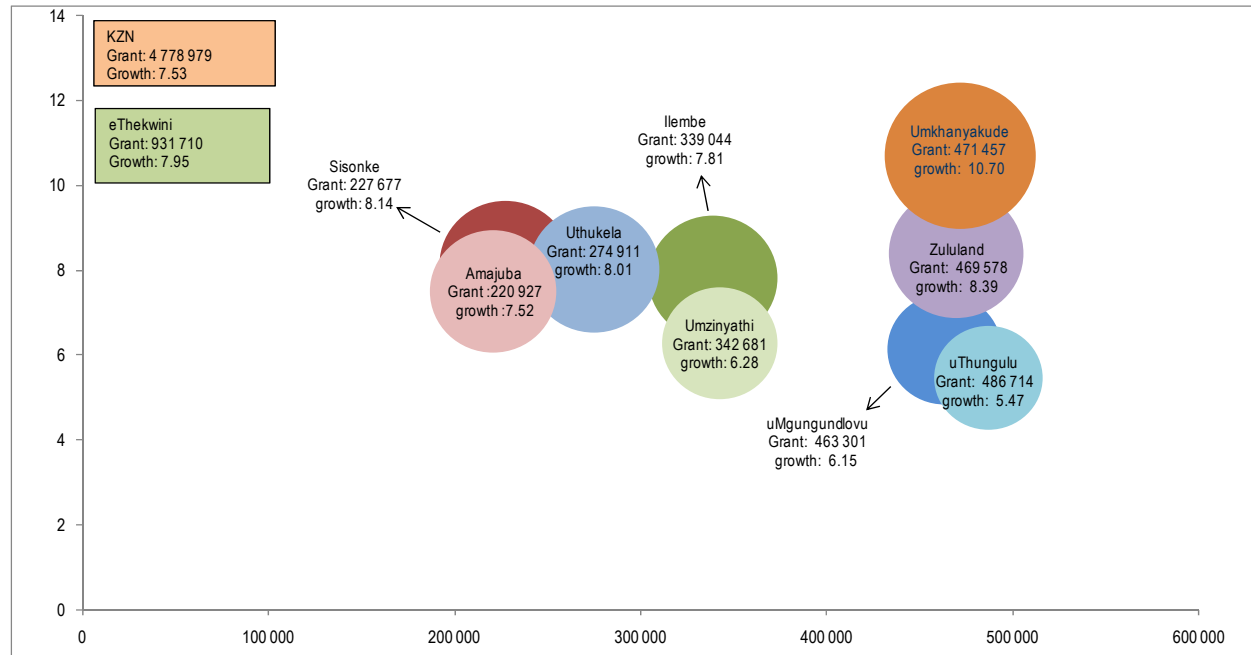
The government, through the 2009/10 budget, increased the allocation to support the social security system as a way of cushioning the poor who are hardest hit by the recession. Accordingly, funding was provided to improve social services, particularly education, skills development, and health, and in the development of infrastructure. Through the provincial Department of Social Development, an amount of R933.741 million was allocated in 2009/10 to support and strengthen social welfare services in KZN.

The KZN provincial government has stepped up efforts to support the poor through the unveiling of programmes such as the food security model which involves innovative approaches to increase food

security in the province. The programme targets close to 600 000 households, and is envisaged to buttress government's interventions aimed at assisting poor households in South Africa. However, government acknowledges that social grants are only a temporary measure to address the basic needs of the poor.

In terms of economic development, social grants have a crucial role to play in stimulating local economies. The question then is, to what extent does spending on grants assist in boosting local economies? The total number of grant beneficiaries in KZN increased by 7.5 per cent from 4.4 million in 2008 to 4.7 million in 2009. This means that 47.1 per cent of the total population in the province are benefiting from social grants (Graph 2.13).

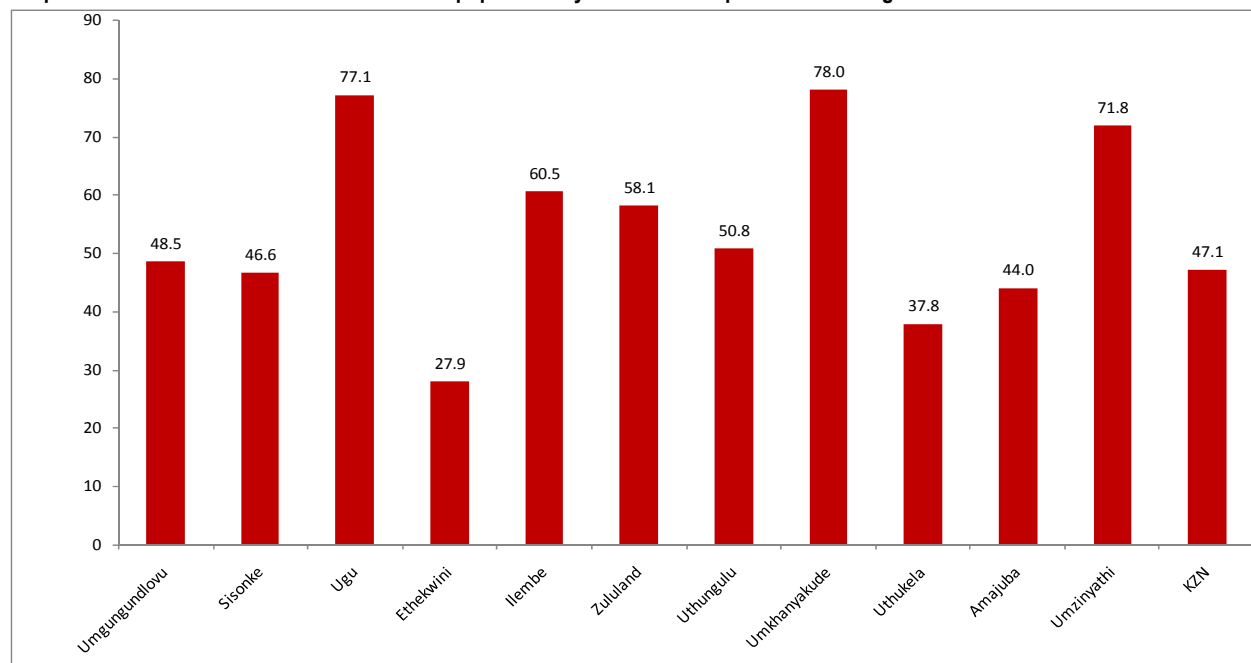
Graph 2.13: Total grant beneficiaries distribution and growth rate by district municipal area - August 2008 and August 2009 (%)



Source: KZN SASSA

Graph 2.14 below provides further details of the grant beneficiaries.

Graph 2.14: Grant beneficiaries as a % of total population by district municipal area as at August 2009

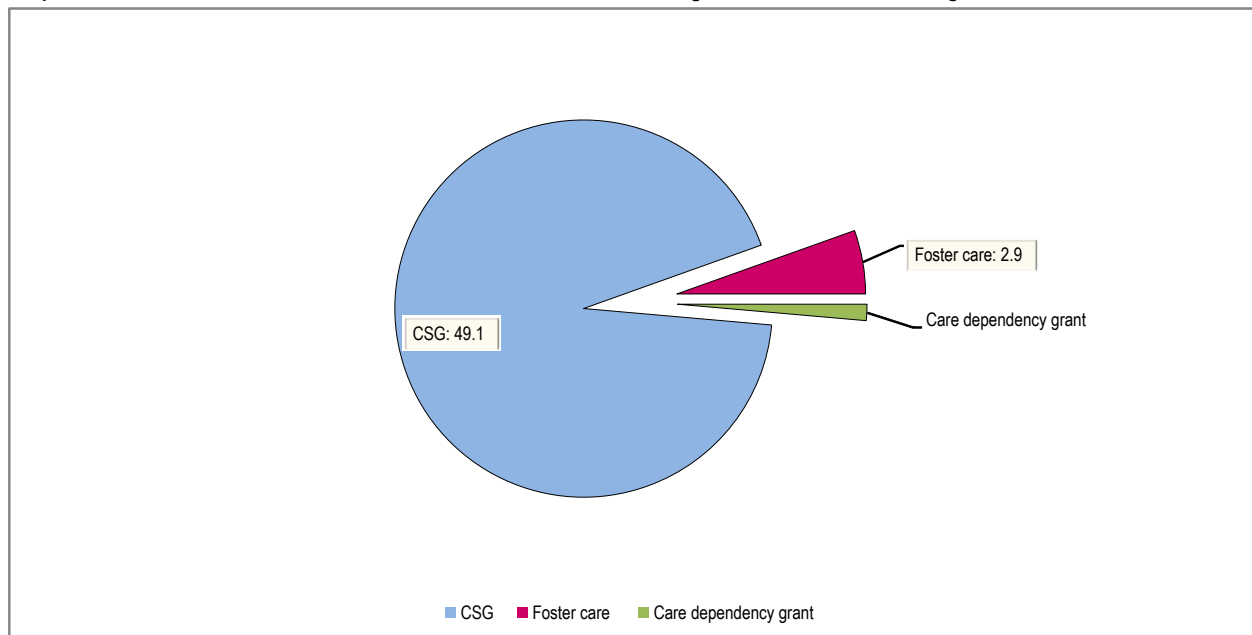


Source: KZN SASSA

As Graph 2.14 shows, in Umkhanyakude, Ugu and Umzinyathi, more than 70.0 per cent of the population are grant beneficiaries. Although eThekweni has the largest number of grant beneficiaries, only 27.9 per cent of its total population benefitted from social grants. The major contributors to the total grant were the child grant beneficiaries. In terms of share distribution of the child support grant (CSG), foster care grant and care dependency grant, the CSG is relatively equally distributed across district municipal areas. However, Zululand, uThungulu and Sisonke have a larger share of foster care, at 33.4 per cent, 25.4 per cent and 22.7 per cent, respectively. Umkhanyakude, Zululand and Ilembe enjoy the larger share of the care dependency grant.

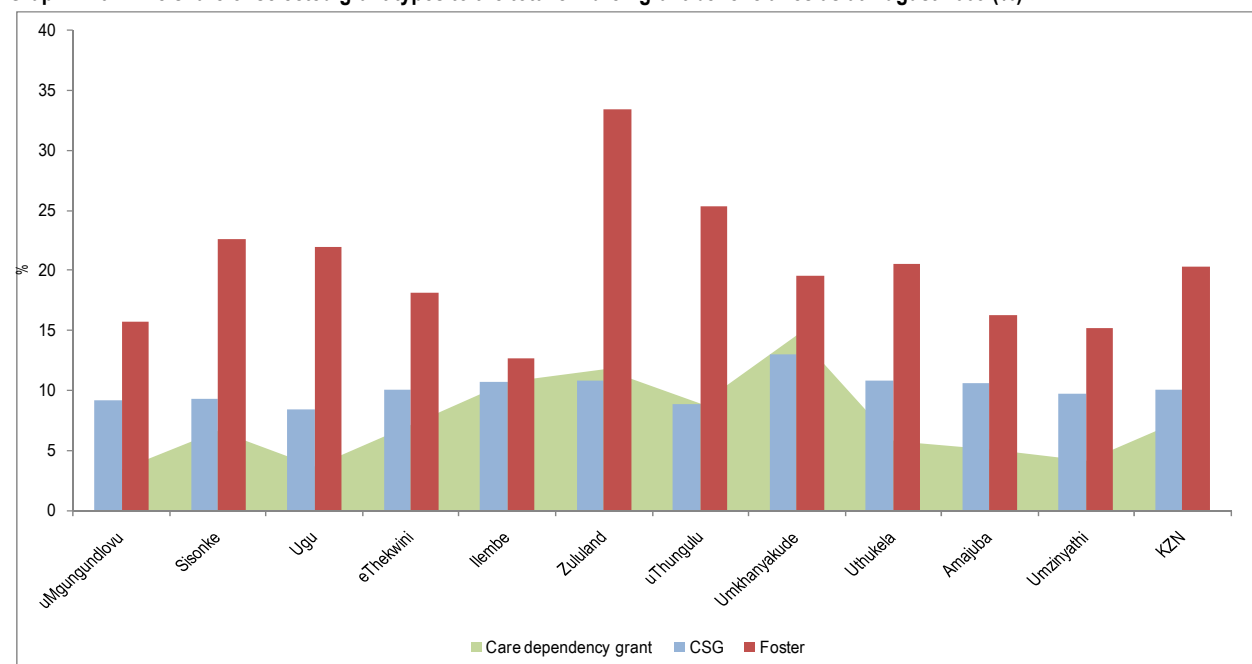
The number of child beneficiaries increased by 11.0 per cent, from 2.2 million in 2008 to 2.5 million in 2009. The CSG was the major driver, contributing 49.1 per cent to the total children grant beneficiaries (Graphs 2.15 and 2.16).

Graph 2.15: The % share of CSG, foster care and care to KwaZulu-Natal grant beneficiaries as at August 2009



Source: KZN SASSA

Graph 2.16: The share of selected grant types to the total children grant beneficiaries as at August 2009 (%)



Source: KZN SASSA

2.11 Access to housing and social services

This section provides the total number of households in the province who have access to clean water, housing, energy and sanitation.

Table 2.13 reveals that the total number of households who have access to piped water in dwellings increased by 4.5 per cent from 841 000 in 2002 to 879 000 in 2008, while those with no access to piped water decreased by 16.3 per cent during the same period.

Table 2.13: KwaZulu-Natal household access to water by source 2002 - 2008

	2002	2003	2004	2005	2006	2007	2008
Household by water source (thousand)							
Piped water in dwelling	841	872	830	935	914	966	879
Piped water on site/neighbour's tap	549	662	614	654	732	672	688
Public tap/rain water tap	338	385	412	424	466	478	464
No access to piped (tap) water	557	559	524	444	477	421	466
Unspecified	2	-	-	-	-	-	-
Total households	2 287	2 478	2 380	2 457	2 589	2 537	2 497
Households by water source (%)							
Piped water in dwelling	36.8	35.2	34.9	38.1	35.3	38.1	35.2
Piped water on site/neighbour's tap	24.0	26.7	25.8	26.6	28.3	26.5	27.6
Public tap/rain water tap	14.8	15.5	17.3	17.3	18.0	18.8	18.6
No access to piped (tap) water	24.4	22.6	22.0	18.1	18.4	16.6	18.7
Unspecified	0.1	-	-	-	-	-	-
Total households	100	100	100	100	100	100	100

Source: StatsSA, Household survey 2002 - 2008

Similarly, the total number of households on separate stands has increased by 21.3 per cent, from 1.1 million in 2002 to 1.4 million in 2008. This constitutes an average growth rate of 3.5 per cent per annum between 2002 and 2008 (Table 2.14). It is concerning to note the increased growth in informal dwellings, of 6.2 per cent in 2008 from a negative growth of 16.9 per cent in 2007. This situation needs to be monitored closely.

Table 2.14: KwaZulu-Natal households by type of dwelling

	2002	2003	2004	2005	2006	2007	2008
Type of dwelling (thousand)							
House on separate stand	1 122	1 136	1 098	1 153	1 311	1 331	1 354
Traditional dwelling	453	566	566	569	589	588	658
Flat in block of flats	187	199	191	177	254	190	189
Town/cluster/semi-detached houses	44	95	78	50	30	25	-
House/flat/room in backyard	84	97	59	58	78	102	40
Informal dwelling/shack in backyard	77	73	62	48	93	34	54
Informal dwelling/shack in elsewhere	184	190	162	306	135	177	147
Room/flatlet on shared property	126	122	164	96	91	83	55
Unspecified	10	-	-	-	8	7	-
Total households	2 287	2 478	2 380	2 457	2 589	2 537	2 497
Type of dwelling (%)							
House on separate stand	49.1	49.2	46.1	46.2	49.8	51.5	54.5
Traditional dwelling	19.8	22.8	23.8	23.2	22.8	23.2	26.4
Flat in block of flats	8.2	8.0	8.0	7.2	9.8	7.5	7.6
Town/cluster/semi-detached houses	1.6	3.8	3.3	2.0	1.2	1.0	-
House/flat/room in backyard	3.7	3.9	2.5	2.4	3.0	4.0	1.6
Informal dwelling/shack in backyard	3.4	3.0	2.6	2.0	3.6	1.3	2.2
Informal dwelling/shack in elsewhere	8.0	7.7	7.1	12.5	5.2	7.0	5.9
Room/flatlet on shared property	5.5	4.9	6.9	3.9	3.5	3.3	2.2
Unspecified	0.4	-	-	-	0.3	0.3	-
Total households	100	100	100	100	100	100	100

Source: StatsSA, Household survey 2002 - 2008

The number of households using electricity in cooking and heating has increased between 2002 and 2008 (Tables 2.15 and 2.16 below). There has been a growth of 7 per cent over this period. Gas cooking has also been showing signs of increasing, especially in 2007 and 2008.

Table 2.15: KwaZulu-Natal access to energy for cooking 2002 - 2008

	2002	2003	2004	2005	2006	2007	2008
Source of energy							
Electrical mains	1 290	1 404	1 428	1 533	1 699	1 693	1 589
Generator	1	-	-	-	-	-	-
Gas	44	42	47	52	51	72	85
Paraffin	366	383	326	337	308	243	199
Wood	536	614	546	503	505	491	586
Coal	43	35	33	32	26	38	38
Unspecified	7	-	-	-	-	-	-
Total	2 287	2 478	2 380	2 457	2 589	2 537	2 497
Source of energy (%)							
Electrical mains	56.4	56.7	60.0	62.4	65.6	66.7	63.6
Generator	0.0	-	-	-	-	-	-
Gas	1.9	1.7	2.0	2.1	2.0	2.8	3.4
Paraffin	16.0	15.5	13.7	13.7	11.9	9.6	8.0
Wood	23.4	24.8	22.9	20.5	19.5	19.4	23.5
Coal	1.9	1.4	1.4	1.3	1.0	1.5	1.5
Unspecified	0.3	-	-	-	-	-	-
Total	100	100	100	100	100	100	100

Source: StatsSA, Household survey 2002 - 2008

Table 2.16: KwaZulu-Natal household access to energy for heating 2002 - 2008

	2002	2003	2004	2005	2006	2007	2008
Source of energy (thousand)							
Electrical mains	1 161	1 267	1 218	1 432	1 575	1 480	1 358
Generator	1	-	-	-	-	-	-
Gas	17	20	21	14	20	26	15
Paraffin	210	186	129	192	183	125	95
Wood	698	663	648	596	585	603	606
Coal	59	44	47	52	57	54	68
Unspecified	141	298	317	171	169	249	355
Total	2 287	2 478	2 380	2 457	2 589	2 537	2 497
Source of energy (%)							
Electrical mains	50.8	51.1	51.2	58.3	60.8	58.3	54.4
Generator	0.0	-	-	-	-	-	-
Gas	0.7	0.8	0.9	0.6	0.8	1.0	0.6
Paraffin	9.2	7.5	5.4	7.8	7.1	4.9	3.8
Wood	30.5	26.8	27.2	24.3	22.6	23.8	24.3
Coal	2.6	1.8	2.0	2.1	2.2	2.1	2.7
Unspecified	6.2	12.0	13.3	7.0	6.5	9.8	14.2
Total	100	100	100	100	100	100	100

Source: StatsSA, Household survey 2002 - 2008

KZN is improving in addressing sanitation problems, as shown in Table 2.17 below.

The bucket system has almost been eradicated and replaced by flush toilets. This improvement is shown by a decrease in the bucket system, from 6 per cent in 2002 to 0 per cent from 2003 to 2008. Although the bucket system has been eradicated, in 2008, approximately 6.8 per cent of households still had no systems of sanitation, posing a challenge which needs to be monitored.

Table 2.17: KwaZulu-Natal household access to sanitation 2002 - 2008

	2002	2003	2004	2005	2006	2007	2008
Source (thousand)							
Flush toilets on site connected to public sewage system	998	1 076	965	1 028	1 078	1 114	967
Flush toilets on site connected to a septic tank system	36	64	109	90	179	103	115
Chemical on site	11	18	21	97	18	38	34
Pit latrine on site	829	957	927	930	1 023	992	1 067
Bucket on site	3	-	-	-	22	-	-
Flush toilets off site connected to public sewage system	18	15	17	-	17	-	-
Flush toilets off site connected to a septic tank system	1	-	-	-	10	-	-
Chemical off site	1	-	-	-	-	-	-
Pit latrine off site	148	131	140	122	52	97	121
Bucket off site	6	-	-	-	-	-	-
None	234	217	201	190	190	172	170
Unspecified	2	-	-	-	-	21	23
Total	2 287	2 478	2 380	2 457	2 589	2 537	2 497
Source in percentage	2002	2003	2004	2005	2006	2007	2008
Flush toilets on site connected to public sewage system	43.6	43.4	40.5	41.8	41.6	43.9	38.7
Flush toilets on site connected to a septic tank system	1.6	2.6	4.6	3.7	6.9	4.1	4.6
Chemical on site	0.5	0.7	0.9	3.9	0.7	1.5	1.4
Pit latrine on site	36.2	38.6	38.9	37.9	39.5	39.1	42.7
Bucket on site	0.3	-	-	-	-	-	-
Flush toilets off site connected to public sewage system	0.8	0.6	0.7	-	0.7	-	-
Flush toilets off site connected to a septic tank system	-	-	-	-	0.4	-	-
Chemical off site	-	-	-	-	-	-	-
Pit latrine off site	6.5	5.3	5.9	5.0	2.0	3.8	4.8
Bucket off site	0.3	-	-	-	-	-	-
None	10.2	8.8	8.4	7.7	7.3	6.8	6.8
Unspecified	0.1	-	-	-	-	0.8	0.9
Total	100	100	100	100	100	100	100

Source: StatsSA, Household survey 2002 - 2008

3. THE FISCAL FRAMEWORK AND DIVISION OF REVENUE FOR THE 2010/11 MTEF PERIOD

3.1 Background

Section 214(1) of the Constitution of South Africa necessitates that, every year, a *Division of Revenue Act* determines the equitable division of nationally raised revenue between the three spheres of government. This section of the Constitution is further supported by Section 9 of the *Intergovernmental Fiscal Relations Act (Act No. 97 of 1997)*, which promotes co-operative governance of fiscal, budgetary and financial matters, by prescribing the process for determining the equitable sharing and allocation of revenue raised nationally.

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

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

3.2 Division of revenue and fiscal framework

The division of revenue for the 2010/11 MTEF period was done in the context of the government's priorities, the revenue raising capacity and functional responsibilities of each sphere of government, and the decisions of the various inter-governmental fora. The budget policy framework that underpins the 2010/11 MTEF division of revenue continues to seek enhanced economic growth and people-centred development through strategic economic investment, progressive realisation of basic social rights, and by improving public sector governance and service delivery.

Table 3.1 gives the division of revenue between the three spheres of government for the 2010/11 MTEF.

The annual growth rate in the main budget expenditure is expected to peak at 17.7 per cent in 2009/10. Over the 2010/11 MTEF, it is projected to increase by an annual average growth rate of approximately 9 per cent. The percentage share of national departments decreases marginally over the MTEF period, at the expense of growing provincial and local government shares, but with the national departments continuing to receive the largest share.

The increase in the provincial equitable share allocation is mainly to provide for improvements in the delivery of social services, viz., Education, Health and Social Development.

The bulk of the conditional grant allocation to provinces over the 2010/11 MTEF is allocated to fund various Health sector initiatives such as health professionals' training and development, hospital revitalisation and forensic pathology services. Over the 2010/11 MTEF, 31.9 per cent of the conditional grant allocation goes to the Health sector. This is followed by Human Settlements in relation to the Integrated Housing and Human Settlements Development grant, and thereafter by the Infrastructure Grant to Provinces. This can be seen in Table 3.6. The bulk of the increase in the conditional grant allocations occurred against the Health sector, specifically for the Comprehensive HIV and AIDS grant, and this can be seen in Table 3.5. The conditional grant allocation to the local government sphere in the 2010/11

MTEF is mainly for municipal infrastructure, public transport infrastructure and the national electrification programme.

Table 3.1 Division of revenue between spheres of government, 2006/07 – 2012/13

R million	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
	Outcome			Revised Estimate	Medium-term estimates		
State debt cost	52 192	52 877	54 394	57 600	71 358	88 463	104 022
Non-interest expenditure	418 000	488 619	581 670	691 217	746 785	799 875	860 292
Percentage increase	14.3%	16.9%	19.0%	18.8%	8.0%	7.1%	7.6%
Total expenditure	470 192	541 496	636 063	748 816	818 143	888 338	964 314
Percentage increase	12.8%	15.2%	17.5%	17.7%	9.3%	8.6%	8.6%
Contingency reserve	-	-	-	-	6 000	12 000	24 000
Division of revenue between spheres							
National departments	210 172	242 632	289 346	346 103	359 106	370 688	393 757
Provinces	181 328	208 666	248 286	294 968	322 858	350 547	369 348
Equitable share	149 246	171 054	201 796	236 878	260 974	280 689	294 780
Conditional grants	32 082	37 612	46 491	53 890	61 884	69 858	74 568
Gautrain loan	-	-	-	4 200	-	-	-
Local government	26 501	37 321	44 037	50 146	58 821	66 640	73 187
Equitable share ¹	18 058	20 676	25 560	24 356	30 168	33 940	37 234
General fuel levy sharing with metropolitan municipalities	-	-	-	6 800	7 542	8 531	8 958
Conditional grants	8 443	16 645	18 477	18 990	21 111	24 169	26 995
Total	418 000	488 619	581 670	691 217	740 785	787 875	836 292
Percentage shares							
National departments	50.3%	49.7%	49.7%	50.1%	48.5%	47.0%	47.1%
Provinces	43.4%	42.7%	42.7%	42.7%	43.6%	44.5%	44.2%
Local government	6.3%	7.6%	7.6%	7.3%	7.9%	8.5%	8.8%

1. With effect from 2006/07, the local government equitable share includes compensation for the termination of Regional Service Council (RSC)L and Joint Services Board (JSB) levies for metros and district municipalities. From 2009/10 the RSCL replacement grant will only be allocated to district municipalities.

Table 3.2 below summarises the additional funding allocated to the three spheres of government against the 2009/10 MTEF baseline allocations.

A total of over R66.659 billion has been added to the baseline allocations of the three spheres over the 2010/11 MTEF period. This is a substantial decrease from the additions made to the baseline over the 2009/10 MTEF, of R160.622 billion. This is indicative of the pressure the *fiscus* has been under, as a result of the world recession. As such, all spheres of government must ensure that this additional funding is translated into increased level and quality of service to the public, in particular to the deprived population.

Table 3.2 Changes over baseline, 2010/11 – 2012/13

R million	2010/11	2011/12	2012/13
National departments	6 592	9 689	16 923
Provinces	13 209	14 607	17 756
Local government	938	1 676	5 269
Allocated expenditure	20 739	25 972	19 948

3.3 Provincial equitable share

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

The formula used to divide the equitable share between provinces is objective-based and redistributive by design. The formula is reviewed and updated annually, based on the latest available data. For the 2010/11 MTEF, the structure of the formula, as well as the distribution of weights by components, remains unchanged, as listed below:

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

Although the structure of the formula remains unchanged, the data used in the formula was influenced by the use of latest available information. For the 2010/11 MTEF, the equitable share formula has been updated with the data from the 2009 School Realities published by the national Department of Education during September 2009, 2008 General Household Survey published by Statistics South Africa (StatsSA) on 2 September 2009, 2009 Mid-year Population Estimates published by Stats SA on 27 July 2009 and Gross Domestic Product (2007 GDP-R) published by Stats SA on 24 February 2009. The impact of these updates is to be phased in over three years (i.e. from 2010/11 to 2012/13). These data updates result in shifts in the equitable share of provinces.

The Education component continues to take into account the size of the school-age population (age 5 - 17) and the total number of learners (Grade R to 12) enrolled in public ordinary schools, updated with the 2009 School Realities enrolment data and age cohort per province. The enrolment numbers, based on the School Realities enrolment data, indicates that the enrolment numbers for KZN have increased by 45 554 learners. This resulted in the weighted shares of enrolment for the province increasing by 0.42 per cent.

The Health component continues to take into account the proportion of the provincial population with medical aid and the proportion of the province without medical aid. This was updated to take into account the General Household Survey of 2008, as undertaken by Stats SA. Although there is an overall decline in the number of people without medical aid for the country as a whole, the population without medical aid increases in KwaZulu-Natal. This resulted in the share for KwaZulu-Natal increasing by 1.01 per cent.

The Basic share, which is derived from the province's share of the total population of the country, was updated with the Mid-year Population Estimates released in July 2009. This is in line with the Budget Council resolution that the latest data be used. This has resulted in a positive change in share for KwaZulu-Natal of 0.43 per cent (with this increase in share being the highest increase in the country).

The Institutional component remains unchanged, as it is independent of data (i.e. it is equally divided between the provinces).

A province's share of the Poverty component depends on the number of poor people falling in quintiles (income) 1 and 2, and is based on the 2005 Income and Expenditure Survey (IES). This is expressed as the percentage of poor population within a province, where the population figure is derived from the Basic component value. This has resulted in an increased share for KZN of 0.52 per cent.

Finally, the Economic Activity component was updated with the 2007 Gross Domestic Product per Region (GDP-R) data.

The impact of the above revisions to the data used in the formula, on provinces' shares of the nationally raised revenue, is shown in Table 3.3 below. The share of the KZN province for the 2009/10 division of revenue was 21.6 per cent. The updated figures of the formula have resulted in an increase in the province's share of nationally raised revenue, which stands at 21.7 per cent in 2010/11, and increases to 22.0 per cent in 2012/13, in a phased-in approach. The financial implications of these are reflected in Table 3.4, which gives the shares of the horizontal division of revenue among provinces, in rand terms.

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

	Education 51%	Health 26%	Basic 14%	Poverty 3%	Economic activity 1%	Institutional 5%	Weighted average 100%
Eastern Cape	16.8%	14.0%	13.5%	16.7%	7.8%	11.1%	15.2%
Free State	5.6%	5.9%	5.9%	6.1%	5.4%	11.1%	6.0%
Gauteng	15.4%	19.9%	21.8%	15.3%	33.5%	11.1%	17.4%
KwaZulu-Natal	23.2%	22.2%	21.2%	22.8%	16.2%	11.1%	22.0%
Limpopo	13.9%	11.3%	10.6%	13.9%	6.9%	11.1%	12.6%
Mpumalanga	8.4%	7.5%	7.3%	8.7%	6.9%	11.1%	8.1%
Northern Cape	2.2%	2.4%	2.3%	2.6%	2.2%	11.1%	2.7%
North West	6.2%	6.7%	6.5%	7.6%	6.5%	11.1%	6.7%
Western Cape	8.2%	10.1%	10.9%	6.2%	14.5%	11.1%	9.2%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 3.4: Provincial equitable shares allocations, 2010/11 - 2012/13

R million	2010/11	2011/12	2012/13
Eastern Cape	40 134	42 856	44 693
Free State	15 959	17 055	17 788
Gauteng	45 134	48 792	51 459
KwaZulu-Natal	56 743	61 359	64 761
Limpopo	33 238	35 398	36 820
Mpumalanga	21 323	22 865	23 943
Northern Cape	7 102	7 557	7 963
North West	17 314	18 680	19 682
Western Cape	24 026	26 128	27 670
Total	260 974	280 689	294 780

3.4 Conditional grants to provinces

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

Some changes were made to the conditional grant framework for the 2010/11 MTEF. A few new conditional grants were introduced and are discussed briefly here. The Public Transport Operations grant, under the Department of Transport, while not entirely new to the province, now sees a continuation of funding over the 2010/11 MTEF, whereas previously funding was only provided for 2009/10. This grant allows for improved monitoring and control of expenditure related to bus subsidies and other transport operations. The Expanded Public Works Programme grant for the Social Sector is introduced in 2010/11 and is allocated to the Departments of Health and Social Development to subsidise non-profit organisations working in home community-based care programmes, to ensure that volunteers that currently do not receive a stipend, get a minimum form of remuneration. The Department of Human

Settlements receives a new conditional grant in 2010/11, namely the Housing Disaster Relief grant, which was provided to rehabilitate communities that were affected by severe storms and flooding from storms during November and December 2009. Two new conditional grants are added to the Department of Education. The Technical Secondary Schools Recapitalisation grant is introduced to improve conditions of technical schools and modernise them to meet teaching requirements. Further, the FET College Sector grant is introduced in 2010/11. This function was previously funded through the equitable share but is converted to a conditional grant to commence planning for the eventual shift of the FET college function to the newly established Department of Higher Education.

The Infrastructure Grant to Provinces sees considerable increases in its allocation, and includes a specific allocation in 2012/13 for the improvement of school infrastructure.

The Comprehensive HIV and AIDS conditional grant was also increased substantially over the 2010/11 MTEF to support government's commitment to addressing the HIV and AIDS pandemic. In support of this, the CD4 threshold for TB sufferers and pregnant women is lowered, and triple therapy is provided to all children born with HIV and AIDS.

Table 3.5 shows the revisions to conditional grants which amount to R2.528 billion, R3.305 billion and R5.832 billion over the next three years, for all provinces. Also added, are a few technical adjustments to the conditional grant baselines which amount to R3.322 billion, R3.562 billion and R3.740 billion over the 2010/11 MTEF. The main additional allocation over the 2010/11 MTEF is added to the Comprehensive HIV and AIDS grant. As from the 2010/11 MTEF, the FET College Sector grant is added as a conditional grant, whereas previously this function was equitable share funded. The conditional grants listed in Table 3.5 are distributed across all provinces, using the provincial equitable share formula presented in the last column of Table 3.3 above, with the exception of province specific grants such as the Housing Disaster Relief grant and the Gautrain Rapid Rail Link grant.

Table 3.5: Revisions to conditional grant baseline allocations, 2010/11 - 2012/13

R million	2010/11	2011/12	2012/13
Technical adjustments to baselines			
Community Library Services grant	19	20	21
FET College Sector grant	3 373	3 542	3 719
EPWP Incentive grant	(69)	-	-
Total technical adjustments to baseline	3 322	3 562	3 740
Additions to baselines			
Dinaledi schools	-	70	100
National School Nutrition Programme	-	-	120
Comprehensive HIV and AIDS grant	1 700	2 800	3 900
Hospital Revitalisation grant	140	-	-
FET College Sector grant	400	430	450
Housing Disaster Relief	134	-	-
Integrated Housing & Human Settlements Dev. grant	-	-	1 000
Infrastructure Grant to Provinces	-	-	262
EPWP Grant for the Social Sector	57	-	-
Gautrain Rapid Rail Link	98	5	-
Total additions to baseline	2 528	3 305	5 832

Total revised conditional grant allocations by transferring national departments to provinces are listed in Table 3.6 below. Taking into account the additions made to the baseline allocation, the total conditional grant allocations amount to R61.884 billion in 2010/11, R69.858 billion in 2011/12 and R74.568 billion in 2012/13. The provincial shares of these conditional grant allocations are presented and explained in Section 6 of this document.

The 2010/11 MTEF sees the introduction of four new conditional grants:

- The Technical Secondary Schools Recapitalisation grant to improve conditions of technical schools and modernise them to meet teacher requirements;

- The FET College Sector grant becomes a conditional grant from 2010/11 onward whereas this function was previously equitable share funded;
- The Housing Disaster Relief grant which is added in 2010/11 only, and is to be used to rehabilitate communities that were affected by storms and flooding in late 2009; and
- The EPWP grant for the Social Sector which is added to subsidise non-profit organisations working in home community-based programmes for the Departments of Health and Social Development, to ensure that volunteers that do not currently receive a stipend, get a minimum form of remuneration.

Table 3.6: Revised conditional grant allocations to provinces by national departments, 2010/11 - 2012/13

R million	2010/11	2011/12	2012/13
Agriculture, Forestry and Fisheries	1 117	1 438	1 509
Comprehensive Agricultural Support Programme grant	862	979	1 028
Ilima /Lestema Projects grant	200	400	420
Land Care Grant	55	58	61
Arts and Culture	513	543	571
Community Library Services grant	513	543	571
Basic Education	3 931	5 048	5 447
Dinaledi Schools	-	70	100
HIV and AIDS (Life Skills Education) grant	188	199	209
National School Nutrition Programme grant	3 663	4 579	4 928
Technical Secondary Schools Recapitalisation grant	80	200	210
Higher Education and Training	3 773	3 972	4 169
Further Education and Training Sector grant	3 773	3 972	4 169
Health	19 853	21 971	24 031
Comprehensive HIV and AIDS grant	6 012	7 433	8 765
Forensic Pathology Services grant	557	590	620
Health Professions Training and Development grant	1 865	1 977	2 076
Hospital Revitalisation grant	4 021	4 172	4 381
National Tertiary Services grant	7 398	7 799	8 189
Human Settlements	15 161	17 222	17 939
Housing Disaster Relief grant	134	-	-
Integrated Housing and Human Settlements Development grant	15 027	17 222	17 939
National Treasury	11 315	13 091	14 008
Infrastructure Grant to Provinces	11 315	13 091	14 008
Public Works	1 484	1 962	2 060
Devolution of Property Rate Funds Grant to Provinces	1 096	1 162	1 220
EPWP Incentive grant	331	800	840
EPWP grant for the Social Sector	57	-	-
Sport and Recreation South Africa	426	452	475
Mass Sport and Recreation Participation Programme grant	426	452	475
Transport	4 312	4 158	4 361
Gautrain Rapid Rail Link grant	438	5	-
Overload Control grant	11	-	-
Public Transport Operations grant	3 863	4 153	4 361
Total	61 884	69 858	74 568

3.5 The local government equitable share and grants

Municipalities play a critical role in furthering government's objective of providing services to all, while facilitating local economic development within their jurisdiction. Over the next three years, national transfers to local government grow to accelerate the delivery of basic services to households that cannot afford them.

The equitable share allocation to the local sphere of government is an important supplement to existing municipal revenue and takes into account the fiscal capacity, fiscal efficiency, developmental needs, extent of poverty and backlogs in municipalities, to the extent that such information is available. The local government equitable share formula is made up of the following components:

- Basic services component – The purpose of the *basic services component* is to assist municipalities to provide basic services (such as water, sanitation, electricity, refuse removal) to poor households and to meet municipal health service needs for all.
- Development component – This component has been set at zero since the inception of the current formula and will remain inactivated until a suitable factor can be found that adequately captures the development needs of local government.
- Institutional support component – This component provides assistance in meeting some of the administrative and governance costs of municipalities. It is a supplement designed to augment, but not fully cover, institutional costs.
- Revenue raising capacity correction – This component takes into account income from property rates, the general fuel levy for metropolitan municipalities and the RSC/fuel levy for metropolitan municipalities and the RSC/JSB levy replacement grant for district municipalities.
- Stabilisation factor – With the publication of three-year budget allocations, a guarantee mechanism is applied to the indicative outer-year baseline amounts, with the aim of ensuring that municipalities are given what was indicated in the previous MTEF round of allocations, as far as possible, given overall budget constraints.

Table 3.7 reflects the national allocations to local government, which grow from a Revised Estimate of R53.163 billion in 2009/10 to R61.946 billion, R70.654 billion and R77.805 billion in 2010/11, 2011/12 and 2012/13, respectively.

Table 3.7: National transfers to local government, 2006/07 – 2012/13

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
	Outcome			Revised estimate	Medium-term estimates		
R million							
Direct transfers to local government							
Equitable share and related	18 058	20 676	25 560	31 156	37 710	42 471	46 192
Equitable share	18 058	20 676	25 560	24 356	30 168	33 940	37 234
Gereal fuel levy sharing with metros	-	-	-	6 800	7 542	8 531	8 958
Infrastructure	7 447	15 127	17 095	16 909	19 038	22 072	24 792
Municipal infrastructure grant	5 938	8 754	9 091	11 107	12 529	15 069	18 322
National electrification programme	391	462	589	933	1 020	1 097	1 151
Public transport infrastructure and system grant	518	1 174	2 920	2 418	3 699	4 425	4 125
Neighbourhood development partnership grant	-	41	182	551	1 030	1 190	1 182
2010 World Cup stadia development	600	4 605	4 295	1 661	302	-	-
Rural transport services and infrastructure grant	-	-	9	10	10	11	12
Electricity demand-side management	-	-	-	175	220	280	-
Municipal drought relief grant	-	91	9	54	228	-	-
Current transfers	996	1 518	1 382	2 081	2 073	2 097	2 203
Municipal systems improvement grant	200	200	200	200	212	225	236
Restructuring grant	265	530	-	-	-	-	-
Financial management grant	145	145	180	300	365	385	404
2010 FIFA World Cup host city	-	-	-	508	210	-	-
Water services operating subsidy grant	386	642	1 002	871	662	380	399
EPWP - Phase 2 incentive grant	-	-	-	202	623	1 108	1 163
Sub total direct transfers	26 502	37 321	44 037	50 146	58 821	66 640	73 187
Indirect transfers to local government							
National electrification programme	893	973	1 148	1 478	1 752	1 770	1 914
Neighbourhood development partnership grant	50	61	54	111	125	100	105
Regional bulk infrastructure grant	-	300	450	612	893	1 675	1 849
Backlogs in water and sanitation at clinics and schools	-	-	186	350	-	-	-
Backlogs in the electrification of clinics and schools	-	-	90	149	-	-	-
Electricity demand-side management	-	-	-	75	109	119	-
Rural household infrastructure grant	-	-	-	-	100	350	750
Financial management grant: DBSA	53	53	50	-	-	-	-
Water services operating subsidy grant	440	497	329	243	146	-	-
Sub total indirect transfers	1 436	1 884	2 307	3 017	3 125	4 014	4 618
Total	27 938	39 205	46 344	53 163	61 946	70 654	77 805

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

The equitable share allocation increases significantly from R18.058 billion in 2006/07 to R37.234 billion in 2012/13. This increased allocation recognises the inadequacy of fiscal capacity in a significant number of municipalities which are in rural areas and, as such, do not have a sizeable ratepayers' base from which to generate sufficient revenue. More often than not, these municipalities have the greatest development needs.

The infrastructure conditional grants also increase from R7.447 billion in 2006/07 to R24.793 billion in 2012/13. This is mainly due to the Municipal Infrastructure grant and the Public Transport Infrastructure grant that grow from R5.938 billion and R518 million in 2006/07 to R18.322 billion and R4.125 billion in 2012/13, respectively.

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

4.1 The 2010/11 MTEF budget process in brief

4.1.1 Treasury Guidelines circular

The preparation and distribution of the *Treasury Guidelines* document marked the start of the 2010/11 MTEF budget process. This document explains the policy framework and format which departments must use to prepare the 2010/11 MTEF budget submissions.

The 2010/11 budget process continued to focus on the compilation of reprioritised budgets and service delivery that are aligned with the Provincial Spatial Economic Development Strategy (PSEDS). However, due to the overdraft situation the province currently finds itself in, departments were also asked to focus on implementing stringent cost-cutting measures, and to try and fund any new priorities through reprioritisation. As in previous budget processes, departments were requested to provide the spatial spending and service delivery within district municipal areas, and to consider the budget proposals received from public entities. This approach was building on previous years' budget reforms. The social sector departments, being Health, Education and Social Development, were requested to cost the agreed national priorities which require additional funding, as well as to cost a maximum of four provincial 'initiatives'. The other departments were requested to identify and cost a maximum of four 'initiatives'. The public entities were also given the opportunity to cost two 'initiatives'.

4.1.2 Initiative measurement criteria

The measurement tool used in prior budget processes was again used to assess requests for additional funding, and this was used as an indication of whether requests for additional funding should be supported in principle, or not. As mentioned above, though, departments were requested to implement cost-cutting measures in order to free-up funds from items such as catering and venue hiring, and to rather divert this into service delivery spending. As such, a further initiative-measuring criterion was included in the assessment tool, being the measurement of departments' ability to provide evidence with regard to the implementation of cost-cutting measures. Each initiative was therefore rated against the following eight criteria:

- Evidence that the initiative contributes to government policy priorities;
- Credible service delivery information;
- Alignment of the initiative to the core functions of the department;
- Evidence of cost containment without affecting service delivery;
- Evidence that the department underwent thorough reprioritisation with a view to fund part of the initiative from within budget;
- Is the costing / initiative realistic;
- Has there been consistent under-spending (by a margin of more than 3 per cent) over the last 2-3 years; and
- Was there adequate political involvement in the budget formulation process.

Of the eight criteria, the first four were considered as mandatory and had to be complied with if an initiative was to be considered. In addition to this, an initiative had to satisfy at least three of the last four criteria. In terms of the rating exercise, each of the first three criteria translated to '2' points if complied

with, and a '0' if not. The cost containment criterion received a rating of '2' if the department portrayed that they were able to cut back in spending by more than the 7.5 per cent cut-back in *Goods and services* which was tabled as part of the *Explanatory Memorandum to the 2009/10 Budget Statements*. If the department was adhering to the 7.5 per cent cut-back, then they received '1' point. If they were achieving less than the 7.5 per cent cut-back, they received a '0'. The remaining criteria were awarded '1' point if complied with, and a '0' if not. A higher score was accorded to the first four criteria, simply because they were seen as being essential. An initiative therefore could score a maximum of 12 points or 100 per cent. An initiative was only supported in principle if it scored 90 per cent or more.

4.1.3 Allocation process

The Medium-Term Expenditure Committee (MTEC) met with all sixteen provincial departments in September 2009. The MTEC for this 2010/11 MTEF cycle indicated quite clearly to the departments that, while their funding requests would be considered, the reality was simply that the province continues to be in overdraft, and this impacts on the province's ability to allocate further resources. The reason for this really is two-fold. Firstly, the provincial overdraft is bearing substantial overdraft charges and the province would therefore have to use any available "new" money to fund this. Secondly, even though the province received additional funding from National Treasury due to various data updates to the equitable share formula (as discussed in Chapter 3), these funds could not be allocated at this stage as the province has to pay off the provincial overdraft with any "new" funding it receives. Besides not being able to allocate additional funding to departments' funding requests, MTEC also looked quite critically at departments' existing baselines with the view of recalling some funding. In this case, the decision was taken to recall all 2010 World Cup funding which had previously been allocated to departments, as these funds would no longer be required post-2010.

Table 4.1 below then indicates the departments' requests for additional funding for the 2010/11 MTEF. As mentioned, these had to be very critically assessed in view of the demands that the provincial overdraft was placing on the province's fiscal resources.

Table 4.1 Summary of additional funding requested by departments

R thousand	Amounts requested			Total
	2010/11	2011/12	2012/13	
1. Office of the Premier	30 975	23 806	20 291	75 072
2. Provincial Legislature	69 166	103 438	108 618	281 222
3. Agriculture, Environmental Affairs and Rural Development	268 709	247 703	257 907	774 319
4. Economic Development and Tourism	-	-	-	-
5. Education	338 409	494 666	519 399	1 352 474
6. Provincial Treasury	349 957	355 458	352 019	1 057 434
7. Health	-	-	-	-
8. Human Settlements	-	-	-	-
9. Community Safety and Liaison	24 600	24 501	25 197	74 298
10. The Royal Household	-	-	-	-
11. Co-operative Governance and Traditional Affairs	-	-	-	-
12. Transport	2 978 055	3 111 000	3 411 237	9 500 292
13. Social Development	-	-	-	-
14. Public Works	68 270	66 451	71 081	205 802
15. Arts and Culture	36 772	44 627	58 972	140 371
16. Sport and Recreation	116 873	122 248	128 485	367 606
Total	4 281 786	4 593 898	4 953 206	13 828 890

It is worthwhile noting, though, that in spite of sizeable growth rates already in most departments' baseline budgets, averaging 7.5 per cent (see Table 4.3), departments requested, in total, R4.282 billion, R4.594 billion and R4.953 billion over the 2010/11 MTEF (a total of R13.829 billion over the three years of the MTEF). Although most of the requests for additional funding were based on sound principles and fared well when assessed in terms of the criteria mentioned above, the provincial overdraft and the interest it incurs (as discussed above) only allowed for minimal amounts to be allocated to departments for their provincially identified priorities. It should be noted that the three social sector departments (Health, Education and Social Development) did not request funds for nationally agreed-to priorities, as the recession has impacted on national's ability to raise the revenue that had been budgeted to be

collected. The impact of this is that, at a national level, it was agreed to only fund the carry-through costs of the higher than anticipated 2009 wage agreement (although it should be borne in mind that the funds allocated to provinces for this fell well short of the actual cost of the wage agreement) and the Occupation Specific Dispersions for Education and Health. That means that there were no new policy decisions which received additional funding over the 2010/11 MTEF.

With the exception of the Departments of Economic Development and Tourism, Health, Human Settlements, Co-operative Governance and Traditional Affairs, the Royal Household and Social Development, all departments submitted requests for additional funding, with the largest by far coming from the Department of Transport. This department requested an additional R9.500 billion over the 2010/11 MTEF to fund a number of provincial priorities, such as access to community facilities (Operation *Kushunquthuli*), road safety enforcement, high profile projects (such as John Ross Highway, Sani Pass road and the road link to the Dube TradePort and King Shaka International Airport) and maintenance of the provincial road network.

The second largest request for additional funding of R1.352 billion came from the Department of Education to fund the provincial priority of expanding provincial examination administration. Provincial Treasury's request for additional funding closely follows the Department of Education, with R1.057 billion being requested. The bulk of this request comprises a funding request for the interest charges being incurred on the provincial overdraft (R750 million), followed by a request for the expansion of the Municipal Support Programme (R267.386 million).

The Department of Health did not submit a request for additional funding. As was the case last year, the department chose rather to commit itself to identifying initiatives that will cut costs, as opposed to expanding services, in the current fiscal climate within the department.

In October and November 2009, the Ministers' Committee on the Budget (MinComBud) meetings were convened to consider the 2010/11 provincial fiscal framework. As mentioned, although additional funding was allocated to the province by National Treasury, the bulk of this would go to fund the provincial overdraft and the interest costs this overdraft is incurring. MinComBud reviewed the MTEC recommendations and agreed that the 2010 World Cup funding in departments' baselines should be recalled to the provincial *fiscus*, and agreed that any additional funding received by the province should be allocated cautiously and that the focus would have to be on ensuring that the provincial overdraft is managed downward.

Some additional funding was provided to the province due to data updates of the equitable share formula. In addition, the province received further funding which was, however, clearly 'ring fenced' for distribution to the impact of the higher than anticipated wage agreement, the various OSDs in Health and Education, and a small amount to support the provincial Municipal Support units housed in the Provincial Treasuries. The provincial fiscal framework was also impacted on, on the revenue side, by a reduction in the projected own revenue collection, largely brought about by the province's over-spending in 2007/08 and 2008/09, and the continued high spending in 2009/10 (mainly due to the Department of Health), which then had a negative impact on the projected interest income to be collected by the province.

All of these factors were considered by MinComBud, who then agreed to the following:

- Recall 2010 World Cup funding to the provincial *fiscus* post-2010;
- Allocate the full wage agreement costs proportionately to all sixteen provincial departments;
- Allocate the full OSD allocation to Education and Health, as specified in National Treasury's allocation letter;
- Allocate the amount indicated in the allocation letter from National Treasury to support the provincial Municipal Support unit in Provincial Treasury;
- Fund the carry-through costs of the 2009/10 Adjustments Estimate (e.g. statutory increases for MPLs);

- Fund the interest costs being incurred on the provincial overdraft; and
- Make provision for a number of smaller provincial priorities, such as the implementation of the Job Evaluation review by the Provincial Legislature (as per a resolution by the Finance Portfolio Committee), correcting the baseline of the Municipal Support unit in Provincial Treasury, the provincialisation of public libraries by Arts and Culture and the allocation of funding to all provincial departments for the Policy on Incapacity Leave and Ill-Health Retirement (PILIR).

The recommendations were endorsed by MinComBud and were approved by Cabinet. This process resulted in in-depth discussions by these two forums, with the initial submission being made on 7 October 2009, and the final approval granted on 18 November 2009. The details of the additional allocations over the 2010/11 MTEF, per department, are provided in Table 4.4.

It should be mentioned that MinComBud and Cabinet also approved a number of function shifts between departments. For example, where the Ministries were affected by the post-election provincial reconfiguration, these are adjusted to take into account the reconfigured Ministries. Museum Services moves from the Office of the Premier to the Department of Arts and Culture. The soccer development funding housed under the Office of the Premier moves to the Department of Sport and Recreation. A portion of this funding is retained by the Office of the Premier in 2010/11 for 2010 World Cup co-ordination activities such as base camp marketing, community mobilisation, media campaigns, 2010 promotional campaign, electronic media buying, etc. From 2010/11, the full amount allocated to soccer development moves to the Department of Sport and Recreation.

4.2. Provincial fiscal framework

Table 4.2 shows a summary of the provincial fiscal framework for the 2010/11 MTEF budget. The difference (section 1 of the table) between the baseline allocations and the revised allocations yields the additional resource made available to the province.

The provincial equitable share allocation increases over the 2010/11 MTEF, by R2 billion in 2010/11, R2.610 billion in 2011/12 and R3.075 billion in 2012/13.

Only a few conditional grant allocations increase over the MTEF, with the most substantial additions being to the Infrastructure Grant to Provinces (with the largest share of the additional funding in 2012/13 being allocated for the improvement of school infrastructure) and the Comprehensive HIV and AIDS grant. In addition, the Public Transport Operations grant receives an allocation over the MTEF to continue the funding of this grant which had commenced in 2009/10. The Expanded Public Works Programme Incentive Grant sees funding being allocated in 2010/11 only, being for the continuation of this grant which commenced in 2009/10. The Expanded Public Works Programme grant for the Social Sector is introduced from 2010/11, aimed at subsidising non-profit organisations working in home community based care programmes for the Departments of Social Development and Health, to ensure that volunteers that currently do not receive a stipend, get a minimum form of remuneration. Two new grants are also introduced in the Education sector, being the Technical Secondary Schools Recapitalisation grant and the Further Education and Training College Sector grant.

There was a considerable downward revision in the provincial own receipts over the 2010/11 MTEF, which is mainly attributable to the province's high spending in 2007/08 and 2008/09 and the continued high spending in 2009/10 (mainly by the Department of Health), which has had a negative impact on the province's cash balances, with the resultant negative impact on the collection of interest income.

Table 4.2: Summary of provincial fiscal framework

R thousand	2010/11	2011/12	2012/13
1. Receipts			
1.1 Baseline allocation	66 244 990	71 681 718	74 722 613
Transfer receipts from national	64 326 196	69 612 150	72 549 567
Equitable share	54 742 454	58 748 345	61 685 762
Conditional grants	9 583 742	10 863 805	10 863 805
Provincial own receipts	1 918 794	2 069 568	2 173 046
1.2 Increase / (Decrease) in allocation	4 043 665	4 784 592	6 374 966
Transfer receipts from national	4 158 891	4 911 449	6 480 203
Equitable share	2 000 380	2 610 530	3 075 337
Conditional grants	2 158 511	2 300 919	3 404 866
Provincial own receipts	(115 226)	(126 857)	(105 237)
1.3 Revised allocation	70 288 655	76 466 310	81 097 579
Transfer receipts from national	68 485 087	74 523 599	79 029 770
Equitable share	56 742 834	61 358 875	64 761 099
Conditional grants	11 742 253	13 164 724	14 268 671
Provincial own receipts	1 803 568	1 942 711	2 067 809
2. New funding available for distribution (excluding conditional grants)			
Equitable share	2 000 380	2 610 530	3 075 337
Provincial own receipts	(115 226)	(126 857)	(105 237)
Funding received for FET (as grant)	584 806	619 819	650 810
Recall 2010 funding	172 513	181 139	193 196
3. New funding available for distribution	2 642 473	3 284 631	3 814 106
Less: National priorities (wage agreement, OSD and municipal support)	2 123 108	2 267 733	2 413 177
Less: Provincial priorities	328 169	330 351	355 987
4. Increase/(Decrease) in budgeted surplus	191 196	686 547	1 044 942
Budgeted surplus as per Explanatory Memorandum to 2009/10 Budget Statements	1 020 096	1 118 879	1 174 823
5. Budgeted surplus after above changes	1 211 292	1 805 426	2 219 765

Section 2 of Table 4.2 gives the new funding available for distribution, amounting to R2.642 billion, R3.285 billion and R3.814 billion over the 2010/11 MTEF. This includes the decision to recall all 2010 funding post-2010. This decision especially affected Vote 11: Co-operative Governance and Traditional Affairs, who had a substantial amount in their baseline for the construction of soccer stadia.

As mentioned above, the following funding areas were agreed to by MinComBud and approved by Cabinet, as follows:

- Provide for the carry-through costs of any adjustments made to departments' budgets in the 2009/10 Adjustments Estimate. Details of these allocations are listed in Table 4.4 below.
- Allocate the full amount that National Treasury provided the province with for the wage agreement costs (being allocated proportionately to all sixteen provincial departments).
- Allocate the full OSD allocation to Education and Health, as specified in National Treasury's allocation letter.
- Allocate the amount indicated in the allocation letter from National Treasury to support the provincial Municipal Support unit in Provincial Treasury.
- Fund other commitments relating to provincially identified priorities, such as the interest incurred on the provincial overdraft, the implementation of the Job Evaluation review by the Provincial Legislature (as per a resolution by the Finance Portfolio Committee), correcting the baseline of the Municipal Support unit in Provincial Treasury, the provincialisation of public libraries by Arts and Culture and the allocation of funding to all provincial departments for the Policy on Incapacity Leave and Ill-Health Retirement (PILIR).

As can be seen from section 4 of Table 4.2, after taking into account the above national and provincial priorities, the province has not allocated all the additional funding received from National Treasury and the funding reprioritised from within the provincial *fiscus*, with the following amounts remaining unallocated: R191.196 million in 2010/11, R686.547 million in 2011/12 and R1.045 billion in 2012/13. These amounts will be added to the budgeted surplus, as discussed below.

The reader is reminded that the province commenced budgeting for a surplus during 2009/10, and this budgeted surplus was published in the *Explanatory Memorandum to the 2009/10 Budget Statements*. The

province decided to budget for a surplus from 2009/10 in an attempt to start repaying the provincial overdraft which came about due to some departments over-spending their 2007/08 and 2008/09 budget allocations, with this trend continuing in 2009/10. As not all departments have yet reined in their spending in 2009/10, Cabinet decided that it would be prudent to yet again budget for a surplus, in the hope that this MTEF would see the province repaying its bank overdraft. It should be remembered that a significant hindrance to the achievement of the 2009/10 budgeted surplus was the implementation of the higher than anticipated 2009 wage agreement and various OSDs in Education and Health, for which insufficient funding was provided by National Treasury. Provinces were expected to absorb the shortfall from within their baselines. This proved to be very difficult for KwaZulu-Natal, as the shortfall was estimated to be approximately R1.100 billion.

The budgeted surplus included in the *Explanatory Memorandum to the 2009/10 Budget Statements* was R1.020 billion in 2010/11, R1.119 billion in 2011/12 and R1.175 billion in 2012/13. The unallocated amounts mentioned above are then added to this budgeted surplus, resulting in a combined budgeted surplus of R1.211 billion in 2010/11, R1.805 billion in 2011/12 and R2.220 billion in 2012/13, as can be seen in section 5 of the table.

Table 4.4 in Section 4.3.2 below then indicates the amounts that were allocated to departments in addition to their baseline allocations, as well as the reductions to some departments resulting from the decision to recall all 2010 funding post-2010.

4.3 Summary of additional allocation for the 2010/11 MTEF

4.3.1 Existing growth in the 2009/10 MTEF baseline allocation

Table 4.3 shows the departmental baseline budgets for the 2009/10 MTEF period, before any additional allocations were made. This serves as an important reminder that most departments' baseline budgets for the 2009/10 MTEF already include positive rates of growth, although this may differ in terms of the levels.

Table 4.3: Existing growth rates in 2009/10 MTEF baseline budgets

R thousand	Main Appropriation	Medium-Term Baseline Budgets			Ann. % gr 09/10-12/13
	2009/10	2010/11	2011/12	2012/13	
1. Office of the Premier	454 010	446 483	473 114	496 770	3.0
2. Provincial Legislature	287 051	297 418	317 630	333 512	5.1
3. Agriculture, Environmental Affairs and Rural Development	1 950 032	2 163 148	2 327 432	2 443 804	7.8
4. Economic Development and Tourism	2 487 690	1 616 538	1 464 335	1 537 552	(14.8)
5. Education	24 609 443	27 640 882	30 089 283	31 593 747	8.7
6. Provincial Treasury	624 923	586 659	734 977	771 726	7.3
Operational budget	347 204	357 344	379 362	398 330	4.7
Growth and Development	277 719	229 315	355 615	373 396	10.4
7. Health	17 448 526	20 279 345	21 793 979	22 883 678	9.5
8. Human Settlements	2 571 813	2 972 230	3 422 915	3 594 061	11.8
9. Community Safety and Liaison	127 638	139 582	147 909	155 304	6.8
10. The Royal Household	40 643	43 255	45 556	47 834	5.6
11. Co-operative Governance and Traditional Affairs	1 092 420	1 211 580	1 286 250	1 350 563	7.3
12. Transport	5 147 898	4 715 906	5 114 467	5 370 190	1.4
13. Social Development	1 361 280	1 648 142	1 854 318	1 947 034	12.7
14. Public Works	867 440	855 498	906 389	951 708	3.1
15. Arts and Culture	256 432	331 655	290 894	305 439	6.0
16. Sport and Recreation	259 187	276 573	293 391	308 061	5.9
Total	59 586 426	65 224 894	70 562 839	74 090 981	7.5

4.3.2 Summary of additional allocations

The additional allocations to departments and their respective purposes are summarised in Table 4.4 below. Note that Table 4.4 reflects only the provincial additional allocations, and excludes the additional allocations in respect of national conditional grants.

As can be seen in Table 4.4, most departments receive an additional allocation for the carry-through costs of the higher than anticipated 2009 wage agreement. While funding was received from National Treasury for this, the amount received was insufficient to cover the entire shortfall. As such, departments were told to find the difference from within their baselines in order to top-up the funding for this, to the required level. Most departments also receive an additional allocation for the Policy on Incapacity Leave and Ill Health Retirement (PILIR) which was previously funded by national, but is now being funded by the province. The Office of the Premier also receives a further R5 million for PILIR, being a provision for increased in-year take-up of PILIR by departments.

Some departments received carry-through costs relating to allocations that were made during the 2009/10 Adjustments Estimate such as the carry-through costs for the 2009 increase in MPLs' salaries.

Unlike prior years, National Treasury did not provide additional funding for nationally identified priorities, apart from the allocation provided for the higher than anticipated 2009 wage agreement, the OSD for doctors and educators, as well as R5 million per year to strengthen the Municipal Support units within the Provincial Treasuries.

A short description of the purpose of the main reductions or additional allocations made to departments, over and above the carry-through costs of the 2009/10 Adjustments Estimate and the 2009 wage agreement adjustment, is provided below.

The Office of the Premier sees a reduction in its baseline being the function shift of Museum Services from this vote to Vote 15: Arts and Culture. Also, the soccer development funding in the Office of the Premier's baseline moves to Vote 16: Sport and Recreation. It should be noted, though, that the Office of the Premier retains a portion of this funding in 2010/11 for 2010 World Cup co-ordination activities. From 2011/12 onward, the full amount then moves to Vote 16: Sport and Recreation.

The Provincial Legislature was allocated additional funding for the implementation of the Job Evaluation review, in accordance with a resolution of the Finance Portfolio Committee in this regard.

The Department of Economic Development and Tourism receives additional Ministry funding (from Vote 6: Provincial Treasury). The post-election provincial reconfiguration resulted in some Ministries becoming joint Ministries and, in some instances, Ministries were split. As such, the provincial Ministry budgets had to be adjusted accordingly.

The Department of Education had allocated funding toward the 2010 World Cup, mainly in the form of Coach the Coaches and Dreams and Teams programmes. This is removed from the department's baseline post-2010.

As mentioned above, the Department of Education receives additional funding (in the form of a national priority) for the OSD for educators. In addition, the FET programme was previously funded through the equitable share. From 2010/11, this funding is removed from the equitable share, and instead the allocation becomes a conditional grant allocation.

The Provincial Treasury, aside from the funding received from National Treasury for strengthening Municipal Support units in the Provincial Treasuries, also receives a substantial additional allocation for the interest paid on the provincial overdraft and an allocation for the Support Service Enhancement Plan. Provincial Treasury also sees a reduction in its baseline, being a portion of its Ministry funding being allocated to Vote 4: Economic Development and Tourism. These two votes shared a Ministry, prior to the provincial reconfiguration which took place after the 2009 elections. As these Ministries are now split, the funding had to be divided accordingly. Finally, Provincial Treasury was allocated funding during the 2009/10 budgeting process for the OSD for doctors. National Treasury had given an instruction at the time that these funds should be held by the Provincial Treasuries until such time as the details of the OSD for doctors had been finalised. These details have now been finalised and the funding for the OSD for doctors has thus been moved to the Department of Health.

As mentioned above, the Department of Health received funding for the OSD for doctors which was previously held by the Provincial Treasury. In addition, the department received further funding from National Treasury for the OSD for doctors and the OSD for therapists.

The Department of Co-operative Governance and Traditional Affairs sees a reduction in its baseline, firstly due to Ministry funding being moved to Vote 14: Public Works. The department's Ministry budget used to cover both the department's as well as the Department of Human Settlements' Ministry costs. Since the provincial reconfiguration, which took place after the 2009 elections, the Department of Human Settlements now shares a Ministry with the Department of Public Works (with the Ministry budget allocated to Public Works). In addition, the baseline of the Department of Co-operative Governance and Traditional Affairs had allocated funding toward the 2010 World Cup for the construction of soccer stadia. This is removed from the department's baseline post-2010.

The Department of Public Works receives additional funding for the Ministry it shares with the Department of Human Settlements. This funding originates from the Department of Co-operative Governance and Traditional Affairs who shared a Ministry with the Department of Human Settlements, prior to the provincial reconfiguration.

The Department of Arts and Culture sees an increase in its baseline, being the function shift of Museum Services from Vote 1: Office of the Premier. In addition, the department receives an allocation towards the provincialisation of public libraries. According to the Constitution, this is a provincial function, whereas these libraries are currently being managed by municipalities.

The Department of Sport and Recreation sees an increase in its baseline, being the movement of soccer development funding from Vote 1: Office of the Premier.

Table 4.4: Summary of additional allocations, 2010/11 MTEF

	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
	R thousand			Percentage share		
Vote 1: Office of the Premier	(27 199)	(67 969)	(71 464)	(1.5)	(3.5)	(3.5)
Museum Services to Arts and Culture	(7 869)	(8 320)	(8 825)	(0.4)	(0.4)	(0.4)
Soccer Development to Sport and Recreation	(28 146)	(68 911)	(72 352)	0.2	0.2	0.2
Carry-through of 2009/10 Adjustments Estimate	3 773	4 217	4 666	0.2	0.2	0.2
2009 wage agreement	3 773	4 217	4 666	0.2	0.2	0.2
Policy on Incapacity Leave and III Health Retirement (PILIR)	43	45	47	0.0	0.0	0.0
PILIR - for in-year take-up by departments	5 000	5 000	5 000	0.3	0.3	0.2
Vote 2: Provincial Legislature	24 775	35 502	47 172	1.4	1.8	2.3
Implementation of JE review	9 365	19 778	31 152	0.5	1.0	1.5
Carry-through of 2009/10 Adjustments Estimate:	15 410	15 724	16 020	0.8	0.8	0.8
2009 increase in salaries of members	9 800	9 800	9 800	0.5	0.5	0.5
2009 wage agreement	5 610	5 924	6 220	0.3	0.3	0.3
Vote 3: Agriculture, Environmental Affairs and Rural Development	31 339	34 335	37 323	1.7	1.8	1.8
Carry-through of 2009/10 Adjustments Estimate	30 899	33 873	36 838	1.7	1.8	1.8
2009 wage agreement	20 199	22 574	24 974	1.1	1.2	1.2
Ezemvelo KZN Wildlife - 2009 wage agreement	10 700	11 299	11 864	0.6	0.6	0.6
Policy on Incapacity Leave and III Health Retirement (PILIR)	440	462	485	0.0	0.0	0.0
Vote 4: Economic Development and Tourism	8 260	8 943	9 595	0.5	0.5	0.5
Carry-through of 2009/10 Adjustments Estimate	3 247	3 629	4 015	0.2	0.2	0.2
2009 wage agreement	3 247	3 629	4 015	0.2	0.2	0.2
Ministry funding from Vote 6: Provincial Treasury	4 993	5 293	5 558	0.3	0.3	0.3
Policy on Incapacity Leave and III Health Retirement (PILIR)	20	21	22	0.0	0.0	0.0
Vote 5: Education	736 899	784 103	833 125	40.4	40.6	40.3
Discontinuation of 2010 funding	(15 052)	(15 805)	(19 595)	(0.8)	(0.8)	(0.9)
Policy on Incapacity Leave and III Health Retirement (PILIR)	13 067	13 720	14 406	0.7	0.7	0.7
Provincial allocation (carry through of 2009/10 Adjustments Estimate)	671 720	750 724	830 527	36.8	38.8	40.2
2009 wage agreement	671 720	750 724	830 527	36.8	38.8	40.2
National priorities	67 164	35 464	7 787	3.7	1.8	0.4
OSD for educators	651 970	655 283	658 597	35.7	33.9	31.9
Function shift: FET College to National (conditional grant)	(584 806)	(619 819)	(650 810)	(32.0)	(32.1)	(31.5)
Vote 6: Provincial Treasury	53 978	(68 900)	(84 869)	3.0	(3.6)	(4.1)
Carry-through of 2009/10 Adjustments Estimate	3 597	4 020	4 447	0.2	0.2	0.2
2009 wage agreement	3 597	4 020	4 447	0.2	0.2	0.2
OSD for doctors (to Dept of Health)	(215 666)	(322 669)	(338 802)	(11.8)	(16.7)	(16.4)
Municipal support programme	21 000	5 000	5 000	1.2	0.3	0.2
Overdraft interest charges (as allocated in 2009/10) reallocated to MSP	-	(18 519)	(19 445)	-	(1.0)	(0.9)
Municipal Support Programme (funded through reprioritisation)	-	18 519	19 445	-	1.0	0.9
Overdraft interest charges	235 000	235 000	235 000	12.9	12.2	11.4
Portion of Ministry funding to Vote 4	(4 993)	(5 293)	(5 558)	(0.3)	(0.3)	(0.3)
Support Service Enhancement Plan (incl. Audit fees & SITA)	15 000	15 000	15 000	0.8	0.8	0.7
Policy on Incapacity Leave and III Health Retirement (PILIR)	40	42	44	0.0	0.0	0.0

Table 4.4: Summary of additional allocations, 2010/11 MTEF (cont.)

	2009/10	2010/11	2011/12	2009/10	2010/11	2011/12
	R thousand			Percentage share		
Vote 7: Health	890 347	1 046 000	1 110 734	48.8	54.1	53.8
Provincial allocation (carry through of 2009/10 Adjustments Estimate)	374 832	417 796	460 440	20.5	21.6	22.3
2009 wage agreement	373 442	417 368	461 730	20.5	21.6	22.4
Variance: realloc. of OSD - Health 2009 MTEF from PES formula to actuarial work	1 390	428	(1 290)	0.1	0.0	(0.1)
Provincial priorities	224 313	331 749	348 336	12.3	17.2	16.9
OSD for doctors and therapists (from Vote 6)	215 666	322 669	338 802	11.8	16.7	16.4
Policy on Incapacity Leave and Ill Health Retirement (PILIR)	8 647	9 080	9 534	0.5	0.5	0.5
National priorities	291 202	296 455	301 958	16.0	15.3	14.6
OSD for doctors (shares for actuarial work done)	109 356	109 356	109 356	6.0	5.7	5.3
OSD for doctors, pharmacists and EMS practitioners	87 799	93 052	98 555	4.8	4.8	4.8
OSD for therapists (shares for actuarial work done)	94 047	94 047	94 047	5.2	4.9	4.6
Vote 8: Human Settlements	5 583	6 232	6 888	0.3	0.3	0.3
Carry-through of 2009/10 Adjustments Estimate:	5 473	6 117	6 767	0.3	0.3	0.3
2009 wage agreement	5 473	6 117	6 767	0.3	0.3	0.3
Policy on Incapacity Leave and Ill Health Retirement (PILIR)	110	115	121	0.0	0.0	0.0
Vote 9: Community Safety and Liaison	1 162	1 298	1 436	0.1	0.1	0.1
Carry-through of 2009/10 Adjustments Estimate	1 150	1 285	1 422	0.1	0.1	0.1
2009 wage agreement	1 150	1 285	1 422	0.1	0.1	0.1
Policy on Incapacity Leave and Ill Health Retirement (PILIR)	12	13	14	0.0	0.0	0.0
Vote 10: The Royal Household	590	658	726	0.0	0.0	0.0
Carry-through of 2009/10 Adjustments Estimate	569	636	703	0.0	0.0	0.0
2009 wage agreement	569	636	703	0.0	0.0	0.0
Policy on Incapacity Leave and Ill Health Retirement (PILIR)	21	22	23	0.0	0.0	0.0
Vote 11: Co-operative Governance and Traditional Affairs	(149 677)	(156 505)	(163 762)	(8.2)	(8.1)	(7.9)
Carry-through of 2009/10 Adjustments Estimate	8 983	10 037	11 107	0.5	0.5	0.5
2009 wage agreement	8 983	10 037	11 107	0.5	0.5	0.5
Discontinuation of 2010 funding	(157 461)	(165 334)	(173 601)	(8.6)	(8.6)	(8.4)
Portion of Ministry funding to Vote 14	(1 361)	(1 378)	(1 447)	(0.1)	(0.1)	(0.1)
Policy on Incapacity Leave and Ill Health Retirement (PILIR)	162	170	179	0.0	0.0	0.0
Vote 12: Transport	31 948	35 669	39 430	1.8	1.8	1.9
Carry-through of 2009/10 Adjustments Estimate:	31 423	35 118	38 851	1.7	1.8	1.9
2009 wage agreement	31 423	35 118	38 851	1.7	1.8	1.9
Policy on Incapacity Leave and Ill Health Retirement (PILIR)	525	551	579	0.0	0.0	0.0
Vote 13: Social Development	17 340	19 358	21 398	1.0	1.0	1.0
Carry-through of 2009/10 Adjustments Estimate	17 034	19 037	21 061	0.9	1.0	1.0
2009 wage agreement	17 034	19 037	21 061	0.9	1.0	1.0
Policy on Incapacity Leave and Ill Health Retirement (PILIR)	306	321	337	0.0	0.0	0.0
Vote 14: Public Works	12 841	14 178	15 580	0.7	0.7	0.8
Carry-through of 2009/10 Adjustments Estimate	125	130	134	0.0	0.0	0.0
2009 wage agreement	11 059	12 360	13 674	0.6	0.6	0.7
Portion of Ministry funding from Vote 11	1 361	1 378	1 447	0.1	0.1	0.1
Policy on Incapacity Leave and Ill Health Retirement (PILIR)	296	310	325	0.0	0.0	0.0
Vote 15: Arts and Culture	25 363	32 775	46 674	1.4	1.7	2.3
Carry-through of 2009/10 Adjustments Estimate	3 198	3 574	3 954	0.2	0.2	0.2
2009 wage agreement	3 198	3 574	3 954	0.2	0.2	0.2
Provincialisation of public libraries	14 244	20 826	33 837	0.8	1.1	1.6
Museum Services from Office of the Premier	7 869	8 320	8 825	0.4	0.4	0.4
Policy on Incapacity Leave and Ill Health Retirement (PILIR)	52	55	58	0.0	0.0	0.0
Vote 16: Sport and Recreation	30 534	71 579	75 303	1.7	3.7	3.6
Carry-through of 2009/10 Adjustments Estimate	2 369	2 648	2 930	0.1	0.1	0.1
2009 wage agreement	2 369	2 648	2 930	0.1	0.1	0.1
Soccer Development from Office of the Premier	28 146	68 911	72 352	1.5	3.6	3.5
Policy on Incapacity Leave and Ill Health Retirement (PILIR)	19	20	21	0.0	0.0	0.0
Total	1 824 746	1 932 693	2 065 857	100.0	100.0	100.0

Table 4.5 shows the revised budgets of departments for the 2010/11 MTEF period, after taking into account all of the adjustments to the baseline allocations mentioned above, as well as the additional allocations received in respect of national conditional grants. The provincial budget grows by 15.9 per cent in 2010/11 over the 2009/10 Main Appropriation, which is lower than the growth between 2008/09 and 2009/10.

The negative growth rate in the Office of the Premier relates to the function shift of Museum Services to Vote 15: Arts and Culture, and the shifting of the soccer development funding to Vote 16: Sport and Recreation.

The negative growth in the Department of Economic Development and Tourism results from the reduction in the funding allocated to the Dube TradePort, as this project is nearing completion.

The negative growth in Provincial Treasury results from the shifting of the OSD funding for doctors to the Department of Health. Also, the department had allocated R150 million in 2008/09 and another R150 million in 2009/10, being the province's contribution towards the construction of the Moses Mabhida Soccer Stadium. This allocation does not carry-through into the MTEF.

The negative growth in the Department of Co-operative Governance and Traditional Affairs results from the 2010 funding allocated for the construction of soccer stadia being recalled post-2010.

The low growth in the Department of Public Works arises from the fact that the 2009/10 Main Appropriation included an allocation for the Expanded Public Works Programme Incentive grant, which was moved to the Department of Transport during the 2009/10 Adjustments Estimate. The funding remains in the Transport baseline going forward.

Table 4.5: Summary of revised budgets by departments, 2010/11 MTEF

R thousand	Main Appropriation	Medium-term Estimates			Annual percentage growth		
	2009/10	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
1. Office of the Premier	454 010	419 284	405 145	425 306	(7.6)	(3.4)	5.0
2. Provincial Legislature	287 051	322 193	353 132	380 684	12.2	9.6	7.8
3. Agriculture, Environmental Affairs and Rural Dev	1 950 032	2 188 337	2 361 767	2 481 127	12.2	7.9	5.1
4. Economic Development and Tourism	2 487 690	1 624 798	1 473 278	1 547 147	(34.7)	(9.3)	5.0
5. Education	24 609 443	29 034 762	31 600 250	33 292 209	18.0	8.8	5.4
6. Provincial Treasury	624 923	640 637	666 077	686 857	2.5	4.0	3.1
Operational budget	347 204	626 988	651 650	671 708	80.6	3.9	3.1
Growth and development	277 719	13 649	14 427	15 149	(95.1)	5.7	5.0
7. Health	17 448 526	21 657 681	23 628 833	25 106 593	24.1	9.1	6.3
8. Human Settlements	2 571 813	3 111 613	3 429 147	3 621 603	21.0	10.2	5.6
9. Community Safety and Liaison	127 638	140 744	149 207	156 740	10.3	6.0	5.0
10. The Royal Household	40 643	43 845	46 214	48 560	7.9	5.4	5.1
11. Co-operative Governance and Traditional Affairs	1 092 420	1 061 903	1 129 745	1 186 801	(2.8)	6.4	5.1
12. Transport	5 147 898	5 631 057	5 930 515	6 267 113	9.4	5.3	5.7
13. Social Development	1 361 280	1 668 170	1 873 676	1 968 432	22.5	12.3	5.1
14. Public Works	867 440	868 214	920 437	967 154	0.1	6.0	5.1
15. Arts and Culture	256 432	357 018	328 491	358 124	39.2	(8.0)	9.0
16. Sport and Recreation	259 187	307 107	364 970	383 364	18.5	18.8	5.0
Total	59 586 426	69 077 363	74 660 884	78 877 814	15.9	8.1	5.6

5. SUMMARY OF BUDGET AGGREGATES AND FINANCING

5.1 Summary of budget aggregates

Table 5.1 provides an analysis of the overall provincial budget performance by comparing total receipts against total payments, resulting in a surplus or deficit before financing over the seven-year period under review. The table also provides the details of the financing items and amounts to provide the net position after financing for each financial year. The data for 2006/07 to 2008/09 is based on audited receipts and payments, while the 2009/10 figures provide an estimated actual position as at the end of December 2009. The 2010/11 to 2012/13 data reflects the budgeted receipts and payments for the MTEF period.

The detailed analysis of the provincial total receipts and payments is provided under Sections 6 and 7 of the Overview of Provincial Expenditure.

Table 5.1: Provincial budget summary

R thousand	Outcome			Main	Adjusted	Revised	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09	Appropriation	Appropriation	Estimate	2010/11	2011/12	2012/13
				2009/10					
Provincial receipts									
Transfer receipts from national	36 032 918	42 545 514	51 490 462	58 817 924	61 045 463	61 045 463	68 485 087	74 523 599	79 029 770
Equitable share	32 052 488	37 427 646	44 223 509	49 989 762	51 972 804	51 972 804	56 742 834	61 358 875	64 761 099
Conditional grants	3 980 430	5 117 868	7 266 953	8 828 162	9 072 659	9 072 659	11 742 253	13 164 724	14 268 671
Provincial own receipts	1 446 417	1 557 284	1 698 357	1 645 029	1 645 029	1 771 513	1 803 568	1 942 711	2 067 809
Total provincial receipts	37 479 335	44 102 798	53 188 819	60 462 953	62 690 492	62 816 976	70 288 655	76 466 310	81 097 579
Provincial payment*									
Current payments	29 786 661	35 526 894	43 730 891	45 567 203	46 888 524	49 511 919	53 728 085	58 300 112	61 510 935
Transfers and subsidies	4 055 105	5 420 173	6 897 173	8 488 443	8 794 766	8 693 802	8 409 339	9 005 500	9 571 052
Payments for capital assets	3 010 744	3 457 985	4 890 684	5 530 780	5 168 421	5 204 701	6 607 601	7 342 203	7 792 060
Payments for financial assets	28 887	77 901	14 801	-	1 055 068	1 055 217	332 338	13 070	3 767
Unallocated contingency reserve									
Total provincial payments	36 881 397	44 482 953	55 533 549	59 586 426	61 906 779	64 465 639	69 077 363	74 660 884	78 877 814
Lending									
Surplus/(deficit) before financing	597 938	(380 155)	(2 344 730)	876 527	783 713	(1 648 663)	1 211 292	1 805 426	2 219 765
Financing	435 748	435 198	119 860	-	92 814	92 814	-	-	-
Provincial roll-overs	425 733	163 670	348 793	-	67 059	67 059	-	-	-
Provincial cash resources	-	270 599	(227 921)	-	24 046	24 046	-	-	-
Suspension to ensuing year	10 000	-	-	-	-	-	-	-	-
Surplus Own Revenue surrendered	15	929	(1 012)	-	1 709	1 709	-	-	-
Surplus/(deficit) after financing	1 033 686	55 043	(2 224 870)	876 527	876 527	(1 555 849)	1 211 292	1 805 426	2 219 765

* Estimated actual expenditure for 2009/10 is as at 31 December 2009

In aggregate, the province recorded a surplus before financing for 2006/07 and deficits in 2007/08 and 2008/09. The Revised Estimate for 2009/10 also reflects an estimated deficit of R1.649 billion before financing. However, after taking into account roll-overs and other provincial cash resources, the province showed a surplus of R1.034 billion in 2006/07 and R55.043 million in 2007/08 and a deficit of R2.225 billion in 2008/09. The Revised Estimate for 2009/10 shows a deficit after financing of R1.556 billion. It should be noted that the over-expenditure of 2008/09, and the projected over-expenditure of 2009/10 is largely due to over-spending by the Department of Health resulting from costs relating to the implementation of the OSD for nurses, the costs of the various wage agreements, the transfer of the department's laboratory services to the National Health Laboratory Services (NHLS), as well as inflationary pressures on medically related *Goods and services*. In the event of a surplus being realised at the end of a year, it is reallocated in the ensuing financial year to fund roll-overs and other spending pressures. Similarly, a deficit incurred will have to be financed in the ensuing year.

The surplus budgeted for in the 2009/10 Main and Adjusted Appropriation, as well as over the MTEF, relates predominantly to the decision taken by Cabinet during the preparation of the 2009/10 MTEF budget, that the value of all the departments' *Goods and services* budgets be reduced by 7.5 per cent. Adding to this surplus over the 2010/11 MTEF is a decision taken by Cabinet where it was agreed that not all additional funding received from National Treasury should be allocated, so that the budgeted surplus can be increased. Further detail regarding the budgeted surplus is given in Section 5.2 below.

As mentioned above, it should be noted that any surplus or deficit that may arise from 2009/10 will be taken into account when the province prepares its Adjustments Estimate for 2010/11.

5.2 Financing

Budgeted surplus

The total provincial receipts exceed the total provincial payments over the 2010/11 MTEF period, thereby reflecting a surplus budget before and after financing. This indicates that not all financial resources available to the province have been allocated to the 16 provincial departments, for spending over the three-year MTEF period. This is purposefully done, and is a continuation of the approach which commenced in 2009/10 whereby all provincial departments' budget allocations were reduced by 7.5 per cent of the value of their *Goods and services* budgets. This was done in accordance with a Cabinet decision in this regard, and was tabled in the *Explanatory Memorandum to the 2009/10 Budget Statements*. The motivation for this approach, at the time, was that the over-expenditure of prior years of some departments had resulted in the provincial bank account being in overdraft.

The provincial overdraft was at such a level, that it was very close to the approved overdraft limit of the province. This required a review of the entire cash management system in the province. The province required the combined effort of all departments in order to restore the health of the provincial balance sheet. On the cash management side, the payment system from the Provincial Treasury to the departments changed from a "funding as you spend" mechanism, to funding departments according to the balanced cashflow projections of departments. This resulted in immediate detection of negative movements in the departmental bank balances. Along with daily monitoring of the various bank balances by Provincial Treasury, Cabinet is being informed of departmental bank balances on a monthly basis.

As mentioned above, the 7.5 per cent reduction in departments' *Goods and services* budget is set to continue over the 2010/11 MTEF, largely explaining the budgeted surplus over this period. This approach is set to continue until the bank overdraft of the province has been addressed. It is emphasised, though, that the success of this plan is entirely dependent on departments adhering to their reduced budget allocations.

Besides the 7.5 per cent reduction in the value of departments' *Goods and services* budgets, the 2010/11 MTEF surplus sees a marginal increase resulting from a decision taken by Cabinet that not all additional "unearmarked" funding provided to the province by National Treasury (mainly due to updates in the equitable share formula) should be allocated. Cabinet decided that any additional funding received by the province should be allocated cautiously and that the focus would have to be on ensuring that the provincial overdraft is managed downward.

Implementation of Section 34(2) of the PFMA (First charge rule)

In addition to the 7.5 per cent reduction mentioned above, the province implemented the first charge rule (in terms of Section 34(2) of the PFMA) for the first time during the 2009/10 Adjustments Estimate. This was done as some departments' over-expenditure in prior years was of such a level that the 7.5 per cent reduction was insufficient for them to repay their over-expenditure amounts. This meant that the affected departments, namely Vote 5: Education, Vote 7: Health and Vote 12: Transport saw a further reduction in their budget available for spending, in order to fully pay back the over-expenditure they had incurred in 2008/09. As such, these departments' budget available for spending was reduced by R111.466 million for Vote 5: Education, R758 million for Vote 7: Health and R185.492 million for Vote 12: Transport in 2009/10. Important to note and understand, though, is that these amounts were not removed from their budgets as such, but were allocated to *Unauthorised Expenditure* to allow the necessary accounting treatment of these amounts by Provincial Treasury. These amounts were then the first instalment of the first charge rule.

In 2010/11, Vote 5: Education and Vote 12: Transport were affected by the second instalment of the first charge rule, with their budgets available for spending reducing by R106.039 million and R185.466 million, respectively. Vote 7: Health is not yet being charged the second instalment, to allow the Joint Task Team, comprising of officials from Provincial Treasury and the Department of Health, more time to implement their turnaround strategy.

Also, the Standing Committee on Public Accounts (SCOPA) met to determine which unauthorised expenditure of prior years would be approved, and which amounts would not be approved for authorisation. Several amounts are to be authorised, and will be included in the next Authorisation of Unauthorised Expenditure Bill, to be tabled in the Provincial Legislature. However, several amounts were not approved for authorisation, and therefore become a first charge against those votes. The votes affected are:

- Vote 5: Education – R27.563 million implemented as a first charge in 2010/11;
- Vote 8: Human Settlements – R18.606 million implemented as a first charge in two equal instalments of R9.303 million in 2010/11 and 2011/12;
- Vote 10: The Royal Household – R11.299 million implemented as a first charge in three equal instalments of R3.766 million in 2010/11, 2011/12 and 2012/13; and
- Vote 12: Transport – R200 000 implemented as a first charge in 2010/11.

Cabinet-approved Provincial Recovery Plan

Besides the above-mentioned measures taken by the province to start financing the provincial overdraft, Cabinet also approved a Provincial Recovery Plan which was implemented from October 2009.

This plan commenced by getting the buy-in of all departments to reduce the 2009/10 projected over-expenditure, collectively, by R2.065 billion. This was to be done by streamlining processes and stopping expenditure on non-essential items.

In addition, this plan contained a list of cost-cutting measures which departments need to adhere to, in an attempt to reduce the projected over-expenditure even further. These cost-cutting measures, which are listed below, will remain in place at least until the provincial bank overdraft has been repaid:

- Freezing of all posts (in exceptional circumstances, the Executive Authority can approve the filling of essential/critical posts – with a report being sent to the Office of the Premier and the Provincial Treasury);
- No furniture or equipment to be bought where orders have not already been placed (excluding those that are funded by conditional grants);
- Essential training be done in-house (exceptions to be approved by the HOD);
- Overseas trips be rationalised;
- Business class travel only for MECs and HODs (and MPLs, where applicable);
- Car hire bookings – class of vehicle to be lowered;
- Catering for meetings be stopped;
- Kilometre controls be implemented on travelling (1 750 kilometres per month per official unless there are exceptional circumstances – the exceptions should be approved by the HOD);
- Officials to travel together unless absolutely unavoidable;
- Only essential trips be undertaken;
- Meetings, strategic planning sessions and workshops to be held in departments' offices instead of private venues;

- Air travel be limited to important meetings with only one representative to attend on behalf of the department, unless otherwise required;
- No team building exercises or year-end/ Christmas functions (only permitted if paid for by the staff themselves);
- Cut down on unnecessary overnight accommodation. Staff to sleep over only if the total distance to and from the destination is more than 500 kilometres;
- Where there are one-day meetings in other provinces, officials must travel there and back on the same day (where possible);
- No performance bonuses to be paid from 2010/11;
- No promotional items to be purchased (t-shirts, caps, bags, etc);
- No leave conversion payments (leave to be taken);
- Strict control of overtime;
- Re-evaluate the hosting of provincial events (including budget dinners);
- Re-evaluate cell phone spending (including capping monthly spending per phone).

Sources of financing

The paragraphs below simply aim to provide an explanation of some of the terms contained in Table 5.1 above. In essence, the province has three sources of financing available, namely provincial roll-overs, provincial cash resources, and suspensions to the ensuing financial year.

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

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

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

6. RECEIPTS

6.1 Overall position

Table 6.1 below shows the actual and projected total revenue for the seven-year period, 2006/07 to 2012/13. National transfers to the province, which comprise equitable share funding and conditional grants, make up 97.4 per cent of provincial revenue in 2010/11. Provincial own revenue makes up the balance of the total provincial funding (2.6 per cent).

Table 6.1: Analysis of total receipts

	Outcome			Adjusted Appropriation 2009/10	Medium-term Estimates			Average Annual Growth	
	Audited 2006/07	Audited 2007/08	Audited 2008/09		2010/11	2011/12	2012/13	2006/07 - 2009/10	2009/10 - 2012/13
R thousand									
Transfers from national	36 032 918	42 545 514	51 490 462	61 045 463	68 485 087	74 523 599	79 029 770		
Equitable share	32 052 488	37 427 646	44 223 509	51 972 804	56 742 834	61 358 875	64 761 099		
Conditional grants	3 980 430	5 117 868	7 266 953	9 072 659	11 742 253	13 164 724	14 268 671		
Own revenue	1 446 417	1 557 284	1 698 357	1 645 029	1 803 568	1 942 711	2 067 809		
Total	37 479 335	44 102 798	53 188 819	62 690 492	70 288 655	76 466 310	81 097 579		
% of total revenue									
Transfers from national	96.1	96.5	96.8	97.4	97.4	97.5	97.5		
Equitable share	85.5	84.9	83.1	82.9	80.7	80.2	79.9		
Conditional grants	10.6	11.6	13.7	14.5	16.7	17.2	17.6		
Own revenue	3.9	3.5	3.2	2.6	2.6	2.5	2.5		
Nominal growth (%)									
Transfers from national		18.1	21.0	18.6	12.2	8.8	6.0	19.2	9.0
Equitable share		16.8	18.2	17.5	9.2	8.1	5.5	17.5	7.6
Conditional grants		28.6	42.0	24.8	29.4	12.1	8.4	31.6	16.3
Own revenue		7.7	9.1	(3.1)	9.6	7.7	6.4	4.4	7.9
Total		17.7	20.6	17.9	12.1	8.8	6.1	18.7	9.0
Real growth (%)									
Transfers from national		9.2	9.2	12.5	6.7	4.0	1.3	10.3	4.0
Equitable share		8.0	6.6	11.5	3.9	3.3	0.9	8.7	2.7
Conditional grants		18.9	28.1	18.4	23.1	7.1	3.6	21.7	11.0
Own revenue		(0.4)	(1.6)	(8.1)	4.3	2.9	1.7	(3.4)	3.0
Total		8.8	8.8	11.8	6.7	4.0	1.3	9.8	4.0

In the 2010/11 MTEF period, the total provincial revenue is R70.289 billion, R76.466 billion and R81.098 billion, respectively. The largest share of national transfers to the provincial government is the equitable share of R56.743 billion in 2010/11, R61.359 billion in 2011/12 and R64.761 billion in 2012/13. Conditional grant funding provides a further R11.742 billion, R13.165 billion and R14.269 billion in the three years of the MTEF.

The balance of the revenue comes from provincial own revenue, which forms a small proportion of total provincial revenue. There is a gradual decline in the share of total own revenue from 2006/07 to 2012/13, due to national transfers increasing at a faster rate than own revenue. Despite this, own revenue is showing a steady increase in nominal terms.

Table 6.1 also shows the analysis of total provincial receipts in terms of percentage shares, as well as nominal and real average annual growth rates from 2006/07 to 2012/13. In real terms, total provincial revenue is set to increase over the 2010/11 MTEF by 4.0 per cent on average, which is lower than that of the 2009/10 MTEF, which was 5.2 per cent. The share of national transfers increases from 96.1 per cent in 2006/07 to 97.4 per cent in 2009/10, and levels off over the 2010/11 MTEF period at between 97.4 and 97.5 per cent. Provincial own revenue illustrates the opposite trend, decreasing from 3.9 per cent in 2006/07 to 2.5 per cent in 2012/13.

In 2010/11, provincial own revenue is projected to yield R1.804 billion, rising to R2.068 billion in 2012/13. In nominal terms, own revenue increased by an annual average of 4.4 per cent from 2006/07 to 2009/10. Over the 2010/11 MTEF, this annual average nominal growth is 7.9 per cent. This is largely due to the on-going effects of the revenue enhancement strategies that are being implemented. In real terms, own revenue decreased at an annual average rate of 3.4 per cent between the period 2006/07 to 2009/10 and then increases to 3.0 per cent over the 2010/11 MTEF. Provincial Treasury previously generated a

significant portion of own revenue through the interest earned on positive cash balances in the Inter-Governmental Cash Co-ordination (IGCC) account and the Paymaster-General account. The drastic decrease for the 2006/07 to 2009/10 period is mainly due to the provincial over-spending in 2007/08 and 2008/09, and the continued high spending in 2009/10 (mainly due to the Department of Health) and the resultant negative effect on the provincial cash balances.

6.2 Provincial equitable share

The equitable share formula has evolved since its inception in 1998/99. The weighting of the various components is a policy decision that takes a number of factors into account, including the historical expenditure patterns and relative demand for particular services. The six components are updated annually with the release of official data.

The equitable share allocation that the province receives is based on demographic and economic statistics that attempt to capture the relative demand for public services. The largest portion of funds available to the provinces is aimed at meeting Constitutional mandates, and at delivering a wide variety of public services.

The provincial equitable share is formula based, and is the main source of revenue that enables the province to deliver on its statutory obligations. Table 6.1 above shows that the total equitable share allocation to the province for the 2010/11 MTEF will grow by an annual average of 2.7 per cent in real terms. This is a decrease from 8.7 per cent between 2006/07 to 2009/10. For the period under review, the equitable share allocation to the province decreases from 85.5 per cent of total provincial revenue in 2006/07, to 80.7 per cent in 2010/11. The share continues to decrease over the 2010/11 MTEF, dropping to 79.9 per cent in 2012/13. Even though the provincial equitable share increases in nominal terms, the proportional decrease in the provincial equitable share remains a major concern for the province, as this restricts the boundaries of the fiscal envelope available for distribution in the province. However, this nominal growth will continue to ensure that improved levels of service will be delivered in the province.

6.3 Conditional grants

When national conditional grants were introduced in 1998/99, their objective was to promote national priorities and to compensate provinces for the provision of specialised services across provincial boundaries. In Health, for example, those objectives were to fund the academic hospitals, training and research, redistribution of health services and hospital revitalisation.

Subsequent to this phase, several conditional grants were introduced with varying purposes, conditions and outcomes. A number of changes were made to the conditional grant framework over time and included the merging of the Human Settlement and Redevelopment grant with the Housing Subsidy grant to form the Integrated Housing and Human Settlements Development grant.

The total number of conditional grants transferred to the province amounted to 27 for the period under review (although not all grants receive funding every year from 2006/07). Conditional grants are used for more specific purposes than the equitable share, and these include infrastructure provision, institutional capacity building, and the implementation of special initiatives of national priority (for example, HIV and AIDS and school nutrition programmes). The design of conditional grants has been somewhat variable and *ad hoc*, which has given rise to certain problems and gaps in the implementation and monitoring thereof.

As can be noted from Table 6.1 above, the conditional grant allocation to the province has experienced a steady growth since 2006/07. Over the period 2006/07 to 2009/10, the conditional grant allocation to the province comprised between 10.6 per cent and 14.5 per cent of total provincial revenue, increasing to 17.6 per cent of total provincial revenue in 2012/13. Nominally, the conditional grant allocation grew at

an average annual rate of 31.6 per cent from 2006/07 to 2009/10. Over the 2010/11 MTEF, it is projected to grow at an average annual rate of 16.3 per cent.

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

Table 6.2 below reflects a summary of conditional grant transfers per vote.

Table 6.2: Summary of national conditional grant transfers by vote

R thousand	Outcome			Main	Adjusted	Revised	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09	Appropriation	Appropriation 2009/10	Estimate	2010/11	2011/12	2012/13
Vote 3 - Agriculture, Enviro Affairs and Rural Dev	65 879	115 311	123 890	138 489	138 489	138 489	174 525	229 420	240 891
Land Care grant	10 355	7 010	7 345	8 227	8 227	8 227	8 721	9 244	9 706
Comprehensive Agricultural Support Programme	55 524	68 301	100 545	117 762	117 762	117 762	135 804	160 176	168 185
Agriculture Disaster Management grant	-	40 000	5 000	5 000	5 000	5 000	-	-	-
Ilima/Letsema Projects grant	-	-	11 000	7 500	7 500	7 500	30 000	60 000	63 000
Vote 5 - Education	710 560	876 773	1 280 569	1 341 818	1 341 818	1 341 818	2 592 124	3 123 961	3 382 289
Infrastructure Grant to Provinces	348 194	466 022	602 756	746 136	746 136	746 136	1 036 318	1 288 743	1 427 889
HIV and AIDS	32 994	35 292	39 910	39 765	39 765	39 765	42 686	45 114	46 876
National School Nutrition Programme	239 372	260 006	458 233	555 917	555 917	555 917	855 285	1 070 013	1 151 644
FET College Sector Recapitalisation grant	90 000	115 453	162 974	-	-	-	-	-	-
Education Disaster Management grant	-	-	16 696	-	-	-	-	-	-
Technical Secondary School Recap grant	-	-	-	-	-	-	15 274	38 185	40 095
FET College Sector grant	-	-	-	-	-	-	642 561	681 906	715 785
Vote 7 - Health	1 786 121	2 190 991	2 634 190	3 030 845	3 275 342	3 275 342	3 894 131	4 440 571	4 946 484
Health Professionals Training & Development	192 373	201 992	212 092	222 425	222 425	222 425	235 771	249 917	261 860
Hospital Revitalisation	205 171	315 456	330 404	449 558	449 558	449 558	500 815	551 698	572 559
National Tertiary Services	732 167	789 578	911 892	983 948	983 948	983 948	1 102 585	1 162 331	1 220 448
Comprehensive HIV and AIDS	344 304	466 922	757 213	880 659	1 121 575	1 121 575	1 498 811	1 877 593	2 241 412
Infrastructure Grant to Provinces	174 098	259 758	294 832	359 717	359 717	359 717	401 055	437 482	480 578
Forensic Pathology Services	138 008	157 285	127 757	134 538	134 538	134 538	152 406	161 550	169 627
2010 World Cup Health Preparation Strategy	-	-	-	-	3 581	3 581	-	-	-
EPWP Grant for the Social Sector	-	-	-	-	-	-	2 688	-	-
Vote 8 : Human Settlements	1 048 376	1 310 555	1 622 053	2 330 448	2 330 448	2 330 448	2 847 909	3 149 500	3 327 629
Integrated Housing & Human Settlements Dev. grant	1 048 376	1 310 555	1 622 053	2 180 448	2 180 448	2 180 448	2 714 109	3 149 500	3 327 629
Housing Disaster Relief grant	-	-	-	150 000	150 000	150 000	133 800	-	-
Vote 12 : Transport	348 194	573 012	1 309 475	1 546 823	1 630 723	1 630 723	1 842 447	1 804 715	1 933 045
Sani Pass Roads grant	-	-	30 000	34 347	34 347	34 347	-	-	-
Transport Disaster Management grant	-	-	616 773	-	-	-	-	-	-
Public Transport Operations grant	-	-	-	647 396	647 396	647 396	714 587	773 473	815 611
EPWP Incentive grant	-	-	-	-	83 900	83 900	169 470	-	-
Infrastructure Grant to Provinces	348 194	573 012	662 702	865 080	865 080	865 080	958 390	1 031 242	1 117 434
Vote 13 : Social Development	-	-	-	-	-	-	2 688	-	-
EPWP grant for the Social Sector	-	-	-	-	-	-	2 688	-	-
Vote 14 : Public Works	-	-	210 846	320 444	236 544	236 544	259 891	275 485	289 259
Devolution of Property Rate Funds Grant to Provinces	-	-	210 846	236 264	236 264	236 264	259 891	275 485	289 259
EPWP Incentive grant	-	-	-	84 180	280	280	-	-	-
Vote 15 : Arts and Culture	-	13 950	26 195	34 147	34 147	34 147	38 282	45 401	48 619
Community Library Services grant	-	13 950	26 195	34 147	34 147	34 147	38 282	45 401	48 619
Vote 16: Sport and Recreation	21 300	37 276	59 735	85 148	85 148	85 148	90 256	95 671	100 455
Mass Sport and Recreation Participation Prog.	21 300	37 276	59 735	85 148	85 148	85 148	90 256	95 671	100 455
Total	3 980 430	5 117 868	7 266 953	8 828 162	9 072 659	9 072 659	11 742 253	13 164 724	14 268 671

In terms of allocation per department, the Department of Health is the major recipient of grant allocation, receiving 33.2 per cent of total grants in 2010/11. This is a lower share when compared to 36.1 per cent in 2009/10. Important to note is that the Comprehensive HIV and AIDS conditional grant was increased substantially over the 2010/11 MTEF, in keeping with substantial changes to government's commitment to funding HIV and AIDS in the country. This includes the lowering of the CD4 threshold for TB sufferers and pregnant women, and providing triple therapy to all children born with HIV and AIDS.

The Department of Human Settlements, the second largest recipient of grant allocation, received, on average, more than a quarter of the total conditional grant allocation from 2006/07 to 2009/10. This conditional grant shows a strong average annual nominal growth over the 2010/11 MTEF, rising from R2.847 billion in 2010/11 to R3.328 billion in 2012/13. The bulk of the grant allocation relates to the Integrated Housing and Human Settlements Development grant, with once-off funding provided in 2009/10 and 2010/11 in respect of the Housing Disaster Relief grant. The 2010/11 allocation is to repair houses damaged by storms and flooding in November and December 2009.

The Department of Education receives the third largest share of grant allocation over the entire period under review. The department's share of grant funding increases considerably over the entire period, increasing from R1.342 billion in 2009/10 to R2.592 billion in 2010/11, and increasing further to R3.382 billion in 2012/13. Note that the FET College Sector Recapitalisation grant within this department has been incorporated into the equitable share and that the FET College Sector grant is a new grant, with this function previously being funded through the equitable share. Education also receives a new grant from 2010/11, being the Technical Secondary School Recapitalisation grant.

The Devolution of Property Rate Funds Grant to Provinces commenced in 2008/09 within the Department of Public Works. This grant commenced at R210.846 million in 2008/09 and grows to R289.259 million in 2012/13. The aim of the grant is to manage the payment of property rates for provincially owned land and buildings to the various municipalities, a function which was previously administered by the national Department of Public Works. This function is, however, severely under-funded by the grant (with a shortfall of some R221 million in 2009/10), and this has been raised with National Treasury.

In 2009/10, the province received the EPWP Incentive grant for the first time. The amount allocated in 2009/10 was R84.180 million which was allocated against Public Works at the time. However, as the provincial Department of Transport is the EPWP co-ordinator in the province, and implements a large number of its projects through labour-intensive methods, it was decided to move the bulk of this funding to the Department of Transport during the 2009/10 Adjustments Estimate. The 2010/11 budget allocation of R169.470 million is then also allocated against the Department of Transport.

Another grant which receives a substantial allocation over the period under review is the Infrastructure Grant to Provinces. This grant is allocated to the Departments of Education, Health and Transport, and augments provincial funding for accelerating construction, maintenance and the rehabilitation of new and existing infrastructure. The grant also focuses on the application of labour-intensive methods in delivery in order to maximise job creation and skills development.

6.4 Total provincial own receipts (own revenue)

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

The bulk of provincial own revenue falls within two categories. The category *Tax receipts* comprises mostly of *Motor vehicle licences* and *Casino and Horse racing taxes*, while the balance of own revenue collected is made up of the *Sale of goods and services other than capital assets* particularly health patient fees, as well as *Fines, penalties and forfeits*, and *Interest, dividends and rent on land*. Other sources of provincial own revenue include *Financial transactions in assets and liabilities* and the *Sale of capital assets*.

Table 6.3: Summary of provincial own receipts

R thousand	Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09				2010/11	2011/12	2012/13
Tax receipts	953 871	1 037 169	1 207 899	1 262 889	1 262 889	1 299 438	1 382 528	1 492 908	1 594 521
Casino taxes	194 038	239 866	267 943	275 024	275 024	280 033	297 026	320 788	336 827
Horse racing taxes	38 174	43 655	65 070	49 138	49 138	42 318	43 597	46 025	49 294
Liquor licences	3 760	4 017	4 282	38 095	38 095	5 000	41 905	46 095	48 400
Motor vehicle licences	717 899	749 631	870 604	900 632	900 632	972 087	1 000 000	1 080 000	1 160 000
Sale of goods and services other than capital assets	211 378	247 127	302 546	274 281	274 281	324 870	333 301	354 344	372 553
Transfers received	7 087	300	921	-	-	300	-	-	-
Fines, penalties and forfeits	19 728	36 536	40 413	33 733	33 733	38 021	36 058	38 218	40 129
Interest, dividends and rent on land	176 243	159 599	43 448	23 055	23 055	29 620	6 168	6 692	7 273
Sale of capital assets	7 972	11 564	7 857	20 940	20 940	12 085	6 820	7 211	7 609
Financial transactions in assets and liabilities	70 138	64 989	95 273	30 131	30 131	67 179	38 693	43 338	45 724
Total	1 446 417	1 557 284	1 698 357	1 645 029	1 645 029	1 771 513	1 803 568	1 942 711	2 067 809

Table 6.4: Summary of provincial own receipts by vote

R thousand	Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09				2010/11	2011/12	2012/13
1. Office of the Premier	238 565	284 035	333 420	325 052	325 052	323 269	341 566	367 798	387 161
2. Provincial Legislature	2 776	2 678	3 828	2 278	2 278	918	567	601	629
3. Agriculture, Environ. Affairs and Rural Development	15 138	16 274	45 100	21 968	21 968	26 572	16 450	17 273	18 136
4. Economic Development and Tourism	4 910	4 489	4 787	38 261	38 261	5 185	42 081	46 281	48 595
5. Education	66 110	53 055	96 596	42 035	42 035	85 709	48 457	54 835	57 819
6. Provincial Treasury	169 861	156 921	15 557	20 120	20 120	7 193	6 968	7 665	8 431
7. Health	121 289	148 544	168 049	153 742	153 742	207 851	214 904	227 798	239 189
8. Human Settlements	3 577	19 253	1 405	939	939	2 334	1 033	1 136	1 250
9. Community Safety and Liaison	27	91	46	23	23	59	53	58	64
10. The Royal Household	46	67	87	52	52	85	89	93	98
11. Co-operative Governance and Traditional Affairs	1 776	2 038	10 870	1 387	1 387	5 045	1 970	2 070	2 300
12. Transport	812 247	861 293	1 008 826	1 030 944	1 030 944	1 097 495	1 120 697	1 207 948	1 294 383
13. Social Development	4 474	4 160	4 562	4 385	4 385	4 825	4 549	4 720	4 875
14. Public Works	4 228	3 852	4 573	3 349	3 349	4 257	3 792	4 020	4 440
15. Arts and Culture	633	447	522	453	453	356	342	360	379
16. Sport and Recreation	760	87	129	41	41	360	50	55	60
Sub-total	1 446 417	1 557 284	1 698 357	1 645 029	1 645 029	1 771 513	1 803 568	1 942 711	2 067 809
Provincial Legislature receipts not to be surrendered to the Provincial Revenue Fund	2 776	2 678	3 828	2 278	2 278	918	567	601	629
Total adjusted provincial own receipts	1 443 641	1 554 606	1 694 529	1 642 751	1 642 751	1 770 595	1 803 001	1 942 110	2 067 180

As can be seen in Table 6.3 above, *Tax receipts*, the most significant category by value, exhibits fairly constant growth, from R953.871 million in 2006/07 to R1.595 billion in 2012/13. *Tax receipts* reached R1.208 billion in 2008/09. This is 16.5 per cent more than the R1.037 billion collected in 2007/08, and relates predominantly to increased collections against the category *Motor vehicle licences*. *Tax receipts* increase annually and are projected to increase at an annual average rate of 9.3 per cent over the MTEF.

Tax receipts, as a percentage of total provincial own revenue, increased from 66.6 per cent in 2007/08 to 71.1 per cent in 2008/09, and are further projected to stabilise at an average of 76.9 per cent of provincial own-sourced revenue over the medium term. The estimated increase over the 2010/11 MTEF is mainly due to the projected increase in motor vehicle licence fees, liquor licence fees (once the revised KwaZulu-Natal Liquor Bill has been enacted), as well as gaming revenues from casino and limited payout machines, coupled with the implementation of the new KwaZulu-Natal Gaming and Betting Tax Bill and the KwaZulu-Natal Gaming and Betting Bill.

The balance of provincial own revenue increases from R492.546 million in 2006/07 to R520.115 million in 2007/08, and then decreases to R473.288 million in 2012/13 (due to the decrease in interest revenue as a result of minimal cash balances in the IGCC account and the Paymaster-General (PMG) account). The main contributor to this category is *Sale of goods and services other than capital assets*, which mainly consists of health patient fees. This category is projected to reach R372.553 million in 2012/13, at an annual average rate of 10.8 per cent over the 2010/11 MTEF. *Sale of goods and services other than capital assets*, as a percentage of total provincial own-sourced revenue, decreases from 15.9 per cent in 2007/08 to 17.8 per cent in 2008/09 and is projected to stabilise at 18.2 per cent of provincial own-sourced revenue over the medium term. The other main contributor to this category is reflected under Vote 6: Provincial Treasury, namely interest revenue, reflected against *Interest, dividends and rent on land*. The revenue accrued from this source depends on cash balances and the prevailing interest rates, hence the fluctuating trend. The provincial *fiscus* has been under severe strain over the last three financial years resulting in the province currently utilising a bank overdraft facility. The resultant interest revenue has thus decreased significantly in 2008/09 and 2009/10, and even further over the 2010/11 MTEF.

Fines, penalties and forfeits increases from R19.728 million in 2006/07 to R40.413 million in 2008/09. Thereafter, it stays at fairly consistent levels, ranging between R36.058 million and R40.129 million. This category consists mainly of traffic fines resulting from road traffic infringements. The fluctuations in the trend can be attributed to the difficulty in projecting with certainty the collection of these receipts.

The two lowest categories by value are *Sale of capital assets* and *Financial transactions in assets and liabilities*. *Sale of capital assets* shows a growth trend of 37.9 per cent from 2006/07 to the 2009/10 Adjusted Appropriation. It is expected to turn around significantly to a negative average growth rate of 28.64 per cent between the 2009/10 Adjusted Appropriation and the outer year of the MTEF. *Financial*

transactions in assets and liabilities, however, reflects a negative annual average growth rate of 25.5 per cent from 2006/07 to 2009/10, then it increases over the 2010/11 MTEF to reach R45.724 million in 2012/13, with an annual average growth rate of 14.9 per cent. Trends in these categories have always been difficult to project, due to the unpredictability of these sources of provincial own-source revenue.

As shown in Table 6.4 above, the Department of Transport continues to be the main contributor to total provincial own revenue, accounting for an average of almost 62.3 per cent of total provincial own revenue over the 2010/11 MTEF period. Historically, the department's revenue has shown strong growth, with own revenue collections rising from R812.247 million in 2006/07 to R1.097 billion in the 2009/10 Revised Estimate. This increase is set to continue over the 2010/11 MTEF to R1.294 billion in 2012/13, growing at an annual average rate of 7.9 per cent.

Revenue generated from *Motor vehicle licences* increased by 4.4 per cent, from R717.899 million in 2006/07 to R749.631 million in 2007/08 to R870.604 million in 2008/09, and is projected to increase to R1.160 billion in 2012/13. These increases are linked to the net growth of the motor vehicle population over the same period, coupled with the annual increase in motor vehicle licence fees. The growth in projected revenue can also be attributed to the initiatives of the Department of Transport to improve service delivery at the various registering authorities, for the registration and licensing of motor vehicles. The current initiative to address arrear licence fees will continue, with the aim of maintaining the arrears at less than 2 per cent of the total motor vehicle population.

Presently, the variances between motor vehicle licence fees charged across all provinces in the various fee categories are significant. Debates have been continuing at national and provincial levels for quite some time regarding the motor vehicle licence fee variance across provinces. The various Provincial Treasuries have met to discuss the issue of 'fee equalisation', i.e. a unified motor vehicle licence fee across all provinces (as is the case with the health patient fee structure). At present, the provinces with higher motor vehicle licence fees, namely KwaZulu-Natal and Western Cape, face the dilemma of people migrating to register their motor vehicles in provinces where the motor vehicle licence fees are lower. The main idea behind 'fee equalisation' is that there will be a unified motor vehicle licence fee structure that will be determined at a national level. During the forthcoming financial year, provinces will further analyse the costs and benefits of this proposal, before ratifying the adoption thereof. All provinces are expected to benefit from this proposed structure to some degree.

Another major contributor to provincial own revenue is the Office of the Premier, yielding more than 19.2 per cent of total own revenue over the 2010/11 MTEF. The department is projecting reasonable growth over the 2010/11 MTEF, and this is in line with the expected growth in the gambling industry, which is the department's main source of revenue. *Casino taxes* include tax revenue from Limited Payout Machines (LPMs).

Revenue generated from *Casino taxes* increased by 23.6 per cent from R194.038 million in 2006/07 to R239.866 million in 2007/08, and by 11.7 per cent to R267.943 million in 2008/09. It is further projected that tax revenue from casinos will increase by 4.5 per cent to R280.033 million in 2009/10 (Revised Estimate). This increase is set to continue over the 2010/11 MTEF to R336.827 million in 2012/13 at an annual average rate of 6.8 per cent. Revenue generated from *Horse racing taxes* increased by 14.4 per cent from R38.174 million in 2006/07 to R43.655 million in 2007/08, and by 11.7 per cent to R65.070 million in 2008/09. It is further projected that horse racing revenue will decrease to R42.318 million in the 2009/10 Revised Estimate, as the actual for 2008/09 includes a once-off amount of R22 million received from the Bookmakers' Control Committee. *Horse racing taxes* continues to show good growth over the 2010/11 MTEF to R49.294 million in 2012/13, at an annual average rate of 6.9 per cent. Revenue generated from gambling is unpredictable, and it is therefore acknowledged that gambling taxes depend, to a large extent, on the unexpected increases or decreases in people's disposable income.

The KwaZulu-Natal Gaming and Betting Tax Bill and the KwaZulu-Natal Gaming and Betting Bill are expected to be tabled in 2010/11. In essence, these new Bills aim to create a single entity to regulate gaming, as well as to facilitate the increased financial control and planning, which has the potential to increase the revenue due to the province. Coupled with these Bills are minor proposals to amend the

gaming tax regime, which is expected to generate additional gaming revenue. Provincial Treasury, in conjunction with the Office of the Premier, have commenced with a detailed review of both the tax structure, as well as the fee structure applicable to gaming in the province. The ideal tax regime to impose on the gaming industry must be optimal and designed to leverage the maximum benefit from the gambling industry, while business and economic realities are acknowledged. The ideal tax structure must have the possibility of increasing receipts from this source by simply tightening the tax band/levels. This method must also be very effective in dealing with fiscal drag, as tax bands can be lowered just as easily as they can be raised. The present tax and fee structures were last reviewed in the late 1990s, and a minimum adjustment for inflation only would lead to a considerable improvement in revenue collection.

Revenue generated from liquor licence fees is estimated to reach R5 million in 2009/10, and is then anticipated to grow at an average rate of 113.1 per cent over the MTEF, to R48.400 million in 2012/13. These projected increases are subject to the approval of the new KwaZulu-Natal Liquor Bill in 2010. The KwaZulu-Natal Liquor Bill aims to bring unlicensed traders from historically disadvantaged communities into the tax net, enabling them to do business in a free and conducive environment without barriers to entry. The proposed KwaZulu-Natal Liquor Bill provides for the determination of application fees, annual licence renewals and penalties by the Minister of Economic Development and Tourism. The income generated through the licensing system will accrue to the Provincial Revenue Fund. In terms of the new legislation, the KwaZulu-Natal Liquor Board and the responsible departments and municipalities, chosen as agents, will administer licensing of premises, collect liquor licence revenue and ensure the reconciliation of revenue collected in terms of the Liquor Act.

The Department of Health is expected to collect just under 10 per cent of provincial own revenue over the 2010/11 MTEF. The department is projecting a 15.9 per cent growth over the 2010/11 MTEF. Health revenue increased by 13.1 per cent from R148.544 million in 2007/08 to R168.049 million in 2008/09 and by 23.7 per cent to R207.851 million in the 2009/10 Revised Estimate, and is projected to increase to R239.189 million in 2012/13. The largest proportion of revenue generated by the Health sector is from charges such as patient fees and board for accommodation paid by staff at the department's institutions.

The Department of Health is paying special attention to patient billing and revenue collection. One of the major objectives of this drive is to eliminate leakages in the system, as well as to shorten patient payment intervals. The department is also continuing with its programme of ongoing training of staff at the various institutions. Patient fees show positive growth, mainly as a result of measures being put in place to enhance revenue collection. More attention is now being paid to the assessment of patients' ability to pay, the correct billing of patients and the timeous recovery of debts from patients and other third parties, such as medical aids. Revenue collection processes are, to a certain extent, affected by the use of manual billing systems, with only six hospitals currently operating a computerised patient billing system. The system will be implemented in the remaining hospitals as funds become available. This is included as part of the plan of the Hospital Revitalisation conditional grant. The objective is to make health care more cost effective, so that quality of service can be improved for the benefit of all patients.

Provincial Treasury also generates a significant portion of own revenue through interest earned on positive cash balances in the Inter-Governmental Cash Co-ordination (IGCC) account and the PMG account. Revenue generated by Provincial Treasury decreased by 90.1 per cent from R156.921 million in 2007/08 to R15.557 million in 2008/09, and then further decreases again by 53.8 per cent to R7.193 million in the 2009/10 Revised Estimate. This decrease is set to continue over the first year of the 2010/11 MTEF, and then gradually increase (as cash balances improve) to R8.431 million in 2012/13. The drastic decrease in 2007/08, 2008/09 and 2009/10 is mainly due to its dependence on available cash balances and the prevailing interest rates. The provincial *fiscus* has been under severe strain over the last three financial years, resulting in the province currently utilising a bank overdraft facility. The resultant interest revenue has thus decreased significantly from 2007/08 to 2009/10, and even further over the 2010/11 MTEF.

As part of the provincial revenue enhancement strategy, Provincial Treasury has initiated and launched the Provincial Revenue Forum (PRF). The forum meets once every quarter and deals with all revenue

related matters, where departments benefit from each other's successes and learn from each other's failures. The main purpose of the PRF is to:

- Improve revenue estimation and the ability to detect and manage deviations early before they create budget instability;
- To maximise the effectiveness of revenue collection, and
- To look for new revenue streams.

The revenue In-year Monitoring (IYM) report was initiated in 2009/10. The main objective behind this initiative is an attempt by Provincial Treasury to improve monitoring of departmental revenue streams. Another initiative is the Provincial Tariff Register which is expected to be established in 2010/11, to further assist with monitoring and evaluation of the various provincial own revenue sources.

6.5 Donor funding and agency receipts

Table 6.5 below shows information on donor funding and agency receipts, per department, for the period under review. Table 1.F in the *Annexure – Overview of Provincial Expenditure (OPE)* provides the same information, together with details of the donors and agencies.

Table 6.5: Donor funding and agency receipts

R thousand	Outcome			Main	Adjusted	Revised	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09	Appropriation 2009/10	Appropriation 2009/10	Estimate 2009/10	2010/11	2011/12	2012/13
Donor organisation	170 693	204 637	148 800	39 640	124 847	147 945	63 864	19 699	3 516
Provincial Legislature	157	198	1 003	-	-	-	-	-	-
Agriculture, Environmental Affairs and Rural Development	9 982	307	11 509	17 016	40 589	40 589	22 276	19 349	3 218
Economic Development and Tourism	106 107	-	-	-	-	-	37 616	-	-
Education	19 435	52 537	29 999	12 144	12 144	36 326	-	-	-
Health	32 428	140 895	91 985	10 080	63 035	62 351	2 636	-	-
Human Settlements	-	4 158	604	400	400	-	1 336	350	298
Co-operative Governance and Traditional Affairs	2 584	6 542	13 700	-	8 679	8 679	-	-	-
Agency	525 969	523 135	773 514	50 831	50 831	50 831	7 420	7 420	7 420
Office of the Premier	-	22 147	31 541	43 831	43 831	43 831	-	-	-
Co-operative Governance and Traditional Affairs	1 742	-	-	-	-	-	-	-	-
Transport	524 227	500 988	741 973	7 000	7 000	7 000	7 420	7 420	7 420
Total	696 662	727 772	922 314	90 471	175 678	198 776	71 284	27 119	10 936

This funding is not voted for, and is relatively small in value. The funding gives an indication of additional local and international resources available to the province. Each department receiving donor funding and/or agency receipts has a table in the departmental chapter in the *Estimates of Provincial Expenditure* which indicates how the donor funding and agency receipts have been spent, over the seven-year period.

It has become crucial to monitor the quality and quantity of services being provided with regard to donor funding and agency receipts. To this extent, with effect from 2007/08, the Provincial Treasury required departments to report on donor funding and agency receipts on a quarterly basis. This was done mainly because departments commit themselves to projects and, when the donor funding ceases, these commitments continue and have to be funded through voted funds in order to reach completion.

6.5.1 Donor funding

The recipients of donor funding over the 2010/11 MTEF are the Departments of Agriculture, Environmental Affairs and Rural Development, Economic Development and Tourism, Human Settlements and Health.

The Department of Agriculture, Environmental Affairs and Rural Development receives funding from the Danish Government for urban environmental management programmes (including a study on norms and

standards for sugar-cane burning, and the development of Integrated Waste Management Plans in various districts), the Flemish government who co-fund the Empowerment for Food Security programme which is a five-year programme scheduled to end in 2011/12, and the World Health Organisation who provided donor funding to the department to assist with the control of rabies in the province.

The Department of Economic Development and Tourism receives donor funding from the European Union until 2010/11. The funding brings together a skilled private and public sector technical team, funded through the European Union and the provincial government, to implement projects for local economic development.

The Department of Human Settlements entered into a co-operative agreement with the Flemish government in order to establish housing components at municipalities in the province. It is anticipated that the housing project will be finalised in 2012/13, thereafter no further funding will be forthcoming for this purpose from the Flemish government.

The Department of Health also receives donor funding over the period under review (R2.636 million in 2010/11 only). The donor is the European Union Primary Health Care Programme, and they mainly support primary health care programmes, including HIV and AIDS.

6.5.2 Agency receipts

The Department of Transport is the only recipient of agency receipts over the 2010/11 MTEF. These agency receipts, which form part of the total non-voted funds, increased from R525.969 million in 2006/07 to R773.514 million in 2008/09 and then reduces to R50.831 million in the 2009/10 Revised Estimate. Over the 2010/11 MTEF, it further decreases to R7.420 million in 2012/13.

The Department of Transport receives funding from the South African National Roads Agency (SANRA), to cater for an extended overload control function on the national road network in the province. The 2010/11 MTEF allocation in respect of Overload control remains constant at R7.420 million, due to conservative budgeting, as a result of the uncertainty over the amount that will be transferred to the department. This also explains the fluctuations over the seven-year period under review.

With the introduction of the Public Transport Operations grant in the 2009/10 MTEF, the agency receipts for the bus subsidies fell away as from 2009/10, which explains the substantial reduction in agency receipts over the 2010/11 MTEF.

7. PAYMENTS

7.1 Overall position

Total provincial payments increased from R36.881 billion in 2006/07 to an estimated R64.466 billion in 2009/10. This positive growth is set to continue over the 2010/11 MTEF, with aggregated estimates rising to R78.878 billion in 2012/13. The additional allocation, over and above the existing (2009/10 MTEF) growth within the various departments' baselines caters for:

- Carry-through costs of the 2009/10 Adjustments Estimate (e.g. statutory increases for MPLs);
- Nationally allocated funding towards the higher than anticipated wage settlement and the various Occupation Specific Dispensations (OSD) affecting Education and Health;
- Nationally allocated funding towards strengthening the municipal support units within Provincial Treasury aimed at assisting with the roll-out of the MFMA;
- Growth in some conditional grants, as well as the introduction of two new conditional grants being the Technical Secondary Schools Recapitalisation grant and the Further Education and Training College Sector grant. Also, the Public Transport Operations grant sees the continuation of funding over the 2010/11 MTEF, whereas previously the allocation was only provided for one year (i.e. 2009/10);
- Funding for only a few provincial priorities such as the provincialisation of public libraries under Arts and Culture, funding for the Policy of Incapacity Leave and Ill Health Retirement (PILIR) allocated to all departments, and the implementation of the Job Evaluation review by the Provincial Legislature;
- Funding provided for the interest costs being incurred on the provincial overdraft; and
- The reduction of some departments' baselines due to the decision to recall all 2010 funding post-2010.

7.2 Payments by vote

Table 7.1 below illustrates the summary of provincial payments and estimates by vote. The trend analysis reveals that most departments' budgets are set to increase from the 2009/10 Main Appropriation to 2010/11 and over the ensuing financial years. Greater detail of the payments and estimates is given under each vote's chapter in the Estimates of Provincial Expenditure.

Table 7.1: Summary of provincial payments and estimates by vote

R thousand	Outcome			Main Appropriation	Adjusted Appropriation 2009/10	Revised Estimate	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09				2010/11	2011/12	2012/13
1. Office of the Premier	303 766	395 396	463 842	454 010	435 718	435 718	419 284	405 145	425 306
2. Provincial Legislature	160 791	209 999	247 649	287 051	306 768	309 356	322 193	353 132	380 684
3. Agriculture, Environmental Affairs and Rural Dev.	1 291 802	1 252 713	1 752 824	1 950 032	1 999 301	1 991 217	2 188 337	2 361 767	2 481 127
4. Economic Development and Tourism	507 910	1 510 954	1 771 422	2 487 690	2 492 401	2 470 752	1 624 798	1 473 278	1 547 147
5. Education	16 218 726	18 406 747	22 991 742	24 609 443	26 058 854	26 271 374	29 034 762	31 600 250	33 292 209
6. Provincial Treasury	506 002	379 645	693 565	624 923	523 449	670 467	640 637	666 077	686 857
7. Health	11 663 951	14 959 441	17 103 101	17 448 526	18 329 163	20 641 179	21 657 681	23 628 833	25 106 593
8. Human Settlements	1 252 921	1 522 181	1 876 146	2 571 813	2 573 713	2 570 713	3 111 613	3 429 147	3 621 603
9. Community Safety and Liaison	59 360	78 797	109 287	127 638	127 638	125 613	140 744	149 207	156 740
10. The Royal Household	38 147	39 114	47 853	40 643	40 643	40 643	43 845	46 214	48 560
11. Co-operative Governance and Traditional Affairs	654 132	744 650	1 020 672	1 092 420	1 093 918	1 053 918	1 061 903	1 129 745	1 186 801
12. Transport	2 539 187	3 121 798	5 025 223	5 147 898	5 231 798	5 204 798	5 631 057	5 930 515	6 267 113
13. Social Development	941 579	1 015 188	1 232 408	1 361 280	1 361 280	1 361 280	1 668 170	1 873 676	1 968 432
14. Public Works	450 267	479 297	731 259	867 440	798 625	793 101	868 214	920 437	967 154
15. Arts and Culture	179 290	206 435	253 289	256 432	267 323	264 323	357 018	328 491	358 124
16. Sport and Recreation	113 566	160 598	213 267	259 187	266 187	261 187	307 107	364 970	383 364
Total	36 881 397	44 482 953	55 533 549	59 586 426	61 906 779	64 465 639	69 077 363	74 660 884	78 877 814

The reduction in the Office of the Premier when comparing the 2009/10 Main Appropriation and 2010/11 results from the shifting of soccer development funds and the Museum Services function shift, where funds were moved to the Department of Sport and Recreation and Department of Arts and Culture, respectively.

The reduction in 2010/11, when compared to the 2009/10 Main Appropriation against Vote 4: Economic Development and Tourism, relates to the Dube TradePort (DTP) where the allocations to this project grow until 2009/10, whereafter the allocation decreases over the 2010/11 MTEF, due to the completion of the airport portion of DTP in time for the 2010 World Cup.

Provincial Treasury sees substantial growth in its allocation from the 2009/10 Adjusted Appropriation to 2010/11 due to a substantial allocation of R235 million for each year of the 2010/11 MTEF being added to the department's baseline, being a provision for the interest payments relating to the provincial overdraft. In addition, National Treasury allocated additional funding of R5 million per year, to strengthen the Municipal Support units within Provincial Treasuries.

The Department of Co-operative Governance and Traditional Affairs sees a reduction in its baseline when comparing the 2009/10 Main Appropriation and 2010/11. This results from the decision taken by the province to recall all 2010 World Cup funding post-2010. This department was affected by this decision, as it had a substantial allocation in its baseline for the upgrading of stadia infrastructure in five municipalities, namely Ugu, uThungulu, Amajuba, uMgungundlovu and eThekweni, which will be completed and handed over by March 2010, in accordance with the FIFA and Local Organising Committee (LOC) requirements for training base camps.

The social sector services, comprising Education, Health and Social Development, reflect positive growth over the MTEF, mainly due to allocations for various national sector priorities which were allocated to the province in previous MTEF periods, but with considerably higher allocations being provided from 2010/11 onward. Also affecting the growth in the baselines is the funding received for various OSDs and the higher than anticipated wage agreements. It should be noted that mainly the wage-related national priorities received new funds over the 2010/11 MTEF, due to the tight *fiscus* brought about by the provincial overdraft.

Table 7.2 below shows the analysis of payments and estimates by major vote.

Table 7.2: Analysis of payments and estimates by major vote

	Outcome			Adjusted Appropriation 2009/10	Medium-term Estimates			Average annual growth	
	Audited 2006/07	Audited 2007/08	Audited 2008/09		2010/11	2011/12	2012/13	2006/07 - 2009/10	2009/10 - 2012/13
R thousand									
Education	16 218 726	18 406 747	22 991 742	26 058 854	29 034 762	31 600 250	33 292 209		
Health	11 663 951	14 959 441	17 103 101	18 329 163	21 657 681	23 628 833	25 106 593		
Social Development	941 579	1 015 188	1 232 408	1 361 280	1 668 170	1 873 676	1 968 432		
Other Functions	8 057 141	10 101 577	14 206 298	16 157 482	16 716 750	17 558 125	18 510 580		
Total expenditure	36 881 397	44 482 953	55 533 549	61 906 779	69 077 363	74 660 884	78 877 814		
% of total expenditure									
Education	44.0	41.4	41.4	42.1	42.0	42.3	42.2		
Health	31.6	33.6	30.8	29.6	31.4	31.6	31.8		
Social Development	2.6	2.3	2.2	2.2	2.4	2.5	2.5		
Other Functions	21.8	22.7	25.6	26.1	24.2	23.5	23.5		
Nominal growth (%)									
Education		13.5	24.9	13.3	11.4	8.8	5.4	17.1	8.5
Health		28.3	14.3	7.2	18.2	9.1	6.3	16.3	11.1
Social Development		7.8	21.4	10.5	22.5	12.3	5.1	13.1	13.1
Other Functions		25.4	40.6	13.7	3.5	5.0	5.4	26.1	4.6
Total expenditure		20.6	24.8	11.5	11.6	8.1	5.6	18.8	8.4
Real growth (%)									
Education		5.0	12.7	7.5	6.0	4.0	0.7	8.3	3.5
Health		18.6	3.1	1.7	12.4	4.3	1.5	7.5	6.0
Social Development		(0.3)	9.5	4.8	16.6	7.3	0.4	4.6	7.9
Other Functions		16.0	26.9	7.9	(1.6)	0.4	0.7	16.7	(0.2)
Total expenditure		11.5	12.6	5.8	6.1	3.3	1.0	9.9	3.4

As mentioned above, the social services sector spending is set to increase substantially in both nominal and real terms over the 2010/11 MTEF. The share of the social services budget decreases from 78.2 per cent in 2006/07 to 73.9 per cent in 2009/10. However, over the 2010/11 MTEF, this share grows again from 75.8 per cent in 2010/11 to 76.5 per cent in 2012/13. This means that the spending on *Other Functions* is decreasing, and that the focus is being shifted to the social sector again. It is noted that *Other Functions* includes the cost of the construction of the Dube TradePort (DTP), which has previously shifted funding away from investment in the social sector. The level of funding required by DTP is lower over the 2010/11 MTEF than it was in the prior MTEF, therefore resulting in the change in trend.

It should be noted though, that the interest on the overdraft budget resides under *Other Functions*, and that this will divert funding away from the Social Sector until such time as the province is able to repay the provincial overdraft.

The Department of Education remains the highest spending provincial department, at 42.1 per cent in 2009/10 and increasing to 42.2 per cent in 2012/13. The budget for Education is set to increase by an average annual nominal (real) growth rate of 8.5 (3.5) per cent between 2009/10 and 2012/13. This positive growth over the 2010/11 MTEF is largely in respect of the higher than anticipated wage agreement settlements, the implementation of the OSD for educators and increasing allocations relating to the expansion of Grade R, as well as the expansion of inclusive education for learners with disabilities.

The budget for Health shows the same trend as Education, with fair average annual nominal (real) growth of 11.1 (6.0) per cent. The growth in the Health budget over the 2010/11 MTEF results from increased allocations relating to the various OSDs in the Health sector and the higher than anticipated wage settlements, as well as increases to the baseline resulting from a general baseline adjustment which was funded from the 2008/09 MTEF, but with substantial increases in funding occurring from 2010/11 onward. Also impacting on the growth in the department's baseline are substantial additions to the Comprehensive HIV and AIDS conditional grant. The department's percentage share of the total provincial budget declines between 2006/07 and 2009/10 from 31.6 per cent to 29.6 per cent, but then shows a significant increase to 31.8 per cent in 2012/13.

Social Development's budget shows a reduction from 2006/07 to 2009/10, from 2.6 per cent to 2.2 per cent. Social Development enjoys the largest growth among the social sector departments, with an annual average real growth of 13.1 per cent between 2009/10 and 2012/13. The strong growth over the 2010/11 MTEF caters for, among others, expansion of community home based care, early childhood development and services for children in conflict with the law. In the 2010/11 MTEF, funding was only provided for the carry-through of the higher than anticipated 2009 wage agreement, as well as the Policy on Incapacity Leave and Ill Health Retirement (PILIR).

The growth in *Other Functions* between 2006/07 and 2009/10 is substantially higher when compared to the growth between 2009/10 and 2012/13. This relates mainly to the Department of Economic Development and Tourism with regard to DTP. The airport portion of this project is aimed to be completed in early 2010/11, in time for the 2010 World Cup, thereby requiring a lower budget over the 2010/11 MTEF to provide for work to continue to allow for further development of the multi-modal logistics hub at the airport site. The decreases in the allocation to DTP largely explain the decrease in the percentage share for *Other Functions* from 26.1 per cent in 2009/10 to 23.5 per cent in 2012/13, and a similar increase in the social services sector.

7.3 Payments by economic classification

7.3.1 Provincial summary of payments and estimates by economic classification

Table 7.3 below, which presents a summary of payments and estimates by economic classification, is broken-down into four main categories, namely *Current payments*, *Transfers and subsidies*, *Payments for capital assets* and *Payments for financial assets*, for the period 2006/07 to 2012/13.

Current payments consume the bulk of the total provincial spending, and is set to rise from R49.445 billion in 2009/10 (Revised Estimate) to R61.444 billion in 2012/13. The largest proportion of expenditure in this category relates to *Compensation of employees*, which is set to increase from the Revised Estimate of R36.333 billion in 2009/10, to R43.755 billion in 2012/13.

Table 7.3: Summary of payments and estimates by economic classification

R thousand	Outcome			Main Appropriation	Adjusted Appropriation 2009/10	Revised Estimate	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09				2010/11	2011/12	2012/13
Current payments	29 749 962	35 487 639	43 682 132	45 509 904	46 824 923	49 445 190	53 666 594	58 235 828	61 443 887
Compensation of employees	21 758 145	25 794 246	31 062 640	33 178 728	34 690 587	36 333 061	38 857 418	41 606 242	43 754 923
Goods and services	7 991 427	9 693 386	12 480 481	12 331 176	12 134 336	12 950 886	14 574 176	16 394 586	17 453 964
Interest and rent on land	390	7	139 011	-	-	161 243	235 000	235 000	235 000
Transfers and subsidies to:	4 055 105	5 420 173	6 897 173	8 488 443	8 794 766	8 693 802	8 409 339	9 005 500	9 571 052
Provinces and municipalities	478 394	783 710	1 115 245	1 069 802	1 340 214	1 331 010	728 822	787 321	794 839
Departmental agencies and accounts	429 376	412 701	528 434	546 916	563 936	562 367	560 227	598 693	629 183
Universities and technikons	100	1 274	11 614	4 500	4 500	560	28 300	28 300	28 300
Public corporations and private enterprises	264	162	1 081	1 060	1 110	1 110	1 124	1 191	1 250
Foreign governments and international organisations	633 810	965 732	177 530	1 205 579	1 052 200	993 856	1 297 656	1 379 284	1 442 507
Non-profit institutions	1 504 263	2 204 404	3 572 838	3 652 861	3 830 998	3 782 275	3 206 133	3 371 219	3 538 223
Households	1 008 898	1 052 190	1 490 431	2 007 725	2 001 808	2 022 624	2 587 077	2 839 492	3 136 750
Payments for capital assets	3 010 744	3 457 985	4 890 684	5 530 780	5 168 421	5 204 701	6 607 601	7 342 203	7 792 060
Buildings and other fixed structures	2 369 206	2 774 040	4 051 754	4 471 492	4 270 753	4 342 690	5 529 515	6 099 946	6 486 955
Machinery and equipment	618 514	646 537	831 589	1 049 588	888 606	853 164	1 072 059	1 236 000	1 298 537
Heritage assets	-	-	262	-	-	169	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	23	99	-	340	350	343	336	354	371
Land and sub-soil assets	5 498	1 714	900	-	-	-	-	-	-
Software and other intangible assets	17 503	35 595	6 179	9 360	8 712	8 335	5 691	5 903	6 197
Payments for financial assets	28 887	77 901	14 801	-	1 055 068	1 055 217	332 338	13 070	3 767
Total economic classification	36 844 698	44 443 698	55 484 790	59 529 127	61 843 178	64 398 910	69 015 872	74 596 600	78 810 766
Statutory payments	36 699	39 255	48 759	57 299	63 601	66 729	61 491	64 284	67 048
Total economic classification (incl. stat. pay.)	36 881 397	44 482 953	55 533 549	59 586 426	61 906 779	64 465 639	69 077 363	74 660 884	78 877 814

Transfers and subsidies show a steady increase between 2006/07 and 2012/13. The decline in 2010/11 when compared to 2009/10 is due to mainly to the reduction in transfers by the Department of Economic Development and Tourism to DTP, as the airport portion of the project is going to be completed in the early stages of 2010/11, therefore requiring a lower budget to be allocated to the project. This reduction is, however, somewhat counter-acted by the increase in the transfers relating to the Integrated Housing and Human Settlements Development grant, as well as transfers relating to the FET colleges running their own financial affairs from 2010/11.

The trend in *Payments for capital assets* also shows good growth over the seven-year period, increasing from R3.011 billion in 2006/07 to R7.792 billion in 2012/13. A significant share of expenditure under this item is spent on physical infrastructure, through *Buildings and other fixed structures*. Greater spending on capital emphasises the government's determination to boost its capital stock and, subsequently, job creation and economic growth.

The category *Payments for financial assets* is a new addition to this table, with these payments previously being included under *Current payments*. From 2006/07 to 2008/09, this category accounts for the write-off of thefts and losses. From 2009/10 onward, this category also accounts for the implementation of the first charge rule (in terms of Section 34 (2) of the PFMA). The full details of the reasons for the first charge being implemented are provided in Section 5: *Summary of Budget Aggregates and Financing*. In essence, though, the Departments of Education, Health and Transport are affected by the first charge rule, in that their over-spending of 2008/09 is being charged against their votes in 2009/10 and 2010/11. In addition, there were a number of unauthorised expenditure amounts which were not approved by the provincial Standing Committee on Public Accounts (SCOPA), and these also became a first charge against the departments' votes. The departments affected by the SCOPA resolutions are Education, Transport, Human Settlements and the Royal Household. The exact amounts of the first charges are contained in each department's chapter in the Estimates of Provincial Expenditure.

Table 7.4 provides an analysis of payments by economic classification, looking at nominal and real growth, average annual growth and percentage share of various categories when compared to total expenditure.

Table 7.4: Analysis of payments and estimates by economic classification

	Outcome			Adjusted Appropriation 2009/10	Medium-term Estimates			Average annual growth	
	Audited 2006/07	Audited 2007/08	Audited 2008/09		2010/11	2011/12	2012/13	2006/07 - 2009/10	2009/10 - 2012/13
R thousand									
Current	29 815 548	35 526 894	43 730 891	46 888 524	53 728 085	58 300 112	61 510 935		
Transfers	4 055 105	5 420 173	6 897 173	8 794 766	8 409 339	9 005 500	9 571 052		
Capital	3 010 744	3 457 985	4 890 684	5 168 421	6 607 601	7 342 203	7 792 060		
Compensation	21 794 844	25 833 501	31 111 399	34 754 188	38 918 909	41 670 526	43 821 971		
Non-compensation	15 086 553	18 649 452	24 422 150	27 152 591	30 158 454	32 990 358	35 055 843		
Non-compensation (excl. transfers)	11 031 448	13 229 279	17 524 977	18 357 825	21 749 115	23 984 858	25 484 791		
Non-compensation non-capital (NCNC)	12 075 809	15 191 467	19 531 466	21 984 170	23 550 853	25 648 156	27 263 783		
NCNC (excl. transfers)	8 020 704	9 771 294	12 634 293	13 189 404	15 141 514	16 642 656	17 692 731		
Total expenditure	36 881 397	44 405 052	55 518 748	60 851 711	68 745 025	74 647 814	78 874 047		
% of total expenditure									
Current	80.8	80.0	78.8	77.1	78.2	78.1	78.0		
Transfers	11.0	12.2	12.4	14.5	12.2	12.1	12.1		
Capital	8.2	7.8	8.8	8.5	9.6	9.8	9.9		
Compensation	59.1	58.2	56.0	57.1	56.6	55.8	55.6		
Non-compensation	40.9	42.0	44.0	44.6	43.9	44.2	44.4		
Non-compensation (excl. transfers)	29.9	29.8	31.6	30.2	31.6	32.1	32.3		
Non-compensation non-capital (NCNC)	32.7	34.2	35.2	36.1	34.3	34.4	34.6		
NCNC (excl. transfers)	21.7	22.0	22.8	21.7	22.0	22.3	22.4		
Nominal growth (%)									
Current		19.2	23.1	7.2	14.6	8.5	5.5	16.3	9.5
Transfers		33.7	27.3	27.5	(4.4)	7.1	6.3	29.4	2.9
Capital		14.9	41.4	5.7	27.8	11.1	6.1	19.7	14.7
Compensation		18.5	20.4	11.7	12.0	7.1	5.2	16.8	8.0
Non-compensation		23.6	31.0	11.2	11.1	9.4	6.3	21.6	8.9
Non-compensation (excl. transfers)		19.9	32.5	4.8	18.5	10.3	6.3	18.5	11.6
Non-compensation non-capital (NCNC)		25.8	28.6	12.6	7.1	8.9	6.3	22.1	7.4
NCNC (excl. transfers)		21.8	29.3	4.4	14.8	9.9	6.3	18.0	10.3
Real growth (%)									
Current		10.2	11.0	1.7	9.0	3.7	0.8	7.6	4.5
Transfers		23.6	14.8	21.0	(9.0)	2.3	1.6	19.7	(1.9)
Capital		6.2	27.6	0.3	21.6	6.2	1.4	10.8	9.4
Compensation		9.6	8.6	6.0	6.5	2.3	0.5	8.1	3.1
Non-compensation		14.3	18.1	5.5	5.7	4.5	1.5	12.5	3.9
Non-compensation (excl. transfers)		10.9	19.5	(0.6)	12.7	5.4	1.5	9.6	6.4
Non-compensation non-capital (NCNC)		16.3	16.0	6.8	1.9	4.1	1.6	13.0	2.5
NCNC (excl. transfers)		12.7	16.6	(1.0)	9.2	5.0	1.6	9.2	5.2

As a percentage of total expenditure, *Current* expenditure is the largest but it is declining over time, from 80.8 per cent in 2006/07 to 77.1 per cent in 2009/10, before increasing to 78.0 per cent in 2012/13. Within this category, *Compensation of employees*' share of total expenditure also shows a decrease from 59.1 per cent in 2006/07 to 55.6 per cent in 2012/13. Although the percentage share is declining, there is still real average annual growth of 3.1 per cent between 2009/10 and 2012/13, meaning that non-compensation increases at a faster rate than compensation, with an annual average real growth of 3.9 per cent for the same period. The declining share for *Compensation of employees* clearly shows that the province is attempting to allocate more resources towards service delivery spending. It should be noted, though, that this becomes increasingly more difficult each time the province is under-funded with regard to annual wage agreements, as well as the various OSDs.

The percentage share of *Non-compensation* increases from 40.9 per cent to 44.4 per cent over the seven-year period under review, while the category *Non-compensation (excluding transfers)* is expected to increase over the 2010/11 MTEF, from 31.6 per cent to 32.3 per cent. This confirms government's commitment to increasing output of non-personnel service delivery to match the increasing demand.

Expenditure on *Transfers* claims an increasing share of total expenditure up to 2009/10, where it peaks at 14.5 per cent compared to 11.0 per cent in 2006/07. The declining share to 12.1 per cent in 2012/13 is mainly attributed to the reduction in the funding for the Dube TradePort and the construction and upgrading of soccer stadia ending in 2009/10. This decline has a positive influence on the *Current* share, where these funds have been allocated within departments.

While *Capital* accounts for the smallest share of total expenditure, the annual average real growth rate is the highest at 9.4 per cent between 2009/10 and 2012/13. Also, the share of *Capital* relative to the total provincial budget increases from 8.2 per cent in 2006/07 to 9.9 per cent in 2012/13.

The real increase in capital spending supports government's efforts to reduce backlogs in social and economic infrastructure, while at the same time addressing unemployment through the labour intensive Expanded Public Works Programme (EPWP). In addition, increased spending on capital shows the government's commitment towards strengthening investment in its capital stock, and hence stimulating economic growth in the province.

7.3.2 Analysis of payments and estimates by economic classification – Education

Table 7.5 below shows the Department of Education's summary of payments and estimates by economic classification.

Table 7.5: Analysis of payments and estimates summary by economic classification - Education

	Outcome			Adjusted	Medium-term Estimates			Average annual growth	
	Audited	Audited	Audited	Appropriation				2006/07 -	2009/10 -
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2009/10	2012/13
R thousand									
Current	14 543 373	16 253 573	20 124 345	23 277 670	24 998 749	26 873 506	28 190 542		
Transfers	927 895	1 208 131	1 639 070	1 542 158	1 806 028	1 996 461	2 096 068		
Capital	747 458	945 043	1 228 327	1 239 026	2 229 985	2 730 283	3 005 599		
Compensation	12 951 146	14 654 402	18 038 091	20 940 481	22 022 542	23 409 823	24 593 131		
Non-compensation	3 240 017	3 675 787	4 953 651	5 006 907	6 878 618	8 190 427	8 699 078		
Non-compensation (excl. transfers)	2 311 765	2 467 656	3 314 045	3 464 749	5 072 590	6 193 966	6 603 010		
Non-compensation non-capital (NCNC)	2 492 202	2 730 744	3 724 788	3 767 881	4 648 633	5 460 144	5 693 479		
NCNC (excl. transfers)	1 564 664	1 522 613	2 086 254	2 225 723	2 842 605	3 463 683	3 597 411		
Total expenditure	16 218 726	18 406 747	22 991 742	26 058 854	29 034 762	31 600 250	33 292 209		
% of total expenditure									
Current	89.7	88.3	87.5	89.3	86.1	85.0	84.7		
Transfers	5.7	6.6	7.1	5.9	6.2	6.3	6.3		
Capital	4.6	5.1	5.3	4.8	7.7	8.6	9.0		
Compensation	79.9	79.6	78.5	80.4	75.8	74.1	73.9		
Non-compensation	20.0	20.0	21.5	19.2	23.7	25.9	26.1		
Non-compensation (excl. transfers)	14.3	13.4	14.4	13.3	17.5	19.6	19.8		
Non-compensation non-capital (NCNC)	15.4	14.8	16.2	14.5	16.0	17.3	17.1		
NCNC (excl. transfers)	9.6	8.3	9.1	8.5	9.8	11.0	10.8		
Nominal growth (%)									
Current		11.8	23.8	15.7	7.4	7.5	4.9	17.0	6.6
Transfers		30.2	35.7	(5.9)	17.1	10.5	5.0	18.5	10.8
Capital		26.4	30.0	0.9	80.0	22.4	10.1	18.3	34.4
Compensation		13.2	23.1	16.1	5.2	6.3	5.1	17.4	5.5
Non-compensation		13.4	34.8	1.1	37.4	19.1	6.2	15.6	20.2
Non-compensation (excl. transfers)		6.7	34.3	4.5	46.4	22.1	6.6	14.4	24.0
Non-compensation non-capital (NCNC)		9.6	36.4	1.2	23.4	17.5	4.3	14.8	14.8
NCNC (excl. transfers)		(2.7)	37.0	6.7	27.7	21.8	3.9	12.5	17.4
Real growth (%)									
Current		3.4	11.7	9.7	2.2	2.7	0.2	8.2	1.7
Transfers		20.4	22.4	(10.7)	11.4	5.6	0.3	9.6	5.7
Capital		16.9	17.3	(4.3)	71.2	17.0	5.2	9.5	28.2
Compensation		4.6	11.0	10.1	0.0	1.6	0.4	8.6	0.7
Non-compensation		4.9	21.6	(4.1)	30.7	13.8	1.5	6.9	14.7
Non-compensation (excl. transfers)		(1.3)	21.2	(0.8)	39.3	16.7	1.9	5.9	18.3
Non-compensation non-capital (NCNC)		1.3	23.1	(4.0)	17.4	12.2	(0.4)	6.2	9.5
NCNC (excl. transfers)		(10.0)	23.6	1.2	21.5	16.4	(0.8)	4.0	12.0

Current expenditure comprises the highest proportion of the department's budget. However, as a share of total expenditure, *Current* expenditure decreases from 89.7 per cent in 2006/07 to 84.7 per cent in 2012/13. Despite this reduction in share of total expenditure, *Current* expenditure reflects real growth over the seven-year period.

Transfers, expressed as a share of the total expenditure, increases from 5.7 per cent to 7.1 per cent between 2006/07 and 2008/09 as a result of the introduction of the FET College Sector Recapitalisation grant, which has been phased into the equitable share with effect from 2009/10. *Transfers* reflect a decrease in the share of total expenditure, from 7.1 per cent to 5.9 per cent between 2008/09 and 2009/10,

as a result of once-off funding allocated for the phasing in of the National Certificate (Vocational) [NC(V)] in terms of the FET Act. During the 2009/10 Adjustments Estimate, funds allocated for the purchase of school stationery were transferred from *Current* to *Transfers*, to allow the schools to purchase their own stationery for the 2010 school year. This was necessitated by the fact that the department had not appointed a service provider to supply the stationery. The department also transferred funds from *Transfers* to *Compensation* to cover the expenditure in respect of remuneration for FET colleges' staff, as the anticipated transfer of functions and responsibilities did not take place before the beginning of 2009/10. *Transfers*' share of total expenditure remains steady between 2010/11 and 2012/13.

Capital, expressed as a share of total expenditure, increases from 4.6 per cent to 5.3 per cent between 2006/07 and 2008/09, and decreases to 4.8 per cent in 2009/10 before increasing to 9 per cent in 2012/13. The decrease in 2009/10 is a result of funds moved to cover the shortfall in *Compensation*, resulting from the underfunding of the Occupation Specific Dispensation (OSD) for educators and the higher than anticipated 2009 wage agreement. The impact of the moratorium on infrastructure projects, as per the Cabinet-approved Provincial Recovery Plan, also affects this trend. The increase over the seven-year period can mainly be ascribed to the increase in the Infrastructure Grant to Provinces conditional grant. A significant increase in *Capital* is reflected from 2010/11 to 2012/13, due to a further increase in the Infrastructure Grant to Provinces, specifically for Grade R infrastructure and Special Schools' infrastructure. The Infrastructure Grant to Provinces is utilised by the department to cater for infrastructure needs, addressing backlogs in infrastructure provision and prioritising the eradication of unsafe facilities in schools. Also included in this allocation is funding for the equipping and furnishing of boarding schools, new FET sites as well as IT infrastructure for office accommodation.

Compensation's share of total expenditure shows a decrease from 79.9 per cent to 73.9 per cent between 2006/07 and 2012/13. While the percentage share is decreasing, the expenditure is still increasing in real terms, with an annual average real growth rate of 8.6 per cent between 2006/07 and 2009/10, and 0.7 per cent between 2009/10 and 2012/13. This increase caters for the higher than anticipated 2009 wage agreement, including the OSD for educators, which was implemented in 2008/09 and 2009/10, as well as funds for teacher assistants and additional support staff and the annual personnel inflationary adjustment. The decrease in the share of total expenditure is an indication that other spending categories are increasing at a faster rate, indicative of increased focus on service delivery. The decrease in the average nominal growth rate is an indication that the department anticipates to have all OSD agreements in place, and the increase over the MTEF will normalise.

Current reflects a higher annual real growth rate of 11.7 per cent in 2008/09, when compared to other financial years. The average annual real growth rate decreases from 8.2 per cent between 2006/07 and 2009/10 to 1.7 per cent between 2009/10 and 2012/13.

The significant real growth of 22.4 per cent against *Transfers* in 2008/09 is attributable to the transfer of stationery funds to Non Section 21 schools to allow them to procure their own stationery. The department also received an additional allocation in 2008/09 for the phasing in of the NC(V) in terms of the FET Act, 2006, while concurrently phasing out the old curriculum. The negative real growth in 2009/10 is attributable to the once-off additional allocation in 2008/09, for the implementation of the NC(V). The average annual real growth between 2006/7 and 2009/10 is moderate, at 9.6 per cent and there is a significant drop to 5.7 per cent between 2009/10 and 2012/13 as the allocation stabilises over the 2010/11 MTEF.

The significant real growth of 71.2 per cent against *Capital* in 2010/11 relates to the movement of infrastructure budget during the 2009/10 Adjustments Estimate, to cover the shortfalls in *Compensation*.

The significant real growth of 21.6 per cent in 2008/09 against *Non-compensation* is attributable to the once-off additional funds allocated to the FET colleges for the phasing in of the NC(V). This once-off allocation resulted in a negative real growth of 4.1 per cent in 2009/10. There is also significant real growth of 30.7 per cent in 2010/11, which is attributable to additional funds allocated in the 2009/10 MTEF for the extension of the No Fee schools policy and support to inclusive education.

The average annual real growth increases from 6.2 per cent between 2006/07 and 2009/10, to 9.5 per cent between 2009/10 and 2012/13 for *Non-compensation non-capital*. The reason for this increase is that funds allocated for the purchase of stationery were moved to *Transfers* in 2008/09 and 2009/10, to allow the schools to procure their own stationery as the contract for the service provider (managing agent) was not finalised. The funds for the purchase of stationery are allocated to *Goods and services* over the 2010/11 MTEF, as it is anticipated that the managing agent will be appointed. The high annual real growth of 23.1 per cent in 2008/09 relates to the once-off additional funds allocated to the FET colleges in respect of the phasing in of the NC(V).

7.3.3 Analysis of payments and estimates by economic classification – Health

Table 7.6 below shows the Department of Health's expenditure by economic classification.

Table 7.6: Analysis of payments and estimates summary by economic classification - Health

	Outcome			Adjusted Appropriation 2009/10	Medium-term Estimates			Average annual growth	
	Audited 2006/07	Audited 2007/08	Audited 2008/09		2010/11	2011/12	2012/13	2006/07 - 2009/10	2009/10 - 2012/13
R thousand									
Current	10 359 501	13 542 527	15 466 946	16 297 517	19 487 612	21 317 054	22 662 015		
Transfers	366 242	345 978	447 706	534 921	520 921	520 608	547 512		
Capital	938 208	1 070 936	1 188 449	1 496 725	1 649 148	1 791 171	1 897 066		
Compensation	6 628 829	8 643 767	10 077 044	10 210 534	12 739 583	13 797 683	14 491 748		
Non-compensation	5 035 122	6 315 765	7 026 091	7 360 761	8 496 730	9 108 677	9 430 435		
Non-compensation (excl. transfers)	4 668 880	5 969 787	6 578 385	6 825 840	7 971 903	8 597 756	8 893 192		
Non-compensation non-capital (NCNC)	4 096 914	5 244 829	5 837 642	5 864 036	6 855 182	7 315 386	7 596 059		
NCNC (excl. transfers)	3 730 672	4 898 851	5 389 936	5 329 115	6 330 355	6 804 465	7 058 816		
Total expenditure	11 663 951	14 959 441	17 103 101	18 329 163	21 657 681	23 628 833	25 106 593		
% of total expenditure									
Current	88.8	90.5	90.4	88.9	90.0	90.2	90.3		
Transfers	3.1	2.3	2.6	2.9	2.4	2.2	2.2		
Capital	8.0	7.2	6.9	8.2	7.6	7.6	7.6		
Compensation	56.8	57.8	58.9	55.7	58.8	58.4	57.7		
Non-compensation	43.2	42.2	41.1	40.2	39.2	38.5	37.6		
Non-compensation (excl. transfers)	40.0	39.9	38.5	37.2	36.8	36.4	35.4		
Non-compensation non-capital (NCNC)	35.1	35.1	34.1	32.0	31.7	31.0	30.3		
NCNC (excl. transfers)	32.0	32.7	31.5	29.1	29.2	28.8	28.1		
Nominal growth (%)									
Current		30.7	14.2	5.4	19.6	9.4	6.3	16.3	11.6
Transfers		(5.5)	29.4	19.5	(2.6)	(0.1)	5.2	13.5	0.8
Capital		14.1	11.0	25.9	10.2	8.6	5.9	16.8	8.2
Compensation		30.4	16.6	1.3	24.8	8.3	5.0	15.5	12.4
Non-compensation		25.4	11.2	4.8	15.4	7.2	3.5	13.5	8.6
Non-compensation (excl. transfers)		27.9	10.2	3.8	16.8	7.9	3.4	13.5	9.2
Non-compensation non-capital (NCNC)		28.0	11.3	0.5	16.9	6.7	3.8	12.7	9.0
NCNC (excl. transfers)		31.3	10.0	(1.1)	18.8	7.5	3.7	12.6	9.8
Real growth (%)									
Current		20.9	3.0	(0.0)	13.8	4.5	1.6	7.6	6.5
Transfers		(12.6)	16.7	13.3	(7.4)	(4.5)	0.5	5.0	(3.8)
Capital		5.6	0.1	19.5	4.8	3.8	1.2	8.1	3.3
Compensation		20.6	5.2	(3.9)	18.7	3.5	0.4	6.8	7.2
Non-compensation		16.0	0.4	(0.6)	9.8	2.4	(1.1)	5.0	3.6
Non-compensation (excl. transfers)		18.3	(0.6)	(1.6)	11.1	3.1	(1.2)	5.0	4.2
Non-compensation non-capital (NCNC)		18.4	0.4	(4.7)	11.2	2.0	(0.8)	4.2	4.0
NCNC (excl. transfers)		21.4	(0.7)	(6.2)	13.0	2.7	(0.9)	4.2	4.8

As was the case in previous years, the largest share of total expenditure is in respect of *Current* payments, where the percentage rises from 88.8 per cent to 90.5 per cent (2006/07 to 2007/08), before reducing marginally to 90.4 per cent in 2008/09. The expenditure level drops to 88.9 per cent in 2009/10, before climbing again to 90.0 per cent in 2010/11 and to 90.3 per cent in 2012/13. The peak of 90.5 per cent in 2007/08 is as a result of the implementation of the Occupational Specific Dispensation (OSD) for nurses (including once-off payments to nurses) as well as the higher than anticipated 2007 wage agreement. The increasing share from 2010/11 onward relates to the carry-through costs of the higher than anticipated 2009 wage agreement and the OSD for doctors, dentists, pharmacists and emergency care workers. The largest component of *Current* payments is *Compensation of employees*, which reflects a steady proportion of total expenditure from 2010/11 at an average of 58.3 per cent.

Compensation also shows a positive trend from 2009/10 to 2012/13, with an average annual real growth of 7.2 per cent. This will allow the department to continue the implementation of the Health Professional Remuneration Review (also known as the OSD) begun in 2007/08. This has been under-funded, particularly with regard to the OSD for nurses, where additional funding was received in the 2008/09 Adjustments Estimate, but not sufficient to cover the entire cost of implementation. It should be noted that the OSD for doctors and specialists was implemented in 2009/10, with additional funding received both in the 2009/10 Adjustments Estimate as well as over the 2010/11 MTEF.

The share of *Transfers* dropped from 3.1 per cent in 2006/07 to 2.9 per cent in 2009/10 with a low of 2.3 per cent in 2007/08, largely due to once-off transfers to the Medicine Trading Account in 2006/07 and 2009/10 to boost ARV stocks. Thereafter, the share reduces to an average of 2.3 per cent over the 2010/11 MTEF, mainly as a result of municipal clinics and other institutions being transferred to the department, resulting in these costs now being catered for under *Current*, rather than as a subsidy transfer.

The share of total expenditure on *Capital* decreases from 8 per cent in 2006/07 to 6.9 per cent in 2008/09, before increasing to 8.2 per cent in 2009/10. The decreasing share is largely attributable to the decrease in the Hospital Revitalisation grant spending in 2006/07, as well as low spending in the Forensic Pathology Services grant in 2007/08. The growth in share in 2008/09 is as a result of additional funding for the purchase of *Machinery and equipment*, particularly in provincial hospitals. Due to the significant operational spending pressures on the department's budget, particularly since 2007/08, the department has reprioritised some funds from *Capital* from 2009/10 onward towards these pressures, hence the decline in share to 7.6 per cent over the 2010/11 MTEF.

In both nominal and real terms, the department is showing average annual growth from 2009/10 to 2012/13 in all categories except *Transfers*. The growth rate is lower than it was for 2006/07 to 2009/10, due to the previously mentioned spending pressures incurred by the department since 2007/08. Significant increased allocations to the department in 2010/11 and, to a lesser extent, in 2011/12 have ensured that real growth has been maintained.

The negative real average annual growth in *Transfers* from 2009/10 to 2012/13 is attributable to the take-over of municipal institutions by the province, as was mentioned above. This process also contributes to the higher growth rate in *Current*.

Due to the need to reprioritise funding from *Capital* to *Current* to fund on-going spending pressures, *Capital* payments show an average annual real growth of only 3.3 per cent for the 2009/10 to 2012/13 period. This is significantly lower than the 8.1 per cent average annual real growth from 2006/07 to 2009/10. This gives an indication of the extent to which the department will reprioritise from *Capital* to *Current* to fund spending pressures. Nevertheless, the department is committed to an ongoing focus on improving physical facilities. In addition, there has been a significant increase in the funding provided for the Hospital Revitalisation grant and the Infrastructure Grant to Provinces, as well as additional funding provided for the development of forensic pathology services in the province.

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

Table 7.7 below shows Social Development's expenditure by economic classification. As a share of the department's total expenditure, *Current* fluctuates from 48.7 per cent in 2006/07 to 60.4 per cent in 2008/09. The trend then declines in 2009/10 to 57.5 per cent, dropping further to 54.7 per cent in 2010/11 and 52.2 per cent over the remainder of the 2010/11 MTEF. Despite this sharp decline in the share of total expenditure, *Current* payments show an average annual real growth of 4.5 per cent between 2009/10 and 2012/13.

The fluctuating trend in the percentage share of *Current* is caused by an opposite trend in *Transfers*, mainly attributable to the low spending in the former Integrated Social Development Services grant (Food Relief) due to various problems, including a number of tender appeals. Spending pressures in *Current* in 2008/09 and 2009/10 required some reprioritisation from other categories in the Adjustments Estimate for

both years, and this caused the share of *Transfers* to drop to a low of 31.6 per cent. Furthermore, a misallocation of *Capital* to *Transfers* in 2008/09, for the building of one-stop development centres, added to this drop. The strong growth in national priority funding in 2010/11 and 2011/12 (early childhood development, home community based care and children in conflict with the law) sees the share of *Transfers* reaching 39.7 per cent in 2011/12. *Transfers* experience a real average growth from 2009/10 to 2012/13 of 16.5 per cent, compared to a negative growth from 2006/07 to 2009/10 of 7.3 per cent.

Table 7.7: Analysis of payments and estimates summary by economic classification - Social Development

	Outcome			Adjusted	Medium-term Estimates			Average annual growth		
	Audited	Audited	Audited	Appropriation				2006/07 -	2009/10 -	
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2009/10	2012/13	
R thousand										
Current	458 518	565 597	744 721	782 231	911 711	977 188	1 026 971			
Transfers	426 986	410 486	391 853	429 681	612 496	744 056	781 408			
Capital	56 075	39 105	95 834	149 368	143 963	152 432	160 053			
Compensation	285 983	346 767	413 540	536 810	663 881	711 289	747 785			
Non-compensation	655 596	668 421	818 868	824 470	1 004 289	1 162 387	1 220 647			
Non-compensation (excl. transfers)	228 610	257 935	427 015	394 789	391 793	418 331	439 239			
Non-compensation non-capital (NCNC)	599 521	629 316	723 034	675 102	860 326	1 009 955	1 060 594			
NCNC (excl. transfers)	172 535	218 830	331 181	245 421	247 830	265 899	279 186			
Total expenditure	941 579	1 015 188	1 232 408	1 361 280	1 668 170	1 873 676	1 968 432			
% of total expenditure										
Current	48.7	55.7	60.4	57.5	54.7	52.2	52.2			
Transfers	45.3	40.4	31.8	31.6	36.7	39.7	39.7			
Capital	6.0	3.9	7.8	11.0	8.6	8.1	8.1			
Compensation	30.4	34.2	33.6	39.4	39.8	38.0	38.0			
Non-compensation	69.6	65.8	66.4	60.6	60.2	62.0	62.0			
Non-compensation (excl. transfers)	24.3	25.4	34.6	29.0	23.5	22.3	22.3			
Non-compensation non-capital (NCNC)	63.7	62.0	58.7	49.6	51.6	53.9	53.9			
NCNC (excl. transfers)	18.3	21.6	26.9	18.0	14.9	14.2	14.2			
Nominal growth (%)										
Current		23.4	31.7	5.0	16.6	7.2	5.1	19.5	9.5	
Transfers		(3.9)	(4.5)	9.7	42.5	21.5	5.0	0.2	22.1	
Capital		(30.3)	145.1	55.9	(3.6)	5.9	5.0	38.6	2.3	
Compensation		21.3	19.3	29.8	23.7	7.1	5.1	23.4	11.7	
Non-compensation		2.0	22.5	0.7	21.8	15.7	5.0	7.9	14.0	
Non-compensation (excl. transfers)		12.8	65.6	(7.5)	(0.8)	6.8	5.0	20.0	3.6	
Non-compensation non-capital (NCNC)		5.0	14.9	(6.6)	27.4	17.4	5.0	4.0	16.3	
NCNC (excl. transfers)		26.8	51.3	(25.9)	1.0	7.3	5.0	12.5	4.4	
Real growth (%)										
Current		14.1	18.8	(0.4)	10.9	2.4	0.4	10.5	4.5	
Transfers		(11.1)	(13.9)	4.0	35.6	16.1	0.4	(7.3)	16.5	
Capital		(35.5)	121.1	47.9	(8.3)	1.2	0.3	28.2	(2.4)	
Compensation		12.1	7.6	23.1	17.6	2.4	0.5	14.1	6.6	
Non-compensation		(5.7)	10.5	(4.5)	15.9	10.6	0.3	(0.2)	8.7	
Non-compensation (excl. transfers)		4.3	49.4	(12.3)	(5.6)	2.0	0.3	11.0	(1.1)	
Non-compensation non-capital (NCNC)		(2.9)	3.6	(11.4)	21.2	12.2	0.3	(3.8)	10.9	
NCNC (excl. transfers)		17.3	36.5	(29.7)	(3.9)	2.5	0.3	4.0	(0.4)	

For its part, *Capital* spending as a percentage of total expenditure declined from 2006/07 to 2007/08, due to late processing of claims in 2007/08 which resulted in expenditure being deferred to the subsequent year.

In 2009/10, *Compensation* is anticipated to account for 39.4 per cent, which is significantly higher than in previous years. The main reason for this is the Occupational Specific Dispensation (OSD) for social workers, as well as the higher than anticipated wage agreement in that year. Thereafter *Compensation's* share declines to 38.0 per cent in 2011/12 and 2012/13. The average annual real growth from 2009/10 to 2012/13 is at a reasonable 6.6 per cent. Apart from the OSD and annual salary increments, this increase will cater for the filling of key vacant posts within the department, once the moratorium on filling of posts is lifted.

Transfers account for the second largest share of total expenditure over the entire period, after *Current*. Over the 2010/11 MTEF, the *Transfers* share increases, indicating the strong growth in the role of the private sector in providing social welfare services to the province. Real growth in expenditure on *Transfers* is set to increase by 16.5 per cent between 2009/10 and 2012/13. This is due to the effect of the various national priorities funded in the 2008/09 MTEF, with carry-through costs. As was mentioned earlier, the funding for a number of these priorities grows strongly in the 2010/11 MTEF.

The negative real average annual growth in *Non-compensation (excluding transfers)* over the MTEF is as a result of pressures in *Goods and services* in 2009/10 (the base year) including costs for SITA data lines, audit fees, lease payments, maintenance and repairs and shared facilities with SASSA. The department has projected that these costs will be curtailed over the MTEF, in keeping with the Cabinet-approved Provincial Recovery Plan.

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

Table 7.8 below shows the remaining departments' payments and estimates by economic classification (i.e. all departments excluding Education, Health and Social Development).

Table 7.8: Analysis of expenditure summary by classification - Other

	Outcome			Adjusted Appropriation 2009/10	Medium-term Estimates			Average annual growth	
	Audited	Audited	Audited		2010/11	2011/12	2012/13	2006/07 - 2009/10	2009/10 - 2012/13
	2006/07	2007/08	2008/09						
R thousand									
Current	4 454 156	5 165 197	7 394 879	6 531 106	8 330 013	9 132 364	9 631 407		
Transfers	2 333 982	3 455 578	4 418 544	6 288 006	5 469 894	5 744 375	6 146 064		
Capital	1 269 003	1 402 901	2 378 074	2 283 302	2 584 505	2 668 317	2 729 342		
Compensation	1 928 886	2 188 565	2 582 724	3 066 363	3 492 903	3 751 731	3 989 307		
Non-compensation	6 128 255	7 835 111	11 608 773	12 036 051	12 891 509	13 793 324	14 517 506		
Non-compensation (excl. transfers)	3 794 273	4 379 533	7 190 229	5 748 045	7 421 615	8 048 949	8 371 442		
Non-compensation non-capital (NCNC)	4 859 252	6 432 210	9 230 699	9 752 749	10 307 004	11 125 008	11 788 164		
NCNC (excl. transfers)	2 525 270	2 976 632	4 812 155	3 464 743	4 837 110	5 380 633	5 642 100		
Total expenditure	8 057 141	10 023 676	14 191 497	15 102 414	16 384 412	17 545 055	18 506 813		
% of total expenditure									
Current	55.3	51.5	52.1	43.2	50.8	52.1	52.0		
Transfers	29.0	34.5	31.1	41.6	33.4	32.7	33.2		
Capital	15.8	14.0	16.8	15.1	15.8	15.2	14.7		
Compensation	23.9	21.8	18.2	20.3	21.3	21.4	21.6		
Non-compensation	76.1	78.2	81.8	79.7	78.7	78.6	78.4		
Non-compensation (excl. transfers)	47.1	43.7	50.7	38.1	45.3	45.9	45.2		
Non-compensation non-capital (NCNC)	60.3	64.2	65.0	64.6	62.9	63.4	63.7		
NCNC (excl. transfers)	31.3	29.7	33.9	22.9	29.5	30.7	30.5		
Nominal growth (%)									
Current		16.0	43.2	(11.7)	27.5	9.6	5.5	13.6	13.8
Transfers		48.1	27.9	42.3	(13.0)	5.0	7.0	39.1	(0.8)
Capital		10.6	69.5	(4.0)	13.2	3.2	2.3	21.6	6.1
Compensation		13.5	18.0	18.7	13.9	7.4	6.3	16.7	9.2
Non-compensation		27.9	48.2	3.7	7.1	7.0	5.3	25.2	6.4
Non-compensation (excl. transfers)		15.4	64.2	(20.1)	29.1	8.5	4.0	14.8	13.4
Non-compensation non-capital (NCNC)		32.4	43.5	5.7	5.7	7.9	6.0	26.1	6.5
NCNC (excl. transfers)		17.9	61.7	(28.0)	39.6	11.2	4.9	11.1	17.6
Real growth (%)									
Current		7.2	29.2	(16.2)	21.3	4.8	0.8	5.1	8.6
Transfers		36.9	15.4	35.0	(17.2)	0.4	2.2	28.7	(5.3)
Capital		2.2	52.9	(8.9)	7.7	(1.3)	(2.3)	12.5	1.3
Compensation		4.9	6.5	12.6	8.4	2.6	1.6	8.0	4.2
Non-compensation		18.2	33.7	(1.6)	1.9	2.2	0.6	15.8	1.6
Non-compensation (excl. transfers)		6.8	48.1	(24.2)	22.8	3.6	(0.6)	6.2	8.2
Non-compensation non-capital (NCNC)		22.4	29.5	0.2	0.5	3.1	1.3	16.7	1.6
NCNC (excl. transfers)		9.0	45.8	(31.7)	32.8	6.3	0.2	2.8	12.3

The share of *Current* payments to total budget is set to decrease from 55.3 per cent in 2006/07, to 52.0 per cent in 2012/13. This is also reflected through a decline in the percentage share of total expenditure on *Compensation* and *Non-compensation (excl. transfers)*. Although the proportion of *Compensation* is declining, this category reflects an average annual real growth rate of 4.2 per cent for the period 2009/10 to 2012/13, illustrating the strengthening of capacity by government in its efforts to improve service delivery. *Non-compensation* is expected to decrease its share of total expenditure, from 79.7 per cent in 2009/10 to 78.4 per cent in 2012/13. The detailed reasons for this reduction are provided in each vote in the *Estimates of Provincial Expenditure*. The primary reason is the reduction in *Transfers* over this period, which is explained in greater detail below.

The category *Transfers* shows a negative average annual real growth of 5.3 per cent from 2009/10 to 2012/13, mainly due to the following:

- Vote 11: Co-operative Governance and Traditional Affairs' infrastructure provision for soccer stadia discontinues after 2009/10, as these stadia have to be completed in time for the 2010 World Cup;
- Transfers to the Growth and SMME Funds, housed under Vote 4: Economic Development and Tourism, were reduced to R100 million per year of the 2010/11 MTEF, while the allocation to the Co-operatives Fund was reduced to R80 million, R84.300 million and R89.500 million, respectively, over the 2010/11 MTEF. The reduction was due to projects not proceeding as planned, due to the slow uptake of funds by Ithala resulting from changes in its loan policies. It is anticipated that these projects will be implemented over the 2010/11 MTEF, but at a lower level; and
- Over the 2010/11 MTEF, funding for the Dube TradePort reduces, mainly because of the completion of the airport portion of this project.

Capital payments show a minimal positive annual average real growth of 1.3 per cent between 2009/10 and 2012/13, with the share of total expenditure decreasing from 15.1 per cent in 2009/10 to 14.7 per cent in 2012/13. The bulk of the decrease is due to the enforced savings against Vote 12: Transport towards the Cabinet-approved Provincial Recovery Plan in 2009/10, as well as the effect that the implementation of the first charge rule (in terms of Section 34(2) of the PFMA) has on this vote. More detail in this regard is available in the chapter in the *Estimates of Provincial Expenditure* relating to Vote 12: Transport.

7.4 Payments and estimates by district municipal area

Table 7.9 below provides summary of payments and estimates per district municipal area from 2008/09 to 2012/13. The detail of departmental spending within each district municipal area is provided in the departmental chapters in the *Estimates of Provincial Expenditure*.

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

R thousand	Audited Outcome	Revised Estimate	Medium-term Estimates			Percentage share					Average annual growth
	2008/09	2009/10	2010/11	2011/12	2012/13	2008/09	2009/10	2010/11	2011/12	2012/13	2009/10 - 2012/13
eThekweni	14 813 639	17 163 574	17 739 839	19 179 904	20 429 517	28.8	29.0	28.0	27.9	28.2	6.0
Ugu	3 517 232	3 574 310	3 854 566	4 413 314	4 653 491	6.8	6.0	6.1	6.4	6.4	9.2
uMgungundlovu	11 811 656	13 937 491	14 395 712	15 426 800	16 204 064	22.9	23.5	22.8	22.4	22.3	5.2
Uthukela	2 278 641	2 860 130	3 133 132	3 461 731	3 697 508	4.4	4.8	5.0	5.0	5.1	8.9
Umkhanyathi	2 000 715	2 248 457	2 499 913	2 679 843	2 829 607	3.9	3.8	4.0	3.9	3.9	8.0
Amajuba	1 847 370	2 194 264	2 392 989	2 622 394	2 751 365	3.6	3.7	3.8	3.8	3.8	7.8
Zululand	3 747 354	4 391 505	4 863 935	5 229 435	5 455 091	7.3	7.4	7.7	7.6	7.5	7.5
Umkhanyakude	2 888 267	3 260 730	3 718 935	4 057 948	4 217 650	5.6	5.5	5.9	5.9	5.8	9.0
uThungulu	4 005 802	4 805 666	5 168 987	5 650 606	5 912 975	7.8	8.1	8.2	8.2	8.1	7.2
Ilembe	2 271 386	2 574 437	2 836 265	3 110 428	3 333 359	4.4	4.3	4.5	4.5	4.6	9.0
Sisonke	2 328 556	2 234 854	2 668 091	2 929 898	3 073 440	4.5	3.8	4.2	4.3	4.2	11.2
Total	51 510 617	59 245 418	63 272 363	68 762 300	72 558 068	100.0	100.0	100.0	100.0	100.0	7.0

It should be noted that, while most departments exclude operational costs in this table, the spending per district municipal area by the Departments of Education and Sport and Recreation includes administration costs such as compensation and travel and subsistence, as the functions of their administrators impact directly on service delivery in the respective municipal area. The Provincial Treasury amounts also include operational costs, and this is due to the department's spending mainly occurring within the uMgungundlovu District Municipality, where the department is based.

The 2010/11 budget process placed emphasis on accuracy in breaking down budgets in terms of spending in district municipalities, ensuring alignment with the Provincial Spatial Economic Development Strategy (PSEDS) and Integrated Development Plans (IDPs), and reviewing departmental budgets and service delivery in spatial terms. Further emphasis was also placed on strengthening and evaluating the alignment between the PSEDS and medium and long-term plans, as well as departments' contributions to the objectives of the PSEDS and Apex Priorities. This has ensured that departments try and align their budgets with the PSEDS. It should be noted that this process commenced in 2007/08 and, while a lot of

progress has been made in the allocation of service delivery spending at a district municipal area, some work still needs to be done in improving the quality of the data.

There is a noticeable increase in provincial spending from 2008/09 to 2012/13. Spending per district municipal area fluctuates, due to varying projects undertaken by departments at different intervals.

Spending in the eThekweni Metro has significantly increased from R14.814 billion in 2008/09 to R20.430 billion in 2012/13. This can be ascribed to the allocation of province-wide projects such as:

- The Provincial State Guest House and the Provincial Public Service Training Academy (Office of the Premier);
- Public participation events (Provincial Legislature);
- Dube TradePort (DTP) project (Economic Development and Tourism and Transport);
- Construction of the Moses Mabhida Soccer Stadium (Provincial Treasury) and other infrastructural developments towards the 2010 World Cup;
- Construction of King Shaka International Airport (KSIA) (Transport); and
- Spending relating to other organisations, such as major art centres and public entities (KwaZulu-Natal Tourism Authority and the KwaZulu-Natal Sharks Board, among others) funded by departments concentrated mainly in the area.

The increase in spending in the uMgungundlovu district from R11.812 billion in 2008/09 to R16.204 billion in 2012/13 relates to the fact that the head offices of all departments are based in this area. Also, a number of their activities, events or projects are managed and co-ordinated centrally, and hence the expenditure and budgets are recorded within this region. As a proportion of total expenditure, spending within this area decreases from 2009/10 to 2012/13. This is mainly due to the reduction in spending by Vote 12: Transport. In prior years, the department catered for projects that were provincially implemented and could not easily be split to individual municipal areas against the uMgungundlovu district. The department has now improved its spatial distribution to municipalities and has allocated the budget accordingly, hence the reduction over the 2010/11 MTEF against uMgungundlovu.

Sisonke is the fastest growing district municipality, with an average annual growth rate of 11.2 per cent between 2009/10 and 2012/13. This is due to additional allocations for the incorporation of Umzimkulu, to be used for improving service delivery within the area to the same level as other areas of the province. The lowest growth in spending is in the uMgungundlovu district, with an average annual growth of 5.2 per cent between 2009/10 and 2012/13, as explained above.

The overall spending within district municipal areas is set to increase at an average annual nominal growth of 7.0 per cent, which is a decrease from previous years, due to major once-off projects such as the Moses Mabhida Soccer Stadium, KSIA, as well as some transfer payments that are coming to an end.

7.5 Payments and estimates by policy area

Table 7.10 shows the summary of payments and estimates by policy area, details of which are shown in Table 1.E of the *Annexure to Overview of Provincial Expenditure*.

There is noticeable growth in the payments and estimates relating to the policy areas in the province over the seven-year period. The level of the provincial spending and budget has more than doubled between 2006/07 and 2012/13.

Table 7.10: Summary of payments and estimates by policy area

R thousand	Outcome			Main Appropriation	Adjusted Appropriation 2009/10	Revised Estimate	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09				2010/11	2011/12	2012/13
General Public Services	2 006 333	2 346 066	3 219 157	3 372 433	3 500 780	3 594 655	3 833 417	3 824 460	4 011 269
Public Order and Safety	448 507	515 548	627 493	603 154	601 504	625 479	722 469	748 077	781 177
Economic Affairs	3 639 099	4 876 521	7 424 563	8 454 256	8 305 129	8 229 220	7 710 477	8 147 513	8 603 390
Environmental Protection	387 095	451 091	510 184	589 208	588 435	585 935	625 518	662 342	695 460
Housing and Community Amenities	1 252 921	1 522 181	1 876 146	2 571 813	2 573 713	2 570 713	3 111 613	3 429 147	3 621 603
Health	11 390 105	14 621 719	16 690 644	17 037 994	17 923 698	20 190 975	21 197 899	23 140 167	24 592 591
Recreation, Culture and Religion	310 204	387 347	527 198	554 744	571 937	563 937	692 015	722 996	772 475
Education	16 511 110	18 755 530	23 436 459	25 053 379	26 492 138	26 755 182	29 529 294	32 126 966	33 846 690
Social Protection	936 023	1 006 950	1 221 705	1 349 445	1 349 445	1 349 543	1 654 661	1 859 216	1 953 159
Total	36 881 397	44 482 953	55 533 549	59 586 426	61 906 779	64 465 639	69 077 363	74 660 884	78 877 814

The bulk of the provincial budget is spent on *Education*, and is anticipated to grow by R4.317 billion from 2010/11 to 2012/13. The growth in the provincial budget in this policy area is an indication of the province's commitment to developing human capability. *Health* has the second largest spending, and is expected to increase by R3.395 billion from 2010/11 to 2012/13. This reflects the province's commitment to provide effective and efficient health care services to the people of the province.

Economic Affairs (comprising Transport, Agriculture, Environmental Affairs and Rural Development, Economic Development and Tourism and Provincial Treasury) also shows a significant growth from R7.710 billion in 2010/11 to R8.603 billion in 2012/13. This is mainly attributable to major projects such as DTP and KSIA, agrarian revolution, unlocking of the Makhathini Flats and the invasive alien species programme. Other projects/initiatives contributing to the increase in this area are the SMME, Growth and Co-operatives Funds, the RBIDZ, and other projects relating to the 2010 World Cup being undertaken in the province.

The category *General Public Services* includes administrative departments such as Provincial Treasury, Office of the Premier and Provincial Legislature, as well as the Departments of Co-operative Governance and Traditional Affairs, Public Works, and portion of Transport and Agriculture, Environmental Affairs and Rural Development. This category shows strong growth over the period under review, partly due to the payment of interest by the province (under Provincial Treasury), as a result of the over-expenditure of some provincial departments in 2007/08 and 2008/09 which has caused the provincial bank account to be in overdraft.

The growth reflected against *Housing and Community Amenities* (Department of Human Settlements) can mainly be attributed to the increase in the Integrated Housing and Human Settlements Development grant.

The growth against *Social Protection* (Department of Social Development) can be attributed to policy changes that impact on the provisioning of social welfare services, various national priorities (such as expansion of early childhood development, expansion of services to children in conflict with the law and expansion of home and community based care), the OSD for social workers, as well as an increase in the number of personnel.

7.6 Infrastructure

7.6.1 Infrastructure management

The previous commitment by the provincial government to infrastructure development is set to continue through the fiscal trajectory of increasing allocations for infrastructure over the 2010/11 MTEF. Most of the objectives of the Medium-Term Strategic Framework are reliant on infrastructure development across the country. KwaZulu-Natal, as one of the most important provinces in terms of population, geographical position and the two ports and the new King Shaka International Airport (KSIA), will have to play a meaningful role in the development of its infrastructure.

Infrastructure Delivery Improvement Programme (IDIP)

This Provincial Treasury led programme has been running in the Departments of Public Works, Health and Education since the roll-out of IDIP to provinces, with the roll-out commencing in 2007. The programme was initially set to run for three years, starting in 2007/08 and ending in 2009/10. The initial three-year period has been successful to an extent within the participating above-mentioned departments. Each of these departments hosts a built environment Technical Assistant (TA), who helps the department in utilising best practices of the construction sector, in the delivery of departmental infrastructure.

The client departments have considerably streamlined their infrastructure planning capability. The programme management of their respective projects has also improved, as implemented by their various Implementing Agents (IAs). Though the programme has been successful, the initial period was too ambitious in estimating the time required to turn around the delivery system for infrastructure across the varying stakeholders. IDIP assists departments in improving their capacity to deliver infrastructure, and thus spend their allocations in accordance with their plans and on time. The programme's success is based on the premise of proper planning by both the department as a client and its IA. Education and Health are recipients of the Infrastructure Grant to Provinces conditional grant, and their infrastructure budgets are the highest after the Departments of Transport and Human Settlements. The success of the programme, in its continuing form, is still dependent on the participant departments fully utilising the TAs in preparing the processes that enhance infrastructure delivery, and in pairing the TAs with the relevant personnel, to ensure skills transfer.

The focus of IDIP is on the whole infrastructure delivery value chain, and not only on the implementation part, including planning and supply chain management processes. It is only when all participants focus their input into the final results, that infrastructure delivery will take place correctly and on time.

Planning, influenced by existing information like the Provincial Spatial Economic Development Strategy, should be undertaken by both the client and the IA. It is important that, based on the MTEF allocations, clients know how many facilities they want to erect within a time period, and also the IA needs to align its resources to be able respond adequately to the client needs.

Training

The skills shortage within the construction sector has been highlighted by the construction boom of the past few years leading up to the 2010 World Cup. The provincial infrastructure fraternity was not spared the consequences of the shortage of reliable stakeholders, from professionals to labour. As part of the government's response to skills shortages, both in terms of current and future demand, the training of relevant technical personnel should be expedited. The construction industry is being relied upon as one of the means of saving and creating jobs that are being lost by the other sectors of the economy, e.g. manufacturing. It has become evident in numerous countries through various studies, that the success of countries and their economies is heavily reliant on the skills level operational within that economy, and the state of infrastructure within that country. The higher the skills level in a country, the higher the ease at which the country can attract foreign direct investments and the accompanying higher skilled labour. At this stage, departments and the province as a whole must intensify training to be prepared for the coming boom, or at least to sustain the current labour market.

The slow-down of the economy worldwide will lead to reduced demand for relevant construction personnel, by the private sector and domestic demand in general. This will be coupled with the conclusion of 2010 World Cup related projects. Government will then be looked upon to provide jobs and contracts, to absorb the laid-off workforce. The general cost of such labour will be lower than in the previous two years, but the province will be faced with a situation of excess capacity.

Delivery by Public Works

The Department of Public Works is the implementing agent and custodian of public infrastructure. In most provincial departments, and at least in the two major social departments (i.e. Education and Health), the infrastructure implementation budget managed by Public Works constitutes more than half of the departmental infrastructure budget. The infrastructure budget for Health and Education has grown

consistently in the last five years, and this growth is expected to continue over the 2010/11 MTEF. Public Works' construction skills base should have grown proportionately to ensure that they are prepared for future infrastructure developments.

Due to various reasons, client departments, including the smaller departments (in terms of infrastructure budgets), often bypass Public Works when implementing infrastructure. Although this is within the clients' prerogative, this creates competition for the limited capacity of the construction industry. For Public Works to recapture the market it has lost to other agents, it has to be sufficiently capacitated and be able to convincingly render services to itself and its clients. This then will enable the province to implement a coherent response to the construction industry challenges. To achieve this, Public Works:

- Needs personnel capacity to enable it to plan for its work and that of its clients, within agreed-to timeframes;
- Must initiate projects and get them to completion on time; and
- Must constantly monitor performance of consultants and contractors and their progress, especially at implementation stage, for timely implementation of infrastructure to occur.

Failure to achieve any of these, including poor and inconsistent reporting to clients and poor statutory reporting (including the Infrastructure Reporting Model), signals skill levels that are deficient in the department. This will perpetuate the reluctance of departments to use Public Works.

Expanded Public Works Programme (EPWP)

The country has a large unemployment problem, coupled with the low skills base of the potential workforce. Infrastructure delivery can be used to remedy the situation, by employing some of the unemployed in construction projects. Under the EPWP, the said workforce will be given formal training, thus reducing poverty and increasing the skills base of the country. Part of the agenda of job creation is to ensure that public infrastructure is predominantly implemented through the use of labour intensive methods, where possible. To this end, the EPWP Phase 2 (EPWP2), which is an incentive grant, was developed. Most provincial departments are not reporting adequately on the work done through EPWP2, and therefore the province is passing up the opportunity of creating more work opportunities and receiving additional funding through this incentive grant.

The bulk of the EPWP work done by the province is reported under the *Zimbabwe* road maintenance programme.

Maintenance

Since 1994, the province has embarked on the eradication of infrastructural backlogs. This reduction of backlogs was done to promote equity for the citizens and to improve access throughout the province. This has been characterised by the construction of social infrastructure such as schools, clinics and roads. Most of the structures first built since 1994, have now reached the time where major maintenance and rehabilitation needs to be undertaken. For the desired life of facilities to be reached, structures must continually be maintained, from when they are commissioned. The general consensus among experts is that an amount that is equal to 4 per cent of the replacement value of an asset is adequate to keep the structure in a "new" condition, with a scheduled maintenance programme. The current state of provincial infrastructure results in polarity between continuing with the backlogs eradication and maintaining the existing infrastructure base.

Maintenance is included in the cost benefit analysis and is part of planning. Sufficient resources should be allowed for, in terms of timing and budget allocation, from the conceptual phase of the infrastructure facility. This planning should be accompanied by choice of material, allowable down-time of the facility and the consequences of that down-time to the customers. It is only when maintenance is adequately catered for, that the real cost of the facility (life-cycle-cost) will be known and improved decisions on affordability can be taken. With the shortage of skilled personnel, it is highly improbable that these levels can be reached, but the province must remain focused on training the relevant personnel, to ensure that adequate maintenance planning is achieved.

7.6.2 Trends in infrastructure payments and estimates

Table 7.11 below shows the summary of infrastructure payments and estimates from 2006/07 to 2012/13.

Table 7.11: Summary of infrastructure payments and estimates by category

R thousand	Outcome			Main Appropriation	Adjusted Appropriation 2009/10	Revised Estimate	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09				2010/11	2011/12	2012/13
New and replacement assets	942 112	1 508 070	1 318 680	1 835 415	1 725 830	1 486 305	2 141 455	2 422 969	2 295 263
Existing infrastructure assets	2 749 460	2 962 274	5 346 617	4 989 347	4 860 291	5 170 396	5 651 209	6 216 297	6 877 072
Upgrades and additions	1 124 826	804 047	2 394 240	1 956 310	2 030 518	2 359 476	2 546 415	2 811 777	3 294 062
Rehabilitation, renovations and refurbishments	351 457	572 797	468 463	813 329	622 474	603 628	978 837	1 010 116	1 048 005
Maintenance and repairs	1 273 177	1 585 430	2 483 914	2 219 708	2 207 299	2 207 292	2 125 957	2 394 404	2 535 005
Infrastructure transfers	1 034 975	1 706 526	3 035 380	3 931 422	4 090 706	4 087 707	3 299 954	3 481 550	3 795 962
Current	31 000	89 000	139 500	174 876	174 376	174 376	31 953	37 441	39 313
Capital	1 003 975	1 617 526	2 895 880	3 756 546	3 916 330	3 913 331	3 268 001	3 444 109	3 756 649
Capital infrastructure	3 422 370	4 502 440	7 077 263	8 361 600	8 295 152	8 362 740	8 934 708	9 688 971	10 393 979
Current infrastructure	1 304 177	1 674 430	2 623 414	2 394 584	2 381 675	2 381 668	2 157 910	2 431 845	2 574 318
Total	4 726 547	6 176 870	9 700 677	10 756 184	10 676 827	10 744 408	11 092 618	12 120 816	12 968 297

The payments and estimates are categorised into *New and replacement assets*, *Existing infrastructure assets* and *Infrastructure transfers*. The category *Existing infrastructure assets* is divided into three sub-categories, namely *Upgrades and additions*, *Rehabilitation, renovations and refurbishments* and *Maintenance and repairs*.

The *Infrastructure transfers* category refers to the transfer of funding to municipalities and other entities for infrastructure projects, and is largely made up of the Integrated Housing and Human Settlements Development grant under Vote 8: Human Settlements. The provincial contribution to the construction of the Moses Mabhida Stadium in preparation for the 2010 World Cup was also catered for under this category, under Vote 6: Provincial Treasury. Vote 4: Economic Development and Tourism includes the provision for Dube TradePort and the rejuvenation of township trading centres, which is estimated to reach R1.700 billion in 2009/10 and reduce to R583 million in 2010/11.

As the figures in the table indicate, there has been a consistent increase in the infrastructure allocations for the period under review, with the budget in 2012/13 increasing to R12.968 billion.

The above-mentioned increase indicates a consistent commitment to infrastructure development by the province. The development of infrastructure has been informed by the reduction of infrastructural backlogs across the province, contributing to economic growth.

The bulk of the infrastructure funding is included against *Existing infrastructure assets*, aimed at conserving the inherent value of the facilities through *Upgrades and additions*, *Rehabilitations, renovations and refurbishments* and *Maintenance and repairs*. This focus on existing infrastructure will result in greater efficiency, effective economic development and, as a result, improve the quality of life within the province.

Table 7.12 below shows the split of infrastructure payments and estimates by sector and by vote.

The growth in the infrastructure allocations mentioned above is reflected against most departments, and especially within the major infrastructure departments such as Transport, Human Settlements and Education. Sectorally, there is a downward reduction in allocations in respect of Economic infrastructure, due to the completion of the 2010 World Cup related infrastructure, within Economic Development and Tourism and Provincial Treasury. The Department of Transport sees minimal growth year-on-year, between 2009/10 and 2010/11, but this changes in the outer years of the MTEF. This slowdown within Transport is partially due to the effect that the 7.5 per cent reduction in the value of the department's *Goods and services* budget has had on its operations, as well as the effect that the implementation of the first charge rule (in terms of Section 34(2) of the PFMA) has had on the department. More detail in this regard is provided in the departmental chapter in the Estimates of Provincial Expenditure.

Table 7.12: Summary of infrastructure payments and estimates by vote

R thousand	Outcome			Main Appropriation	Adjusted Appropriation 2009/10	Revised Estimate	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09				2010/11	2011/12	2012/13
Social sector infrastructure	1 621 817	2 103 428	2 405 727	2 884 908	2 719 260	2 772 603	3 708 905	4 226 379	4 590 161
Education	767 496	977 979	1 237 408	1 398 022	1 219 022	1 219 022	2 030 515	2 408 348	2 667 566
Health	813 208	1 092 807	1 097 722	1 372 007	1 373 726	1 436 332	1 566 914	1 700 265	1 798 940
Social Development	41 113	32 642	70 597	114 879	126 512	117 249	111 476	117 766	123 655
Economic infrastructure	2 937 831	3 848 218	6 847 919	7 401 936	7 490 661	7 509 590	7 162 881	7 726 697	8 202 695
Agriculture, Environmental Affairs and Rural Dev.	53 097	37 895	92 429	115 880	134 211	124 639	175 152	180 544	189 784
Economic Development and Tourism	3 000	431 000	1 299 313	1 498 004	1 702 004	1 702 004	583 880	461 180	484 239
Human Settlements	1 054 333	1 288 380	1 606 438	2 310 448	2 273 465	2 273 466	2 818 606	3 125 197	3 317 629
Transport	1 827 401	2 090 943	3 849 739	3 477 604	3 380 981	3 409 481	3 585 243	3 959 776	4 211 043
Other infrastructure	166 899	225 224	447 031	469 340	466 906	462 215	220 832	167 740	175 441
Office of the Premier	3 538	11 623	4 876	3 000	2 314	1 000	700	900	1 100
Provincial Legislature	4 174	3 740	1 504	1 885	3 408	3 790	2 171	2 339	2 578
Provincial Treasury	-	-	150 000	150 000	150 000	150 000	-	-	-
Community Safety and Liaison	-	-	-	-	-	-	-	-	-
The Royal Household	3 547	650	3 000	3 025	1 025	-	3 328	3 528	4 349
Co-operative Governance and Traditional Affairs	35 893	96 450	162 642	158 963	153 463	161 143	5 000	5 000	5 000
Public Works	73 479	65 373	65 693	78 180	78 780	76 366	88 335	86 423	90 744
Arts and Culture	27 666	18 267	22 598	31 806	36 935	33 935	80 999	27 473	28 312
Sport and Recreation	18 602	29 121	36 718	42 481	40 981	35 981	40 299	42 077	43 358
Total	4 726 547	6 176 870	9 700 677	10 756 184	10 676 827	10 744 408	11 092 618	12 120 816	12 968 297

The Social sector infrastructure sees growth, and this is predominantly within the Department of Education due to the substantial Infrastructure Grant to Provinces allocation received by this department. The growth within Education is related to additional funding received for the eradication of unsafe structures, early childhood development spaces and for additions and upgrades of libraries and laboratories incorporated within the Infrastructure Grant to Provinces conditional grant.

Health's infrastructure shows very low growth due to spending pressures experienced in other parts of the department. This has necessitated that the department reprioritise funds from *Capital* to *Current* to cover these spending pressures (such as the implementation of various OSDs, higher than anticipated wage agreements and high medical inflation). The Hospital Revitalisation grant within Health continues to show slow progress, leading to a distorted picture when reviewing the overall infrastructure trends of the department.

Within Social Development, there is a negative growth due to the finalisation of the department's construction of one-stop development centres. This slowing down is in relation to the peak experienced in 2009/10, but the growth remains steady over the other years, excluding 2009/10. The steady growth shown by the Department of Human Settlements over the past few years is continued over the 2010/11 MTEF, in line with the steadily increasing Integrated Housing and Human Settlements Development conditional grant.

Despite the current economic climate and the Cabinet-approved Provincial Recovery Plan, the infrastructure budget has remained fairly steady with an approximate growth of 20 per cent between 2009/10 and 2012/13.

7.6.3 Public Private Partnerships (PPP)

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

Provincial Government Precinct

Two departments, namely Provincial Treasury and the Department of Public Works, were tasked to explore the viability of procuring office accommodation for all provincial departments. A Transaction Advisor was appointed to undertake the necessary feasibility studies and recommend suitable locations for the projects. Although the feasibility study for the Legislature complex has been finalised, this project will be delayed due to budget constraints in the province.

Provincial Legislature Complex

As mentioned above, after due consideration of the project, in light of the financial constraints of the province, this PPP project is presently regarded as unaffordable and will be de-registered.

Secure Care Centres

The Department of Social Development appointed a Transaction Advisor to undertake a feasibility study to determine the possibility of establishing secure care centres as PPPs. The aim of this project is to provide rehabilitation centres for under-age offenders that are convicted, and those still awaiting trial. The feasibility study for this project has been delayed, due to challenges in obtaining suitable land in some areas. These challenges will be resolved by the end of 2009/10, which will allow the feasibility study to be finalised.

Hibiscus Coast Development

The Hibiscus local municipality appointed a Transaction Advisor to undertake a feasibility study on the possibility for the development of a prime section of beachfront land situated in the town of Umtentweni, KwaZulu-Natal. The feasibility study has been finalised and Treasury Views and Recommendations (TVR1) have been obtained. The municipality has been exempted for TVR11, hence there will be no bidding process for this project as the preferred bidder was identified, prior to the initiation of the feasibility study. The negotiation to enter into a concession contract with the preferred bidder has now been initiated, and is anticipated to be finalised early in 2010.

Eco-tourism in Nature Conservation Service areas

The Board of *Ezemvelo* KZN Wildlife appointed Transaction Advisors to undertake a feasibility study for the outsourcing of all the eco-tourism and commercial functions at the Royal Natal National Park and certain surrounding parks in the Okhahlamba area under its control. This project includes the possible redevelopment of the old hotel in the park. The feasibility study has been finalised and the institution has commenced with the process of communicating the outcome of the feasibility study with the relevant stakeholder. Once this process has been finalised and all relevant approvals have been obtained, a procurement process will be initiated.

Greater Kokstad Municipality – New Civic Centre

The Greater Kokstad Municipality appointed Transaction Advisors to undertake a feasibility study for the provision of a new civic centre in the municipality on a PPP basis. The study has been finalised and the procurement process has commenced.

KwaDukuza Municipality – Removal of refuse

The municipality has identified the need to procure the most efficient and cost effective service delivery mechanism in respect of the removal of refuse within the KwaDukuza area. The municipality is finalising the appointment of a Transaction Advisor to undertake the Section 78 investigation (feasibility study). It is anticipated that the investigation will be finalised by the end of 2009/10.

General

There are a number of additional projects, identified by departments and municipalities, under review. These projects will further enhance the provincial infrastructure and the initiatives undertaken by KZN.

7.7 Transfers

7.7.1 Transfers to public entities listed in terms of Schedule 3 of the PFMA

Table 7.13 below shows the summary of provincial transfers to public entities by department. In total, transfers to public entities increase from R592.064 million in 2006/07 to R1.242 billion in 2007/08, before decreasing to R533.755 million in 2008/09, and thereafter increasing to R986.941 million in 2012/13.

Table 7.13: Summary of provincial transfers to public entities listed in terms of Schedule 3 of the PFMA (by department)

R thousand	Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09				2010/11	2011/12	2012/13
Vote 1 - Office of the Premier	29 134	32 575	75 594	49 867	48 269	48 269	36 688	38 889	40 834
KwaZulu-Natal Gambling Board	11 851	14 428	40 293	15 428	15 428	15 428	16 356	17 337	18 204
Amafa aKwaZulu-Natali	17 283	18 147	35 301	34 439	32 841	32 841	20 332	21 552	22 630
Vote 3 - Agriculture, Environ. Affairs and Rural Dev.	311 852	318 164	360 401	404 435	407 744	407 744	430 128	455 967	478 766
Ezemvelo KZN Wildlife	286 752	309 764	340 829	394 289	397 598	397 598	419 373	444 459	466 683
Ithala Development Finance Corporation	23 000	-	10 000	-	-	-	-	-	-
Mjindi Farming (Pty) Ltd	2 100	8 400	9 572	10 146	10 146	10 146	10 755	11 508	12 083
Vote 4 - Economic Development and Tourism	220 672	883 324	89 710	434 209	308 100	315 028	431 970	444 631	457 848
Ithala Development Finance Corporation Ltd (Ithala)	144 849	804 142	-	338 859	203 750	210 678	336 975	343 936	352 118
of which									
Accelerated Economic Development Unit	40 000	-	-	-	-	-	-	-	-
Co-operatives	100 000	100 000	-	85 109	-	-	80 000	84 300	89 500
Growth Fund	-	500 000	-	100 000	-	-	100 000	100 000	100 000
Project Specific Funding	4 849	24 000	-	-	-	-	-	-	-
RBIDZ	-	45 000	-	53 750	103 750	110 678	56 975	59 636	62 618
SMMEs	-	135 142	-	100 000	100 000	100 000	100 000	100 000	100 000
TKZN	58 096	60 036	66 413	70 012	79 012	79 012	69 444	73 611	77 292
KZN Sharks Board	17 727	19 146	23 297	25 338	25 338	25 338	25 551	27 084	28 438
Vote 11 - Co-operative Governance and Trad. Affairs	19 500	2 625	2 700	2 800	2 800	2 800	1 968	2 495	2 707
Umsekeli	17 000	-	-	-	-	-	-	-	-
Provincial Planning and Development Commission	2 500	2 625	2 700	2 800	2 800	2 800	1 968	2 495	2 707
Vote 12 - Transport	5 906	-	-	-	-	-	-	-	-
KwaZulu-Natal Taxi Council	5 906	-	-	-	-	-	-	-	-
Vote 15 - Arts and Culture	5 000	5 000	5 350	5 751	5 751	5 751	6 096	6 462	6 786
The Playhouse Company	5 000	5 000	5 350	5 751	5 751	5 751	6 096	6 462	6 786
Total	592 064	1 241 688	533 755	897 062	772 664	779 592	906 850	948 444	986 941

The decrease in 2008/09 is attributable to the fact that funds to be transferred to the Ithala Development Finance Corporation (Ithala) were surrendered to the Provincial Revenue Fund due to changes in the lending requirements and the loan model.

No expenditure is reflected against *Umsekeli* from 2007/08, as the entity was dissolved on 31 March 2007. In 2008/09, Cabinet approved that the public entity, Mjindi Farming (Pty) Ltd be reconstituted with a new Board and a new mandate, with a view to playing a leading role in the development and unlocking of the Makhathini Flats area, and funding therefore continues to be transferred to this entity.

Over the 2010/11 MTEF, a substantial share of the transfers to public entities is allocated to two entities, namely *Ezemvelo* KZN Wildlife and Ithala. *Ezemvelo* KZN Wildlife receives a subsidy from the Department of Agriculture, Environmental Affairs and Rural Development for conservation services. Ithala receives transfers from the Department of Economic Development and Tourism, and smaller amounts in 2006/07 and 2008/09 from the Department of Agriculture, Environmental Affairs and Rural Development. These are not subsidies to the entity, but funds are transferred for implementation of various growth and development programmes such as the SMME, Co-operatives and Growth Funds.

The transfer to *Ezemvelo* KZN Wildlife continues to increase over the seven-year period. In 2006/07, the transfer was R286.752 million, and it grows to R466.683 million in 2012/13. The noticeable increase from the 2009/10 Main Appropriation onward, relates to additional funding of R40 million, with carry-through, allocated for infrastructure improvements, particularly the road networks in the nature reserves. The slight increase in the 2009/10 Adjusted Appropriation relates to the higher than anticipated 2009 wage agreement. With the reduction in the allocations to Ithala over the 2010/11 MTEF, *Ezemvelo* KZN Wildlife has become the entity that receives the largest transfer in the province.

The transfer to Mjindi Farming (Pty) Ltd continues to show a steady increase over the seven-year period. The entity received funds in previous financial years, to assist the operations of the entity, as there have been challenges in recovering debts owed by its clients. As mentioned above, the public entity is currently being reconstituted with a new Board of Directors, new Board members and a new mandate of supporting the Department of Agriculture, Environmental Affairs and Rural Development in implementing the Makhathini Integrated Master Development Plan, sustain the Makhathini irrigation scheme as a viable and sustainable farmer settlement project, and explore and facilitate new agri-business opportunities on the irrigation scheme.

The allocation to the KwaZulu-Natal Sharks Board reflects a steady increase over the seven-year period.

Amafa aKwaZulu-Natali received additional funding of R33.491 million during 2008/09 in the form of a roll-over for the completion of the *Emakhosini* Multi-Media Centre, and a further amount of R18.885 million in 2009/10. The allocation for *Amafa aKwaZulu-Natali* was reduced by R1.598 million in the 2009/10 Adjusted Appropriation, as the entity did not require the funds.

The KZN Gambling Board received an additional amount of R28.706 million in 2008/09 for an out-of-court settlement, relating to the dispute over the award of a route and site inspection surveillance contract. The allocation reflects a steady increase over the 2010/11 MTEF.

7.7.2 Transfers to other entities

Table 7.14 below shows the summary of provincial transfers to entities, other than public entities, by vote. Seven departments make transfers payments to these entities over the 2010/11 MTEF period, details of which are provided within each department's chapter in the *Estimates of Provincial Expenditure*.

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

R thousand	Outcome			Main	Adjusted	Revised	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09	Appropriation	Appropriation 2009/10	Estimate	2010/11	2011/12	2012/13
1. Office of the Premier	-	-	-	-	-	-	-	-	-
2. Provincial Legislature	-	-	-	-	-	-	-	-	-
3. Agriculture, Environ. Affairs and Rural Development	7 750	6 958	34 925	5 441	28 680	28 680	6 188	6 573	6 541
4. Economic Development and Tourism	166 650	494 126	1 355 398	1 565 026	1 665 422	1 674 567	669 561	503 819	526 395
5. Education	869 310	1 165 784	1 581 353	1 367 079	1 486 173	1 426 365	1 746 410	1 933 262	2 029 709
6. Provincial Treasury	235 000	14	3	-	-	-	-	-	-
7. Health	190 624	199 011	243 734	284 777	291 975	291 975	313 614	332 727	349 827
8. Human Settlements	-	-	-	-	-	-	-	-	-
9. Community Safety and Liaison	3 197	3 000	-	3 300	-	-	-	-	-
10. The Royal Household	-	-	-	-	-	-	-	-	-
11. Co-operative Governance and Traditional Affairs	-	-	21 000	-	-	-	-	-	-
12. Transport	122	(23)	-	647 396	647 396	587 396	714 587	773 473	815 611
13. Social Development	280 646	328 979	359 232	425 396	368 261	368 261	513 144	639 331	671 297
14. Public Works	-	-	-	-	-	-	-	-	-
15. Arts and Culture	-	-	-	-	-	-	-	-	-
16. Sport and Recreation	4 229	4 879	8 392	9 200	7 200	5 200	6 000	6 600	6 600
Total	1 757 528	2 202 728	3 604 037	4 307 615	4 495 107	4 382 444	3 969 504	4 195 785	4 405 980

The total transfers are expected to increase from R1.758 billion in 2006/07 to R4.406 billion in 2012/13.

Vote 3: Agriculture, Environmental Affairs and Rural Development

In 2008/09, the department formed a partnership with the Tongaat-Hulett and Illovo Sugar Mills, to provide the necessary support and assistance to land reform beneficiaries. The success of this initiative resulted in the continuation of these partnerships in 2009/10, as well as two new partnerships with the Umfolozi Sugar Mill and TSB Sugar Mill Pty (Ltd). This accounts for the increases in 2008/09 and the 2009/10 Adjusted Appropriation. No provision has been made over the 2010/11 MTEF at this stage, as it is envisaged that the recently established Special Purpose Vehicle (SPV), under Vote 4: Economic Development and Tourism, will be used for the implementation of land reform projects, hence the substantial decrease in budget from 2010/11 onward.

In addition to the above, the department transferred funds to the KwaZulu-Natal Agricultural Union (KWANALU) in 2008/09 to assist with the hosting of the KWANALU Black Economically Empowered and Emerging Farmers Information Day. Also, in the 2009/10 Adjusted Appropriation, a new transfer of R400 000 per annum was introduced to the Wildlife and Environment Society of South Africa (WESSA), relating to environmental education programmes.

Vote 4: Economic Development and Tourism

The significant increase from 2007/08 to the 2009/10 Revised Estimate is mainly due to transfers in respect of the construction of the Dube TradePort (DTP). This funding covers the operational costs of the entity, the capital cost for the acquisition of a portion of the land at the new airport site, as well as the roll-

out of the DTP capital project. DTP is a multi-nodal logistics platform comprising of the King Shaka International Airport (KSIA), Industrial Development Zone (IDZ) and freight facility, a cyber port, as well as commercial and associated ventures. The reduction from 2010/11 onward is due to the expected completion of the construction of the airport portion of the project.

Vote 5: Education

The largest portion of the transfers reflected against this vote is in respect of Section 21 schools, relating to the transfers of norms and standards funding. The increased transfers for the 2010/11 MTEF are to cater for the extension of the No Fee school policy to Quintile 3 schools. Also, additional allocations in respect of the expansion of Grade R and Early Childhood Development (ECD) contribute to the increase over the MTEF.

The decrease in the transfers from 2008/09 to 2009/10 is largely attributable to once-off funding allocated in 2008/09 for the implementation of National Certificate (Vocational) (NC(V)) programmes, while simultaneously phasing out National Education (NATED) certificate courses.

Vote 6: Provincial Treasury

The transfer in 2006/07 relates to the Growth and SMME Funds which were moved to Vote 4: Economic Development and Tourism from April 2007. The amount in 2007/08 relates to claims against the state by private enterprises. In 2008/09, the department made a donation to the Imbali Psycho-Social Community Youth Resource Centre towards its launch and open day event.

Vote 7: Health

The minimal increase between 2006/07 and 2007/08 is due to the provincialisation of the Richmond Chest and Ekuhlengeni Psychiatric Hospitals in early 2006/07. This was partially offset by the introduction of the HIV and AIDS support and the development of sites in terms of the National Integrated Plan for Orphans and Vulnerable Children.

The increase in 2008/09 relates mainly to the alignment of various institutions previously funded by the Global Fund, the 2008/09 HIV and AIDS approved business plan and the higher than anticipated 2008 wage agreement which affects some organisations in that the department is attempting to maintain parity between the salaries paid by these entities versus the salaries paid by government. An example of such an entity is McCords Hospital.

The increase in the total allocation in the 2009/10 Main Appropriation relates to increased allocations for Dream Centre, Genesis Care Centre and Ethembeni, which were previously funded via donor funding. In addition, the effect of the higher than anticipated 2009 wage agreement and the OSD for doctors is reflected in the 2009/10 Adjusted Appropriation and Revised Estimate.

Vote 9: Community Safety and Liaison

The transfers made by the department in 2006/07, 2007/08 and the 2009/10 Main Appropriation relate to the transfer of funds to Community Policing Forums (CPFs) and CPF area and provincial boards. The SAPS has done away with its area offices in line with the new structure of the SAPS, thus the department will be funding these activities by directly managing the funding rather than transferring them to the CPFs. Accordingly, the department shifted funds from *Transfers and subsidies to: Non-profit institutions to Goods and services*, in 2008/09 and the 2009/10 Adjustments Estimate, which accounts for the lack of allocation in 2008/09 and from the 2009/10 Adjusted Appropriation onward.

Vote 11: Co-operative Governance and Traditional Affairs

The expenditure in 2008/09 relates to the once-off transfer of funds to the Department of Human Settlements for the building of *Amakhosi* houses.

Vote 12: Transport

Transfers from 2009/10 relate mainly to the Public Transport Operations conditional grant received from the National Department of Transport (NDoT) in respect of the payment of bus subsidies to operators. Prior year spending relates to insurance premiums in 2006/07, and fines and penalties in 2007/08.

Vote 13: Social Development

The increase in 2007/08 is mainly as a result of a five per cent increase in funding of NPOs, as well as an increase in the number of NPOs registered with the department. The growth in 2008/09 to 2012/13 is attributable to additional national priorities. The department intends to increase tariffs to NPOs and stipends for home community based care givers serving people infected and affected by HIV and AIDS.

Vote 16: Sport and Recreation

Transfers made by the department are largely in respect of sporting organisations for the promotion and development of sport and recreation within the province.

7.7.3 Transfers to municipalities

Provincial government, as part of its Constitutional obligation, supports and strengthens the capacity of municipalities to manage their own affairs, exercise their powers and perform their functions. As a result, departments transfer funds to municipalities for various purposes.

This section provides details of departmental transfers to municipalities, indicating transfers per department and per grant type to each municipality. A summary of this information is given in Table 7.16 below. Details are given in the *Annexure to Overview of Provincial Expenditure* (Tables 1.G (i) (ii) and (iii)), and in the detailed departmental information provided in the *Estimates of Provincial Expenditure*.

Table 7.15 provides a summary of provincial transfers to municipalities by category, as defined in the Constitution. It should be noted that the amounts reflected in these tables are in terms of the provincial financial year running from 1 April to 31 March.

Table 7.15: Summary of provincial transfers to municipalities by category

R thousand	Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09				2010/11	2011/12	2012/13
					2009/10				
Category A	162 333	400 359	712 054	722 845	750 846	741 334	499 664	540 247	533 119
Category B	116 625	203 015	153 626	158 358	318 354	308 654	201 160	182 968	192 698
Category C	67 757	179 974	249 360	172 638	267 964	277 600	6 998	7 261	1 163
Unallocated	131 679	362	205	15 961	3 050	3 422	21 000	56 845	67 859
Total	478 394	783 710	1 115 245	1 069 802	1 340 214	1 331 010	728 822	787 321	794 839

The total provincial transfers to municipalities have decreased from R1.331 billion in the 2009/10 Revised Estimate, to R794.839 million in 2012/13.

There are three categories of municipalities in terms of the Constitution. Below is a brief description of each of the categories, and a summary of the provincial transfers to municipalities by municipal category is contained in Table 7.15 above:

Category A (metropolitan council) refers to municipalities that have exclusive municipal executive and legislative authority within their areas. KwaZulu-Natal has only one metropolitan council, namely the eThekweni Metro. As indicated in the table above, the eThekweni Metro will receive a total of R1.573 billion over the 2010/11 MTEF, transferred by various provincial departments. The reduction in 2010/11 can be attributed to the fact that the Moses Mabhida Soccer Stadium funding ends in 2009/10, in line with the agreement signed with the eThekweni Metro.

Category B (local municipality) refers to a municipality that shares municipal executive and legislative authority with a category C (defined below) municipality within whose area it falls. The allocations to category B municipalities are set to decrease by R115.956 million from the 2009/10 Revised Estimate to 2012/13, partly due to the casino taxes pay-over to be paid to a number of municipalities for the prescribed local government levy being allocated during the Adjustments Estimate, as well as the anticipated provincialisation of the municipal clinics. Negotiations with the municipal authorities are still in progress, and it is expected that the Department of Health will take over these clinics during 2011/12, and hence the reduction from 2011/12 onward.

In addition, the Department of Co-operative Governance and Traditional Affairs budgeted for the majority of the municipal projects against *Goods and services*, with the exception of some transfers. The department may reclassify the funds in the 2010/11 Adjusted Estimates, if it becomes evident that the municipalities have the required capacity to implement the projects themselves. A summary of the transfers to local municipalities is given in the *Annexure to Estimates of Provincial Expenditure* per vote.

Category C (district municipality) refers to municipalities that have municipal executive and legislative authority in an area that includes more than one municipality. Allocations to this category of municipalities have also substantially decreased from R277.600 million in the 2009/10 Revised Estimate to R1.163 million in 2012/13. As explained above, this is partly attributed to the Department of Co-operative Governance and Traditional Affairs' policy of budgeting for the majority of the municipal projects against *Goods and services*, pending evidence that the municipalities have the required capacity to implement the projects themselves. A summary of the transfers to individual district municipalities is contained in the *Annexure to Overview of Provincial Expenditure*.

The amounts against *Unallocated* are usually allocated to specific recipients during the course of the year, and are formalised during the Adjustments Estimate. This category has substantially increased from R3.422 million in the 2009/10 Revised Estimate to R67.859 million in 2012/13, mainly due to the allocations for the Disaster Management, inter-governmental relations, the Provincial Management Assistance Programme, Strategic Support and Infrastructure Support under the Department of Co-operative Governance and Traditional Affairs.

Table 7.16 below presents a summary of provincial transfers to municipalities by vote and grant type over the seven-year period from 2006/07 to 2012/13. It should be noted that detailed analysis of these transfers to municipalities is provided in the individual votes in the *Estimates of Provincial Expenditure*.

In terms of amendments to legislation, the Regional Service Council Levy (RSCL) was discontinued from 1 July 2006. Seven provincial departments will be transferring funds to municipalities in respect of 16 different grant types over the 2010/11 MTEF. The bulk of these transfers will come from the Departments of Health, Human Settlements, Public Works and Co-operative Governance and Traditional Affairs.

The transfers under Vote 7: Health show a varying trend, due to the anticipated provincialisation of the municipal clinics. Negotiations with the municipal authorities are still in process, and it is expected that the department will take over these clinics during 2011/12. Due to the cost to the department, eThekweni Metro, Msunduzi Municipality (uMgungundlovu) and uMhlathuze (uThungulu) will continue rendering municipal clinical services until adequate funding is available for their provincialisation.

The transfers under Vote 8: Human Settlements relate to the maintenance of R293 hostels in eThekweni, and the payment of arrear rates and taxes due to the late receipt of invoices. The increase over the MTEF is due to the department's emphasis on the construction of low-cost housing and hostel rehabilitation.

The transfers under Vote 14: Public Works relate to the Devolution of Property Rates Grant Fund conditional grant in respect of property rates. These transfers continue to grow steadily over the MTEF.

The MTEF allocation for Vote 11: Co-operative Governance and Traditional Affairs is largely in respect of Disaster Management, which has increased substantially from the 2009/10 Revised Estimate. The budget for the Massification Programme, Corridor Development, Umzimkulu, Disaster Management and Small Town Rehabilitation is against *Goods and services*, and the department may reclassify the funds in the 2010/11 Adjustments Estimate if it becomes evident that the municipalities have the required capacity to deliver on the projects themselves, and this accounts for no MTEF allocations for these programmes.

The subsidy to Zululand under the Office of the Premier relates to operational costs of the airport, which was transferred to the municipality in 2007. The agreement with the municipality is that government will provide funding for the operational cost up to 2009/10, and hence no allocation over the 2010/11 MTEF.

The transfers under Provincial Treasury in respect of Casino Levies Pay-Over relates to the prescribed local government levy. This prescribed levy, which is inclusive of casino taxes collected by the Gambling Board and paid over to the Provincial Revenue Fund, is paid over to different municipalities annually, in arrears, during the Adjustments Estimate, and hence there are no projections over the MTEF.

Other main transferring departments include the Department of Sport and Recreation who transfers funds to municipalities for infrastructure development. The Department of Arts and Culture transfers funds in respect of community library services, and for the provincialisation of libraries, which is anticipated to increase to R15.500 million in 2012/13.

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

R thousand	Outcome			Main Appropriation	Adjusted Appropriation 2009/10	Revised Estimate	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09				2010/11	2011/12	2012/13
Regional Service Council Levy - All departments	15 146	4	-	-	-	-	-	-	-
Vote 1 - Office of the Premier	-	4 331	4 538	6 184	4 823	4 823	-	-	-
Museum subsidies	-	-	-	1 361	-	-	-	-	-
Transfer to Zululand DM iro airport	-	4 331	4 538	4 823	4 823	4 823	-	-	-
Vote 3 - Agriculture, Environ. Affairs and Rural Dev.	453	263	2 415	1 750	3 800	3 800	990	1 210	1 265
Greenest Municipality Competition	453	263	1 105	1 750	1 000	1 000	990	1 210	1 265
Integrated Waste Management Plans	-	-	1 310	-	800	800	-	-	-
Waste Management for 2010	-	-	-	-	-	-	-	-	-
Environmental Management Framework	-	-	-	-	1 500	1 500	-	-	-
Strategic Environmental Assessment	-	-	-	-	500	500	-	-	-
Vote 4 - Economic Development and Tourism	-	2 800	1 626	-	-	924	-	-	-
Joint project funding	-	-	1 626	-	-	924	-	-	-
Tourism development (building of lodges)	-	2 800	-	-	-	-	-	-	-
Vote - Education	-	229	179	-	-	372	-	-	-
Grant in aid and claims against the state	-	229	179	-	-	372	-	-	-
Vote 6 - Provincial Treasury	-	21 563	158 963	150 000	159 646	159 646	-	-	-
Casino Levies Pay-Over	-	21 563	8 963	-	9 646	9 646	-	-	-
Moses Mabhida Soccer Stadium	-	-	150 000	150 000	150 000	150 000	-	-	-
Vote 7 - Health	71 143	63 459	51 538	87 823	120 650	120 650	93 009	63 907	67 077
Subsidy: Environmental Health	630	194	-	-	-	-	-	-	-
Motor Vehicle Licence Fees	408	653	1 045	1 457	2 424	2 424	2 089	2 203	2 289
Subsidy: Municipal Clinics	70 105	62 612	50 493	86 366	118 226	118 226	90 920	61 704	64 788
Vote 8 - Human Settlements	120 182	319 711	257 730	324 000	362 093	348 593	314 240	365 505	350 730
CRU programme	100 000	244 901	125 000	250 000	230 000	220 500	280 000	336 000	336 000
Municipal rates and taxes	20 182	22 660	20 700	20 000	49 983	49 983	20 000	15 000	10 000
Capacity building - Flanders programme	-	-	-	4 000	4 000	-	4 240	4 505	4 730
Maintenance of R293 hostels	-	52 150	42 030	50 000	78 110	78 110	10 000	10 000	-
Extended Enhanced Discount Benefit Scheme	-	-	70 000	-	-	-	-	-	-
Vote 11 - Co-operative Governance and Trad. Affairs	223 079	308 010	369 946	199 663	405 103	411 103	22 227	34 412	32 000
Provincial Management Assistance Programme	14 200	15 000	13 200	9 000	6 400	6 400	4 830	5 000	8 000
Infrastructure provision for soccer stadia	31 000	89 000	139 500	149 963	149 463	149 463	-	-	-
Project Consolidate	39 039	-	-	-	-	-	-	-	-
Municipal Governance	-	-	3 500	-	-	-	-	-	-
Strategic Support	-	3 570	10 020	4 300	-	-	4 227	6 121	-
Spatial Development	1 612	3 150	4 250	2 000	-	-	-	-	-
Development Administration	1 966	-	3 250	2 000	-	-	-	-	-
Municipal Development Information Services	5 478	4 795	6 750	2 500	-	-	-	-	-
Centre Management Support	-	4 000	-	3 500	-	-	-	-	-
Municipal Services Delivery	-	13 783	-	10 100	-	-	-	-	-
Synergistic Partnerships	-	2 500	-	2 800	-	-	-	-	-
Small Town Rehabilitation	-	7 250	-	7 500	55 000	55 000	-	-	-
Corridor Development	-	76 241	121 950	-	115 432	115 432	-	-	-
Infrastructure Support	-	-	20 000	-	-	-	-	8 421	-
Umzimkulu Support	-	60 410	43 326	-	56 008	56 008	-	-	-
Disaster Management	-	4 600	2 500	6 000	500	6 500	9 000	9 000	15 000
Massification Programme	-	-	-	-	11 500	11 500	-	-	-
Inter-governmental relations	-	-	1 000	-	-	-	4 170	5 870	9 000
Provincial Interventions	-	-	700	-	-	-	-	-	-
Development Planning Shared Service	-	-	-	-	10 800	10 800	-	-	-
Discontinuation of old grants	129 784	23 711	-	-	-	-	-	-	-
Vote 12 - Transport	10 022	9 195	6 000	11 550	-	-	-	-	-
Municipal Transport Planning and Infrastructure	10 022	7 195	6 000	11 000	-	-	-	-	-
Maintenance Main Roads	-	2 000	-	550	-	-	-	-	-
Vote 14 - Public Works	5 035	8 947	216 688	243 068	244 186	244 186	267 103	283 130	297 288
Property rates	5 035	8 947	216 688	243 068	244 186	244 186	267 103	283 130	297 288
Vote 15 - Arts and Culture	18 909	23 223	22 627	23 907	19 556	16 556	13 643	20 813	27 385
Community Library Services grant	-	4 741	6 251	7 101	6 320	6 320	9 400	10 500	10 500
Library building projects	17 600	17 400	15 286	16 806	12 090	9 090	-	-	-
Museum subsidies	1 309	1 082	1 090	-	1 146	1 146	1 243	1 313	1 385
Provincialisation of libraries	-	-	-	-	-	-	3 000	9 000	15 500
Vote 16 - Sport and Recreation	14 425	21 975	22 995	21 857	20 357	20 357	17 610	18 344	19 094
Infrastructure - Sport facilities	14 425	21 975	22 995	21 857	20 357	20 357	17 610	18 344	19 094
Total	478 394	783 710	1 115 245	1 069 802	1 340 214	1 331 010	728 822	787 321	794 839

7.8 Personnel numbers and costs

Table 7.17 below provides a summary of personnel numbers, by vote, as well as the total personnel costs for the province.

Table 7.17: Summary of personnel numbers and costs by vote¹

Personnel numbers	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	298	320	322	357	388	388	388
2. Provincial Legislature	137	148	146	144	173	202	229
3. Agriculture, Environmental Affairs and Rural Dev.	3 561	3 669	3 648	3 859	3 897	3 910	3 910
4. Economic Development and Tourism	153	178	237	313	396	396	396
5. Education	94 856	100 530	100 082	103 119	102 183	103 632	104 332
6. Provincial Treasury	340	360	306	368	484	484	484
7. Health	59 599	67 069	66 069	66 113	66 113	66 113	66 113
8. Human Settlements	869	839	869	913	921	928	936
9. Community Safety and Liaison	86	96	108	113	126	126	126
10. The Royal Household	149	149	150	150	82	82	82
11. Co-operative Governance and Traditional Affairs	1 398	1 240	1 198	1 552	1 652	1 810	1 841
12. Transport	3 997	4 048	4 175	4 369	4 488	4 563	4 643
13. Social Development	2 456	2 578	2 825	2 877	3 112	3 278	3 368
14. Public Works	2 005	2 272	2 264	2 231	2 231	2 231	2 231
15. Arts and Culture	369	411	436	469	508	508	508
16. Sport and Recreation	1 149	1 071	1 600	1 912	2 351	2 727	3 103
Total	171 422	184 978	184 435	188 859	189 105	191 378	192 690
Total personnel cost (R thousand)	21 758 145	25 794 246	31 062 640	36 333 061	38 857 418	41 606 242	43 754 923
Unit cost (R thousand)	127	139	168	192	205	217	227

¹ Full-time equivalent

As can be seen from the table, the personnel numbers increase steadily over the seven-year period, although the increase over the last three years is at lower levels. This can partially be attributed to the implementation of the Cabinet-approved Provincial Recovery Plan, which limits the filling of posts to critical posts only.

With regard to Education, the overall reduction in post numbers as at the end of March 2011 can be ascribed to the transfer of FET staff to the colleges' post establishments, in line with the anticipated transfer of responsibilities to the FET colleges.

It is pleasing to note that the Department of Health is keeping its personnel numbers constant from 2009/10, in an attempt to control the spending pressures experienced under *Compensation of employees*, brought about by the implementation of various OSDs and higher than anticipated wage agreements, for which insufficient funds were provided. Aggravating this was that the department filled a number of unbudgeted posts in 2007/08.

The Royal Household sees a reduction in staff numbers from 2010/11, resulting from the planned retrenchment of 68 excess staff members.

Fluctuations in departments' personnel numbers result from natural attrition, and the resultant filling of vacant posts.

7.9 Payments on training

Table 7.18 below provides a summary of the amounts spent by departments on training. The payments and estimates on training increase from R529.557 million in 2006/07 to R1.332 billion in 2012/13, reflecting healthy growth. The main contributors are the Departments of Education, Health and Transport. In accordance with the Cabinet-approved Provincial Recovery Plan, which indicates that all essential training should be done in-house (with exceptions to be approved by the HOD), the Revised Estimate in 2009/10 is lower than the Adjusted Appropriation for a number of departments.

Table 7.18 Summary of training payments and estimates by vote

R thousand	Outcome			Main	Adjusted	Revised	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09	Appropriation	Appropriation 2009/10	Estimate	2010/11	2011/12	2012/13
1. Office of the Premier	851	2 279	2 390	3 759	3 278	2 577	4 421	4 359	4 829
2. Provincial Legislature	857	803	788	1 532	1 139	1 139	1 202	1 262	1 326
3. Agriculture, Enviro. Affairs and Rural Development	4 277	5 679	10 209	17 250	17 250	17 250	18 892	20 380	21 398
4. Economic Development and Tourism	526	856	876	1 655	1 556	1 556	1 611	1 630	1 711
5. Education	83 959	94 093	75 836	190 205	102 648	117 422	219 985	235 462	247 235
6. Provincial Treasury	1 385	2 047	1 566	5 156	4 228	2 866	3 778	4 124	4 360
7. Health	421 069	524 333	676 601	653 811	671 064	756 276	808 491	862 961	904 436
8. Human Settlements	2 626	4 360	1 656	5 546	4 090	3 000	4 229	5 620	5 891
9. Community Safety and Liaison	57	315	336	1 103	303	340	495	336	353
10. The Royal Household	-	5	5	-	-	-	-	-	-
11. Co-operative Governance and Traditional Affairs	1 215	1 437	1 887	1 880	2 496	2 757	2 542	3 359	3 528
12. Transport	2 406	22 271	32 808	87 389	87 389	92 900	102 189	112 406	123 644
13. Social Development	3 756	3 788	3 264	3 514	3 514	3 209	3 734	3 958	4 156
14. Public Works	4 990	11 255	12 290	7 466	8 661	7 380	6 696	7 095	7 518
15. Arts and Culture	1 583	1 583	1 583	1 583	1 583	1 583	1 583	1 583	1 583
16. Sport and Recreation	-	-	-	-	-	-	-	-	-
Total	529 557	675 104	822 095	981 849	909 199	1 010 255	1 179 848	1 264 535	1 331 968

The Department of Education's payments on training fluctuate over the period under review. The substantial increase in 2009/10 can be attributed to the focus on increasing the quality of teaching and the capacitation drive undertaken by the sector to address skills shortages, in particular at educator levels. Educators also needed to be skilled in the subjects offered in the National Curriculum Statement. Although the number of personnel trained and training opportunities decreased in 2008/09, there is a steady increase in the number of bursaries, interns and learnerships, which is in line with the department's strategy to skill practitioners, particularly in areas of early childhood development and special needs education. Further increases over the MTEF are in line with the planned implementation of the new post establishment structure and skills development and capacity building of educators and non-educators.

The Department of Health's payments on training relate to the training provided for medical interns, nurses, emergency medical rescue and ambulance personnel and skills development for all occupational categories in the department.

The Department of Transport's payments on training relate mainly to training in the area of road maintenance and construction, as well as the development and training of emerging BEE road contractors.

Table 7.19 below then provides the number of staff affected by the various training programmes and initiatives, at a provincially aggregated level. It also includes a gender breakdown, an indication of the types of training, as well as details of the number of bursaries and learnerships.

Table 7.19 Information on training

	Outcome			Main	Adjusted	Revised	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09	Appropriation	Appropriation 2009/10	Estimate	2010/11	2011/12	2012/13
Number of staff	171 535	184 861	184 542	188 696	186 852	189 776	189 299	191 579	192 921
Number of personnel trained	62 274	75 252	69 530	77 444	76 794	71 316	75 467	80 473	81 862
of which									
Male	26 055	25 035	26 650	29 689	29 517	27 381	29 126	31 166	31 527
Female	36 132	50 050	42 737	47 328	47 294	43 952	45 942	48 904	49 912
Number of training opportunities	742	919	1 192	1 213	1 213	972	1 195	1 198	1 206
of which									
Tertiary	8 785	11 235	10 536	722	722	334	635	665	685
Workshops	24 434	30 997	28 763	2 834	2 832	3 154	2 937	2 963	2 994
Seminars	1 774	2 337	1 958	149	147	105	123	107	107
Other	811	1 371	1 450	1 863	1 418	3 051	2 716	2 661	2 668
Number of bursaries offered	2 992	4 421	4 982	6 333	6 234	6 135	6 574	6 950	7 107
Number of interns appointed	699	1 179	1 498	1 696	1 696	1 756	1 820	1 846	1 906
Number of learnerships appointed	176	698	278	630	30	576	680	707	754
Number of days spent on training	3 187	1 775	119 066	8 984	8 891	8 973	9 113	9 127	9 133

8. REVIEW OF MUNICIPAL FINANCIAL MANAGEMENT

8.1 Introduction

Local government is the community level of government. Integrated Development Plans (IDPs) incorporate community objectives into day-to-day activities of municipalities and, together with other community participation processes, set the scene for the practical involvement of the community in local government affairs. This ensures that municipal expenditure and activities are directed according to community needs. To deliver on the identified community priorities, it is important that the budget and IDP be linked to give effect to the plans.

The municipal budget is an indispensable tool to focus the resources and capacity of a municipality on achieving its service delivery and developmental goals, as put forward in the municipal IDP. The Municipal Finance Management Act (MFMA) provides clear guidelines to municipalities on linking IDPs to budget processes. It also requires community consultation with regard to the performance of officials and political office-bearers, supply chain management, incurring of long term borrowing and establishing municipal entities. Furthermore, it creates a framework for the resolution of financial disputes.

The MFMA's significant financial and fiscal reforms include new budget standards and formats, the establishment of audit committees and internal controls, improvement to procurement and supply chain management processes, performance measurement and reporting mechanisms to resolve financial problems and procedures to determine and manage financial misconduct. The recent budget reforms will help municipalities achieve financial sustainability through improved municipal expenditure planning, budget execution, reporting on performance and obtaining value for money.

Support for the implementation of the MFMA is provided through:

- The Financial Management Grant (FMG), which was introduced in 2000/01 to provide financial support to municipalities;
- A programme for the employment and development of finance interns;
- Issuance of MFMA circulars and guidelines by National and Provincial Treasuries;
- Provision of a help line for questions about the MFMA and implementation issues, as well as a summary of frequently asked questions and responses;
- Publication of MFMA pocket guides and a guide for councillors;
- Posting of supporting materials on the National Treasury web-site;
- Provision of technical assistance in the form of international experts to support implementation in selected municipalities; and
- Additional support through Provincial Treasuries.

While there has been significant progress with regard to the implementation of the MFMA, there are still a number of challenges that remain, in particular the building of capacity and skills, improving and integrating planning and budgeting, and improving the quality, timeliness and relevance of reporting.

³Furthermore, the deteriorating state of local government finances and financial management can largely be ascribed to:

- Poor financial management capacity in the Budget and Treasury Offices of municipalities, and key municipal service delivery departments; and
- Mayors and municipal councils taking decisions and acting in ways that:
 - Are inconsistent with the principles of good governance; and
 - Compromise the sustainability of their municipalities' finances.

³ National Treasury document – "The State of Local Government Finances and Financial Management as at 31 March 2009"

These two factors are closely linked. Political interference in the financial management and procurement operations of a municipality invariably undermine the capacity of the Budget and Treasury Offices. Competent officials are forced out. Incompetent officials get appointed. Proper procedures are undermined. The result is that the management of municipal finances deteriorates.

The deterioration in local government finances and financial management is of such a scale that it requires national and provincial government to adopt a far more proactive approach to assisting and intervening in municipalities.

The MFMA provides for National Treasury to delegate the responsibility of monitoring the performance of municipalities to Provincial Treasury and to intervene and support, if necessary. Of the 61 municipalities in KwaZulu-Natal (KZN), 58 are delegated to Provincial Treasury and have been categorised in terms of high capacity (6), medium capacity (16) and low capacity (36)⁴.

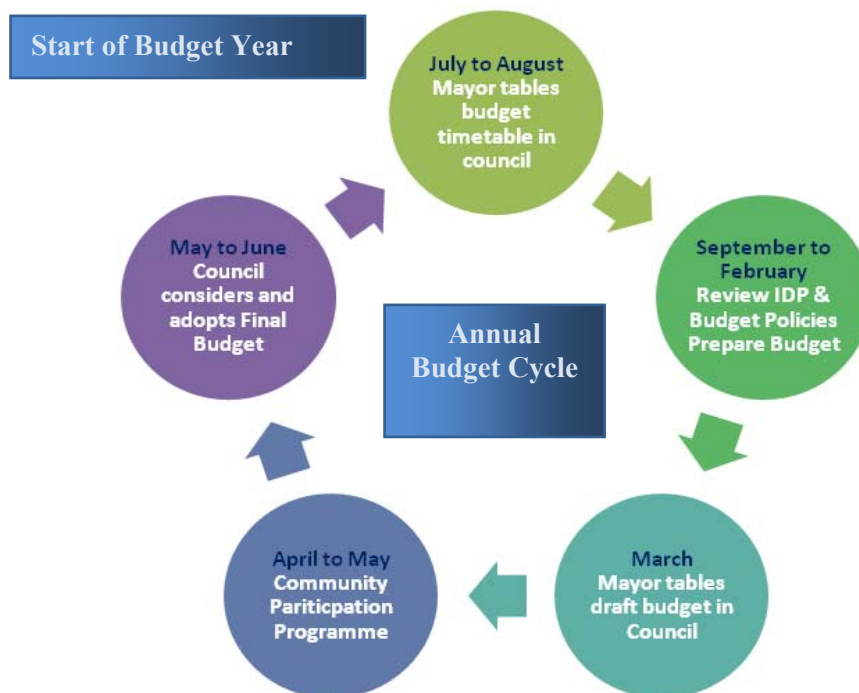
In general, the functions of Provincial Treasuries *vis a vis* the MFMA are described in Section 5 (3), (4) and (7) of the MFMA and are to:

- Promote co-operative governance among role-players;
- Assist National Treasury in enforcing compliance by municipalities with the MFMA;
- Assist municipalities with budget preparation, and monitor municipal budgets and outcomes;
- Monitor submissions of reports by municipalities;
- Exercise powers and perform duties as delegated by National Treasury; and
- Take intervention measures in terms of Section 136.

8.2 Budget process

The Provincial Treasury oversees the budget processes of 58 municipalities in the province. Figure 1 below illustrates the budget cycle.

Figure 1: Budget cycle



⁴ National Treasury Survey of Municipalities: February/March 2004 – Municipalities were categorised in terms of high, medium and low based on the financial (budgets) and management capacity with regard to the implementation of the MFMA.

The Mayor of the municipality must table the draft annual budget at a council meeting at least 90 days before the start of the municipal budget year, to allow for sufficient time for consultation on the budget, prior to adoption.

The budget adoption process affords Provincial Treasury the opportunity to assist municipalities in compiling credible budgets that seek to address the needs of their communities.

In improving the Medium Term Revenue and Expenditure Framework (MTREF) budget process, Provincial Treasury has issued guidelines to assist municipalities with the effective and efficient management of the MTREF budget process. The guidelines provide a platform for a consultative approach between internal and external role players, and focuses primarily on the outputs/outcomes revenue driven approach. The transformational imperatives of the MFMA reforms have created a consultative approach to determining priorities, policies, budgets and financial management. This approach will place emphasis on the MTREF budget, IDP, and Service Delivery and Budget Implementation Plan (SDBIP) and will require the direct involvement of all role players to work together on the selection and funding of priorities within the MTREF.

The guidelines will further assist the Mayors of municipalities to effectively discharge their role and responsibilities in accordance with Sections 23, 52 and 53 of the MFMA.

The Budget and Treasury Steering Committee will be responsible for compiling and overseeing the following:

- Monitoring of the Key MTREF budget timeframes;
- MTREF budget policy statements;
- Review of IDPs; and
- Ensuring that the MTREF budget and IDP is aligned to the SDBIP and Section 57 performance agreements.

This consultative platform will ensure that the MTREF has been secured by guaranteed funding sources from both national and provincial governments, as well as place further emphasis on senior management to motivate in detail the approval of their departmental budgets, and specific performance outcomes. The platform will ensure that realistic performance targets are documented within the SDBIP and performance agreements of senior management.

The guideline has been specifically designed to ensure synergy of the aforementioned process within the MFMA budget reforms and will strategically assist municipalities to optimally implement priorities leading to “*Significantly improving the lives of our people*”.

The final approved budgets for the 2009/10 municipal financial year are reflected in Table 8.1.

Table 8.1: Consolidated Municipal Budgets for MTREF 2009/10 2011/12

R thousand	Code	Medium Term Estimates								
		2009/10			2010/11			2011/12		
		Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
A eThekweni	KZN000	5 450 704	15 952 534	21 403 238	4 978 813	17 823 653	22 802 466	4 925 701	19 890 814	24 816 515
Total: Ugu Municipalities		1 241 011	1 344 844	2 585 855	942 110	1 384 880	2 326 990	1 003 827	1 482 999	2 486 826
B Vulamehlo	KZN211	50 425	38 841	89 266	52 945	40 783	93 728	55 593	42 822	98 415
B Umdoni	KZN212	289 505	92 397	381 902	9 897	99 109	109 006	12 145	109 029	121 174
B Umzumbe	KZN213	47 833	46 175	94 008	50 577	49 869	100 446	52 633	51 859	104 492
B uMuziwabantu	KZN214	39 190	56 496	95 686	36 817	57 947	94 764	41 013	60 398	101 411
B Ezinqolweni	KZN215	24 172	19 360	43 532	28 541	20 899	49 440	30 440	23 435	53 875
B Hibiscus Coast	KZN216	262 979	424 891	687 870	210 081	416 255	626 336	231 089	460 437	691 526
C Ugu District Municipality	DC21	526 907	666 684	1 193 591	553 252	700 018	1 253 270	580 914	735 019	1 315 933
Total: uMgungundlovu Municipalities		644 259	3 009 278	3 653 537	536 409	3 164 457	3 700 866	824 302	3 402 551	4 226 853
B uMshwathi	KZN221	75 614	70 915	146 529	51 700	77 322	129 022	49 300	85 054	134 354
B uMngeni	KZN222	44 150	220 779	264 929	27 983	219 932	247 915	25 850	226 326	252 176
B Mpofana	KZN223	10 909	61 826	72 735	20 746	67 734	88 480	26 309	70 797	97 106
B Impendle	KZN224	12 969	22 128	35 097	10 355	23 455	33 810	10 976	24 863	35 839
B Msunduzi	KZN225	327 343	2 276 849	2 604 192	322 774	2 383 655	2 706 429	629 241	2 561 760	3 191 001
B Mkhambathini	KZN226	10 607	34 288	44 895	10 060	37 200	-	7 693	38 692	-
B Richmond	KZN227	24 013	41 370	65 383	17 793	45 273	63 066	10 545	45 951	56 496
C uMgungundlovu District Municipality	DC22	138 654	281 123	419 777	74 998	309 886	384 884	64 388	349 108	413 496
Total: Uthukela Municipalities		317 554	982 154	1 299 708	238 101	1 095 295	1 333 396	222 223	1 166 820	1 389 043
B Emnambithi/Ladysmith	KZN232	130 734	330 567	461 301	30 072	381 075	411 147	33 079	409 179	442 258
B Indaka	KZN233	20 031	29 046	49 077	20 490	31 814	52 304	21 612	31 578	53 190
B Umtshezi	KZN234	25 821	166 580	192 401	26 152	189 896	216 048	26 160	218 136	244 296
B Okhahlamba	KZN235	15 559	42 259	57 818	16 248	44 301	60 549	16 990	46 335	-
B Imbabazane	KZN236	14 415	50 945	65 360	14 223	47 989	62 212	12 142	51 477	63 619
C Uthukela District Municipality	DC23	110 994	362 757	473 751	130 916	400 220	531 136	112 240	410 115	522 355
Total: Umzimyathi Municipalities		339 282	445 478	784 760	272 790	484 925	757 715	240 392	528 685	769 077
B Endumeni	KZN241	55 099	135 597	190 696	18 983	147 128	166 111	16 031	160 531	176 562
B Nquthu	KZN242	15 097	33 136	48 233	17 477	36 435	53 912	21 019	40 094	61 113
B Msinga	KZN244	16 404	44 973	61 377	23 203	45 324	68 527	21 486	47 876	69 362
B Umvoti	KZN245	56 287	105 862	162 149	46 489	117 237	163 726	20 696	127 833	148 529
C Umzimyathi District Municipality	DC24	196 395	125 910	322 305	166 638	138 801	305 439	161 160	152 351	313 511
Total: Amajuba Municipalities		283 444	1 038 115	1 321 559	179 823	1 138 251	1 318 074	113 378	1 239 665	1 353 043
B Newcastle	KZN252	167 261	887 645	1 054 906	117 018	989 117	1 106 135	44 626	1 083 706	1 128 332
B eMadlangeni	KZN253	6 812	26 341	33 153	7 005	26 662	33 667	-	27 211	27 211
B Dannhauser	KZN254	21 858	41 640	63 498	15 275	41 362	56 637	20 555	43 629	64 184
C Amajuba District Municipality	DC25	87 513	82 489	170 002	40 525	81 110	121 635	48 197	85 119	133 316
Total: Zululand Municipalities		394 104	720 267	1 114 371	338 562	767 743	1 106 305	397 137	824 042	1 221 179
B eDumbe	KZN261	17 358	43 541	60 899	8 016	44 847	52 863	10 172	46 192	56 364
B uPhongolo	KZN262	56 658	68 620	125 278	62 449	73 100	135 549	70 563	78 763	149 326
B Abaqulusi	KZN263	88 977	217 643	306 620	47 240	241 280	288 520	36 622	257 863	294 485
B Nongoma	KZN265	16 769	39 242	56 011	-	40 342	40 342	-	41 923	41 923
B Ulundi	KZN266	17 884	130 934	148 818	19 228	137 169	156 397	16 508	143 269	159 777
C Zululand District Municipality	DC26	196 458	220 287	416 745	201 629	231 005	432 634	263 272	256 032	519 304
Total: Umkhanyakude Municipalities		258 173	345 149	603 322	223 859	379 338	603 197	246 797	403 837	650 634
B Umhlabuyalingana	KZN271	18 514	30 426	48 940	17 061	34 437	51 498	14 647	38 761	53 408
B Jozini	KZN272	20 466	45 547	66 013	21 274	55 238	76 512	18 195	60 390	78 585
B The Big Five False Bay	KZN273	6 463	17 308	23 771	6 793	19 138	25 931	7 105	21 002	28 107
B Hlabisa	KZN274	16 122	52 783	68 905	17 015	64 061	81 076	14 463	65 842	80 305
B Mtubatuba	KZN275	14 209	48 247	62 456	7 522	48 193	55 715	6 457	48 451	54 908
C Umkhanyakude District Municipality	DC27	182 399	150 838	333 237	154 194	158 271	312 465	185 930	169 391	355 321
Total: uThungulu Municipalities		900 304	1 970 935	2 871 239	667 453	2 092 374	2 759 827	547 934	2 325 391	2 873 325
B Mfolozi	KZN281	18 713	33 266	51 979	22 740	38 373	61 113	15 076	41 407	56 483
B uMhlathuze	KZN282	590 095	1 287 723	1 877 818	405 188	1 449 281	1 854 469	321 542	1 647 673	1 969 215
B Ntambanana	KZN283	22 348	16 546	38 894	7 811	17 282	25 093	9 337	19 089	28 426
B Umlalazi	KZN284	42 545	132 164	174 709	74 677	148 090	222 767	63 084	161 126	224 210
B Mthonjaneni	KZN285	9 912	39 623	49 535	11 140	37 605	48 745	10 370	42 095	52 465
B Nkandla	KZN286	13 626	30 558	44 184	13 626	31 397	45 023	-	33 023	33 023
C uThungulu District Municipality	DC28	203 065	431 055	634 120	132 271	370 346	502 617	128 525	380 978	509 503
Total: iLembe Municipalities		511 015	1 115 946	1 626 961	335 368	1 206 055	1 541 423	355 166	1 295 162	1 650 328
B Mandeni	KZN291	80 774	73 900	154 674	112 192	78 347	190 539	142 167	83 275	225 442
B KwaDukuza	KZN292	229 254	713 981	943 235	30 288	759 323	789 611	24 791	822 523	847 314
B Ndwedwe	KZN293	29 613	43 885	73 498	23 091	46 722	69 813	21 595	49 389	70 984
B Maphumulo	KZN294	22 413	29 805	52 218	21 108	30 775	51 883	24 248	32 021	56 269
C iLembe District Municipality	DC29	148 961	254 375	403 336	148 689	290 888	439 577	142 365	307 954	450 319
Total: Sisonke Municipalities		409 709	496 800	906 509	350 476	514 485	864 961	420 390	550 104	970 494
B Ingwe	KZN431	33 525	30 979	64 504	29 922	32 056	61 978	33 491	34 583	68 074
B Kwa Sani	KZN432	21 596	22 769	44 365	17 277	23 930	41 207	67 100	25 031	92 131
B Greater Kokstad	KZN433	86 988	157 109	244 097	69 657	165 797	235 454	75 878	178 126	254 004
B Ubuhlebezwe	KZN434	13 469	52 109	65 578	17 408	52 982	70 390	16 044	52 569	68 613
B Umzimkhulu	KZN435	42 153	85 749	127 902	47 212	94 769	141 981	52 877	106 140	159 017
C Sisonke District Municipality	DC43	211 978	148 085	360 063	169 000	144 951	313 951	175 000	153 655	328 655
Total		10 749 559	27 421 500	38 171 059	9 063 764	30 051 456	39 115 220	9 297 247	33 110 070	42 407 317

Source: National Treasury Local Government Database

8.3 Municipal Support Programme

In terms of Section 135 of the MFMA, the primary responsibility to avoid, identify and resolve financial problems in a municipality rests with the municipality and, if a municipality encounters financial problems or anticipates problems in meeting its financial commitments, it must immediately seek solutions for the problems. Of the 58 delegated municipalities in KwaZulu-Natal, 36 or 62 per cent are categorised as low capacity municipalities. The predominance of low capacity municipalities places additional pressure on Provincial Treasury in having to provide even basic financial management support.

KwaZulu-Natal Provincial Treasury has a Municipal Support Programme (MSP) that was launched in November 2007. The programme stemmed from the fact that the MEC for Finance at the time received requests from several municipalities to intervene and assist with financial problems encountered. As a result, Provincial Treasury was tasked to support the municipalities where necessary and institute financial improvement measures that would assist in resolving the financial management issues currently encountered by these municipalities.

The aim of the programme is to assist the municipalities in securing their ability to meet their obligations to provide basic services and to meet their financial commitments. The programme seeks to identify the cause of financial problems experienced by the municipalities and to implement measures through a financial recovery plan that will place the municipalities in a sound and sustainable financial position.

A graphic illustration of the steps in the MSP is illustrated in Figure 2.

Figure 2: The Municipal Support Programme



The programme first identifies municipalities that require assistance through a desk top analysis which analyses the financial statements of municipalities. An on-site assessment is then undertaken by the team to identify the nature and extent of support required. The findings identified during the assessment are used to formulate a plan of action with the municipality. The plan of action is then implemented to assist the municipality in resolving the issues identified during the on-site assessment. Upon completion of the implementation stage, the support team hands over to the municipality a “handover pack”, which is a toolbox of templates and checklists that are required to be completed by the municipality, to maintain the financial reforms instituted by the MSP team. Thereafter, monthly monitoring continues by the monitoring team to ensure that the financial reforms instituted by the MSP are maintained and that the municipality does not revert to the financial position it was in, prior to the support programme.

In the event that the monitoring team is not satisfied with the progress of the municipality during the monitoring phase, this is escalated to the Municipal Manager, Mayor and the Council.

Some of the common problem areas of financial management identified by the MSP are:

- Significant lack of financial control;
- Poor record keeping (partly due to inadequate systems);
- Lack of effective policies, procedures and appropriate delegation of authority;
- Inadequate billing systems;
- No processes for in-year-reporting; and
- Financial staff not adequately skilled.

Enhancing the sustainability of municipalities is of paramount importance, to ensure that service delivery to the community is continued at acceptable levels. The programme, currently conducted in association with the DBSA *Siyenza Manje* programme, is addressing some of the issues faced by municipalities.

To be more effective, the methodology of support was reviewed to include the deployment of several transversal teams, in addition to resources placed at the municipality, to assist and support municipalities in specific areas as detailed above. This will ensure a focused intervention in areas which will have the biggest impact on the management of the municipalities' financial affairs.

Focus areas of the Municipal Support Programme

Reducing the high levels of expenditure

The situation encountered by Treasury on arriving at municipalities required drastic and immediate action to bring stability to the deteriorating financial position and control environment. Of immediate concern, was the high level of expenditure which far exceeded the levels of revenue being generated. These unsustainable high levels of expenditure need to be brought under control by instituting expenditure review committees to scale down costs to essential "must have" items. This has led to introducing disciplines in cash flow management, by preparing projections of anticipated inflows and outflows.

Inappropriate use of conditional grants

It was also established that conditional grants funds being utilised to fund operating expenditure. This naturally resulted in those projects for which grants were received, not being implemented or completed. It therefore became essential that any unspent portion of conditional grants be cash backed. This ensured that funds received for specific purposes were directed to those areas. Where there was cash available, separate investment accounts were setup to isolate these funds from cash set aside for operating expenses.

Lack of credibility of financial information

One of the impediments to preparing accurate financial statements is the unavailability of credible financial information. This shortcoming was treated with the urgency it required and, in the process, credibility was restored to the financial records of the municipalities. Much still remains to be done in the areas of instituting proper internal control measures and audit trails with supporting documentation.

VAT returns

The poor state of financial records results in the municipality being unable to submit adequate supporting documentation for VAT returns and many outstanding queries from SARS. The updating of financial records enabled the submission of accurate VAT returns and the resolution of long outstanding queries. This resulted in some municipalities receiving refunds from SARS, thus enhancing their cash flows.

Ineffective supply chain practices

While 'lip service' has been paid to the introduction of supply chain management processes in municipalities, the reality is that implementation has been far from satisfactory. The MSP team has been actively working with municipalities in assisting them to integrate the proper processes into their daily operations. In addition, the team has helped municipalities restructure their processes in accordance with the Supply Chain Management Regulations, as issued by National Treasury.

Intervention undertaken

In December 2005, the Minister of Finance approved Generally Recognised Accounting Practice Standards (GRAP) for implementation by certain public sector entities in terms of Government Gazette No. 26511 of 1 July 2004. Standards of GRAP set out the recognition, measurement, presentation and disclosure requirements for financial reporting in the public sector in South Africa.

Municipalities are required to implement these standards after the expiry of Notice 552 issued by National Treasury, and implementation has been scheduled for 2009 in all municipalities.

As part of the MSP, it was identified that municipalities need assistance in converting their accounting operations to comply with GRAP. Provincial Treasury was motivated to start a GRAP Conversion Initiative in response to its legal responsibility in terms of Section 5(3)(c) of the MFMA, but also because it recognised that the risks of not helping municipalities to comply was too high. Provincial Treasury, through its MSP, had gained enough knowledge about the municipalities to know that not all of them had the capacity to undertake the GRAP conversion process in time and at the required quality standard. Below is a summary of the action taken by Provincial Treasury:

- The need and urgency of intervention within the municipalities to facilitate a smooth and successful GRAP conversion process was recognised;
- A workshop on 4 February 2008 was conducted by Provincial Treasury to understand the essential elements of the conversion, any difficulties encountered in its implementation and what steps could be taken by Provincial Treasury to facilitate the process. Leading members of the accounting firms, Ernst and Young, Price Waterhouse Coopers, Deloitte, KPMG and LMD Africa availed themselves at this workshop to contribute their knowledge and experience in implementing conversions from the IMFO method of accounting to GRAP in municipalities. The combined experience of the above major accounting firms in this regard was found to be of immense benefit to Provincial Treasury in enhancing their understanding of the process;
- Using the information gathered at the workshop, a 'GRAP Conversion Road Map' was prepared. The Road Map identifies those areas that are considered essential to be addressed for the conversion to be a success;
- Provincial Treasury contributed towards the funding of Phase 1 of the GRAP conversion projects, which included five municipalities (listed in Table 8.2);
- Phase 1 of the GRAP initiative went into implementation stage on 22 April 2009. There are currently five municipalities under this initiative; and
- A further five municipalities have been selected for Phase 2 of the GRAP conversion project.

The GRAP conversion project is still ongoing and it is hoped that there will be substantive results after the 2008/09 Annual Financial Statements (AFS) have been prepared and later audited by the Auditor-General. Table 8.2 lists the municipalities that have been supported by the MSP as well as those currently being supported by the programme. It also includes those covered by the GRAP conversion project.

Table 8.2: Municipalities supported by the Municipal Support Programme

12 municipalities in stage 1 & 2 by KZNPT	Stage 3	9 municipalities in DBSA/KZNPT Siyenza Manje Programme	GRAP Conversion (Phase 1)	GRAP Conversion (Phase 2)
uMgungundlovu DM Impendle* Nongoma* Ubuhlebezwe Ingwe Sisonke DM Mandeni Greater Kokstad Ezinqolweni Indaka Nquthu Mpofana	Nkandla Nquthu Mpofana Hlabisa	Umzimkulu Umkhanyakude DM uMngeni uMuziwabantu Uthukela DM Zululand DM Emnambithi/Ladysmith uThungulu DM Newcastle	Ezinqolweni Greater Kokstad The Big Five False Bay Umtshezi Uthukela DM	Mpofana iLembe DM Imbabazane Richmond Vulamehlo

* Section 139 Intervention by DCGTA

8.4 Debt management

Municipalities are burdened by huge and growing debts. The Provincial Treasury is of the view that the exorbitant increases in debts place a burden on the municipalities' financial viability and further negates the sustainability of municipal service delivery and employment creation initiatives.

The current economic down turn and the inability to pay for market related property rates are further indicators that suggest that debt could be on the increase. However, a National Treasury document: *The State of Local Government Finances and Financial Management at 31 March 2009* advises the growth in the level of consumer debtors pre-dates the slow-down in the economy and the slow down can only provide a partial explanation.

National Treasury suggests that more relevant explanations include:

- A failure on the part of Mayors and municipal councils to provide political backing to revenue enhancement programmes;
- A failure on the part of municipal managers to allocate sufficient staff/capacity to revenue collection, thus compromising implementation of policies to enhance revenue;
- Poorly designed revenue management, indigent and debtor policies;
- Resistance among certain communities to paying for certain types of services; and
- Ratepayer boycotts, sparked by deteriorating service delivery and perceptions that the municipality is unresponsive to the community concerns.

Table 8.3 shows the total outstanding debt to the municipalities for each of the nine provinces over the period 2004/05 to 2008/09.

Table 8.3: Outstanding debt per province for the financial years 2004/05 to 2008/09

R thousand	2004/05	2005/06	2006/07	2007/08	2008/09
Eastern Cape	1 327 984	1 937 233	3 329 035	3 207 101	3 236 383
Free State	697 270	2 916 396	3 298 970	3 869 513	3 242 822
Gauteng	18 752 412	12 047 164	22 856 269	21 794 032	22 597 251
KwaZulu-Natal	2 694 294	2 626 810	5 364 200	5 673 114	7 622 029
Limpopo	20 528	621 093	839 975	978 582	2 491 281
Mpumalanga	532 972	956 284	1 558 697	2 008 285	2 005 534
North West	899 438	1 301 688	1 882 880	2 683 334	3 579 485
Northern Cape	6 615	22 130	695 598	799 698	440 206
Western Cape	4 064 810	5 643 483	4 156 186	4 813 258	5 981 918
National Total	28 996 323	28 072 281	43 981 810	45 826 917	51 196 909

Source: National Treasury LG Database amended - Unaudited figures (21 August 2009)

Gauteng has the highest debt owed to municipalities. The total amount owing to municipalities in KwaZulu-Natal (includes eThekweni, uMhlatuze and Msunduzi Municipalities) has grown from R2.694 billion in 2004/05 to R7.622 billion as at 30 June 2009. This represents an increase of 181.5 per cent from 2004/05 to 2008/09 compared to the 76.6 per cent increase in the national total. Similarly, the increase in the outstanding debt for KwaZulu-Natal from 2007/08 to 2008/09 at 33.3 per cent has been significantly higher than the national total of 11.8 per cent.

8.5 Cash coverage

A municipality should have adequate cash on hand to meet its monthly commitments and payments when they fall due. This level of cash coverage is especially important when a municipality is faced with a disaster that threatens revenue collection. National Treasury considers it prudent that a municipality has cash coverage to cover its fixed operating expenditure for three months. National Treasury established that, of the 272 municipalities that had the cash data available, 232 municipalities (85 per cent) had cash

coverage of less than three months of operational expenditure. They concluded that these municipalities are in a very precarious financial position.

A cash flow budget is an estimate of all cash receipts and all cash expenditures during a certain time period. It is a primary tool in short term financial planning as it allows the municipal manager to identify short term cash needs, tests whether the municipality will generate enough income to meet all their cash needs throughout the year, projects the need for short term borrowings and the municipality's ability to repay borrowed funds, and controls the municipality's finances.

By comparing budget to actual cash flow, an unexpected decrease in income or unplanned expenses and opportunities to save or invest funds can be identified timeously. The cash coverage ratio formula is:

$$\frac{\text{Cash and cash equivalents at year-end}}{\text{Fixed monthly operating cash payments}} \times 100\%$$

This ratio indicates the municipality's ability to meet at least its monthly fixed operating commitments without collecting any additional revenue during that month. Cash and Cash Equivalents at Year End is the sum of all cash available in a current account, daily call deposit or any other deposit with a call period of 90 days or less. Fixed Monthly Operating Cash Payments refers to any expenditure which becomes payable during the month by way of a contract, lease agreement or any other arrangement committing the municipality to such a payment. Examples will include bulk purchases, debit orders for lease or other agreements, short term insurance, instalments on loan agreements, salaries and councillor allowances. The larger the operating cash flow coverage for these items, the greater the municipality's ability to meet its obligations, along with giving the municipality more cash flow to expand its service delivery, withstand hard times, and not be burdened by debt servicing and the restrictions typically included in credit agreements.

National Treasury conducted an analysis of the cash coverage for the KZN Municipalities using their 2008/09 budget. Of the 61 municipalities in the province only one municipality, eThekweni which is classified as a Category A municipality, had a cash coverage ratio of less than three months to cover its operational expenditure. Two Secondary Cities Category B municipalities (Newcastle and Msunduzi Municipalities) had less than one month's cash in hand to cover their operational expenditure, while one municipality (uMhlathuze) in the same category has less than three months cash in hand to cover its operational expenditure.

Of the 47 Category B municipalities, 49 per cent had less than one month's cash in hand to cover their operational expenditure. This further concretises statements made in the media that municipalities are extensively reliant on government grants for their existence.

For the Category C municipalities, 60 per cent of the ten municipalities had less than one month coverage of operational expenditure. At a bare minimum, a municipality should maintain a positive cash position. A negative cash flow position is a strong indicator of financial distress. Also, a municipality needs to have enough cash on hand to meet its monthly payments as and when they are due. The level of cash coverage is especially important should the municipality be faced with a disaster that threatens revenue collection.

It is evident that, of the municipalities for which information is available, very few have adequate cash coverage. Indeed, the majority of them have cash coverage ratios of less than one month. These municipalities are in a very precarious financial position.

⁵Any one of the following events could push these municipalities into a negative cash position:

- A deterioration in revenue collections due to the impact that the worsening economic situation and the rising rates and tariffs have on household budgets;
- The need to pay suppliers, especially contractors responsible for capital projects (whose billings are often lumpy and come at year-end);

³ National Treasury document – "The State of Local Government Financial Management and Finances as at 31 March 2009"

- The need to finance the cash flow difference between paying for the increased cost of bulk electricity/water and the collection of revenues from customers;
- Any major breakdown in service delivery resulting in non-supply (especially water and electricity), and therefore no revenue; or
- A rate-payers/consumers boycott.

8.6 Future plan

The national and provincial governments are directing their focus towards obtaining clean audit reports in municipalities. This is a clear indication that the government is concerned about the poor financial records and management in municipalities and the need to address the shortcomings. It is also recognised that municipalities are the direct service delivery arm of government and are best placed to improve the living conditions of communities. In this regard, sustainability of municipalities is imperative to ensure the continued delivery of services.

The MSP has had a positive impact on the financial management of municipalities, and has now extended its support services to other municipalities that are in need. Consequently, Provincial Treasury is proposing the introduction of new initiatives, in addition to those implemented in the current programme, to enhance and improve the standard of municipalities' performances.

The vision for this programme is to enable the sustainability of municipalities in the province. The requirements vary with each municipality and it is crucial to address those needs urgently and comprehensively.

Merely providing assistance in updating records, addressing cash flow problems and getting clean audit reports will not ensure the sustainability of municipalities. Provincial Treasury, therefore, has initiated other projects that will lead to improving compliance with the MFMA, thereby enhancing their operating standards. Several initiatives, in addition to the basic MSP, are proposed. While the fundamentals of a municipality must be in place, it is not sufficient to only address the basic issues confronting municipalities.

With this in mind, the following programmes are proposed to be implemented over the next 3 to 5 years:

- Getting the basics right;
- Conversion to Generally Recognised Accounting Practice (GRAP);
- Audit Committees (roles and responsibilities) and the Internal Audit function;
- Supply Chain Management;
- Improving the control environment;
- Value Added Tax (VAT);
- Focus on sustainability and after care;
- Debtors' cleansing; and
- 16 MFMA priorities.

8.7 Conclusion

Provincial Treasury is committed to supporting and assisting all municipalities in KZN, in improving their level of financial management, augmenting the skills available to them through capacity building and, in the process, enabling the sustainability of their operations. It remains evidently clear, however, that due to the enormity of the MFMA agenda and due to budgetary constraints, the Municipal Finance Unit has no other alternative but to limit the support engagement to a few municipalities.

9. MEASURING PERFORMANCE IN GOVERNMENT

Both the national and provincial government have placed emphasis on the need to understand what the financial resources allocated in a financial year actually end up buying. As a result, measuring performance in government, as well as the costs associated with service delivery, has become a focal point to ensure that value for money is pursued. The Performance Budgeting System (PBS) was initially rolled out to all departments in the province to assist with measuring performance in the province. PBS was designed to empower managers to monitor and evaluate budgets, expenditure, outputs and measurable objectives, and to enable monitoring and evaluation of a range of performance measures.

The commencement of the PBS roll-out began in July 2005, and the implementation schedule provided for a phased approach over approximately four years. The project was, however, slightly behind schedule and the implementation phase was therefore extended to 2010. The effects of the 2009/10 global and economic meltdown resulted in real financial implications for the government of KwaZulu-Natal's fiscal stability, and this meant that government programmes had to be reprioritised, scaled down and rescheduled. The significant cost of continuing with the PBS project meant that the project was discontinued in 2009/10, in accordance with a Cabinet decision in this regard.

9.1 Provincial budget and programme structures and provincial strategic and performance plan formats

The uniform budget and programme structures are gazetted each year, as National Treasury fulfils its Constitutional obligation and that of the PFMA to propose uniform budget and programme structures across all nine provinces for approval by the Heads of Departments and subsequent political endorsement. The collectively agreed uniform budget and programme structures are a joint project, involving the relevant provincial and national line function departments, and national and provincial treasuries.

The agreed uniform budget and programme structures and the development of customised quarterly and annual performance measures, for a number of sectors, are significant steps towards improving the alignment of planning and budgeting on the one hand, and ensuring uniform reporting and greater comparability of efficiency, effectiveness and value-for-money between provinces. The provincial budget reform allowed strategic plans to be complemented by a set of strategic objectives for each of the programmes, thereby ensuring enhanced aligned reporting and greater comparability between provinces.

The availability of information within the annual budget now also enables national and provincial portfolio committees to improve the quality of their oversight role in provincial legislatures, and hold departments more accountable for performance.

The budget and programme structures for the provincial departments of Education, Health, Social Development, Provincial Treasury, Provincial Legislature, Sport and Recreation, Arts and Culture, Agriculture, Environmental Affairs and Rural Development, Office of the Premier, Human Settlements, Transport, and Public Works remain unchanged from what was agreed to and implemented as part of the 2009/10 Budget.

Minor changes and improvements have been made to the uniform programme and budget structures of Economic Development and Tourism, and Co-operative Governance and Traditional Affairs.

The uniform budget and programme structure for the Department of Community Safety and Liaison is newly proposed and will start to be implemented in 2010/11, with full compliance expected in 2011/12.

It was agreed not to exclude any future amendments to the budget structure as these are evolutionary and subject to policy developments within a sector. It was emphasised that any future amendments to the budget and programme structure would only be considered on recommendation of a forum of Heads of Departments, representing all line departments and their national counterparts.

The provincial budget reform programme outlines the guidelines for the format of provincial budget documents, and strategic performance and annual performance plans are issued annually and prescribed by National Treasury. The collectively agreed uniform budget and programme structures form the basis for inputs into departmental strategic and performance plans, as they relate to programme performance. The Framework on Strategic Plans (SPs) and Annual Performance Plans (APPs) was issued during 2009/10 and outlines key concepts to be included by departments and public entities with the preparation of SPs and APPs.

The Framework provides a guide on how SPs and APPs should be developed, taking into consideration existing medium to long term policies, plans and the budget. The SP is a tool intended to assist departments to prioritise and plan the progressive implementation of other plans. Departments' SPs and APPs should be developed in line with the Framework and it is important for departments to ensure that their budget plans are linked to different types of medium and long term plans, and this should specifically be reflected in the APPs. The focus has shifted to activity-based costing, as a link is provided between budget and performance targets.

Developments that were made in 2009/10 relate to the review and refinement of the quarterly and annual performance measures, in line with budget and programme structures. This included comprehensive definitions of the service delivery measures, to ensure consistent measuring and reporting by sector departments.

In this regard, the Departments of Education, Health, Social Development, Human Settlements, Agriculture, Environmental Affairs and Rural Development, Co-operative Governance and Traditional Affairs, Economic Development and Tourism, Transport, Public Works, Arts and Culture, and Sport and Recreation will report on standardised sector-specific performance measures for 2010/11. These measures have to be reflected, as a minimum, in the departments' APPs. The service delivery measures, as prescribed by the sector, are included in the Estimates of Provincial Expenditure, under the sections in the departmental chapters dealing with service delivery measures per programme. The intention of including such information in the budget is to improve transparency, and provide a basis for holding the provincial government accountable for its use of public resources.

The Departments of Community Safety and Liaison, Provincial Treasury, Provincial Legislature, Office of the Premier and the Royal Household will not report on customised performance measures in 2010/11 year, but the measures contained in the APP must be reported on. These measures are also reflected in the Estimates of Provincial Expenditure, in the sections dealing with service delivery measures under the relevant programmes of these departments.

This year is the second year where the Estimated Performance is depicted for the current year, as well as the medium-term targets for the three years of the MTEF. The rationale behind such a comprehensive forward estimate, is to provide greater insight into whether public service delivery is increasing relative to the growth in the budget, and/or if there is a progressive realisation in addressing the needs of the citizenry.

9.2 Quarterly performance reporting (QPR)

The Framework for Managing Programme Performance Information outlines the links between the different accountability documents that departments are required to produce at each stage of the planning, budgeting, execution, reporting and evaluation cycle. It aims to help accounting officers and managers of departments to produce quality accountability documents that use performance information appropriately.

National Treasury is the lead institution responsible for managing programme performance information. SPs and APPs provide a basis for evaluating the organisational performance of public institutions. The QPR provides for monitoring on the overall progress made with the implementation of the department's performance plan, both on a quarterly and an annual basis, with particular reference to monitoring delivery against quarterly performance targets. The report provides the executive authority, National

Treasury and Provincial Treasuries with information on performance against plans, and acts as an enabling mechanism that allows the accounting officer to track progress against what has been planned and what is actually achieved in the form of service delivery outputs. The information contained in the QPR is ultimately consolidated into the performance section of the departments' annual reports. The quarterly performance reports for the second and third quarters provide information on the present year's performance to be taken into consideration in the development of the APP and annual budget for the following year.

In line with the developments that relate to the refinement of the quarterly and annual performance measures, the Departments of Education, Health, Social Development, Human Settlements, Agriculture, Environmental Affairs and Rural Development, Co-operative Governance and Traditional Affairs, Economic Development and Tourism, Transport, Public Works, Arts and Culture, and Sport and Recreation will report on standardised sector-specific performance measures for 2010/11.

The Departments of Community Safety and Liaison, Provincial Treasury, Provincial Legislature, Office of the Premier and the Royal Household will not report on customised performance measures in 2010/11, but will report on the measures contained in their respective APPs.

All provincial departments may, however, report on the full list of performance measures included in the APP.

ANNEXURE – OVERVIEW OF PROVINCIAL EXPENDITURE

Table 1.A: Details of provincial own receipts

R thousand	Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09				2010/11	2011/12	2012/13
Tax receipts	953 871	1 037 169	1 207 899	1 262 889	1 262 889	1 299 438	1 382 528	1 492 908	1 594 521
Casino taxes	194 038	239 866	267 943	275 024	275 024	280 033	297 026	320 788	336 827
Horse racing taxes	38 174	43 655	65 070	49 138	49 138	42 318	43 597	46 025	49 294
Liquor licences	3 760	4 017	4 282	38 095	38 095	5 000	41 905	46 095	48 400
Motor vehicle licences	717 899	749 631	870 604	900 632	900 632	972 087	1 000 000	1 080 000	1 160 000
Sale of goods and services other than capital asset	211 378	247 127	302 546	274 281	274 281	324 870	333 301	354 344	372 553
Sale of goods and services produced by dept. (excl. capital assets)	210 287	245 873	301 218	273 130	273 130	309 230	322 842	343 258	360 908
Sales by market establishments	27 308	36 994	41 534	39 185	39 185	44 487	45 650	49 516	52 234
Administrative fees	5 441	6 631	7 685	6 850	6 850	5 657	6 047	6 492	6 816
Other sales	177 538	202 248	251 999	227 095	227 095	259 086	271 145	287 250	301 858
Of which									
Bookmakers licences	81 603	93 505	103 553	95 221	95 221	121 815	129 902	137 684	144 711
Housing rent recoveries	1 475	1 963	1 756	2 273	2 273	2 108	2 302	2 431	2 613
Serv rend: Commission Insurance	1 998	3 088	3 931	3 989	3 989	4 031	4 752	5 021	5 290
Sales: Dept publications	92 414	103 635	142 669	125 484	125 484	130 989	134 053	141 970	149 093
Sale of scrap, waste, arms and other used current goods (excluding capital assets)	1 091	1 254	1 328	1 151	1 151	15 640	10 459	11 086	11 645
Transfers received from:	7 087	300	921	-	-	300	-	-	-
Other governmental units	6 787	-	571	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	300	300	350	-	-	300	-	-	-
Households and non-profit institutions	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	19 728	36 536	40 413	33 733	33 733	38 021	36 058	38 218	40 129
Interest, dividends and rent on land	176 243	159 599	43 448	23 055	23 055	29 620	6 168	6 692	7 273
Interest	175 862	159 328	42 521	22 994	22 994	29 506	5 997	6 510	7 075
Dividends	-	3	4	-	-	-	-	-	-
Rent on land	381	268	923	61	61	114	171	182	198
Sale of capital assets	7 972	11 564	7 857	20 940	20 940	12 085	6 820	7 211	7 609
Land and subsoil assets	-	-	-	-	-	-	-	-	-
Other capital assets	7 972	11 564	7 857	20 940	20 940	12 085	6 820	7 211	7 609
Transactions in financial assets and liabilities	70 138	64 989	95 273	30 131	30 131	67 179	38 693	43 338	45 724
Total	1 446 417	1 557 284	1 698 357	1 645 029	1 645 029	1 771 513	1 803 568	1 942 711	2 067 809

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

R thousand	Outcome			Main	Adjusted	Revised	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09	Appropriation	Appropriation 2009/10	Estimate	2010/11	2011/12	2012/13
Current payments	29 749 962	35 487 639	43 682 132	45 509 904	46 824 923	49 445 190	53 666 594	58 235 828	61 443 887
Compensation of employees	21 758 145	25 794 246	31 062 640	33 178 728	34 690 587	36 333 061	38 857 418	41 606 242	43 754 923
Salaries and wages	18 037 488	21 674 323	25 791 902	27 747 968	29 056 129	30 566 715	31 781 432	34 049 473	35 811 123
Social contributions	3 720 657	4 119 923	5 270 738	5 430 760	5 634 458	5 766 346	7 075 986	7 556 769	7 943 800
Goods and services of which	7 991 427	9 693 386	12 480 481	12 331 176	12 134 336	12 950 886	14 574 176	16 394 586	17 453 964
Administrative fees	103 303	203 034	24 049	36 862	42 746	43 580	32 100	34 619	36 066
Advertising	136 044	195 922	247 649	176 504	183 959	184 879	144 272	149 633	157 820
Assets <R5000	246 993	215 467	218 420	288 322	245 435	145 111	263 845	346 704	359 121
Audit cost: External	61 862	45 122	50 976	49 637	65 669	89 101	73 022	77 173	79 948
Bursaries (employees)	55 700	14 611	31 936	24 843	25 416	23 575	43 973	51 501	54 269
Catering: Departmental activities	70 750	128 986	204 241	143 178	142 846	140 320	115 639	134 443	134 524
Communication	189 688	211 996	263 263	289 432	272 388	287 936	306 123	324 469	341 780
Computer services	172 426	242 598	334 751	325 051	307 124	331 274	352 714	381 143	398 364
Cons/prof: business & advisory services	417 226	517 215	691 202	1 130 573	983 796	858 950	1 173 307	1 165 753	1 203 339
Cons/prof: Infrastructure & planning	82 563	208 854	127 538	230 686	192 247	186 799	200 297	248 256	263 596
Cons/prof: Laboratory services	128 637	258 353	495 744	420 249	512 052	620 828	671 720	736 457	758 500
Cons/prof: Legal cost	7 866	11 371	36 339	19 917	27 411	30 797	31 072	32 570	34 378
Contractors	652 061	1 027 159	1 940 454	1 170 638	1 257 120	1 427 115	1 370 191	1 590 972	1 717 418
Agency & support/outourced services	788 031	761 525	900 475	861 286	794 166	931 331	959 182	1 011 309	1 050 778
Entertainment	17 801	7 022	11 392	7 346	5 580	4 445	5 570	6 039	6 326
Government motor transport	25 171	23 840	36 716	34 036	35 297	38 997	36 026	40 372	42 066
Housing	502	155	162	174	174	174	190	200	211
Inventory: Food and food supplies	366 768	476 976	665 022	768 658	809 479	892 485	1 105 226	1 335 029	1 426 466
Inventory: Fuel, oil and gas	204 486	215 103	253 097	322 142	307 342	286 123	302 867	331 328	344 653
Inventory: Learn & teacher support material	407 072	437 261	382 237	534 200	537 817	519 617	570 248	591 798	621 597
Inventory: Raw materials	110 444	92 337	122 690	105 329	81 150	63 569	76 139	88 462	92 733
Inventory: Medical supplies	1 490 026	1 860 135	2 101 630	2 095 497	2 311 256	2 744 817	3 071 756	3 616 271	4 117 085
Medsas inventory interface	-	-	332	-	-	-	-	-	-
Inventory: Military stores	-	-	-	-	-	-	-	-	-
Inventory: Other consumables	252 269	268 815	413 273	346 507	355 538	378 939	474 141	498 587	505 083
Inventory: Stationery and printing	103 559	152 029	199 378	169 398	155 200	182 211	189 008	260 360	271 030
Lease payments	191 938	247 081	349 940	388 904	416 691	448 242	450 822	474 290	494 216
Owned & leasehold property expenditure	274 518	473 089	733 024	670 150	738 795	810 929	1 019 791	1 081 108	1 119 251
Transport provided dept activity	32 959	68 162	137 313	86 854	93 214	104 292	123 177	136 657	144 391
Travel and subsistence	296 408	391 651	679 472	425 393	397 785	427 575	475 863	530 379	557 103
Training & staff development	143 899	180 771	147 122	291 393	199 991	198 372	320 213	349 366	360 570
Operating expenditure	159 131	206 014	237 828	156 553	160 470	189 782	171 649	170 306	178 471
Venues and facilities	111 219	172 863	258 228	191 884	179 939	187 281	191 440	219 494	233 032
Other	690 107	377 870	184 588	569 580	296 243	171 440	252 593	379 538	349 779
Interest and rent on land	390	7	139 011	-	-	161 243	235 000	235 000	235 000
Interest	364	-	138 919	-	-	161 243	235 000	235 000	235 000
Rent on land	26	7	92	-	-	-	-	-	-
Transfers and subsidies to	4 055 105	5 420 173	6 897 173	8 488 443	8 794 766	8 693 802	8 409 339	9 005 500	9 571 052
Provinces and municipalities	478 394	783 710	1 115 245	1 069 802	1 340 214	1 331 010	728 822	787 321	794 839
Provinces	-	-	-	-	-	-	-	-	-
Provincial Revenue Funds	-	-	-	-	-	-	-	-	-
Provincial agencies and funds	-	-	-	-	-	-	-	-	-
Municipalities	478 394	783 710	1 115 245	1 069 802	1 340 214	1 331 010	728 822	787 321	794 839
Municipalities	478 385	783 710	1 115 245	1 069 802	1 340 214	1 331 010	728 822	787 321	794 839
Municipal agencies and funds	9	-	-	-	-	-	-	-	-
Departmental agencies and accounts	429 376	412 701	528 434	546 916	563 936	562 367	560 227	598 693	629 183
Social security funds	77	178	65	194	194	9	202	215	225
Entities receiving funds	429 299	412 523	528 369	546 722	563 742	562 358	560 025	598 478	628 958
Universities and technikons	100	1 274	11 614	4 500	4 500	560	28 300	28 300	28 300
Foreign governments and international organisations	264	162	1 081	1 060	1 110	1 110	1 124	1 191	1 250
Public corporations and private enterprises	633 810	965 732	177 530	1 205 579	1 052 200	993 856	1 297 656	1 379 284	1 442 507
Public corporations	505 573	921 130	136 327	1 186 764	1 007 761	954 689	1 272 588	1 351 750	1 413 447
Subsidies on production	75 823	148 182	89 710	742 746	751 746	691 746	846 021	914 250	963 427
Other transfers	429 750	772 948	46 617	444 018	256 015	262 943	426 567	437 500	450 020
Private enterprises	128 237	44 602	41 203	18 815	44 439	39 167	25 068	27 534	29 060
Subsidies on production	-	-	-	-	-	171	-	-	-
Other transfers	128 237	44 602	41 203	18 815	44 439	38 996	25 068	27 534	29 060
Non-profit institutions	1 504 263	2 204 404	3 572 838	3 652 861	3 830 998	3 782 275	3 206 133	3 371 219	3 538 223
Households	1 008 898	1 052 190	1 490 431	2 007 725	2 001 808	2 022 624	2 587 077	2 839 492	3 136 750
Social benefits	98 552	96 173	125 857	108 971	116 061	127 137	121 322	122 418	128 131
Other transfers to households	910 346	956 017	1 364 574	1 898 754	1 885 747	1 895 487	2 465 755	2 717 074	3 008 619
Payments for capital assets	3 010 744	3 457 985	4 890 684	5 530 780	5 168 421	5 204 701	6 607 601	7 342 203	7 792 060
Buildings and other fixed structures	2 369 206	2 774 040	4 051 754	4 471 492	4 270 753	4 342 690	5 529 515	6 099 946	6 486 955
Buildings	1 362 650	2 383 644	1 975 408	2 292 951	2 335 775	2 425 506	3 382 316	3 806 620	4 144 341
Other fixed structures	1 006 556	390 396	2 076 346	2 178 541	1 934 978	1 917 184	2 147 199	2 293 326	2 342 614
Machinery and equipment	618 514	646 537	831 589	1 049 588	888 606	853 164	1 072 059	1 236 000	1 298 537
Transport equipment	108 524	165 818	152 580	216 947	125 348	92 364	188 574	192 767	204 137
Other machinery and equipment	509 990	480 719	679 009	832 641	763 258	760 800	883 485	1 043 233	1 094 400
Heritage assets	-	-	262	-	-	169	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	23	99	-	340	350	343	336	354	371
Land and sub-soil assets	5 498	1 714	900	-	-	-	-	-	-
Software and other intangible assets	17 503	35 595	6 179	9 360	8 712	8 335	5 691	5 903	6 197
Payments for financial assets	28 887	77 901	14 801	-	1 055 068	1 055 217	332 338	13 070	3 767
Total	36 844 698	44 443 698	55 484 790	59 529 127	61 843 178	64 398 910	69 015 872	74 596 600	78 810 766
1. Included under Payment of Capital Assets are capitalised payments for:									
Compensation of employees	202	123	142	-	185 492	185 520	185 666	-	-
Total compensation of employees	21 758 347	25 794 366	31 062 782	33 178 728	34 876 079	36 518 581	39 043 084	41 606 242	43 754 923
Goods and services	2 539 187	3 121 798	5 025 223	5 147 898	5 046 306	5 019 306	5 445 391	5 930 515	6 267 113
Total goods and services	10 530 614	12 815 184	17 505 704	17 479 074	17 180 642	17 970 192	20 019 567	22 325 101	23 721 077

Table 1.C: Detail payments and estimates of infrastructure by category

Project name	Region	Municipality	Type of infrastructure		Project duration		Budget programme name	EPWP budget for current financial year	Total project cost	Payments to date from previous years	Total available	MTEF forward estimates		
R thousand			Project/admin block; water; electricity; sanitation; etc.	Units (i.e. number of facilities)	Date: Start	Date: finish						2010/11	2011/12	2012/13
New and replacement assets														
Office of the Premier									-	1 314	-	-	-	-
1.	Kwa-Ceza Chapel	Zululand	Ulundi	Chapel	1	April	March	Policy and Gov	-	1 314	-	-	-	-
Agriculture, Environmental Affairs and Rural Development									-	109 325	5 000	41 542	43 553	45 740
1.	Dukuduku Mushroom Base	Umkhanyakude	Mtubatuba	Mushroom Satellite		01/04/2010	31/03/2011	Agric Dev Services	-	8 500	-	8 500	-	-
2.	KwaDweshula Mushroom Base	Ugu	Portshepstone	Mushroom Satellite		15/03/2009	15/11/2009	Agric Dev Services	-	6 500	5 000	1 150	-	-
3.	Mushroom Satellite Bases	Amajuba/Umqinyathi	Newcastle/Umqinyathi	Mushroom Satellite		01/04/2010	31/03/2013	Agric Dev Services	-	68 000	-	8 425	19 160	20 118
4.	Maphophoma Irrigation Scheme	Zululand	Nongoma	Irrigation Scheme		01/04/2010	28/02/2013	Agric Dev Services	-	6 000	-	1 000	2 500	2 500
5.	Malenge Dam	Sisonke	Umqimkulu	Sealing of stock water dam		01/04/2010	31/03/2011	Agric Dev Services	-	-	-	2 142	2 100	2 210
6.	Poultry projects	KZN	KZN	Erection of poultry structures	10 projects	1/04/2010	31/03/2011	Agric Dev Services	-	2 695	-	2 695	2 600	2 750
7.	Farm structures	KZN	KZN	Hydroponic, fencing, handling facilities	25 projects	01/04/2010	31/03/2011	Agric Dev Services	-	10 981	-	10 981	10 593	11 170
8.	Irrigation schemes	KZN	KZN	Irrigation schemes	35 projects	01/04/2010	31/03/2011	Agric Dev Services	-	6 649	-	6 649	6 600	6 992
Economic Development and Tourism									-	5 183 061	601 400	583 880	461 180	484 239
1.	Dube TradePort	Ethekwini	Ethekwini	Airport and trade port		2006/04/01	2060/03/31	Trade and Industry D	-	4 913 587	573 500	526 905	401 544	421 621
2.	Richards Bay IDZ	uMhlathuze	uThungulu	Industrial Development Zone		2010/04/01	2011/03/31	Trade and Industry D	-	233 630	27 900	56 975	59 636	62 618
3.	Co-operative Infrastructure	Various	Various	Co-operative projects		2009/04/01	2010/03/31	Enterprise Developm	-	35 844	-	-	-	-
Education									-	2 813 062	306 164	690 459	951 401	999 601
1.	Westmead School	Metros KZ	eThekwini	School-combined			2010/03/31	Public Ord Sch Ed	-	21 909	3 261	18 649	-	-
2.	Dumisani Makhaye High School	Metros KZ	eThekwini	School - Secondary			2010/03/31	Public Ord Sch Ed	-	21 909	1 742	20 167	-	-
3.	New Unity S Area School	ugu	Hibiscus coast	School - Primary			2010/03/31	Public Ord Sch Ed	-	21 909	-	21 909	-	-
4.	Indaleni School	uMgungundlovu	Richmond	School - Primary			2010/03/31	Public Ord Sch Ed	-	21 909	-	21 909	-	-
5.	Mvuso school	ugu	Hibiscus coast	School - Primary			2010/03/31	Public Ord Sch Ed	-	21 909	-	21 768	-	-
6.	Shayamoya school	ugu	Hibiscus coast	School - Primary			2010/03/31	Public Ord Sch Ed	-	21 909	733	16 813	-	-
7.	Birdwood H	uThungulu	Umhlathuze	School - Secondary			2013/02/24	Public Ord Sch Ed	-	21 909	4 823	17 073	-	-
8.	Empangeni Rail H	uThungulu	Umhlathuze	School - Secondary			2010/10/26	Public Ord Sch Ed	-	21 909	2 841	19 039	-	-
9.	uMzombe High School	ugu	Hibiscus coast	School - Secondary			2013/04/11	Public Ord Sch Ed	-	29 630	3 099	25 685	-	-
10.	Birdwood Secondary	uThungulu	Umhlathuze	School - Secondary			2013/02/24	Public Ord Sch Ed	-	23 314	14	23 177	-	-
Other	Various	All	All	All		Various	Various	All	-	2 584 846	289 651	484 270	951 401	999 601
Health									235 590	5 873 876	1 022 564	638 122	608 402	441 400
1.	Ezakheni (St Chads) CHC	Uthukela	KZ232	Community Health Centres	1	2006/11/20	2009/09/23	Health Fac. Mgt	-	71 000	33 563	20 759	10 000	6 678
2.	Turton CHC	Ugu	KZ213	Community Health Centres	1	2006/08/02	2009/12/02	Health Fac. Mgt	-	71 000	35 966	26 000	5 034	4 000
3.	Pietermaritzburg M6 Mortuary	Umgungundlovu	KZ225	Forensic Mortuaries	M6	2009/05/01	2012/06/30	Health Fac. Mgt	-	78 000	45 000	29 000	4 000	-
4.	Madadeni CHC	Amajuba	KZ252	Community Health Centres	1	2010/01/20	2011/03/15	Health Fac. Mgt	-	79 651	1 940	30 137	30 310	13 264
5.	Kwa Mashu CHC	eThekwini	eThekwini	Community Health Centres	1	2007/03/05	2009/11/19	Health Fac. Mgt	-	81 000	56 349	17 540	6 311	800
6.	Pomeroy CHC	Umqinyathi	KZ244	Community Health Centres	1	2010/01/20	2011/03/15	Health Fac. Mgt	-	114 278	1 940	21 522	80 000	12 938
7.	Madadeni Complex Hospital	Amajuba	KZ252	Psychiatric Hospitals	1620	2009/04/01	2014/03/30	Health Fac. Mgt	-	286 000	-	5 000	5 000	5 000
8.	King George V Hospital	eThekwini	Durban	TB Hospitals	922	2010/06/30	2014/06/30	Health Fac. Mgt	235 590	392 650	375 846	16 804	-	-
9.	Dr John Dube Hospital	eThekwini	Durban	District Hospitals	450	2009/07/30	2011/07/29	Health Fac. Mgt	-	1 154 362	2 835	3 250	-	-
10.	Madadeni Hospital	Amajuba	KZ252	Regional Hospitals	620	2009/04/01	2014/03/20	Health Fac. Mgt	-	1 251 558	6 500	2 500	30 000	50 000
Other	Various	Various	Various	Various	Various	Various	Various	Health Fac. Mgt	-	2 294 377	462 625	465 610	437 747	348 720
Human Settlements									-	-	-	60 000	60 000	-
1.	Social and Economic Facilities	Kzn Whole Province	Kzn Whole Province	Unknown as and when required				Housing Dev	-	-	-	60 000	60 000	-
Transport									7 400	1 215 088	1 062 088	554 191	617 094	653 646
1.	P577	Durban	DC29	Surface	14 KM	04/2003	2010/2011	ARRUP	4 500	739 900	660 900	90 000	105 600	110 880
2.	R102	Durban	DC29	Surface				RNI	-	-	-	-	-	-
3.	P700	Empangeni	DC26	Surface	95KM	05/2004	2014/2015	ARRUP	2 900	475 188	401 188	125 500	144 837	144 889
4.	Access roads	Whole KZN	Whole KZN	Gravel					-	-	-	196 191	217 738	243 624
5.	Pedestrian bridges	Whole KZN	Whole KZN	Bridges					-	-	-	108 000	114 419	119 753
6.	Intergrated Public Transport Facilities	Ulundi		Structures	1				-	-	-	34 500	34 500	34 500

Overview of Provincial Expenditure

Table 1.C: Detail payments and estimates of infrastructure by category (cont'd)

Table 10: Detail payments and estimates of infrastructure by category (cont'd)														
Project name		Region	Municipality	Type of infrastructure		Project duration		Budget programme name	EPWP budget for current financial year	Total project cost	Payments to date from previous years	Total available		
R thousand				Project/admin block; water; electricity; sanitation; etc.	Units (i.e. number of facilities)	Date: Start	Date: finish					2010/11	2011/12	2012/13
Social Development									-	292 379	36 434	55 302	83 259	87 422
1.	Mkhuphula OSDC	Mzinyathi	Msinga	One Stop Development Centre	9	2009/11/26	2010/09/31	Dev & Research	-	13 483	3 300	10 183	-	-
2.	Inkosi Mhlabanzima Maphumulo OSDC	Umgungundlovu	Mkhambathini	One Stop Development Centre	7	2009/04/09	2010/07/31	Dev & Research	-	7 680	2 000	5 186	-	-
3.	Msebe OSDC	Zululand	Nongoma	One Stop Development Centre	7	2009/04/13	2010/07/31	Dev & Research	-	9 604	2 400	7 204	-	-
4.	Msinga Top OSDC	Mzinyathi	Msinga	One Stop Development Centre	7	2009/04/08	2010/07/31	Dev & Research	-	9 604	2 400	7 204	-	-
5.	Morena Kgoadi Molefe OSDC	Mzinyathi	Nquthu	One Stop Development Centre	7	2009/04/20	2010/07/31	Dev & Research	-	9 604	5 760	3 844	-	-
6.	Umbononuhle OSDC Phase 2	Zululand	Nongoma	One Stop Development Centre	7	2010/06/01	2011/03/31	Dev & Research	-	9 604	4 074	5 530	-	-
7.	Inkosi Simakade Mchunu OSDC	Mzinyathi	Msinga	One Stop Development Centre	7	2010/07/01	2011/03/31	Dev & Research	-	9 604	2 880	6 724	-	-
8.	Melmoth Service Office	Uthungulu	Mthonjaneni	Office		2009/01/20	2010/02/28	Dev & Research	-	15 320	13 120	2 200	-	-
9.	Hlanganani Service Office	Sisonke	Ingwe	Office		2010/06/01	2012/02/28	Dev & Research	-	15 000	500	3 227	11 273	-
10.	Godlwayo OSDC	Zululand	Nongoma	One Stop Development Centre	7	2010/04/01	2010/03/31	Dev & Research	-	11 524	-	2 000	9 524	-
Other	Various	Various	Various	Various		Various	Various	various	-	181 352	-	2 000	62 462	87 422
Public Works									-	120 835	13 105	36 200	24 518	21 000
1.	Ixopo: Works District Office: Construction of new Work's District Office	Southern	Sisonke	Admin Block	1	2009/02/01	2009/10/30	Prov of Build, Struct & Equipmt	-	21 310	687	2 500	2 150	-
2.	Southern Regional Office: New Office Park	Southern	uMgungundlovu	Admin Block	1	2009/04/01	2011/05/15	Prov of Build, Struct & Equipmt	-	17 725	5 468	5 300	428	-
3.	Richmond NIP Site: Construction of Richmond NIP Site	Southern	Sisonke	Admin Block	1	2009/04/01	2010/08/30	Prov of Build, Struct & Equipmt	-	3 900	24	400	-	-
4.	uMkhanyakude District Office: Construction of Mkuze District Office	North Coast	uMkhanyakude	Admin Block	1	2009/10/01	2012/03/31	Prov of Build, Struct & Equipmt	-	20 000	1 903	10 000	9 900	-
5.	iLembe District Office: Construction of new Sub-Office	eThekwini	iLembe	Admin Block	1	2009/05/25	2012/03/31	Prov of Build, Struct & Equipmt	-	27 000	-	-	8 040	21 000
6.	Mtubatuba District Office	North Coast	uMkhanyakude	Admin Block	1	2009/01/15	2012/03/31	Prov of Build, Struct & Equipmt	-	30 900	5 023	18 000	4 000	-
Arts and Culture									-	156 684	-	69 947	27 473	28 312
1.	Arts Centre - Umkhumbane	Metro	Ethekwini	Arts Centre		2010/04/01	2010/10/31	Cultural Affairs	-	3 600		3 600		
2.	Arts Centre - Mnambithi	Uthukela	Emnambithi	Arts Centre		2010/04/01	2010/10/31	Cultural Affairs	-	4 000		4 000		
3.	Arts Centre	Uthungulu	Uthungulu	Arts Centre		2010/04/01	2010/10/31	Cultural Affairs	-	7 891		7 891		
4.	Arts Centre - Osizweni	Amajuba	Newcasatle	Arts Centre		2009/10/01	2010/08/31	Cultural Affairs	-	10 000		10 000		
5.	Arts Centre - Mbazwana	Umkhanyakuda	Umkhanyakuda	Arts Centre		2010/04/01	2011/02/28	Cultural Affairs	-	10 000		10 000		
6.	Arts Centre - Bulwer	Sisonke	Ingwe	Arts Centre		2009/10/01	2010/08/31	Cultural Affairs	-	10 000		10 000		
7.	Costruction of Library	Ugu	Umkhanyakude	Library				Library and Archive Services	-	11 200		4 000	5 922	
8.	Construction of library	Ugu	Vulamehlo	Library				Library and Archive Services	-	12 000			500	5 500
9.	Construction of library	Ugu	Hibiscus	Library				Library and Archive Services	-	10 000		6 000		
10.	Construction of library	Amajuba	Dannhauser	Library				Library and Archive Services	-	1 262		456		
11.	Construction of library	Uthungulu	Ntambanana	Library				Library and Archive Services	-	11 500		500	500	5 500
12.	Construction of library	Uthungulu	Nkandla	Library				Library and Archive Services	-	4 812			2 729	6 412
13.	Construction of library	Ilembe	Maphumulo	Library				Library and Archive Services	-	11 000		5 000	4 322	900
14.	Construction of library	Sisonke	Umkhanyakude	Library				Library and Archive Services	-	4 000		500	3 500	
15.	Construction of library	Umkhanyakuda	Umkhanyakuda	Library				Library and Archive Services	-	25 419		8 000		
Other	Construction of library CG	Uthungulu	uMhlathuze	Library				Library and Archive Services	-	20 000			10 000	10 000
Sport and Recreation									-	12 204	35 111	19 889	20 804	21 104
1.	Combi Courts	various	various	Sporting court	17	2009/04/01	2010/03/31	Sport and Recreation	-	5 963	23 162	12 810	13 399	13 399
2.	Futsal Courts	various	various	Soccer court	10	2009/04/01	2010/03/31	Sport and Recreation	-	6 241	11 949	7 079	7 405	7 705
Total new and replacement assets									242 990	15 777 828	3 081 866	2 749 532	2 897 684	2 782 464

Table 1.C: Detail payments and estimates of infrastructure by category (cont'd)

Project name	Region	Municipality	Type of infrastructure		Project duration		Budget programme name	EPWP budget for current financial year	Total project cost	Payments to date from previous years	Total available	MTEF forward estimates			
			Project/admin block; water; electricity; sanitation; etc.	Units (i.e. number of facilities)	Date: Start	Date: finish						2010/11	2011/12	2012/13	
R thousand															
Upgrades and additions															
Provincial Legislature									-	1 015	1 610	1 281	1 358	1 426	
1. Ground maintenance	uMgungundlovu	Msunduzi	Ground maintenance	Legislature Grounds	Ongoing	Ongoing	Administration	-	65	250	65	75	85		
2. Fumigation Council building	uMgungundlovu	Msunduzi	Fumigation Council building	1 building			Administration	-	40	90	40	48	60		
3. Fumigation Legislature building	uMgungundlovu	Msunduzi	Fumigation Legislature building	1 building			Administration	-	60	120	60	68	75		
4. Replace/upgrade air-conditioners	uMgungundlovu	Msunduzi	Replace/upgrade air-conditioners				Administration	-	330	400	330	300	300		
5. Painting Council building	uMgungundlovu	Msunduzi	Painting Council building	1 building			Administration	-	300	400	300	-	-		
6. Fixing of facades of Council building	uMgungundlovu	Msunduzi	Fixing of facades of Council building				Administration	-	-	-	-	461	-		
Other Painting, pigeon protection	uMgungundlovu	Msunduzi	Painting, pigeon protection				Administration	-	220	350	486	406	906		
Education									-	1 882 656	358 335	885 073	960 466	1 147 290	
1. Tshelimnyama Sec School	Metros KZ	eThekwini	School - Primary		2008/04/01		Public Ord Sch Ed	-	19 216	729	18 468	-	-		
2. Molweni P	Metros KZ	eThekwini	School - Primary		2009/04/01		Public Ord Sch Ed	-	19 216	901	15 399	-	-		
3. Malukazi P	Metros KZ	eThekwini	School - Primary		2009/04/01		Public Ord Sch Ed	-	19 216	1 896	17 218	-	-		
4. Quarry Heights	Metros KZ	eThekwini	School - Primary		2009/04/01		Public Ord Sch Ed	-	19 216	2 219	16 957	-	-		
5. Copesville School	uMgungundlovu	Msunduzi	School - Primary		2009/04/01		Public Ord Sch Ed	-	19 216		19 216	-	-		
6. Khethokuhle	Amajuba		School - Secondary		2009/04/01		Public Ord Sch Ed	-	17 950	1 275	13 832	-	-		
7. Nkombose H	umkhanyakude		School - Primary		2006/11/01		Public Ord Sch Ed	-	18 087	1 637	12 372	-	-		
8. Amandlakazulu P(Bilanyoni)	Ilembe	Ndwedwe	School - Primary		2008/11/28		Public Ord Sch Ed	-	19 215	3 062	12 367	4 136	-		
9. Amandlakazulu P	Zululand		School - Specialised		2009/04/01		Public Ord Sch Ed	-	19 215	-	19 215	-	-		
10. Vulekani Special School	Sisonke		All				Public Ord Sch Ed	-	20 000	17	19 354	-	-		
Other Various	All	All			Various	Various	Various	-	1 692 109	346 599	720 675	956 330	1 147 290		
Health									334 853	7 620 336	1 012 954	499 751	654 970	894 549	
1. G J Crookes Hospital	Ugu	KZ212	District Hospitals	300	2008/09/24	2009/12/01	Health Fac. Mgt	-	106 604	25 617	23 420	30 000	22 567		
2. Port Shepstone Hospital	Ugu	KZ216	Regional Hospitals	366	2008/12/03	2010/11/30	Health Fac. Mgt	-	113 700	91 326	12 000	8 000	2 374		
3. Estcourt Hospital	Uthukela	KZ234	District Hospitals	554	2010/08/31	2015/03/01	Health Fac. Mgt	-	129 000	5 402	15 000	20 000	28 000		
4. Ngwelezane Hospital	Uthungulu	KZ282	Regional Hospitals	554	2012/06/01	2015/07/31	Health Fac. Mgt	89 981	149 968	3 421	13 200	19 800	19 800		
5. King George V Hospital	eThekwini	Durban	TB Hospitals	922	2001/11/24	2010/03/03	Health Fac. Mgt	90 480	150 800	103 400	15 000	15 000	10 000		
6. Hlabisa Hospital	Umkhanyakude	KZ274	District Hospitals	175	2009/09/30	2010/03/31	Health Fac. Mgt	-	160 980	50 787	62 500	39 000	8 693		
7. Ngwelezane Hospital	Uthungulu	KZ282	Regional Hospitals	tbc	2009/04/01	2010/03/31	Health Fac. Mgt	154 392	257 320	24 796	500	1 000	5 000		
8. Edendale Hospital	Umgungundlovu	KZ225	Regional Hospitals	900	2009/01/03	2009/12/01	Health Fac. Mgt	-	1 062 000	4 500	30 000	57 000	150 000		
9. Essential Health Technology Equipment	Umgungundlovu	KZ225	Health Technology Equipment		2009/05/01	2013/03/30	Health Fac. Mgt	-	1 200 000	-	90 000	100 000	100 000		
10. King Edward	eThekwini	Durban	TB Hospitals	1460	2010/06/30	2014/06/30	Health Fac. Mgt	-	1 416 000	-	13 580	155 824	155 824		
Other Various	Various	Various	Various	Various	Various	Various	Health Fac. Mgt	-	2 873 964	703 705	224 551	209 346	392 291		
Transport									7 840	1 162 490	649 942	1 079 200	1 126 927	1 176 562	
1. P496	Empangeni	DC28	Surface	13KM	10/2005	2011/2012	RNI	6 750	900 000	501 400	135 000	151 200	157 248		
2. P318	PMB	DC43	Surface	14KM	11/2006	2010/2011	RNI	1 090	262 490	148 542	67 499	68 200	69 008		
3. DubeTradePort Roads								-	-	-	267 349	274 039	275 951		
4. ARRUP Roads								-	-	-	280 000	291 200	305 771		
5. Access Roads								-	-	-	294 552	307 488	333 784		
6. Computerised learner licence testing								-	-	-	32 000	32 000	32 000		
7. Road Safety improvements								-	-	-	2 800	2 800	2 800		
Social Development									-	175 335	69 218	46 010	23 733	24 920	
1. Richards Bay	Uthungulu	Umhlathuze	Office		2010/06/01	2011/05/30	Soc Welf Serv	-	9 000	500	7 000	1 500	-		
2. Dundee	Umgungundlovu	Indumeni	Office		2009/05/18	2011/09/30	Soc Welf Serv	-	14 800	4 000	9 159	-	-		
3. Umbumbulu	Durban Metro	Durban Metro	Office		2010/04/01	2011/03/30	Soc Welf Serv	-	350	-	350	-	-		
4. Umlazi	Durban Metro	Durban Metro	Office		2010/07/01	2012/03/30	Soc Welf Serv	-	3 000	-	1 000	2 000	-		
5. Mbabazane	Uthukela	Mbabazane	Office		2010/06/01	2011/03/30	Soc Welf Serv	-	200	-	201	-	-		
6. Kwabadala Old Age Home	Uthungulu	Nkandla	OAH		2008/10/10	2010/02/28	Soc Welf Serv	-	33 000	24 762	8 238	-	-		
7. Kwabadala Old Age Home	Uthungulu	Nkandla	Residential Accommodation		2010/04/01	2011/06/30	Soc Welf Serv	-	7 800	-	4 762	2 500	525		
8. Ingwelezane POS	Uthungulu	Umhlathuze	POS		2009/04/01	2011/03/30	Soc Welf Serv	-	5 500	500	4 500	500	-		
9. Zakhe	Durban Metro	Durban Metro	POS		2010/04/01	2011/03/30	Soc Welf Serv	-	250	-	250	-	-		
10. Greenfields POS	Umgungundlovu	Umsunduzi	POS		2010/07/01	2011/06/30	Soc Welf Serv	-	500	-	500	-	-		
Other Various	Various	Various	Various	Various	Various	Various	various	-	100 935	39 456	10 050	17 233	24 395		

Overview of Provincial Expenditure

Table 1.C: Detail payments and estimates of infrastructure by category (cont'd)

Table 10: Detail payments and estimates of infrastructure by category (cont'd)														
Project name		Region	Municipality	Type of infrastructure		Project duration		Budget programme name	EPWP budget for current financial year	Total project cost	Payments to date from previous years	Total available	MTEF forward estimates	
R thousand				Project/admin block; water; electricity; sanitation; etc.	Units (i.e. number of facilities)	Date: Start	Date: finish					2010/11	2011/12	2012/13
Public Works														
1. Nongoma District Office: upgrading & Additions to existing buildings		North Coast	Zululand	Admin Block	1	2008/08/26	2009/09/26	Prov of Build, Struct & Equipmt	Yes	15 000	4 322	1 200	6 978	-
2. Jozini Office: upgrades to existing building		North Coast	uMkhanyakude	Admin Block	1	2008/08/12	2009/03/29	Prov of Build, Struct & Equipmt	-	1 100	91	100	-	-
3. Newcastle District Office: Extension to existing office's		Midlands	Amajuba	Admin Block	1	2009/04/09	2010/06/28	Prov of Build, Struct & Equipmt	-	4 200	251	400	-	-
4. Dundee District Office: Office & reception area extension		Midlands	uMzinyathi	Admin Block	1	2008/09/10	2010/06/10	Prov of Build, Struct & Equipmt	Yes	4 709	1 082	400	-	-
5. Midlands Regional Office: Extension to existing office's		Midlands	uThukela	Admin Block	1	2009/01/15	2012/01/19	Prov of Build, Struct & Equipmt	Yes	19 000	4 050	8 000	-	-
6. Greytown Sub Office: Extension to Tugella Ferry Depot Offices and convert to uMzinyathi Sub-Office		Midlands	uMzinyathi	Admin Block	1	2009/02/16	2012/02/20	Prov of Build, Struct & Equipmt	-	20 000	510	6 010	8 000	5 455
7. eThekwini District Office: Convert existing office to District Office		eThekwini	eThekwini	Admin Block	1	2008/05/30	2012/03/31	Prov of Build, Struct & Equipmt	Yes	8 700	-	-	1 740	6 960
8. Pietermaritzburg: 191 Prince Alfred Street : Renovation & Additions to existing building: ph 2		Southern	uMgungundlovu	Admin Block	1	2008/07/29	2012/08/18	Prov of Build, Struct & Equipmt	Yes	101 000	-	18 990	27 605	36 900
Sport and Recreation									-	3 420	10 559	2 800	2 929	3 160
1. Minor repairs & renovations		Various	Various	Maintenance	11	2009/04/01	2010/03/31	Sport and Recreation	-	3 420	10 559	2 800	2 929	3 160
Total upgrades and additions									342 693	11 018 961	2 112 924	2 549 215	2 814 706	3 297 222
Rehabilitation, renovations and refurbishments		-	-	-	-	-	-	-	-	-	-	-	-	-
Agriculture, Environmental Affairs and Rural Development									-	1 540	-	113 983	116 383	122 405
1. Official accommodation		KZN	KZN	Office accommodation				Administration	-	-	-	5 556	11 476	8 027
2. Cedara facilities		Umgungundlovu	uMngeni	Access roads, animal handling facilities, etc				Administration	-	-	-	10 050	3 372	7 953
3. Makhathini		Umkhanyakude	Umkhanyakude	Irrigation, fencing, etc		2009/04/01		Agric Dev Services	-	-	-	84 395	89 458	93 930
4. Office accommodation		KZN	KZN	Office accommodation				Agric Dev Services	-	-	-	4 843	5 134	5 445
5. Msinga Irrigation Scheme		Umkhanyakude	Msinga	Irrigation Scheme		2010/04/01	2011/02/28	Agric Dev Services	-	1 540	-	1 540	6 943	7 050
Other									-	7 599	-	7 599		
Education									-	1 388 365	344 918	354 983	390 481	409 375
1. THEMBIMFUNDU SPECIAL SCHOOL		uThungulu	Umlalazi	School - Specialised		2009/06/01		Public Spec Sc Ed	-	63 686	186	20 000	20 000	24 414
2. Storm Damaged Classrooms						2007/11/01		Public Ord Sch Ed	-	47 000	22 156	2 083	-	-
3. Vulekani LSEN		Sisonke	Ubuhlebezwe	School - Specialised		2009/08/02		Public Spec Sc Ed	-	20 000	-	-	-	-
4. Scott Street (Bowdene residence)		uMgungundlovu	Msunduzi	Administrative blocks		2008/04/28		Administration	-	16 945	2 292	-	-	-
5. Vuleka school for the deaf		uThungulu	Nkandla	School - Secondary		2010/05/29		Public Ord Sch Ed	-	15 042	-	-	-	-
6. Truro House		uMgungundlovu	Msunduzi	Administrative blocks		2008/04/01		Administration	-	15 000	-	-	-	-
7. Imisebe combined primary school		Sisonke	Ingwe	School - Secondary		2010/06/30		Public Ord Sch Ed	-	14 114	17	-	-	-
8. Usuthu combined primary school		Zululand	Nongoma	School - Primary		2005/04/01		Public Ord Sch Ed	-	12 609	1 135	-	-	-
9. Burger Street Building		uMgungundlovu	uMgungundlovu Dis	Office accommodation		2008/05/06	2008/08/05	Administration	-	11 973	-	-	-	-
10. Newcastle Reformatory School		Amajuba	Newcastle	Hostels		2008/02/01		Public Ord Sch Ed	-	11 500	-	-	-	-
Other Various		All	All	All		Various	Various	Various	-	1 160 496	319 132	332 900	370 481	384 961
Health									-	425 337	192 385	121 041	98 893	96 991
1. Highway House, Mayville		eThekwini	Durban	Office Accomodation	1	2010/06/30	2014/06/20	Health Fac. Mgt	-	8 000	3 882	2 118	2 000	-
2. Estcourt Hospital		Uthukela	KZ234	District Hospitals		2010/07/01	2010/09/30	Health Fac. Mgt	-	9 330	3 231	5 799	300	-
3. Ladysmith Hospital		Uthukela	KZ232	Regional Hospitals	591	2007/11/23	2010/03/31	Health Fac. Mgt	-	9 970	9 570	400	-	-
4. Appelsbosch Hospital		Umgungundlovu	KZ221	District Hospitals	181	2008/03/01	2010/04/17	Health Fac. Mgt	-	10 000	6 823	3 177	-	-
5. Dundee Laundry		Umkhanyakude	KZ241	Regional Laundries	1	2009/09/30	2010/03/31	Health Fac. Mgt	-	10 450	4 000	6 450	-	-
6. Townhill Hospital		Umgungundlovu	KZ225	Psychiatric Hospitals	450	2010/01/30	2011/06/30	Health Fac. Mgt	-	10 500	2 124	8 376	-	-
7. Stanger Hospital		eThekwini	Durban	Regional Hospitals	449	2008/08/30	2009/12/01	Health Fac. Mgt	-	15 000	1 220	10 000	3 130	650
8. Addington Hospital		eThekwini	Durban	Regional Hospitals	613	2009/03/01	2010/03/31	Health Fac. Mgt	-	19 743	18 843	900	-	-
9. Ekhombe Hospital		Uthungulu	KZ286	District Hospitals	125	2010/07/30	2013/06/30	Health Fac. Mgt	-	20 000	500	8 000	11 000	500
10. King Edward VIII Hospital		eThekwini	Durban	Regional Hospitals	1460	2007/11/19	2013/06/30	Health Fac. Mgt	-	30 000	1 081	10 000	17 419	1 500
Other Various		Various	Various	Various	Various	Various	Various	Health Fac. Mgt	-	282 344	141 111	65 821	65 044	94 341

Table 1.C: Detail payments and estimates of infrastructure by category (cont'd)

Project name	Region	Municipality	Type of infrastructure		Project duration		Budget programme name	EPWP budget for current financial year	Total project cost	Payments to date from previous years	Total available	MTEF forward estimates		
R thousand			Project/admin block; water; electricity; sanitation; etc.	Units (i.e. number of facilities)	Date: Start	Date: finish						2010/11	2011/12	2012/13
The Royal Household									-	2 348	-	745	782	821
1. Rehabilitiati etc. to Palaces	Zululand	Zululand	Palaces	7	Ongoing	Ongoing	Royal Household Plann and Dev	-	2 348	-	745	782	821	
Transport									-	-	-	368 333	397 995	413 984
1. P47/4	Empangeni	uThungulu DM	Rehabilitation	8 KM	01/04/2010	31/08/2010		-	-	-	25 000	26 875	27 690	
2. P48	Empangeni	Zululand DM	Rehabilitation	6 KM	01/04/2010	31/08/2010		-	-	-	30 000	32 250	33 468	
3. P34/4	Empangeni	Zululand DM	Rehabilitation	15 KM	01/04/2010	31/08/2010		-	-	-	25 000	26 875	27 690	
4. P522/2	Empangeni	Umkhanyakude DM	Rehabilitation	5 KM	01/04/2010	31/08/2010		-	-	-	25 000	26 875	27 690	
5. P1/9	Ladysmith	Umqinyathi DM	Rehabilitation	9 KM	01/04/2010	31/08/2010		-	-	-	15 000	16 125	16 134	
6. P6/2	Ladysmith	Umqinyathi DM	Rehabilitation	15 KM	01/04/2010	31/08/2010		-	-	-	40 000	43 000	45 025	
7. P6/1	PMB	uMgungundlovu DM	Rehabilitation	11 KM	01/04/2010	31/08/2010		-	-	-	50 000	53 750	56 581	
8. P21/1	PMB	uMgungundlovu DM	Rehabilitation	5 KM	01/04/2010	31/08/2010		-	-	-	45 000	50 412	52 992	
9. P22/2	PMB	Sisonke DM	Rehabilitation	18 KM	01/04/2010	31/08/2010		-	-	-	38 333	41 208	43 098	
10. P400	Durban	Ilembe DM	Rehabilitation	6 KM	01/04/2010	31/08/2010		-	-	-	40 000	43 000	45 025	
Other P398/1	Durban	Ilembe DM	Rehabilitation	3.4 KM	01/04/2010	31/08/2010		-	-	-	35 000	37 625	38 591	
Public Works									-	24 900	2 839	8 700	5 582	4 429
1. Various projects (LA Complex)	North Coast	Zululand	Land scaping, aircon & elec main	3	2008/07/01	2010/12/11	Prov of Build, Struct & Equipmt	-	24 900	2 839	8 700	5 582	4 429	
Arts and Culture									-	11 062	-	11 052	-	-
1. Campsite	Umgungundlovu	Umgeni	Campsite				Cultural Affairs	-	5 500		5 500			
2. Campsite	Uthukela	Okhahlamba	Campsite				Cultural Affairs	-	5 562		5 552			
Total rehabilitation, renovations and refurbishments									-	1 853 552	540 141	978 837	1 010 116	1 048 005
Maintenance and repairs														
Office of the Premier									-	-	-	700	900	1 100
1. Provincial Public Service Training Academy	eThekwini	eThekwini			Ongoing		Institutional Dev	-	-	-	600	750	900	
2. Telkom building	Umgungundlovu	Msunduzi	Admin block		Ongoing		Administration	-	-	-	100	150	200	
Provincial Legislature									-	890	1 760	890	981	1 152
1. Day to day maintenance	uMgungundlovu	Msunduzi	Day to day maintenance	3 buildings	Ongoing	Ongoing	Administration	-	730	1 500	730	850	1 000	
2. Maintenance contract fire alarm	uMgungundlovu	Msunduzi	Maintenance contract fire alarm				Administration	-	25	60	25	28	33	
3. Lift maintenance Council building	uMgungundlovu	Msunduzi	Lift maintenance Council building	1 building			Administration	-	16	150	16	20	24	
4. Lift maintenance Legislature building	uMgungundlovu	Msunduzi	Lift maintenance Legislature	1 building			Administration	-	45	50	45	53	61	
5. Maintenance contract for generator	uMgungundlovu	Msunduzi	Maintenance contract for generator				Administration	-	74	-	74	30	34	
Agriculture, Environmental Affairs and Rural Development									-	4 225	-	19 627	20 608	21 639
1. Office accommodation	KZN	KZN	Maintenance & Repairs		Ongoing	Ongoing	Agric Dev Serv	-	-	-	9 471	5 995	6 105	
2. Farm structures	KZN	KZN	Maintenance & Repairs		Ongoing	Ongoing	Agric Dev Serv	-	4 225	-	4 225	4 457	4 680	
3. Makhathini	Umkhanyakude	Umkhanyakude	Maintenance & Repairs		Ongoing	Ongoing	Agric Dev Serv	-	-	-	5 931	10 156	10 854	
Education									-	294 495	-	100 000	106 000	111 300
Other										294 495	-	100 000	106 000	111 300
Health									-	5 014 658	-	308 000	338 000	366 000
1. Leased Office Accomodation	Head Office	Head Office	Office Accomodation	1	2009/04/01	2013/03/30	Health Fac. Mgt	-	180 000	-	12 000	15 000	15 000	
2. Leased Residential Accomodation	Head Office	Head Office	Residential Accomodation	1	209/04/01	2013/03/30	Health Fac. Mgt	-	410 000	-	38 000	40 000	40 000	
3. Facilities Day-to-day Maintenance	Head Office	Head Office	Day-to Day Maintenance	1	2009/04/02	2013/03/30	Health Fac. Mgt	-	4 424 658	-	258 000	283 000	311 000	
Human Settlements									-	390 457	598 354	60 142	63 171	25 000
1. Enhanced Extended Discount Benefit Sche	Whole KZN	Whole KZN	Vacant Land, houses, Blocks Flats.	30 000	Ongoing	Ongoing	Hous Asset Mgt	-	158 457	199 405	40 142	48 171	20 000	
2. Housing Property Maintenance	Whole KZN	Whole KZN	Vacant Land, houses, Blocks Flats.	9 000	Ongoing	Ongoing	Hous Asset Mgt	-	232 000	398 949	20 000	15 000	5 000	
The Royal Household									-	8 857	-	2 583	2 746	3 528
1. Repairs to Palaces	Zululand	Zululand	Palaces	7	Ongoing	Ongoing	Royal Household Plann & Dev	-	8 857		2 583	2 746	3 528	
Co-operative Governance and Traditional Affairs									-	15 000	3 700	5 000	5 000	5 000
1. Traditional Administrative Centres (TACs)	uMgungundlovu	Various	Day-to-day maintenance relating to repairs to broken windows, taps, burglar guards, doors, painting, etc.	265 TAC's	01 April 2010	31 March 2013	Urban and Rural Development	-	15 000	3 700	5 000	5 000	5 000	

Overview of Provincial Expenditure

Table 1.C: Detail payments and estimates of infrastructure by category (cont'd)

Table 10: Detail payments and estimates of infrastructure by category (cont.)														
Project name	Region	Municipality	Type of infrastructure		Project duration		Budget programme name	EPWP budget for current financial year	Total project cost	Payments to date from previous years	Total available	MTEF forward estimates		
R thousand			Project/admin block; water; electricity; sanitation; etc.	Units (i.e. number of facilities)	Date: Start	Date: finish					2010/11	2011/12	2012/13	
Transport														
1. Durban	Durban	Ugu Dm & eThekwin	Reseals	64.05KM	01/09/2010	30/11/2010		-	-	-	1 583 519	1 817 760	1 966 851	
2. PMB	PMB	Sisonke DM	Reseals	78KM	01/09/2010	30/11/2010		-	-	-	16 950	18 221	19 587	
3. Ladysmith	Ladysmith	Uthukela DM	Reseals	47.5KM	01/09/2010	30/11/2010		-	-	-	23 050	24 778	26 637	
4. Empangeni	Empangeni	Zululand DM	Reseals	60KM	01/09/2010	30/11/2010		-	-	-	20 000	21 500	23 112	
5. Routine	Whole KZN	Whole KZN			01/09/2010	30/11/2010		-	-	-	20 000	21 500	23 112	
6. Preventative	Whole KZN	Whole KZN			01/09/2010	30/11/2010		-	-	-	570 926	639 437	665 014	
7. Safety	Whole KZN	Whole KZN			01/09/2010	30/11/2010		-	-	-	425 819	481 788	545 984	
8. Special	Whole KZN	Whole KZN			01/09/2010	30/11/2010		-	-	-	50 800	79 256	81 673	
9. Mechanical	Whole KZN	Whole KZN			01/09/2010	30/11/2010		-	-	-	20 687	23 169	24 096	
10. Maintenance Administration	Whole KZN	Whole KZN			01/09/2010	30/11/2010		-	-	-	114 075	147 764	182 875	
					01/09/2010	30/11/2010		-	-	-	321 212	360 347	374 761	
Social Development														
1. Various	Various	Various	Various		Various	Various	Various	-	-	-	10 164	10 774	11 313	
Public Works														
1. Maintenance & repairs (All regions)	South/north Coast/eThekwin/Midlands	Various	Various	4 regions (numerous)	2010/04/01	2013/03/31	Prov of Buildings, Structures & Equipment	-	36 335	-	8 335	12 000	16 000	
								-	36 335	-	8 335	12 000	16 000	
Total maintenance and repairs									-	5 764 917	603 814	2 098 960	2 377 940	2 528 883
Infrastructure transfers - current														
Human Settlements									-	410 866	1 956	2 698 464	3 002 026	3 292 629
1. KwaXimba	Zululand	Ulundi	Houses	2 000	12/10/2011	12/10/2015	Housing Dev	Yes	90 150		27 323	27 323	27 323	
2. Mabaso	Umkhanyakude	Umhlabuyalingana	Houses	2 500	11/03/2008	30/10/2014	Housing Dev	Yes	114 292	1 956	26 739	26 739	26 739	
3. Ulundi L. extension	Zululand	Ulundi	Houses	954	10/11/2004	15/01/2013	Housing Dev	Yes	78 665		15 513	26 576	26 576	
4. Ekushumayeleni	Zululand	Ulundi	Houses	1 600	08/12/2008	03/12/2014	Housing Dev	Yes	73 502		22 365	22 365	22 365	
5. Sangwaba	Sisonke	Ubuhlebezwe	Houses	823	08/12/2008	03/12/2014	Housing Dev	-	54 257		20 054	20 834	13 369	
6. Refer to IRM	KZN Province	KZN Province	Houses		Ongoing		Housing Dev	-			2 586 470	2 878 189	3 176 257	
Sport and Recreation									-	20 357	73 895	17 610	19 994	20 744
1. Sport Facilities	Various	Various	Infrastructure transfer	15	2009/04/01	2010/03/31	Sport and Recr	-	20 357	73 895	17 610	19 994	20 744	
Total Infrastructure transfers - capital									-	431 223	75 851	2 716 074	3 022 020	3 313 373
Total Provincial Infrastructure									585 683	34 846 481	6 414 596	11 092 618	12 122 466	12 969 947

Note: Total costs represent total estimated payments of a particular project of which the project life span may not coincide fully with the MTEF period. Where projects are of a recurrent nature, the total costs are not depicted.

Table 1.D: Summary of transfers to municipalities

R thousand	Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	Audited	Audited	Audited				2010/11	2011/12	2012/13
	2006/07	2007/08	2008/09						
A KZN2000 eThekweni	162 333	400 359	712 054	722 845	750 846	741 334	499 664	540 247	533 119
Total: Ugu Municipalities	17 473	41 787	52 677	55 728	85 817	88 770	12 961	7 869	7 150
B KZN211 Vulamehlo	750	4 050	-	910	3 327	3 327	320	189	258
B KZN212 Umdoni	1 461	3 130	5 243	3 565	10 115	13 115	3 984	2 024	2 024
B KZN213 Umzumbe	700	2 140	600	410	-	-	170	180	219
B KZN214 uMuziwabantu	1 314	751	814	1 492	14 090	14 090	1 570	740	809
B KZN215 Ezinqoleni	337	2 024	2 634	260	180	180	259	274	323
B KZN216 Hibiscus Coast	3 308	2 018	1 216	6 403	11 559	11 559	6 589	3 437	3 446
C DC21 Ugu District Municipality	9 603	27 674	42 170	42 688	46 546	46 499	69	1 025	71
Total: uMgungundlovu Municipalities	34 372	73 127	82 186	89 170	137 129	140 122	49 473	54 711	53 057
B KZN221 uMshwathi	421	600	11	678	911	911	719	292	401
B KZN222 uMngeni	1 716	5 622	1 125	2 832	7 040	7 040	3 354	1 922	1 956
B KZN223 Mpofana	851	2 512	25	2 572	3 387	3 387	2 721	1 906	1 930
B KZN224 Impendle	2 032	3 198	759	160	90	90	265	275	684
B KZN225 Msunduzi	13 189	29 726	36 152	47 666	69 702	72 685	39 827	48 789	47 476
B KZN226 Mkhambathini	1 750	1 275	385	518	98	98	2 372	284	323
B KZN227 Richmond	90	834	501	56	8 886	8 886	59	63	123
C DC22 uMgungundlovu District Municipality	14 323	29 360	43 228	34 688	47 015	47 025	156	1 180	164
Total: Uthukela Municipalities	10 540	24 098	12 493	29 034	47 081	42 122	35 415	36 599	36 658
B KZN232 Emnambithi/Ladysmith	3 992	10 248	4 426	9 712	32 104	29 588	16 011	15 140	16 144
B KZN233 Indaka	850	1 750	-	750	750	750	-	-	-
B KZN234 Umtshezi	1 019	2 027	2 954	8 815	9 746	7 201	16 916	17 713	18 389
B KZN235 Okhahlamba	1 148	1 047	236	2 714	3 665	3 665	2 339	1 086	1 090
B KZN236 Imbabazane	1 242	5 020	592	-	327	327	95	95	979
C DC23 Uthukela District Municipality	2 289	4 006	4 285	7 043	489	591	54	2 565	56
Total: Umzinyathi Municipalities	11 459	18 987	30 543	14 971	30 478	29 944	19 445	14 371	14 471
B KZN241 Endumeni	2 143	1 833	2 983	4 783	7 303	7 303	5 158	3 260	3 539
B KZN242 Nqutu	972	1 968	2 860	160	180	180	360	370	379
B KZN244 Msinga	2 956	5 999	2 098	-	11 472	10 900	2 340	95	95
B KZN245 Umvoti	1 052	1 795	3 816	1 773	3 377	3 377	11 487	10 317	10 342
C DC24 Umzinyathi District Municipality	4 336	7 392	18 786	8 255	8 146	8 184	100	329	116
Total: Amajuba Municipalities	14 017	17 339	30 113	18 359	35 508	36 432	6 987	3 445	3 944
B KZN252 Newcastle	3 507	3 615	11 111	4 204	25 198	25 198	3 998	2 781	3 000
B KZN253 eMadlangeni	710	3 850	750	811	811	811	427	294	320
B KZN254 Dannhauser	1 219	332	100	1 308	895	895	804	180	543
C DC25 Amajuba District Municipality	8 581	9 542	18 152	12 036	8 604	9 528	1 758	190	81
Total: Zululand Municipalities	17 135	30 030	27 842	25 857	32 833	30 761	24 874	21 467	21 883
B KZN261 eDumbe	957	883	933	744	884	884	789	341	350
B KZN262 uPhongolo	500	1 400	893	1 105	1 035	1 035	733	776	785
B KZN263 Abaqulusi	2 560	2 556	587	2 184	2 717	2 717	13 456	11 425	11 429
B KZN265 Nongoma	100	2 380	715	1 118	258	258	532	564	573
B KZN266 Ulundi	7 145	14 722	9 160	11 114	10 364	7 437	7 806	8 275	8 659
C DC26 Zululand District Municipality	5 873	8 089	15 554	9 592	17 575	18 430	1 558	86	87
Total: Umkhanyakude Municipalities	19 139	24 969	26 860	6 972	20 142	17 477	3 859	2 330	4 923
B KZN271 Umhlabyalingana	2 000	3 035	1 129	510	1 950	1 378	415	275	584
B KZN272 Jozini	4 004	4 577	700	510	1 261	690	265	275	3 027
B KZN273 The Big 5 False Bay	5 950	680	1 675	627	1 877	1 306	2 287	199	208
B KZN274 Hlabisa	292	2 097	363	160	685	114	264	275	434
B KZN275 Mtubatuba	1 031	435	827	225	816	245	428	441	450
C DC27 Umkhanyakude District Municipality	5 862	14 145	22 166	4 940	13 553	13 744	200	865	220
Total: uThungulu Municipalities	25 376	35 126	43 506	58 712	75 697	73 672	27 826	33 559	32 652
B KZN281 Umfolozi	3 180	5 590	580	160	6 107	6 107	320	180	339
B KZN282 uMhlathuze	4 095	7 253	9 865	13 470	16 600	12 905	20 685	31 686	30 934
B KZN283 Ntambanana	1 030	700	400	160	1 031	1 031	320	180	289
B KZN284 uMalazi	5 006	3 714	6 180	2 349	4 450	4 450	2 573	300	304
B KZN285 Mthonjaneni	1 094	840	1 483	1 420	2 989	2 989	1 176	248	248
B KZN286 Nkandla	1 250	2 000	325	210	5 220	4 648	2 562	331	340
C DC28 uThungulu District Municipality	9 721	15 029	24 673	40 943	39 300	41 542	190	634	198
Total: Ilembe Municipalities	20 887	36 998	26 258	22 914	53 196	53 326	20 422	12 801	14 724
B KZN291 Mandeni	1 354	5 443	1 586	1 987	2 063	2 063	1 773	751	760
B KZN292 KwaDukuza	7 885	7 728	4 615	14 120	14 202	14 202	16 735	11 364	11 368
B KZN293 Ndwedwe	5 064	4 838	3 813	160	90	90	265	275	1 284
B KZN294 Maphumulo	1 000	3 811	400	910	1 689	1 689	319	180	1 189
C DC29 Ilembe District Municipality	5 584	15 178	15 844	5 737	35 152	35 282	1 330	231	123
Total: Sisonke Municipalities	13 984	80 528	70 508	9 279	68 437	73 628	6 896	3 077	4 399
B KZN431 Ingwe	2 321	2 818	823	210	50	50	463	331	380
B KZN432 Kwa Sani	854	250	100	335	1 463	1 463	504	375	434
B KZN433 Matatiele	1 663	5 316	-	-	-	-	-	-	-
B KZN434 Greater Kokstad	1 021	2 205	2 774	1 528	1 528	1 528	3 809	1 811	2 744
B KZN435 Umzimkulu	1 540	280	659	378	5 968	5 968	178	183	273
B KZN436 Umzimkulu	5 000	20 100	21 650	112	7 844	7 844	359	221	521
C DC43 Sisonke District Municipality	1 585	49 559	44 502	6 716	51 584	56 775	1 583	156	47
Unallocated/unclassified	131 679	362	205	15 961	3 050	3 422	21 000	56 845	67 859
Total	478 394	783 710	1 115 245	1 069 802	1 340 214	1 331 010	728 822	787 321	794 839

Table 1.E(a) Payments and estimates by policy area

R thousand	Outcome			Main	Adjusted	Revised	Medium-term Estimates		
	Audited	Audited	Audited	Appropriation	Appropriation	Estimate			
	2006/07	2007/08	2008/09	2009/10			2010/11	2011/12	2012/13
GENERAL PUBLIC SERVICES	2 006 333	2 346 066	3 219 157	3 372 433	3 500 780	3 594 655	3 833 417	3 824 460	4 011 269
Executive & Legislative	332 421	390 770	450 358	495 157	531 948	528 157	559 153	607 755	648 095
Office of the Premier	23 645	27 459	17 259	17 813	26 418	26 418	33 005	36 910	38 737
Provincial Legislature (including all statutory payments and ministries)	270 629	324 197	385 246	436 701	464 887	461 096	482 303	524 631	560 798
The Royal Household	38 147	39 114	47 853	40 643	40 643	40 643	43 845	46 214	48 560
General Services	1 456 433	1 678 377	2 307 876	2 562 050	2 651 906	2 603 346	2 676 452	2 596 200	2 724 163
Office of the Premier	250 987	335 362	370 989	386 330	361 031	361 031	349 591	329 346	345 735
Transport	121 944	141 592	216 110	248 366	430 858	422 852	423 294	244 797	253 857
Public Works	442 663	473 181	724 978	859 457	789 120	784 346	858 575	910 217	956 419
Co-operative Governance and Traditional Affairs	639 208	726 530	993 968	1 065 928	1 068 928	1 033 148	1 042 906	1 109 650	1 165 852
Agriculture, Environmental Affairs & Rural Dev	1 631	1 712	1 831	1 969	1 969	1 969	2 086	2 190	2 300
Financial and Fiscal Services	217 479	276 919	460 923	315 226	316 926	463 152	597 812	620 505	639 011
Provincial Treasury	217 479	276 919	460 923	315 226	316 926	463 152	597 812	620 505	639 011
PUBLIC ORDER AND SAFETY	448 507	515 548	627 493	603 154	601 504	625 479	722 469	748 077	781 177
Police Services	59 360	78 797	109 287	127 638	127 638	125 613	140 744	149 207	156 740
Community Safety and Liaison	59 360	78 797	109 287	127 638	127 638	125 613	140 744	149 207	156 740
Traffic Control	389 147	436 751	518 206	475 516	473 866	499 866	581 725	598 870	624 437
Transport	389 147	436 751	518 206	475 516	473 866	499 866	581 725	598 870	624 437
EDUCATION	16 511 110	18 755 530	23 436 459	25 053 379	26 492 138	26 755 182	29 529 294	32 126 966	33 846 690
Pre-primary and Primary phases	8 531 364	9 346 891	11 383 113	12 047 358	12 756 294	13 354 547	14 227 701	15 279 074	16 166 117
Education	8 531 364	9 346 891	11 383 113	12 047 358	12 756 294	13 354 547	14 227 701	15 279 074	16 166 117
Secondary Education Phase	5 337 480	6 084 317	7 424 078	8 633 119	9 141 472	8 580 015	10 064 202	10 819 827	11 266 495
Education	5 337 480	6 084 317	7 424 078	8 633 119	9 141 472	8 580 015	10 064 202	10 819 827	11 266 495
Education Services not defined by level	1 105 894	1 349 837	1 835 676	1 746 475	1 794 197	1 965 592	2 126 211	2 447 362	2 570 943
Agriculture & Environmental Affairs	46 206	33 237	56 341	66 847	61 788	61 788	72 330	79 391	83 751
Education	794 484	990 776	1 380 660	1 281 867	1 339 913	1 465 755	1 610 891	1 896 925	1 991 555
Health	265 204	325 824	398 675	397 761	392 496	438 049	442 990	471 046	495 637
Subsidiary Services to Education	1 536 372	1 974 485	2 793 592	2 626 427	2 800 175	2 855 028	3 111 180	3 580 703	3 843 135
Education	1 536 372	1 974 485	2 793 592	2 626 427	2 800 175	2 855 028	3 111 180	3 580 703	3 843 135
HEALTH	11 390 105	14 621 719	16 690 644	17 037 994	17 923 698	20 190 975	21 197 899	23 140 167	24 592 591
Outpatient Services	2 832 283	3 881 287	4 392 664	4 851 212	5 165 541	5 500 061	6 244 071	7 026 651	7 670 828
Health	2 832 283	3 881 287	4 392 664	4 851 212	5 165 541	5 500 061	6 244 071	7 026 651	7 670 828
R and D Health (CS)	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-
Hospital Services	8 557 822	10 740 432	12 297 980	12 186 782	12 758 157	14 690 914	14 953 828	16 113 516	16 921 763
Health	8 557 822	10 740 432	12 297 980	12 186 782	12 758 157	14 690 914	14 953 828	16 113 516	16 921 763
SOCIAL PROTECTION	936 023	1 006 950	1 221 705	1 349 445	1 349 445	1 349 543	1 654 661	1 859 216	1 953 159
Social Security Services	-	-	-	-	-	-	-	-	-
Social Development	-	-	-	-	-	-	-	-	-
Social Services and Population Development	936 023	1 006 950	1 221 705	1 349 445	1 349 445	1 349 543	1 654 661	1 859 216	1 953 159
Social Development	936 023	1 006 950	1 221 705	1 349 445	1 349 445	1 349 543	1 654 661	1 859 216	1 953 159
HOUSING AND COMMUNITY AMENITIES	1 252 921	1 522 181	1 876 146	2 571 813	2 573 713	2 570 713	3 111 613	3 429 147	3 621 603
Housing Development	1 252 921	1 522 181	1 876 146	2 571 813	2 573 713	2 570 713	3 111 613	3 429 147	3 621 603
Human Settlements	1 252 921	1 522 181	1 876 146	2 571 813	2 573 713	2 570 713	3 111 613	3 429 147	3 621 603
ENVIRONMENTAL PROTECTION	387 095	451 091	510 184	589 208	588 435	585 935	625 518	662 342	695 460
Environmental Protection	387 095	451 091	510 184	589 208	588 435	585 935	625 518	662 342	695 460
Agriculture, Environmental Affairs and Rural Dev	387 095	451 091	510 184	589 208	588 435	585 935	625 518	662 342	695 460
RECREATION, CULTURE AND RELIGION	310 204	387 347	527 198	554 744	571 937	563 937	692 015	722 996	772 475
Sporting and Recreational Affairs	310 204	387 347	527 198	554 744	571 937	563 937	692 015	722 996	772 475
Sport and Recreation	108 793	155 630	206 985	256 998	264 589	259 589	307 107	364 970	383 364
Arts and Culture	172 277	199 142	244 619	247 879	259 079	256 079	348 220	319 137	348 277
Office of the Premier	29 134	32 575	75 594	49 867	48 269	48 269	36 688	38 889	40 834
ECONOMIC AFFAIRS	3 639 099	4 876 521	7 424 563	8 454 256	8 305 129	8 229 220	7 710 477	8 147 513	8 603 390
General Economic Affairs	767 910	1 583 877	1 972 689	2 761 466	2 652 803	2 631 426	1 613 194	1 461 190	1 534 455
Economic Development and Tourism	507 910	1 510 954	1 771 422	2 483 747	2 473 547	2 451 384	1 599 545	1 446 763	1 519 306
Provincial Treasury	260 000	72 923	201 267	277 719	179 256	180 042	13 649	14 427	15 149
Agriculture	848 394	758 029	1 169 839	1 281 079	1 335 488	1 329 956	1 476 106	1 604 676	1 685 681
Agriculture, Environmental Affairs and Rural Dev	848 394	758 029	1 169 839	1 281 079	1 335 488	1 329 956	1 476 106	1 604 676	1 685 681
Transport	2 022 795	2 534 615	4 282 035	4 411 711	4 316 838	4 267 838	4 621 177	5 081 647	5 383 254
Transport	2 022 795	2 534 615	4 282 035	4 411 711	4 316 838	4 267 838	4 621 177	5 081 647	5 383 254
GRAND TOTAL FOR ALL FUNCTIONS	36 881 397	44 482 953	55 533 549	59 586 426	61 906 779	64 465 639	69 077 363	74 660 884	78 877 814

Table 1 E (b) Details of Function

Function	Category	Department	Programme
General Public Services	Legislative	Office of the Premier	Administration
		Provincial Parliament	Administration Parliamentary Services Facilities for Members & Political Parties Members Remuneration
		All Departments	Office of the MEC
		The Royal Household	Support services His Majesty the King Maintenance of the Royal Household His Majesty the King's Farms
	General Services	Office of the Premier	Administration Institutional Development Policy and Governance
		Transport	Administration
		Public Works	Administration Real Estate Provision of build, structures & equip.
	General Policy & Administration	Co-operative Governance and Traditional Affairs	Administration Local Governance Development and Planning Traditional Institutional Management Urban and Rural Development Systems and Institutional Development
			Conservation
	Financial & Fiscal Services	Provincial Treasury	Administration Resource Management Financial Management Internal Audit
Public Order & Safety	Police Services	Community Safety & Liaison	Administration Civilian Oversight
	Traffic control	Transport	Traffic Management
Education	Pre-primary & Primary Phases	Education	Public Ordinary School Education Early Childhood Development
	Secondary Education Phase	Education	Public Ordinary School Education
	Education Services not defined by level	Education	Further Education & Training ABET Public special school education Independent schools
		Agric, Enviro Affairs & Rural Dev	Agricultural Development (Structured Agric Training)
		Health	Health Sciences & Training
	Subsidiary services to education	Education	Administration Public Ordinary School Education Public special school education Further Education & Training Early Childhood Development Auxiliary & Associated Services
Health	Outpatient services affairs & services n.e.c. R and D Health	Health	District Health Services Health Facilities Management
	Hospital Services	Health	Administration District Health Services Emergency Medical Services Provincial Hospital Services Central Hospital Services Health and Sciences Training Health Care Support Services Health Facilities Management
Social Protection	Social Security Services	Social Development	
	Social Services and Population Development	Social Development	Administration Social Welfare Services Development and Research

Overview of Provincial Expenditure

Table 1E(b) Details of Function (cont.)

Function	Category	Department	Programme
Housing & Community Amenities	Housing Development	Human Settlements	Administration
			Housing Needs, Research and Planning
			Housing Development
			Housing Asset Management, Property Management
Environmental Protection	Environmental Protection	Agric, Enviro Affairs & Rural Dev	Environmental Management
			Conservation
Recreational, Culture and Religion	Sporting and recreational affairs services	Sport and Recreation	Administration
			Sport Co-ordination
	Sporting and recreational affairs services	Arts and Culture	Administration
			Cultural Affairs
			Libraries and Archive Services
Economic Affairs	General Economic Affairs	Economic Development & Tourism	Institutional Development
			Administration
			Integrated Econ Dev Serv
			Trade and Industry Development
			Business Regulation and Governance
			Economic Planning
		Provincial Treasury	Growth and Development
	Agriculture	Agric, Enviro Affairs & Rural Dev	Administration
			Agricultural Development
	Transport	Transport	Road Infrastructure
			Transportation
			Community Based Programme

Table 1.F(a) Donor funding and agency receipts

R thousand	Outcome			Main	Adjusted	Revised	Medium-term Estimates		
	Audited	Audited	Audited	Appropriation	Appropriation	Estimate			
	2006/07	2007/08	2008/09	2009/10			2010/11	2011/12	2012/13
Donor organisation	170 693	204 637	148 800	39 640	124 847	147 945	63 864	19 699	3 516
Provincial Legislature	157	198	1 003	-	-	-	-	-	-
Agriculture, Environmental Affairs and Rural Development	9 982	307	11 509	17 016	40 589	40 589	22 276	19 349	3 218
Economic Development and Tourism	106 107	-	-	-	-	-	37 616	-	-
Education	19 435	52 537	29 999	12 144	12 144	36 326	-	-	-
Health	32 428	140 895	91 985	10 080	63 035	62 351	2 636	-	-
Human Settlements	-	4 158	604	400	400	-	1 336	350	298
Co-operative Governance and Traditional Affairs	2 584	6 542	13 700	-	8 679	8 679	-	-	-
Agency	525 969	523 135	773 514	50 831	50 831	50 831	7 420	7 420	7 420
Office of the Premier	-	22 147	31 541	43 831	43 831	43 831	-	-	-
Co-operative Governance and Traditional Affairs	1 742	-	-	-	-	-	-	-	-
Transport	524 227	500 988	741 973	7 000	7 000	7 000	7 420	7 420	7 420
Total	696 662	727 772	922 314	90 471	175 678	198 776	71 284	27 119	10 936

Table 1.F(b) Details of donor funding and agency receipts

R thousand	Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	Audited	Audited	Audited				2010/11	2011/12	2012/13
	2006/07	2007/08	2008/09						
Donor funding	170 693	204 637	148 800	39 640	124 847	147 945	63 864	19 699	3 516
Provincial Legislature	157	198	1 003	-	-	-	-	-	-
European Union Support	157	198	1 003	-	-	-	-	-	-
Agriculture, Environmental Affairs and Rural Development	9 982	307	11 509	17 016	40 589	40 589	22 276	19 349	3 218
Danida	1 000	-	-	1 500	1 812	1 812	2 950	-	-
Dutch funding (NUFFIC)	697	307	-	-	831	831	-	-	-
Flemish government	8 285	-	11 509	12 000	35 897	35 897	16 131	16 131	-
World Health Organisation (Rabies project)	-	-	-	3 516	2 049	2 049	3 195	3 218	3 218
Economic Development and Tourism	106 107	-	-	-	-	-	37 616	-	-
European Union - LED in KZN Programme	106 107	-	-	-	-	-	37 616	-	-
Education	19 435	52 537	29 999	12 144	12 144	36 326	-	-	-
Royal Netherlands Embassy	19 435	52 537	29 999	12 144	12 144	36 326	-	-	-
Health	32 428	140 895	91 985	10 080	63 035	62 351	2 636	-	-
Agouron A Pfizer (Grey's)	9	-	-	-	-	-	-	-	-
Atlantic Philanthropies	-	-	6 000	-	6 000	6 000	-	-	-
Bayer Health Care: Greys	-	-	10	-	-	-	-	-	-
Belgium Funding (Communicable Diseases)	-	800	-	-	-	-	-	-	-
Bhayla - Neurosurgery (IALCH)	-	20	-	-	-	-	-	-	-
Bhayla - Orthopaedic (IALCH)	-	60	-	-	-	-	-	-	-
Braun IALCH	8	-	-	-	-	-	-	-	-
Braun Ngwelezana	1	-	-	-	-	-	-	-	-
Bristol-Myers Squibb (Ladysmith)	308	-	-	-	-	-	-	-	-
Canadian HIV Trials Network (Edendale)	301	547	71	-	-	-	-	-	-
Dept of Local Govt and Traditional Affairs	-	5 150	-	-	-	-	-	-	-
European Union: PHC	12 816	21 500	20 160	10 080	10 080	9 259	2 636	-	-
Global fund for HIV and AIDS patients	17 094	108 503	64 194	-	43 775	43 775	-	-	-
Grey's Canadian Trials	-	-	674	-	-	-	-	-	-
HWSETA Learnership - Head Office	-	-	280	-	-	-	-	-	-
HWSETA Learnership - Mseleni and Mosvold	203	-	441	-	-	42	-	-	-
HWSETA Learnership - Pharmacy	201	-	-	-	-	-	-	-	-
HWSETA Learnership - PMMH	-	-	-	-	64	96	-	-	-
HWSETA Learnership - St Aiden's	693	329	115	-	116	179	-	-	-
Impumelelo Trust Innovation	-	-	40	-	-	-	-	-	-
Indigenous Systems (IALCH)	-	-	-	-	-	-	-	-	-
Johnson and Johnson (IALCH)	-	-	-	-	-	-	-	-	-
Johnson and Johnson (IALCH)	-	-	-	-	-	-	-	-	-
Kaizer Chiefs	-	-	-	-	-	-	-	-	-
Medtronic Africa (IALCH)	-	-	-	-	-	-	-	-	-
Medtronic Africa (IALCH)	-	-	-	-	-	-	-	-	-
NIC (IALCH)	-	-	-	-	-	-	-	-	-
Orthomedics (IALCH)	1	-	-	-	-	-	-	-	-
Pfizer Laboratories (IALCH)	9	-	-	-	-	-	-	-	-
Philips Medical Systems	-	-	-	-	-	-	-	-	-
Phillips Medical Systems (IALCH/Wentworth)	-	-	-	-	-	-	-	-	-
Ramnarain Holdings (IALCH)	-	-	-	-	-	-	-	-	-
Rashid Suliman & Associates	6	3	-	-	-	-	-	-	-
TB Global Fund	778	3 983	-	-	-	-	-	-	-
UNICEF: ilembe District	-	-	-	-	3 000	3 000	-	-	-
Human Settlements	-	4 158	604	400	400	-	1 336	350	298
Flanders: Groutville Project	-	-	-	400	400	-	239	-	-
Flanders: Housing Pilot Project	-	572	604	-	-	-	-	-	-
Flanders: Phase II Roll-out Project	-	3 586	-	-	-	-	1 097	350	298
Co-operative Governance and Traditional Affairs	2 584	6 542	13 700	-	8 679	8 679	-	-	-
Development Bank of SA	2 134	6 542	13 700	-	8 679	8 679	-	-	-
Flemish Government	300	-	-	-	-	-	-	-	-
Norwegian Government	150	-	-	-	-	-	-	-	-
Agency receipt	525 969	523 135	773 514	50 831	50 831	50 831	7 420	7 420	7 420
Office of the Premier	-	22 147	31 541	43 831	43 831	43 831	-	-	-
Department of Labour - Literacy Programme	-	22 147	31 541	43 831	43 831	43 831	-	-	-
Co-operative Governance and Traditional Affairs	1 742	-	-	-	-	-	-	-	-
LGWSETA	1 742	-	-	-	-	-	-	-	-
Transport	524 227	500 988	741 973	7 000	7 000	7 000	7 420	7 420	7 420
Bus subsidies (NDoT)	515 000	491 300	731 800	-	-	-	-	-	-
Overload control (SANRA)	9 227	9 688	10 173	7 000	7 000	7 000	7 420	7 420	7 420
Total	696 662	727 772	922 314	90 471	175 678	198 776	71 284	27 119	10 936

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

Municipality	Vote 3	Vote 7		Vote 8				Vote 11					Vote 14	Vote 15			Vote 16	Total
R thousand	3.1	7.1	7.2	8.1	8.2	8.3	8.4	11.1	11.2	11.3	11.4	11.5	14.1	15.1	15.2	15.3	16.1	
eThekweni	-	44 540	998	235 500	14 000	-	10 000	-	-	-	-	-	189 984	4 500	142	-	-	499 664
Ugu Municipalities	15	6 252	69	-	-	678	-	-	-	-	-	-	5 087	565	145	-	150	12 961
Vulamehlo	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	150	320
Umdoni	15	2 049	-	-	-	-	-	-	-	-	-	-	1 730	190	-	-	-	3 984
Umkhumbi	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	170
uMuziwabantu	-	867	-	-	-	169	-	-	-	-	-	-	439	95	-	-	-	1 570
Ezinqoleni	-	-	-	-	-	169	-	-	-	-	-	-	-	90	-	-	-	259
Hibiscus Coast	-	3 336	-	-	-	-	-	-	-	-	-	-	2 918	190	145	-	-	6 589
Ugu District Municipality	-	-	69	-	-	-	-	-	-	-	-	-	-	-	-	-	-	69
uMgungundlovu Municipalities	265	11 756	156	3 000	4 000	509	-	-	-	-	-	-	26 514	975	198	-	2 100	49 473
uMshwathi	-	443	-	-	-	170	-	-	-	-	-	-	106	-	-	-	-	719
uMngeni	265	1 270	-	-	-	-	-	-	-	-	-	-	1 651	95	73	-	-	3 354
Mpofana	-	923	-	-	-	-	-	-	-	-	-	-	1 756	-	42	-	-	2 721
Impendle	-	-	-	-	-	170	-	-	-	-	-	-	-	95	-	-	-	265
Msunduzi	-	9 120	-	3 000	4 000	-	-	-	-	-	-	-	22 934	690	83	-	-	39 827
Mkhambathini	-	-	-	-	-	169	-	-	-	-	-	-	8	95	-	-	2 100	2 372
Richmond	-	-	-	-	-	-	-	-	-	-	-	-	59	-	-	-	-	59
uMgungundlovu District Municipality	-	-	156	-	-	-	-	-	-	-	-	-	-	-	-	-	-	156
Uthukela Municipalities	-	8 604	54	13 500	-	-	-	-	-	-	-	-	12 727	285	245	-	-	35 415
Emnambithi/Ladysmith	-	5 156	-	6 000	-	-	-	-	-	-	-	-	4 687	95	73	-	-	16 011
Indaka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Umtshezi	-	2 134	-	7 500	-	-	-	-	-	-	-	-	7 088	95	99	-	-	16 916
Okhahlamba	-	1 314	-	-	-	-	-	-	-	-	-	-	952	-	73	-	-	2 339
Imbabazane	-	-	-	-	-	-	-	-	-	-	-	-	-	95	-	-	-	95
Uthukela District Municipality	-	-	54	-	-	-	-	-	-	-	-	-	-	-	-	-	-	54
Umkhanyathi Municipalities	15	3 650	100	7 500	-	170	-	-	-	-	-	-	3 138	375	147	-	4 350	19 445
Endumeni	-	2 077	-	-	-	-	-	-	-	-	-	-	2 912	95	74	-	-	5 158
Nqutu	-	-	-	-	-	170	-	-	-	-	-	-	-	190	-	-	-	360
Msinga	-	-	-	-	-	-	-	-	-	-	-	-	-	90	-	-	2 250	2 340
Umvoti	15	1 573	-	7 500	-	-	-	-	-	-	-	-	226	-	73	-	2 100	11 487
Umkhanyathi District Municipality	-	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100
Amajuba Municipalities	165	1 827	78	-	-	170	-	-	-	-	-	-	2 559	285	73	-	1 830	6 987
Newcastle	165	1 193	-	-	-	-	-	-	-	-	-	-	2 282	285	73	-	-	3 998
eMadlangeni	-	-	-	-	-	-	-	-	-	-	-	-	277	-	-	-	150	427
Dannhauser	-	634	-	-	-	170	-	-	-	-	-	-	-	-	-	-	-	804
Amajuba District Municipality	-	-	78	-	-	-	-	-	-	-	-	-	-	-	-	-	1 680	1 758
Zululand Municipalities	15	1 063	84	11 500	-	509	-	-	1 474	-	-	-	9 706	450	73	-	-	24 874
eDumbe	15	452	-	-	-	170	-	-	-	-	-	-	62	90	-	-	-	789
uPhongolo	-	-	-	-	-	170	-	-	-	-	-	-	473	90	-	-	-	733
Abaqulusi	-	611	-	11 500	-	-	-	-	-	-	-	-	1 092	180	73	-	-	13 456
Nongoma	-	-	-	-	-	169	-	-	-	-	-	-	273	90	-	-	-	532
Ulundi	-	-	-	-	-	-	-	-	-	-	-	-	7 806	-	-	-	-	7 806
Zululand District Municipality	-	-	84	-	-	-	-	-	1 474	-	-	-	-	-	-	-	-	1 558
Umkhanyakude Municipalities	-	-	200	-	-	847	-	-	-	-	-	-	87	475	-	-	2 250	3 859
Umkhanyakude District Municipality	-	-	-	-	-	170	-	-	-	-	-	-	-	95	-	-	150	415
Jozini	-	-	-	-	-	170	-	-	-	-	-	-	-	95	-	-	-	265
The Big 5 False Bay	-	-	-	-	-	169	-	-	-	-	-	-	18	-	-	-	2 100	2 287
Hlabisa	-	-	-	-	-	169	-	-	-	-	-	-	-	95	-	-	-	264
Mtubatuba	-	-	-	-	-	169	-	-	-	-	-	-	69	190	-	-	-	428
Umkhanyakude District Municipality	-	-	200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200

Overview of Provincial Expenditure

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

Municipality	Vote 3	Vote 7		Vote 8				Vote 11					Vote 14	Vote 15			Vote 16	Total
R thousand	3.1	7.1	7.2	8.1	8.2	8.3	8.4	11.1	11.2	11.3	11.4	11.5	14.1	15.1	15.2	15.3	16.1	
uThungulu Municipalities	515	7 835	190	9 000	2 000	509	-	-	-	-	-	-	4 235	845	147	-	2 550	27 826
Umfolozi	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	150	320
uMhlathuze	515	4 609	-	9 000	2 000	-	-	-	-	-	-	-	3 917	570	74	-	-	20 685
Ntambanana	-	-	-	-	-	170	-	-	-	-	-	-	-	-	-	-	150	320
uMlalazi	-	2 289	-	-	-	-	-	-	-	-	-	-	121	90	73	-	-	2 573
Mthonjaneni	-	937	-	-	-	-	-	-	-	-	-	-	144	95	-	-	-	1 176
Nkandla	-	-	-	-	-	169	-	-	-	-	-	-	53	90	-	-	2 250	2 562
uThungulu District Municipality	-	-	190	-	-	-	-	-	-	-	-	-	-	-	-	-	-	190
Ilembe Municipalities	-	5 393	115	-	-	509	-	-	1 215	-	-	-	11 007	280	73	-	1 830	20 422
Mandeni	-	1 064	-	-	-	170	-	-	-	-	-	-	449	90	-	-	-	1 773
KwaDukuza	-	4 329	-	-	-	-	-	-	-	-	-	-	10 558	95	73	-	1 680	16 735
Ndwedwe	-	-	-	-	-	170	-	-	-	-	-	-	-	95	-	-	-	265
Maphumulo	-	-	-	-	-	169	-	-	-	-	-	-	-	-	-	-	150	319
Ilembe District Municipality	-	-	115	-	-	-	-	-	1 215	-	-	-	-	-	-	-	-	1 330
Sisonke Municipalities	-	-	45	-	-	339	-	-	1 538	-	-	-	2 059	365	-	-	2 550	6 896
Ingwe	-	-	-	-	-	170	-	-	-	-	-	-	53	90	-	-	150	463
Kwa Sani	-	-	-	-	-	169	-	-	-	-	-	-	185	-	-	-	150	504
Matatiele	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Greater Kokstad	-	-	-	-	-	-	-	-	-	-	-	-	1 619	90	-	-	2 100	3 809
Ubuhlebezwe	-	-	-	-	-	-	-	-	-	-	-	-	83	95	-	-	-	178
Umkhulu	-	-	-	-	-	-	-	-	-	-	-	-	119	90	-	-	150	359
Sisonke District Municipality	-	-	45	-	-	-	-	-	1 538	-	-	-	-	-	-	-	-	1 583
Unallocated/unclassified	-	-	-	-	-	-	-	4 830	-	-	9 000	4 170	-	-	-	3 000	-	21 000
Total	990	90 920	2 089	280 000	20 000	4 240	10 000	4 830	4 227	-	9 000	4 170	267 103	9 400	1 243	3 000	17 610	728 822

Key	Grant Name	Key	Grant Name
3.1	Greenest Municipality Competition	11.3	Infrastructure Support
7.1	Municipal Clinics	11.4	Disaster Management
7.2	Motor Vehicle Licence Fees	11.5	Inter-governmental relations
8.1	CRU Programme	14.1	Property Rates
8.2	Municipal Rates and Taxes	15.1	Recapitalisation of Community Libraries
8.3	Capacity Building - Flanders Programme	15.2	Museum Services
8.4	Maintenance of R293 Hostels & Discount Benefit Scheme	15.3	Provincialisation of Libraries
11.1	Provincial Management Assistance Programme	16.1	Infrastructure - Sport Facilities
11.2	Strategic Support		

Table 1.G(ii): Details of transfers to Municipalities: 2011/12

Municipality	Vote 3	Vote 7		Vote 8				Vote 11					Vote 14	Vote 15			Vote 16	Total
R thousand	3.1	7.1	7.2	8.1	8.2	8.3	8.4	11.1	11.2	11.3	11.4	11.5	14.1	15.1	15.2	15.3	16.1	
eThekweni	-	47 151	1 063	266 000	9 000	-	10 000	-	-	-	-	-	201 383	5 500	150	-	-	540 247
Ugu Municipalities	-	-	70	-	-	728	-	-	955	-	-	-	5 392	570	154	-	-	7 869
Vulamehlo	-	-	-	-	-	189	-	-	-	-	-	-	-	-	-	-	-	189
Umdoni	-	-	-	-	-	-	-	-	-	-	-	-	1 834	190	-	-	-	2 024
Umzumbe	-	-	-	-	-	180	-	-	-	-	-	-	-	-	-	-	-	180
uMuziwabantu	-	-	-	-	-	180	-	-	-	-	-	-	465	95	-	-	-	740
Ezinqoleni	-	-	-	-	-	179	-	-	-	-	-	-	-	95	-	-	-	274
Hibiscus Coast	-	-	-	-	-	-	-	-	-	-	-	-	3 093	190	154	-	-	3 437
Ugu District Municipality	-	-	70	-	-	-	-	-	955	-	-	-	-	-	-	-	-	1 025
uMgungundlovu Municipalities	-	9 667	161	10 000	4 000	540	-	-	1 019	-	-	-	28 105	1 010	209	-	-	54 711
uMshwathi	-	-	-	-	-	180	-	-	-	-	-	-	112	-	-	-	-	292
uMngeni	-	-	-	-	-	-	-	-	-	-	-	-	1 750	95	77	-	-	1 922
Mpofana	-	-	-	-	-	-	-	-	-	-	-	-	1 861	-	45	-	-	1 906
Impendle	-	-	-	-	-	180	-	-	-	-	-	-	-	95	-	-	-	275
Msunduzi	-	9 667	-	10 000	4 000	-	-	-	-	-	-	-	24 310	725	87	-	-	48 789
Mkhambathini	-	-	-	-	-	180	-	-	-	-	-	-	9	95	-	-	-	284
Richmond	-	-	-	-	-	-	-	-	-	-	-	-	63	-	-	-	-	63
uMgungundlovu District Municipality	-	-	161	-	-	-	-	-	1 019	-	-	-	-	-	-	-	-	1 180
Uthukela Municipalities	-	-	55	20 000	-	-	-	-	2 510	-	-	-	13 490	285	259	-	-	36 599
Emnambithi/Ladysmith	-	-	-	10 000	-	-	-	-	-	-	-	-	4 968	95	77	-	-	15 140
Indaka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Umtshezi	-	-	-	10 000	-	-	-	-	-	-	-	-	7 513	95	105	-	-	17 713
Okhahlamba	-	-	-	-	-	-	-	-	-	-	-	-	1 009	-	77	-	-	1 086
Imbabazane	-	-	-	-	-	-	-	-	-	-	-	-	-	95	-	-	-	95
Uthukela District Municipality	-	-	55	-	-	-	-	-	2 510	-	-	-	-	-	-	-	-	2 565
Umzinyathi Municipalities	-	-	110	10 000	-	180	-	-	219	-	-	-	3 327	380	155	-	-	14 371
Endumeni	-	-	-	-	-	-	-	-	-	-	-	-	3 087	95	78	-	-	3 260
Nqutu	-	-	-	-	-	180	-	-	-	-	-	-	-	190	-	-	-	370
Msinga	-	-	-	-	-	-	-	-	-	-	-	-	-	95	-	-	-	95
Umvoti	-	-	-	10 000	-	-	-	-	-	-	-	-	240	-	77	-	-	10 317
Umzinyathi District Municipality	-	-	110	-	-	-	-	-	219	-	-	-	-	-	-	-	-	329
Amajuba Municipalities	-	-	80	-	-	180	-	-	110	-	-	-	2 713	285	77	-	-	3 445
Newcastle	-	-	-	-	-	-	-	-	-	-	-	-	2 419	285	77	-	-	2 781
eMadlangeni	-	-	-	-	-	-	-	-	-	-	-	-	294	-	-	-	-	294
Dannhauser	-	-	-	-	-	180	-	-	-	-	-	-	-	-	-	-	-	180
Amajuba District Municipality	-	-	80	-	-	-	-	-	110	-	-	-	-	-	-	-	-	190
Zululand Municipalities	-	-	86	10 000	-	540	-	-	-	-	-	-	10 289	475	77	-	-	21 467
eDumbe	-	-	-	-	-	180	-	-	-	-	-	-	66	95	-	-	-	341
uPhongolo	-	-	-	-	-	180	-	-	-	-	-	-	501	95	-	-	-	776
Abaqulusi	-	-	-	10 000	-	-	-	-	-	-	-	-	1 158	190	77	-	-	11 425
Nongoma	-	-	-	-	-	180	-	-	-	-	-	-	289	95	-	-	-	564
Ulundi	-	-	-	-	-	-	-	-	-	-	-	-	8 275	-	-	-	-	8 275
Zululand District Municipality	-	-	86	-	-	-	-	-	-	-	-	-	-	-	-	-	-	86
Umkhanyakude Municipalities	-	-	216	-	-	898	-	-	649	-	-	-	92	475	-	-	-	2 330
Umhlabyalingana	-	-	-	-	-	180	-	-	-	-	-	-	-	95	-	-	-	275
Jozini	-	-	-	-	-	180	-	-	-	-	-	-	-	95	-	-	-	275
The Big 5 False Bay	-	-	-	-	-	180	-	-	-	-	-	-	19	-	-	-	-	199
Hlabisa	-	-	-	-	-	180	-	-	-	-	-	-	-	95	-	-	-	275
Mtubatuba	-	-	-	-	-	178	-	-	-	-	-	-	73	190	-	-	-	441
Umkhanyakude District Municipality	-	-	216	-	-	-	-	-	649	-	-	-	-	-	-	-	-	865

Overview of Provincial Expenditure

Table 1.G(ii): Details of transfers to Municipalities: 2011/12 (cont.)

Municipality	Vote 3	Vote 7		Vote 8				Vote 11					Vote 14	Vote 15			Vote 16	Total
R thousand	3.1	7.1	7.2	8.1	8.2	8.3	8.4	11.1	11.2	11.3	11.4	11.5	14.1	15.1	15.2	15.3	16.1	
uThungulu Municipalities	-	4 886	195	20 000	2 000	540	-	-	439	-	-	-	4 489	855	155	-	-	33 559
Umfolozi	-	-	-	-	-	180	-	-	-	-	-	-	-	-	-	-	-	180
uMhlathuze	-	4 886	-	20 000	2 000	-	-	-	-	-	-	-	4 152	570	78	-	-	31 686
Ntambanana	-	-	-	-	-	180	-	-	-	-	-	-	-	-	-	-	-	180
uMlalazi	-	-	-	-	-	-	-	-	-	-	-	-	128	95	77	-	-	300
Mthonjaneni	-	-	-	-	-	-	-	-	-	-	-	-	153	95	-	-	-	248
Nkandla	-	-	-	-	-	180	-	-	-	-	-	-	56	95	-	-	-	331
uThungulu District Municipality	-	-	195	-	-	-	-	-	439	-	-	-	-	-	-	-	-	634
Ilembe Municipalities	-	-	121	-	-	540	-	-	110	-	-	-	11 668	285	77	-	-	12 801
Mandeni	-	-	-	-	-	180	-	-	-	-	-	-	476	95	-	-	-	751
KwaDukuza	-	-	-	-	-	-	-	-	-	-	-	-	11 192	95	77	-	-	11 364
Ndwedwe	-	-	-	-	-	180	-	-	-	-	-	-	-	95	-	-	-	275
Maphumulo	-	-	-	-	-	180	-	-	-	-	-	-	-	-	-	-	-	180
Ilembe District Municipality	-	-	121	-	-	-	-	-	110	-	-	-	-	-	-	-	-	231
Sisonke Municipalities	-	-	46	-	-	359	-	-	110	-	-	-	2 182	380	-	-	-	3 077
Ingwe	-	-	-	-	-	180	-	-	-	-	-	-	56	95	-	-	-	331
Kwa Sani	-	-	-	-	-	179	-	-	-	-	-	-	196	-	-	-	-	375
Matatiele	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Greater Kokstad	-	-	-	-	-	-	-	-	-	-	-	-	1 716	95	-	-	-	1 811
Ubuhlebezwe	-	-	-	-	-	-	-	-	-	-	-	-	88	95	-	-	-	183
Umkhumbi	-	-	-	-	-	-	-	-	-	-	-	-	126	95	-	-	-	221
Sisonke District Municipality	-	-	46	-	-	-	-	-	110	-	-	-	-	-	-	-	-	156
Unallocated/unclassified	1 210	-	-	-	-	-	-	5 000	-	8 421	9 000	5 870	-	-	-	9 000	18 344	56 845
Total	1 210	61 704	2 203	336 000	15 000	4 505	10 000	5 000	6 121	8 421	9 000	5 870	283 130	10 500	1 313	9 000	18 344	787 321

Key	Grant Name	Key	Grant Name
3.1	Greenest Municipality Competition	11.3	Infrastructure Support
7.1	Municipal Clinics	11.4	Disaster Management
7.2	Motor Vehicle Licence Fees	11.5	Inter-governmental relations
8.1	CRU Programme	14.1	Property Rates
8.2	Municipal Rates and Taxes	15.1	Recapitalisation of Community Libraries
8.3	Capacity Building - Flanders Programme	15.2	Museum Services
8.4	Maintenance of R293 Hostels & Discount Benefit Scheme	15.3	Provincialisation of Libraries
11.1	Provincial Management Assistance Programme	16.1	Infrastructure - Sport Facilities
11.2	Strategic Support		

Table 1.G(iii): Details of transfers to Municipalities: 2012/13

Municipality	Vote 3	Vote 7		Vote 8				Vote 11					Vote 14	Vote 15			Vote 16	Total
R thousand	3.1	7.1	7.2	8.1	8.2	8.3	8.4	11.1	11.2	11.3	11.4	11.5	14.1	15.1	15.2	15.3	16.1	
eThekweni	-	49 508	1 126	266 000	8 000	-	-	-	-	-	-	-	202 827	5 500	158	-	-	533 119
Ugu Municipalities	-	-	71	-	-	764	-	-	-	-	-	-	5 582	570	163	-	-	7 150
Vulamehlo	-	-	-	-	-	198	-	-	-	-	-	-	60	-	-	-	-	258
Umdoni	-	-	-	-	-	-	-	-	-	-	-	-	1 834	190	-	-	-	2 024
Umzumbe	-	-	-	-	-	189	-	-	-	-	-	-	30	-	-	-	-	219
uMuziwabantu	-	-	-	-	-	189	-	-	-	-	-	-	525	95	-	-	-	809
Ezinqoleni	-	-	-	-	-	188	-	-	-	-	-	-	40	95	-	-	-	323
Hibiscus Coast	-	-	-	-	-	-	-	-	-	-	-	-	3 093	190	163	-	-	3 446
Ugu District Municipality	-	-	71	-	-	-	-	-	-	-	-	-	-	-	-	-	-	71
uMgungundlovu Municipalities	-	10 150	164	10 000	1 000	567	-	-	-	-	-	-	29 945	1 010	221	-	-	53 057
uMshwathi	-	-	-	-	-	189	-	-	-	-	-	-	212	-	-	-	-	401
uMngeni	-	-	-	-	-	-	-	-	-	-	-	-	1 780	95	81	-	-	1 956
Mpofana	-	-	-	-	-	-	-	-	-	-	-	-	1 881	-	49	-	-	1 930
Impendle	-	-	-	-	-	189	-	-	-	-	-	-	400	95	-	-	-	684
Msunduzi	-	10 150	-	10 000	1 000	-	-	-	-	-	-	-	25 510	725	91	-	-	47 476
Mkhambathini	-	-	-	-	-	189	-	-	-	-	-	-	39	95	-	-	-	323
Richmond	-	-	-	-	-	-	-	-	-	-	-	-	123	-	-	-	-	123
uMgungundlovu District Municipality	-	-	164	-	-	-	-	-	-	-	-	-	-	-	-	-	-	164
Uthukela Municipalities	-	-	56	20 000	-	-	-	-	-	-	-	-	16 043	285	274	-	-	36 658
Emnambithi/Ladysmith	-	-	-	10 000	-	-	-	-	-	-	-	-	5 968	95	81	-	-	16 144
Indaka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Umtshezi	-	-	-	10 000	-	-	-	-	-	-	-	-	8 182	95	112	-	-	18 389
Okhahlamba	-	-	-	-	-	-	-	-	-	-	-	-	1 009	-	81	-	-	1 090
Imbabazane	-	-	-	-	-	-	-	-	-	-	-	-	884	95	-	-	-	979
Uthukela District Municipality	-	-	56	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56
Umzinyathi Municipalities	-	-	116	10 000	-	189	-	-	-	-	-	-	3 623	380	163	-	-	14 471
Endumeni	-	-	-	-	-	-	-	-	-	-	-	-	3 362	95	82	-	-	3 539
Nqutu	-	-	-	-	-	189	-	-	-	-	-	-	-	190	-	-	-	379
Msinga	-	-	-	-	-	-	-	-	-	-	-	-	-	95	-	-	-	95
Umvoti	-	-	-	10 000	-	-	-	-	-	-	-	-	261	-	81	-	-	10 342
Umzinyathi District Municipality	-	-	116	-	-	-	-	-	-	-	-	-	-	-	-	-	-	116
Amajuba Municipalities	-	-	81	-	-	189	-	-	-	-	-	-	3 308	285	81	-	-	3 944
Newcastle	-	-	-	-	-	-	-	-	-	-	-	-	2 634	285	81	-	-	3 000
eMadlangeni	-	-	-	-	-	-	-	-	-	-	-	-	320	-	-	-	-	320
Dannhauser	-	-	-	-	-	189	-	-	-	-	-	-	354	-	-	-	-	543
Amajuba District Municipality	-	-	81	-	-	-	-	-	-	-	-	-	-	-	-	-	-	81
Zululand Municipalities	-	-	87	10 000	-	567	-	-	-	-	-	-	10 673	475	81	-	-	21 883
eDumbe	-	-	-	-	-	189	-	-	-	-	-	-	66	95	-	-	-	350
uPhongolo	-	-	-	-	-	189	-	-	-	-	-	-	501	95	-	-	-	785
Abaqulusi	-	-	-	10 000	-	-	-	-	-	-	-	-	1 158	190	81	-	-	11 429
Nongoma	-	-	-	-	-	189	-	-	-	-	-	-	289	95	-	-	-	573
Ulundi	-	-	-	-	-	-	-	-	-	-	-	-	8 659	-	-	-	-	8 659
Zululand District Municipality	-	-	87	-	-	-	-	-	-	-	-	-	-	-	-	-	-	87
Umkhanyakude Municipalities	-	-	220	-	-	943	-	-	-	-	-	-	3 285	475	-	-	-	4 923
Umhlabyalingana	-	-	-	-	-	189	-	-	-	-	-	-	300	95	-	-	-	584
Jozini	-	-	-	-	-	189	-	-	-	-	-	-	2 743	95	-	-	-	3 027
The Big 5 False Bay	-	-	-	-	-	189	-	-	-	-	-	-	19	-	-	-	-	208
Hlabisa	-	-	-	-	-	189	-	-	-	-	-	-	150	95	-	-	-	434
Mtubatuba	-	-	-	-	-	187	-	-	-	-	-	-	73	190	-	-	-	450
Umkhanyakude District Municipality	-	-	220	-	-	-	-	-	-	-	-	-	-	-	-	-	-	220

Overview of Provincial Expenditure

Table 1.G(iii): Details of transfers to Municipalities: 2012/13 (cont.)

Municipality	Vote 3	Vote 7		Vote 8				Vote 11					Vote 14	Vote 15			Vote 16	Total
R thousand	3.1	7.1	7.2	8.1	8.2	8.3	8.4	11.1	11.2	11.3	11.4	11.5	14.1	15.1	15.2	15.3	16.1	
uThungulu Municipalities	-	5 130	198	20 000	1 000	567	-	-	-	-	-	-	4 739	855	163	-	-	32 652
Umfolozo	-	-	-	-	-	189	-	-	-	-	-	-	150	-	-	-	-	339
uMhlathuze	-	5 130	-	20 000	1 000	-	-	-	-	-	-	-	4 152	570	82	-	-	30 934
Ntambanana	-	-	-	-	-	189	-	-	-	-	-	-	100	-	-	-	-	289
uMlalazi	-	-	-	-	-	-	-	-	-	-	-	-	128	95	81	-	-	304
Mthonjaneni	-	-	-	-	-	-	-	-	-	-	-	-	153	95	-	-	-	248
Nkandla	-	-	-	-	-	189	-	-	-	-	-	-	56	95	-	-	-	340
uThungulu District Municipality	-	-	198	-	-	-	-	-	-	-	-	-	-	-	-	-	-	198
Ilembe Municipalities	-	-	123	-	-	567	-	-	-	-	-	-	13 668	285	81	-	-	14 724
Mandeni	-	-	-	-	-	189	-	-	-	-	-	-	476	95	-	-	-	760
KwaDukuza	-	-	-	-	-	-	-	-	-	-	-	-	11 192	95	81	-	-	11 368
Ndwedwe	-	-	-	-	-	189	-	-	-	-	-	-	1 000	95	-	-	-	1 284
Maphumulo	-	-	-	-	-	189	-	-	-	-	-	-	1 000	-	-	-	-	1 189
Ilembe District Municipality	-	-	123	-	-	-	-	-	-	-	-	-	-	-	-	-	-	123
Sisonke Municipalities	-	-	47	-	-	377	-	-	-	-	-	-	3 595	380	-	-	-	4 399
Ingwe	-	-	-	-	-	189	-	-	-	-	-	-	96	95	-	-	-	380
Kwa Sani	-	-	-	-	-	188	-	-	-	-	-	-	246	-	-	-	-	434
Matatiele	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Greater Kokstad	-	-	-	-	-	-	-	-	-	-	-	-	2 649	95	-	-	-	2 744
Ubuhlebezwe	-	-	-	-	-	-	-	-	-	-	-	-	178	95	-	-	-	273
Umkhumbi	-	-	-	-	-	-	-	-	-	-	-	-	426	95	-	-	-	521
Sisonke District Municipality	-	-	47	-	-	-	-	-	-	-	-	-	-	-	-	-	-	47
Unallocated/unclassified	1 265	-	-	-	-	-	-	8 000	-	-	15 000	9 000	-	-	-	15 500	19 094	67 859
Total	1 265	64 788	2 289	336 000	10 000	4 730	-	8 000	-	-	15 000	9 000	297 288	10 500	1 385	15 500	19 094	794 839

Key	Grant Name	Key	Grant Name
3.1	Greenest Municipality Competition	11.3	Infrastructure Support
7.1	Municipal Clinics	11.4	Disaster Management
7.2	Motor Vehicle Licence Fees	11.5	Inter-governmental relations
8.1	CRU Programme	14.1	Property Rates
8.2	Municipal Rates and Taxes	15.1	Recapitalisation of Community Libraries
8.3	Capacity Building - Flanders Programme	15.2	Museum Services
8.4	Maintenance of R293 Hostels & Discount Benefit Scheme	15.3	Provincialisation of Libraries
11.1	Provincial Management Assistance Programme	16.1	Infrastructure - Sport Facilities
11.2	Strategic Support		

**ESTIMATES
OF
PROVINCIAL
EXPENDITURE**

Departmental Estimates

