



Province of the  
**EASTERN CAPE**  
PROVINCIAL TREASURY

# EASTERN CAPE ESTIMATES OF PROVINCIAL REVENUE AND EXPENDITURE 2012/13



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## FOREWORD

The budget policy framework takes into account the uncertain economic outlook and the need to support the structural transformation of the economy. Expanding infrastructure investment will underpin long-term growth and development whilst the province continues to spend on social development priorities.

The 2012/13 budget choices highlight the daunting social and economic challenges that face South Africa and more specifically, the Eastern Cape Province. The province faces the challenge of ensuring inclusive and faster economic growth through increased investment in strategic economic infrastructure including agriculture, rural development and housing, whilst remaining committed to investing in government's APEX priorities and ensuring that the social cushion remains intact as this aims to improve the quality of life of many citizens.

To ensure that the provincial government can afford its priority programmes now and into the future, the rate of growth in public spending needs to be moderated over the medium term, even as public services, economic investment and job creation are strengthened. Over the MTEF period and beyond, the composition of spending needs to shift from consumption to investment in infrastructure and economic development.

To this end, the Eastern Cape Provincial Government has increased the budget allocation for capital projects (infrastructure) by 42.4 per cent over the medium-term expenditure framework (MTEF). The budget will increase by R950.8 million between 2011/12 to 2012/13, with a cumulative increase of R1.7 billion over the 2012/13 MTEF. The bulk of the infrastructure allocation resides in the departments of Education, Health and Roads and Public Works for projects such as roads, bridges, community-based public works programmes, the maintenance of buildings, hospitals, clinics, community health centres, the hospital revitalisation programme, and schools. This includes the replacement of mud structures (refer to chapter 5).

The Eastern Cape Province will directly benefit from the R845 billion national allocation for infrastructure announced by the national Minister of Finance. An amount of R9.5 billion is seen as an economic support package which aims to anchor the province's motor industry. Plans also include an upgraded water system in Mthatha, support for cities by way of the new Cities Support Programme to improve spatial planning and public transport systems in metros such as Buffalo City Metropolitan municipality (BCM) and Nelson Mandela Bay Metropolitan municipality (NMBM), planning support for rural municipalities, new court facilities in Bityi and Dimbaza as well as extensions to the courts in Port Elizabeth, Humansdorp, Whittlesea and Mthatha. Other infrastructure projects planned for the Eastern Cape Province over the MTEF include the dam at Umzimvubu River, the extension of the railway line to Ngqura to transport manganese and the Mthombo project to build a R200 billion refinery outside NMBM.

A serious concern, however, still remains the inability, at provincial and municipal level, to spend the allocated conditional grants for infrastructure maintenance and construction. To this end, Provincial Treasury has committed to support provincial departments with their infrastructure

projects through the development of an Accelerated Infrastructure Delivery Plan and the national Infrastructure Delivery Improvement Programme (IDIP). Provincial Treasury has, furthermore, allocated funds towards strengthening capacity within municipalities in order to enable these to better deliver on their mandate, particularly in terms of infrastructure projects and basic service delivery over the MTEF. Furthermore, Provincial Treasury measures aim to strengthen supply chain management, giving special attention to procurement processes which ensures value-for-money and develops local suppliers and support to industries. The price that the province pays for infrastructure projects are currently above the norm. Going forward, this has to be better monitored and managed (refer to chapter 5).

The province welcomes the interventions planned by National Treasury in respect of the weaknesses in financial management, at provincial level, that have undermined service delivery and put financial sustainability at risk.

There is growing evidence that provincial efforts in lobbying national government and state-owned enterprises to invest in provincial infrastructure development programmes are starting to bear fruit. Transnet is to inject R2.3 billion into the East London harbour whilst Eskom has agreed to a R10 billion programme to improve the energy infrastructure in the province. In addition to these investments, the Minister of Finance announced in the national budget that there will be a R1 billion reduction in port costs, from which the province's motor industry, in particular, stands to benefit.

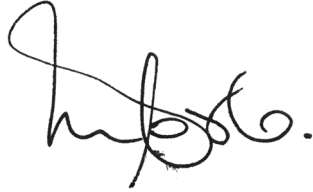
Provincial Treasury will continue to enforce and monitor fiscal austerity and expenditure on non-core items within all departments over the MTEF in order to ensure the elimination of non-essential and unreasonable expenditure, as well as to ensure that departments reprioritise these expenditures for essential core services (refer to chapter 2).

Job creation remains high on the province's policy agenda. The Eastern Cape Jobs Strategy outlines how the province will create a total of 116 958 jobs through the second phase of the Expanded Public Works Programme (EPWP). Informal manufacturing and other Industrial Policy Action Plan 2 (IPAP2) initiatives will add a further 13 400 jobs. The province has an initial target of 150 000 new jobs by 2014.

Despite the uncertainty in the global economy, the province's two industrial development zones (IDZs) are delivering much-needed investment with the East London IDZ securing private investors to the tune of R4 billion in the automotive, aqua-culture, agro-processing, renewable energy and business process outsourcing sectors. The Coega IDZ now has 21 operating investors, which represents R1.2 billion in private sector investments. To date, this has created 3 645 construction jobs, and 2 985 direct jobs (*Eastern Cape State of the Province Address Speech 2012*). The province's IDZs stand to benefit from the infrastructure and incentives package unveiled by National Treasury.

The New Growth Path's (NGP) target of five million jobs by 2020 can only be realised through direct private sector-led investment and growth. However, this can only be delivered by a business sector that operates within a conducive and sustainable environment. The role of government is to create and maintain an enabling environment for business to grow and for additional investment to take place. It needs, however, to be emphasised that investment and economic growth needs to enhance job creation and employment opportunities, particularly

amongst the youth. The Eastern Cape Province has a huge unskilled and semi-skilled labour pool that need to find meaningful employment if their lives are to be improved.

A handwritten signature in black ink, appearing to read 'Phumulo Masualle'.

**HONOURABLE PHUMULO MASUALLE**

**MEC FOR PROVINCIAL PLANNING AND FINANCE**





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## LIST OF ABBREVIATIONS

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





## EXECUTIVE SUMMARY

In preparing the 2012/13 MTEF and owing to the very limited fiscal envelope, the Provincial Treasury has undertaken a rigorous review of departmental baselines to identify areas of inefficiencies and non-core expenditure areas. The Eastern Cape provincial government continues with the implementation of fiscal austerity measures to ensure that the fiscal framework remains stable in the years ahead. To this end, several initiatives are currently underway to ensure that the province gets better outcomes and improve service delivery.

Given the resource constraints as a result of the equitable share reductions, particularly within the Department of Education, means of increasing provincial own-revenue generation are being explored. The revenue base has room for improvement, even before efficiencies in the system have been pursued. Departments have been requested to put in place a roll-out plan and policy that optimises revenue collection. The policy highlights the appropriate plans and processes to identify sources of revenue as well as revenue information reconciliation.

As outlined in the 2011 National Medium Term Budget Policy Statement (MTBPS), the creation of decent jobs and infrastructure investment are the two core policy focus areas for the 2012/13 MTEF. Government needs to continue creating a conducive environment for private sector growth and investment in order to generate employment. There is also potential within the public sector infrastructure programmes to create a large number of direct jobs in construction and operations. A major weakness, at provincial and municipal level, which has led to the underperformance of infrastructure delivery, is the lack of capacity to effectively plan and implement labour-intensive projects.

Social services (including basic services), rural development and agrarian reform remain priority areas for government over the 2012/13 MTEF. Given the rural nature of the province as well as its abundance of arable land, there is potential for development and job creation in this sector.

# **EASTERN CAPE SUMMARY OF ACTUAL AND BUDGETED PAYMENTS PER VOTE: 2012/13 MTEF**

R' 000	2008/09	2009/10	2010/11	2011/12			2012/13	2013/14	2014/15	Budget Growth Rate			
	Audited			Main budget	Adjusted budget	Revised estimate	Medium-term estimates			2011/12 - 2012/13	2012/13 - 2013/14	2013/14 - 2014/15	2008/09 - 2012/13
Education	17 523 692	20 750 351	22 576 929	24 634 708	25 144 885	25 093 056	26 287 986	27 658 394	29 210 170	4.8%	5.2%	5.6%	50.0%
Health	10 499 083	12 090 018	13 272 828	14 237 249	14 812 568	15 590 424	15 166 038	16 346 338	17 440 175	-2.7%	7.8%	6.7%	44.5%
Social Development And Special Programmes	1 324 145	1 443 896	1 575 939	1 711 206	1 711 206	1 683 125	1 782 421	2 008 857	2 119 979	5.9%	12.7%	5.5%	34.6%
Office Of Premier	343 976	359 724	375 050	403 880	403 880	376 530	404 531	447 679	471 854	7.4%	10.7%	5.4%	17.6%
Provincial Legislature	216 079	255 960	293 098	371 446	393 138	360 443	384 082	415 739	438 189	6.6%	8.2%	5.4%	77.8%
Roads And Public Works	3 087 251	3 202 686	3 198 859	3 269 009	3 413 566	3 506 086	3 741 601	3 970 185	4 173 985	6.7%	6.1%	5.1%	21.2%
Local Government And Traditional Affairs	612 415	745 113	775 078	746 085	761 690	750 630	788 452	846 771	892 496	5.0%	7.4%	5.4%	28.7%
Rural Development And Agrarian Reform	1 365 889	1 582 933	1 535 246	1 509 785	1 532 976	1 486 047	1 694 131	1 636 875	1 718 742	14.0%	-3.4%	5.0%	24.0%
Economic Development, Environmental Affairs	756 200	930 585	826 812	884 226	893 226	883 338	936 063	1 021 787	1 032 696	6.0%	9.2%	1.1%	23.8%
Transport	1 056 676	1 276 198	1 315 591	1 453 764	1 596 764	1 596 764	1 322 994	1 438 825	1 515 886	-17.1%	8.8%	5.4%	25.2%
Human Settlements	1 230 905	1 532 801	1 727 782	2 424 942	2 615 470	2 439 409	2 574 536	2 787 388	2 889 147	5.5%	8.3%	3.7%	109.2%
Provincial Planning And Treasury	255 773	234 113	247 450	302 526	302 526	287 578	352 143	387 377	409 326	22.5%	10.0%	5.7%	37.7%
Sport, Recreation, Arts And Culture	751 987	778 851	557 159	636 323	686 837	670 783	705 454	739 394	771 059	5.2%	4.8%	4.3%	-6.2%
Safety And Liaison	41 992	47 720	52 635	58 387	58 387	58 320	64 373	70 818	76 318	10.4%	10.0%	7.8%	53.3%
<b>Total</b>	<b>39 066 063</b>	<b>45 230 949</b>	<b>48 330 456</b>	<b>52 643 536</b>	<b>54 327 118</b>	<b>54 782 533</b>	<b>56 204 804</b>	<b>59 776 426</b>	<b>63 160 021</b>	<b>2.6%</b>	<b>6.4%</b>	<b>5.7%</b>	<b>43.9%</b>

**Source: Provincial Treasury Database: 2012/13**

The above table provides an overview of departmental budget allocations for the 2012/13 MTEF. The provincial budget for the 2012/13 financial year grows by 2.6 per cent from R54.8 billion in 2011/12 to R56.2 billion. Over the MTEF, it is estimated that the provincial budget will grow by 12.4 per cent from R56.2 billion in 2012/13 to R63.2 billion in 2014/15 with the departments of Education, Health, and Roads and Public Works being allocated the biggest share.

Of the allocated R56.2 billion in 2012/13, 77 per cent (or R43.2 billion) of this is apportioned to the social sector as comprised of the departments of Education, Health and Social Development and Special Programmes.

Of significance, is the 2.7 per cent decline in budget for the department of Health in 2012/13. This decline is very deceiving as the present and past baselines include a large number of accruals, thereby artificially keeping the departmental baseline higher than what it should be. These accruals should have been worked out of the system and the baselines restated in order to permanently correct this perception. Another reason for the perceived negative growth is the Human Resource Operational Project Team (HROPT) which has not been corrected by the department of Health.

The 17.1 per cent decline in the Department of Transport's budget is attributable to a once-off buy-back of motor vehicles from the outsourced managers of the provincial fleet. The department of Education also shows a minimal increase in its baseline of 4.8 per cent growth in 2012/13. This is also deceiving because the present baseline includes temporary teachers, as per the court ruling in 2011, as well as a large number of accruals carried over.

The budget for the department of Rural Development and Agrarian Reform grows by 14 per cent in 2012/13 due to additional funding to support rural development. The Provincial Treasury's budget for 2012/13 grows by 22.5 per cent in order to finance the establishment of the Eastern Cape Planning Commission (ECPC) as well as the municipal support programme. The Department of Safety and Liaison's budget for 2012/13 also increases by 10.4 per cent to fund community policing forums (CPF) and stock theft prevention initiatives.

The funds allocated to the department of Education are for the Improvement in Conditions of Service (ICS) and further education and training colleges, as well as the 2012 Post Declaration.

Also funded in education is the universalisation of Grade R to all schools and the data clean-up projects and the expansion of no-fee schools.

There are two new conditional grants allocated to the department of Health, namely the Nursing Colleges and the National Health Insurance (NHI) grants. Further medium-term priorities within health include hospital infrastructure, and the comprehensive HIV/Aids treatment and prevention programme which takes into account the provision of anti-retroviral treatment at the CD4 threshold of 350 in 2013/14.

Funds allocated to the department of Social Development and Special Programmes are for increasing access to child care and protection services, Early Childhood Development (ECD) programmes and the rollout of Youth Care facilities

In the economic sector, additional funding is allocated for agro-processing, advancing rural development, strengthening small business development, provincial roads infrastructure, up-scaling the EPWP programme and acceleration of housing and bulk infrastructure delivery.

#### EASTERN CAPE SUMMARY OF ACTUAL AND BUDGETED PAYMENTS PER ECONOMIC CLASSIFICATION: 2012/13 MTEF

R' 000	2008/09	2009/10	2010/11	2011/12		2012/13	2013/14	2014/15	Growth Rate			
		Audited		Main budget	Adjusted budget	Revised estimate	Medium-term estimates		2011/12 - 2012/13	2012/13 - 2013/14	2013/14 - 2014/15	2008/09 - 2012/13
<b>Current payments</b>	<b>31 168 179</b>	<b>36 434 737</b>	<b>40 396 237</b>	<b>41 895 600</b>	<b>42 715 954</b>	<b>44 038 584</b>	<b>45 425 863</b>	<b>47 862 105</b>	<b>3.2%</b>	<b>5.4%</b>	<b>5.7%</b>	<b>45.7%</b>
Compensation of employees	22 930 671	28 299 001	31 727 145	32 993 392	33 920 636	34 507 594	36 345 017	37 677 676	5.4%	3.6%	5.6%	58.5%
Goods and services	8 234 981	8 124 501	8 656 971	8 901 629	8 865 317	9 523 028	9 070 846	10 184 230	-4.7%	12.3%	6.1%	10.2%
Administrative fees	1 866	17 201	9 696	11 431	11 503	33 649	4 608	13 365	-56.6%	-8.5%	-2.1%	25.2%
Advertising	79 275	56 319	50 141	60 675	72 645	57 939	59 197	69 188	2.2%	16.9%	1.5%	-25.3%
Assets <R5000	170 589	105 137	96 262	134 518	137 643	121 318	140 820	153 973	16.1%	9.3%	-3.9%	-17.5%
Audit cost: External	72 858	80 069	90 159	106 139	106 975	127 088	189 073	121 347	-14.2%	11.3%	8.0%	49.7%
Bursaries (employees)	135 034	127 135	118 323	164 000	139 081	173 494	30 088	35 579	-82.7%	18.2%	4.7%	-77.7%
Catering: Departmental activities	543 518	118 156	89 292	80 340	82 336	116 758	98 307	119 282	-15.8%	21.3%	-3.3%	-81.9%
Communication	243 748	299 992	317 216	261 239	278 627	309 553	276 276	295 118	-10.8%	6.8%	15.2%	13.3%
Computer services	170 404	235 344	235 762	232 729	238 319	264 191	245 965	306 029	-6.9%	24.4%	2.0%	44.3%
Cons/prof business & advisory services	547 026	384 659	393 248	306 256	410 423	479 120	425 170	451 212	-11.3%	6.1%	6.1%	-22.3%
Cons/prof. Infrastructure & planning	393 934	368 075	210 326	209 318	232 304	151 984	193 632	231 179	27.4%	19.4%	8.8%	-36.3%
Cons/prof. Laboratory services	3 9 097	391 486	528 249	483 618	412 826	433 424	564 730	664 654	30.3%	17.7%	5.8%	77.0%
Cons/prof. Legal cost	33 542	66 883	63 094	52 581	49 175	84 820	45 894	55 690	-45.9%	21.3%	6.9%	36.8%
Contractors	989 149	953 228	1 187 188	1 277 539	1 318 239	1 466 301	1 584 055	1 600 178	8.0%	1.0%	0.6%	80.1%
Agency & support/outsourced services	75 734	770 658	766 403	355 626	342 194	281 669	2 3 931	233 425	-24.0%	9.1%	6.8%	162.5%
Entertainment	8 124	7 115	2 588	6 768	4 864	5 396	4 837	7 581	-10.4%	56.7%	2.1%	-70.0%
Fleet Services	165 845	60 976	6 463	119 182	15 891	147 328	186 049	117 046	-28.0%	10.4%	2.0%	-36.1%
Inventory: Food and food supplies	151 940	131 428	129 927	254 936	240 660	229 030	185 732	211 068	-14.5%	7.8%	7.9%	28.6%
Inventory: Fuel, oil and gas	44 016	87 797	83 860	88 163	82 374	64 546	145 231	151 536	155 673	4.3%	2.7%	72.9%
Inventory: Learn & teacher support material	357 820	262 930	212 359	202 368	182 279	259 764	98 014	94 708	-66.0%	7.6%	5.0%	-75.4%
Inventory: Materials & supplies	34 727	35 492	32 848	35 944	34 121	37 733	39 652	29 814	-31.4%	4.1%	5.4%	-17.5%
Inventory: Medical supplies	761 763	885 572	414 905	424 281	376 222	499 702	521 105	699 917	4.3%	34.3%	27.9%	-31.6%
Inventory: Medicine	37 868	45 696	773 524	1 000 317	962 031	1 075 424	983 787	1 176 114	-8.5%	19.5%	3.2%	2497.9%
Inventory: Military stores	34 446	-	11	-	30	-	-	-	-	-	-	-100.0%
Inventory: Other consumables	489 461	134 664	140 298	493 342	265 918	197 497	188 334	217 758	-14.8%	29.4%	6.9%	-58.9%
Inventory: Stationery and printing	230 159	185 305	148 301	177 117	165 681	194 408	230 674	247 318	18.7%	7.2%	5.1%	0.2%
Lease payments (Incl. operating leases, excl. finance leases)	386 683	586 803	825 416	754 470	838 239	927 616	925 274	1 089 457	-0.3%	17.7%	5.3%	201.7%
Rental & hiring	-	-	-	-	29	9 339	8	8	-99.9%	0.0%	0.0%	0.0%
Property payments	535 766	408 658	501 928	439 628	440 187	555 515	424 068	436 996	-23.7%	3.0%	13.9%	-19.3%
Transport provided dept activity	597 629	458 621	380 550	273 180	271 217	301 693	250 060	268 662	-17.1%	7.4%	6.0%	-56.2%
Travel and subsistence	486 643	655 566	615 793	544 442	551 661	601 720	521 503	574 590	-13.3%	10.2%	4.3%	7.2%
Training & staff development	127 116	92 338	137 392	221 483	182 128	127 689	276 881	298 588	116.8%	7.8%	3.6%	117.8%
Operating payments	142 074	58 220	89 504	92 189	89 667	129 941	130 213	140 268	0.2%	7.7%	3.7%	-8.3%
Venues and facilities	79 326	52 979	46 405	57 710	-8 828	58 377	68 678	72 581	17.6%	5.7%	-15.4%	-13.4%
Interest and rent on land	22 527	11 235	12 121	689	-	7 972	-	-	-100.0%	-	-	-100.0%
<b>Transfers and subsidies</b>	<b>4 623 707</b>	<b>5 537 868</b>	<b>5 681 828</b>	<b>6 994 645</b>	<b>7 403 318</b>	<b>7 264 414</b>	<b>7 661 531</b>	<b>8 386 021</b>	<b>6.5%</b>	<b>9.5%</b>	<b>4.6%</b>	<b>58.8%</b>
<b>Payments for capital assets</b>	<b>3 027 655</b>	<b>3 234 696</b>	<b>2 230 071</b>	<b>3 753 286</b>	<b>4 137 847</b>	<b>3 478 453</b>	<b>3 117 410</b>	<b>3 528 300</b>	<b>-10.4%</b>	<b>13.2%</b>	<b>7.2%</b>	<b>3.0%</b>
<b>Payments for financial assets</b>	<b>26 322</b>	<b>23 659</b>	<b>22 320</b>	<b>3</b>	<b>-</b>	<b>1 102</b>	<b>-</b>	<b>-</b>	<b>-100.0%</b>	<b>-</b>	<b>-</b>	<b>-100.0%</b>
<b>Total economic classification</b>	<b>39 066 063</b>	<b>45 230 949</b>	<b>48 330 456</b>	<b>52 643 536</b>	<b>54 327 118</b>	<b>54 782 533</b>	<b>56 264 804</b>	<b>59 776 426</b>	<b>2.6%</b>	<b>6.4%</b>	<b>5.7%</b>	<b>43.9%</b>

Source: Provincial Treasury Database: 2012/13

The table highlights the provincial payments by economic classification. A total of R45.4 billion is spent on current payments. In 2012/13, the province plans to spend R36.3 billion or 65 per cent of the total budget on compensation of employees, whilst planning to spend a total of R9 billion or 16.1 per cent on goods and services. This skewed expenditure trend towards compensation of employees is cause for concern and the province has to develop a strategy to deal with its share of the budget, which is one of the highest amongst provinces.

Expenditure on compensation of employees will increase by 5.4 per cent from R34.5 billion in 2011/12 to R36.4 billion in 2012/13. Over the MTEF, it is estimated that compensation of employees will increase by 9.5 per cent R39.8 billion.

Goods and services declines by 4.7 per cent from R9.5 billion in 2011/12 to R9.1 billion in 2012/13. Over the MTEF, it increases by 19.1 per cent to R10.8 billion in 2014/15. The major cost driver is utilisation of consultants which is costing the province R9.6 billion as well as R1.7 billion on travel and subsistence over the MTEF. These are controllable non-core expenditure items and they are the areas that the Provincial Treasury will be intensifying austerity measures on.

In summary, the 2012/13 budget strategy is underpinned by the following elements, namely:

- Reprioritisation of the current budget
- Fiscal austerity
- Sound cash-flow management and increasing provincial own-revenue
- A stable fiscal framework which ensures the efficient use of public resources, enabling the province to continue delivering much-needed services to the people of the Eastern Cape.
- Interventions by the Provincial Treasury in municipalities and the departments of Education and Health in order to strengthen their capacity to deliver and transfer skills.

The province will continue to focus on the reprioritisation and austerity measures in order to shift much needed resources to priorities that will have the most impact on service delivery over the MTEF. With this strategy in place, the province is confident that the fiscal position will remain stable over the medium term.







**SECTION A**  
**OVERVIEW OF PROVINCIAL REVENUE AND**  
**EXPENDITURE**



# 1. SOCIO-ECONOMIC OUTLOOK

## 1.1 Demographic profile

The demographic profile of any economy has important implications for the provincial planning process and hence, the allocation of resources. A large percentage of the equitable share allocations amongst provinces are influenced by the characteristics of the provincial population. The population also largely characterises primary production factors (human capital) as well as output consumption.

The population of the Eastern Cape Province has increased from 6.4 million in 2001 to 6.7 million in 2010 (*Quantec, 2011*). This indicates a population increase of 378 000 during this period. The province displays high population density in the urban districts while rural regions show a decreasing trend in their populations. Three regions namely, Amathole, OR Tambo and Nelson Mandela Bay account for more than 70 per cent of the total population of the province. These are the regions that are predominantly urban and serve as the main economic engines of the province. Population figures in the Chris Hani and Joe Gabi districts show a declining trend and this is due to the rural-urban migration. Cacadu, Alfred Nzo and Joe Gqabi districts are the least populous. When the demarcation process between the OR Tambo and Alfred Nzo districts has been completed, the Alfred Nzo District will experience an increase in population of approximately 388 948 people (*Quantec, 2011*). It, however, still remains one of the least populous in the province.

TABLE 1.1: EASTERN CAPE POPULATION DISTRIBUTION PER DISTRICT

District	Population
Cacadu	383 410
Amathole	1 737 265
Chris Hani	824 838
Joe Gqabi	326 072
OR Tambo	1 905 311
Alfred Nzo	479 591
Nelson Mandela Bay	1 087 791

Source: *Quantec, 2010*

### *Eastern Cape age and gender distribution*

The economically active cohort (15 – 64 years) constitutes 61 per cent of the provincial population, of which the youth component (15 – 35 years) constitutes 32 per cent. The province, like the rest of South Africa, experiences extremely high unemployment levels amongst the youth. For this reason, government has prioritised skills development and education for the youth to enable this sector of the population to find employment as the opportunities become available. Youth unemployment is not only economically undesirable but also poses a great risk to social stability.

The proportion of the provincial population above the age of 65 makes up 6 per cent of the total population. The government recognises that provincial plans have to include this sector of the provincial population since most will inevitably require social services and specialised healthcare within an already stressed provincial sector.



The province inherited a poverty and inequality legacy from the apartheid era. The poverty gap is still wide and the poverty rate is over 70 per cent in the predominantly rural areas. According to StatsSA, 74 per cent of the provinces population is living below the poverty line of R800 or less per month. The province has the second highest number of social grant recipients. The child support grant beneficiaries constitute more than 50 per cent of all grants issued. The social security system is a crucial tool used by the province to fight poverty and more than 40 per cent of Eastern Cape residents are beneficiaries of the social grant system. However, the province needs to break this cycle of dependence on social grants as this trend could move from a social cushioning initiative to a point where the country's citizens become welfare dependent.

The province is faced with the challenge of ensuring that the provincial economy grows at a substantial pace as well as ensuring that economic growth leads to the provision of decent employment, and in so doing, reducing the number of people who are dependent on social grants.

## **1.2 Socio-economic indicators**

Basic services (water, sanitation, electricity and refuse removal) are preconditions for improved economic growth and development (improved quality of life) in any economy. Provincial and local governments play a major role in improving access to better quality services.

The Eastern Cape Province has serious backlogs in the delivery of basic services, particularly water and sanitation. A lack of basic sanitation has a negative impact on the health status of communities, and this, once again, negatively impacts on the burden of disease as well as on the demand for public health services. Approximately 41.2 per cent of households in the Eastern Cape use flush toilets, although the national average is about 60 per cent. A pit latrine is used by 39.3 per cent of households, whilst 15.5 per cent of households use an unspecified toilet facility. Only 72.1 per cent of households in 2010 had access to tap water, which is below the national average of 86.7 per cent. Of the 72.1 per cent, approximately 27.3 per cent access water through public taps and 13 per cent access water through rivers and streams (*StatsSA, 2011*).

The province continues to underspend on infrastructure grant allocations, due to the limited capacity within both provincial and municipal structures to develop and implement these capital-intensive projects. The province faces a huge housing backlog. 43 per cent of all households have inadequate access to housing facilities, implying a backlog of over 740 000 houses. Once again, the problem remains limited capacity to spend the allocated funds.

Over the MTEF period, the Eastern Cape Provincial Government will focus on providing greater support to municipalities in order that these may better deliver on their mandate. Given the importance of the work of municipalities and provincial departments in municipalities, the Department of Local Government and Traditional Affairs will implement a monitoring framework for local government to drive the programmes of all municipalities. The department's role is to ensure that the municipal turnaround strategies are a success. The Department of Local Government and Traditional Affairs will put in place more robust monitoring tools and systems in order to implement the recommendations of the Local Government Free Basic Services Indaba.

The MEC of Department of Local Government and Traditional Affairs has, furthermore, signed service delivery agreements with the mayors of the 45 municipalities in the province. This is important for improving accountability for service delivery. Through these agreements, the department wants to ensure that the work to build better communities is planned properly, with realistic targets and that it is monitored so that municipalities meet their targets. The department will continue to play a role in assisting mayors and municipalities in meeting the targets in these agreements.

The Eastern Cape was the worst performing province in the 2011 matriculation examination. The pass rate dropped from 58.3 per cent in 2010 to 58.1 per cent in 2011. The province also experiences high drop-out rates of between 20 to 29 per cent in Grades 10 and 11, mostly within the OR Tambo, Alfred Nzo and Chris Hani districts in the eastern half of the province. The challenges within the provincial Department of Education are systemic. Weak management processes and systems, poor management decision-making ability as well as labour unrest leading to teachers being away from schools for extended periods, fraud and corruption, and the over-expenditure on compensation of employees to the detriment of funds available for service delivery, are all contributory factors to the poor educational outcomes that the province experiences. A further challenge remains the poor education infrastructure and the delivery thereof within the province, most noticeably within the OR Tambo District.

Health and mortality remains a challenge for the Eastern Cape Province, with TB, HIV/Aids and other immune system related diseases fast becoming the highest cause of death. There is also a notable increase in other lifestyle illnesses such as hypertension, diabetes and mental health. Both the Child Mortality Rate (CMR) and Infant Mortality Rate (IMR) remain the highest in the country. Given the prevalence of HIV/Aids, the average adult life expectancy within the province is 54.8 years. Furthermore, 88 per cent of the Eastern Cape population is without medical insurance cover, which increases the demand for public health services.

## **1.3 Economic indicators**

### *Unemployment*

In the wake of the worst global economic crisis since the 1930s, unemployment remains a huge and growing problem all over the world, but South Africa has an exceptional crisis. With 7.5 million people unemployed - 36 per cent by the expanded definition - South Africa's rate of unemployment is far higher than any comparable middle income country. This level of joblessness is the main reason why between 40 to 50 per cent of South Africans live in poverty and why the country has become one of the most unequal societies in the world, with 50 per cent of the population living on 8 per cent of the national income.

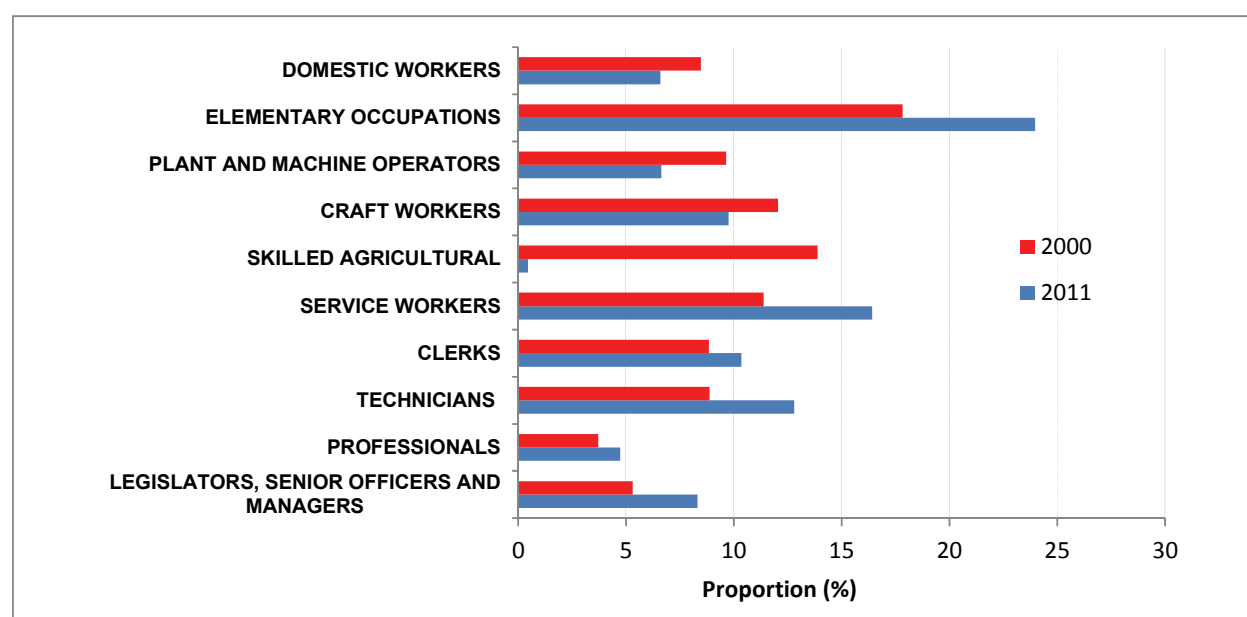
The socio-economic challenges facing the Eastern Cape Province are vast and inextricably tied to the problem of unemployment. This is because employment provides one critical interface through which the benefits of economic growth and development can be widely shared.

Employment or labour demand, to a large extent, is derived from economic output. For the Eastern Cape, this connection has been weak. While the overall provincial economic output

has been rising, as measured by the gross regional product (GRP), total employment has stagnated leading to some form of jobless growth. This has implications on the types of direct industrial investment that is made within the province. Industries with a high employment multiplier for unskilled and semi-skilled workers need to be targeted as these types of investment will greatly increase job creation.

In terms of the occupation structure, a significant share of workers in the Eastern Cape occupy elementary positions (23 per cent) and this has increased between 2000 and 2011. Service workers account for the next biggest share of the employed at 17 per cent (refer to figure 1.1 below)

**FIGURE 1.1: OCCUPATIONAL STRUCTURE OF EMPLOYMENT IN THE EASTERN CAPE**



Source: StatsSA (LFS, 2000 – 2010)

Factors leading to poor labour market outcomes in the province have been advanced and the following have been more prominent:

- Skills shortages and poor educational outcomes
- Excessive wage demands, with limited productivity gains
- Excessive wage demands in sectors with limited scope for productivity increase has severely constrained job creation particularly in agriculture, manufacturing and construction (refer to figure 1.1).

To counter these observed weak labour market conditions, the provincial government has devised clear and bold intervention plans in the form of the Eastern Cape Provincial Jobs Strategy. This strategy sets out clear targets in the form of job retention, job creation and skills development, focusing on agriculture, manufacturing, services and skills development. The province, furthermore, hopes to create an additional 116 958 jobs in the coming financial year through the second phase of the EPWP.

## Structure of the economy

Table 1.2 indicates the structure of output and value-add for the ten sectors and three broad aggregates representing primary, secondary and tertiary industries in the Eastern Cape. The dominance of the services sector in the Eastern Cape economy comes out clearly. About 60 per cent of the Eastern Cape's output and 77 per cent of the province's value-add originates in the tertiary sector. The corresponding shares for the secondary sector are 37.4 per cent and 20.4 per cent, while those for the primary sector are 2 per cent and 2.4 per cent respectively.

**TABLE 1.2: DOMESTIC OUTPUT AND VALUE ADDED**

	Q(%)	VA(%)	VA/Q	L/VA	K/VA
Agriculture	1.8	2.2	47.7	20.5	79.5
Mining	0.2	0.2	54.7	22.8	77.2
<b>Primary</b>	<b>2.0</b>	<b>2.4</b>	<b>48.2</b>	<b>20.7</b>	<b>79.3</b>
Manufacturing	33.0	17.4	21.0	48.0	52.0
Electricity and Water	1.0	1.1	44.8	30.8	69.2
Construction	3.4	1.9	21.8	51.7	48.3
<b>Secondary</b>	<b>37.4</b>	<b>20.4</b>	<b>21.7</b>	<b>47.4</b>	<b>52.6</b>
Trade and Accommodation	12.4	15.1	48.8	41.3	58.7
Transport and Communication	9.8	10.1	40.9	32.4	67.6
Finance and Business Services	16.5	20.7	50.0	32.2	67.8
General Government Services	16.7	25.6	61.2	84.0	16.0
Community and Social Services	5.2	5.8	44.4	61.0	39.0
<b>Tertiary</b>	<b>60.6</b>	<b>77.2</b>	<b>50.9</b>	<b>53.3</b>	<b>46.7</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>39.9</b>	<b>51.3</b>	<b>48.7</b>

Key:

Q: Output

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

VA: Value Added

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

VA/Q: Value Added share of total Output

K/VA: Capital share of Value Added

L/VA: Labour share of Value Added

**Source: EC Provincial Treasury based on the 2006 ECSAM**

The low contribution that agriculture makes to overall provincial output is partly a reflection of the under-utilisation of arable land in the former homelands, even though a large percentage of the province's population and tracts of land is based in the former homelands. These households are also largely dependent on social grants and subsistence farming (*Eastern Cape Provincial Government, 2007*). For this reason, the revival of agriculture holds the greatest potential for tackling unemployment and poverty in the rural areas of the province. The intensity of value -add in production as well as the value add shares for labour and capital in each sector are also shown in Table 1.2. This gives an indication of the contribution of factors of production towards enhancing the value of intermediate inputs used in the production process. The provincial government has indicated its seriousness in addressing the issue of agrarian reform and food security by reprioritising over-allocations in the Department of Rural Development and Agrarian Reform's budget for 2012/13 towards funding the finalisation of the establishment of the Rural Development Agency (RDA) incorporating AsgiSA EC projects as well as reviving irrigation schemes through the Comprehensive Agricultural Support Programme Grant (CASP).

The Department of Rural Development and Agrarian Reform has identified 11 pilot sites for development within the province. These are Mhlontlo (Ward 2 & 13), Lubala and Engcobo (Ward 8 & 1), Mbashe (Ward 18), Elundini (Ward 6), Ntabankulu (Ward 11), Umzimvubu (Ward 14), Dan Sandi Village (Ikhwezi) and Rietbron (DMA).

**TABLE 1.3: EASTERN CAPE GROSS DOMESTIC PRODUCT GROWTH PER SECTOR**

	2007	2008	2009	2010	2010q1	2010q2	2010q3	2010q4	2011q1	2011q2
Agriculture, forestry and fishing	2.7	14.6	-0.8	0.3	2.5	6.7	7.9	6.0	-1.3	-4.0
Mining and quarrying	-1.2	-8.5	0.2	5.9	21.5	-27.2	38.8	19.5	2.0	-4.7
Manufacturing	5.8	1.8	-5.7	5.0	8.3	5.7	-4.9	4.1	14.4	-7.0
Electricity and water	2.4	-3.0	-1.7	0.7	1.5	-0.5	-0.7	1.7	1.0	0.3
Construction	12.2	8.6	4.3	1.7	1.4	1.1	0.8	0.2	0.0	0.5
Wholesale & retail trade; hotels & restaurants	4.4	0.3	-3.8	1.3	1.8	3.5	1.9	2.0	2.6	2.4
Transport and communication	5.7	2.5	0.3	2.3	1.9	3.5	2.3	3.3	2.9	3.3
Finance, real estate and business services	7.2	7.2	-1.0	1.4	2.6	3.2	1.2	1.4	3.9	2.4
Community, social and other personal services	5.3	3.4	0.2	0.6	3.3	3.4	3.0	3.1	2.6	2.7
General government services	3.5	4.1	3.2	2.9	1.1	4.3	0.5	5.3	1.6	5.3
<b>All industries at basic prices</b>	<b>5.4</b>	<b>3.8</b>	<b>-1.0</b>	<b>2.3</b>	<b>3.2</b>	<b>3.9</b>	<b>0.4</b>	<b>3.2</b>	<b>4.6</b>	<b>1.1</b>
Taxes less subsidies on products	5.5	2.2	-3.5	2.7	6.0	3.7	3.6	4.2	3.1	3.3
<b>GDPR at market prices</b>	<b>5.4</b>	<b>3.6</b>	<b>-1.3</b>	<b>2.3</b>	<b>3.5</b>	<b>3.9</b>	<b>0.8</b>	<b>3.3</b>	<b>4.4</b>	<b>1.3</b>

*Source: Quantec, 2011*

The provincial economy recovered faster from the recession of 2008/09 compared to other provinces. However, the future growth prospects will largely depend on global and national developments. As can be seen from Table 1.3, favourable growth outcomes were achieved in the final quarter of 2010 and the first quarter of 2011 when annualised growth rates of 3.3 per cent and 4.4 per cent respectively were achieved. However, the second quarter growth performance plummeted to a mere annualised rate of 1.3 per cent. This disappointing performance was mainly due to a huge contraction in the manufacturing real value-add.

## **1.4 Conclusion**

In dealing with the challenges of high unemployment, poverty and income inequality, the South African government has undertaken, through the NGP, to create five million jobs by 2020. However, this target can only be achieved through the concerted efforts of both the public and private sectors acting in partnership – with government creating the environment in which investment may take place and ensuring that the investment will boost job creation. Furthermore, government has to continue spending within the social sector on education and health in order to ensure that the population has the requisite skills capacity and health status to be able to take up the new jobs that are being created. It is only through economic growth that development and job creation can be sustainably ensured.

## **2. BUDGET STRATEGY AND AGGREGATES**

### **2.1 Introduction**

The provincial budget process is intrinsically linked to the national process as the two processes are interdependent. The five point manifesto of the ruling party is translated into the Medium Strategic Framework and the 12 outcomes as pronounced by the presidency are the main policy documents that must underpin planning, policy prioritisation, resource allocation and budget implementation for the 2012/13 MTEF budget.

Specific national policy discussion documents such as the New Growth Path, National Development Plan-Vision 2030 and NHI, further outline the priority areas that need to be addressed by government. The NGP puts job creation and the need to attract more direct investment at the centre of economic policy within South Africa. The National Planning Commission's (NPCs) diagnostic report highlights several pressing issues that need urgent attention. These include poor educational outcomes, high unemployment, high disease burden, South Africa still being a very divided society, public services that fail the poor, people being locked into poverty in certain areas, infrastructure that is crumbling in some areas, pollution and climate change, and corruption. The NHI policy document looks at reforming the public health sector whilst also curbing the spiralling costs of pharmaceutical and private health care. Reforms to public health are an essential preparatory step towards a system of NHI. Government's medium-term priorities further include increasing life expectancy, decreasing maternal and child mortality, and combating HIV/Aids by strengthening the effectiveness of the health system.

The Eastern Cape Provincial Government has adopted eight of the 12 national outcomes as fundamental to equitable development and growth within the region. In so doing, the 2012/13 budget process takes the eight outcomes and their associated output targets and service delivery agreements as the framework that underpins public expenditure priorities, (refer to table 2.1 below).

**Table 2.1: OVERVIEW OF THE NATIONAL AND PROVINCIAL PRIORITIES**

NATIONAL GOVERNMENT PRIORITIES			EASTERN CAPE PROVINCE	
5 PRIORITIES	12 OUTCOMES	MDG's	EC PRIORITIES	EC PROVINCIAL EXCO
Education	Improve the Quality of Basic Education	Achieve universal primary education	Strengthen education, skills and human resource base	Social Infrastructure Development / Improving learner outcomes / resourcing education / financial management improvement / coherent planning / monitoring and evaluation / FET & ABET Colleges
Health	Improve Healthcare and life expectancy amongst all South Africans	Reduce child mortality	Improving the health profile of the province	Social Infrastructure Development / Implementing the Turnaround Plan
		Improve maternal health		
		Combat HIV/Aids, malaria and other diseases		Combating HIV / Aids
Fighting Crime	Build a safer country		Intensifying the fight against crime and corruption	Fighting crime and corruption
Rural Development	Develop vibrant, equitable and sustainable rural communities that contribute to adequate food supply	Eradicate extreme poverty and hunger	Rural development, land and agrarian reform & food security	Rural Development & Food Security
				Small Town Revitalisation
				Provincial Planning Commission
Job Creation	Create decent employment through inclusive economic growth	Promote gender equality and empower women	Speeding up growth and transforming the economy to create decent work and sustainable livelihoods	Saving Jobs / sector development /skills development / youth development
	Develop a skilled ad capable Workforce			
	Support an efficient, competitive and responsive economic infrastructure network		Massive programme to build social and economic infrastructure	Strategic logistics and economic infrastructure development
				Reconfiguration of Public Entities
			Resolving and reversing the budget deficit	
General	Protect our environment and natural resources	Ensure environmental sustainability		
	Create sustainable human settlements and improved quality of household life		Building cohesive, caring and sustainable communities	Integrated Human Settlements / Substance Abuse & rehabilitation
	Build a responsive, accountable, effective and efficient local government system			Improving the technical capacity of the state to deliver
	Create a better South Africa, a better Africa and a better world	Develop a global partnership for development		Social Cohesion
	Generate an efficient, effective and development orientated public service and an empowered, fair and inclusive citizenship.		Building a developmental state and improving the public service, and strengthening democratic institutions	



## 2.2 Aligning provincial budgets to achieve government's prescribed priorities

The policy framework of the NGP and the urgency of accelerating employment creation are central to the Eastern Cape Province's medium-term strategic outlook. Over the medium-term, the province will explore mechanisms that will improve the capacity to accelerate the rollout of social and economic infrastructure. Infrastructure investment in energy, roads, rail, telecommunications, water, schools and hospitals will be prioritised over the next three years. This will contribute significantly to job creation which is the cornerstone of government policies in line with the NGP.

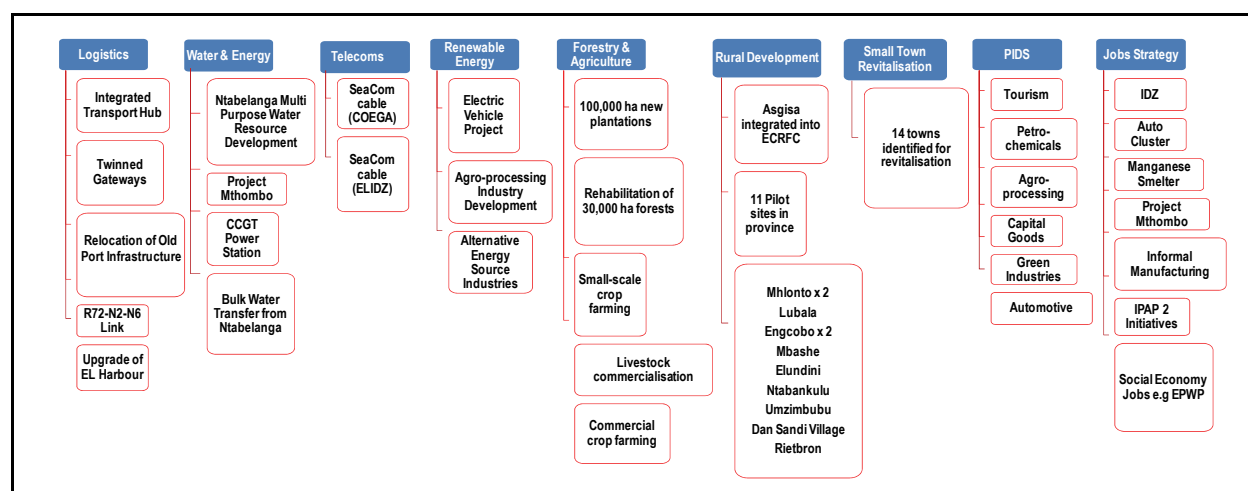
Policy priorities for the Eastern Cape Province over the MTEF are:

- **Job creation:** The implementation of the Provincial Jobs Strategy aims to ensure job retention and job creation within priority sectors such as services, manufacturing agriculture and the social economy as well as well as through the economic infrastructure. The EPWP programme remains central to the government's job creation programme. Public entities have been earmarked as critical in creating conditions that support economic growth through the development and strengthening of private sector role players within their respective industries, for example, tourism. The strategy will further ensure skills acquisition, particularly amongst the youth, through artisan placements, learnerships, post-school training and education opportunities. Skills will be developed through the Further Education and Training College Sector Grant as well as through the Nursing Colleges Grant. In an effort to counter and mitigate the impact of the slower than anticipated economic growth on the provincial economy, the province will accelerate the implementation of the Eastern Cape Industrial Jobs Stimulus Fund (ECIJSF) and the Imvaba Co-operatives Fund (Imvaba Fund) that seek to support economic growth and employment creation. During October 2011, the Eastern Cape MEC for Economic Development, Environmental Affairs and Tourism, launched a R50 million jobs fund that will grow to R150 million during the 2012 MTEF.
- **SMME development** as a key driver of job creation: Noteworthy are the positive developments from National Treasury for supporting business sector growth such as small enterprise financing under the Industrial Development Corporation (IDC), government procurement rules that include incentives for black economic empowerment and designated local suppliers, and the simplification of the tax regime for small businesses.
- **Rural development and agrarian reform (food security):** Additional allocations to the department's baseline have been made to further revise the Comprehensive Agricultural Support Programme (CASP), whilst AsgiSA EC has been integrated into the Eastern Cape Rural Finance Commission (ECRFC). Various projects within 11 pilot sites are being undertaken in order to further enhance rural development (refer to Table 2.2: Provincial Projects).
- **Improving the technical capacity** of the provincial and local government to deliver on their mandate: as mentioned, Provincial and National Treasury are rolling-out support programmes and initiatives to support departments and municipalities in areas such as financial management, project management and supply chain management.
- **Integrated human settlements:** The province has serious backlogs in housing delivery. Additions to the provincial departmental baselines are provided to assist in the

acceleration of housing delivery particularly within areas of greatest need within the province such as OR Tambo District and other rural districts.

- **Education:** Improving learner outcomes, resourcing education at school level, improving numeracy and literacy rates, well trained teachers to fill critical posts in mathematics and science, functioning school governance, support to low-performing schools, well trained school principals, financial management improvement, coherent planning, monitoring and evaluation, further education and training and adult basic education training colleges, early childhood development, infrastructure development as well as ensuring that the funds invested in education result in an improvement in learner outcomes.
- **Health:** Optimising operational efficiency through the rationalisation of all health facilities, improving the service delivery platform, financial turnaround, increasing medical professionals versus administrative staff, HIV/Aids CD4 350 treatment thresholds, primary health care re-engineering, improvements in maternal and child mortality rates, and infrastructure development. Generally, ensuring that the funds invested in health result in improved outcomes.
- **Effective utilisation of public entities** to encourage and support private sector initiatives that stimulate economic growth and employment initiatives as well as to drive the implementation of government policy.
- **Decreasing the provincial government wage bill** (compensation of employees): The province must develop a comprehensive strategy to arrest this rampant growth in compensation of employees. As a start, the province will review organisational structures and align it to government priorities and resource outlook. This will inform decisions on prioritising positions that will make the most impact in turning around the capacity of the state to deliver on its core mandate.

TABLE 2.2: PROVINCIAL PROJECTS



Report from the Economic Development Cluster for EXCO Lekgotla of January 2012

As can be seen from Table 2.2, the Eastern Cape Province has a variety of projects planned or currently underway in the areas of logistics, water and energy, telecoms, renewable energy, forestry and agriculture, rural development, small town revitalisation, industrial

development and job creation. These projects are aimed at both growing the economy of the region as well as creating jobs.

The Eastern Cape Province has to move towards more acceptable and higher quality roads and other infrastructure. To this end, Provincial Treasury, along with relevant provincial departments, have implemented the Infrastructure Project Management Plans (IPMPs) and Infrastructure Programme Implementation Plans (IPIPs) as a way of cultivating better prioritisation methodologies in departments and credible project lists when planning major infrastructure projects. In order to make inroads into the capacitation issues, the province has embarked on the rollout of the implementation of the infrastructure human resource capacitation strategy. The alignment between the implementing agents of infrastructure projects, such as the Department of Roads and Public Works and the departmental “fund managers” needs to be improved. Another critical component is the price that the province pays for these infrastructure projects, which currently is above the norm, implying that supply chain management (SCM) processes have to be better monitored and managed.

The province has been at the forefront of driving value-for-money procurement. In this regard, Provincial Treasury undertook a project to establish a Price Index which departments could use to measure value-for-money in the procurement of goods and services. The project was to be undertaken in two phases. The first phase related to low-value high-volume items and the second related to high-value low-volume items. The first phase was done internally by the department and involved consultation with various internal and external stakeholders. Prices for items were obtained and benchmarks determined. A circular, encapsulating the Price Index and guidelines, was issued to departments in May 2010 for implementation. Thereafter, updates of the Price Index were issued on a six monthly basis with the last update being issued to departments in September 2011.

The department has also completed the second phase of the project to benchmark high-value low-volume items such as medical equipment, sporting equipment and agricultural equipment, for example. The Price Index for these items was issued to the relevant departments in October 2011.

The Price Index for high-value low-volume items has been extended to include those relating to infrastructure projects is currently at an advanced stage. It is intended to provide a basis for measuring value-for-money in projects for the construction of schools, clinics, roads and the like. This latest initiative will see the province deliver quality infrastructure at prices that are not overly inflated.

There will also be a strong drive to ensure the implementation of the new Preferential Procurement Regulations of 2011 which seeks to align procurement to government’s policy of Broad-Based Black Economic Empowerment (B-BBEE) as espoused by the Broad-Based Black Economic Act of 2003. In so doing, Provincial Treasury will ensure that BEE suppliers will increasingly benefit from government procurement opportunities.

Monitoring and support to departments will be a further area of focus. The Eastern Cape government aims to create a greater link between the infrastructure projects and the procurement plans of the relevant departments. In so doing, these departments will be able to drive adherence to set timeframes in the procurement processes and ensure that contracts are awarded timeously, resulting in the maximum expenditure of the infrastructure budget.

There is an absence of coherence between provincial priorities and areas of national competence such as water, energy and telecommunications which occurs between the provincial government and national departments and state-owned enterprises. This results in the further marginalisation of the Eastern Cape. This has necessitated the need for the Eastern Cape Planning Commission (ECPC). The ECPC has been adopted by the Eastern Cape Executive Committee (EXCO) and the interim arrangements for its establishment have been put in place.

The ECPC will focus on the following functional areas:

- Long range planning
- Spatial planning
- Social and economic infrastructure planning
- Monitoring and evaluation to guide long range planning
- Guide the development of the departmental budgets.

Working with all departments, local government, public entities and state owned enterprises, the ECPC will actively work to address these shortcomings. The ECPC will, furthermore, ensure that provincial priorities, as espoused by the Provincial Legislature and/or EXCO are implemented and monitored by the relevant provincial departments.

## **2.3 Summary of budget aggregates**

Table 2.3 below shows the summary of the provincial fiscal framework for the 2012/13 MTEF period, together with the variations to the provincial equitable share allocation.

**TABLE 2.3: SUMMARY OF BUDGET AGGREGATE FOR EC PROVINCE**

R' 000	2008/09	2009/10	2010/11	2011/12			2012/13	2013/14	2014/15	% Growth
	Audited			Main budget	Adjusted budget	Revised estimate	Medium-term estimates			2011/12 - 2012/13
<b>Provincial receipts</b>										
Transfer receipts from national	35 977 194	42 067 735	48 466 331	53 016 147	53 811 661	53 811 661	56 623 591	60 095 236	63 346 828	5.2%
Equitable share	32 131 702	37 314 768	41 022 154	44 120 028	44 644 170	44 644 170	46 940 272	49 602 467	52 215 629	5.1%
Conditional grants	3 845 492	4 752 967	7 444 177	8 896 119	9 167 491	9 167 491	9 683 319	10 492 769	11 131 199	5.6%
Provincial own receipts	965 482	765 529	747 565	668 809	729 458	793 618	774 477	835 376	903 026	-2.4%
<b>Total provincial receipts</b>	<b>36 942 676</b>	<b>42 833 264</b>	<b>49 213 896</b>	<b>53 684 956</b>	<b>54 541 119</b>	<b>54 605 279</b>	<b>57 398 068</b>	<b>60 930 612</b>	<b>64 249 854</b>	<b>5.1%</b>
<b>Provincial payments</b>										0.0%
Current payments	31 188 179	36 434 737	40 396 237	41 895 600	42 785 954	44 033 584	45 425 862	47 862 106	50 602 005	3.2%
Transfers and subsidies	4 823 707	5 537 868	5 681 828	6 994 645	7 403 318	7 264 414	7 661 531	8 386 021	8 774 518	5.5%
Payments for capital assets	3 027 855	3 234 686	2 230 071	3 753 288	4 137 847	3 473 433	3 117 410	3 528 300	3 783 498	-10.4%
Payments for financial assets	26 322	23 659	22 320	3	-	1 102	-	-	-	-100.0%
Unallocated contingency reserve	-	-	-	-	-	-	-	-	-	0.0%
<b>Total provincial payments</b>	<b>39 066 063</b>	<b>45 230 949</b>	<b>48 330 456</b>	<b>52 643 536</b>	<b>54 327 118</b>	<b>54 782 533</b>	<b>56 204 803</b>	<b>59 776 427</b>	<b>63 160 021</b>	<b>2.6%</b>
Surplus / (deficit) before financing	(2 123 387)	(2 397 685)	883 440	1 041 421	214 001	( 177 254)	1 193 265	1 154 185	1 089 834	-773.2%
<b>Financing</b>										0.0%
Provincial rollovers	-	-	-	-	71 426	71 426	-	-	-	-100.0%
National rollovers	125 798	205 254	602 588	-	823 050	823 050	-	-	-	-100.0%
Other	125 798	205 254	602 588	-	132 948	132 948	-	-	-	-100.0%
<b>Surplus / (deficit) after financing</b>	<b>(1 871 791)</b>	<b>(1 987 177)</b>	<b>2 088 616</b>	<b>1 041 421</b>	<b>1 241 425</b>	<b>859 170</b>	<b>1 193 265</b>	<b>1 154 185</b>	<b>1 089 834</b>	<b>40.4%</b>

Source: Provincial Treasury Database: 2012/13

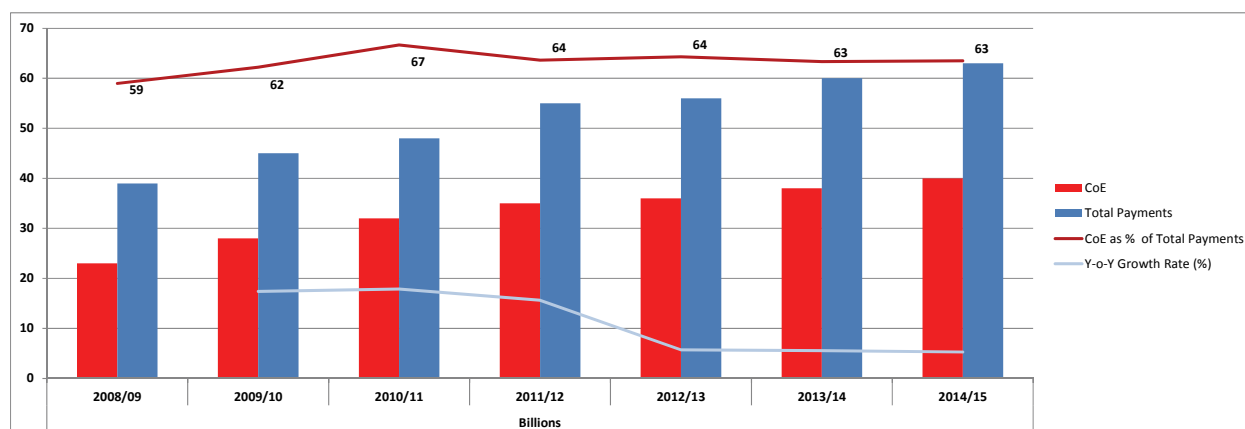
This calls for more prudent financial management, where sub-national spheres of government do not run bank overdrafts. In this regard the Eastern Cape government has not succeeded, resulting in accumulated unauthorized expenditure of R1.9 billion in the financial periods from 2006/7 to 2009/10. This expresses itself as overdrafts in various Paymaster General Accounts (PMGs) of big departments, in particular Education and Health. The Provincial Revenue Fund (PRF) must therefore provide for financing of this to the extent passed by Legislature and at the same time build enough financial strength to off-set the negative PMG balances, hence the budgeting for a surplus in the 2012/13 MTEF. The outlook of the 2012/13 MTEF budget still reflects serious risks of budget overruns, needs prudent measures and effective stewardship to support the budget framework.

The slower than anticipated economic growth adversely affected revenue generation, leading to a wider budget deficit and which requires increased borrowing over the medium term. This, in turn, impacted negatively on the 2012/13 budget and the Division of Revenue. A concerted effort is needed to get the economy to grow more rapidly in the context of a weak global outlook and limited fiscal space.

As can be seen from Table 2.3, total receipts are expected to grow by 5.1 per cent between the 2011/12 revised estimate and 2012/13, down from the 10.9 per cent growth between 2010/11 and the 2011/12 revised estimate. This decline in revenue is largely due to the declining growth trend in equitable share and provincial own receipts. The growth rate in equitable share from 2010/11 to 2011/12 was 8.8 per cent, declining to 5.1 per cent from 2011/12 to 2012/13, whilst the projected provincial own revenue decreases by 2.4 per cent from the 2011/12 revised estimate to 2012/13.

In line with the fall in total receipts, total provincial payments in the 2012/13 financial year is projected be 2.6 per cent higher than in 2011/12, which is a decline when compared to the growth rate of 13.4 per cent from the 2010/11 and the 2011/12 revised estimate.

**FIGURE 2.1: EC PROVINCIAL WAGE BILL AS A PERCENTAGE OF OVERALL EXPENDITURE**



Source: Provincial Treasury Database: 2012/13

The current composition of provincial spending is strongly biased towards non-discretionary items such as compensation of employees that reduces the fiscal room for manoeuvre. Greater flexibility is needed to facilitate the re-allocation of relatively inefficient expenditure into higher priorities.

In real terms, the fastest growing component of current expenditure over the past decade has been government's wage bill. From figure 2.1, it can be seen that in the Eastern Cape Province, compensation of employees accounts for between 62 to 64 per cent of the total provincial budget. The cumulative growth rate of compensation of employees between 2008/09 to 2014/15 is 74 per cent. This growth in the wage bill has to be balanced by crucial consideration of the share of spending allocated to social and economic priorities such as infrastructure, education, health and social security. Moderate growth in consumption expenditure, coupled with additional savings from non-core expenditure in the goods and services budgets, implies that over the MTEF government will have to instil trade-offs in order to ensure that there remains sufficient revenue for current expenditure.

The only way to improve fiscal stability and flexibility of discretionary spending is by curtailing the rate of expansion of expenditure on compensation of employees by curtailing the expansion of the organogram structures of departments like health and education and curtailing arbitrary increases in salary levels that are not in line with the salary adjustment determination by the Department of Public Service and Administration (DPSA). The importance of departmental organogram reviews, which are in line with the national departmental guidelines, have to be entrenched.

In order to speed up the delivery of critical capital projects, given their limited capacity to deliver infrastructure projects, all new recruitments must be restricted to creating capacity to deliver on infrastructure or capital spending, particularly in the departments of Education, Health, Roads and Public Works and Human Settlement.

To ensure efficient and effective use of limited resources, the following initiatives have to be undertaken by all provincial departments (austerity measures):

- **Streamline human resource management** in the departments to bring personnel expenditure under control.

- **Improve supply chain management** in the department with special emphasis on contract management to ensure that contracts entered into are correctly structured to protect the government from any unforeseen risks.
- **Enhance infrastructure delivery capacity** in the department primarily through the IDIP.
- **Enforce general cost cutting** (austerity) measures to ensure value-for-money such as the elimination of non-essential and unreasonable expenditure.

The provincial government has emphasised that austerity measures and fiscal prudence should not affect the delivery of core services, that is, it will not negatively prejudice the most needy in the province. Overall, the austerity initiative will ensure the efficient and optimal allocation of scarce resources in the province during a time of global economic hardship.

In another fiscal austerity measure to be implemented, departments will need to reprioritise their expenditure in order to find savings and “additional” revenues that can be redirected to service delivery. Provincial Treasury, in an initial review of the baseline budgets of various provincial departments, has potentially found approximately R1.6 billion that can be better utilised for core service delivery functions. Detailed analysis / research will be conducted to confirm this flexibility within the baselines. The Eastern Cape Department of Planning and Treasury has also redeployed staff to core functions at the provincial departments of Education and Health in an attempt to better capacitate these two departments as well as to assist in the implementation of their respective turnaround plans.

A brief study of the goods and services budgets within most departments highlights the large sums of money spent on non-core items such as consultants, entertainment, travel and subsistence, to name just a few. Strict monitoring of these expenditures will be undertaken by Provincial Treasury, as savings made in this area (non-core expenditure) of the provincial fiscus will be re-directed to core deliverables.

## 2.4 Conclusion

The 2012/13 MTEF provincial fiscal framework will be severely constrained or extremely tight. The tight fiscal space is further limited as a result of the impact of the over-expenditure on the budget for compensation of employees in the current financial year and the need to cater for accruals in the 2012/13 financial year. Public infrastructure backlogs are a constraint to rapid growth, and the fiscal stance, therefore, has to allow for stronger growth in public sector capital formation and improved maintenance of infrastructure. At the same time, shortcomings of municipal service delivery must be addressed and poverty reduction programmes strengthened. The challenges confronting the fiscus are immense, and every effort is being made to ensure that public resources are effectively managed and spending programmes are efficiently implemented.

Provincial Treasury has noted the policy concerns in specific departments that require its intervention. To this end, quarterly review meetings will be held with these departments as an intervention measure to assist them with specific policy challenges. There are also several budget issues that need additional funding although improved planning is needed before specific allocations can be made to address needs.

The austerity measures need to be intensified and a detailed plan needs to be approved for implementation by all role-players in the province. The Eastern Cape Provincial Treasury believes that, despite the many budgetary challenges, there is positive movement within all departments in order to ensure that expenditure is less on consumption and more on investment and growth enhancing priorities.

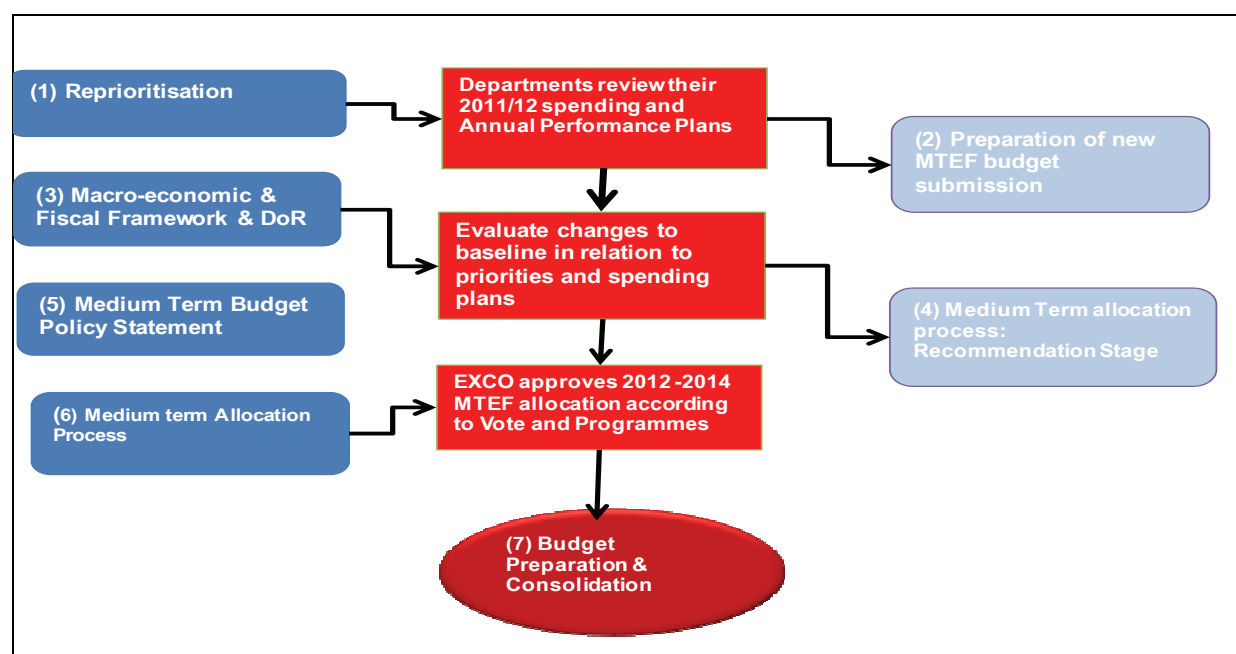


## 3.BUDGET PROCESS AND MEDIUM TERM EXPENDITURE FRAMEWORK

### 3.1 Planning and budgeting for 2012/13 MTEF

In preparation for the 2012/13, the first budget submission and the medium-term expenditure committee (MTEC) hearings, departments were strongly advised to ensure that their 2012/13 budgets are aligned to government's strategic policy priorities for the electoral cycle as indicated in the medium-term strategic framework, programme of action, Apex priorities, the President's 12 outcomes and the President's State of the Nation Address (SONA) and the Premier's 2011 State of the Province Address (SOPA).

Figure 3.1: Diagrammatic representation of the budget process in the Eastern Cape (2012/13 MTEF)



### 3.2 Strategic and annual performance plans: May - August

At the beginning of a new electoral cycle, departments are required to prepare 5-year strategic plans to reflect government's strategic thrust for the electoral cycle and a three-year annual performance plan.

The provincial strategic planning Lekgotla, which outlines the strategic thrust over the MTEF, took place in the first week of June 2011. The Lekgotla set the tone for departmental strategic retreats which were convened towards the end of June.

### **3.3 Treasury Guideline Workshop: July**

To kick start the provincial budget process, the provincial budget format guideline workshop was held on 21 July 2011. At the workshop, the provincial budget format guidelines were communicated to departments. At the workshop, the new provincial budget process schedule was tabled and interrogated by the departmental officials.

### **3.4 First Budget Submission: August**

In June, Provincial Treasury issued the first budget circular which required departments to prepare and submit their first budget submission on or before 19 August 2012.

### **3.5 Medium-term expenditure committee (MTEC) hearing: September - October**

The Medium-Term Expenditure Committee (MTEC) hearings offered provincial departments and affiliated public entities the opportunity to bid for additional funding for the implementation of new projects or for the up-scaling of existing projects. The terms of reference for the 2011/12 MTEC hearings included the following:

- Budget performance of the department in the current and previous financial years
- Evidence of reprioritisation within baseline to meet cost pressures
- Policy priorities to be implemented in the 2012/13 MTEF period
- Summary of requests for additional funding
- Audit outcomes and supply chain management issues
- Human resource management issues regarding organogram structures and personnel numbers.

The MTEC hearings recommendations/report and the proposed allocation of resources for the adjusted appropriation for the 2011/12 financial year and the main budget for the 2012/13 fiscal year were tabled at Committee Bargaining Council (CBC) on 12 January 2012.

### **3.6 The adjustments appropriation - October**

On receipt of additional allocations from National Treasury, allocation letters are issued to departments. For the 2011/12 fiscal year, the adjusted estimates of provincial revenue and expenditure were tabled in the Provincial Legislature on 23 November 2011 and were passed on 3 December 2011.

### **3.7 Second budget submission - December**

The preliminary allocation letter for the province was issued by the National Treasury on 15 November 2011 and the province had to submit its second draft budget submission to the National Treasury on 1 December 2011. Based on the MTEC hearing recommendations, these allocations were limited to the additional funding received from the National Treasury.

### **3.8 Benchmark exercises – January**

On 18 January, final allocation proposals were tabled at EXCO for approval. The proposals, endorsed by EXCO, were communicated to the departments through the final allocation letters on 20 January 2012. Departments were required to submit their final draft budget submission to Provincial Treasury on 25 January 2012.

This year's benchmark exercise with the National Treasury was held on 17 January 2012. The National Treasury raised particular concerns about the credibility of the budgets of the departments of Education and Health because of the inadequacy of the allocations for compensation of employees and the abnormal growth in the administration programmes of some departments.

### **3.9 Final budget submission - February**

After the benchmarking exercise, the province embarked on an exercise to correct all the anomalies highlighted during the benchmarking exercise through interactive discussions with line departments. After the budget council meeting of 3 February 2012, departments, affected by additional allocations, were issued with final allocation letters after EXCO endorsed the proposal on the additional allocation. Following discussions between the Eastern Cape Cabinet, the Premier and relevant trade unions, it was agreed to re-instate the temporary teachers in the Department of Education. A 10 per cent cut had to be undertaken within each provincial department's equitable share portion of goods and services in order to fund the said agreement. This caused a delay in the finalisation of the database on 22 February 2012.

### **3.10 Conclusion**

In short, the provincial budget preparation process is a consultative process that takes place between the EXCO, Provincial Treasury provincial departments, National Treasury, Budget Council, Financial and Fiscal Commission (FFC) and Provincial Treasury, through interactive meetings, workshops and seminars at national and provincial levels.

## 4. RECEIPTS

### 4.1 Overall position

Table 4.1 reflects the 2012/13 MTEF provincial fiscal framework which provides for a total fiscal envelope of R57.3 billion in the 2012/13 financial year. It comprises national transfers in the form of Provincial Equitable Share (PES) and conditional grants, as well as provincial own receipts. The national transfers grow at a nominal rate of 5.6 per cent from the 2011/12 Adjusted Appropriation to 2014/15. The provincial fiscal envelope totals R182.5 billion over the 2012/13 MTEF, with transfers from national government making up R180 billion or 98.6 per cent and provincial own receipts making up R2.5 billion or 1.4 per cent. The PES increases at a nominal annual average rate of 5.4 per cent and conditional grant transfers increase nominally at an annual average rate of 6.7 per cent over the MTEF.

TABLE 4.1: SUMMARY OF TOTAL PROVINCIAL RECEIPTS

R' 000	2008/09	2009/10	2010/11	2011/12			2012/13	2013/14	2014/15
	Audited			Main budget	Adjusted budget	Revised estimate	Medium-term estimates		
Transfer receipts from national									
Equitable share	32 131 702	37 314 768	41 022 154	44 120 028	44 644 170	44 644 170	46 940 272	49 602 467	52 215 629
Conditional grants	3 845 492	4 752 967	7 444 177	8 896 119	9 167 491	9 167 491	9 683 319	10 492 769	11 131 199
<b>Total receipts from National</b>	<b>35 977 194</b>	<b>42 067 735</b>	<b>48 466 331</b>	<b>53 016 147</b>	<b>53 811 661</b>	<b>53 811 661</b>	<b>56 623 591</b>	<b>60 095 236</b>	<b>63 346 828</b>
<b>Provincial own receipts</b>									
Tax receipts	384 390	422 138	428 859	480 962	471 069	469 545	512 575	559 304	610 232
Casino taxes	87 718	81 793	85 533	108 995	108 995	111 273	106 000	112 360	119 102
Horse racing taxes	4 799	7 541	6 564	6 089	6 089	7 224	6 393	6 777	7 184
Liquor licences	1 977	4 462	4 798	8 373	8 373	3 436	5 600	5 936	6 292
Motor vehicle licences	289 896	328 342	331 964	357 505	347 512	347 612	394 582	434 231	477 654
Sales of goods and services other than	138 058	136 544	156 164	166 830	169 082	156 627	171 362	181 462	191 990
Transfers received	-	-	50	-	-	25	-	-	-
Fines, penalties and forfeits	3 223	6 727	6 709	7 594	6 377	6 910	8 136	9 112	10 023
Interest, dividends and rent on land	372 219	142 142	97 766	1 849	73 119	78 516	75 109	77 789	81 757
Sales of capital assets	12 100	4 703	8 668	4 590	2 252	4 494	938	1 052	2 012
Transactions in financial assets and	50 492	53 275	49 349	6 984	7 059	77 501	6 357	6 657	7 012
<b>Total provincial own receipts</b>	<b>965 482</b>	<b>765 529</b>	<b>747 565</b>	<b>668 809</b>	<b>729 458</b>	<b>793 618</b>	<b>774 477</b>	<b>835 376</b>	<b>903 026</b>
<b>Total provincial receipts</b>	<b>36 942 676</b>	<b>42 833 264</b>	<b>49 213 896</b>	<b>53 684 956</b>	<b>54 541 119</b>	<b>54 605 279</b>	<b>57 398 068</b>	<b>60 930 612</b>	<b>64 249 854</b>
<b>Financing</b>									
Provincial rollovers	-	-	-	-	71 426	71 426	-	-	-
National rollovers	125 798	205 254	602 588	-	823 050	823 050	-	-	-
Other	125 798	205 254	602 588	-	132 948	132 948	-	-	-
<b>Surplus / (deficit) after financing</b>	<b>37 194 272</b>	<b>43 243 772</b>	<b>50 419 072</b>	<b>53 684 956</b>	<b>55 568 543</b>	<b>55 632 703</b>	<b>57 398 068</b>	<b>60 930 612</b>	<b>64 249 854</b>

Source: Provincial Treasury Database: 2012/13

The percentage share of provincial own receipts to the total provincial receipts decreased from 2.6 per cent in 2008/09 to 1.2 per cent in the 2011/12 Main Appropriation. The province collects most of its own receipts from tax receipts, which account for more than 70 per cent of the total own receipts over the 2012/13 MTEF. As indicated in Table 4.1, tax receipts are mainly made up of *motor vehicle license fees* which are collected by the Department of Transport in terms of the National Road Traffic Act, 1996. The annual increase in tariffs against motor vehicle license fees results in this revenue category increasing by 10.1 per

cent from the 2011/12 Main Appropriation to 2014/15, while *casino taxes* increase by 5.5 per cent over the same period. The Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) contributes significantly to provincial own receipts in respect of gambling and betting taxes. The category sale of goods and services other than capital assets consists mainly of patient fees which are collected by the Department of Health. Interest, dividends and rent on land also makes up a substantial portion of own receipts due to interest that is earned on positive bank balances of the provincial bank account held by Provincial Treasury.

**TABLE 4.2: ANALYSIS OF PROVINCIAL RECEIPTS**

	Audited outcome			Revised estimate 2011/12	Medium-term estimates			Average annual growth	
	2008/09	2009/10	2010/11		2012/13	2013/14	2014/15	2008/09 - 2011/12	2011/12 - 2014/15
<b>Transfer receipts from national</b>	<b>97.4</b>	<b>98.2</b>	<b>98.5</b>	<b>98.5</b>	<b>98.7</b>	<b>98.6</b>	<b>98.6</b>		
Equitable share	87.0	87.1	83.4	81.8	81.8	81.4	81.3		
Conditional grants	10.4	11.1	15.1	16.8	16.9	17.2	17.3		
Provincial own receipts	2.6	1.8	1.5	1.5	1.3	1.4	1.4		
<b>Total provincial receipts</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>		
<b>Nominal growth (%)</b>									
<b>Transfer receipts from national</b>		<b>16.9</b>	<b>15.2</b>	<b>11.0</b>	<b>5.2</b>	<b>6.1</b>	<b>5.4</b>	<b>14.4</b>	<b>5.6</b>
Equitable share		16.1	9.9	8.8	5.1	5.7	5.3	11.6	5.4
Conditional grants		23.6	56.5	23.2	5.6	8.4	6.1	33.6	6.7
Provincial own receipts		(20.7)	(2.3)	6.2	(2.4)	7.9	8.1	(6.3)	4.4
<b>Total provincial receipts</b>		<b>15.9</b>	<b>14.9</b>	<b>11.0</b>	<b>5.1</b>	<b>6.2</b>	<b>5.4</b>	<b>13.9</b>	<b>5.6</b>
<b>Real growth (%)</b>									
<b>Transfer receipts from national</b>		<b>10.0</b>	<b>10.6</b>	<b>5.9</b>	<b>(0.1)</b>	<b>0.6</b>	<b>0.4</b>	<b>8.8</b>	<b>0.3</b>
Equitable share		9.2	5.5	3.8	(0.2)	0.1	0.3	6.2	0.1
Conditional grants		16.2	50.2	17.6	0.3	2.7	1.0	27.1	1.3
Provincial own receipts		(25.4)	(6.3)	1.3	(7.3)	2.2	3.0	(10.9)	(0.8)
<b>Total provincial receipts</b>		<b>9.0</b>	<b>10.3</b>	<b>5.8</b>	<b>(0.2)</b>	<b>0.6</b>	<b>0.4</b>	<b>8.4</b>	<b>0.3</b>

**Source: Provincial Treasury Database: 2012/13**

In the 2011/12 Adjusted Appropriation, the total provincial receipts amounts to R54.6 billion, which is an increase of 11 per cent from 2010/11. While the total receipts budget is expected to rise from R54.6 billion in the 2011/12 Adjusted Appropriation to R64.2 billion in 2014/15, the average annual growth rate over the same period is 0.3 per cent in real terms (see table 4.2). This can be attributed to the growth rate of national transfers, with the equitable share allocation decreasing in real terms by 0.1 per cent in 2012/13, where after it increases minimally by 0.6 per cent in 2013/14 and by 0.4 per cent in 2014/15. The conditional grant allocation increases by 1.3 per cent in real terms on average from 2011/12 to 2014/15, mainly due to the continuation of conditional grants as discussed in detail below. Provincial own receipts increase by 4.4 per cent nominally on average from the 2011/12 revised estimate to 2014/15. It is anticipated that own receipts will grow at a higher rate with the planned implementation of the revenue enhancement framework.

## 4.2 Equitable share

The provincial equitable share is a constitutionally established funding instrument which enables provinces to deliver constitutionally mandated services or functions. The PES formula is made up of six weighted components and these components are reviewed annually, using new data. The latest review of the PES formula is as follows:

- An education share (48 per cent), based on the size of the school-age population, i.e. the 5-17 years age-cohort and the number of learners (Grade R to 12) enrolled in public ordinary schools.
- A health share (27 per cent), based on a combination of risk-adjusted capitation index for the population, which takes into account the health risks associated with the demographic profile of the population and the relative share of case loads in hospitals. The risk-adjusted capitation is given a 25 per cent weighting and the case load (output component) is given a 75 per cent weighting.
- A basic share (16 per cent), derived from each province's share of the national population.
- An institutional component (5 per cent), divided equally between the nine provinces.
- A poverty component (3 per cent), reinforcing the redistributive bias of the formula.
- An economic output component (1 per cent), based on GDP by region (GDP-R data).

The weight allocated to the education component was reduced (from 51 per cent to 48 per cent) and the reformed health component was revised upwards (from 26 per cent to 27 per cent). The basic component of the formula was revised upwards (from 14 per cent to 16 per cent) while the other components in the formula remain the same.

The province will receive a share of 15.2 per cent or R46.9 billion out of the total equitable share pool available to provinces in 2012/13. This represents an increase of 5.1 per cent from the 2011/12 Adjusted Appropriation of R44.6 billion.

### 4.3 Conditional grants

This section focuses on new and revised conditional grant allocations to the province. Table 4.3 shows the provincial conditional grant framework for the period 2008/09 to 2014/15. As the table illustrates, the total conditional grant budget is expected to grow from R3.8 billion in 2008/09 to R11.1 billion in 2014/15. Over the medium term, a total budget of R31.3 billion is estimated, thus representing an annual average growth rate of 6.7 per cent from the 2011/12 Adjusted Appropriation to the outer year of the MTEF.

Supplementary to the existing conditional grants, there is a new conditional grant called the Nursing Colleges Grant, which was introduced under the Department of Health. This grant has been created by the reduction of the baseline of the Health Infrastructure Grant.

The National Health Insurance (NHI) grant will fund 10 NHI pilots, which are aimed at strengthening primary health care as the platform on which the NHI will be implemented. The allocation over the MTEF amounts to R11.5 million in 2012/13, R26.8 million in 2013/14 and R38.3 million in 2014/15.

- The Department of Rural Development and Agrarian Reform sees its conditional grant funding increasing from R225.2 million in the 2011/12 revised estimate to R260 million in 2012/13, mainly due to the increase against the Comprehensive Agricultural Support Programme Grant. The purpose of this grant is to provide further agricultural support services, promote and facilitate agricultural development by targeting smallholder and previously disadvantaged farmers within the province.

- Total conditional grants for the Department of Education show a substantial decrease in 2012/13 with funding declining by R95.1 million compared to the 2011/12 revised estimate. This decrease is mainly evident for the Disaster Relief Grant where a once-off R125.1 million was allocated in 2011/12 for the repair of flood damaged schools. The Education Infrastructure Grant decreases by R85 million in 2012/13 when compared to the 2011/12 revised estimate for repairs of school infrastructure damaged by floods during January and February 2011. The National Schools Nutrition Programme Conditional Grant increased from R845.1 million in the 2011/12 revised estimate to R903.6 million in 2012/13 to allow the department to provide nutritious meals to targeted learners. The Further Education and Training College Sector Grant increases from R634 million in the 2011/12 revised estimate to R688.5 million in 2012/13 to provide for the higher than anticipated wage agreements of 2011.
- The Department of Health has a 2011/12 revised estimate of R2.3 billion in conditional grant funding. It increases in total by R225.1 million in 2012/13, which is mainly for the Comprehensive HIV/Aids Grant which grows by R196.6 million over the same period to enable the health sector to develop an effective response to HIV/ Aids. The National Tertiary Services Grant increases by R73.1 million in 2012/13 in order to compensate tertiary facilities for the additional costs associated with spill-over effects. This grant ensures that adequate provision of tertiary health services is made available for all. This grant includes provision for the higher than anticipated wage agreements of 2011. The Hospital Revitalisation Grant makes up a substantial portion of the total conditional grant allocation and an additional R20.6 million was allocated in 2012/13 for large infrastructure projects that will be implemented through public private partnerships. The forensic pathology services grant ceases in 2011/12, as it will be phased into the provincial equitable share from 2012/13. This grant assists with the transfer of medico-legal mortuaries from the South African Police Service (SAPS) to the health sector and supports the provision of comprehensive forensic pathology services for the criminal justice system.
- The Human Settlements Development Grant was introduced under the Department of Human Settlement to provide funding for the creation of sustainable human settlements. These funds increase from R2.2 billion in the 2011/12 revised estimate to R2.3 billion in 2012/13.
- The bulk of the conditional grants under Department of Transport are in respect of the Provincial Roads Maintenance Grant (resides under the Department of Roads and Public Works), which supplements provincial road investments and supports preventative maintenance on provincial road networks. This allocation increases from R1 billion in the 2011/12 revised estimate to R1.3 billion in 2012/13.
- The Department of Roads and Public Works sees its conditional grant funding decrease by R59.3 million from the 2011/12 revised estimate to 2012/13, which can be ascribed to the once-off allocation of R81.6 million in the 2011/12 Adjusted budget for the Disaster Relief Grant to attend to the damaged road network. The Devolution of Property Rate

Funds Grant increases by R8.1 million in 2012/13 to assist in the transfer of property rates expenditure responsibility to provinces.

- The Mass Sport and Recreation Participation Programme Grant, which resides under the Department of Sport, Recreation, Arts and Culture, increases from R63.5 million in the 2011/12 revised estimate to R66 million in 2012/13 to facilitate mass participation within communities and schools through selected activities, empowerment of communities and schools in conjunction with relevant stakeholders.
- The Social Sector EPWP Incentive Grant for provinces was allocated R22.1 million in 2012/13 to incentivise provincial social sector to increase job creation by strengthening and expanding social service programmes with employment potential.
- The EPWP Incentive Grant for provinces was allocated an additional R60.3 million in 2012/13 to incentivise departments to increase job creation efforts in the infrastructure environment and culture programmes through the use of labour-intensive methods and the expansion of job creation in line with the EPWP guidelines.



TABLE 4.3: SUMMARY OF CONDITIONAL GRANTS

Department/Grant	2008/09	2009/10	2010/11	2011/12			2012/13	2013/14	2014/15
	Amount Received			Amount Received	Adjusted Budget	Revised Estimate	Medium Term Estimates		
<b>Agriculture, Forestry and Fisheries</b>	<b>97 363</b>	<b>137 591</b>	<b>188 725</b>	<b>224 229</b>	<b>225 226</b>	<b>225 226</b>	<b>256 032</b>	<b>277 276</b>	<b>285 725</b>
Agricultural Disaster Management Grant	-	4 000	-	-	997	997	2 011	1 510	1 506
Comprehensive Agricultural Support Programme Grant	90 018	120 364	160 004	174 985	174 985	174 985	195 198	216 055	227 304
Ilima/Letsema Projects Grant	-	5 000	20 000	40 000	40 000	40 000	42 000	43 845	46 062
Land Care Programme Grant Poverty Relief and Infrastructure Development	7 345	8 227	8 721	9 244	9 244	9 244	16 823	15 866	10 853
<b>Arts and Culture</b>	<b>42 588</b>	<b>55 515</b>	<b>67 663</b>	<b>80 974</b>	<b>80 974</b>	<b>80 974</b>	<b>78 058</b>	<b>74 633</b>	<b>69 171</b>
Community Library Services Grant	42 588	55 515	67 663	80 974	80 974	80 974	78 058	74 633	69 171
<b>Education</b>	<b>500 790</b>	<b>719 004</b>	<b>1 248 353</b>	<b>1 893 931</b>	<b>2 019 031</b>	<b>2 019 031</b>	<b>1 864 263</b>	<b>2 062 245</b>	<b>2 123 021</b>
Dinaledi Schools Grant	-	-	-	8 400	8 400	8 400	11 964	12 620	13 342
Education Disaster Management Grant	-	-	-	-	-	-	-	-	-
Education Infrastructure Grant	132 432	202 141	503 679	968 435	1 093 535	1 093 535	883 403	1 026 115	1 023 645
HIV and Aids (Life Skills Education) Grant	28 542	30 168	32 189	34 346	34 346	34 346	35 252	37 187	39 350
National School Nutrition Programme Grant	339 816	486 695	702 936	845 166	845 166	845 166	903 644	954 674	1 013 124
Technical Secondary Schools Recapitalisation Grant	-	-	9 549	37 584	37 584	37 584	30 000	31 649	33 560
<b>Cooperative Governance and Traditional Affairs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Internally Displaced People Management Grant	-	-	-	-	-	-	-	-	-
Provincial Disaster Grant	-	-	-	-	-	-	-	-	-
<b>Health</b>	<b>1 249 668</b>	<b>1 646 171</b>	<b>2 398 879</b>	<b>2 398 879</b>	<b>2 399 389</b>	<b>2 399 389</b>	<b>2 609 728</b>	<b>2 939 270</b>	<b>3 313 523</b>
Comprehensive HIV and Aids Grant	300 522	401 727	864 173	864 173	864 173	864 173	1 060 852	1 273 296	1 473 053
Forensic Pathology Services Grant	58 129	61 214	73 506	73 506	73 506	73 506	-	-	-
Health Disaster Response (Cholera) Grant	-	-	-	-	-	-	-	-	-
Health Infrastructure Grant	-	279 483	299 754	299 754	300 264	300 264	258 862	276 982	305 244
Health Professions Training and Development Grant	140 641	151 362	170 071	170 071	170 071	170 071	178 730	188 560	199 874
Hospital Revitalisation Grant	282 288	238 611	382 048	382 048	382 048	382 048	402 679	408 719	485 251
National Tertiary Services Grant	468 088	509 429	609 327	609 327	609 327	609 327	682 445	743 621	786 007
World Cup Health Preparation Strategy Grant	-	4 345	-	-	-	-	-	-	-
Nursing Colleges	-	-	-	-	-	-	14 660	21 257	25 760
National Health Insurance	-	-	-	-	-	-	11 500	26 835	38 334
<b>Higher Education and Training</b>	<b>-</b>	<b>-</b>	<b>555 208</b>	<b>627 611</b>	<b>634 009</b>	<b>634 009</b>	<b>688 593</b>	<b>769 713</b>	<b>813 208</b>
Further Education and Training College Sector Grant	-	-	555 208	627 611	634 009	634 009	688 593	769 713	813 208
<b>Human Settlements</b>	<b>662 778</b>	<b>504 773</b>	<b>1 638 146</b>	<b>2 177 676</b>	<b>2 234 376</b>	<b>2 234 376</b>	<b>2 292 859</b>	<b>2 472 919</b>	<b>2 538 910</b>
Housing Disaster Relief Grant	-	-	-	-	56 700	56 700	92 853	94 712	-
Human Settlements Development Grant	662 778	504 773	1 638 146	2 177 676	2 177 676	2 177 676	2 200 006	2 378 207	2 538 910
<b>Public Works</b>	<b>60 010</b>	<b>283 780</b>	<b>83 683</b>	<b>228 210</b>	<b>228 210</b>	<b>228 210</b>	<b>283 279</b>	<b>210 376</b>	<b>222 243</b>
Devolution of Property Rate Funds Grant to Provinces	60 010	283 429	14 746	192 709	192 709	192 709	200 825	210 376	222 243
Expanded Public Works Programme Incentive Grant for Provinces	-	-	41 290	30 431	30 431	30 431	60 333	-	-
Basic Education	-	-	500	711	711	711	1 000	-	-
Health	-	-	6 012	16 578	16 578	16 578	1 000	-	-
Social Development And Special Programmes	-	-	5 074	536	536	536	-	-	-
Office Of Premier	-	-	-	-	-	-	-	-	-
Provincial Legislature	-	-	-	-	-	-	-	-	-
Roads And Public Works	-	-	29 704	5 208	5 208	5 208	49 694	-	-
Local Government And Traditional Affairs	-	-	-	-	-	-	-	-	-
Rural Development And Agrarian Reform	-	-	-	536	536	536	4 000	-	-
Economic Development, Environmental Affairs And Tourism	-	-	-	1 760	1 760	1 760	1 000	-	-
Transport	-	-	-	3 115	3 115	3 115	2 638	-	-
Human Settlements	-	-	-	711	711	711	-	-	-
Provincial Planning And Treasury	-	-	-	-	-	-	-	-	-
Sport, Recreation, Arts And Culture	-	-	-	1 277	1 277	1 277	1 000	-	-
Safety And Liaison	-	-	-	-	-	-	-	-	-
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	-	351	27 647	5 070	5 070	5 070	22 121	-	-
Basic Education	-	-	-	-	-	-	-	-	-
Health	-	-	27 647	-	-	-	13 780	-	-
Social Development And Special Programmes	-	-	-	5 070	5 070	5 070	6 708	-	-
Office Of Premier	-	-	-	-	-	-	-	-	-
Provincial Legislature	-	-	-	-	-	-	-	-	-
Roads And Public Works	-	-	-	-	-	-	-	-	-
Local Government And Traditional Affairs	-	-	-	-	-	-	-	-	-
Rural Development And Agrarian Reform	-	-	-	-	-	-	-	-	-
Economic Development, Environmental Affairs And Tourism	-	-	-	-	-	-	-	-	-
Transport	-	-	-	-	-	-	-	-	-
Human Settlements	-	-	-	-	-	-	-	-	-
Provincial Planning And Treasury	-	-	-	-	-	-	-	-	-
Sport, Recreation, Arts And Culture	-	351	-	-	-	-	1 633	-	-
Safety And Liaison	-	-	-	-	-	-	-	-	-
<b>Sport and Recreation South Africa</b>	<b>44 895</b>	<b>64 765</b>	<b>75 838</b>	<b>63 570</b>	<b>63 570</b>	<b>63 570</b>	<b>66 056</b>	<b>69 987</b>	<b>73 932</b>
Mass Participation and Sport Development Grant	44 895	64 765	75 838	63 570	63 570	63 570	66 056	69 987	73 932
<b>Trade and Industry</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Industrial Development Zones Grant	-	-	-	-	-	-	-	-	-
<b>Transport</b>	<b>1 187 400</b>	<b>1 341 368</b>	<b>1 187 682</b>	<b>1 201 039</b>	<b>1 282 706</b>	<b>1 282 706</b>	<b>1 544 451</b>	<b>1 616 350</b>	<b>1 691 467</b>
Gautrain Rapid Rail Link Grant	-	-	-	-	-	-	-	-	-
Overload Control Grant	-	-	5 519	-	-	-	-	-	-
Provincial Roads Maintenance Grant	1 187 400	1 214 828	1 034 086	1 034 086	1 034 086	1 034 086	1 369 985	1 432 390	1 498 209
Public Transport Operations Grant	-	126 540	148 077	166 953	166 953	166 953	174 466	183 960	193 258
Sani Pass Roads Grant	-	-	-	-	-	-	-	-	-
Transport Disaster Management Grant	-	-	-	-	81 667	81 667	-	-	-
<b>National Treasury</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Infrastructure Grant to Provinces (excl. Education, Health and Transport)	-	-	-	-	-	-	-	-	-
<b>Total National Conditional Grants</b>	<b>3 845 492</b>	<b>4 752 967</b>	<b>7 444 177</b>	<b>8 896 119</b>	<b>9 167 491</b>	<b>9 167 491</b>	<b>9 683 319</b>	<b>10 492 769</b>	<b>11 131 199</b>

Source: Provincial Database: 2012/13

## 4.4 Total provincial own receipts

TABLE 4.4: PROVINCIAL OWN RECEIPTS PER DEPARTMENT

R' 000	2008/09	2009/10	2010/11	2011/12			2012/13	2013/14	2014/15
	Audited			Main budget	Adjusted budget	Revised estimate	Medium-term estimates		
Education	58 556	47 436	51 135	54 081	54 081	63 764	56 569	59 397	62 367
Health	90 102	79 815	85 973	77 518	78 337	81 201	81 394	85 850	91 001
Social Development And Special Programmes	13 945	( 1 018)	2 813	968	1 609	5 053	1 421	1 475	1 545
Office Of Premier	379	931	751	215	215	170	227	240	252
Provincial Legislature	965	279	371	307	291	368	325	342	363
Roads And Public Works	11 763	13 508	15 666	15 406	15 406	15 688	15 780	17 268	18 994
Local Government And Traditional Affairs	-	2 042	747	-	711	1 446	824	865	917
Rural Development And Agrarian Reform	4 527	6 462	22 979	6 633	6 633	7 443	6 965	7 327	7 767
Economic Development, Environmental Affairs	95 897	120 835	119 124	129 140	129 140	167 948	119 370	126 532	134 125
Transport	317 867	350 531	356 047	380 572	367 060	367 060	415 265	455 965	501 561
Human Settlements	11 411	16 255	10 238	2 610	2 610	4 892	2 822	2 963	3 111
Provincial Planning And Treasury	358 282	127 102	78 494	609	72 615	76 942	72 676	76 312	80 134
Sport, Recreation, Arts And Culture	1 731	1 333	3 203	750	750	1 624	820	820	868
Safety And Liaison	57	18	24	-	-	19	19	20	21
<b>Total</b>	<b>965 482</b>	<b>765 529</b>	<b>747 565</b>	<b>668 809</b>	<b>728 458</b>	<b>793 618</b>	<b>774 477</b>	<b>835 376</b>	<b>903 026</b>

Source: Provincial Treasury Database: 2012/13

Table 4.4 gives a summary of own receipts per department for the period 2008/09 to 2014/15. A projected overall collection of R2.5 billion has been budgeted for over the 2012/13 MTEF. The 2011/12 Adjusted Appropriation increases by 9.1 per cent from the 2011/12 Main Appropriation, mainly due to the upward revision of interest income against **Provincial Treasury** as a result interest earned from positive cash balances available in the provincial revenue fund.

The **Department of Transport**, the main revenue generating department, is expected to increase own receipts from R367 million in the 2011/12 Adjusted Appropriation to R501 million in 2014/15. This positive growth is mainly due to the annual adjustment of motor vehicle license fees which is collected in terms of the National Road Traffic Act of 1996.

The budget for **Department of Economic Development, Environmental Affairs and Tourism** is estimated to increase from R129.1 million in the 2011/12 Main Appropriation to R134.1 million in 2014/15. The bulk of the revenue that is generated by the department is collected through the Eastern Cape Gambling and Betting Board (ECGBB) in respect of gambling and betting taxes. The Eastern Cape Liquor Board (ECLB) also collects liquor license taxes from licensed liquor stores.

The **Department of Health** estimates that its own receipts will increase from R78.3 million in the 2011/12 Adjusted Appropriation to R91 million in 2014/15 at a nominal annual average rate of 5.1 per cent. The department collects the bulk of its own receipts against *sale of goods and services other than capital assets* in respect of patient fees which relates to the recovery of the cost of services provided to patients. The tariffs for patient fees are reviewed annually and the fees charged at hospitals are based on the fees introduced by the national Department of Health. Own receipts increase over the 2012/13 MTEF, which is in line with the department's strategy to retain the over-collection of revenue at certain identified wards at public hospitals where higher tariffs for patient fees will be charged. Provincial Treasury has allowed the retention of own receipts with the provision that the Department of Health does not overspend its future allocated budget.

The main source of own revenue for the **Department of Roads and Public Works** is rental income that is charged from the leasing of state-owned properties. Total departmental own receipts increase by 7.2 per cent from the 2011/12 Adjusted Appropriation to 2014/15, which is informed by the department's discussions with the national Department of Public Works and Treasury about the possibility to sell some rental units in 2011/12.

The **Department of Rural Development and Agrarian Reform** has its primary source of own receipts reflected against *sale of goods and services other than capital assets*, which relates mainly to the sale of livestock and agricultural products and veterinarian services.

The **Department of Human Settlements** receives the bulk of own receipts from interest earned on trust accounts. The department previously made advance payments to municipalities, which serve as implementing agencies and hence the existence of trust accounts to cover the costs of the building of low-cost houses in terms of the People's Housing Project.

The **Provincial Legislature** collect revenue in the form of interest earned each month on cash available in the bank, commission on insurance, selling of waste paper, recoveries of debts and other miscellaneous items. The legislature, in contrast to other provincial departments, retains its own departmental receipts.

In comparison to the above-mentioned revenue generating departments, the other departments collect minimal own receipts, which is mainly reflected against *sale of goods and services other than capital assets* in respect of commission earned on insurance deductions.

## 4.5 Own revenue maximisation

The province needs to expand the fiscal envelope by improving the collection of provincial own receipts. Own receipts collection is expected to remain the same over the 2012/13 MTEF if departments continue to collect revenue in the same fashion. Provincial Treasury has committed itself to working towards enhancing own revenue collection by improving administrative systems for revenue collection in departments. Provincial Treasury will monitor revenue collection more closely by means of the Revenue In-year Monitoring (R-IYM) model in order to ensure that efficiencies are improved at departmental level which should result in an improvement in the collection of existing revenue sources.

In a further effort to improve the own receipts collection, departments were informed of specific items to be included in their revenue collection plans in order to optimise own receipts collection. This plan includes details about appropriate plans and processes which have been developed to identify sources of revenue, collection of revenue due to the department, safeguarding revenue; and the processes detailing the recording and reconciling of information about own receipts. Departments were also reminded of the provisions of Treasury Regulations 7.3.1, which relates to the annual review of all fees, charges or rates, scales or tariffs of fees and charges accruing to the revenue fund.

A closer working relationship with public entities is planned for 2012/13 to determine whether the required assistance is provided by the parent department and whether Provincial Treasury needs to provide a more supportive role that will result in an improvement in the collection of own receipts.

Provincial Treasury will explore the opportunity to expand the existing own receipts base by researching the potential of new sources of own receipts to augment the provincial fiscal envelope in future. The implementation of any new provincial own receipt sources will only follow, if research proves that its implementation is economically and socially beneficial to the province.

## **4.6 Conclusion**

The revision of the PES components that inform the annual division of revenue has had a negative effect on the equitable share that is transferred from national government. The downward adjustment of the PES components means that the provincial weighted share is also adjusted downwards and therefore the province will receive less equitable share transfers from national government. The lower provincial own receipts and equitable share imply that the fiscal envelope is limited and even getting smaller.

This improvement in own receipts will be done through the achievement of efficiencies of the existing revenue sources at departmental level, and by researching potential new sources of own receipts. Departments will have to give effect to their mandates with less available funds and these departments will have to reprioritise their existing baseline budgets to deliver services more efficiently and effectively.

## 5. PAYMENTS

### 5.1 Overall position

The Eastern Cape provincial budget has sustained a positive growth rate of 40 per cent from R39 billion in 2008/09 to R54.7 billion in 2011/12 at a weighted average of 12 per cent led by education, health, and roads and public works, as reflected in Table 5.1. The budget for 2012/13 increases to R56.2 billion, a 2.6 per cent growth.

The 2012 MTEF cycle follows a similar trend with a positive growth rate of 12 per cent from R56.2 billion in 2012/13 to R63.1 billion at a weighted average of 6 per cent. The estimated expenditure planned over the three-year cycle under review stands at R179.1 billion with the departments of Education and Health accounting for R83.1 billion and R48.9 billion respectively, collectively representing 76 per cent of the projected provincial expenditure.

Notwithstanding the substantial allocations made to the departments of Education and Health, the province is planning to embark on new critical projects and continue with existing projects. Of particular importance is the hand-over of the Bhisho Youth Care Centre from the provincial Department of Education to the Department of Social Development and Special Projects, the opening of the Qumbu Youth Care Centre, the Operation Clean Audit project by the Department of Local Government and Traditional Leaders in municipalities, as well as the Fish Water Flats Waste Water Treatment project at Coega IDZ by DEDEAT, to name a few.

### 5.2 Payment by vote

TABLE 5.1: SUMMARY OF PAYMENT BY VOTE

	2008/09	2009/10	2010/11	2011/12			2012/13	2013/14	2014/15	Budget Growth Rate	% Share
R' 000	Audited			Main budget	Adjusted budget	Revised estimate	Medium-term estimates			2011/12 - 2012/13	
Education	17 523 692	20 750 351	22 576 929	24 634 708	25 144 885	25 093 056	26 287 986	27 658 394	29 210 170	4.8%	46.8%
Health	10 499 083	12 090 018	13 272 828	14 237 249	14 812 568	15 590 424	15 166 038	16 346 338	17 440 175	-2.7%	27.0%
Social Development And Special Programmes	1 324 145	1 443 896	1 575 939	1 711 206	1 711 206	1 683 125	1 782 421	2 008 857	2 119 979	5.9%	3.2%
Office Of Premier	343 976	359 724	375 050	403 880	403 880	376 530	404 531	447 679	471 854	7.4%	0.7%
Provincial Legislature	216 079	255 960	293 098	371 446	393 138	360 443	384 082	415 739	438 189	6.6%	0.7%
Roads And Public Works	3 087 251	3 202 686	3 198 859	3 269 009	3 413 566	3 506 086	3 741 601	3 970 185	4 173 985	6.7%	6.7%
Local Government And Traditional Affairs	612 415	745 113	775 078	746 085	761 690	750 630	788 452	846 771	892 496	5.0%	1.4%
Rural Development And Agrarian Reform	1 365 889	1 582 933	1 535 246	1 509 785	1 532 976	1 486 047	1 694 131	1 636 875	1 718 742	14.0%	3.0%
Economic Development, Environmental Affairs	756 200	930 585	826 812	884 226	893 226	883 338	936 063	1 021 787	1 032 696	6.0%	1.7%
Transport	1 056 676	1 276 198	1 315 591	1 453 764	1 596 764	1 596 764	1 322 994	1 438 825	1 515 886	-17.1%	2.4%
Human Settlements	1 230 905	1 532 801	1 727 782	2 424 942	2 615 470	2 439 409	2 574 536	2 787 388	2 889 147	5.5%	4.6%
Provincial Planning And Treasury	255 773	234 113	247 450	302 526	302 526	287 578	352 143	387 377	409 326	22.5%	0.6%
Sport, Recreation, Arts And Culture	751 987	778 851	557 159	636 323	686 837	670 783	705 454	739 394	771 059	5.2%	1.3%
Safety And Liaison	41 992	47 720	52 635	58 387	58 387	58 320	64 373	70 818	76 318	10.4%	0.1%
<b>Total</b>	<b>39 066 063</b>	<b>45 230 949</b>	<b>48 330 456</b>	<b>52 643 536</b>	<b>54 327 118</b>	<b>54 782 533</b>	<b>56 204 804</b>	<b>59 776 426</b>	<b>63 160 021</b>	<b>2.6%</b>	<b>100.0%</b>

Source: Provincial Treasury Database: 2012/13

Table 5.1 summarises the expenditure trends by vote from 2008/09 to 2014/15. In aggregate terms, provincial expenditure increases from a revised estimate of R54.8 billion in 2011/12 to R56.2 billion at a 2.6 per cent growth rate in the 2012/13 financial year. Of the allocated R56.2 billion in 2012/13, R43.2 billion or 77 per cent is apportioned to the departments of Education, Health, and Social Development and Special Programmes. This

is followed by the economic and administration services sector with a projected expenditure of R13 billion or 23.1 per cent of the 2012/13 baseline.

### **Social sector**

A resource envelope for the Eastern Cape Province, amounting to R43.2 billion, is proposed for the social cluster over the MTEF period. The provincial departments of Education, Health and Social Development and Special Programmes constitute the social sector within the province.

- The **Department of Education** plans to spend a cumulative amount of R83.1 billion over the 2012/13 MTEF period. The 4.8 per cent budget growth to R26.2 billion in 2012/13 from 2011/12 for Education is partly attributed to the additional allocation of R281.8 million for Improvement in Conditions of Services (ICS), R6.7 million for further education and training colleges. This year's budget will address the implementation of the 2012 Post Declaration as well as catering for existing policy imperatives namely, norms and standards, school nutrition programme, infrastructure delivery, Grade R and pre-Grade R and also a number of endeavours that the department plans to undertake, notably, the data cleansing projects. The two outer years in the MTEF further highlight the improvement in access to Grade R and better resourcing of schools in poor communities. The additional R193.3 million and R258.9 million is allocated for the expansion of no-fee schools and the universalisation of Grade R respectively.
- The **Department of Health** plans to spend a cumulative amount of R48.9 billion over the 2012/13 MTEF. The health department shows a negative 2.7 per cent decline to R15.2 billion from 2011/12 to 2012/13, due to the carry through cost of OSD and HROPT, provincialisation of state-aided hospitals and primary health care, as well as other compensation of employees related accruals carried over from the 2011/12 financial year. The additional funding for 2012/13 includes the earmarked funds for ICS as well as the two new conditional grants, namely the National Health Insurance and Nursing Colleges grants.
- The **Department of Social Development and Special Programmes** projects a cumulative expenditure of R5.9 billion over the 2012/13 MTEF. The department intends to spend an amount of R1.8 billion in 2012/13. The expenditure is aimed at increasing access to child care and protection services and early childhood development programmes. The rollout of the Bhisho Youth Care Centre and the Qumbu Child Youth Care Centre are also amongst the focus areas in the department, with the latter receiving an additional R5 million in 2012/13. The two outer years in the MTEF cycle are respectively allocated an additional R103.6 million and R110.7 million for child and youth care and victim empowerment.

## ***Economic sector***

A resource envelope for the Eastern Cape Province, amounting to R28.2 billion, is proposed for the economic cluster over the MTEF period. The provincial departments of Economic Development, Environmental Affairs and Tourism, Rural Development and Agrarian Reform, Roads and Public Works and Human Settlements are driving the economic sector agenda within the province.

- **Economic Development, Environmental Affairs and Tourism**

An amount of R3 billion is expected to be spent over the 2012/13 MTEF period. The 2012/13 budget grows by 6 per cent to R936.1 million from the 2011/12 revised estimate to accommodate initiatives such as agro-processing, the green economy and associated new economies, manage and protect the environment, advancing rural development, strengthening small enterprise development, and expanding manufacturing and the services sector and tourism. An additional allocation of R18 million in the 2012/13 financial year and R42 million in 2013/14 is set aside for the Fish Water Flats Waste Water Treatment Works under the auspices of the Coega IDZ.

- **Rural Development and Agrarian Reform**

A projected expenditure, amounting to R5 billion, is planned to be realised over the next three financial years. The budget grows to R1.7 billion at 14 per cent in 2012/13 to cater for rural development initiatives, food security, improve sustainable development planning, provide and rehabilitate agricultural infrastructure and to initiate measures to develop sector specific skills. The 14 per cent growth arises as a result of the additional allocation of R175 million for rural development initiatives and also the further revision of the CASP budget by an additional R2 million.

- **Roads and Public Works**

An amount of R11.9 billion is projected to be spent over the 2012/13 MTEF period. The budget for the 2012/13 financial year reflects 6.7 per cent positive growth, which is above the overall 2.6 per cent growth for the province. The expenditure is related to delivery of roads infrastructure (construction and maintenance), providing office space for provincial government and municipalities, and up-scaling the EPWP. Also included in the 2012/13 MTEF budget is an additional allocation of R10 million in 2012/13, R13 million in 2013/14, and R15 million in 2014/15 to support capacity building in the Centralised Project Management Unit and a further R55 million in 2012/13, R56 million in 2013/14, and R58 million in the 2014/15 financial year, set aside for lease payments to increase office space for departments.

- **Human Settlements**

The department is projecting to spend an amount of R8.2 billion over the next three years. In the 2012/13 financial year, the budget grows by 5.5 per cent. The growth is linked to the acceleration of housing delivery, water infrastructure and services, efficient land use, as well as the improvement of capacity in the municipalities in terms of bulk infrastructure delivery. Additional allocations were made to the department in an effort to support the department to deliver on its mandate and beef up the capacity in the supply chain management unit.

***Governance and administration cluster***

The resource envelope proposed for the governance and administration cluster within the Eastern Cape Province for 2012/13 amounts to R1.9 billion. The provincial departments of Planning and Treasury, Office of the Premier, Provincial Legislature and Local Government and Traditional Affairs, drive the governance and administration sector agenda within the province.

- **Provincial Treasury**

The department is planning to spend R1.1 billion over the MTEF. The department's baseline increased by 22.5 per cent from the 2011/12 revised estimate to 2012/13. The increase in the allocation to this department is attributable to the establishment of the ECPC, as well as for strengthening financial management and service delivery at municipal level. The idea is to extend the current concept to all districts over the MTEF with a shared service approach being a key differentiator to the current service delivery model.

- **Local Government and Traditional Affairs**

The department plans to spend a total of R2.5 billion over the 2012/13 MTEF. The department's budget grows by 5 per cent between 2011/12 to 2012/13. It is continuing to support municipalities in implementing the leading projects of clean audit outcomes, community participation, integrated planning, creating work opportunities to provide basic service delivery and support traditional leadership institutions for rural development.

- **Office of the Premier**

The department receives total funding of R1.3 billion over the 2012/13 MTEF. Funding to the department increased moderately over the past few years. In the 2012/13 financial year, total receipts increase by 7.4 per cent to R404.5 million from the 2011/12 revised estimate of R376.5 million. The department plans to establish an efficient, effective and development-oriented public service and an empowered and fair, inclusive citizenship.



- **Provincial Legislature**

The department receives a cumulative amount of R1.2 billion over the 2012/13 MTEF. Expenditure is expected to increase by 6.6 per cent from R360.4 million in the 2011/12 revised estimate to R384.1 million in 2014/15 for to the implementation of the Financial Management of Provincial Legislature Act (FIMPLA).

## 5.3 Payments by economic classification

**TABLE 5.2: SUMMARY OF PROVINCIAL PAYMENTS AND ESTIMATES BY ECONOMIC CLASSIFICATION**

	2008/09	2009/10	2010/11	2011/12			2012/13	2013/14	2014/15	Growth Rate
R' 000	Audited			Main budget	Adjusted budget	Revised estimate	Medium-term estimates			2011/12 - 2012/13
<b>Current payments</b>	<b>31 188 179</b>	<b>36 434 737</b>	<b>40 396 237</b>	<b>41 895 600</b>	<b>42 785 954</b>	<b>44 038 584</b>	<b>45 426 863</b>	<b>47 862 105</b>	<b>50 602 005</b>	<b>3.2%</b>
Compensation of employees	22 930 671	28 299 001	31 727 145	32 963 382	33 920 636	34 507 584	36 355 017	37 677 876	39 794 918	5.4%
Goods and services	8 234 981	8 124 501	8 656 971	8 901 529	8 865 317	9 523 028	9 070 846	10 184 230	10 807 087	-4.7%
Interest and rent on land	22 527	11 235	12 121	689	-	7 972	-	-	-	-100.0%
<b>Transfers and subsidies</b>	<b>4 923 707</b>	<b>5 537 868</b>	<b>5 681 828</b>	<b>6 954 645</b>	<b>7 403 318</b>	<b>7 264 414</b>	<b>7 661 531</b>	<b>8 386 021</b>	<b>8 774 518</b>	<b>5.5%</b>
Provinces and municipalities	730 580	733 463	584 539	248 972	310 921	311 661	251 999	260 976	276 157	-19.1%
Universities and technikons	118 754	99 375	141 043	149 320	157 586	157 046	201 690	154 428	162 149	28.4%
Foreign governments and international organisations	1 000	1 045	-	-	-	-	-	-	-	0.0%
Public corporations and private enterprises	61 772	229 461	266 163	270 170	277 170	287 876	303 876	365 062	379 089	5.6%
Non-profit institutions	1 470 649	1 774 389	1 958 507	3 054 803	3 147 975	3 138 237	3 381 969	3 926 773	4 215 223	7.8%
Houseshold	1 453 984	1 537 045	1 838 115	2 506 235	2 715 685	2 581 005	2 656 069	2 844 241	2 902 586	2.9%
<b>Payments for capital assets</b>	<b>3 027 855</b>	<b>3 234 686</b>	<b>2 230 071</b>	<b>3 753 288</b>	<b>4 137 847</b>	<b>3 478 433</b>	<b>3 117 410</b>	<b>3 528 300</b>	<b>3 783 498</b>	<b>-10.4%</b>
Buildings and other fixed structures	1 924 291	2 834 058	1 939 819	3 015 034	3 192 055	2 557 185	2 678 469	3 099 979	3 316 471	4.7%
Machinery and equipment	1 091 659	396 052	283 734	724 876	934 367	914 361	421 425	409 598	447 206	-53.9%
Heritage assets	-	-	-	-	-	-	-	-	-	0.0%
Specialised military assets	-	-	-	-	-	-	-	-	-	0.0%
Biological assets	-	487	-	-	1 185	1 185	5 210	5 496	5 826	339.7%
Land and sub-soil assets	-	333	-	-	-	-	-	-	-	0.0%
Software and other intangible assets	11 905	3 756	6 518	13 378	10 240	5 702	12 307	13 228	13 995	115.8%
<i>of which:</i>	-	-	-	-	-	-	-	-	-	0.0%
Capitalised compensation of employees	-	-	-	-	-	-	-	-	-	0.0%
Capitalised goods and services	-	-	-	-	-	-	8 000	4 912	5 182	0.0%
<b>Payments for financial assets</b>	<b>26 322</b>	<b>23 659</b>	<b>22 320</b>	<b>3</b>	<b>-</b>	<b>1 102</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-100.0%</b>
<b>Total economic classification</b>	<b>39 066 063</b>	<b>45 230 949</b>	<b>48 330 456</b>	<b>52 643 536</b>	<b>54 327 118</b>	<b>54 782 533</b>	<b>56 204 804</b>	<b>59 776 426</b>	<b>63 160 021</b>	<b>2.6%</b>

**Source: Provincial Treasury Database: 2012/13**

Table 5.2 shows the summary of provincial expenditure by economic classification over the 2012/13 MTEF. In terms of economic classification, the bulk of the provincial expenditure is accounted for by current payments in the form of compensation of employees and goods and services.

Total actual expenditure on current payments increased from R31.2 billion in the 2008/09 financial year to R40.4 billion in the 2010/11 financial year. In the current financial year, the province is projecting to spend R44 billion on current payments. In the 2012/13 financial year, the province is estimating to spend R45.4 billion on current payments reflecting an increase of 3.1 per cent from the 2011/12 revised estimate.

Total expenditure on compensation of employees was R22.9 billion in the 2008/09 financial year and increased to R31.7 billion in the 2010/11 financial year. The increase is attributed to the normal increase in personnel numbers, implementation of OSD and HROPT by a number of departments and annual ICS adjustments due to inflation. In the current financial year, projected end of year expenditure on compensation of employees is R34.5 billion. This increases to R36.3 billion in the 2012/13 financial year, representing an increase of 5.4 per cent. This expenditure item accounts for 64 per cent of the total budget.

Total actual expenditure on goods and services increased from R8.2 billion in the 2008/09 financial year to R8.7 billion in 2010/11 financial year. The province is expecting to spend an amount of R9.5 billion in the current financial year but the projected amount for the 2012/13

financial year decreases to R9 billion. The decrease in the allocation for goods and services is due to the 10 per cent top slice, as per the EXCO directive, to fund compensation of employees cost pressures from the social sector departments.

Transfers and subsidies to municipalities, universities and technikons (now universities of technology), departmental agencies and non-profit institutions for the provision of goods and services for various sections of the population increased from R4.8 billion in 2008/09 financial year to R5.7 billion in the 2010/11 financial year. The increase was due to the implementation of norms and standards for school nutrition, no fees schools, and independent schools and general inflationary increases. Current year expenditure is estimated at R7.3 billion which increases to R7.7 billion, reflecting as 5.4 per cent. The cumulative total for transfers and subsidies for the 2012/13 financial year represents 14 per cent of the total budget.

Total payments for capital assets which result in the creation of productive capacity required for increasing provincial GDP was R3 billion in the 2008/09 financial year. It decreased to R2.2 billion in the 2010/11 financial year. The decline is attributed to the reprioritisation of funds to address cost pressures for compensation of employees, especially in the departments of Education and Health. The equitable share portions of the capital budget of these departments were reprioritised to fund the compensation of employees cost pressures faced by these departments.

The estimated end of year expenditure on capital expenditure is R3.5 billion. In the 2012/13 financial year, the provincial expenditure on capital declines considerably by 9.9 per cent to R3.1 billion. The decrease is due to the severe fiscal constraint of the 2012/13 MTEF and the need to ensure credible budgets for contractual obligations resulting in the reprioritisation of capital budgets to fund compensation of employees, in the departments of Education and Health.

## 5.4 Payments by functional area

TABLE 5.3: Summary of Provincial Payments and Estimates by Functional Area

Policy area R'000	2008/09	2009/10	2010/11	2011/12			2012/13	2013/14	2014/15
	Audited			Main budget	Adjusted budget	Revised estimate	Medium-term estimates		
General Public Services	2 600 338	3 063 663	3 231 342	3 424 535	3 452 021	3 384 435	3 685 516	3 930 603	4 175 606
Public Order And Safety	41 992	47 720	52 635	58 387	58 387	58 320	64 373	70 818	76 318
Economic Affairs	4 946 501	5 364 724	5 112 196	5 306 483	5 627 397	5 646 120	5 673 754	6 001 562	6 230 510
Environmental Protection	147 420	158 925	223 646	209 703	218 348	216 861	264 726	233 073	247 057
Housing And Community Amenities	1 230 905	1 532 801	1 727 782	2 424 942	2 615 470	2 439 409	2 574 536	2 787 388	2 889 147
Health	10 499 083	12 090 018	13 272 828	14 237 249	14 812 568	15 590 424	15 166 038	16 346 338	17 440 175
Recreation, Culture And Religion	751 987	778 851	557 159	636 323	686 837	670 783	705 454	739 394	771 059
Education	17 523 692	20 750 351	22 576 929	24 634 708	25 144 885	25 093 056	26 287 986	27 658 394	29 210 170
Social Protection	1 324 145	1 443 896	1 575 939	1 711 206	1 711 206	1 683 125	1 782 421	2 008 857	2 119 979
<b>TOTAL - All Functions</b>	<b>39 066 063</b>	<b>45 230 949</b>	<b>48 330 456</b>	<b>52 643 536</b>	<b>54 327 118</b>	<b>54 782 533</b>	<b>56 204 803</b>	<b>59 776 427</b>	<b>63 160 021</b>

Source: Provincial Treasury Database: 2012/13

Table 5.3 shows the summary of provincial payments and estimates for the 2012/13 MTEF by policy area. Actual payments increased from R39.1 billion in 2008/09 to a revised estimate of R54.8 billion in the 2011/12 financial year. In the 2012/13 financial year, total provincial spending is projected to increase to R56.2 billion, reflecting an increase of 2.6 per cent. Over the 2012/13 MTEF, total expenditure is estimated at R179.1 billion. The education and health sectors are allocated the bulk of the resources available to the province.

The total allocation for the two social sectors (education and health) amounts to R41.4 billion, which represents 73.8 per cent of the total provincial resource envelope. Given the labour intensive nature of these sectors, about 89.3 and 64 per cent of their respective budgets for the 2012/13 financial year, is allocated to compensation of employees. In education, the remaining budget will be used for the implementation of government policy priorities of the school nutrition scheme, “no fees school”, provision of learner support materials, transfers to independent schools, the provision of special school education and the maintenance, rehabilitation and upgrade and construction of educational infrastructure. In the health sector, the remaining 36 per cent of the budget will be utilised in the fight against HIV/Aids and TB, improving the mortality rate and increasing life expectancy in the province, decreasing maternal and child mortality, strengthening public health system and improving the efficacy, maintenance, rehabilitation, and upgrading and construction of health infrastructure facilities.

To ensure the growth and development of the provincial economy and enhance job creation, the allocations for economic services amounts to R5.7 billion, representing 10.1 per cent of the total budget for the province, whilst the provision of decent human settlements is allocated a total amount of R2.6 billion or 4.6 per cent of the budget. Social protection and cohesion receive 3.2 per cent and 1.1 per cent of the budget respectively. To ensure the smooth running of the provincial government, general public services are allocated 6.6 per cent of the total budget. The provincial budget is thus responsive to the key policy priorities of the ruling government.

## 5. 5 Infrastructure payments

Infrastructure is an integral part of improving the standards of living of the people of the Eastern Cape and hence the reduction of poverty. It does so by making more employment opportunities available through the creation of employment for contractors and SMMEs with a greater focus on employing historically disadvantaged individuals. Furthermore, the positioning of infrastructure to support rural areas will result in advantages that favour the poor by allowing them easy access to basic services. Over and above this, the ability to utilise labour intensive methods in certain infrastructure projects results in an increase in the number of people employed in the community's surrounding these projects.

Infrastructure development also needs to be planned in line with the population migration trends and economic development plans, so as to ensure that the available infrastructure funding is targeting the correct geographical areas. Hence, proper planning and prioritisation is essential in ensuring that there is optimal use for the limited infrastructure funding, taking into account the enormous provincial infrastructure backlogs arising from the apartheid and post-apartheid regimes.

**TABLE 5.4: EASTERN CAPE PROVINCIAL INFRASTRUCTURE ALLOCATIONS**

R' 000	2008/09	2009/10	2010/11	2011/12			2012/13	2013/14	2014/15
	Audited			Main budget	Adjusted budget	Revised estimate	Medium-term estimates		
Education	987 032	892 938	304 632	1 303 256	1 297 561	522 333	1 014 769	1 327 022	1 327 496
Health	1 023 985	1 042 263	897 500	1 187 991	1 443 116	996 879	1 158 594	1 219 818	1 354 725
Social Development And Special Programmes	26 808	18 207	41 132	43 981	44 291	41 888	44 410	46 810	49 600
Roads And Public Works	1 915 507	2 377 596	2 193 953	2 228 351	2 211 936	2 211 936	2 500 145	2 617 623	2 743 246
Local Government And Traditional Affairs	27 894	26 800	8 859	13 569	13 569	11 171	9 081	12 116	12 843
Rural Development And Agrarian Reform	131 369	121 018	153 015	111 099	128 053	128 053	138 764	153 248	154 789
Transport	10 373	13 885	14 470	4 311	4 311	24 311	38 941	8 338	8 838
Sport, Recreation, Arts And Culture	263 698	260 426	16 809	50 661	80 316	65 262	47 937	44 802	45 931
<b>Total</b>	<b>4 386 666</b>	<b>4 753 133</b>	<b>3 630 370</b>	<b>4 943 219</b>	<b>5 223 153</b>	<b>4 001 833</b>	<b>4 952 641</b>	<b>5 429 777</b>	<b>5 697 468</b>

*Source: Provincial Treasury Database: 2012/13*

Table 5.4 indicates that the infrastructure allocations increase from an amount of R4.4 billion in the 2008/09 financial year to an amount of R5.7 billion in the 2014/15 financial year. The bulk of the infrastructure allocations reside in the departments of Education, Health and Roads and Public Works.

The Department of Roads and Public Works' infrastructure budget is utilised for roads, bridges, community-based public works programme, and the maintenance of buildings. The Department of Health's infrastructure budget is utilised for hospitals clinics, community health centres and the hospital revitalisation programme. The Department of Education's infrastructure budget is utilised for schools which include the replacement of mud structures.

Table 5.5 below indicates the following trends:

- The Department of Health has allocated 20 per cent for maintenance in the 2011/12 financial year and 21 per cent, 21 per cent and 20 per cent for the 2012/13 MTEF period.
- The Department of Education has allocated 10 per cent for maintenance in the 2011/12 financial year and 8 per cent, 5 per cent and 5 per cent respectively for the 2012/13 MTEF period.

- The Department of Roads and Public Works has allocated 28 per cent for maintenance in the 2011/12 financial year and 41 per cent, 39 per cent and 39 per cent respectively for the 2012/13 MTEF period. The maintenance percentages for the Department of Roads and Public Works has been calculated by excluding the amounts for overheads which amounts to R681 million, R575 million, R572 million and R591 million in respect of the 2011/12, 2012/13, 2013/14 and 2014/15 financial years respectively.
- The infrastructure departments, and in particular, the Department of Education, is not adequately budgeting for maintenance and if this persists, then the province will be creating backlogs in addition

The province has developed the Provincial Infrastructure Delivery Framework which includes the framework for maintenance. This will form the input for the better management of infrastructure delivery.

**TABLE 5.5: EASTERN CAPE PROVINCIAL INFRASTRUCTURE ALLOCATIONS PER CATEGORY**

R' 000	2008/09	2009/10	2010/11	2011/12			2012/13	2013/14	2014/15
	Audited			Main budget	Adjusted budget	Revised estimate	Medium-term estimates		
<b>New infrastructure assets</b>	<b>361 034</b>	<b>800 472</b>	<b>724 970</b>	<b>1 564 886</b>	<b>1 753 275</b>	<b>963 960</b>	<b>1 284 791</b>	<b>1 472 355</b>	<b>1 446 665</b>
<b>Existing infrastructure assets</b>	<b>3 654 312</b>	<b>3 710 661</b>	<b>2 895 900</b>	<b>3 378 333</b>	<b>3 469 877</b>	<b>3 037 873</b>	<b>3 636 850</b>	<b>3 923 811</b>	<b>4 216 489</b>
Upgrades and additions	1484 002	1666 461	120 738	1333 214	1279 582	995 275	1 510 586	1759 336	1993 378
Rehabilitation, renovations and refurbishments	1266 973	957 206	284 029	379 016	388 636	307 818	189 972	231449	214 774
Maintenance and repairs	903 337	1086 994	1491133	1666 103	1801659	1734 780	1936 292	1933 026	2 008 337
<b>Infrastructure transfers</b>	<b>371 320</b>	<b>242 000</b>	<b>9 500</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>31 000</b>	<b>33 611</b>	<b>34 314</b>
Current	-	-	9 500	-	-	-	31 000	33 611	34 314
Capital	371320	242 000	-	-	1	-	-	-	-
<b>Current infrastructure</b>	<b>903 337</b>	<b>1086 994</b>	<b>1500 633</b>	<b>1666 103</b>	<b>1801659</b>	<b>1734 780</b>	<b>1967 292</b>	<b>1966 637</b>	<b>2 042 651</b>
<b>Capital infrastructure</b>	<b>3 483 329</b>	<b>3 666 139</b>	<b>2 229 737</b>	<b>3 277 16</b>	<b>3 421494</b>	<b>2 267 053</b>	<b>2 985 349</b>	<b>3 463 140</b>	<b>3 654 817</b>
<b>Total</b>	<b>4 386 666</b>	<b>4 753 133</b>	<b>3 630 370</b>	<b>4 943 219</b>	<b>5 223 153</b>	<b>4 001 833</b>	<b>4 952 641</b>	<b>5 429 777</b>	<b>5 697 468</b>

Source: Provincial Treasury Database: 2012/13

### *Provincial improvements:*

The province has identified the need for integrated infrastructure planning in respect of social and economic infrastructure such that infrastructure development is targeted towards economic activity in the province. The planning processes include instilling better prioritisation methodologies in departments, credible project lists, Infrastructure Project Management Plans (IPMPs) and Infrastructure Programme Implementation Plans (IPIPs).

The province is also addressing its infrastructure capacitation issues as improved infrastructure delivery is directly linked to the infrastructure capacitation of the sector departments and the implementing agents. In order to make in-roads into the capacitation issues, the province has embarked on the rollout of the implementation of the infrastructure human resource capacitation issues. The objectives of the Infrastructure Human Resource Strategy are to:

- Adopt the national strategy for human resources for infrastructure delivery in the province
- Implement the provincial human resource strategy for infrastructure delivery in the provincial departments of Health, Education, Public Works and Planning and Treasury,

based on the generic model, developed in partnership with the Department of Public Service and Administration and the other national departments.

- Implementation in a manner that results in adequate and sustainable human resource capacity in each of the departments to effectively and efficiently implement infrastructure planning and delivery.
- Implement a capacity building framework, aligned to the infrastructure service delivery model of the province.

#### *Acceleration of provincial infrastructure delivery:*

An amount of R38 million has been allocated over the MTEF to initiate a centralised project management unit.

#### *Public private partnerships (PPP) projects*

There are five registered PPP projects at various life cycle stages, currently underway within the province.

Two projects are in a contract management phase. A Humansdorp project aims to establish a private health facility at existing hospitals and share the use of medical facilities and services. The project entails the revitalisation, refurbishment and upgrading of the existing hospital. The Port Alfred and Settlers co-location hospitals project also aims at establishing a co-location for public and private patients who require core and non-core support services.

The project at Elundini Municipality is at the procurement phase of the PPP life cycle. A solid waste management feasibility study that was undertaken concluded that it would be viable to award the management of the solid waste sites in Maclear, Ugie and Mount Ayliff to private parties to manage and maintain on behalf of the municipality.

Two projects in the feasibility stage of the PPP life cycle are the Nelson Mandela Academic Hospital, which is one of the five projects that have been identified and pronounced by the Minister of Health. This project forms part of the national initiative to assist national and provincial departments of Health with the delivery of infrastructure and support services in the identification, design, implementation and financing of PPP's in the health sector. The other project is the Amathole District Municipality (ADM) office accommodation PPP project.

Table 5.6 highlights the summary of departments of Health, Roads and Public Works and Transport's PPP budget for the period 2008/09 to 2014/15. Over the MTEF, the total budget for PPP projects increases from R58.5 million in 2012/13 to R65.1 million in 2014/15. The main driver for the increase in the budget for PPP projects is the escalation in unitary fees that are payable to the private party for services rendered (both fixed and variable costs).

**TABLE 5.6: Eastern Cape Public-Private Partnership Projects (PPP)**

	2008/09	2009/10	2010/11	2011/12			2012/13	2013/14	2014/15
R' 000	Audited			Main budget	Adjusted budget	Revised estimate	Medium-term estimates		
<b>Projects under implementation</b>	55 788	78 600	74 924	120 599	120 599	120 599	55 438	58 210	61 702
PPP unitary charge	42 183	46 096	74 224	119 679	119 679	119 679	54 472	57 196	60 627
Penalties (if applicable)	-	-	-	-	-	-	-	-	-
Advisory fees	-	-	-	-	-	-	-	-	-
Project monitoring costs	13 605	32 504	700	920	920	920	966	1014	1075
Revenue generated (if applicable)	-	-	-	-	-	-	-	-	-
Contingent liabilities (information)	-	-	-	-	-	-	-	-	-
<b>Proposed projects</b>	-	10 000	7 100	2 900	2 900	2 900	3 045	3 197	3 389
Advisory fees	-	10 000	7 100	2 900	2 900	2 900	3 045	3 197	3 389
Project team costs	-	-	-	-	-	-	-	-	-
Site acquisition costs	-	-	-	-	-	-	-	-	-
Other project costs	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>55 788</b>	<b>88 600</b>	<b>82 024</b>	<b>123 499</b>	<b>123 499</b>	<b>123 499</b>	<b>58 483</b>	<b>61 407</b>	<b>65 092</b>

Source: Provincial Treasury Database: 2012/13

## 5.6 Transfers

### 5.6.1 Transfers to public entities

There are twelve public entities within the Eastern Cape Province, listed in Schedule 3 of the PFMA: Eight of these are listed as Provincial Public Entities, and four as Government Business Enterprises, namely:

- Eastern Cape Socio Economic Consultative Council (ECSECC)
- Eastern Cape Rural Finance Corporation
- Asgisa-EC (Pty) Ltd
- Eastern Cape Appropriate Technology Unit
- Eastern Cape Parks and Tourism Agency
- Eastern Cape Gambling and Betting Board
- Eastern Cape Liquor Board
- Eastern Cape Development Corporation
- East London Industrial Development Zone
- Coega Development Corporation
- Mayibuye Transport Corporation
- Eastern Cape Provincial Arts & Culture Council

Table 5.7 below provides a summary of the transfers to public entities by their respective controlling departments. The total provincial transfers to public entities decreased in the period of 2008/09 to 2010/11 from R868.9 million to R826.5 million. Total transfers to public entities will amount to R873.9 million in the 2012/13, R839.7 million in 2013/14 and R845.9 in 2014/15 financial years. Details of the transfers to public entities are presented in the relevant Votes in the *Estimates of Provincial Revenue and Expenditure*, and a full report is presented in the publication.

**TABLE 5.7: SUMMARY OF PROVINCIAL TRANSFERS TO PUBLIC ENTITIES BY TRANSFERRING DEPARTMENT**

Department	2008/09	2009/10	2010/11	Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
R'000				2011/12			2012/13	2013/14	2014/15
Vote 01: Office of the Premier	51 829	47 889	31 431	38 009	38 010	38 011	39 968	42 166	44 696
Vote 08: Rural Dev. & Agrarian Reform	137 218	185 329	152 600	53 302	78 302	78 302	172 171	38 904	41 238
Vote 09: Economic Dev. Env. & Tourism	619 376	840 988	582 196	601 852	604 152	604 152	579 048	656 978	652 404
Vote 10: Transport	37 195	51 522	51 669	68 429	68 429	67 856	68 773	88 588	93 741
Vote 14: Sport, Recreation, Arts & Culture	23 300	34 480	8 625	13 636	13 936	13 936	13 948	13 112	13 833
<b>Total provincial transfers to public entities</b>	<b>868 918</b>	<b>1 160 208</b>	<b>826 521</b>	<b>775 228</b>	<b>802 829</b>	<b>802 257</b>	<b>873 908</b>	<b>839 748</b>	<b>845 912</b>
<b>Total payments and estimates</b>	<b>39 066 063</b>	<b>45 230 949</b>	<b>48 330 456</b>	<b>52 643 536</b>	<b>54 327 118</b>	<b>54 782 533</b>	<b>56 204 805</b>	<b>59 776 426</b>	<b>63 160 023</b>
<b>Transfers as a % of total payments</b>	<b>2.2</b>	<b>2.6</b>	<b>1.7</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.6</b>	<b>1.4</b>	<b>1.3</b>

Source: *Public Entities Revenue and Expenditure: 2012/13*

## 5.6.2 Transfers to development corporations

The province has three development corporations, which are listed as government business enterprises in schedule 3D of the PFMA. Table 5.8 provides a summary of transfers to these development corporations, by entity, including those transfers already incorporated into table 5.7 above.

**TABLE 5.8: SUMMARY OF PROVINCIAL TRANSFERS TO DEVELOPMENT CORPORATIONS BY ENTITY**

Entity	Provincial department	2008/09	2009/10	2010/11	Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
R'000					2011/12			2012/13	2013/14	2014/15
EC Development Corp.	Vote 01: Office of the Premier	3 560	-	-	-	-	-	-	-	-
EC Rural Finance Corp.	Vote 08: Agriculture	125 000	172 500	137 300	37 072	62 072	62 072	-	-	-
EC Development Corp.	Vote 09: Economic Dev. & Env. Affairs	268 699	338 199	202 752	255 169	255 169	255 169	183 259	196 482	206 054
Coega Development Corp.	Vote 09: Economic Dev. & Env. Affairs	-	140 000	-	-	-	-	18 000	42 000	-
EL IDZ	Vote 09: Economic Dev. & Env. Affairs	119 910	130 601	135 257	141 614	141 614	141 614	132 539	155 456	164 830
ASGISA-EC	Vote 09: Economic Dev. & Env. Affairs	-	-	-	-	-	-	-	-	-
EC Development Corp.	Vote 10: Roads & Transport	-	-	-	7 000	7 000	6 427	-	-	-
Coega Development Corp.	Vote 12: Sport, Recreation, Arts & Culture	8 500	16 249	1 000	-	-	-	-	-	-
<b>Total provincial transfers to development corporations</b>		<b>525 669</b>	<b>797 549</b>	<b>476 309</b>	<b>440 855</b>	<b>465 855</b>	<b>465 282</b>	<b>333 798</b>	<b>393 938</b>	<b>370 884</b>

Source: *Provincial Treasury Database: 2012/13*

Over the 2012/13 MTEF, transfers to development corporations will total R1.1 billion. The transfer amount decreases by R131.5 million between 2011/12 to 2012/13 or 28.3 per cent. The allocation showed negative growth of 2.3 per cent between 2010/11 to 2011/12 as well.

## 5.6.3 Transfers to local government

**Table 5.9: OVERVIEW OF TRANSFERS TO LOCAL GOVERNMENT STRUCTURES**

Municipality	2008/09	2009/10	2010/11	2011/12			2012/13	2013/14	2014/15
R'000	Audited			Main Budget	Adjusted Budget	Revised estimate	Medium-term estimates		
Category A	289 343	200 501	186 477	53 518	87 373	87 373	86 951	90 736	98 262
Category B	253 947	309 236	226 617	153 467	123 709	123 699	145 018	148 557	155 083
Category C	167 290	223 241	169 415	41 987	99 837	100 411	20 029	21 681	22 812
<b>Total transfers to local government</b>	<b>710 580</b>	<b>732 978</b>	<b>582 510</b>	<b>248 972</b>	<b>310 919</b>	<b>311 483</b>	<b>251 998</b>	<b>260 974</b>	<b>276 157</b>

Source: *Provincial Treasury Database: 2012/13*



Table 5.9 provides a summary overview of provincial transfers to local government. In the 2008/09 financial year, total transfers amounted to R710.6 million but declined to R582 million in 2010/11. The decrease in transfers to local municipalities is attributed to the completion of the 2010 FIFA World Cup soccer stadium construction in the Nelson Mandela Bay metropolitan area, and once-off allocations for the stadium upgrade in Mthatha and East London.

In the current financial year, total transfers are estimated to be R311.5 million. In the 2012/13 financial year, departments are projecting to transfer R252 million to local municipalities. The decline in transfer in the 2012/13 MTEF is due to the provincialisation of health services by the Department of Health as health services delivered on behalf of the department by the local municipalities have been transferred to the provincial department to ensure a uniform platform for health service delivery.

## 5.7 Personnel numbers and costs

Table 5.10: Overview of personnel costs

R' 000	2008/09	2009/10	2010/11	2011/12			2012/13	2013/14	2014/15	% change from 2011/12
	Audited			Main budget	Adjusted budget	Revised estimate	Medium-term estimates			
<b>Total for the Province</b>										
Personnel numbers (head count)	144 740	149 240	157 368	162 254	162 564	159 200	160 938	161 429	161 740	1.09
Personnel cost (R'000)	22 930 671	28 299 001	31 727 145	32 993 382	33 920 636	34 507 584	36 355 017	37 677 875	39 794 919	5.35
<i>of which</i>										
<b>Human resources component</b>										
Personnel numbers (head count)	5 077	3 168	2 637	3 212	3 229	3 228	3 193	3 240	3 294	(1.07)
Personnel cost (R'000)	917 140	10 157 54	10 30 149	10 56 197	10 712 14	10 90 168	11 142 706	11 70 975	12 10 750	4.82
<b>Finance component</b>										
Personnel numbers (head count)	3 339	3 561	3 453	3 712	3 675	3 692	3 639	3 688	3 720	(1.43)
Personnel cost (R'000)	571 824	717 226	725 666	827 759	867 637	849 213	911 565	943 795	980 038	7.34
<b>Full time workers</b>										
Personnel numbers (head count)	130 993	127 529	131 735	134 941	134 280	131 463	134 029	134 174	134 576	1.95
Personnel cost (R'000)	21 165 169	24 583 311	26 563 062	27 446 578	28 180 684	28 752 348	29 163 778	30 664 038	32 175 184	14.3
<b>Part-time workers</b>										
Personnel numbers (head count)	1 674	853	920	1 996	1 994	1 994	1 968	1 965	1 965	(1.34)
Personnel cost (R'000)	7 777 243	17 2213	17 3202	23 5750	23 7372	23 9432	24 2960	24 6897	22 8264	1.47
<b>Contract workers</b>										
Personnel numbers (head count)	11 156	16 541	22 394	24 584	24 668	24 206	23 528	23 835	23 816	(2.80)
Personnel cost (R'000)	3 978 364	11 70 261	14 35 936	15 33 622	15 72 599	15 714 19	16 36 656	17 00 865	17 39 010	4.15

Source: Provincial Treasury Database: 2012/13

Table 5.10 depicts the provincial personnel numbers and costs for the 2012/13 MTEF period. The total number of personnel in the employ of the provincial administration increased from 144 740 in 2008/09 to 157 368 in 2010/11. In the current financial year, the total personnel headcount as at the end of 2012/13 is estimated to be 159 200. The increase in personnel numbers is as a result of the need to capacitate departments with a view to improving service delivery within the province. The total personnel cost increased from R22.9 billion in 2008/09 to R31.7 billion in 2010/11. By 2012/13, the province is projecting to spend an amount of R34.5 billion on compensation of employees.

From table 5.10, it is clear that while personnel numbers have increased by 16 198 or 11.1 per cent from 2008/09 to 2012/13, the personnel cost has increased by R13.4 billion or by 58.5 per cent. The increase in personnel cost is attributable to the annual ICS adjustments (inflationary adjustment), the implementation of OSD, especially in the provincial departments of Education and Health and a number of other smaller departments with some specialists as well as the implementation of HROPT in the province.

## 5.8 Payments on training

**Table 5.11: EC provincial payments on training**

R' 000	2008/09	2009/10	2010/11	2011/12			2012/13	2013/14	2014/15	% change
	Audited			Main budget	Adjusted budget	Revised estimate	Medium-term estimates			from 2011/12
Number of personnel trained	66 369	51 449	56 814	40 985	41 557	87 748	<b>104 674</b>	97 543	107 140	19.29
Male	27 094	20 784	22 840	15 850	16 154	40 745	<b>56 254</b>	49 167	56 564	38.06
Female	39 471	30 835	34 135	25 343	25 611	47 212	<b>48 589</b>	48 549	50 758	2.92

**Source: Provincial Treasury Database: 2012/13**

Table 5.11 indicates the number of personnel trained in the past three years and projected to be trained over the 2012 MTEF period. In the 2008/09 financial year, 66 369 personnel were trained, of which 27 094 were male and 38 182 female trainees. The number of personnel trained declines significantly to 56 814 in the 2010/11 financial year. The greater portion of the decline emanates from the Department of Health. In the 2008/09 financial year, the department trained 22 131 workers but in the 2010/11 financial year, only 12 345 personnel were trained. The decline is related to the compensation of employees cost pressures of the department.

In the 2011/12 financial year, the province is projecting to train 87 748 personnel. In the 2012/13 financial year, the number of personnel to be trained is estimated to increase to 104 674. The departments of Education and Health account for 93 402 of the total personnel to be trained. The increase in the number of personnel to be trained by the department of Education emanates from the shifting of the National Student Financial Aid Scheme (NSFAS) from the Office of the Premier to the department. Other departments contributing to the increase in the number of personnel are as follows: Social Development and Special Programmes, Rural Development and Agrarian Reform and Sports, Recreation, Arts and Culture.

# **Annexures to the Overview of Provincial Revenue and Expenditure**

**Table A.1: Details of information on provincial own receipts**

	R' 000					2011/12			2012/13			2013/14			2014/15		
	2008/09	2009/10	2010/11	Audited		Main budget	Adjusted budget	Revised estimate	Medium-term estimates			Medium-term estimates			Medium-term estimates		
<b>Tax receipts</b>	384 390	422 138	428 859			480 962	471 069	489 545	512 575	559 304	610 232	512 575	559 304	610 232			
Casino taxes	87 718	81 793	85 533			108 995	108 995	111 273	106 000	112 360	119 102	106 000	112 360	119 102			
Horse racing taxes	4 799	7 541	6 564			6 089	6 089	7 224	6 393	6 777	7 184	6 393	6 777	7 184			
Liquor licences	1 977	4 462	4 798			8 373	8 373	3 436	5 600	5 936	6 292	5 600	5 936	6 292			
Motorvehicle licences	289 896	328 342	331 964			357 505	347 612	347 612	394 582	434 231	477 654	394 582	434 231	477 654			
<b>Sales of goods and services other than capital assets</b>	138 058	136 544	156 164			166 830	169 082	156 627	171 362	181 462	191 990	171 362	181 462	191 990			
Sales of goods and services produced by department (excluding capital assets)	137 553	136 252	155 744			166 830	169 082	156 621	171 362	181 462	191 990	171 362	181 462	191 990			
Sales by market establishments	4 411	5 485	8 985			370	711	887	1 056	1 085	1 144	1 056	1 085	1 144			
Administrative fees	2 370	1 562	1 599					19	19	20	21	19	20	21			
Other sales	130 772	129 205	145 160			166 460	168 371	155 715	170 287	180 357	190 824	170 287	180 357	190 824			
<i>Of which</i>																	
Boarding and Lodging	1 141	15 613	24 030			30 399	32 044	26 719	33 483	35 965	38 651	33 483	35 965	38 651			
Commission on Insurance	10 905	13 430	15 102			51 278	51 340	67 784	53 764	56 827	59 766	53 764	56 827	59 766			
Patient Fees	63 208	45 384	46 752			46 074	47 676	47 011	48 378	50 797	53 337	48 378	50 797	53 337			
Other	55 518	54 778	59 276			38 710	37 312	14 201	34 662	36 768	39 069	34 662	36 768	39 069			
Sales of scrap, waste, arms and other used current goods (excluding transfers received from	505	292	420					6									
Other governmental units			50					25									
Universities and technikons			50					25									
Foreign governments																	
International organisations																	
Public corporations and private enterprises																	
Households and non-profit institutions																	
<b>Fines, penalties and forfeits</b>	8 223	6 727	6 709			7 594	6 877	6 910	8 136	9 112	10 023	8 136	9 112	10 023			
<b>Interest, dividends and rent on land</b>	372 219	142 142	97 766			1 849	73 119	78 516	75 109	77 789	81 757	75 109	77 789	81 757			
Interest	372 219	139 131	95 808			1 849	73 119	78 516	75 109	77 789	81 757	75 109	77 789	81 757			
Dividends																	
Rent on land		3 011	1 958														
<b>Sales of capital assets</b>	12 100	4 703	8 668			4 590	2 252	4 494	938	1 052	2 012	938	1 052	2 012			
Land and subsoil assets																	
Other capital assets	12 100	4 703	8 668			4 590	2 252	4 494	938	1 052	2 012	938	1 052	2 012			
<b>Financial transactions in assets and liabilities</b>	50 492	53 275	49 349			6 984	7 059	77 501	6 357	6 657	7 012	6 357	6 657	7 012			
<b>Total departmental receipts</b>	<b>965 482</b>	<b>765 529</b>	<b>747 565</b>			<b>668 809</b>	<b>729 458</b>	<b>793 618</b>	<b>774 477</b>	<b>835 376</b>	<b>903 026</b>	<b>774 477</b>	<b>835 376</b>	<b>903 026</b>			

Table A.2: Details of information on conditional grants

Department/Grant	Purpose	2009/10		2009/10		2010/11		2011/12		2012/13		2013/14		2014/15	
		Adjusted Budget	Actual Transfer	Audited Expenditure	Adjusted Budget	Actual Transfer	Audited Expenditure	Adjusted Budget	Actual Transfer	Revised Estimate	Revised Expenditure	Medium Term Expenditure Estimate	Medium Term Expenditure Estimate	Medium Term Expenditure Estimate	Medium Term Expenditure Estimate
<b>Agriculture, Forestry and Fisheries</b>	Agricultural Disaster Management Grant	97 363	103 003	100 663	137 391	106 206	124 264	183 723	220 777	211 259	38 126	216 032	277 276	253 725	
	To relieve farmers from the effects of drought/wildfire, cold spell, hail storm and flood in identified areas	-	2 000	2 000	4 008	24 000	1 823	-	22 103	22 171	-	2 011	1 510	1 506	
	Comprehensive Agricultural Support Programme Grant	910 018	96 263	100 976	120 364	128 441	111 301	130 004	177 145	160 760	85 097	195 198	216 055	227 304	
	To create a favourable and supportive agricultural services environment for the farming community, in particular subsistence, emerging and commercial farmers.	-	-	-	5 008	5 000	4 039	20 000	20 951	19 579	17 26	42 000	48 845	46 062	
	linaleSesema Projects Grant	7 345	7 345	6 717	8 227	8 855	7 101	8 721	9 578	8 749	2 705	16 823	15 866	10 853	
<b>Arts and Culture</b>	The grant is aimed at assisting previously disadvantaged South African farming communities to achieve an increase in agricultural production.	42 358	42 358	35 901	55 515	55 515	49 828	57 063	67 063	48 128	82 537	75 058	74 033	60 171	
	Land Care Programme Grant: Poverty Relief and Infrastructure Development	339 816	413 658	405 664	486 695	486 695	479 760	732 936	702 936	696 723	679 121	903 644	954 674	1 013 124	
	Community Library Services Grant	42 388	42 388	35 901	55 515	55 515	49 828	57 063	67 063	48 128	82 537	75 058	74 033	60 171	
	provide direct access to information and knowledge, contributing to education and self-employment.	300 700	300 700	301 822	710 004	710 004	620 323	1 265 353	1 325 773	915 010	1 520 740	1 584 263	2 062 245	2 123 021	
	<b>Education</b>	132 432	154 733	156 679	202 141	202 141	123 987	539 679	578 507	84 370	792 021	889 403	1 028 115	1 023 645	
<b>Health</b>	Disaster Schools Grant	28 542	28 542	29 479	30 161	30 168	25 576	32 189	34 781	28 487	34 346	35 252	37 167	39 350	
	Education Disaster Management Grant	339 816	413 658	405 664	486 695	486 695	479 760	732 936	702 936	696 723	679 121	903 644	954 674	1 013 124	
	Education Infrastructure Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	
	HIV and Aids (Life Skills Education) Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	
	To provide for life skills training, sexuality and HIV and Aids education in primary and secondary schools.	1 249 005	1 251 003	1 313 905	1 648 171	1 648 106	1 391 434	2 358 879	2 354 012	1 867 361	2 354 012	2 608 726	2 639 270	2 313 923	
<b>Health</b>	National School Nutrition Programme Grant	300 322	300 322	301 432	401 727	489 702	425 817	884 173	915 473	700 216	864 173	1 060 852	1 273 296	1 473 053	
	Technical Secondary Schools Recapitalisation Grant	58 129	90 324	95 265	61 214	61 214	53 882	73 506	87 018	63 070	73 506	-	-	-	
	Enables the health sector to develop a specific response to HIV and Aids. In addition to HIV and Aids prevention programmes, the grant supports specific interventions that include voluntary counselling and testing, prevention of mother-to-child transmission	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Assists with the transfer of medico-legal mortuaries from the South African Police Service to the health sector and to provide comprehensive forensic pathology services for the criminal justice system.	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Forensic Pathology Services Grant	140 641	140 641	120 897	151 362	171 106	124 352	110 071	194 949	182 320	170 071	176 730	188 560	199 874	
<b>Health</b>	Health Disaster Response (Cholera) Grant	282 288	290 927	223 901	238 611	282 987	204 048	382 048	633 304	168 610	382 048	402 679	408 719	485 251	
	Health Infrastructure Grant	468 088	508 674	414 774	509 429	603 329	528 235	639 327	647 104	594 454	603 327	682 445	749 621	786 007	
	Health Professions Training and Development Grant	-	-	-	4 346	4 346	-	-	-	-	-	-	-	-	
	Hospital Revitalisation Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Funds the costs associated with the training of health professionals, and the development and recruitment of medical specialists	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Health</b>	National Tertiary Services Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Plays a key role in transforming and modernising infrastructure and equipment in hospitals.	-	-	-	-	-	-	-	-	-	-	-	-	-	
	World Cup Health Preparation Strategy Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	
	aims to provide strategic funding to enable provinces to plan, modernise, and transform the tertiary hospital service delivery platform in line with national policy objectives.	-	-	-	-	-	-	-	-	-	-	-	-	-	
	National Health Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Higher Education and Training</b>	World Cup Health Preparation Strategy Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Nursing Colleges	-	-	-	-	-	-	-	-	-	-	-	-	-	
	To recapitalize FET colleges	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Further Education and Training College Sector Grant	662 778	-	114 937	564 773	-	-	555 208	559 963	475 955	627 611	688 593	769 713	813 208	
	Human Settlements	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Human Settlements</b>	Housing Disaster Relief Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Facilities the establishment of habitable, stable and sustainable human settlements in which all citizens have access to social and economic amenities.	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Human Settlements Development Grant	662 778	562 778	1 040 842	504 773	504 773	1 313 378	1 638 146	1 638 146	1 303 818	2 138 361	2 200 006	2 378 207	2 588 910	
	Facilities the establishment of habitable, stable and sustainable human settlements in which all citizens have access to social and economic amenities.	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Human Settlements Development Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	

**Table A.2: Details of information on conditional grants (continued)**

**Table A.3 (a): Details of information on provincial payments and estimates**

	R 000				Medium-term estimates			
	2008/09	2009/10	2010/11	2011/12		2012/13	2013/14	2014/15
	Audited				Main budget	Adjusted budget	Revised estimate	
<b>Current payments</b>								
Compensation of employees	31 188 179	36 434 737	40 396 237		41 895 600	42 785 954	44 038 584	45 425 863
Salaries and wages	22 930 671	28 299 001	31 727 145		32 993 382	33 920 636	34 507 584	36 355 017
Social contributions	19 456 221	24 597 829	29 296 412		28 754 060	30 486 813	29 910 344	31 442 677
Goods and services	3 474 450	3 701 172	2 430 733		4 239 322	3 433 824	4 597 240	4 912 340
Of which	8 234 981	8 124 501	8 656 971		8 901 529	8 865 317	9 523 028	9 070 846
Administrative fees	11 666	17 201	9 696		11 431	71 503	33 649	14 608
Advertising	79 275	56 319	50 141		60 675	72 645	57 939	59 197
Assets <R5000	170 589	105 137	96 262		134 518	137 643	121 318	140 820
Audit cost: External	72 858	80 069	90 159		106 139	106 975	127 088	109 073
Bursaries (employees)	135 034	127 135	118 323		164 000	139 081	173 494	30 088
Catering: Departmental activities	543 518	118 156	89 292		80 340	92 336	116 758	98 307
Communication	243 748	299 992	317 216		261 239	279 627	309 553	276 276
Computer services	170 404	235 344	235 762		232 729	238 319	264 191	245 965
Cons/prof: business & advisory services	547 026	384 659	393 248		306 256	410 423	479 120	425 170
Cons/prof: Infrastructure & planning	303 934	368 075	210 326		209 318	232 304	151 984	193 632
Cons/prof: Laboratory services	39 097	391 486	528 249		483 618	472 826	433 424	564 730
Cons/prof: Legal cost	33 542	66 883	63 094		52 581	49 175	84 820	45 894
Contractors	989 149	953 228	1 187 188		1 277 539	1 378 239	1 466 301	1 584 055
Agency & support/outourced services	75 734	770 658	766 403		355 626	342 194	281 669	213 931
Entertainment	16 124	7 115	2 588		6 768	4 864	5 396	4 837
Fleet Services	165 845	60 976	6 483		119 182	75 891	147 329	106 049
Housing								
Inventory: Food and food supplies	151 940	131 428	129 827		254 936	240 660	229 030	195 732
Inventory: Fuel, oil and gas	84 016	87 797	63 680		68 163	82 374	64 546	145 231
Inventory: Learn & teacher support material	357 820	262 930	212 358		202 368	192 279	258 764	88 014
Inventory: Materials & supplies	34 727	35 492	32 648		35 944	34 121	37 733	28 652
Inventory: Medical supplies	761 763	885 572	414 905		424 281	376 222	499 702	521 105
Inventory: Medicine	37 868	45 696	773 524		1 000 317	962 031	1 075 424	983 787
Medias inventory interface								
Inventory: Military stores	24 446		11			30		
Inventory: Other consumables	409 461	134 664	140 298		493 342	295 918	197 497	168 334
Inventory: Stationery and printing	230 159	185 305	148 301		177 117	165 681	194 409	230 674
Lease payments (incl. operating leases, excl. finance leases)	306 683	586 803	825 416		754 470	828 239	927 616	925 274
Rental & hiring						29	9 339	8
Property payments	525 766	408 658	501 928		439 628	440 187	555 515	424 068
Transport provided dept activity	597 629	458 621	360 550		273 180	271 217	301 693	250 060
Travel and subsistence	486 643	655 566	616 793		544 442	551 661	601 720	521 503
Training & staff development	127 116	92 339	137 392		221 483	182 128	127 689	276 881
Operating payments	142 074	58 220	89 504		92 189	89 667	129 941	130 213
Venues and facilities	79 326	52 979	48 405		57 710	48 828	58 377	68 678
Interest and rent on land	22 527	11 235	12 121		689		7 972	
Interest	16 485	11 218	11 797		689		7 972	
Rent on land	6 042	17	324					



**Table A.3 (a): Details of information on provincial payments and estimates (continued)**

	2008/09			2009/10		2010/11		2011/12		2012/13		2013/14		2014/15	
	Audited			Main budget		Adjusted budget		Revised estimate		Medium-term estimates					
<b>R 000</b>															
<b>Transfers and subsidies</b>	4 823 707	5 537 868	5 681 828	6 994 645	7 403 318	7 264 414	7 661 531	8 386 021	8 774 518						
Provinces and municipalities	730 580	733 463	584 539	248 972	310 921	311 661	251 999	260 976	276 457						
Provinces		485	378				1	2	2						
Provincial Revenue Funds		485	378				1	2	2						
Provincial agencies and funds															
Municipalities	730 580	732 978	584 161	248 972	310 919	311 484	251 998	260 974	276 455						
Municipalities	650 210	624 401	416 720	612 15	63 645	63 418	64 232	64 278	68 363						
Municipal agencies and funds	80 370	108 577	167 441	187 757	247 274	248 066	187 766	196 696	207 792						
Departmental agencies and accounts	986 968	1 163 090	893 461	765 145	793 981	788 589	865 929	834 540	839 314						
Social security funds															
Entities	986 968	1 163 090	893 461	765 145	793 981	788 589	865 929	834 540	839 314						
Universities and technikons	118 754	99 375	141 043	149 320	157 586	157 046	201 690	154 428	162 149						
Foreign governments and international organisations	1000	1045													
Public corporations and private enterprises	61 772	229 461	266 163	270 170	277 170	287 876	303 876	365 062	379 089						
Public corporations	40 755	51 522	51 669	63 429	70 429	70 429	68 773	88 588	93 741						
Subsidies on production (pc)															
Other transfers	40 755	51 522	51 669	63 429	70 429	70 429	68 773	88 588	93 741						
Private enterprises	210 17	177 939	214 494	206 741	206 741	217 447	235 103	276 474	285 348						
Subsidies on production (pe)															
Other transfers	210 17	177 939	214 494	206 741	206 741	217 447	235 103	276 474	285 348						
Non-profit institutions	1470 649	1774 389	1958 507	3 054 803	3 147 975	3 138 237	3 381 969	3 926 773	4 215 223						
Households	1453 984	1537 045	1838 115	2 506 235	2 715 685	2 581 005	2 656 069	2 844 241	2 902 586						
Social benefits	9 977	9 806	8 112	4 579	11 875	15 979	10 415	10 479	11 094						
Other transfers to households	1444 007	1527 239	1830 003	2 501 656	2 703 810	2 565 026	2 645 654	2 833 762	2 891 492						
<b>Payments for capital assets</b>	3 027 855	3 234 686	2 230 071	3 753 288	4 137 847	3 478 433	3 117 410	3 528 300	3 783 498						
Buildings and other fixed structures	1924 291	2 834 058	1939 819	3 015 034	3 192 055	2 557 185	2 678 469	3 099 979	3 316 471						
Buildings	1639 406	1887 129	1211 916	2 140 423	2 536 374	1876 379	1935 377	2 255 358	2 372 267						
Other fixed structures	284 885	946 929	727 903	874 611	655 681	680 806	743 092	844 621	944 204						
Machinery and equipment	1091 659	396 052	283 734	724 876	934 367	914 361	421 425	409 598	447 206						
Transport equipment	2 252	9 589	6 193	25 790	65 029	59 270	77 952	70 764	78 421						
Other machinery and equipment	1089 407	386 463	277 541	699 086	869 338	855 151	343 473	338 834	368 785						
Heritage assets															
Specialised military assets															
Biological assets		487			1 185	1 185	5 210	5 496	5 826						
Land and sub-soil assets		333													
Software and other intangible	11 905	3 756	6 518	13 378	10 240	5 702	12 307	13 228	13 995						
Of which: Capitalised compensation															
Of which: Capitalised goods and services															
<b>Payments for financial assets</b>	26 322	23 659	22 320		3	1102	8 000	4 912	5 182						
<b>Total economic classification</b>	<b>39 066 063</b>	<b>45 230 949</b>	<b>48 330 456</b>	<b>62 843 536</b>	<b>54 327 118</b>	<b>54 782 533</b>	<b>56 204 804</b>	<b>59 776 426</b>	<b>63 160 021</b>						

**Table A.4 (a): Details of payments by functional area**

Function	Category	Department	Programme
General public services	Executive and legislative	Office of the Premier	Administration
			Institutional Building And Transformation
			Policy And Governance
			Executive Support Services
		Provincial Legislature	Administration
			Facilities For Members And Political Parties
			Parliamentary Services
			Member'S Salaries
	Financial and fiscal affairs	Provincial Planning & Treasury	Administration
			Sustainable Resource Management
Asset And Liability Management			
	Roads & Public Works	Financial Governance	
		Administration	
		Public Works Infrastructure	
		Roads Infrastructure	
	Local Government & Traditional Affairs	Expanded Public Works Programme	
		Administration	
		Local Governance	
		Development And Planning	
	Safety & Liaison	Traditional Institutional Management	
		Administration	
		Civilian Oversight	
		Crime Prevention And Community Police Relations	
Public order and safety	Police services		

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

Function	Category	Department	Programme
Economic Affairs	General economic affairs	Economic Development, Environmental Affairs & Tourism	Administration
	Agriculture	Rural Development & Agrarian Reform	Economic Development House Of Traditional Leaders Administration Sustainable Resource Management Farmer Support And Development Veterinary Services Technology Research And Development Agricultural Economics
	Transport	Transport	Administration Transport Operations Transport Regulation Community Based Programme
	Environmental protection	Roads & Public Works Economic Development, Environmental Affairs & Tourism	Transport Infrastructure Environmental Affairs
Environmental Protection			
Housing and community amenities	Housing development	Housing	Administration Housing Planning and Research Housing Development Housing Asset Management
	Outpatient services	Health	District Health Services Emergency Medical Services
	Research & Development		Health Science And Training
	Hospital services		Provincial Hospital Services Central Hospital Services Health Care And Support Services
Health	General		Health Administration Health Facilities Development And Maintenance

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

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

**Table A.4 (b): Details of payments by functional area**

Policy area	2008/09	2009/10	2010/11	2011/12		2012/13	2013/14	2014/15
				Audited	Revised estimate			
R'000				Main budget	Adjusted budget	Medium-term estimates		
<b>GENERAL PUBLIC SERVICES</b>	<b>2 600 338</b>	<b>3 063 663</b>	<b>3 231 342</b>	<b>3 424 535</b>	<b>3 452 021</b>	<b>3 384 435</b>	<b>3 685 516</b>	<b>4 175 606</b>
Executive and Legislature	560 055	615 684	668 148	775 326	797 018	736 973	788 613	863 418
Office of the Premier	343 976	369 724	375 050	403 880	403 880	376 530	404 531	447 679
Provincial Legislature	216 079	255 960	293 098	371 446	393 138	360 443	384 082	415 739
Financial and fiscal services	255 773	234 113	247 450	302 526	302 526	297 579	352 143	367 377
Provincial Planning & Treasury	255 773	234 113	247 450	302 526	302 526	297 579	352 143	367 377
General services	1 784 510	2 213 866	2 315 744	2 346 683	2 362 477	2 359 884	2 544 760	2 679 808
Public Works	1 172 095	1 468 753	1 540 666	1 600 598	1 590 787	1 609 254	1 756 308	1 833 038
Local Government & Traditional Affairs	612 415	745 113	775 078	746 085	761 690	750 630	788 452	846 771
<b>PUBLIC ORDER AND SAFETY</b>	<b>41 992</b>	<b>47 720</b>	<b>52 635</b>	<b>58 387</b>	<b>58 387</b>	<b>58 320</b>	<b>64 373</b>	<b>76 318</b>
Police services	41 992	47 720	52 635	58 387	58 387	58 320	64 373	76 318
Safety & Liaison	41 992	47 720	52 635	58 387	58 387	58 320	64 373	76 318
<b>ECONOMIC AFFAIRS</b>	<b>4 946 501</b>	<b>5 364 724</b>	<b>5 112 196</b>	<b>5 306 483</b>	<b>5 627 397</b>	<b>5 646 120</b>	<b>5 673 755</b>	<b>6 001 561</b>
General economic affairs	608 780	771 660	603 166	674 523	674 878	666 477	671 337	788 714
Economic Development, Environmental Affairs & Tourism	608 780	771 660	603 166	674 523	674 878	666 477	671 337	788 714
Agriculture	1 365 889	1 582 933	1 535 246	1 509 785	1 532 976	1 486 047	1 694 131	1 636 875
Rural Development & Agrarian Reform	1 365 889	1 582 933	1 535 246	1 509 785	1 532 976	1 486 047	1 694 131	1 636 875
Transport	1 058 676	1 276 198	1 315 591	1 453 764	1 596 764	1 596 764	1 322 994	1 438 825
Transport	1 058 676	1 276 198	1 315 591	1 453 764	1 596 764	1 596 764	1 322 994	1 438 825
Roads and Public Works	1 915 156	1 733 933	1 658 193	1 688 411	1 822 779	1 886 832	1 985 293	2 137 147
Roads Infrastructure	1 915 156	1 733 933	1 658 193	1 688 411	1 822 779	1 886 832	1 985 293	2 137 147
<b>ENVIRONMENTAL PROTECTION</b>	<b>147 420</b>	<b>158 925</b>	<b>223 646</b>	<b>209 703</b>	<b>218 348</b>	<b>216 861</b>	<b>264 726</b>	<b>247 057</b>
Environmental Protection	147 420	158 925	223 646	209 703	218 348	216 861	264 726	247 057
Economic Development, Environmental Affairs & Tourism	147 420	158 925	223 646	209 703	218 348	216 861	264 726	247 057
<b>HOUSING AND COMMUNITY AMENITIES</b>	<b>1 230 905</b>	<b>1 532 801</b>	<b>1 727 782</b>	<b>2 424 942</b>	<b>2 615 470</b>	<b>2 439 409</b>	<b>2 574 536</b>	<b>2 787 388</b>
Housing Development	1 230 905	1 532 801	1 727 782	2 424 942	2 615 470	2 439 409	2 574 536	2 787 388
Housing	1 230 905	1 532 801	1 727 782	2 424 942	2 615 470	2 439 409	2 574 536	2 787 388

**Table A.4 (b): Details of payments by functional area (continued)**

Policy area R'000	2008/09		2009/10		2010/11		2011/12		2012/13		2013/14		2014/15	
	Audited		Audited		Audited		Main budget	Adjusted budget	Revised estimate	Medium-term estimates		Medium-term estimates		
HEALTH	10 499 083	12 090 018	13 272 828				14 237 249	14 812 568	15 590 424	15 166 038	16 346 338	17 440 175		
	5 373 451	6 067 737	7 143 936				7 430 464	7 638 448	8 265 697	8 150 283	8 870 736	9 423 102		
	547 955	522 692	594 133				609 672	651 415	651 415	644 362	680 748	716 539		
	3 135 924	3 938 686	4 142 636				4 468 205	4 526 123	4 670 957	4 743 388	5 050 064	5 348 742		
	1 441 753	1 560 903	1 392 123				1 728 908	1 996 582	2 002 355	1 628 005	1 744 791	1 951 792		
RECREATION, CULTURE AND RELIGION														
Recreational and sporting services														
Cultural services														
General														
EDUCATION														
Pre-primary														
Primary & secondary														
Subsidiary services to education														
Education not definable by level														
SOCIAL PROTECTION														
Social security services														
Development and research														
General														
TOTAL - All Functions														

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

Municipality	2008/09	2009/10	2010/11	2011/12		2012/13	2013/14	2014/15
	Audited			Main Budget	Adjusted Budget	Revised estimate	Medium-term estimates	
<b>R'000</b>								
<b>Category A</b>	<b>289 343</b>	<b>200 501</b>	<b>186 477</b>	<b>53 518</b>	<b>87 373</b>	<b>86 951</b>	<b>90 736</b>	<b>98 262</b>
Nelson Mandela Metro	212 303	168 942	118 769	47 784	51 939	52 752	55 082	59 302
Buffalo City Metro	77 040	31 559	67 707	5 734	35 434	34 199	35 654	38 960
<b>Category B</b>	<b>253 947</b>	<b>309 236</b>	<b>226 617</b>	<b>153 467</b>	<b>123 709</b>	<b>145 018</b>	<b>148 557</b>	<b>155 083</b>
Amahlathi	1 990	3 859	8 176	2 910	2 910	2 515	2 583	2 666
Baviaans	558	655	1 016	1 330	1 330	1 020	1 058	1 105
Blue Crane Route	4 401	2 079	7 317	2 845	2 845	4 285	4 380	4 504
Camdeboo	24 472	24 288	30 882	30 071	4 637	5 645	5 835	6 077
Elundini	1 780	2 248	2 873	4 266	1 282	8 478	8 894	9 356
Emalahleni	293	-	1 966	1 349	614	1 465	1 589	1 628
Engcobo	539	2 961	2 276	731	905	1 675	1 739	1 804
Gariep	3 423	4 619	6 851	789	3 697	2 901	2 980	3 084
Great Kei	750	7	3 136	4 123	1 208	1 161	1 297	1 341
Ikwezi	1 198	239	1 613	782	1 518	854	912	947
Ingquza	-	395	264	1 451	3 744	1 874	2 005	2 073
Inkwanca	604	1 442	1 618	3 812	1 173	1 783	1 862	1 936
Intsika Yethu	650	169	2 490	1 222	1 162	1 243	1 349	1 414
Inxuba Yethemba	5 178	20 850	6 738	1 045	2 479	5 113	5 237	5 391
King Sabata Dalindyebo	121 540	144 821	14 747	9 479	39 427	37 240	39 015	41 114
Kouga	14 280	9 075	18 402	33 000	1 330	3 414	3 481	3 563
Koukamma	852	4 834	1 291	1 397	2 116	2 320	2 382	2 464
Lukhanji	12 951	12 665	7 474	2 049	4 091	8 445	8 799	9 053
Makana	8 059	5 461	6 233	4 091	6 669	11 285	11 632	12 063
Maletswai	4 360	4 927	7 625	6 736	682	1 133	1 245	1 271
Matatiele	9 955	1 260	7 102	915	3 801	2 480	2 580	2 710
Mbashe	2 195	1 093	3 963	4 384	2 292	1 807	1 893	2 001
Mbizana	1 768	816	1 828	1 475	2 542	1 573	1 728	1 809
Mhlonlo	1 248	1 040	2 298	2 659	922	978	1 100	1 151
Mnquma	5 271	2 760	7 683	1 938	3 607	2 527	2 647	2 796
Ndlambe	4 378	4 852	3 734	2 407	1 605	4 325	4 396	4 490

**Table A.5: Details of transfers to local government (continued)**

Municipality	2008/09	2009/10	2010/11	2011/12		2012/13	2013/14	2014/15
	Audited			Main Budget	Adjusted Budget	Revised estimate	Medium-term estimates	
<b>R'000</b>								
Ngqushwa	691	238	2 383	2 643	2 162	2 162	2 370	2 554
Nkonkobe	2 478	3 371	8 260	3 210	11 932	11 922	7 380	7 693
Ntbankulu	2 093	1 462	3 371	10 463	692	692	671	689
Nxuba	3 109	3 977	3 855	1 292	2 167	2 167	2 185	2 260
Nyandeni	1 380	29 694	22 262	1 500	517	517	843	969
Port St Johns	1 944	5 302	1 628	701	1 730	1 730	2 034	2 173
Qaukeni	1 195	2 966	1 851	1 547	-	-	-	-
Sakizwe	1 805	386	3 550	67	836	836	1 264	1 433
Senqu	735	560	1 816	886	703	703	1 483	1 496
Sundays River Valley	2 600	3 197	3 452	653	2 017	2 017	3 245	3 340
Tsolwana	207	184	1 226	2 017	268	268	738	909
Umzimkhulu	60	9	134	201	-	-	141	181
Umzimvubu	2 957	476	4 733	1 030	1 030	1 030	997	1 044
Unallocated	-	-	8 500	-	1 065	1 065	4 129	1 196
<b>Category C</b>	<b>167 290</b>	<b>223 241</b>	<b>169 415</b>	<b>41 987</b>	<b>99 837</b>	<b>100 411</b>	<b>20 029</b>	<b>21 681</b>
Alfred Ndzo District Municipality	11 326	12 295	7 582	3 161	3 161	3 161	541	511
Amathole District Municipality	41 005	21 989	31 978	-	-	-	6 650	6 994
Cacadu District Municipality	28 479	63 762	40 045	7 816	7 816	7 816	-	-
Chris Hani District Municipality	34 802	37 236	23 016	7 228	8 988	7 228	-	471
OR Tambo District Municipality	15 541	14 875	10 731	6 421	6 421	6 421	7 652	8 165
Joe Gqabi District Municipality	26 153	20 347	28 726	4 361	4 361	4 361	371	461
<b>Total transfers to local government</b>	<b>710 580</b>	<b>732 978</b>	<b>582 510</b>	<b>248 972</b>	<b>310 919</b>	<b>311 483</b>	<b>251 998</b>	<b>260 974</b>
								<b>276 157</b>



**Table A.6: Details of provincial payments and estimates by district and local municipality**

R' 000	2008/09			2009/10		2010/11		2011/12		Revised estimate	2012/13			2013/14			2014/15		
	Audited			Audited		Audited		Main budget	Adjusted budget		Medium-term estimates			Medium-term estimates			Medium-term estimates		
Alfred Nzo District	1922 893	2 407 057	1892 898					2 875 365	2 968 365	2 308 269	2 507 311			2 653 785			2 616 758		
Amathole District	11675 426	13 835 662	15 257 187					16 802 982	17 40 344	16 802 656	11 549 008			12 361 400			13 017 49		
Cacadu District	2 053 205	2 680 581	2 842 619					2 814 727	2 886 259	3 121 298	3 467 687			3 358 365			3 540 676		
Chris Hani District	4 114 367	4 911 334	5 331 815					5 794 347	5 955 881	5 887 789	6 036 535			6 536 393			6 829 770		
OR Tambo District	6 037 862	7 411 794	9 873 817					9 877 799	10 171 285	11 029 801	11 146 777			11 806 017			12 573 278		
Joe Gqabi District	1301995	1793 753	2 014 629					2 502 316	2 569 951	2 558 691	2 580 411			2 768 944			2 970 050		
NelsonM andela Metro	4 616 134	6 640 357	5 700 261					6 006 698	6 262 272	6 345 685	6 011 094			6 429 979			6 801 935		
Buffalo City Metro	359 425	375 938	409 887					533 859	547 817	534 067	3 895 189			3 759 577			3 974 193		
EC Whole Province	6 984 757	5 174 472	5 007 423					5 432 442	5 828 944	6 194 277	9 320 792			10 101 967			10 751 615		
<b>Total</b>	<b>39 086 064</b>	<b>45 230 949</b>	<b>48 330 456</b>					<b>52 643 536</b>	<b>54 327 119</b>	<b>54 782 533</b>	<b>56 204 804</b>			<b>59 776 427</b>			<b>63 160 023</b>		

**SECTION B**  
**ESTIMATES OF PROVINCIAL REVENUE AND**  
**EXPENDITURE**

