



# OVERVIEW OF PROVINCIAL ESTIMATES



# 1. SOCIO-ECONOMIC OUTLOOK

## 1.1 Introduction

Against the backdrop of a highly challenging macro-economic environment, many economies are faced with structural and cyclical challenges. The risk of low global economic growth may persist for an extended period of time. A modest global economic recovery is expected to continue. As shown in Table 1, the International Monetary Fund (IMF) expects global economic growth to reach 3.4 per cent in 2016 and 3.6 per cent in 2017, both lower than previous forecasts of 3.6 per cent and 3.8 per cent, issued in October 2015.

TABLE 1: OVERVIEW OF THE WORLD ECONOMIC OUTLOOK AND PROJECTIONS, 2016 (PERCENT CHANGE UNLESS NOTED OTHERWISE)

	Actual	Estimates	Projections		Difference from October 2015 WEO Projections	
	2014	2015	2016	2017	2016	2017
World Output	3.4	3.1	3.4	3.6	-0.2	-0.2
Advanced Economies	1.8	1.9	2.1	2.1	-0.1	-0.1
United States	2.4	2.5	2.6	2.6	-0.2	-0.2
Euro Area	0.9	1.5	1.7	1.7	0.1	0.0
Japan	0.0	0.6	1.0	0.3	0.0	-0.1
United Kingdom	2.9	2.2	2.2	2.2	0.0	0.0
Emerging Market and Developing Economies	4.6	4.0	4.3	4.7	-0.2	-0.2
Russia	0.6	-3.7	-1.0	1.0	-0.4	0.0
China	7.3	6.9	6.3	6.0	0.0	0.0
India	7.3	7.3	7.5	7.5	0.0	0.0
Brazil	0.1	-3.8	-3.5	0.0	-2.5	-2.3
Sub-Saharan Africa	5.0	3.5	4.0	4.7	-0.3	-0.2
Nigeria	6.3	3.0	4.1	4.2	-0.2	-0.3
South Africa	1.5	1.3	0.7	1.8	-0.6	-0.3

Source: IMF, WEO 2016

The recovery in the advanced economies is expected to continue, albeit at a slower pace. Gross Domestic product (GDP) in advanced economies is expected to increase modestly to 2.1 per cent in 2016 from 1.9 per cent in 2015. Economic activity continues to recover in the United States (US) due to strengthening household demand and labour markets. GDP growth is expected to marginally increase from 2.5 per cent in 2015 to 2.6 per cent in 2016. Monetary policy remains accommodative in the US, despite the end of quantitative easing which was followed by a 25 basis point increase in the Federal Funds rate in December 2015.

The divergent monetary policy stance continues among the advanced economies. As the US Federal Reserve Bank prudently tightens monetary policy, Japan is the latest country to join the Euro-zone by dropping their benchmark lending rate to below zero while continuing with their asset purchasing programmes, resulting in renewed US Dollar strength.

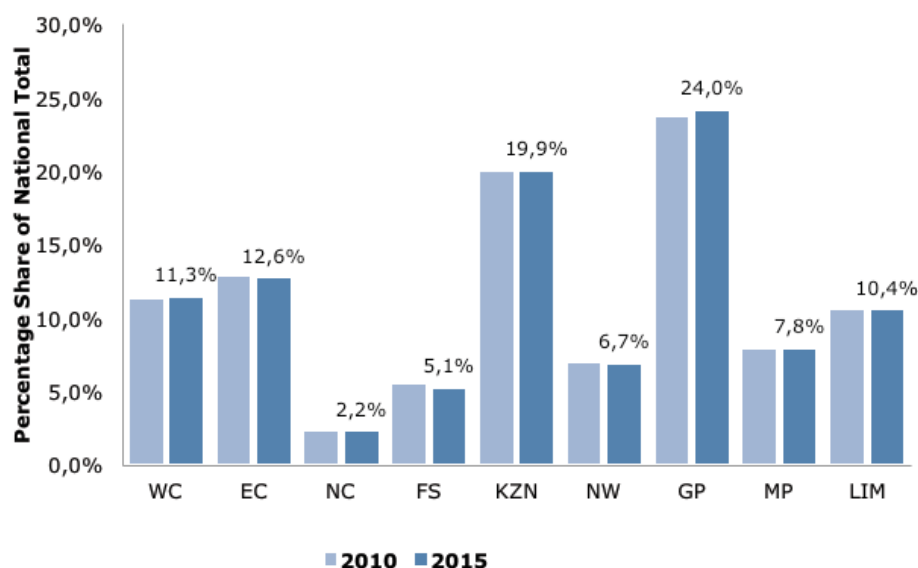
There are uneven growth prospects across emerging and developing economies. The growth outlook for China remains benign, with GDP growth expected to decelerate to 6.3 per cent in 2016 from 6.9 per cent in 2015, as it continues to rebalance its economy. Excluding China, economic activity looks set to strengthen in other parts of emerging Asia, in particular India, which is expected to benefit from lower oil prices and improved investor sentiment. India is expected to experience marginal increase of 0.2 percentage points to 7.5 per cent in 2016. Commodity exporting countries like South Africa and Brazil are bearing the brunt of lower commodity prices due to reduced demand from China. Declining export revenue in the energy exporters such as Russia and Nigeria threaten the growth outlook in emerging Europe and Sub-Saharan Africa (SSA). The Sub-Saharan region is expected to grow by 4 per cent in 2016, realising 0.5 percentage points' increase from last year's estimated growth.

South Africa's economic growth outlook remains fragile, reflective of both global and domestic developments. The IMF forecasts GDP growth of 0.7 per cent in 2016. Manufacturing and agricultural output have declined due to weak global demand, severe drought conditions and exchange rate weakness which also have raised inflation expectations. Headline Consumer price inflation is forecast to average 6.8 per cent in 2016 from 4.6 per cent in 2015.<sup>1</sup> In light of this and other developments globally, the South African Reserve Bank (SARB) has begun its interest rate hiking cycle, raising the repo-rate by 100 basis points cumulatively, since the turning point of the cycle. Due to globalisation and the interconnectedness of South Africa's economy, the fragile global recovery and weakening national outlook poses challenges for the province's revenue and expenditure objectives. The province accounts for the largest share of national output (35 per cent) and is the second largest recipient of the equitable share component (19.5 per cent) of the transfers received from national revenue.

## 1.2 Demographics

The structure of South Africa's population has evolved over a period of time as the population transitions from high to lower fertility and mortality rates. Demographics play an essential role in assessing the achievement of social and economic goals of a region in accordance with Millennium Development Goals (MGDs) to enable regional comparisons. The National Development Plan (NDP), an overarching government policy that offers a long-term vision to be achieved by 2030, recognises that demographic shifts are key to improved economic performance.<sup>2</sup> This section looks at the demographic profile of the Gauteng province. In particular, it looks at the province's population size and distribution by municipality, thus providing information necessary for policy formulation and decision making.

FIGURE 1: POPULATION SHARE BY PROVINCES, 2010 & 2015



Source: Statistics South Africa Mid-year population estimates, 2015

Note: WC=Western Cape, EC=Eastern Cape, NC=Northern Cape, FS= Free State, KZN=KwaZulu-Natal, NW=North West, GP=Gauteng, MP=Mpumalanga & LP=Limpopo

Figure 1 shows that the Gauteng Province had the largest share of the national population in 2015, followed by KwaZulu-Natal (19.9 per cent), who's share of the national population remained the same for the 2 years. The Eastern Cape makes up the 3rd largest population, at 12.6 per cent down from 12.9 per cent in 2005. The Northern Cape has the smallest population at 2.2 per cent and its share has marginally declined from 2.3 per cent in 2005; followed by the Free-State at 5.1 per cent from 5.6 per cent in 2005. Due to its relative advantage in social and economic prospects, Gauteng has received the largest increase in its share of the national population of all the nine provinces over the past decade.

1 South African Reserve Bank. (2016). *South African Reserve Bank*.

2 National Planning Commission. (2012). *The National Development Plan*.

The three metropolitan municipalities have the highest population numbers whereas the two district municipalities have the smallest population numbers, as illustrated in the Table 2 below.

TABLE 2: POPULATION SIZE AND DISTRIBUTION, GAUTENG MUNICIPALITIES, 2015

Region	Total Population	Percentage
City of Ekurhuleni (CoE)	3 344 675	25.3%
City of Johannesburg (CoJ)	4 856 942	36.8%
City of Tshwane (CoT)	3 214 408	24.4%
Sedibeng	949 857	7.2%
West Rand	834 468	6.3%
<b>Total</b>	<b>13 200 349</b>	<b>100.0%</b>

Source: Stats SA, 2015

Table 2 shows the municipalities' share of the Gauteng population in 2015. The CoJ remains the most populous, with 36.8 per cent of the total. People seeking employment and a better life see Johannesburg as their preferred destination. It is followed by the CoE, at 25.3 per cent and the CoT, at 24.4 per cent. The least populous municipality was the West Rand, with 6.3 per cent of the province's total population.

TABLE 3: CHANGES IN THE PROVINCIAL DEMOGRAPHICS, 2010-2015

Description	Period	Effective Change
Population growth rate	2010-2015	2% p.a, 11.9 million to 13.2 million
Population increase	2010-2015	Increase of 1.2 million or 10.2%
Number of households	2010	3.8 million
	2015	4.4 million an increase of 595 000 or 16% increase

Source: Stats SA, IHS Global Insight & Quantec Research, 2016

Table 3 shows the changes in the population and the composition of households between 2010 and 2015. Over this period, the province's population grew by an annual average of 2.8 per cent or an increase of 1.8 million. The number of households increased by 16 per cent or 595 000 households.

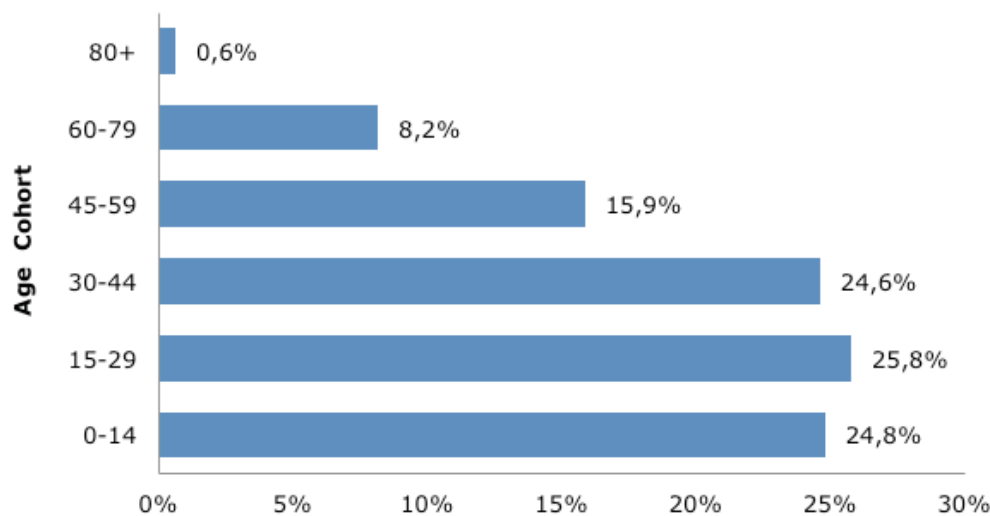
TABLE 4: GENDER & AGE DISTRIBUTION, 2015

Age Cohort	Male	Female	Total
0-14	1 649 001	1 629 325	3 278 326
15-29	1 720 461	1 686 439	3 406 901
30-44	1 658 723	1 595 090	3 253 813
45-59	1 089 650	1 008 966	2 098 616
60-79	505 888	573 493	1 079 381
80+	29 573	53 740	83 313
<b>Total</b>	<b>6 653 296</b>	<b>6 547 053</b>	<b>13 200 349</b>

Source: Stats SA, 2015

Table 4 shows the population distribution by gender and age cohort in years for Gauteng for 2015. There were over 3.4 million people aged 15-29 age cohort, the highest number of all the cohorts. This age cohort also represents a significant number of the working-age population. Suggestions are that, the South African urban population is dominated by a younger population as households and individuals migrate to inner cities where jobs and economic opportunities are created.<sup>3</sup> The second largest age group was the 30-44 age cohort, with over 3.2 million people. The age cohort of those aged 80 and over reached 83 000.

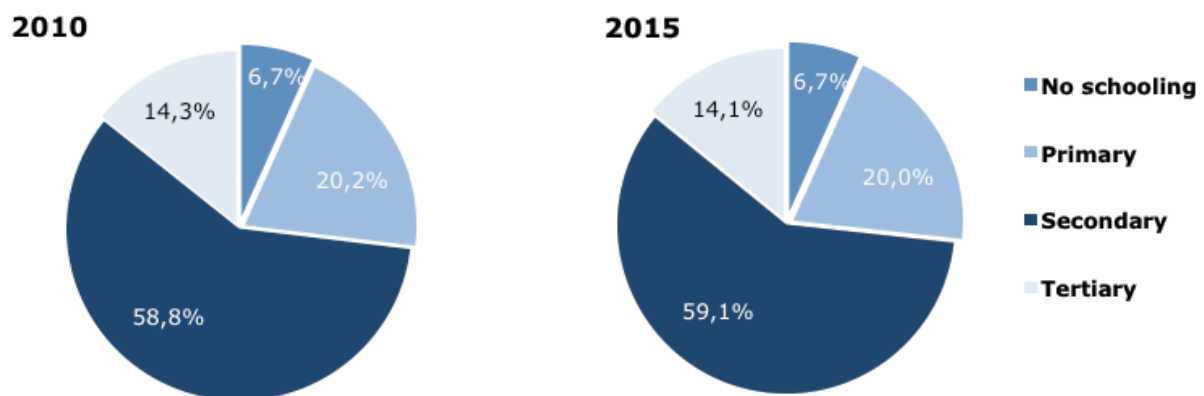
FIGURE 3: AGE DISTRIBUTION OF THE POPULATION, 2015



Source: Stats SA, 2015

Figure 3 is an extension of Table 3 and shows the population shares by age cohort in Gauteng for 2015. The figure indicates that those aged 15–29 years accounted for the largest share of the province's population at 25.8 per cent. This also indicates the youth population bulge for the province. These are people who form part of the potential labour force and yet, in many instances, are unable to find employment. The age cohort with the least share of the population was the people aged 80 years and over at 0.6 per cent.

FIGURE 4: QUALIFICATIONS OF PEOPLE OLDER THAN 20 YEARS, 2010 &amp; 2015



Source: Quantec Research, 2016

## 1.2 Demographics

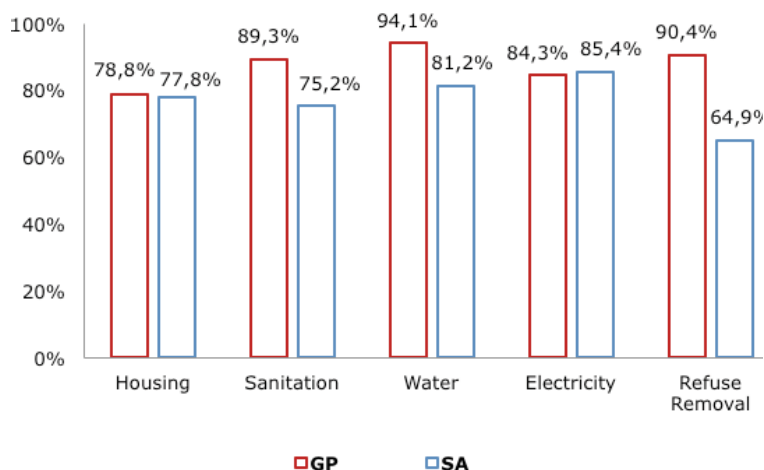
The structure of South Africa's population has evolved over a period of time as the population transitions from high to lower fertility and mortality rates. Demographics play an essential role in assessing the achievement of social and economic goals of a region in accordance with Millennium Development Goals (MGDs) to enable regional comparisons. The National Development Plan (NDP), an overarching government policy that offers a long-term vision to be achieved by 2030, recognises that demographic shifts are key to improved economic performance.<sup>4</sup> This section looks at the demographic profile of the Gauteng province. In particular, it looks at the province's population size and distribution by municipality, thus providing information necessary for policy formulation and decision making.

4 National Planning Commission. (2012). *The National Development Plan*.

### 1.3. Socio-Economic Indicators

Access to basic household infrastructure continues to play a vital role in improving the living standards of South Africa and its regions, particularly in Gauteng and its increasing urban population.

FIGURE 5: ACCESS TO BASIC INFRASTRUCTURE, GP & SA, 2014



Source: IHS Global Insight, 2016

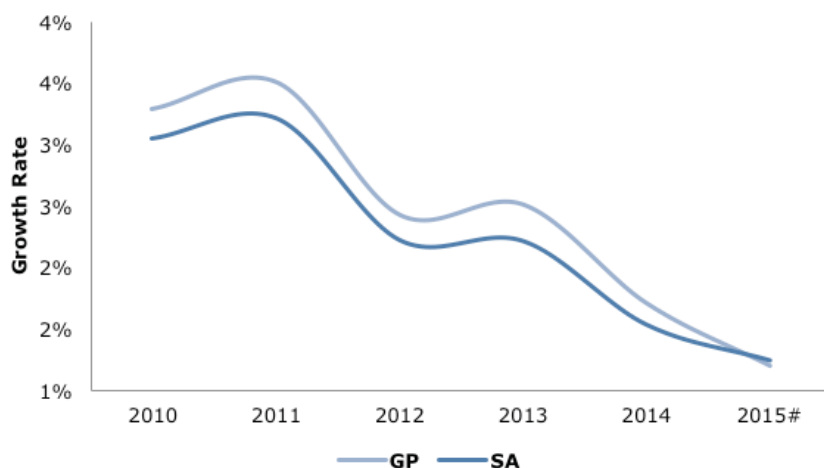
Note: The green upward arrows indicate an increase between the two years while the red downward arrow indicates a decline.

Figure 5 illustrates access to basic services in South Africa and the Gauteng province for 2014, compared to the situation in 2010. Access to basic infrastructure increased between the two years for the country and the province except for electricity in Gauteng which recorded a decrease. This is largely due to an increase in informal settlement in the region.

### 1.4. Economic Indicators

According to IHS Global Insight, South Africa's GDP is estimated to have reached R3 trillion in 2015 and about 35.1 per cent of which is accounted for by the Gauteng Province. Thus the global commodity slump and continued slow demand is likely to have an effect on the province's growth prospects.

FIGURE 6: GDP GROWTH, GP AND SA, 2010-2015#

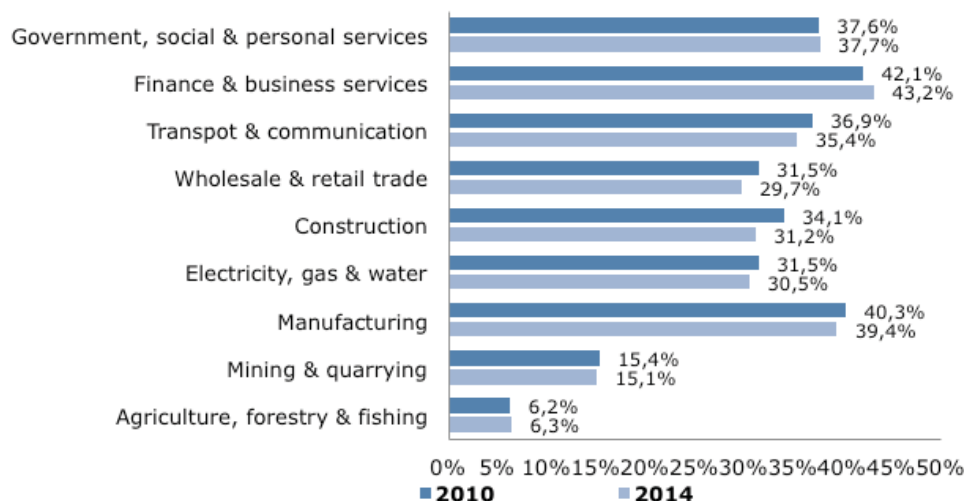


Source: IHS Global Insight, 2016

Note: # Indicates estimates

Figure 6 shows how economic growth in the province mirrors closely that of the country from 2010 to 2015. The province's economic growth started at 3.3 per cent in 2010 and peaked at 3.5 per cent in 2011 before declining to 2.5 per cent by 2012. It increased to 2.5 per cent in 2013 but continued to decline for rest of the review period. Economic growth in both the country and the province is expected to have reached 1.2 per cent in 2015.

FIGURE 7: REGIONAL SHARE OF NATIONAL TOTALS BY SECTOR, 2010 & 2014



Source: IHS Global Insight, 2016

Figure 7 shows Gauteng's share of national output by sector for 2010 and 2014. Of the country's total economic activity in the finance & business services, about 43.2 per cent was accounted for by the Gauteng province in 2014, an increase of 1.1 percentage points compared to 2010. The province accounted for 39.4 per cent of the total activity in the manufacturing sector of the country, a decline of 0.9 percentage points between the two reviewed years. The table below provides information on how the income is distributed amongst the categorised households in Gauteng.

TABLE 5: INCOME DISTRIBUTION, 2014

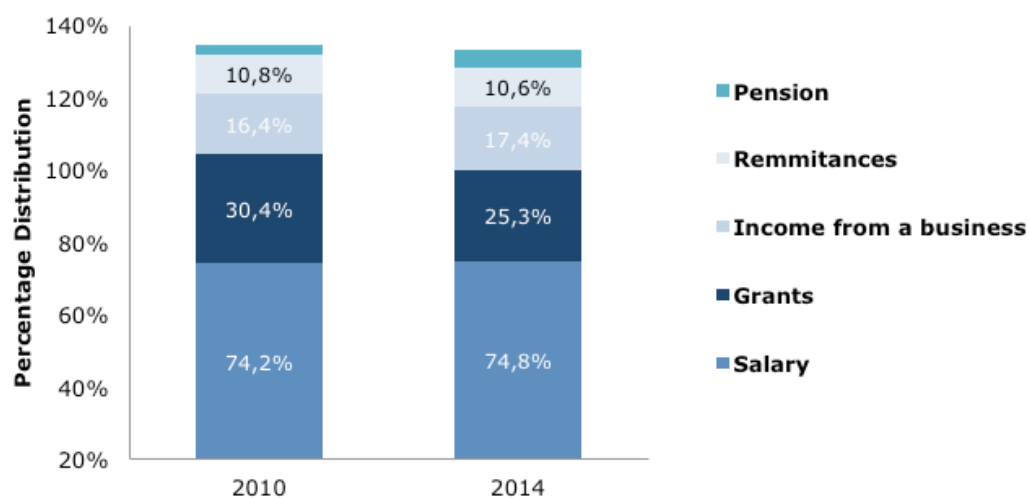
Annual Income Per Household	Number of Households	Percentage of Households
Less than R12 000	208 543	4.9%
R12 001 to R42 000	1 049 408	24.6%
R42 001 to R96 000	1 090 584	25.6%
R96 001 to R360 000	1 204 587	28.3%
R360 001 to R2 400 000	693 592	16.3%
More than R2 400 000	16 260	0.4%
<b>Total</b>	<b>4 262 973</b>	<b>100.0%</b>

Source: IHS Global Insight, 2016

The annual income per household that constituted the largest number of households was the R96 001 to R360 000 range which accounted for 28.3 per cent of total households in Gauteng. This was followed by the R42 001 to R96 000 range which accounted for 25.6 per cent of the households. The lowest percentage of households was in the highest income range of more than R2.4 million and it comprised of 0.4 per cent of the households.



FIGURE 8: DISTRIBUTION OF SOURCES OF HOUSEHOLD INCOME, 2010 &amp; 2014



Source: Stats SA, General Household Surveys, 2015

Figure 8 shows the percentage of households according to the source of their income between 2010 and 2014. The highest percentage of households in Gauteng reported salaries as their source of income at 74.8 per cent in 2014, an increase of 0.6 percentage points compared to 2010. Grants were the second highest reported source of income at 25.3 per cent in 2014, a decrease of 5.1 percentage points between the two years. Although grants as a source of income decreased between the two years, it remains relatively more prevalent in the Gauteng region.

## 2. BUDGET STRATEGY AND AGGREGATES

The 2016 MTEF budget is compiled during a period in which the global and national economies are still experiencing challenges. The South African economy, being faced by similar challenges, introduced measures to counter the effects of the fiscal constraints. These measures include the budget baseline reductions that the national government implemented across the country. The budget baseline reductions were effected to allow government to stabilize public debt, reduce the budget deficit while keeping within expenditure ceilings. To ensure that the baseline reductions do not compromise service delivery, government departments were required not to implement baseline cuts on pro-poor programmes and on the core service delivery programmes.

To cushion the provincial departments from the baseline reductions, the province absorbed a portion of the national reductions and applied the reductions on a lower scale to the provincial departments. The province utilised its reserves that were accumulated due to improved cash management system to absorb a portion of the reductions. To ensure that service delivery is not compromised, education and health baselines were protected from the baseline reductions.

One of priority areas addressed in the provincial budget is investment in infrastructure which is considered the key stimulator for inclusive growth and economic development. The latest development in the equitable share allocations relate to infrastructure funds which have been revised to factor in the provision for the internal capacity building for the project or programme management planning in 2016/17. There are resources allocated for the rollout of the Infrastructure Delivery Management System which is a provincial intervention to unlock blockages in the infrastructure delivery. This is aligned with the requirement for provinces to strengthen their capacity to roll out priority programmes, especially infrastructure.

The 2016 Medium Term Expenditure Framework will continue to ensure continued reprioritization towards core functions thereby expanding and enhancing service delivery; strengthening and prioritizing fiscal discipline to enable effective delivery on the Ten-Pillar Programme of Transformation, Modernization and Re-industrialization (TMR); promote economic, efficient and effective provision of public services whilst ensuring quality and accessibility of these services (i.e. value for money).

The 2016 MTEF will also focus on alignment to the National Development Plan (NDP), 2014-19 Medium Term Strategic Framework (MTSF), and TMR and associated Game Changers; implementation of the revenue enhancement strategy; implementing stringent cost containment measures on non-core items as highlighted in previous financial years; aim to attain greater efficiencies to ensure that more is achieved with the current level of financial resources; value-for-money by ensuring that procurement, projects and processes are systematically evaluated to provide confidence about suitability, effectiveness, prudence, quality and good value; improving infrastructure delivery to increase job creation and to maintain quality social services; and continued implementation of strict internal controls to contain expenditure.

### 3. MEDIUM TERM EXPENDITURE FRAMEWORK AND THE BUDGET PROCESS

The province drafted the Provincial Budget Guidelines, after the EXCO Lekgotla held in May 2015, to guide the roll out of the provincial budget process. This document highlights the key requirements, critical dates and format which departments must use to prepare the 2016 MTEF budget submissions. The guideline is used by provincial departments to strengthen sound planning, budgeting and programming of public expenditure in the context of the policy changes and priorities of the provincial government. Owing to continuing constrained economic environment, GPG departments should achieve value-for-money by ensuring accountable and transparent decision-making.

In an effort to strengthen the provincial budget process the Provincial Treasury established a Provincial Budget Forum that serves as a platform aimed to standardize budget documentation, improve budget planning and implementation. Emphasis to align planning and budgeting within the strategic framework such as the National Development Plan (NDP), Transformation, Modernisation and Re-industrialisation (TMR) was re-enforced during the forum. Departments were informed about the augmentation window from National Treasury to fund policy priorities, allocate funds after considering the requirements of the 2015 Wage Agreement as well as unforeseeable and unavoidable occurrences. Departments needed to submit a proposal with minimum requirements in order to access the funds.

The 2016 MTEF budget process emphasized the reprioritisation of the 2015 budget baseline as a basis to support continuation of the effective delivery on the Ten-Pillar Programme of TMR. The Provincial Treasury engaged extensively with the provincial departments during the Medium Term Expenditure Committee (MTEC) on issues of funding efficiency and reprioritisation of existing resources to fund the government priorities. The draft budget documents were assessed to identify the extent to which the provincial cost cutting strategy had been implemented and to identify the level of provision for the payment of municipal services the cost of which tend to grow at a rate higher than inflation.

Following the MTEC sessions held with provincial departments, the Provincial Treasury identified the budget pressures in provincial departments and made recommendations for the consideration of the Premier's Budget Committee when making final decisions on the provincial resource allocation. The final allocations were approved by the Premier's Budget Committee in consideration of the current economic situation and the need to invest in projects that will stimulate growth and will support the government programmes including the provincial programme of TMR.

The final allocations include the additional funding over the 2016 MTEF to provide for provincial priorities. A large portion of these funds cater for the implementation of the ICT strategy in Education; enhancement of ICT infrastructure in e-Government; the implementation of infrastructure projects in various departments; provision for increased municipal rates in Health; and the refurbishment of Industrial parks to revitalise the economic activities in townships around the province.

After the tabling and adoption of the 2016 MTEF budget at the Provincial Legislature, departments will commence spending of the 2016 budget in accordance with approved plans. The financial and non- financial performance of the departments will be monitored monthly and quarterly through the analysis of the In-Year Monitoring Reports and Quarterly Performance Reports. The findings of the analysis of reports will be presented to various stakeholders including the Provincial EXCO, Legislature committees and Treasury internal committees.

## 4. RECEIPTS

### 4.1 Overview of provincial receipts

Provincial receipts consist mainly of national transfers (equitable share and conditional grants) with own revenue generated provincially.

Equitable share contribute the highest towards total receipts followed by conditional grants and provincially generated revenue, respectively. Section 227 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996) requires that revenue raised nationally be distributed equitably amongst national, provincial and local spheres of government and it is an unconditional transfer designed to assist in delivery of basic services and assigned functions.

Conditional grants are additional transfers from national government with conditions attached. These grants are centralised at the national government and are accompanied by strict conditions. The grants are limited in terms of flexibility as they are designed to finance nationally determined priorities and compensate provinces in their quest to provide services to provinces.

Provincially, own revenue is generated mainly from motor vehicle licences, casino taxes, patient fees, interest earned on short term investments on unspent funds at any given point in a fiscal year and other user charges.

TABLE 6: SUMMARY OF PROVINCIAL RECEIPTS

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2012/13	2013/14	2014/15		2015/16		2016/17	2017/18	2018/19
<b>Transfer receipts from National</b>	<b>70 858 193</b>	<b>77 451 864</b>	<b>85 846 094</b>	<b>90 536 824</b>	<b>90 660 666</b>	<b>90 660 666</b>	<b>98 439 076</b>	<b>107 148 100</b>	<b>114 459 146</b>
Equitable share	55 212 862	61 706 599	68 811 291	73 413 414	74 100 214	74 100 243	79 599 868	86 412 496	92 199 524
Conditional grants	15 645 331	15 745 265	17 034 803	17 123 410	16 560 452	17 054 810	18 839 208	20 735 604	22 259 622
<b>Total provincial own receipts</b>	<b>3 991 740</b>	<b>4 355 262</b>	<b>4 265 929</b>	<b>4 584 695</b>	<b>4 897 068</b>	<b>5 195 616</b>	<b>4 981 714</b>	<b>5 290 076</b>	<b>5 636 379</b>
Provincial receipts	74 849 933	81 807 126	90 112 023	95 121 519	95 557 734	95 557 734	103 420 790	112 438 176	120 095 525
Total provincial revenue funding				350 800	1 878 143	1 878 143	36 569		
Direct charges				(81 560)	(81 560)	(81 560)	(86 617)	(91 641)	(96 956)
<b>Total provincial receipts</b>	<b>74 849 933</b>	<b>81 807 126</b>	<b>90 112 023</b>	<b>95 390 759</b>	<b>97 354 317</b>	<b>97 354 317</b>	<b>103 370 742</b>	<b>112 346 535</b>	<b>119 998 569</b>

Table 6 shows the summary of provincial receipts. From 2012/13 to 2014/15, transfers from national government increased by R14.9 billion from R70.9 billion to R85.8 billion. Over the 2016 MTRF, total transfers are projected to increase from R98.4 billion to R114.5 billion, an increase of R16.1 billion.

In 2012/13, the province collected R3.9 billion own revenue which increased to R4.3 billion in 2014/15, this is an increase of R274.2 million. Budgeted revenue collection amounts to R4.6 billion in 2015/16 and was adjusted to R4.9 billion with a revised estimate of R4.9 billion in the same year. Over the 2016 MTRF, total revenue will increase by R654.8 million from R4.9 billion to R5.6 billion.

From 2012/13 to 2014/15, provincial receipts increased by R15.3 billion at an annual average growth rate of 10.2 per cent. Provincial receipts were budgeted at R95.1 billion in 2015/16 and have been adjusted upwards to R95.6 billion. Over the 2016 MTRF, provincial receipts will increase by R16.7 billion from R103.4 billion to R120.1 billion at an annual average growth rate 8.1 per cent.

## 4.2 Equitable share

The equitable share is the main source of revenue for provinces, which is responsible for social services including education, health and social development, economic functions such as agriculture and roads, and provincial governance and administration. Section 214 of the Constitution requires that an Act of Parliament provides for the equitable division of revenue raised nationally among the spheres of government; and for the determination of each province's equitable share of that revenue. Each province's equitable share is determined through the equitable share formula which is reviewed and updated annually using new data and taking into account recommendations from the Financial and Fiscal Commission (FFC).

TABLE 7: EQUITABLE SHARE ALLOCATION FOR GAUTENG PROVINCE

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2012/13	2013/14	2014/15		2015/16		2016/17	2017/18	2018/19
Equitable share	55 212 862	61 706 599	68 811 291	73 413 414	74 100 214	74 100 243	79 599 868	86 412 496	92 199 524

From the 2012/13 to 2014/15 financial year, equitable share increased by R13.6 billion at an annual average growth rate of 12.3 per cent. For the 2015/16 financial year equitable share was budgeted at R73.4 billion and is projected to increase by R6.1 billion or 8.4 per cent to reach R79.6 billion in 2016/17. In 2017/18 it is anticipated that equitable share will reach R86.4 billion, showing an increase of R6.8 billion or 8.6 per cent from 2016/17. Equitable share for the 2018/19 financial year is anticipated at R92.2 billion representing an increase of R5.8 billion from the previous financial year or 6.7 per cent. Over the 2016 MTEF equitable share is projected to increase by R12.6 billion at an annual average growth rate of 7.6 per cent. In the seven financial years under review, equitable share increases by R36.9 billion.

### 4.3 Conditional grants

Conditional grants were introduced over and above the equitable share addressing the needs and interests of the national government at level where services are provided, to address policy concerns that are inter-provincial in nature. Provinces had funded these activities from their budgets until 1999. But having established these grants, amounts were shifted from the provinces to be included on the votes of national departments. These funds will nevertheless flow to the provinces, albeit with the attachment of certain conditions.

Conditional grants are designed to achieve specific objectives, and provinces must fulfil certain conditions to receive them. There are essentially four types of conditional grants that are transferred from the national government to provinces: to supplement the funding of programmes or functions funded from provincial budgets; specific-purpose allocations to provinces; allocations-in-kind to provinces for designated special programmes; and funds that are not allocated to specific provinces may be released to provinces to fund immediate disaster response.

TABLE 8: CONDITIONAL GRANTS ALLOCATION FOR GAUTENG PROVINCE

R thousand	Outcome			Main appropriation	Adjusted appropriation 2015/16	Revised estimate	Medium-term estimates		
	2012/13	2013/14	2014/15				2016/17	2017/18	2018/19
Conditional grants	15 645 331	15 745 265	17 034 803	17 123 410	16 560 452	16 560 452	18 839 208	20 735 604	22 259 622

From 2012/13 to 2014/15, the value of these grants increased from R15.6 billion to R16.9 billion. This represents an annual growth rate of 4.3 per cent. In the 2015/16 financial year, the value was R17.123 billion, adjusted to R17.054 billion with a revised estimated to the same value. Over the 2016 MTRF, conditional grants will increase from R18.8 billion in 2016/17 to R22.3 billion in 2018/19, an annual average growth rate of 8.7 per cent.

TABLE 9: SUMMARY OF CONDITIONAL GRANTS BY VOTE

R thousand	Medium-term estimates		
	2016/17	2017/18	2018/19
<b>Health</b>	<b>8 643 260</b>	<b>9 468 766</b>	<b>10 298 339</b>
Comprehensive HIV, Aids Grant and TB Grant	3 259 407	3 757 507	4 242 829
Health Facility Revitalisation Grant	777 818	831 337	865 241
Health Professions Training and Development Grant	865 244	919 438	972 765
National Tertiary Services Grant	3 727 048	3 960 484	4 190 192
National Health Insurance Grant	7 543		
Human Papillomavirus Vaccine Grant			27 312
EPWP Integrated Grant	2 000		
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	4 200		
<b>Basic Education</b>	<b>2 211 751</b>	<b>2 155 512</b>	<b>2 279 071</b>
Education Infrastructure Grant	1 385 737	1 318 980	1 394 020
HIV and Aids (Life Skills Education) Grant	32 449	34 436	36 433
National School Nutrition Programme Grant	712 955	748 603	792 022
Maths, Science and Technology Grant	49 810	53 493	56 596
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	28 661		
EPWP Integrated Grant	2 139		
<b>Social Development</b>	<b>13 108</b>	<b>50 139</b>	<b>78 530</b>
Early Childhood Development Grant		50 139	78 530
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	13 108		
EPWP Integrated Grant			
<b>Transport</b>	<b>2 537 823</b>	<b>2 686 446</b>	<b>2 817 974</b>
Gautrain Rapid Rail Link Grant			
Provincial Roads Maintenance Grant	501 784	531 383	562 207
Public Transport Operations Grant	2 033 590	2 155 063	2 255 767
EPWP Integrated Grant	2 449		
<b>Agriculture, Forestry and Fisheries</b>	<b>118 778</b>	<b>125 839</b>	<b>134 245</b>
Comprehensive Agricultural Support Programme Grant	85 079	93 063	98 568
Ilima/Letsema Projects Grant	26 061	27 673	30 278
Land Care Programme Grant: Poverty Relief and Infrastructure Development	4 802	5 103	5 399
EPWP Integrated Grant	2 836		
<b>Sport, Arts, Culture and Recreation</b>	<b>268 647</b>	<b>281 694</b>	<b>297 650</b>
Community Library Services Grant	163 339	174 740	184 619
Mass Participation and Sport Development Grant	101 084	106 954	113 031
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	2 200		
EPWP Integrated Grant	2 024		
<b>Cooperative Governance and Traditional Affairs</b>	<b>2 000</b>		
EPWP Integrated Grant	2 000		
<b>Human Settlements</b>	<b>5 046 443</b>	<b>5 967 208</b>	<b>6 353 813</b>
Housing Disaster Relief Grant	21 569		
Integrated Housing and Human Settlement Development Grant	5 022 669	5 967 208	6 353 813
EPWP Integrated Grant	2 205		
<b>Community Safety</b>	<b>1 800</b>		
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	1 800		
<b>Infrastructure Development</b>	<b>17 167</b>		
EPWP Integrated Grant	17 167		
<b>Total conditional grants</b>	<b>18 860 777</b>	<b>20 735 604</b>	<b>22 259 622</b>

Note: The Housing Disaster Relief Grant is funded from the Provincial Revenue Fund.

Table 9 above shows a breakdown of the conditional grants allocations per department over a period of three years. It is estimated that over the period under review conditional grants will increase from R18.8 billion in 2016/17 to R20.7 billion in 2017/18 and to R22.3 billion in 2018/19.

Health has numerous grants which are aimed at achieving among other priorities, ensuring a healthy lifestyle for all South Africans. The Comprehensive Human Immune deficiency Virus and Acquired immune deficiency syndrome (HIV and Aids) grant is aimed at enabling the health sector to respond to the HIV and Aids epidemic. The National Health Insurance Grant is aimed at testing innovative interventions and methods of service delivery. Other grants within the department include Health Facility Revitalisation Grant which is meant for transforming and modernising infrastructure and equipment in hospitals and comprises of two components; health infrastructure and hospital revitalisation. The National Tertiary Services Grant aims at providing strategic funding to enable provinces to plan, modernise and transform the tertiary hospital service delivery platform in line with national policy objectives. The Human Papillomavirus Vaccine Grant will commence in 2018/19 and is allocated R27 million. The total allocation for the department is estimated to increase from R8.6 billion in 2016/17 to R10.3 billion in 2018/19 at an annual growth rate of 9.1 per cent.

Conditional grants for Education include the National School Nutrition Programme Grant which seeks to improve the nutrition of school children, enhance active learning capacity and improve attendance in schools. The other grants are the education infrastructure grant and the HIV and Aids (life skills education) grant; all of which are administered by the National Department of Basic Education. The department is projected to receive an allocations of R2.211 billion in 2016/17 and this will increase to R2.279 billion in 2018/19.

The Roads and Transport's overall purpose is to provide a balanced and equitable road network. The Provincial Roads Maintenance Grant and the Public Transport Operations Grant make up the bulk of the allocation to the department. The Public Transport Operations subsidise for commuter bus services and are paid to bus operators. The department is projected to receive allocations of R2.5 billion in 2016/17 and this will increase to R2.8 billion in 2018/19 financial years thus showing a 5.4 per cent annual average growth rate.

The Ilima/Letsema Projects Grant is intended to boost food production by assisting previously disadvantaged farming communities. The Comprehensive Agricultural Support Programme Grant is aimed at supporting newly established and emerging farmers in the Province. The allocation for the department is expected to grow from R118.8 million in 2016/17 financial year to R134.2 million in the 2018/19 financial year showing at an annual average growth rate of 6.5 per cent.

Sport, Arts, Culture and Recreation through Mass Sport and Recreation Grant promotes mass participation in historically disadvantaged communities in a selected number of developmental sporting activities. The Community Library Service Grant aims to help South Africans access knowledge and information to improve the socio-economic condition. The allocation increases from R101 million to R113 million at an annual average growth rate of 5.8 per cent over the 2016 MTRF.

Human Settlements receive conditional grants mainly through the Human Settlements Development Grant which seeks to establish habitable, stable and sustainable human settlements in which all citizens have access to social and economic amenities. The department projects to receive allocations of R5 billion in 2016/17 and this will increase to R6.3 billion in 2018/19 financial years thus showing a 12.47 per cent annual average growth rate.

The Social Sector Expanded Public Works Programme (EPWP) incentive grant is allocated to various Gauteng Provincial Government (GPG) departments for the payment of stipends to volunteers to enhance and expand services within the social sector concurrently creating work opportunities. For the 2016 MTEF an allocation R49.9 million is made for the 2016/17 financial year.

The Expanded Public Works Programme (EPWP) incentive grant is allocated to various departments to incentivise provincial departments to expand work creation efforts through the use of labour intensive delivery methods. The allocation for the 2016/17 financial year is at R82.7 million.



## 4.4 Provincial own revenue

Provincial own revenue streams are limited but play an important role in supplementing national transfers thus resourcing provincially determined priority outcomes. GPG own revenue collection contributes approximately 5 per cent of total budget while national transfers constitute about 95 per cent. GPG departments collect revenue from different sources with the exception of the Gauteng Provincial Legislature. There are four major revenue generating departments within GPG namely; Roads and Transport through motor vehicle and drivers licence fees, Economic Development through gambling taxes, Health through patient's fees and Treasury earns interest on unspent funds during the financial year. Other department's collection is minimal as it is based on cost recovery sources such as parking fees however there are departments with potential to collect additional revenue; Education through exam related fees, Community Safety through traffic fines, Agriculture and Rural Development through environmental impact assessment and nature reserves fees, and Gauteng Infrastructure Development through property rental fees.

### 4.4.1 Own revenue initiatives

Initiatives currently being explored to maximize revenue collection include gambling tax review, Information, Communication and Technology (ICT) upgrade to enhance patient billing, property rental and revenue incentive schemes. These initiatives are mainly aimed at maximising revenue collection to increase revenue base towards servicing provincial priorities and eliminate loopholes in revenue collection systems and processes.

Gambling tax review study provides for the viability of moving from a flat tax regime to a sliding tax structure, which is potentially competitive and provides for significant increase in revenue from gaming revenue levied from casinos operating within the province.

ICT upgrade on existing systems aims to enhance patient billing by eliminating system down turn time and data discrepancies.

Property rental offers opportunities for increased revenue collection, especially through commercial rentable space and advertising on government properties.

Revenue incentive scheme is aimed at providing an opportunity to retain a proportion of their revenue collection to invest in revenue projects or address expenditure pressures.

TABLE 10: SUMMARY OF PROVINCIAL OWN RECEIPTS BY DEPARTMENT

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2012/13	2013/14	2014/15		2015/16		2016/17	2017/18	2018/19
Office of the Premier	277	533	426	452	452	595	476	500	529
Economic Development	721 855	763 922	820 420	806 405	806 405	806 405	931 388	991 605	1 046 476
Health	506 939	527 710	524 051	555 727	555 727	537 588	585 100	614 355	649 987
Education	48 612	40 979	36 040	29 560	29 560	49 500	30 299	31 056	31 971
Social Development	5 941	4 691	4 818	2 924	2 924	3 444	3 070	3 222	3 409
Cooperative Governance and Traditional Affairs	441	676	490	481	481	481	506	532	563
Human Settlements	12 701	4 888	4 960	4 429	4 429	37 075	4 664	4 897	5 181
Roads and Transport	2 466 851	2 707 443	3 005 863	3 056 936	3 056 936	3 250 178	3 215 889	3 376 610	3 572 454
Community Safety	20 612	29 852	42 755	15 087	15 087	33 595	19 857	24 821	31 027
Agriculture and Rural Development	2 106	1 030	2 098	1 854	1 854	6 110	14 813	15 591	16 386
Sport, Arts, Culture and Recreation	184	313	433	309	309	615	320	329	348
e-Government	2 355	1 410	2 150	914	914	1 763	917	921	926
Provincial Treasury	187 811	247 893	482 266	88 617	400 990	446 391	151 415	201 486	251 572
Infrastructure Development	15 055	17 755	18 845	21 000	21 000	21 906	23 000	24 150	25 550
<b>Total provincial own receipts by Vote</b>	<b>3 991 740</b>	<b>4 349 095</b>	<b>4 945 615</b>	<b>4 584 695</b>	<b>4 897 068</b>	<b>5 195 646</b>	<b>4 981 714</b>	<b>5 290 076</b>	<b>5 636 379</b>

TABLE 11: SUMMARY OF PROVINCIAL RECEIPTS

R thousand	Outcome			Main appropriation	Adjusted appropriation 2015/16	Revised estimate	Medium-term estimates		
	2010/13	2013/14	2014/15				2016/17	2017/18	2018/19
Tax receipts	3 120 962	3 398 280	3 749 485	3 791 410	3 791 410	3 984 652	4 071 610	4 288 838	4 534 949
Casino taxes	684 364	715 672	759 545	706 204	706 204	706 204	878 874	919 624	971 682
Horse racing taxes	34 979	37 732	40 278	97 813	97 813	97 813	50 000	69 340	72 000
Liquor licences									
Motor vehicle licences	2 401 619	2 644 876	2 949 662	2 987 393	2 987 393	3 180 635	3 142 737	3 299 874	3 491 267
Sales of goods and services other than capital assets	576 011	585 451	597 878	652 239	652 612	623 722	695 011	730 199	772 912
Transfers received						37			
Fines, penalties and forfeits	11 791	14 897	18 184	10 492	10 492	24 022	20 254	24 004	28 629
Interest, dividends and rent on land	198 159	260 087	484 661	92 011	404 011	469 224	154 223	204 433	254 684
Sales of capital assets	10 419	5 983	2 028						
Transactions in financial assets and liabilities	74 398	84 397	93 379	38 543	38 543	93 989	40 616	42 600	45 205
<b>Total provincial own receipts</b>	<b>3 991 740</b>	<b>4 349 095</b>	<b>4 945 615</b>	<b>4 584 695</b>	<b>4 897 068</b>	<b>5 195 646</b>	<b>4 981 714</b>	<b>5 290 076</b>	<b>5 636 379</b>

The table above shows own revenue collected over the seven financial year period per economic classification. In 2012/13, total own revenue collected was at R3.9 billion and this increases to R4.9 billion in 2014/15, showing an average annual growth rate of 12 per cent. The estimated R4.6 billion in 2015/16 financial year was adjusted to R4.9 billion, however GPG departments anticipate to collect R5.1 billion; an over collection of R298.5 million. Over the 2016 Medium Term Revenue Framework (MTRF), total revenue will increase by R655 million from R5 billion in 2016/17 financial year to R5.6 billion in 2018/19 financial year, showing an annual average growth rate of 6 per cent, which is higher than the 2012 MTRF.

The province generates 98 per cent of its revenue from four departments (Roads and Transport, Economic Development, Health and Treasury). Roads and Transport, with 65 per cent comprising mainly of motor vehicle licences. In terms of the Road Traffic Act (Act 93 of 1996), municipalities and the South African Post Office (SAPO) act as agents for collecting revenue on behalf of the department. The department anticipates to collect R3.1 billion in 2016/17, R3.3 billion in 2017/18 and R3.5 billion in 2018/19.

The second largest source of revenue is generated by Economic Development through gambling taxes (casino and horse), which contributes approximately 98 per cent of the Department's total own revenue. The department's Entity, Gauteng Gambling Board (GGB) collects the gambling taxes and in turn receive a commission to fund its operations thus sustainability. The Department estimates to collect R928.9 million in 2016/17, R988.9 million in 2017/18 and R1 billion in 2018/19; this shows an average growth of 3.8 per cent over the 2016 MTRF.

The third largest contributor is Health, with a collection mainly consisting of sales of goods and services from patient fees. Patient's fees is classified under sales of goods and services other than capital assets. The department projects to collect R585.1 million in 2016/17; R614.3 million in 2017/18 and R649.9 million in 2018/19 showing an average growth rate of 5.5 per cent over the 2016 MTRF. The department is experiencing difficulties with the collection of patient fees, and have subsequently appointed service providers to ensure effective collection.

Treasury collects revenue mainly from interest generated from unspent funds and through improved cash management. Over the 2016 MTRF, Treasury projects to collect a total of R151.4 million in 2016/17; R201.4 million in 2017/18 and R251.5 million in 2018/19 showing an average growth rate of 33 per cent.

Potential and small revenue generating departments contribute 2 per cent of the revenue collected in the province, with potential generating approximately 60 percent. This is due to the nature of the activities that are not geared towards significant revenue generation at a provincial level. However; Community Safety, Infrastructure Development and, Agriculture and Rural Development generate significant revenue from traffic fines, property rental and nature reserves; respectively.

Community Safety anticipate to collect approximately R19.9 million in 2016/17; R24.8 million in 2017/18 and R31 million in 2018/19 thus showing an average growth rate of 32 per cent over the 2016 MTRF.

Agriculture and Rural Development expects to collect a total of R14.8 million in 2016/17; R15.6 million in 2017/18 and R16.3 million in 2018/19 showing an average growth rate of 5 per cent. Infrastructure Development projects to collect R23 million in 2016/17; R24.1 million in 2017/18 and R25.5 million in 2018/19 showing an average growth rate of 5 per cent over the 2016 MTRF. Agriculture and Rural Development, and Infrastructure Development revenue is classified under sales of goods and service other than capital assets.

## 4.5 Summary of provincial additional funding

TABLE 12: SUMMARY OF PROVINCIAL ADDITIONAL FUNDING

R thousand	Medium-term estimates		
	2016/17	2017/18	2018/19
Economic Development	87 500	92 575	97 944
Health	447 788	538 406	562 813
Education	732 320	457 395	483 923
Social Development	45 000	52 320	54 775
Human Settlements	100 000		
Roads and Transport	40 000	40 000	
Agriculture and Rural Development	67 351	110 924	99 375
Sport, Arts, Culture and Recreation	112 330	227 610	218 288
E-Government	75 000	100 000	100 000
Infrastructure Development	373 824	395 506	418 445
<b>Total provincial payments and estimates by Vote</b>	<b>2 081 113</b>	<b>2 014 736</b>	<b>2 035 563</b>

The above table depicts additional funding received by provincial departments over the 2016 MTEF. The province allocated an additional funding amounting to R2.1 billion in 2016/17 and R2 billion per annum in 2017/18 and in 2018/19 to fund the prioritized programmes and projects that support the implementation of the TMR. Some of these priorities were initially funded during the 2015/16 adjustment budget and therefore the amounts are allocated for their continuation over the MTEF period. Such funding that is provided for the carry-through of the 2015/16 adjustments accumulates to R3.3 billion over the MTEF. The balance of the additional funding relates to the initiatives that are prioritized over the 2016 MTEF period.

### Education

The department received R50 million in 2016/17 and R158.9 million over the MTEF for scholar transport to cater for the increase in learner numbers as a result of high in-migration in the province. An amount of R300 million is allocated in 2016/17 to supplement the budget for the completion of new schools projects, major rehabilitation of various schools and completion of upgrading of the existing schools for e-learning purposes.

In the 2015 adjustment budget, the department received an additional funding to supplement the budget for municipal services for schools; therefore R539.9 million is allocated to maintain the increased budget for the payment of municipal services over the MTEF. Furthermore R212.4 million is allocated in 2016/17 and R674.9 million over the MTEF to continue the implementation of ICT strategy which aims at aligning ICT and e-education initiatives in the province.

### Health

Health receives R158.9 million to increase the availability of medical supplies and medicine in health care facilities; R590 million for the implementation of infrastructure projects and R587.1 million to provide for carry through costs for municipal services due to increased municipal rates. The department also receives R213 million for the enhancement of ICT infrastructure including the electronic filing of patients records.

### Economic Development

In 2016/17 and over the MTEF, the department is allocated an additional funding of R87.5 million and R278 million. The priorities funded include the refurbishment of industrial parks and business hubs to revitalise the economic activities in identified townships for which R159 million is allocated over the MTEF; the Innovation Hub to cater for eKasi Labs, mLab/Code Tribe, Academy Open IX and Innovation Exchange Incubation Programmes for which R95.5 million is allocated; the bidding and hosting of events that will improve the profile and economic activity of the province for which R23.8 million is allocated.

## **Social Development**

The department receives R152 million over the 2016 MTEF of which R79.4 million will fund the increased demand on anti-drugs and substance abuse services and the operation of centres of excellence for recovering addicts, through Anti-Substance Abuse Campaign; R47.7 million to provide vehicles and other tools of trade for social workers; and R25 million for infrastructure programme.

## **Human Settlements**

Human Settlements receive an additional R100 million for the continuation of the infrastructure programme relating to the Syferfontein Mega-city Project. This is a mega project for housing development in the West Rand district which will transform and revitalize sustainable human settlement in the Western corridor.

## **Roads and Transport**

An amount of R80 million is allocated to the department over the MTEF for the implementation of infrastructure projects.

## **Agriculture and Rural Development**

Over the 2016 MTEF, the department receives R45 million for the eradication of maintenance backlog in the departmental nature reserves; R40 million for effective implementation of nature reserve management plans in order to boost eco-tourism in the province; R20 million for the upgrade of Vereeniging market and R20.9 million for the implementation of the infrastructure programme. Furthermore, R35.3 million is allocated for Bontle ke Botho (BKB) campaigns for creating a clean and green Gauteng city-region and increasing job opportunities; and R47.7 million is allocated for personnel requirements of the department. The department receives R68.7 million for the continuation of projects that received funding in 2015/16 adjustment budget for the mobile abattoirs to support meat processing in townships; mobile services and primary animal health care; security services; and firefighting equipment and boreholes for managing biodiversity.

## **Sport, Arts, Culture and Recreation**

The department receives an amount of R558.2 million over the 2016 MTEF. Of the total allocation, R35 million is allocated for the operational costs of community libraries; R65.3 million for the Women's Living Heritage Monument in Tshwane; and R93.6 million for the Provincial Archive Centre.

Also included in the total allocation is the provision for the continuation of key projects that were funded in 2015/16. This includes R16.9 million for operationalizing Women's Living Heritage Monument; R23.6 million for the operational hubs; R6.7 million for maintaining operations of the Boipatong Memorial Centre; and R26.9 million for maintaining operations of the Kagiso Memorial Acre and Sports Facility.

The allocation also provides for bidding and hosting of major events which is allocated R92.1 million over the MTEF. The amount will fund the identified 3 sports events namely: Arnold Games; Under 17 Future Champions; and the Southern Sunshine Tour.

## **e-Government**

An amount of R275 million is allocated to the department for the rollout of the broadband network across the global city-region with an aim of providing connectivity to extra 850 sites by 2018/19 including Thusong Centres, schools and clinics in the historically marginalized areas.

## **Infrastructure Development**

The department receives an additional R1.2 billion over the MTEF to continue to provide for the payment of rates and taxes to municipalities. This is a carry-through of funds allocated during the 2015/16 adjustment budget process to augment the budget pressure resulting from accruals that are carried forward every financial year due to insufficient funding.

## 5. PAYMENTS

### 5.1 Payments by vote

Over the 2016 MTEF the provincial government continues to work towards realising the objectives of the TMR agenda which encompasses 10 pillars to support the NDP and strive to grow the provincial economy despite the volatile global and domestic economic environment.

The GCR is working together to radically transform, modernize and re-industrialize the GPG economy that is characterised by social cohesion and economic inclusion. The province is dedicated to accelerate socio-economic transformation and therefore the social sector is allocated a significant share of provincial budget, with Education taking up 37.8 per cent and Health 36.1 per cent.

TABLE 13: SUMMARY OF PROVINCIAL PAYMENTS AND ESTIMATES BY VOTE

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2012/13	2013/14	2014/15				2016/17	2017/18	2018/19
Office of the Premier	290 566	461 791	355 001	425 455	429 965	429 208	449 420	474 389	503 154
Provincial Legislature	472 005	473 919	497 845	600 473	600 473	611 150	641 673	674 898	715 824
Economic Development	873 371	926 787	1 060 655	1 305 610	1 305 610	1 305 610	1 331 638	1 383 993	1 467 701
Health	26 834 347	27 415 801	31 005 212	34 175 179	35 337 087	35 691 082	37 408 057	39 909 926	42 500 389
Education	26 732 123	29 209 407	31 636 240	36 043 909	36 852 671	36 457 543	39 069 226	40 546 924	42 897 185
Social Development	2 524 726	2 899 683	3 408 805	3 963 972	3 997 139	3 958 972	4 235 362	4 444 715	4 739 013
Cooperative Governance and Traditional Affairs	208 770	273 657	283 461	406 972	406 577	406 577	418 763	440 220	466 910
Human Settlements	4 421 597	4 546 443	5 030 253	5 939 014	5 085 904	5 994 281	5 871 166	6 616 801	7 042 788
Roads and Transport	5 564 906	5 366 174	5 872 084	6 605 952	6 481 601	6 465 091	7 299 704	7 634 841	8 024 170
Community Safety	414 662	493 481	629 606	622 152	736 080	736 080	652 880	677 003	718 047
Agriculture and Rural Development	515 888	543 698	615 022	707 387	811 940	784 022	777 853	852 053	886 211
Sport, Arts, Culture and Recreation	434 025	519 602	642 606	788 034	794 924	794 924	821 059	919 636	945 264
e-Government	1 118 628	1 024 284	1 215 022	1 171 505	1 178 803	1 178 945	1 216 132	1 271 158	1 077 693
Provincial Treasury	346 475	429 905	482 881	584 362	609 271	609 271	607 394	633 536	671 944
Infrastructure Development	1 408 343	1 529 491	1 826 575	2 050 698	2 413 814	2 413 814	2 564 853	2 686 747	2 848 650
<b>Total provincial payments and estimates by Vote</b>	<b>72 160 432</b>	<b>76 114 123</b>	<b>84 561 268</b>	<b>95 390 674</b>	<b>97 041 859</b>	<b>97 836 570</b>	<b>103 365 179</b>	<b>109 166 841</b>	<b>115 504 943</b>

According to Table 13 the total expenditure grows by 17.2 per cent from R72.2 billion in 2012/13 to R84.6 billion in the 2014/15 financial year. In the 2015/16 financial year, the provincial budget increases from R95.4 billion to R97 billion.

The provincial allocation over the 2016 MTEF increases from R103.4 billion in 2016/17 to R115.5 billion in 2018/19 thus representing an increase of approximately 12 per cent. Education; Health; and Roads and Transport receive 80.9 per cent of the provincial budget driven mainly by the need to deliver quality education, health care and convenient transport services.

Education receives the largest share of the total provincial budget that amounts to R39.1 billion in 2016/17 and grows further to R42.9 billion in the 2018/19 financial year. This is mainly due to the provision for independent schools, Improvement in Conditions of Service, learner and teacher support material, scholar transport, school nutrition, school infrastructure, special schools and municipal services to ensure that schools do not run out of electricity. Additional funding allocated to Education is largely for scholar transport, the implementation of the ICT strategy, municipal services and capacity building.

The baseline allocation for Health in 2016/17 amounts to R37.4 billion and grows subsequently to R42.5 billion to make provision for providing quality health care, Improvement in Conditions of Service and to cater for the carry-through effect of allocations made to Health in the 2015/16 adjustment budget. Furthermore, an amount of R27.3 million is received in 2018/19 for the rollout of HPV vaccine and this programme is aimed at reducing

cervical cancer in girls child aged between 9-10 years.

Roads and Transport receive an allocation of R7.3 billion in 2016/17 escalating to R8 billion in 2018/19 to fund the investment in road infrastructure to provide convenient and safe public transport through the bus subsidies and Gautrain. The Provincial Road Maintenance Grant (PRMG) is allocated to Roads and Transport to be used for upgrading and maintenance of roads and the Public Transport Operations Grant (PTOG) and caters for the bus subsidies through the demarcated contracts.

## 5.2 Payments by economic classification

TABLE 14: SUMMARY OF PROVINCIAL PAYMENTS AND ESTIMATES BY ECONOMIC CLASSIFICATION

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2012/13	2013/14	2014/15	2015/16			2016/17	2017/18	2018/19
<b>Current payments</b>	<b>54 126 916</b>	<b>58 315 161</b>	<b>64 045 920</b>	<b>71 653 010</b>	<b>73 175 844</b>	<b>73 121 527</b>	<b>76 936 992</b>	<b>81 232 004</b>	<b>86 356 135</b>
Compensation of employees	38 975 546	43 139 114	47 047 269	52 636 496	53 182 560	52 487 507	56 752 802	59 844 582	63 395 858
Goods and services	15 141 119	15 170 322	16 995 467	19 015 214	19 991 984	20 627 483	20 182 467	21 385 794	22 958 634
Interest and rent on land	10 251	5 725	3 184	1 300	1 300	6 537	1 723	1 628	1 644
<b>Transfers and subsidies to:</b>	<b>14 188 391</b>	<b>14 630 338</b>	<b>16 196 539</b>	<b>17 875 552</b>	<b>17 808 954</b>	<b>18 711 595</b>	<b>19 095 901</b>	<b>20 570 451</b>	<b>21 829 418</b>
Provinces and municipalities	1 441 852	962 134	1 047 227	1 146 247	1 459 476	1 460 064	1 522 083	1 608 876	1 697 698
Departmental agencies and accounts	2 307 429	2 188 269	2 168 094	2 471 830	2 667 644	2 667 644	2 846 374	2 968 476	3 141 052
Higher education institutions	17 156	16 849	16 967	23 675	34 175	34 175	25 173	27 012	28 782
Foreign governments and international organisations									
Public corporations and private enterprises	1 702 133	1 772 623	1 931 758	2 010 321	2 030 464	2 030 464	2 188 060	2 316 847	2 426 934
Non-profit institutions	4 345 793	5 090 300	5 592 984	6 461 292	6 713 521	6 610 659	6 772 257	7 165 520	7 633 804
Households	4 374 028	4 600 163	5 439 509	5 762 187	4 903 674	5 908 589	5 741 954	6 483 721	6 901 149
<b>Payments for capital assets</b>	<b>3 732 047</b>	<b>3 108 493</b>	<b>4 150 265</b>	<b>5 862 112</b>	<b>6 056 804</b>	<b>5 988 571</b>	<b>7 332 285</b>	<b>7 364 386</b>	<b>7 319 389</b>
Buildings and other fixed structures	3 007 367	2 484 385	2 705 130	5 020 017	4 798 577	4 636 436	5 828 990	5 901 495	5 785 663
Machinery and equipment	625 182	603 636	1 277 516	789 795	1 106 574	1 210 469	1 453 313	1 419 092	1 500 512
Heritage Assets									
Specialised military assets									
Biological assets									
Land and sub-soil assets	6 569	12 521	41 507	16 740	16 740	16 740	15 000	10 010	3 000
Software and other intangible assets	92 929	7 951	126 112	35 560	134 913	124 926	34 982	33 790	30 215
<b>Payments for financial assets</b>	<b>113 078</b>	<b>60 131</b>	<b>168 544</b>		<b>258</b>	<b>14 877</b>			
<b>Total economic classification</b>	<b>72 160 432</b>	<b>76 114 123</b>	<b>84 561 268</b>	<b>95 390 674</b>	<b>97 041 860</b>	<b>97 836 570</b>	<b>103 365 178</b>	<b>109 166 841</b>	<b>115 504 943</b>

### Current payments

Current payments constitute the largest share of the total provincial spending, at an average of 74.5 per cent over the 2016 MTEF and increases from R73.1 billion in the 2015/16 revised estimate to R86.3 billion in the 2018/19 financial year. The largest portion of current payments is compensation of employees, which is set to increase from R52.5 billion in the 2015/16 revised estimate to R63.4 billion in the 2018/19 financial year. This increase is attributable to the planned filling of critical vacant posts by various departments and the cost of living adjustment.

A major share of the personnel budget is allocated to Education and Health, due to the need to have educators and health care professionals in these departments to ensure that quality teaching and health care services are provided in the province. Health personnel budget includes OSD for qualifying employees and funding for the recruitment of critical staff as well as other salary related costs to fund the remuneration of the existing staff establishment. Education's personnel budget includes funding for the recruitment of additional educators and support staff and to meet the policy requirements such as the learner: educator ratio. In addition, these two departments are allocated additional funding of R1.2 billion and R925.7 million respectively over the 2016 MTEF to cover any shortfall that might arise due to the 2015 wage agreement for the public sector.



Goods and services are set to grow at a nominal annual average rate of 3.7 per cent over the 2016 MTEF from the 2015/16 revised estimate, mainly in response to current cost containment measures. This caters for critical spending areas such as medicine, medical supplies, Learner and Teacher Support Material (LTSM) and municipal services. The goods and services budget increases in 2016/17 to supplement the budget allocated to municipal services and the scholar transport etc.

### **Transfers and subsidies**

The total transfers and subsidies allocation over the 2016 MTEF is estimated to increase by R3.1 billion or 16.7 per cent from the 2015/16 revised estimate of R18.7 billion. A substantial portion of transfers and subsidies is transferred to non-profit institutions emanating from Education to subsidise schools according to the norms and standards for school funding and the other entities to deliver teacher development and interventions to improve education outcomes. Social Development also transfers funds to non-profit organisations as this department works in collaboration with the NGO sector to deliver services.

The majority of the transfers classified under departmental agencies and accounts, and public corporations and private enterprise is from Roads and Transport. The increased allocation over the 2016 MTEF on the departmental agencies and accounts relates to payments made in respect of the Gautrain Management Agency. Transfers to public corporations and private enterprises also grow over the 2016 MTEF, this relate to transfers to the public transport operators including the North West Star contracts.

Transfer to households is primarily to cater for the accelerated delivery in housing projects and the eradication of informal settlements in the province delivered by Human Settlements. Transfers for 2016/17 financial year includes an amount of R124 million which is earmarked for the mining towns of Merafong, Randfontein and Westonaria.

### **Payments for capital assets**

Payments for capital assets reflect growth at annual average of 7.4 per cent over the 2016 MTEF, from R5.99 billion in 2015/16 revised estimates to R7.3 billion in 2018/19. The bulk of the payment for capital assets is driven by the departments of Education, Health, and Roads and Transport who account for R6.6 billion or 90.3 per cent of the total provincial capital investment allocation in 2016/17.

## 5.3 Payments by policy area

TABLE 15: SUMMARY OF PROVINCIAL PAYMENTS AND ESTIMATES BY FUNCTIONAL AREA

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2012/13	2012/13	2014/15		2015/16		2016/17	2017/18	2018/19
General public services	3 844 787	4 193 047	4 660 785	5 239 465	5 638 903	5 648 965	5 898 234	6 180 948	6 284 174
Public order and safety	414 662	493 481	629 606	622 152	736 080	736 080	652 880	677 003	718 047
Economic affairs	6 825 431	6 701 726	7 394 186	8 455 483	8 393 915	8 357 793	9 191 905	9 622 919	10 115 518
Environmental protection	128 734	134 933	153 575	163 466	205 236	196 930	217 289	247 968	262 564
Housing and community amenities	4 421 597	4 546 443	5 030 253	5 939 014	5 085 904	5 994 281	5 871 166	6 616 801	7 042 788
Health	26 834 347	27 415 801	31 005 212	34 175 179	35 337 088	35 691 082	37 408 057	39 909 926	42 500 389
Recreation, culture and religion	434 025	519 602	642 606	788 034	794 924	794 924	821 059	919 636	945 264
Education	26 732 123	29 209 407	31 636 240	36 043 909	36 852 671	36 457 543	39 069 226	40 546 924	42 897 185
Social protection	2 524 726	2 899 683	3 408 805	3 963 972	3 997 139	3 958 972	4 235 362	4 444 715	4 739 013
<b>Total provincial payments and estimates by policy area</b>	<b>72 160 432</b>	<b>76 114 123</b>	<b>84 561 268</b>	<b>95 390 674</b>	<b>97 041 860</b>	<b>97 836 570</b>	<b>103 365 179</b>	<b>109 166 841</b>	<b>115 504 943</b>

Table 15 above presents provincial payments according to the functions of the government, which in the province relates to the implementation of the Transformation, Modernization and Re-industrialization priorities and projects. There is a noticeable growth in the payments and estimates relating to the policy areas in the province over the seven-year period. The level of provincial spending and budget reflects growth from 2012/13 to 2018/19, despite the National Treasury fiscal consolidation cuts on the equitable share and conditional grant allocations of provinces over 2016 MTEF.

As reflected above, the highest expenditure is on Education and Health which account for 74 per cent (R76 billion) of the provincial budget. Education takes the lead in the Modernisation of Public Service through the introduction and implementation of ICT in education and transforming public schooling by addressing barriers to access, equity and redress as well as increasing access to quality pre- and post-schooling educational opportunities. The growth in the Education budget is also attributable to the increase in the funding of the department to deal with the projects such as the Incremental Introduction of African Languages, the New Gauteng Master Skills plan to promote inclusive, facilitative and pro-active skills planning with an implementation framework for the GCR that demonstrates government's commitment to the development of skills that are required to support the GCR's bold economic growth and employment creation targets set in the Radical Transformation, Modernisation and Re-industrialisation strategy.

Health continues to be committed in providing high quality, efficient and accessible health care to transform people's lives through the implementation of accelerated social transformation as one of the pillars. In response to the call to accelerate social transformation, Health is committing to the following priorities: National Health Insurance rollout; Improved quality of health care; Increase quality and access in PHC facilities; Modernized health information systems.

Economic growth and development are primarily driven by the Economic Development; Agriculture and Rural Development; and Roads and Transport. Their main functions are to provide financial and non-financial supports to SMME's and cooperatives, promote economic growth in the province, ensure food security for all and build and upgrade transport infrastructure. The COGTA department will assist in the preparation and facilitation of free and fair local government elections, and continue to promote and establish organs of people's power (ward committees, street committees and block committees). The department will conduct induction and training for all new ward committee members after the 2016 local government elections.

## 5.4 Infrastructure payments

For more information on infrastructure payments refer to 2016 Estimates of Capital Expenditure (ECE).

## 5.5 Personnel costs

TABLE 16: PROVINCIAL PERSONNEL COSTS

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2012/13	2013/14	2014/15		2015/16		2016/17	2017/18	2018/19
Office of the Premier	153 493	176 280	199 024	228 529	232 029	232 029	244 362	270 789	289 182
Provincial Legislature	181 637	207 397	231 742	284 865	267 776	267 776	300 171	330 044	362 962
Economic Development	110 304	110 685	134 813	215 711	181 787	181 788	230 625	242 196	256 244
Health	15 244 542	17 096 854	18 654 909	20 409 052	20 834 705	20 826 361	22 208 890	23 614 733	25 043 335
Education	20 029 595	21 812 522	23 734 110	26 428 946	26 814 567	26 268 881	28 214 940	29 558 673	31 273 074
Social Development	782 298	903 194	1 018 431	1 272 624	1 290 791	1 241 225	1 338 081	1 361 124	1 407 089
Cooperative Governance and Traditional Affairs	182 711	200 300	222 104	266 482	254 419	254 395	281 299	302 359	319 896
Human Settlements	298 769	316 760	345 188	372 402	372 402	372 399	404 372	425 087	448 432
Roads and Transport	437 039	472 102	488 559	693 032	548 968	548 968	631 320	647 972	702 514
Community Safety	252 299	319 775	356 292	418 149	418 149	411 537	459 176	477 994	505 717
Agriculture and Rural Development	267 441	291 624	330 853	354 462	379 178	381 241	409 708	424 070	444 098
Sport, Arts, Culture and Recreation	109 238	143 333	174 633	184 440	188 440	188 440	239 300	254 425	269 687
e-Government	220 276	245 369	252 933	343 540	301 464	301 453	503 991	536 347	562 800
Provincial Treasury	257 114	291 210	332 918	417 813	391 434	391 292	453 362	471 808	500 836
Infrastructure Development	448 790	551 709	570 760	746 450	706 450	668 166	833 204	926 963	1 009 990
<b>Total provincial personnel costs</b>	<b>38 975 546</b>	<b>43 139 114</b>	<b>47 047 269</b>	<b>52 636 497</b>	<b>53 182 559</b>	<b>52 535 951</b>	<b>56 752 802</b>	<b>59 844 583</b>	<b>63 395 857</b>

The table above reflect personnel budget and expenditure of provincial departments in Gauteng. The total spending on personnel increased from R38.9 million in 2012/13 to R47 million in the 2014/15 financial year. The budget increased by 8 per cent between the 2015/16 and 2016/17 financial years. For the two outer years there is a slight rise of 6.2 per cent translating to a R3.7 billion growth. The growth in the 2016 MTEF budget allocated to personnel caters for all salary related costs in line with the 2015 wage agreement and the appointment of critical staff.

The personnel budget of Health grows from R20.8 billion in 2015/16, increasing to R25 billion in the 2018/19 financial year to make provision for the appointment of health professionals to deliver quality health care services to the public as well as other salary related costs.

Education has the highest number of personnel due to educators that are paid in this department. The personnel budget increases from R28.2 billion in 2016/17 to R31.3 billion in the 2018/19 financial year.

Social Development significantly increased its personnel budget from R1.3 billion in 2016/17 to R1.4 billion in 2018/18 to cater for the existing staff establishment and the appointment of critical staff including Social Work Graduates, Child and Youth Care Workers and Community Development Practitioners.

## 5.6 Payments on training

TABLE 17: PAYMENTS ON TRAINING BY VOTE

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2012/13	2013/14	2014/15				2016/17	2017/18	2018/19
					2015/16				
Office of the Premier	2 262	571	1 595	2 075	2 075	2 075	1 898	2 305	2 439
Provincial Legislature	4 884	1 755	3 074	3 880	3 880	3 880	4 011	4 011	4 011
Economic Development	1 399	1 808	4 044	3 237	2 245	2 245	2 306	2 527	2 674
Health	38 013	24 352	30 633	56 918	50 020	44 859	58 493	61 046	64 647
Education	200 937	262 465	378 088	482 774	483 053	488 255	518 630	544 846	576 447
Social Development	6 092	8 137	12 287	12 453	12 453	12 453	13 113	13 768	14 567
Cooperative Governance and Traditional Affairs	8 974	5 683	11 501	10 642	10 642	10 642	11 936	12 051	12 929
Human Settlements	2 062	7 120	904	3 817	3 817	3 817	5 044	4 251	4 485
Roads and Transport	8 713	564	7 600	11 535	11 535	11 535	12 295	12 363	13 080
Community Safety	4 726	3 777	5 591	7 770	7 770	7 579	6 959	7 359	7 739
Agriculture and Rural Development	6 519	6 909	5 579	3 805	3 805	3 805	3 594	4 439	4 696
Sport, Arts, Culture and Recreation	1 559	1 631	1 719	1 840	1 840	1 840	2 393	2 544	2 697
e-Government	1 899	1 648	3 155	2 000	2 000	2 000	2 300	2 415	2 136
Provincial Treasury	3 638	7 410	3 756	5 989	5 989	4 889	6 643	7 015	7 422
Infrastructure Development	11 661	14 505	19 842	20 977	23 810	23 810	20 827	22 910	25 201
<b>Total provincial payments on training</b>	<b>302 692</b>	<b>348 335</b>	<b>489 368</b>	<b>629 713</b>	<b>624 935</b>	<b>623 684</b>	<b>670 442</b>	<b>703 850</b>	<b>745 170</b>

The table above depicts the training budget allocation for the province. This is as per the Skills Development Act to promote skills development and training to promote service delivery. The provincial expenditure on training has increased by R186 million from R302.7 million in 2012/13 to R489.4 million in the 2014/15 financial year. The budget allocated in 2016/17 amounts to R670.4 million, the largest contributing department is Department of Education which contributes 77 per cent followed by Department of Health which contributes 9 per cent. The other department combined contributes 14 per cent.

Education's training budget is inclusive of the budget for the Gauteng City Region Academy for the implementation of the Gauteng Master Skill Plan II. The vision of the Master Skills Plan for the Gauteng City Region is to create inclusive, facilitative and proactive skills planning which demonstrates government's commitment to the development of skills that are required to support the GCR's economic growth and employment creation targets. The department also provides bursaries to top performing learners in the province and training, learnerships and internships to youth as part of youth development in the province.

Health's training programmes will focus on the re-engineering of Primary Health Care Services. The increase in the budget is as a result of the training of community health workers, medical and support staff, who will be appointed under the HIV and AIDS programme. The department will over the 2016 MTEF offer more bursaries to students through the South African Cuban Medical Doctor Training Programme to address the shortage of skills in the province. The training of midwives will continue in order to improve maternal and neonatal services. The training budget allocation in other departments is aimed at mainly training and developing employees to enhance their skills and to improve service delivery in the respective sectors. Departments continue to provide bursaries to employees as part of skills and career development. There is also provision made for learnerships and internship programmes for youth development.

