

Intergovernmental Fiscal Review

2001

PR219/2001
ISBN: 0-621-31521-4

Printed by Formeset Printers Cape

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2001

National Treasury

Republic of South Africa

October 2001



PREFACE

Initiated in 1999, the *Intergovernmental Fiscal Review* has become a barometer of provincial and local government fiscal trends. It complements the *Budget Review*, which provides consolidated grant information, but limited detail on provincial and municipal budgets.

This year's issue broadens the analysis to non-financial data, and offers insight into service delivery progress in provinces and municipalities. This fits in with Government's objectives to focus on outputs and service delivery, and to measure performance and ensure efficiency of expenditure. Like with financial information, initially this non-financial perspective is evolving, and will be improved in future issues. However, the *Review* offers a good start, and sets the stage for more comprehensive coverage and more robust analysis.

The broadened focus highlights the pivotal roles of provincial and local governments in the delivery of social and basic services. Through these spheres, South Africans obtain much of their access to education, health care, social development, public housing, roads and basic services like water, electricity and refuse removal. The analysis shows the trends in spending and revenue, and the challenges to ensure higher outputs, of better quality, at levels people can afford. As it seeks to achieve this, Government faces ongoing choices and trade-offs, mostly reflected in fiscal reality. A common thread is budget reform in the provincial and local spheres. Provinces are part and parcel of the multi-year budget process, and reforms are being piloted to put municipalities on the same track. The achievements, ongoing pressures, and constraints that face both spheres are portrayed and it is clear that local government, in particular, has to deal with considerable challenges.

The *Review* offers information, and analytical perspective, to facilitate understanding of these choices in the past, and direction for making them in future. The *Review* is written for non-financial policy analysts, policy makers, political representatives, implementers and academics. It is a major resource to assist stakeholders in understanding the impact of the budget allocation process and policy debates. It should particularly support the various portfolio, standing and other committees in parliament, provincial legislatures and municipal councils to debate and assess budgets and plans for critical services, whether they be school education, health services, social grant payments, housing, provincial roads, the provision of free services (electricity and water), or municipal infrastructure. Importantly, it also allows for comparability between provinces and municipalities, encouraging best-practices being implemented by innovative provinces or municipalities.

I want to thank the Intergovernmental Relations Division in the National Treasury for the extensive analysis that went into producing the publication, and the provinces, departments, municipalities and other stakeholders that so readily provided information and comments. The Social Services and Public Finance Statistics chief directorates provided significant assistance. Lastly, I want to thank Chris Heymans for all his efforts in editing the *Review* and ensuring its publication. It is a considerable contribution to informed and transparent debate, policy development and budgeting.

Maria Ramos
Director-General: National Treasury

Useful Web-sites

Development Bank of Southern Africa (DBSA)	www.dbsa.org
Financial and Fiscal Commission (FFC)	www.ffc.co.za
IDASA	www.idasa.com
Infrastructure Finance Corporation Limited (INCA)	www.inca.co.za
Legislation	
Constitution, PFMA, Division of Revenue Acts	www.parliament.gov.za
Municipal Finance Management Bill	www.treasury.gov.za
National Departments	
Education	www.education.pwv.gov.za
Government Communications (GCIS)	www.gcis.gov.za
Health	www.health.gov.za
Housing	www.housing.gov.za
Minerals and Energy	www.dme.gov.za
National Treasury	www.treasury.gov.za
Provincial and Local Government	www.local.gov.za
Public Service and Administration	www.gcis.gov.za/gov/psa.htm
Social Development	www.welfare.gov.za
Transport	www.transport.gov.za
Water Affairs and Forestry	www.dwaf.pwv.gov.za
Provinces	
Eastern Cape	www.ecprov.gov.za
Free State	www.hst.org.za
Gauteng	www.gpg.gov.za
KwaZulu-Natal	www.kwazulunatal.org
Mpumalanga	www.mpumalanga.co.za
North West	www.users.iafrica.com
Northern Cape	www.ncwebpage.ncape.gov.za
Northern Province	www.northern-province.gov.za
Western Cape	www.westcape.wcape.gov.za
South African Government Information	www.polity.org.za
South African Local Government Association (SALGA)	www.salga.org.za
South African Reserve Bank (SARB)	www.resbank.co.za
South African Revenue Services (SARS)	www.sars.gov.za
Statistics South Africa	www.statssa.gov.za

Abbreviations

CBPWP	Community-based Public Works Programme
CFO	Chief Financial Officer
CMIP	Consolidated Municipal Infrastructure Programme
CWSSP	Community Water Supply and Sanitation Programme
DBSA	Development Bank of Southern Africa
DPLG	Department of Provincial and Local Government
ECD	Early Childhood Development
GAMAP	Generally accepted municipal accounting practice
GFS	Government Financial Statistics
HIV/Aids	Human immuno-deficiency virus / Acquired immuno-deficiency syndrome
IMF	International Monetary Fund
INCA	Infrastructure Finance Corporation
INP	Integrated Nutrition Programme
LED	Local Economic Development
MDB	Municipal Demarcation Board
MEC	Member of the Provincial Executive Council
MinMEC	Meeting of National Minister with the nine Members of the provincial Executive Councils
MinComBud	Ministers Committee on the Budget
MTEF	Medium-term expenditure framework
NaTIS	National Traffic Information System
NGO	Non-governmental Organisation
PFMA	Public Finance Management Act
RAMS	Representative Association of Medical Schemes
RDP	Reconstruction and Development Programme
RSC	Regional Services Council
RTMC	Road Traffic Management Corporation
SALGA	South African Local Government Association
SARB	South African Reserve Bank
SARS	South African Revenue Services
SDDS	Special Data Dissemination Standard
SETA	Sector Education and Training Authority
SNA	System of National Accounts

Technical notes

Adjustments to facilitate comparison over time

Analysis of provincial budgets is distorted by shifts in responsibilities between the three spheres of government. To enable comparisons over time, the figures have to be adjusted to account for shifts in responsibilities between the three spheres of government. These adjustments include the local governments' equitable share, housing funds, hospital rehabilitation and the financial management and quality enhancement agency payments.

Financial years

A financial year for the local government sphere starts on 1 July and ends on 30 June of the following year whereas a financial year for the national and provincial spheres starts on 1 April and ends on 31 March of the following year. In the *Review*, financial years for the local government sphere are indicated by using a (€) between the years e.g. 2000-01 whereas (/) is used for the other two spheres of government, e.g. 2000/01.

GDP deflator

When comparing monetary values from one year to another, it is common to take account of inflation. While it is common to use the consumer price index to adjust amounts for comparison, in Government it is more appropriate to use a different measure of inflation. The GDP deflator is an index that more accurately measures the effects of inflation on the basket of goods and services that government departments buy.

GFS classification

Some technical adjustments to the appropriation account numbers were required as provinces classify expenditure for certain functions differently. This problem will be addressed by the introduction of the GFS classification, as prescribed by the IMF.

Improvements in conditions of service

In some cases, the improvements in conditions of service amounts were distributed by formula in proportion to the budgeted personnel expenditure in the programme.

Rounding off numbers

Appropriation of funds and reporting of expenditure is done in terms of Rand thousands. The majority of the tables in the *Review* reflect numbers in terms of Rand millions. As a result of rounding off, some minor deviations may occur.

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Annexure E: Demographic information

Annexure F: Provincial Agriculture, Legislature, Public Works and Transport
budgets

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Examination, Department of Education, Pretoria, 28 December 2000.