

# Trends in provincial budgets

## Introduction

Provinces play a key role in the delivery of school education, health care, welfare services and social and economic infrastructure development. Most provincial functions do not lend themselves to cost recovery. As a result, provinces continue to rely on national transfers to execute their constitutional mandate. National transfers to provinces comprised 96,1 per cent of their revenue in 2003/04, and are rising by a percentage point to 97,1 per cent in 2004/05. Own revenue in 2003/04 constituted around 3,9 per cent of total provincial revenue.

*National transfers are the main source of funding for provinces*

The 2004 budgets, which are at present being implemented, reinforce provincial programmes aimed at reducing poverty and addressing vulnerability. Over the next three years:

*Provinces fund programmes in line with government's pro-poor policies*

- coverage of social security grants will be extended, particularly to children until they reach the age of 14
- support for school education will be sustained through increased spending on recurrent inputs
- government's land reform programme will be supported through increased funding for the comprehensive agricultural support programme
- HIV and Aids treatment will be scaled up
- development programmes with high potential for sustained job creation will be expanded under the umbrella of the expanded public works programme.

Using actual expenditure data for the period 2000/01 to 2002/03, preliminary outcomes for 2003/04, budgeted expenditure for 2004/05, and forward estimates through 2006/07, this chapter provides a snapshot of aggregated provincial finances. Specific chapters provide a detailed overview and analysis of sectoral performance and trends.

*This chapter summarises seven-year trends in provincial finances*

## Expenditure and budget trends

The 2004 provincial budgets reflect a strong alignment with national priorities and a commitment to sustainable service delivery. Table 2.1 shows growth of 9,3 per cent in total budgeted expenditure in 2004/05 and an average annual growth of 9,0 per cent over the 2004 medium-term expenditure framework (MTEF) period. Coupled with low and stable inflation, growths of this magnitude set the base for real increases in pro-poor and labour-intensive programmes in the provincial sphere, which will contribute to improving access to public

*There is strong growth in provincial expenditure over the MTEF*

services. In 2004/05, provinces are budgeting to spend R186,7 billion, or 9,3 per cent more than the 2003/04 preliminary outcome of R170,9 billion. Expenditure is budgeted to grow to R221,4 billion in 2006/07.

**Table 2.1 Total provincial expenditure, 2000/01 to 2006/07**

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
		Outcome		Preliminary outcome	Medium-term estimates		
R million							
Eastern Cape	18 162	19 596	24 715	29 680	31 149	33 658	36 342
Free State	7 420	8 222	9 680	11 565	12 544	13 684	14 716
Gauteng	18 109	20 299	24 475	28 298	29 819	32 765	34 745
KwaZulu-Natal	21 866	25 183	28 979	34 126	37 807	41 874	45 563
Limpopo	14 485	15 656	18 780	21 777	24 295	26 944	29 317
Mpumalanga	7 015	8 427	9 774	11 543	13 078	14 550	15 915
Northern Cape	2 672	2 968	3 468	4 151	4 429	4 818	5 183
North West	9 217	9 901	11 535	13 364	15 240	16 917	18 361
Western Cape	11 513	12 517	14 505	16 364	18 345	19 658	21 217
<b>Total</b>	<b>110 460</b>	<b>122 770</b>	<b>145 910</b>	<b>170 867</b>	<b>186 705</b>	<b>204 869</b>	<b>221 359</b>
<b>Percentage growth</b>							
Eastern Cape		7,9%	26,1%	20,1%	4,9%	8,1%	8,0%
Free State		10,8%	17,7%	19,5%	8,5%	9,1%	7,5%
Gauteng		12,1%	20,6%	15,6%	5,4%	9,9%	6,0%
KwaZulu-Natal		15,2%	15,1%	17,8%	10,8%	10,8%	8,8%
Limpopo		8,1%	20,0%	16,0%	11,6%	10,9%	8,8%
Mpumalanga		20,1%	16,0%	18,1%	13,3%	11,3%	9,4%
Northern Cape		11,1%	16,8%	19,7%	6,7%	8,8%	7,6%
North West		7,4%	16,5%	15,9%	14,0%	11,0%	8,5%
Western Cape		8,7%	15,9%	12,8%	12,1%	7,2%	7,9%
<b>Total</b>		<b>11,1%</b>	<b>18,8%</b>	<b>17,1%</b>	<b>9,3%</b>	<b>9,7%</b>	<b>8,0%</b>

Source: National Treasury provincial database

In the 2004/05 financial year, Gauteng is budgeting for a surplus of R594 million, while, of the nine provinces, only Eastern Cape and Western Cape tabled deficit budgets (R562,5 million and R366,2 million, respectively).

Provinces have set aside small contingency reserves of R67,5 million in 2004/05, R256,8 million in 2005/06 and R100,5 million in 2006/07.

### Social services

*Provinces continue to prioritise pro-poor social services*

Around 82,0 per cent, social services consistently make up a large proportion of provincial expenditure over the period under review. Table 2.2 shows that aggregate provincial spending for 2003/04 on school education, health and social development (together referred to as social services) amounted to R139,7 billion, translating to 81,8 per cent of total provincial expenditure. The share of social services is set to rise steadily over the MTEF, reaching 82,7 per cent by 2006/07.

**Table 2.2 Consolidated provincial expenditure, 2000/01 to 2006/07**

R million	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
	Outcome			Preliminary outcome	Medium-term estimates		
Education	43 739	47 380	53 261	60 326	64 809	69 399	73 714
Health	25 953	29 352	32 802	36 929	40 550	44 154	47 378
Social development	20 894	23 833	32 426	42 444	47 586	55 286	61 880
<b>Total social services</b>	<b>90 587</b>	<b>100 566</b>	<b>118 489</b>	<b>139 699</b>	<b>152 945</b>	<b>168 839</b>	<b>182 972</b>
Contingency reserves	–	–	–	–	68	257	101
Non-social services	19 873	22 204	27 421	31 168	33 693	35 773	38 287
<b>Total</b>	<b>110 460</b>	<b>122 770</b>	<b>145 910</b>	<b>170 867</b>	<b>186 705</b>	<b>204 869</b>	<b>221 359</b>
<b>Shares of total provincial expenditure</b>							
Social services	82,0%	81,9%	81,2%	81,8%	81,9%	82,4%	82,7%
<i>Education</i>	39,6%	38,6%	36,5%	35,3%	34,7%	33,9%	33,3%
<i>Health</i>	23,5%	23,9%	22,5%	21,6%	21,7%	21,6%	21,4%
<i>Social development</i>	18,9%	19,4%	22,2%	24,8%	25,5%	27,0%	28,0%
Non-social services	18,0%	18,1%	18,8%	18,2%	18,1%	17,6%	17,3%
<b>Total</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>Percentage growth</b>							
Social services		11,0%	17,8%	17,9%	9,5%	10,4%	8,4%
<i>Education</i>		8,3%	12,4%	13,3%	7,4%	7,1%	6,2%
<i>Health</i>		13,1%	11,8%	12,6%	9,8%	8,9%	7,3%
<i>Social development</i>		14,1%	36,1%	30,9%	12,1%	16,2%	11,9%
Non-social services		11,7%	23,5%	13,7%	8,3%	6,7%	6,5%
<b>Total</b>		<b>11,1%</b>	<b>18,8%</b>	<b>17,1%</b>	<b>9,3%</b>	<b>9,7%</b>	<b>8,0%</b>
<b>Social services expenditure as percentage of provincial expenditure</b>							
Eastern Cape	82,9%	83,8%	81,2%	80,3%	81,6%	83,6%	83,9%
Free State	81,2%	80,4%	80,7%	82,3%	83,0%	83,7%	83,9%
Gauteng	85,0%	84,4%	80,6%	81,2%	80,2%	80,0%	79,6%
KwaZulu-Natal	83,6%	84,8%	85,6%	86,0%	86,2%	86,1%	86,8%
Limpopo	79,6%	78,6%	78,8%	79,5%	80,3%	80,2%	80,3%
Mpumalanga	77,5%	74,9%	77,9%	79,5%	80,6%	81,0%	81,6%
Northern Cape	78,1%	75,4%	77,6%	78,7%	75,8%	77,2%	77,6%
North West	76,4%	77,9%	78,6%	79,6%	79,5%	80,9%	81,4%
Western Cape	84,7%	83,8%	82,1%	83,4%	82,3%	82,4%	82,2%
<b>National average</b>	<b>82,0%</b>	<b>81,9%</b>	<b>81,2%</b>	<b>81,8%</b>	<b>81,9%</b>	<b>82,4%</b>	<b>82,7%</b>

Source: National Treasury provincial database

While the aggregate share of expenditure on social services continues to show a steady upward trend, notable variations in provincial trends are emerging. In Eastern Cape, Free State, Limpopo, Mpumalanga and North West, the share of social services expenditure is rising over the MTEF period. In Gauteng, Northern Cape and Western Cape, the share shows a slight downward trend. The underlying reasons for these trends may vary across provinces, but certain historical patterns appear to be common. Most of the provinces where the share of social services is rising have had a history of debts, which took up some of the resources that could have been used to fund social services. With their debts now substantially reduced, they are able to channel increased resources to social services.

*Provincial variations in social services spending are evident*

### *Education*

Although its share in total provincial spending decreases from 35,3 per cent in 2003/04 to 34,7 per cent in 2004/05, in absolute terms education spending increases from R60,3 billion in 2003/04 to R73,7 billion in 2006/07. This translates to an average annual growth of 6,9 per cent a year over the MTEF period.

*Additional spending in education goes to non-personnel inputs and key programmes*

The bulk of the growth in education expenditure is intended to fund non-compensation of employee inputs, such as the learner support materials (LSM) and school infrastructure, needed to improve the quality of education. In addition, it is aimed at stepping up funding for key education programmes, such as early childhood development (ECD) and adult basic education and training (ABET). Real growth of 8,2 per cent and 2,8 per cent, for ECD and ABET, respectively, is budgeted for the next three years. The further education and training (FET) programme also shows significant real growth of 7,7 per cent over the MTEF period.

Provincial spending on education is further explained in chapter 4.

### *Health*

The provincial health budgets grow by 4,4 per cent in real terms to R40,6 billion between 2003/04 and 2004/05. Over the MTEF period, they are projected to grow by 3,3 per cent a year in real terms, to reach R47,4 billion by 2006/07.

*Growth in spending on compensation of employees is aimed at retaining skilled staff in the health sector*

Spending on compensation of employees in the health sector is budgeted to increase significantly, to R23,2 billion in 2004/05 from a preliminary outcome of R21,1 billion in 2003/04, and to grow to R26,1 billion by 2006/07. This is in line with government's strategy to attract and retain health professional workers with scarce skills and to ensure their availability in rural areas.

*Health non-compensation of employees' expenditure also shows strong growth*

Expenditure on non-compensation of employees in the health sector also shows strong real growth, rising from R15,8 billion in 2003/04 to R17,4 billion (4,5 per cent) in 2004/05. It is projected to increase to R21,3 billion in 2006/07. Real growth in non-compensation of employees spending is to ensure that the sector procures more complementary inputs, such as equipment, drugs and medicine, to ensure delivery of quality health care.

*Health infrastructure increases sharply*

In addition to the R911,9 million conditional grant for hospital revitalisation, provinces have allocated a further R732,0 million from other sources for health facility rehabilitation and maintenance over the next three years.

The health HIV and Aids conditional grant grows to R1,6 billion over the next three years to fund the rollout of the anti-retroviral (ARV) programme.

Chapter 5 contains more details on provincial expenditure on health.

### **Social development**

Social development spending continues its strong upward trend. This is mainly due to government's pro-poor stance and the need to alleviate poverty through direct income support. The share of social development spending in total provincial spending grew from 18,9 per cent in 2000/01 to 24,8 per cent in 2003/04, and is expected to grow to 28,0 per cent by 2006/07, to R61,9 billion. Total spending on social security grants increases from R37,1 billion in 2003/04 to R41,4 billion in 2004/05. Social development spending is budgeted to grow by 7,8 per cent in real terms over the MTEF period. This is due mainly to the sharp growth in social grant beneficiaries, which is linked to the extension of the child support grant to children up to the age of 14, and increases in grant values. The child support extension grant increases sharply from R1,2 billion in 2003/04 to R9,3 billion by 2006/07.

*Strong growth in social development expenditure reflects increased income support to the poor*

Chapter 6 explains provincial social development spending.

Social security grant transfers and housing subsidies are classified as transfers to households and constitute the second largest share of provincial spending. Transfers and subsidies make up 31,1 per cent in 2004/05, increasing to 33,2 per cent in 2006/07 (see table 2.4).

*Social security grants and housing subsidies constitute the second largest share of provincial spending*

### **Non-social services**

In addition to social services, provinces are responsible for a range of economic functions, such as agriculture, housing, environmental affairs and tourism, and administrative functions, such as the running of legislatures and the departments responsible for local government affairs. After recovering strongly over the past three years, at R33,7 billion in 2004/05, or 18,1 per cent of total provincial expenditure, non-social services expenditure is now entering a phase of consolidation. The recovery is largely fuelled by strong growth in capital expenditure, which, in turn, is due in part to the growth in the provincial infrastructure and the housing subsidy grants.

*Non-social services expenditure stabilises at around 18,1 per cent*

### **Payments for capital assets**

Table 2.3 shows that capital spending, excluding capital transfers, continues to show strong growth from 2000/01 through 2006/07. As a percentage of total spending, capital budgets will grow to 6,1 per cent in 2004/05. KwaZulu-Natal continues to grow above the average rate, at 8,2 per cent over the MTEF period, to R3,6 billion in 2006/07.

*Capital spending shows strong growth*

**Table 2.3 Provincial payments for capital assets<sup>1</sup>, 2000/01 to 2006/07**

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
	Outcome			Preliminary outcome	Medium-term estimates		
R million							
Eastern Cape	263	416	998	1 755	1 898	2 196	2 349
Free State	126	380	453	578	607	721	764
Gauteng	722	1 192	1 651	2 082	1 850	1 997	1 953
KwaZulu-Natal	1 044	1 943	1 859	2 404	3 082	3 407	3 611
Limpopo	328	389	650	895	999	1 058	1 113
Mpumalanga	352	498	610	708	809	1 062	1 256
Northern Cape	110	183	250	185	274	302	337
North West	560	401	627	646	787	828	893
Western Cape	555	731	823	912	1 005	1 132	1 388
<b>Total</b>	<b>4 059</b>	<b>6 132</b>	<b>7 920</b>	<b>10 165</b>	<b>11 311</b>	<b>12 705</b>	<b>13 665</b>
Percentage of total expenditure							
Eastern Cape	1,4%	2,1%	4,0%	5,9%	6,1%	6,5%	6,5%
Free State	1,7%	4,6%	4,7%	5,0%	4,8%	5,3%	5,2%
Gauteng	4,0%	5,9%	6,7%	7,4%	6,2%	6,1%	5,6%
KwaZulu-Natal	4,8%	7,7%	6,4%	7,0%	8,2%	8,1%	7,9%
Limpopo	2,3%	2,5%	3,5%	4,1%	4,1%	3,9%	3,8%
Mpumalanga	5,0%	5,9%	6,2%	6,1%	6,2%	7,3%	7,9%
Northern Cape	4,1%	6,2%	7,2%	4,5%	6,2%	6,3%	6,5%
North West	6,1%	4,1%	5,4%	4,8%	5,2%	4,9%	4,9%
Western Cape	4,8%	5,8%	5,7%	5,6%	5,5%	5,8%	6,5%
<b>Total</b>	<b>3,7%</b>	<b>5,0%</b>	<b>5,4%</b>	<b>5,9%</b>	<b>6,1%</b>	<b>6,2%</b>	<b>6,2%</b>

1. Excludes capital transfers.

Source: National Treasury provincial database

### Compensation of employees

*The share of compensation of employees spending is declining*

Table 2.4 shows that compensation of employees' share of total spending is set to decline from 47,3 per cent in 2004/05 dropping further to 44,5 per cent in 2006/07. This is mainly to free up resources for complementary inputs to enhance service delivery.

*Increased spending will improve the quality of services*

Total budgeted compensation of employees expenditure grows by 9,1 per cent from the preliminary outcome of R80,9 billion in 2003/04 to R88,3 billion in 2004/05. It continues to rise at an annual average of 6,8 per cent over the MTEF, to R98,5 billion in 2006/07.

The share of spending on non-compensation of employees remains the same for 2004/05 as in 2003/04, at 52,7 per cent of total spending. This share increases to 54,4 per cent in 2005/06 and to 55,5 per cent in 2006/07, largely influenced by the declining share of compensation of employees and the commitment by government to channel more resources to boost quality and efficiency in spending.

Spending on non-compensation non-capital also increases, by R7,3 billion (or 9,1 per cent), from a preliminary outcome expenditure of R79,8 billion to R87,1 billion in 2004/05.

**Table 2.4 Total provincial expenditure by economic classification, 2000/01 to 2006/07**

R million	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
	Outcome			Preliminary outcome	Medium-term estimates		
Current payments	78 816	85 474	95 775	107 111	117 211	125 787	134 130
<i>Of which:</i>							
<i>Compensation of employees</i>	63 719	67 777	73 937	80 900	88 302	93 322	98 502
<i>Goods and services</i>	14 995	17 488	21 570	26 031	28 829	32 561	35 560
Transfers and subsidies	27 585	31 164	42 215	53 592	58 116	66 121	73 463
Payments for capital assets	4 059	6 132	7 920	10 165	11 311	12 705	13 665
Contingency reserve	–	–	–	–	68	257	101
<b>Total</b>	<b>110 460</b>	<b>122 770</b>	<b>145 910</b>	<b>170 867</b>	<b>186 705</b>	<b>204 869</b>	<b>221 359</b>
Non-compensation of employees	46 741	54 992	71 972	89 968	98 404	111 547	122 857
Non-compensation non-capital assets	42 682	48 860	64 053	79 803	87 093	98 842	109 192
<b>Percentage share of total expenditure</b>							
Current payments	71,4%	69,6%	65,6%	62,7%	62,8%	61,4%	60,6%
<i>Of which:</i>							
<i>Compensation of employees</i>	57,7%	55,2%	50,7%	47,3%	47,3%	45,6%	44,5%
<i>Goods and services</i>	13,6%	14,2%	14,8%	15,2%	15,4%	15,9%	16,1%
Transfers and subsidies	25,0%	25,4%	28,9%	31,4%	31,1%	32,3%	33,2%
Payments for capital assets	3,7%	5,0%	5,4%	5,9%	6,1%	6,2%	6,2%
Contingency reserve	0,0%	0,0%	0,0%	0,0%	0,0%	0,1%	0,0%
Non-compensation of employees	42,3%	44,8%	49,3%	52,7%	52,7%	54,4%	55,5%
Non-compensation non-capital assets	38,6%	39,8%	43,9%	46,7%	46,6%	48,2%	49,3%

Source: National Treasury provincial database

## Revenue trends

Table 2.5 shows that total provincial revenue increased by R18,3 billion (or 10,9 per cent), from the preliminary outcome of R168,1 billion to R186,5 billion in 2004/05. The average annual growth rate in real terms over the MTEF period is 4,3 per cent.

*Total revenue is increasing*

The preliminary outcome for 2003/04 shows a deficit of R2,7 billion, which will be financed from R4 billion in provincial rollovers and provincial surpluses. Provinces also budget for a deficit of R215 million in 2004/05, and surpluses of R499 million and R914 million in 2005/06 and 2006/07, respectively.

Total provincial revenue amounts to R186,5 billion in 2004/05, which is 10,9 per cent more than the 2003/04 preliminary outcome of R168,1 billion, and is expected to increase to R222,3 billion in 2006/07.

**Table 2.5 Total provincial revenue and expenditure, 2000/01 to 2006/07**

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
	Outcome			Preliminary outcome	Medium-term estimates		
R million							
Transfers from national	109 223	121 398	136 925	161 532	181 130	199 704	216 344
<i>Of which:</i>							
Equitable share	98 398	107 460	123 457	144 743	159 971	173 852	186 392
Conditional grants	10 825	13 938	13 468	16 789	21 158	25 853	29 953
Own revenue	4 531	4 942	5 984	6 613	5 361	5 663	5 929
<b>Total revenue</b>	<b>113 754</b>	<b>126 340</b>	<b>142 909</b>	<b>168 145</b>	<b>186 491</b>	<b>205 367</b>	<b>222 273</b>
<b>Total expenditure</b>	<b>110 460</b>	<b>122 770</b>	<b>145 910</b>	<b>170 867</b>	<b>186 705</b>	<b>204 869</b>	<b>221 359</b>
<b>Surplus(+)/deficit(-)</b>	<b>3 294</b>	<b>3 570</b>	<b>-3 001</b>	<b>-2 722</b>	<b>-215</b>	<b>499</b>	<b>914</b>
<b>Share of total provincial revenue</b>							
Transfers from national	96,0%	96,1%	95,8%	96,1%	97,1%	97,2%	97,3%
<i>Of which:</i>							
Equitable share	86,5%	85,1%	86,4%	86,1%	85,8%	84,7%	83,9%
Conditional grants	9,5%	11,0%	9,4%	10,0%	11,3%	12,6%	13,5%
Own revenue	4,0%	3,9%	4,2%	3,9%	2,9%	2,8%	2,7%
<b>Total revenue</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>

Source: National Treasury provincial database

### National transfers to provinces

*National transfers comprise 96,1 per cent of revenue in 2003/04*

Table 2.5 shows that national transfers make up 97,1 per cent of provincial total revenue in 2004/05. Within national transfers, the equitable share constitutes 88,3 per cent and the remainder is conditional grants. National transfers grew from R109,2 billion in 2000/01 to R161,5 billion in 2003/04, and are budgeted to grow to R216,3 billion by 2006/07.

*Provinces allocate equitable share in line with national priorities*

The growth in national transfers is mainly due to the growth in the equitable share, which rises to R160,0 billion in 2004/05 and is budgeted to reach R186,4 billion by 2006/07. Provinces have discretion in allocating the equitable share to their constitutionally assigned responsibilities, taking into account the national priorities that informed the vertical division of revenue. Rising equitable shares give provinces more discretion to develop budgets that reflect national government's programmes, the thrust of which is to reduce poverty and address vulnerability.

### Own revenue

*Uncertainty of interest revenue results in declining own revenue*

Table 2.6 shows that total provincial own revenue is budgeted to decrease by R1,2 billion (or 18,9 per cent), from R6,6 billion in 2003/04 to R5,4 billion in 2004/05 (2,9 per cent of total provincial revenue). It recovers slightly to R5,9 billion in 2006/07. The uncertainty of interest revenue, particularly now that provincial reserves are declining, is the main reason for the declining own revenue budgets of provinces.

**Table 2.6 Provincial own revenue, 2000/01 to 2006/07**

R million	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
	Outcome			Preliminary outcome	Medium-term estimates		
Eastern Cape	395	486	639	625	458	506	529
Free State	305	334	412	759	380	390	395
Gauteng	1 168	1 308	1 472	1 542	1 405	1 496	1 568
KwaZulu-Natal	908	986	1 069	1 110	901	953	1 008
Limpopo	321	265	437	493	342	364	391
Mpumalanga	155	238	246	321	314	327	341
Northern Cape	89	107	87	99	94	98	104
North West	425	264	506	345	371	407	416
Western Cape	765	955	1 115	1 320	1 095	1 121	1 177
<b>Total</b>	<b>4 531</b>	<b>4 942</b>	<b>5 984</b>	<b>6 613</b>	<b>5 361</b>	<b>5 663</b>	<b>5 929</b>

Source: National Treasury provincial database

All provinces, except for North West, anticipate a decline in own revenue collection for 2004/05. Free State's preliminary outcome for 2003/04 is R759 million. Projected collection in 2006/07 is R395 million, which is 50 per cent less than the 2003/04 outcome. Notwithstanding the likely impact of falling bank balances on provincial revenue trends, given historical patterns it appears that provinces are somewhat overcautious about their revenue projections over the MTEF period.

**Table 2.7 Provincial own revenue by category, 2000/01 to 2006/07**

R million	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
	Outcome			Preliminary outcome	Medium-term estimates		
<b>Tax receipts</b>	<b>2 260</b>	<b>2 438</b>	<b>2 775</b>	<b>3 531</b>	<b>3 164</b>	<b>3 387</b>	<b>3 582</b>
Motor vehicle licences	1 650	1 880	2 132	2 751	2 484	2 676	2 837
Gambling	586	533	627	750	647	678	712
<i>Horse racing</i>	155	145	103	103	102	104	108
<i>Casino taxes</i>	431	387	524	647	545	574	605
Other taxes	24	25	16	29	33	33	33
<b>Non-tax receipts</b>	<b>2 055</b>	<b>2 193</b>	<b>2 817</b>	<b>2 840</b>	<b>2 018</b>	<b>2 116</b>	<b>2 194</b>
<b>Transfers received</b>	<b>8</b>	<b>24</b>	<b>24</b>	<b>26</b>	<b>27</b>	<b>28</b>	<b>29</b>
<b>Sales of capital assets</b>	<b>33</b>	<b>70</b>	<b>49</b>	<b>145</b>	<b>70</b>	<b>68</b>	<b>65</b>
<b>Other</b>	<b>175</b>	<b>218</b>	<b>318</b>	<b>71</b>	<b>82</b>	<b>63</b>	<b>59</b>
<b>Total</b>	<b>4 531</b>	<b>4 942</b>	<b>5 984</b>	<b>6 613</b>	<b>5 361</b>	<b>5 663</b>	<b>5 929</b>
<b>Percentage of total provincial own revenue</b>							
<b>Tax receipts</b>	<b>49,9%</b>	<b>49,3%</b>	<b>46,4%</b>	<b>53,4%</b>	<b>59,0%</b>	<b>59,8%</b>	<b>60,4%</b>
Motor vehicle licences	36,4%	38,0%	35,6%	41,6%	46,3%	47,2%	47,8%
Gambling	12,9%	10,8%	10,5%	11,3%	12,1%	12,0%	12,0%
<i>Horse racing</i>	3,4%	2,9%	1,7%	1,6%	1,9%	1,8%	1,8%
<i>Casino taxes</i>	9,5%	7,8%	8,8%	9,8%	10,2%	10,1%	10,2%
Other taxes	0,5%	0,5%	0,3%	0,4%	0,6%	0,6%	0,6%
<b>Non-tax receipts</b>	<b>45,4%</b>	<b>44,4%</b>	<b>47,1%</b>	<b>43,0%</b>	<b>37,6%</b>	<b>37,4%</b>	<b>37,0%</b>
<b>Transfers received</b>	<b>0,2%</b>	<b>0,5%</b>	<b>0,4%</b>	<b>0,4%</b>	<b>0,5%</b>	<b>0,5%</b>	<b>0,5%</b>
<b>Sales of capital assets</b>	<b>0,7%</b>	<b>1,4%</b>	<b>0,8%</b>	<b>2,2%</b>	<b>1,3%</b>	<b>1,2%</b>	<b>1,1%</b>
<b>Other</b>	<b>3,9%</b>	<b>4,4%</b>	<b>5,3%</b>	<b>1,1%</b>	<b>1,5%</b>	<b>1,1%</b>	<b>1,0%</b>
<b>Total</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>

Source: National Treasury provincial database

*Tax receipts account for more than half of own revenue in 2004/05*

Table 2.7 indicates that tax receipts constitute a large share of provincial own revenue, projected to account for 59 per cent in 2004/05. This is mainly revenue collected through the National Road Traffic Act (1996).

## **Conclusion**

Provincial budgets continue to demonstrate the provinces' commitment to national government policies, which are targeted at pro-poor programmes aimed at improving the lives of the citizenry.

Reforms in budgeting and in modernising service delivery that have been introduced during the first decade of democracy are aimed at improving the manner in which government delivers on its mandates. These have positive implications not only for the way provinces present their budgets, but also for the way they spend public funds and account for such expenditure.

There is no doubt that there have been notable successes in the arena of public financial management in South Africa. However, several challenges remain. One of these is to improve or revise current budgetary processes and documents, and use them as tools to keep accountability for public sector performance. This would include improving the capacity of both government and legislatures to use the information provided through the budget process and to fully exploit the benefits of the MTEF budgeting system.