

Intergovernmental Fiscal Review

2000

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2000

National Treasury

Republic of South Africa

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PREFACE

The *Intergovernmental Fiscal Review* analyses and reflects provincial and local government fiscal trends. This year's issue – the second – retains the analysis of provincial data and adds important perspectives on local government. This is in keeping with an undertaking made in last year's issue to include financial data from local government in future. While Local Government financial information remains incomplete, the last three chapters show that considerable progress has been made. The intention is to continue this process so that the next *Review* will be even more comprehensive in its coverage and more robust in its analysis.

The *Intergovernmental Fiscal Review* complements the 2000 *Budget Review*, which provides consolidated MTEF figures but not detailed provincial and local budgets. It provides provincial budget details, as well as a thorough analysis of selected municipal budgets.

Considering the pivotal roles of provincial and local government in the delivery of social and basic services, this information is important for understanding public service delivery. This *Review* should therefore assist all stakeholders in effectively and meaningfully participating in budget processes and debating budget options.

The publication reflects progress in budget reform in the provincial and local spheres. Provinces are now integrally part of the multi-year budget process, and the first steps are under way to ensure the same among local governments. There has also been a marked shift towards outputs and service delivery – a critical step in ensuring effective performance management and analysis of actual service delivery.

I want to thank the Budget Office in the National Treasury, and particularly the Chief Directorate: Intergovernmental Relations, for the extensive analysis that went into producing the publication. Chris Heymans and Joel Friedman deserve a special mention for seeing this publication through to completion. Janine Thorne provided meticulous editorial assistance. The *Review* has already – in only its second year – become a vital part of the package of reviews that helps South Africa to analyse and debate budget information on an informed basis and in a transparent manner.

Maria Ramos

Director-General: National Treasury

ABBREVIATIONS

CBPWP	Community-based Public Works Programme
CMIP	Consolidated Municipal Infrastructure Programme
CWSSP	Community Water Supply and Sanitation Programme
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
LED	Local Economic Development
MEC	Member of the provincial Executive Council
MinMEC	Meeting of Minister with the nine members of the provincial executive councils
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
RTMC	Road Traffic Management Corporation
RDP	Reconstruction and Development Programme
RSC	Regional Services Council
SALGA	South African Local Government Association
SARB	South African Reserve Bank
SARS	South African Revenue Service
SDDS	Special Data Dissemination Standard
SNA	System of National Accounts

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I. OVERVIEW

Introduction

This second *Intergovernmental Fiscal Review* takes the analysis of intergovernmental finances one step further from the previous year. Whereas the 1999 *Review* focused on provinces, this year's includes three chapters on local government. The result is a more elaborate – albeit not yet complete – reflection of intergovernmental fiscal trends and issues.

Covers both provinces and local government

Data remain difficult to come by, particularly for local government. However, every *Review* helps to focus national departments and provincial and local governments on the information needed to ensure effective accounting and analysis. We foresee that the progress made this year will again be improved on in future.

Provincial and local governments' spending budgets are economically significant and exceed the spending of the national budget. Provincial budgets for 2000/01 are estimated at just under R110 billion, and local government budgets at R60 billion, as against the national budget (excluding transfers, grants-in-kind and debt servicing) of just over R70 billion.

The *Review* is based on the 2000 MTEF budgets of the national and provincial governments, as tabled in February 2000, and the 1999/00 local government budgets. It does not cover any additional allocations from the coming Adjustments Budget, nor is it updated for the revised allocations in the 2001 *Medium Term Budget Policy Statement* (to be tabled on 30 October 2000). The *Review* complements the 2000 *Budget Review* as it analyses provincial and local government budgets for the transfers tabled in the 2000 Budget.

This *Review* does not attempt to repeat all the data and analysis in the 1999 *Review*. Readers can refer to the 1999 *Review* for a more comprehensive picture of the provinces (e.g. demographics).

Intergovernmental system

The Constitution creates three spheres of government with different revenue-raising capacities. These capacities are complemented by intergovernmental transfers to ensure that each sphere has sufficient funds to discharge its expenditure responsibilities.

Equitable share

Sections 214 and 227 of the Constitution obligate the national government to share its revenue and provide an equitable share to provinces and municipalities to enable them to provide basic services and perform their functions.

Revenue sharing

The successful introduction of the formula-driven equitable share allocations in 1997 (provinces) and 1998 (local government) has created certainty in the budgetary process. It provides a systematic

method for allocations within the framework of Cabinet's strategic priorities.

The allocation to provinces is significantly larger than that to local government, although the local government allocation is projected to grow over the Medium-term Expenditure Framework (MTEF) period. As explained below, the greater allocation to provinces is mainly due to their smaller fiscal capacity and their role in providing tax-funded public goods. Hence, the formula for equitable share allocations to provinces includes shares for education, health and social security. The shares are also derived from the relative population size of each province, backlogs, economic output and an institutional component covering the costs of running a provincial government. The allocation to local government, in turn, supports the provision of basic services to poor households, and its institutional component is related to the running of a municipality.

Conditional grants

Provinces and municipalities also receive other grants from the national government's share of revenue, which may be conditional or unconditional. These include grants-in-kind and agency payments.

Conditional grants were introduced in 1998 to enable provinces and local governments to meet nationally determined priorities or to provide funds for services that spill over to other provinces.

Initial problems

The introduction of conditional grants has not been without problems. Chapters 3 and 7 examine conditional grants to the two spheres, explaining the various types of grants and assessing the reasons for the non-transfer and underspending of some grants.

Capital grants to municipalities are particularly problematic. Most national and provincial departments transferring grants to local government prefer to do so on a project basis, frequently because of poor capacity at the municipal level. This complicates the municipal budget process, frequently resulting in suboptimal outcomes.

This *Review* does not cover grants from provinces to local government. Such grants include agency payments for health (e.g. ambulance services or clinics).

Reforms

In considering the development of the intergovernmental system, envisaged reforms must be taken into account. In addition to the budgeting and financial reforms, current non-financial reforms are also significant. For example, the new demarcation of municipalities not only rationalises local government (as it reduces the current 843 municipalities to 284), but should also make municipalities more viable and better capacitated. Structural reforms of the division of fiscal powers between the district councils and primary local authorities will also significantly affect the budgets of those municipalities.

The budgeting and financial reforms should resolve many of the problems associated with conditional and capital grants. These

reforms will facilitate better budget coordination between the three spheres and improve management, transparency and accountability.

The critical principles are:

- All conditional and unconditional grants are to be determined through a single resource allocation process – the annual MTEF budget process.
- Governments in all spheres must budget on a three-year basis. This implies that all transfers from national government (and, where appropriate, from a provincial government) must be on a three-year allocation basis, by province and municipality.
- To promote better planning, accountability and sustainability, each grant must be on the budget of the benefiting government.
- The criteria for dividing the grant by province or municipality must be transparent and based on generally recognised data sources.
- Any conditions, monitoring mechanisms, the dates of transfer of grants, etc. must be completed at least four months before the start of the financial year to promote better planning and certainty. This involves bringing conditional grants within the overall strategic planning and performance management framework of national departments.
- Each grant must specify the responsibilities for maintenance, ownership, accounting and auditing.

Many of these principles have informed the approach to conditional grants for the 2001 Budget and have, in effect, been legislated in the Division of Revenue Act, 2000.

Functions of provincial and local spheres

Although the chapters on the provinces and local governments do not follow identical patterns, there are several common points. These include intergovernmental transfers, expenditure and revenue analysis, reflections on service delivery trends, and budget reforms. However, the functions and powers of these spheres differ – local governments have access to own revenue and borrowing, neither of which is available to provinces.

Schedules 4 and 5 of the Constitution set out the responsibilities of provinces and municipalities relative to those of national government. For provinces, these include the major social functions of school education, health and welfare. Key services in health comprise primary health care and regional, specialised and academic hospitals, while welfare includes social security grants and welfare services. Other services, such as the building and maintenance of provincial roads, are exclusive provincial responsibilities.

Basic municipal services include the provision of basic household infrastructure. Such services are municipal roads, pavements, street lighting, reticulation infrastructure for electricity, water and

Principles

Commonalities and differences

Constitutional responsibilities

sanitation, parks, sports facilities, refuse removal and municipal health services (preventative health care, like child vaccination, and promotive health care).

Provinces therefore have a significantly larger role in providing tax-funded public goods, with local government only providing basic roads, street lighting and refuse removal in this respect. The provision of user-charge services, like electricity and water, make up almost two-thirds of the local budget.

While municipalities have significant tax and user-charge revenue (over 90 per cent in the aggregate), provinces raise only about 5 per cent of their total revenue. For this reason, provinces receive a significant equitable share allocation of R94 408 million in 2000/01, while the local sphere receives R1 867 million.

Given that there are only nine provinces as against the current 843 (transitional) municipalities, far more progress has been made on implementing significant reforms in the provincial sphere.

*Municipal reforms
only starting*

Whereas provinces have already implemented significant reforms to their budgeting systems, the process of reform within municipalities is at an early stage. In both cases, however, the anticipated outcomes are more accessible budgetary information, improved planning and greater accountability. The process of reform remains incremental and the full benefits will only become obvious over time.

The *Review* explores major expenditure and revenue trends, grant flows and the reform and transformation processes in the provincial and local spheres. It starts with an overview of provincial trends, followed by three chapters on the provinces, dealing with expenditure, conditional grants and revenues. These are followed by an overview of local government, an analysis of municipal budgets, revenues and expenditure and, finally, a review of transfers to local government.

Addressing poverty

*Poverty alleviation
activities*

As a significant number of South Africans can be classified as poor, pro-poor programmes enjoy a high priority in government spending. While national government allocates specific poverty relief funds to national departments, its overall programme on poverty alleviation is far more comprehensive.

Most spending on the poor is through provincial and local governments, which are responsible for social services such as welfare, health and education, municipal services like housing and municipal infrastructure, and basic services such as water and electricity.

Given the complexities of the intergovernmental budgeting system, no comprehensive analysis has yet been done on the actual impact of government expenditure on the poor. Pro-poor expenditure constitutes a significant part of the various budgets, but these allocations should be interpreted with caution, as they do not represent actual

expenditure. Furthermore, the information required for a comprehensive incidence study is as yet unavailable.

Government's poverty alleviation activities vary in scale. Some departments have reprioritised their entire budget to give substance to a poverty alleviation focus. For example, the provincial welfare departments spend most of their budget on social security grants to children and elderly or disabled people. This is the biggest poverty alleviation programme of Government, followed by the housing subsidy grants.

Many other programmes, like health and education, play a critical role in delivering basic services to poor communities. However, because they provide services to all communities (e.g. public schools), not all such expenditure is for the poor. Still, most departments have shifted expenditure towards poorer communities, by prioritising these communities and by addressing backlogs inherited from apartheid.

The national Treasury has conducted an incidence analysis of social service expenditure to estimate the proportion that reaches poor people (see *Budget Review 2000*, pp 145 & 146). The findings, with some qualifications, indicate that significant shifts in spending from rich to poor took place in education, health and welfare between 1993 and 1997.

Various departments also have specific pro-poor programmes or grants. These include the Department of Health's Integrated Nutrition Programme, which funds meals for poor children in primary schools. Another is the Department of Provincial and Local Government's Consolidated Municipal Infrastructure Programme (CMIP), which funds basic municipal infrastructure. Other specific grants that fund poverty reduction are the Poverty Relief, Infrastructure Investment and Job Summit allocations. They finance projects like the Working for Water Programme of the Department of Water Affairs and Forestry, and the Community-based Public Works Programme (CBPWP) of the Department of Public Works. Although these are grants to national departments, some of the funds are transferred to municipalities as conditional grants or grants-in-kind.

Conditional allocations

Other departments, while not delivering anti-poverty programmes, contribute to poverty alleviation by setting frameworks with an anti-poverty focus. For example, the Department of Transport is developing a rural transport strategy that will deal with the full range of rural transport needs, from non-motorised transport and footpaths to commuter transport and commercial farming requirements.

A reliable set of socio-economic data is an important element of an anti-poverty strategy. It is used for establishing the baseline from which the effectiveness of anti-poverty policies can be measured and for providing a means for targeting government expenditure.

Need for reliable data

Statistics South Africa has released a publication, *Measuring Poverty*, that examines four different methods for measuring and monitoring poverty. One method lends itself for use as an allocation mechanism for conditional grants or for dividing funds between the provinces and between the municipalities in a pro-poor manner. This method maps

poverty using household monthly expenditure, obtained by integrating data from the 1995 October Household Survey, the 1995 Income and Expenditure Survey, and Census 1996.

Using the method, the results show that:

- Eastern Cape is the poorest province in terms of average monthly household expenditure, followed by Free State and Northern Province. The wealthiest is Gauteng, followed by Western Cape.
- The poorest district council is the Wild Coast, followed by the Kei District Council (both in Eastern Cape). The wealthiest are the four metropolitan councils in Gauteng (treated as one unit), followed by the Cape Metropolitan Council.
- The poorest magisterial district, according to this method, is Elliotdale followed by Willowvale, both in Eastern Cape, while the wealthiest is Pretoria, followed by Bellville in Western Cape.

Studies of this nature must be updated regularly to fine-tune targeting mechanisms and to enable Government to measure the impact of its budget on the poor.

Key observations and trends

Provincial and local sections

Intergovernmental fiscal relations have developed significantly over the past five years. The 1999 *Intergovernmental Fiscal Review* captured the broad trends and development in provincial finances. This edition expands the horizon of financial reporting to include local government. Since the publication of the 1999 *Review*, the major features in provincial finances have been:

- Provincial finances have stabilised. After rising rapidly to R96,0 billion in 1997/98, provincial expenditure rose to R107,9 billion in 2000/01. This increase is flat in real terms, but is projected to grow over the MTEF.
- Financial management has improved. Provinces turned around a deficit of R5,5 billion in 1997/98 to a surplus of R549 million in 1998/99. This trend continues as provinces use the surplus to pay off debt.
- The social sector's (health, education and welfare) share of the total provincial budget has stabilised at around 83,4 per cent in 2000/01. Health expenditure rose faster than that of any of the other social sectors between 1996/97 and 1999/00.
- Personnel as a share of provincial expenditure has stabilised after increasing rapidly following the 1996 salary agreement. It rose from 54,7 per cent of total spending in 1996/97 to 59 per cent in 1998/99.
- The share of personnel rose to a peak of 91,2 per cent of all education expenditure in 1998,99, and 62,3 per cent in health in 2000/01.
- After being under pressure between 1997/98 and 1999/00, capital expenditure is projected to increase over the next few years.

- Provincial revenue declined from R4 billion in 1996/97 to a projected R3,6 billion in 2000/01.
- Some initial problems have been experienced with conditional grants. These are reflected in non-transfers by national departments, and underspending by provinces where such transfers occurred.

The major features of the local government review are:

- Municipal budgets totalled R57,4 billion in 1999/00, with 81 per cent of resources directed toward the operating budget and the remainder used for capital projects.
- Municipalities have considerable own revenues, collecting over 90 per cent of their total budget.
- Expenditure on salaries, at 31 per cent, continues to take up the largest portion of municipal budgets.
- The expenditure of the ten largest municipalities amounts to R37 billion, or 65 per cent of total local government expenditure.
- Many smaller municipalities do not have significant fiscal capacity, and are in fiscal distress. The consolidation of such municipalities through the new demarcation, alongside related structural systems and financial reforms, is expected to resolve the problem of non-viable municipalities.
- Significant institutional and legal reforms are being implemented to improve financial management, accountability and efficiency.
- New policy, legislative and financial initiatives aim to develop a more predictable and stable environment that will enhance municipal creditworthiness and, hence, access to capital markets.

Scope of the *Review*

The first four chapters of this *Review* (Section II) focus on provinces and the last three (Section III) on local government.

Section II, Chapter 1 reviews provincial budgets and actual revenue and expenditure for 1996/97 to 1998/99, estimated actual outcomes for 1999/00 and budgeted amounts for 2000/01 through 2002/03. There has been considerable stabilisation in provincial budgets since 1998/99, as well as progress in addressing the debts accumulated in 1996/97 and 1997/98. The spending reductions required to align revenue and expenditure must be seen in the context of significant expenditure increases in 1996/97 and the reprioritisation of provincial budgets to meet government policy objectives.

In Chapter 2, variations in expenditure between provinces are analysed. The chapter presents information on the target populations in the social services, highlights key policy developments and identifies spending pressures on provincial budgets over the next three years. It comprises four sections – education, health, welfare and the remaining services delivered by provinces. In line with the period covered in the new provincial budget presentations, the chapter

Provincial government

examines provincial expenditures and budgets between 1998/99 and 2002/03, with particular emphasis on the current budget.

Focusing on conditional grants, Chapter 3 reviews how the system of grants evolved and analyses the grant system and its challenges. The chapter also looks at current efforts aimed at improving the conditional grant system.

Chapter 4 reviews policy and administrative issues affecting the collection of existing provincial revenues, and the proposed new policy framework to regulate provincial powers to impose new taxes.

Local government

In Section III, Chapter 5 provides an overview of local government issues, giving background details to inform this first attempt at describing intergovernmental finances relevant to the local sphere.

Chapter 6 reviews expenditure and revenue trends in the local sphere, drawing on selected case studies. In compiling this chapter, the authors became acutely aware of the weak records currently available. One of the primary objectives for next year's *Review* will be to improve the process and framework for information gathering.

Chapter 7 provides an overview of grants and transfers to local government, highlighting trends in equitable share allocations, infrastructure grants and transfers for capacity building. While interesting, the data here too lacked depth and will be a priority for the next *Review*.

Conclusion

Cooperative governance taking root

On the whole, the *Review* reflects a systematically unfolding set of intergovernmental fiscal relations. The trends since 1994 show that provinces and local governments are gradually shaping their roles in the democratic South Africa. Many problems remain, but the culture of cooperative governance the Constitution aspires to is taking root.

II. PROVINCES

Trends in provincial budgets

Provincial budgets have undergone a significant transition over the past five years. This chapter reviews these budgets and includes actual revenue and expenditure for 1996/97 to 1998/99, estimated actual outcomes for 1999/00 and budgeted amounts for 2000/01 through 2002/03. It highlights the stabilisation in provincial budgets since 1998/99 and the progress in addressing the debts accumulated in 1996/97 and 1997/98. The spending reductions required to align revenue and expenditure must be seen in the context of significant expenditure increases in 1996/97 and the reprioritisation of provincial budgets to meet government policy objectives.

Transition in provincial budgets

Fiscal restraint and stringent measures to contain expenditure contributed to fiscal sustainability at provincial level. Provinces can now focus on improving the delivery of key social services and can prioritise spending on social and economic infrastructure over the next three years. The introduction of public finance reforms, including the Public Finance Management Act (PFMA), will improve accountability and efficiency of spending, ensuring that taxpayers receive value for money in the services delivered.

Improved fiscal stance

Nevertheless, the challenges facing the provinces remain considerable. The continuing spread of HIV/Aids and the floods of the past year significantly affect the ability of the provinces to provide better services, improve these services and address backlogs in infrastructure provision.

Key challenges

Provincial data

Chapters 1–4 and the Annexures on the provinces are based on the 2000 MTEF budgets of the national and provincial governments, as tabled in February 2000. The *Review* does not cover any additional allocations from the 2000 Adjustments Budget, nor has it been updated for the revised allocations in the 2001 *Medium Term Budget Policy Statement* (to be tabled on 30 October 2000). The *Review* complements the 2000 *Budget Review* as it analyses provincial government budgets for the transfers tabled in the 2000 Budget. This *Review* also updates the data published in the 1999 *Review*.

Provincial budget performance and challenges

Provinces in transition

Between 1994/95 and 1996/97, the newly created provinces concentrated on increasing access to services and achieving greater equity in spending, particularly on social services. The intergovernmental system was in its infancy and provincial systems and capacity were being developed. Most provinces were also

Laying the foundations

involved in a complex process of amalgamating and rationalising different administrations. Outdated financial management systems, large increases in personnel costs and the need to expand the delivery of services contributed to high levels of overexpenditure in all provinces. Last year's *Review* provided an in-depth discussion of expenditure over this period.

Provincial expenditure stabilised

From 1997/98 to 1999/00, with their administrations more established, provinces could focus on stabilising provincial expenditure, paying off debt and aligning policy goals with available resources. Three-year budgeting was introduced to facilitate better planning, budgeting and expenditure management. Coordination within sectors was improved through intergovernmental forums that gave effect to the principle of cooperative governance.

Focus on value for money

The greater stability in provincial budgets establishes a firm base for enhanced provincial service delivery. Provinces can now concentrate on improving the quality of expenditure and on ensuring the effective use of funds to address pressing social needs. They are emphasising a better balance in the mix of spending, both between departments and within departmental budgets, to improve service delivery. The provinces are also focusing more on the revenue side of their budgets, as discussed elsewhere in this *Review*.

Challenges facing provinces

Backlogs remain

The backlogs in infrastructure and access to services in most provinces are well known. Efforts to address these backlogs have been hampered by a number of factors. These include increasing demand for services, rising personnel expenditure, natural disasters and macroeconomic constraints. The emphasis on social service spending has meant more progress on increasing access to basic services than on developing provincial economic infrastructure. Alleviating these backlogs remains a significant challenge over the medium term.

Impact of HIV/Aids

Sub-Saharan Africa has the highest rate of HIV infection in the world. This has both economic and social implications. Provinces, already under pressure to expand services, will have to devote more resources to dealing with the effects of HIV/Aids. These include higher health costs arising from treating HIV-positive people in the public health system, as well as meeting the growing demand for social grants when Aids patients become unable to work and the number of Aids orphans grows. At the same time, government resources will be under pressure, as economic growth will be affected by the decline in the economically active population and by constrained productive investment (due to increased spending on health care and social support). Provinces that are already underdeveloped face worsening development indicators when earning capacity declines, life expectancy is shortened and infant mortality rises.

Pressure on infrastructure

Infrastructure backlogs relate to both the building of new facilities and the maintenance of existing assets. Provinces have been unable to provide sufficient funds for rehabilitating schools and hospitals or for

maintaining roads. Natural disasters in the previous three years have added to this burden. Preliminary estimates, which are yet to be verified, place the costs at more than R2 billion.

Provincial revenue and expenditure

Table 1.1 illustrates the trends in provincial budgets and the influence of the challenges outlined above. The shift from a deficit of nearly R5,5 billion in 1997/98 to surpluses in 1998/99 and 1999/00 shows the progress provinces have made in stabilising expenditure and repaying debts. Improved financial management and better planning for expenditure have allowed some provinces to make provision for contingency reserves over the next few years. The remainder of this chapter discusses the trends in revenue and expenditure, and highlights budget pressures over the next three years.

Table 1.1 Total provincial revenue and expenditure

R million	Actual			Estimated actual	Medium-term estimate		
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Transfers from national budget	84 703	85 956	91 381	97 009	106 040	111 178	116 417
<i>Of which: Conditional grants</i>	0	2 080	9 839	10 415	11 632	11 011	11 260
Own revenue	4 089	3 458	3 440	3 994	3 640	3 907	4 177
Total provincial revenue	88 791	89 414	94 821	101 003	109 680	115 084	120 594
Education	36 575	38 502	38 678	40 036	43 230	45 530	48 160
Health	20 616	22 491	22 949	24 241	26 083	27 623	28 920
Welfare	15 885	17 566	18 365	19 273	20 336	20 847	21 536
Contingency reserves	0	0	0	0	470	895	1 071
All other expenditure	18 709	16 326	14 280	14 416	18 264	19 198	20 229
Total provincial expenditure	91 785	94 885	94 272	97 965	108 383	114 094	119 916
Surplus/(deficit)	(2 994)	(5 470)	549	3 038	1 298	991	678

Provincial surpluses

Over the past two years, provinces have made significant progress in reducing the debt accumulated in previous years. Table 1.1 reflects provincial deficits and surpluses from 1996/97 through 2002/03. These figures have been updated since the 1999 *Review* owing to better financial reporting in the provinces. Provinces accumulated sizeable debts during 1996/97 and 1997/98, as evidenced by the deficits in those years. The trend changed in 1998/99 when provinces ran a combined surplus of R0,6 billion. The turnaround continued in 1999/00, with a projected provincial surplus of R3,0 billion.

*Progress in
reducing liabilities*

Since Government operates a cash accounting system and not an accrual accounting system, payments on past debt are assigned not to the year in which the debt or obligation was accrued but to the year in which it was actually spent. In terms of the Government Finance Statistics method of accounting, the redemption of debt is seen as a surplus and not as expenditure.

Surpluses are not unspent funds

For these reasons, provincial surpluses have often been incorrectly interpreted as unspent funds that could have been used for delivering services. These surpluses were, in fact, used primarily to reduce outstanding liabilities. In earlier years, some provinces accumulated overdrafts while others delayed expenditure such as payments to creditors, personnel promotions, pension contributions and tax payments to the South African Revenue Service (SARS). National government assisted the provinces by providing funds in the 1998/99 and 1999/00 Adjustments Estimates solely for addressing these debts. The additional amounts, totalling R1,0 billion and R1,4 billion in 1998/99 and 1999/00 respectively, comprise a significant portion of the surpluses in these years.

Although the surpluses are mainly to cover debt reduction, they also reflect funds that are committed, i.e. where revenue was received but expenditure has been delayed. This occurred, for instance, with some conditional grants, where funds were transferred late in the financial year.

Further debt reduction

All nine provinces make provision for further debt reduction, as evidenced by their budgeted surpluses over the MTEF period. In addition, several provinces have set aside funds in a contingency reserve, as shown in Table 1.2. The contingency reserves are largely a cushion against unanticipated expenditure. A few provinces have made provision for expenditure, such as on infrastructure development, which has yet to be allocated to specific departments. Such reserves, however, must be accompanied by proper planning for spending. These funds may also be used for further debt repayment, if necessary.

Table 1.2 Provincial surpluses and finance reserves

R million	2000/01		20001/02		2002/03	
	Surplus	Reserve	Surplus	Reserve	Surplus	Reserve
Eastern Cape	204	38	205	240	100	376
Free State	91	0	90	0	50	0
Gauteng	300	0	236	0	108	0
KwaZulu-Natal	346	0	170	0	149	263
Mpumalanga	76	193	18	302	0	429
Northern Cape	35	3	51	3	43	3
Northern Province	160	0	172	0	158	0
North West	40	234	40	349	40	0
Western Cape	46	0	8	0	30	0
Total	1 298	470	991	895	678	1 071

Adjustments to provincial budgets*Shifts in responsibilities*

The evolution of the intergovernmental system has resulted in several shifts in responsibilities between the spheres of government, which affected their budgets. Thus, when making comparisons between provinces and over time, certain adjustments to Table 1.1 are needed to ensure consistency. For example, growth rates based on the table would be misleading, as both revenues and expenditures are distorted

by changes in the functions of national and provincial governments, and by the introduction of conditional grants. These adjustments are shown in Table 1.3 and explained in more detail in the box below. Unless stated otherwise, the adjusted provincial totals are used throughout the *Review* for calculation and analysis of revenues and expenditure.

Adjusting provincial budgets for function shifts

Analysis of provincial budgets is distorted by three important shifts in responsibilities between the three spheres. To enable reasonable comparisons over time, the provincial budgets must be adjusted to account for these shifts.

Beginning in 1997/98, the responsibility for servicing inherited debt was shifted to the national government. In addition, the local government equitable share was introduced in 1998/99, redirecting to local government some funds that previously flowed through provincial budgets.

The most significant adjustment this year is the inclusion of information on the housing funds in the data for all years. In 2000/01, housing funds flowing to provinces from the National Housing Fund will, for the first time, be reflected in provincial budgets as a conditional grant. In the past, these funds were regarded as an agency payment and were not appropriated on provincial budgets. Including these funds only from 2000/01 would distort comparisons of revenue flows and expenditure, in particular the share of capital spending in provincial budgets. The housing transfers have therefore been added to provincial budgets for the four preceding years.

Table 1.3 Adjusted provincial revenue and expenditure

R million	Actual		Estimated actual		Medium-term estimate		
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Total provincial revenue	88 791	89 414	94 821	101 003	109 680	115 084	120 594
Total provincial expenditure	91 785	94 885	94 272	97 965	108 383	114 094	119 916
<i>Including:</i>							
Housing funds	1 938	3 135	3 005	2 721	0	0	0
<i>Excluding:</i>							
State debt costs	1 998	0	0	0	0	0	0
Local government grants	2 238	1 999	1 132	463	463	0	0
Total adjusted revenue	86 494	90 550	96 694	103 261	109 217	115 084	120 594
Total adjusted expenditure	89 488	96 021	96 145	100 223	107 920	114 094	119 916
Percentage change							
Adjusted revenue		4,7	6,8	6,8	5,8	5,4	4,8
Adjusted expenditure		7,3	0,1	4,2	7,7	5,7	5,1
Percentage of GDP							
Adjusted revenue	13,6	12,9	12,8	12,8	12,3	12,0	11,6
Adjusted expenditure	14,1	13,7	12,7	12,4	12,2	11,9	11,6
Addendum¹							
GDP (R million)	633 787	699 292	754 729	809 700	885 200	958 200	1 036 700
CPI change (%)	8,1	7,5	7,7	4,0	5,5	5,2	4,7

1. From the 2000 Budget Review

Provincial revenue

Transfers from national government dominate provincial revenue, representing over 95 per cent of such revenue in 2000/01. These

Transfers from national government

transfers comprise numerous conditional grants and an unconditional equitable share allocation. Provinces are responsible for compiling their own budgets on the basis of the transfers plus any revenue from own sources. The formula used for determining provincial equitable shares captures the relative demand for basic services¹. It is not intended to reflect provincial expenditure or act as a benchmark against which to measure provincial allocations.

Trends in total adjusted revenue

Table 1.3 indicates that adjusted total provincial revenues increased from R86,5 billion in 1996/97 to R103,3 billion in 1999/00, at an average rate of 6,1 per cent a year. This is equal to the average annual inflation rate during these years. However, there were significant fluctuations in this period, with a sharp increase between 1995/96 and 1996/97 followed by a real decrease between 1996/97 and 1997/98. Since 1997/98, revenues have been more stable.

Over the MTEF period, adjusted revenue is set to grow from R103,3 billion in 1999/00 to R120,6 billion in 2002/03. This represents an annual average growth rate of 5,3 per cent, slightly above the expected average inflation rate of 5,1 per cent a year.

Growth in equitable share

Given the dominance of national transfers, the distribution of revenue between spheres will affect the nature of spending and the fiscal position of the provinces. In 2000/01, the equitable share represents about 86 per cent of provincial revenue, while conditional grants form 10 per cent and own revenue approximately 4 per cent. As shown in Table 1.4, total transfers from national government grow at an average annual rate of 5,5 per cent between 1999/00 and 2002/03. The equitable share, however, grows faster than conditional grants at an average of 6,7 per cent.

Table 1.4 Average annual change in adjusted provincial revenue

Percentage change	Annual average change	
	1996/97 – 1999/00	1999/00 – 2002/03
Transfers from national government	6,4	5,5
Of which: <i>Equitable share</i>	<i>n/a</i>	6,7
<i>Conditional grants</i>	<i>n/a</i>	(3,9)
Own revenue	(0,8)	1,5
Total revenue	6,1	5,3
Consumer price index	6,4	5,1

n/a = not applicable

Conditional grants

Conditional grants are a smaller but significant proportion of provincial revenues. These grants were introduced in the 1998 Budget to support national policy priorities, particularly in the social services. Real declines over the medium term reflect the discontinuation of some grants, such as those for debt repayment, and the levelling off of others in line with policy goals.

Although successes were achieved with conditional grants, some problems did occur. Chapter 3 reviews the experience with

¹ Details of how the formula is calculated are provided in Annexure A.

conditional grants since 1998 and outlines a framework for streamlining and improving the efficiency of these grants.

Provincial own revenue declined strongly between 1996/97 and 1999/00 by an average 0,8 per cent a year, representing a significant annual real decline of more than 7 per cent. This real decline is set to continue over the MTEF period, although it moderates somewhat. Chapter 4 deals with trends in provincial own revenues, including the potential to improve collections from existing sources and a framework for new revenues.

*Provincial
own revenue*

Trends in provincial expenditure

While total provincial revenues largely kept pace with inflation between 1996/97 and 1999/00, this was not the case with expenditure. Adjusted expenditure increased from R89,5 billion in 1996/97 to R100,2 billion in 1999/00, the average annual growth rate of 3,8 per cent being well below the corresponding inflation rate of 6,4 per cent.

*Growth in
total spending*

This must, however, be seen in the light of the large upward adjustment of 17,8 per cent in 1996/97, when total expenditure escalated to R89,5 billion from R76,0 billion in the previous year. Thus the substantial decline in expenditure the following year, to contain overexpenditure, occurs off the inflated 1996/97 base.

Expenditure growth is expected to recover and exceed inflation in 2000/01, with budgeted amounts set at R107,9 billion or 7,7 per cent above the 1999/00 level. Real growth continues over the medium term, reversing the past trend of declining expenditures when provinces sought to remain within budget and repay debts. Adjusted expenditure is projected to grow at an average annual rate of 6,2 per cent, 1,1 percentage points above the expected inflation rate.

*Recovery in
expenditure*

Table 1.5 Average annual change in adjusted provincial expenditure

R million	Annual average change	
	1996/97 – 1999/00	1999/00 – 2002/03
Current expenditure	4,1	5,6
Of which: Personnel	6,3	5,6
Transfers	4,1	4,6
Other current	(4,1)	7,2
Capital expenditure	0,9	9,2
Total expenditure ¹	3,8	6,2
Consumer price index	6,4	5,1

1. Includes contingency reserve amounts, which are not included in either current or capital expenditure shown above

The different demographic, economic and historical circumstances of the nine provinces and the evolving nature of intergovernmental financial relations continue to influence expenditure patterns. These trends are detailed in Chapter 2.

*Shifting composition
of expenditure*

Addressing the composition of expenditure

Trends in overall expenditure growth mask important features of provincial spending, although general trends are mirrored in most provinces. Overall expenditure grew more slowly than inflation between 1996/97 and 1999/00, but the pattern of growth differs between categories of expenditure.

Driven by strong personnel expenditure growth in health and education, social services spending grew faster than overall provincial expenditure, capturing a larger share of provincial budgets. Non-social services and non-personnel spending bore the brunt of cost containment.

Provinces have had some success in restructuring their budgets to address provincial priorities, as reflected in Table 1.6. They have sought to control current expenditure, particularly personnel costs, in order to release funds for capital spending. Thus, future expenditure growth is driven mainly by non-personnel expenditure in the social services and by spending on infrastructure.

Table 1.6 Adjusted expenditure by economic classification

R million	Actual		Estimated actual		Medium-term estimate		
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Current expenditure	82 941	87 649	89 221	93 499	99 461	104 228	110 086
Personnel	48 972	53 927	56 734	58 844	62 265	65 554	69 260
Transfers	19 150	20 385	20 478	21 589	23 041	23 877	24 710
Other current	14 818	13 337	12 010	13 066	14 155	14 797	16 116
Capital expenditure	6 547	8 372	6 923	6 724	7 988	8 971	8 759
Contingency reserve	–	–	–	–	470	895	1 071
Total	89 488	96 021	96 145	100 223	107 920	114 094	119 916
Percentage shares							
Current expenditure	92,7	91,3	92,8	93,3	92,2	91,4	91,8
Personnel	54,7	56,2	59,0	58,7	57,7	57,5	57,8
Transfers	21,4	21,2	21,3	21,5	21,4	20,9	20,6
Other current	16,6	13,9	12,5	13,0	13,1	13,0	13,4
Capital expenditure	7,3	8,7	7,2	6,7	7,4	7,9	7,3
Contingency reserve	0,0	0,0	0,0	0,0	0,4	0,8	0,9
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Personnel expenditure*Declining as a share of spending*

Personnel expenditure grew from 54,7 per cent of total spending in 1996/97 to 59,0 per cent in 1998/99. These significant increases in wage costs arose from the 1996 wage agreement and the hiring of additional staff in health and education. Personnel expenditure continues to dominate provincial expenditure, although growth in personnel spending over the MTEF period has been reduced to approximately 5,6 per cent a year. Table 1.7 shows that lower personnel numbers, particularly in the education sector, have restrained the growth in personnel expenditure.

Provinces face fixed costs

In addition to personnel spending, provinces face other costs over which they have little discretion, mainly national entitlements to

social security grants. Figure 1.1 reflects the combined impact of personnel and social security responsibilities. These two items consumed 76 per cent of provincial budgets in 1999/00, but this share is projected to decline slightly to about 74 per cent. Reductions in these two categories of spending contribute to the declining share of budgets allocated to social service spending over the next three years.

Table 1.7 Personnel expenditure

R million	Personnel expenditure		Provincial employment	
	1999/00	2000/01	1999/00	2000/01
Eastern Cape	10 371	10 330	136 935	130 890
Free State	4 290	4 616	61 054	57 936
Gauteng	9 185	10 161	112 851	112 836
KwaZulu-Natal	11 310	12 056	153 687	147 546
Mpumalanga	3 882	4 034	51 355	51 324
Northern Cape	1 236	1 294	14 821	64 431
Northern Province	8 366	8 721	119 465	15 462
North West	4 901	5 273	67 169	112 850
Western Cape	5 765	6 243	67 940	66 093
Total	59 307	62 728	785 277	759 368

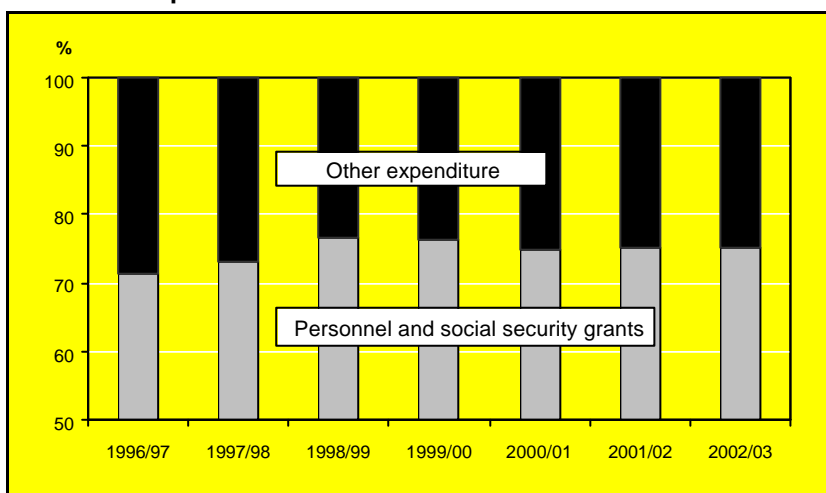
Figure 1.1 Provincial fixed costs as a share of adjusted expenditure

Table 1.8 shows the shift in the balance of spending between social and non-social services. The three major social services programmes – education, health and welfare – grew by an average of 4,5 per cent a year between 1996/97 and 1999/00, exceeding the 3,8 per cent growth rate for total expenditure. Budgeted expenditure for social services grows more slowly than other expenditure, at an annual average rate of 5,7 per cent over the MTEF period. Social services expenditure is discussed in more detail in Chapter 2. The declining share of social services creates room in provincial budgets for addressing other provincial priorities.

Real growth in social services

Emphasis on non-social services

Between 1996/97 and 1999/00, non-social service expenditure was drastically reduced to accommodate the social services. This trend should be ameliorated over the medium term, as non-social service spending increases by nearly 6,5 per cent a year.

Table 1.8 Expenditure on social services as percentage of adjusted provincial expenditure¹

Percentage	Actual		Estimated actual		Medium-term estimate		
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Social services	81,7	81,8	83,2	83,4	83,4	83,0	83,0
<i>Education</i>	40,9	40,1	40,2	39,9	40,2	40,2	40,5
<i>Health</i>	23,0	23,4	23,9	24,2	24,3	24,4	24,3
<i>Welfare</i>	17,8	18,3	19,1	19,2	18,9	18,4	18,1
Non-social services	18,3	18,2	16,8	16,6	16,6	17,0	17,0
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0

1. Excluding contingency reserves

Focus on infrastructure*Declining share to 1999/00*

The increases in social services spending, particularly spending on personnel and social security grants, had a significant negative impact on capital and maintenance expenditure. Capital spending grew by only 0,9 per cent a year between 1996/97 and 1999/00, implying not only that new investment was not being undertaken, but also that expenditure was insufficient to maintain existing infrastructure.

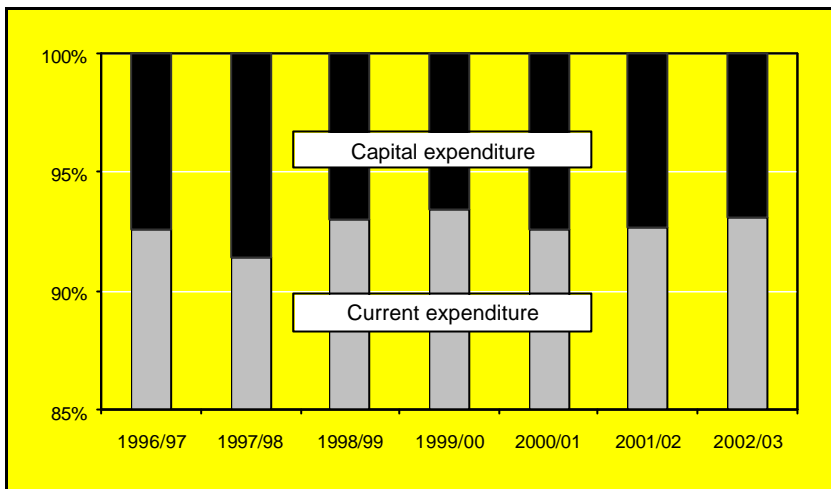
Prioritising infrastructure over the medium term

Provinces have identified the provision of infrastructure as a priority, as discussed in Chapter 2. Provincial figures now include housing allocations. The recent floods in several provinces highlighted the need to rehabilitate and upgrade social and economic infrastructure as a basis for future growth. Figure 1.2 illustrates the increasing emphasis on infrastructure provision. The MTEF budgets show that provinces should achieve a better balance between personnel, capital and operating expenditure over the next three years. Budgeted capital expenditure, including the housing funds, increases by 9,2 per cent a year over the medium term, indicating strong reprioritisation.

Medium-term spending pressures*Trade-offs between competing demands*

Provinces face an array of competing demands when allocating their budgets. For one, they are committed to certain expenditures arising from current policies and national mandates. They also face historical legacies and structural rigidities in expenditure patterns, which will take time to overcome. In addition, budgets are subject to external influences that affect the patterns of demand for services and the availability of resources. To meet these challenges, provinces have sought to shift funds from current expenditure to investments in badly needed social and economic infrastructure.

Figure 1.2 Share of capital expenditure of total adjusted expenditure



Social security grants pose a challenge to the envisaged shifts in allocations over the medium term and to provinces' ability to keep expenditure within available resources. Increased pressure on provincial welfare budgets will be driven by:

- The phasing in of the child support grant
- Equalising access to grants across provinces
- The expectation of annual inflation-linked increases
- The impact of HIV/Aids

The child support grant will impact most heavily on those provinces with relatively large child populations and where the population has had little access to state maintenance grants. Strong growth in grant expenditure is therefore anticipated in Mpumalanga, North West and Northern Province. This will have a major impact on other provincial expenditure, given the revenues projected for the medium term.

Based on the 1999 National Ante-natal Survey, commissioned on behalf of the Department of Health, it is estimated that more than 3,5 million South Africans, or over 8 per cent of the population, were infected with HIV at the end of 1999/00. The rate of infection among adults is estimated to be substantially higher, at 13 per cent of all people between the ages of 20 and 64, with the highest rates of infection in KwaZulu-Natal and Mpumalanga. At current rates of infection (i.e. without substantial behavioural change), it is estimated that the number of HIV-positive people will rise to at least 6million by 2010. Providing support to people who contracted HIV and slowing the rate at which the virus spreads will crowd out other provincial expenditures. Health and welfare budgets will be under considerable strain as the proportion of HIV-positive people in the public health system increases. The take-up of welfare grants, particularly disability and foster grants, is likely to increase more rapidly than provided for in provincial budgets.

The increased expenditure on non-personnel and non-social services in the budget estimates can only be achieved if real growth in

Social security grants

Increasing take-up of child support

Providing support for people with HIV

Continued pressure on personnel

personnel budgets is modest. Several factors may undermine this assumption. In education, there is pressure to introduce a wage progression system and to upgrade the qualifications of underqualified teachers. In health, the continued existence of the system of rank and leg promotions, and the implementation of the Basic Conditions of Employment Act in the civil service (particularly overtime stipulations) may mean that wage increases will be higher than initially assumed.

Facilities backlogs

Facilities backlogs are already substantial in poor provinces, particularly in the education sector and in the maintenance of facilities. Recent flood damage and the need to repair economic infrastructure such as roads and bridges place further demands on the resources available for capital expenditure. The other spending pressures listed above will severely constrain the ability of provinces to increase the share of resources provided for the development and maintenance of infrastructure.

Issues in provincial budgeting

Improve budget preparation and policy coordination

Revised division of revenue process

A crucial decision in the budget process relates to the division of nationally raised revenue between the spheres of government and between provinces and municipalities. These decisions give effect to government priorities and reflect the responsibilities and spending pressures of each sphere. As part of the ongoing programme of budget reform, a more structured approach to determining the division of revenue is being introduced. This process should also facilitate improvements and rationalisation in the structure and planning of conditional grants.

Revised budget formats

Improved provincial budget formats is an important reform in the budget preparation process. The 1999 PFMA enables the national Treasury to establish common budget formats for all provinces. The new formats will increase transparency by highlighting relevant information and presenting it in a user-friendly manner. Six provinces are using the revised formats in 2000/01. (The formats are explained in Annexure B.)

Intergovernmental coordination

Provincial and national government have laid the foundations for an efficient intergovernmental system and have established appropriate structures to facilitate interaction, cooperation and coordination. In particular, budget reforms aim to improve the link between policy and budget processes in order to direct resources to national priorities. Joint meetings at the political and technical levels strengthen the links between sectoral policy and budget formulation. These interactions are functioning well, although the system will continue to evolve and adapt to the challenges facing Government. The next phase of the MTEF process will focus on strengthening the crucial link between policy, budgeting and service delivery.

Enhance service delivery

The ultimate test of fiscal reform is the extent to which quality services are delivered to South Africans on an equitable basis. Budget constraints over the past three years, specific allocations for improving financial management and the focus on improving the effectiveness of expenditure provide the basis for improved efficiency in delivering services. Remaining priorities include better management of resources and achieving value for money over the medium term.

Focus on improved service delivery

An analysis of trends in provincial expenditure is incomplete without an assessment of the services delivered with that expenditure. Chapter 2 includes non-financial indicators for the social services, as a first step towards identifying the impact of provincial spending. The development of output indicators is a long process, which is dependent on the availability of quality information. The information on service delivery trends is gradually being improved to serve as a benchmark for performance evaluation.

Non-financial indicators

Strengthening financial management capacity

Inadequate capacity, particularly for financial management, has been a major concern at the provincial level. The PFMA, which applies to both the national and provincial spheres, is the cornerstone of a framework for structural improvements in the management of public finances, in line with international best practice. The PFMA sets out accountability principles that devolve responsibility for service delivery to departmental managers. It clarifies the role and duties of accounting officers and lays the foundation for improved government accounting. In particular, it establishes clear lines of accountability for intergovernmental transfers.

Implementing PFMA

The Division of Revenue Act supports the PFMA in clarifying and strengthening the trail of accountability. Technical changes to the Act clarify the accounting responsibilities of both transferring and receiving accounting officers. They require more information on proposed grants to be supplied earlier in the budget process, thus facilitating better budget planning. More frequent reporting requirements are introduced to improve monitoring. These provisions, which are discussed in Chapter 3, build on the successes with grants over the past two years and assist in addressing the initial problems.

Strengthening accountability

Conclusion

Provinces have already implemented far-reaching reforms to their budgeting systems. These reforms have produced tangible results in expenditure management and will assist provinces in meeting the considerable challenges that lie ahead.

Improving budget performance is an incremental process that will continue over the next three years, supported by the development of indicators for measuring performance and by improvements in data collection.

Provincial expenditure

The previous chapter outlined the overall developments and trends in provincial budgets. This chapter analyses variations in expenditure between provinces, presents information on the target populations in the social services, highlights key policy developments and identifies spending pressures on provincial budgets over the next three years. It is divided into four sections – education, health, welfare and the remaining services delivered by provinces. In line with the period covered in the new provincial budget presentations, the chapter examines provincial expenditures and budgets between 1998/99 and 2002/03, with particular emphasis on the current budget.

Key provincial functions

Several reforms to the budget process and documentation have been introduced to provide more consistent information. Government's increased focus on performance reflects its commitment to accelerating service delivery at all levels. Information on provincial service delivery is, however, limited. Various sectoral technical committees are developing key delivery indicators in the social services, and the revised budget formats and reporting requirements will encourage provincial departments to improve the collection of such information.

Information on service delivery

Table 2.1 presents aggregate adjusted expenditure by province from 1998/99 through 2002/03. These figures include a contingency reserve set aside by provinces to cater for debt repayments or other contingencies. Between 1998/99 and 1999/00, provincial expenditure increased by 4,2 per cent, in line with inflation for the year. Over the MTEF, expenditure is set to increase at 5,8 per cent a year, somewhat faster than expected inflation.

Aggregate provincial expenditure

The growth in provincial budgets varies considerably, mainly owing to the impact of the equitable share formula, the level of debt repayments and the original level of expenditure before the introduction of the equitable share formula. In Western Cape and Northern Cape, provinces with historically high per capita expenditure, average annual growth is below inflation over the medium term. In all other provinces, except Eastern Cape, expenditure grows in real terms. Some of the poorest provinces, KwaZulu-Natal, Mpumalanga and Northern Province, have annual budget growth of more than 1 per cent in real terms over the three years to 2002/03.

Provincial growth varies

Table 2.1 Adjusted provincial expenditure by province

R million	Actual	Estimated actual	Medium-term estimate		
	1998/99	1999/00	2000/01	2001/02	2002/03
Eastern Cape	15 432	16 518	17 568	18 256	18 959
Free State	7 043	6 768	7 429	7 786	8 144
Gauteng	16 379	16 895	18 173	19 262	20 501
KwaZulu-Natal	18 455	19 235	21 199	22 590	23 563
Mpumalanga	6 075	6 505	6 831	7 317	7 707
Northern Cape	2 398	2 496	2 525	2 640	2 774
Northern Province	11 985	12 713	13 633	14 567	15 384
North West	7 817	8 315	8 680	9 016	9 731
Western Cape	10 561	10 778	11 412	11 764	12 083
Total, adjusted	96 145	100 223	107 450	113 199	118 845
Percentage change					
Eastern Cape		7,0	6,4	3,9	3,8
Free State		(3,9)	9,8	4,8	4,6
Gauteng		3,2	7,6	6,0	6,4
KwaZulu-Natal		4,2	10,2	6,6	4,3
Mpumalanga		7,1	5,0	7,1	5,3
Northern Cape		4,1	1,2	4,6	5,1
Northern Province		6,1	7,2	6,8	5,6
North West		6,4	4,4	3,9	7,9
Western Cape		2,1	5,9	3,1	2,7
Total, adjusted		4,2	7,2	5,4	5,0

Provincial variations

The structure of provincial budgets displays interesting variations by province. Table 2.2 illustrates the different proportions of provincial budgets allocated to different functions. These variations in the pattern of expenditure are influenced by often opposing factors. Key factors are:

- The demographic and socio-economic profile of the provinces (and hence different social services needs)
- Historical patterns of expenditure
- The existence of cross-boundary services
- Varying capacity
- The cost and composition of the personnel employed by provinces

Table 2.2 Share of provincial expenditure by department, 2000/01

Percentage	Education	Health	Welfare	Subtotal	Other	Total
Eastern Cape	42,0	19,2	23,8	85,1	14,9	100
Free State	41,4	24,6	17,0	83,0	17,0	100
Gauteng	37,6	33,7	14,5	85,7	14,3	100
KwaZulu-Natal	38,5	27,0	19,2	84,6	15,4	100
Mpumalanga	42,6	17,4	17,8	77,7	22,3	100
Northern Cape	38,2	16,9	25,3	80,4	19,6	100
Northern Province	45,6	17,8	18,7	82,1	17,9	100
North West	41,8	18,4	17,5	77,7	22,3	100
Western Cape	35,7	29,8	19,9	85,4	14,6	100
Average	40,2	24,3	18,9	83,4	16,6	100

Demographic profiles and income levels are significant factors. In Northern Province, KwaZulu-Natal and other rural provinces, a higher proportion of the population is of school-going age; this drives education expenditure. These provinces are also likely to employ teachers with lower qualifications, which may reduce costs but can adversely affect educational outcomes. Many of these provinces inherited poor education systems with high repeat rates and, hence, have more children in school.

Demographic and socio-economic factors

Rural provinces with high numbers of women, children and elderly people, and a smaller proportion of people with medical health insurance, face significant demands on the public health system. Yet expenditure is highest in provinces that inherited specialised care facilities, notably Gauteng and Western Cape. These facilities serve all South Africans, irrespective of where they live. Funding comes largely from grants from national government and appear on the budgets of the provinces in which they are located.

Welfare grants are targeted at pensioners, children and disabled people who fall below a certain income level. Provinces with a high proportion of pensioners and children, coupled with low average income levels, generally spend more on social security grants. However, variations in expenditure can reflect access as well as demographics. Better access to welfare grants and services is evident in the Cape provinces, for instance, where administrations were developed under the policies of the old dispensation.

Academic health services are offered only in certain provinces. Gauteng, Western Cape, KwaZulu-Natal and Free State all deliver academic health services and medical training to people from other provinces. As a result, these provinces spend an above-average proportion on health.

Cross-boundary spillovers

The analysis below on education, health and welfare does not focus on conditional grants, which are covered in the next chapter. Table 3.9 shows actual transfers in such grants in 1998/99 and 1999/00.

Education

Education is one of the most significant long-term investments a country can make because it lays the foundation for a higher quality of life, greater employment opportunities and a better-skilled workforce. At almost 6 per cent of GDP, South Africa has one of the highest rates of government investment in education in the world, yet education outcomes lag behind those of comparable countries. This section analyses provincial education expenditure, identifies spending pressures and outlines the main policy developments in education over the past year.

Investing in the children

On average, education accounts for 40 per cent of provincial budgets, reflecting its importance in stimulating growth and development. Provinces fund school education, adult basic education, early childhood development, education for learners with special needs and teacher training colleges. Between 1994 and 1998/99, provincial

The education story

education departments had to integrate the different education authorities, bring personnel salaries into line and improve equality of access to education. With a clearer framework in place, the focus has now shifted to improving the quality of education, especially in poorer schools. The introduction of the *Tirisano* campaign by the Minister of Education has seen a shift to getting children into schools, ensuring that teaching takes place, restoring discipline in schools and working with communities to improve the way schools function.

Funding education

Provincial equitable shares

Education expenditure is funded primarily from the provinces' equitable shares and own revenues. The Department of Education provides a conditional grant, R202 million in 2000/01, to support improvements in financial management and the quality of education. The provincial equitable share formula includes a component that indicates the relative need for educational services. Weighted at 41 per cent, the education component includes actual school enrolment figures and the provincial distribution of the school-age population. The former identifies the target group for education services, while the latter compensates for higher enrolment rates in provinces that inherited poor education systems. The formula-based distribution of resources does not correlate with provincial education expenditures, as these are driven by relative costs, provincial preferences and historical backlogs in education services.

School fees

The South African Schools Act allows for the collection and retention of school fees from parents who can afford such payments. Parental support provides a significant injection into the public school system and enables Government to shift resources from wealthier to poorer schools. These fees are not included in provincial budgets.

Funding norms and standards

The contribution of fees to total school revenue obviously correlates with the income level of the community. Parents in wealthier communities are making larger contributions to their children's education than in the past. As a result, the norms and standards for school funding dictate that poorer schools should receive a greater share of non-personnel resources than wealthier schools. Such redistribution is a key element of education policy, as is the drive to give parents more say in the management of schools and school budgets through participation in governing bodies.

Trends in education spending

Increase in education expenditure

Table 2.3 shows that provincial education expenditure increased from R38,7 billion in 1998/99 to R43,2 billion in 2000/01, and is projected to grow to R48,2 billion by 2002/03. Despite below-inflation growth between 1998/99 and 1999/00, education expenditure has grown in real terms since 1995/96. This trend is projected to continue until 2002/03, with average annual growth of nearly 6,4 per cent over the medium term.

Provincial trends

In 1999/00, five provinces saw declines in real education expenditure (Eastern Cape, KwaZulu-Natal, Northern Province, Northern Cape

and Western Cape). Over the MTEF period, expenditure growth varies from an annual average of 4,7 per cent in Mpumalanga to 8,4 per cent in KwaZulu-Natal. All provinces except Mpumalanga, Northern Cape and North West see real growth in education. Average annual growth is high in Free State (7,1 per cent), Gauteng (6,7 per cent) and Northern Province (6,7 per cent).

Table 2.3 Education expenditure by province

R million	Actual	Estimated actual	Medium-term estimate		
	1998/99	1999/00	2000/01	2001/02	2002/03
Eastern Cape	6 585	6 839	7 379	7 630	7 956
Free State	2 612	2 785	3 073	3 277	3 426
Gauteng	6 045	6 310	6 835	7 229	7 657
KwaZulu-Natal	7 124	7 299	8 158	8 809	9 306
Mpumalanga	2 624	2 809	2 907	3 103	3 222
Northern Cape	878	896	963	1 013	1 066
Northern Province	5 793	5 856	6 212	6 657	7 119
North West	3 196	3 408	3 624	3 550	3 945
Western Cape	3 822	3 835	4 078	4 263	4 462
Total, adjusted	38 678	40 036	43 230	45 530	48 160
Percentage change					
Eastern Cape		3,9	7,9	3,4	4,3
Free State		6,6	10,3	6,6	4,5
Gauteng		4,4	8,3	5,8	5,9
KwaZulu-Natal		2,5	11,8	8,0	5,6
Mpumalanga		7,1	3,5	6,7	3,9
Northern Cape		2,1	7,6	5,2	5,2
Northern Province		1,1	6,1	7,2	6,9
North West		6,6	6,3	(2,0)	11,1
Western Cape		0,3	6,3	4,5	4,7
Total, adjusted		3,5	8,0	5,3	5,8

1. Total provincial spending has been adjusted for certain function shifts, as described

Education expenditure consists of two major components: personnel costs, which comprise almost 90 per cent of expenditure, and non-personnel expenditure, ranging from learner support materials (such as textbooks) to capital and maintenance expenditure (see Table 2.4).

Education is the most labour-intensive service provided by Government. After large increases in 1996/97 and 1997/98, personnel expenditure increased to a peak of 91,2 per cent of education expenditure in 1998/99. Since then, it has stabilised and is beginning to decline as a proportion of education expenditure. Slow growth in personnel expenditure over the medium term (at an average 5,3 per cent a year) allows non-personnel expenditure to grow by 15,4 per cent a year. As a result, personnel expenditure is projected to decline to 87,9 per cent of expenditure in 2002/03. The education sector aims to reduce costs to 85 per cent of total expenditure over the medium term.

Composition of expenditure

Balance between personnel and non-personnel costs

Table 2.4 Education expenditure by economic classification

R million	Actual	Estimated actual	Medium-term estimate		
	1998/99	1999/00	2000/01	2001/02	2002/03
Current expenditure	38 189	39 591	42 551	44 672	47 260
Personnel	35 263	36 242	38 432	40 014	42 322
Other current	2 926	3 349	4 119	4 658	4 938
Capital	489	445	679	858	900
Total	38 678	40 036	43 230	45 530	48 160
Percentage share					
Current expenditure					
Personnel	91,2	90,5	88,9	87,9	87,9
Other current	7,6	8,4	9,5	10,2	10,3
Capital	1,3	1,1	1,6	1,9	1,9
Total	100,0	100,0	100,0	100,0	100,0

Rationalisation and redeployment

The declining share of personnel expenditure reflects a reduction in personnel numbers, driven by a programme of rationalisation and redeployment. In 1999, the national Department of Education, on behalf of the nine provinces, signed an agreement with educator unions, which set out a process for allocating posts to schools and identifying surplus teachers, processes to redeploy these teachers and steps to terminate the contract of temporary teachers deemed to be in excess. This programme has resulted in a more equitable distribution of teachers across provinces and a reduction of almost 13 000 in total teacher numbers.

Contributing factors

Although the aggregate reduction in the personnel to non-personnel expenditure ratio is positive, the ratio remains high in certain provinces. In KwaZulu-Natal, Eastern Cape, Mpumalanga, Northern Province and North West, more than 90 per cent of education budgets are allocated to personnel in the MTEF years. This implies substantial differences between provinces in terms of non-educator inputs in teaching. These provinces inherited inefficient education systems with high failure rates and thus teach large numbers of repeaters. They also faced large classroom backlogs. Most, particularly Northern Province, moved rapidly to decrease learner to educator ratios by employing more teachers. However, not having first addressed classroom backlogs, some schools had more teachers than physical classes, and average class sizes remained high.

Non-personnel expenditure

Expenditure on complementary items such as textbooks, materials, equipment and teacher support programmes was reduced in real terms from 1996/97 to 1998/99 to accommodate increases in personnel costs. As the ratio of personnel to non-personnel expenditure begins to decrease, more resources can now be devoted to these complementary inputs. Personnel reductions saved about R700 million in 1999/00, freeing up resources for addressing classroom backlogs, providing teacher support systems and procuring new materials for learners.

Capital expenditure

Similarly, capital expenditure has been under pressure from increases in personnel costs. Given the stabilisation in personnel expenditure, provinces can now increase capital expenditure, especially on

classroom building, water and sanitation in schools, and school furniture. Capital expenditure increases by nearly 26,5 per cent a year over the three years to 2002/03, but remains at just under 2 per cent of provincial education expenditure.

Table 2.5 Provincial expenditure by programme and economic classification, 2000/01

R million	Programme			Economic classification			Total
	Public ordinary schooling	Teacher training	Other	Personnel	Other current	Capital	
Eastern Cape	6 300	165	915	6 673	577	129	7 379
Free State	2 403	68	602	2 652	403	18	3 073
Gauteng	5 663	134	1 039	5 824	851	161	6 835
KwaZulu-Natal	7 124	174	861	7 345	688	125	8 158
Mpumalanga	2 454	49	404	2 654	198	55	2 907
Northern Cape	815	9	139	794	158	12	963
Northern Province	5 023	226	963	5 623	525	64	6 212
North West	3 040	53	532	3 320	241	63	3 624
Western Cape	3 294	26	759	3 547	479	52	4 078
Total	36 115	902	6 213	38 432	4 119	679	43 230

Spending on public pre-primary, primary and secondary schooling constitutes nearly 84 per cent of provincial education spending. Special education absorbs nearly 3 per cent of budgets and teacher training about 2 per cent.

Public schooling

The process of incorporating teacher training institutions into the higher education sector is at an advanced stage. Some education colleges are being incorporated into technikons and universities while others are being merged to ensure better quality. The overall number of teacher training facilities is being reduced. By 2001/02, teacher training will be funded as part of the higher education sector on the budget of the national Department of Education.

Teacher training colleges

Equity in education and educational outputs

Provinces not only spend differing proportions of their budgets on education but expenditure per learner also differs substantially. Some provinces spend well below the average of 40 per cent of their budgets on education but spend substantially more per learner. This is the case in Gauteng, Northern Cape and Western Cape, which all spend around 21 per cent more per learner than the provincial average. Gauteng and Northern Cape spend over 48 per cent more per learner than KwaZulu-Natal, and Western Cape 44 per cent.

Provincial differences in expenditure

Western Cape and Gauteng spend relatively low proportions on education because a smaller part of their population is of school-going age and their education systems are more efficient, with lower failure and repeater rates. Poorer provinces generally have a higher proportion of children in their population and have higher failure and repeater rates.

Spending per learner The differences in per-learner expenditure in education are largely attributable to variations in the number of personnel per learner and in the salaries of educators. Provinces with above-average educator costs also tend to have below-average learner to educator ratios. Northern Cape, Gauteng and Western Cape not only have more teachers per learner on average, but they also pay above-average salaries. This combination pushes up education expenditure in these provinces. Individual qualifications and the agreed salary structure at national level determine educator costs, although higher pay may also reflect teacher seniority. Provinces with lower educator costs probably have relatively more underqualified teachers. Gauteng, Northern Cape, North West and Western Cape have low learner to educator ratios, while KwaZulu-Natal, Northern Province, Mpumalanga and Eastern Cape have higher ratios.

Table 2.6 Provincial variations in learners and personnel, 2000/01

Province	Learners (1999) (000)	Per-learner budget (R)			Average employee cost	No of educators	L:E ratio
		Personnel	Other	Total			
Eastern Cape	2 325	2 870	304	3 174	87 152	67 392	34,5
Free State	780	3 399	539	3 939	89 171	24 194	32,2
Gauteng	1 569	3 711	645	4 355	95 343	46 079	34,1
KwaZulu-Natal	2 772	2 650	293	2 943	92 099	70 960	39,1
Mpumalanga	931	2 852	272	3 124	88 303	25 948	35,9
Northern Cape	204	3 885	831	4 717	86 934	6 629	30,8
Northern Province	1 823	3 085	323	3 408	91 921	55 801	32,7
North West	946	3 509	321	3 830	89 300	32 490	29,1
Western Cape	963	3 682	551	4 233	100 979	26 063	37,0
Total	12 314	3 121	390	3 511	91 546	355 556	34,6

Matric pass rates

An analysis of matric pass rates since 1996 shows that improved educational outputs remain a medium- to long-term goal. The legacy of apartheid education, decades of neglect, underresourced schools and poorly trained teachers will take many years to overcome. After initially declining to 47 per cent in 1997, matric pass rates improved slightly to 49 per cent in 1999. Western Cape, Northern Cape and Gauteng all have pass rates above 57 per cent, while the pass rate in the remaining six provinces is below this level.

Equality in quality still far off

Much has been achieved in terms of equity in education expenditure, with more rapid growth in expenditure in poorer provinces between 1995/96 and 1999/00, and improved learner to educator ratios in poor provinces. However, equalisation of educational inputs and good quality education to the poor remain some of the most critical challenges facing the country.

Trends in learner numbers

After rapid growth in learner numbers between 1994 and 1996, enrolment has stabilised and is set to decline slightly over the next five years. This decline is due to tighter admissions criteria for under-age learners and expected improvements in pass rates. Nevertheless, a comparison of enrolment to school-age cohorts suggests that the problem of repeaters and out-of-age enrolment remains significant.

Table 2.7 Matric pass rates by province

Percentage	1996	1997	1998	1999
Eastern Cape	49	46	45	40
Free State	51	43	43	42
Gauteng	58	52	56	57
KwaZulu-Natal	62	54	50	51
Mpumalanga	47	46	53	48
Northern Cape	74	64	65	64
Northern Province	39	32	35	38
North West	70	50	55	52
Western Cape	80	76	79	79
Average	54	47	49	49

Issues in education policy

In July 1999, the Minister of Education acknowledged progress in the education system since 1994, but concluded that major weaknesses remained. In general, Government was not providing quality education to sufficient numbers of learners. The following were some of the aspects he identified:

- Inequality in access to education opportunities of a satisfactory standard
- Low teacher morale in many communities
- A crisis of leadership and governance in many parts of the system, especially in schools
- Poor quality of learning

To resolve these problems, several focus areas were identified. These include improving the education system, reducing illiteracy, enhancing professionalism among teachers, improving the physical condition of schools and providing quality further and higher education. The Department of Education pledged to introduce a series of national tests at grades 3, 5, 7 and 9 to complement the matric examinations. The purpose of these tests is to monitor the performance of the education system and provide early warning of problem areas before learners reach their final school-leaving examinations.

International evidence suggests that the highest returns to education expenditure are achieved in the pre-primary phase. The Department of Education is expected to publish a White Paper on Early Childhood Development later this year, which recognises the contribution of pre-school education to improved outcomes at higher levels and which will propose plans for phasing in a reception year. While eventual returns to such an investment will be high, expenditure will have to compete with other mechanisms for improving quality in the schooling system. It will also place added pressure on provincial education budgets.

The Department of Education is committed to outcomes-based education, but shortcomings in the current vehicle for implementation,

Implementing Tirisano

Identifying focus areas

Early childhood development

Outcomes-based education

Curriculum 2005, were identified in a recent report to the Minister. The major criticisms were the following:

- Teacher training was insufficient for implementing Curriculum 2005.
- The actual curricula were too complicated to meet the diverse needs of South Africa's education system.
- Insufficient resources were devoted to the publication of new textbooks, learner support materials and teaching aids.
- Education departments lacked the capacity to develop and conduct a range of tests required to measure progress in an outcomes-based teaching environment.

Implementation will now focus on the development of materials that are simpler to implement, on improved teacher training and on assessment mechanisms. It is evident that successful implementation of outcomes-based education in all schools, particularly poor ones, will require additional resources for in-service training for teachers and for more learner support materials.

The widely diverging quality of school infrastructure is an important component of unequal access to schooling between and within provinces. A large proportion of schools do not have access to running water and sanitation facilities, and the state of school buildings in many areas is not satisfactory. *Tirisano* pledges progress in this regard as well.

Health

Health contributes to development

Health care is a key facet of South Africa's programme for enhancing human development. Creating an environment where citizens are healthy and productive contributes to the long-term development of a country and its people. Core investments in basic health care are a crucial part of improving the prospects for development.

Basic health care

Historically, the country's health sector had been geared towards a small portion of the population. South Africa developed highly sophisticated academic health facilities, while diseases such as malnutrition, tuberculosis and malaria killed thousands of infants before their first birthday. The country had to transform the health system towards a better balance between expensive tertiary and specialised care, and basic health care for all people.

HIV/Aids

In the midst of this transformation, South Africa is confronted by one of the biggest challenges yet to face the country: the spread of HIV/Aids. This disease has a devastating effect on families and communities, on the ability of the health system to cope, on productivity and on long-term prospects for growth and development. Given their role in social service delivery, provinces are at the forefront of the fight against HIV/Aids and will be most affected by the fiscal impact of the disease.

Funding health services

Provincial governments fund health care from their equitable shares and own revenues, supplemented by conditional grants from the national Department of Health. Health grants total R5,7 billion in 2000/01, the largest share of all conditional grants. The provincial equitable share formula includes a component that reflects the relative need for basic health services. In effect, people without medical aid coverage are weighted more heavily in determining the distribution of available resources, as they are more likely to use public facilities.

National transfers

As detailed in Chapter 4, provincial health departments are taking steps to improve the collection of fees by hospitals. Though small in the context of the total health budget, hospital revenue plays an important part in drawing private resources, particularly from medical aid patients, into the public sector to supplement public funds. Provinces with large academic hospitals have better prospects of raising revenue from private patients.

Improving revenue collection

South Africa also has a vibrant private health care sector. Expenditure by the private medical scheme industry totalled approximately R25 billion in 1997, compared to the R24 billion of provincial health expenditure in 1998/99 (see Table 2.8). However, while the public sector covers the bulk of the population (just over 33 million people), about 7 to 8 million people have access to medical aid and generally use the private health care system. Medical schemes are regulated through the Medical Schemes Act of 1998.

Private health care

Trends in provincial health expenditure

Table 2.8 shows that provincial health expenditure grew by 7,6 per cent in 2000/01, and is projected to grow by an average annual 6,1 per cent over the medium term. While expenditure declines in real terms in Eastern Cape, Northern Cape and Western Cape over the MTEF period, substantial real growth is envisaged in the other provinces. Low growth in Eastern Cape health expenditure follows a very large upward adjustment in 1999/00 to accommodate promotion backlogs.

Growth in expenditure

Personnel costs constitute 62,3 per cent of total health spending in 2000/01, as against less than 60 per cent in 1995/96. The salary structure introduced in the 1996 salary agreement and the automatic promotions resulting from these negotiations placed greater pressure on personnel costs. As in the case of education, increasing personnel expenditure squeezed out expenditure on complementary inputs, potentially compromising quality and service delivery. Efficiency in health care spending, however, remains a critical concern.

Personnel costs

Provinces with academic health complexes spend a smaller proportion of their funds on personnel, although Free State is an outlier in this regard. Between 1998/99 and 2000/01, personnel expenditure as a proportion of expenditure declined somewhat. However, over the medium term, the ratio again increases to 62,9 per cent. This trend applies to all provinces, except Mpumalanga and Northern Cape, which project a decreasing share for personnel. Continuing eligibility

for rank and leg promotions results in high average annual increases in remuneration in addition to the annual salary adjustment. This implies continuing pressure on non-personnel inputs in health despite widespread reductions in personnel numbers.

Table 2.8 Provincial health expenditure by province

R million	Actual	Estimated actual	Medium-term estimate		
	1998/99	1999/00	2000/01	2001/02	2002/03
Eastern Cape	3 041	3 566	3 380	3 644	3 803
Free State	1 688	1 604	1 829	1 899	1 989
Gauteng	5 476	5 610	6 116	6 565	6 961
KwaZulu-Natal	4 869	5 110	5 714	5 950	6 227
Mpumalanga	1 058	1 147	1 185	1 250	1 331
Northern Cape	386	429	427	450	468
Northern Province	2 056	2 260	2 428	2 524	2 666
North West	1 345	1 388	1 601	1 752	1 868
Western Cape	3 029	3 125	3 403	3 589	3 607
Total, adjusted	22 949	24 241	26 083	27 623	28 920
Percentage change					
Eastern Cape		17,3	(5,2)	7,8	4,4
Free State		(5,0)	14,0	3,8	4,7
Gauteng		2,4	9,0	7,3	6,0
KwaZulu-Natal		5,0	11,8	4,1	4,7
Mpumalanga		8,4	3,3	5,5	6,5
Northern Cape		11,1	(0,4)	5,2	4,0
Northern Province		9,9	7,4	4,0	5,6
North West		3,2	15,3	9,4	6,6
Western Cape		3,2	8,9	5,5	0,5
Total, adjusted		5,6	7,6	5,9	4,7

Table 2.9 Health expenditure by economic classification

R million	Actual	Estimated actual	Medium-term estimate		
	1998/99	1999/00	2000/01	2001/02	2002/03
Current expenditure	22 148	23 373	24 538	25 665	26 987
Personnel	14 826	15 504	16 249	17 238	18 182
Other current	7 321	7 869	8 289	8 426	8 805
Capital	801	868	1 545	1 958	1 933
Total	22 949	24 241	26 083	27 623	28 920
Percentage share					
Current expenditure					
Personnel	64,6	64,0	62,3	62,4	62,9
Other current	31,9	32,5	31,8	30,5	30,4
Capital	3,5	3,6	5,9	7,1	6,7
Total	100,0	100,0	100,0	100,0	100,0

Expenditure by programme

Table 2.10 shows the three major programmes of provincial health departments, combining administration and other programmes into the "other" category. Shifts in the classification of expenditure by

programme make it difficult to interpret trends in health spending over time. However, the 2000/01 data show that district health services take up most of the health budget in provinces without academic complexes, like Mpumalanga, Northern Cape, Northern Province, North West and Eastern Cape. Eastern Cape has a small academic complex in Umtata – this is expected to grow once the new Nelson Mandela hospital comes into operation, probably in 2002/03.

Table 2.10 Provincial expenditure by programme and economic classification, 2000/01

R million	Programme				Economic classification		Total
	District health services	Provincial hospital services	Academic hospital services	Other	Personnel	Non-personnel	
Eastern Cape	1 817	1 149	53	360	2 230	1 149	3 380
Free State	674	550	361	244	1 187	642	1 829
Gauteng	1 383	1 213	2 935	586	3 599	2 517	6 116
KwaZulu-Natal	2 696	1 608	665	746	3 467	2 248	5 714
Mpumalanga	910	98	0	177	755	431	1 185
Northern Cape	251	134	–	43	280	147	427
Northern Province	1 303	527	–	597	1 533	895	2 428
North West	956	443	–	202	1 107	494	1 601
Western Cape	1 006	788	1 273	335	2 092	1 311	3 403
Total	10 997	6 511	5 286	3 289	16 249	9 835	26 083

Over the MTEF period, the district health services programme, including primary care, grows more rapidly (at 6,9 per cent annually) than do provincial and academic health services (at 1,1 and 1,9 per cent respectively). Therefore, district health services grow in relative importance from 39,1 per cent of total expenditure in 1998/99 to 41,6 per cent in 2001/02. The low growth in the other two expenditure programmes indicates that further rationalisation will be required. This trend is particularly evident in Gauteng and Western Cape, as these provinces shift emphasis from tertiary to district health services. Northern Province, Eastern Cape and Mpumalanga are shifting resources from provincial hospitals to district health care. These trends are in line with health policy.

Determining the budget for hospitals is difficult, as these are not identified as separate cost centres. It is therefore not possible to determine whether the central hospital grant covers the targeted 76 per cent of such expenditure. Expenditure on central hospitals appears to have declined in real terms over the past four years. The division between specific functions (e.g. training, academic and specialised services) also needs to be clarified when analysing trends in hospital expenditure.

Central hospitals

The aggregate budget of the eight largest central hospitals, which are also academic hospitals is around R3,8 billion. Individual budgets range from just under R700 million for the Chris Hani Baragwanath and Johannesburg General hospitals to R350 million for the King Edward VII and Universitas hospitals. Budgets for Pretoria Academic, Groote Schuur and Tygerburg are just under R550 million and for

Garankuwa R450 million. This total does not include other major (and associated academic) hospitals with significant budgets of between R100 million and R200 million (e.g. Kalafong, Helen Joseph, Coronation, Addington, Edendale and Prince Mshiyeni Memorial) which are not funded from this grant. Further, these budgets exclude grants (directly or indirectly) from the professional training and research grant.

The challenge facing provinces with central hospitals is to rationalise and find the optimal balance between these and other hospitals, both within the province and between provinces. Progress in this respect has been slow, resulting in delays in the distribution of specialised services in provinces that have not inherited such services. This is reflected in non-transfers in the redistribution conditional grant, where actual transfers were only R3 million out of the budgeted R49 million in 1998/99 and R48 million instead of the budgeted R151 million in 1999/00.

Rehabilitation of facilities

One of the consequences of increased personnel costs has been a decrease in expenditure on capital and maintenance. In the 2000 Budget, Government introduced the hospital rehabilitation grant to address the rehabilitation of facilities. This grant amounts to R400 million in 2000/01 and increases to R520 million over the medium term.

New hospitals

In addition to many new primary and secondary health facilities built since 1995, Government has provided conditional grant finance for the Nelson Mandela Academic Hospital (in Umtata) and the Nkosi Albert Luthuli Academic hospital (formerly the Durban Academic). In 2000/01, this grant is R273 million.

Transfers of conditional grants

While all the funds for the two major grants (central hospital and professional training) were transferred in 1999/00, Table 3.9 in the next chapter shows non-transfers of some of the grants. These include non-transfers of R94 million of the redistribution grant, R60 million of the rehabilitation grant and R170 million of the two hospital construction grants.

The table also provides information on the Integrated Nutrition Programme. Since all budgeted funds were transferred to provinces in 1999/00, actual spending has to be assessed from provincial data. Information on actual expenditure on this subprogramme is not available from eight of the nine provinces.

Equity in health

Differences in spending per capita

The proportion of expenditure allocated to health differs substantially between provinces, ranging from 17,4 per cent in Mpumalanga to 33,7 per cent in Gauteng in 2000/01. This difference relates to the concentration of tertiary services and medical training in four provinces – Free State, Gauteng, KwaZulu-Natal and Western Cape – as well as the differential availability of health services.

Cross-boundary spillovers

Because of the four-province model that existed before 1994, many health facilities, particularly academic health services, are still concentrated in the four provinces listed above. (Eastern Cape has

established academic and training facilities in Umtata). However, tertiary health services cannot be replicated in each province. Many services are provided only in one province – the heart unit is based in Western Cape, the burns unit in Gauteng, and so forth. Patients from across the country will continue to use these facilities. Since the equitable share formula uses provincial demographic data to determine the relative need for health services, it does not adequately cater for this cross-boundary use of tertiary health services. Some of the health conditional grants compensate the relevant provinces for delivering these services to other provinces.

Table 2.11 shows the impact of the health grants, which include grants for central hospitals, professional training and research, rehabilitation of facilities, redistribution of health services, hospital construction and the Integrated Nutrition Programme. Without these grants, the disparity in spending per person without medical aid is significantly lower between provinces. Including conditional grants, expenditure ranges from R1 393 per person without medical aid in Gauteng to R492 in Mpumalanga in 2000/01 (2,8:1). Excluding conditional grants, the gap narrows from R913 in Gauteng to R433 (2,1:1) in Mpumalanga. The differential is still large, however, indicating that access to health services remains unequal.

Impact of conditional grants

Table 2.11 Health expenditure by province including and excluding grants, 2000/01

R million	Total health expenditure		Total spending per capita ²		People without medical aid
	Including conditional grants	Excluding conditional grants ¹	Including conditional grants	Excluding conditional grants ¹	
Eastern Cape	3 380	3 065	583	529	5 793
Free State	1 829	1 436	844	663	2 166
Gauteng	6 116	4 010	1 393	913	4 390
KwaZulu-Natal	5 714	4 686	781	641	7 314
Mpumalanga	1 185	1 042	492	433	2 409
Northern Cape	427	370	643	557	665
Northern Province	2 428	2 201	533	483	4 554
North West	1 601	1 461	553	504	2 897
Western Cape	3 403	2 094	1 202	740	2 830
Total	26 083	20 366	790	617	33 018

1. Conditional grants fund services that are available to people from all provinces, and should not be attributed to the provinces where these services are physically located.

2. This column reflects spending per person without medical aid.

According to the Health Systems Trust's 1998 report, Gauteng and Western Cape had 5,3 and 6,5 public sector doctors respectively per 10 000 people, while Northern Province and Mpumalanga each had 1,5 doctors per 10 000 people. While the situation has improved somewhat with, for example, the number of public sector doctors in Northern Province increasing from 0,6 to 1,5 per 10 000 people, much remains to be done.

The need to move health personnel between provinces and from urban to rural areas within provinces is a major challenge facing provincial health managers. Despite the introduction of a rural allowance for

Personnel rigidities

doctors and interns, urban-rural disparities persist. The absence of an affordable retrenchment tool has complicated redeployment and rightsizing of the personnel component. Central wage determination in the public sector, without adequate input from health and provincial managers, has also limited flexibility. Despite these limitations, Western Cape has used voluntary severance packages to restructure its health services to better effect than other provinces.

Policy issues in health

Transforming health services

The transformation of the health sector and the increased emphasis on primary services substantially affect provincial health administration and budgets. Free health care services to pregnant women and children under six, clinic building and free access to primary health care all put pressure on recurrent health expenditure, as did the implementation of the Choice on Termination of Pregnancy Act.

Tertiary services

Tertiary services are being rationalised and scaled down to accommodate the shift to primary health care services. The rationalisation of academic hospitals has been slow. The distinction between academic, central and regional hospitals is not uniformly applied between provinces. This is further complicated by the fact that a significant component of primary and secondary health services in Gauteng and, to a lesser extent, Western Cape is actually delivered in academic hospitals. Gauteng, for example, still has four major central hospitals (Chris Hani Barawanath, Johannesburg General, Pretoria Academic and Garankuwa). In addition to these hospitals, smaller but significant (in budget terms) hospitals like Coronation, Helen Joseph and Kalafong are part of the academic complexes. Similar arrangements apply in Western Cape with its three major academic complexes, and in KwaZulu-Natal.

Aligning current central hospital and health training grants to budgets represents a major challenge for health budgets. This challenge includes alignment between these and other hospital conditional grants (redistribution and rehabilitation grants). Recognising this challenge, the national Department of Health started a comprehensive review last year. This study was not completed in time for the 2001 Budget, but is expected to be incorporated into the 2002 Budget.

Community service for doctors

Restructuring the health sector is a complex process. Provinces such as Northern Province, Eastern Cape and Mpumalanga have difficulty in attracting health professionals. The shortage of health professionals, combined with supernumeraries at the lower end, is particularly acute in rural areas. The introduction of community service for doctors has helped to address inter- and intra-provincial disparities to some extent. However, the public sector as a whole has lost skilled health professionals to the private sector or other countries. The health sector faces the challenge of introducing further personnel service reforms to attract and retain the appropriate specialised health skills in the public sector.

While much has been achieved in extending basic health care to poor and deprived communities, the optimal balance between the different levels of health care must still be found. In this process, the

development of human resources for the public health sector, budgetary allocations to various levels of health care and the efficiency and effectiveness of spending in the health system must be considered. The role of local government in the provision of health services must also be clarified if unfunded mandates are to be avoided.

Much remains to be done to improve the quality of financial management in hospitals. The PFMA provides the mechanism for appointing chief executive officers to run hospitals and for improving the quality of financial management. Government has allocated R30 million in 2000/01 to improve management in health departments and hospitals.

Financial management

Concurrent to this complex transformation, HIV/Aids is placing increased strain on the health system. In provinces such as KwaZulu-Natal, up to 40 per cent of patients in medical wards are HIV positive. Not only has the demand for health care increased substantially, but treatment for relatively simple diseases such as malaria and tuberculosis is also made substantially more expensive by the HIV/Aids epidemic. The eventual budgetary implications pose a significant risk to health budgets in the public sector.

HIV/Aids impact

The extension of the Basic Conditions of Service Act to the public service significantly affects personnel management in the health sector. The Act is designed to protect workers by limiting overtime work. While the principle is sound, paying health employees more for overtime and Sunday work will add to the personnel cost pressures exerted by the continued existence of rank and leg promotions.

Implementation of Basic Conditions of Service

Welfare

Welfare expenditure consists of social security payments and social welfare services. South Africa has three principal social grants: old age pensions, disability grants and child support grants. Welfare services consist of services that Government or non-governmental organisations (NGOs) provide to, among others, elderly, drug dependent, disabled or abused people.

Reaching the poor

South Africa is one of the few developing countries that provides its citizens with tax-financed and means-tested income replacement or support. Social security grants target the poor better than most other government programmes and, at 91 per cent of welfare expenditure, represent Government's primary investment in poverty alleviation.

The most significant policy development in welfare is the expansion of the social security net after 1994. The phasing out of the state maintenance grant and the introduction of the child support grant in 1998 shifted the emphasis from a focus on elderly and disabled people to children and those with family responsibilities. It also removed a last source of racial discrimination – the unequal access to the state maintenance grant – from the welfare system.

Expanding the social security net

Funding welfare

Welfare is the third largest area of expenditure at the provincial level. Over 98 per cent of welfare expenditure is funded from provincial equitable share allocations and own revenues, with a very small conditional grant from the national Department of Welfare for certain functions. The provincial equitable share formula includes a welfare component, weighted at 17 per cent, which measures the relative need for social security. It is based on the number of elderly or disabled people and children under seven, all weighted by income. It thus captures the demographic and income profile of the people at whom the major welfare grants are targeted.

Welfare services are mainly delivered through NGOs, and Government subsidises the posts of social workers. Old age homes, drug rehabilitation centres, facilities to care for disabled people, foster care programmes and orphanages are some of the services funded through these subsidies. In addition to government subsidies, many NGOs raise funds from corporate and private donations and grants.

Expenditure trends in welfare

Table 2.12 Provincial welfare expenditure by province

R million	Actual	Estimated	Medium-term estimate		
	1998/99	actual 1999/00	2000/01	2001/02	2002/03
Eastern Cape	3 634	3 856	4 186	4 141	4 229
Free State	1 158	1 162	1 262	1 291	1 291
Gauteng	2 295	2 425	2 628	2 771	2 938
KwaZulu-Natal	3 984	4 051	4 068	4 341	4 412
Mpumalanga	1 087	1 156	1 214	1 274	1 344
Northern Cape	665	690	640	653	667
Northern Province	2 031	2 318	2 553	2 551	2 687
North West	1 299	1 407	1 519	1 529	1 580
Western Cape	2 211	2 208	2 266	2 296	2 388
Total, adjusted	18 365	19 273	20 336	20 847	21 536
Percentage change					
Eastern Cape		6,1	8,6	(1,1)	2,1
Free State		0,3	8,6	2,3	0,0
Gauteng		5,6	8,4	5,4	6,0
KwaZulu-Natal		1,7	0,4	6,7	1,6
Mpumalanga		6,4	5,1	4,9	5,5
Northern Cape		3,7	(7,3)	2,1	2,1
Northern Province		14,1	10,1	(0,1)	5,3
North West		8,3	8,0	0,7	3,3
Western Cape		(0,1)	2,6	1,3	4,0
Total, adjusted		4,9	5,5	2,5	3,3

1. Total provincial spending has been adjusted for certain function shifts.

Expenditure growth

On average, welfare expenditure grew by 4,9 per cent in 1999/00, with annual growth of 3,8 per cent over the medium term. Real declines are projected in all provinces, except Gauteng (increasing by 6,6 per cent a year) and Mpumalanga (up 5,2 per cent). These declines

reflect adjustments in the grant system. Specifically, real annual declines in expenditure in Western Cape (growth of 2,6 per cent) and Northern Cape (-1,1 per cent) relate to the phasing out of the child maintenance grant and, in the latter, the tightening up of access to disability grants in line with regulations.

The MTEF budget projections in some provinces probably do not accurately reflect all cost pressures. In particular, as a result of the phasing in of the child support grant, provinces with a higher proportion of poor children will see faster growth in welfare spending than will provinces such as Western Cape, Northern Cape and Gauteng. The latter have a lower proportion of poor children and also achieved substantial savings from phasing out the state maintenance grant. This possible shortfall in the budgets of poorer provinces remains a significant challenge to provincial finances over the next few years.

Table 2.13 shows provincial welfare expenditure by economic classification. In 2000/01, transfer payments comprise 90,8 per cent of welfare expenditure, with the remainder being personnel (4,4 per cent), other current expenditure (4,5 per cent) and capital expenditure (0,3 per cent).

Provincial differences

Composition of spending

Table 2.13 Welfare expenditure by economic classification

R million	Actual	Estimated actual	Medium-term estimate		
	1998/99	1999/00	2000/01	2001/02	2002/03
Current expenditure	18 318	19 231	20 283	20 795	21 481
Transfer payments	16 987	17 672	18 465	18 854	19 416
<i>Of which social security</i>	<i>16 224</i>	<i>16 823</i>	<i>17 473</i>	<i>17 804</i>	<i>18 318</i>
Other current	1 330	1 560	1 817	1 942	2 064
Capital	47	41	53	52	55
Total	18 365	19 273	20 336	20 847	21 536
Percentage share					
Current expenditure					
Transfer payments	92,5	91,7	90,8	90,4	90,2
<i>Of which social security</i>	<i>88,3</i>	<i>87,3</i>	<i>85,9</i>	<i>85,4</i>	<i>85,1</i>
Other current	7,2	8,1	8,9	9,3	9,6
Capital	0,3	0,2	0,3	0,2	0,3
Total	100,0	100,0	100,0	100,0	100,0

Transfer payments consist mainly of grants to individuals and to households (social security grants). These comprise 85,9 per cent of welfare expenditure in 2000/01. Grant payments flow directly to individuals, supplementing the income of many poor households. Transfer payments also include subsidies and other payments to NGOs for the provision of welfare services, such as probation and adoption services, family counselling and homes for children and aged people.

Transfer payments

In March 2000, 3,1 million beneficiaries received grants, as against 2,9 million a year earlier. This reflects the phasing in of the child

support grant. Social security expenditure is dominated by old age grants, which comprised nearly 60 per cent of the number of beneficiaries (1,9 million) in March 2000 and nearly 70 per cent of grant expenditure. Grants to disabled people are the second most important category, numbering 611 000 in March 2000.

Grants to children and families constitute a small percentage of total grants, but are increasing rapidly as a result of the increased take-up of the child support grant. This grant is targeted at the poorest 3 million children in South Africa, and is expected to cost over R3,6 billion by 2003/04.

Capital expenditure

Given the nature of the services provided by the welfare department, capital expenditure is limited. However, unequal access to welfare institutions and backlogs resulting from uneven capital expenditure in the past have led to calls for increased capital expenditure in this sector. Over the medium term, capital expenditure is slightly higher at 0,3 per cent of total expenditure.

The dominance of grants and their associated administration cost is also reflected in the bulk of budgets being absorbed in programme 2, Social security (see Tables 2.14 and 2.15). In 2000/01, this programme comprises 89,7 per cent of total spending, leaving only a small proportion for other welfare services. While some provinces are close to the informal target that limits social security to 80 per cent, most are still far off. Western Cape spends about 83 per cent on social security and Gauteng 80 per cent. Eastern Cape, KwaZulu-Natal and Northern Province, however, continue to spend well over 90 per cent of their welfare budgets on social security.

Table 2.14 Provincial welfare expenditure by programme

R million	Actual	Estimated	Medium-term estimate		
	1998/99	1999/00	2000/01	2001/02	2002/03
Administration	159	208	247	256	276
Social security	16 749	17 530	18 248	18 607	19 173
Social assistance	800	815	904	976	1 015
Social welfare services	531	577	728	786	832
Social development	54	66	72	86	100
Other	73	75	136	136	140
Total	18 365	19 273	20 336	20 847	21 536

Equity in welfare

On average, provinces spend 18,9 per cent of their budgets on welfare (2000/01), with the range from 14,5 per cent in Gauteng to 25,3 per cent in Northern Cape. This variation partly reflects the relative numbers of the target population in the provinces. Historical differences in access to grants also influence expenditure patterns and outcomes. This explains relatively high levels of expenditure in Western Cape and Northern Cape, and relatively low levels of expenditure in poorer provinces such as Northern Province and North West. Expenditure differences highlight the remaining inequities

between provinces, as shown by differences in grant coverage and in per capita welfare expenditure.

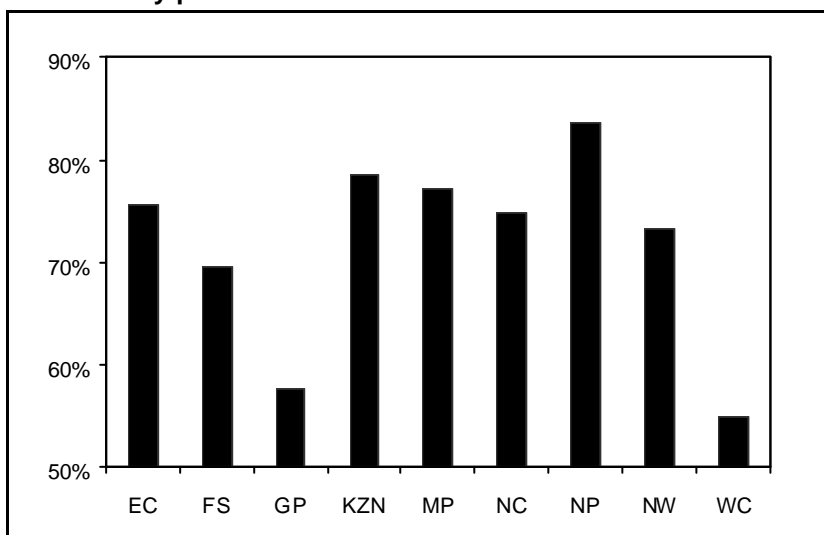
Table 2.15 Provincial welfare expenditure by province, 2000/01

R million	Social security	Other welfare	Other	Total
Eastern Cape	3 907	237	41	4 186
Free State	1 120	121	22	1 262
Gauteng	2 109	433	86	2 628
KwaZulu-Natal	3 786	234	49	4 068
Mpumalanga	1 117	70	27	1 214
Northern Cape	564	57	19	640
Northern Province	2 421	91	41	2 553
North West	1 345	98	75	1 519
Western Cape	1 879	364	23	2 266
Total	18 248	1 705	383	20 336

Figure 2.1 shows that the coverage of the old age grant is high and generally mirrors poverty patterns, with poorer provinces having higher coverage levels. While more than 70 per cent of elderly people in the country receive old age grants, only about 55 per cent receive grants in the richer provinces of Gauteng and Western Cape. Given the means-tested nature of the grant, coverage of the target population is estimated to be nearly complete and grant numbers should not grow faster than the elderly population.

Coverage of elderly people

Figure 2.1 Proportion of elderly people receiving old age grants, by province



In contrast, disability grant coverage varies significantly between provinces and does not reflect the incidence of poverty (see Figure 2.2). Northern Cape and Western Cape have high levels of coverage, but four of the poorest provinces, Free State, Mpumalanga, Northern Province and North West, have low coverage levels. Low

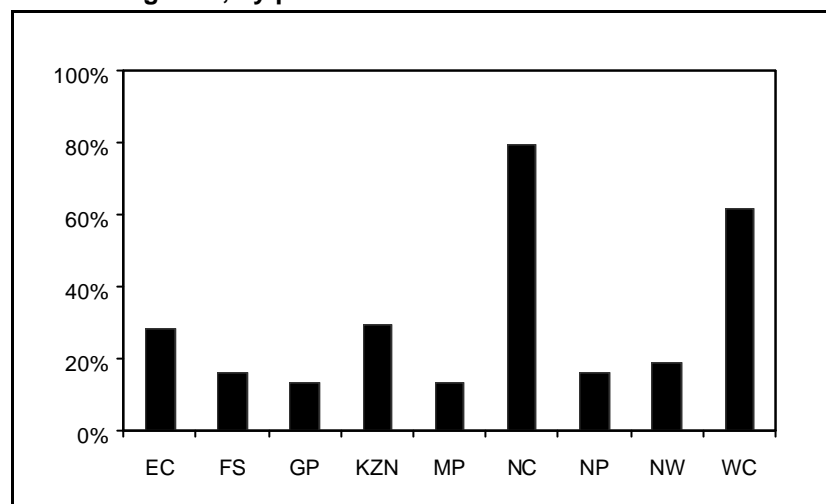
Coverage of disabled people

coverage in the poorer provinces points to significant future budgetary pressure.

Impact of child support grant

When phased in, the child support grant will become a powerful mechanism for equalising welfare expenditure between provinces, as coverage will be highest in the poor provinces. It will, however, also require poor provinces to reprioritise their budgets and will affect their other services, given the current trends in provincial budgets. Based on budget, demographic and income projections, poor provinces face a challenge in meeting the resulting financial requirements.

Figure 2.2 Proportion of disabled people receiving disability grants, by province



Policy issues in welfare

Coverage of eligible children

Several factors point towards continuing budgetary pressure for grant expenditure. First, per capita expenditure and coverage of target populations, particularly regarding disability benefits, are unequal. This shows that some poor provinces do not as yet provide adequate services to their communities, probably owing to a lack of capacity and information. Expenditure in these provinces is likely to grow in future. Second, provinces with large numbers of children qualifying for child support grants will benefit little from the phasing out of the state maintenance grant. Higher take-up of the child benefit will therefore put upward pressure on spending.

Inflation-linked grant increases

A major debate in welfare policy has been the rate at which the value of grants increases. The rate of increase of pension and disability grants has not kept pace with inflation, and many have called for inflation-linked increases in grants. This pressure must be balanced with the need to expand the social security net to communities that do not benefit fully. The higher take-up of the disability grant in poorer provinces will put pressure on welfare budgets. Similarly, the introduction of the child support grant is a major expansion of the social security net. To balance these competing interests, annual

increases in grant values will have to be balanced against growth in numbers.

Government's welfare policy is to reprioritise expenditure towards developmental services and away from "passive" income support. This challenge is formidable, given cost pressures on grants, and innovative solutions must be sought.

Reprioritisation of expenditure

Unequal access to welfare services between provinces is clearly reflected in widely diverging per capita expenditure levels. Eradication of these inequalities will require reprioritisation within welfare budgets and also within provincial budgets. As with health and education, expenditure cannot immediately be equalised at the levels that prevailed in provinces with high per capita expenditure.

Unequal expenditure on welfare services

Cabinet recently approved a new model for financing welfare organisations. It aims at providing equal access to more appropriate, community-based welfare services, as against expensive curative and institution-based services. This will require substantial adjustment over the next three years. The costing of the new model is currently under way.

Financing welfare services

As noted, welfare is a concurrent function of the national and provincial governments. While the financing and delivery of social grants are in the hands of provinces, the national Minister is responsible for policy, legislation and regulation. This division of responsibilities could lead to a mismatch between budgets and policy. Recent years saw increased efforts to coordinate policy determination with provincial financial realities. These will have to be strengthened, or responsibility for policy and financing consolidated at either the national or the provincial level.

Responsibility for social security

Given the budgetary pressures in the welfare sector, management of resources and efficiency of service delivery need to be strengthened. A conditional grant to support such efforts was included on the 1999 and 2000 Budgets.

Improving financial management and efficiency

All other provincial functions

Schedules 4 and 5 of the Constitution delineate functions that are the concurrent and exclusive responsibilities of provincial governments. The non-social service functions are important for promoting provincial economic development, employment and poverty alleviation. They include economic functions (trade, tourism and industry), public works, transport, roads and traffic enforcement, local government, housing and agriculture. Provincial budgets also fund safety and security, provincial administrative services, the provincial legislature, environmental affairs and sport. Given the dominance of social spending, less than 20 per cent of provincial budgets are available for these functions.

Non-social service responsibilities

Figure 2.3 shows the division of adjusted total provincial expenditure between social service and non-social service programmes. Aggregate expenditure on non-social service functions declined from 16,8 per

Prioritisation of other functions

cent of total provincial expenditure in 1998/99 to 16,6 per cent in 2000/01. Over the medium term, non-social service expenditure recovers to 17,0 per cent.

The reduction in non-social service expenditure between 1997/98 and 2000/01 is partly due to provinces repaying debts accumulated in previous years. "Other" programmes are particularly affected, since most social services expenditure items, such as teacher salaries and social security grants, are fixed costs over which provinces have little direct control.

Figure 2.3 Share of social services and other expenditure of total adjusted provincial expenditure

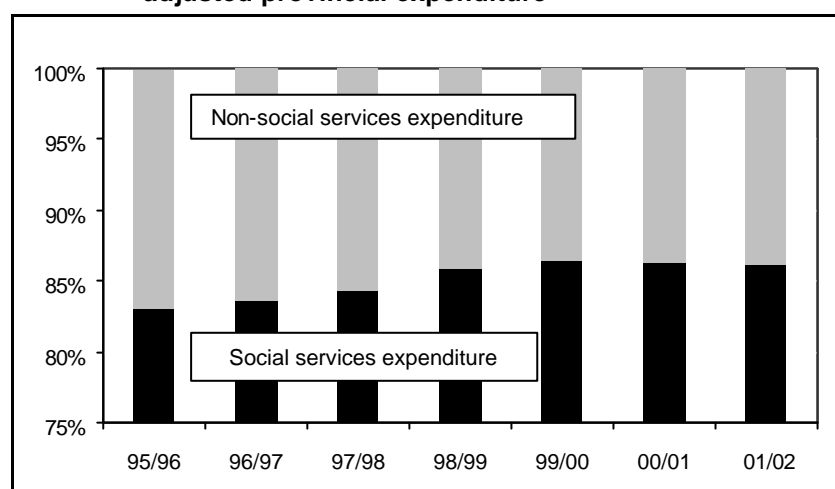


Table 2.16 Adjusted provincial expenditure on social services and non-social services functions

R million	Actual	Estimated actual	Medium-term estimate		
	1998/99	1999/00	2000/01	2001/02	2002/03
Social services	79 993	83 550	89 649	94 000	98 616
Non-social services	16 152	16 673	17 801	19 198	20 229
Of which personnel	5 957	6 306	6 672	7 337	7 728
Contingency reserve	0	0	470	895	1 071
Total	96 145	100 223	107 920	114 094	119 916

Personnel spending in non-social services

Table 2.16 illustrates the pressure exerted by personnel costs, even in the non-social services. Over the MTEF period, personnel expenditure within other functions grows at an average rate of 7,0 per cent a year, which is above the average anticipated inflation rate of 5,1 per cent. The problem is particularly pronounced in departments such as public works and agriculture.

Difficulty in comparing provincial budgets

Although programme structures across provinces are now more uniform, the structure and functions of departments differ widely within provincial own functions. This complicates budget comparisons across provinces. For example, responsibility for roads

construction and maintenance is located in the transport departments of some provinces and in public works departments in others.

Apart from provincial health, education and welfare department votes, provincial budgets contain 10 to 15 other votes. These votes are small relative to social service budgets, with the four largest components – public works and transport, local government, housing and agriculture – constituting only about 10 per cent of total provincial budgets in 2000/01. The remaining provincial votes comprise less than 4 per cent of provincial budgets and include the Premier's office, the provincial legislature, safety and security, corporate services, sport and culture, and economic and environmental affairs. Provinces have stated that investing in infrastructure is a key priority for the next three years.

Budgets of other functions

Focus on infrastructure

It is difficult to assess how much provinces are spending on infrastructure, and to separate expenditure on new infrastructure from maintenance spending. Provinces do not apply a uniform classification for infrastructure, making it difficult to analyse provincial trends. Reforms to budget formats will improve this analysis in future. In some provinces, construction and maintenance within the social services is recorded in the vote of public works, while in others it is allocated to the relevant department. Besides health and education, the departments that play a crucial role in infrastructure development are public works, transport and housing. Table 2.17 reflects provincial capital spending. Transfers from national departments play a large role in supporting provincial infrastructure expenditure.

Supported by conditional grants

Table 2.17 Provincial capital expenditure

R million	Actual	Estimated actual	Medium-term estimate		
	1998/99	1999/00	2000/01	2001/02	2002/03
Eastern Cape	588	495	1 171	1 355	1 387
Free State	429	340	370	491	609
Gauteng	1 704	1 861	1 939	2 198	2 367
KwaZulu-Natal	1 452	1 342	1 434	1 549	1 462
Mpumalanga	756	699	599	627	606
Northern Cape	186	151	169	187	229
Northern Province	520	446	664	773	738
North West	509	495	827	1 057	717
Western Cape	781	896	816	735	643
Total	6 923	6 724	7 988	8 971	8 759

Provinces do not have a uniform programme structure for these two departments: some combine and others separate the functions. In certain provinces, the transport department is responsible for road safety, maintenance and construction, while in others this is the responsibility of public works. These votes are important because a significant portion of the funds is devoted to capital expenditure.

Public works and transport

Provinces also receive some funds from the national Department of Public Works for poverty relief and job creation programmes.

Expenditure levels

The figures in Table 217 have been adjusted to include expenditure on housing in previous years, since housing expenditure has now become a conditional grant to provinces. In 1998/99, provincial expenditure on both public works and transport was only slightly above its 1995/96 level, after receiving an early boost from the Reconstruction and Development Programme (RDP) Fund. Provinces budgeted for a marginal decrease in 1999/00, with above-inflation growth over the medium term. Provincial capital expenditure rises by 18,8 per cent in 2000/01, reflecting low expenditure figures in earlier years, success in repaying debt and reduced personnel expenditure.

Variation in expenditure across provinces

Although overall expenditure on public works and transport is rising, provincial patterns vary significantly. From 1995/96 to 1999/00, public works and transport expenditure declined sharply in Eastern Cape and KwaZulu-Natal, and most other provinces experienced a significant decrease in 1999/00. In contrast, Gauteng has made the most concerted effort to increase spending on infrastructure. In 2000/01, Gauteng plans to spend almost R2 billion on capital infrastructure.

In 2000/01, poorer provinces experience the fastest growth in capital expenditure, off a low base in 1999/00. Provinces that experienced flood damage receive a larger share of the infrastructure grant. Eastern Cape increases its capital expenditure by over 136 per cent. North West and Northern Province also see increases in capital expenditure of 67 and 49 per cent respectively. These increases are, in part, due to the new rural-focused formula for distributing housing grants and to success in repaying debt. However, some provinces do not yet have detailed plans for spending this money on capital infrastructure.

Infrastructure backlogs

Backlogs in provincial infrastructure are difficult to quantify. In 2000/01, the provincial equitable share formula has a backlog component to compensate provinces for capital backlogs, particularly in schools, health facilities and rural roads. Only continued efforts to manage personnel expenditure and to pay off provincial debt will enable provinces to address such backlogs. Northern Province, for example, has been unable to reduce the backlog of more than 15 000 classrooms over the past four years. Gauteng, on the other hand, addressed its significant classroom backlogs by building half of all classes built in the country since 1994.

Disaster relief

The R300 million conditional grant for infrastructure in 2000/01 is being distributed to provinces hit by floods and other weather-related disasters. Provincial treasuries and national and provincial departments are working together to identify the areas and facilities most in need of repair. In addition to this grant, provinces have committed their own funds to the disaster relief programme. Both Eastern and Western Cape have provided for the repair of schools and/or homes damaged by tornadoes in 1998 and 1999.

Housing development

Some provinces combine housing with local government, while others have a separate housing department. As the local government

equitable share and other grants expand, provincial responsibility for local government should decline. For the first time, in 2000/01, provincial housing funds appear on provincial budgets. In the past, provincial housing boards were responsible for allocating these funds. The transfers were considered an agency payment from the national housing fund and were not reflected on provincial budgets.

Housing is a concurrent function of national and provincial governments, with the national Department of Housing giving policy direction. Its budget also supports the South African Housing Fund which, in terms of the Housing Act of 1997, provides subsidy payments via the provincial housing boards. Provinces administer the housing programme and provide secretarial and administrative support to the provincial housing boards. In 2000/01, R2,9 billion is budgeted for housing subsidies, a large proportion of provincial allocations to infrastructure projects.

Responsibility for housing function

The national Department of Housing is adopting a rural focus for housing development, and the housing subsidy share of urban provinces such as Gauteng is relatively lower than that of more rural provinces. As the housing funds ultimately flow to local authorities, these subsidies should be considered in conjunction with the flow of funds for other municipal infrastructure.

Trends in housing subsidies

Infrastructure development at a provincial level has a major impact on economic development and on improving the quality of life. Success in managing provincial finances and personnel costs over the past two years enables provinces to increase infrastructure spending. However, they still need to improve the quality and impact of infrastructure projects. Better planning, increased use of private sector contractors and better quality control in the delivery of infrastructure will significantly contribute to economic development in the provinces.

Alternative delivery methods

Conclusion

The key objective of Government's fiscal and budgetary policies is to increase service delivery, particularly to the poor. Provinces' success in stabilising their finances is laying the foundation for them to achieve this objective. Still, much has to be done to improve equity and the quality of expenditure. The major challenges facing provincial governments over the next ten years are to improve the quality of schooling, provide better primary health care, increase access to social security and welfare services, and upgrade economic and social infrastructure. As pointed out in the different social services, inequitable access to services remains a problem.

Foundation laid

Financial management has improved significantly, and there is much greater equity in resources between provinces. However, long-term economic growth and higher employment will only be possible with sound macroeconomic policies, good governance and management, and higher quality services to citizens. To achieve these objectives, improved capacity at a provincial level remains the most pressing short-term objective of Government.

Growth and employment

Transfers to provinces

Transfers from the national budget dominate provincial budgets. Provinces are given equitable shares (without conditions) to meet their expenditure responsibilities under the Constitution. The equitable shares are supplemented by conditional grants to fund functions in support of national priorities.

Transfers dominate provincial budgets

This chapter focuses on conditional and other grants. It provides an overview of how the system of grants evolved and an analysis of the current grant system, how it operates and the problems that have been identified. The chapter also looks at current efforts to improve the functioning of the conditional grant system.

Evolution of the grants system

Introduction of provincial transfers

The Intergovernmental Fiscal Relations Act of 1997 formalised the current intergovernmental budget process. The Act requires the enactment of the Division of Revenue Act annually with the budget. The Division of Revenue Act enhances transparency in the allocation of national resources by setting out the equitable shares for each sphere and the division between the nine provinces. It also includes a detailed schedule of all other allocations from the budgets of national departments to provinces and local governments. The first Division of Revenue Act was enacted for the 1998 Budget.

Transfers included in the Division of Revenue Act

Equitable share allocations

The equitable share constitutes about 88 per cent of total transfers to provinces. The formula used to allocate the provincial equitable share has seven separate components. These components allocate funds according to demographic and economic statistics, attempting to capture unique provincial circumstances, such as infrastructure backlogs and economic activity.

Formula allocates provincial equitable share

The components are summarised below, with the weighting of each component given in brackets:

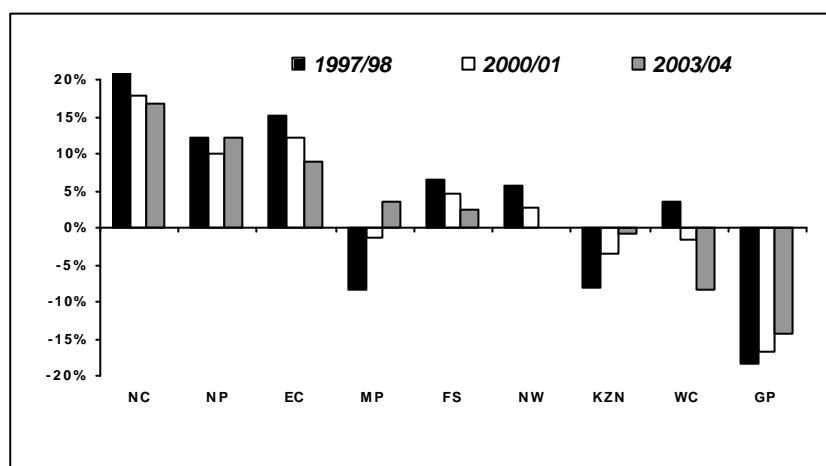
- An education share (41 per cent) based on the average school-age population (children 6–17) and the number of learners in school
- A health share (19 per cent) based on the proportion of the population without access to medical aid
- A social security component (17 per cent) based on the estimated number of people eligible according to the poverty index

- An economic activity component (8 per cent) reflecting remuneration in each province
- A basic share (7 per cent) that reflects each province's share of total population
- A backlog component (3 per cent) based on the distribution of capital needs as captured in the Schools Register of Needs, the audit of hospital facilities and the share of the rural population
- An institutional component (5 per cent) divided equally between the provinces to reflect some of the fixed costs of running a provincial legislature

Equitable share formula is redistributive

The formula is redistributive, allocating more funds per capita to the poorer, rural provinces. Northern Cape receives a higher per capita allocation to reflect the costs associated with its large land areas, sparse population and higher take-up of social security grants. The current formula is being phased in; this phasing process will be completed in 2003/04. Figure 3.1 below shows the per capita allocations to each province, expressed as a percentage above or below the national average.

Figure 3.1 Equitable share per capita, percentage above or below national average



The details of the current formula and its components are discussed in Annexure A, which is taken from the memorandum accompanying the Division of Revenue Bill (Annexure E in the 2000 *Budget Review*). The formula is not intended to yield indicative provincial budgets, as each province must draw up its own budget, reflecting its priorities within the framework of national norms and standards. Moreover, provincial budgets are funded not only by transfers from national government, but also by own revenue.

Introduction of conditional grants

Conditional grants were introduced with the 1998 Division of Revenue Act in order to:

- Provide for national priorities in the budgets of provincial and local spheres

- Promote national norms and standards
- Compensate provinces for cross-border flows and specialised services that are of nationwide benefit, such as training of medical professionals
- Effect transition by supporting capacity building and structural adjustment within recipient administrations
- Address backlogs and regional disparities in social infrastructure

A conditional grant is voted in the national budget as a transfer, and it is recorded as revenue in the provincial accounts. It is also voted in the budgets of provincial departments. The provinces are responsible for actual expenditure and financial accountability for conditional grants. The national departments are responsible for monitoring compliance with the conditions of the grants.

Budgeting for conditional grants

Agency payments, on the other hand, are not reflected in provincial budgets. The national department retains full accounting responsibility for these funds. Agency payments are, in essence, a payment to the provincial or local government for delivering a particular service on behalf of a national department.

Agency payments

This distinction between agency payments and conditional grants was not clear in 1998 and 1999, when the intergovernmental system was still in transition. Prior to the introduction of the Division of Revenue Act, most intergovernmental transfers were treated as agency payments. Many agency payments have been converted into conditional grants. The analysis of conditional grants in this chapter includes agency payments appearing in the Division of Revenue Act. The box below elaborates on intergovernmental transfers. The Division of Revenue Act also includes conditional grants and agency payments to local government, as discussed in Chapter 7.

Trends in the allocation and transfer of grants

Table 3.1 indicates both conditional grants and agency payments transferred to provinces in 1998/99 and 1999/00, as well as budgeted amounts between 2000/01 and 2002/03. In 1998/99, conditional grants to provinces, excluding improvements in conditions of service, amounted to R9,7 billion. Agency payments amounted to R4,9 billion, bringing total grants to provinces to R14,6 billion. Table 3.1 also shows which transfers were reclassified as conditional grants over the past two years.

In 1999/00, total conditional grants increased to R10,3 billion. When including agency payments, total transfers to provinces amounted to R14,7 billion in 1999/00. The budget allocations for grants decline to R13,4 billion in 2001/02. This results from the phasing out of the transitional grants, including for R293 personnel and welfare financial management, and a reduction in supplementary allocation grants.

Transfers in intergovernmental fiscal relations

Transfers are the principal way in which countries ensure that the revenues and expenditures of each level of government are approximately equal, or achieve "vertical fiscal balance". For various reasons, both economic and political, central governments usually have much greater revenue-raising capacity than do local governments. Intergovernmental transfers are one mechanism by which some of the revenues accruing to the centre are transferred to finance the fiscal gap in the budgets of lower levels of government.

In South Africa, the three spheres of government each have different revenue capacities and expenditure responsibilities. Provinces have been assigned expenditure responsibilities well beyond their revenue-raising capacities. Municipalities, while largely self-financing, still rely on transfers from other spheres. The equitable shares of revenue raised nationally are unconditional transfers that fund this fiscal gap. They enable provinces and municipalities to provide basic services in areas of concurrent and exclusive competence.

In addition to the equitable shares, the national government makes other allocations to the provincial and local spheres of government. Conditional grants are a strategy of the national government to ensure that provinces can provide a level and quality of service that is consistent with national priorities. On concurrent functions, the national government sets norms and standards and monitors whether these are being achieved. Conditional grants provide a policy instrument for national departments to intervene when subnational governments do not meet these norms and standards. These grants also address interjurisdictional spillovers to ensure that appropriate levels of service are provided.

Unlike conditional grants, agency payments are a form of outsourcing, but to a public entity. In terms of best practice, national departments can use agency payments as a strategy to implement their own function by employing other levels of government. They serve to promote efficiency and effectiveness by allowing the national department (principal), at a cost, to utilise the existing spare capacity of the agent (provincial or local governments), and allow the principal to avoid duplication.

Agency payments are essentially another means by which a national department can discharge its functions. The principal department is at all times still responsible for providing the service. Consequently, accounting responsibility remains with the transferring department. Accounting responsibility for conditional grants, on the other hand, lies with the receiving officer in the provincial or local department. These grants constitute part funding for provincial and local functions. The conditions are imposed in order to ensure that the subnational governments fulfil national policy objectives.

While these distinctions between conditional grants and agency payments hold in theory, their application in practice is not as clear cut. Before 1998/99, all intergovernmental transfers were treated as agency payments, even if they had the characteristics of a conditional grant. Since 1998/99, with the introduction of the Division of Revenue Act, some agency payments have been converted into conditional grants, and more conversions are anticipated to ensure proper accounting and accountability. It is envisaged that only conditional grants will be part of the annual Division of Revenue Act.

Only nine of 35 national departments have intergovernmental transfers on their budgets in 2000/01. Four departments – Health, Finance, Housing and Transport – account for over 80 per cent of all budgeted conditional grants and agency payments.

Health administers most grants

The Health Department, in particular, administers more grants than any other department, amounting to R5,7 billion in 2000/01 (Table 3.2) or about 43 per cent of all budgeted transfers to provinces. The central hospital and professional training and research grants, which are targeted at provinces with academic and specialised health facilities, are the two largest health grants. Other health grants support the redistribution of specialised health services, the rehabilitation of hospitals and the upgrading of hospital facilities in Eastern Cape (Nelson Mandela Academic Hospital) and KwaZulu-Natal (Nkosi Albert Luthuli Academic Hospital).

Table 3.1 Transfers to provinces, by department

R million	1998/99	1999/00	2000/01	2001/02	2002/03
Conditional grants					
Education	39	192	202	213	224
Finance	4 000	3 989	2 512	2 300	2 300
Health	4 662	5 331	5 717	5 803	5 905
Housing	7	26	3 028	3 287	3 434
Provincial and local government	951	563	463	0	0
Welfare	12	71	44	0	0
Other grants	73	93	60	140	140
Subtotal, conditional grants ¹	9 744	10 265	12 026	11 743	12,003
Agency payments					
Education	158	0	0	0	0
Housing	3 346	3 077	0	0	0
Transport	1 189	1 293	1 409	1 522	1 629
Other departments	174	78	0	0	0
Subtotal, agency payments	4 867	4 449	1 409	1 522	1 629
Total transfers	14 612	14 712	13 435	13 265	13 632
As percentage of total transfers					
Provincial and local government	6,5	3,3	3,4	0,0	0,0
Education	1,3	1,8	1,5	1,6	1,6
Finance	27,4	27,1	18,7	17,3	16,9
Health	31,9	36,2	42,6	43,7	43,3
Housing	23,0	21,1	22,5	24,8	25,2
Transport	8,1	8,8	10,5	11,5	11,9
Other departments	1,8	1,6	0,8	1,1	1,1
Total	100,0	100,0	100,0	100,0	100,0

1. Totals for conditional grants differ from those in Table 1.1 because these exclude the local government support grant, a direct transfer to local government, and include certain grants that were neither allocated by province nor included in provincial budgets.

Table 3.3 shows how these grants are distributed between provinces in 2000/01. Gauteng receives R3,8 billion in conditional grants and agency payments in 2000/01, more than any other province. More than half of Gauteng's allocation, however, reflects health grants to support the province's tertiary and specialised care institutions. Western Cape also receives a significant allocation for this purpose. When these targeted hospital grants are excluded, these two provinces' share of total grants falls considerably.

Distribution of grants between provinces

Table 3.2 Health conditional grants

R million	1998/99	1999/00	2000/01	2001/02	2002/03
Central hospital services	3 021	3 075	3 112	3 221	3 350
Research professional training	1 060	1 118	1 174	1 216	1 264
Redistribution of specialised services	3	57	176	182	189
Hospital rehabilitation	86	153	400	500	520
Integrated nutrition programme	281	697	582	582	582
Nelson Mandela Academic Hospital	11	41	0	0	0
Nkosi Albert Luthuli Academic Hospital	200	189	273	103	0
Total	4 662	5 331	5 717	5 803	5 905

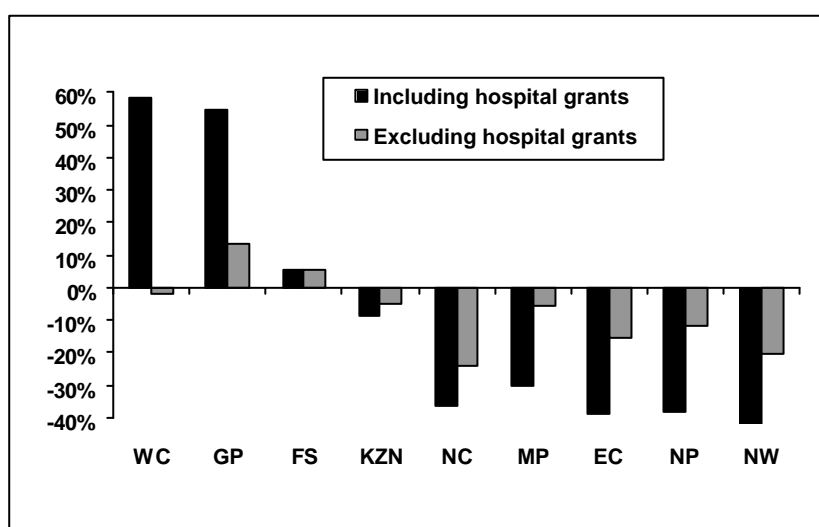
Table 3.3 Total transfers by province, including and excluding hospital grants, and per capita, 2000/01

R million	Total transfers		Shares of transfers		Distribution of population
	Including hospital grants	Excluding hospital grants	Including hospital grants	Excluding hospital grants	
Eastern Cape	1 314	1 132	9,9	13,8	15,5
Free State	920	567	6,9	6,9	6,5
Gauteng	3 756	1 704	28,2	20,8	18,1
KwaZulu-Natal	2 613	1 717	19,6	20,9	20,7
Mpumalanga	737	633	5,5	7,7	6,9
Northern Cape	178	131	1,3	1,6	2,1
Northern Province	1 104	983	8,3	12,0	12,1
North West	646	545	4,8	6,6	8,3
Western Cape	2 073	793	15,5	9,7	9,7
Total	13 341	8 206	100,0	100,0	100,0
Addendum					
Unallocated grants, not included above ¹	94	94			
Total, including unallocated	13 435	8 300			

1. Unallocated grants include financial management grants administered by State Expenditure and Welfare, and capacity building grant under Housing department

Per capita distribution of grants

The impact of the health grants can also be seen when the figures are reviewed on a per capita basis, as shown in Figure 3.2. Gauteng and Western Cape both receive grant funds that, when measured on a per capita basis, are significantly above the national average. All other provinces are essentially at or below the national average, indicating the strong influence of the hospital grants. When the hospital grants are not considered, the distribution of total transfers changes sharply, with funding to provinces moving closer to the national average.

Figure 3.2 Per capita allocations of total grants, above or below the national average

Unlike the equitable share allocation, which redistributes funds to poorer provinces to support the provision of basic services, conditional grants and agency payments are more targeted to meet specific programme goals. For instance, the central hospital grant supports the country's tertiary health institutions which, for historical reasons, are located primarily in Gauteng and Western Cape. Other grants, such as those supporting capacity building and certain infrastructure grants, are targeted toward poorer provinces. The next section discusses these transfers and their programme goals.

Types of conditional grants

Conditional grants and agency payments are designed to achieve certain policy objectives. As a result, different types of grants have emerged, with three broad categories: recurrent, transitional and infrastructure grants. There is some overlap between categories as certain grants are used to accomplish several objectives.

Recurrent grants represent long-term funding arrangements to support both basic service delivery and non-basic, assigned functions in provinces. These grants, with the exception of bus subsidies, fund specialised health services that are expensive to redistribute between provinces. Most grants are likely to continue for a long period, if not indefinitely, as the services and functions involved are permanent. Transitional grants, on the other hand, are generally more period specific, directed towards supporting restructuring or transitional arrangements such as capacity building. Once the goal has been achieved, these funds will either be incorporated into the equitable share or be directed elsewhere. Infrastructure grants support specific capital projects.

Table 3.4 shows the different types of grants since 1998/99. The share of recurrent grants increases from 38 per cent in 1998/99 to 46,6 per cent in 2000/01, and is budgeted to increase to 50 per cent in 2003/04. This results from the reduction of transitional grants from a share of 36 per cent in 1998/99 to 18,2 per cent in 2003/04, and the stabilisation of infrastructure grants. The reduction in transitional grants reflects the discontinuation of selected grants. The grants are discussed in more detail below.

Types of conditional grants

Recurrent grants fund highly specialised

Types of grants

Table 3.4 Grants by type

R million	1998/99	1999/00	2000/01	2001/02	2002/03
Recurrent	5 550	6 183	6 278	6 540	6 825
Transitional	5 301	4 851	3 011	2 463	2 478
Infrastructure	3 761	3 678	4 147	4 262	4 329
Total	14 612	14 712	13 435	13 265	13 632
Percentage share					
Recurrent	38,0	42,0	46,7	49,3	50,0
Transitional	36,3	33,0	22,4	18,5	18,2
Infrastructure	25,7	25,0	30,9	32,2	31,8
Total	100,0	100,0	100,0	100,0	100,0

Table 3.5 shows how the different types of grants are distributed between provinces. Recurrent grants are more important in Gauteng and Western Cape, constituting 70,0 per cent and 71,1 per cent of total grants to these provinces. This reflects the location bias of academic and specialised hospitals. Transitional grants, which are a smaller portion of the total grants, play a bigger role in the poorer provinces. For instance, North West (39 per cent), Northern Province (40,7 per cent), and Eastern Cape (37,4 per cent) receive a higher share than do Gauteng and Western Cape.

Table 3.5 Types of grants by province, 2000/01

R million	Recurrent	Transitional	Infrastructure	Total
Eastern Cape	244	492	579	1 314
Free State	440	231	249	920
Gauteng	2 628	350	777	3 756
KwaZulu-Natal	960	646	1 007	2 613
Mpumalanga	189	204	344	737
Northern Cape	39	58	82	179
Northern Province	207	450	447	1 104
North West	96	252	298	646
Western Cape	1 474	232	367	2 073
Total	6 278	2 914	4 150	13 341
Percentage distribution				
Eastern Cape	18,6	37,4	44,0	100
Free State	47,8	25,1	27,1	100
Gauteng	70,0	9,3	20,7	100
KwaZulu-Natal	36,8	24,7	38,5	100
Mpumalanga	25,6	27,7	46,7	100
Northern Cape	21,8	32,4	45,8	100
Northern Province	18,8	40,7	40,5	100
North West	14,9	39,0	46,1	100
Western Cape	71,1	11,2	17,7	100
Total	47,1	21,8	31,1	100

Recurrent grants

Transfers of recurrent grants

Table 3.6 shows conditional grants and agency payments in the recurrent category. In 1998/99, recurrent grants totalling R5,6 billion were transferred to the provinces. Transfers in 1999/00 increased by 11,4 per cent to R6,2 billion, reflecting a significant increase in the flow of Integrated Nutrition Programme funds. Transfers for this programme included rollovers from the 1998/99 allocation. In 2000/01, the budgeted amounts for recurrent grants remain flat as a result of a reduction in the allocation for the nutrition grant compared to 1999/00 transfers. In the outer years, recurrent grants increase by about 4 per cent annually.

Table 3.6 Recurrent grants

R million	1998/99	1999/00	2000/01	2001/02	2002/03
Central hospital	3 021	3 075	3 112	3 221	3 350
Professional training	1 060	1 118	1 174	1 215	1 264
Integrated Nutrition Programme	281	697	582	582	582
Bus subsidies	1 189	1 293	1 409	1 522	1 629
Total	5 550	6 183	6 278	6 540	6 825

The recurrent grants include the following:

- *Central hospitals* – The largest in the system, this grant is a mechanism to fund provinces that support central hospitals providing specialised health care services. The aim is to make these services available to all South Africans, irrespective of where they live. The grant has been allocated to four provinces – Free State, Western Cape, KwaZulu-Natal and Gauteng – which together have ten central hospitals. The grant is conditional on non-discrimination between residents and non-residents of the provinces in which the services are located.
- *Health professional and training* – This grant compensates provinces for the higher service costs associated with training health professionals, and supports research and training of all categories of health professionals. About 90 per cent of this grant is allocated to the four provinces with medical schools, based on the numbers of final year medical undergraduates. The other provinces share 10 per cent equally, to fund health training in provincial tertiary, regional or district facilities.
- *Integrated Nutrition Programme* – Formerly known as the Primary School Nutrition Programme, this grant was originally an RDP project aimed at feeding children in poor schools. It continued as a conditional grant in 1998/99. The programme is targeted at poor provinces with high populations of school children. Eastern Cape, Northern Province and KwaZulu-Natal receive about 63 per cent of the allocation.
- *Bus subsidies* – The Department of Transport administers this grant to subsidise public bus services. These subsidies have been provided by national government since before 1994. Gauteng is the largest beneficiary of this grant, receiving 40 per cent. The grant benefits residents of specific towns (e.g. Soweto) and different provinces (e.g. KwaNdebele in Mpumalanga) who travel to Johannesburg and Pretoria for work.

Purpose of Central Hospital grant

Health Professional and Training grant

Integrated Nutrition Programme

Subsidies for public transport services

Recurrent grants generally fund services that existed before the new funding arrangements for provinces were introduced. The costs and benefits of these assigned functions spill over into other provinces. For reasons of economies of scale, it may not be feasible to redistribute them to other provinces. In particular, the central hospital and professional training grants were introduced because the provinces that inherited these services required more funding than the equitable share formula could provide. Recurrent grants address,

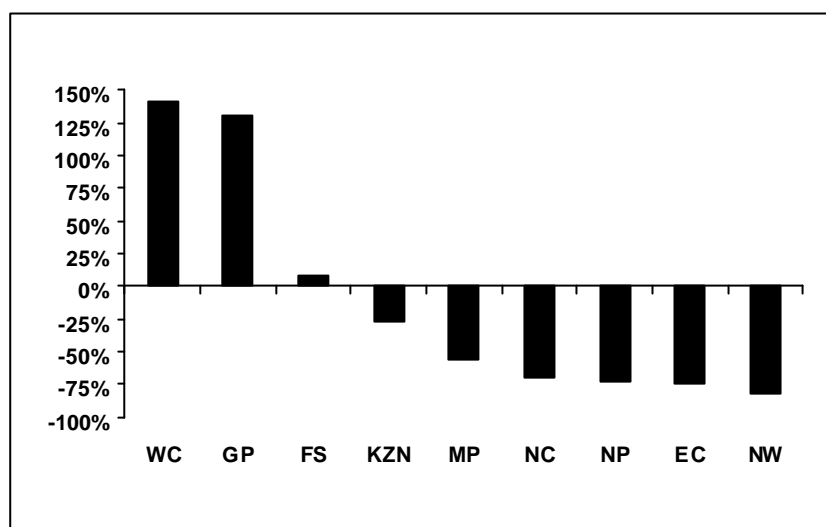
Recurrent grants fund inherited services

among other things, spillovers that would lead to suboptimal service provision by the respective provinces.

Distribution of recurrent grants

Figure 3.3 shows that, based on per capita measurement, both the Western Cape and Gauteng shares of recurrent grants are significantly above the national average. This reflects the predominance of hospital grants and even bus subsidies, which are allocated mainly to these provinces. This trend indicates that these grants support services established as a result of the spatial policies of the old dispensation.

Figure 3.3 Per capita allocations of recurrent grants, above or below the national average



Nutrition grants targets poorer provinces

Of all the recurrent grants, only the nutrition grant has an explicit redistributive approach, targeting funds to poorer provinces. It is, in effect, a pure poverty alleviation grant aimed at feeding poor school children.

Recurrent grants are subject to soft conditions

The recurrent grants involve significant amounts of funding and are applied to important essential services. As a result, they cannot be withdrawn without a substantial and unacceptable impact on service delivery. Each grant has to be assessed individually to determine whether it can be phased out, or to establish the extent to which it can be redistributed between provinces.

Transitional grants

Transitional grants support restructuring and capacity needs

Transitional grants are used largely to address the significant restructuring problems faced by provinces after 1994. The transitional and capacity building grants mostly fund financial management improvement programmes and provide general budgetary support for provinces subject to specific conditions.

Transitional grants are being phased out

Table 3.7 shows that transitional grant transfers amounted to R5,3 billion in 1998/99, decreasing by more than 40 per cent to R2,5 billion in 2002/03. This reduction reflects the transitional nature of these grants. For instance, the allocation for R293 personnel, the

contingency allocation and the welfare financial management grant phase out completely. The supplementary allocation has been gradually reduced from R2,8 billion in 1998/99 to R2,0 billion in 2001/02. Except for the supplementary allocation and contingency grants, these grants have mostly benefited provinces facing a greater restructuring challenge due to the incorporation of homeland governments.

Table 3.7 Transitional and capacity building grants

R million	1998/99	1999/00	2000/01	2001/02	2002/03
Capacity building					
Education	33	192	202	213	224
State Expenditure	69	31	57	140	140
Welfare	12	37	27	0	0
Housing capacity building	7	10	10	10	10
Subtotal	121	270	296	363	374
Provincial support					
Supplementary allocation	2 800	2 500	2 212	2 000	2 000
Contingency allocation	1 200	1 420	0	0	0
Subtotal	4 000	3 920	2 212	2 000	2 000
Local government support					
R293 transfer	0	40	0	0	0
R293 personnel	951	443	463	0	0
Subtotal	951	483	463	0	0
Other transitional					
Education textbooks	125	0	0	0	0
Manpower training	52	56	0	0	0
KZN peace initiatives	0	80	0	0	0
Human settlement	0	1	20	100	104
Other	52	42	20	0	0
Subtotal	229	179	40	100	104
Total	5 301	4 851	3 011	2 463	2 478

The transitional grants fund, among others, capacity building and restructuring, and provide budgetary support to provinces and local government.

- *Capacity building* – Most of the capacity building grants are focused on improving management, particularly financial management. The Department of Education administers the largest of these grants, aimed at enhancing the quality of the education system. The objective is to address the general lack of effective management systems at provincial, district and school level. The national Treasury (Department of State Expenditure) grant is aimed at overall improvement, consolidation and standardisation of the provincial financial management systems. The welfare grant focuses on improving capacity and systems for administering social security payments.
- *Provincial support* – The supplementary allocation grant provides general budgetary support to the provinces, to encourage good budgeting and financial management practices. It is intended to

*Capacity
building grants*

*Grants for provincial
budgetary support*

enable provincial treasuries to provide leadership in the implementation of provincial budget reforms. The grant's conditions support the building of institutions and processes, in contrast to the more specific capacity building grants. The contingency allocation, on the other hand, was a direct assistance to provinces to address debts resulting from expenditure overruns in 1996/97 and 1997/98. Before receiving these funds, a province had to commit to agreed levels of expenditure and revenue, and the funds had to be used to pay outstanding liabilities. No provision has been made for further debt reduction grants over the MTEF period.

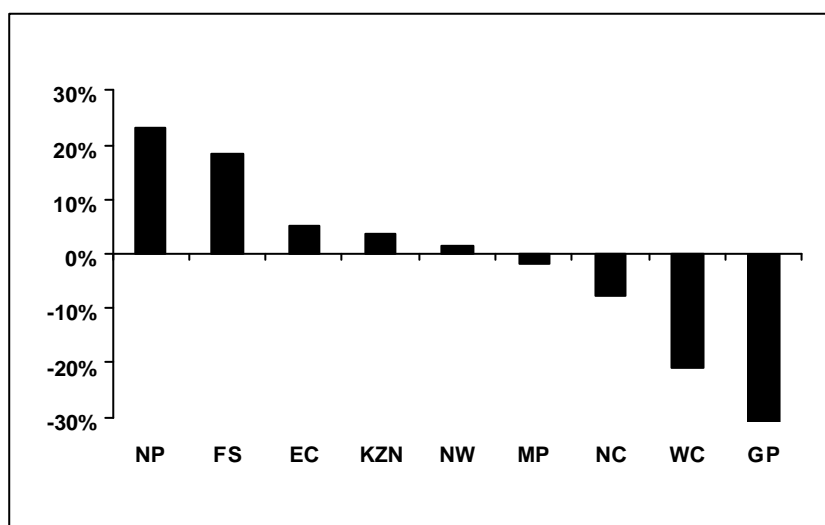
Transitional grant for R293 towns

- *Local government support* – The transitional grant for R293 towns enabled provinces to fund the personnel and operational costs of the R293 towns they inherited with the amalgamation of homelands. In 1999/00, funds for the operational costs of the R293 towns were phased into the local government equitable share. The R463 million to fund personnel remained with the provinces. The transfer of personnel to local government began in 1999/00, with R40 million allocated towards transfer costs. Transfer of staff to municipalities should be completed in the current year. The grant will phase into the equitable shares of provinces and local government, depending on the R293 personnel absorbed by each sphere.

Grants target provinces needing financial assistance

Transitional grants assist provinces and localities that lack capacity or need additional financial support. Figure 3.4 shows that these transitional grants tend to flow to the poorer provinces that incorporated former homelands and which faced serious transition problems. In these provinces, per capita allocations are above the national average, while those in Western Cape and Gauteng are significantly below the national average.

Figure 3.4 Per capita allocations of transitional grants, above or below the national average



Infrastructure grants

The conditional grants and agency payments also fund social infrastructure, including housing, hospitals and schools. Table 3.8 indicates that R3,8 billion and R3,7 billion were transferred to provinces in the form of grants for infrastructure and capital programmes in 1998/99 and 1999/00 respectively. This increases to R4,1 billion (by 12,8 per cent) in 2000/01 as a result of the introduction of a R300 million provincial infrastructure grant and an increase in hospital rehabilitation funds. More than 75 per cent of the infrastructure grants were allocated for housing between 1998/99 and 1999/00.

*Use of
infrastructure grants*

Table 3.8 Infrastructure and capital grants

R 000	1998/99	1999/00	2000/01	2001/02	2002/03
Health					
Rehabilitation	86	153	400	500	520
Redistribution of specialised services	3	57	176	182	189
Construction: Umtata	11	41	0	0	0
Construction: Durban	200	189	273	103	0
Housing					
Housing Fund subsidies	2 880	2 941	2 998	3 177	3 320
Hostel development	75	15	0	0	0
Special Presidential Project	419	136	0	0	0
Other housing	47	0	0	0	0
Other					
Northern Cape Legislature	0	69	0	0	0
Finance: Infrastructure	0	0	300	300	300
Education: School building	39	0	0	0	0
Other	0	76	0	0	0
Total	3 761	3 678	4 147	4 262	4 329

The infrastructure grants to provinces are briefly discussed below:

- *Health infrastructure grants* – The hospital rehabilitation grant was established after the 1996 audit of hospital facilities indicated a need for a major hospital reconstruction and rehabilitation programme. Through this grant, provinces can rebuild and rearrange hospital facilities, and restructure the hospital sector. Since the grant is allocated on the basis of infrastructure backlogs, poorer provinces benefit more. The Department of Health has also provided funds for the construction of academic hospitals in Eastern Cape and KwaZulu-Natal.

Health rehabilitation

The grant for the redistribution of specialised health services also has a significant capital component. It was introduced to improve access to specialised care in provinces lacking such services and to reduce the number of referrals for specialist and subspecialist care to provinces with central hospital services. The grant is used for the acquisition of specialist equipment, specialist training, and as an incentive for specialists to relocate to these provinces.

*Redistribution of
specialised health
services*

Housing subsidies

- *Housing* – Channelled through the provinces to municipalities, the grant is aimed at addressing backlogs in housing, mainly in urban areas. Chapter 7 provides a detailed discussion of this grant.

Infrastructure grant for provinces

- *Other* – The R300 million provincial infrastructure grant under the national Treasury aims to address provincial infrastructure needs, particularly the rehabilitation and maintenance of provincial roads. However, due to the recent floods, the grant has been targeted to the reconstruction of infrastructure in affected provinces (Mpumalanga, KwaZulu-Natal, Northern Province and Eastern Cape). Still, the R300 million allocated for 2001/02 and 2002/03 should benefit all provinces, as originally planned. In 1999/00, Northern Cape received a R69 million contribution towards the construction of its legislature building.

Per capita allocation of infrastructure grants

Figure 3.5 shows the per capita impact of selectively targeted infrastructure grants. For instance, Mpumalanga benefited from the allocation of the provincial infrastructure grant to repair damage caused by the flood disaster. KwaZulu-Natal, in addition to the disaster allocation, also received a grant targeted to the construction of the Nkosi Albert Luthuli Academic Hospital. Gauteng receives the largest share of the allocation for housing subsidies. Note that, given the fixed-cost nature of infrastructure spending, per capita allocations are not always relevant.

Figure 3.5 Per capita allocations of infrastructure grants, above or below the national average

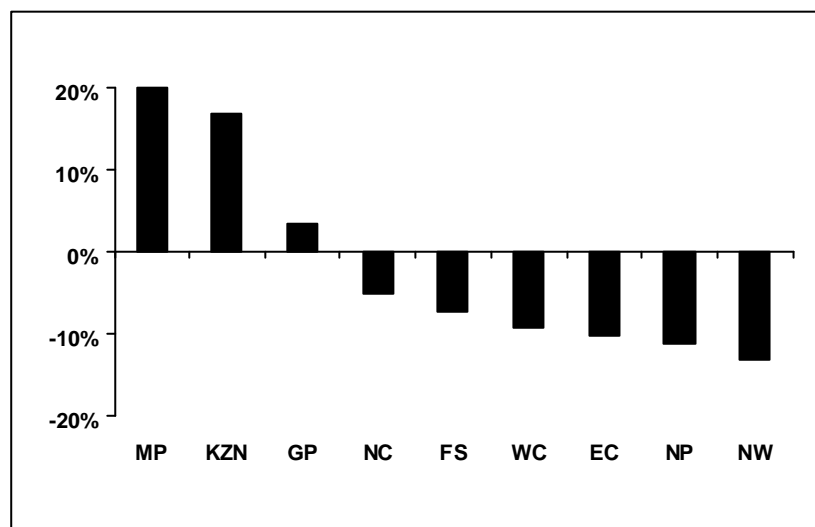


Table 3.5 shows the importance of capital grants in poorer provinces, with a range from 39 per cent in KwaZulu-Natal to 44 per cent in Eastern Cape. This compares with less than 21 per cent in Gauteng and Western Cape, which receive the bulk of the recurrent grants.

Infrastructure grants require more planning

Inadequate capacity and poor planning is the major problem with the implementation of infrastructure grants. Preparations of delivery plans often only commence after the MTEF budget allocations, resulting in significant lead-time in delivering infrastructure projects and, consequently, non-transfers and rollovers.

Transfers and spending of grants

Transfers of grants

Many of the problems associated with conditional grants are reflected in *non-transfers* by national departments and *underspending* by provincial (or local) governments. The actual spending of these grants has to be assessed at the provincial or local government level, where such spending takes place. This information is often not available from provincial departments or municipalities, making it impossible to determine the extent of underspending. Underspending also occurs when national departments do not transfer all the funds budgeted for this purpose. Other reasons for underspending may be the late transfer of funds by national departments.

*Non-transfers
of grants*

Table 3.9 compares budget allocations and actual transfers in 1998/99 and 1999/00 for conditional grants and agency payments, and indicates the extent of non-transfers. The total non-transferred grants amounted to R547 million and R443 million (excluding direct transfers to R293 municipalities) in 1998/99 and 1999/00, respectively. Most of these funds were rolled over.

Table 3.9 Budget allocations for grants vs actual transfers to provinces

R million	1998/99			1999/00		
	Budget	Actual	Difference	Budget ¹	Actual	Difference
Health grants						
Central hospital	3 021	3 021	0	3 075	3 075	0
Professional training	1 060	1 060	0	1 118	1 118	0
Integrated Nutrition Programme	526	281	(245)	796	697	(99)
Hospital rehabilitation	100	86	(14)	214	153	(60)
Redistribution of specialised services	49	3	(46)	151	57	(94)
Nkosi Albert Luthuli Hospital	200	200	0	247	189	(58)
Nelson Mandela Academic Hospital	100	11	(89)	153	41	(112)
Education						
Financial management	100	33	(67)	192	192	0
Textbooks	200	125	(75)	0	0	0
Classroom backlogs	51	39	(12)	0	0	0
Provincial and local government	1 132	1 132	0	640	619	(20) ²
Finance	4 000	4 000	0	3 989	3 989	0
Total grants	10 539	9 991	(547)	10 574	10 121	(443)

1. 1999/00 Budget includes rollovers of 1998/99 grants that were not transferred in that financial year.

2. This was a direct transfer to municipalities who took over R293 personnel.

Most of the non-transfers in 1998/99 were earmarked for health grants, particularly the nutrition and infrastructure grants. The total non-transfers in health grants amounted to R394 million, and increased to R423 million in 1999/00. In 1998/99, 62 per cent of the non-transfer in health was associated with the nutrition grant.

A major reason for the non-transfer of grants has been the micro-management of some grants by the national departments. As a result, decisions on allocation and spending of these grants had to be approved at national level, delaying the transfer of these grants. For

instance, on the nutrition grant, the Health Department implemented stringent administrative procedures in the light of a history of fraud. The Department's process for reconciling monthly expenditure was cumbersome. It slowed down spending on the programme, confused accountability between national and provincial levels, and resulted in large rollovers. The flow of funds to provinces has improved since a predetermined payment schedule was implemented during 1999/00. However, the lack of an effective monitoring system to assess actual expenditure (and outputs) made it difficult to estimate actual expenditure per province in 1999/00 and the full extent of underspending.

Best practice principles for managing conditional grants

In assigning responsibility between spheres, the Constitution envisages a cooperative partnership, as the delivery of key social services is a concurrent responsibility. The national government has assumed the responsibility of policy-making and monitoring, whereas the provinces' key responsibility has evolved to be the implementation of national policies and priorities. Separation of responsibilities for policy and implementation between the spheres requires greater coordination in policy planning and implementation. This will avoid the creation of unfunded mandates and the failure of provinces to implement national policy priorities adequately.

Problems with conditional grants have been associated with inadequate planning before funds are allocated. Planning needs to take place at both levels of government. The national departments must bring the conditional grants into the overall planning and performance management framework that is now evolving in terms of the PFMA and budget reform requirements. Where a grant is introduced to enforce norms and standards, national departments must ensure that appropriate planning has taken place to identify the purpose of the grant, the outputs it is intended to achieve and the monitoring arrangements. The strategic plan of the national departments should incorporate planning for conditional grants, in consultation with the sphere that is expected to implement the programmes. This requires the use of the evolving intergovernmental institutions (technical committees and meetings of the Minister with the nine members of the provincial executive councils – MinMECs) for intergovernmental coordination in the formulation and implementation of government policies.

The strategic planning cycle of the national department should involve identifying the expected results, the strategies to achieve those results, the allocation of resources and the monitoring of performance. Performance information feeds through to the next round of planning to help refine strategies. Periodically, a more thorough review or evaluation is undertaken to assess whether the results sought remain appropriate and the chosen strategies have been successful. Provinces also need to incorporate service delivery planning for the conditional grant into their strategic planning framework, within the broad policy framework of the national government.

As well as planning for and monitoring conditional grants, national departments must also seek approval and funding for grants through the budget process. Best practice involves managing all conditional grants and unconditional transfers through the annual budget process within the MTEF. This ensures that grants are incorporated in the strategic planning and performance management frameworks of national departments. It also improves coordination across the full range of the national government's activities. Once planning has taken place, and the necessary financial resources secured, the next step is to negotiate performance.

Weak provincial capacity Part of the reason national departments tended to micro-manage grants was the lack of capacity in some provinces. Problems were compounded, however, when national departments did not have a credible policy framework or norms and standards to guide provincial planning. This has been the case, for instance, in the health infrastructure grants, particularly the redistribution of specialised services and the rehabilitation grants. A further problem with the redistribution grant has been the requirement that provinces provide from their own budgets for the operational costs of the new services

associated with the investment in specialised health equipment. The terms of the grant are now being amended to allow provinces to use part of the funds for running costs.

The flow of grants generally improved in 1999/00 as the Division of Revenue Act required that departments prepare payment schedules. In particular, the education grant for financial management and quality enhancement, the welfare grants and the nutrition grant flowed on schedule in 1999/00; hence, all funds allocated were transferred. In addition, national departments must increasingly monitor expected outputs rather than make decisions on how to produce those outputs, and must support provincial capacity building for the planning and management of grants.

Improvements in the flow of grants

Improving the conditional grants system

2000 Division of Revenue Act

The 2000 Division of Revenue Act includes new provisions to promote advanced planning and enhance accountability for conditional grants. Key requirements include the following:

Changes introduced in 2000 Division of Revenue Act

- National departments must have had all arrangements for this year's conditional grants finalised by 30 June 2000, including the completion of business plans, allocations between provinces and cash payment schedules. This was to ensure that planning for the grants is completed in time (preferably well before the financial year commences) to allow funds to flow to provinces.
- The receiving provincial departments must report on receipts and expenditure, on a monthly basis, to the national departments transferring grants and to the provincial treasuries. This will enhance the national departments' ability to monitor spending, which generally flows on the basis of predetermined cash flow schedules. The national departments are, in turn, expected to report quarterly to the national Treasury.
- Receiving officers in provinces and municipalities have been given statutory responsibility for complying with the conditions of the grants, and for ensuring that funds are properly managed and accounted for.
- New incentives and sanctions include empowering the Minister of Finance to convert conditional grants to the equitable share in the event of non-compliance by national departments. Moreover, the Act specifies that non-compliance constitutes financial misconduct.

These new provisions should improve planning, reporting and monitoring of conditional grants, and clarify the responsibilities of national and provincial officers administering the grants. The aim is to ensure that grant conditions are met and policy goals achieved.

Further reforms are being introduced

New conditional grant framework

In addition to the changes in the 2000 Division of Revenue Act, several reforms are gradually being introduced to address problems in the conditional grant system. These reforms will form a policy framework for conditional grants, providing for a coherent policy and guidelines on conditional grants. It is envisaged that this framework will:

- Set criteria to be used by departments in determining the necessity for a conditional grant as an option to enforce norms and standards in the delivery of basic services (this will also provide guidelines to review current grants to reduce the number of grants in the system)
- Provide best practices in designing and planning for conditional grants, distinguishing between capital and other grants to ensure proper use of multi-year planning
- Incorporate conditional grants into the normal budget preparation process, such as asking departments to include information on conditional grants in their MTEF budget submissions, for evaluation during the budget process

Conclusion

Conditional grants are an integral part of the intergovernmental fiscal system. They play an important role in funding provinces to implement national priorities and to support the transition. Problems emerging in the past two years have highlighted areas that need attention in the functioning of the system. These lessons have been incorporated in the development of the conditional grant framework, which will provide guidelines for the review of the current grant system and design, as well as for the implementation of new grants.

Provincial own revenue

Although provincial own revenues represented only 4 per cent of total provincial revenues in 1999/00, they remain an important source of provincial funding at the margin. The decline in provincial own revenues over the past few years has added to the pressure on provincial budgets. This chapter reviews policy and administrative issues affecting the collection of existing revenues, and the new policy framework being proposed to regulate provincial tax powers.

The Constitution gives provinces the authority to impose certain taxes, but requires national government to regulate this authority to ensure that national economic policy objectives are not undermined. Thus far, the provinces have not expanded their taxing powers. Government has first concentrated on expenditure assignment and improved administration to promote more accountable, effective and efficient use of funds.

Recently, the Budget Council proposed a regulatory framework, as required by the Constitution, which will allow the imposition of new provincial taxes. Nevertheless, the Council indicated that the first priority of provinces should be to improve the administration of current revenue sources, recognising that they offer more potential revenue than do new taxes. Taking into consideration current institutional capacity, the Budget Council explicitly rejected the option of a surcharge on the personal income tax at this stage. Cabinet endorsed this approach.

It is worth noting that provincial own revenue is generally collected by different provincial departments and/or agencies rather than by a single department or agency.

Overview and trends

Provincial own revenues declined from R4,1 billion in 1996/97 to R3,4 billion in 1998/99 and then increased to R4,0 billion in 1999/00, as shown in Table 4.1. The total for 1999/00, however, includes one-off collections in two provinces (Western Cape and Mpumalanga). Excluding these one-off receipts, which total R267 million, 1999/00 collections were R3,7 billion, or 8,3 per cent above the 1998/99 level.

Although 1999/00 own revenues break the downward slide, this trend resumes again in 2000/01. Even after adjusting for the one-off collections in 1999/00, budgeted levels still fall. At R3,6 billion, the 2000/01 own revenue levels are 12 per cent below 1996/97 collections. In KwaZulu-Natal and Northern Province, 2000/01 budgeted levels are more than a third lower than they were four years ago. Provinces are projecting above-inflation growth in the last two

years of the MTEF period. As a result, provincial own revenues increase marginally as a share of total provincial revenues, from 3,3 per cent in 2001/02 to 3,5 per cent in 2002/03. Even with this growth, however, provincial own revenue represents a smaller share of total revenue over the medium term than at any time in the past.

Table 4.1 Total own revenues, by province

R million	Actual		Estimated actual		Medium-term estimate		
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Eastern Cape	219	222	421	344	190	211	233
Free State	281	263	251	262	338	344	350
Gauteng	967	901	929	1 046	1 060	1 165	1 248
KwaZulu-Natal	828	641	432	613	531	589	648
Mpumalanga	216	257	194	363	193	210	225
Northern Cape	96	102	79	79	89	95	100
Northern Province	501	202	295	226	340	324	350
North West	421	304	311	328	382	395	407
Western Cape	559	565	528	733	517	574	616
Total	4 089	3 458	3 440	3 994	3 640	3 907	4 177
Percentage growth							
Eastern Cape		1,7	89,2	(18,3)	(44,7)	11,1	10,3
Free State		(6,7)	(4,3)	4,3	29,0	1,8	1,7
Gauteng		(6,8)	3,1	12,5	1,4	9,9	7,1
KwaZulu-Natal		(22,5)	(32,6)	41,9	(13,4)	10,9	10,0
Mpumalanga		19,1	(24,7)	87,3	(46,7)	8,6	7,3
Northern Cape		6,1	(23,0)	0,0	13,0	6,5	5,0
Northern Province		(59,6)	45,7	(23,5)	50,7	(4,7)	8,0
North West		(27,8)	2,4	5,4	16,6	3,3	3,0
Western Cape		1,1	(6,6)	39,0	(29,6)	11,0	7,4
Total		(15,4)	(0,5)	16,1	(8,8)	7,3	6,9
Percentage of total revenue							
Eastern Cape	1,4	1,5	2,6	2,1	1,1	1,1	1,2
Free State	4,7	4,3	3,7	3,8	4,5	4,4	4,3
Gauteng	7,2	6,2	6,0	6,3	5,7	6,0	6,1
KwaZulu-Natal	4,9	3,6	2,3	3,1	2,4	2,6	2,7
Mpumalanga	4,1	4,8	3,3	5,5	2,7	2,8	2,8
Northern Cape	4,4	4,7	3,6	3,2	3,5	3,5	3,5
Northern Province	4,4	1,8	2,5	1,8	2,4	2,2	2,3
North West	5,8	4,2	4,0	3,9	4,2	4,2	4,2
Western Cape	5,4	5,8	5,1	6,7	4,5	4,9	5,1
Total	4,6	3,9	3,6	4,0	3,3	3,4	3,5

Own revenues by type of revenue

The biggest single source of provincial own revenue, fees collected under the Road Traffic Act of 1989, represent over 44,8 per cent of budgeted collections in 2000/01. Table 4.2 shows provincial own revenues by type of fee. The Road Traffic Act fees, including motor vehicle licences and registration, driver's licences and learner's

permits, grew at an annual average rate of 10,2 per cent between 1996/97 and 1999/00, or by about 4 per cent in real terms.

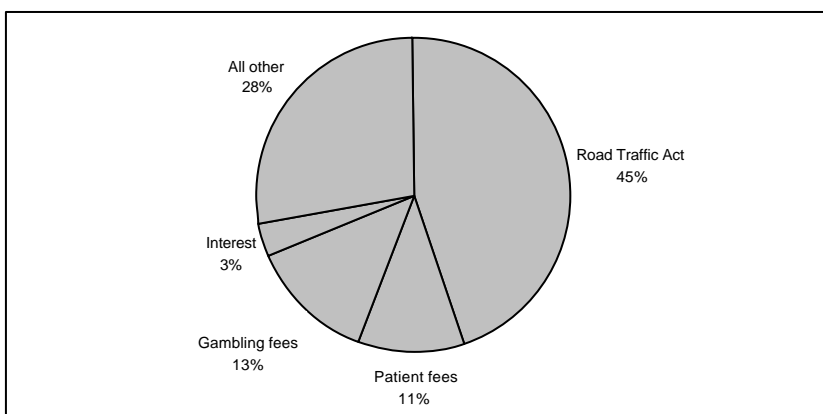
Table 4.2 Total own revenues, by type of revenue

R million	Actual			Estimated actual	Medium-term estimate		
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Road Traffic Act fees	1 124	1 193	1 257	1 503	1 632	1 870	1 996
Hospital patient fees	416	362	346	325	395	430	454
Gambling ¹	401	353	403	577	468	486	545
Interest	773	367	222	292	121	116	119
All other	1 374	1 184	1 212	1 279	1 025	1 005	1 062
Total	4 089	3 458	3 440	3 977	3 640	3 907	4 177
Percentage growth							
Road Traffic Act fees		6,2	5,3	19,6	8,6	14,5	6,8
Hospital patient fees		(13,1)	(4,3)	(6,1)	21,4	8,9	5,6
Gambling ¹		(12,1)	14,4	42,9	(18,8)	3,9	12,1
Interest		(52,6)	(39,4)	31,7	(58,8)	(4,2)	3,3
All other		(13,8)	2,3	5,6	(19,9)	(1,9)	5,7
Total		(15,4)	(0,5)	15,6	(8,5)	7,3	6,9
Percentage of total own revenue							
Road Traffic Act fees	27,5	34,5	36,5	37,8	44,8	47,9	47,8
Hospital patient fees	10,2	10,5	10,1	8,2	10,8	11,0	10,9
Gambling ¹	9,8	10,2	11,7	14,5	12,9	12,4	13,0
Interest	18,9	10,6	6,5	7,4	3,3	3,0	2,9
All other	33,6	34,2	35,2	32,2	28,2	25,7	25,4
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0

1. Gambling includes horse racing, betting and casino levies.

Hospital patient fees represent about 11 per cent of total budgeted collections in 2000/01. These fees have declined steadily since 1996/97, and were about a quarter lower in 1999/00 than in 1996/97. The decline has been widespread, affecting nearly all provinces. However, provincial budgets project strong growth in these fees in 2000/01.

Figure 4.1 Budgeted provincial revenues by type, 2000/01



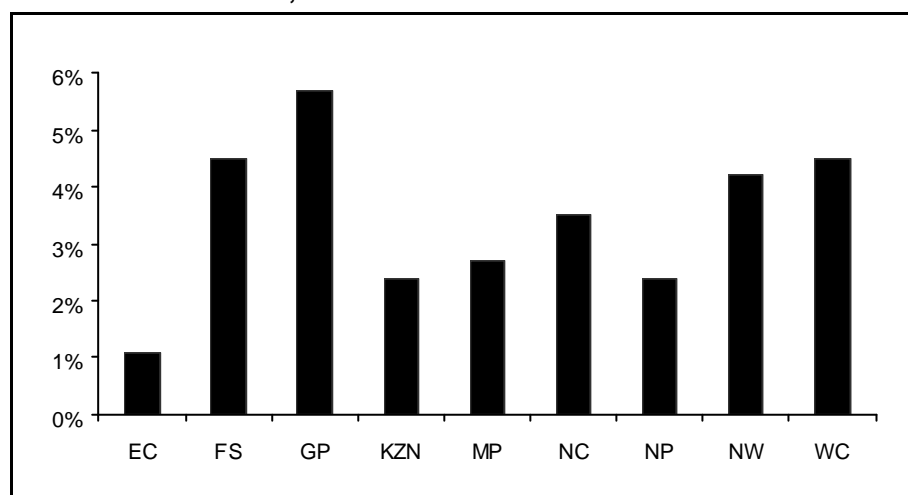
Interest on bank balances is estimated to be 3,3 per cent of collections in 2000/01. Interest receipts peaked in 1995/96, due to the rise in provincial bank balances (which reached about R7 billion) when several provinces ran budget surpluses. However, when these turned into deficits in 1996/97 and 1997/98, requiring provinces to draw down their bank balances, interest receipts fell sharply.

Variations in provincial collections

Figure 4.2 shows that the importance of own revenues varies across the provinces. An important question is whether these variations reflect differences in fiscal capacity or in fiscal effort. Fiscal capacity refers to the potential for a province to raise revenue, given its economic circumstances. A poor province cannot be expected to raise as much revenue per capita as a rich province. Fiscal effort is the degree to which a province uses its revenue potential. Low tax rates and poor collection systems indicate low fiscal effort.

Administering the collection of revenues in the provinces poses particular problems. Unlike at the national level, where the SARS is the central collection agent, revenue collection in the provinces is extremely decentralised. Each department has its own collection and administration procedures. As a result, the administrative capacities for revenue collection vary not only across provinces, but also across departments within provinces. This makes such capacities difficult to assess and complicates the coordinating role of provincial treasuries.

Figure 4.2 Provincial own revenue as percentage of total provincial revenues, 2000/01



Other revenue

The residual category of “all other” represents 28 per cent of all provincial own revenues in 2000/01. Most of these revenues are payments by provincial employees in terms of various regulations. These payments include repayments of bursaries, payments for board and lodging, and rental and utility costs for employees living in housing owned by the province. Traditional permit charges and user fees constitute only a small proportion of total provincial revenues.

Within the “all other” category, a province’s receipts tend to rise and fall over time, implying that many may be one-off payments. Given their irregular nature, these revenues are difficult to project and complicate budgeting and planning.

Road Traffic Act fees

Trends in road traffic fees

The Constitution assigns provinces exclusive responsibility for provincial roads and traffic, and concurrent national and provincial responsibility for public transport, traffic registration and vehicle licensing. Motor vehicle registration and licensing, roadworthy testing, the issuing of learner's and driver's licences, and other traffic-related activities are done in terms of the Road Traffic Act of 1989 and associated regulations. Provinces have the authority to set fees and appoint registering agents to undertake specific functions on their behalf, in return for commission.

Table 4.3 shows road traffic fees from 1996/7 and medium-term projections. The aggregate revenues have grown from R1 124 million in 1996/97 to R1 503 million in 1999/00, and are projected to reach about R1 996 million by 2002/03. On average, revenues from traffic fees have grown by 6,1 and 5,4 per cent from 1996/97 to 1997/98 and 1997/98 to 1998/99, respectively. Average growth peaked from 1998/99 to 1999/00 at 19,6 per cent and is projected to moderate somewhat over the medium term.

Individual provincial growth rates show marked variations from year to year. For instance, Eastern Cape saw negative growth between 1996/7 and 1998/99, and a positive 9,4 per cent growth from 1998/99 to 1999/00, and is projecting 33,3 per cent growth in 2000/01. Free State projects a 72,3 per cent growth rate in 2000/01 and only 1 per cent a year for the following two years. KwaZulu-Natal projects a 25 per cent decline in 2000/01, followed by a recovery to 44,1 per cent in 2001/02.

The volatility of growth rates in road traffic revenues could be partly explained by either a revision of fee schedules by a province in a particular year, or inconsistent payments by a collecting agent.

Western Cape projects a relatively higher share of road traffic revenues as a percentage of total own revenue, from about 41 per cent in 1999/00 to about 65 per cent over the MTEF period. Northern Province's average of about 14 per cent is the lowest share of total own revenue.

Table 4.4 details the road traffic revenues collected between 1 April 1999 and 31 March 2000. The fees can be divided into four categories: motor vehicle licences, which include both vehicles and trailers; operator licences, which include both driver's licences and learner's permits; roadworthy testing; and motor vehicle registration. Motor vehicle licensing fees generate at least 80 per cent of the total road traffic revenues, except in Northern Province (71,6 per cent).

Operator licences generate another 12 per cent of revenue, with an exceptionally large proportion of about 25 per cent in Northern Province. Vehicle registration, roadworthy applications, certificates and other fees make up the remainder.

Categories of Road Traffic Act fees

Table 4.3 Revenue collected in terms of the Road Traffic Act

R million	Actual		Estimated actual		Medium-term estimate		
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Eastern Cape	62	57	53	58	77	81	87
Free State	77	79	87	98	169	171	173
Gauteng	379	388	413	524	548	609	670
KwaZulu-Natal	205	247	275	305	228	329	344
Mpumalanga	62	74	55	65	70	74	79
Northern Cape	30	28	26	36	44	45	45
Northern Province	46	35	40	39	43	46	50
North West	62	59	55	79	121	140	140
Western Cape	202	226	251	299	331	375	409
Total	1 124	1 193	1 257	1 503	1 632	1 870	1 996
Percentage growth							
Eastern Cape		(7,7)	(6,8)	9,4	33,3	5,0	7,0
Free State		2,4	11,1	12,4	72,3	1,0	1,0
Gauteng		2,5	6,4	26,7	4,6	11,1	10,0
KwaZulu-Natal		20,6	11,3	10,9	(25,1)	44,1	4,6
Mpumalanga		19,1	(24,7)	16,6	8,2	6,0	6,0
Northern Cape		(7,9)	(7,7)	40,8	21,5	1,5	0,0
Northern Province		(23,5)	14,4	(1,0)	8,0	8,0	8,0
North West		(4,3)	(6,7)	42,4	53,4	15,5	0,0
Western Cape		12,4	11,0	18,9	10,8	13,1	9,3
Total		6,1	5,4	19,6	8,6	14,5	6,8
Percentage of total own revenue							
Eastern Cape	28,12	25,5	12,6	17,7	40,5	38,3	37,2
Free State	27,29	30,0	34,8	37,5	50,1	49,7	49,4
Gauteng	39,19	43,1	44,5	50,1	51,7	52,3	53,7
KwaZulu-Natal	24,73	38,5	63,5	49,7	43,0	55,8	53,1
Mpumalanga	28,64	28,6	28,6	17,8	36,2	35,3	34,9
Northern Cape	31,64	27,4	32,9	46,3	49,8	47,4	45,2
Northern Province	9,08	17,2	13,5	17,5	12,5	14,2	14,2
North West	14,77	19,6	17,8	24,1	31,7	35,4	34,4
Western Cape	36,06	40,1	47,7	40,8	64,2	65,3	66,5
Total	27,48	34,5	36,5	37,8	44,8	47,9	47,8

Source: Financial Management System and White Books

Motor vehicle licence fees

Higher fees for bigger vehicles

Motorists are required to pay vehicle licence fees on an annual basis, based on the weight of their vehicle. The principle behind setting higher rates for bigger vehicles weights is that road damage and, therefore, maintenance costs are directly related to vehicle weight. Fees rise in line with vehicle weight but increase significantly, by more than 50 per cent, at the 5 000 kg mark.

Because of the large number of fee categories, Table 4.5 below shows the different fees charged by each province as of 1 April 2000 for well-known vehicles, including cars, trucks, trailers and buses.

Discrepancies in fee structures

Motor vehicle licence fees for a Citi Golf, for example, vary from a low of R79 in Northern Province, to a high of R147 in Western Cape.

Generally, Northern Province charges less than all other provinces, except for passenger bus fees, where Eastern Cape and Mpumalanga charge significantly less.

Table 4.4 Fees collected in terms of the Road Traffic Act, 1999/00

R million	EC	FS	GP	KZN	MP	NC	NP	NW	WC	Total
Motor vehicle licences	84,1	83,8	513,8	276,6	92,0	42,7	51,5	85,7	289,1	1 519,5
Operator licences	15,4	13,4	68,9	42,0	16,8	4,9	17,8	14,7	34,6	228,4
Roadworthy	0,5	2,2	5,3	0,1	2,7	1,3	0,8	1,6	5,3	19,7
Vehicle registration	2,6	2,2	33,8	8,0	2,6	0,9	1,1	3,5	11,3	66,1
Other	1,4	1,4	11,5	7,8	1,3	0,3	0,6	1,3	3,7	29,3
Total	104,0	103,0	633,2	334,5	115,3	50,2	71,9	106,8	344,0	1 863,0
Percentage shares										
Motor vehicle licences	80,9	81,4	81,1	82,7	79,8	85,1	71,6	80,3	84,0	81,6
Operator licences	14,8	13,0	10,9	12,6	14,5	9,8	24,8	13,7	10,1	12,3
Roadworthy	0,4	2,2	0,8	0,0	2,3	2,6	1,2	1,5	1,5	1,1
Vehicle registration	2,5	2,1	5,3	2,4	2,3	1,9	1,6	3,3	3,3	3,5
Other	1,3	1,3	1,8	2,3	1,1	0,7	0,8	1,2	1,1	1,6
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Source: National Traffic Information System

Note: The totals in Tables 4.3 and 4.4 for 1999/00 differ as they are based on different sources. Generally, Financial Management System amounts are lower than NaTIS amounts due to timing and deduction of commissions.

Table 4.5 Comparison of motor vehicle licence fees, 1 April 2000

Rand	Tare (kg)	EC	FS	GP	KZN	MP	NC	NP	NW	WC
Cars										
Citi Golf	844	96	122	108	144	96	117	79	108	147
Mercedes Benz C230	1 410	153	168	168	210	144	186	119	168	234
BMW 735/A	1 860	204	207	234	297	204	249	172	234	312
Trucks										
Nissan (1 tonne)	1 239	123	140	120	162	108	147	92	120	183
Toyota Dyna (5 tonne)	2 260	318	309	348	426	300	381	251	348	474
Toyota Dyna (10 tonne)	4 460	795	768	876	1 065	756	951	634	876	1 191
Peterbuilt (cab only)	8 340	3 516	4 005	3 900	4 692	3 372	4 233	2 805	3 900	5 274
Trailers										
Venter	200	45	59	54	75	48	54	40	54	69
Afrit (10 tonne)	3 300	882	1 287	960	1 182	504	1 062	704	960	1 326
Afrit (20 tonne)	6 610	2 400	2 730	2 640	3 210	2 244	2 889	1 916	2 640	3 588
Multi-passenger										
Toyota Hiace (combi)	1 560	183	189	204	252	180	219	145	204	270
Passenger bus	10 252	5 208	5 970	5 776	6 951	4 992	6 270	5 766	5 766	7 788
Double-decker bus	16 960	12 760	26 829	14 130	17 052	12 228	16 077	10 162	14 130	19 083

Source: National Traffic Information System

Most provinces revise motor vehicle licence fees regularly, although there are some notable exceptions. For instance, Northern Province has not increased motor vehicle licence fees since December 1992. North West increased its fees as of 1 May 1999 for the first time since

*Regular revisions
of fees*

1992. Eastern Cape increased its fees in 1998 for the first time in four years, and revised them again in May 2000. Mpumalanga last revised its fees in April 1998, whereas Free State revised the fees in both May 1998 and March 2000.

Western Cape and KwaZulu-Natal updated their fees annually between 1994 and 2000, and Gauteng and Northern Cape revised their fees four times in the same period. Other categories of fees have also been revised, with a high degree of variation across provinces in terms of both frequency and level.

Vehicles concentrated in urban areas

Table 4.6 shows the number of vehicles in each province and the provincial distribution of vehicles, population and fee income. Vehicle numbers across provinces reflect the level of economic activity per province rather than population distribution. The wealthier and more urban provinces of Gauteng and Western Cape have higher per capita vehicle ownership than the other provinces. For instance, Gauteng has 37,1 per cent of all vehicles and only 18,1 per cent of the population. The poorer, rural provinces have much lower levels of vehicle ownership. Eastern Cape has only 6,8 per cent of the nation's vehicles but 15,5 per cent of the total population.

Table 4.6 Motor vehicle numbers, 1 April 2000

Thousands	EC	FS	GP	KZN	MP	NC	NP	NW	WC	Total
Light	395	350	2 205	808	323	304	126	231	1 008	5 751
Heavy	33	34	163	86	38	37	11	30	60	490
Other	29	70	131	63	48	43	14	22	77	496
Total	457	453	2 499	956	408	384	151	282	1 146	6 737
Percentage of provincial total										
Light	86,4	77,2	88,2	84,5	79,1	79,2	83,5	81,8	88,0	85,4
Heavy	7,1	7,4	6,5	9,0	9,2	9,5	7,4	10,6	5,3	7,3
Other	6,4	15,4	5,2	6,5	11,7	11,3	9,2	7,6	6,8	7,4
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
Percentage of vehicle total										
Light	5,9	5,2	32,7	12,0	4,8	4,5	1,9	3,4	15,0	85,4
Heavy	0,5	0,5	2,4	1,3	0,6	0,5	0,2	0,4	0,9	7,3
Other	0,4	1,0	1,9	0,9	0,7	0,6	0,2	0,3	1,2	7,4
Total	6,8	6,7	37,1	14,2	6,1	5,7	2,2	4,2	17,0	100,0
Addendum (percentage shares)										
Population	15,5	6,5	18,1	20,7	6,9	2,1	12,1	8,3	9,7	100,0
Road traffic revenue	5,6	5,5	34,0	18,0	6,2	2,7	3,9	5,7	18,5	100,0

Source: National Traffic Information System

National Traffic Information System

The National Traffic Information Service (NaTIS) is a computer system currently used in the implementation of the Road Traffic Act. As a uniform road traffic monitoring system across all nine provinces, it facilitates information coordination and accessibility. Its data bank contains details of each transaction, per local authority, and can issue receipts and generate statements of funds collected. The system was first implemented in the four former provinces between 1991 and

1993; the new provinces have formed the basis of the system since 1994.

Since all fees charged under the Road Traffic Act are processed through NaTIS, a system terminal is required for completing any transaction involving vehicle licensing and registration, operator licences or roadworthy testing. Adequately trained personnel are therefore needed to manage the system effectively. The amount of the fee charged is inputted centrally, reflecting the most recent level gazetted by a province.

*A uniform
monitoring system*

NaTIS can list the vehicle licences that are coming up for renewal. Using this information, most provinces send out renewal notices to motorists. The system can also identify non-complying motorists and calculate the outstanding revenues, including penalties.

Nonetheless, on average about 8 per cent of total road traffic revenue is made up of penalties and arrears payments. A penalty fee is charged if renewal of a licence is made after the 23rd of the month following the expiry date. An arrears fee is also imposed for all renewals made in the following month or thereafter.

Appointment of local authorities and agents

All provinces, except Free State, appointed agents to administer licensing and related activities covered by the Road Traffic Act. Provinces generally use their respective local authorities for these tasks, but some also employ magistrates' offices, Home Affairs offices, post offices and private agents. KwaZulu-Natal, in particular, uses post offices in addition to its local authorities, thereby creating some competition in the appointment of agents. Free State is the only province to have developed its own internal infrastructure. In total, there are over 400 registering authorities across the country.

Provinces that use agents pay commission for their services, often as a percentage of the fees collected. However, the commissions paid by the provinces are not strictly comparable, as some provinces also provide support such as covering equipment and training costs. Other provinces use receipts from commission as general operating subsidies to the local authorities for activities not directly related to road traffic function. In general, the commission structures tend to reflect historical relationships between the provinces and their local authorities, and are frequently not accompanied by formal contracts.

The information contained in NaTIS reflects the total amount of fees collected, but not the various mechanisms employed in paying the commission. For instance, some collecting agents deduct their commission from the collected fees, whereas other provinces pay commissions separately. There have been reports of tensions in these principal-agent relationships, arising mainly from delayed payments of either the collected fees to the principal or of the commissions to the agent.

Changing structure of road traffic management

Road traffic law enforcement contributes to provincial traffic revenues through the fines imposed on traffic law offenders. Over time, underprovision for this function has resulted in generally poor infrastructure for law enforcement. Even where infrastructure has been addressed, follow-up on the imposed fines has been poor. This has been further complicated by delays in the adjudication of traffic offences cases through the judicial system.

New reforms to traffic law enforcement come into effect with the establishment of the Road Traffic Infringement Agency and the Road Traffic Management Corporation as complementary institutions. While these reforms will increase revenues from traffic fines, their ultimate objective is to improve road traffic safety by positively influencing driver behaviour.

Road Traffic Management Corporation

The Road Traffic Management Corporation Act of 1999 establishes the Road Traffic Management Corporation (RTMC), which will enter into a variety of contractual relationships with provinces, local authorities, other government departments and the private sector. These contractual relationships will determine the details not only of performance criteria for carrying out road traffic functions, but also of the exact nature of the financial flows.

Taxes and transaction fees

The Act distinguishes two types of fees:

- Motor licence fees, which it views as taxes
- All other fees, such as for motor vehicle registration and operator permits, which it views as transaction fees; these are flat fees intended to cover the cost of providing the service, such as issuing a particular licence or permit.

In terms of the Act, the RTMC will not interfere with motor vehicle licence fees, which represent over 80 per cent of road traffic revenues, but will only regulate the transaction fees.

The philosophy guiding the financing of road traffic management is that users should pay the full cost of traffic-related transactions, and that individual road traffic activities should be self-funding, based on the fees collected. A 1998 study revealed considerable cross-subsidisation between different road traffic functions. In particular, motor vehicle registration and licensing were used to subsidise motor vehicle testing and the issuing of driver's and learner's licences.

The RTMC's support will help improve management by setting and maintaining standards and policies to encourage more entrepreneurial practices, and by enforcing these through performance contracts. The Act further provides for the RTMC to take over these functions in cases of underperformance. The RTMC will also facilitate the harmonisation of fee structures across provinces. The support functions, in terms of both its personnel and in providing equipment upgrades are to be funded by a share of the transaction fees charged by the service providers.

Road Traffic Infringement Agency

The Administrative Adjudication of Road Traffic Offences Act of 1999 provides for the establishment of the Road Traffic Infringement Agency to address delays in the judicial system in adjudicating road traffic offences. The legislation effectively takes away this function from the courts and provides for a simple administrative adjudication process through the Agency.

Any cases where a fine has not been paid within a specified period will be referred to the Agency. The Agency will then impose a surcharge on the original fine and take up the responsibility of collecting the outstanding fees. Upon payment of these fees, the Agency will retain the surcharge and pay the basic fine to the originating authority – a province or municipality. This system should gradually reduce the amount of unpaid fines from the current level of about 70 per cent. It is also envisaged that the Agency's surcharge will serve as a deterrent to offenders.

Hospital patient fees

Trends in health revenue

Hospital fees are generated mainly from the sales of services to private patients in a competitive market, and thus differ from compulsory fees such as for motor vehicle licences. The sources of these user fees include the medical schemes; the Workmen's Compensation Fund; the Motor Vehicle Accident Fund; and fees for services to other government departments such as the police and justice departments, for example, for forensic services and psychiatric analyses in court cases.

Apart from hospital revenue, other health-related sources of revenue include board and lodging, parking fees, charges for hospital meals provided to non-patients, fees charged to doctors using state facilities for private patients, and revenue received from universities for sharing hospital facilities and staff in the training of medical students. These items are not addressed in this section.

Table 4.7 shows a persistent decline in health revenue collections between 1996/97 and 1999/00. Over this period, hospital patient fees decreased at an average annual rate of 8,6 per cent, from R416 million to R325 million. Given the generally high health inflation index, this represents a significant decline in revenue collection in the sector in real terms. Between 1998/99 and 1999/00, actual revenue collection from patient fees dropped by 6,1 per cent. The decline is most pronounced in Free State, where revenue fell by 21,5 per cent.

*Persistent decline in
health revenue
collections*

The main reason for the decline in hospital revenue is reduction in the number of paying patients using public sector facilities. In some facilities, medical scheme members contributed as much as 75 per cent of total revenue. The loss of these patients to the private sector has reduced the capacity for revenue by at public hospitals.

In addition, some revenue was lost when user fees were eliminated at primary health care clinics in 1996. Hospital fees were also eliminated for services to pregnant women and to children under the age of six. The revenue losses resulting from these policy choices have not been quantified, but officials maintain that the policy has also created an expectation among other patients that they are entitled to free services, even at hospitals.

Table 4.7 Hospital patient fees

R million	Actual			Estimated actual	Medium-term estimate		
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Eastern Cape	41	19	24	23	34	37	41
Free State	49	43	39	31	47	52	57
Gauteng	96	84	76	71	75	80	82
KwaZulu-Natal	82	80	84	80	92	106	111
Mpumalanga	17	21	15	18	32	34	36
Northern Cape	7	5	5	6	12	12	12
Northern Province	21	23	23	22	24	26	28
North West	15	10	13	13	15	15	15
Western Cape	89	75	66	62	65	69	73
Total	416	362	346	325	395	430	454
Percentage growth							
Eastern Cape		(53,0)	23,0	(2,7)	45,0	10,0	10,0
Free State		(11,0)	(9,7)	(21,5)	53,1	10,0	10,0
Gauteng		(12,4)	(9,8)	(6,1)	5,7	6,7	2,5
KwaZulu-Natal		(2,5)	5,6	(5,0)	14,7	15,4	4,9
Mpumalanga		19,1	(24,7)	16,6	76,6	6,0	6,0
Northern Cape		(18,6)	(8,1)	13,4	106,9	1,5	0,0
Northern Province		13,8	0,3	(8,2)	9,7	8,0	8,0
North West		(30,9)	25,0	(0,6)	15,8	0,0	0,0
Western Cape		(15,5)	(12,2)	(6,7)	4,7	6,3	5,9
Total		(13,1)	(4,3)	(6,1)	21,4	8,9	5,6
Percentage of total own revenue							
Eastern Cape	18,9	8,7	5,7	6,8	17,7	17,5	17,5
Free State	17,3	16,5	15,6	11,7	13,9	15,0	16,2
Gauteng	9,9	9,3	8,1	6,8	7,1	6,9	6,6
KwaZulu-Natal	9,9	12,5	19,5	13,1	17,3	18,0	17,2
Mpumalanga	8,0	8,0	8,0	5,0	16,5	16,1	15,9
Northern Cape	7,0	5,4	6,4	7,3	13,3	12,7	12,0
Northern Province	4,1	11,6	8,0	9,5	7,0	7,9	7,9
North West	3,6	3,4	4,2	4,0	3,9	3,8	3,7
Western Cape	15,9	13,3	12,5	8,4	12,5	12,0	11,8
Total	10,2	10,5	10,1	8,1	10,8	11,0	10,9

Hospital patient fees set to improve

Although Table 4.7 shows a downward trend in hospital fees, provincial MTEF budgets project a turnaround in hospital revenue collections. Hospital fees are budgeted to rise by 21,4 per cent between 1999/00 and 2000/01, from R325 million to R395 million, and should grow by some 12 per cent a year over the medium term.

This projected improvement is partly linked to provinces renewed efforts to bolster revenue collection in the health sector, by reviewing the incentive system and allowing some hospitals to retain collected revenue. Nevertheless, given historical trends, the budgeted revenue collections may be somewhat optimistic. Sustainable improvements in revenue collection may require significant initial expenditure outlays to enable public hospitals to compete with the private sector and attract more paying patients. Although provincial budgets are showing an upward trend in health expenditure, this may not necessarily lead to notable increases in the number of paying patients in the short term.

In line with the overall revenue performance in the health sector, the rate of cost recovery in the public sector has declined considerably over the last seven years, from reported historical levels of 9,2 per cent in 1992/93 to 3 per cent in 1999/00. Current initiatives to improve the administration and collection of revenues are aimed, in part, at reversing this trend.

Clearly, hospitals cannot be expected to recover all their costs, especially given their public nature and substantial state funding. However, the health departments argue that they can improve cost recovery levels with the correct incentives. They claim that their inability to retain revenues generated in the sector is a disincentive to efficient revenue collection. As public hospitals cannot retain revenue, they have no incentive to improve billing systems or pursue bad debts.

*Incentives for hospitals
to recover costs*

While this may be true, there are weaknesses in the systems and administrative aspects of hospital revenue collection. For example, most health departments acknowledge that their billing systems are outdated and need to be redesigned, and they lack appropriate information technology systems to support their revenue collection efforts.

Billing systems

Hospital billing systems range from itemised bills to standard amounts for the type of service rendered, depending on the quality of the information systems. Generally, outpatients pay a standard rate on the same day according to their category, while in-patients have their bills posted to them or to their medical aid schemes. Some provinces still use manual systems, while the rest are at different levels of computerisation. For instance, KwaZulu-Natal is installing a new system, Meditech, while Western Cape is installing the Hospital Information System to implement direct billing to medical schemes.

The billing system relies on the initial patient interviews, which include questions such as address and income level. However, hospitals have no mechanism for verifying the answers. When patients are admitted, their diagnosis and treatment are recorded in the patient files, which are forwarded to the billing section on discharge. Depending on the accuracy of the information, bills are subsequently sent to the patients.

*Shortcomings of
the billing system*

The inefficiencies in the system include incomplete itemisation of services, inaccurate or incomplete patient details and late rendering of

accounts. In many cases, the bills arrive only months later and some provinces do not even follow up on unpaid bills. In Western Cape, a private firm is following up unpaid bills at a commission of 25 per cent. KwaZulu-Natal has an agreement with the state attorneys to institute legal action against defaulters.

Tariff structures

The national tariff structure for health departments classifies patients according to their income level and access to medical aid. For those without medical aid, there are four categories, with the highest category paying the same fees as do people with medical aid. The definition of high income varies across provinces, ranging from above R35 000 in Eastern Cape to above R59 000 in Western Cape.

Higher-income and private patients are charged the rates determined by the Representative Association of Medical Schemes (RAMS); these reflect the cost of services. Lower-income patients without medical aid pay a monthly rate based on their ability to pay.

Revision of fees

Fees should be amended annually, although this has not happened in all provinces. For example, KwaZulu-Natal amended its fees in May 2000 (after they were last amended in August 1997), while Mpumalanga and Eastern Cape have not adjusted theirs since 1994. The Western Cape Department of Health amended its schedule in December 1999. The Provincial Health Restructuring Committee has proposed a uniform fee structure, but this has not yet been implemented.

Because of the different fee levels and definitions of patient categories, patients pay different amounts for the same service, depending on where they receive the service. The income categories are as significant a factor as the fee level. For instance, Eastern Cape fees are lower across all income categories than are Western Cape fees. However, patients with an income of R35 200 will pay more in Eastern Cape because they will be in the high-income category and will be charged the same daily rate as patients with medical aid. In Western Cape, such patients will be in the lower-income category, paying a substantially lower monthly rate.

Reforms to improve collections

In the past, some provinces have attempted to link revenue to budgeted expenditure by setting annual revenue targets for their health departments. Unfortunately, these targets tended to be too high, thus acting as further disincentives for the departments, which had no hope of achieving them. Table 4.9 below indicates the difference between targets and actual revenue. Although the provincial treasuries adjusted future years' budgets downward, the health departments continued to perform below target. Even in those provinces where treasuries did not give explicit revenue targets, revenue fell short of expectations. In fact, with few exceptions, provincial health departments have fallen short of the budgeted level of revenues over the past four years, by as much as 35–50 per cent a year.

Table 4.9 Hospital patient fees, budget vs. actual

R million	1996/97		1997/98		1998/99		1999/00	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Eastern Cape	n/a	41	n/a	19	n/a	24	n/a	23
Free State	51,4	49	51,4	43	49,0	39	48,0	31
Gauteng	144,0	96	98,0	84	112,0	76	84,0	71
KwaZulu-Natal	75,5	82	80,9	80	95,1	84	85,7	80
Mpumalanga	10,0	17	30,0	21	21,8	15	30,0	18
Northern Cape	20,1	7	8,9	5	9,8	5	10,8	6
Northern Province	13,0	21	147,3	23	66,6	23	73,9	22
North West	42,0	15	16,0	10	14,1	13	14,1	13
Western Cape	102,3	89	82,4	75	77,5	66	88,9	62
Total (excl. EC)	458,3	416	514,9	362	445,9	346	435,3	325

n/a = not available

Recognising the problems around the incentives for hospital revenue collection, the Gauteng and Western Cape Treasuries agreed with their health counterparts to implement a revenue retention scheme. In Western Cape, revenue targets were set for the medium-term budgets, 1999/00 to 2001/02, based on amounts generated in previous years. Half of any revenue above these targets is to be appropriated back to the health department in the adjustments estimate, as long as the department stays within budget. It remains to be seen whether these targets will be achieved, given that the department is budgeting for an 18 per cent increase in revenue in 1999/00, followed by further increases of 5,5 and 9 per cent in the two subsequent years (see Table 3.1).

New incentive systems

In Gauteng, a similar agreement was reached with the Treasury, except that all the excess revenue will be appropriated back to the health department in the adjustments estimate. As part of the agreement, performance agreements were developed on the basis of past performance. The agreement may be optimistic, given that the department's revenue declined by 10,5 per cent in 1998/99, while the new target requires growth of 8,6 per cent in 1999/00, 1,2 per cent the next year and a further 9,4 per cent in the final year.

One concern is that the targets are set for the health departments as a whole, and these departments are to set targets for individual hospitals. They must then decide how these additional funds are to be apportioned between the hospitals. Although it is clearly appropriate for the departments to set hospital targets, such targets could weaken the incentives should departments use equity or other considerations in allocating funds rather than simply returning the funds to the hospital where they were generated. A hospital that does not receive the full revenue it generates may reduce its effort in future years.

Clearly, the health departments have different options for increasing their revenue generation. These include improving billing systems, actively pursuing unpaid bills, amending the fee structures for private patients to reflect costs, and reaching preferred provider agreements with medical aid schemes.

Other options

The more difficult option of attracting private patients back to the public hospitals requires a longer-term initiative. This will necessitate capital investments to address quality of care issues, such as old equipment and the aesthetic ‘hotel’ (accommodation) aspects of the services. In addition, health departments face the political challenge of ensuring that this policy does not create an impression of different classes of health care in public facilities.

Gambling, gaming and betting

Regulatory framework

Until the new democratic dispensation, gambling had been illegal in South Africa except for the former homelands. Casinos and gambling establishments in these areas were, and still are, a significant source of own revenue for provinces that incorporated homelands. Unlike gambling, horse racing was generally permitted before the 1994 elections. Horse racing is important in only three provinces: Western Cape, Gauteng and KwaZulu-Natal, which have most of the necessary infrastructure. Other provinces also levy taxes on the industry, but to a smaller extent.

Much of the recent legislation at national and provincial level focused on gambling rather than on racing and betting. The National Gambling Act of 1996 allows national legislation to promote national norms and standards, while empowering provincial legislatures to pass regulations or laws on provincial gambling. The Act provides for the regulation and coordination of matters relating to casinos, gambling and betting. It aims at preventing provincial laws from prejudicing the economic interests of other provinces or the nation, and at promoting uniformity. It does not apply to lawful lotteries or sports pools, as these are exclusive national competencies.

National Gambling Board

The Act establishes a National Gambling Board with strong powers, but these powers have yet to be exercised fully. Although the Act was promulgated in 1996, the Gambling Board was only established two years later, by which time all provincial gambling legislation had been passed. Thus the Board could neither monitor nor promote uniformity in provincial legislation. The Board is reviewing all gambling legislation to identify discrepancies and contradictions, particularly with national legislation. Regulations will promote greater uniformity and will supersede provincial legislation. An area of particular concern is the levying and management of taxes and licence fees. The National Board and provinces are at odds about the expansion of some gambling activities, particularly about allowing gambling machines outside of casinos.

Sources of revenue

Table 4.10 presents actual and projected provincial gambling revenues, which include revenues from horse racing. Gambling contributed R577 million or 14,4 per cent of provincial own revenues in 1999/00. A growth of 42,9 per cent in gambling revenue was

achieved despite sharp declines in collections in Eastern Cape, North West and Northern Province due to the closure of casinos in these provinces in May.

At R468 million, budgeted collections in 2000/01 are 18,8 per cent lower than actual collections in 1999/00. The projected decline is partly explained by the fact that Western Cape received significant one-off amounts of around R130 million in 1999/00, which were amounts outstanding from previous years.

Gauteng's substantial revenues before 1998/99 were entirely from horse racing. Casino-related revenues began flowing in from November 1998, and accounted for nearly a quarter of 1998/99 gambling revenues. With the introduction of casino levies, Gauteng reduced rates on racing to address the excessively high tariffs of the past. Casino revenues are likely to form a growing share of total gambling revenues over the medium term.

*Horse racing
and casinos*

In Western Cape, several delays have meant that no casinos are operating yet. The increase in revenues in recent years is attributable to new applications for horse racing. The province imposes "nominal" licence fees for racing in particular, as the industry is already heavily taxed. However, its projected gambling revenue is below historical levels over the MTEF period. In Northern Cape, revenues before 1999/00 were from horse racing, but gambling is expected to boost revenues over the next three years.

As Table 4.10 shows, the projected trends in revenue from gambling bear close relation to historical performance. This could be due to the fact that, with the introduction of new legislation and the highly contestable nature of the industry, it is hard to make realistic forecasts of its revenue generating potential.

Structure of gambling tariffs

Provinces have significant autonomy to establish schedules of fees and levies. However, the National Gambling Act provides for the National Gambling Board to develop appropriate guidelines or norms and standards. The type and amount of charges differ between provinces – many charges appear similar but differ in scale, calculation or definition.

All provinces levy annually renewable licence fees on casinos, limited gambling machine operators and bingo halls. Some provinces charge a flat rate while others combine base fees and additional charges per table, machine or employee. Most provinces impose a levy on gambling revenues, which is a set rate in some provinces and a progressive scale in others. Several have separate licences for other types of gambling operations, such as limited gambling premises and junket operators, while some require equipment manufacturers, suppliers and distributors to be licensed and taxed separately. The general characteristics are as follows:

- Casino operators are charged a basic licence fee, and certain provinces charge additional amounts for the number of gaming tables, machines and gambling-related employees. Casino licence

fees range from a flat rate of R50 000 to R114 000 for the basic licence renewal. Additional amounts of about R1 000 are charged per table, machine or employee. Levies on casino gambling revenue range from 5–12 per cent and are levied on gross revenue, defined as income received less any initial “float” and pay-outs to customers. Both Western Cape and KwaZulu-Natal levy a sizeable exclusivity fee on the initial capital investment in a casino, while only KwaZulu-Natal and Northern Cape incorporate development levies.

- Gambling machine operators tend to have lower flat-rate licences but higher charges per machine and higher levies on income, ranging from 10–20 per cent. Separate licence fees and levies are charged for having a gambling site.

Table 4.10 Gambling revenues

R million	Actual		Estimated actual		Medium-term estimate		
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Eastern Cape	21	5	56	42	26	35	44
Free State	15	12	11	15	19	21	23
Gauteng	146	191	206	272	270	290	300
KwaZulu-Natal	41	42	41	38	57	36	67
Mpumalanga	8	23	18	21	28	33	36
Northern Cape	1	2	1	2	17	18	19
Northern Province	8	7	7	5	7	7	8
North West	135	38	32	18	25	25	25
Western Cape	27	32	32	165	19	21	23
Total	401	353	403	577	468	486	545
Percentage growth							
Eastern Cape		(75,2)	997,3	(25,0)	(38,9)	37,6	25,5
Free State		(19,3)	(14,3)	36,9	30,1	10,0	10,0
Gauteng		31,2	7,7	32,0	(0,6)	7,4	3,4
KwaZulu-Natal		2,0	(1,2)	(8,5)	51,6	(37,3)	86,4
Mpumalanga		198,7	(24,7)	16,6	36,7	17,4	9,0
Northern Cape		275,3	(74,5)	244,7	805,4	3,2	5,6
Northern Province		(14,5)	4,3	(32,2)	30,5	7,5	8,0
North West		(72,1)	(14,8)	(42,8)	36,4	0,0	0,0
Western Cape		17,1	0,6	414,8	(88,4)	10,4	9,6
Total		(12,1)	14,4	42,9	(18,8)	3,9	12,1
Percentage of total own revenue							
Eastern Cape	9,4	2,3	13,3	12,2	13,5	16,7	19,0
Free State	5,5	4,7	4,2	5,6	5,6	6,1	6,6
Gauteng	15,1	21,2	22,1	26,0	25,5	24,9	24,0
KwaZulu-Natal	5,0	6,5	9,6	6,2	10,8	6,1	10,3
Mpumalanga	3,6	9,1	9,1	5,7	14,6	15,8	16,0
Northern Cape	0,6	2,1	0,7	2,4	19,6	19,0	19,1
Northern Province	1,7	3,5	2,5	2,2	1,9	2,2	2,2
North West	32,0	12,4	10,3	5,6	6,5	6,3	6,1
Western Cape	4,9	5,6	6,1	22,5	3,7	3,7	3,7
Total	9,8	10,2	11,7	14,4	12,9	12,4	13,0

- Bingo halls are charged per seat, and in some cases per employee. The revenue levies range from 2,5–15 per cent of income, net of amounts paid out to punters.
- Other fees include an investigation fee for conducting a probity check, fees for relocating the gambling operation, fees for permission to hold a financial interest in a specific operation and charges for any amendments to the initial licence.

Administrative issues

As mentioned, several provinces are establishing systems and procedures for levying, processing and monitoring gambling revenues. Not all licences have been awarded, but even where they have, some casinos are not yet operational.

Systems and procedures for monitoring, recording and collecting revenues differ among the provinces. Most provinces do not regard the fees levied by other provinces as binding, and set their own fees. In some provinces, the provincial gambling boards set fees and manage revenue collection, while in others the treasuries fulfil this role.

The trend is towards a greater role for provincial gambling boards in setting rates and administering collections. The process of consultation and legislative approval of fee structures is not uniform, and the period for the review of rates varies from “periodically” to five years. A few provinces simply carried over tariffs from the previous administration.

Provincial gambling boards set rates

In certain provinces, gambling boards maintain separate bank accounts through which all gambling revenues are channelled. In others, payments are directly to the provincial government, but the gambling boards remain accountable for revenues collected. In addition to the annual licence fee, some provinces receive gross revenue levies monthly, while others require gambling taxes to be paid weekly. These levies pose the biggest problem in terms of administration and tracking, given the systems and procedures needed to verify income. Audited statements are unavailable as levies are paid weekly or monthly, and provinces effectively have to rely on income as declared by the operator. Total payments can be verified at year-end when financial statements are available, but this requires systems for tracking and recording individual payments.

It is even more difficult to determine or verify revenues generated by gambling machines. The National Gambling Act requires operators to maintain a central machine monitoring system to identify revenues, but this has not been enforced at provincial level. Most provincial boards have yet to employ inspectors to check premises or verify information supplied by operators.

Tracking revenues

In most provinces, gambling revenues have yet to come on stream. Thus, there is still time to introduce norms and standards to improve consistency and accountability. Some have suggested that SARS may be a more efficient and effective collection agent for some gambling revenues, particularly the levies on income. SARS collects much of

the data needed to assess these taxes, as they are applied to essentially the same base as value added tax. In some provinces, however, the gambling boards may be effective collection agents and may need SARS only to share information rather than to take over the collection function.

Potential for growth in own revenues

To reverse the recent downward trend in provincial revenue collection, two main areas have to be addressed – improving the administration of existing taxes and introducing new taxes.

Role of provincial treasuries

The provincial treasuries aim to play a stronger management and oversight role in the collection of provincial own revenues. To this end, most have created separate directorates dedicated to own revenues. Provincial departments will remain responsible for collecting their fees and levies, but treasuries will promote best practice and ensure that proper incentives are in place. Most provinces can considerably improve routine practices, such as updating tariffs on a regular basis and checking whether rates are comparable with those of other provinces. Appropriate intergovernmental forums, such as MinMECs, will also support these activities.

The policy environment is generally encouraging. For one, implementation of the RTMC will help bring efficiencies to road traffic management, including the collection of fees. As more gambling licences are issued and gambling establishments begin operation, gambling revenues should rise. Regulatory oversight by the National Gambling Board should assist in this regard.

Increasing collections from patient fees will be a challenge. The pilot projects in Gauteng and Western Cape indicate a willingness to try new approaches to improve the collection of hospital patient fees. Significant increases are, however, only likely in the long run, as it will take time for investments in infrastructure to attract more private patients into public facilities.

One source of provincial revenue that is unlikely to return to previous levels is interest receipts. While most provinces have significantly reduced or eliminated their bank overdrafts, they will probably be unable to accumulate balances of the level that prevailed in 1995/96. However, some growth is expected in this area.

Introduction of new provincial taxes

New taxes

In addition to improving the administration of existing taxes, introducing new provincial taxes also offers some scope for increasing provincial tax collection. To date, the Budget Council has not supported new provincial taxes; this has been consistent with broader policy objectives and the pending development of a regulatory framework. Such a framework has now been developed, but the Budget Council continues to emphasise the need first to improve the collection of existing revenues.

The Constitution prescribes national regulation of provincial taxes, although it authorises limited taxing powers for the provinces. In general, it bars the use of tax instruments that are best allocated to other levels of government, and defines the priority of national economic interests and the oversight role of the national government. Section 228 of the Constitution requires that the power of a provincial legislature to impose taxes, levies, duties and surcharges:

- May not be exercised in a way that materially and unreasonably prejudices national economic policies, economic activity across provincial boundaries, or the national mobility of goods, services, capital or labour
- Must be regulated in terms of an Act of Parliament, which may be enacted only after any recommendations of the Financial and Fiscal Commission have been considered

Thus, the national government must ensure the integrity of national economic policy. This includes maintaining the coherence of the national tax system, and regulating the procedures for implementing provincial taxes. To this end, the Budget Council has proposed an “allowed list” approach for provincial taxation legislation; Cabinet has approved this approach.

The proposed national legislation on provincial taxation defines the regulatory procedures, but does not identify specific provincial taxes. Under the procedures, a province controls both the initiation of a provincial tax proposal and its ultimate enactment by the provincial legislature. The national government has to review the provincial proposal and determine whether it will comply with section 228.

Any province wishing to impose a new provincial tax must make a submission to the Minister of Finance at least ten months before the start of the financial year. The Minister will review the request for compliance with section 228 and with national economic policy, and consult with the provinces and other interested parties, as appropriate. Should the Minister conclude that a proposal is consistent with section 228, he will introduce separate national legislation to provide for provincial implementation of the tax proposal. The national legislation will enable any province to enact the tax at any time. It will prescribe the “manner and form” in which the tax can be implemented, including the tax base, rate band and any other terms required.

This national legislation will, in essence, be a template for provincial legislation to ensure that the tax is implemented in a uniform and consistent manner across the provinces, thereby maintaining the coherence of the general tax system. Allowable provincial differences, such as in the rate or regarding exemptions, will explicitly be identified in the national legislation. The national legislation will also set out procedures for amending the particular provincial tax. The tax will become effective in a particular province only when imposed by provincial legislation, according to the terms prescribed by the national authorising legislation.

Over time, this national legislation will constitute a list of taxes that any province may impose. This body of provincial tax law (the so-called “allowed list”) may, at the time of the national budget, be

*National regulation
of provincial taxes*

*Regulatory legislation
for provincial taxes*

*An allowed
list of taxes*

reviewed and renewed by the Minister of Finance, similar to the laws amending taxes at the national level.

National Treasury's review of provincial tax options

Taking into account previous studies on provincial revenue options undertaken by the Financial and Fiscal Commission and the Katz Commission, the national Treasury prepared its own review of possible options for the Budget Council. The review cites options such as selective sales or excise taxes on specific services or goods, and use and permission taxes. It suggests caution about selective taxes on goods at the provincial level, because the tax base is highly mobile and serious tax evasion problems exist at lower levels of government.

Other possible provincial taxes are:

- Environmental taxes
- Presumptive business taxes on small business activity that is probably not captured by national income taxes
- Betterment taxes, which are collected from a specific group of taxpayers for a specific infrastructure improvement project from which they will benefit
- Taxes as a consideration on the right to extract mineral or petroleum products

The study notes that, for many provinces, these tax options may have only limited applicability and are not likely to produce significant revenues.

While surcharges on national tax may yield more revenues, these options were found lacking for both policy and administrative reasons. This is particularly true for the personal income tax surcharge, where the study supports the Katz Commission's conclusion in advising against this surcharge option at this time. The Budget Council proposed and Cabinet adopted this position. While the surcharge on the fuel levy is somewhat less problematic and may become more attractive in future, it still poses certain problems and risks.

The regulatory procedures distinguish between taxes and user charges. These regulations do not apply to user charges, and provinces can initiate such fees without the concurrence of national government. Fees are an appropriate form of revenue for provinces, as they are charged only to individuals receiving a good or service. In general, user charges are an efficient way of recovering the cost of publicly provided goods and services, and provide incentives to improve the quality of service delivery. Fee receipts can relieve pressures on provincial budgets without compromising national economic policies. There is widespread agreement that user charges for provincial services can be expanded without undermining Government's equity goals.

Conclusion

This chapter shows that provincial own revenue collections have declined in recent years. While provincial own revenue comprises only a small percentage of total provincial revenues, the persistent

downward trend in revenue collections has contributed to the budgetary constraint facing provinces. The decline in revenue collections can be attributed to weaknesses in provincial institutional and administrative systems of provinces.

Given the need to improve revenue collection in provinces, the chapter highlights various initiatives that are under way to reverse the current trend. The first set of initiatives seeks to improve the administration of current taxes, while the second is aimed at facilitating the expansion of the provincial tax base by giving effect to section 228 of the Constitution.

Efforts to improve provincial tax administration include dedicating capacity to provincial revenue issues within treasuries and reviewing incentive systems, where appropriate. Examples include the health sector and the review of the legal and institutional frameworks of road traffic fees and gambling.

Concerning the expansion of the provincial tax base, Cabinet has approved a framework for provincial taxes. The proposed regulatory legislation will allow provinces to pass provincial tax legislation.

The chapter suggests that significant improvements in provincial own revenue collections can only come through improvements in administration.

III. LOCAL GOVERNMENT

Local government overview

The 1998 White Paper on Local Government set the stage for a series of far-reaching changes to transform municipalities. This transformation is political, administrative and financial, and includes streamlining the delivery of services.

A major transformation

Institutionally, the character of municipalities is changing through the redemarcation of municipal boundaries, new structural forms introduced in the Municipal Structures Act and operational changes outlined in the Municipal Systems Act. The finances of local government are being reformed through the Municipal Finance Management Bill, municipal budget reforms, the introduction of generally accepted municipal accounting practice (GAMAP), and the Property Rates Bill.

The transition has not, however, always been smooth. Many municipalities still have financial problems – some due to inefficient service delivery and high levels of poverty among residents, others because of poor management and inadequate administrative and budget systems. Operating costs are often too high and wage bills vast. These trends necessitate faster reforms and transformation.

Because this *Review* is the first to scrutinise local government in some detail, this chapter provides basic information about the role and functions of local government in the intergovernmental system. It then reviews the major policy elements of Government's approach to local government finance and the implications of these elements for revenue, expenditure and borrowing matters. Finally, it deals with the major changes affecting transformation in the financial and fiscal environment.

The role of local government

Constitutionally, local government is a separate sphere of government. This is reflected overtly in different systems and procedures. For example, the procurement systems of municipalities are distinct from those of national and provincial government. Municipal officials are also not part of the national and provincial public service. The local government fiscal year begins on 1 July, unlike the national and provincial fiscal year, which begins on 1 April. (Note that this *Review* refers to a municipal fiscal year as, for example, 1998-99, while the corresponding national or provincial fiscal year will be 1998/99.)

The Constitution

More fundamentally, however, the powers, functions, revenue bases and expenditure assignments of local government are different. National and provincial government is expected to support the capacity of municipalities to exercise their powers and to perform the functions assigned to them. These powers and functions revolve around ensuring the delivery of affordable basic services and promoting economic and social development. The notion of developmental local government, as described in the White Paper on Local Government, builds on the constitutional mandate of local government. Section 152 of the Constitution empowers local government to:

- Provide democratic and accountable local government for local communities
- Ensure the sustainable provision of services to communities
- Promote social and economic development
- Promote a safe and healthy environment
- Encourage community involvement in local government matters

Functions and finances

The Constitution assigns powers to each sphere of government. The most important municipal services include the provision of water, sanitation (and sewage disposal systems), roads, storm water drainage, refuse removal (including solid waste removal) and electricity reticulation. In practice, different local governments, in different areas, have different responsibilities. In larger urban areas, municipalities often assume responsibility for a range of functions and services, while mainly rural local governments generally provide few services independently.

Revenue sources

The Constitution also assigns revenue sources to local government and designates municipal fiscal powers and functions. The main sources of revenue are rates on property and fees (or surcharges on fees) for services provided by or on behalf of the municipality. Although other sources may be assigned in national legislation, local government may not impose income tax, value-added tax, general sales tax or customs duties.

Fiscal powers

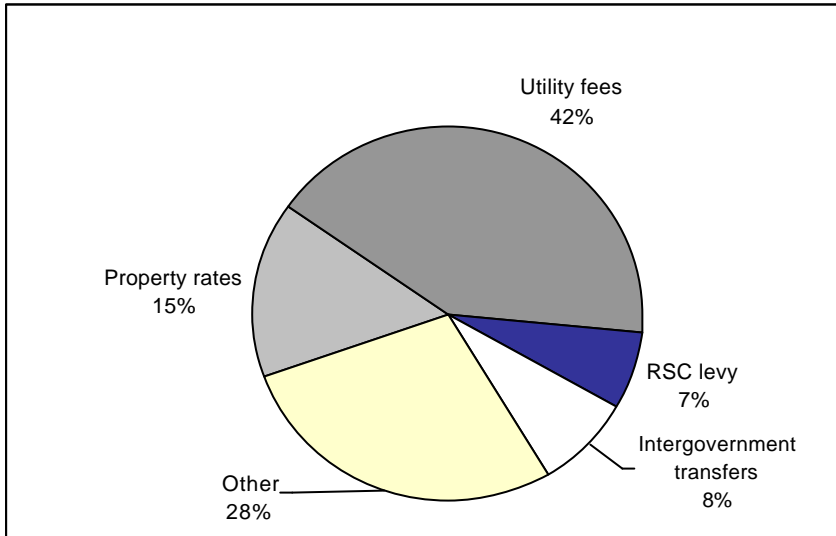
The fiscal powers of municipalities may vary considerably. The Local Government Transition Act authorises metropolitan and district councils to collect the regional services (RSC) and establishment levies (i.e. levies on payroll and turnover respectively). They may also levy tariffs on bulk services and claim agency fees from local councils for services provided on their behalf. The metropolitan councils may claim an equitable contribution from all metropolitan local councils and receive, allocate and distribute grants. These provisions do not hold for district councils but, like metropolitan municipalities, they are viewed as regional mechanisms for redistributing resources from affluent to disadvantaged areas.

Rural councils

Rural councils have little or no fiscal capacity, a limited economic base and, hence, a small tax base. The district council usually performs all the fiscal functions assigned to its rural municipalities. The demarcation process aims at amalgamating some rural and urban

municipalities to promote effective service delivery in rural areas and effective planning between urban and rural areas. It also seeks to address the lack of fiscal capacity in rural councils.

Figure 5.1 Total local government revenues, 1998/99



Fiscal conditions of local government

Local government receives a relatively small share of revenue raised nationally. However, it represents a significant part of South Africa's public finances and has an important role in delivering basic services and socio-economic development.

A small but important share

The financial situation of most municipalities is weak and apparently deteriorating amid increasing demands for services and development. Project Viability statistics over the past two years confirm this. Coordinated by the Department of Provincial and Local Government, Project Viability has instituted a combination of strategic and operational measures aimed at restoring the financial health of municipalities. These include improved credit control, promotion of alternative service delivery mechanisms, performance management systems and performance contracts, organisational redesign, improved financial management and accounting, and promotion of local economic development.

Project Viability

Despite the significant financial challenges, some municipalities are stabilising their financial positions. The focus is on financial restructuring, improved financial management and better revenue collection, combined with management support programmes initiated by the national and provincial governments.

Policy framework

The basic tenets of Government's policy framework for local government finances are:

Basic tenets

- Local government is an independent and accountable sphere of government, with clear revenue and expenditure responsibilities. The role of national government in municipal finance is to provide an enabling regulatory environment within which municipalities can manage their financial affairs responsibly.
- As with national government, local governments must be fiscally disciplined in line with constitutional and legislative requirements. This means that budgeted and actual revenue and expenditure should match, and that operating revenue and expenditure should balance. Municipalities should therefore deliver services in line with their revenues.
- The Local Government White Paper points out that own revenue is the primary source of municipality income. Government is committed to this policy position. For one, local government in South Africa has relatively fewer responsibilities. In many other countries, municipalities are responsible for major social services such as health, education, welfare and security. In South Africa, most of these functions are the responsibility of national or provincial government, and there is less need for extensive transfers to municipalities. Furthermore, for municipalities to obtain more support from the national fiscus, other national budgetary priorities and allocations would have to be scaled down.
- Municipal access to capital markets must be increased. This will enhance their independence from other spheres of government, introduce discipline to their financial management, spread the burden of funding for capital investment equitably over generations, and promote efficient financing of infrastructure and allocation of capital.

Revenues

Local governments derive finance mainly from three sources: own revenue, intergovernmental flows and borrowing.

Own revenue

Municipal own revenue is obtained through property taxes, regional levies, service charges and fees. For local government as a whole, own revenue covers more than 90 per cent of operating income.

Property tax

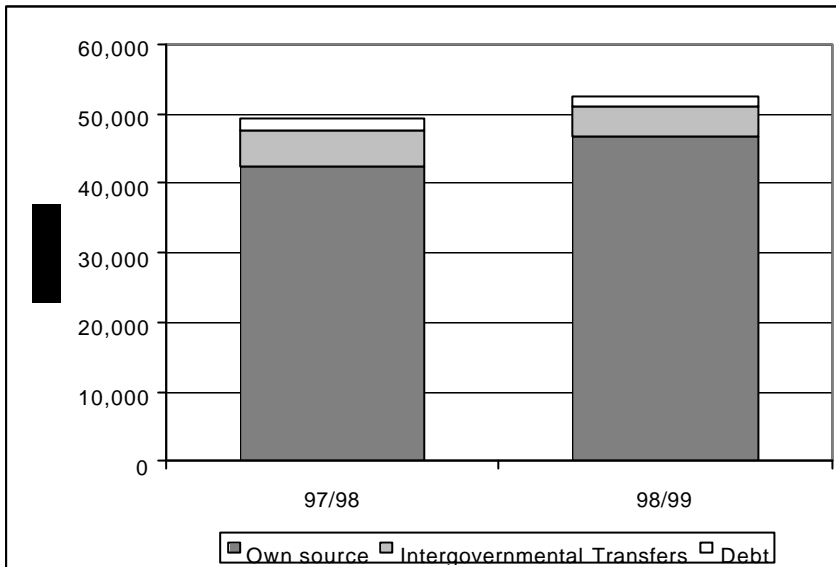
A more coherent national approach to property tax is currently being developed. The proposed new system provides municipalities with a range of options for flexibly combining taxes on land and on improvements, according to their specific circumstances. It also entails more accessible assessment criteria and leads to a more transparent taxation processes.

RSC levies

The current RSC levies are also being reviewed. One possible development is to combine the current turnover tax on business with the levy on payrolls. The national Treasury is also exploring more effective means of collecting levies, including SARS assistance to local governments. After the demarcation, metros and district councils

will be eligible for regional levy incomes, and this revenue should largely be directed at capital programmes in disadvantaged areas.

Figure 5.2 Local government projected revenues



The national Treasury, the Department of Provincial and Local Government, and organised local government are assisting municipalities in improving revenue collection through service charges. Over the past three years, Project Viability attempted to improve information systems and help municipalities increase their revenue collection. Local government's inability to collect service charges results from the cost of basic services being out of reach of poor residents, inadequate revenue collection systems, or political and other factors that undermined the culture of payment. Despite the efforts of the Masakhane campaign and Project Viability, debt to municipalities remains significant. Municipalities must actively encourage payment for services and enforce appropriate credit control policies. Government assists them through policy interventions linked to transfers to affected municipalities, improved credit control systems, and affordable levels of service, appropriate to particular communities.

Service charges

Intergovernmental flows

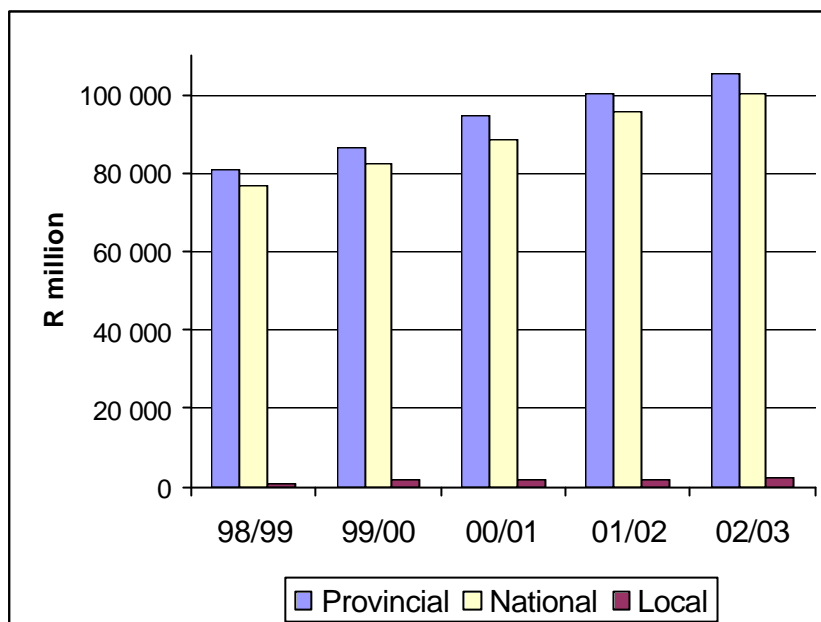
Intergovernmental transfers comprise equitable share allocations (to which local governments are entitled) and specifically targeted conditional grants and agency payments. These are discussed in some detail in Chapter 7, but a few observations are relevant here.

Given local government's own revenue sources, the equitable share allocation to this sphere is considerably smaller than that to provinces (see Figure 5.3). In 2000/01, the local government equitable share allocation, determined by Cabinet, will be R1 867 million, increasing to R1 997 million and to R2 130 million in the next two years.

Equitable share

Distributed horizontally by formula, it facilitates an equitable distribution of resources among local governments.

Figure 5.3 Equitable share allocation



Conditional grants and agency payments

The MTEF envisages that much of the conditional grants and agency payments from national departments to local governments will continue over the next three years.

Agency payments occur when local government is contracted to execute a function on behalf of national or provincial departments, such as the Community Water and Sanitation Supply Programme (CWSSP) and the CBPWP.

To align spending more closely with Government’s strategic objectives, new conditional grants are being considered and some existing grants consolidated. The latest budget provides for increases of R150 million in 2000/01, R160 million in 2001/02 and R170 million in 2002/03 in the local government support grant. This will support a range of management support and capacity building initiatives administered by the Department of Provincial and Local Government.

Consolidated Municipal Infrastructure Programme

National government recognises that local governments cannot achieve major redistribution with their limited revenues. Hence, the largest municipal infrastructure grant, the CMIP, is a critical part of the redistribution funding that flows through local government.

New grants

The 2000 Budget provides for two new conditional grants. A restructuring grant will assist eligible municipalities whose financial difficulties are sizeable enough to threaten national economic development. The grant will be funded from the additional local government allocation in the 2000/01 budget framework. The total envelope for the restructuring grant is R300 million in 2000/01, R350 million in 2001/02 and R400 million in 2002/03.

The second new grant is for strategic management and capacity building. Initially, this programme will focus on building the financial management capacity of the metros and district councils, as well as implementing budget reforms. In the second stage, planning and performance management capabilities will strengthen the financial management capacity developed in stage one. The allocations are R50 million for 2000/01, R60 million for 2001/02 and R70 million for 2002/03.

Expenditure

Local government's expenditure obligations are determined by three documents that underpin the transformation of this sphere of government:

- The 1996 Constitution lists the powers and functions assigned to the local sphere in the context of its overall role in development and service delivery.
- The Local Government Transition Act guides the application of these principles, dealing with various operational and financial aspects of municipal management.
- The 1998 Local Government White Paper sets the platform for the new dispensation. It sees municipalities as instruments of development, service delivery and democracy. The first two roles are particularly important from a fiscal perspective. The developmental role revolves around facilitating integrated development planning, service delivery and local economic development, ensuring participatory governance, and managing in terms of clearly specified performance indicators. The service delivery role is an extension of the developmental one. Local governments must provide services that are within their operational mandates, meet community needs, and are affordable and sustainable. Policy frameworks such as the Municipal Infrastructure Investment Programme help set service standards, allowing for differentiation in terms of what end-users can afford. The integrated development planning process ensures that local stakeholders systematically consider all the options in terms of appropriate budgeting.

Constitutional powers

Legislative framework

A reform package introduced since the White Paper aims at continuing the transformation. The Municipal Structures Act and the Municipal Systems Act are key elements of this reform. The Structures Act designates three types of municipalities: metropolitan councils (category A), local councils (category B) and district councils (category C). Linked to the demarcation process, the Demarcation Board and provincial MECs have to consider the powers and functions, as well as the capacities, of category B and C municipalities.

In the interests of macroeconomic stability and fiscal prudence, municipalities must keep their budgets within the guidelines set by the Minister of Finance. This approach will be embedded in the new Municipal Finance Management Bill, which has been released for

*National supervision
and support*

discussion. Expecting municipalities to achieve balanced budgets, the Bill empowers the Minister to set a general expenditure limit. Exceptions can be made on special request from municipalities, if approved by the national Treasury. Excluding grant-funded capital expenditure and subsidies from other national and provincial government programmes, the 2000/01 limit was set at 5 per cent growth for both capital and operating expenditure. This limit reflects the need for further stabilisation of local government finances against the backdrop of systematic reform and capacity building in this sphere.

The medium-term aim is to ensure more realistic revenue and expenditure projections and to maintain fiscal discipline during the local government elections and amalgamation. On this basis, the MTEF provides for an allocation to local government of R6,7 billion in 2000/01, increasing to R7,7 billion in 2002/03.

Borrowing

Overall position

The White Paper on Local Government sets out Government's overall position on municipal borrowing as follows:

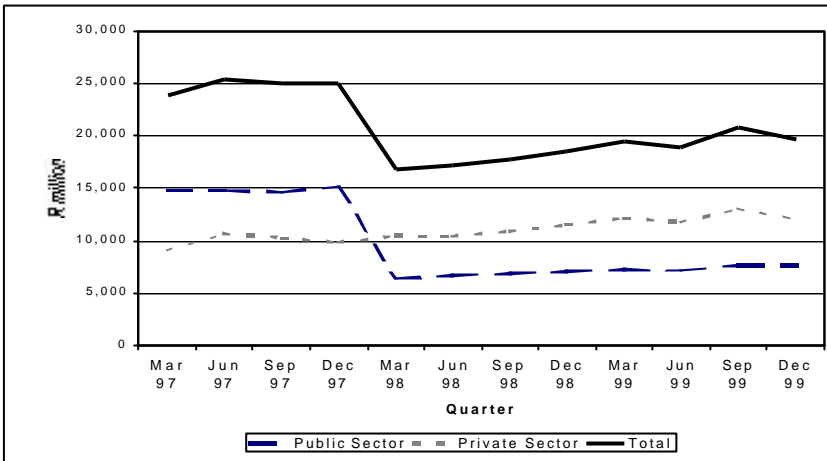
- "In order to meet infrastructure backlogs and secure access for all to basic services, additional investment in municipal infrastructure from the private sector and public sector financial intermediaries is required."
- "Ultimately, a vibrant and innovative primary and secondary market for long- and short-term municipal debt should emerge. To achieve this, national government must clearly define the 'rules of the game'."
- "Risks should not be unduly transferred to national or provincial government."

Policy and legislation

Accordingly, Government is finalising a detailed policy and legislative framework on municipal borrowing and on legal and executive intervention in the event of municipal financial failure. The framework maintains that municipalities need to strengthen their creditworthiness to attract investment from the private sector. Without this, infrastructure delivery and access to services by households and commercial and industrial enterprises will suffer.

The challenge to create a borrowing environment is pertinent because the municipal debt market has largely stagnated. Between March 1998 and March 1999, direct private sector lending to municipalities grew by R1,84 billion. Of this, almost R500 million was accounted for by one institution, the Infrastructure Finance Corporation (INCA). Over 80 per cent of this growth took the form of short-term lending. The long-term debt market – which is especially critical for infrastructure investment – has largely dried up. A major reason is the lack of clear remedies for lenders when investments are threatened by municipal financial crises. Without measures for Government to address such financial crises, it is unlikely that investor confidence can be restored to a level sufficient to create a municipal bond market.

Figure 5.4 Total outstanding municipal debt



The local government reform process

The transformation agenda

As noted, the Constitution and the White Paper envision a system of local government that is efficient, democratic, developmentally oriented and an integral part of a three-sphere system of governance. To this end, Government is significantly reforming the local sphere, structurally, systemically and fiscally. According to the Local Government Transition Act, the sequence of the reform programme is as follows:

*Democracy and
development*

- *The pre-interim phase:* This phase involved primarily structural reforms, pursued at local level through negotiations on amalgamating racially segregated municipalities, and leading up to the first democratic local elections in 1995/96.
- *The interim phase:* This phase involved structural, fiscal and limited systemic reforms leading up to the second democratic local elections scheduled for late 2000. In particular, it involves the redemarcation of municipal boundaries; the introduction of a transparent, efficient and equitable system of intergovernmental transfers (the equitable share); and initial changes in municipal management practices such as integrated development planning, new structural options and new administrative and financial management systems and requirements.
- *The final phase:* This phase will see the election of new municipal councils and the concurrent establishment of municipalities within newly demarcated jurisdictions. A programme of far-reaching systemic and fiscal reforms will support the emergence of new, developmentally orientated municipalities. In particular, financial and strategic management reforms will be introduced and the fiscal stance of national government towards municipalities will change so as to support these new institutions while enhancing their accountability. Continued service delivery must be reconciled with the changes. In principle, the demarcation process will rationalise municipalities. The challenge is to do this while preserving and

enhancing the financial viability and creditworthiness of these new municipalities.

Local government in the intergovernmental fiscal system

Fiscal reforms

Fiscal powers and financial support should follow the functions assigned to government institutions. Reforms to the municipal fiscal system therefore track structural and systemic reforms. As structural reforms (the demarcation and establishment of new municipalities) and systems reforms (both financial and managerial) are implemented, the fiscal system seeks to accommodate these changes. To this end, the national Treasury and the Department of Provincial and Local Government are rationalising the system of intergovernmental transfers and are enhancing financial support to municipalities as they implement reforms to their financial, institutional and management systems.

Reform principles

The fiscal reforms reflect Government's key policy principles. These principles form the foundation for a responsible, supportive and empowering fiscal relationship between national and local government. In particular, they establish that intergovernmental transfers should:

- Be equitable, through promoting access to basic services by all households and treating municipalities uniformly and fairly
- Promote the efficient production and allocation of municipal services, particularly by not compensating poor municipal tax effort
- Address the negative consequences of spillover effects, such as the underfunding of regional services
- Facilitate democracy, particularly through supporting institution-building at the local level
- Be predictable, to facilitate budgeting and borrowing
- Promote accountability by the recipient authority to avoid resource wastage
- Be as simple and transparent as possible

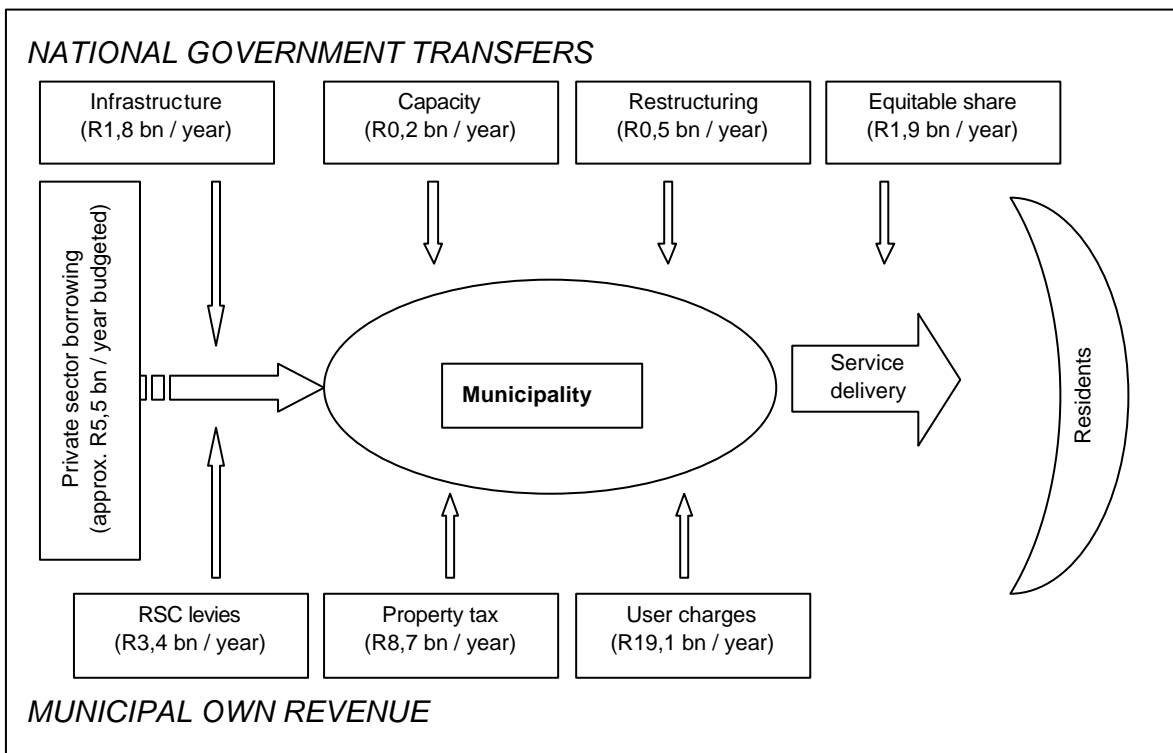
Equitable share reforms

Progress in implementing these principles includes, first, the introduction of the equitable share for local government in 1998/99. This unconditional grant to municipalities is allocated on the basis of a poverty-weighted formula. It replaced an inequitable system of intergovernmental grants that favoured formerly white municipalities.

Second, several grants for infrastructure expansion and rehabilitation have been rationalised into the CMIP. Allocations are made on the basis of individual applications, and the programme primarily benefits poor people in non-metropolitan urban areas. A number of other infrastructure grants continue to focus on rural areas.

The diagram below outlines the key pillars of the emerging intergovernmental fiscal system for local government.

Figure 5.5 Local government fiscal framework



The key elements of this emerging intergovernmental fiscal system are:

Elements of the fiscal system

- *Infrastructure investment:* The framework for infrastructure investment includes grant funding (CMIP, the CWSSP and other capital grants), own revenue funding (primarily RSC levies) and capital market borrowing. It aims at ensuring rapid delivery of basic infrastructure services to poor households. Government plans to rationalise existing capital grant programmes and to reform disbursement procedures. This is intended to improve the equity of allocations, the efficiency of spending and the sustainability of infrastructure services. It also aims at stimulating the municipal bond market by reducing lending risks and encouraging greater responsibility in decision-making by municipal borrowers.
- *Capacity grants:* Although the intention of all capacity grants is to nurture a more developmental and strategic approach by municipalities, these transfers remain fragmented and have had limited success to date. Grant support to municipalities is being consolidated in a phased programme. The first phase is evidenced by the introduction of the local government financial management grant (see below). Later phases will focus on strategic management functions, such as planning and performance management.
- *Restructuring and transition grants:* Local government policy reforms at structural and systemic levels require a fundamental shift in municipalities' approach to performing their functions. These grants assist and encourage municipalities in restructuring their organisations, functions and fiscal positions to improve the

equity and efficiency of service delivery. Given previous problems, this support is increasingly structured to avoid perverse incentives such as rewards for past poor performance. The approach differentiates between large and small municipalities on the basis of significantly different capacities and requirements. A new transition grant is being considered to share the burden of municipal amalgamation and to encourage municipalities to prepare for longer-term restructuring.

- *Equitable share*: This unconditional transfer assists municipalities in performing their assigned functions and has a strong poverty bias. The predictability of these transfers will be addressed through three-year allocations, and their targeting improved through refining the data used in identifying poor households.
- *Municipal own revenue*: Legislative measures have been proposed to improve the administration of property taxes and clarify municipal tax powers. Similar measures are being investigated with regard to RSC levies.

The elements of the fiscal framework should not be seen in isolation as they form a single, coherent framework. For instance, more effective and rapid infrastructure spending requires enhanced municipal capacity. This, in turn, requires appropriately structured and focused organisations.

Municipal Finance Management Bill

“Allow managers to manage...”

The basic philosophy underlying the Municipal Finance Management Bill is to allow “managers to manage and be held accountable,” while councillors are responsible for overall policy and priority setting. It also brings local government in line with financial management reform in the public sector, as legislated in the PFMA. The Bill adds a financial management dimension to the legislative reforms in local government.

In line with the PFMA

The Bill’s approach is similar to that of the PFMA, developing a framework for supervision and support of municipal finances. It also requires the establishment of a revenue fund and the preparation of timely financial statements and annual audits. Other key areas modelled on the PFMA are the responsibilities of the accounting officer, and the division of responsibility between members of council and the executive on the one hand, and the accounting officer on the other. The Bill vests several responsibilities in the accounting officer, including:

- The operation of basic financial management systems, including internal controls in the municipality and any entities under their control
- Ensuring that the municipality does not overspend its budget
- Reporting on a periodic and timely basis, including the submission of annual financial statements
- Taking effective and appropriate steps to collect all money due to the municipality and to prevent unauthorised expenditure or losses resulting from criminal conduct

Accounting officers who are negligent and make no effort to comply with these responsibilities will face strict disciplinary and criminal sanctions. The Bill also makes it an offence for a councillor to influence the accounting officer to contravene a provision of the Bill.

The Bill provides a governance framework for entities created by municipalities and allows the formation of new entities under the Companies Act of 1973. The regulations in the Bill complement Government's work on municipal service partnerships and public-private partnerships, and enables the restructuring of municipalities through the formation of corporate entities. It also prohibits the creation of municipal entities for investment speculation or for avoiding regulations. The Bill also promotes transparency and accountability through reporting, audit and governance requirements.

Governance

In addition, the Bill provides for a new policy framework to promote municipal borrowing and for a mechanism for intervention in municipalities in financial crisis. It aims at restoring municipal access to capital markets by clarifying the legislative framework and the rights of borrowers and lenders. Several key factors drove the formulation of the borrowing and financial emergency framework in the Bill:

Municipal borrowing

- Section 230 of the Constitution grants municipalities the right to borrow and creates the expectation that these rights will be coherently regulated by legislation passed by the national government. The elements of existing legislation that relate to municipal borrowing issues do not properly address the changes to the institutional and policy environment. The new Bill deals with this partial regulatory and legislative vacuum, and develops an appropriate regulatory framework.
- The stagnation in the municipal debt market, noted earlier, highlights the need for new approaches to facilitate municipal borrowing.
- Policy imperatives require clear legislation on borrowing powers. Government policy statements repeatedly emphasise that private finance will be important for municipal capital investment. Unlike the pre-1994 era, such funding will not be guaranteed by the national fiscus. Instead, municipalities will have to raise private finance on their own books and bear the responsibility for servicing the debt. To create an enabling environment for private financing of municipalities, this shift from national guarantees to local responsibility requires a legal and regulatory framework that clarifies the rights and obligations of borrowers and creditors.
- Government has to respond systematically to the increasing financial difficulties of municipalities. It is critical that the delivery of essential services, which is threatened in some cases, is maintained. National government can also not get drawn into ad hoc responses that it has neither the capacity nor the fiscal resource to sustain. It must provide municipalities with the incentives to perform their functions effectively and to manage their fiscal and financial affairs prudently. Without such a response, local

government is unlikely to attract significant investment from the private sector.

- Without adequate private sector lending, national government may be pressured to bear the full cost of basic municipal infrastructure. This will reduce its ability to deliver other social sector programmes. When, however, municipalities are able to attract long-term private capital, national government can direct resources to infrastructure extension and poverty relief in the poorest municipalities.
- Financial emergency measures will only be recommended in severe circumstances. The municipal support programme and the newly created restructuring grant and financial management grant will help municipalities to address financial problems before they become emergencies. Moreover, when lenders discover financial problems in a municipality, they often jointly agree on an approach to address the financial problems. Thus, the financial emergency measures in the Bill will be invoked only when the municipality is in a state of real crisis, after all other efforts to address its financial problems have failed.
- The Municipal Finance Management Bill and the Municipal Systems Act complete Government's legislative initiatives for reforming the local government sphere. While the Municipal Finance Management Bill provides the broad framework for improving municipal financial management, the goals of the Bill will be achieved through the promulgation of regulations. The cornerstone to these regulations is the reform of municipal budgeting.

Municipal budget reforms

Poor systems

The current system of local government budgeting and the state of financial management are generally poor. Municipal budget formats are outdated and overly detailed. The budgeting and financial reporting systems are opaque, making it impossible for stakeholders to understand the financial position of the local authority. Neither councillors nor managers can participate meaningfully in the budget preparation process. Budgets are prepared and presented in different formats and provide widely divergent information and few, if any, are linked to the municipality's strategic priorities. Moreover, comparisons between municipalities are difficult, and financial institutions and stakeholders cannot use this information for lending and investing activities.

Prescribed processes

Section 215 of the Constitution requires the national Treasury to prescribe the form of municipal budgets and to specify the information they should include. Strong financial management systems that include modern accounting practices, proactive budgeting processes, and periodic management reports are critical if local governments are to meet the service needs of their people. Therefore, the national Treasury worked with stakeholders to develop a programme of financial management and budget reforms. The planned financial management and budget reforms will support the

implementation of the Municipal Finance Management Bill and the Municipal Systems Act, and contribute to the success of ongoing programs such as infrastructure grants to local governments.

The proposed reforms will introduce the following:

Reform package

- A system of multi-year budgeting to encourage better planning and to link budgeting and planning for measuring the medium- to long-term effects of policy choices
- A review of RSC levies:
 - One possible development is to combine the current turnover tax on business with the levy on payrolls.
 - The national Treasury is also exploring more effective means of collecting levies, including SARS assistance to local governments.
 - Metros and district councils remain eligible for regional levy incomes, and this revenue should largely be directed at capital programmes in disadvantaged areas.
- Standardised, uniform budget formats to encourage comparisons between municipalities and make general benchmarks possible
- Greater involvement by councillors, the executive and citizens in the budget preparation process
- Improvements in the quality of budgets presented to councils and a better understanding of the trade-offs by the general public
- Budgets that contain meaningful information to encourage reporting against set objectives and performance measures
- An in-year reporting system for early diagnosis of financial problems, so that appropriate support programmes can be implemented before problems become crises

The proposed reforms will be tested in several pilot project municipalities in 2000-01. If necessary, the reforms will then be modified before nationwide implementation. The goal of the overall financial reform programme is to build a strong financial foundation in municipalities. On that basis, advanced management capacities may be built for activities such as integrated development planning and performance management.

Conclusion

The fiscal framework for local government continues to evolve in line with the overall transformation of this sphere of government. The fiscal approach is to establish a sustainable basis for delivery, development and governance in this sphere. A strategic combination of own revenue intergovernmental fiscal flows and an active borrowing environment form the essence of this approach. The current reforms support this framework.

Align different reforms

Overview of municipal budgets

This chapter provides an overview of municipal budgets. It is an initial attempt to review data gathered by Government's current reporting systems. The structure and content of this information will be developed further over the next few years to cover more information and more municipalities.

With 843 municipalities, outdated budgeting systems, inconsistent municipal accounting or budgeting practices, and weak financial management capacity, reliable financial data is not available. Data in this chapter are based primarily on self-reported financial information on "expected" revenues, expenditures, and on budgets. However, budgeted and actual figures often differ considerably. This is aggravated by the absence of a uniform budgeting standard, chart of accounts and reporting classification system.

Data problems

Given this background, and in view of the four years it has taken the national Treasury to compile reliable provincial government data sets, developing good financial data for the local government sphere will be a multi-year project. The project to implement reforms to budgeting and financial statements has just been initiated. Furthermore, standard classifications for revenues and expenditures in a uniform chart of accounts will allow for benchmarking to compare South African municipalities with each other and with similar municipalities around the world.

Municipal revenue and expenditure data

Chapters 6 and 7 are based on the transfers from the 2000 MTEF budgets of the national and provincial governments, as tabled in February 2000 and the 1999/00 local government budgets. The 1999/00 local government budget data used in this chapter are from the municipal budget database maintained by the national Treasury to monitor municipal finances. Each fiscal year, municipalities report to the national Treasury their projected actual revenues and expenditures for the current year and their budget for the next year. Actual revenues and expenditures for all municipalities are currently not available. In this chapter, all summary information for fiscal years 1996-97, 1997-98, and 1998-99 represents municipalities' self reported *projected actuals* and the 1999-00 data are *budgeted*.

Information on all transfers from provinces to municipalities (e.g. transfers for the provision of primary health care services) is currently not available. Therefore, data on intergovernmental transfers to municipalities are understated.

The information on municipal revenue and expenditure is different from that reported by the South African Reserve Bank (SARB). The SARB reports on data received from surveys of approximately 60 municipalities collected quarterly by Statistics South Africa. In contrast, the summary data in this report are based on budget information reported annually by over 600 municipalities.

More detailed data, self reported by a sample of municipalities, are also presented along with an in-depth presentation of Johannesburg

financial data. This sample should highlight revenue, expenditure and service trends in the local government sphere as a whole.

Issues in municipal budgeting

Strengthen financial management capacity

Lack of capacity

In many municipalities, the budgeting system is poor primarily due to a lack of financial management capacity. Budgets are presented line item by line item, one year at a time. They are prepared in different formats and provide widely divergent information and few, if any, are linked to the local government's strategic priorities. This makes it difficult for citizens and elected officials to understand how scarce resources are allocated and to depict financial trends in the municipality. This archaic approach to budgeting has also led to uncertainty about the financial status of municipalities, resulting in a drying up of the long-term municipal lending market.

Poor estimates

In most cases, municipalities overestimate revenues, failing to reduce estimates to account for undercollection of rates and tariffs. This practice has led to year-end deficits. Also, when preparing their annual budgets, municipalities often do not have accurate information on the grants and transfers they will receive from national and provincial government. Therefore, they can neither project total revenue for the fiscal year nor accurately show all revenues and expenditures on budget.

Municipalities also do not have proper processes for adjusting their budgets throughout the year. Some adjust their budgets as often as every month, reducing both financial transparency and the value of the originally adopted budget.

Another major issue in municipal budgeting is the lack of accurate cost centres. For example, few municipalities know the total cost of providing water services. They report the cost of purchasing bulk water, but do not include all the costs of reticulation, such as staffing and maintenance. Without knowing the total cost of providing a service, municipalities cannot determine fair pricing structures or accurate profits or losses.

Budgeting reforms

Priorities for reform

Government has prioritised improving budgeting in the local government sphere through the reforms discussed in Chapter 5. In summary, these reforms entail:

- Preparing three-year municipal operating and capital budgets, as in the national and provincial spheres
- Simplifying and allocating certainty in the national and provincial grants systems by municipality and on a three-year basis
- Ensuring that all revenues and expenditures are accurately shown on budget
- Introducing a standard accounting and reporting system – GAMAP

- Introducing a new municipal borrowing policy framework to develop a municipal bond market and bring the efficiencies of such a market to bear on municipalities
- Building financial management capacity and supporting municipal restructuring

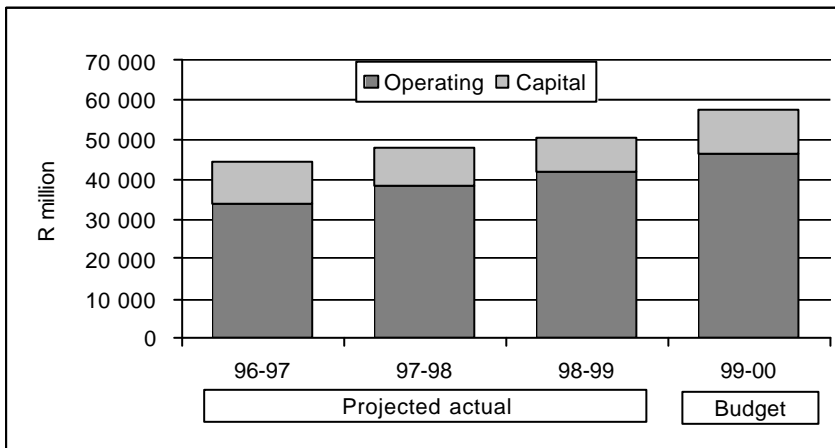
Municipal revenues and expenditures

Municipal budget summary

In 1999-00, municipal budgets totalled just over R57,4 billion. Of this, approximately 81 per cent supported the operating budget, i.e. delivery of services and overheads. The remainder was allocated to capital projects, primarily the extension of water and electricity infrastructure.

In the three years of *projected actual expenditures* shown in Figure 6.1, the average annual increase was 7 per cent. The 1999-00 budget increased by 14 per cent from the previous year. This increase, based on a comparison of *projected actual* to *budgeted* data, reflects real increases in operating and capital expenses, and uncertainty about the transfers due from national and provincial governments. Municipalities are unsure of the funds they will receive from the national and provincial departments, and are therefore unable to budget accurately. This usually results in overestimation. Thus, if past trends continue, the 1999-00 actual expenditures will probably grow by less than the projected 14 per cent.

Figure 6.1 Total municipal expenditures



National government will address this problem by moving to a system of three-year allocations in municipal budgeting. This will be per municipality for all major operating and capital transfers, allowing municipalities to plan their finances and service provision more accurately.

Moving to three-year allocations

Many grants (e.g. the CMIP) are not shown on municipal budgets. National and provincial departments also provide in-kind services

(e.g. the operation of rural water systems by the Department of Water Affairs) that are not included in municipal budgets.

The ten largest municipalities account for 65 per cent of total municipal expenditure. A four-year expenditure summary is available in Table 6.1.

Table 6.1 Expenditure history of the top ten municipalities

R million	Projected actual			Budget
	96-97	97-98	98-99	99-00
Johannesburg Metro	8 299,7	6 910,0	7 144,1	8 186,8
Cape Metro	6 481,5	7 226,3	7 488,1	8 158,9
Durban Metro	5 320,1	5 703,1	6 159,4	7 016,8
Pretoria Metro	4 130,8	5 005,4	5 902,9	6 443,7
Kyalami Metro	1 378,0	1 670,2	1 863,6	2 089,5
Port Elizabeth	1 206,8	1 346,1	1 531,5	1 556,7
Pietermaritzburg	712,5	867,7	858,9	966,6
Lekoa-Vaal Metro	798,0	859,7	899,3	956,6
East London	466,9	629,5	732,2	840,2
Bloemfontein	575,5	662,5	738,1	772,8
Total	29 369,8	30 880,6	33 318,1	36 988,7

It is difficult to make comparisons between municipalities or even between years in the same municipality in the absence of a standard accounting or reporting format. This will be remedied with the introduction of GAMAP and budget reporting guidelines.

Johannesburg

Table 6.2 provides a three-year history of revenues and expenditures in the Johannesburg Metro, showing how a major municipality allocates its resources. The table also provides the surplus/(deficit) of each service provided by the municipality. Johannesburg was selected for this case study because it is one of the few municipalities that now compile its financial data by service area.

Johannesburg also participates in the national Treasury's Budget Reform Pilot Programme, and has accordingly made substantial progress in meeting the budget reform guidelines. As the national Treasury implements its municipal budget reform programme throughout the country, all municipalities will eventually be able to supply this critical information to its elected officials and citizens.

In 1998-99, Johannesburg had a R213 million deficit in its non-trading functions, resulting in an overall deficit of R54 million. The Metro was able to turn around this situation in 1999-00, projecting a year-end surplus of R101 million. This positive situation continues in 2000-01 with a budgeted year-end surplus of R2 million.

Also of note in the Johannesburg financial data, is the performance of its trading departments. Electricity has ended each year with a surplus, although this has been declining each year. Water and sanitation has moved from a surplus in 1998-99 to a slight deficit in 1999-00 and 2000-01. Refuse has ended each of the three years with a substantial deficit.

Table 6.2 Johannesburg Metro revenues and expenditures

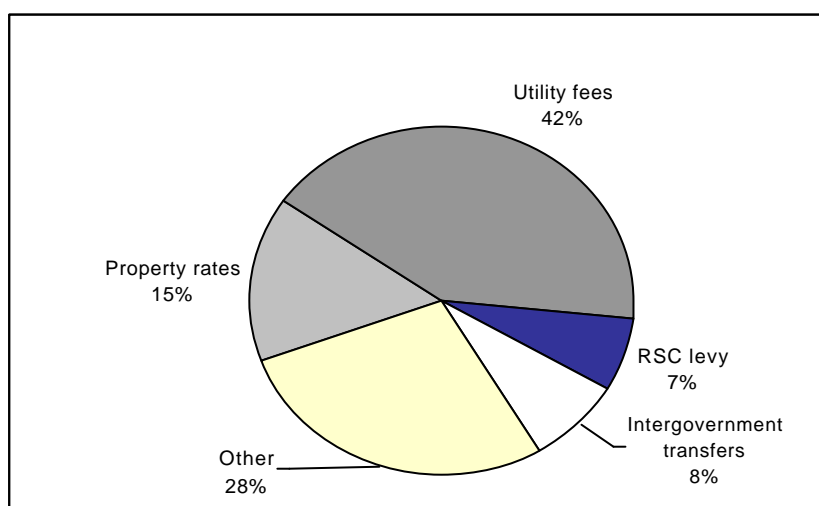
R million	1998-99 Actual	1999-00 Revised	2000-01 Budget
Expenditure			
Trading departments			
Water and sanitation	2 140,6	2 534,8	2 695,6
Refuse	361,5	410,0	447,4
Electricity	1 678,5	1 945,8	2 053,7
Subtotal	4 180,6	4 890,7	5 196,7
Other functions			
Roads	370,3	405,0	432,6
Community services	425,4	447,3	473,6
Public safety	374,6	272,4	284,8
Transport	200,1	212,6	214,7
Planning	294,3	341,4	373,8
Corporate services	787,5	681,5	715,8
Finance	584,8	444,9	429,1
Other	617,0	758,6	769,7
Subtotal	3 653,9	3 563,8	3 694,3
Total	7 834,5	8 454,5	8 891,1
Income			
Trading departments			
Water and sanitation	2 233,3	2 506,1	2 684,4
Refuse	255,3	274,5	289,8
Electricity	1 851,6	2 090,7	2 145,3
Subtotal	4 340,2	4 871,3	5 119,6
Other functions			
Roads	4,3	10,6	8,6
Community services	33,0	31,7	31,9
Public safety	138,6	110,7	115,2
Transport	84,4	79,9	86,6
Planning	46,7	62,4	52,6
Corporate services	45,9	349,5	360,7
Finance	2,724,5	2 842,8	2 966,4
Other	362,6	196,9	151,6
Subtotal	3,440,2	3 684,8	3 773,7
Total	7 780,4	8 556,1	8 893,3
Surplus/(Deficit)			
Trading departments			
Water and sanitation	92,7	(28,7)	(11,2)
Refuse	(106,2)	(135,5)	(157,6)
Electricity	173,1	144,9	91,6
Subtotal	159,6	(19,3)	(77,2)
Other functions			
Roads	(366,0)	(394,3)	(424,0)
Community services	(392,3)	(415,5)	(441,6)
Public safety	(235,9)	(161,6)	(169,5)
Transport	(115,7)	(132,7)	(128,1)
Planning	(247,5)	(278,9)	(321,2)
Corporate services	(741,5)	(332,0)	(355,2)
Finance	2 139,6	2 397,8	2 537,3
Other	(254,3)	(561,6)	(618,2)
Subtotal	(213,7)	121,0	79,5
Total	(54,2)	101,6	2,2

Municipal revenues

Local government revenue sources may be evaluated in terms of adequacy (sufficient to cover expenditures), responsiveness (increase with inflation), reliability (stable and predictable), and fairness (acceptable to citizens). Municipalities primarily provide trading or utility type services (e.g. water and electricity) for which consumption based fees are charged directly to users. Non-trading services are funded primarily by property taxes and payroll or transaction levies. The poor quality of revenue collection policies and systems is a major factor undermining actual revenue.

Municipalities generate, in aggregate, approximately 92 per cent of their own revenue, with the remainder provided by transfers from the national and provincial spheres. The primary sources of municipal revenue are shown in Figure 6.2.

Figure 6.2 Total local government revenues, 1998-99



Utilities provide a major source

- *Utility fees:* Gross utility fees from trading services are the main sources of municipal revenues, with electricity making up the largest share. Many municipalities use surplus fees generated by trading services to subsidise general government services. Figure 6.3 shows the surplus generated by electricity rates for a sample of municipalities. In almost every case, municipalities do not attribute full costs to their trading service accounts. The “surplus” for that sector is therefore overstated. The national Treasury will assist municipalities with implementing activity-based costing to measure surpluses or losses in their utilities.

Revenue from utilities is classified neither by function nor by international classification. They are not comparable between municipalities or even between fiscal years in a specific municipality. They therefore offer limited scope for analysis, making it difficult, for example, to determine the impact of the reorganisation of the electricity distribution industry on overall municipal revenues.

Figure 6.3 Electricity surplus (estimated)

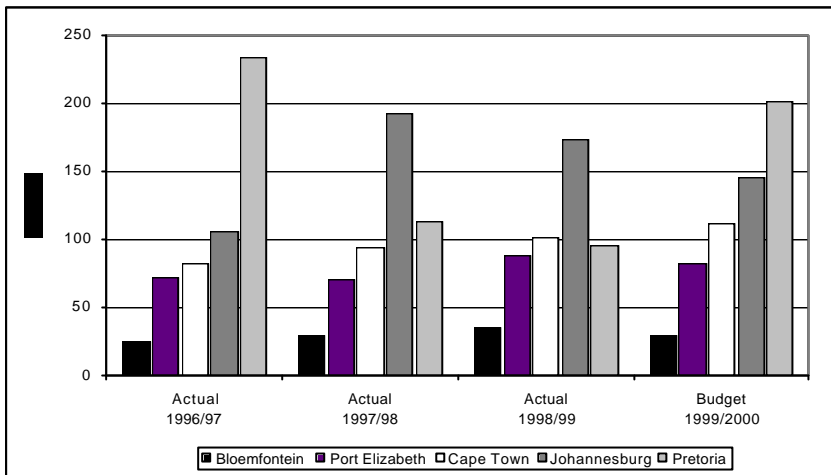
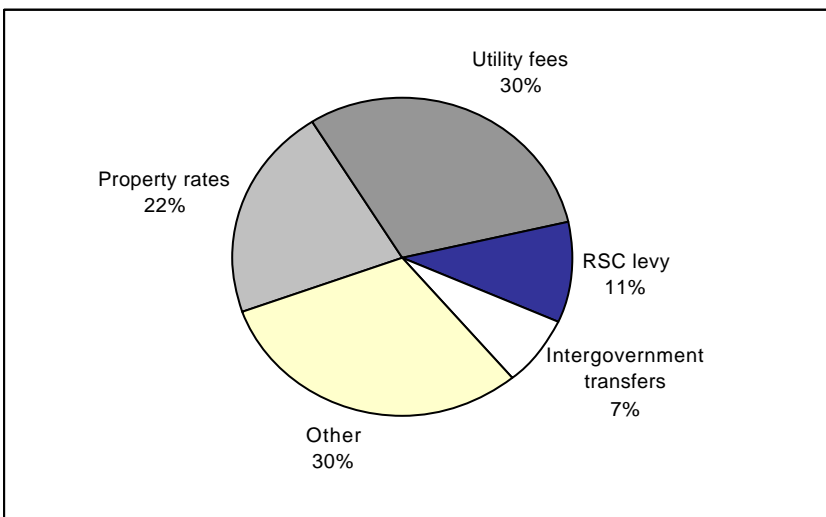


Figure 6.4 reflects the aggregate composition of municipal revenues by discounting the bulk charges from gross revenues. Although this does not reflect all costs associated with the provision of these services, the data show a closer relationship to net revenues from these services. (The aim is to address this situation with reforms to the costing methodology and other reforms to the system, as mentioned above.) After adjusting the revenues, the property rates component comprises 22 per cent of the revenue base of a municipality, intergovernmental transfers 7 per cent and RSC levies 11 per cent.

Figure 6.4 Total local government revenues net of utility costs, 1998-99



- Property rates:* After utility fees, property rates are the next major source of revenue and constitute the largest share of general government revenue from non-trading services. Revenue from property rates is critical for funding recreation, roads, street

lighting, libraries and other public good services that are not fully supported by fees.

Property rates are regulated under the various provincial by-laws that existed before democracy. The system is poorly administered in many municipalities. The Property Rates Bill, published in August 2000, creates a nationwide legal and regulatory framework for assessing property values and levying property rates.

Transfers

- *Intergovernmental transfers* comprise approximately 7 per cent of local government revenue. These transfers flow to municipalities through the equitable share, conditional grants, and capital grants such as the CMIP. The equitable share is discussed in some detail in Chapter 7, but a few brief observations are pertinent here.

The equitable share is an unconditional transfer from the national government to municipalities, based on a formula that attempts to measure the number of households in poverty. The formula favours poor rural households, and has reduced allocations to the larger metropolitan areas, as demonstrated in Table 6.3.

Table 6.3 Equitable share allocation in selected municipalities

	1996-97	1997-98	1998-99	1999-00
R 000	Actual	Actual	Actual	Budget
Bloemfontein	16 394,4	7 992,8	10 314,8	8 993,2
Johannesburg	49 763,8	48 409,1	42 487,9	24 670,8
Port Elizabeth	30 785,2	40 823,8	21 542,5	20 661,8
Total	96 943,4	97 225,7	74 745,3	54 325,8
R increase/(decrease)		282,3	(22 480,4)	(25 996,6)
% increase/(decrease)		0	(23)	(35)

Johannesburg, coming from a base of just under R300 million in 1993-94, receives R24,6 million in 1999-00. From 1996-97 to 1999-00, Bloemfontein and Port Elizabeth experienced reductions of nearly 50 per cent in their equitable share allocations. This loss of equitable share revenue has reduced the larger municipalities' ability to provide services to the growing number of urban poor.

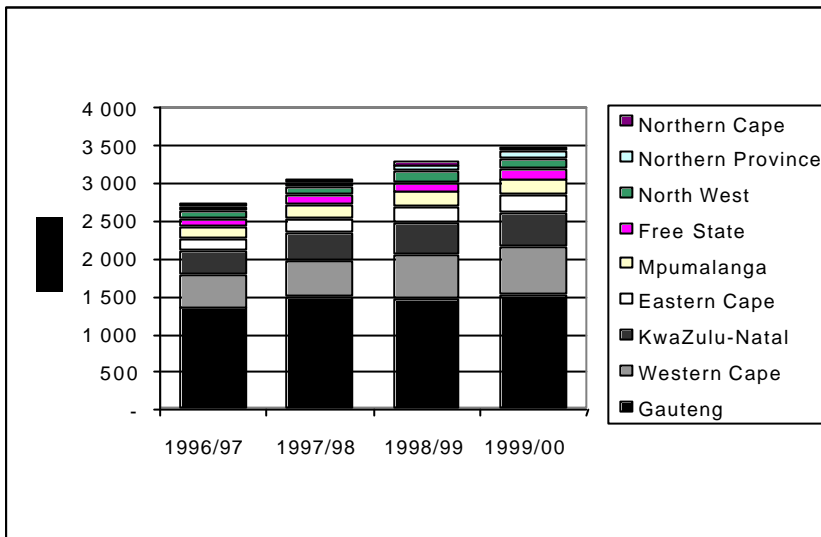
- *Regional service levies* represent 11 per cent of local government revenue and are the primary source of revenue for district councils. They contribute approximately 10 per cent of the revenue of metropolitan municipalities. RSC levies comprise two components. The first component, making up two-thirds of the total levy, is the regional services levy based on turnover. The second component, a third of the total, is a regional establishment levy on payroll. Current government policy states that RSC levies should be used to fund capital infrastructure. The budgeted revenue for RSC levies, by province, is shown in Figure 6.5.

The levy is based on self-assessment by businesses and is paid monthly to the district councils and metros. The system does not provide any means for auditing the basis of the payments and is administratively cumbersome, as it is assessed on a monthly rather than annual basis. Due to these problems in a critical revenue

source, and considering the poor design of the collection mechanisms, Government is now exploring improvements to the RSC levy with plans for implementation in 2001-02.

Other revenues include interest on investments, non-trading services fees and charges (e.g. recreation or burial fees), and fines.

Figure 6.5 RSC levy by province (budgeted)



Revenue collection

One of the major financial problems in the local government sphere is the lack of focus on developing adequate revenue collection systems and administration. This is reflected in antiquated billing and accounting systems and in the increasing level of outstanding debt. Failure to collect utility fees and taxes may result in:

- A year-end deficit
- Reduction in services
- Higher fees and taxes for those who do pay

Figure 6.6 shows that the level of outstanding debt in selected municipalities increased by 30 per cent from 1996-97 to 1999-00, from R741 million to R969 million.

Revenue collection needs attention

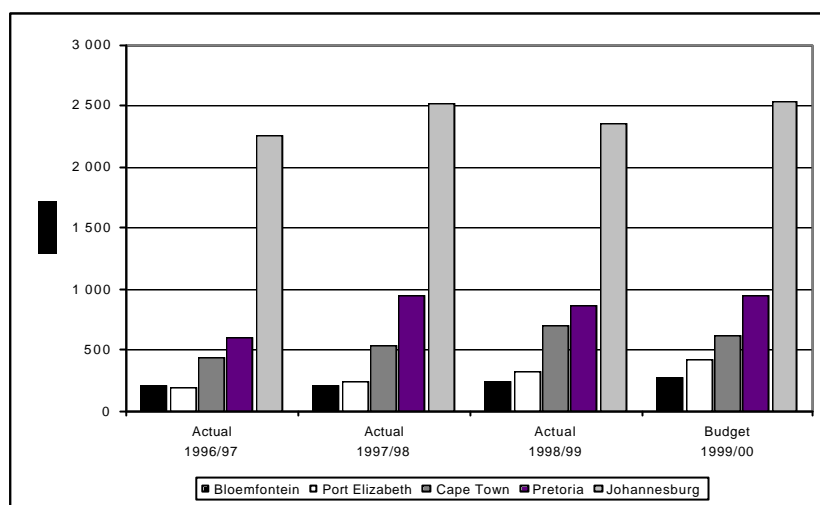
Average monthly household accounts

Municipalities receive the primary share of their revenue from households, businesses and industries that pay fees for services and from property rates based on the value of land or property. To determine the financial impact of these fees and rates on households, the national Treasury requested municipalities to report the monthly charges on the following:

- Property rates on 1 000 m² erven and 150 m² improvements
- Electricity
- Base charges and consumption charges on 1 000 units
- Water base charges and consumption charges on 30 kilolitres

- Sewer sanitation charges
- Refuse collection charges

Figure 6.6 Outstanding debtors



The total monthly household cost for these services for 12 sample municipalities is provided in Figure 6.7 and Table 6.3. For these municipalities, the average monthly household payments in July 1999 range from a high of R672,90 in Durban (KwaZulu-Natal) to a low of R449,71 in Reddersburg (Free State).

The average trend for these 12 municipalities is shown in Figure 6.8. The average monthly accounts increased by 10 per cent from 1996 to 1997 and again from 1997 to 1998, and growth slowed to 8 per cent in the following year.

Figure 6.7 Average monthly household account, July 1999

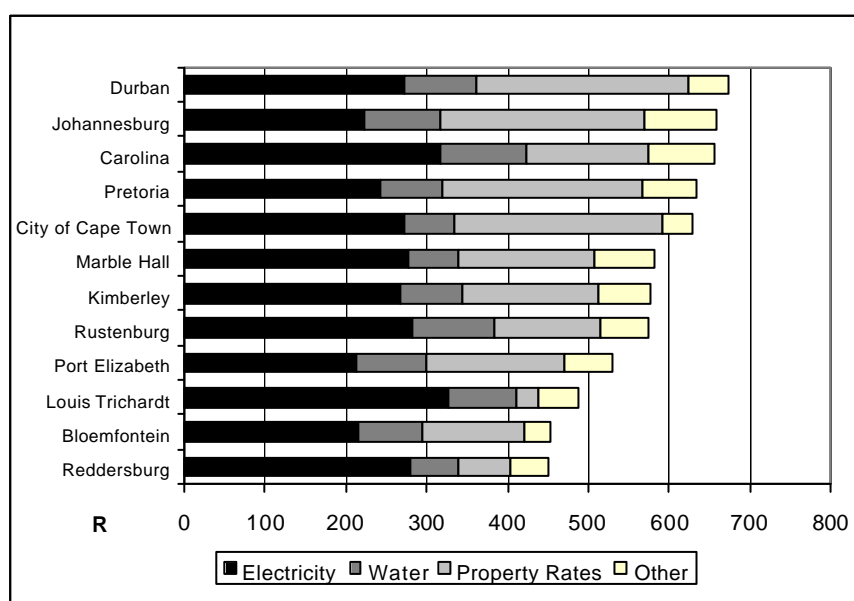
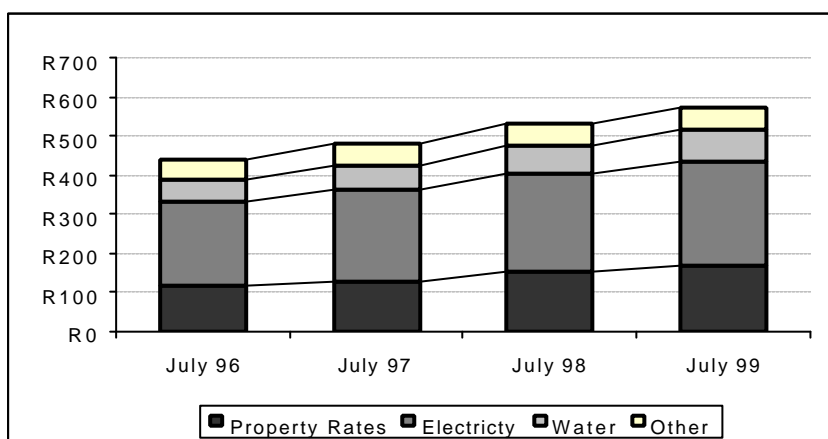


Table 6.3 Average monthly household account, July 1999

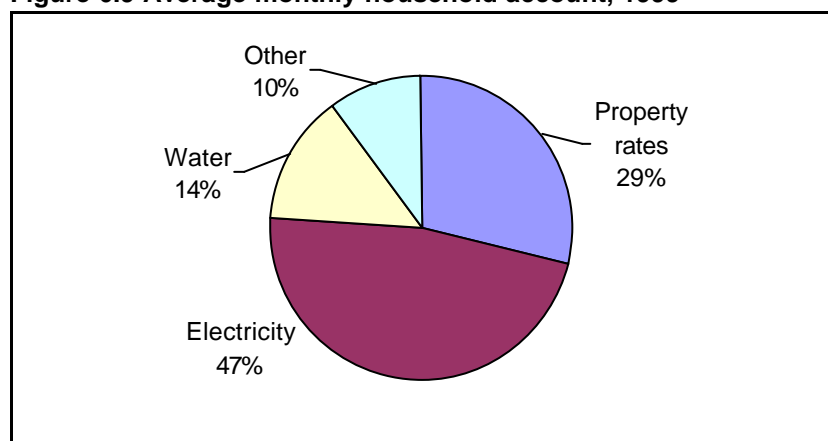
Municipality	Property	Electricity	Water	Other	Total
Durban	260	273	90	50	673
Johannesburg	253	223	94	89	659
Carolina	151	316	107	82	656
Pretoria	247	242	78	66	633
City of Cape Town	258	271	62	38	628
Marble Hall	167	278	61	74	581
Kimberley	168	268	76	64	576
Rustenburg	131	283	101	60	575
Port Elizabeth	169	213	87	59	528
Louis Trichardt	27	326	85	48	487
Bloemfontein	125	215	80	32	453
Reddersburg	65	279	60	46	450
Average	169	266	82	59	575

Figure 6.8 Average monthly household account



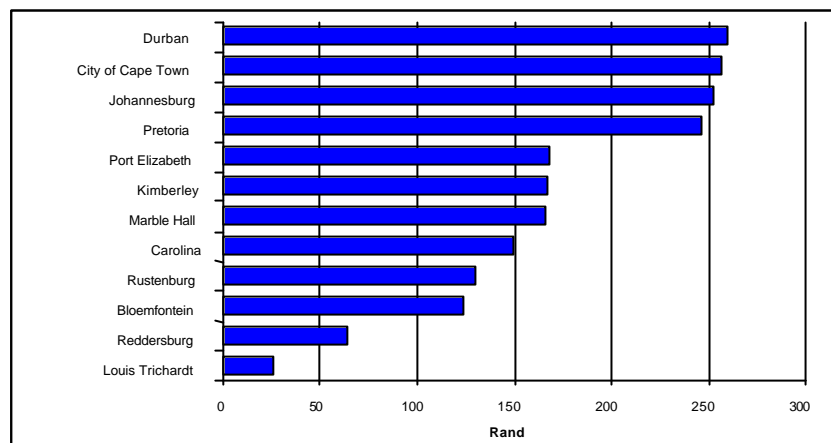
Electricity is both the main trading activity for municipalities and the largest portion of monthly charges for the average household. These charges comprise 47 per cent of the total average household account in July 1999, as shown in Figure 6.9.

Figure 6.9 Average monthly household account, 1999



The 1999 property rates, electricity and water charges for the sample municipalities are provided in Figures 6.10–12, respectively. Property rates in the surveyed municipalities for a 1 000 m² erven with 150 m² of improvements ranged from a high of R260 per month in Durban to a low of R27 per month in Louis Trichardt. The major metropolitan areas reported property rates of about R250 per month. Note that actual property rates are determined both by valuations and by the level of the rate.

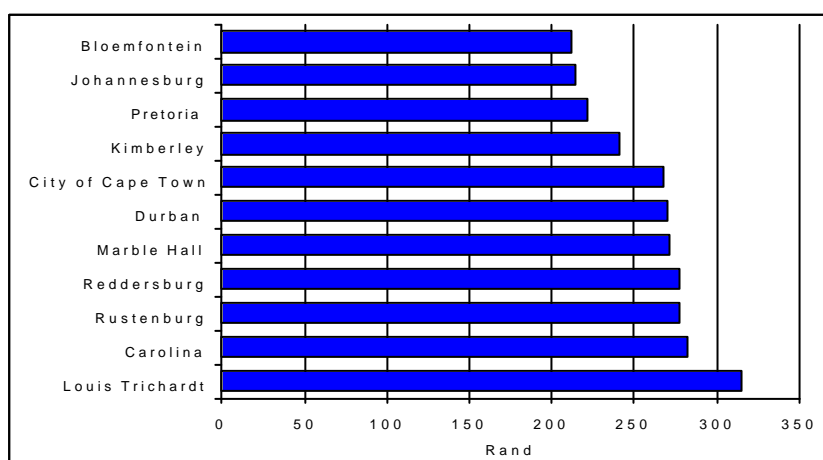
Figure 6.10 Monthly property rate charges, 1999



Domestic charges

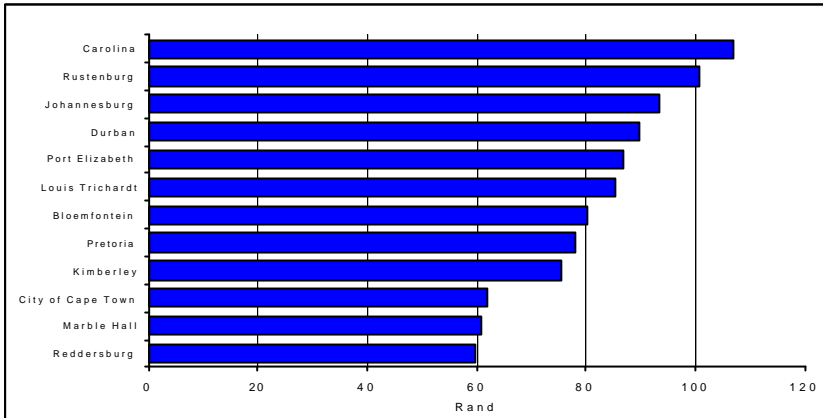
Figure 6.11 displays the monthly domestic charges for 1 000 units of electricity. Louis Trichardt, which has the lowest property rates among the selected municipalities, has the highest electricity charges. Higher charges may be due to higher costs to provide electricity, inefficiencies in service delivery or because electricity may be used to generate a surplus that can be used to keep property rates low, i.e. taxing consumption of services rather than property. This highlights the difficulty of using existing information to restructure the electricity distribution system from the national level.

Figure 6.11 Electricity charges, 1999



Monthly charges for 30 kilolitres of water in the selected municipalities range from a high of R107 in Carolina to a low of R60 in Reddersburg.

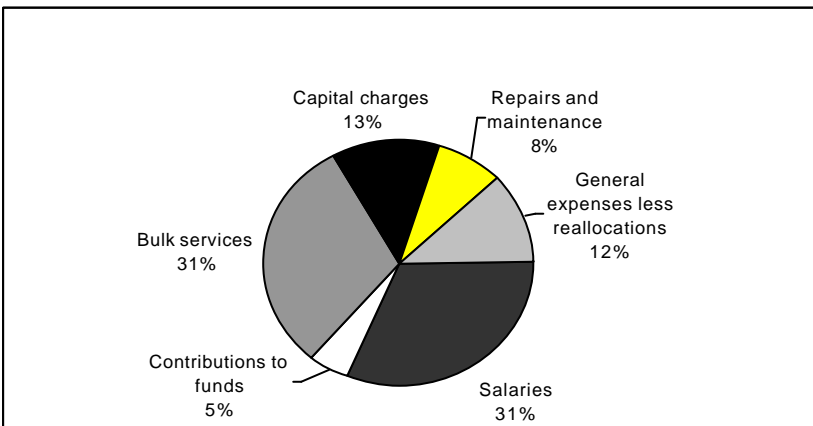
Figure 6.12 Water charges, 1999 (30 kl)



Municipal expenditures

Municipalities projected R40 billion in operating expenditures in 1998-99. Figure 6.13 shows the breakdown of these expenditures.

Figure 6.13 Operating expenditure, 1998-99

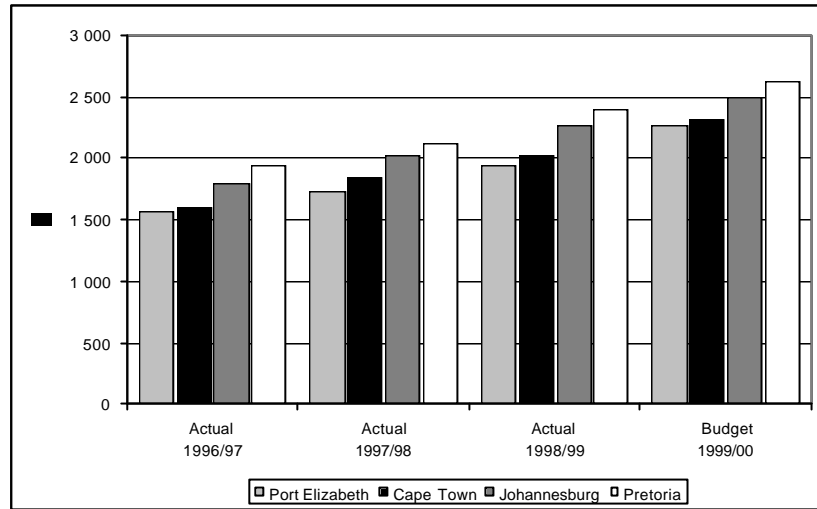


Salaries continue to take up a large portion of local government expenditure. Increases in municipal salaries are due in part to central bargaining agreements with municipal employee unions at national level. The average monthly minimum wage for four municipalities is shown in Figure 6.14. In the four cities, the average monthly minimum wage increased by 12 per cent from 1996-97 to 1997-98 and again in the next year, and 13 per cent from 1999-00. This means a cumulative increase over the four years of 41 per cent. Over the same period, the increase in the total budgets for these municipalities amounted to 29 per cent. These differences in salaries between municipalities are a critical factor that must be considered when municipalities are combined during demarcation. They will be under

Salaries a large portion

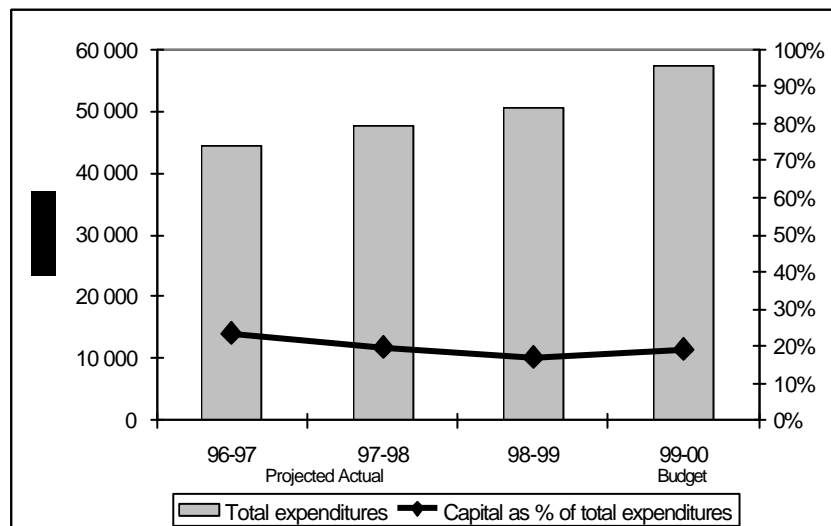
pressure to equalise all salaries to the highest level, creating a tremendous burden on already stretched municipal budgets.

Figure 6.14 Average monthly minimum wage



After bulk services (expenses incurred in purchasing bulk electricity and water for distribution to municipal customers), the next major expenditure item is capital projects. Figure 6.15 shows that resources directed toward capital expenditure as a percentage of total expenditure declined from 1996-97 to 1998-99. The 1999-00 budgeted amount shows a slight increase to 19 per cent of total expenditure but, as discussed earlier, the actual amount spent will probably be lower.

Figure 6.15 Capital as percentage of total expenditure



This decline in spending on capital infrastructure is a result of financial problems at the municipal level, as increasing operating expenditure and rising non-payment of rates and charges crowd out capital expenditure. Moreover, the long-term borrowing market, an

important source of funds for capital projects, has stagnated with over 80 per cent of all new debt issued to municipalities between March 1998 and March 1999 being short term. This further reduced municipalities' ability to finance capital infrastructure.

Conclusion

The growth in municipal revenues and expenditure exceeded inflation from 1996-97 to 1999-00. Salary expenditure increased faster than the overall budget and expenditure on capital infrastructure declined as a percentage of total spending. Revenue from property rates, electricity, water and other significant sources steadily increased, as did outstanding debtors. Reforms in municipal budgeting, accounting and financial reporting should increase the availability and accuracy of information on municipal finances. These reforms will increase transparency at the local level and provide elected officials, citizens and financial institutions with a better understanding of the financial position of municipalities.

Steady revenue and expenditure increases

Transfers to local government

Intergovernmental transfers form but one element of local government financing. Municipalities have, in principle, sufficient revenue-raising powers to fund the bulk of their expenditure. They finance over 90 per cent of their recurrent expenditure out of own revenues.

*Own revenue
not enough*

In reality, this aggregate situation disguises many differences between municipalities. For example, rural municipalities are more reliant on intergovernmental transfers (as opposed to own revenues) than are urban ones. Even among urban local governments, several would not be fully sustainable without significant transfers from the national government. Hence, the equitable share formula has been designed precisely to take these differences into account. In addition, specific conditional grants target government priorities managed through the local sphere.

This chapter outlines the evolution of and trends in such intergovernmental transfers. Note that transfers from provincial budgets are not captured in this *Review*. In some instances, such as health services transfers, these may be significant sources of income for municipalities.

Evolution of the system of fiscal transfers

Introduction of local government transfers

The systems of transfers inherited from the previous regime were highly fragmented and inequitable, with the bulk of funds directed to formerly white municipalities. Considerable progress has been made in improving the equity and transparency of these transfers in the last five years. The Intergovernmental Fiscal Relations Act of 1997 formalised the current intergovernmental budget process. The Act requires the enactment of the Division of Revenue Act annually with the budget. The Division of Revenue Act serves to enhance transparency in the allocation of national resources by setting out the equitable shares for each sphere and the division of all transfers between the provinces. It also includes a detailed schedule of all other allocations made from the budgets of national departments to provinces and local governments. The first Division of Revenue Act was enacted for the 1998 Budget.

*Transfer included
in the Division of
Revenue Act*

Context for local government transfers

While intergovernmental transfers are integral to local government financing, national government expects such municipalities to maximise the collection of their own revenue. Government policy

*Own revenue integral
to municipal finance*

dictates that municipalities failing to collect their own revenue will not be bailed out by national government.

Policy reflects municipal powers

The 1998 White Paper on Local Government justifies this policy stance on the basis of the specific role and powers of municipalities in South Africa. Unlike many other countries, South African local government is not responsible for large tax-funded social services, such as health and education. These are provincial responsibilities. In fact, well over 60 per cent of local government revenue is derived from self-funding utility services (water, sanitation and power) that generate their own revenues.

The primary sources of local government revenue are, therefore, local taxes or user charges. Grants from national government, including the equitable share and conditional grants, comprised about 7 per cent of the projected R58 billion local government expenditure in 1999-00.

There has, however, been a significant increase in allocations to the local government sphere since 1995/96. This growth has been driven by reforms to the overall framework of grants, particularly the introduction of the equitable share and the expansion of several recurrent grant programmes. The introduction of the equitable share reorganised the fiscal flows in line with coherent policy goals and good institutional practice, but did not increase these flows significantly. In 1997/98, before the introduction of the equitable share, transfers amounted to R903 million. In 1998/99, when the equitable share was introduced, they amounted to R1 024 million. Budgeted allocations in 2000/01 rose to R6,86 billion, primarily as a result of the introduction of two new recurrent grant programmes: the Local Government Restructuring Grant and the Local Government Financial Management Grant. Allocations are projected to grow to over R7,8 billion in 2002/03.

Volatility in various grants

The increase in allocations is shown in Table 7.1 and has been spread between transfers for the equitable share, infrastructure programmes and recurrent grants, with the latter two programmes experiencing the most volatility in allocations. The significant decline in infrastructure allocations in 1998-99 can be ascribed to the rationalisation of the Municipal Infrastructure Programme, the Extended Municipal Infrastructure Programme, and the Bulk and Consolidated Infrastructure Grant programmes into a single funding stream: the CMIP.

Types of transfers

National transfers to local government take two forms:

Equitable share unconditional

- *Equitable share allocations* are to all Category B municipalities, without any conditions attached. These allocations are made in terms of a policy framework described in *The Introduction of an Equitable Share of Nationally Raised Revenue for Local Government*, published by the Department of Finance in 1998. They are administered by the Department of Provincial and Local Government. The equitable share transfer is supplemented by funding for personnel in R293 towns who have been transferred to

a municipality. In the past, this was supplemented by an R293 functions transfer, which has now been incorporated into the equitable share. A similar programme of incorporation is planned for the CWSSP operating transfers. These currently provide in-kind transfers to some municipalities, such as free bulk water or subsidised water to consumers, or funding the operations of water services schemes inherited from former homeland governments. Equitable share transfers amount to approximately 44 per cent of all transfers to local government in the current financial year.

- *Conditional grants and agency payments* are designed to provide for national priorities in the budgets of municipalities. This occurs through the promotion of national norms and standards, and to support the local government transition by funding capacity building and restructuring within recipient municipalities. Such grants also help to address backlogs and regional disparities in social infrastructure.

The framework for conditional grants to municipalities has evolved considerably since its introduction in 1994. The first phase of conditional grants were introduced as an interim measure to support the fast-track development programmes outlined in the RDP. To ensure the rapid expansion and delivery of services, and in the context of limited local government capacity, these grants were often spent directly by national departments, on behalf of municipalities. While this “agency” approach was both appropriate and successful in achieving Governments’ policy objectives, numerous problems have been identified. In particular, allocations were not reflected on municipal budgets, leading to inadequate provision for ongoing operational and maintenance requirements. In addition, allocations to municipalities were often made in-year, leaving little time for adequate project planning at local level. This has been exacerbated by the single-year budgeting approach employed by municipalities.

Agency payments

Reforms to the framework for conditional grants will address these problems in the context of wider reforms to municipal financial and strategic management practices, as outlined in the Municipal Finance Management Bill and other legislation. In particular, the redemarcation of municipal boundaries is intended to improve their capacity to plan and manage service delivery. Legislative reforms introduce three-year budgeting, alongside more effective financial management procedures. In this context, it is appropriate that the conditional grants regime enters a second phase of reform, where transfers are made directly to municipal budgets. Municipalities are to be held accountable through the democratic process, with regular auditing, and through compliance with outcomes determined in terms of national priorities.

Reforms to conditional grants

There are two main forms of conditional grants, namely:

- *Infrastructure transfers* are made to those municipalities that apply for or are selected to receive these funds. They are intended to assist municipalities to extend or rehabilitate social and residential infrastructure that provides basic services to communities. Such transfers occur either in the form of agency

Infrastructure grants on application

payments or conditional grants, and are operated and disbursed by line function departments in pursuit of specific policy objectives. Progress has been made in coordinating the number of infrastructure transfer programmes. However, considerable further work is required to ensure that the method of disbursement is equitable, that infrastructure and housing programmes are properly coordinated, that accountability for funds is clarified, and that the sustainability of investments is enhanced. Infrastructure transfers amount to approximately 27 per cent of all transfers to local government in the current financial year.

Transfers to support national priorities

- *Current transfers* are made to municipalities on an application basis in support of the policy priorities of particular national departments. A wide variety of these programmes exist, and transfers are made either as conditional grants or as agency payments. Current transfers primarily support municipal restructuring initiatives, the enhancement of the capacity of municipalities to perform their functions and the provision of subsidised bus services. The scope for rationalising the number of current transfers is considerable. Current transfers amount to approximately 29 per cent of all transfers to local government in the current financial year.

Treasury closely monitors the devolution of certain functions, such as health services, to municipalities to ensure that adequate financial resources are also transferred to enable the municipalities to perform these functions effectively. For instance, primary health services are funded via the provincial equitable share, and any functional transfer must be accompanied by the transfer of staff and financial resources, in a process similar to R293 towns transfers. This is a lengthy and complex process, with success dependent on extensive intergovernmental and interdepartmental cooperation.

Allocation trends

Table 7.1 indicates the equitable share, conditional grants and agency payments transferred to municipalities from 1995/96, as well as budgeted amounts between 2000/01 and 2002/03. In 1998/99, total transfers to municipalities amounted to R4,19 billion. Total transfers to municipalities rose sharply from 1995/96 to 1997/98, although this reflects the inclusion of existing programmes rather than real increases. However, 1998/99 was marked by a steep decline in transfers due to the amalgamation of programmes associated with the introduction of the equitable share and the CMIP. The “core” equitable share transfers have shown the most stability over the period, while conditional grants and agency payments have been particularly volatile.

Transfers to municipalities are managed by a number of departments, with the Department of Provincial and Local Government being the primary agency. It manages the equitable share transfers, R293 grants, CMIP, the Local Economic Development (LED) Fund, the Social

Plan Fund and the local government support grant. Other departments involved in transfers to municipalities are the Department of Water Affairs and Forestry, through the CWSSP capital and operating subsidies, the Department of Public Works, through the CBPWP, and more recently the national Treasury through the financial management and restructuring grants. The Departments of Land Affairs, Transport, and Housing also make various grants and agency payments to municipalities.

Table 7.1 National transfers to local government¹

R million	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Equitable share (incl. IGGs)	830	806	903	1 024	1 673	1 867	1 997	2 130
R293 personnel ²	560	864	883	951	463	463	463	463
R293 transfer	86	80	68	0	40	0	0	0
CWSS (Operating)	0	497	493	599	710	704	731	741
"Core" equitable share	1 476	2 247	2 347	2 574	2 886	3 034	3 191	3 334
Percentage growth	–	52	4	10	12	5	5	4
Agency transfers ¹	78	82	78	0	0	0	0	0
"Traditional" subsidies ³	23	26	48	0	0	0	0	0
Other	48	162	45	0	0	0	0	0
CMIP (incl. MIP, EMIP, BCIG)	126	540	1 382	703	696	883	994	1 059
CWSS (Capital)	496	321	1 429	520	429	609	744	807
Community-based public works ⁵	0	0	0	152	274	274	274	274
LED Fund ⁵	0	0	0	0	5	75	78	81
Infrastructure transfers	771	1 131	2 982	1 375	1 404	1 841	2 090	2 221
% growth	–	47	164	(54)	2	31	14	6
Agency transfers ¹	956	1 074	1 073	0	0	0	0	0
"Traditional" subsidies ³	59	98	85	0	0	0	0	0
Other ⁶	643	600	258	0	0	0	0	0
Land development objectives	0	0	3	24	14	44	45	47
Financial management	0	0	0	0	0	50	60	70
Social Plan Fund	0	0	0	0	3	3	3	3
Spatial development initiatives	0	0	0	0	103	0	0	0
Bus subsidies	192	229	229	34	1 293	1 409	1 522	1 629
LG support grant	0	0	0	181	137	150	160	170
Restructuring grant	0	0	0	0	0	300	350	400
Current transfers	1 850	2 001	1 648	239	1 550	1 956	2 140	2 319
% growth	–	8	(18)	(85)	549	26	9	8
Total	4 097	5 379	6 977	4 188	5 840	6 831	7 421	7 874
% growth	–	31	30	(40)	39	17	9	6

1. Excludes certain agency transfers such as the Urban Transport Fund and the Settlement and Land Acquisition Grant

2. Excludes salary increases for R293 personnel

3. Includes transfers for transport, health and sports and recreation

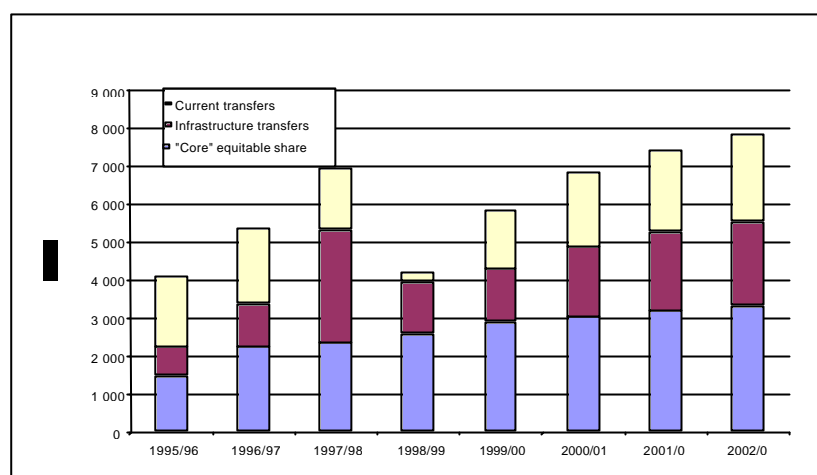
4. Includes fire services, and library transfers

5. Poverty relief allocations, projected in outer budget years

6. Includes rural administrative infrastructure development, debt redemption and loan subsidises

7. Bus subsidies are agency payments and are mostly transferred to bus commuter agencies, not municipalities.

Source: An Equitable Share of Nationally Raised Revenue for Local Government, 1998; Budget Review, 1997 to 2000

Figure 7.1 National transfers to local government

Equitable share

A constitutional entitlement

Section 214 of the Constitution entitles local government to an equitable share of nationally raised revenue. For 2000/01, the equitable division of revenue raised among the three spheres resulted in a share of R1 867 million for local government. The MTEF increases the allocation to R1 997 million in 2001/02 and to R2 130 million in 2002/03.

Table 7.2 The vertical division of revenue

Nominal figures						Nominal change ¹		Real change ²	
R million	1998/99	1999/00	2000/01	2001/02	2002/03	Whole period	From last year	Whole period	From last year
National	77 039	82 434	88 687	95 783	100 386	30,3	7,6	7,3	1,7
Provincial	80 802	86 595	94 408	100 167	105 158	30,1	9,0	7,2	3,0
Local	1 024	1 673	1 867	1 997	2 130	108,0	11,6	71,3	5,5
Total	158 865	170 702	184 962	197 947	207 674	30,7	8,4	30,7	8,4

1. Before adjusting for inflation

2. Nominal figures adjusted for inflation

Source: Budget Review, 2000

The equitable shares for the different spheres are determined annually by Cabinet, based on its strategic priorities. Allocations to local government have consistently been markedly smaller than those to provinces, because municipalities have considerable own revenue sources and provinces do not. However, the local government allocation is projected to grow much faster over the medium term, by a total of 71,3 per cent in real terms from 1998/99. The real change in both national and provincial shares is projected at less than 7,5 per cent over the same period. Note, however, that the increase in the local government share is off a very low base.

SALGA allocation

A small allocation is made to the South African Local Government Association (SALGA) and the remaining local government allocation is then distributed by formula among all primary municipalities.

Unlike the former approach to intergovernmental transfers, which were managed by the provinces and disbursed according to a variety of criteria, the equitable share formula has been designed to facilitate an equitable distribution of resources among municipalities. As such it has two components, namely the institutional capacity (or I) grant that supports those municipalities with limited capacity, and the services (or S) grant that supports all municipalities to deliver a basic level of service. The formula thus targets resources at municipalities that have a large number of poor households.

Table 7.3 Distribution of equitable share transfers

R million	1997/98	1998/99	1999/00	2000/01
SALGA allocation	5	12	13	15
Metros	291 193	209 457	146 325	283 499
Large TLCs (over R300 m)	98 166	135 613	145 499	281 890
Medium	352 276	351 413	431 332	624 581
Small TLCs (less than R50 m)	170 856	189 281	333 956	462 268
Rural municipalities	176 360	126 187	222 637	241 512
Total	1 088 856	1 011 963	1 279 762	1 893 765

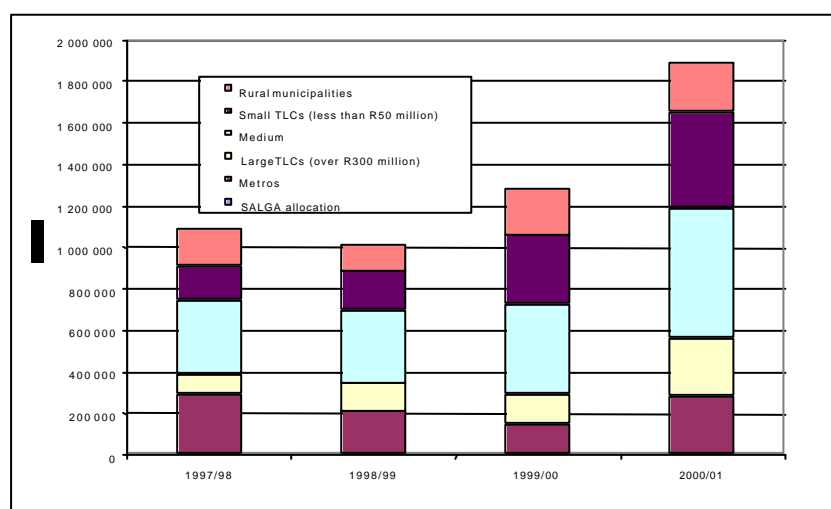
Note: Allocations are reflected in terms of the municipal financial year.

Sources: Annual Reports on the Equitable Share, 1998 to 2000

Figure 7.2 shows the significant growth in the total equitable share allocation to local government, as well as the redistributive effect of the allocation formula. This resulted in a significant decline in allocations to large municipalities until 1999/00, although rising slightly in the current financial year owing to the incorporation of the R293 functions portion into the equitable share. In addition, allocations to municipalities are being more closely aligned to the actual formula-generated amounts.

Two components of the equitable share

Figure 7.2 Distribution of equitable share by type of municipality



I grant allocations

The first component of the equitable share is the so-called I grant, aimed at enabling eligible municipalities to maintain functioning administrations. Approximately R209 million was allocated to the I grant in 2000/01. Municipalities with higher average income levels receive smaller I grants, as they are considered to have sufficient revenue-raising capacity to finance their basic operations. Wealthy municipalities do not receive the I grant.

I grants not for very small municipalities

Eligibility for I grants is also limited to municipalities with populations in excess of 2 000 people. Jurisdictions with very low populations are considered too small to achieve the economies of scale necessary for providing public services cost-effectively. In such cases, district councils are expected to provide services. In 1999/00, municipalities with populations between 2 000 and 7 500 inhabitants received per capita I grants of over R50. The average per capita grant to municipalities with over 25 000 inhabitants averaged less than R5.

Table 7.4 Per capita I grants by population size in 1999/00

Population size of municipality	Average per capita I grant (R)	Average monthly income per capita	Average per capita I grant (R)
Less than 1 000	0,0	Less than R181	8,90
1 000–1 999	0,0	R181–R360	21,30
2 000–4 999	105,40	R361–R540	44,60
5 000–7 499	57,70	R541–R720	55,30
7 500–9 999	35,30	R721–R900	45,90
10 000–14 999	24,60	R901–R1 260	29,90
15 000–24 999	6,90	R1 261–R2 000	11,60
25 000–49 999	4,30	R2001 and more	3,50
50 000–99 999	3,70		
100 000–499 999	2,40		
500 000 +	0,10		
Average	4,30	Average	4,30

Source: Department of Provincial and Local Government Annual Report 1999/00

*S grant allocations**S grant supports basic services*

The largest part of the equitable share payments to local government is the S grant, which aims at ensuring that low-income households in all municipal jurisdictions receive access to basic municipal services. Each block of grant is equal to the estimated cost of providing “basic services” to all poor households. For purposes of this grant, poverty has been defined as households earning R800 or less per month.

In reality, more goes to rural areas

The S grants distributed to rural and urban municipalities are shown separately in tables below because of the use of different urban and rural phase-in parameters. For 1999/00, the phase-in parameter (or *alpha*) was set at 0,7 for urban and metropolitan areas and 0,25 for rural areas. It was initially proposed that the phase-in process be completed over five years for urban areas and seven years for rural areas. However, with the redemarcation of municipal boundaries, the phase-in period and the distinction between urban and rural areas are

being re-evaluated. The average rural municipality actually receives a larger grant than the average urban municipality, R23,90 as against R20,50, as rural areas are generally much poorer. Since S grants are proportional to the number of poor households, the average per capita grant is higher in rural areas with high levels of poverty than in urban areas.

Table 7.5 Per capita S grants by population size and urban/rural status in 1999/00

Population size of municipality	Average per capita S grant (R)		Average monthly income per capita	Average per capita S grant (R)	
	Rural	Urban/Metro		Rural	Urban/Metro
Less than 1 000	14,20	42,20	Less than R181	32,80	87,60
1 000–1 999	16,50	41,40	R181–R360	29,30	69,50
2 000–4 999	20,50	41,00	R361–R540	23,10	57,80
5 000–7 499	16,60	43,10	R541–R720	21,40	50,10
7 500–9 999	19,40	36,20	R721–R900	15,50	38,80
10 000–14 999	16,50	42,10	R901–R1 260	10,50	31,90
15 000–24 999	19,10	32,30	R1 261–R2 000	10,10	22,60
25 000–49 999	20,10	31,80	R2001 and more	6,00	18,60
50 000–99 999	26,30	28,50			
100 000–499 999	27,50	28,00			
500 000 +	20,10	10,90			
Average	23,90	20,50	Average	23,90	20,50

Source: Department of Provincial and Local Government Annual Report 1999/00

R293 town personnel grant

Some of the former homeland governments did not have municipalities and thus performed municipal functions themselves. These areas are known as R293 towns, after the proclamation that established them. In 1994, R293 towns and their relevant functions and personnel were transferred to provinces, with the intention to transfer them on to local government structures as these were created. The Transfer of Staff to Municipalities Act of 1998 allows for staff to be transferred to municipalities from provinces if they perform municipal functions. In 1998/99, R951 million was allocated to fund the personnel and service commitments of these towns. In 1999/00, the funds were split into three components: R463 million for personnel expenses, R447 million for services and R40 million for an incentive grant to encourage staff transfers to municipalities. The latter two elements have now been incorporated into the equitable share for local government.

For 2000/01, an amount of R463 million (plus any salary increases over the period) has been allocated to fund the costs of R293 staff who have been transferred to municipalities or have remained with a provincial government.

Progress, however, has remained slow, leading Government to impose a strict cut-off date and other measures to facilitate transfers. This is the last year that this grant allocation will be made. All R293 staff not transferred by 30 September 2000 will be accommodated in the respective provinces. The funds for their salaries will be retained by

Slow progress

that provincial government, and lost to local government. Municipalities accepting the transfer of staff will be guaranteed a three-year subsidy from the date of transfer, following which the funds will be incorporated into the equitable share for local government.

Community Water Supply and Sanitation Programme operating grants

The Department of Water Affairs and Forestry currently operates a large number of water services schemes, performing both bulk and distribution functions. Most of these schemes were inherited from the former homeland governments in 1994. The operating costs of these schemes are funded from the Water Services Trading Account, and under 1 per cent of their operating costs are recovered from bulk and retail consumers.

This grant has been funded nationally and does not flow to municipalities directly, although transfers of water are intended to reach specific groups of poor households in municipalities. The department is preparing to transfer these schemes to municipalities, in line with the requirements of the Constitution. This process will be similar to the R293 transfer programme and will take a number of years. The funds currently in the Water Services Trading Account will be used to facilitate the transfer and will eventually be integrated into the equitable share.

SALGA Allocation

National government intends to determine SALGA's allocation on a matching basis in future years, taking into account the membership contributions of municipalities. The allocation will be disbursed through a dedicated grant mechanism.

Conditional grants

Conditional grant programmes are managed by a variety of departments including Provincial and Local Government, the national Treasury, Water Affairs and Forestry, Transport, and Public Works.

Infrastructure grants

The main purpose of national government's substantial contribution to social and residential infrastructure investment by municipalities is to ensure that all households have access to at least a basic level of service. Infrastructure transfers are thus targeted at poor households.

The benefits and importance of national support for municipal infrastructure investment have repeatedly been emphasised in government policy documents. The provision of basic municipal infrastructure is often identified as a collective public good that warrants state support due to the range of benefits of infrastructure investment, particularly to poor households. These benefits include:

- Job creation and skills training, as construction tends to be labour-intensive
- Greater equity, social access and development

- Positive spin-offs for economic activity

However, the public sector alone does not have the resources to meet the infrastructure requirements of communities. Government policy has thus repeatedly emphasised the importance of leveraging private sector capital in support of municipal infrastructure investment. If correctly conceptualised, national government spending on municipal infrastructure can stimulate municipal access to capital markets, thereby crowding in additional resources for infrastructure expansion.

National funding of municipal infrastructure occurs through a number of core mechanisms. Most of these programmes are administered by national departments, who retain financial responsibility in order to fast-track development, as municipalities were initially deemed not to have the capacity to assume this.

Core mechanisms

Grants tend to be ad-hoc and allocated on a one-year basis during the course of the financial year. Many of these grants do not appear on municipal budget, raising problems of sustainability and political accountability. The grant programmes are as follows:

- The *CMIP* is operated by the Department of Provincial and Local Government. It funds the creation, extension, upgrading or rehabilitation of internal bulk, connector and internal infrastructure, and community services and facilities for low-income households to a ceiling amount of R7 000 per household. Approximately 65 per cent of expenditure is linked to the housing programme. Funding is provided to municipalities on an application basis, through the submission of an application for project assistance to provincial government. This includes a municipal council resolution approving each project. The province prioritises applications and informs municipalities with the highest priorities to prepare business plans. Once prepared, these plans are again prioritised and submitted to the Provincial Executive Council for approval. They are then submitted to the department which, if satisfied that all the requirements have been fulfilled, will recommend funding for the projects.

Any allocation made to a municipality must be included in the municipal budget in this financial year, having not been the case previously. Funds must be used for capital projects, although a maximum amount of 3,5 per cent of each province's allocation may be utilised for programme management services.

- The *LED Fund*, operated by the Department of Provincial and Local Government, supports the job creation and poverty alleviation projects of municipalities, with a focus on social infrastructure. Municipalities submit applications for assistance in the form of a project business plan. The projects identified by the municipalities must meet the criteria of the LED Fund. The business plan acts as a contract between the department and the municipality, and the department will transfer funds directly to the municipality. Municipalities must submit monthly reports based on clear key performance indicators during the utilisation of grant funding. Thereafter the department will require quarterly project reports for the following two years.

- The *CWSS* is operated by the Department of Water Affairs and Forestry. It funds bulk, connector and internal capital infrastructure for basic water services, where a municipality lacks the required capacity, at an amount of approximately R2 200 per household. Funds may only be committed to new projects once a formal agreement has been reached between the department and the municipality regarding the responsibility for ongoing financial responsibilities for support to the project. A maximum of 5 per cent of the allocation may be used for national and regional programme management services.
- The *CBPWP*, managed by the Department of Public Works, funds job creation and poverty alleviation programmes for poor rural communities. These programmes create productive assets and provide temporary and permanent jobs. The programme is concentrated in 12 district councils in three provinces (Eastern Cape, KwaZulu-Natal and Northern Province), with 40 per cent expenditure on roads and the remainder on social or agricultural infrastructure. The department retains overall financial accountability for the programme, sets policy and employment targets, contracts with programme implementing agents, and monitors performance.
- The *South African Housing Fund* is managed by the Department of Housing, and funds the national housing programme, which provides subsidies of approximately R16 500 to low-income households. These are in the form of an agency payment to the provinces rather than a direct transfer to local government. However, the fund is closely linked to municipal infrastructure programmes. Approval of housing subsidy applications is dependent of land and infrastructure finance being made available by the relevant municipality. Developers or accredited municipalities may submit applications to the Provincial Housing Board.
- The *National Electrification Fund*, controlled by the Department of Minerals and Energy, funds grid electrification for households. At present, this off-budget transfer is financed through a levy on electricity, providing approximately R2 000 per connection. Funds are drawn primarily by Eskom, although approximately R300 million is transferred to municipalities by the National Electricity Regulator, with the managerial assistance of the Development Bank of Southern Africa.
- The *Urban Transport Fund*, managed by the Department of Transport, provides for the development of transportation infrastructure in metropolitan areas. The fund is operated as an agency payment and is disbursed at the discretion of the Department of Transport.

The small number of additional infrastructure transfers are predominantly in the form of asset transfers, such as those associated with the settlement and land acquisition grant managed by the Department of Land Affairs.

The CBPWP and the LED Fund originate from poverty relief allocations. However, other than the CWSSP, these programmes make transfers directly to municipalities on the basis of project applications. As departments manage these transfers, there is some variance in the conditions attached to them.

Trends in infrastructure transfers

The core transfers for social and residential infrastructure were reported to have peaked at R2 982 million in 1997/98. This was due to funding being channelled through the RDP Fund, although there remains some uncertainty as to whether all these funds were spent on asset creation. The incorporation of the RDP Fund led to a drop in funding of approximately 56 per cent in 1998/99 to R1 405 million. However, capital transfers are projected to grow significantly in the medium term to R2 221 million in 2002/03.

Although some of the grants discussed above are not direct transfers to local government, they do have a significant effect on municipal infrastructure investment. Of particular importance here is the South African Housing Fund. Although housing subsidies are transferred to the provinces, municipalities must provide associated public infrastructure and remain important stakeholders in housing projects. Other national programmes focusing on the development of elements of municipal infrastructure include the settlement and land acquisition grant, operated by the Department of Land Affairs, and the Urban Transport Fund operated by the Department of Transport.

Table 7.7 Capital expenditure on social and residential infrastructure at municipal level¹

R million	Actual 1995/96	Actual 1996/97	Actual 1997/98	Actual 1998/99	Actual 1999/00	2000/01	2001/02	2002/03
Agency transfers ²	78	82	78	0	0	0	0	0
"Traditional" subsidies ³	23	26	48	0	0	0	0	0
Other	48	162	45	0	0	0	0	0
CMIP (incl. MIP, EMIP, BCIG)	126	540	1 382	703	696	883	994	1 059
CWSS	496	321	1 429	520	429	609	744	807
CBPWP ⁴	0	0	0	152	274	274	274	274
LED Fund ⁴	0	0	0	0	6	75	78	81
Subtotal	771,6	1 131,7	2 982,0	1 375,0	1 404,5	1 841,0	2 090,0	2 221,1
Electrification ⁵	1 055,4	1 048,9	866,7	845,1	1 400,0	1 400,0	1 400,0	1 400,0
Housing	821,3	1 453,2	2 634,9	2 860,0	2 961,2	2 997,7	3 177,0	3 320
Total	2 648,3	3 633,8	6 483,6	5 080,1	5 765,7	6 238,7	6 667,0	6 941,1

1. Excludes certain agency payments such as the Urban Transport Fund and the settlement and land acquisition grant

2. Includes transfers for transport, health and sports and recreation

3. Includes fire services and library transfers

4. Poverty relief allocations projected in outer budget years

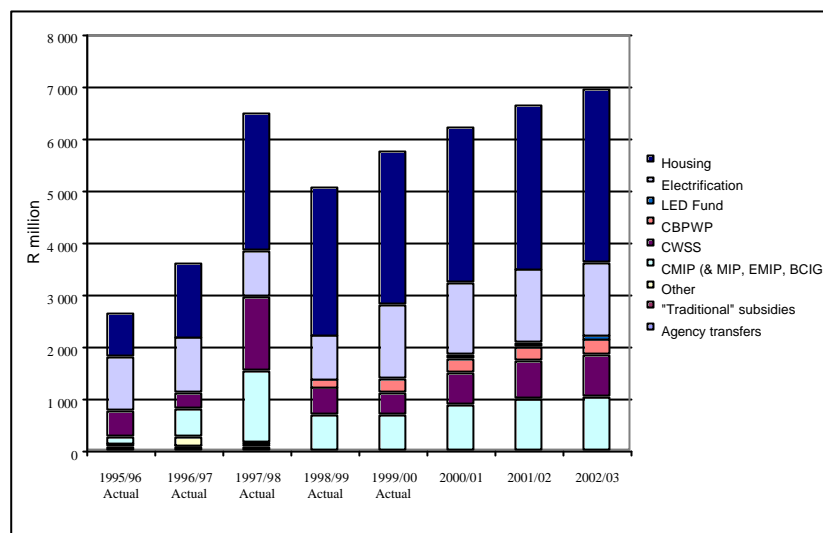
5. Allocations from 1999/00 are preliminary and indicative only, reflecting industry cost estimates.

Eskom currently funds the national electrification programme, although from 2001/02 this will be done through the national fiscus and on budget, due to changes in the tax regime for the utility.

Electrification

Municipalities also utilise their own revenue sources for infrastructure investment. For instance, district and metropolitan council levy income (which amounted to an estimated R3,4 billion in 1998/99) should be used for this purpose.

Figure 7.3 Expenditure on social and residential infrastructure



Distribution of infrastructure transfers

Limited information available

Information on the actual distribution of infrastructure transfers to municipalities is limited. However, the Division of Revenue Act of 2000 introduced a requirement for more detailed reporting by transferring departments. The Treasury launched a major programme to improve the detail and quality of information for future years.

A Treasury survey

In the interim, the Treasury conducted a limited survey of municipal infrastructure transfers in Gauteng and Eastern Cape between 1997/98 and 1999/00. The tables and graphs below show transfers by programme to different-sized municipalities. While the categories of metropolitan, district and rural municipalities are self-explanatory, urban municipalities are distinguished by the size of their annual budgets. Large, medium and small urban municipalities are those with annual budgets exceeding R300 million, R50 million, R25 million respectively. The remainder, with budgets below R25 million, is categorised as very small urban municipalities.

Eastern Cape trends

In Eastern Cape, the Housing Fund and CMIP allocations constitute the bulk of transfers to urban municipalities, mainly to very small municipalities. The shift in allocations to these municipalities has intensified, while allocations to others have declined. Small allocations from the Urban Transport Fund have been made to large municipalities, although this has declined over the period.

Allocations from the CWSS and CBPWP form the bulk of transfers to rural and district municipalities, with increasing roles being played by CMIP and the settlement and land acquisition grant. Housing Fund grants to these municipalities have declined over the period.

In Gauteng, similar patterns are evident although, given the high level of urbanisation in the province, little has been received from rural infrastructure programmes. Indeed, the bulk of allocations have originated from the housing fund. Metropolitan and district municipalities have been the primary beneficiaries of infrastructure transfers via CMIP, largely due to the limited number of small municipalities in the province. Infrastructure allocations, while peaking in 1998/99, were lower in the subsequent financial year.

Figure 7.4 Infrastructure transfers to Eastern Cape municipalities by size and programme

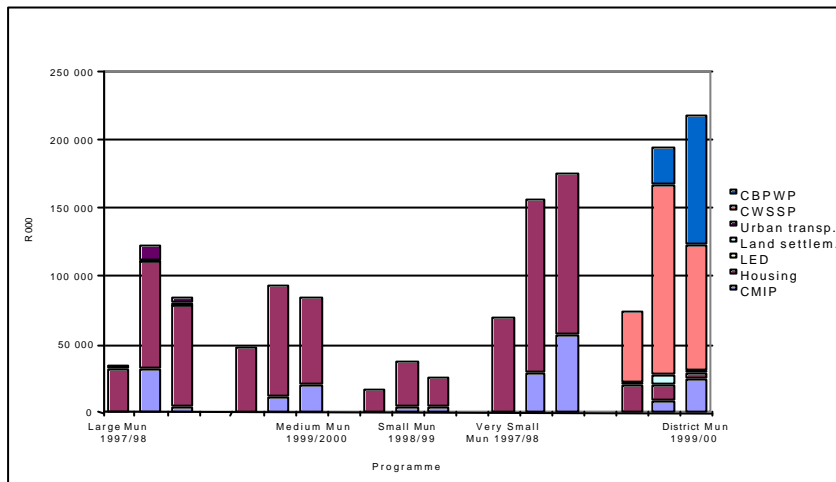
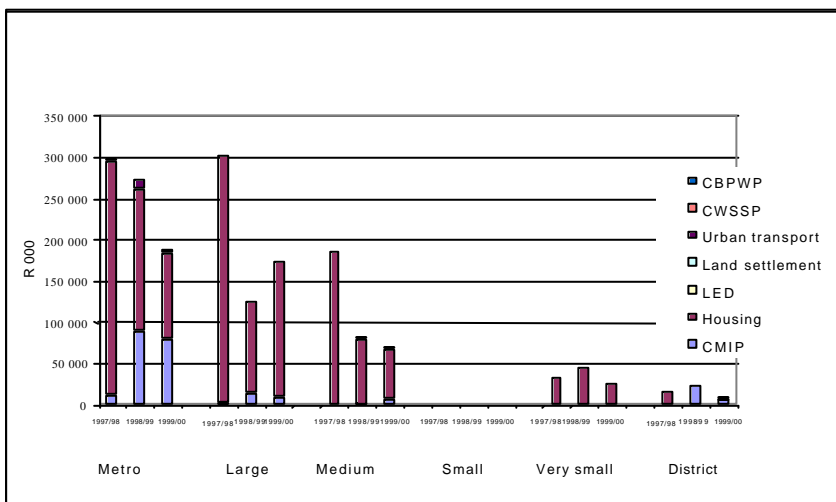


Figure 7.5 Infrastructure transfers to Gauteng municipalities by size and type



This limited survey underlines concerns that the distribution of municipal infrastructure transfers has been inequitable, and the Treasury is conducting a detailed investigation. It has been argued that, nationally, small and medium-sized urban municipalities have been the primary beneficiaries of direct national infrastructure transfers. While rural municipalities have benefited from the in-kind

transfer of assets, particularly water services infrastructure, this approach has tended to undermine the sustainability of services. In particular, the full life-cycle costs of operating and maintaining the assets are not taken into account during project initiation.

Limited benefits to large urban and metro councils Similarly, large urban and metropolitan areas have received only limited benefits from infrastructure programmes. This has primarily been due to perceptions of their greater fiscal capacity, being able to both fund investments from own revenues and access capital markets. This has led to resources being directed to weaker municipalities.

However, fiscal constraints in larger urban municipalities have often resulted in investment in poor township areas being slower than anticipated. This is of particular concern due to the pivotal role that these urban areas play in national economic development. Reforms to the current system of municipal infrastructure transfers will therefore aim at improving the predictability of funding for municipalities, the sustainability of investments and, ultimately, the effectiveness of infrastructure delivery programmes.

Despite considerable progress in the expansion of municipal infrastructure services, demand continues to outstrip supply, leading to rising backlogs in some services. Limited progress has been made in the elimination of backlogs in critical public services such as sanitation. Municipal spending on infrastructure extension and rehabilitation remains slower than anticipated due to fiscal constraints, and this has led to the erosion of the technical integrity of infrastructure networks and delays in the expansion of service delivery. Moreover, it has limited the scope of infrastructure investment, resulting in considerable underfunding of certain services in poorer areas, particularly internal road networks.

Fragmented allocation mechanisms Current allocation mechanisms are highly fragmented and disbursement mechanisms invariably project-based and centralised. This undermines integrated development and prevents effective planning at a municipal level, and is of particular concern due to the long lead-times associated with infrastructure development. Moreover, the current approach conflicts with the recent introduction of municipal budget reforms that encourage three-year budgeting by municipalities. In some cases, these problems have reduced the ability of municipalities to anticipate allocations or integrated development projects effectively. Moreover, they have resulted in a further fragmentation of the fiscal system for municipal transfers.

Table 7.8 Infrastructure transfers to Eastern Cape municipalities by size and programme

R 000	Large municipalities			Medium municipalities			Small municipalities			Very small municipalities			District municipalities		
	1997/98	1998/99	1999/00	1997/98	1998/99	1999/00	1997/98	1998/99	1999/00	1997/98	1998/99	1999/00	1997/98	1998/99	1999/00
CMIP	0	31 716	3 789	4	11 075	19 437	26	3 593	3 650	71	29 197	56 187	0	8 555	24 366
Housing	31 512	78 528	74 291	47 676	82 332	64 126	17 403	33 918	22 061	69 181	127 989	118 831	20 545	12 091	4 621
LED	0	0	0	0	0	0	0	0	0	0	0	0	0	0	300
Land settlement	0	1 000	2 149	0	0	0	0	0	0	0	0	0	1 364	6 175	723
Urban transport	2 500	11 707	4 170	0	0	0	0	0	0	0	0	0	0	0	0
CWSS	0	0	0	0	0	0	0	0	0	0	0	0	52 485	139 842	92 669
CBPWP	0	0	0	0	0	0	0	0	0	0	0	0	0	27 170	94 590
Total	34 012	122 951	84 399	47 680	93 407	83 563	17 429	37 511	25 711	69 252	157 186	175 018	74 394	193 833	217 269

Table 7.9 Infrastructure transfers to Gauteng municipalities by size and programme

R 000	Metropolitan municipalities			Large municipalities			Medium municipalities			Small municipalities			Very small municipalities			District municipalities		
	1997/98	1998/99	1999/00	1997/98	1998/99	1999/00	1997/98	1998/99	1999/00	1997/98	1998/99	1999/00	1997/98	1998/99	1999/00	1997/98	1998/99	1999/00
CMIP	13 138	90 282	79 717	2 234	13 999	8 791	356	1 007	7 452	0	0	0	0	0	244	353	22 851	5 940
Housing	281 413	170 826	103 242	298 965	111 330	164 283	185 359	78 441	61 146	0	0	0	33 696	44 835	26 339	17 306	0	256
LED	0	0	0	0	0	244	0	0	179	0	0	115	0	0	0	0	0	0
Land settlement	0	0	0	0	0	0	0	1 717	0	0	0	0	0	0	0	0	0	761
Urban transport	2 010	10 921	4 800	0	0	0	0	0	0	0	0	0	0	0	0	0	113	0
CWSS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1 585
CBPWP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	296 561	272 029	187 759	301 199	125 329	173 318	185 715	81 165	68 777	0	0	115	33 696	44 835	26 583	17 659	22 964	8 542

Current transfers

A number of current transfers have been introduced to address specific issues such as capacity building and the restructuring of the local government sphere. Most of these grants are conditional and are administered by national departments. The scope and scale of current grants are significant, providing wide-ranging support for the delivery of critical public services, through the following programmes:

- The *local government restructuring grant*, managed by the national Treasury, assists large municipalities in undertaking extensive financial restructuring. These exercises benefit national economic stability and development. Eligibility for the grant is restricted to municipalities whose total annual budgets exceed R300 million. The municipalities must first demonstrate that they have undertaken a credible analysis of the potential financial difficulties or opportunities that face them. They also need to have taken significant steps for at least six months to address any fiscal imbalance. They have to develop a credible restructuring plan that addresses identified potential difficulties or opportunities. The grant goes to municipalities that are unable to contain the short- to medium-term negative effects of restructuring, and that can demonstrate positive national economic benefits of national government assistance in the restructuring programme. Disbursement is by application, and dependent on the outcome of a positive assessment. Once a municipality has agreed to the terms and conditions of the grant, funds are transferred directly to municipalities and must be included in municipal budget.
- The *local government support grant*, managed by the Department of Provincial and Local Government, funds municipal institutional and financial restructuring programmes. The programme operates under the auspices of Project Viability. For the current year, funds have been split into a Management Support Programme of R60 million, an Institutional Reorganisation Fund of R60 million and Municipal Financial Assistance of R30 million. All applications for these funds should be accompanied by a business plan, approved by the council. Such business plans will specify the purpose for which the funds will be utilised and include a clear cash flow projection for the flow of the funds from the province to the affected municipality. They must also show the expected impact on the council, and the reason why the council is unable to provide the funds.

The Management Support Programme funds the implementation of programmes that assist in stabilising and turning around distressed local authorities. The Institutional Reorganisation Fund is for the implementation of the Change Management Design or Transformation Plan as recommended by the management support teams. The municipal financial assistance grant enables provinces to support selected municipalities in financial difficulty. The department determines the division of the grant between provincial and local spheres after consultation with SALGA. Funds are transferred to a municipality directly or to a district council.

Management Support Programme and Municipal Financial Assistance funds will be released after approval of a business plan, submitted by the province to the department. This has to indicate the number, names and funding requirements of municipalities identified for management support programmes. The Institutional Reorganisation Funds will be released once the implementation of the Change Management Design has been accepted by council resolution at municipal level.

- The *Social Plan Measures Fund* is a poverty relief allocation managed by the Department of Provincial and Local Government. Its primary purpose is to fund local economic regeneration studies in localities affected by retrenchments. The main outcome of this study will be a business plan for the municipality, which can be submitted to the Regenerating Local Economies Programme steering committee. To be eligible for assistance, a municipality must be affected by large-scale retrenchments within a company or subsector of their local economy, or indirectly affected by such retrenchments. For instance, it might experience backward migration, or be a “thriving” municipality in a region that is facing large-scale job losses. Once approved, funds are transferred directly to municipalities and included in the municipal budget.
- The *financial management grant* is managed by the national Treasury and assists metropolitan, district and large category B (primary) municipalities in building their financial and strategic management capacity. This is achieved through supporting the implementation of budgeting and financial reporting systems reforms, building their capacity for financial planning, operating and capital budgeting, and developing systems for linking outputs to resource allocation. In particular, this grant is intended to assist municipalities in developing three-year, strategic management-oriented budgets. In the longer term, this grant will help municipalities to implement the Local Government Financial Management Act, once it has been promulgated. Eligible municipalities must agree to appoint a municipal manager and a head of finance, and must submit an outline of their plans to improve financial management or to pilot budget reforms.
- The *land development objectives* grant is managed by the Department of Land Affairs. It assists municipalities in improving their strategic capacity to manage land-use development through the adoption of land development objectives in terms of the Development Facilitation Act, 1995. Funds are targeted at underresourced, poor, mainly rural or non-metropolitan municipalities that are located in provinces with regulations on land development objectives or a similar regulatory framework. Applications may be submitted by municipalities or provinces and must contain evidence of planning for land reform, provide an assessment of planning need, show a capacity for the management of risks and be cost-effective. While the grant itself is intended to support the preparation of land development objectives, this will not be the sole criterion for disbursement. The grant will be increasingly aligned with the local government financial management grant and the local government support grant.

- The *housing grant* for provincial and local government capacity building is managed by the Department of Housing and assists municipalities in implementing subsidised housing projects. The goal is to build the relevant capacity and skills among various stakeholders to perform their respective roles and responsibilities in the housing process. As such, the department primarily funds the provision of training courses to relevant stakeholders, to develop the skills required for successful housing delivery.
- *Bus subsidies* are an agency payment managed by the Department of Transport. This historical subsidy is targeted to areas that have particularly acute apartheid land-use distortions. Allocations are made subject to an agreement between national and provincial departments regarding the management and administration of subsidised bus services. The provincial departments must report on expenditures prior to the transfer of funds. These expenditures are derived from claims received from bus service operators in terms of their contracts with the departments. The contracts are either interim contracts, wherein claims are based on sales of subsidised tickets, or tender claims based on applicable “revenue kilometres” which are, in turn, monitored by outside firms. Contracting authorities are redesigning transport networks to integrate transport modes and spatial development.

Trends in current transfers

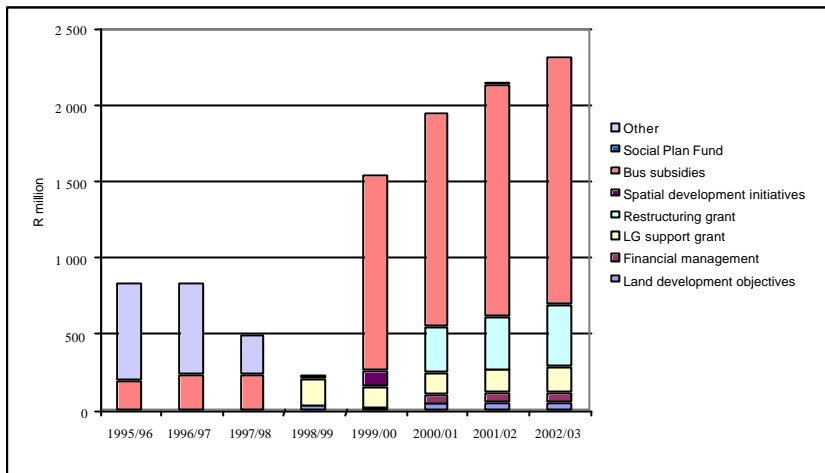
Bus subsidies

Bus subsidies are the most significant source of current transfers to municipalities in 2000/01. However, the restructuring grant accounts for the biggest portion of conditional grant allocations to municipalities, at R300 million. The social plan measures grant is the smallest current grant at R2,55 million.

Table 7.11 Current transfers to local government

R million	Actual					Budgeted		
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Land development objectives	0	0	3	24	14	44	45	47
Financial management	0	0	0	0	0	50	60	70
Subtotal Capacity	0	0	3	24	14	94	105	117
LG support grant	0	0	0	181	137	150	160	170
Restructuring grant	0	0	0	0	0	300	350	400
Subtotal Restructuring	0	0	0	181	137	450	510	570
Spatial development initiatives	0	0	0	0	103	0	0	0
Bus subsidies	192	229	229	34	1 293	1 409	1 522	1 629
Social Plan Fund	0	0	0	0	3	3	3	3
Other	643	600	258	0	0	0	0	0
Subtotal Other	835	829	487	34	1 399	1 412	1 525	1 632
Current transfers	835	829	490	239	1 550	1 956	2 140	2 319

Figure 7.6 Current transfers to municipalities



The total allocation of recurrent grants dropped from R1,1 billion in 1998/99 to R626,6 million (51,3 per cent) in 1999/00. The total allocation of recurrent grants increased by R353 million (or 56,3 per cent) to R979,6 million in 2000/01 owing to the introduction of the restructuring grant at R300 million and the financial management grant of R50 million. The total allocation of recurrent grants is projected to reach just over R1 billion in 2001/02, with average increases of 6,3 per cent projected for 2001/02 and 2002/03.

A number of these grant programmes are closely related. For instance, the local government support grant and the restructuring grant both provide assistance to municipal restructuring initiatives. The two grants complement one another, while taking cognisance of the varying needs of municipalities:

- The *restructuring grant* is R300 million in 2000/01 and increases by R50 million (or 16,6 per cent) to R350 million in 2001/02 and by another R50 million (or 14,3 per cent) in 2002/03 to R400 million. The grant supports medium-term restructuring exercises by large municipalities, with a first allocation of R225 million this year to the Greater Johannesburg Metropolitan Council.
- The *local government support grant* allocation dropped from R181 million in 1998/99 to R137 million in 1999/00. It increased to R150 million in 2000/01, and will increase by R10 million in each subsequent year. It funds a range of management support and capacity building initiatives in smaller municipalities. The management support programme of the local government support programme lacked financial capacity to implement the recommendations made by the management support teams. An institutional reorganisation fund of R60 million has therefore been introduced within the grant envelope. The aim is to implement the recommended change management design or transformation plans.

Restructuring grant

Management and capacity support grant

A number of grants also have a close relationship with infrastructure transfers. For instance, the social plan measures grant provides direct

Other grants

input into the LED Fund and provides a map of how the LED Fund should be invested in municipalities.

The financial management, land development objectives and social plan measures grants jointly target municipal capacity building. A small percentage of most infrastructure transfer programmes is also directed at capacity building. For the CMIP, CWSSP and CBPWP, this amount is 3,5, 5 and 4 per cent respectively of the total transfer.

Transfers and spending of grants

Efficiency of framework

Fragmented funding The plethora of transfers and the duplication of funding have raised concerns about the efficacy of the fiscal framework for infrastructure and current transfers. It has been argued that the approach to these transfers is incoherent, leading to current approaches to municipal infrastructure delivery and capacity building being fragmented and uncoordinated. Additionally, it has been alleged that the programmes fail to leave significant residual capacity in municipalities, as they are primarily designed to serve the needs of departments (or their consultants) to spend, rather than to improve the ability of municipalities to deliver. Many departments micro-manage grants.

Improving the conditional grants system

2000 Division of Revenue Act

Division of Revenue Act, 2000 The Division of Revenue Act, 2000, includes a number of new provisions to promote advanced planning and better accountability for conditional grants. These requirements are discussed in more detail in Chapter 3. These provisions should improve planning, reporting and monitoring of conditional grants. They should also clarify the responsibilities of national, provincial and municipal officers administering grant programmes, to ensure that Government's policy goals are achieved.

New conditional grants system

Rationalisation In addition to the changes to the Division of Revenue Act, several reforms are gradually being introduced to address problems in the transfer system. To address the efficiency concerns discussed above, national government is investigating the rationalisation of a number of infrastructure and current transfers. The outcome will be a single infrastructure transfer, a restructuring transfer and a capacity building transfer. These transfers will address the requirements of various aspects of national policy while encouraging an asymmetrical approach to the development of the local government system. However, transfers such as the bus subsidies are considerably more complex to transform. Nonetheless, the Department of Transport has made considerable progress in preparing for the devolution of public transport funding to municipalities.

Conclusion

The framework of national transfers to local government is subject to ongoing review and refinement as the system of local government evolves in South Africa. To date, significant changes have been made to the system to improve its equity and efficiency. However, numerous problems remain and Government will continue to reform and streamline the transfer system. The aim is to ensure that it matches the policy objectives that underpin national and provincial governments' interfaces with the local sphere.

Ongoing refinement

IV. ANNEXURES

Division of revenue

The division of revenue between the spheres of government is one of the most crucial decisions made in the budget process. It determines the allocation of resources to the broad functions performed by each sphere, and thus to the types of services delivered. The division of resources reflects the priority of the respective services provided by each sphere and its ability to fund these services.

The issues that must be considered in determining the division of revenue are listed in section 214(2) of the Constitution. This memorandum, in terms of section 10(5) of the Intergovernmental Fiscal Relations Act, explains how the constitutional requirements have been met, how recommendations of the Financial and Fiscal Commission have been considered, and any assumptions and formulae underlying the division of revenue. Although the Division of Revenue Bill considers only allocations for 2000/01, the division of revenue is made in the context of the MTEF. This memorandum, therefore, refers to the MTEF and to deviations from the projections of last year's Budget where appropriate.

The *Budget Review* presents the revised fiscal framework that was made possible by sound policies during last year's Asian crisis and the subsequent recovery in emerging markets. Stronger growth and a more positive economic outlook resulted in increases in available funds of R8,3 billion and R12,1 billion for 2000/01 and 2001/02, respectively, compared with estimates in the 1999 Budget.

Meeting constitutional requirements

The division of revenue must support the nation's priorities and take into account the spending pressures associated with its policy choices. As presented in section 214(2), the Constitution requires that the division of resources must be consistent with the functions of each sphere and that, among other things, it must:

- Reflect the national interest and Government's priorities
- Allocate resources to providing basic services and meeting developmental needs
- Take account of the fiscal capacity and efficiency of each sphere
- Enable the reduction of economic disparities.

National interest and the division of resources

The national interest encapsulates policies and programmes that benefit the nation as a whole. For example, a stable macroeconomic environment, stronger economic growth, lower unemployment, reduced crime and a more efficient public service all contribute to a higher standard of living for all South Africans. Since programmes to meet these goals cut across all three spheres of government and often across departments, they are most appropriately coordinated and funded by national government. Broad-based programmes in the national interest introduced by Government since 1994 include the campaign against HIV/Aids, the working for water programme, initiatives to promote empowerment and job creation, and an integrated nutrition programme.

Government is committed to sound public administration, improved governance and transformation. To this end, funds are allocated to the national sphere to cover the costs of anti-corruption initiatives, investments in information technology, public service restructuring and

financial management upgrading. Conditional grants for implementation of the Public Finance Management Act and information systems are provided to support these commitments in provinces.

Government recognises that South Africa has a growing role in maintaining peace and security in the region. In the 2000 Budget, therefore, a substantial upward adjustment is made in the national share to accommodate a strategic defence procurement programme. After an extended period of cuts in defence spending, higher economic growth and an increase in available resources enabled government to modernise the defence force while still improving access to social services.

Provision for debt costs

Interest on government debt, estimated to be R46,5 billion in 2000/01, is a first charge on Government revenues. Lower interest rates and the retiring of debt with the proceeds of privatisation resulted in a R3,3 billion saving in debt costs in 2000/01. These savings release funds for expenditure on other priorities. In addition, the commitment to fiscal discipline will contribute to lower future debt service costs through the continued reduction of the annual budget deficit.

Natural needs and interests

The national government is exclusively responsible for those functions that transcend provincial boundaries, including protection services, economic services and foreign affairs. These responsibilities are financed from national government's equitable share of revenues. Of the increase in non-defence spending in 2000/01, 41 per cent is awarded to national departments. This includes strengthening the crime prevention strategy, restructuring public enterprises, and funding programmes to alleviate poverty and enhance job creation. The national sphere is also responsible for meeting the contractual commitments of the state and for providing transversal systems of governance, including tax administration and financial information systems.

National government is responsible for policy development and monitoring in functions shared with provincial government. National government allocates 13 per cent of its share to conditional grants to ensure adequate financial provision for national interests in provincial budgets. A further 1 per cent is transferred as grants to local government. Agency payments are made to both provincial and local government for functions performed on behalf of the national sphere.

Provincial and local basic services

Subnational governments have significant autonomy over allocating resources to meet basic needs and to respond to provincial and local priorities. The division of revenue, however, continues the emphasis of previous years on supporting provincial and local basic services – extending health services, broadening the social security net and creating a culture of learning in schools are central elements of Government's social policy. Of the increase in non-defence spending, 52 per cent is allocated to the provincial sphere and 7 per cent to local government.

Within the equitable share formula, the weighting of the social services components is increased to reflect the increasing spending pressures of broader access to services, better quality services and the impact of HIV/Aids and unemployment. Increased expenditure, however, must be accompanied by the development of service delivery indicators to enable future budget decisions to take account of effectiveness in spending. The Department of Education has set aside R202 million in 2000/01 as a conditional grant to provinces to improve the quality of learning in schools. Grants are also provided by the national Departments of Health and Welfare and Population Development to strengthen expenditure control, hospital management and financial administration in these sectors.

Another spending pressure is the need for an effective rural development strategy, which requires expanded agriculture budgets at the provincial level, increased investment in rural infrastructure and sustained land reform. In addition to specific grants that support these initiatives, provinces and municipalities use funds from their equitable shares and own revenues.

Fiscal capacity and efficiency

The Constitution assigns the primary sources of government revenue to national government. Local governments finance the bulk of their expenditure from property rates, user charges and fees. This means that national government receives more revenue than it requires to meet its obligations, local government is largely self-financing, but provincial expenditure responsibilities exceed provincial sources of own revenue. This imbalance is addressed by sharing nationally collected revenues between the spheres, with provinces receiving the largest equitable share.

Options for increasing provincial fiscal capacity through own revenue sources continues to be explored. However, expanding the ability of provinces to levy taxes is neither a prerequisite for nor a guarantee of greater accountability or fiscal capacity. A review of provincial own revenues showed that improvements in collecting revenues already owed to provinces can increase fiscal capacity without encroaching on existing tax bases.

Budget reform and the MTEF emphasise the importance of efficiency in spending – increased expenditure is not a guarantee of better services. Improved information on service delivery is needed to inform future budget decisions so that funds are directed to where they best enhance the delivery of services. The use of performance contracts for senior departmental managers and the introduction of the Public Finance Management Act strengthen the incentives for sound financial management and good budget practice.

The responsibilities of provincial and local government in accelerating service delivery have grown over the past four years. Implementing budget reforms, improving the effectiveness of public spending and enhancing service delivery are dependent on the building of capacity. Conditional grants for training and capacity building are provided by several national Departments, including Health, Housing, Welfare, Education, Finance, Provincial and Local Government and State Expenditure. Two new grants, totalling R350 million, are introduced this year to assist municipalities in restructuring and building financial management capacity, particularly in view of the municipal demarcation process.

All three spheres are strengthening financial management capacity. The programme funded by the Department of State Expenditure focuses on appointing qualified personnel, training financial managers and improving reporting and oversight procedures. Several provinces are establishing or expanding internal audit units to improve control over expenditure. At local government level, the financial management grant will assist municipalities in upgrading financial management capacity.

Developmental needs

Development needs are considered in both the equitable share formulae for provincial and local government and in specific conditional grants. The health component of the provincial equitable share formula distributes resources towards poorer provinces in that persons without access to medical aid are weighted more heavily. The welfare component includes a poverty adjustment that captures poor people's increased reliance on grants. The backlog component reflects the need for basic infrastructure in rural areas, as well as maintenance backlogs within the health and education sectors.

Funds for initiatives to enhance job creation and alleviate poverty are increased to R1,2 billion in 2000/01. In particular, the needs of the rural poor receive priority, in recognition that they have fewer economic opportunities than other South Africans. For example, in 2000/01 R609 million is

set aside to fund water and sanitation programmes in rural and small communities. Following the Presidential Job Summit, funds are provided for projects that focus on job creation. These include the CBPWP, a local tourism infrastructure programme and the flagship programme to promote employment for women with young children. The Umsobomvu Fund, in addition to other government-funded finance institutions, channels funds to stimulate employment creation and skills development among South African youth.

Government demonstrates its commitment to hospital rehabilitation by providing a conditional grant from the national department to complement provincial maintenance of hospital infrastructure. Grants are also provided for the construction of hospitals in Umtata and Durban, and to upgrade facilities in the five provinces without academic hospital complexes. The CMIP funds infrastructure for low-income urban households and will be extended this year to pilot projects in rural communities.

Government adopted a further education and training policy aimed at broadening the skills base. The introduction of the skills development levy this year, of which 20 per cent will be allocated to the National Skills Fund, mobilises substantial funds for human resource development. The National Skills Fund provides training initiatives for the unemployed and supports provincial training schemes and centres.

Investment, increased domestic savings and job creation are clear objectives of Government's social and economic policies. This year's allocations enable Government to take advantage of opportunities created by the European Union trade agreement and stronger trade ties with the rest of Africa. As part of the defence procurement package, various industrial participation commitments were negotiated that will promote investment, trade and job creation in the local economy. Over time, these projects should contribute to stronger economic growth and increased revenue to finance further development. Local development will benefit from the recapitalisation of the taxi industry and targeted industrial programmes to support small, medium and microenterprises.

Agricultural development initiatives have been pressured by constraints on provincial budgets and the priority given to social service expenditure. Greater stability in provincial social service budgets and significant progress in reducing provincial debt will release resources for these and other initiatives.

Economic disparities

The equitable share formula recognises that the provinces have different demographic and economic profiles, markedly different levels of economic development and significant variations in socio-economic circumstances. The equitable share formula is therefore redistributive, to assist provinces in providing a basic level of services for all South Africans. Table A.6 shows the progress made towards a more equitable distribution of resources.

The formulae or criteria used by national departments to distribute grants among provinces are also redistributive. For example, the allocation of the education quality enhancement grant redistributes resources to poorer provinces with a higher proportion of underresourced schools. The health rehabilitation and redistribution grants recognise the varying capacity of provinces to maintain and upgrade public health facilities.

Within provinces, access to economic opportunities and public services vary significantly between regions and between urban and rural areas. Provincial governments have to redistribute resources within their budgets to promote the development of poor areas. The slower growth in allocations to health, welfare and education departments will also require these departments to reprioritise their budgets towards poor communities.

Obligations in terms of national legislation

While the Constitution confers significant autonomy on provincial governments to determine provincial priorities and allocate provincial budgets, national government retains responsibility for policy development and for monitoring implementation within shared functions. Therefore, although the equitable share allocations and other transfers are intended to allow provinces and local government some discretion, national policies create mandates that must be accommodated. For example, improvements in conditions of service are negotiated centrally but the ongoing costs must be provided for on provincial budgets. National policy also obliges provinces to provide for national entitlements such as welfare grants and free primary health care.

Individual components of the equitable share formula are designed to allocate resources in line with national obligations. For example, the education component reflects national policy aimed at reducing out-of-age enrolment and compulsory education for all children between grades 1 and 9. The health component relies on the number of individuals without health insurance, the group that makes the most use of public health services. Similarly, the welfare component tries to capture demand for social security grants. The take up of the child support grant is being analysed to assess whether the weighting of the child and poverty subcomponents adequately capture the demand for the grant.

Conditional grants and agency payments provide funding for national priorities that are implemented by provincial or local government. The national Department of Health allocates R582 million in 2000/01 to fund integrated nutrition programmes in the provinces. The Department of Housing will transfer more than R3 billion to provinces to subsidise low-cost housing. The Department of Welfare made R50 million available in 2000/01 to assist provinces with reregistration of beneficiaries and upgrading of information systems to manage the grants system. A further R17 million is allocated to activities to promote the take-up of the child support grant. The Department of Provincial and Local Government has allocated R883 million to the CMIP.

Predictability and stability

Government has resolved that the equitable shares for a given year will be based on estimates of nationally collected revenues, as announced in the Budget. Allocations will not be adjusted if actual revenue collected is different from these targets. Furthermore, the Division of Revenue Bill specifies that all allocations must be transferred according to a payment schedule. Thus, at the beginning of the financial year provinces and local governments are assured of the resources they will receive and know the dates on which the allocations will be transferred.

Stable and predictable revenue flows are essential for departments to undertake sound planning and to encourage better financial management. The three-year MTEF projections give departments a baseline allocation against which to plan. Although the estimates are a statement of intent and are revised annually, changes must be justified in terms of a revised macroeconomic framework or specific policy changes.

In addition to three-year projections of the equitable share, national departments must also provide projections of ongoing conditional grants. While departments may still adjust these amounts should circumstances change, such adjustments will have to be justified and incorporated into the budget process. Greater certainty of revenues improves the quality of provincial budget planning and expenditure projections.

The incidence analysis of social service expenditure and an evaluation of allocations from 1995/96 show that significant reprioritisation has taken place in favour of the social services. This foundation and the revised fiscal framework allow for more moderate reprioritisation between sectors over the next three years, introducing greater stability in allocations. Provincial finances have undergone considerable realignment over the past two years as expenditures were brought

more in line with revenues and accumulated debts reduced. Slower growth in provincial expenditures thus reflects stabilisation of provincial budgets putting them on a sound footing for future years.

Need for flexibility

The contingency reserve provides a cushion against the uncertainties inherent in medium-term planning and gives Government the flexibility to shift expenditures in response to changing priorities without compromising existing programmes. Some provinces have created contingency reserves to increase flexibility in provincial budget planning and to enable them to repay accumulated debt.

Financial and Fiscal Commission recommendations

The Financial and Fiscal Commission did not make specific recommendations for the 2000 Budget, as its previous recommendations were in terms of a multi-year framework that covered the 2000 Budget. The Commission is currently undertaking a comprehensive review of the intergovernmental fiscal system, referred to as Project 2001. In keeping with the three-year MTEF planning cycle, it focused its attention on 2001 and beyond. The research phase has been completed and consultations with stakeholders are expected to culminate in substantive recommendations in April 2000.

Economic assumptions underlying the division of revenue

The growth and performance of the economy must be taken into account in determining the resources available for allocation. As explained in the *Medium Term Budget Policy Statement*, a turnaround in emerging markets and the soundness of South Africa's policies facilitated stronger growth than anticipated in the 1999 Budget. The more positive outlook for the MTEF period is reflected in the revised medium-term macroeconomic framework set out in Table A1.

Table A1 Medium-term macroeconomic assumptions

	1999/00		2000/01		2001/02		2002/03
	1999 Budget	2000 Budget	1999 Budget	2000 Budget	1999 Budget	2000 Budget	2000 Budget
Gross domestic product (R billion)	813,9	809,7	881,1	885,2	952,1	958,2	1 036,7
<i>Real GDP growth</i>	1,8%	1,7%	3,2%	3,6%	3,8%	3,2%	3,3%
<i>GDP inflation</i>	6,4%	5,5%	4,9%	5,5%	4,1%	4,9%	4,8%
National Budget Framework							
Revenue (R billion)	190,9	196,3	206,6	210,4	221,5	227,4	243,6
<i>Percentage of GDP</i>	23,5%	24,2%	23,5%	23,8%	23,3%	23,7%	23,5%
Expenditure (R billion)	213,9	216,0	229,9	233,5	251,5	251,5	266,7
<i>Percentage of GDP</i>	26,3%	26,7%	26,2%	26,4%	26,0%	26,2%	25,7%
Budget deficit (R billion)	23,0	19,7	23,3	23,1	25,0	24,1	23,1
<i>Percentage of GDP</i>	2,8%	2,4%	2,6%	2,6%	3,0%	2,5%	2,2%

Note: 1999 Budget figures exclude RDP grants from revenue and expenditure.

Division of revenue between spheres of government

The primary sources of nationally collected revenue are taxes and borrowing, although limited non-tax revenues are also collected. Before the resources can be divided, however, provision must be made for national commitments such as debt service costs and a contingency reserve. The remaining pool of revenue is available for sharing between national, provincial and local government.

The determination of the equitable shares is the result of an extensive process in which the functions of each sphere, the delivery implications of various options and the outputs of technical teams are discussed by a number of forums before recommendations are presented to Cabinet. Although technical analysis of the options informs the division of revenue, it is fundamentally a political choice between competing priorities.

Over the past four years, expenditure on defence and economic services were curtailed and social services and integrated justice reprioritised. In particular, the 1999/00 division of revenue protected the social services and basic service delivery despite the unanticipated slowdown in economic activity. The division of revenue for 2000/01 continues to support the social services but the revised economic projections allow Government to also give attention to other national functions.

Revised economic projections, fiscal policy considerations and adjustments to the calculation of GDP are discussed in the main chapters of the *Budget Review*. The revised budget framework provides for additional spending of R4,0 billion in 1999/00, R8,3 billion in 2000/01 and R12,1 billion in 2001/02 compared with the estimates projected for these years in the 1999 Budget. As shown in Table A2, these additional funds were distributed across the three spheres in differing proportions. The national government received the largest share, primarily reflecting the decision to modernise the defence force. The national portion also includes expenditure on programmes funded by the skills levy, which is an earmarked revenue.

Table A2 Revised allocations to spheres

R billion	1999/00	2000/01	2001/02
Change in available resources	4,0	8,3	12,1
Allocation to:			
National government	1,9	5,4	8,1
Defence	–	2,8	3,9
Skills development programmes	–	0,5	1,2
Other non-defence	1,9	2,0	3,0
Provincial government ¹	2,1	2,6	3,6
Local government ¹	*	0,4	0,5
Percentage share of available resources			
National government	47,6	64,5	66,8
Provincial government	52,1	31,3	29,5
Local government	0,3	4,2	3,7
Percentage share of non-defence funds, excluding skills development programmes			
National government	47,6	40,8	42,5
Provincial government	52,1	52,2	51,0
Local government	0,3	7,0	6,5

¹ Provincial and local government allocations include conditional grants from national government

* Less than R50 million

Of the remaining funds allocated to non-defence spending, over half were allocated to the provinces, recognising the challenges they face delivering social services, building economic infrastructure and promoting rural development. In addition, a portion was allocated to local government, which is undergoing significant transformation and restructuring. Although the additional amount for local government is small, it is significant relative to the overall level of resources transferred to that sphere.

The impact of these policy decisions on the division of revenue is shown in Table A3, which presents the resources allocated to the three spheres. The additional funds for defence and the new skills development programmes increase the share of funds going to national government. Its share rises from 40,4 per cent in 1999/00 to 42,1 per cent in 2002/03. The share dedicated to local government also rises modestly, reaching 1,6 per cent in 2002/03. The provincial share declines correspondingly, from 58,2 per cent in 1999/00 to 56,4 per cent in 2002/03. Although the provincial share declines relative to the other spheres, its allocation nonetheless continues to grow faster than the rate of inflation over the medium term.

Table A3 Division of revenue between the spheres of government

R million	1999/00	2000/01		2001/02	2002/03
	Revised estimates ¹	1999 Budget ¹	2000 Budget	Medium-term estimate	
National allocation ²	68 999	70 739	76 095	83 107	87 834
Provincial allocation	99 376	103 433	106 037	111 810	117 057
Equitable share	86 595	92 071	94 408	100 167	105 158
Conditional grants	12 781	11 362	11 629	11 643	11 899
Local government allocation	2 327	2 480	2 830	3 030	3 233
Equitable share	1 673	2 480	1 867	1 997	2 130
Conditional grants	654		963	1 033	1 103
Total to be shared	170 702	176 652	184 963	197 947	207 674
Plus:					
Debt service	44 483	49 754	46 490	49 531	50 997
Contingency reserve		3 500	2 000	4 000	8 000
Umsobomvu fund	855				
Total expenditure	216 030	229 906	233 453	251 478	266 671
Percentage of shared total					
National allocation	40,4	40,0	41,1	42,0	42,1
Provincial allocation	58,2	58,6	57,3	56,5	56,4
Local government allocation	1,4	1,4	1,5	1,5	1,6

1. Adjusted to include housing subsidies in the provincial allocation and remove them from the national allocation; national allocation in the 1999 Budget adjusted to include transfers to skills funds

2. The national allocation excludes conditional grants as these are spent at the provincial and local levels.

National government share

National departments deliver a range of services that provide benefits across provincial boundaries. The increased allocation to the national equitable share provides for:

- Costs associated with South Africa's international responsibilities, including regional peacekeeping and other international commitments
- Modernisation and strengthening of the justice system to combat crime
- Provision of a comprehensive strategy to deal with HIV/Aids
- Increased pressure on the transport system, including commuter transport and the roads network

- Initiatives to root out corruption and improve financial management
- Restructuring of state assets and the transformation of the public service.

National departments provide conditional grants and agency payments to other spheres to promote spending on national priorities. These transfers contribute to Government's redistribution and development goals by providing funds to subsidise transport, low-income housing, basic infrastructure, nutrition programmes and maintenance of health facilities.

Provincial allocations

Provinces have three sources of revenue. Transfers from national government comprise more than 96 per cent of provincial revenues on average, of which 88 per cent is the discretionary equitable share (see Table A4). The remaining 12 per cent flows through conditional grants. Provinces raise less than 4 per cent of their revenues from own sources.

Table A4 Total transfers to provinces, 2000/01

R million	Equitable share	Conditional grants	Total transfers
Eastern Cape	16 452	1 332	17 784
Free State	6 408	857	7 265
Gauteng	14 235	2 971	17 206
KwaZulu-Natal	18 894	2 234	21 128
Mpumalanga	6 423	570	6 993
Northern Cape	2 302	180	2 482
Northern Province	12 626	1 068	13 694
North West	8 009	658	8 667
Western Cape	9 059	1 782	10 841
Unallocated		590	590
Total	94 408	12 242	106 650

Provincial equitable share

The provincial equitable share is distributed among the provinces on the basis of a redistributive formula reflecting their demographic and economic profiles. Table A5 shows the current structure and distribution of the shares by component and the target shares to be reached by 2003/04. The elements of the formula are neither indicative budgets nor guidelines as to how much should be spent on those functions. Rather, the components are weighted broadly in line with expenditure patterns to provide an indication of relative need.

Last year, the baseline allocations to provinces had to be adjusted to incorporate the results of the census. This year, less new data were available for updating the formula components, contributing to smaller deviations from the baseline allocations. In particular, the Statistics South Africa mid-year estimates of population did not include a breakdown by age. Even in terms of the totals, the percentage distribution across provinces did not change. As a result, the 1996 census data have been retained throughout.

Two revisions have been made to the formula. First, the economic activity component has been adjusted on the basis of updated data. Second, expenditure trends in the social services resulted in shifts in the weightings of the various components. The most significant change to the provincial allocations, however, arises from revisions to the fiscal framework. The baseline allocations to be distributed through the equitable share increased, resulting in larger provincial allocations across the board.

Table A5 Distributing the equitable share, percentages by province

	Education	Health	Social welfare	Basic share	Economic activity	Institutional	Backlog	Target shares
<i>Weighting</i>	41,0	19,0	17,0	7,0	8,0	5,0	3,0	100,0
Eastern Cape	18,5	17,0	19,6	15,5	6,5	11,1	20,6	16,9
Free State	6,3	6,5	7,1	6,5	5,3	11,1	5,7	6,6
Gauteng	12,3	14,7	13,9	18,1	41,6	11,1	5,1	15,5
KwaZulu-Natal	22,1	21,7	19,6	20,7	17,0	11,1	22,9	20,6
Mpumalanga	7,3	7,2	6,5	6,9	4,9	11,1	8,5	7,2
Northern Cape	1,9	2,0	2,2	2,1	1,7	11,1	1,3	2,4
Northern Province	15,7	13,3	13,7	12,1	3,0	11,1	22,9	13,6
North West	8,0	8,6	8,7	8,3	5,7	11,1	9,4	8,3
Western Cape	7,9	8,9	8,8	9,7	14,4	11,1	3,7	8,9
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Since its introduction, the equitable share formula has been phased in to avoid disruptions in provincial allocations where the target shares differ substantially from the current allocation of resources. Taking into account the significant impact of the final census data on the allocation of funds for 1999/00, a five-year phase-in period was employed last year, using the 1998/99 equitable share allocations (including improvements in conditions of service) as the base. The target date of 2003/04 has been retained, so that four years remain in the phasing process. The higher than anticipated improvements in conditions of service in 1999/00 have been incorporated into the revised equitable shares.

Table A6 Phasing in the equitable share, 2000 Budget

Percentage	1999/00 base	2000/01	2000/02	2002/03	2003/04 target
<i>Phasing</i>		<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>
Eastern Cape	17,6	17,4	17,3	17,1	16,9
Free State	6,8	6,8	6,7	6,7	6,6
Gauteng	14,9	15,1	15,2	15,4	15,5
KwaZulu-Natal	19,8	20,0	20,2	20,4	20,6
Mpumalanga	6,7	6,8	6,9	7,0	7,2
Northern Cape	2,4	2,4	2,4	2,4	2,4
Northern Province	13,3	13,4	13,5	13,5	13,6
North West	8,6	8,5	8,4	8,3	8,3
Western Cape	9,8	9,6	9,4	9,2	8,9
Total	100,0	100,0	100,0	100,0	100,0

Overall, the changes to the formula have a relatively small impact on the distribution of funds among provinces. The table below shows the 2003/04 target shares from last year (1999 Budget) and this year, after the formula has been updated. In general, most provincial shares change by less than 0,05 percentage points.

Table A7 2003/04 target shares, 1999 and 2000 Budget

Percentage	1999 Budget	2000 Budget	Difference
Eastern Cape	16,8	16,9	0,1
Free State	6,6	6,6	*
Gauteng	15,7	15,5	-0,2
KwaZulu-Natal	20,7	20,6	-0,1
Mpumalanga	7,1	7,2	*
Northern Cape	2,4	2,4	*
Northern Province	13,5	13,6	0,1
North West	8,2	8,3	*
Western Cape	8,9	8,9	*
Total	100,0	100,0	0,0

* Less than 0,05 per cent.

The weightings applied to the social services components reflect a three-year average of expenditure on these services. Based on the most recent three-year period, 1997/98 to 1999/00, weights of 41,0 per cent for education, 19,0 per cent for health and 17,0 per cent for welfare have been applied. Compared with last year, this reflects a 1 percentage point increase for the education and health components, but no change for welfare. These increases are offset by a 2 percentage point reduction in the weighting of the basic share, from 9,0 to 7,0 per cent.

The education component targets primary and secondary schooling, which accounts for roughly 90 per cent of provincial education spending. Both the population of school-going age and enrolment numbers are used to reflect the demand for education services. The school-age cohort is double weighted, accentuating the role of this measure of educational need. The Department of Education has not yet prepared adjusted 1999 enrolment numbers and the 1998 enrolment figures have been retained.

Table A8 Calculation of education component

Thousands	Enrolment	School-age (6–17)	Weighted share (%)
<i>Weighting</i>	1	2	
Eastern Cape	2 295	2 010	18,5
Free State	808	680	6,3
Gauteng	1 400	1 394	12,3
KwaZulu-Natal	2 812	2 377	22,1
Mpumalanga	924	789	7,3
Northern Cape	202	223	1,9
Northern Province	2 043	1 665	15,7
North West	946	896	8,0
Western Cape	905	895	7,9
Total	12 335	10 930	100,0

The health component addresses the need for provinces to deliver primary and secondary health services. As all citizens are eligible for health services, the provincial shares of the total population form the basis for the health share. It recognises that people without medical aid support are more likely to use public health facilities and these people are therefore weighted four times higher than those with medical aid. This implies that the uninsured account for 95 per cent of the usage of public health facilities. The proportions of the population with and without access to medical aid are taken from the 1995 October Household Survey and applied to the census figures.

Updated information on the number of people without medical aid was unavailable as this was not reported in the 1996 October Household Survey. The Department of Health agreed to leave the health component unchanged for 2000/01.

Table A9 Calculation of health component

Thousands	With medical aid	Without medical aid	Weighted share (%)
<i>Weighting</i>	<i>1</i>	<i>4</i>	
Eastern Cape	510	5 793	17,0
Free State	467	2 166	6,5
Gauteng	2 958	4 390	14,7
KwaZulu-Natal	1 103	7 314	21,7
Mpumalanga	392	2 409	7,2
Northern Cape	175	665	2,0
Northern Province	376	4 554	13,3
North West	457	2 897	8,6
Western Cape	1 127	2 830	8,9
Total	7 566	33 018	100,0

The welfare component captures provinces' responsibility for providing social security grants. The constituent parts reflect the target populations of social security payments, weighted by the distribution of expenditure for each type of grant. For example, the bulk of social security payments are old-age pensions. Means-testing of grants is reflected through an income adjustment based on the provincial share of the population in the lowest two quintiles of the income distribution. This information was drawn from the 1995 Income and Expenditure Survey, which has not been updated. Data from the Department of Welfare on actual expenditure by grant type indicate that the current weightings are still appropriate. However, in future, the weightings of the grant types will be adjusted to reflect the growing importance of the child support grant.

Table A10 Calculation of the welfare component

Percentage	Old age	Disability	Child care	All grants	Income adjustment	Weighted share
<i>Weighting</i>	<i>65,0</i>	<i>25,0</i>	<i>10,0</i>	<i>75,0</i>	<i>25,0</i>	<i>100,0</i>
Eastern Cape	19,1	15,5	17,4	18,0	24,3	19,6
Free State	6,2	6,5	5,7	6,2	9,6	7,1
Gauteng	15,7	18,1	14,3	16,2	7,2	13,9
KwaZulu-Natal	19,8	20,7	21,7	20,2	17,6	19,6
Mpumalanga	5,9	6,9	7,3	6,3	7,1	6,5
Northern Cape	2,1	2,1	2,0	2,1	2,6	2,2
Northern Province	13,0	12,1	14,8	13,0	15,8	13,7
North West	7,8	8,3	8,4	8,0	10,7	8,7
Western Cape	10,4	9,7	8,4	10,0	5,2	8,8
Total	100,0	100,0	100,0	100,0	100,0	100,0

The economic activity component is a proxy for provincial tax revenue, directing a proportion of nationally collected revenue back to its source. It also reflects costs associated with economic activity, such as maintenance of provincial roads. Last year, provincial GGP figures were replaced by the distribution of employee remuneration, since remuneration comprises roughly 60 per cent of provincial GGP and the GGP figures had not been updated since 1994.

Remuneration data are released by Statistics SA on a quarterly basis, and the economic activity component relies on the most recent six quarters of data. The updated information reflects a modest change in distribution, with Gauteng's share declining by 1,5 percentage points and KwaZulu-Natal's by 2 percentage points. Other provinces had offsetting increases, with Northern Province showing the largest increase. The continuing absence of GGP data raises concerns about the appropriateness of data in the economic shares component; alternative data sources are being investigated.

Table A11 Economic activity shares, 1999 and 2000 Budgets

Percentage	1999 Budget	2000 Budget	Difference
Eastern Cape	5,9	6,5	0,6
Free State	5,1	5,3	0,1
Gauteng	43,2	41,6	(1,5)
KwaZulu-Natal	18,9	17,0	(2,0)
Mpumalanga	4,7	4,9	0,2
Northern Cape	1,6	1,7	0,1
Northern Province	1,7	3,0	1,2
North West	5,1	5,7	0,6
Western Cape	13,7	14,4	0,7
Total	100,0	100,0	0,0

Last year, the basic component was split into a basic share distributed by population and a backlog component. The backlog component incorporates estimates of capital needs as drawn from the Schools Survey of Needs and the 1998 MTEF health sectoral report on hospital rehabilitation. The backlog component also incorporates a rural factor, in keeping with Government's focus on rural development. As no new information was available regarding its subcomponents, the backlog component remained unchanged.

Table A12 Calculation of backlog component

Percentage	Health	Education	Rural	Weighted share
<i>Weighting</i>	<i>18,0</i>	<i>40,0</i>	<i>42,0</i>	<i>100,0</i>
Eastern Cape	16,3	22,0	21,3	20,6
Free State	3,8	7,8	4,4	5,7
Gauteng	10,8	6,3	1,2	5,1
KwaZulu-Natal	16,0	23,5	25,5	22,9
Mpumalanga	9,2	7,5	9,1	8,5
Northern Cape	1,2	1,2	1,3	1,3
Northern Province	27,5	20,4	23,3	22,9
North West	9,1	7,5	11,6	9,4
Western Cape	6,1	3,9	2,3	3,7
Total	100,0	100,0	100,0	100,0

The basic share is unchanged and reflects the distribution of total population according to the 1996 census. The institutional component recognises that some costs associated with running a government and providing services are not directly related to the size of a province's population. It is therefore evenly distributed between provinces, as it was last year.

Conditional grants to provinces

Conditional grants support compliance with national norms and standards, compensate provinces for providing services that extend beyond provincial boundaries and enable national priorities to be adequately provided for in subnational budgets. The conditional grants proposed over the medium term are summarised in Table A13.

Table A13 Conditional grants to provinces

	2000/01	2001/02	2002/03
R million	Medium-term estimate		
Eastern Cape	1 332	1 210	1 246
Free State	857	782	808
Gauteng	2 971	3 089	3 209
KwaZulu-Natal	2 234	1 938	1 891
Mpumalanga	570	496	512
Northern Cape	180	164	170
Northern Province	1 068	939	961
North West	658	584	591
Western Cape	1 782	1 8009	1 873
Unallocated	590	1 255	1 272
Total	12 242	12 266	12 532
Allocation by grant category			
Health	5 717	5 803	5 905
Finance	2 512	2 300	2 300
Housing	3 031	3 187	3 330
Local Government	613	623	633
Other	369	353	364
Total	12 242	12 266	12 532

The health grants constitute the largest conditional transfer to provinces. They include funding to support research and the training of health professionals across the provinces and to support the construction and rehabilitation of public facilities. Further support is channelled to the five provinces that provide specialised health services to citizens of all provinces.

Three separate grants support improvements in financial management at the provincial level. These are allocated through the Departments of Education, State Expenditure and Welfare and Population Development. The Department of Education uses the grant to encourage improvements in the quality of learning and not just to improve financial management practices in provincial education departments. The Department uses a redistributive formula to facilitate a reallocation of resources to poor schools. The Welfare financial management grant is used to improve social security grants systems to make the administration of these grants more efficient and cost-effective.

The second largest grant, after health, is the supplementary grant managed by the Department of Finance. This grant is intended to support improvements in financial management and budget practice at the provincial level.

In the past, funds for improvements in conditions of service were transferred to provinces as a conditional grant. As part of the revised policy on public service remuneration, funds for improvements will be incorporated in the provincial equitable share. This will allow provinces greater flexibility in managing their personnel budgets within the national framework.

In previous years, funds to subsidise low-income housing flowed through the National Housing Fund to provincial Housing Boards. The housing subsidies have been converted into a conditional

grant in 2000/01 to improve transparency and accountability. These funds will now flow to provincial revenue funds and transfers to Housing Boards will be reflected in the provincial accounts.

Local government allocations

Local government is expected to receive R6,7 billion in grants, agency payments and services-in-kind. Direct allocations amounts to R2,8 billion, an increase of R350 million over the previous year. Of this allocation, the local government equitable share which is the primary source of funding for poor and rural local governments is R1,8 billion.

The formula for distributing the equitable share between municipalities comprises a municipal basic services transfer and a municipal institutional transfer. The basic services component enables poor municipalities to deliver basic municipal services to households, while the institutional component provides support to those municipalities that lack administrative capacity and basic infrastructure.

In addition to the equitable share, local government will receive conditional grants for providing infrastructure, water and commuter transport subsidies. The baseline allocations for these grants are reflected in Table A14. The grants have been restructured to better serve the needs of municipalities. In particular, two new grants have been introduced.

The financial management grant assists the metropolitan, district, and large category B municipalities to build capacity for financial planning and budgeting. The grant will grow from R50 million in 2000/01 to R70 million in 2002/03. It will aid municipalities in developing financial reporting systems and budgeting procedures to link delivery of services to resource allocations. The salary increase for R293 staff are excluded from the totals, and will be allocated by provinces directly.

Table A14 Grants to local government

	1999/00	2000/01	2001/02	2002/03
R million	Revised estimate	Medium-term estimate		
Equitable share	1 673	1 867	1 997	2 130
Conditional grants	654	963	1 033	1 103
Agency payments and grants-in-kind	3 505	3 879	4 265	4 510
Total allocation	5 832	6 709	7 295	7 743

Provincial budget formats

This Annexure provides an overview of the budget reforms that were initiated by the national Treasury to ensure that provincial budgets meet the information requirements of the Constitution, the PFMA and international best practice.

Overview of provincial budget reforms

It highlights changes to provincial budgets, evaluates these changes and provides detail on the budget information that will be published by provinces in future.

Revised budget formats

Section 215 of the Constitution provides for national legislation to prescribe budget formats for national, provincial and local government. This is given effect in section 27(3) of the PFMA.

Legislative requirements

Section 27(3) of the PFMA

An annual budget must be in accordance with a format as may be prescribed and must, in the case of the annual budget, at least contain:

- Estimates of all revenues to be raised during the financial year to which the budget relates
- Estimates of expenditure per vote and per main division within the vote
- Estimates of interest and debt servicing charges and any repayments of debt
- Estimates of capital expenditure per vote and main division within a vote for the financial year and the projected financial implications of that expenditure for future financial years
- Estimates of revenue excluded in terms of section 13(1) from the Revenue Fund for that financial year
- Estimates of all direct charges against the Revenue Fund and standing appropriations for that financial year
- An indication of intentions regarding borrowing and other forms of public liability that will increase public debt during that and future financial years
- The projected:
 - i) Revenue of the previous financial year
 - ii) Expenditure per vote and main division within the vote for the previous financial year
 - iii) Borrowing for the previous financial year
- i) Any other information as may be prescribed, including any multi-year budgets

Existing provincial budget formats do not meet the legislative requirements of the PFMA in terms of the transparency and accountability provisions of the Act. Current formats hamper the policy-making process by providing insufficient information to support sound decision-making on resource allocation and policy.

Need for reform to budget information published

Provincial budgets are also not in line with international reporting standards set by the International Monetary Fund (IMF). The revenue and expenditure classifications used in the current budget and the reporting formats lead to considerable confusion among role players. This makes it very difficult for reporting entities to report to international institutions, especially with regard to the IMF's Special Data Dissemination Standard (SDDS).

Developing new budget and reporting formats

To address these problems, the Budget Office in the national Treasury piloted new reporting and budget formats at provincial level, which implement internationally acceptable systems of reporting and classification.

The purpose of the proposed changes to the provincial budget and reporting formats is to ensure that quality information is published on a timely basis and that reporting to the legislator, the public and international institutions is done in the required format. Information published in the revised format will also inform the political decision-making process and improve the policy-making process at both national and provincial level.

Budget 2000

In the 1999 Budget, the proposed new reporting formats were piloted in Gauteng, with marked success. It was then decided to roll out the new formats to all other provinces for the next Budget. In the 2000 Budget, provinces were required to publish the old "White Book" budget format in conjunction with the proposed new reporting format.

Major reforms

The implementation of the new reporting formats in the provinces results in the following major reforms:

- Provinces now have to report on the final budget and expenditure outcome for a specific financial year. Any surplus or deficit for a financial year is shown and an indication is given of the plans to finance the surplus or deficit. Information must be provided on the actual expenditure at the end of the previous financial year, the budgeted and estimated actual expenditure for the current financial year and the expenditure estimates (budgets) for the next three financial years.
- The new formats provide a functional classification (government purpose) of budget and expenditure information for a province. This information will facilitate benchmarking across provinces, assisting with the identification of expenditure in critical delivery areas such as education, health and welfare.
- Provinces will have to replace the traditional standard item classification of expenditure with the government financial statistics (GFS) economic classification prescribed by the IMF.
- The new statements provide detailed information on capital expenditure in a province, including longer-term planning on capital expenditure, as well as certain large capital projects.

Provinces were requested to publish at least the following information for the 2000 Budget, in addition to the publication of traditional White Book information:

*Summary of
the new format*

- A Budget Statement 1, which provides a general overview of the strategic policy direction in the province. This section will include information on the final outcome for the previous financial year, indicating the deficit or surplus, as well as the budgeted surplus for the following three MTEF years. It includes the summary of expenditure classified according to the GFS economic classification and a functional classification of expenditure, linking specific subprogrammes to specific functions, as identified in the GFS manual.
- Provinces are also required to present each departmental budget according to the GFS economic classification in a Budget Statement 2. This statement must include information on the key deliverables and output measures of each department. The departmental budget must give details of all programmes within the vote and provide the total departmental budget according to the GFS economic classification.
- In order to comply with section 27(3)(d) of the PFMA, provinces must to prepare a separate statement, Budget Statement 3, containing information on capital spending by department and listing all major capital projects.

All provinces prepared the new budget documents as requested, but in two instances it was decided not to publish the documents due to time constraints and quality considerations. As a result, seven of the nine provinces actually published budget documents in the new format as part of their 2000 Budgets. This was a remarkable achievement given the time available.

*Achievements:
2000 Budget*

There are still substantial differences in the quality of published information. Some provinces prepared very detailed departmental submissions, giving a clear indication of the mission and strategic policy objectives. Others also published information on key outputs or deliverables as a first step towards evaluating the performance of provincial departments. However, most documents provided too much information on outputs with little focus on key deliverables.

Certain provinces published only limited financial information, with scant reference to objectives and measurable outputs. Some provincial treasuries decided not to involve departments in the preparation of the documentation at such an early stage, resulting in less detailed coverage of departmental information.

In the 2001/02 budget process, the national Treasury would like to see greater involvement of provincial departments in the preparation of the new budget documents. This will add substantially to the quality and usefulness of information.

For the 2001 Budget, all provinces will again be required to produce a budget overview document in the proposed new format. It is intended that provinces will produce only the new budget statements for the 2001 Budget and no additional “White Book” budget.

2001 budget formats

The format of the new budget document is described in detail in the section below.

New provincial budget statements

In future, provinces will prepare a budget document that will comprise Budget Statement 1 (to include a budget overview), and a Budget Statement 2 (to include detailed departmental estimates).

Budget Statement 1

Budget overview

The purpose of this statement is to provide a high-level general overview of the main components of the annual provincial budget. The statement will explain Government's strategic policies to be met from budget funding and include tables of main aggregates.

Budget strategy and aggregates

It will also describe key initiatives to be provided for in the coming budget, as expressed in Government's strategic plans, including major sectoral policy statements and infrastructure plans. This statement will also include information on the provincial government's contribution to nationally mandated programmes, election manifestos and major policy decisions of Cabinet. Also included will be key policy statements and directions emphasising new expenditure and revenue initiatives to give effect to these policies.

Summary budget aggregates

Estimates will be included of the main budget components (current and capital revenue and expenditure, net lending and budget surplus or deficit) in a GFS framework. The presentation will cover all provincial departments.

Figures for the previous budget year will be included, as well as budgeted and estimated actual figures for the current year, budget estimates for the coming budget year, and percentage changes from budget to budget and from estimated actual to budget.

This section of the document will include a brief statement on the estimated deficit or surplus for the budget year and a comparison with the current year.

Economic outlook

The section on the economic outlook is optional for the provincial budget documents, as it is included in detail in the national budget documentation. However, where it is included, treasuries may consider an analysis of likely changes in the gross geographic product for the province between the current and forthcoming financial years. The main sectoral components of such changes can be discussed, as well as changes in major indicators (price indices or population growth) and their likely impact on budget revenues and expenditures in the coming year.

MTEF

A brief description of the MTEF process will be included, with an indication of the final budget allocations to the provinces from the national government after the MTEF process.

Financing

A detailed section on financing will provide information on:

- The method of financing a proposed deficit, including bank overdraft or drawing down cash balances or deposits

- The use of funds to be generated by a proposed surplus, including increases in cash balances or short-term investments, or a reduction in bank overdrafts
- Any bridging finance to be used for temporary liquidity purposes
- Any other changes in financing not influenced by the budget result, e.g. a reduction in overdrafts from cash balances
- A statement of the total debt position of the provincial government, including a table of debt types, if appropriate

Information will be provided on the allocations made to provinces through the revenue-sharing formula.

National payments

In the equitable share subsection, a description of the allocation process under section 214(2) of the Constitution will be included, as well as arrangements for phasing in the equitable share distribution over the MTEF period. The province will comment on its share of total funds available in the MTEF years and on the amount of equitable share funding in the forthcoming budget years.

Equitable share

Details will be provided of the total amount of conditional grants to be made available in the coming budget, as well as the purpose and amount of individual conditional grants.

Conditional grants

A brief description will be included of the total revenue and percentage changes in revenue between the current year and the coming budget year.

Provincial own revenue

The section on provincial own revenue will provide information on all the different types of own revenue received. This section will provide information on tax, non-tax and capital revenue. A brief description will be provided of the individual taxes levied and the reasons for changes between the current year and the coming budget year. Details will be provided on significant one-off revenue items, e.g. the sale of large capital assets.

Components of revenue

In this section of the statement, a brief summary of estimated total expenditure for the coming budget year and changes from estimated actual expenditure for the current year will be provided.

Expenditure

The expenditure information will be classified according to the GFS system of expenditure classification (i.e. the economic and functional system of classification). More details on the specific classification system are provided in the latter part of this Annexure.

Budget Statement 2

Departmental estimates

This statement provides information on the expenditure estimates of each department in the budget sector. The formats allow some flexibility, enabling departments to include service delivery performance information once output-based performance budgeting has been introduced.

Much of the information in Budget Statement 2 is currently included in provincial White Books. As from Budget 2001, provinces will only produce the new Budget Statement 2.

A separate chapter will be prepared for each department in the budget sector. The departmental statements are prepared from data in individual programme tables and will include all expenditure by the department, including statutory payments.

Accountability information

To enhance accountability within provinces, a section indicating accountability arrangements for each department will be included.

Overview

A brief description of the core functions and responsibilities of each provincial department will be provided, including a short statement of the types of services or outputs to be delivered by the department in the coming financial year.

Review of the current budget year

This section will include a brief statement of the expected service delivery outcomes for the current year. Where possible, comparisons with targets or outcomes set in the previous budget or achieved in the previous year will be provided. Where programme expenditures are expected to exceed appropriations, an explanation of the reasons for the overexpenditure will be included, together with proposed action to prevent future overexpenditure in the programme.

Outlook for the coming year

A statement of the outputs to be produced and the broad service delivery outcomes for the coming year will be included, with specific reference to new policy initiatives for the coming year.

Information per programme

This statement will provide information on the key government outcomes that are to be met from each programme. Also included will be a description of each programme with information, among others, on the number and type of services provided, the number of service establishments and the geographic distribution of services. This section may be expanded in future to allow for the introduction of performance budgeting. This may include a description of the outputs to be delivered by the programme and the performance measures relating to those outputs.

At the end of each departmental chapter, a table will provide estimates of personnel numbers (in full-time equivalent positions) by programme, at the end of the previous and current financial years, as well as the coming budget year.

To assist with expenditure analysis across financial years, a table will show any structural changes between programmes in the department or between a programme in the department and another department.

Capital expenditure

The PFMA requires annual budgets to include estimates of capital expenditure per vote and per main division within a vote for the financial year. The Act also requires estimates of the financial implications of capital expenditures for future financial years.

In Budget 2000, provinces produced a Budget Statement 3 containing information on capital expenditure. It was thought that this was required in terms of the PFMA. However, this information should in

future rather be included in Statement 2 to ensure consistency in budgeting for capital and current outlays.

Provinces will provide information on aggregate capital expenditure and on economic and functional classifications of such expenditure, as well as details of individual significant projects within each department.

Budget Statement 2 will in future provide a description of government strategic plans or other major policy statements on capital expenditure. Also, comments on changes in policy priorities and funding within or between portfolios will be included. Attempts to address maintenance backlogs of assets through budget funding should also be described. Where possible, the service delivery outcomes that Government will seek through the capital works programmes will be detailed.

Strategic directions

Provinces will include estimates of total provincial employment creation through the capital works programme. Specifically, estimates will be provided for:

Employment generation

- The total number of full time jobs to be generated in the coming budget year and future years from the planning, construction and commissioning of new capital works
- The total number of additional jobs created in future years to operate and maintain capital works that will commence in the coming budget year

A table will provide a breakdown of capital expenditure by main type. Its purpose is to compare estimated actual expenditure for the current year with the coming budget year and to explain the policy or other reasons, e.g. skilled labour or equipment shortages or inclement weather, for any significant percentage changes between the years.

Capital expenditure by economic type

As part of the section on capital spending, a breakdown of capital expenditure by government purpose or function will be provided, comparing estimated actual expenditure for the current year with the coming budget year. Capital expenditure for each departmental programme will be included in the appropriate functional classification and explanations given for policy or other reasons for significant percentage changes between the current and coming budget years.

Capital expenditure by function

In a number of provinces, public works departments receive appropriations and undertake capital projects on behalf of other departments. In these cases, estimates of expenditure will be assigned to the appropriate functional category of the client department, rather than the public works department.

Provinces will provide a detailed list, by department, of individual significant capital projects planned or currently under way. Information will be provided on the progress to date with these projects and on plans for the completion of the projects.

Individual significant projects

Government Finance Statistics

This section provides a detailed description of the IMF's GFS system of revenue and expenditure classification. The GFS system is an international standard for the compilation and presentation of government finance statistics.

The system is described in full in *A Manual on Government Finance Statistics*, first published by the IMF in 1986. It is one of three IMF manuals establishing international statistical standards: the other two relate to balance of payments statistics and monetary and financial statistics. The IMF also co-produced the *System of National Accounts*, 1993 (1993 SNA), which is the international standard for the preparation of national accounts and provides the basis for many concepts underlying the IMF's other statistical standards.

Rationale the GFS system

The IMF and other international organisations have a strong interest in fostering international statistical standards because of their roles in statistical analysis of the performance of the economies of their member countries. Intercountry comparisons play an important part in the analysis and would not be possible without standardised statistics. Because of its role as a lender to governments, the IMF has a particular interest in fiscal policy. For this purpose, it requires government finance statistics that are not only uniform but are also suitable for detailed analysis of the fiscal situation in each country. The GFS system is therefore designed to provide comprehensive data about government finances and to encourage fiscal transparency.

In essence, the GFS system consists of a set of procedures for the analysis of information in government accounts and the application of a standard classification of all government transactions, assets and liabilities. The analytical framework underlying the system and its classifications is designed to provide a transparent and standard view of government finances.

In the GFS system, "government" equates with the general government sector, as defined in the SNA. The general government sector comprises mainly institutional units, defined as government units which:

- Are at all levels of government
- Are funded primarily through taxation
- Provide goods and services either free or at nominal prices
- Redistribute income

Non-profit institutions that are mainly financed by government units and provide goods and services free or at nominal prices are also included in the general government sector. The general government sector includes extra-budgetary, as well as budgetary units.

Broad outline of the current (1986) GFS system

The current GFS system is largely a cash recording system, although provision is made for recording some non-cash transactions in memorandum items. In a cash system, transactions are only recorded when cash flows occur, which can be different from the time when economic value is changed. The system also provides for the

measurement of debt, which is not usually included in a strictly cash system.

The analytical framework of the system is based on several fundamental distinctions. *Receipts*, which are transactions involving inflows of cash, are distinguished from *payments*, which are transactions generating outflows of cash. *Repayable* transactions, in which cash is received with an obligation that it is to be repaid, are distinguished from *non-repayable* transactions in which no such obligation exists. *Current* transactions are distinguished from *capital* transactions, which are receipts or payments arising in exchange for assets that will be productive for more than one year. *Required* transactions, in which something is provided in return for cash, are distinguished from *unrequited* transactions (e.g. taxes, grants) in which nothing is given directly in return for cash. For lending transactions, a distinction is made between lending made for *policy purposes*, which is recorded with expenditure, and lending undertaken for *liquidity management* purposes, which is recorded with financing.

These basic distinctions are applied in defining the major elements in the system, which are:

- *Revenue*, which is defined as all non-repayable receipts, except unrequited receipts from other governments or international organisations – such receipts are classified as grants
- *Grants*, which are non-repayable, unrequited receipts from governments and international organisations
- *Expenditure*, which is defined as all non-repayable payments, whether required or unrequited
- *Net policy lending*, which is defined as all repayable payments made for policy purposes *less* all receipts of repayments of net policy lending (net policy lending is called “lending minus repayments” in the GFS manual)
- *Financing*, which is defined as all repayable receipts and payments other than net policy lending
- *Debt*, which is defined as all government liabilities other than “floating debt”, which is defined as outstanding commitments carrying no contractual obligation fixing the time for payment (e.g. arrears on repayment of trade credit)

The major elements are each broken down further into finer classifications, which are discussed in further in the remaining part of this Annexure.

Revenue and grants are both classified by economic type. A summarised version of the economic classification of revenue is shown in the following table.

Revenue and grants

Revenue classifications

Current revenue	
Tax revenue	<ul style="list-style-type: none"> Taxes on income, profits and capital gains Social security contributions Taxes on payroll and workforce Taxes on property General sales, turnover, or value added taxes Taxes on use of goods or on permission to use goods or perform activities Other taxes on goods and services Taxes on international trade and transactions Other taxes
Non-tax revenue	<ul style="list-style-type: none"> Entrepreneurial and property income Administrative fees and charges, non-industrial and incidental sales Fines and forfeits Contributions to government employee pension and welfare funds within government Other non-tax revenue
Capital revenue	
	<ul style="list-style-type: none"> Sales of fixed capital assets Sales of stocks Sales of land and intangible assets Capital transfers from non-government sources

Revenue is categorised as tax, non-tax or capital revenue.

Classification of revenue Tax revenue is compulsory, unrequited, non-repayable contributions exacted by government for public purposes. Included in taxes are regulatory fees and charges that are out of all proportion to the cost of the government service provided, e.g. motor vehicle registration fees. Fees not meeting this criterion are included in administrative fees and charges, non-industrial and incidental sales.

Social security contributions Social security contributions are included with taxes because they are compulsory payments made by persons, or by employers on their employees' behalf, to secure entitlement to social security welfare benefits irrespective of whether the payments are proportional to the benefits. Excluded are contributions to insurance schemes, pension funds, friendly societies, etc. that are not social security schemes. This category does not include public sector employee contributions to government pension schemes, which are included in non-tax revenue.

Grants All grants received by government are classified as a separate revenue item. This includes grants between different spheres of government, as well as grants from abroad. Grants are also split between capital and current purposes.

Classification of expenditure Expenditure is classified by economic type and by function. The economic type classification will eventually replace the current standard item classification used in the provincial white books. As a first step, only parts of the economic classification was implemented in the new provincial budget documentation in the 2001 Budget.

The table below summarises the economic classification of expenditure according to GFS.

Expenditure classification by economic type

Current expenditure

- Expenditure on goods and services
 - Wages and salaries
 - Employer contributions
 - To social security schemes at other levels of government
 - To pension and welfare schemes outside government
 - To pension and welfare schemes at other levels of government
 - Other purchases of goods and services
 - Interest payments
 - To other levels of national government
 - Other domestic
 - Abroad
 - Subsidies and other current transfers
 - Subsidies
 - To non-financial public enterprises
 - To financial institutions
 - Cash operating deficits of departmental enterprises sales to the public with a deficit
 - To other enterprises
 - Transfers to other levels of government
 - Transfers to non-profit institutions
 - Transfers to households
 - Transfers abroad
 - To governments and international organisations
 - Other transfers abroad
-

Capital expenditure

- Machinery and equipment
 - Land and buildings
 - Infrastructure
 - Other fixed assets
 - Capital transfers
-

The classification of personnel spending is slightly changed in the GFS system as payments to employees engaged in the construction of capital assets for the government's own use, such as roads and government buildings, are recorded as capital expenditure. Currently, this spending is included in personnel expenditure in most provinces.

Wages and salaries

Employer contributions are payments to social security schemes made by government employers on behalf of their employees. The current classification being used in Budget Statement 2 combines "wages and salaries" and "employer contributions" in one line, "salaries and related cost". This is different from the old "personnel item", in that spending previously scored as "miscellaneous (contributions to pension stabilisation account)" and other salary-related expenditure scored as "administration expenditure", are now all treated as personnel spending.

Employer contributions

Other purchases of goods and services include all purchases of goods and services other than capital items and materials to be used in own-account capital construction. Purchases of all goods intended for military purposes are included.

Other goods and services

Subsidies A subsidy is a transfer payment by government to an institution or enterprise for purposes of subsidising the selling price of an output of such an institution or to influence the level of output of the institution, for example, bus subsidies, subsidies to stabilise the price of bread, etc.

Capital expenditure Capital expenditure relates to the acquisitions of assets expected to be productive for a year or more, except assets to be used for military purposes. Capital expenditure includes wages, salaries and purchases of materials associated with the government's own-account construction of capital assets.

Functional classification The functional classification is sometimes called a "government purpose classification" and is designed to reflect the distribution of government spending among the various services provided by government. As such, it is a useful tool for tracing the implementation and direction of government policies. However, not all of the functions will apply to provincial governments. Defence, fuel and energy, and mining and mineral resources are the responsibility of the national government and hence will be omitted from the functional classification of provincial government expenditures.

The table shows the 14 "functions" in the classification. Within these functions, there are also 61 "categories", of which about half will apply to provincial expenditures. Ideally, the functional classification should be applied to individual expenditure transactions but the classification can usually be applied only to organisation units such as programmes and subprogrammes. A combination is often used: programmes and subprogrammes that span functional subgroups are split according to transactions applicable to each subgroup of the classification.

In applying the classification, administrative expenditures are allocated to the function of the activities administered. Research expenditures are identified separately only where they are of particular significance. Some activities are performed by a wide range of units and are not identified separately in the classification. These include protection of the environment, space technology and water use. The GFS manual indicates where various aspects of these functions are to be classified.

The table below indicates the main functions undertaken by provincial governments, the specific GFS function and category, and an example of possible specific provincial activities linked to the function.

Implications of GFS in provincial budgets The implementation of GFS at provincial level requires a reclassification of all existing expenditure items within the current chart of accounts of each province. This process has already been started by the Budget Office, and the classification committee, consisting of the South African Reserve Bank (SARB) and Statistics South Africa, has been involved in the process of reclassification. Future classifications will be based on a new chart of accounts being developed by government, based on the GFS methodology.

GFS functional classification

Function	Category	Provincial activity
1. General public services	Executive and legislative	Office of the Premier, provincial legislature and support to National Council of Provinces members, grants to the Ombudsman, support to royal households
	Financial and fiscal affairs	Administration and supervision of financial and fiscal affairs (control of the budget, accounting services, internal audit); operation of taxation schemes, management of public funds and public debt, regulation of gambling
	General policy and administration	Administration of local government affairs including traditional authorities; grants to local authorities
	General services	Administration of centralised services such as personnel, purchasing, information technology, government records and archives, central motor vehicle pools, government printing offices whose costs are not allocated to departments; operation of government-owned or occupied buildings (where these services are performed by departments, on their own behalf or costs are allocated to them, expenditures should be classified to relevant functions); Public works (capital expenditures undertaken by public works departments on behalf of other departments, which cannot be assigned to relevant functions); Land management and administration, including land titling, land transfers etc.
2. Public Order & Safety	Police services	Police and security services, including traffic control
	Fire services	Provision of fire services, including grants to local authorities for fire services
3. Education Affairs & Services	Pre-primary, primary education	Provision of pre-primary and primary school services, grants to private pre-primary and primary schools
	Secondary education	Provision of secondary school services, grants to private secondary schools, provision of non-formal, including adult, education
	Tertiary education	Administration of technical, teacher, agricultural and medical education
4. Health Affairs & Services	Hospital services	Administration of general and specialised hospitals
	Clinical services	Administration of clinics and community health centres
	Public health services	Administration of public health services such as blood bank operations, disease screening, prevention (immunisation) and population control services
5. Social Security & Welfare	Social security	Administration of transfer payments to compensate for loss or reduction of income or earning capacity (sickness, disability, old age, family assistance)
	Welfare services	Administration of assistance to clients with special needs, such as young, elderly or handicapped people
6. Housing & Community Affairs	Housing	Administration of housing programs, development of housing standards other than construction standards, provision of housing for the general public, acquisition of land for construction of dwellings, rent control
	Community affairs	Planning of new communities or rehabilitation of existing communities, administration of land use and zoning laws, sanitation, street lighting, planning of environmental protection as part of community planning, waste collection and disposal, pollution control, water supply
7. Recreational & Cultural Affairs	Sporting & recreation	Administration of sporting and recreation programs, including grants for these purposes, setting aside parks and beaches, etc.
	Cultural affairs	Administration of public libraries, museums, art galleries, theatres, exhibitions halls, monuments, historic sites, zoological and botanical gardens, etc.; administration of cultural events and programmes, including transfer payments to support cultural activities
8. Agriculture & Forestry	Agriculture & forestry	Administration of agricultural and veterinary programmes, extension and research, land conservation, forestry, including conservation and reforestation, reclamation of agricultural land, management of water, irrigation and drainage
9. Manufacturing & Construction	Manufacturing	Administration of manufacturing and commercial affairs, including industry promotion and industry regulation, pollution control in manufacturing
	Construction	Administration of building standards, safety at building sites, building statistics, financial support for the construction industry
10. Transport & Communication	Transport	Administration of road construction and maintenance, regulation concerning road use, including motor vehicle registration, administration of public transport including transfer payments to transport operators, administration of civil aviation (traffic control is classified with Police Services)
11. Other Economic Affairs	Tourism	Administration of tourism affairs and services, including tourism promotion
	Consumer affairs	Administration of consumer protection
	Other	Regulation of gambling
12. Expenditure nec	Expenditure nec	Other programmes not elsewhere classified

C

Provincial government tables

List of tables

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Expenditure on social services, by province	<i>Tables C4 – C6</i>
Detailed revenue and expenditure, by province	<i>Tables C7 – C15</i>

Explanatory notes

The tables in Annexure C contain provincial expenditure and revenue figures compiled from information submitted by the provincial treasuries. The data reflect the latest available estimates of actual and budgeted expenditure.

The process for closing the books and determining actual expenditure and revenue begins with departments drawing up draft actual expenditure reports. These are used to compile appropriation accounts that represent actual expenditure for a specific department in a given financial year. These appropriation accounts are prepared by each department and signed by the responsible accounting officer. Once signed, appropriation accounts are available for all departments; the provincial treasury submits these to the Auditor-General. The Auditor-General's report contains the province's audited expenditure and revenue numbers, and comments on the financial statements.

*Actual expenditure
and revenue*

The 1996/97 information for six of the provinces is based on actual expenditure numbers from the Auditor-General's report for that year. The other provinces submitted draft appropriation accounts for the year. Northern Province and Eastern Cape employed auditors to assist with closing the books for 1996/97 and 1997/98, and the numbers reflected in the *Intergovernmental Fiscal Review* were compiled by these teams. These two provinces have been unable to close their books for previous financial years due to problems with their inherited financial systems and the difficulty of reconciling function shifts from national government and other provinces. These problems were addressed in the new financial systems and the provinces were able to close their books for 1998/99.

For 1997/98, five of the provinces' data are based on actual expenditure numbers from the applicable Auditor-General's reports.

The 1998/99 data represent draft appropriation accounts in various stages of completion. The 1999/00 numbers are draft actual expenditure numbers that will be used for preparing the final appropriation accounts.

The final figures for 1999/00 could still change and these figures should therefore be regarded as preliminary. For instance, some provinces are still closing outstanding suspense accounts.

Capital expenditure and statutory payments Some information is omitted from the attached tables, being either impossible to obtain from the current systems or requiring expensive extraction from the previous systems. For example, expenditure on the Works vote for the Health, Education and Welfare departments could not be obtained as the old systems did not separate these expenditures in the Works department. Some provinces were also not able to distinguish the amounts spent on statutory appropriations (salaries for office bearers) as these amounts were included in the personnel line.

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.

Provincial medium-term estimates The provincial medium-term estimates are from the 2000 Budgets tabled by the provinces in February 2000. All the medium-term budgets include estimates of improvements in conditions of service, which are distributed by department and programme. In some cases, the improvements in conditions of service amounts were distributed by formula in proportion to the budgeted personnel expenditure in the programme. Actual improvement in conditions of service amounts will be determined through the central wage bargaining process.

Provincial finance reserve In the 1999 Budget, most provinces included a finance reserve in the Finance vote, in order to cater for the repayment of debt. However, in practice, the reserve was not only utilised for this purpose, but also for some items of expenditure. In general, the use of the finance reserves can be divided into three broad categories, namely:

- A part that is utilised for the repayment of debts, which will be recorded as expenditure (i.e. backlogs in rank and leg promotions)
- A part that is utilised for the repayment of debts where expenditure has been recorded; such repayment is treated as a financing item (i.e. reducing bank overdraft)
- A part that is set aside as a contingency reserve, reflecting possible future expenditure that is still unallocated at the time of the budget

To ensure that expenditure levels are accurately recorded in provincial budget documentation, the provinces were requested to indicate the different uses of the reserve separately. They included expenditure-related debt repayment in budgeted expenditure, allocated to the appropriate vote and shown the contingency reserve as a separate item not to be voted. Budgeted reduction of bank overdrafts and similar debts were shown as a budget surplus, ensuring that the treatment of debt repayment and reserves was in line with GFS principles.

Summary tables

Provincial summary

Total actual and budgeted expenditure and revenue by province	<i>Table C1</i>
Total actual and budgeted expenditure and revenue by functional area	<i>Table C2</i>
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Provincial social services

Total actual and budgeted expenditure on education services by province	<i>Table C4</i>
Total actual and budgeted expenditure on health services by province	<i>Table C5</i>
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PROVINCIAL SUMMARY

TABLE C1: TOTAL ACTUAL AND BUDGETED EXPENDITURE AND REVENUE BY PROVINCE

Province	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates (incl. estimated improvements in condition of service)		
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Eastern Cape							
Revenue	16 010	15 267	15 900	16 715	17 870	18 701	19 435
Expenditure	16 741	16 102	15 238	16 262	17 667	18 496	19 335
Surplus / (Deficit)	(731)	(835)	662	453	204	205	100
Free State							
Revenue	6 023	6 067	6 685	6 945	7 588	7 876	8 194
Expenditure	6 227	6 830	6 890	6 619	7 497	7 786	8 144
Surplus / (Deficit)	(204)	(762)	(205)	327	91	90	50
Gauteng							
Revenue	13 371	14 472	15 510	16 649	18 473	19 498	20 609
Expenditure	13 934	15 001	15 609	16 099	18 173	19 262	20 501
Surplus / (Deficit)	(563)	(528)	(99)	550	300	236	108
KwaZulu/Natal							
Revenue	16 976	17 930	18 616	19 801	21 688	22 760	23 974
Expenditure	17 901	19 146	18 447	18 917	21 342	22 590	23 825
Surplus / (Deficit)	(925)	(1 216)	169	883	346	170	149
Mpumalanga							
Revenue	5 225	5 331	5 923	6 576	7 136	7 637	8 136
Expenditure	5 451	5 954	6 012	6 430	7 061	7 619	8 136
Surplus / (Deficit)	(226)	(623)	(89)	145	76	18	
Northern Cape							
Revenue	2 209	2 158	2 215	2 451	2 563	2 695	2 820
Expenditure	2 058	2 306	2 332	2 433	2 528	2 644	2 777
Surplus / (Deficit)	151	(148)	(117)	18	35	51	43
Northern Province							
Revenue	11 319	11 094	11 780	12 623	13 900	14 739	15 542
Expenditure	11 668	11 514	11 881	12 613	13 740	14 567	15 384
Surplus / (Deficit)	(348)	(419)	(101)	10	160	172	158
North West							
Revenue	7 268	7 291	7 834	8 315	9 004	9 406	9 771
Expenditure	7 541	7 612	7 681	8 195	8 964	9 366	9 731
Surplus / (Deficit)	(273)	(321)	153	120	40	40	40
Western Cape							
Revenue	10 391	9 804	10 360	10 929	11 458	11 772	12 113
Expenditure	10 264	10 422	10 182	10 397	11 412	11 764	12 083
Surplus / (Deficit)	127	(618)	177	532	46	8	30
Total							
Revenue	88 791	89 414	94 821	101 003	109 680	115 084	120 594
Expenditure	91 785	94 885	94 272	97 965	108 383	114 094	119 916
Surplus / (Deficit)	(2 994)	(5 470)	549	3 038	1 298	991	678

PROVINCIAL SUMMARY

TABLE C2: TOTAL ACTUAL AND BUDGETED EXPENDITURE AND REVENUE BY FUNCTIONAL AREA

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates (incl. estimated improvements in condition of service)		
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Expenditure							
Education							
Personnel Expenditure	31 073	34 101	35 263	36 242	38 432	40 014	42 322
Other Expenditure	5 502	4 401	3 416	3 794	4 798	5 516	5 837
Total	36 575	38 502	38 678	40 036	43 230	45 530	48 160
Health							
Personnel Expenditure	12 332	13 708	14 826	15 504	16 249	17 238	18 182
Other Expenditure	8 284	8 783	8 123	8 737	9 835	10 385	10 739
Total	20 616	22 491	22 949	24 241	26 083	27 623	28 920
Welfare							
Personnel Expenditure	515	556	687	792	913	965	1 029
Transfer Payments	14 863	16 395	16 987	17 672	18 465	18 854	19 416
Other Expenditure	507	615	691	809	957	1 029	1 091
Total	15 885	17 566	18 365	19 273	20 336	20 847	21 536
Expenditure other Functions							
Personnel Expenditure	5 422	5 962	6 363	6 769	7 135	7 337	7 728
Finance Reserve					470	895	1 071
Other Expenditure	13 287	10 364	7 916	7 647	11 129	11 862	12 501
Total	18 709	16 326	14 280	14 416	18 734	20 093	21 300
Total Personnel Expenditure	49 342	54 327	57 140	59 307	62 728	65 554	69 260
Finance Reserve					470	895	1 071
Total Other Expenditure	42 443	40 558	37 132	38 659	45 185	47 645	49 584
Total Expenditure	91 785	94 885	94 272	97 965	108 383	114 094	119 916
Current Expenditure	87 176	89 648	90 353	93 962	100 394	105 123	111 157
Capital Expenditure	4 609	5 237	3 919	4 004	7 988	8 971	8 759
Revenue							
Transfers from National	84 703	85 956	91 381	97 009	106 040	111 178	116 417
Own Revenue	4 089	3 458	3 440	3 994	3 640	3 907	4 177
Total Revenue	88 791	89 414	94 821	101 003	109 680	115 084	120 594
Surplus/(Deficit)	(2 994)	(5 470)	549	3 038	1 298	991	678

PROVINCIAL SUMMARY

TABLE C3: ADJUSTMENTS TO TOTAL ACTUAL AND BUDGETED EXPENDITURE BY PROVINCE

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates (incl. estimated improvements in condition of service)		
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Eastern Cape							
Total Expenditure	16 741	16 102	15 238	16 262	17 667	18 496	19 335
Less: Finance Reserve					38	240	376
Less: Debt Cost	1 483						
Less: Local Government Transfer	358	384	173	70	60		
Plus: Housing Grant	133	274	367	325			
Adjusted Total Expenditure	15 033	15 992	15 432	16 518	17 568	18 256	18 959
Free State							
Total Expenditure	6 227	6 830	6 890	6 619	7 497	7 786	8 144
Less: Finance Reserve							
Less: Debt Cost	14						
Less: Local Government Transfer	168	99	39	55	68		
Plus: Housing Grant	202	138	192	205			
Adjusted Total Expenditure	6 248	6 869	7 043	6 768	7 429	7 786	8 144
Gauteng							
Total Expenditure	13 934	15 001	15 609	16 099	18 173	19 262	20 501
Less: Finance Reserve							
Less: Debt Cost	36						
Less: Local Government Transfer	313	166	27				
Plus: Housing Grant	568	791	798	796			
Adjusted Total Expenditure	14 153	15 625	16 379	16 895	18 173	19 262	20 501
KwaZulu-Natal							
Total Expenditure	17 901	19 146	18 447	18 917	21 342	22 590	23 825
Less: Finance Reserve							263
Less: Debt Cost	36						
Less: Local Government Transfer	796	695	592	144	143		
Plus: Housing Grant	335	843	600	462			
Adjusted Total Expenditure	17 405	19 294	18 455	19 235	21 199	22 590	23 563
Mpumalanga							
Total Expenditure	5 451	5 954	6 012	6 430	7 061	7 619	8 136
Less: Finance Reserve					193	302	429
Less: Debt Cost	22						
Less: Local Government Transfer	96	108	45	30	36		
Plus: Housing Grant	175	168	108	105			
Adjusted Total Expenditure	5 509	6 014	6 075	6 505	6 831	7 317	7 707
Northern Cape							
Total Expenditure	2 058	2 306	2 332	2 433	2 528	2 644	2 777
Less: Finance Reserve					3	3	3
Less: Debt Cost							
Less: Local Government Transfer	35	35	6				
Plus: Housing Grant	53	75	71	63			
Adjusted Total Expenditure	2 077	2 345	2 398	2 496	2 525	2 640	2 774
Northern Province							
Total Expenditure	11 668	11 514	11 881	12 613	13 740	14 567	15 384
Less: Finance Reserve							
Less: Debt Cost	264						
Less: Local Government Transfer	152	190	135	102	106		
Plus: Housing Grant	111	190	239	202			
Adjusted Total Expenditure	11 363	11 513	11 985	12 713	13 633	14 567	15 384
North West							
Total Expenditure	7 541	7 612	7 681	8 195	8 964	9 366	9 731
Less: Finance Reserve					234	349	
Less: Debt Cost	142						
Less: Local Government Transfer	138	139	86	62	50		
Plus: Housing Grant	124	264	221	181			
Adjusted Total Expenditure	7 384	7 737	7 817	8 315	8 680	9 016	9 731
Western Cape							
Total Expenditure	10 264	10 422	10 182	10 397	11 412	11 764	12 083
Less: Finance Reserve							
Less: Debt Cost							
Less: Local Government Transfer	182	183	30				
Plus: Housing Grant	235	392	408	381			
Adjusted Total Expenditure	10 317	10 631	10 561	10 778	11 412	11 764	12 083
Total All Provinces							
Total Expenditure	91 785	94 885	94 272	97 965	108 383	114 094	119 916
Less: Finance Reserve					470	895	1 071
Less: Debt Cost	1 998						
Less: Local Government Transfer	2 238	1 999	1 132	463	463		
Plus: Housing Grant	1 938	3 135	3 005	2 721			
Adjusted Total Expenditure	89 488	96 021	96 145	100 223	107 450	113 199	118 845

PROVINCIAL SOCIAL SERVICES: EDUCATION

TABLE C4: TOTAL ACTUAL AND BUDGETED EXPENDITURE ON EDUCATION SERVICES BY PROVINCE

Province	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates (incl. estimated improvements in condition of service)		
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Eastern Cape							
Personnel Expenditure	5 257	5 850	6 031	6 487	6 673	6 711	6 990
Other Expenditure	926	915	554	352	706	918	966
Total	6 183	6 765	6 585	6 839	7 379	7 630	7 956
Free State							
Personnel Expenditure	2 087	2 265	2 388	2 472	2 652	2 789	2 934
Other Expenditure	339	274	224	314	421	488	492
Total	2 426	2 539	2 612	2 785	3 073	3 277	3 426
Gauteng							
Personnel Expenditure	4 796	5 153	5 289	5 345	5 824	6 153	6 500
Other Expenditure	781	712	756	965	1 012	1 076	1 157
Total	5 577	5 865	6 045	6 310	6 835	7 229	7 657
KwaZulu/Natal							
Personnel Expenditure	5 733	6 531	6 503	6 721	7 345	7 761	8 179
Other Expenditure	1 089	749	621	577	813	1 049	1 127
Total	6 822	7 280	7 124	7 299	8 158	8 809	9 306
Mpumalanga							
Personnel Expenditure	1 764	2 289	2 434	2 587	2 654	2 800	2 905
Other Expenditure	650	217	190	222	253	303	318
Total	2 414	2 506	2 624	2 809	2 907	3 103	3 222
Northern Cape							
Personnel Expenditure	694	738	754	781	794	867	919
Other Expenditure	112	111	124	115	170	146	147
Total	806	849	878	896	963	1 013	1 066
Northern Province							
Personnel Expenditure	4 560	4 988	5 471	5 402	5 623	6 006	6 433
Other Expenditure	658	558	321	454	589	651	686
Total	5 218	5 546	5 793	5 856	6 212	6 657	7 119
North West							
Personnel Expenditure	2 518	2 875	3 018	3 129	3 320	3 229	3 615
Other Expenditure	447	365	178	278	304	321	330
Total	2 966	3 240	3 196	3 408	3 624	3 550	3 945
Western Cape							
Personnel Expenditure	3 664	3 412	3 374	3 318	3 547	3 697	3 848
Other Expenditure	500	500	448	517	531	566	614
Total	4 164	3 912	3 822	3 835	4 078	4 263	4 462
Total							
Personnel Expenditure	31 073	34 101	35 263	36 242	38 432	40 014	42 322
Other Expenditure	5 502	4 401	3 416	3 794	4 798	5 516	5 837
Total	36 575	38 502	38 678	40 036	43 230	45 530	48 160

PROVINCIAL SOCIAL SERVICES: HEALTH

TABLE C5: TOTAL ACTUAL AND BUDGETED EXPENDITURE ON HEALTH SERVICES BY PROVINCE

Province	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates (incl. estimated improvements in condition of service)		
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Eastern Cape							
Personnel Expenditure	1 938	1 845	1 992	2 407	2 230	2 341	2 454
Other Expenditure	1 129	1 194	1 050	1 160	1 149	1 303	1 349
Total	3 066	3 039	3 041	3 566	3 380	3 644	3 803
Free State							
Personnel Expenditure	883	995	1 126	1 096	1 187	1 285	1 313
Other Expenditure	588	664	562	508	642	614	676
Total	1 470	1 659	1 688	1 604	1 829	1 899	1 989
Gauteng							
Personnel Expenditure	2 807	3 145	3 276	3 233	3 599	3 848	4 111
Other Expenditure	1 836	2 155	2 200	2 377	2 517	2 717	2 850
Total	4 643	5 299	5 476	5 610	6 116	6 565	6 961
KwaZulu/Natal							
Personnel Expenditure	2 514	2 957	3 191	3 332	3 467	3 678	3 901
Other Expenditure	1 719	1 849	1 677	1 778	2 248	2 272	2 327
Total	4 234	4 806	4 869	5 110	5 714	5 950	6 227
Mpumalanga							
Personnel Expenditure	437	570	644	721	755	793	812
Other Expenditure	380	477	414	426	431	457	519
Total	817	1 047	1 058	1 147	1 185	1 250	1 331
Northern Cape							
Personnel Expenditure	163	196	219	269	280	250	261
Other Expenditure	167	180	167	160	147	199	207
Total	330	376	386	429	427	450	468
Northern Province							
Personnel Expenditure	1 002	1 137	1 403	1 505	1 533	1 617	1 694
Other Expenditure	997	817	653	755	895	908	972
Total	1 999	1 954	2 056	2 260	2 428	2 524	2 666
North West							
Personnel Expenditure	746	889	972	988	1 107	1 234	1 391
Other Expenditure	530	486	374	401	494	518	477
Total	1 276	1 375	1 345	1 388	1 601	1 752	1 868
Western Cape							
Personnel Expenditure	1 841	1 976	2 003	1 954	2 092	2 191	2 245
Other Expenditure	939	961	1 026	1 172	1 311	1 398	1 362
Total	2 780	2 937	3 029	3 125	3 403	3 589	3 607
Total							
Personnel Expenditure	12 332	13 708	14 826	15 504	16 249	17 238	18 182
Other Expenditure	8 284	8 783	8 123	8 737	9 835	10 385	10 739
Total	20 616	22 491	22 949	24 241	26 083	27 623	28 920

PROVINCIAL SOCIAL SERVICES: WELFARE

TABLE C6: TOTAL ACTUAL AND BUDGETED EXPENDITURE ON WELFARE SERVICES BY PROVINCE

Province	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates (incl. estimated improvements in condition of service)		
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Eastern Cape							
Personnel Expenditure	69	88	107	124	121	126	132
Transfer Payments	3 325	3 533	3 407	3 609	3 976	3 923	4 001
Other Expenditure	57	138	120	123	88	92	96
Total	3 451	3 759	3 634	3 856	4 186	4 141	4 229
Free State							
Personnel Expenditure	55	68	83	94	95	100	104
Transfer Payments	895	1 035	1 040	1 010	1 088	1 105	1 101
Other Expenditure	18	22	35	59	79	85	86
Total	968	1 125	1 158	1 162	1 262	1 291	1 291
Gauteng							
Personnel Expenditure	103	107	125	134	157	166	176
Transfer Payments	1 841	2 005	2 025	2 151	2 317	2 442	2 589
Other Expenditure	75	103	146	140	153	163	173
Total	2 019	2 214	2 295	2 425	2 628	2 771	2 938
KwaZulu/Natal							
Personnel Expenditure	102	122	140	149	167	185	200
Transfer Payments	3 066	3 428	3 659	3 716	3 663	3 897	3 936
Other Expenditure	160	189	186	186	238	259	276
Total	3 329	3 739	3 984	4 051	4 068	4 341	4 412
Mpumalanga							
Personnel Expenditure	32	21	27	36	42	47	52
Transfer Payments	770	931	1 022	1 070	1 083	1 121	1 174
Other Expenditure	20	29	37	49	90	106	117
Total	821	981	1 087	1 156	1 214	1 274	1 344
Northern Cape							
Personnel Expenditure	24	30	35	37	44	43	46
Transfer Payments	507	600	596	611	551	560	566
Other Expenditure	14	19	34	42	44	50	54
Total	545	650	665	690	640	653	667
Northern Province							
Personnel Expenditure	10	13	32	55	64	69	76
Transfer Payments	1 678	1 777	1 983	2 186	2 393	2 382	2 507
Other Expenditure	53	13	16	78	96	100	105
Total	1 741	1 803	2 031	2 318	2 553	2 551	2 687
North West							
Personnel Expenditure	32	20	40	51	89	90	99
Transfer Payments	952	1 030	1 232	1 332	1 353	1 358	1 397
Other Expenditure	28	33	27	23	77	81	84
Total	1 012	1 083	1 299	1 407	1 519	1 529	1 580
Western Cape							
Personnel Expenditure	88	86	99	113	133	138	144
Transfer Payments	1 829	2 057	2 023	1 987	2 042	2 066	2 146
Other Expenditure	82	69	89	109	91	92	99
Total	2 000	2 212	2 211	2 208	2 266	2 296	2 388
Total							
Personnel Expenditure	515	556	687	792	913	965	1 029
Transfer Payments	14 863	16 395	16 987	17 672	18 465	18 854	19 416
Other Expenditure	507	615	691	809	957	1 029	1 091
Total	15 885	17 566	18 365	19 273	20 336	20 847	21 536

Detailed tables

Provincial tables

Eastern Cape	<i>Table C7</i>
Free State	<i>Table C8</i>
Gauteng	<i>Table C9</i>
KwaZulu-Natal	<i>Table C10</i>
Mpumalanga	<i>Table C11</i>
Northern Cape	<i>Table C12</i>
Northern Province	<i>Table C13</i>
North West	<i>Table C14</i>
Western Cape	<i>Table C15</i>

Detailed tables for each province

For each province, the following six tables are provided:

1. Summary of actual and budgeted revenue and expenditure
2. Actual and budgeted revenue
3. Actual and budgeted expenditure, by department
4. Education actual and budgeted expenditure, by programme
5. Health actual and budgeted expenditure, by programme
6. Welfare actual and budgeted expenditure, by programme

EASTERN CAPE

TABLE C7.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
Expenditure	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education							
Personnel Expenditure	5 257 155	5 850 138	6 030 964	6 487 216	6 672 955	6 711 454	6 990 343
Other Expenditure	926 074	914 523	553 995	352 195	706 140	918 088	965 565
Total	6 183 229	6 764 661	6 584 959	6 839 411	7 379 095	7 629 542	7 955 908
Health							
Personnel Expenditure	1 937 572	1 845 205	1 991 802	2 406 508	2 230 157	2 341 047	2 454 424
Other Expenditure	1 128 624	1 193 566	1 049 660	1 159 794	1 149 361	1 302 606	1 348 658
Total	3 066 196	3 038 771	3 041 462	3 566 302	3 379 518	3 643 653	3 803 082
Welfare							
Personnel Expenditure	69 090	88 463	107 280	123 762	121 172	125 604	131 724
Transfer Payments	3 324 600	3 532 853	3 407 434	3 608 865	3 976 394	3 923 495	4 000 972
Other Expenditure	57 059	138 057	119 641	122 909	88 345	91 576	96 036
Total	3 450 749	3 759 373	3 634 355	3 855 536	4 185 911	4 140 675	4 228 732
Expenditure other Functions							
Personnel Expenditure	972 358	1 078 154	1 174 620	1 353 638	1 305 849	1 405 766	1 476 653
Contingency Reserve					38 361	239 989	376 337
Other Expenditure	3 068 387	1 461 014	802 287	647 433	1 377 856	1 436 513	1 494 611
Total	4 040 745	2 539 168	1 976 907	2 001 071	2 722 066	3 082 268	3 347 601
Total Personnel Expenditure	8 236 175	8 861 960	9 304 666	10 371 124	10 330 133	10 583 871	11 053 144
Contingency Reserve					38 361	239 989	376 337
Total Other Expenditure	8 504 744	7 240 013	5 933 017	5 891 196	7 298 096	7 672 278	7 905 842
Total Expenditure	16 740 919	16 101 973	15 237 683	16 262 320	17 666 590	18 496 138	19 335 323
Revenue							
Transfers from National	15 790 820	15 044 775	15 479 069	16 370 918	17 679 899	18 489 652	19 202 080
Own Revenue	218 746	222 470	420 911	344 088	190 353	211 480	233 243
Total Revenue	16 009 566	15 267 245	15 899 980	16 715 006	17 870 252	18 701 132	19 435 323
Surplus/(Deficit)	(731 353)	(834 728)	662 297	452 686	203 662	204 994	100 000

EASTERN CAPE							
TABLE C7.2: ACTUAL AND BUDGETED REVENUE							
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Revenue	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Revenue Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	15 790 820	15 044 775	15 479 069	16 370 918	17 679 899	18 489 652	19 202 080
Equitable Share	15 005 461	13 771 485	14 073 061	14 819 396	16 451 931	17 279 870	17 956 473
Conditional Grants :							
Improvements in conditions of service	785 359	566 290	418 779	418 941			
Contingency Grant		107 000	177 400	249 900			
Finance Supplementary Grant			502 919	444 951	389 622	347 448	341 515
Other Conditional Grants *		600 000	306 910	437 730	838 346	862 334	904 092
Own Revenue	218 746	222 470	420 911	344 088	190 353	211 480	233 243
Taxation							
Interest and dividends			67 026	70 476	1 200	132	146
Licences and permits	61 505	56 756	52 915	57 914	77 187	81 046	86 720
Recovery of loans and advances							
Departmental activities	157 241	165 714	275 202	173 363	111 966	130 302	146 377
State property rights							
Moneys prescribed by law/ordinance							
Moneys not prescribed by law/ordinance							
Miscellaneous			25 768	42 335			
Other Revenue							
Total	16 009 566	15 267 245	15 899 980	16 715 006	17 870 252	18 701 132	19 435 323
Increase/(Decrease)					1 155 246	830 880	734 191

* Includes conditional grant of R600 m transferred to the province in 1997/98 in terms of Section 100 of the Constitution

EASTERN CAPE

TABLE C7.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Provincial Summary	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
Department	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education	6 183 229	6 764 661	6 584 959	6 839 411	7 379 095	7 629 542	7 955 908
Health	3 066 196	3 038 771	3 041 462	3 566 302	3 379 518	3 643 653	3 803 082
Welfare	3 450 749	3 759 373	3 634 355	3 855 536	4 185 911	4 140 675	4 228 732
Premier	181 541	196 590	103 123	91 500	136 987	104 052	110 450
Legislature	31 138	41 083	47 431	60 795	62 755	63 402	65 791
Finance and Provincial Expenditure *	1 667 445	73 190	76 416	60 721	141 139	352 348	493 993
Economic Affairs, Environment & Tourism	138 751	130 057	115 480	122 982	137 476	137 647	144 178
Housing & Local Government	440 630	515 452	313 304	314 007	695 942	833 518	872 059
Transport	248 513	283 153	155 557	207 287	195 137	210 817	220 758
Public Works	821 938	757 698	661 595	561 395	770 667	787 075	816 143
Agriculture & Land Affairs	506 693	537 411	388 072	444 197	413 663	412 512	434 178
Sports, Arts & Culture			111 477	134 138	161 875	173 835	182 448
Safety & Security	4 096	4 534	4 452	4 049	6 425	7 062	7 603
Total	16 740 919	16 101 973	15 237 683	16 262 320	17 666 590	18 496 138	19 335 323
Increase/(Decrease)					1 404 270	829 548	839 185
Classification of expenditure							
Current							
Personnel expenditure	8 236 175	8 861 960	9 304 666	10 371 124	10 302 751	10 555 054	11 023 323
Transfer payments	5 990 454	4 736 786	4 107 747	4 243 746	4 828 135	5 127 041	5 279 092
Other current expenditure *	2 448 783	2 133 056	1 604 695	1 478 061	1 337 413	1 429 875	1 616 073
Capital							
Transfer payments	51 978	84 105	68 787	14 990	626 416	575 235	601 291
Other capital expenditure	13 529	286 066	151 788	154 399	544 493	780 116	785 723
Statutory					27 382	28 817	29 821
Total	16 740 919	16 101 973	15 237 683	16 262 320	17 666 590	18 496 138	19 335 323

* The Contingency Reserve is included in these amounts

EASTERN CAPE							
TABLE C7.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Education Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	765 981	3 209 872	2 120 444	842 423	403 255	434 794	449 127
Public Ordinary School Education	4 978 756	3 110 027	4 164 852	5 669 333	6 299 878	6 480 659	6 759 483
Private Ordinary School Education	6 533	5 805	7 373	5 724	10 224	8 873	8 873
Special School Education	81 893	78 038	100 041	89 118	150 237	174 867	182 181
Teacher Training	149 959	92 099	61 733	85 953	164 527	194 788	202 936
Technical College Education	90 769	105 470	89 335	77 798	100 686	143 140	149 127
Non-Formal Education	18 096	65 592	24 044	41 100	96 772	110 780	119 148
Auxiliary & Associated Services	69 141	88 945	17 137	27 962	153 516	81 162	84 554
Museums & Heritage Resources	1 805	4 076					
Sports, Recreation & Youth Affairs	1 576	1 160					
Arts, Culture & Music	9 213	1 841					
Libraries & Archives	9 507	1 736					
Statutory						479	479
Total	6 183 229	6 764 661	6 584 959	6 839 411	7 379 095	7 629 542	7 955 908
Increase/(Decrease)					539 684	250 447	326 366
Classification of expenditure							
Current							
Personnel expenditure	5 257 155	5 850 138	6 030 964	6 487 216	6 672 955	6 710 975	6 989 864
Transfer payments	29 221	15 874	40 097	28 686	57 227	54 942	51 844
Other current expenditure	896 853	630 731	478 413	309 568	519 491	577 259	619 591
Capital							
Transfer payments							
Other capital expenditure		267 918	35 485	13 941	129 422	285 887	294 130
Statutory						479	479
Total	6 183 229	6 764 661	6 584 959	6 839 411	7 379 095	7 629 542	7 955 908

EASTERN CAPE

TABLE C7.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Health Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Health Administration	411 490	177 540	133 890	172 562	180 319	133 035	139 478
District Health Services	1 202 865	1 529 439	1 664 052	1 975 977	1 817 393	2 093 105	2 068 663
Provincial Hospital Services	1 188 424	1 083 272	1 075 832	1 219 282	1 149 457	1 172 351	1 229 128
Academic Health Services	145 218	20 882	17 386	40 925	52 830	55 917	58 625
Health Sciences	39 101	45 449	44 152	44 713	50 068	52 041	54 561
Health Care Support Services	15 545	26 336	15 113	16 205	14 955	16 026	16 802
Health Facilities Development Maintenance Statutory	63 553	155 853	91 037	96 638	114 496	121 178	235 825
Total	3 066 196	3 038 771	3 041 462	3 566 302	3 379 518	3 643 653	3 803 082
Increase/(Decrease)					(186 784)	264 135	159 429
Classification of expenditure							
Current							
Personnel expenditure	1 937 572	1 845 205	1 991 802	2 406 508	2 230 157	2 341 047	2 454 424
Transfer payments	420 920	351 145	386 640	397 208	577 277	565 732	593 130
Other current expenditure	707 704	842 421	654 271	729 710	459 744	518 769	543 893
Capital							
Transfer payments							
Other capital expenditure			8 749	32 876	112 340	218 105	211 635
Statutory							
Total	3 066 196	3 038 771	3 041 462	3 566 302	3 379 518	3 643 653	3 803 082

EASTERN CAPE							
TABLE C7.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Welfare Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	57 410	16 756	23 217	23 333	37 583	38 880	40 271
Social Security	3 233 911	3 532 853	3 409 900	3 630 893	3 907 389	3 852 542	3 930 291
Social Assistance	107 740	101 167	115 602	116 486	134 045	138 670	143 631
Social Welfare Services	32 221	73 249	74 890	80 087	99 337	102 765	106 441
Social Development	1 240	3 389	2 679	2 278	4 095	4 236	4 388
Welfare Facilities Development & Maintenance	10 798	30 174	8 067	2 459	2 113	2 186	2 264
Auxiliary & Associated Services	7 429	1 785			1 000	1 035	1 072
Population Unit					349	361	374
Statutory							
Total	3 450 749	3 759 373	3 634 355	3 855 536	4 185 911	4 140 675	4 228 732
Increase/(Decrease)					330 375	(45 236)	88 057
Classification of expenditure							
Current							
Personnel expenditure	69 090	88 463	107 280	123 762	121 172	125 604	131 724
Transfer payments	3 324 600	3 532 853	3 407 434	3 608 865	3 976 394	3 923 495	4 000 972
Other current expenditure	45 772	138 057	118 735	116 384	81 075	84 040	88 133
Capital							
Transfer payments							
Other capital expenditure	11 287		906	6 525	7 270	7 536	7 903
Statutory							
Total	3 450 749	3 759 373	3 634 355	3 855 536	4 185 911	4 140 675	4 228 732

FREE STATE

TABLE C8.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
Expenditure	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education							
Personnel Expenditure	2 086 528	2 264 993	2 388 110	2 471 557	2 651 950	2 788 915	2 934 260
Other Expenditure	339 181	273 773	223 985	313 739	420 889	488 119	491 757
Total	2 425 709	2 538 766	2 612 095	2 785 296	3 072 839	3 277 034	3 426 017
Health							
Personnel Expenditure	882 844	994 594	1 125 892	1 096 108	1 186 707	1 285 266	1 312 517
Other Expenditure	587 585	664 401	562 136	507 552	641 957	613 665	676 163
Total	1 470 429	1 658 995	1 688 028	1 603 660	1 828 664	1 898 931	1 988 680
Welfare							
Personnel Expenditure	54 566	68 401	82 907	93 534	95 458	100 191	103 953
Transfer Payments	894 889	1 034 754	1 040 251	1 009 660	1 087 945	1 105 453	1 100 770
Other Expenditure	18 088	22 298	35 028	59 030	78 853	85 046	86 091
Total	967 543	1 125 453	1 158 186	1 162 224	1 262 256	1 290 690	1 290 814
Expenditure other Functions							
Personnel Expenditure	494 316	546 468	589 259	628 374	682 319	606 473	583 075
Contingency Reserve							
Other Expenditure	869 276	959 828	842 396	439 024	650 595	712 934	855 132
Total	1 363 593	1 506 296	1 431 655	1 067 398	1 332 914	1 319 407	1 438 207
Total Personnel Expenditure	3 518 254	3 874 456	4 186 168	4 289 573	4 616 434	4 780 845	4 933 805
Contingency Reserve							
Total Other Expenditure	2 709 020	2 955 054	2 703 796	2 329 005	2 880 239	3 005 217	3 209 913
Total Expenditure	6 227 274	6 829 510	6 889 964	6 618 578	7 496 673	7 786 062	8 143 718
Revenue							
Transfers from National	5 741 367	5 804 389	6 433 458	6 683 038	7 249 605	7 532 061	7 843 717
Own Revenue	281 499	262 624	251 366	262 054	338 000	344 001	350 001
Total Revenue	6 022 866	6 067 013	6 684 824	6 945 092	7 587 605	7 876 062	8 193 718
Surplus/(Deficit)	(204 408)	(762 497)	(205 140)	326 514	90 932	90 000	50 000

FREE STATE							
TABLE C8.2: ACTUAL AND BUDGETED REVENUE							
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Revenue	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Revenue Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	5 741 367	5 804 389	6 433 458	6 683 038	7 249 605	7 532 061	7 843 717
Equitable Share	5 329 386	5 481 652	5 432 157	5 742 237	6 407 739	6 750 364	7 036 056
Conditional Grants :							
Improvements in conditions of service	411 981	285 737	178 309	175 406			
Contingency Grant *		37 000	269 000	97 000			
Finance Supplementary Grant			188 691	167 818	148 303	133 963	133 819
Other Conditional Grants			365 301	500 577	693 563	647 734	673 842
Own Revenue	281 499	262 624	251 366	262 054	338 000	344 001	350 001
Taxation							
Interest and dividends	27 727	15 960	6 309	6 000	6 600	6 600	6 600
Licences and permits	1 190	1 335	1 202	1 255	1 550	1 550	1 550
Recovery of loans and advances	12 198	15 215	16 073	16 000	14 605	14 605	14 605
Departmental activities	2 883	6 066	3 346	6 001	12 600	12 600	12 600
State property rights	5 063	5 170	4 293	6 301	5 201	5 201	5 201
Moneys prescribed by law/ordinance	150 707	146 176	147 562	165 820	246 433	252 434	258 434
Moneys not prescribed by law/ordinance	38 154	32 217	24 439	24 441	26 151	26 151	26 151
Miscellaneous	43 577	40 485	48 142	36 236	24 860	24 860	24 860
Other Revenue							
Total	6 022 866	6 067 013	6 684 824	6 945 092	7 587 605	7 876 062	8 193 718
Increase/(Decrease)					642 513	288 457	317 655

* Includes conditional grant of R200 m transferred to the province in 1998/99 in terms of Section 100 of the Constitution.

FREE STATE

TABLE C8.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Provincial Summary	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
Department	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education	2 425 709	2 538 766	2 612 095	2 785 296	3 072 839	3 277 034	3 426 017
Health	1 470 429	1 658 995	1 688 028	1 603 660	1 828 664	1 898 931	1 988 680
Welfare	967 543	1 125 453	1 158 186	1 162 224	1 262 256	1 290 690	1 290 814
Premier	16 698	65 532	50 395	43 761	50 108	52 269	55 614
Legislature	16 816	21 249	25 346	36 950	37 647	38 551	40 122
Finance, Expenditure and Economic Affairs	57 260	61 101	57 273	85 964	67 687	71 417	76 994
Economic Affairs	33 077						
Corporate Services	61 575						
Service Commission	5 412	5 334	2 617				
Local Government & Housing	307 560	310 486	323 234	129 665	374 528	341 315	360 063
Transport	71 452						
Public Transport, Roads & Works	240 610	825 571	716 186	524 285	484 072	506 761	574 137
Agriculture	123 704	116 560	100 099	103 793	113 493	120 874	126 319
Environmental Affairs & Tourism	9 108	45 943	54 524	53 189	55 143	58 003	66 824
Sport, Culture, Science & Technology	19 084	32 808	44 359	31 258	89 383	64 876	68 394
Public Safety & Security	2 503	21 712	57 622	58 533	60 853	65 341	69 740
Roads	398 733						
Total	6 227 274	6 829 510	6 889 964	6 618 578	7 496 673	7 786 062	8 143 718
Increase/(Decrease)					878 095	289 389	357 656
Classification of expenditure							
Current							
Personnel expenditure	3 518 254	3 874 456	4 186 168	4 289 573	4 616 434	4 780 845	4 933 805
Transfer payments	1 395 692	1 470 378	1 454 821	1 234 796	1 386 936	1 452 519	1 443 911
Other current expenditure	1 029 524	1 109 670	1 012 169	958 978	1 123 280	1 061 397	1 156 754
Capital							
Transfer payments		150			218 306	246 214	257 275
Other capital expenditure	283 804	374 856	236 806	135 231	151 717	245 087	351 973
Statutory							
Total	6 227 274	6 829 510	6 889 964	6 618 578	7 496 673	7 786 062	8 143 718

FREE STATE							
TABLE C8.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Education Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	191 482	188 072	164 217	238 595	228 565	288 666	290 008
Public Ordinary School Education	1 955 374	2 044 963	2 154 555	2 220 072	2 403 233	2 529 755	2 657 011
Private Ordinary School Education	18 554	13 274	11 787	14 106	15 500	17 000	18 556
Special School Education	61 282	66 592	69 946	70 754	71 242	74 933	79 043
Teacher Training	66 101	69 328	66 575	60 916	68 082	71 478	75 812
Technical College Education	40 508	41 701	44 553	59 943	106 331	109 118	112 085
Non-Formal Education	17 672	13 711	19 340	30 729	48 441	50 394	53 024
Auxiliary & Associated Services	74 392	100 781	80 600	86 755	131 445	135 690	140 478
Authorised Losses	344	344	522	3 426			
Statutory							
Total	2 425 709	2 538 766	2 612 095	2 785 296	3 072 839	3 277 034	3 426 017
Increase/(Decrease)					287 543	204 195	148 983
Classification of expenditure							
Current							
Personnel expenditure	2 086 528	2 264 993	2 388 110	2 471 557	2 651 950	2 788 915	2 934 260
Transfer payments	28 275	25 568	24 673	38 483	44 758	47 153	47 153
Other current expenditure	226 207	248 205	199 312	262 334	358 335	419 977	423 458
Capital							
Transfer payments							
Other capital expenditure	84 699			12 922	17 796	20 989	21 146
Statutory							
Total	2 425 709	2 538 766	2 612 095	2 785 296	3 072 839	3 277 034	3 426 017

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TABLE C8.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Health Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	108 802	44 749	46 915	55 613	64 393	72 378	75 052
District Health Services	552 511	609 988	620 382	579 741	674 032	685 672	709 908
Provincial/Regional Specialised Hospital Services	461 438	535 758	603 571	503 585	550 345	578 053	591 136
Academic Health / Central Hospital Services	285 780	397 795	360 168	308 670	360 685	371 276	431 828
Health Sciences	44 427	50 836	50 586	43 998	64 548	67 694	69 560
Health Care Support	28 367	38 638	29 769	17 307	6 432	6 555	9 838
Supernumerary Staff				94 274	77 229	101 303	84 358
Health Facilities & Capital Stock				14 673	31 000	16 000	17 000
Less: Internal Charges	(13 910)	(25 542)	(25 337)	(19 165)			
Authorised Losses	3 014	6 773	1 974	4 964			
Statutory							
Total	1 470 429	1 658 995	1 688 028	1 603 660	1 828 664	1 898 931	1 988 680
Increase/(Decrease)					225 004	70 267	89 749
Classification of expenditure							
Current							
Personnel expenditure	882 844	994 594	1 125 892	1 096 108	1 186 707	1 285 266	1 312 517
Transfer payments	159 463	148 026	123 557	109 051	112 828	120 000	120 000
Other current expenditure	414 359	479 046	425 414	375 918	492 236	436 100	494 604
Capital							
Transfer payments							
Other capital expenditure	13 763	37 329	13 165	22 583	36 893	57 565	61 559
Statutory							
Total	1 470 429	1 658 995	1 688 028	1 603 660	1 828 664	1 898 931	1 988 680

FREE STATE							
TABLE C8.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Welfare Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	25 531	20 150	20 342	26 751	19 583	19 624	21 139
Social Security	866 459	1 006 014	1 022 097	1 011 639	1 119 566	1 139 773	1 136 031
Social Support	45 468	50 241	51 784	52 775	52 904	54 342	54 368
Social Welfare Facilities/Social Welfare Serv	22 654	36 831	49 987	51 230	52 284	58 109	59 861
Auxiliary & Associated Services.	1 454	2 033	853	2 456	2 007	2 057	2 057
Social Development	5 258	8 652	11 806	17 280	15 447	16 255	16 789
RDP		1 006	360				
Population Development			1	20	465	530	569
Authorised Losses	718	526	956	73			
Statutory							
Total	967 543	1 125 453	1 158 186	1 162 224	1 262 256	1 290 690	1 290 814
Increase/(Decrease)					100 032	28 434	124
Classification of expenditure							
Current							
Personnel expenditure	54 566	68 401	82 907	93 534	95 458	100 191	103 953
Transfer payments	894 889	1 034 754	1 040 251	1 009 660	1 087 945	1 105 453	1 100 770
Other current expenditure	15 874	19 534	31 483	55 108	74 493	80 686	81 731
Capital							
Transfer payments							
Other capital expenditure	2 214	2 764	3 545	3 922	4 360	4 360	4 360
Statutory							
Total	967 543	1 125 453	1 158 186	1 162 224	1 262 256	1 290 690	1 290 814

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TABLE C9.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
Expenditure	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education							
Personnel Expenditure	4 795 540	5 152 729	5 289 400	5 344 920	5 823 569	6 153 347	6 500 124
Other Expenditure	781 116	712 355	755 794	964 788	1 011 915	1 075 510	1 157 295
Total	5 576 656	5 865 084	6 045 194	6 309 708	6 835 484	7 228 857	7 657 419
Health							
Personnel Expenditure	2 807 439	3 144 532	3 275 946	3 232 637	3 598 597	3 848 191	4 111 181
Other Expenditure	1 835 690	2 154 645	2 200 272	2 377 475	2 517 441	2 717 227	2 850 180
Total	4 643 129	5 299 177	5 476 218	5 610 112	6 116 038	6 565 418	6 961 361
Welfare							
Personnel Expenditure	102 853	106 979	124 684	134 172	157 430	165 981	176 002
Transfer Payments	1 841 423	2 004 636	2 024 611	2 150 863	2 317 309	2 441 503	2 588 904
Other Expenditure	74 552	102 533	146 069	139 618	153 102	163 487	173 358
Total	2 018 828	2 214 148	2 295 364	2 424 653	2 627 841	2 770 971	2 938 264
Expenditure other Functions							
Personnel Expenditure	383 323	410 618	461 407	473 753	580 974	615 176	651 247
Contingency Reserve							
Other Expenditure	1 311 779	1 211 555	1 330 442	1 280 616	2 012 867	2 081 983	2 292 378
Total	1 695 102	1 622 173	1 791 849	1 754 369	2 593 841	2 697 159	2 943 625
Total Personnel Expenditure	8 089 155	8 814 858	9 151 437	9 185 482	10 160 570	10 782 695	11 438 554
Contingency Reserve							
Total Other Expenditure	5 844 560	6 185 724	6 457 188	6 913 360	8 012 634	8 479 710	9 062 115
Total Expenditure	13 933 715	15 000 582	15 608 625	16 098 842	18 173 204	19 262 405	20 500 669
Revenue							
Transfers from National	12 403 807	13 571 413	14 580 534	15 602 958	17 413 485	18 333 426	19 361 118
Own Revenue	967 190	901 028	929 297	1 045 691	1 060 000	1 165 000	1 248 000
Total Revenue	13 370 997	14 472 441	15 509 831	16 648 649	18 473 485	19 498 426	20 609 118
Surplus/(Deficit)	(562 718)	(528 141)	(98 794)	549 807	300 281	236 021	108 449

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TABLE C9.2: ACTUAL AND BUDGETED REVENUE							
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Revenue	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Revenue Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	12 403 807	13 571 413	14 580 534	15 602 958	17 413 485	18 333 426	19 361 118
Equitable Share	11 406 637	12 890 274	11 700 907	12 573 114	14 234 920	15 244 256	16 151 842
Conditional Grants :							
Improvements in conditions of service	997 170	601 139	376 320	358 545			
Contingency Grant		80 000	148 600	212 100			
Finance Supplementary Grant			407 741	357 969	322 358	298 511	307 193
Other Conditional Grants			1 946 966	2 101 230	2 856 207	2 790 659	2 902 083
Own Revenue	967 190	901 028	929 297	1 045 691	1 060 000	1 165 000	1 248 000
Taxation							
Interest and dividends	113 156	58 678	19 107	17 381	34 000	46 000	47 000
Licences and permits	3 430	3 867	4 421	4 832	4 000	4 000	5 000
Recovery of loans and advances	9 402	8 669	9 387	10 708	17 000	18 000	20 000
Departmental activities	2 636	5 938	4 602	8 325	4 000	5 000	5 000
State property rights	16 862	13 480	13 782	10 902	17 000	18 000	20 000
Moneys prescribed by law/ordinance	626 918	674 032	698 995	873 133	897 000	984 000	1 057 000
Moneys not prescribed by law/ordinance	90 892	44 070	38 287	55 039	40 000	42 000	46 000
Miscellaneous	103 894	92 294	140 716	65 371	47 000	48 000	48 000
Other Revenue							
Total	13 370 997	14 472 441	15 509 831	16 648 649	18 473 485	19 498 426	20 609 118
Increase/(Decrease)					1 824 836	1 024 941	1 110 692

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TABLE C9.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Provincial Summary	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
Department	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education	5 576 656	5 865 084	6 045 194	6 309 708	6 835 484	7 228 857	7 657 419
Health	4 643 129	5 299 177	5 476 218	5 610 112	6 116 038	6 565 418	6 961 361
Social Service & Population Development	2 018 828	2 214 148	2 295 364	2 424 653	2 627 841	2 770 971	2 938 264
Premier	15 552		121 384	118 242	114 750	123 416	134 610
Provincial Legislature	42 611	51 817	56 647	63 459	74 656	81 045	87 559
Finance & Economic Affairs	50 930	62 108	103 164	132 973	339 390	644 424	652 870
Corporate Services	68 934	93 482					
Service Commission	14 872	7 886	7 448				
Housing	99 235	95 102	108 525	99 156	830 806	657 962	691 502
Transport & Public Works	868 314	940 443	1 127 848	1 117 067	909 881	930 677	1 094 858
Agriculture, Conservation & Environment	40 840	64 555	66 982	79 578	118 576	104 625	113 607
Sport, Recreation, Arts & Culture	44 984	58 769	69 422	53 456	105 427	61 972	67 390
Safety & Liaison	8 545	12 255	14 843	28 050	32 928	23 684	26 054
Development Planning & Local Government	440 285	235 756	115 587	62 388	67 427	69 354	75 176
Total	13 933 715	15 000 582	15 608 625	16 098 842	18 173 204	19 262 405	20 500 669
Increase/(Decrease)					2 074 362	1 089 201	1 238 264
Classification of expenditure							
Current							
Personnel expenditure	8 089 155	8 814 858	9 151 437	9 185 482	10 160 570	10 782 695	11 438 554
Transfer payments	2 714 321	2 845 750	2 753 282	2 887 458	3 086 287	3 215 881	3 385 700
Other current expenditure	2 449 286	2 634 767	2 797 833	2 961 009	2 987 493	3 066 127	3 309 201
Capital							
Transfer payments	24 403	17 425	2 936	16 912	927 044	675 253	571 038
Other capital expenditure	656 550	687 782	903 137	1 047 981	1 011 810	1 522 449	1 796 177
Statutory							
Total	13 933 715	15 000 582	15 608 625	16 098 842	18 173 204	19 262 405	20 500 669

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TABLE C9.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Education Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	82 605	71 675	76 859	124 184	221 791	234 957	248 205
Public Ordinary School Education	4 540 294	4 838 579	5 078 064	5 300 190	5 662 647	5 986 767	6 361 052
Private Ordinary School Education	160 415	158 298	129 261	104 063	117 126	117 127	117 128
Education in Specialised Schools	238 616	250 649	271 944	281 196	298 799	317 713	335 269
Teacher Training	137 794	133 024	121 066	122 291	133 515	140 656	147 990
Technical College Education	172 542	204 177	204 090	224 910	233 338	247 010	260 651
Non-Formal Education	33 025	64 073	63 116	95 310	99 671	105 613	111 506
Auxiliary and Associated Services	210 133	142 112	100 184	56 985	68 597	79 014	75 618
Authorised Losses	1 232	2 497	610	579			
Statutory							
Total	5 576 656	5 865 084	6 045 194	6 309 708	6 835 484	7 228 857	7 657 419
Increase/(Decrease)					525 776	393 373	428 562
Classification of expenditure							
Current							
Personnel expenditure	4 795 540	5 152 729	5 289 400	5 344 920	5 823 569	6 153 347	6 500 124
Transfer payments	243 378	226 268	207 406	180 558	226 157	223 848	234 025
Other current expenditure	383 038	400 647	397 728	568 486	624 887	699 402	740 558
Capital							
Transfer payments			32				
Other capital expenditure	154 700	85 440	150 628	215 744	160 871	152 260	182 712
Statutory							
Total	5 576 656	5 865 084	6 045 194	6 309 708	6 835 484	7 228 857	7 657 419

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TABLE C9.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Health Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	221 782	71 744	133 271	214 903	263 161	266 923	270 513
District Health Services	697 391	774 138	968 194	1 091 433	1 382 585	1 448 021	1 517 574
Provincial Health Services	1 088 869	1 414 178	1 320 922	1 302 092	1 213 009	1 281 907	1 355 465
Academic Health Services	2 545 446	2 936 715	2 958 998	2 911 451	2 934 721	3 083 656	3 256 088
Health Sciences	46 527	48 177	47 714	42 140	56 050	59 413	63 010
Health Care Support Services	60 585	71 384	67 959	64 950	72 837	77 106	81 671
Health Facilities Development & Maintenance	8 192	3 565	1 730	6 059	241 262	397 064	466 828
Less: Internal Charges (Suspense)	(28 777)	(24 450)	(23 731)	(24 798)	(47 587)	(48 672)	(49 788)
Authorised losses	3 114	3 726	1 161	1 882			
Statutory							
Total	4 643 129	5 299 177	5 476 218	5 610 112	6 116 038	6 565 418	6 961 361
Increase/(Decrease)					505 926	449 380	395 943
Classification of expenditure							
Current							
Personnel expenditure	2 807 439	3 144 532	3 275 946	3 232 637	3 598 597	3 848 191	4 111 181
Transfer payments	375 186	430 272	422 580	488 959	521 827	533 734	545 969
Other current expenditure	1 365 889	1 616 608	1 624 547	1 652 130	1 590 864	1 619 163	1 646 282
Capital							
Transfer payments							
Other capital expenditure	94 615	107 765	153 145	236 386	404 750	564 330	657 929
Statutory							
Total	4 643 129	5 299 177	5 476 218	5 610 112	6 116 038	6 565 418	6 961 361

GAUTENG							
TABLE C9.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Welfare Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	64 938	19 188	27 771	38 255	48 195	49 600	52 595
Social Security	1 674 455	1 855 220	1 883 006	1 975 222	2 108 798	2 216 777	2 350 611
Social Assistance	207 969	204 067	201 479	218 173	239 263	257 146	272 671
Social Welfare Services	65 978	120 578	144 970	150 453	176 420	188 149	199 508
Development Activation	22	500	22 622	15 370	17 612	18 566	19 686
Auxiliary & Associated Services	400	100		1 870	2 000	2 070	2 430
Welfare Facilities Development & Maintenance	4 359	12 439	14 529	23 578	34 000	37 000	39 000
Population Development			330	647	1 553	1 663	1 763
Authorised Losses	707	2 056	657	1 085			
Statutory							
Total	2 018 828	2 214 148	2 295 364	2 424 653	2 627 841	2 770 971	2 938 264
Increase/(Decrease)					203 188	143 130	167 293
Classification of expenditure							
Current							
Personnel expenditure	102 853	106 979	124 684	134 172	157 430	165 981	176 002
Transfer payments	1 841 423	2 004 636	2 024 611	2 150 863	2 317 309	2 441 503	2 588 904
Other current expenditure	70 093	102 533	146 069	137 748	151 102	161 417	170 928
Capital							
Transfer payments							
Other capital expenditure	4 459			1 870	2 000	2 070	2 430
Statutory							
Total	2 018 828	2 214 148	2 295 364	2 424 653	2 627 841	2 770 971	2 938 264

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TABLE C10.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
Expenditure	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education							
Personnel Expenditure	5 732 723	6 531 184	6 502 862	6 721 377	7 345 109	7 760 644	8 178 836
Other Expenditure	1 089 020	749 314	620 958	577 178	813 107	1 048 617	1 127 456
Total	6 821 743	7 280 498	7 123 820	7 298 555	8 158 216	8 809 261	9 306 292
Health							
Personnel Expenditure	2 514 460	2 956 969	3 191 384	3 332 486	3 466 575	3 678 053	3 900 748
Other Expenditure	1 719 394	1 848 558	1 677 302	1 777 899	2 247 812	2 271 870	2 326 588
Total	4 233 854	4 805 527	4 868 686	5 110 385	5 714 387	5 949 923	6 227 336
Welfare							
Personnel Expenditure	102 236	121 544	139 572	149 118	166 650	185 334	199 959
Transfer Payments	3 066 351	3 428 078	3 658 547	3 716 401	3 662 722	3 896 576	3 935 589
Other Expenditure	160 366	188 911	185 932	185 961	238 375	259 455	275 955
Total	3 328 953	3 738 533	3 984 051	4 051 480	4 067 747	4 341 365	4 411 503
Expenditure other Functions							
Personnel Expenditure	1 063 784	978 386	1 056 416	1 107 380	1 077 780	1 015 613	1 079 685
Contingency Reserve							262 503
Other Expenditure	2 453 143	2 342 867	1 414 000	1 349 584	2 323 450	2 473 476	2 537 952
Total	3 516 927	3 321 253	2 470 416	2 456 964	3 401 230	3 489 089	3 880 140
Total Personnel Expenditure	9 413 203	10 588 083	10 890 234	11 310 361	12 056 114	12 639 644	13 359 228
Contingency Reserve							262 503
Total Other Expenditure	8 488 274	8 557 728	7 556 739	7 607 023	9 285 466	9 949 994	10 203 540
Total Expenditure	17 901 477	19 145 811	18 446 973	18 917 384	21 341 580	22 589 638	23 825 271
Revenue							
Transfers from National	16 148 157	17 288 370	18 183 215	19 187 084	21 156 946	22 170 756	23 326 311
Own Revenue	827 864	641 492	432 298	613 474	531 000	589 000	647 900
Total Revenue	16 976 021	17 929 862	18 615 513	19 800 558	21 687 946	22 759 756	23 974 211
Surplus/(Deficit)	(925 456)	(1 215 949)	168 540	883 174	346 366	170 118	148 940

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TABLE C10.2: ACTUAL AND BUDGETED REVENUE							
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Revenue	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Revenue Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	16 148 157	17 288 370	18 183 215	19 187 084	21 156 946	22 170 756	23 326 311
Equitable Share	15 126 846	15 617 243	15 507 854	16 706 549	18 894 363	20 232 533	21 435 496
Conditional Grants :							
Improvements in conditions of service	1 021 311	647 127	471 275	462 007			
Contingency Grant		124 000	195 600	281 500			
Finance Supplementary Grant			561 760	509 280	451 032	407 772	407 683
Other Conditional Grants *		900 000	1 446 726	1 227 748	1 811 551	1 530 451	1 483 132
Own Revenue	827 864	641 492	432 298	613 474	531 000	589 000	647 900
Interest and dividends	258 955	74 879	3 956	39 925	1	1	1
Taxation							
Licences and permits	647	779	891	522	2 207	2 474	2 721
Recovery of loans and advances	22 626	23 780	20 549	14 211	21 954	18 140	19 954
Departmental activities	26 575	14 899	14 175	13 234	16 843	18 848	20 733
State property rights	5 475	6 782	6 382	6 042	7 027	11 780	12 958
Moneys prescribed by law/ordinance	348 514	367 795	420 357	444 434	392 536	435 860	479 446
Moneys not prescribed by law/ordinance	73 341	69 599	53 276	40 651	54 420	60 667	66 734
Miscellaneous **	91 731	82 979	(87 288)	54 455	36 012	41 230	45 353
Other Revenue							
Total	16 976 021	17 929 862	18 615 513	19 800 558	21 687 946	22 759 756	23 974 211
Increase/(Decrease)					1 887 388	1 071 810	1 214 455

* Includes conditional grant of R900 m transferred to the province in 1997/98 in terms of Section 100 of the Constitution.

** The negative amount in 1998/99 reflects Exchequer payments made directly from the Revenue Fund.

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TABLE C10.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Provincial Summary	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
Department	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education & Culture	6 821 743	7 280 498	7 123 820	7 298 555	8 158 216	8 809 261	9 306 292
Health	4 233 854	4 805 527	4 868 686	5 110 385	5 714 387	5 949 923	6 227 336
Welfare & Population Development	3 328 953	3 738 533	3 984 051	4 051 480	4 067 747	4 341 365	4 411 503
Premier	99 230	74 837	79 026	87 402	106 552	115 262	118 896
Provincial Parliament	43 848	48 615	53 822	53 443	56 806	60 731	62 529
Finance *	137 721	95 924	108 302	94 541	129 572	154 573	417 928
Economic Affairs & Tourism	149 900	119 376	114 310	108 925	118 025	136 460	139 373
Provincial Service Commission	7 468	5 170	313	126	1	1	
Housing	146 399	80 847	70 843	108 697	724 290	732 555	764 529
Traditional & Local Government Affairs	1 067 271	935 617	755 879	383 435	420 374	309 505	332 306
Transport	679 978	724 053	518 828	709 850	868 826	930 655	961 042
Works	602 510	658 301	346 039	341 231	376 836	402 704	417 119
Agriculture & Environmental Affairs	551 206	555 149	400 972	517 813	578 377	623 762	642 486
Safety & Security	856	706	4 398	4 729	5 804	6 024	6 166
RDP	30 540	22 658	17 684	34 466			
The Royal Household				12 306	15 767	16 857	17 766
Total	17 901 477	19 145 811	18 446 973	18 917 384	21 341 580	22 589 638	23 825 271
Increase/(Decrease)					2 424 196	1 248 058	1 235 633
Classification of expenditure							
Current							
Personnel expenditure	9 380 146	10 560 558	10 863 785	11 282 058	12 026 797	12 609 327	13 328 411
Transfer payments	4 079 597	4 436 434	4 649 991	4 427 040	4 359 826	4 612 199	4 667 459
Other current expenditure*	2 748 318	2 737 874	2 055 049	2 300 010	3 491 560	3 788 608	4 336 500
Capital							
Transfer payments	92 420	88 762	42 752	34 000	29 001	25 001	21 001
Other capital expenditure	1 567 939	1 294 658	808 947	845 973	1 405 079	1 524 186	1 441 083
Statutory	33 057	27 525	26 449	28 303	29 317	30 317	30 817
Total	17 901 477	19 145 811	18 446 973	18 917 384	21 341 580	22 589 638	23 825 271

* The Contingency Reserve is included in these amounts

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TABLE C10.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Education Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	133 028	208 653	151 225	118 263	220 195	255 257	232 143
Public Ordinary School Education	5 915 486	6 308 976	6 224 117	6 486 393	7 123 815	7 690 759	8 170 762
Private Ordinary School Education	39 485	38 542	28 819	28 655	20 615	20 615	20 615
Special School Education	129 814	142 722	155 065	162 192	180 836	198 493	208 139
Teacher Training	226 596	220 523	188 762	164 362	173 840	172 628	181 195
Technical College Education	121 335	106 425	112 403	113 209	128 855	147 798	154 137
Non-Formal Education	21 524	27 194	14 708	20 316	37 654	32 295	33 837
Sport & Recreation Advancement	3 801	4 223	4 844	4 640	9 111	9 415	9 621
Arts & Culture	6 827	7 924	12 176	9 848	13 694	13 939	14 101
Auxiliary & Associated Services	121 070	140 852	212 583	185 096	249 180	267 641	281 321
Authorised Losses	537	508	159	60			
Statutory	344	386	417	421	421	421	421
Capital Expenditure from Works Department	101 896	73 570	18 542	5 100			
Total	6 821 743	7 280 498	7 123 820	7 298 555	8 158 216	8 809 261	9 306 292
Increase/(Decrease)							
Classification of expenditure							
Current							
Personnel expenditure	5 732 379	6 530 798	6 502 445	6 720 956	7 344 688	7 760 223	8 178 415
Transfer payments	90 023	86 388	83 957	91 073	109 568	107 163	109 825
Other current expenditure	593 597	504 054	450 008	462 804	578 178	776 990	876 208
Capital							
Transfer payments	4 731	230					
Other capital expenditure	400 669	158 642	86 993	23 301	125 361	164 464	141 423
Statutory	344	386	417	421	421	421	421
Total	6 821 743	7 280 498	7 123 820	7 298 555	8 158 216	8 809 261	9 306 292

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TABLE C10.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Health Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	86 186	82 988	102 843	103 482	102 148	111 785	115 874
District Health Services	1 650 925	1 910 876	1 961 903	2 141 290	2 695 602	2 936 725	3 178 342
Provincial Hospital Services	1 564 122	1 813 306	1 818 432	1 868 067	1 608 356	1 629 947	1 702 824
Central Health Services	542 284	613 284	592 630	612 814	664 795	680 393	703 997
Health Sciences	96 532	130 080	119 367	132 356	152 865	160 661	175 213
Auxiliary & Associated Services	180 695	149 460	272 262	251 595	490 200	429 991	350 665
Authorised Losses	2 766	647	866	316			
Statutory	344	386	383	465	421	421	421
Capital Expenditure from Works Department	110 000	104 500					
Total	4 233 854	4 805 527	4 868 686	5 110 385	5 714 387	5 949 923	6 227 336
Increase/(Decrease)							
Classification of expenditure							
Current							
Personnel expenditure	2 514 116	2 956 583	3 191 001	3 332 021	3 466 154	3 677 632	3 900 327
Transfer payments	232 837	250 146	283 162	299 411	310 393	310 310	322 044
Other current expenditure	1 110 552	1 247 233	1 026 987	1 135 484	1 333 115	1 323 338	1 430 796
Capital							
Transfer payments	4 005				1	1	1
Other capital expenditure	372 000	351 179	367 153	343 004	604 303	638 221	573 747
Statutory	344	386	383	465	421	421	421
Total	4 233 854	4 805 527	4 868 686	5 110 385	5 714 387	5 949 923	6 227 336

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TABLE C10.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Welfare Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	14 341	22 700	17 426	29 160	45 982	45 945	53 140
Social Security	3 118 135	3 500 991	3 738 352	3 811 331	3 785 571	3 993 318	4 020 298
Social Assistance	105 690	105 407	122 142	105 603	118 041	157 991	168 037
Social Welfare Services	75 463	85 717	91 139	92 153	104 867	119 420	133 943
Social Development	1 504	1 365	1 617	2 380	10 650	21 005	31 350
Population Development			838	588	1 215	2 265	3 314
Auxiliary & Associated Services	1 417	1 933		1 256	1 000	1 000	1 000
Authorised Losses	59	25	11	305			
Statutory	344	386	335	418	421	421	421
Capital Expenditure from Works Department	12 000	20 009	12 191	8 286			
Total	3 328 953	3 738 533	3 984 051	4 051 480	4 067 747	4 341 365	4 411 503
Increase/(Decrease)							
Classification of expenditure							
Current							
Personnel expenditure	101 892	121 158	139 237	148 700	166 229	184 913	199 538
Transfer payments	3 066 351	3 428 078	3 658 547	3 716 401	3 662 722	3 896 576	3 935 589
Other current expenditure	143 935	166 360	170 717	176 389	218 460	240 040	256 540
Capital							
Transfer payments							
Other capital expenditure	16 431	22 551	15 215	9 572	19 915	19 415	19 415
Statutory	344	386	335	418	421	421	421
Total	3 328 953	3 738 533	3 984 051	4 051 480	4 067 747	4 341 365	4 411 503

MPUMALANGA

TABLE C11.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
Expenditure	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education							
Personnel Expenditure	1 764 308	2 288 814	2 434 164	2 587 205	2 653 844	2 800 067	2 904 772
Other Expenditure	649 947	217 215	190 155	222 156	253 231	302 640	317 580
Total	2 414 255	2 506 029	2 624 319	2 809 361	2 907 075	3 102 707	3 222 352
Health							
Personnel Expenditure	436 977	569 560	643 843	721 173	754 852	792 894	811 568
Other Expenditure	379 760	477 351	414 263	425 995	430 592	457 274	519 430
Total	816 737	1 046 911	1 058 106	1 147 168	1 185 444	1 250 168	1 330 998
Welfare							
Personnel Expenditure	31 713	20 598	26 946	35 905	42 442	46 792	52 465
Transfer Payments	769 884	930 589	1 022 125	1 070 487	1 082 514	1 120 759	1 174 142
Other Expenditure	19 734	29 476	37 449	49 384	89 521	106 013	117 270
Total	821 331	980 663	1 086 520	1 155 776	1 214 477	1 273 564	1 343 877
Expenditure other Functions							
Personnel Expenditure	391 532	457 075	514 502	537 553	582 819	627 689	668 613
Contingency Reserve					193 492	302 099	428 548
Other Expenditure	1 007 113	963 017	728 324	780 379	977 281	1 062 705	1 141 178
Total	1 398 646	1 420 092	1 242 826	1 317 932	1 753 592	1 992 493	2 238 339
Total Personnel Expenditure	2 624 530	3 336 047	3 619 455	3 881 836	4 033 957	4 267 442	4 437 418
Contingency Reserve					193 492	302 099	428 548
Total Other Expenditure	2 826 439	2 617 648	2 392 316	2 548 401	2 833 139	3 049 391	3 269 600
Total Expenditure	5 450 969	5 953 695	6 011 771	6 430 237	7 060 588	7 618 932	8 135 566
Revenue							
Transfers from National	5 008 819	5 073 270	5 728 942	6 212 686	6 943 276	7 427 562	7 910 383
Own Revenue	216 024	257 266	193 720	362 819	193 212	209 870	225 183
Total Revenue	5 224 843	5 330 536	5 922 662	6 575 505	7 136 488	7 637 432	8 135 566
Surplus/(Deficit)	(226 126)	(623 159)	(89 109)	145 268	75 900	18 500	(0)

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TABLE C11.2: ACTUAL AND BUDGETED REVENUE							
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Revenue	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Revenue Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	5 008 819	5 073 270	5 728 942	6 212 686	6 943 276	7 427 562	7 910 383
Equitable Share	4 738 868	4 809 293	5 213 416	5 645 686	6 423 250	6 931 128	7 398 319
Conditional Grants :							
Improvements in conditions of service	269 951	219 977	153 283	144 173			
Contingency Grant		44 000	65 800	94 900			
Finance Supplementary Grant			191 570	171 034	152 522	139 172	140 709
Other Conditional Grants			104 873	156 893	367 504	357 262	371 355
Own Revenue	216 024	257 266	193 720	362 819	193 212	209 870	225 183
Taxation							
Interest and dividends	29 860	46 109	16 810	31 843	8 000	10 000	12 000
Licences and permits	1 224	3 052	4 242	9 331	3 498	3 708	3 930
Recovery of loans and advances	2 000	5 738	660	799	3 286	3 483	3 692
Departmental activities	5 882	3 832	8 275	4 756	8 480	8 990	9 528
State property rights	3 577	3 807	2 193	2 612	8 003	8 485	8 992
Moneys prescribed by law/ordinance	95 480	87 218	83 597	94 267	101 628	110 944	118 607
Moneys not prescribed by law/ordinance	41 352	22 125	16 448	22 276	45 156	47 867	50 737
Miscellaneous *	36 649	85 385	61 495	196 935	15 161	16 393	17 697
Other Revenue							
Total	5 224 843	5 330 536	5 922 662	6 575 505	7 136 488	7 637 432	8 135 566
Increase/(Decrease)					560 983	500 944	498 134

* Miscellaneous revenue includes: 1998/99 - R2,3 m for Donor Funding (1998/99); and 1999/2000 - 137,0 million for investments.

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TABLE C11.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Provincial Summary	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
Department	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education	2 414 255	2 506 029	2 624 319	2 809 361	2 907 075	3 102 707	3 222 352
Health	816 737	1 046 911	1 058 106	1 147 168	1 185 444	1 250 168	1 330 998
Social Services, Population & Development	821 331	980 663	1 086 520	1 155 776	1 214 477	1 273 564	1 343 877
Premier	33 583	19 945	46 830	60 537	80 730	86 027	93 088
Legislature	27 233	38 141	33 298	37 286	44 768	50 349	57 758
Finance *	242 297	260 463	157 005	108 732	315 816	434 291	565 471
Economic Affairs, Gaming & Tourism	25 234	23 157	28 682	37 268	46 908	52 692	58 970
Service Commission / Central Services		85 606					
Housing & Land Administration				36 316	272 522	284 210	298 452
Local Government, Housing & Land Affairs	167 187	210 692	131 271	109 672			
Local Government, Traffic Safety & Traffic Control					142 785	116 782	124 014
Public Works, Roads & Transport	661 941	487 179	511 679	627 161	534 667	612 766	644 050
Agriculture, Conservation & Environment	88 634	131 935	134 548	252 680	256 568	292 921	307 690
Environment & Tourism	80 103	106 248	143 416				
Sport, Recreation, Arts & Culture	8 186	15 499	36 548	26 467	33 492	36 133	47 688
Safety & Security	64 246	41 226	19 548	21 813	25 336	26 322	41 158
Total	5 450 969	5 953 695	6 011 771	6 430 237	7 060 588	7 618 932	8 135 566
Increase/(Decrease)					630 351	558 344	516 634
Classification of expenditure							
Current							
Personnel expenditure	2 624 530	3 336 047	3 619 455	3 881 836	4 033 957	4 267 442	4 437 418
Transfer payments	1 561 345	953 584	1 041 000	1 073 787	1 314 111	1 354 516	1 433 210
Other current expenditure *	821 205	817 432	703 324	880 584	1 113 468	1 370 431	1 658 874
Capital							
Transfer payments		330 592	286 246	206 349	544	548	552
Other capital expenditure	443 889	516 040	361 746	387 681	598 508	625 995	605 512
Statutory							
Total	5 450 969	5 953 695	6 011 771	6 430 237	7 060 588	7 618 932	8 135 566

* The Contingency Reserve is included in these amounts

MPUMALANGA							
TABLE C11.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Education Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration/management & support	358 189	64 582	125 582	134 290	235 333	244 487	251 589
Public Ordinary School Education	1 952 820	2 249 912	2 326 976	2 487 152	2 454 158	2 629 148	2 733 278
Private Ordinary School Education	4 325	5 437	8 873		9 600	9 972	10 500
Education in Specialised Schools	14 270	62 420	46 101	48 023	57 430	61 148	64 950
Teachers Training	20 214	51 815	40 487	38 854	48 700	43 589	40 374
Technical College Education/vocational	7 656	37 892	37 119	42 658	49 204	55 157	59 150
Non-Formal Education	33 456	27 946	27 330	35 212	26 840	30 689	33 400
Supporting & Related Services	23 326	6 025	11 490	15 007	25 810	28 517	29 111
Independent Schools				8 165			
Vet Desk			361				
Statutory							
Total	2 414 255	2 506 029	2 624 319	2 809 361	2 907 075	3 102 707	3 222 352
Increase/(Decrease)					97 714	195 632	119 645
Classification of expenditure							
Current							
Personnel expenditure	1 764 308	2 288 814	2 434 164	2 587 205	2 653 844	2 800 067	2 904 772
Transfer payments	359 347	2	320	104	22 957	26 465	30 000
Other current expenditure	154 717	132 783	109 522	142 415	175 535	216 799	223 926
Capital							
Transfer payments		22 547	25 499	17 054			
Other capital expenditure	135 883	61 883	54 814	62 583	54 739	59 376	63 654
Statutory							
Total	2 414 255	2 506 029	2 624 319	2 809 361	2 907 075	3 102 707	3 222 352

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TABLE C11.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Health Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	146 187	186 366	80 277	97 936	97 414	100 683	129 451
District Health Services	670 164	860 545	751 281	896 953	910 373	960 379	988 464
Provincial/regional Hospital Services			105 265	99 153	97 937	100 759	106 231
Health Care Support Services			3 560	4 445	13 236	13 255	14 959
Health Facilities Development & Maintenance			95 247	22 466	40 400	49 000	62 720
Gender Affairs	386						
Human Resource Development			22 476	26 215	26 084	26 092	29 173
Statutory							
Total	816 737	1 046 911	1 058 106	1 147 168	1 185 444	1 250 168	1 330 998
Increase/(Decrease)					38 276	64 724	80 830
Classification of expenditure							
Current							
Personnel expenditure	436 977	569 560	643 843	721 173	754 852	792 894	811 568
Transfer payments	30 242	16 533	8 793	1 993	23 326	22 723	25 303
Other current expenditure	245 381	326 463	253 068	351 815	349 806	368 472	413 864
Capital							
Transfer payments			37 031	44 229	530	530	530
Other capital expenditure	104 137	134 355	115 371	27 958	56 930	65 549	79 733
Statutory							
Total	816 737	1 046 911	1 058 106	1 147 168	1 185 444	1 250 168	1 330 998

Between 1995/96 and 1997/98 Health and Welfare formed a single department.

MPUMALANGA							
TABLE C11.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Welfare Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	2 341	28 303	6 004	9 116	20 460	23 575	26 387
Social Security	780 872	907 909	1 021 129	1 079 044	1 117 468	1 162 415	1 220 803
Social Assistance Services	31 952	31 447	31 949	32 123	34 272	36 305	38 339
Social Welfare Services	5 649	12 115	23 876	28 663	33 281	40 179	45 125
Social Development					2 200	2 500	2 998
Population Unit	517	2	1 765	1 955	2 800	3 200	3 300
Welfare Facilities		887	847	67	2 846	3 390	4 425
Auxiliary & Associated Services			860	602	1 150	2 000	2 500
Administrative Support			90	4 206			
Statutory							
Total	821 331	980 663	1 086 520	1 155 776	1 214 477	1 273 564	1 343 877
Increase/(Decrease)					58 701	59 087	70 313
Classification of expenditure							
Current							
Personnel expenditure	31 713	20 598	26 946	35 905	42 442	46 792	52 465
Transfer payments	769 884	930 589	1 022 125	1 070 487	1 082 514	1 120 759	1 174 142
Other current expenditure	19 734	29 476	34 717	48 083	83 823	99 054	108 438
Capital							
Transfer payments			34	29			
Other capital expenditure			2 698	1 272	5 698	6 959	8 832
Statutory							
Total	821 331	980 663	1 086 520	1 155 776	1 214 477	1 273 564	1 343 877

Between 1995/96 and 1997/98 Health and Welfare formed a single department.

NORTHERN CAPE

TABLE C12.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
Expenditure	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education							
Personnel Expenditure	694 098	738 381	753 929	780 780	793 533	867 428	918 930
Other Expenditure	112 086	111 063	123 703	114 931	169 806	145 605	146 982
Total	806 184	849 444	877 632	895 711	963 339	1 013 033	1 065 912
Health							
Personnel Expenditure	163 019	195 612	219 226	268 933	280 197	250 252	260 696
Other Expenditure	167 124	180 383	167 088	160 423	147 291	199 285	207 043
Total	330 143	375 995	386 314	429 356	427 488	449 537	467 739
Welfare							
Personnel Expenditure	24 304	29 944	34 559	36 930	44 181	42 963	46 062
Transfer Payments	506 646	600 273	596 353	611 069	551 030	559 764	566 486
Other Expenditure	14 094	19 446	34 290	41 839	44 290	50 499	54 471
Total	545 044	649 663	665 202	689 838	639 501	653 226	667 019
Expenditure other Functions							
Personnel Expenditure	91 889	110 756	128 668	149 440	176 242	184 131	191 126
Contingency Reserve					3 405	3 405	3 405
Other Expenditure	285 070	319 663	274 562	268 997	318 293	340 261	382 004
Total	376 959	430 419	403 230	418 437	497 940	527 797	576 535
Total Personnel Expenditure	973 310	1 074 693	1 136 382	1 236 083	1 294 153	1 344 774	1 416 815
Contingency Reserve					3 405	3 405	3 405
Total Other Expenditure	1 085 020	1 230 828	1 195 996	1 197 259	1 230 710	1 295 414	1 356 986
Total Expenditure	2 058 330	2 305 521	2 332 378	2 433 342	2 528 268	2 643 593	2 777 206
Revenue							
Transfers from National	2 112 645	2 055 263	2 136 645	2 372 508	2 474 421	2 600 124	2 720 298
Own Revenue	96 364	102 286	78 765	78 781	89 031	94 845	99 587
Total Revenue	2 209 009	2 157 549	2 215 410	2 451 289	2 563 452	2 694 969	2 819 885
Surplus/(Deficit)	150 679	(147 972)	(116 968)	17 947	35 184	51 376	42 679

NORTHERN CAPE							
TABLE C12.2: ACTUAL AND BUDGETED REVENUE							
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Revenue	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Revenue Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	2 112 645	2 055 263	2 136 645	2 372 508	2 474 421	2 600 124	2 720 298
Equitable Share	2 008 884	1 972 212	1 964 190	2 083 524	2 301 705	2 435 659	2 550 240
Conditional Grants :							
Improvements in conditions of service	103 761	73 051	47 778	47 773			
Contingency Grant		10 000	24 700	34 700			
Finance Supplementary Grant			63 710	58 120	51 808	47 588	48 511
Other Conditional Grants			36 267	148 391	120 908	116 877	121 547
Own Revenue	96 364	102 286	78 765	78 781	89 031	94 845	99 587
Taxation							
Interest and dividends	25 044	32 431	11 927	1 980	1 000	1 100	1 200
Licences and permits	52	262	103	92	101	110	120
Recovery of loans and advances	1 317	1 841	2 350	1 820	2 737	2 900	3 000
Departmental activities	1 918	6 624	3 496	2 300	2 030	2 100	2 200
State property rights	2 338	2 029	1 002	517	1 312	1 400	1 500
Moneys prescribed by law/ordinance	38 019	38 237	31 772	63 822	74 070	79 235	83 167
Moneys not prescribed by law/ordinance	8 838	7 152	18 552	4 633	4 181	4 200	4 400
Miscellaneous	18 838	13 710	9 563	3 617	3 600	3 800	4 000
Other Revenue							
Total	2 209 009	2 157 549	2 215 410	2 451 289	2 563 452	2 694 969	2 819 885
Increase/(Decrease)					112 163	131 517	124 916

NORTHERN CAPE

TABLE C12.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Provincial Summary	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
Department	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education	806 184	849 444	877 632	895 711	963 339	1 013 033	1 065 912
Health	330 143	375 995	386 314	429 356	427 488	449 537	467 739
Social Service & Population Development	545 044	649 663	665 202	689 838	639 501	653 226	667 019
Premier	26 003	38 413	47 222	47 779	41 658	43 290	45 051
Legislature			12 680	26 088	28 597	30 460	31 339
Finance	12 588	18 410	15 293	26 728	34 913	43 810	45 026
Economic Affairs & Tourism	7 182	11 195	14 939	11 310	15 601	16 062	16 557
Provincial Service Commission	1 828	1 848	1 243	378			
Housing & Local Government	70 412	69 013	45 487	45 912	105 925	118 037	122 887
Transport, Roads & Works	163 967	147 218	128 597	129 731	172 937	179 750	184 125
Works	33 338	70 585	70 012	60 315			
Agriculture, Nature Conservation & Environmental Affairs	46 051	53 061	52 124	53 419	53 048	55 499	58 092
Nature & Environmental Conservation	10 548	12 106	8 470	9 117			
Sport, Arts & Culture	3 310	5 732	3 898	4 638	21 120	21 588	22 202
Safety & Liaison	1 732	2 838	3 265	3 022	4 235	4 395	4 565
Promoting the RDP *					19 905	14 905	46 689
Ics					1	1	1
Total	2 058 330	2 305 521	2 332 378	2 433 342	2 528 268	2 643 593	2 777 206
Increase/(Decrease)					94 926	115 325	133 613
Classification of expenditure							
Current							
Personnel expenditure	973 310	1 074 693	1 136 382	1 225 235	1 284 023	1 334 644	1 406 685
Transfer payments	636 693	779 930	750 841	752 315	668 873	656 667	666 052
Other current expenditure *	318 748	315 851	330 184	356 820	396 466	455 515	465 379
Capital							
Transfer payments	10 206	21 448	3 859	1 341	59 526	71 137	74 220
Other capital expenditure	119 373	113 599	111 112	86 783	109 250	115 500	154 740
Statutory				10 848	10 130	10 130	10 130
Total	2 058 330	2 305 521	2 332 378	2 433 342	2 528 268	2 643 593	2 777 206

* The Contingency Reserve is included in these amounts

NORTHERN CAPE							
TABLE C12.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Education Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	62 705	91 660	39 162	40 514	37 384	40 355	41 753
Public Ordinary School Education	676 889	690 179	751 970	773 167	815 474	854 698	901 442
Private Ordinary School Education	2 989	3 143	2 861	2 859	2 859	2 859	2 859
Special School Education	18 638	16 897	20 648	21 923	27 725	32 695	33 796
Teacher Training	13 108	6 163	10 134	8 187	8 570	9 204	9 488
Technical College Training	13 343	20 483	16 231	16 414	20 338	21 589	22 403
Non-Formal Education	3 790	3 177	3 266	4 081	4 677	4 919	5 120
Arts & Culture	10 609	10 251	12 952	12 450			
Auxiliary & Associated Services	4 113	7 491	20 408	16 116	23 030	27 200	27 893
Statutory							
Capital Expenditure from Works Department					23 282	19 513	21 158
Total	806 184	849 444	877 632	895 711	963 339	1 013 033	1 065 912
Increase/(Decrease)							
Classification of expenditure							
Current							
Personnel expenditure	694 098	738 381	753 929	780 780	793 533	867 428	918 930
Transfer payments	25 546	23 445	26 397	20 177	42 994	23 162	24 769
Other current expenditure	84 955	79 796	88 442	92 243	114 526	114 431	114 515
Capital							
Transfer payments	133	45	119				
Other capital expenditure	1 452	7 777	8 745	2 511	12 286	8 012	7 698
Statutory							
Total	806 184	849 444	877 632	895 711	963 339	1 013 033	1 065 912

NORTHERN CAPE

TABLE C12.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Health Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	31 802	31 910	16 392	19 086	19 739	21 176	21 782
District Health Services	179 972	209 461	223 451	250 691	250 610	259 961	269 374
Provincial Hospital Services	109 635	122 734	133 262	148 352	133 572	152 367	158 266
Health Sciences	5 727	5 860	5 756	5 314	5 099	5 476	5 414
Auxiliary & Associated Services	2 738	5 094	6 740	5 020	11 968	4 322	4 437
Authorized losses	269	936	713	893			
Statutory							
Capital Expenditure from Works Department					6 500	6 235	8 465
Total	330 143	375 995	386 314	429 356	427 488	449 537	467 739
Increase/(Decrease)							
Classification of expenditure							
Current							
Personnel expenditure	163 019	195 612	219 226	268 933	280 197	250 252	260 696
Transfer payments	64 493	78 875	65 109	25 935	21 816	22 440	23 095
Other current expenditure	92 060	92 404	95 746	124 656	115 322	155 117	157 358
Capital							
Transfer payments	396	149					
Other capital expenditure	10 175	8 955	6 233	9 832	10 153	21 728	26 590
Statutory							
Total	330 143	375 995	386 314	429 356	427 488	449 537	467 739

NORTHERN CAPE							
TABLE C12.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Welfare Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	21 604	22 121	15 638	10 749	13 901	13 836	15 045
Social Security	482 705	578 907	598 489	627 791	563 708	572 398	581 639
Social Assistance	24 597	22 202	20 509	22 392	28 320	29 288	30 592
Social Welfare Services	15 275	23 649	25 624	24 863	25 144	28 161	29 209
Social Development	863	1 928	2 160	3 468	3 322	3 792	3 959
Auxiliary & Associated Services			2 668	217	165	208	88
Population Development		844	94	257	1 151	1 342	1 382
Authorised Losses		12	20	101			
Statutory							
Capital Expenditure from Works Department					3 791	4 200	5 106
Total	545 044	649 663	665 202	689 838	639 501	653 226	667 019
Increase/(Decrease)							
Classification of expenditure							
Current							
Personnel expenditure	24 304	29 944	34 559	36 930	44 181	42 963	46 062
Transfer payments	506 646	600 273	596 353	611 069	551 030	559 764	566 486
Other current expenditure	13 034	17 555	31 337	41 045	41 523	47 781	51 343
Capital							
Transfer payments	675	836					
Other capital expenditure	385	1 055	2 953	794	2 767	2 718	3 128
Statutory							
Total	545 044	649 663	665 202	689 838	639 501	653 226	667 019

NORTHERN PROVINCE

TABLE C13.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
Expenditure	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education							
Personnel Expenditure	4 560 356	4 987 688	5 471 490	5 401 767	5 623 160	6 006 200	6 432 684
Other Expenditure	657 703	557 956	321 147	454 025	588 805	650 920	686 314
Total	5 218 059	5 545 644	5 792 637	5 855 792	6 211 965	6 657 120	7 118 998
Health							
Personnel Expenditure	1 002 400	1 136 873	1 403 350	1 504 716	1 532 784	1 616 857	1 694 021
Other Expenditure	996 904	816 901	652 655	755 490	895 334	907 617	971 905
Total	1 999 304	1 953 774	2 056 005	2 260 206	2 428 118	2 524 474	2 665 926
Welfare							
Personnel Expenditure	10 317	13 457	32 313	54 721	64 048	69 249	75 633
Transfer Payments	1 677 836	1 777 189	1 982 598	2 185 586	2 392 651	2 381 945	2 506 687
Other Expenditure	53 051	12 697	16 282	78 076	96 143	99 756	104 980
Total	1 741 204	1 803 343	2 031 193	2 318 383	2 552 842	2 550 950	2 687 300
Expenditure other Functions							
Personnel Expenditure	1 052 487	1 408 525	1 382 408	1 404 821	1 500 610	1 532 937	1 592 770
Contingency Reserve							
Other Expenditure	1 656 785	802 252	618 739	773 758	1 046 004	1 301 469	1 318 563
Total	2 709 272	2 210 777	2 001 147	2 178 579	2 546 614	2 834 406	2 911 333
Total Personnel Expenditure	6 625 560	7 546 543	8 289 561	8 366 025	8 720 602	9 225 244	9 795 108
Contingency Reserve							
Total Other Expenditure	5 042 279	3 966 995	3 591 421	4 246 935	5 018 937	5 341 707	5 588 449
Total Expenditure	11 667 839	11 513 538	11 880 982	12 612 960	13 739 539	14 566 951	15 383 557
Revenue							
Transfers from National	10 818 116	10 891 964	11 484 618	12 397 529	13 559 509	14 414 704	15 191 939
Own Revenue	501 277	202 340	294 883	225 638	340 000	324 000	350 000
Total Revenue	11 319 393	11 094 304	11 779 501	12 623 167	13 899 509	14 738 704	15 541 939
Surplus/(Deficit)	(348 446)	(419 234)	(101 481)	10 207	159 970	171 753	158 382

NORTHERN PROVINCE							
TABLE C13.2: ACTUAL AND BUDGETED REVENUE							
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Revenue	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Revenue Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	10 818 116	10 891 964	11 484 618	12 397 529	13 559 509	14 414 704	15 191 939
Equitable Share	9 775 105	10 345 706	10 424 106	11 143 847	12 625 835	13 475 911	14 231 238
Conditional Grants :							
Improvements in conditions of service	1 043 011	463 258	348 432	362 205			
Contingency Grant		83 000	131 700	188 700			
Finance Supplementary Grant			377 545	346 221	305 049	273 521	270 664
Other Conditional Grants			202 835	356 556	628 625	665 272	690 037
Own Revenue	501 277	202 340	294 883	225 638	340 000	324 000	350 000
Taxation							
Interest and dividends	85 629	7 806	9 051	91	990	990	1 069
Licences and permits	183 825	61 739	57 875	17 104	129 060	140 040	151 278
Recovery of loans and advances							
Departmental activities	7 755	17 026	15 900	11 740	35 790	40 548	43 802
State property rights	459	1 920	900	394	40 330	356	385
Moneys prescribed by law/ordinance	54 927	67 984	74 068	82 752	123 510	133 072	143 750
Moneys not prescribed by law/ordinance	116 859	33 599	31 789	25 994	8 370	8 994	9 716
Miscellaneous	51 823	12 266	105 300	87 563	1 950		
Other Revenue							
Total	11 319 393	11 094 304	11 779 501	12 623 167	13 899 509	14 738 704	15 541 939
Increase/(Decrease)					1 276 342	839 195	803 235

NORTHERN PROVINCE

TABLE C13.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Provincial Summary	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
Department	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education	5 218 059	5 545 644	5 792 637	5 855 792	6 211 965	6 657 120	7 118 998
Health	1 999 304	1 953 774	2 056 005	2 260 206	2 428 118	2 524 474	2 665 926
Welfare	1 741 204	1 803 343	2 031 193	2 318 383	2 552 842	2 550 950	2 687 300
Premier	327 315	132 440	66 703	91 923	104 694	108 267	114 013
Provincial Legislature	16 189	17 464	17 081	30 962	34 347	35 728	38 241
Finance, Economic Affairs & Tourism					282 525	340 553	280 207
Finance & Provincial Expenditure	628 930	105 412	127 108	242 258	3 552	3 563	3 491
Housing & Water Affairs		10 732	19 529	17 777			
Local Government & Traditional Affairs	288 566	252 317	266 182	286 086			
Local Government & Housing					552 011	703 831	735 241
Transport	146 548	233 653	186 339	187 198	214 095	222 011	233 938
Public Works	703 233	733 293	624 548	690 331	731 577	760 642	804 065
Agriculture & Environment	411 903	603 681	572 236	562 626	592 174	627 095	667 588
Environment & Tourism	94 493						
Sport, Arts & Culture					26 308	27 140	28 566
Safety, Security & Liaison	3 309	4 812	3 919	3 926	5 331	5 576	5 984
Trade, Industry & Tourism	88 786	116 973	117 502	65 492			
Total	11 667 839	11 513 538	11 880 982	12 612 960	13 739 539	14 566 951	15 383 557
Increase/(Decrease)					1 126 579	827 412	816 606
Classification of expenditure							
Current							
Personnel expenditure	6 625 560	7 546 543	8 289 561	8 366 025	8 704 754	9 209 396	9 779 260
Transfer payments	2 043 422	2 072 232	2 151 211	2 396 357	2 676 100	2 745 685	2 999 648
Other current expenditure	2 623 581	1 588 598	1 159 742	1 607 002	1 678 362	1 823 495	1 850 617
Capital							
Transfer payments	110 604	150 099	163 577	106 166	362 321	470 734	430 230
Other capital expenditure	264 672	156 066	116 891	137 410	302 154	301 793	307 954
Statutory					15 848	15 848	15 848
Total	11 667 839	11 513 538	11 880 982	12 612 960	13 739 539	14 566 951	15 383 557

NORTHERN PROVINCE							
TABLE C13.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Education Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	983 712	1 599 336	1 360 015	634 907	733 860	759 669	814 857
Primary Education	2 290 777	1 926 901	2 263 431	2 779 593	2 887 688	3 149 597	3 373 000
Secondary Education	1 776 513	1 752 044	1 860 995	2 023 203	2 135 277	2 287 688	2 440 619
Special Education	46 040	59 444	58 793	70 588	95 055	101 648	110 225
Technical Education	36 671	45 557	45 373	59 515	70 001	80 409	84 501
Teacher Training	59 923	152 576	137 215	210 820	226 494	211 103	224 410
Adult Basic Education & Training	24 423	9 786	29 043	13 318	54 589	57 006	59 386
Pre-primary Education			23 285	51 642			
Independent Schools			10 926	12 206	9 000	10 000	12 000
Sports & Recreation			1 414				
Arts & Culture			2 147				
Statutory							
Total	5 218 059	5 545 644	5 792 637	5 855 792	6 211 965	6 657 120	7 118 998
Increase/(Decrease)							
Classification of expenditure							
Current							
Personnel expenditure	4 560 356	4 987 688	5 471 490	5 401 767	5 623 160	6 006 200	6 432 684
Transfer payments	15 489	29 153	36 324	34 786	43 540	47 075	52 421
Other current expenditure	588 487	513 518	251 166	397 910	481 402	540 482	570 530
Capital							
Transfer payments							
Other capital expenditure	53 727	15 285	33 657	21 329	63 863	63 363	63 363
Statutory							
Total	5 218 059	5 545 644	5 792 637	5 855 792	6 211 965	6 657 120	7 118 998

NORTHERN PROVINCE

TABLE C13.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Health Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Health Administration	295 449	136 234	156 162	144 591	190 938	196 485	207 571
District Health Services	934 746	1 105 147	1 078 324	1 247 337	1 303 468	1 354 873	1 430 275
Regional & Specialised Hospital Services	229 334	361 920	499 113	513 643	527 346	548 118	578 583
Health Science Services	6 502	26 190	57 699	45 522	95 200	98 999	104 578
Health Care Support Services	187 425	134 561	131 287	143 654	159 016	165 530	175 131
Health Facilities Development & Maintenance	345 848	189 722	133 420	165 459	152 150	160 470	169 787
Statutory							
Total	1 999 304	1 953 774	2 056 005	2 260 206	2 428 118	2 524 474	2 665 926
Increase/(Decrease)							
Classification of expenditure							
Current							
Personnel expenditure	1 002 400	1 136 873	1 403 350	1 504 716	1 532 784	1 616 857	1 694 021
Transfer payments	172 957	157 599	76 704	55 409	98 732	99 000	100 000
Other current expenditure	721 644	585 806	517 970	620 731	604 507	615 617	676 905
Capital							
Transfer payments							
Other capital expenditure	102 303	73 496	57 981	79 350	192 095	193 000	195 000
Statutory							
Total	1 999 304	1 953 774	2 056 005	2 260 206	2 428 118	2 524 474	2 665 926

NORTHERN PROVINCE							
TABLE C13.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Welfare Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Welfare Administration	13 877	16 290	14 248	15 940	33 109	34 370	36 176
Social Security Services	1 676 863	1 755 313	1 965 856	2 231 903	2 420 584	2 413 623	2 542 713
Social Assistance Services	17 439	21 371	23 529	23 540	26 503	27 530	29 003
Social Welfare Services	5 955	4 505	16 019	34 262	49 871	51 775	54 499
Social Development Services	2 414	2 258	4 507	11 137	14 620	15 181	15 985
Population & Development Services	14 892	2 792	6 905	138	1 156	1 200	1 263
Auxiliary & Associated Services	9 764	814	129	1 463	7 000	7 271	7 660
Statutory							
Total	1 741 204	1 803 343	2 031 193	2 318 383	2 552 842	2 550 950	2 687 300
Increase/(Decrease)							
Classification of expenditure							
Current							
Personnel expenditure	10 317	13 457	32 313	54 721	64 048	69 249	75 633
Transfer payments	1 677 836	1 777 189	1 982 598	2 185 586	2 392 651	2 381 945	2 506 687
Other current expenditure	41 038	10 895	15 722	77 309	88 642	91 973	96 790
Capital							
Transfer payments							
Other capital expenditure	12 013	1 802	560	767	7 501	7 783	8 190
Statutory							
Total	1 741 204	1 803 343	2 031 193	2 318 383	2 552 842	2 550 950	2 687 300

NORTH WEST

TABLE C14.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Expenditure							
Education							
Personnel Expenditure	2 518 447	2 875 304	3 018 200	3 129 395	3 320 265	3 229 041	3 614 689
Other Expenditure	447 149	364 751	177 629	278 283	303 691	321 147	330 141
Total	2 965 596	3 240 055	3 195 829	3 407 678	3 623 956	3 550 188	3 944 830
Health							
Personnel Expenditure	746 228	888 942	971 662	987 709	1 107 139	1 234 236	1 391 211
Other Expenditure	529 907	486 362	373 824	400 503	493 835	517 505	476 702
Total	1 276 135	1 375 304	1 345 486	1 388 212	1 600 974	1 751 741	1 867 913
Welfare							
Personnel Expenditure	31 713	20 229	40 382	51 408	88 602	90 452	99 231
Transfer Payments	952 320	1 030 062	1 232 051	1 331 825	1 352 791	1 357 804	1 396 504
Other Expenditure	28 020	32 550	26 639	23 418	77 221	80 990	84 223
Total	1 012 053	1 082 841	1 299 072	1 406 651	1 518 614	1 529 246	1 579 958
Expenditure other Functions							
Personnel Expenditure	617 499	647 402	715 001	732 651	757 116	858 797	968 808
Contingency Reserve					234 474	349 418	
Other Expenditure	1 669 463	1 266 129	1 126 088	1 260 004	1 228 635	1 326 363	1 369 529
Total	2 286 962	1 913 531	1 841 089	1 992 655	2 220 225	2 534 578	2 338 337
Total Personnel Expenditure	3 913 887	4 431 877	4 745 245	4 901 163	5 273 122	5 412 526	6 073 939
Contingency Reserve					234 474	349 418	
Total Other Expenditure	3 626 859	3 179 854	2 936 231	3 294 033	3 456 173	3 603 809	3 657 099
Total Expenditure	7 540 746	7 611 731	7 681 476	8 195 196	8 963 769	9 365 753	9 731 038
Revenue							
Transfers from National	6 847 074	6 987 334	7 523 071	7 987 257	8 621 412	9 010 796	9 364 233
Own Revenue	420 806	303 883	311 045	327 806	382 298	394 957	406 805
Total Revenue	7 267 880	7 291 217	7 834 116	8 315 063	9 003 710	9 405 753	9 771 038
Surplus/(Deficit)	(272 866)	(320 514)	152 640	119 867	39 941	40 000	40 000

NORTH WEST							
TABLE C14.2: ACTUAL AND BUDGETED REVENUE							
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Revenue	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Revenue Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	6 847 074	6 987 334	7 523 071	7 987 257	8 621 412	9 010 796	9 364 233
Equitable Share	6 453 678	6 674 894	6 837 145	7 213 351	8 009 019	8 427 178	8 773 171
Conditional Grants :							
Improvements in conditions of service	393 396	266 440	196 214	198 605			
Contingency Grant		46 000	86 100	121 400			
Finance Supplementary Grant			235 978	210 558	185 803	167 478	166 857
Other Conditional Grants			167 634	243 343	426 590	416 140	424 205
Own Revenue	420 806	303 883	311 045	327 806	382 298	394 957	406 805
Taxation	198 134	96 134					
Interest and dividends	94 904	43 492	44 797	54 550	64 000	45 000	45 000
Licences and permits			1 483	500	2 000	2 000	2 000
Recovery of loans and advances	9 868	22 341	23 011	20 800	18 300	14 300	8 000
Departmental activities	88 558	82 350	72 099	100 915	102 758	118 657	126 305
State property rights	15 927	9 058	9 330	11 000	11 000	11 500	12 000
Moneys prescribed by law/ordinance			109 754	117 041	161 240	180 000	190 000
Moneys not prescribed by law/ordinance	1 125	1 440		8 000	8 000	8 500	8 500
Miscellaneous	12 290	49 067	50 571	15 000	15 000	15 000	15 000
Other Revenue							
Total	7 267 880	7 291 217	7 834 116	8 315 063	9 003 710	9 405 753	9 771 038
Increase/(Decrease)					688 647	402 043	365 286

NORTH WEST

TABLE C14.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Provincial Summary	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
Department	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education	2 965 596	3 240 055	3 195 829	3 407 678	3 623 956	3 550 188	3 944 830
Health	1 276 135	1 375 304	1 345 486	1 388 212	1 600 974	1 751 741	1 867 913
Social Services, Arts, Culture & Sport	1 012 053	1 082 841	1 299 072	1 406 651	1 518 614	1 529 246	1 579 958
Office Of The Legislature	21 689	27 553	29 090	28 129	30 383	39 435	44 198
Premier	72 394	43 647	72 633	85 218	104 845	119 434	130 342
Finance *	299 988	117 735	122 234	299 347	345 840	471 250	151 753
Economic Development & Tourism				82 706	75 367	80 879	88 997
Service Commission	38 865	29 502					
Local Government & Housing	446 421	484 310	311 495	257 281	411 620	445 318	475 990
Transport, Roads & Public Works	302 969	336 071	341 904	312 215			
Public Works	738 955	617 239	625 104	614 859	953 516	1 032 980	1 072 980
Agriculture, Conservation & Environment	288 963	192 629	192 310	221 439	220 875	258 856	280 321
Tourism, Environment & Conservation	71 322	59 633	66 338				
Arts, Culture & Sport			73 975	85 423	71 102	79 321	85 776
Safety & Liaison	5 396	5 212	6 006	6 038	6 677	7 105	7 980
Total	7 540 746	7 611 731	7 681 476	8 195 196	8 963 769	9 365 753	9 731 038
Increase/(Decrease)					768 573	401 984	365 285
Classification of expenditure							
Current							
Personnel expenditure	3 913 887	4 431 877	4 745 245	4 901 163	5 273 122	5 412 526	6 073 939
Transfer payments	1 951 748	1 584 001	1 832 387	1 949 765	2 066 043	2 018 130	2 046 000
Other current expenditure *	1 127 927	960 524	816 486	1 030 459	797 913	878 331	893 894
Capital							
Transfer payments	14 350	4 300		9 613	484 803	548 177	543 682
Other capital expenditure	532 834	631 029	287 358	304 196	341 888	508 589	173 523
Statutory							
Total	7 540 746	7 611 731	7 681 476	8 195 196	8 963 769	9 365 753	9 731 038

* The Contingency Reserve is included in these amounts.

NORTH WEST							
TABLE C14.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Education Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	318 716	329 536	263 592	302 219	272 217	283 334	296 776
Auxiliary & Associated Services	28 498	11 736	9 682	11 160	34 618	35 998	38 776
Public Ordinary Schools	2 195 404	2 645 645	2 697 919	2 868 970	3 039 565	2 941 071	3 304 002
Special School Education	52 366	55 010	57 878	56 796	53 934	55 876	60 451
Teacher Training	67 608	43 434	59 134	61 111	52 590	55 621	57 890
Technical College Education	20 215	25 195	50 250	51 124	67 625	68 990	71 921
Non-Formal Education	36 973	69 781	51 402	46 157	41 200	44 200	46 765
RDP	185 771						
Sport & Recreation	3 953	13 904			10 007	11 998	13 339
Arts & Culture	50 753	39 612					
Private Ordinary Schools	5 339	6 202	5 972	6 754	7 200	8 100	9 910
In-school sport				3 387			
Statutory							
Capital Expenditure from Works Department					45 000	45 000	45 000
Total	2 965 596	3 240 055	3 195 829	3 407 678	3 623 956	3 550 188	3 944 830
Increase/(Decrease)					216 278	(73 768)	394 642
Classification of expenditure							
Current							
Personnel expenditure	2 518 447	2 875 304	3 018 200	3 129 395	3 320 265	3 229 041	3 614 689
Transfer payments	57 421	38 863	56 320	60 236	69 608	72 321	7 342
Other current expenditure	196 418	163 053	75 368	190 040	171 583	198 703	251 687
Capital							
Transfer payments							
Other capital expenditure	193 310	162 835	45 941	28 007	62 500	50 123	71 112
Statutory							
Total	2 965 596	3 240 055	3 195 829	3 407 678	3 623 956	3 550 188	3 944 830

NORTH WEST

TABLE C14.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Health Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	36 712	86 485	37 133	38 331	50 152	56 678	57 980
District Health Services	624 629	739 528	854 751	929 702	956 217	1 009 036	1 120 670
Provincial Hospital Services	424 100	417 556	399 602	325 107	443 194	532 581	531 931
Health Services	23 330	22 517	29 692	26 912	39 640	44 556	46 334
Media and Communication	74 405	32 962					
RDP	33 071						
Development & Maintenance	28 240	55 521	107	3 595	46 389	50 000	50 000
Support Services	31 648	20 735	24 201	64 565	65 382	58 890	60 998
Statutory							
Total	1 276 135	1 375 304	1 345 486	1 388 212	1 600 974	1 751 741	1 867 913
Increase/(Decrease)					212 762	150 767	116 172
Classification of expenditure							
Current							
Personnel expenditure	746 228	888 942	971 662	987 709	1 107 139	1 234 236	1 391 211
Transfer payments	129 799	77 183	54 455	55 031	65 110	70 990	72 234
Other current expenditure	324 522	314 035	290 986	323 635	428 725	390 515	354 868
Capital							
Transfer payments							
Other capital expenditure	75 586	95 144	28 383	21 837		56 000	49 600
Statutory							
Total	1 276 135	1 375 304	1 345 486	1 388 212	1 600 974	1 751 741	1 867 913

North West Table C14.6

NORTH WEST							
TABLE C14.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Welfare Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	3 356	1 683	3 223	11 539	11 254	12 356	13 345
Social Security	943 858	1 007 806	1 234 451	1 320 760	1 345 177	1 354 617	1 404 083
Social Assistance	28 644	32 454	31 831	37 338	43 223	44 332	45 567
Social Welfare Services	34 433	31 233	25 859	30 652	50 868	54 678	55 887
Social Development	1 762	1 664	2 891	4 234	4 274	4 380	4 663
Welfare Support Services		1		97			
Development & Maintenance		8 000		2 031	4 000	4 000	
Population Development			817				
Library, Arts and Culture					41 546	42 530	43 326
Sports and Recreation					17 251	11 221	11 889
Camping terrains					1 021	1 132	1 198
Statutory							
Total	1 012 053	1 082 841	1 299 072	1 406 651	1 518 614	1 529 246	1 579 958
Increase/(Decrease)					111 963	10 632	50 712
Classification of expenditure							
Current							
Personnel expenditure	31 713	20 229	40 382	51 408	88 602	90 452	99 231
Transfer payments	952 320	1 030 062	1 232 051	1 331 825	1 352 791	1 357 804	1 396 504
Other current expenditure	26 668	31 503	25 436	21 668	77 221	80 990	84 223
Capital							
Transfer payments							
Other capital expenditure	1 352	1 047	1 203	1 750			
Statutory							
Total	1 012 053	1 082 841	1 299 072	1 406 651	1 518 614	1 529 246	1 579 958

WESTERN CAPE

TABLE C15.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	Actual	Actual	Actual	Estimated Actual	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
Expenditure	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education							
Personnel Expenditure	3 663 970	3 411 905	3 373 501	3 317 911	3 547 292	3 696 781	3 847 611
Other Expenditure	499 637	499 778	448 268	516 967	530 557	565 808	614 186
Total	4 163 607	3 911 683	3 821 769	3 834 878	4 077 849	4 262 589	4 461 797
Health							
Personnel Expenditure	1 840 705	1 976 023	2 003 254	1 953 820	2 091 501	2 191 357	2 245 386
Other Expenditure	939 295	960 550	1 025 534	1 171 677	1 311 104	1 397 730	1 361 878
Total	2 780 000	2 936 573	3 028 788	3 125 497	3 402 605	3 589 087	3 607 264
Welfare							
Personnel Expenditure	88 434	86 079	98 759	112 663	132 890	138 222	143 570
Transfer Payments	1 829 124	2 056 628	2 023 350	1 986 901	2 042 090	2 066 353	2 146 245
Other Expenditure	82 040	69 093	89 199	108 592	91 346	91 783	98 533
Total	1 999 598	2 211 800	2 211 308	2 208 156	2 266 326	2 296 358	2 388 348
Expenditure other Functions							
Personnel Expenditure	355 081	324 133	341 166	380 910	471 050	490 211	515 862
Contingency Reserve							
Other Expenditure	965 849	1 037 976	779 402	847 187	1 194 499	1 125 986	1 109 947
Total	1 320 930	1 362 109	1 120 568	1 228 097	1 665 549	1 616 197	1 625 809
Total Personnel Expenditure	5 948 190	5 798 140	5 816 680	5 765 304	6 242 733	6 516 571	6 752 429
Contingency Reserve							
Total Other Expenditure	4 315 945	4 624 025	4 365 753	4 631 324	5 169 596	5 247 660	5 330 789
Total Expenditure	10 264 135	10 422 165	10 182 433	10 396 628	11 412 329	11 764 231	12 083 218
Revenue							
Transfers from National	9 831 980	9 239 285	9 831 905	10 195 503	10 941 351	11 198 543	11 497 135
Own Revenue	558 787	564 809	527 670	733 328	516 539	573 560	616 109
Total Revenue	10 390 767	9 804 094	10 359 575	10 928 831	11 457 890	11 772 103	12 113 244
Surplus/(Deficit)	126 632	(618 071)	177 142	532 203	45 561	7 872	30 026

WESTERN CAPE							
TABLE C15.2: ACTUAL AND BUDGETED REVENUE							
Revenue	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Revenue Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	9 831 980	9 239 285	9 831 905	10 195 503	10 941 351	11 198 543	11 497 135
Equitable Share	9 100 725	8 783 692	7 964 602	8 274 005	9 059 151	9 389 746	9 624 523
Conditional Grants :							
Improvements in conditions of service	731 255	406 593	234 404	225 188			
Contingency Grant		49 000	101 100	139 400			
Finance Supplementary Grant			270 086	234 049	205 502	184 547	183 049
Other Conditional Grants			1 261 713	1 322 861	1 676 698	1 624 250	1 689 563
Own Revenue	558 787	564 809	527 670	733 328	516 539	573 560	616 109
Taxation	228 692	258 301	283 505	328 845	350 449	395 705	432 535
Interest and dividends							
Licences and permits		447	773	1 816	883	956	1 008
Recovery of loans and advances	19 872	11 002	6 668	6 251	7 308	7 556	7 192
Departmental activities							
State property rights							
Moneys prescribed by law/ordinance	103 152	80 663	69 503	199 072	67 211	71 332	75 410
Moneys not prescribed by law/ordinance	161 610	164 327	141 502	175 278	89 602	96 997	98 954
Miscellaneous	45 461	50 069	25 719	22 066	1 086	1 014	1 010
Other Revenue							
Total	10 390 767	9 804 094	10 359 575	10 928 831	11 457 890	11 772 103	12 113 244
Increase/(Decrease)					529 059	314 213	341 141

WESTERN CAPE

TABLE C15.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Provincial Summary	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
Department	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education	4 163 607	3 911 683	3 821 769	3 834 878	4 077 849	4 262 589	4 461 797
Health	2 780 000	2 936 573	3 028 788	3 125 497	3 402 605	3 589 087	3 607 264
Social Services	1 999 598	2 211 800	2 211 308	2 208 156	2 266 326	2 296 358	2 388 348
Premier	66 398	45 771	55 138	65 112	78 921	80 762	85 063
Provincial Parliament	20 767	25 547	26 141	28 589	37 752	39 917	39 292
Finance	27 440	62 549	123 211	139 166	142 448	171 899	149 331
Service Commission	5 929	4 879	1 277				
Planning, Local Government & Housing	335 839	303 393	105 448	86 657	446 008	352 207	365 247
Economic Affairs, Agriculture & Tourism	748 537	797 424	684 019	764 894	792 990	809 204	821 298
Environmental & Cultural Affairs & Sport	113 469	115 356	117 092	134 316	154 942	149 936	153 181
Community Safety	2 551	7 190	8 242	9 363	12 488	12 272	12 397
Total	10 264 135	10 422 165	10 182 433	10 396 628	11 412 329	11 764 231	12 083 218
Increase/(Decrease)					1 015 701	351 902	318 987
Classification of expenditure							
Current							
Personnel expenditure	5 937 441	5 785 304	5 802 655	5 750 615	6 226 596	6 499 465	6 734 296
Transfer payments	2 452 930	2 641 390	2 462 548	2 623 975	2 654 822	2 693 949	2 788 542
Other current expenditure	1 440 545	1 502 797	1 530 232	1 492 842	1 699 224	1 818 545	1 899 276
Capital							
Transfer payments	58 970	84 558	53 785	53 255	382 205	280 894	293 164
Other capital expenditure	363 500	395 280	319 188	461 252	433 345	454 272	349 807
Statutory	10 749	12 836	14 025	14 689	16 137	17 106	18 133
Total	10 264 135	10 422 165	10 182 433	10 396 628	11 412 329	11 764 231	12 083 218

WESTERN CAPE							
TABLE C15.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
Education Programmes	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	126 260	122 743	71 688	85 481	89 048	93 147	97 135
Public Ordinary School Education	3 505 194	3 147 898	3 051 084	3 075 062	3 293 537	3 455 827	3 614 018
Private/independent Ordinary School Education	23 298	29 977	38 942	37 554	39 849	42 062	44 287
Special School Education	267 136	269 914	273 956	263 811	284 781	284 623	300 019
Teacher Training	94 801	70 495	59 573	42 770	25 558	28 411	31 278
Technical College Education	88 217	86 593	93 829	107 741	106 120	118 932	125 426
Non-formal Education	17 272	21 776	16 257	26 588	17 448	18 104	18 601
Auxiliary and Associated Services	41 354	19 309	63 955	68 939	60 347	51 390	53 973
Education Dev. and Support Services		20 868	20 197	25 526	29 807	31 320	32 893
Professional Staffing, Regional & Associated Services		51 745	91 600	71 490	92 149	99 568	104 962
Restructuring			31				
Authorised Losses	75	92	1 525	2 365			
Statutory							
Capital Expenditure from Works Department/restructuring		70 273	39 132	27 551	39 205	39 205	39 205
Total	4 163 607	3 911 683	3 821 769	3 834 878	4 077 849	4 262 589	4 461 797
Increase/(Decrease)					242 971	184 740	199 208
Classification of expenditure							
Current							
Personnel expenditure	3 663 970	3 411 905	3 373 501	3 317 911	3 547 292	3 696 781	3 847 611
Transfer payments	90 275	81 604	92 856	182 739	133 118	153 293	185 918
Other current expenditure	340 717	335 602	308 126	286 676	345 581	358 822	373 842
Capital							
Transfer payments	15 125						
Other capital expenditure	53 520	82 572	47 286	47 552	51 858	53 693	54 426
Statutory							
Total	4 163 607	3 911 683	3 821 769	3 834 878	4 077 849	4 262 589	4 461 797

WESTERN CAPE

TABLE C15.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

Health Programmes	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	59 874	58 236	101 117	75 578	140 471	147 429	151 312
District Health Services	740 790	783 582	830 940	956 978	1 006 454	1 035 391	1 041 800
Hospital Services	674 253	740 084	732 994	745 189	788 011	830 740	856 324
Academic Health Services	1 158 021	1 204 667	1 191 008	1 216 852	1 272 851	1 346 815	1 393 200
Health Sciences	62 292	62 750	60 436	52 701	56 945	59 746	61 303
Health Care Support Services	82 689	54 664	55 011	52 376	57 800	61 108	63 165
Restructuring			46 389	6 213			
Authorised Losses	2 081	2 406	5 966	818			
Statutory							
Capital Expenditure from Works Department		30 184	4 927	18 792	80 073	107 858	40 160
Total	2 780 000	2 936 573	3 028 788	3 125 497	3 402 605	3 589 087	3 607 264
Increase/(Decrease)					277 108	186 482	18 177
Classification of expenditure							
Current							
Personnel expenditure	1 840 705	1 976 023	2 003 254	1 953 820	2 091 501	2 191 357	2 245 386
Transfer payments	269 228	237 058	269 478	396 773	432 144	426 023	409 655
Other current expenditure	647 303	675 400	741 897	725 040	751 613	828 366	875 385
Capital							
Transfer payments	4 988	4 405	1 009	10 500	5 002	5 002	5 002
Other capital expenditure	17 776	43 687	13 150	39 364	122 345	138 339	71 836
Statutory							
Total	2 780 000	2 936 573	3 028 788	3 125 497	3 402 605	3 589 087	3 607 264

WESTERN CAPE							
TABLE C15.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
Welfare Programmes	1996/97	1997/98	1998/99 *	1999/00 *	2000/01	2001/02	2002/03
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Expenditure Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	26 685	26 854	30 936	43 443	17 258	17 652	18 033
Social Security	1 705 023	1 898 405	1 876 209	1 841 838	1 879 387	1 901 769	1 986 481
Social Assistance	184 662	205 379	200 710	207 034	227 846	230 319	232 641
Social Welfare Services	74 624	71 272	78 298	84 838	136 036	143 206	147 672
Social Development	8 604	9 796	5 713	10 038			
Population Development/social research/planning			242	19	3 299	3 412	3 521
Authorised Losses				7 650			
Statutory							
Capital Expenditure from Works Department		94	19 200	13 296	2 500		
Total	1 999 598	2 211 800	2 211 308	2 208 156	2 266 326	2 296 358	2 388 348
Increase/(Decrease)					58 170	30 032	91 990
Classification of expenditure							
Current							
Personnel expenditure	88 434	86 079	98 759	112 663	132 890	138 222	143 570
Transfer payments	1 829 124	2 056 628	2 023 350	1 986 901	2 042 090	2 066 353	2 146 245
Other current expenditure	80 569	68 136	68 853	93 664	87 900	90 837	97 587
Capital							
Transfer payments							
Other capital expenditure	1 471	957	20 346	14 928	3 446	946	946
Statutory							
Total	1 999 598	2 211 800	2 211 308	2 208 156	2 266 326	2 296 358	2 388 348

* Detail numbers based on old programme structure.

D

Local government tables

Appendix D-1.1 Municipal Budget Summaries by Province

	96-97	97-98	98-99	99-00
	Projected Actual			Budget
	R	R	R	R
Operating	33 964 062 288	38 250 691 211	41 919 940 470	46 414 461 377
Capital	10 409 645 775	9 386 817 265	8 639 557 741	10 995 263 374
Total Expenditures	44 373 708 063	47 637 508 476	50 559 498 211	57 409 724 751

Operating Summary

	96-97	97-98	98-99	99-00
	Projected Actual			Budget
Guateng	15 325 257 663	16 745 033 107	18 657 552 830	20 525 962 196
Kwazulu-Natal	6 120 504 587	6 620 164 105	7 308 701 872	8 154 647 690
Western Cape	5 656 089 821	6 992 750 646	7 346 444 101	8 233 893 799
Mpumalanga	1 146 513 632	1 310 731 468	1 402 874 909	1 573 980 015
Northern Province	611 822 016	717 630 591	796 401 096	985 116 661
Eastern Cape	2 064 508 322	2 430 598 394	2 760 715 220	2 877 447 916
Free State	1 485 722 212	1 654 448 465	1 772 146 667	1 967 772 192
Northern Cape	559 041 775	602 633 977	652 679 166	757 710 335
North West	994 602 260	1 176 700 458	1 222 424 609	1 337 930 573
Total Operating	33 964 062 288	38 250 691 211	41 919 940 470	46 414 461 377

Capital Summary

	96-97	97-98	98-99	99-00
	Projected Actual			Budget
Guateng	3 623 284 271	2 477 360 498	2 134 846 736	2 989 380 425
Kwazulu-Natal	1 648 506 254	1 918 199 225	1 635 457 556	2 225 526 819
Western Cape	2 813 069 755	2 831 711 600	2 659 914 004	2 755 002 908
Mpumalanga	360 109 180	358 993 511	333 627 856	644 818 567
Northern Province	598 843 434	197 821 011	159 875 415	280 950 657
Eastern Cape	521 513 570	654 046 246	721 259 212	864 833 497
Free State	433 995 740	423 674 422	505 682 376	559 779 632
Northern Cape	107 192 283	156 356 291	125 005 712	170 972 042
North West	303 131 288	368 654 461	363 888 874	503 998 827
Total Capital	10 409 645 775	9 386 817 265	8 639 557 741	10 995 263 374

Appendix D-1.2 Municipal Operating Expenditures by Province

	96-97	97-98	98-99	99-00
	Projected Actual			Budget
Gauteng Province				
Johannesburg Metro	6 791 870 000	6 264 374 000	6 760 841 000	7 680 538 000
Kyalami Metro	1 114 058 378	1 443 808 521	1 559 024 099	1 652 985 975
Lekoa-Vaal Metro	734 216 788	765 368 412	821 628 941	885 062 082
Pretoria Metro	3 260 542 515	4 314 221 232	5 295 936 431	5 735 308 136
Metros Total	11 900 687 681	12 787 772 165	14 437 430 471	15 953 894 193
Eastern Gauteng	260 654 228	319 234 419	281 024 424	283 263 691
Alberton	289 761 794	343 796 927	395 049 594	443 255 760
Benoni	364 597 788	431 394 963	445 066 912	502 789 068
Boksburg	452 422 020	503 981 606	540 238 415	577 262 512
Brakpan	221 470 618	248 403 938	282 403 413	290 606 048
Springs	320 464 824	356 563 930	381 649 113	414 959 063
Germiston	705 957 765	801 102 730	877 957 825	956 000 000
TLC's & TRC's	214 134 001	251 749 655	288 047 274	314 913 833
District Council Total	2 829 463 038	3 256 228 168	3 491 436 970	3 783 049 975
Western Gauteng	55 604 200	58 646 923	45 786 550	48 364 599
Krugersdorp TLC	270 203 600	330 348 631	353 723 525	377 125 971
TLC's & TRC's	269 299 144	312 037 220	329 175 314	363 527 458
District Council Total	595 106 944	701 032 774	728 685 389	789 018 028
Gauteng Total	15 325 257 663	16 745 033 107	18 657 552 830	20 525 962 196
Mpumulanga Province				
Eastvaal DC	36 951 171	46 388 490	31 291 080	28 578 390
TLC's & TRC's	443 227 885	509 251 873	530 673 353	617 072 380
District Council Total	480 179 056	555 640 363	561 964 433	645 650 770
Highveld DC	14 297 078	11 974 529	11 713 695	15 862 882
TLC's & TRC's	181 363 549	214 952 194	242 808 289	279 723 248
Witbank	198 833 000	203 116 901	231 932 833	250 835 147
District Council Total	394 493 627	430 043 624	486 454 817	546 421 277
Lowveld Escarpment DC	5 619 030	6 196 467	6 196 467	6 377 537
TLC's & TRC's	266 221 919	318 851 014	348 259 192	375 530 431
District Council Total	271 840 949	325 047 481	354 455 659	381 907 968
Mpumulanga Total	1 146 513 632	1 310 731 468	1 402 874 909	1 573 980 015

	96-97	97-98	98-99	99-00
	Projected Actual			Budget
Kwa-Zulu Natal				
Durban Metro	4 179 739 449	4 471 491 106	4 989 176 356	5 583 903 203
iLembe Regional Council TLC's & TRC's	5 202 980 120 763 710	7 738 487 130 819 468	3 503 000 144 589 188	3 840 000 152 141 327
Regional Council Total	125 966 690	138 557 955	148 092 188	155 981 327
Mzinyathi Regional Council TLC's & TRC's	23 147 452 249 841 175	29 098 050 289 669 038	33 279 500 296 001 358	34 915 708 328 355 985
Regional Council Total	272 988 627	318 767 088	329 280 858	363 271 693
Thukela Regional Council TLC's & TRC's	4 932 507 153 080 942	5 410 586 165 717 983	12 809 707 180 573 780	15 336 046 199 220 416
Regional Council Total	158 013 449	171 128 569	193 383 487	214 556 462
Ugu Regional Council TLC's & TRC's	5 814 797 148 078 337	8 099 344 165 819 983	10 212 650 179 747 400	8 855 664 206 252 152
Regional Council Total	153 893 134	173 919 327	189 960 050	215 107 816
uThungulu Regional Council Richardsbay TLC TLC's & TRC's	13 369 172 210 785 960 126 205 786	22 259 930 238 594 444 142 529 605	17 019 919 262 932 713 144 845 825	15 617 196 283 950 890 167 997 268
Regional Council Total	350 360 918	403 383 979	424 798 457	467 565 354
Zululand Regional Council TLC's & TRC's	23 046 090 101 116 288	3 648 520 126 783 340	4 599 288 126 944 203	5 289 960 143 954 179
Regional Council Total	124 162 378	130 431 860	131 543 491	149 244 139
Indlovu Regional Council Pietermaritzburg TLC TLC's & TRC's	18 139 537 609 150 440 128 089 965	23 326 884 645 523 558 143 633 779	27 585 325 717 825 804 157 055 856	43 544 065 782 631 356 178 842 275
Regional Council Total	755 379 942	812 484 221	902 466 985	1 005 017 696
Kwazulu-Natal Total	6 120 504 587	6 620 164 105	7 308 701 872	8 154 647 690
Northern Province				
Bosveld DC TLC's & TRC's	4 145 872 173 532 414	4 200 055 188 967 750	4 179 596 203 602 372	3 840 800 223 642 998
District Council Total	177 678 286	193 167 805	207 781 968	227 483 798
Northern DC TLC's & TRC's Pietersburg	25 483 327 200 983 788 207 676 615	22 938 550 258 100 971 243 423 265	28 938 550 283 945 578 275 735 000	37 727 370 412 838 418 307 067 075
District Council Total	434 143 730	524 462 786	588 619 128	757 632 863
Northern Total	611 822 016	717 630 591	796 401 096	985 116 661

	96-97	97-98	98-99	99-00
	Projected Actual			Budget
Eastern Cape				
Amatola	17 673 676	18 381 419	17 001 096	17 693 924
TLC's & TRC's	70 096 231	73 143 586	50 838 665	66 507 313
East London	366 897 445	492 433 963	556 998 524	608 195 307
District Council Total	454 667 352	583 958 968	624 838 285	692 396 544
Drakensburg	2 524 208	2 568 054	2 686 029	2 974 238
TLC's & TRC's	48 728 957	30 844 214	29 158 016	40 208 372
District Council Total	51 253 165	33 412 268	31 844 045	43 182 610
Kei	7 030 561	20 772 600	172 887 250	16 826 560
TLC's & TRC's	0	3 784 264	5 617 958	10 037 858
District Council Total	7 030 561	24 556 864	178 505 208	26 864 418
Stormburg	2 128 620	2 317 340	2 730 056	3 722 890
TLC's & TRC's	106 191 075	122 833 638	128 331 546	169 029 719
District Council Total	108 319 695	125 150 978	131 061 602	172 752 609
Western	62 472 030	66 574 900	78 819 100	80 208 000
TLC's & TRC's	216 804 830	238 847 709	253 810 370	292 008 607
Port Elizabeth	972 174 730	1 130 709 160	1 215 734 710	1 300 689 380
Uitenhage	188 771 041	213 490 851	231 060 124	243 194 416
District Council Total	1 440 222 631	1 649 622 620	1 779 424 304	1 916 100 403
Wild Coast	2 890 541	7 442 741	3 931 642	5 855 431
TLC's & TRC's	124 377	6 453 955	11 110 134	20 295 901
District Council Total	3 014 918	13 896 696	15 041 776	26 151 332
Eastern Cape Total	2 064 508 322	2 430 598 394	2 760 715 220	2 877 447 916
Free State				
Bloem-Area	4 335 034	4 483 765	4 926 907	4 766 825
TLC's & TRC's	53 095 033	59 991 332	66 891 682	89 426 072
Bloemfontein	453 539 140	527 273 520	580 959 690	619 839 080
District Council Total	510 969 207	591 748 617	652 778 279	714 031 977
Eastern Free State	2 038 150	2 394 429	2 607 250	4 207 400
TLC's & TRC's	239 897 319	268 469 527	269 187 103	294 439 581
District Council Total	241 935 469	270 863 956	271 794 353	298 646 981
Goldfields	2 976 291	4 586 790	5 873 635	9 815 000
TLC's & TRC's	205 380 951	219 367 992	239 401 653	271 311 326
Welkom	213 092 279	228 286 457	241 983 645	254 082 827
District Council Total	421 449 521	452 241 239	487 258 933	535 209 153
Northern Free State	12 576 003	11 392 600	12 432 795	18 572 655
TLC's & TRC's	298 792 012	328 202 053	347 882 307	401 311 426
District Council Total	311 368 015	339 594 653	360 315 102	419 884 081
Free State Total	1 485 722 212	1 654 448 465	1 772 146 667	1 967 772 192

	96-97	97-98	98-99	99-00
	Projected Actual			Budget
Northern Cape				
Benede-Oranje	2 769 385	3 312 500	6 523 000	2 996 300
TLC's & TRC's	93 624 642	106 833 291	120 075 818	136 410 473
District Council Total	96 394 027	110 145 791	126 598 818	139 406 773
Bo-Karoo	2 040 920	2 424 205	2 345 095	3 170 380
TLC's & TRC's	64 531 576	70 400 192	76 159 707	80 897 074
District Council Total	66 572 496	72 824 397	78 504 802	84 067 454
Diamantveld	12 005 086	14 633 714	10 754 985	12 679 632
TLC's & TRC's	37 949 606	32 617 359	19 291 457	70 115 092
Kimberley	240 079 773	253 062 121	280 138 464	294 661 699
District Council Total	290 034 465	300 313 194	310 184 906	377 456 423
Hantam	1 219 388	1 239 775	1 230 189	1 275 031
TLC's & TRC's	13 513 348	12 398 837	15 443 392	18 588 244
District Council Total	14 732 736	13 638 612	16 673 581	19 863 275
Kalahari	9 078 864	9 839 431	10 593 407	11 996 533
TLC's & TRC's	56 288 889	65 414 382	72 228 151	78 667 130
District Council Total	65 367 753	75 253 813	82 821 558	90 663 663
Namaqualand	3 076 250	3 554 334	4 153 200	4 531 490
TLC's & TRC's	22 864 048	26 903 836	33 742 301	41 721 257
District Council Total	25 940 298	30 458 170	37 895 501	46 252 747
Northern Cape Total	559 041 775	602 633 977	652 679 166	757 710 335
North-West Province				
Bophirima	4 224 900	11 711 747	10 522 072	10 307 480
TLC's & TRC's	48 178 641	57 622 227	61 007 827	63 322 686
District Council Total	52 403 541	69 333 974	71 529 899	73 630 166
Central Region	1 937 788	1 171 190	5 588 256	4 650 610
TLC's & TRC's	30 844 214	29 158 016	40 208 372	40 208 372
District Council Total	32 782 002	30 329 206	45 796 628	44 858 982
Eastern Region	4 738 000	6 908 000	7 622 480	5 951 095
TLC's & TRC's	132 852 671	159 360 499	161 627 768	187 581 991
District Council Total	137 590 671	166 268 499	169 250 248	193 533 086
Rustenburg	5 936 042	7 102 000	7 719 340	9 367 420
Rustenburg	309 949 844	396 836 639	374 569 466	389 290 300
TLC's & TRC's	12 272 347	18 005 650	18 856 162	21 610 012
District Council Total	328 158 233	421 944 289	401 144 968	420 267 732
Southern	10 170 000	14 673 375	14 377 540	17 105 210
TLC's & TRC's	433 497 813	474 151 115	520 325 326	588 535 397
District Council Total	443 667 813	488 824 490	534 702 866	605 640 607
North-West Total	994 602 260	1 176 700 458	1 222 424 609	1 337 930 573

	96-97	97-98	98-99	99-00
	Projected Actual			Budget
Western Cape				
Breede River	21 748 785	23 076 780	16 751 500	17 160 700
TLC's & TRC's	227 643 634	246 052 465	204 469 638	224 635 889
District Council Total	249 392 419	269 129 245	221 221 138	241 796 589
Cape Metro	110 577 068	848 944 860	891 191 646	1 065 754 363
Substructures	4 113 941 192	4 527 585 664	4 848 324 254	5 192 201 518
Metro	4 224 518 260	5 376 530 524	5 739 515 900	6 257 955 881
Klein Karoo	3 808 405	4 813 295	7 804 549	9 218 840
TLC's & TRC's	64 657 601	70 821 045	81 181 831	99 501 152
District Council Total	68 466 006	75 634 340	88 986 380	108 719 992
Overberg	11 302 010	12 162 000	12 941 220	13 577 965
TLC's & TRC's	132 239 232	151 232 066	148 236 618	256 825 673
District Council Total	143 541 242	163 394 066	161 177 838	270 403 638
Sentrale Karoo	1 381 623	1 410 500	1 525 677	1 538 178
TLC's & TRC's	33 007 772	38 755 350	40 479 929	42 803 932
District Council Total	34 389 395	40 165 850	42 005 606	44 342 110
South Cape	13 155 085	14 301 593	10 632 760	8 488 469
TLC's & TRC's	350 486 434	409 768 306	440 162 099	576 234 851
District Council Total	363 641 519	424 069 899	450 794 859	584 723 320
West Coast	22 478 720	26 111 300	32 511 040	37 846 165
TLC's & TRC's	185 356 111	219 216 424	167 883 026	240 517 649
District Council Total	207 834 831	245 327 724	200 394 066	278 363 814
Winelands	30 222 588	36 157 777	37 261 561	40 885 105
TLC's & TRC's	148 219 605	161 953 507	178 866 083	180 844 634
Paarl	185 863 956	200 387 714	226 220 670	225 858 716
District Council Total	364 306 149	398 498 998	442 348 314	447 588 455
Western Cape Total	5 656 089 821	6 992 750 646	7 346 444 101	8 233 893 799
Total: All Provinces	33 964 062 288	38 250 691 211	41 919 940 470	46 414 461 377

D-1.3 Municipal Capital Expenditures by Province

	96-97	97-98	98-99	99-00
	Projected Actual			Budget
Gauteng Province				
Metropolitan Areas				
Johannesburg Metro	1 507 869 000	645 641 000	383 257 000	506 305 000
Kyalami Metro	263 946 674	226 426 874	304 546 485	436 524 213
Lekoa-Vaal Metro	63 766 950	94 326 166	77 664 153	71 584 260
Pretoria Metro	870 232 646	691 154 451	606 944 533	708 399 199
Total	2 705 815 270	1 657 548 491	1 372 412 171	1 722 812 672
Eastern Gauteng				
Alberton	92 073 491	113 853 240	100 855 387	141 649 460
Benoni	38 138 714	67 897 754	54 049 814	124 906 327
Boksburg	152 652 608	152 308 890	115 696 600	100 371 665
Brakpan	28 646 142	9 835 085	15 659 383	11 223 470
Springs	43 830 229	33 519 017	27 670 112	69 477 889
Germiston	216 188 685	185 815 513	183 630 424	271 400 550
TLC's & TRC's	59 032 501	69 924 377	72 577 112	215 212 573
District Council Total	630 562 370	633 153 876	637 189 112	989 021 563
Western Gauteng				
Krugersdorp TLC	118 710 745	38 489 067	2 860 660	1 260 000
TLC's & TRC's	75 826 344	35 269 902	43 672 069	103 681 459
District Council Total	286 906 631	186 658 131	125 245 453	277 546 190
Gauteng Total	3 623 284 271	2 477 360 498	2 134 846 736	2 989 380 425
Mpumulanga Province				
Eastvaal DC	135 698 710	17 706 189	17 706 189	6 061 947
TLC's & TRC's	65 673 745	107 499 297	97 324 135	250 609 046
District Council Total	201 372 455	125 205 486	115 030 324	256 670 993
Highveld DC	0	0	0	0
TLC's & TRC's	51 843 543	64 276 869	89 099 818	98 652 933
Witbank	28 984 801	53 105 982	23 823 920	52 788 200
District Council Total	80 828 344	117 382 851	112 923 738	151 441 133
Lowveld Escarpment DC	4 281 764	772 174	772 174	300 000
TLC's & TRC's	73 626 617	115 633 000	104 901 620	236 406 441
District Council Total	77 908 381	116 405 174	105 673 794	236 706 441
Mpumulanga Total	360 109 180	358 993 511	333 627 856	644 818 567

	96-97	97-98	98-99	99-00
	Projected Actual			Budget
Kwa-Zulu Natal				
Durban Metro	1 140 401 604	1 231 642 726	1 170 204 613	1 432 854 412
iLembe Regional Council	12 000 000	0	0	0
TLC's & TRC's	54 296 287	108 114 689	21 037 111	67 692 480
Regional Council Total	66 296 287	108 114 689	21 037 111	67 692 480
Mzinyathi Regional Council	16 377 250	23 189 530	23 960 000	47 731 660
TLC's & TRC's	24 875 046	45 361 028	32 747 222	86 377 536
Regional Council Total	41 252 296	68 550 558	56 707 222	134 109 196
Thukela Regional Council	12 170 368	25 899 423	0	0
TLC's & TRC's	18 527 341	44 557 563	44 676 908	36 955 543
Regional Council Total	30 697 709	70 456 986	44 676 908	36 955 543
Ugu Regional Council	0	0	0	0
TLC's & TRC's	20 493 889	51 577 566	26 099 064	43 215 086
Regional Council Total	20 493 889	51 577 566	26 099 064	43 215 086
uThungulu Regional Council	64 107 038	4 000 000	0	2 236 000
Richardsbay TLC	107 838 025	70 777 304	66 516 264	57 175 520
TLC's & TRC's	25 924 431	32 259 634	30 285 099	50 538 440
Regional Council Total	197 869 494	107 036 938	96 801 363	109 949 960
Zululand Regional Council	0	0	0	0
TLC's & TRC's	27 698 605	25 027 588	32 438 841	29 934 079
Regional Council Total	27 698 605	25 027 588	32 438 841	29 934 079
Indlovu Regional Council	0	0	0	0
Pietermaritzburg TLC	103 339 916	222 195 800	141 099 504	184 006 954
TLC's & TRC's	20 456 454	33 596 374	46 392 930	186 809 109
Regional Council Total	123 796 370	255 792 174	187 492 434	370 816 063
Kwazulu-Natal Total	1 648 506 254	1 918 199 225	1 635 457 556	2 225 526 819
Northern Province				
Bosveld DC	0	0	0	0
TLC's & TRC's	36 787 417	26 620 535	21 016 717	41 403 177
District Council Total	36 787 417	26 620 535	21 016 717	41 403 177
Northern DC	400 000 000	0	0	0
TLC's & TRC's	51 074 222	83 101 146	73 331 624	145 124 750
Pietersburg	110 981 795	88 099 330	65 527 074	94 422 730
District Council Total	562 056 017	171 200 476	138 858 698	239 547 480
Northern Total	598 843 434	197 821 011	159 875 415	280 950 657

	96-97	97-98	98-99	99-00
	Projected Actual			Budget
Eastern Cape				
Amatola	0	350 000	0	0
TLC's & TRC's	31 121 168	95 275 254	12 823 752	34 635 480
East London	100 000 000	137 113 493	175 195 252	231 997 186
District Council Total	131 121 168	232 738 747	188 019 004	266 632 666
Drakensburg	0	0	0	0
TLC's & TRC's	25 919 198	13 123 840	26 239 679	43 617 832
District Council Total	25 919 198	13 123 840	26 239 679	43 617 832
Kei	0	0	0	0
TLC's & TRC's	0	4 471 417	7 918 342	15 923 170
District Council Total	0	4 471 417	7 918 342	15 923 170
Stormburg	0	0	0	0
TLC's & TRC's	4 473 577	39 932 059	51 292 778	37 504 157
District Council Total	4 473 577	39 932 059	51 292 778	37 504 157
Western	0	200 000	0	0
TLC's & TRC's	101 464 336	78 292 498	66 790 801	130 955 786
Port Elizabeth	234 608 280	215 405 620	315 804 091	255 967 770
Uitenhage	23 784 985	44 102 153	31 146 466	64 992 930
District Council Total	359 857 601	338 000 271	413 741 358	451 916 486
Wild Coast	142 026	21 276 824	23 216 495	0
TLC's & TRC's	0	4 503 088	10 831 556	49 239 186
District Council Total	142 026	25 779 912	34 048 051	49 239 186
Eastern Cape Total	521 513 570	654 046 246	721 259 212	864 833 497
Free State				
Bloem-Area				
TLC's & TRC's	39 704 651	12 146 779	18 074 277	12 977 021
Bloemfontien	121 956 957	135 234 180	157 171 195	152 979 215
District Council Total	161 661 608	147 380 959	175 245 472	165 956 236
Eastern Free State				
TLC's & TRC's	67 585 569	91 588 730	82 186 207	120 850 219
District Council Total	67 585 569	91 588 730	82 186 207	120 850 219
Goldfields	3 500 000	850 000		
TLC's & TRC's	32 997 398	58 384 046	28 793 712	86 120 835
Welkom	50 896 250	61 493 090	65 182 675	68 767 722
District Council Total	87 393 648	120 727 136	93 976 387	154 888 557
Northern Free State				
TLC's & TRC's	58 000 000	63 977 597	154 274 310	118 084 620
District Council Total	117 354 915	63 977 597	154 274 310	118 084 620
Free State Total	433 995 740	423 674 422	505 682 376	559 779 632

	96-97	97-98	98-99	99-00
	Projected Actual			Budget
Northern Cape				
Bokaroo	0	0	0	0
TLC's & TRC's	10 320 692	19 816 487	14 032 523	21 241 788
District Council Total	10 320 692	19 816 487	14 032 523	21 241 788
Diamantveld	0	0	0	0
Kimberley	50 835 610	62 867 959	74 405 928	62 206 318
TLC's & TRC's	14 350 227	15 936 574	14 191 039	39 950 517
District Council Total	65 185 837	78 804 533	88 596 967	102 156 835
Hantam	9 000	10 000	0	0
TLC's & TRC's	2 526 444	5 076 699	632 000	6 507 362
District Council Total	2 535 444	5 086 699	632 000	6 507 362
Kalahari	0	0	0	0
TLC's & TRC's	25 633 198	44 185 272	19 205 006	28 010 404
District Council Total	25 633 198	44 185 272	19 205 006	28 010 404
Namaqualand	0	0	0	0
TLC's & TRC's	3 517 112	8 463 300	2 539 216	13 055 653
District Council Total	3 517 112	8 463 300	2 539 216	13 055 653
Northern Cape Total	107 192 283	156 356 291	125 005 712	170 972 042
North-West Province				
Bophirima	19 396	24 370	24 370	24 370
TLC's & TRC's	10 774 454	6 407 638	2 365 568	14 557 336
District Council Total	10 793 850	6 432 008	2 389 938	14 581 706
Central Region	3 569 602	0	0	0
TLC's & TRC's	30 844 214	29 158 016	40 208 372	40 208 372
District Council Total	34 413 816	29 158 016	40 208 372	40 208 372
Eastern Region	0	0	0	0
TLC's & TRC's	20 548 841	52 063 177	46 363 510	79 662 925
District Council Total	20 548 841	52 063 177	46 363 510	79 662 925
Rustenburg DC	0	0	0	0
Rustenburg	48 373 997	48 682 159	92 815 508	98 854 421
TLC's & TRC's	2 252 517	1 050 796	1 997 460	3 193 396
District Council Total	50 626 514	49 732 955	94 812 968	102 047 817
Southern	95 570 100	88 824 500	65 824 500	85 396 800
TLC's & TRC's	91 178 167	142 443 805	114 289 586	182 101 207
District Council Total	186 748 267	231 268 305	180 114 086	267 498 007
North-West Total	303 131 288	368 654 461	363 888 874	503 998 827

	96-97	97-98	98-99	99-00
		Projected	Actual	Budget
Western Cape				
Breede River	202 700	4 421 195	0	0
TLC's & TRC's	91 617 616	148 698 484	118 680 653	99 216 749
District Council Total	91 820 316	153 119 679	118 680 653	99 216 749
Cape Metro	50 911 800	274 976 580	237 310 200	319 356 200
Substructures	2 206 104 606	1 574 747 869	1 511 284 059	1 581 584 777
Metro	2 257 016 406	1 849 724 449	1 748 594 259	1 900 940 977
Klein Karoo	300 000	400 000	0	0
TLC's & TRC's	11 923 069	42 245 882	28 651 062	25 926 836
District Council Total	12 223 069	42 645 882	28 651 062	25 926 836
Overberg	1 831 000	2 770 000	1 285 000	5 551 500
TLC's & TRC's	52 896 916	94 053 503	64 525 929	48 635 563
District Council Total	54 727 916	96 823 503	65 810 929	54 187 063
Sentrale Karoo	0	0	0	0
TLC's & TRC's	16 773 926	32 241 296	18 560 510	12 366 126
District Council Total	16 773 926	32 241 296	18 560 510	12 366 126
South Cape	1 484 868	808 000	212 150	1 104 000
TLC's & TRC's	78 762 213	208 475 603	170 399 482	189 774 651
District Council Total	80 247 081	209 283 603	170 611 632	190 878 651
West Coast	5 380 000	7 240 000	19 410 000	35 650 480
TLC's & TRC's	63 006 322	170 202 334	145 583 923	111 325 535
District Council Total	68 386 322	177 442 334	164 993 923	146 976 015
Winelands	8 364 000	10 850 000	41 075 000	48 760 000
TLC's & TRC's	37 646 763	59 193 140	76 715 366	49 891 775
Paarl	185 863 956	200 387 714	226 220 670	225 858 716
District Council Total	231 874 719	270 430 854	344 011 036	324 510 491
Western Cape Total	2 813 069 755	2 831 711 600	2 659 914 004	2 755 002 908
Total Capital: All Provinces	10 409 645 775	6 025 452 504	5 682 188 563	6 686 093 513

Appendix D-2 RSC Levies (Budgeted Amounts)

GAUTENG	1996/97	1997/98	1998/99	1999/2000
	R	R	R	R
Eastern District Council	227,829,742	264,088,900	311,590,983	312,660,000
Western District Council	47,120,000	52,637,656	54,637,000	54,637,000
	274,949,742	316,726,556	366,227,983	367,297,000
Pretoria	220,000,000	242,000,000	266,200,000	264,000,000
Johannesburg	723,617,000	778,464,000	645,000,000	696,000,000
Kyalami	80,000,000	101,015,000	120,000,000	135,000,000
Lekoa Vaal	46,834,900	55,647,500	61,212,250	64,272,860
Total	1,345,401,642	1,493,853,056	1,458,640,233	1,526,569,860

KWAZULU-NATAL	1996/97	1997/98	1998/99	1999/2000
	R	R	R	R
Ilembe District Council	5,912,000	6,800,000	9,000,000	10,000,000
Indlovu District Council	50,380,092	56,778,614	64,745,990	68,000,000
Ugu District Council	13,500,000	14,400,000	15,026,400	17,000,000
Umzinyathi District Council	13,989,889	16,300,000	17,100,000	19,800,000
Uthukela District Council	11,215,300	12,322,187	12,322,187	12,699,963
Uthungulu District Council	40,225,910	53,311,050	55,034,411	53,953,000
Zululand District Council	10,628,740	6,781,630	7,832,783	7,945,922
	145,851,931	166,693,481	181,061,771	189,398,885
Durban Metro	185,200,000	204,500,000	247,000,000	270,000,000
Total	331,051,931	371,193,481	428,061,771	459,398,885

MPUMALANGA	1996/97	1997/98	1998/99	1999/2000
	R	R	R	R
Eastvaal District Council	54,380,000	60,770,000	64,700,000	67,500,000
Highveld District Council	66,000,000	80,000,000	80,300,000	85,000,000
Lowveldescarpment DV	30,000,000	37,000,000	42,000,000	49,000,000
	150,380,000	177,770,000	187,000,000	201,500,000

NORTHERN CAPE	1996/97	1997/98	1998/99	1999/2000
	R	R	R	R
Benedeoranje District Council	4,660,000	5,457,000	7,665,000	6,674,000
Bokaroo District Council	3,621,230	3,996,250	4,393,140	4,916,800
Diamantveld District Council	19,000,000	20,000,000	22,000,000	23,800,000
Hantan District Council	1,400,000	1,400,000	1,720,000	1,720,000
Kalahari District Council	7,684,578	9,377,300	10,300,000	10,950,000
Namakwaland District Council	5,187,500	5,702,000	6,412,800	6,926,000
	41,553,308	45,932,550	52,490,940	54,986,800

NORTHERN PROVINCE				
	1996/97	1997/98	1998/99	1999/2000
	R	R	R	R
Bosveld District Council	18,000,000	18,000,000	22,000,000	23,500,000
Northern District Council	38,500,000	42,900,000	50,500,000	78,000,000
	<u>56,500,000</u>	<u>60,900,000</u>	<u>72,500,000</u>	<u>101,500,000</u>

NORTH WEST				
	1996/97	1997/98	1998/99	1999/2000
	R	R	R	R
Bophirima District Council	3,960,000	3,960,000	5,400,000	5,033,400
Central Region District Council	15,000,000	15,000,000	22,000,000	24,500,000
Eastern Region District Council	16,000,000	30,000,001	32,000,000	24,755,465
Rustenburg District Council	30,000,000	34,000,000	38,000,000	38,000,000
Southern District Council	41,000,000	40,650,000	45,000,000	47,600,000
	<u>105,960,000</u>	<u>123,610,001</u>	<u>142,400,000</u>	<u>139,888,865</u>

EASTERN CAPE				
	1996/97	1997/98	1998/99	1999/2000
	R	R	R	R
Amatola District Council	34,624,823	48,000,000	53,000,000	64,349,990
Drakensberg District Council	2,784,600	3,341,520	4,600,000	5,100,000
Kei District Council	3,095,842	5,033,939	9,930,000	12,420,000
Stormberg District Council	5,430,000	5,700,000	6,700,000	7,400,000
Western District Council	106,047,700	117,747,100	130,302,100	133,809,800
Wildcoast District Council	1,507,948	6,796,000	7,256,702	6,974,236
	<u>153,490,913</u>	<u>186,618,559</u>	<u>211,788,802</u>	<u>230,054,026</u>

WESTERN CAPE				
	1996/97	1997/98	1998/99	1999/2000
	R	R	R	R
Breederiver District Council	16,000,000	18,600,000	20,300,000	24,100,000
Central Karoo District Council	1,450,000	1,600,000	1,761,150	1,900,000
Klein Karoo District Council	4,486,155	4,749,000	5,460,480	4,986,450
Overberg District Council	7,500,000	8,000,000	9,500,000	11,000,000
South Cape District Council	17,875,000	20,833,000	24,554,000	25,130,140
West Coast District Council	13,555,590	18,476,000	23,851,400	22,000,000
Winelands District Council	21,015,000	27,100,000	34,000,000	37,000,000
Cape Metro	352,500,000	378,000,000	475,000,000	500,000,000
	<u>434,381,745</u>	<u>477,358,000</u>	<u>594,427,030</u>	<u>626,116,590</u>

FREE STATE				
	1996/97	1997/98	1998/99	1999/2000
	R	R	R	R
Bloemarea District Council	32,383,809	43,844,319	46,474,977	49,209,922
Eastern Free State District	15,300,000	16,680,000	19,900,000	20,000,000
Goldfields District Council	29,944,000	33,095,000	34,454,000	34,580,000
Northern Free State District	29,824,000	33,000,000	35,000,000	37,750,000
	<u>107,451,809</u>	<u>126,619,319</u>	<u>135,828,977</u>	<u>141,539,922</u>

Grand Total	2,726,171,348	3,063,854,966	3,283,137,753	3,481,554,948
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Appendix D-3 RSC Levy Rates

COUNCIL	PRESENT REGIONAL SERVICES LEVY	DISCOUNT FARMING ENTER- PRISES	PRESENT REGIONAL ESTABLISH- MENT LEVY	DISCOUNT FARMING ENTER- PRISES	DATE OF TAKING EFFECT
AMATOLA DISTRICT COUNCIL	0.3160%	0.00%	0.1270%	0.00%	1992-08-01
BENEDE-ORANJE DISTRICT COUNCIL	0.3000%	0.00%	0.1200%	0.00%	1991-07-01
BLOEM AREA DISTRICT COUNCIL	0.3500%	0.00%	0.1400%	0.00%	1997-08-01
BO-KAROO DISTRICT COUNCIL	0.3330%	0.00%	0.1330%	0.00%	1992-08-01
BOSVELD DISTRICT COUNCIL	0.2500%	25.00%	0.1100%	25.00%	1992-07-01
BREEDE RIVER DISTRICT COUNCIL	0.3000%	0.00%	0.1500%	0.00%	1990-07-01
CAPE METROPOLITAN COUNCIL	0.2500%	25.00%	0.2000%	25.00%	1993-10-01
CENTRAL TRANSITIONAL DISTRICT COUNCI	0.2800%	0.00%	0.1350%	0.00%	1996-06-01
DIAMANTVELD DISTRICT COUNCIL	0.3300%	0.00%	0.1320%	0.00%	1993-07-01
DRAKENSBERG DISTRICT COUNCIL	0.3450%	0.00%	0.1495%	0.00%	1992-08-01
DURBAN METRO	0.3000%	0.00%	0.1200%	0.00%	1996-07-01
EASTERN FREE STATE DISTRICT COUNCIL	0.3000%	0.00%	0.1200%	0.00%	1992-08-01
EASTERN GAUTENG SERVICES COUNCIL	0.3330%	20.00%	0.1330%	20.00%	1991-07-01
EASTERN REGION DISTRICT COUNCIL	0.2750%	25.00%	0.1100%	25.00%	1996-11-01
EASTVAAL DISTRICT COUNCIL	0.3300%	25.00%	0.1350%	25.00%	1992-07-01
GOLDFIELDS DISTRICT COUNCIL	0.2500%	0.00%	0.1000%	0.00%	1990-01-01
GREATER JOHANNESBURG METRO	0.3509%	0.00%	0.1408%	0.00%	1993-08-01
GREATER PRETORIA METRO	0.3200%	25.00%	0.1350%	25.00%	1989-10-01
HIGHVELD DISTRICT COUNCIL	0.3400%	25.00%	0.1400%	25.00%	1991-07-01
BOPHIRIMA DISTRICT COUNCIL	0.2800%	0.00%	0.1200%	0.00%	1991-07-01
ILEMBE REGIONAL COUNCIL	0.3000%	0.00%	0.1200%	0.00%	1996-07-01
INDLOVU REGIONAL COUNCIL	0.3000%	0.00%	0.1200%	0.00%	1996-07-01
KALAHARI DISTRICT COUNCIL	0.3000%	0.00%	0.1220%	0.00%	1992-07-01
KEI DISTRICT COUNCIL	0.3500%	0.00%	0.1200%	0.00%	1996-06-01
KLEIN KAROO DISTRICT COUNCIL	0.3360%	15.00%	0.1340%	15.00%	1992-07-01
KYALAMI METRO	0.3330%	20.00%	0.1330%	20.00%	1996-07-01
LEKOA VAAL METRO	0.3080%	25.00%	0.1232%	25.00%	1996-04-01
LOWVELD ESCARPMENT DISTRICT COUNCI	0.3100%	0.00%	0.1300%	0.00%	1991-07-01
NAMAQUALAND DISTRICT COUNCIL	0.3500%	0.00%	0.1400%	0.00%	1995-07-01
HANTAM DISTRICT COUNCIL	0.3300%	0.00%	0.2000%	0.00%	1993-07-01
NORTHERN DISTRICT COUNCIL	0.3000%	0.00%	0.1200%	0.00%	1996-01-01
NORTHERN FREE STATE DISTRICT COUNCIL	0.3025%	0.00%	0.1210%	0.00%	1998-05-01
OVERBERG DISTRICT COUNCIL	0.3160%	0.00%	0.1270%	0.00%	1991-07-01
RUSTENBURG DISTRICT COUNCIL	0.2750%	25.00%	0.1100%	25.00%	1991-07-01
CENTRAL KAROO DISTRICT COUNCIL	0.3400%	0.00%	0.1400%	0.00%	1993-07-01
SOUTH CAPE DISTRICT COUNCIL	0.3400%	0.00%	0.1360%	0.00%	1993-08-01
SOUTHERN DISTRICT COUNCIL	0.2750%	20.00%	0.1490%	20.00%	1998-02-01
STORMBERG DISTRICT COUNCIL	0.3400%	0.00%	0.1300%	0.00%	1996-10-01
UTHUKELA REGIONAL COUNCIL	0.3000%	0.00%	0.1200%	0.00%	1996-07-01
UGU REGIONAL COUNCIL	0.3000%	0.00%	0.1200%	0.00%	1996-07-01
UMZINYATHI REGIONAL COUNCIL	0.3000%	0.00%	0.1200%	0.00%	1996-07-01
UTHUNGULU REGIONAL COUNCIL	0.3000%	0.00%	0.1200%	0.00%	1996-07-01
WEST COAST DISTRICT COUNCIL	0.3020%	0.00%	0.1210%	0.00%	1992-07-01
WESTERN GAUTENG SERVICES COUNCIL	0.2875%	25.00%	0.1150%	25.00%	1991-07-01
WESTERN REGION DISTRICT COUNCIL	0.3800%	0.00%	0.1520%	0.00%	1999-02-01
WILD COAST DISTRICT COUNCIL	0.3500%	0.00%	0.1200%	0.00%	1996-06-01
WINELANDS DISTRICT COUNCIL	0.2500%	25.00%	0.2000%	25.00%	1995-02-01
ZULULAND REGIONAL COUNCIL	0.3000%	0.00%	0.1200%	0.00%	1996-07-01

Demographic profile of provinces and local government

This year's *Review* does not focus on the demographic characteristics of the provinces and municipalities. Much of this information is available from official sources, especially Statistics South Africa. However, to assist the reader, the information in this Annexure provides a broad demographic perspective.

The key sources are from Statistics South Africa, mainly census data, the latest October Household Survey (1999) and its most recent publication, *Measuring Poverty in South Africa*, 2000. All of these are available on its website address www.statssa.gov.za.

Some data was also taken from unpublished information from the Research Institute for Educational Planning and the South African Institute of Race Relations: South Africa Survey, 1999/2000.

The data in this annexure are not necessarily reconcilable with information in the *Review*, particularly because of references to different years. For definitive data, readers are advised to consult official sources, such as Statistics South Africa.

Indicators	Western Cape	Northern Cape	Free State	Eastern Cape	KwaZulu-Natal	Mpumalanga	Northern Province	Gauteng	North West	South Africa
Area (km ²)	129 386	363 389	129 437	170 616	91 481	82 333	116 824	21 025	118 710	1 223 201
Population Density (persons per km ²)	29,2	2,1	22,4	41,4	97,1	34,4	45,6	376,5	30,7	35,3
Population, 1999 ('000)	4 171	890	2 813	6 769	9 003	3 000	5 310	7 778	3 592	43 325
Population growth, 1996-99 (%)	1,7	1,9	2,3	2,4	2,3	2,3	2,5	1,9	2,4	2,2
Urban population, 1999 ('000)	3 710	612	1 984	2 245	4 169	1 208	615	7 502	1 314	23 357
Urban population as % total population, 1998	88,9	68,8	70,5	33,2	46,3	40,3	11,6	96,5	36,6	53,9
Non-urban population, 1999 ('000)	461	278	829	4 524	4 834	1 792	4 695	276	2 278	19 968
Non-urban population as % total population, 1998	11,1	31,2	29,5	66,8	53,7	59,7	88,4	3,5	63,4	46,1
Percentage population 0-14 yrs, 1999	29,2	33,4	31,5	39,6	36,0	36,4	42,7	25,4	34,1	34,3
Percentage population 15-64 yrs, 1999	65,6	61,6	64,0	54,5	59,4	59,4	52,0	70,4	61,2	60,8
Percentage population 65+ yrs, 1999	5,2	5,0	4,6	5,8	4,5	4,2	5,3	4,2	4,7	4,8
Pupils in public schools, Grade 1-12 ('000), 1998	903	207	811	2 302	2 725	936	1 811	1 424	954	12 071
Primary pupils, Grade 1-7 ('000), 1998	602	141	512	1 645	1 858	618	1 136	912	622	8 046
Secondary pupils, Grade 8-12 ('000), 1998	301	66	298	656	867	318	674	512	332	4 025
Distribution of pupils per province (%), 1998	7,5	1,7	6,7	19,1	22,6	7,8	15,0	11,8	7,9	100
Number of pupils per educator, 1998	35,6	29,0	33,7	33,8	36,4	33,7	31,7	32,1	29,8	33,5
Number of educators, 1998	25 393	7 142	24 078	68 033	74 834	27 804	57 155	44 324	31 962	360 725
Number of schools, 1997	1 873	516	1 850	5 442	5 573	1 967	4 614	1 823	2 175	25 833
Number of public hospitals, 1998	45	19	31	66	66	25	47	29	32	360
Number of public community health centres, 1998	59	6	7	8	16	3	22	12	20	153
Number of public clinics, 1998	317	128	275	620	394	185	313	443	278	2 953
Number of private hospitals, 1998	69	29	18	42	48	11	2	108	17	344
Number of private clinics, 1998	10	0	7	3	3	3	0	44	4	74
Doctors in public sector per 10 000 people, 1998	6,5	2,0	2,4	1,8	2,6	1,5	1,5	5,3	1,7	2,9
Dentists in public sector per 10 000 people, 1998	0,2	0,1	0,1	0,1	0,1	0,1	0,1	0,3	0,1	0,1
Pharmacists in public sector per 10 000 people, 1998	0,7	0,3	0,3	0,2	0,4	0,2	0,2	0,6	0,2	0,4
Nurses in public sector per 10 000 people, 1998	41,4	21,7	32,5	32,2	35,9	22,9	30,6	31,8	29,1	32,4
Specialists per 1 000 of the population, 1998	0,37	0,06	0,13	0,05	0,14	0,03	0,02	0,33	0,04	0,15
Other health workers per 1 000 people, 1998	0,74	0,43	0,51	0,44	0,58	0,18	0,31	0,44	0,37	0,46
Number of hospital beds per 1 000 people, 1998	3,7	4,5	3,8	3,6	4,3	2,2	3,1	6,7	4,3	4,0

Indicators	Western Cape	Northern Cape	Free State	Eastern Cape	KwaZulu-Natal	Mpumalanga	Northern Province	Gauteng	North West	South Africa
Total number of households, 1996 ('000)	983	187	626	1 332	1 661	604	982	1 964	721	8 338
Households without access to basic electricity (%), 1996	14,8	29,4	42,8	68,3	46,4	43,4	63,3	20,4	55,9	42,3
Households without access to basic water (%), 1996	3,2	8,9	6,0	46,5	33,7	17,8	24,5	4,0	18,6	20,2
Households without access to basic sanitation (%), 1996	9,5	29,1	29,7	35,8	16,7	12,9	22,2	5,5	13,3	17,5
Households without access to basic refuse removal (%), 1996	15,4	30,5	35,5	64,5	56,8	60,5	88,0	15,0	64,1	46,6
Households without access to basic telephone (%), 1996	4,5	14,9	18,7	51,9	28,3	21,5	44,4	6,5	27,6	24,8
Human Development Index, 1996	0,727	0,648	0,650	0,603	0,626	0,623	0,566	0,727	0,615	0,672
Poverty Rate (headcount index), 1996	0,12	0,35	0,48	0,48	0,26	0,25	0,38	0,12	0,37	-
Mean monthly household expenditure (Rand), 1996	3 816	2 396	1 819	1 702	2 579	2 394	1 855	4 270	2 137	-

Sources

Research Institute for Educational Planning: Unpublished Information, 2000

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Statistics South Africa: October Household Survey, 1999

Statistics South Africa: Measuring Poverty in South Africa, 2000