

REPUBLIC OF SOUTH AFRICA

DIVISION OF REVENUE BILL

(As introduced in the National Assembly as a section 76 Bill)
(The English text is the official text of the Bill)

(MINISTER OF FINANCE)

[B4—2004]

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BILL

To provide for the equitable division of revenue anticipated to be raised nationally among the national, provincial and local spheres of government for the 2004/05 financial year and the reporting requirements for allocations pursuant to such division; to permit the withholding and the delaying of payments in certain circumstances; to provide for liability for costs incurred in litigation in violation of the principles of co-operative governance and intergovernmental relations; and to provide for matters connected therewith.

PREAMBLE

WHEREAS section 214(1) of the Constitution requires an Act of Parliament to provide for—

- (a) the equitable division of revenue raised nationally among the national, provincial and local spheres of government;
- (b) the determination of each province's equitable share of the provincial share of that revenue; and
- (c) any other allocations to provinces, local government or municipalities from the national government's share of that revenue, and any conditions on which those allocations may be made;

BE IT THEREFORE ENACTED by the Parliament of the Republic of South Africa, as follows:—

CHAPTER 1

INTERPRETATION AND OBJECTS OF ACT

Interpretation

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1. (1) In this Act, unless the context indicates otherwise, a word or expression to which a meaning has been assigned in the Public Finance Management Act has the meaning assigned to it in that Act, and—

- I. **“budget year”** means the financial year commencing on 1 April 2004 and ending on 31 March 2005 for which an annual budget is to be approved; 10
- II. **“head official”**, in relation to a provincial treasury, means the head of the provincial department responsible for financial matters in the province;
- III. **“Financial and Fiscal Commission Act”** means the Financial and Fiscal Commission Act, 1997 (Act No. 99 of 1997)
- IV. **“Intergovernmental Fiscal Relations Act”** means the Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 1997); 15
- V. **“municipal accounting officer”** means the official of a municipality referred to in section 60 of the Municipal Finance Management Act;
- VI. **“municipal financial year”** means the financial year of a municipality commencing on 1 July and ending on 30 June; 20
- VII. **“Municipal Finance Management Act”** means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

- VIII. **“municipality”** means the same as in section 1 of the Municipal Finance Management Act;
- IX. **“Municipal Structures Act”** means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);
- X. **“Municipal Systems Act”** means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000); 5
- XI. **“next financial year”** means the financial year commencing on 1 April 2005 and ending on 31 March 2006;
- XII. **“payment schedule”** means a schedule which sets out—
 (a) the amount of each instalment of an equitable share or any other allocation to be transferred to a province or municipality for the financial year; 10
 (b) the date on which each such instalment must be paid; and
 (c) to whom, and to which primary bank account, each such instalment must be paid; 15
- XIII. **“prescribe”** means prescribe by regulation in terms of section 33;
- XIV. **“primary bank account”**—
 (a) in relation to a province, means a bank account of the provincial Revenue Fund, which the head official of the provincial treasury has certified to the National Treasury as the bank account into which allocations in terms of this Act must be deposited; 20
 (b) in relation to a municipality which has only one bank account, means that account; or
 (c) in relation to a municipality which has more than one bank account, means one of its bank accounts which it has designated as its primary bank account; 25
- XV. **“Public Finance Management Act”** means the Public Finance Management Act, 1999 (Act No. 1 of 1999);
- XVI. **“quarter”** means—
 (a) 1 April to 30 June; 30
 (b) 1 July to 30 September;
 (c) 1 October to 31 December; or
 (d) 1 January to 31 March;
- XVII. **“receiving officer”**—
 (a) in relation to Schedules 4 and 5 allocations transferred to a province, excluding the Provincial Infrastructure Grant, means the accounting officer of the provincial department which is responsible for spending or managing that allocation; or 35
 (b) in relation to Schedules 6 and 6A allocations transferred to a municipality, means the municipal accounting officer of that municipality, except for that portion of the Municipal Infrastructure Grant funds in terms of section 11(6), committed before 30 September 2003 and spent by the national accounting officer directly on behalf of the municipality; 40
- XVIII. **“transferring national officer”** means the accounting officer of a national department which transfers to a province or municipality Schedule 4, 5, 6 or 6A allocations, but excludes the accounting officer of the National Treasury in respect of an allocation listed in those Schedules and which is on the vote of the National Treasury; 45
- XIX. **“transferring provincial officer”** means the accounting officer of a provincial department which is responsible for managing Schedule 5, 6 or 6A allocations for the purpose of transferring it to a municipality in the relevant province. 50
- (2) In the event of any inconsistency between a provision of this Act and a provision of the Municipal Finance Management Act that has taken effect, the provision of the Municipal Finance Management Act is, to the extent of the inconsistency, suspended until 1 April 2005. 55
- (3) Section 35 of the Public Finance Management Act, section 3 of the Financial and Fiscal Commission Act and section 9 of the Municipal Systems Act do not apply in respect of any powers and functions assigned in terms of this Act to a province or municipality. 60

Objects of Act

2. The objects of this Act are—
- (a) to provide for the equitable division of revenue anticipated to be raised nationally among the three spheres of government;
 - (b) to promote co-operative governance and the principles of intergovernmental relations on budgetary matters; 5
 - (c) to promote better co-ordination between policy, planning, budget preparation and execution processes;
 - (d) to promote predictability and certainty in respect of all allocations to provincial governments and municipalities in order that such governments 10 may plan their budgets over a multi-year period;
 - (e) to promote transparency and equity in all allocations, including in respect of the criteria for their division;
 - (f) to promote accountability for the use of public resources by ensuring that all transfers are reflected on the budgets of benefiting provincial governments 15 and municipalities; and
 - (g) to ensure that legal proceedings between organs of state in the three spheres of government are avoided.

CHAPTER 2

EQUITABLE SHARE ALLOCATIONS 20

Equitable division of revenue anticipated to be raised nationally among spheres of government

3. (1) Revenue anticipated to be raised nationally in respect of the budget year must be divided among the national, provincial and local spheres of government for their equitable shares as set out in Column A of Schedule 1. 25
- (2) An envisaged division of revenue anticipated to be raised in respect of the next financial year and the 2006/07 financial year, and which is subject to the provisions of the annual Division of Revenue Act in respect of those financial years, is set out in Column B of Schedule 1.
- (3) Despite subsection (2), the Minister may, in respect of the next financial year and until the commencement of the annual Division of Revenue Act for that financial year, determine that an amount not exceeding 45 per cent of the envisaged division for the next financial year as set out in Column B of Schedule 1, be transferred as a direct charge against the National Revenue Fund to each province and to a municipality. 30

Equitable division of provincial share among provinces 35

4. (1) Each province's equitable share of the provincial share of revenue anticipated to be raised nationally in respect of the budget year is set out in Column A of Schedule 2.
- (2) An envisaged division for each province of revenue anticipated to be raised nationally in respect of the next financial year and the 2006/07 financial year, and which is subject to the provisions of the annual Division of Revenue Act for those financial 40 years, is set out in Column B of Schedule 2.
- (3) Subject to section 28(2), each province's equitable share contemplated in subsection (1) must be transferred to the province in weekly instalments in accordance with a payment schedule determined by the National Treasury, after consultation with the head official of the relevant provincial treasury. The payment schedule must take 45 reasonable account of the monthly spending commitments of provinces, the revenue at the disposal of provinces, and minimisation of risk and debt servicing costs.
- (4) Despite subsection (3), the Minister may, on such conditions as the Minister may determine, advance funds to a province in respect of its equitable share contemplated in subsection (1), which have not yet fallen due for transfer in accordance with the payment 50 schedule referred to in subsection (3) in respect of that province.

(5) The advances contemplated in subsection (4) must be set-off against transfers to the province which would otherwise become due in terms of the applicable payment schedule.

Equitable division of local government share among municipalities

5. (1) Each municipality's share of local government's equitable share of revenue anticipated to be raised nationally in respect of the budget year is set out in Column A of Schedule 3. 5

(2) An envisaged division between municipalities of revenue anticipated to be raised nationally in respect of the next financial and the 2006/07 financial year, and which is subject to the provisions of the annual Division of Revenue Act for those financial years, is set out in Column B of Schedule 3. 10

(3) Subject to subsection (4), each municipality's equitable share contemplated in subsection (1) must be transferred to the primary bank account of the municipality in quarterly instalments before the end of May, August, November and February in the budget year, in accordance with a payment schedule determined by the National Treasury. 15

(4) If a provincial executive has intervened in a municipality in terms of section 139 of the Constitution, the Minister responsible for local government may, with the concurrence of the Minister, and on such conditions as the Minister may determine, advance funds to a municipality in respect of its equitable share contemplated in subsection (1) which have not fallen due for transfer in accordance with the applicable payment schedule referred to in subsection (3) in respect of that municipality. 20

(5) Any advances in terms of subsection (4) must be set-off against transfers to the municipality which would otherwise become due in terms of the applicable payment schedule. 25

(6) Despite subsection (3), the National Treasury may direct the national accounting officer for local government to delay or withhold the transfer of an instalment on the grounds of a municipality's serious or persistent material breach of uniform treasury norms and standards.

(7) Such uniform treasury norms and standards referred to in subsection (6) may include a requirement that a municipality must— 30

- (a) submit to the Auditor-General, not later than 30 April 2004, any outstanding financial statements in respect of municipal financial years preceding the 2003/04 municipal financial year;
- (b) submit to the National Treasury, by not later than 30 June 2004, its budget for the 2003/04 municipal financial year and such other budgetary information as may be required by the National Treasury, including, but not limited to, information on the nature and extent of basic services to be provided for water, sanitation, electricity, and municipal infrastructure, including free basic services, to be provided by that municipality; 35
- (c) submit to the Auditor-General and the National Treasury, not later than 30 September 2004, financial statements in respect of the 2003/04 municipal financial year, in a format determined by the National Treasury; 40
- (d) submit to the National Treasury, by not later than 20 days after the end of each quarter starting 1 July 2004, information on the implementation of its budget, including information up to the end of that quarter on actual— 45
 - (i) total revenue collected, borrowings and all allocations received in terms of this Act; and
 - (ii) total spending, including on water, sanitation, electricity, free basic services and municipal infrastructure; 50
- (e) in the case of local and district municipalities, co-operate on financial, budget and fiscal matters with other municipalities within the district in which it is located in order to eliminate duplication in the provision of services, reduce wastage, and ensure effective and efficient spending for purposes of sustainable delivery of municipal services in that municipal district; and 55
- (f) make timely payment of all statutory commitments including all taxes, levies, audit fees, medical aid and pension fund commitments. 55

(8) Payments of the quarterly equitable share instalments referred to in subsection 4, may be made subject to the accounting officer of a municipality submitting any information required in terms of subsection (6) or (7) to the National Treasury, and certifying how the municipality is complying with subsection (6) or (7), not later than 21 days before the date of transfer of such instalment. 5

(9) Despite subsections (6) and (7), the National Treasury may direct that funds be transferred to a municipality, where it—

- (a) provides a written explanation which the National Treasury determines as reasonable; or
- (b) is in danger of failing to deliver basic services as a result of such delays or withholding. 10

Shortfalls and excess revenue

6. (1) If actual revenue raised nationally in respect of the budget year falls short of the anticipated revenue set out in Schedule 1, the national government bears the shortfall. 15

(2) If actual revenue raised nationally in respect of the budget year is in excess of the anticipated revenue set out in Schedule 1, the excess accrues to the national government and forms part of its equitable share. 15

(3) Despite subsection (2), the national government may, by means of an adjustments budget or any other appropriation legislation, and additional to the allocations in sections 4 and 5, and the allocations contemplated in Chapter 3, make in the budget year further allocations to provinces and municipalities from its equitable share of nationally raised revenue or contingency reserve. 20

CHAPTER 3

OTHER ALLOCATIONS TO PROVINCES AND MUNICIPALITIES

Other allocations 25

7. (1) Other allocations to provinces in respect of the budget year from the national government's share of revenue anticipated to be raised nationally are set out in Column A of the following Schedules:

- (a) Schedule 4 contains allocations to provinces for general and nationally assigned functions; 30
- (b) Schedule 5 contains specific-purpose allocations to provinces.

(2) An envisaged division of allocations to provinces from the national government's share of revenue anticipated to be raised nationally, for the next financial year and the 2006/07 financial year, which is subject to the annual Division of Revenue Act for those years is set out in Column B of the Schedules referred to in subsection (1). 35

(3) Despite subsection (2), the Minister may, in respect of the next financial year and until the commencement of the Division of Revenue Act for that financial year, determine that an amount not exceeding 45 per cent of the envisaged division of the allocation for the next financial year, as set out in Column B of Schedules referred to in subsection (1), be transferred to a province as a direct charge against the National Revenue Fund. 40

(4) Other allocations to local government in respect of the budget year from the national government's share of revenue anticipated to be raised nationally are set out in Column A of the following Schedules:

- (a) Schedules 6 and 6A contain specific-purpose allocations to local government; 45
- and
- (b) Schedule 7 contains allocations-in-kind to municipalities for designated programmes.

(5) An envisaged division of allocations to local government from the national government's share of revenue anticipated to be raised nationally for the next financial year and the 2006/07 financial year, which is subject to the annual Division of Revenue Act for those years, is set out in Column B of the Schedules referred to in subsection (4). 50

(6) The Minister must, not later than 1 April 2004, publish in the *Gazette* required in terms of section 24(1), the share of each municipality in respect of the local government allocations referred to in subsections (4) and (5).

(7) Despite subsection (5), the Minister may, in respect of the next financial year and until the commencement of the Division of Revenue Act for that financial year, determine that an amount not exceeding 45 per cent of the envisaged division of the allocation for the next financial year, as set out in Column B of Schedules referred to in subsection (4), be transferred to a municipality as a direct charge against the National Revenue Fund. 5

Transfers to entities 10

8. (1) Where a national or provincial organ of state has to provide funds to a public entity for the provision of a municipal service or function after 30 June 2004, it must do so by transferring such funds to the relevant municipality directly, and in accordance with subsection (2), unless the National Treasury has directed otherwise.

(2) A public entity may not receive funds directly or indirectly from a national or provincial organ of state for the provision of a municipal service in a municipality after 30 June 2004, unless such public entity has by 30 June 2004 notified the National Treasury in writing that it acts as an external mechanism for a municipality in terms of Chapter 8 of the Municipal Systems Act. Where a public entity and relevant municipality fail to come to an agreement by the above date, the public entity and municipality must inform the National Treasury when such an agreement will be completed. 15 20

(3) The National Treasury may withhold the payment of any grant to a public entity if the public entity fails to comply with subsection (2).

(4) A public entity that receives a grant, directly or indirectly, from a national or provincial organ of state for the provision of a municipal service in a municipality must report to that municipality and to the National Treasury, within seven working days after the end of each month, the amount spent on such municipal service and for which it has received funds, or is entitled to reimbursement from the funds transferred to the municipality. 25 30

(5) If a municipality fails to reimburse a public entity in terms of this section, the National Treasury may direct the withholding of funds due to the municipality, and reimburse the public entity directly.

Transfers not listed in Schedules

9. An allocation not listed in the Schedules referred to in section 7 may only be made in terms of section 6 (3) or in terms of an adjustments appropriation, and must be published in the *Gazette* by the Minister before the transfer of any funds to a province or municipality, and must comply with such monitoring and reporting requirements as may be determined by the National Treasury. 35

Provincial infrastructure grant 40

10. A provincial treasury must, in respect of an allocation for provincial infrastructure listed in Schedule 4, submit to the National Treasury, not later than 1 April 2004, and in the format determined by the National Treasury, a plan on proposed spending for the budget year, the next financial year and the 2006/07 financial year.

Municipal Infrastructure Grant 45

11. (1) Allocations for addressing backlogs in basic municipal infrastructure development and the carrying out of municipal services are set out in Schedule 6A.

(2) Any allocation contemplated in subsection (1) which is intended, entirely or in part, for the construction, maintenance or rehabilitation of municipal infrastructure, must only be in terms of a policy framework, and allocations published in terms of section 24(1). 50

(3) A municipality must in respect of an allocation for the Municipal Infrastructure Grant listed in Schedule 6A, submit to the National Treasury with its budget in terms of section 5(7), by not later than 30 June 2004 or such other date as may be determined by the National Treasury, a three-year capital plan on proposed spending for the 2004/05, 2005/06 and 2006/07 municipal financial years. The National Treasury may direct additional conditions on the transfer of funds to a municipality failing to comply with this provision, including transferring via a district municipality or another organ of state. 5

(4) The three-year capital plan of a municipality must include the following information, in a format determined by the National Treasury:

- (i) how the municipality has prioritised the payment of commitments on the previous consolidated municipal infrastructure and water capital grants as at 30 September 2003, to the extent that it will receive allocations directly from the Municipal Infrastructure Grant incur such payments; 10
- (ii) projections on future operational costs for new or upgraded infrastructure;
- (iii) operational budgets for maintenance and operating costs on existing infrastructure; and 15
- (iv) how a municipality's operational budget takes account of the future commitments.

(5) A district municipality receiving the Municipal Infrastructure Grant must, in its budget and three-year capital plan, indicate all transfers and allocations-in-kind to local municipalities. Transfers between district and local municipalities must be approved in both their budgets, and any allocations in-kind must comply with section 12. 20

(6) Each recipient municipality must, not later than 20 working days after the end of each quarter after 1 July 2004, submit a report to the National Treasury, which provides details on the implementation of the capital budget, and any other details requested by the National Treasury as set out in the frameworks for municipal infrastructure grants. 25

(7) The accounting officer for local government may, with the approval of the National Treasury, and after consultation with the responsible sector departments, make direct payments to creditors against the Municipal Infrastructure Grant allocation to a municipality for commitments incurred on previous consolidated municipal infrastructure and water capital grants as at 30 September 2003, if: 30

- (i) the receiving municipality is unable, unwilling or fails to pay for such commitments; or
- (ii) it is to fulfil contractual obligations entered into before 30 September 2003.

Transfer of assets to municipalities

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12. (1) A transferring national officer or a transferring provincial officer may not make any transfer to a municipality, of assets or any other financial resource, including an allocation-in-kind or the future transfer of an asset, intended, entirely or in part, for the construction, installation, maintenance or rehabilitation of municipal infrastructure without— 40

- (a) a realistic estimate of the value of the asset and future potential liability, including reflection on the budget of the benefiting municipality of the associated operating costs;
- (b) a resolution of the municipal council that it will take transfer of such asset and future operating costs; 45
- (c) the written approval of the relevant treasury, in terms of a framework required in subsection (3).

(2) The transferring national officer or the transferring provincial officer, as the case may be, must, within such period as may be determined by the National Treasury, report to the National Treasury on the actual transfers effected in respect of the allocations contemplated in subsection (1). 50

(3) The Minister may, with the concurrence of the Minister responsible for local government, develop a framework for transfer of assets. To the extent that the framework affects the restructuring of water services or electricity distribution, the Minister must consult with the relevant Minister prior to the determination of the framework.

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Municipal capacity building allocations

13. (1) Any transfer of an allocation, other than an allocation on the vote of the National Treasury, aimed at developing and improving municipal systems and the capacity of municipalities to perform functions assigned to them, may only be made in terms of a framework determined by the national accounting officer responsible for local government, in consultation with the National Treasury.

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(2) The framework contemplated in subsection (1) must take into account integrated planning, performance management, financial management, budgeting and spatial planning considerations, and ensure that the capacity of a municipality is developed in measurable ways.

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(3) The transferring national or provincial officer responsible for a municipal capacity building allocation must, in the annual report of the relevant department, indicate the extent to which the capacity of any municipality was improved by that allocation and the extent to which such allocation was spent on non-public providers providing services or assistance to a municipality.

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CHAPTER 4

DUTIES OF ACCOUNTING OFFICERS AND TREASURIES

Duties of transferring national officer

14. (1) A transferring national officer must, not later than 14 days after this Act takes effect, certify to the National Treasury that—

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- (a) allocation frameworks, conditions and monitoring provisions are reasonable and do not impose an undue administrative burden on benefiting provinces and municipalities;
- (b) funds will only be transferred after information required in terms of this Act from the transferring national officer has been provided;
- (c) funds will only be deposited by the transferring national officer into a primary bank account of a province or municipality; and
- (d) all other arrangements or requirements necessary for the transfer of an allocation have been complied with.

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(2) A transferring national officer who has not complied with subsection (1) must transfer such funds as directed by the National Treasury.

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(3) A transferring national officer must transfer all allocations to a province or municipality by depositing such funds into the primary bank account of the province or municipality. Before transferring the first allocation of any grant, the transferring national officer must take note of any notice in terms of subsection 19(2) from the National Treasury outlining the details of the primary bank account for each province or municipality.

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(4) Despite anything to the contrary contained in any law, a transferring national officer must, in respect of any allocation, as part of the report contemplated in section 40(4)(c) of the Public Finance Management Act, not later than 20 days after the end of each month, and in the format determined by the National Treasury, submit to the National Treasury and the relevant executive authority, information for the month reported on and for the financial year up to the end of that month, on—

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- (a) the amount of funds transferred to a province or municipality;
- (b) the amount of funds delayed or withheld from any province or municipality and the reasons for such delay or withholding;
- (c) the actual expenditure incurred by the province or municipality in respect of the allocations listed in Schedule 5, 6 and 6A; and
- (d) such other issues as the National Treasury may determine.

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Duties of transferring provincial officer

15. A transferring provincial officer must, as part of the report contemplated in section 40(4)(c) of the Public Finance Management Act, and in respect of any allocation to be transferred to municipalities, within 15 days after the end of each month and in the format determined by the National Treasury, submit to the national transferring officer, the relevant treasury and executive authority responsible for that department, information on— 5

- (a) the amount of funds transferred to a municipality in the month reported on and for the financial year up to the end of that month;
- (b) the amount of funds delayed or withheld from any municipality in the month reported on; 10
- (c) actual expenditure incurred in respect of that allocation in the month reported on and for the financial year up to the end of that month; and
- (d) such other issues as the National Treasury may determine.

Duties of receiving officer 15

16. (1) The relevant receiving officer must, in respect of an allocation to be transferred to—

- (a) a province, and as part of the report contemplated in section 40(4)(c) of the Public Finance Management Act, within 15 days after the end of each month, submit a report to the relevant provincial treasury, the relevant provincial executive authority and the transferring national officer; and 20
- (b) a municipality, within 10 days after the end of each month, submit a report to the relevant transferring national or provincial officer.

(2) The reports contemplated in subsection (1) must set out for that month and for the financial year up to the end of that month— 25

- (a) the amount received by the province or municipality, as the case may be;
- (b) the amount of funds delayed or withheld from the province or municipality, as the case may be;
- (c) the actual expenditure by the province or municipality, as the case may be, in respect of allocations set out in the Schedules 5, 6 and 6A; 30
- (d) the extent of compliance with the conditions of an allocation and with this Act;
- (e) an explanation for any material problems experienced or variations effected by the province or municipality, as the case may be, regarding an allocation which has been received and a summary of the steps taken to deal with such problems or the effect of such variations; and 35
- (f) such other issues and information as the National Treasury may determine.

(3) The accounting officer of a municipality must submit to the National Treasury, in writing—

- (a) immediately after the commencement of this Act, the details of the relevant municipality's primary bank account; and 40
- (b) immediately upon opening a new primary bank account, the details of that municipality's new primary bank account.

(4) The receiving officer of a district municipality which intends to transfer to a local municipality, and vice versa, an allocation transferred to it in terms of this Act, or any portion of such transfer, may only effect such a transfer, provided all allocations are reflected in both municipality's annual budgets by 1 July 2004, or if later, as approved by the National Treasury. 45

(5) The Minister may prescribe additional duties for the receiving officer contemplated in subsection (4).

Duties of provincial accounting officers and treasuries

17. (1) The provincial treasury must publish, with its annual budget or in the provincial *Gazette*, not later than 1 April 2004, the allocations per municipality for every allocation made by the province to a municipality in that province.

(2) The MEC responsible for financial matters in the province must, in the publication contemplated in subsection (1), also indicate the envisaged division of the allocation contemplated in that subsection in respect of a municipality, for the next financial year and the 2006/07 financial year. 5

(3) A provincial treasury must, within 22 days after the end of each month, and in the format determined by the National Treasury, and as part of its consolidated monthly report, report on— 10

- (a) actual transfers received by the province from national departments;
- (b) actual expenditure on such allocations, excluding the allocations set out in Schedule 4, up to the end of that month;
- (c) actual transfers made by the province to municipalities, and projections on actual expenditure by municipalities on such allocations; and 15
- (d) any problems of compliance with this Act, by transferring provincial officers and receiving officers, and the steps taken to deal with such problems.

(4) The report contemplated in subsection (3) must, in respect of the provincial infrastructure allocation, include reports for each quarter and be in such format as may be determined by the National Treasury. 20

(5) Despite anything to the contrary contained in any law, a provincial treasury may, in accordance with any reporting framework determined by the National Treasury, make allocations to municipalities that were not published in terms of subsection (1).

(6) The allocations contemplated in subsection (5) must be published in the provincial *Gazette* before any transfers can be made. 25

Annual financial statements for 2004/05

18. (1) The annual financial statements for the 2004/05 financial year of a department transferring any funds in respect of an allocation set out in Schedules 4, 5, 6, 6A, and 7, must, in addition to any requirements in terms of any other applicable law— 30

- (a) indicate the total amount of that allocation transferred to a province or municipality;
- (b) indicate the funds, if any, that were withheld and the reasons for such withholding in respect of each province or municipality;
- (c) certify that all transfers to a province or municipality were deposited into the primary bank account of a province or municipality; 35
- (d) indicate to what extent a province or municipality was monitored for compliance with the conditions of an allocation and the provisions of this Act;
- (e) indicate to what extent the allocation achieved its purpose and outputs;
- (f) indicate the funds, if any, utilised for the administration of the allocation, and whether any portion of the allocation was retained by the transferring department for that purpose; and 40
- (g) indicate any non-compliance with this Act, and the steps taken to deal with such non-compliance.

(2) The annual financial statements of a provincial department receiving grants in respect of an allocation set out in Schedules 4, 5, 6 and 6A, must, in addition to any requirements in terms of any other applicable legislation— 45

- (a) indicate the total amount of all allocations received;
- (b) indicate the total amount of actual expenditure on all allocations, except Schedule 4 allocations; 50
- (c) certify that all transfers in terms of this Act to a province or municipality were deposited into the primary bank account of such province or municipality;

- (d) indicate to what extent a province or municipality met the conditions of such an allocation, and complied with the provisions of this Act;
 - (e) indicate the extent to which the objectives of the allocation were achieved; and
 - (f) contain such other information as the National Treasury may determine. 5
- (3) The annual financial statements and annual reports of a municipality for the 2004/05 financial year must be in accordance with the Municipal Finance Management Act.
- (4) The National Treasury may determine how transferring departments and receiving municipalities report on local government allocations on a quarterly basis to facilitate the audit of allocations for both the national and municipal financial years. 10

CHAPTER 5

DUTIES OF NATIONAL TREASURY AND AUDITOR-GENERAL

Duties of National Treasury

19. (1) The National Treasury must, together with the report contemplated in section 32(2) of the Public Finance Management Act, publish a report on actual transfers of all allocations listed in the Schedules referred to in section 7 or made in terms of section 9. 15
- (2) The National Treasury must, by 1 April 2004, submit a notice to all transferring national officers, details of the primary bank account of each province and municipality.
- (3) The Minister may, in writing, delegate any of the powers entrusted to the National Treasury in terms of this Act, to the Director-General of the National Treasury. 20
- (4) The Director-General of the National Treasury may, in writing, delegate any of the powers referred to in subsection (3) to an official of the National Treasury.

Duties of Auditor-General

20. (1) Without derogating from the powers and duties of the Auditor-General in terms of the Constitution and any other law, the Auditor-General may, in the audit of financial statements on the allocations set out in Chapter 3 or in a special report to be submitted to Parliament, report on— 25
- (a) the extent of compliance with this Act by transferring national officers, transferring provincial officers and receiving officers; 30
 - (b) whether there was compliance with the certification and reporting requirements of this Act;
 - (c) the evaluation of evidence supporting the amounts and disclosures in monthly and annual reports contemplated in this Act;
 - (d) whether a transferring national officer or transferring provincial officer made unauthorised transfers to any province or municipality or to any public, or other entity; 35
 - (e) whether the monitoring system of the transferring departments was in compliance with this Act;
 - (f) whether each allocation to a province or municipality was made in accordance with this Act; and 40
 - (g) such other intergovernmental financial management matters as may be prescribed.
- (2) The internal audit unit of a department or municipality and its audit committee must establish procedures, systems and mechanisms to facilitate the external audit contemplated in subsection (1). 45

CHAPTER 6

GENERAL

Delaying of payments

21. (1) Subject to subsection (2), a transferring national officer may, after consultation with the National Treasury and the relevant provincial treasury, for a period not exceeding 30 days, delay the payment of an allocation in terms of Chapter 3, or any portion of such allocation, if— 5

- (a) the province or municipality does not comply with the conditions to which the allocation is subject;
- (b) the municipality is in serious or persistent material breach of the measures contemplated in section 5(6) or 5(7) ; or 10
- (c) expenditure on previous transfers reflects significant under-spending for which no satisfactory explanation is given.

(2) The National Treasury may, after consultation with the relevant provincial treasury for a grant to that province, allow the transfer to be delayed for a period exceeding 30 days if such delay will ensure compliance with the conditions to which an allocation is subject or will ensure significant spending on that allocation. 15

(3) The transferring national officer must, in the monthly reports contemplated in this Act, inform the National Treasury of the steps taken to deal with the causes of the payment delay. 20

Withholding of payments

22. (1) The National Treasury may, subject to section 216 of the Constitution, withhold the transfer of—

- (a) an allocation set out in Schedules 4, 5, 6 and 6A, or any portion of such allocation, if the province or municipality is in serious or persistent material breach of the conditions to which the allocation is subject; or 25
- (b) an allocation in terms of section 5, if the municipality is in serious or persistent material breach of the measures contemplated in section 5(7); or
- (c) an allocation in terms of section 9;

if the transferring national officer has submitted to the province or municipality, as the case may be, a written report, at least 21 days before such allocation is due to be transferred, setting out facts reflecting a serious or persistent material breach of the conditions to which the allocation is subject or upon receipt of audit reports for previous financial years which indicate serious or persistent material breach of this Act. 30

(2) The Minister may, approve that an allocation, or any portion thereof, withheld from a municipality in terms of subsection (1), be utilised to meet that municipality's outstanding statutory financial commitments. 35

(3) The utilisation of money contemplated in subsection (2) is a direct charge against the National Revenue Fund.

Interim arrangements for reallocation

23. (1) A transferring national or provincial officer may, in the case of local and district municipalities, with the written consent of the National Treasury and after consultation with the affected municipalities, reallocate an allocation referred to in section 7, or a portion of such an allocation, from one municipality to another municipality within that district— 45

- (a) if the reallocation is necessary to give effect to the division of functions within that district and to reduce the risk of under-spending; or
- (b) if the affected district and local municipalities fail to agree on the performance of any municipal service.

(2) A transferring national officer may, with the written consent of the National Treasury and after consultation with the affected provinces, reallocate the grant for the Comprehensive HIV and Aids grant, or a portion of such an allocation, from one province to another province, if the reallocation is necessary to shift funds from provinces spending less per month than as agreed with the transferring national officer at the beginning of the financial year. 5

(3) The National Treasury must publish in the *Gazette* particulars of any reallocation of an allocation in terms of subsection (1) or (2) before any transfer of funds to give effect to the re-allocation.

Spending in terms of purpose and subject to conditions 10

24.(1) The Minister must, with regard to an allocation referred to in Schedule 4, 5, 6, 6A, or 7, publish in the *Gazette*, by 1 April 2004, the conditions of, and any other information in respect of, the allocations. Such publication must also include all allocations per municipality for each of the Schedule 6, 6A, or 7 grants to local government. 15

(2) Despite anything to the contrary contained in any law, an allocation referred to in Schedule 4, 5, 6, 6A, or 7 may only be utilised for the purpose stipulated in the Schedules concerned and in accordance with the allocations or conditions published by the Minister in the *Gazette*. The Minister may publish after 1 April 2004 in terms of section 9, or to correct or revise conditions or allocations. 20

(3) The utilisation of an allocation set out in the Schedules for purposes other than those set out in the Schedules concerned, constitutes a breach of the measures established in terms of section 216(1) of the Constitution.

(4) Despite subsections (1) and (2), the National Treasury may authorise a province or municipality to retain and utilise such portion of the funds of an allocation set out in the Schedules listed in section 7, which remains after the fulfilment of that allocation's purpose, and compliance with the conditions to which it is subject. 25

Transfers made in error

25.(1) Despite anything to the contrary contained in any law, the transfer of an allocation to a province, in error, is regarded as not legally due to the province for the purpose of its Revenue Fund. 30

(2) A transfer contemplated in subsection (1) must be recovered without delay by the responsible transferring national officer.

(3) The National Treasury may direct that the recovery contemplated in subsection (1) be effected by set-off against future transfers to the province, which would otherwise become due in accordance with a payment schedule. 35

(4) Despite anything to the contrary contained in any law, the transfer of an allocation to a municipality, or a public entity in error, is regarded as not legally due to that municipality or public entity and must, within a reasonable period, be recovered by the responsible transferring national officer or transferring provincial officer. 40

(5) The national accounting officer responsible for local government may direct that the recovery contemplated in subsection (4) be effected by set-off against transfers to the municipality concerned, which would otherwise become due in accordance with any payment schedule.

Transfers to municipalities with weak administrative capacity 45

26. (1) If the national accounting officer responsible for local government has reasonable grounds to believe that —

- (a) a local municipality is not able to effectively administer an allocation referred to in section 7, or a portion of such an allocation, that officer may, for purposes of proper administration of the allocation, transfer such allocation, or portion thereof, to the relevant district municipality or to another local municipality within the district, after consultation with the municipalities concerned; or 50

- (b) a district municipality is not able to effectively administer an allocation referred to in section 7, or a portion of such an allocation, that officer may, for purposes of proper administration of the allocation, transfer such allocation, or portion thereof, to a local municipality within the district, after consultation with the municipalities concerned. 5

(2) Any allocation, or portion thereof, contemplated in subsection (1) must be administered by the district or local municipality to which it has been transferred, in accordance with any directions issued by the national accounting officer responsible for local government.

(3) The national accounting officer responsible for local government must publish in the *Gazette* particulars of the transfer of any allocation in terms of subsection (1). 10

Funds to follow transfer of functions or obligations

27. (1) Despite anything to the contrary contained in any law, the transfer of functions or obligations from an organ of state in one sphere of government to an organ of state in another sphere of government or from one municipality to another municipality must take place only with the prior written approval of the Minister and the Minister responsible for provincial and local government. 15

(2) The transfer of functions or obligations contemplated in subsection (1) must, unless the Minister directs otherwise, include the transfer of funds available to the transferring organ of state or sphere of government for the purposes of performing such transferred function or obligation. 20

(3) No financial function or obligation of a national or provincial department may be imposed on a municipality without—

- (a) that municipality's prior written acceptance by resolution of its council; and
- (b) the prior written approval of the National Treasury. 25

(4) A province must utilise its own funds for any function or obligation arising from a transfer by that province, which is in conflict with sections (1) and (3).

(5) Any liability arising from a determination of functions between a district and local municipality by a province in terms of section 84 or 85 of the Municipal Structures Act is a liability of that province and not of the national government. 30

Amendment of payment schedule and transfer mechanism

28. (1) Subject to subsection (2), a transferring national officer may, in respect of an allocation set out in Schedule 4, 5, 6 or 6A, after consultation with the National Treasury and the relevant provincial treasury, amend a payment schedule due to the under-spending of funds or on the grounds of under-performance or non-compliance with the conditions of an allocation. 35

(2) The National Treasury may, in the interest of better debt and cash-flow management, or to deal with financial mismanagement, amend any payment schedule for an allocation listed in Schedule 2, 3, 4, 5, 6 or 6A after consultation with —

- (a) the heads of a provincial treasury, in the case of a provincial allocation; and
- (b) the accounting officer of the national department responsible for local government and with organised local government, in the case of a local government allocation. 40

(3) A payment schedule revised in terms of subsection (1) or (2) must take reasonable account of the monthly spending commitments of provinces or municipalities, the revenue at the disposal of provinces or municipalities, and the minimisation of risk and debt servicing costs. 45

(4) An amendment of a payment schedule in terms of subsection (2) prevails over any amendment made in terms of subsection (1).

Exemptions by National Treasury 50

29. (1) The National Treasury may, on application in writing by a transferring national or provincial officer, exempt in writing a transferring national or provincial officer from the duty to comply with reporting requirements or any other requirement regarding an allocation set out in a Schedule referred to in section 7 or envisaged in section 9: Provided that such officer satisfies the National Treasury that— 55

- (a) the duty cannot be complied with at that stage;
 - (b) the allocation programme is properly designed; and
 - (c) the accounting officer is taking steps to comply with the provisions of this Act.
- (2) Any exemption contemplated in subsection (1)—
- (a) may only be granted if the accounting officer provides reasons why information was not included in respect of an allocation set out in a Schedule referred to in section 7; and
 - (b) must set out the conditions, if any, to which it is subject and must be published in the Gazette.

Non-compliance with Act constitutes financial misconduct 10

30. Despite anything to the contrary contained in any law, any serious or persistent non-compliance with a provision of this Act, or the conditions, which an allocation in terms of this Act is subject to, constitutes financial misconduct. Any wilful act by a national transferring officer or provincial transferring officer to deposit funds in an account other than the primary account of a province or municipality is an offence, and such a person is, on conviction, liable to imprisonment or a fine as provided for in section 86 (1) of the Public Finance Management Act. 15

Liability for costs incurred in violation of principles of co-operative governance and intergovernmental relations

31. (1) An organ of state involved in an intergovernmental dispute regarding any provision of this Act or any financial or fiscal matter must, before approaching a court to resolve such dispute, make every effort to settle the dispute with the other organ of state concerned, including by making use of the structures established in terms of the Intergovernmental Fiscal Relations Act. 20
- (2) In the event that a dispute is referred back by a court in accordance with section 41(4) of the Constitution, due to the court not being satisfied that the organ of state approaching the court has complied with subsection (1), the expenditure incurred by that organ of state in approaching the court must be regarded as fruitless and wasteful. 25
- (3) The amount of any such fruitless and wasteful expenditure must, in terms of a prescribed procedure, be recovered without delay from the person who caused the organ of state not to comply with the requirements of subsection (1). 30

Acts performed before Act took effect

32. Despite anything to the contrary contained in any law, any act performed prior to 1 April 2004 or in accordance with any prescribed requirements in fulfilment of the objects of this Act is regarded as having been done in terms of the relevant provisions of this Act. 35

Regulations

33. The Minister may, by notice in the *Gazette*, make regulations regarding—
- (a) anything which must or may be prescribed in terms of this Act; and
 - (b) any matter which it is necessary to prescribe for the effective implementation of the provisions and achievement of the objects of this Act. 40

Repeal of laws

34. (1) Subject to subsection (2), the Division of Revenue Act, 2003 (Act No. 7 of 2003), is hereby repealed with effect from the date on which this Act takes effect.
- (2) The repeal of the Division of Revenue Act, 2003, does not affect any duty or obligation set out in that Act, the execution of which is still outstanding. 45

Roll-overs from past conditional grants

35. (1) All provincial departments which received conditional grants during the 2001/02, 2002/03 and 2003/04 financial years must report on actual spending against such grants, including spending on roll-overs in subsequent years on such grants, in their 2003/04 annual report, and to the relevant treasury by 31 May 2004. 5

(2) A provincial department that transfers conditional grant/s to a municipality or public entity must submit a report on actual spending by that municipality or public entity to the relevant provincial treasury by 31 May 2004.

(3) The relevant treasury must submit the report contemplated in subsection (1) to the National Treasury by 15 June 2004. 10

(4) The Minister may, after consultation with a Minister responsible for an infrastructure conditional grant under spent in previous financial years, review such grant if a roll-over from such grant is projected to lead to significant under-spending on the amounts allocated in this Act for the 2004/05 financial year, and direct that any projected surplus be shifted to fund existing infrastructure budgets in that province, 15 subject to the province passing an adjustments appropriation: Provided that the province will be responsible for funding any future commitments for that conditional grant that the province has failed to anticipate during the review, up to the maximum total of shifted funds.

Short title and commencement 20

36. This Act is called the Division of Revenue Act, 2004, and takes effect on 1 April 2004.

SCHEDULE 1

EQUITABLE DIVISION OF REVENUE ANTICIPATED TO BE RAISED NATIONALLY AMONG THE THREE SPHERES OF GOVERNMENT

Spheres of Government	Column A	Column B	
	2004/05 Allocation	Forward Estimates	
		2005/06	2006/07
	R'000	R'000	R'000
National ¹	201 255 191	222 158 431	243 300 820
Provincial	159 971 402	173 851 535	186 391 726
Local	7 677 546	8 643 341	9 364 940
TOTAL	368 904 139	404 653 307	439 057 486

1. National share includes conditional grants to provincial and local spheres, debt service cost and the contingency reserve.

SCHEDULE 2

DETERMINATION OF EACH PROVINCE'S EQUITABLE SHARE OF THE PROVINCIAL SPHERE'S SHARE OF REVENUE RAISED NATIONALLY (as a direct charge against the National Revenue Fund)

Province	Column A	Column B	
	2004/05 Allocation	Forward Estimates	
		2005/06	2006/07
	R'000	R'000	R'000
Eastern Cape	26 990 176	29 082 907	30 913 625
Free State	10 551 267	11 378 197	12 103 992
Gauteng	24 547 021	26 643 833	28 530 264
KwaZulu-Natal	33 058 939	36 105 489	38 900 829
Limpopo	21 788 865	23 730 291	25 496 547
Mpumalanga	11 606 061	12 748 274	13 812 776
Northern Cape	3 838 795	4 124 972	4 372 227
North West	13 270 464	14 409 922	15 436 497
Western Cape	14 319 814	15 627 650	16 824 969
TOTAL	159 971 402	173 851 535	186 391 726

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL GOVERNMENT
SPHERE'S SHARE OF REVENUE RAISED NATIONALLY ¹**

			Column A	Column B	
			2004/05 Allocation	MTEF Outer Years	
				2005/06	2006/07
Category	Number	Municipality	R'000	R'000	R'000
EASTERN CAPE					
A		Nelson Mandela	161 075	155 976	174 216
B	EC101	Camdeboo	8 555	7 298	8 014
B	EC102	Blue Crane Route	10 717	9 067	9 884
B	EC103	Ikwezi	4 168	3 766	4 006
B	EC104	Makana	15 855	13 562	15 144
B	EC105	Ndlambe	13 420	11 808	13 151
B	EC106	Sundays River Valley	12 436	9 998	10 741
B	EC107	Baviaans	5 080	4 074	4 341
B	EC108	Kouga	11 099	10 380	11 587
B	EC109	Koukamma	7 627	7 540	8 253
C	DC10	Cacadu District Municipality	4 730	3 390	2 251
Total: Cacadu Municipalities			93 686	80 883	87 372
B	EC121	Mbhashe	49 641	41 216	41 678
B	EC122	Mnquma	54 811	45 253	48 400
B	EC123	Great Kei	10 014	8 872	9 371
B	EC124	Amahlathi	27 472	22 327	23 682
B	EC125	Buffalo City	192 698	168 569	178 424
B	EC126	Ngqushwa	20 213	16 549	16 994
B	EC127	Nkonkobe	24 982	22 460	23 714
B	EC128	Nxuba	6 266	5 451	5 756
C	DC12	Amatole District Municipality	87 653	73 036	80 214
Total: Amatole Municipalities			473 751	403 734	428 232
B	EC131	Inxuba Yethemba	8 589	8 306	9 067
B	EC132	Tsolwana	9 074	7 141	7 161
B	EC133	Inkwanca	5 583	4 910	5 192
B	EC134	Lukhanji	26 289	24 311	25 573
B	EC135	Intsika Yethu	44 919	37 325	35 520
B	EC136	Emalahleni	26 659	21 519	20 997
B	EC137	Engcobo	30 544	25 177	25 588
B	EC138	Sakhisizwe	11 398	10 142	10 685
C	DC13	Chris Hani District Municipality	94 387	82 964	89 205
Total: Chris Hani Municipalities			257 441	221 796	228 988
B	EC141	Elundini	31 054	25 332	26 913
B	EC142	Senqu	28 045	24 788	26 275
B	EC143	Maletswai	6 766	6 397	6 869
B	EC144	Gariep	6 950	6 333	6 749
C	DC14	Ukhahlamba District Municipality	50 301	45 372	47 992
Total: Ukhahlamba Municipalities			123 117	108 221	114 798
B	EC151	Mbizana	41 780	34 675	35 200
B	EC152	Ntabankulu	25 903	21 574	22 799
B	EC153	Qaukeni	44 752	37 078	38 926
B	EC154	Port St. Johns	30 252	24 930	24 114
B	EC155	Nyandeni	51 184	42 576	43 438
B	EC156	Mhlontlo	39 182	32 334	33 480
B	EC157	King Sabata Dalindyebo	71 146	57 754	55 092
C	DC15	O.R. Tambo District Municipality	184 659	151 209	159 493
Total: O.R Tambo Municipalities			488 857	402 130	412 541
B	EC05b1	Umzimkhulu	32 603	26 815	28 089
B	EC05b2	Umzimvubu	78 134	65 279	64 636
C	DC44	Alfred Nzo District Municipality	73 249	61 216	64 528
Total: Alfred Nzo Municipalities			183 986	153 309	157 253
Total: Eastern Cape Municipalities			1 781 913	1 526 050	1 603 400

1. All allocations are for the national financial year

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL GOVERNMENT
SPHERE'S SHARE OF REVENUE RAISED NATIONALLY ¹**

			Column A	Column B	
			2004/05	MTEF Outer Years	
			Allocation	2005/06	2006/07
Category	Number	Municipality	R'000	R'000	R'000
FREE STATE					
B	FS161	Letsemeng	12 357	10 787	11 857
B	FS162	Kopanong	16 906	16 051	17 927
B	FS163	Mohokare	17 044	13 166	11 867
C	DC16	Xhariep District Municipality	3 380	3 158	3 142
Total: Xhariep Municipalities			49 687	43 163	44 793
B	FS171	Naledi	11 948	9 097	9 198
B	FS172	Mangaung	204 286	143 829	148 678
B	FS173	Mantsopa	18 019	13 898	15 126
C	DC17	Motheo District Municipality	1 038	1 041	1 000
Total: Motheo Municipalities			235 291	167 864	174 002
B	FS181	Masilonyana	26 813	20 590	21 432
B	FS182	Tokologo	12 372	9 507	10 018
B	FS183	Tswelopele	21 556	16 634	14 502
B	FS184	Matjhabeng	121 457	92 220	98 847
B	FS185	Nala	30 437	25 684	28 369
C	DC18	Lejweleputswa District Municipality	1 658	1 066	1 000
Total: Lejweleputswa Municipalities			214 293	165 701	174 167
B	FS191	Setsoto	39 563	32 588	35 808
B	FS192	Dihlabeng	26 752	23 944	26 824
B	FS193	Nketoana	26 140	20 207	17 669
B	FS194	Maluti-a-Phofung	131 286	103 763	88 036
B	FS195	Phumelela	15 135	12 555	13 619
C	DC19	Thabo Mofutsanyana District Municipality	13 622	13 248	12 897
Total: Thabo Mofutsanyane Municipalities			252 499	206 305	194 853
B	FS201	Moqhaka	42 731	32 777	32 476
B	FS203	Ngwathe	39 052	29 383	29 616
B	FS204	Metsimaholo	21 751	19 492	21 780
B	FS205	Mafube	18 061	14 534	16 003
C	DC20	Northern Free State District Municipality	1 159	1 041	1 000
Total: Northern Free State Municipalities			122 754	97 227	100 876
Total: Free State Municipalities			874 524	680 260	688 691

1. All allocations are for the national financial year

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL GOVERNMENT
SPHERE'S SHARE OF REVENUE RAISED NATIONALLY ¹**

			Column A	Column B	
			2004/05	MTEF Outer Years	
			Allocation	2005/06	2006/07
Category	Number	Municipality	R'000	R'000	R'000
GAUTENG					
A		Ekurhuleni	305 515	425 108	485 023
A		City of Johannesburg	391 161	540 445	613 393
A		City of Tshwane	201 389	269 776	300 956
B	GT02b1	Nokeng tsa Taemane	7 326	9 787	10 945
B	CBLC2	Kungwini	14 986	21 587	24 145
C	CBDC2	Metsweding District Municipality	2 586	1 663	1 099
Total: Metsweding Municipalities			24 897	33 036	36 189
B	GT421	Emfuleni	77 076	105 871	120 471
B	GT422	Midvaal	11 233	11 238	12 559
B	GT423	Lesedi	8 379	11 160	12 679
C	DC42	Sedibeng District Municipality	1 088	1 041	1 000
Total: Sedibeng Municipalities			97 776	129 310	146 709
B	GT411	Mogale City	32 985	46 587	52 914
B	GT412	Randfontein	14 225	19 626	22 314
B	GT414	Westonaria	27 282	38 498	43 106
B	CBLC8	Merafong City	42 752	61 046	68 625
C	CBDC8	West Rand District Municipality	2 131	1 927	1 591
Total: West Rand Municipalities			119 375	167 683	188 550
Total: Gauteng Municipalities			1 140 115	1 565 358	1 770 820

1. All allocations are for the national financial year

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL GOVERNMENT
SPHERE'S SHARE OF REVENUE RAISED NATIONALLY¹**

			Column A	Column B	
			2004/05 Allocation	MTEF Outer Years	
				2005/06	2006/07
Category	Number	Municipality	R'000	R'000	R'000
KWAZULU-NATAL					
A		eThekweni	392 243	474 524	525 556
B	KZ211	Vulamehlo	13 672	13 284	14 045
B	KZ212	Umdoni	4 904	6 709	7 345
B	KZ213	Umzumbe	19 114	27 012	29 134
B	KZ214	uMuziwabantu	11 610	14 643	15 676
B	KZ215	Ezingolweni	7 535	9 456	10 022
B	KZ216	Hibiscus Coast	15 394	22 771	24 794
C	DC21	Ugu District Municipality	38 680	52 554	57 432
Total: Ugu Municipalities			110 909	146 429	158 447
B	KZ221	uMshwathi	12 600	17 936	19 354
B	KZ222	uMngeni	7 822	9 489	9 866
B	KZ223	Mpofana	4 768	6 525	7 082
B	KZ224	Impendle	5 337	7 030	7 404
B	KZ225	Msunduzi	74 873	86 475	91 769
B	KZ226	Mkhambathini	7 472	10 863	11 682
B	KZ227	Richmond	8 927	10 473	11 211
C	DC22	uMgungundlovu District Municipality	20 830	28 040	32 068
Total: uMgungundlovu Municipalities			142 629	176 832	190 437
B	KZ232	Emnambithi/Ladysmith	18 537	24 895	26 677
B	KZ233	Indaka	11 519	16 102	17 278
B	KZ234	Umtshezi	7 714	8 663	8 762
B	KZ235	Okhahlamba	13 082	18 981	20 346
B	KZ236	Imbabazane	11 658	16 529	17 634
C	DC23	Uthukela District Municipality	32 937	45 274	49 712
Total: Uthukela Municipalities			95 448	130 443	140 409
B	KZ241	Endumeni	4 523	5 996	6 594
B	KZ242	Nquthu	14 919	19 830	20 975
B	KZ244	Msinga	22 142	25 321	27 149
B	KZ245	Umvoti	16 009	14 790	15 818
C	DC24	Umqunyathi District Municipality	36 259	42 893	45 847
Total: Umqunyathi Municipalities			93 853	108 830	116 384
B	KZ252	Newcastle	39 663	50 828	55 422
B	KZ253	Utrecht	4 089	5 231	5 528
B	KZ254	Dannhauser	9 727	13 412	14 326
C	DC25	Amajuba District Municipality	6 452	9 053	10 049
Total: Amajuba Municipalities			59 932	78 525	85 326

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL GOVERNMENT
SPHERE'S SHARE OF REVENUE RAISED NATIONALLY ¹**

			Column A	Column B	
			2004/05	MTEF Outer Years	
			Allocation	2005/06	2006/07
Category	Number	Municipality	R'000	R'000	R'000
B	KZ261	eDumbe	8 157	11 449	12 356
B	KZ262	uPhongolo	12 960	18 326	19 622
B	KZ263	Abaqulusi	15 081	20 417	21 804
B	KZ265	Nongoma	17 067	23 590	25 030
B	KZ266	Ulundi	19 729	26 365	27 710
C	DC26	Zululand District Municipality	41 824	56 476	61 108
Total: Zululand Municipalities			114 818	156 623	167 630
B	KZ271	Umlabuyalingana	14 692	19 404	20 869
B	KZ272	Jozini	16 944	24 414	26 310
B	KZ273	The Big 5 False Bay	4 879	6 391	6 775
B	KZ274	Hlabisa	13 221	18 822	20 211
B	KZ275	Mtubatuba	5 225	5 801	5 898
C	DC27	Umkhanyakude District Municipality	36 943	48 377	51 422
Total: Umkhanyakude Municipalities			91 904	123 210	131 485
B	KZ281	Mbonambi	9 587	13 739	14 777
B	KZ282	uMhlathuze	35 308	47 731	51 036
B	KZ283	Ntambanana	6 554	8 463	8 894
B	KZ284	Umlalazi	20 246	28 763	30 730
B	KZ285	Mthonjaneni	7 294	10 095	10 799
B	KZ286	Nkandla	14 401	19 567	20 897
C	DC28	uThungulu District Municipality	25 676	38 611	42 443
Total: uThungulu Municipalities			119 065	166 969	179 577
B	KZ291	eNdondakusuka	16 727	18 642	19 513
B	KZ292	KwaDukuza	21 101	19 016	20 481
B	KZ293	Ndwedwe	17 722	21 848	23 444
B	KZ294	Maphumulo	15 592	17 337	18 488
C	DC29	Ilembe District Municipality	31 945	37 192	41 192
Total: Ilembe Municipalities			103 086	114 035	123 119
B	KZ5a1	Ingwe	13 407	16 915	18 099
B	KZ5a2	Kwa Sani	4 174	4 419	4 645
B	KZ5a3	Matatiele	3 381	4 167	4 479
B	KZ5a4	Kokstad	8 105	11 424	12 737
B	KZ5a5	Ubuhlebezwe	12 269	16 578	17 876
C	DC43	Sisonke District Municipality	19 998	27 646	31 173
Total: Sisonke Municipalities			61 334	81 147	89 008
Total: KwaZulu-Natal Municipalities			1 385 221	1 757 567	1 907 379

1. All allocations are for the national financial year

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL GOVERNMENT
SPHERE'S SHARE OF REVENUE RAISED NATIONALLY ¹**

Category	Number	Municipality	Column A	Column B	
			2004/05	MTEF Outer Years	
			Allocation	2005/06	2006/07
			R'000	R'000	R'000
LIMPOPO					
B	NP03A2	Makhuduthamaga	23 870	35 183	37 862
B	NP03A3	Fetakgomo	10 666	14 218	15 178
B	CBLC3	Greater Marble Hall	13 943	18 581	19 461
B	CBLC4	Greater Groblersdal	24 452	32 716	33 910
B	CBLC5	Greater Tubatse	25 397	36 784	39 410
C	CBDC3	Greater Sekhukhune Cross Boundary	65 791	89 332	96 360
Total: Greater Sekhukhune Cross Boundary Municipalities			164 119	226 813	242 180
B	NP04A1	Maruleng	11 285	16 044	17 188
B	CBLC6	Bushbuckridge	60 176	72 187	74 065
C	CBDC4	Bohlabela District Municipality	42 162	56 142	61 259
Total: Bohlabela Municipalities			113 623	144 374	152 512
B	NP331	Greater Giyani	36 820	41 134	40 925
B	NP332	Greater Letaba	24 710	35 263	37 601
B	NP333	Greater Tzaneen	37 926	55 937	60 141
B	NP334	Ba-Phalaborwa	16 491	18 701	18 851
C	DC33	Mopani District Municipality	48 144	71 518	81 999
Total: Mopani Municipalities			164 092	222 554	239 517
B	NP341	Musina	7 302	8 647	9 345
B	NP342	Mutale	13 470	15 051	15 332
B	NP343	Thulamela	56 884	76 720	81 421
B	NP344	Makhado	50 831	67 751	70 483
C	DC34	Vhembe District Municipality	56 494	82 918	95 225
Total: Vhembe Municipalities			184 982	251 086	271 806
B	NP351	Blouberg	19 752	24 592	26 134
B	NP352	Aganang	14 491	21 308	22 887
B	NP353	Molemole	12 807	18 674	20 027
B	NP354	Polokwane	65 244	97 541	107 801
B	NP355	Lepelle-Nkumpi	21 432	31 378	33 699
C	DC35	Capricorn District Municipality	30 344	45 369	52 128
Total: Capricorn Municipalities			164 070	238 862	262 676
B	NP361	Thabazimbi	13 786	17 074	18 944
B	NP362	Lephalale	16 350	23 134	25 792
B	NP364	Mookgapong	4 945	6 844	7 538
B	NP365	Modimolle	10 535	14 877	16 552
B	NP366	Bela Bela	8 159	9 990	11 155
B	NP367	Mogalakwena	38 425	57 568	63 654
C	DC36	Waterberg District Municipality	5 668	3 644	2 409
Total: Waterberg Municipalities			97 868	133 131	146 075
Total: Limpopo Municipalities			888 752	1 216 820	1 314 766

1. All allocations are for the national financial year

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL GOVERNMENT
SPHERE'S SHARE OF REVENUE RAISED NATIONALLY ¹**

			Column A	Column B	
			2004/05	MTEF Outer Years	
			Allocation	2005/06	2006/07
Category	Number	Municipality	R'000	R'000	R'000
MPUMALANGA					
B	MP301	Albert Luthuli	31 424	39 027	42 460
B	MP302	Msukaligwa	17 929	22 819	25 735
B	MP303	Mkhondo	17 478	25 835	28 632
B	MP304	Seme	12 628	17 245	19 188
B	MP305	Lekwa	14 131	18 365	20 743
B	MP306	Dipaleseng	7 911	10 276	11 312
B	MP307	Govan Mbeki	34 813	47 120	53 376
C	DC30	Gert Sibande District Municipality	3 368	2 165	1 431
Total: Gert Sibande Municipalities			139 681	182 851	202 877
B	MP311	Delmas	8 385	11 494	12 879
B	MP312	Emalahleni	34 422	48 139	54 242
B	MP313	Steve Tshwete	17 375	20 937	23 655
B	MP314	Highlands	7 545	8 730	9 640
B	MP315	Thembisile	35 784	51 536	56 020
B	MP316	Dr JS Moroka	34 902	49 939	54 014
C	DC31	Nkangala District Municipality	1 299	1 050	1 003
Total: Nkangala Municipalities			139 713	191 825	211 453
B	MP321	Thaba Chweu	18 600	19 604	21 832
B	MP322	Mbombela	63 561	91 405	99 964
B	MP323	Umjindi	10 690	12 936	14 397
B	MP324	Nkomazi	47 021	71 713	79 300
C	DC32	Ehlanzeni District Municipality	5 599	3 605	2 389
Total: Ehlanzeni Municipalities			145 470	199 263	217 881
Total: Mpumalanga Municipalities			424 864	573 938	632 211

1. All allocations are for the national financial year

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL GOVERNMENT
SPHERE'S SHARE OF REVENUE RAISED NATIONALLY ¹**

			Column A	Column B	
			2004/05	MTEF Outer Years	
			Allocation	2005/06	2006/07
Category	Number	Municipality	R'000	R'000	R'000
NORTHERN CAPE					
B	NC01B1	Gamagara	5 240	3 944	3 050
B	NW1a1	Moshaweng	18 496	16 461	17 566
B	CBLC1	Ga-Segonyana	14 090	15 287	16 507
C	CBDC1	Kgalagadi District Municipality	16 590	14 808	14 230
Total: Kgalagadi Cross Border Municipalities			54 415	50 499	51 353
B	NC061	Richtersveld	3 342	2 795	2 942
B	NC062	Nama Khoi	7 745	6 365	7 032
B	NC064	Kamiesberg	4 183	3 128	2 762
B	NC065	Hantam	6 710	5 048	4 784
B	NC066	Karoo Hoogland	5 132	3 868	3 616
B	NC067	Khai-Ma	3 439	3 354	3 572
C	DC6	Namakwa District Municipality	2 520	1 930	1 397
Total: Namakwa Municipalities			33 071	26 486	26 106
B	NC071	Ubuntu	6 919	5 465	4 868
B	NC072	Umsobomvu	8 320	6 550	7 049
B	NC073	Emthanjeni	9 403	6 980	7 431
B	NC074	Kareeberg	4 715	3 530	3 201
B	NC075	Renosterberg	4 594	3 412	3 502
B	NC076	Thembelihle	4 582	3 387	3 536
B	NC077	Siyathemba	6 340	4 740	4 517
B	NC078	Siyancuma	10 448	8 363	9 078
C	DC7	Karoo District Municipality	3 751	2 909	1 993
Total: Karoo Municipalities			59 073	45 335	45 174
B	NC081	Mier	3 412	2 848	2 938
B	NC082	Kai ! Garib	12 099	13 219	14 577
B	NC083	//Khara Hais	10 087	8 375	9 408
B	NC084	! Kheis	4 796	4 362	4 639
B	NC085	Tsantsabane	7 118	6 142	6 676
B	NC086	Kgatelopele	5 017	3 721	3 037
C	DC8	Siyanda District Municipality	4 246	3 714	3 584
Total: Siyanda Municipalities			46 775	42 381	44 859
B	NC091	Sol Plaatje	29 126	32 537	35 981
B	NC092	Thusanang	12 119	9 986	10 827
B	NC093	Magareng	8 157	6 181	6 625
B	CBLC7	Phokwane	16 800	14 138	15 223
C	DC9	Frances Baard District Municipality	2 556	2 342	1 868
Total: Frances Baard Municipalities			68 758	65 184	70 523
Total: Northern Cape Municipalities			262 092	229 886	238 015

1. All allocations are for the national financial year

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL GOVERNMENT
SPHERE'S SHARE OF REVENUE RAISED NATIONALLY ¹**

			Column A	Column B	
			2004/05	MTEF Outer Years	
			Allocation	2005/06	2006/07
Category	Number	Municipality	R'000	R'000	R'000
NORTH WEST					
B	NW371	Moretele	24 696	37 166	40 721
B	NW372	Madibeng	61 973	70 577	77 718
B	NW373	Rustenburg	58 978	79 234	87 839
B	NW374	Kgetlengrivier	8 495	9 248	10 194
B	NW375	Moses Kotane	43 764	51 250	55 503
C	DC37	Bojanala Platinum District Municipality	9 209	2 986	1 805
Total: Bojanala Platinum Municipalities			207 115	250 461	273 779
B	NW381	Ratlou	17 982	16 407	17 212
B	NW382	Tswaing	14 010	15 672	16 636
B	NW383	Mafikeng	26 209	29 149	31 579
B	NW384	Ditsobotla	14 322	18 419	19 815
B	NW385	Zeerust	17 247	20 079	21 234
C	DC38	Central District Municipality	51 813	53 910	59 503
Total: Central Municipalities			141 583	153 637	165 979
B	NW391	Kagisano	18 712	15 848	16 744
B	NW392	Naledi	6 849	7 845	8 579
B	NW393	Mamusa	8 100	8 194	8 782
B	NW394	Greater Taung	30 524	26 667	27 938
B	NW395	Molopo	4 133	3 745	3 877
B	NW396	Lekwa-Teemane	5 980	7 203	7 785
C	DC39	Bophirima District Municipality	37 699	35 189	39 266
Total: Bophirima Municipalities			111 996	104 691	112 971
B	NW401	Ventersdorp	9 710	10 506	11 512
B	NW402	Potchefstroom	15 128	18 065	20 425
B	NW403	Klerksdorp	53 496	71 220	80 967
B	NW404	Maquassi Hills	13 421	15 743	17 447
C	DC40	Southern District Municipality	1 244	1 044	1 000
Total: Southern Municipalities			92 999	116 579	131 350
Total: North West Municipalities			553 692	625 368	684 079

1. All allocations are for the national financial year

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL GOVERNMENT
SPHERE'S SHARE OF REVENUE RAISED NATIONALLY ¹**

			Column A	Column B	
			2004/05	MTEF Outer Years	
			Allocation	2005/06	2006/07
Category	Number	Municipality	R'000	R'000	R'000
WESTERN CAPE					
A		City of Cape Town	205 778	275 550	311 970
B	WC011	Matzikama	6 316	6 970	7 809
B	WC012	Cederberg	5 061	6 662	7 397
B	WC013	Bergrivier	4 014	5 033	5 688
B	WC014	Saldanha Bay	4 443	6 240	7 148
B	WC015	Swartland	6 997	6 582	7 304
C	DC1	West Coast District Municipality	1 790	1 634	1 395
Total: West Coast Municipalities			28 621	33 121	36 741
B	WC022	Witzenberg	8 939	10 816	12 123
B	WC023	Drakenstein	13 366	16 347	18 488
B	WC024	Stellenbosch	8 153	10 590	11 976
B	WC025	Breede Valley	13 174	14 536	16 331
B	WC026	Breede River Winelands	8 286	10 103	11 508
C	DC2	Boland District Municipality	2 493	2 250	1 807
Total: Boland Municipalities			54 411	64 643	72 233
B	WC031	Theewaterskloof	9 317	11 466	12 952
B	WC032	Overstrand	4 921	6 844	7 839
B	WC033	Cape Agulhas	2 335	2 748	3 136
B	WC034	Swellendam	4 042	4 432	4 874
C	DC3	Overberg District Municipality	1 053	1 046	1 003
Total: Overberg Municipalities			21 668	26 537	29 805
B	WC041	Kannaland	4 189	5 048	5 474
B	WC042	Langeberg	3 916	4 521	5 127
B	WC043	Mossel Bay	4 980	6 903	7 916
B	WC044	George	10 488	14 734	16 783
B	WC045	Oudtshoorn	5 762	7 859	8 936
B	WC047	Plettenberg Bay	3 364	4 378	4 984
B	WC048	Knysna	4 629	6 342	7 206
C	DC4	Eden District Municipality	3 225	2 766	2 148
Total: Eden Municipalities			40 554	52 551	58 574
B	WC051	Laingsburg	2 484	2 408	2 529
B	WC052	Prince Albert	3 025	2 970	3 123
B	WC053	Beaufort West	4 089	5 305	5 951
C	DC5	Central Karoo District Municipality	5 743	5 010	4 655
Total: Central Karoo Municipalities			15 341	15 694	16 258
Total: Western Cape Municipalities			366 373	468 095	525 580
National Total			7 677 546	8 643 341	9 364 941

1. All allocations are for the national financial year

SCHEDULE 4

GENERAL AND NATIONALLY ASSIGNED FUNCTION ALLOCATIONS TO PROVINCES

Vote	Name of Allocation	Purpose	Type of Allocation	Province	Column A	Column B	
					2004/05 Allocation	Forward Estimates	
						2005/06	2006/07
Agriculture (Vote 26)	Comprehensive Agriculture Support Programme Grant	To enhance the provision of support services to promote and facilitate agricultural development	Nationally assigned function grant to provinces	Eastern Cape Free State Gauteng KwaZulu-Natal Limpopo Mpumalanga Northern Cape North West Western Cape TOTAL	R'000 38 043 16 870 21 088 4 582 37 016 33 428 41 786 18 903 10 518 26 875 13 765 200 000	R'000 47 552 25 306 6 873 5 727 46 270 50 143 23 629 13 148 33 594 17 206 250 000	R'000 57 061 25 306 6 873 5 727 55 524 50 143 28 355 15 777 40 313 20 648 300 000
Health (Vote 16)	(a) National Tertiary Services Grant	To fund tertiary health services	Nationally assigned function grant to provinces	Eastern Cape Free State Gauteng KwaZulu-Natal Limpopo Mpumalanga Northern Cape North West Western Cape TOTAL	272 036 384 165 1 727 736 619 462 46 878 41 427 42 105 35 109 1 104 087 4 273 005	353 022 432 116 1 760 465 686 637 46 973 42 224 51 747 34 822 1 121 380 4 529 386	374 203 458 043 1 866 094 727 835 49 791 44 757 54 852 36 911 1 188 663 4 801 149
National Treasury (Vote 8)	Provincial Infrastructure Grant	To support the training and development of health professionals	Nationally assigned function grant to provinces	Eastern Cape Free State Gauteng KwaZulu-Natal Limpopo Mpumalanga Northern Cape North West Western Cape TOTAL	97 464 93 643 560 778 180 629 51 805 41 808 34 444 46 351 327 210 1 434 132	127 566 92 517 554 039 192 373 72 411 54 363 41 069 62 564 323 278 1 520 180	127 566 92 517 554 039 192 373 72 411 54 363 41 069 62 564 323 278 1 520 180
National Treasury (Vote 8)	Provincial Infrastructure Grant	To fund the construction and maintenance of provincial infrastructure like roads, school buildings, health facilities and agriculture infrastructure	General conditional grant to provinces	Eastern Cape Free State Gauteng KwaZulu-Natal Limpopo Mpumalanga Northern Cape North West Western Cape TOTAL	609 002 199 281 332 292 706 485 593 328 255 169 159 314 288 366 205 125 3 348 362	675 330 220 921 369 777 787 803 660 898 285 533 180 529 321 135 228 847 3 730 773	742 057 242 678 407 745 870 486 729 464 316 596 201 733 354 373 252 987 4 118 119

SCHEDULE 5

SPECIFIC PURPOSE ALLOCATIONS TO PROVINCES

Vote	Name of Allocation	Purpose	Type of Allocation	Province	Column A	Column B		
					2004/05 Allocation	Forward Estimates		
						2005/06	2006/07	
Agriculture (Vote 26)	Land Care Programme Grant: Poverty Relief and Infrastructure Development	To address the degradation of natural/agricultural resources and improve the socio-economic status and food security of rural communities	Conditional grant	Eastern Cape	R'000	R'000	R'000	
				Free State	3 500	8 000	8 500	
				Gauteng	2 000	2 000	2 500	
				KwaZulu-Natal	1 600	2 000	2 500	
				Limpopo	4 000	8 000	8 500	
				-	5 000	5 000	5 500	
				Mpumalanga	5 500	5 500	6 000	
				Northern Cape	2 000	2 000	2 500	
				North West	5 000	5 000	5 500	
				Western Cape	3 500	2 500	3 000	
				TOTAL	27 100	40 000	44 500	
Education (Vote 15)	(a) Primary School Nutrition Programme Grant	To improve the nutrition status of children, specifically to enhance active learning capacity	Conditional grant	Eastern Cape	177 259	194 288	233 882	
				Free State	49 100	53 817	64 784	
				Gauteng	75 730	83 006	99 921	
				KwaZulu-Natal	181 420	198 849	239 372	
				Limpopo	153 125	167 836	202 039	
				Mpumalanga	64 079	70 235	84 549	
				Northern Cape	22 469	24 628	29 647	
				North West	72 401	79 357	95 529	
				Western Cape	36 617	40 135	48 313	
							TOTAL	832 200
	(b) HIV and Aids (Life Skills Education) Grant	To promote HIV and Aids and life skills education in primary and secondary schools	Conditional grant	Eastern Cape	22 244	23 579	24 993	
				Free State	7 715	8 178	8 668	
				Gauteng	17 487	18 536	19 648	
				KwaZulu-Natal	29 188	30 938	32 795	
				Limpopo	19 415	20 580	21 815	
				Mpumalanga	9 772	10 358	10 980	
				Northern Cape	2 186	2 317	2 456	
				North West	10 029	10 631	11 269	
				Western Cape	10 543	11 176	11 847	
							TOTAL	128 579

SCHEDULE 5

SPECIFIC PURPOSE ALLOCATIONS TO PROVINCES

Vote	Name of Allocation	Purpose	Type of Allocation	Province	Column A	Column B	
					2004/05 Allocation	Forward Estimates	
						2005/06	2006/07
Health (Vote 16)	(a) Hospital Revitalisation Grant	To transform and modernise infrastructure and equipment in hospitals in line with national policy	Conditional grant	Eastern Cape	R'000	R'000	R'000
				Free State	116 354	121 008	146 291
				Gauteng	52 370	54 466	71 060
				KwaZulu-Natal	155 126	232 870	204 313
				Limpopo	178 054	190 292	220 883
				Mpumalanga	106 463	110 722	141 093
				Northern Cape	68 292	71 025	92 662
				North West	57 135	59 421	77 524
				Western Cape	92 845	98 998	110 832
				TOTAL	911 856	1 027 427	1 180 284
	(b) Comprehensive HIV and Aids Grant	To enable the health sector to develop an effective response to the HIV and Aids epidemic and other matters	Conditional grant	Eastern Cape	98 970	159 005	218 021
				Free State	69 969	100 874	142 265
				Gauteng	134 231	185 048	252 695
				KwaZulu-Natal	186 348	251 468	344 304
				Limpopo	77 430	125 899	175 861
				Mpumalanga	53 840	81 392	107 479
				Northern Cape	31 881	48 050	68 603
				North West	70 981	100 921	142 316
				Western Cape	57 962	82 451	115 670
				TOTAL	781 612	1 135 108	1 567 214
	(c) Integrated Nutrition Programme Grant	To implement integrated nutrition activities aimed at improving the nutritional status of all South Africans	Conditional grant	Eastern Cape	23 933	26 316	-
				Free State	6 636	7 296	-
				Gauteng	10 307	11 333	-
				KwaZulu-Natal	24 513	26 954	-
				Limpopo	20 320	22 344	-
				Mpumalanga	8 713	9 581	-
				Northern Cape	3 000	3 299	-
				North West	9 987	10 981	-
				Western Cape	4 809	5 288	-
				TOTAL	112 218	123 392	-

SCHEDULE 5

SPECIFIC PURPOSE ALLOCATIONS TO PROVINCES

Vote	Name of Allocation	Purpose	Type of Allocation	Province	Column A	Column B	
					2004/05 Allocation	Forward Estimates	
						2005/06	2006/07
	(d) Hospital Management and Quality Improvement Grant	To transform hospital management and improve quality of care in line with national policy	Conditional grant	Eastern Cape Free State Gauteng KwaZulu-Natal Limpopo Mpumalanga Northern Cape North West Western Cape TOTAL	R'000 19 529 13 055 20 776 20 065 15 388 12 833 10 490 12 713 16 983 141 832	R'000 24 531 13 393 18 510 23 778 17 457 12 340 10 083 12 642 17 608 150 342	R'000 26 003 14 197 19 621 25 204 18 505 13 081 10 688 13 400 18 664 159 363
Housing (Vote 29)	(a) Housing Subsidy Grant	To finance subsidies under the national housing programme	Conditional grant	Eastern Cape Free State Gauteng KwaZulu-Natal Limpopo Mpumalanga Northern Cape North West Western Cape TOTAL	598 900 385 641 1 117 463 748 463 369 818 296 457 89 442 421 378 446 035 4 473 597	569 448 390 547 1 313 528 783 466 389 598 314 620 78 299 458 406 447 492 4 745 404	603 615 413 980 1 392 340 830 474 412 974 333 497 82 997 485 910 474 341 5 030 128
	(b) Human Settlement Grant and Redevelopment grant	To fund projects aimed at improving the quality of the environment by identifying dysfunctionalities in human settlements	Conditional grant	Eastern Cape Free State Gauteng KwaZulu-Natal Limpopo Mpumalanga Northern Cape North West Western Cape TOTAL	11 660 9 010 22 260 27 560 11 660 7 420 3 180 8 480 14 310 115 540	14 697 10 079 33 900 20 220 10 055 8 120 2 021 11 831 11 549 122 472	15 579 10 684 35 934 21 433 10 658 8 607 2 142 12 541 12 243 129 821

SCHEDULE 5

SPECIFIC PURPOSE ALLOCATIONS TO PROVINCES

Vote	Name of Allocation	Purpose	Type of Allocation	Province	Column A	Column B	
					2004/05 Allocation	Forward Estimates	
						2005/06	2006/07
Provincial and Local Government (Vote 5)	(a) Local Government Capacity Building Fund Grant	To assist municipalities to build their institutional capacity and improve their systems for sustainable service delivery	Conditional grant	Eastern Cape	R'000	R'000	R'000
				Free State	35 184	-	-
				Gauteng	31 050	-	-
				KwaZulu-Natal	15 050	-	-
				Limpopo	33 050	-	-
				Mpumalanga	20 100	-	-
				Northern Cape	22 050	-	-
				North West	22 675	-	-
				Western Cape	21 250	-	-
				TOTAL	20 050	-	-
Social Development (Vote 19)	(b) Provincial Project Management Capacity for Municipal Infrastructure Grant (MIG)	To provide support to manage the implementation of MIG on behalf of the Department to ensure sustainability of MIG projects	Conditional grant	Eastern Cape	220 459	43 558	46 171
				Free State	9 169	9 770	10 356
				Gauteng	3 321	3 539	3 751
				KwaZulu-Natal	5 664	6 035	6 397
				Limpopo	8 353	8 900	9 434
				Mpumalanga	4 198	4 472	4 740
				Northern Cape	2 238	2 599	2 755
				North West	1 843	1 963	2 082
				Western Cape	2 439	2 542	2 694
				TOTAL	3 508	3 738	3 962
Social Development (Vote 19)	(a) HIV and Aids (Community-Based Care) Grant	To provide social welfare services to orphans and vulnerable children who are infected and affected by HIV and Aids	Conditional grant	Eastern Cape	40 733	7 514	7 965
				Free State	7 089	7 514	7 965
				Gauteng	9 825	10 415	11 040
				KwaZulu-Natal	10 315	10 934	11 590
				Limpopo	12 773	13 540	14 352
				Mpumalanga	4 634	4 912	5 207
				Northern Cape	10 456	11 084	11 749
				North West	3 930	4 165	4 415
				Western Cape	8 070	8 554	9 067
				TOTAL	3 088	3 273	3 469
Social Development (Vote 19)	(a) HIV and Aids (Community-Based Care) Grant	To provide social welfare services to orphans and vulnerable children who are infected and affected by HIV and Aids	Conditional grant	Eastern Cape	70 180	74 391	78 854
				Free State	7 089	7 514	7 965
				Gauteng	9 825	10 415	11 040
				KwaZulu-Natal	10 315	10 934	11 590
				Limpopo	12 773	13 540	14 352
				Mpumalanga	4 634	4 912	5 207
				Northern Cape	10 456	11 084	11 749
				North West	3 930	4 165	4 415
				Western Cape	8 070	8 554	9 067
				TOTAL	3 088	3 273	3 469

SCHEDULE 5

SPECIFIC PURPOSE ALLOCATIONS TO PROVINCES

Vote	Name of Allocation	Purpose	Type of Allocation	Province	Column A	Column B	
					2004/05 Allocation	Forward Estimates	
						2005/06	2006/07
	(b) Child Support Extension Grant	To fund extension of child support grant to eligible children between ages 7 to 14 years, phased over three years, and to cover associated administrative and payment costs	Conditional grant	Eastern Cape Free State Gauteng KwaZulu-Natal Limpopo Mpumalanga Northern Cape North West Western Cape TOTAL	R'000 902 977 240 558 220 490 780 247 573 943 260 013 65 272 416 186 190 314 3 650 000	R'000 1 706 997 454 754 416 816 1 474 988 1 084 987 491 531 123 392 786 763 359 772 6 900 000	R'000 2 296 777 611 875 560 830 1 984 607 1 459 858 661 359 166 023 1 058 595 484 076 9 284 000
	(c) Food Emergency Relief Grant	To provide food relief to vulnerable individuals and households	Conditional grant	Eastern Cape Free State Gauteng KwaZulu-Natal Limpopo Mpumalanga Northern Cape North West Western Cape TOTAL	94 133 37 334 27 904 68 185 61 146 27 651 9 998 41 615 20 034 388 000	94 133 37 334 27 904 68 185 61 146 27 651 9 998 41 615 20 034 388 000	99 781 39 574 29 578 72 276 64 815 29 310 10 598 44 112 21 236 411 280
Sport and Recreation South Africa (Vote 20)	Mass Sport and Recreation Participation Programme Grant	To fund the promotion of mass participation within disadvantaged communities in a selected number of sport activities and the empowerment of communities to manage these activities	Conditional grant	Eastern Cape Free State Gauteng KwaZulu-Natal Limpopo Mpumalanga Northern Cape North West Western Cape TOTAL	1 000 1 000 1 000 1 000 1 000 1 000 1 000 1 000 1 000 9 000	2 670 2 670 2 670 2 670 2 670 2 670 2 670 2 670 2 670 24 000	4 340 4 340 4 340 4 340 4 340 4 340 4 280 4 340 4 340 39 000

SCHEDULE 6

RECURRENT GRANTS TO LOCAL GOVERNMENT

Vote	Name of Allocation	Purpose	Type of Allocation	Column A		Column B	
				2004/05 Allocation	2005/06	MTEF Outer Years	
						2005/06	2006/07
Provincial and Local Government (Vote 5)	Municipal Systems Improvement Grant	To assist municipalities in building in-house capacity to perform their functions	Conditional grant	R'000 182 243	R'000 200 000	R'000 200 000	R'000 200 000
National Treasury (Vote 8)	a) Local Government Financial Management Grant	To promote and support reforms to municipal financial management and the implementation of the Municipal Finance Management Act	Conditional grant	137 000	132 500		136 000
	b) Local Government Restructuring Grant	To support municipal restructuring initiatives of large municipalities	Conditional grant	342 900	350 000	350 000	350 000
TOTAL				662 143	682 500	686 000	

SCHEDULE 6A

INFRASTRUCTURE GRANTS TO LOCAL GOVERNMENT

Vote	Name of Grant	Purpose	Type of Allocation	Column A		Column B	
				2004/05 Allocation	MTEF Outer Years	2005/06	2006/07
Provincial and Local Government (Vote 5)	Municipal Infrastructure Grant (MIG)	To support municipal capital budgets to fund municipal infrastructure and to upgrade existing infrastructure, primarily benefiting poor households	Conditional grant	R'000 4 401 484	R'000 5 140 677	R'000 5 927 188	
Sport and Recreation (Vote 20)	Building for Sport and Recreation Programme	Promotion of sport and recreation within disadvantaged communities and upgrading of existing sports facilities	Conditional grant	132 270	-	-	-
Department of Mineral and Energy Affairs (Vote 31)	Integrated National Electrification Programme	To implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address electrification backlogs of permanently occupied residential dwellings	Conditional grant	247 577	258 000	-	-
TOTAL				4 781 331	5 398 677	5 927 188	

SCHEDULE 7

ALLOCATIONS-IN-KIND AND INDIRECT GRANTS TO LOCAL GOVERNMENT

Vote	Name of Grant	Purpose	Type of Allocation	Column A	Column B	
				2004/05 Allocation	MTEF Outer Years	
					2005/06	2006/07
Provincial and Local Government (Vote 5)	Municipal Infrastructure Grant (MIG)	To support municipal capital budgets to fund municipal infrastructure and to upgrade existing infrastructure, primarily for the benefit of poor households	Conditional grant	R'000 44 459	R'000 51 926	R'000 59 871
National Treasury (Vote 8)	Local Government Financial Management Grant	To promote and support reforms to municipal financial management and the implementation of the Municipal Finance Management Act	Conditional grant	60 998	66 240	62 657
Water Affairs (Vote 34)	(a) Water Services Operating Subsidy (Augmentation to the Water Trading Account)	To augment the Water Trading Account (Sub-Programme 4) to subsidise water schemes owned and/ or operated by the department or by other agencies on behalf of the department	Conditional grant	858 334	934 434	990 500
	(b) Implementation of Water Services Projects	To fund bulk, connector and internal infrastructure for water services at a basic level of service and to implement such projects on behalf of municipalities	Conditional grant	160 279	138 679	-
TOTAL				1 124 070	1 191 279	1 113 028

MEMORANDUM ON THE OBJECTS OF THE DIVISION OF REVENUE BILL

1. Section 214(1) of the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996) (“the Constitution”) requires that an Act of Parliament be enacted to provide for the following:
 - 1.1 The equitable division of revenue raised nationally among the national, provincial and local spheres of government;
 - 1.2 The determination of each province’s equitable share of the provincial share of that revenue; and
 - 1.3 Any other allocations to provinces, local government or municipalities from the national government’s share of that revenue, and any conditions on which those allocations may be made.
2. Section 10 of the Intergovernmental Fiscal Relations Act, 1997 (Act No 97 of 1997) (“the Act”) requires that, as part of the process of the enactment of the Act of Parliament referred to in paragraph 1, each year when the annual budget is introduced, the Minister of Finance (“the Minister”) must introduce in the National Assembly, a Division of Revenue Bill (“the Bill”) for the financial year to which that budget relates.
3. The Act requires that the Bill be accompanied by a memorandum explaining—
 - 3.1 How the Bill takes account of each of the matters listed in section 214(2)(a) to (j) of the Constitution;
 - 3.2 The extent to which account was taken of any recommendations of the Financial and Fiscal Commission (“the FFC”) submitted to the Minister or as a result of consultations with the FFC; and
 - 3.3 Any assumptions or formulae used in arriving at the respective shares of the three spheres of government and the division of the provincial share between the nine provinces.
4. The Bill is introduced in compliance with the requirements of the Constitution and the Act.
5. The memorandum referred to in paragraph 3 above will be attached as “Annexure E” in the Budget Review which will be made available on Budget Day.
6. The allocations contemplated in section 214(1) of the Constitution are set out in 7 Schedules to the Bill, namely—
 - 6.1 Schedule 1 which sets out the respective shares of anticipated revenue raised nationally in respect of the national, provincial and local spheres of government;
 - 6.2 Schedule 2 which sets out the respective shares of each province;
 - 6.3 Schedule 3 which deals with respective shares of each municipality;
 - 6.4 Schedule 4 which sets out allocations for general and nationally-assigned functions;
 - 6.5 Schedule 5 which sets out specific-grant allocations to provinces only;
 - 6.6 Schedule 6 which sets out allocations to municipalities only; and
 - 6.7 Schedule 7 contains indirect and special allocations to municipalities.
7. The following is a brief summary of the Bill: *Section 1* contains the relevant definitions;
Section 2 sets out the object of this Bill, which is essentially the promotion of co-operative governance in intergovernmental budgeting;
Section 3 provides for the equitable division of anticipated revenue raised nationally among the national, provincial and local spheres of government in Schedule 1;
Section 4 provides for each province’s equitable share, which is set out in Schedule 2, and for a payment schedule in terms of which such shares must be transferred;
Section 5 provides for local government’s equitable share of revenue and the determination of each municipality’s share of that revenue;
Section 6 determines what must happen if actual revenue raised falls short of anticipated revenue for the financial year;
Section 7 provides for other allocations to provinces and municipalities from the national government’s equitable share, set out in Schedules 3, 4, 5 and 6 to the Bill;

Section 8 provides for transfers to public and private entities that render a municipal service on behalf of a municipality;

Section 9 provides for the process of dealing with allocations to provinces and municipalities, which are not set out in the Schedules to the Bill;

Section 10 provides that a provincial government must submit information in respect of the infrastructure allocation for construction, maintenance and rehabilitation;

Sections 11 and 13 provide for municipal infrastructure and capacity building grants;

Section 12 provides for a process for transferring assets to municipalities;

Sections 14 to 20 set out the responsibilities of accounting officers, provincial treasuries, the National Treasury and the Auditor-General, and also sets out the composition of annual financial statements of national departments, provincial departments and municipalities;

Section 21 provides a framework for the delay in payment of allocations in the event of non-compliance with conditions or underspending;

Section 22 provides for the steps, which must be taken and the factors, which must be considered before an allocation, may be withheld from a province or municipality;

Section 23 allows for reallocations between municipalities and in the case of provinces, reallocation between provinces only in respect of the HIV and AIDS grant and only for this financial year;

Section 24 requires that an allocation set out in Schedule 3, 4, 5, 6, or 7 only be utilised for its purpose and subject to its conditions;

Section 25 provides for the correction of any allocation in error;

Section 26 provides that an allocation to a municipality with weak administrative capacity must be transferred to a district or stronger municipality within a district for its benefit;

Section 27 allows for funds to follow functions or obligations and requires that no financial obligation may be imposed on a municipality without its concurrence;

Section 28 provides for the amendment of a payment schedule by the national transferring officer and the National Treasury in certain circumstances;

Section 29 enables the National Treasury to exempt an accounting officer from reporting requirements and other responsibilities;

Section 30 provides that non-compliance with this Act constitutes financial misconduct;

Section 31 provides for responsibility for costs incurred for litigation in violation of the principles of co-operative governance and intergovernmental relations;

Section 32 provides that any act performed prior to the commencement of this Act and in fulfillment of the objects of this Act will be deemed as having been done in terms of this Act and a process for transferring assets to municipalities;

Section 33 provides that the Minister may make regulations regarding any matter which may or must be prescribed or which is necessary for effective implementation of this Bill;

Section 34 makes provision to repeal the Division of Revenue Act, 2003 (Act No. 7 of 2003);

Section 35 provides for reporting on rollovers from past conditional grants and approval by the Minister to deal with roll-overs from past infrastructure grants which may lead to underspending in the 2003/04 financial year, by allowing any surplus to fund existing infrastructure budgets in a province; and

Section 36 sets out the short title and commencement of this Bill.

8. PARLIAMENTARY PROCEDURE

The Bill must be dealt with in accordance with the procedure set out in section 76(1) of the Constitution as it provides for legislation required in Chapter 13 of the Constitution, and affects the financial interests of the provincial sphere as contemplated in section 76(4)(b) of the Constitution.

DIVISION OF REVENUE ATTACHMENTS

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**EXPLANATORY MEMORANDUM
TO THE DIVISION OF REVENUE
(“Annexure E” of Budget Review)**

E

EXPLANATORY MEMORANDUM TO THE DIVISION OF REVENUE

Background

The division of revenue between the spheres of government is among the most important decisions made in the budget process. Section 214(1) of the Constitution of South Africa requires that every year an Act of Parliament (Division of Revenue Act) determine the equitable division of resources between the three spheres of government, and the horizontal division among provinces.

The *Intergovernmental Fiscal Relations Act (No. 97 of 1997)* gives effect to section 214 of the Constitution by setting out the process of intergovernmental consultation in enacting the Division of Revenue Bill. It establishes the Budget Council and Budget Forum - the consultative intergovernmental forums for the budget process. Sections 9 and 10(4) of the Act set out the consultation process to be followed with the Financial and Fiscal Commission (FFC), including the process of considering recommendations made with regard to the equitable division of nationally raised revenues.

Section 10(5) of the Act requires that the Division of Revenue Bill, when introduced to Parliament, be accompanied by an explanatory memorandum detailing how the Bill takes account of the matters listed in Section 214(2)(a) to (j) of the Constitution, the Government's response to any recommendations of the Financial and Fiscal Commission (FFC), and any assumptions and formulae used in arriving at the respective divisions among provinces and municipalities.

This explanatory memorandum to the 2004 Division of Revenue Bill fulfils the requirement set out in Section 10(5) of the *Intergovernmental Fiscal Relations Act, 1997 (Act No 97 of 1997)*, and goes beyond the requirements of both this Act and the Constitution by including the division of all local government grants by municipality for the next three years thus providing certainty and predictability to the local sphere of government.

The explanatory memorandum contains six parts. Part 1 is a summary of how the Bill and the division of revenue take account of Section 214(2)(a) to (j) of the Constitution. Part 2 sets out how the FFC's recommendations on the 2004 division of revenue have been taken into account. Part 3 outlines the fiscal framework that informs the division of resources between the three spheres of government. Part 4 explains the underlying formula and criteria for the division of the provincial equitable share and conditional grants among provinces. Part 5 sets out the formula and criteria for the division of the local government equitable share and conditional grants between municipalities. Part 6 provides a brief analysis of the total allocations to provinces and municipalities, and concludes by raising issues for consideration for the 2005 division of revenue.

This explanatory memorandum must be read with the Division of Revenue Bill. The Division of Revenue Bill and its underlying allocations are the culmination of extensive consultation processes between the three spheres of government. The Budget Council deliberated on the matters discussed in this memorandum at its annual Lekgotla from 1 to 4 October 2003, and meetings of 6 June and 5 August 2003. The approach to local government allocations were discussed with organised local government at several technical meetings with the South African Local Government Association (SALGA) and provincial associations, culminating in a meeting of the

Budget Forum on 16 October 2003. The Ministers' Committee on the Budget (which also consulted MECs for Finance on social sector budgets) forwarded its recommendations on the division of revenue to Cabinet for consideration. An Extended Cabinet meeting, involving Cabinet Ministers, Premiers of provinces and the chairperson of SALGA, was held on 22 October 2003 and agreed on the final budget priorities and the division of revenue over the next three years.

Part 1: Taking account of factors set out in the Constitution

Section 214(2) of the Constitution requires that the annual *Division of Revenue Act* only be enacted after taking account of the factors in sub-section 214(2) (a) to (j) of the Constitution. These include national interest, provision for debt, national government needs and emergencies, the need to ensure that provinces are in a position to provide constitutionally mandated services, developmental and other needs of provinces and local government, fiscal capacity and efficiency of the provincial and local spheres, reduction of economic disparities, and promotion of stability and predictability.

The factors taken into account for the 2004 division of revenue have been informed by the Growth and Development Summit (GDS) and the ten-year review ("Towards a Ten Year Review") published for discussion by the Policy Co-ordination and Advisory Services Unit in the Presidency (PCAS). The 2004 MTEF has a renewed focus on strengthening investment and job creation, reducing poverty and supporting vulnerable groups, education and skills development, creating sustainable communities, and enhancing service delivery. This focus is in line with the ten-year review, which promotes four key ideas for the next ten years:

- A Framework of encompassing interest – a social compact
- Improving the performance of the state
- Addressing the consequences of the social transition
- Improving regional environment and implement NEPAD

The *2004 Budget Review* sets out in detail how the constitutional issues and the ten-year review are taken into account for the 2004 division of revenue. It focuses on the economic and fiscal policy considerations, revenue issues, debt and financing considerations and expenditure plans of government, and aspects of provincial and local government financing, are discussed in chapters 6 and 7. Readers are thus advised to read this annexure with the *2004 Budget Review*. One of the key challenges facing all delivery programmes is to address the problems of the 'second economy', deal with issue of income poverty, unemployment and social exclusion. These issues are addressed through the Expanded Public Works Programme, expansion of the social safety net by extending Child Support Grant up to the age of 14 years, skills development, agricultural support for land redistribution programmes, and various other policy initiatives as outlined in the *2004 Budget Review*. Below is a summary of the Constitutional principles that informed the division of revenue.

National interest and the division of resources

A stable macroeconomic environment, strong economic growth, reduced income poverty, eradicating social exclusion, developing a sense of belonging among our citizens, low unemployment, reduced crime, addressing HIV and Aids and an efficient public service contribute to higher standards 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 co-ordinated by national government. Broad-based programmes in the national interest introduced by Government over the first decade of democracy include the prioritisation of the social sectors (education, health and social welfare), expansion of the social safety net, nutrition (including food

security), housing, sustainable infrastructure development (at provincial and municipal level) and rural development.

Provision for debt costs

The total resources shared between the three spheres of government include the proceeds of borrowing by national government. The bulk of that borrowing is in the form of savings of South African citizens. The remainder is in foreign savings. In recognition of Government's obligation to repay those citizens and to protect the capacity to borrow at the lowest rates, the costs of servicing debt are met before resources are shared. Most of this borrowing went into financing Government programmes across the three spheres of government. With inflation being within the target range of 3-6 per cent, debt service costs have stabilised releasing more resources for non-interest spending. The continuous commitment to fiscal discipline will contribute to lower debt service costs in the future. Chapter 5 in the *2004 Budget Review* deals with financing the budget deficit and debt service costs.

National Government needs and interests

The Constitution assigns exclusive and concurrent powers and functions to each sphere of government. The national government is exclusively responsible for those functions that transcend provincial boundaries and serve national interest, including protection services, economic services and foreign affairs. Key priorities on the national budget are the strengthening of the integrated justice sector, infrastructure development and rehabilitation, employment creation and programmes to alleviate poverty. The national sphere is also responsible for meeting the contractual and statutory 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, regulation and monitoring of functions shared with provincial and local government.

Provincial and local government basic services

Sub-national governments have significant autonomy to allocate resources to meet basic needs and respond to provincial and local priorities. The division of revenue provides equitable share increases to provinces and local government to give effect to government's commitment in progressively meeting basic needs. This year's division of revenue aims to further strengthen social service delivery, including scaling up HIV and Aids treatment programmes, further take up of the Child Support grant, agriculture support to farmers developing from the land reform programme, accelerated rollout of free basic electricity, water and sanitation to poor households. To improve access to free basic services and deal with backlogs in basic municipal infrastructure, all funding for municipal infrastructure have been consolidated into the Municipal Infrastructure Grant (MIG).

Fiscal capacity and efficiency

The Constitution assigns the primary revenue-raising powers to the national sphere. Despite the promulgation of the *Provincial Tax Regulation Process Act* (No. 53 of 2001), provinces still have limited revenue-raising capacity relative to the resources required to deliver provincial functions that do not lend themselves to self-funding or cost recovery. To compensate for this, provinces receive the largest share of nationally raised revenue. Local governments finance most of their expenditure through property rates, user charges and fees. It is recognised, however, that rural municipalities raise significantly less revenue than the urban metropolitan municipalities.

The implementation of the *Public Finance Management Act* (No. 1 of 1999), has improved the fiscal efficiency of provincial governments, and the *Municipal Finance Management Act* (No 56 of

2003) is expected to do the same for municipalities over the next few years. Fiscal efficiency indicators are still being developed, as budget and expenditure classifications are standardised to allow for comparisons between various governments. Once more accurate data on these indicators become available, it will be possible to take more explicit account of these in the determination of the division of revenue.

Developmental needs

South Africa has strong features of a developing country, and needs to take active steps to ameliorate the worst effects of apartheid as the foundation for a competitive economy are built. The commitments of the Growth and Development Summit (GDS) represent a significant step to ensuring that social and economic deficits are addressed over the next ten years. In order to deal with the development needs of provinces and municipalities, changes are considered in the equitable share formulae for provincial and local government and in specific conditional grants. In particular, the various infrastructure grants and growing capital budgets aim to boost economic and rural development of provinces and municipalities. Government's Integrated Sustainable Rural Development Strategy (ISRDS) and Urban Renewal Programme (URP) forms part of its strategy of promoting balanced development. Developmental needs are taken into account in the vertical division of revenue, which explains the growth in the provincial and local government shares of nationally raised revenue, and in the horizontal division within each sphere, through the formulae used for dividing the grants among municipalities and provinces.

Economic disparities

Economic disparities exist between and within provinces and municipalities. The equitable share formulae recognise that provinces and municipalities have different demographic and economic profiles and markedly different levels of economic development. The equitable share formulae are redistributive. In particular, Government has increased allocations to invest in economic infrastructure like roads, and social infrastructure like schools, hospitals and clinics, in order to stimulate economic development and job creation. The prioritisation of nodal areas in the allocation of local government grants seeks to address disparities among municipalities.

Obligations in terms of national legislation

While the Constitution confers significant autonomy on provincial governments to determine provincial priorities within a national policy framework and allocate provincial budgets, national government retains responsibility for policy development and for monitoring implementation within concurrent functions. Although the equitable share allocations and other transfers allow provinces and local government discretion, national policies create mandates that are accommodated. The budget process allows for these national policies, and norms and standards to be incorporated into sub-national budgets.

Conditional grants also provide funding for national priorities that are implemented by provincial or local government. These include grants for housing and integrated nutrition.

The 2003 session of Parliament has considered significant national legislation like the National Health Bill, Social Assistance Bill and South African Social Security Agency Bill. These bills, once enacted, will have an impact on future obligations for provincial and local spheres of government. Given that they are still in the process of being enacted or implemented, such impact will only be fully taken into account for the 2005 MTEF, once the responsible sectors have presented specific proposals.

Predictability and stability

Government has resolved that the equitable shares for a given year will be based on estimates of nationally raised revenues, as announced in the Budget. Provincial and local government equitable share allocations are based on projections of revenue to be raised nationally. These allocations are protected. In the event that nationally raised revenue falls short of the estimates, the equitable share will not be adjusted downwards. All conditional grants to be allocated to provinces and local government are allocated on a three-year term to enable the two spheres to undertake forward planning of programmes funded through these grants. The Bill also requires provincial governments to publish all their grants to local government per municipality.

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. Any amendments to the payment schedule require a fair and transparent process. The Bill also enables provincial and local government to account for all transfers from the national government. Greater certainty of revenues improves the quality of budget planning and expenditure projections in all spheres of government.

Need for flexibility in responding to emergencies

When Government introduced multi-year rolling budgets six years ago, it also introduced the concept of a contingency reserve. Government has flexibility to respond to emergencies or other needs through a contingency reserve that provides a cushion for “unforeseeable and unavoidable” expenditure. Sections 16 and 25 of the *Public Finance Management Act* make specific provision in relation to allocation of funds to deal with emergency situations while section 30(7) deals with adjustment allocations in respect of unforeseeable and unavoidable expenditure. For example, the impact of the drought has been taken into account in this way in 2003/04, as a further R250 million was allocated over and above the R250 million made available during the adjustments budget. Given expectations that the drought will persist into 2004/05, the contingency reserve is adjusted upwards for the 2004 MTEF.

Part 2: Response to the Financial and Fiscal Commission Recommendations

Section 214 of the Constitution and Section 9 of the *Intergovernmental Fiscal Relations Act* (Act 97 of 1997) requires the FFC to make recommendations in April every year on the division of revenue for the coming budget. The FFC complied with this obligation by tabling its submission entitled “*Towards a Review of the Intergovernmental Fiscal Relations System*” for the 2004-2007 MTEF in Parliament in April 2003. The Constitution and section 10 of the *Intergovernmental Fiscal Relations Act* also requires national government to take account of these recommendations of the FFC when determining the division of revenue between the three spheres of government. This part of the explanatory memorandum sets out the response of the national government to these recommendations.

The FFC recommendations focus on two sets of issues. The first set of recommendations deals with the division of revenue for each sphere of government. The main issue for the national sphere is the financing of HIV and Aids. Regarding provinces, the recommendations centre on the various components or elements of the provincial equitable share formula, and the location of funding for social security grants and the measurement of fiscal capacity. On local government, the recommendations focus on the funding of institutional capacity - *the I component*, and call for an evaluation of funding of rural and urban nodes, and propose a differentiated approach to municipalities. Government responds to this set of recommendations in detail.

The second set reviews the intergovernmental fiscal relations system in South Africa, and covers expenditure assignment, performance measurement, poverty targeting and the provision of constitutionally mandated basic service. Given that these proposals are general proposals and not directly related to the 2004 division of revenue, Government responds to these in less detail.

In examining Government's response to the FFC recommendations, it should be noted that Government accepted last year the need for a *comprehensive review* of the fiscal framework for provinces and municipalities. It was hoped that the review would have been completed for the 2004 Budget, but this has not been possible for a number of reasons, including the need to fully incorporate the results of Census 2001, and the impact of shifting the social grant function from provinces to national and restructuring the electricity distribution industry. The restructuring and shifting of functions will have significant fiscal implications for provincial and local government budgets. It is hoped that the comprehensive review will be completed in time for the 2005 Budget. The review will examine the formulae for the equitable share and conditional grants for provincial and local government spheres, as well as their taxation and borrowing powers, and ensure that these are consistent with their expenditure functions. Many of the more significant proposals of the FFC will be considered as part of the review.

Provincial Proposals

FFC proposals on HIV and Aids funding and health conditional grants

The FFC makes three proposals to accelerate the implementation of HIV and Aids as priority programmes. Firstly, it proposes that current national programmes directed at the procurement of condoms, awareness campaigns and specific research efforts should be retained and strengthened. Secondly, it proposes that social spending outcomes resulting from the increases in the equitable share targeted at HIV and Aids programmes be evaluated to establish their effectiveness. Lastly, it proposes that all existing health conditional grants be reviewed with a view to converting them into a more efficient conditional grant mechanism with a clear and coordinated policy framework to be established at the national level.

Government's response

Government's current approach to the funding of HIV and Aids programmes is largely in line with the FFC proposals. The proposed continuation of current programmes funded through earmarked grants is supported by Government, especially where these programmes are demonstrating a high degree of effectiveness, and also because this appears to be an appropriate way to fund such programmes at this stage. Additional allocations to the HIV and Aids grant in health are consistent with this approach.

Whilst the reviewing of current HIV and Aids conditional grants for effectiveness and co-ordination is always welcome, it is not clear at this stage how these grants would be consolidated into a single efficient conditional grant mechanism, given the expected outcomes of the current conditional grants, especially at a stage where the national policy framework on HIV and Aids is relatively new. However, this proposal will be explored as part of the comprehensive review of the provincial fiscal framework.

It is also difficult to evaluate the impact of current spending on HIV and Aids financed through the equitable share for a number of reasons. One of the reasons for national government increasing the equitable share allocation to provinces for the 2003 MTEF was to expand HIV and Aids programmes. However, it is not always possible to separate all costs associated with HIV and Aids from other costs (for example, costs within hospital programmes). Secondly, because the additional funds currently complement existing programmes, they are likely to have a higher impact in provinces where the programmes were already running effectively with the necessary

infrastructure. In trying to understand the efficacy and effectiveness of HIV and Aids programmes, it is perhaps more appropriate to consider a comprehensive approach that takes account of what is currently being done, and propose appropriate responses from a policy and funding perspective.

The FFC also reviews the health conditional grants. It concludes that the National Tertiary Services grant ‘does not bear any direct relationship to the removal of the spillover problem’¹ nor does it appear to have been costed appropriately. Further, the Health Professional Training and Development Grant is ‘incorrectly specified’ and ‘overcosted’ as medical students ‘only cost the public hospital budget an additional R142 million a year’. While agreeing with certain aspects of the FFC’s observation and the view that the health grants need to be reviewed, Government believes this should be done with the overall review for the 2005 MTEF. National government has resolved that the Departments of Health, Education and National Treasury undertake a comprehensive review of the funding of academic hospitals, and its link to the Tertiary Services grant. Such a review must also inform Government on the long-term vision for such hospitals and for tertiary services, their distribution between provinces, the restructuring required to effect such transformation, and the link to the financing of academic hospitals and university medical faculties. The review will also inform the future appropriateness of the equitable share formula and conditional grants, with a view to rationalising the number and size of health conditional grants, and the distribution formulae for any grants recommended through the review. The health sector will also finalise the Modernisation of Tertiary Services Project, which is examining a ten-year framework for future provision of highly specialised services. The outcome of these two projects will inform Government’s approach to future funding of tertiary services from 2005 onwards.

In terms of the FFC proposal regarding the Integrated Nutrition Programme, Government has already taken steps to shift the Primary School Nutrition Programme (PSNP) component of the Integrated Nutrition Programme (INP) to the education sector. The remaining part of the INP grant is to be phased out in 2005/06.

FFCs proposals on the education component of provincial equitable share formula

The FFC proposes that the formula used to allocate the education component of the equitable share be revised to phase out the double weighting of ‘school age’ children. It argues that the double weighting penalises poorer provinces with the largest number of ‘out of age’ learners. It further reiterates its proposal that the formula used to allocate the education component of the provincial equitable share formula be adjusted to incorporate the reception year (Grade R). In addition, the provincial allocation of funds should be based on a poverty-weighted count of the number of children aged five and six in each province.

The FFC further recommends that Government establish a conditional grant programme for the financing of education programmes for improving adult literacy and numeracy.

Government’s response

Government notes that the 2002 enrolment figures and the Census 2001 show that the out-of-age enrolment problem is no longer significant. However, the trends in enrolment are not stable in some provinces, raising questions about their accuracy. This makes the school-age cohort variable a ‘stabiliser’ within the education component. Therefore the current elements and weightings will be retained for the 2004 Budget, but examined as part of the review for the 2005 Budget.

The Early Childhood Development (ECD) grant is phased out, and the education component in the equitable share formula has been expanded for the 2004 Budget to cover grade R by adjusting the age cohort to 5 – 17.

¹ See page 66 of the FFC submission on the Medium-Term Expenditure Framework 2004-2007: “Towards a Review of the Intergovernmental Fiscal Relations System”

The funding of ABET is more difficult as it is not known beforehand what the likely uptake of the programme will be for purposes of determining allocations. This matter will be explored as part of the review of the equitable share formula.

FFCs proposals on the health component of provincial equitable share formula

The FFC proposes that provincial population growth rates be incorporated into the health care component of the provincial equitable share formula. It also proposes that the age and gender variation in the population be taken into account when determining the relative need for health services. An acceptable index should be constructed making use of international and domestic data. It further proposes that the current weighting of total medical scheme populations be reviewed and that the data used be based annually on the best available estimate, which could entail combining the latest October Household Survey information, averaged for a reasonable number of years.

Government's response

The updating of population data regularly has not been possible in the past because of the lack of reliable estimates per province, and the absence of data on interprovincial migration trends. It is unclear at this stage whether such information will be available and more reliable over the next few years. If such information were to be available it would be used.

The proposal to replace the current medical aid versus non-medical aid utilisation rates with alternative utilisation rates is being explored. However, reliable information on such utilisation rates is not readily available. The information from the Registrar of Medical Aid Schemes has also been considered, but their information does not contain provincial breakdowns on medical aid membership. It is therefore not possible to implement these proposals at this stage.

FFCs proposals on social development component of provincial equitable share formula

The FFC reiterates its proposal that social security grants be budgeted for and funded at a national level to avoid the crowding out of the other provincial service delivery mandates. It further proposes that

- Populations of grant recipients in the current system should more closely reflect the actual take-up of the three grants in the provinces;
- The overall allocation to welfare in the current system be revised to reflect more accurately the share of aggregate provincial spending on social development;
- The allocation to welfare in the provincial equitable share formula distinguishes between social security grants and welfare services, and assigns amounts to each. The allocation for welfare services could be based on an indicator such as the proportion of the population below a predetermined poverty level; and
- Consideration be given to the ways in which the existing top-down methodology for allocating the social development share among provinces can be revised so that it more closely reflects the relative needs of the provinces.

Government's response

The FFC proposals regarding this component should be viewed against the significant developments relating to the social development function, which are already being implemented by government, because they respond to some of the concerns raised by the FFC.

Two bills on the establishment of a National Social Security Agency (South African Social Security Agency Bill and amendments to the Social Assistance Act) have already being tabled in Parliament, to facilitate the shifting of social security payments to the national sphere.

Government is also concerned at the rate at which increases in social grant spending continue to apply significant pressure on provincial budgets, and on other provincial functions like education and health, in particular. The FFC proposal to raise weighting for social security grants (or even social development) in the provincial equitable share formula will not resolve the problem of social security expenditure squeezing out other provincial functions.

FFCs overall proposals on the provincial equitable share formula

The FFC proposes that the shares of the different components in the formula should ultimately be determined according to explicit policy guidelines based on minimum norms and standards.

Government's response

These proposals are quite similar to the costed-norms proposal presented by the FFC in previous years. The previous response of the national government remains relevant in this respect. For instance, Government took a very clear view (refer to pages 231-235 in *Annexure E* in the *2001 Budget Review*) on why it could not adopt a costed norms approach when it was initially proposed for both technical reasons and due to its irreconcilability with certain principles underpinning the intergovernmental system. Instead of a tool for allocations, Government encouraged the use of a costed norm model as a tool for analysing expenditure. This viewpoint is still held by Government.

However, with regard to specific proposals on the formula as a whole or its components, the national government believes this should be done as part of the review of the equitable share formula for the 2005 Budget process, taking into account the results of Census 2001. Government will consider specific proposals from the FFC on the formula during this review process.

Local government proposals

FFC's proposals on local government revenue capacity and the equitable share formula

The FFC proposes a number of issues that must be dealt with in respect to the local government equitable share formula, including:

- Establishing the role of municipalities in areas such as health care, economic development and the provision of free basic services;
- Studying the structure of actual and potential revenues, considering the new demarcation and restructuring of electricity and water; and
- Exploring the relationship between conditional grants and the equitable share formula.

Government's response

Government supports the FFC proposals and recognises the need for a comprehensive review of the local government fiscal framework. This review, which covers the equitable share and conditional grants, as well as other taxes and levies in addition to property rates is currently under way, and it is hoped that these will be finalised in time for the 2005 Budget. Government agreed last year that this review is necessary in the light of the 2000 demarcation, 2003 shifting of functions between district and local municipalities, and impending restructuring of electricity.

To the extent that Government had to clarify the functions of municipalities, it gazetted (Government Gazette No. 24228) on 3 January 2003, the functions of category B and C municipalities, including different roles of municipalities in performing functions like health, economic development and provision of other services.

FFC's proposals on municipal institutional capacity

The FFC proposes that the Institutional (I) element of the local government equitable share formula and capacity-building conditional grants to municipalities be assessed to ensure that it reflects the capacity needs of municipalities. In addition, it points out that the *I-Grant* allocations to district municipalities are determined by the same formula used to allocate the *I-Grant* to local municipalities, which suggests absence of targeting of the *I-Grants* to district municipalities according to size or economic condition.

Government's response

Government agrees that both the institutional element and capacity-building grants be assessed, but believes that this should be part of the review of the local government fiscal framework for the 2005 Budget. Government is also mindful of the differences between district and local municipalities, and the need for the local government equitable share formula to take account of the specific functions performed by them. However, since these functions differ for different district and local municipalities, more detailed criteria are required for all the components of the equitable share transfer.

With regard to capacity-building conditional grants, steps are being taken in 2003/04 to limit the size of conditional grants, and ensure that all such grants are transferred directly to municipalities, so that their efficacy is increased. Capacity building grants will increasingly be assessed in terms of outputs and outcomes.

FFC's proposals on financing development nodes

The FFC proposes an explicit policy to target funds to the development nodes. In this regard it proposes that:

- The effectiveness of the Integrated Sustainable Rural Development Strategy (ISRDS) and Urban Renewal Programme (URP) be carefully evaluated. This should include the collection of data on development indicators within nodes, so as to inform nodal policy development and implementation; and
- Funding for the urban and rural development nodes should not come from the local government equitable share allocation.

Government's response

Government believes that the FFC is raising valid issues on evaluating the ISRDS and URP programmes, and whether they are best funded through the equitable share, as the equitable share is designed to treat municipalities uniformly, taking account of basic needs and assigned functions. However, it must be recognised that current equitable share transfers still fund many transitional programmes, particularly where municipalities lack capacity to implement basic services like water to poor rural households. For the medium- to long-term, government supports the approach of the FFC on the equitable share grant, but believes that transitional funding arrangements are necessary and can only be phased-out over a few years. Government will consider the case for funding developmental nodes for ISRDS and URP from the national share, as part of comprehensive review of the local government framework for the 2005 Budget.

Government also agrees that all these programmes be continuously evaluated through performance and development indicators. Current reporting on these programmes focuses on process and management outputs, rather than on performance or specific projects.

FFC's proposals on the differentiated approach to municipalities

The FFC proposes that consideration should be given to developing a differentiated approach to municipalities in areas such as borrowing, revenue sources, and municipal service partnerships.

Government's response

Current pieces of legislation such as the Municipal Finance Management Act (No 56 of 2003) and the Municipal Systems Act (No 32 of 2000) already provide for a differentiated approach to municipalities based on predetermined criteria.

Government is considering developing differentiated (and asymmetric) approaches to municipalities based on capacity. However, as the FFC points out, it is difficult to develop one system of classification that could be used for a variety of purposes. The 'application of different classification systems to suit different needs'² will require each sector to develop such systems (e.g. for water services, electricity), but will also need to ensure that such systems are compatible with the intergovernmental fiscal system. The problem is complicated by the fact that the weakest capacitated municipalities are invariably unable to provide good quality information, on their challenges and performance.

FFC recommendations on intergovernmental system

The bulk of the FFC's proposals on the intergovernmental system are largely work-in-progress research, and are intended for implementation in the medium to long term. These proposals are a welcome contribution towards assessing the intergovernmental fiscal system for the first decade of democracy, and to propose improvements for the next decade. The proposals relate to expenditure assignment, costed-norms, constitutionally-mandated services, performance management, funding instruments for poverty-alleviation programmes, and building institutional capacity.

Government's response

These proposals on the intergovernmental system are separate from the division of revenue proposals, and are for wider debate and discussion, so the Government's response should be seen as its first response to this discussion, which should be further debated in Parliament and all legislatures as part of the ten-year review process.

Government supports the FFC in seeking greater certainty with regard to what functions each sphere of government are expected to perform as this is necessary for any system where tax and budget powers are divided between different spheres of government, and for the division of revenue process. However, the expenditure assignment process is complex requiring co-operation between spheres of government. This is particularly the case in South Africa, as most delivery-type functions are shared between spheres of government. The only purely exclusive functions are often national functions like defence or foreign affairs. Most other functions (both concurrent Schedule 4 and exclusive Schedule 5 functions in terms of the Constitution) are almost always shared in terms of policy-making, planning and budgeting. This is the case for school education, health services, social development, housing, roads, public transport, water, electricity and agriculture. The exact assignment of such functions requires more discussion in sectoral intergovernmental forums like

² See page 108 of the FFC submission on the Medium-Term Expenditure Framework 2004-2007: "Towards a Review of the Intergovernmental Fiscal Relations System"

MinMECs, as invariably, these have budgetary implications and involve tradeoffs with other sectors. To this extent, it is important that the implementation of basic delivery responsibilities for key service functions is clearly determined between spheres of government.

The FFC proposals also focus on the funding of poverty-alleviation programmes. Government undertook a review of these programmes and has decided to phase most of them into the equitable share or into the infrastructure grants. With regard to water provision and housing, national government notes that it is much more difficult to determine how functions are to be shared between local and other spheres of government, as capacity of various municipalities differs and may require asymmetric approaches. However, government accepts that water provision with regard to domestic consumption is largely a local function, and for this reason is transferring water schemes from the national government to municipalities. Financing mechanisms are adjusted accordingly. The issue of housing is more complex, as the Constitution makes it a concurrent national/provincial function, but not a local function. Housing legislation does, however, allow for municipalities to be accredited in order to perform the housing function, but progress in this regard has been slow. Government will review these specific functions to the extent that greater certainty and clarity is required.

The FFC proposals also focus on the re-assignment of social grants. Government already accepts this proposal, and legislation to this effect is before Parliament. The legislation sets up a National Social Security Agency to administer social grants. It is not clear at this stage how such an agency can be made accountable to both national and provincial governments as proposed by the FFC. It will take a number of years to implement the new legislation after it is enacted.

The FFC proposal on constitutionally mandated basic services is noted. It is worth noting that both the vertical division of revenue and provincial and local government formulae are predicated on the premise that each sphere should have sufficient funds to perform the functions assigned to it by the Constitution. Further, where possible and to the extent that data are available, the equitable share and conditional grant formulae take explicit account of certain basic services.

The FFC proposals also make suggestions on policy, delivery and financial output indicators. The issue of performance, accountability and co-ordination is a major priority for national government. These objectives are given effect in legislation like the Public Finance Management Act (PFMA), the Municipal Systems Act and the Municipal Finance Management Act (MFMA), which focus on outputs, outcomes and performance. Government has also taken a number of other steps such as designing performance measures and targets, and implementing performance agreements to improve the system of accountability. These measures are designed to ensure that resources are used efficiently, in order to encourage each government to deliver services efficiently, and reduce wastage and inefficiency. Government has progressed to developing measures for each major concurrent sector, for education, health, social development, housing, roads and public works. The challenge facing each sector is to develop appropriate measures, using the current system of strategic and performance plans, budget documents and annual reports.

Part 3: Fiscal Framework for 2004 MTEF

Fiscal framework

Table E1 presents medium-term macroeconomic forecasts for the 2004 Budget. It sets out the growth assumptions, fiscal projections and policy targets on which the fiscal framework is based.

Table E1 Medium-term macroeconomic assumptions, 2003/04 – 2006/07

R billion	2003/04		2004/05		2005/06		2006/07
	2003 Budget	2004 Budget	2003 Budget	2004 Budget	2003 Budget	2004 Budget	2004 Budget
Gross domestic product	1 234,6	1 223,2	1 344,3	1 331,8	1 466,6	1 455,6	1 592,6
Real GDP growth	3,4%	1,6%	3,8%	3,3%	4,0%	3,6%	4,0%
GDP inflation	6,6%	4,7%	4,9%	5,4%	4,9%	5,5%	5,2%
National Budget Framework							
Revenue	304,5	300,3	331,0	327,0	361,2	360,3	394,0
Percentage of GDP	24,7%	24,6%	24,6%	24,6%	24,6%	24,7%	24,7%
Expenditure	334,0	331,7	363,3	368,9	395,6	404,7	439,1
Percentage of GDP	27,1%	27,1%	27,0%	27,7%	27,0%	27,8%	27,6%
Budget deficit	-29,5	-31,4	-32,4	-41,9	-34,4	-44,4	-45,1
Percentage of GDP	-2,4%	-2,6%	-2,4%	-3,1%	-2,3%	-3,0%	-2,8%

Table E2 sets out the impact of these policy decisions on the division of revenue. Before resources can be divided, provision must be made for national commitments such as debt service costs and a contingency reserve. Debt service obligations of R50,4 billion, R53,9 billion and R57,9 billion are projected for the three MTEF years, and a contingency reserve amount of R2,5 billion, R4,0 billion and R8 billion is set aside. Once these allocations are deducted, the total allocated to be shared between the three spheres amounts to R315,9 billion, R346,7 billion and R373,1 billion over the three MTEF years. This pool of revenue is divided between national, provincial and local spheres.

Table E2 Division of revenue between spheres of government, 2000/01 – 2006/07

R million	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
	Outcome	Outcome	Outcome	Revised	Medium-term estimates		
National departments	73 178	87 705	99 091	110 494	120 597	131 047	139 677
Provinces	108 899	121 099	136 925	161 476	181 130	199 704	216 344
Equitable share	98 398	107 460	123 457	144 743	159 971	173 852	186 392
Conditional grants	10 501	13 638	13 468	16 733	21 158	25 853	29 953
Local government	5 536	6 520	8 706	12 390	14 245	15 916	17 091
Equitable share	2 415	3 184	4 187	6 350	7 678	8 643	9 365
Conditional grants	3 121	3 336	4 519	6 039	6 568	7 272	7 726
Non-interest allocations	187 613	215 324	244 721	284 359	315 972	346 667	373 112
Percentage increase	10,1%	14,8%	13,7%	16,2%	11,1%	9,7%	7,6%
State debt cost	46 321	47 581	46 808	47 326	50 432	53 986	57 945
Contingency reserve	–	–	–	–	2 500	4 000	8 000
Main budget expenditure	233 934	262 905	291 529	331 685	368 904	404 653	439 057
Percentage increase	8,9%	12,4%	10,9%	13,8%	11,2%	9,7%	8,5%
Percentage shares							
National departments	39,0%	40,7%	40,5%	38,9%	38,2%	37,8%	37,4%
Provinces	58,0%	56,2%	56,0%	56,8%	57,3%	57,6%	58,0%
Local government	3,0%	3,0%	3,6%	4,4%	4,5%	4,6%	4,6%

The revised fiscal framework aims at further strengthening social service delivery, including:

- Scaling up of HIV and Aids treatment programmes through the roll out of antiretroviral drugs alongside current prevention measures.
- A renewed focus on employment creation through an Expanded Public Works Programme and a series of interventions to strengthen the skills base and empower communities.
- Support for provincial economic development programmes with high potential for creating employment opportunities, with specific focus on enabling provinces to scale up farmer support programmes to land reform programme beneficiaries.

- Extending social assistance through enhanced income support to the poor (including completion of the take up of 11, 12 and 13 year old children) and improvements in the social grant payment system.
- Enhanced spending on education programmes, specifically relating to the rollout of the Early Childhood Development Programme, and other inputs needed to further strengthen the quality of school education especially in poor communities.
- Accelerate the rollout of free basic electricity, water, refuse removal and sanitation to poor households and investment in municipal infrastructure to create sustainable local communities.
- Consolidate local government financial management and budget reforms as envisaged in the Municipal Finance Management Act (No. 56 of 2003).
- Expanded capacity in the safety and security sector in support of the sector policing strategy and the establishment of a new Protection and Security Services Division.
- Taking core administrative services to citizens, particularly in rural areas where access is limited.
- Supporting South Africa's ongoing commitment to actively promote peace in Africa and support regional trade and development.

The new priorities, and expansions of previous year's programmes, are accommodated through reprioritisation and growth in the resource envelope. Cabinet determines the division of revenue between spheres of Government using the previous year's baseline division as a point of departure and taking account of ongoing commitments, current and new policy priorities, and the FFC recommendations.

Both the shares for provincial and local government allocations increase significantly, with the provincial allocation increasing from 56,8 per cent to 58,0 per cent, and the local government allocation from 4,4 per cent in 2003/04 to 4,6 per cent in 2006/07. The share of national government decreases from 38,9 per cent in 2003/04 to 37,4 per cent in 2006/07. Over half of the additional resources are allocated to the provinces, in recognition of the challenges they face in delivering social services, building and maintaining economic infrastructure, employment creation, promoting rural development and coping with HIV and Aids. Local government, which must provide for free basic services and expand municipal infrastructure, gets a larger slice of additional revenue than its baseline proportion.

Table E3 reflects the additional resources available over last year's baseline allocations, totalling R9,7 billion in 2004/05, R14,1 billion in 2005/06 and R20,6 billion over the new baseline for 2006/07. The additional funds are divided between the spheres depending on which sphere is responsible for the prioritised functions.

Table E3 Changes over baseline, 2004/05 – 2006/07

	2004/05	2005/06	2006/07 ¹
National	3 248	4 951	6 023
Provincial	5 458	7 880	13 001
Local	1 000	1 300	1 600
Allocated expenditure	9 706	14 131	20 624

1. The assumed baseline for 2006/07 is the 2005/06 baseline plus 6 per cent.

Table E4 sets out Schedule 1 of the Division of Revenue Bill that reflects the *legal* division of revenue between the three spheres. In this division, the national share includes all conditional grants to the other two spheres in line with section 214(1) of the Constitution, and the provincial and local government allocations reflect their equitable shares only.

Table E4 Schedule 1 of the Division of Revenue Bill, 2004/05 – 2006/07

Sphere of government R million	Column A	Column B	
	2004/05 Allocation	Medium-term forward estimates	
		2005/06	2006/07
National ^{1, 2}	201 255	222 158	243 301
Provincial	159 971	173 852	186 392
Local	7 678	8 643	9 365
Total	368 904	404 653	439 057

1. National share includes conditional grants to provinces and local spheres, debt service cost and the contingency reserve.

2. The direct charges for the provincial equitable share are netted out.

Nationally-raised revenue is distributed between spheres in accordance with the Division of Revenue Act and the Constitution. The national equitable share is divided between national departments through an Appropriation Act. Provincial equitable shares are direct charges on the National Revenue Fund and flow directly into Provincial Revenue Funds, where provincial legislatures appropriate the funds to votes and their main divisions – in this instance, votes and programmes of provincial departments. Various local government allocations are appropriated on national votes, as the Constitution does not make them a direct charge on the National Revenue Fund. The local government equitable share is appropriated on the vote of the Department of Provincial and Local Government. The actual division of all grants (whether appropriated or a direct charge) between provinces or municipalities is in accordance with the Division of Revenue Act and this memorandum.

Part 4: Provincial Allocations

The Constitution entitles provinces to a share of nationally raised revenue. National transfers to provinces for 2004/05, comprise more than 97 per cent of provincial revenues, with provinces raising less than 3 per cent of their revenues from own sources. Of the funds that are transferred, 88,4 per cent is through the equitable share and the remaining 11,6 per cent grants flow as conditional grants. Table E5 shows all transfers to provinces for 2004/05.

Table E5 Total transfers to provinces, 2004/05

R million	Equitable share	Conditional grants	Total transfers
Eastern Cape	26 990	3 138	30 129
Free State	10 551	1 613	12 164
Gauteng	24 547	4 461	29 008
KwaZulu-Natal	33 059	3 847	36 906
Limpopo	21 789	2 164	23 953
Mpumalanga	11 606	1 208	12 814
Northern Cape	3 839	573	4 412
North West	13 270	1 591	14 862
Western Cape	14 320	2 564	16 884
Total	159 971	21 158	181 130

Provincial equitable share

The provincial equitable share allocation is used to fund the bulk of public services rendered by provinces. It is divided between provinces on the basis of the provincial equitable share formula. The provincial equitable share is R159,9 billion in 2004/05, R173,9 billion in 2005/06 and R186,4 billion in 2006/07.

The equitable share formula

Updates of data in the equitable share formula are effected on an annual basis, depending on availability of official data. Government committed itself to a major review of the formula for the 2004 Budget. Though the review process has begun, the process could not be completed in time as new data from the Census 2001 and other data sources were published towards the end of the budget allocation process. Government agreed to retain the structure of the provincial equitable share formula for the 2004 Budget, but to update for Census 2001 and other data. The more wide-ranging review will apply to the 2005 Budget, and will cover aspects pertaining to the structure of the formula, weights of components and other economic development and poverty-related policy considerations. The review is also timed to coincide with the imminent change in the financing and administrative arrangements relating to the delivery of social security grants.

For the 2004 Budget, a number of data updates to the formula are effected. The *education component* is updated by replacing average enrolment data with 2000-2002 enrolment figures and by lowering the school age cohort to cover the 5 – 17 school age cohort (by using Census 2001 data) to take account of Early Childhood Development. The *basic component*, which uses population shares, is updated with 2001 Census data. The remuneration data currently used in the *economic activity* component is replaced with Gross Domestic Product by Region (GDP-R) data.

The equitable share formula comprises seven components or indices of relative demand for services between provinces and takes into account particular provincial circumstances. It considers, for example, infrastructure backlogs and poverty levels. The provincial equitable share formula consists of the following components:

- An education share (41 per cent) based on the size of the school-age population (ages 5-17) and the average number of learners enrolled in public ordinary schools for the past three years
- A health share (19 per cent) based on the proportion of the population with and without access to medical aid
- A welfare component (18 per cent) based on the estimated number of people entitled to social security grants – the elderly, disabled and children – weighted by using a poverty index derived from the Income and Expenditure Survey
- A basic share (7 per cent) derived from each province's share of the total population of the country
- 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 distribution of the rural population
- An economic output component (7 per cent) based on Gross Domestic Product by Region (GDP-R) data
- An institutional component (5 per cent) divided equally among the provinces

Table E6 shows the current structure and distribution of shares by component. 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 for the purpose of allocating funds. Provincial Executive Committees have discretion regarding the departmental allocations for each function.

Table E6 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	18,0	7,0	7,0	5,0	3,0	100,0
Eastern Cape	17,3	17,0	19,6	14,4	8,1	11,1	20,7	16,6
Free State	6,0	6,5	7,1	6,0	5,4	11,1	5,6	6,5
Gauteng	13,6	14,7	13,9	19,7	33,4	11,1	5,0	15,3
KwaZulu-Natal	22,8	21,7	19,6	21,0	16,5	11,1	23,0	20,9
Limpopo	15,0	13,3	13,7	11,8	6,6	11,1	22,9	13,7
Mpumalanga	7,6	7,2	6,5	7,0	6,9	11,1	8,5	7,4
Northern Cape	1,7	2,0	2,2	1,8	2,0	11,1	1,3	2,3
North West	7,8	8,6	8,7	8,2	6,7	11,1	9,5	8,3
Western Cape	8,2	8,9	8,8	10,1	14,2	11,1	3,6	9,0
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

The phasing-in of the formula

The formula has been updated for latest available data (Census 2001, school enrolment and GDP-R) and to ensure stability in provincial budgets, Government agreed to phase in the impact of these updates over three years, from 2004/05 to 2006/07. This is mainly to ensure that none of the provinces receive an allocation lower than was previously indicated in the baseline allocations. Table E7 shows the phasing.

Table E7 Phasing in the equitable share, 2003/04 – 2006/07

Percentage	2003/04	2004/05	2005/06	2006/07
	Base shares	3-year phasing		
<i>Phasing</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>
Eastern Cape	17,0	16,9	16,7	16,6
Free State	6,6	6,6	6,5	6,5
Gauteng	15,4	15,3	15,3	15,3
KwaZulu-Natal	20,6	20,7	20,8	20,9
Limpopo	13,6	13,6	13,6	13,7
Mpumalanga	7,2	7,3	7,3	7,4
Northern Cape	2,4	2,4	2,4	2,3
North West	8,3	8,3	8,3	8,3
Western Cape	8,9	9,0	9,0	9,0
Total	100,0	100,0	100,0	100,0

Education component

The education component targets primary and secondary schooling, which accounts for roughly 80 per cent of provincial education spending. For 2004, Government has decided to retain the weightings in the 2003 Budget. Both the school-age population and enrolment numbers are used to reflect the relative demand for education services. The school-age cohort, ages 5-17, is double weighted, reflecting Government's desire to eliminate out-of-age enrolment while the average school enrolment data for 2000-2002 are single weighted. Table E8 shows the weighted target shares for the 2004 MTEF after updating the education component for new data.

Table E8 Calculation of education component

Thousands	2003/04	2004 Medium-term estimates		
	Weighted share (%)	Enrolment	School-age (5-17)	Weighted target share (%)
<i>Weighting</i>		<i>1</i>	<i>2</i>	
Eastern Cape	18,4	2 083	2 219	17,3
Free State	6,3	729	760	6,0
Gauteng	12,6	1 577	1 786	13,6
KwaZulu-Natal	22,0	2 706	2 946	22,8
Limpopo	15,4	1 834	1 915	15,0
Mpumalanga	7,3	910	969	7,6
Northern Cape	1,9	198	222	1,7
North West	8,0	907	1 021	7,8
Western Cape	8,0	927	1 095	8,2
Total	100,0	11 870	12 933	100,0

Health component

The health component (table E9) addresses the need for provinces to deliver primary and secondary health care services. As all citizens are eligible for health services, the provincial shares of the total population form the basis for the health share. The formulation of the health component recognises that people without medical aid are more likely to use public health facilities, and are therefore weighted four times more than those with medical aid support. 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. Although there have been October Household Surveys in subsequent years, these do not improve the quality of this information and the 1995 data have been retained.

Table E9 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
Limpopo	376	4 554	13,3
Mpumalanga	392	2 409	7,2
Northern Cape	175	665	2,0
North West	457	2 897	8,6
Western Cape	1 127	2 830	8,9
Total	7 566	33 018	100,0

Welfare component

The welfare component captures provinces' responsibility for providing social security grants. The welfare component has two elements, the target population for the main social grants ('all grants' in Table E10) and the population in the lowest two quintiles of the income distribution ('income adjustment'). 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.

Table E10 Calculation of the welfare component

Percentage	Old age	Disability	Child care	All grants	Income adjustment	Weighted share
<i>Weighting</i>	65,0	25,0	10,0	75,0	25,0	100,0
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
Limpopo	13,0	12,1	14,8	13,0	15,8	13,7
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
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

One reason for the more comprehensive review for the 2005 Budget is the fact that the rapid take-up of social grants has resulted in a sharp increase in the share of social welfare expenditure. The share of social development averaged 24,7 per cent for the adjusted 2003/04 provincial budgets or 29,3 per cent of the total provincial equitable share, which is substantially above its 18 per cent weighting in the formula.

Economic activity component

The economic activity component is a proxy for provincial tax capacity, directing a proportion of nationally raised revenue back to its source. It also reflects costs associated with economic activity, such as maintenance of provincial roads. In 1999, the distribution of employee remuneration replaced provincial Gross Geographic Product (GGP) figures, since remuneration comprises roughly 60 per cent of provincial GGP. For the 2004 Budget, the remuneration data are replaced with 2001 GDP-R data. Table E11 shows the new target shares for the economic activity component taking into account the 2001 GDP-R data.

Table E11 Economic activity shares

Percentage	2003/04 Remuneration of employees, 1999	2004 Medium-term estimates GDP-R, 2001
Eastern Cape	6,5	8,1
Free State	5,3	5,4
Gauteng	41,6	33,4
KwaZulu-Natal	17,0	16,5
Limpopo	3,0	6,6
Mpumalanga	4,9	6,9
Northern Cape	1,7	2,0
North West	5,7	6,7
Western Cape	14,4	14,2
Total	100,0	100,0

Backlog component

In 1999, the basic component was split into a basic share distributed by population and a backlog component. The backlog component (table E12) incorporates estimates of capital needs as drawn from the Schools Survey of Needs and the 1998 MTEF health sector 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 is available regarding its sub-components, the backlog component remains unchanged.

Table E12 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	20,7
Free State	3,8	7,8	4,4	5,6
Gauteng	10,8	6,3	1,2	5,0
KwaZulu-Natal	16,0	23,5	25,5	23,0
Limpopo	27,5	20,4	23,3	22,9
Mpumalanga	9,2	7,5	9,1	8,5
Northern Cape	1,2	1,2	1,3	1,3
North West	9,1	7,5	11,6	9,5
Western Cape	6,1	3,9	2,3	3,6
Total	100,0	100,0	100,0	100,0

Basic components

The basic component is derived from each province's share of the total population of the country. This component has been updated with 2001 Census data and table E13 shows the new weighted target share.

Table E13 Basic component shares

Thousands	2003/04		2004 Medium-term estimates	
	1996 Census population	Weighted share (%)	2001 Census population	Weighted target share (%)
Eastern Cape	6 303	15,5	6 437	14,4
Free State	2 634	6,5	2 707	6,0
Gauteng	7 348	18,1	8 837	19,7
KwaZulu-Natal	8 417	20,7	9 426	21,0
Limpopo	4 929	12,1	5 274	11,8
Mpumalanga	2 801	6,9	3 123	7,0
Northern Cape	840	2,1	823	1,8
North West	3 355	8,3	3 669	8,2
Western Cape	3 957	9,7	4 524	10,1
Total	40 584	100,0	44 820	100,0

Institutional component

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 distributed equally between provinces, as was the in previous years. It constitutes 5 per cent of the total equitable share, of which each province gets 11,1 per cent.

Conditional grants to provinces

Schedules 4 and 5 of the Division of Revenue Bill list all conditional grants to provinces. Conditional grants are a small but significant portion of provincial revenue. These grants were introduced in 1998 to provide for national priorities and compensate provinces for cross-boundary use of services, particularly in hospital services. The current conditional grant system has been shaped by reforms introduced through successive Division of Revenue Acts since 2000. These

reforms have contributed to clarifying accountability between spheres. They have also helped sharpen description of policy objectives and grant outputs, thus resulting in improved use of grants in speeding delivery, and the strengthening of Parliamentary oversight. However, the recent reports of the Auditor-General for the 2002/03 financial year indicate that many national departments do not fully comply with the Act, as their monitoring systems for such grants are 'ineffective', and the audit 'could not be satisfied that the transfer payments were utilised as stipulated'³.

A major change in conditional grant funding is in the shift of the *Primary School Nutrition Programme (PSNP)* component of the *Integrated Nutrition Programme (INP)*, from health to education. In terms of the objectives of the grant and actual spending, the grant funded actual school feeding, administration of school feeding and a range of nutrition related activities and administration in provincial health departments. From 2004 national and provincial education departments will administer the school-feeding portion of the grant, so funding has been transferred to the national Department of Education. A portion of the grant funding to other non-school feeding remains as a health conditional grant with the national Department of Health until the end of 2005/06; thereafter it is phased into the provincial equitable share.

Allocations

Table E14 provides a summary of conditional grants by sector and province for 2004/05. Conditional grants to provinces amount to R21,2 billion in 2004/05, increasing to R29,9 billion in 2006/07, an average annual increase of 21 per cent over the next three years. Eight departments administer grants, with health (R7,7 billion), housing (R4,6 billion), CSG extension (R3,7 billion) and infrastructure grants (R3,3 billion) being the largest grants.

Table E14 Conditional grants to provinces, 2004/05

R million	Agriculture	Health	Provincial and Local Government	Provincial Infrastructure Grant	Housing	Education	Social Development	Sport and Recreation South Africa	Total
Eastern Cape	42	628	44	609	611	200	1,004	1	3,138
Free State	19	620	34	199	395	57	288	1	1,613
Gauteng	6	2,609	21	332	1,140	93	259	1	4,461
KwaZulu-Natal	41	1,209	41	706	776	211	861	1	3,847
Limpopo	33	318	24	593	381	173	640	1	2,164
Mpumalanga	24	227	24	255	304	74	298	1	1,208
Northern Cape	13	179	25	159	93	25	79	1	573
North West	32	268	24	288	430	82	466	1	1,591
Western Cape	17	1,596	24	205	460	47	213	1	2,564
Total	227	7,655	261	3,348	4,589	961	4,108	9	21,158

More detailed information, including the formula for each grant, is provided in the attached Appendix E1. The framework provides the conditions for the grant, the outputs expected, the allocation criteria to divide the grant between provinces, the audit outcome in 2002/03 and any other material issues to be addressed. Table E15 presents a summary of all the conditional grants listed in Schedules 4 and 5 of the Bill for the 2003 MTEF.

³ General report of the Auditor-General on the audit outcomes for the financial year ended 31 March 2003, page 94

Table E15 Conditional grants per sector, 2003/04 – 2006/07

R million	2003/04	2004/05	2005/06	2006/07
Provincial and Local Government	298	261	44	46
Local Government Capacity Building Fund	232	220	–	–
Provincial Project Management Capacity for MIG	38	41	44	46
Disaster Management	27	–	–	–
National Treasury	2,534	3,348	3,731	4,118
Provincial Infrastructure	2,334	3,348	3,731	4,118
Provincial Infrastructure - Flood Rehabilitation	200	–	–	–
Education	1,144	961	1,048	1,243
Financial Management and Quality Enhancement	213	–	–	–
HIV and Aids	132	129	136	144
Early Childhood Development	88	–	–	–
Primary School Nutrition Programme	712	832	912	1,098
Health	6,711	7,655	8,486	9,228
National Tertiary Services	3,995	4,273	4,529	4,801
Health Professions Training and Development	1,333	1,434	1,520	1,520
Hospital Revitalisation	718	912	1,027	1,180
Hospital Construction - Academic Hospitals	92	–	–	–
Comprehensive HIV and Aids Grant	334	782	1,135	1,567
Integrated Nutrition Programme	97	112	123	–
Hospital Management and Quality Improvement	133	142	150	159
Medico-legal	9	–	–	–
Social Development	1,654	4,108	7,362	9,774
HIV and Aids (Community-Based Care)	66	70	74	79
Child Support Extension	1,200	3,650	6,900	9,284
Food Emergency Relief	388	388	388	411
Agriculture	36	227	290	345
Land Care: Poverty Relief and Infrastructure Development	36	27	40	45
Comprehensive Agriculture Support Programme	–	200	250	300
Housing	4,355	4,589	4,868	5,160
Housing Subsidy	4,246	4,474	4,745	5,030
Human Resettlement and Redevelopment	109	116	122	130
Sport and Recreation South Africa	–	9	24	39
Mass Sport and Recreation Participation Programme	–	9	24	39
Total	16,733	21,158	25,853	29,953

Health grants

Health administers 6 conditional grants, constituting about 36,2 per cent of total conditional grants to provinces. This share declines to 30,8 by 2006/07, mainly due to the rapid growth in Social Development grants. Health grants are R7,7 billion in 2004/05, and are budgeted to increase at an annual average rate of 7,5 per cent to R9,2 billion by 2006/07. The National Tertiary Services grant (NTS grant) and the Health Professions Training and Development grant (HPTD) are the largest grants administered by the national Department of Health. The HIV and Aids and Hospital Revitalisation grants grow more rapidly over the MTEF (67,5 and 18 per cent annually).

The *Comprehensive HIV and Aids grant*, in addition to other interventions, is one of the key funding streams to mitigate the impact of the disease. An amount of R1,9 billion (R300 million, R600 million and R1 billion) is added to the baseline allocation of the grant in this budget to implement a comprehensive HIV and Aids care over the three years. The grant increases from R334 million in 2003/04 to R1,6 billion in 2006/07 to support various aspects of the programme. In addition to providing for ARV rollout, the grant provides for post exposure prophylaxis for

victims of sexual abuse, rollout of mother-to-child transmission prevention and targeted interventions for commercial sex workers – whilst still maintaining other HIV and Aids prevention programmes. The 2003 Adjustment Budget provided R90 million to the health sector to undertake preparatory work for the roll out of ARV.

The *Hospital Revitalisation grant* plays a key role in funding upgrading and replacement of hospital infrastructure and focuses particularly on projects in which an entire hospital is addressed. The grant includes a component aimed at improving systems for medical equipment. After a 17 per cent increase to R718 million in 2003/04 the Hospital Revitalisation grant is allocated R912 million in 2004/05 and R1 billion in 2005/06. A further R91 million is added to the grant in 2006/07 taking it to R1,2 billion. Over the next three years, the grant will fund the revitalisation of 27 hospitals, three in each province.

The *National Tertiary Services grant* (NTS grant) has declined in real terms for Gauteng and Western Cape mainly due to the anticipated scaling down of the number of hospitals offering tertiary services, and a corresponding shift of lower levels of care to community and district hospitals. However, such restructuring requires a broad strategy to shift staff, resources, assets, and a realistic phasing-in period. At a technical level, the national Department of Health and National Treasury recognise the need for a review of the funding of academic hospitals, and its link to the tertiary services grant. Such a review must also inform Government on the long-term vision for such hospitals and for tertiary services, their distribution between provinces, the restructuring required to effect such transformation, and the link to the financing of academic hospitals and university medical faculties. The review will also inform the comprehensive review of the equitable share formula and conditional grants, with a view to rationalising the number and size of health conditional grants, and the distribution formulae for any grants recommended through the review. The health sector will also finalise the Modernisation of Tertiary Services Project, which is examining a ten-year framework for future provision of highly specialised services. The outcome of these two projects will inform Government's approach to future funding of tertiary services from 2005 onwards.

The NTS grant is R4,3 billion in 2004/05, increasing to R4,8 billion in 2006/07 and targets sub-speciality service units in 27 hospitals spread across provinces. Due to historic patterns of tertiary services, Western Cape and Gauteng receive 66,3 per cent of the grant as they provide a large proportion of these sophisticated services for the benefit of the health sector countrywide.

The *Health Professions Training and Development grant (HPTD)* compensates provinces for their role in supporting teaching and training of health science students. It increases from R1,4 billion in 2004/05 to R1,5 billion in 2006/07. The largest portion is distributed to provinces according to a formula based on the number of current medical students. In the 2002 Budget, an additional developmental component was introduced to provide for a phased increase in the number of medical specialists and registrars in historically under-served provinces to address inter-provincial inequities in post-graduate training capacity. This additional component amounts to R227 million over five years. The grant is kept constant in nominal terms in 2006/07, pending completion of the review of this grant and its improved alignment with higher educational funding streams.

The *Primary School Nutrition Programme (PSNP)* component of the *Integrated Nutrition Programme (INP)* shifts to education from 2004/05. The health sector will manage a small portion of the INP which assists malnourished pre-school children under the age of five. Health retains R112 million in 2004/05 and R123 million in 2005/06 to continue with the programme for another two years after which funding for this component shifts to the equitable share formula.

The *Hospital Management and Quality Improvement grant* is allocated R142 million in 2004/05, increasing to R159 million in 2006/07. This grant facilitates a range of management development initiatives, including personnel, and procurement delegations and financial management capacity. It also supports the implementation of a range of hospital quality of care interventions specified in

the national policy and can be seen as complimentary to the aims of the hospital revitalisation programme.

Education grants

For the past three years, the national Department of Education managed grants for Financial Management and Quality Enhancement, Early Childhood Development and HIV and Aids. The Early Childhood Development and Financial Management and Quality Enhancement grants have been phased into the provincial equitable share for the 2004 Budget.

Starting this year, the education sector will be responsible for the management of the Primary School Nutrition Programme (PSNP). The PSNP is allocated R832 million in 2004/05, R912 million in 2005/06 and R1,1 billion in 2006/07.

The funding for the HIV and Aids programme for life skills education in schools increases from R132 million in 2003/04 to R144 million in 2006/07.

National Treasury grants

The provincial infrastructure grant is increased by R2,0 billion over the next three years and grows from R2,5 billion in 2003/04 to R3,3 billion in 2004/05 and is budgeted to grow to R4,1 billion by 2006/07. Over the next three years, provincial infrastructure spending, in addition to provincial own capital funding, will be boosted by R11,2 billion. This growing allocation is in line with Government's aim of stimulating rural and provincial economic development and addressing unemployment through an Expanded Public Works Programme. In addition, the growth in this grant enables Government to direct funds towards provinces with large backlogs, without neglecting provinces that have inherited higher levels of infrastructure. Provinces are expected to use these funds mainly for rehabilitation and construction of roads, schools, and health facilities and to address infrastructure needs for rural development focusing on agriculture. Provincial treasuries administer this grant and allocations are made to the line departments. In order to deal effectively with backlogs, the provincial division has been effected using a combination of the equitable share formula and backlog component.

Housing grants

The Department of Housing administers two grants. The Housing Subsidy grant provides subsidies for low-income housing, and the Human Settlement Redevelopment grant funds urban pilot projects. Following significant growth in the Housing Subsidy grant in 2002, the 2003 Budget provided an additional R373 million for inflation adjustment of subsidies. The Housing Subsidy grant increases from R4,5 billion in 2004/05 to R5,0 billion in 2006/07. The Human Settlement grant increases from R116 million in 2004/05 to R130 million in 2006/07. Past and present spending trends on these grants reflect some sluggishness. However, following the National Housing Summit held during November 2003, and with the review of the programmes to be undertaken by the Department of Housing and National Treasury, it is expected that some of the impediments to speedy and efficient delivery will be reduced or eradicated paving the way to faster housing delivery.

Department of Provincial and Local Government Grants to Provinces

The Department of Provincial and Local Government transfers two grants to provinces – Local Government Capacity Building Fund and the Provincial Project Management Capacity for MIG – to enable provinces to assist municipalities.

The Local Government Capacity Building Fund supports institutional arrangements and assists municipalities facing service delivery challenges. This fund is allocated R220 million in 2004/05 and will be phased out in 2005/06 and consolidated into the local government equitable share.

Further, project management support is provided to municipalities through provinces to implement the infrastructure programme. This component of the grant will be reviewed in 2004/05. Provinces are allocated R41 million in 2004/05, increasing to R46 million in 2006/07.

Social development grants

The Department of Social Development manages conditional grants to extend coverage of the child support grant to children until they reach the age of 14 years, ensure food security and to bolster HIV and Aids community-based care.

The Child Support Extension grant amounts to R3,7 billion in 2004/05 increasing to R6,9 billion in 2005/06 and R9,3 billion in 2006/07. The grant will fund the phased extension of the means-tested child support grant to children until they reach the age of 14 years. The phasing which started with 7 and 8 year old children in 2003/04, is extended to 9 and 10 year old children in 2004/05 and 11, 12 and 13 year-old children in 2005/06. These allocations also make provision for reasonable administration and payment costs as well as the carry-through cost of the phasing in.

The aim of the Food Relief grant is to provide emergency food assistance to individuals and households facing the risk of food security due to various factors such as drought or rapid rise in food prices, as was the case in 2002/03. The Food Relief grant amounts to R388 million in 2004/05, growing to R411 million by 2006/07.

The HIV and Aids Integrated Plan grant amounts to R70 million in 2004/05, increasing to R74 million in 2005/06 and R79 million in 2006/07. The main focus of this grant is to facilitate the implementation of an integrated HIV and Aids programme through home and community based care.

Agriculture grants

The Department of Agriculture has allocated R112 million to provinces over the next three years to implement the Land Care Programme from its allocation for poverty alleviation. The goal of the National Land Care Programme is to promote the sustainable use and management of natural resources. This is to encourage and empower communities to take responsibility for the management of resources in order to support food security and job creation through increased productivity. Some of the themes within the programme include: water care, soil care, veld care and junior land care.

A new grant has been introduced in Agriculture to support the implementation of the Comprehensive Agriculture Support Programme (CASP). The agriculture sector has formulated the CASP as a strategy to provide effective agricultural support and to streamline the provision of services to meet the needs of developing farmers. Increasing access to agricultural services to these farmers is critical for the performance of land reform programme, especially LRAD. Although the implementation of the land reform programme is a national competency, the provision of agricultural support services is the responsibility of provincial departments of agriculture. Without these services the national land reform programme cannot fully achieve its objective to improve food security and alleviate poverty. The sector is allocated R200 million, R250 million and R300 million over the MTEF years to enhance its capacity to support developing farmers. Agriculture will also get additional resources from the infrastructure grant for the development and rehabilitation of agriculture infrastructure. Given that livestock farming is a major activity in communal areas, the sector has prioritised dipping infrastructure, which will improve animal health and productivity of livestock farms.

Sports and Recreation

The Department of Sport and Recreation has been allocated funds to promote mass participation within historically disadvantaged communities in a selected number of development sporting activities. A grant named 'Mass Participation in Sport' is being introduced to enable the department to transfer funds to provinces. A total of R9 million, R24 million and R39 million have been allocated equally among provinces over the MTEF years.

Part 5: Local Government Allocations

The local government share increases over the next three years by R3,9 billion over baseline (refer to table E3). These additional allocations give effect to Government's commitment to poverty relief and job creation, including the provision of free basic services, infrastructure development and institution building.

Local government's share of nationally raised revenue increases from 4,2 per cent in 2003/04 to 4,6 per cent in 2006/07, growing from R12,4 billion in 2003/04 to R14,2 billion in 2004/05, an increase of 14,5 per cent. The allocation grows to R17,1 billion by the end of the MTEF in 2006/07. Table E16 indicates national transfers to local government for the 2004 MTEF.

Table E16 National transfers to local government, 2003/04 – 2006/07

R million	2003/04	2004/05	2005/06	2006/07
Equitable share	6 350	7 678	8 643	9 365
Water Services Operating Subsidy	1 001	858	934	991
Equitable share and related	7 352	8 536	9 578	10 355
Consolidated Municipal Infrastructure Programme	2 246	-	-	-
Water Services Project	1 102	160	139	-
Community Based Public Works Programme	262	-	-	-
Local Economic Development Fund	117	-	-	-
Sport and Recreation facilities	123	132	0	-
National Electrification Programme	230	248	258	-
Urban Transport Fund	9	-	-	-
Municipal Infrastructure Grant	47	4 446	5 193	5 987
Infrastructure	4 137	4 986	5 589	5 987
Restructuring grant	539	343	350	350
Financial management grant	211	198	199	199
Municipal Systems Improvement	151	182	200	200
Current transfers	901	723	749	749
Total transfers to local government	12 390	14 245	15 916	17 091

National allocations are divided into three major categories, namely the equitable share grant (together with the Water Services Operating Subsidy) and conditional grants for municipal infrastructure and capacity building. The unconditional equitable share allocation is the most important national allocation, in accordance with section 214 of the Constitution, and is growing in significance relative to conditional grants. Its share rises from 53 per cent in 2003/04 to 55 per cent in 2006/07. It has also risen significantly over the last eight years, from R1,5 billion in 1995/96, rising to R9,4 billion in 2006/07 (excluding the water operating grant), or close to 6 times what it was in 1995.

The most significant change to local government allocations in 2004/05 is the progress made in the consolidation of infrastructure grants, with the establishment of the new Municipal Infrastructure Grant (MIG). The process will be completed over the next two years, by the end of 2005/06. Capacity building and restructuring grants are allocated R2,2 billion over the next three years.

National allocations are an important (and growing) source of revenue for municipalities. In 2003/04 national allocations comprised around 13,7 per cent of total local government budgets, varying from between 3 to 6,7 per cent for metros, and as high as 92,1 per cent in some districts. The shares of national allocations in total municipal budgets (table E17) also differ across provinces, ranging around 4,0 per cent in Gauteng and Western Cape to about 55,2 per cent in Limpopo.

The analysis uses as a basis the size of municipal capital and operating budgets and varies between municipalities reflecting the extent of backlogs, income distribution and fiscal capacity of municipalities, urban municipalities raising more of their own revenue, whilst rural municipalities tend to raise less of their own revenue. Major sources of own revenue include property taxes, regional service levies, user charges on electricity, water, refuse removal and other municipal services. The analysis excludes the allocations for restructuring and disasters that were recently announced.

Table E17 Transfers to municipalities, 2003/04 – 2006/07

Metropolitan and consolidated district and local municipalities	Census population, 2001	Total 2003 municipal budgets ¹	Total transfers ²				Rand per capita Total 2003 municipal budgets ¹ 2003/04	Transfers as % of budget ³ 2003/04
			2003/04	2004/05	2005/06	2006/07		
R thousand	thousands	2003/04	2003/04	2004/05	2005/06	2006/07		%
Eastern Cape	6,437	8,408,598	2,668,968	2,907,371	2,748,413	2,859,786	1,306	31.7%
Free State	2,707	4,904,217	1,176,945	1,292,262	1,111,728	1,121,298	1,812	24.0%
Gauteng	9,391	30,438,218	1,209,673	1,978,028	2,443,720	2,723,958	3,241	4.0%
KwaZulu-Natal	9,426	16,148,377	2,285,974	2,518,908	2,948,951	3,229,342	1,713	14.2%
Limpopo	5,498	3,290,196	1,815,694	2,060,352	2,542,093	2,774,193	598	55.2%
Mpumalanga	2,865	3,505,446	774,097	879,121	1,083,649	1,169,588	1,223	22.1%
Northern Cape	984	1,707,505	429,681	453,520	429,375	396,716	1,735	25.2%
North West	2,988	3,358,821	842,435	993,568	1,117,941	1,256,717	1,124	25.1%
Western Cape	4,524	14,483,860	594,570	680,225	805,983	845,100	3,201	4.1%
Total	44,820	86,245,238	11,798,036	13,763,355	15,231,853	16,376,698	1,924	13.7%

1. Includes total municipal capital and operating budgets and applies to the 2003/04 municipal financial year

2. Includes equitable share, infrastructure grants, recurrent grants and indirect grants but excludes unallocated transfers, for the national financial year.

3. Not possible to make a comparison with 2004 transfers as municipal budgets for 2004 not yet available.

All grants to municipalities are now published per municipality to enable municipalities to plan fully for their coming 2004/05 budgets, and to promote better accountability by ensuring that all national allocations are included in municipal budgets. Table E22 indicates the allocations per municipality, and table E23 does so for the equitable share and infrastructure grants.

The allocations are published for both the national and municipal financial years. The municipal financial year commences three months later than the national and provincial financial year, on 1 July. The allocation in terms of the national financial year serves as the legal appropriation requirement for national and provincial transferring departments. The allocations in terms of the municipal financial year facilitate proper reconciliation for audit purposes.

In determining the allocations for this Budget, Census 2001 data were used to update the current formula. Government is committed to conducting a review of the equitable share formula for the 2005 Budget. The challenge will be to obtain quality disaggregated municipal information.

The equitable share for local government

Background

Section 227 of the Constitution requires that an equitable share of nationally raised revenue be allocated to the local sphere of government to enable it to provide basic services and perform the functions allocated to it. The size of the equitable share allocation to the local sphere of government takes account of the fiscal capacity, fiscal efficiency, developmental needs, extent of poverty and backlogs in municipalities, to the extent that such information is available for all municipalities.

The equitable share grant is an unconditional grant assisting municipalities to supplement their revenue to deliver services to poor households. Table E16 shows that the equitable share increase by R1,4 billion from the 2003/04 allocation of R6,3 billion to R7,7 billion in 2004/05.

The equitable share grant and formula were first introduced in 1998/99. It has undergone a number of changes since its inception, to take account of costs of transformation, data updates and new priorities. Transitional costs include the incorporation of former R293 town subsidies to shift functions from provinces to municipalities (2000/01), followed by R293 personnel subsidies (2001/02), the re-alignment of functions to the newly demarcated municipalities and funding of district municipalities (2002/03), as well as the alignment of the equitable share to the final division of powers and functions (water, sanitation, refuse) between local and district municipalities (2003/04). New priorities since 1998 included the creation of two windows (2003/04) to fund free basic services (electricity, water, sanitation and refuse removal), and one window (2002/03) to support the operational costs related to nodal priority programmes in the acceleration of the provision of free basic services to poor communities. Other policy or data updates include adjustments to the method of measuring poverty (from income to expenditure), increasing the poverty threshold from R800 to R1 100 in 2001/02, regular updates to the alpha and beta parameters, and the institutional *I grant*.

No major technical changes have been introduced to the equitable share formula in the 2004 Budget, other than to update it with Census 2001 data that was released in 2003. The guarantee mechanism has also been adjusted to phase in the impact of the new census results. This adjustment is discussed elsewhere below. The census adjustments update population, urban/rural proportions, the number of poor households without access to the basic level of electricity, water, sanitation and refuse removal, and the number of poor households spending less than R1 100 per month in a municipality.

In 2002 Government recognised the urgent need to review the formula, given the major restructuring that the local government sphere has undergone since 1998, and announced a comprehensive review for the 2004 Budget. The review is still under way and it is hoped that this process can be completed in time for the 2005 MTEF, but this depends on a number of factors, and the availability of new information for *all* municipalities (and by municipality). These factors include the impact on each municipality of the restructuring of the electricity distribution industry, the shifting of staff from water schemes administered by the national Department of Water Affairs and Forestry, a review of the future of the Regional Services Council Levies, the expected impact of the Property Rates Bill, and the revenue raising potential of every municipality.

Current equitable share formula

The local government equitable share formula used for the 2004 MTEF allocations per municipality is outlined below. The formula includes six budget windows, and allocates the equitable share grant for the 2004/05 *national* financial year. The adjustment of allocations to a *municipal* financial year is effected thereafter.

The allocation per window in the equitable share formula is based on the policy imperatives for the MTEF. Table E18 below indicates that the only significant change made to baseline for the 2004/05 financial year is a 69,2 per cent increase in the free basic services window, which increases from R867 million to R1 467 million. This increase also applies to the two outer years, where the free basic services window increases to R2 255 million in 2005/06 and R2 676 million in 2006/07.

Table E18 Local government equitable share, 2004/05 – 2006/07

R million	Baseline 2004/05	Adjustments to baseline (2004 Medium-term estimates)			
		2004/05		2005/06	2006/07
		% change		% change	% change
R293 allocations	263	263	–	184	-30,0
S-grant (including guarantees)	4 746	4 746	–	4 866	2,5
I-grant	473	473	–	494	4,4
Nodal allocations	228	228	–	244	7,0
Free basic services (water, sanitation and refuse)	867	1 467	69,2	2 255	53,7
Free basic electricity/energy	500	500	–	600	20,0
Total equitable share	7 078	7 678	8,5	8 643	12,6
					9 365
					8,3

Each of these windows is discussed below. STATS SA provides the demographic information used for the equitable share.

I-grant

The purpose of the I-grant is to provide resources to municipalities to assist in funding the basic institutional and governance arrangements. The grant is designed to target municipalities with little capacity to fund their own administrative infrastructure. Currently the I-grant formula allocates funding to selected local and district municipalities. Metropolitan and large local municipalities have relatively high fiscal capacity and do not qualify for the grant. The first part of the I-grant formula captures how the administrative costs of a municipality increase with population size. It assumes that these costs increase more slowly than population: larger municipality has more costs, but not proportionately more than a smaller one. The second part of the formula is compensating for the inability of the municipality to fund its own administrative overheads. The formula for the I-grant is:

$$I_i = I_0 P_i^\gamma - 0.075 (y_i - 250) P_i I_i = I_0 P_i^\gamma - 0.075 (y_i - 250) P_i$$

Where: I_0 = a per capita I-grant parameter that serves to determine the total amount of money allocated through the I-grant;

P_i = is the population in the municipality i ;

γ = a scale parameter that could take any value > 0 and ≤ 1 ; and

y_i = is the average monthly per capita expenditure in municipality i for values of y_i below the stated monthly per capita floor of R250, the term $(y_i - \text{per capita floor})$ is set equal to zero.

The following parameters are applied to arrive at an I-grant allocation per municipality for the 2004 MTEF:

	Parameter	2004/05	2005/06	2006/07
I_0	Per capita parameter for category B municipalities	R175 684	R181 392	R186 799
	Per capita parameter for category C municipalities	R266 612	R273 153	R279 053
γ	Scale parameter	0.25		
y_i	Average monthly per capita expenditure threshold	250		
	Population cut-off	5 000		
	Per capita floor	R250		

S-grant

The S-grant is the biggest component within the equitable share grant, and is designed to meet the operating costs of a municipality when providing a package of basic services to low income households. It is important to note that poor households are classified as those spending less than R1 100 per month.

The formula for the S-grant is:

$$S = \alpha \beta L H_i$$

Where :

- α = a phase-in parameter with $0 < \alpha \leq 1$;
- β = a budget-adjustment parameter, set to adjust the size of the grants to the available budget;
- L = an estimate of the annual cost of providing basic public services; and
- H_i = the number of poor households.

The following parameters are used for the 2004 MTEF, and are the same as the 2003 baseline values (excludes the budget adjustment parameter):

	Parameter	2004/05	2005/06	2006/07
α	Rural alpha	0.85	1	1
	Urban alpha	1	1	1
β	Budget adjustment parameter	0,559	0,835	0,909
L	Annual cost of basket of basic services per poor household	R1 032		

The alpha parameters were introduced in recognition of the differences in the financial and administrative capacities of rural and urban municipalities. The alpha values for urban and metropolitan municipalities are set at 1 for the 2004/05 financial year, whilst the alpha values for

the rural municipalities are planned to reach 1 in the 2005/06 financial year. This will take account of capacity to spend efficiently and effectively. The threshold poverty level is set at R1 100 household expenditure per month. Initial indications from Census 2001 and the 2002 Household Survey suggest that based on this threshold 5,5 million households are living in poverty.

Free Basic Services (FBS) and Free Basic Electricity (FBE)

Two components were introduced in the 2003/04 financial year to accelerate the pace for the provision of free basic electricity/energy and free basic services (water, sanitation, refuse) to poor households. These are now the second most important windows in size, set at R2,0 billion in 2004/05, increasing to R3,3 billion in 2006/07. The FBS grant is worked out as the average of two calculations:

- The first calculation is proportional to the S grant, i.e. it depends only on the total number of poor households in the municipality and the urban-rural weighting factor θ . This allocation can be represented as follows:

$$FBS_1 = \theta FH$$

where F is an FBS allocation per poor household and H is the number of poor households in the municipality. If a B municipality does not perform all functions, then a proportionate amount of this FBS allocation is transferred to the appropriate C municipality.

- The second calculation takes into consideration how many poor households receive the particular basic service in question. This allocation can be represented as:

$$FBS_2 = FW * H_1 + FS * H_2 + FR * H_3$$

where FW is an allocation for free water, FS is an allocation for sanitation and FR is an allocation for refuse removal. H_1 is the number of poor households receiving water, H_2 is the number of poor households receiving sanitation services and H_3 is the number of poor households receiving refuse removal services. If a particular B municipality does not provide any of these services, then that part of the allocation is transferred to the appropriate C municipality.

- The final FBS grant is

$$FBS = \frac{1}{2}(FBS_1 + FBS_2)$$

The FBE grant is worked out according to the same process as the FBS grant, but only taking into account infrastructure for poor households as it relates to electricity/energy.

Nodal Allocations

The President announced 21 development nodes in his 2001 State of the Nation Address. Departments were subsequently requested to prioritise funding to these under-developed areas. Additional equitable share allocations have been made available to these nodes for non-infrastructure developmental programmes, beginning in 2002/03. The funding of the nodes is linked to the life span of projects. Similar to previous years, 65 per cent of the nodal equitable share allocation will be allocated to the rural nodes and 35 per cent to the urban nodes. Nodal allocations are based on the S grant and reflected for each municipality designated as a nodal area. Allocations are reflected in the schedules to the Division of Revenue Bill.

R293 allocation

The equitable share allocations for the 2001/02 to 2003/04 financial years included funding for the staff of former R293 towns, which were part of municipalities in the old Bantustans. Their staff and functions were transferred to provinces in 1994, and thereafter to the new municipalities. The R293 allocation originally had two components; one dealing with non-personnel and the other with

personnel. The non-personnel component of the R293 allocation was phased-out and included into the local government equitable share for the 2000/01 financial year. Most staff were only transferred after 2000, and municipalities accepting such staff were guaranteed to receive the full amount for this grant over a three-year period ending 30 June 2004. Thereafter the normal formula allocations will apply, but the guarantee mechanism (as discussed below) will also apply for the next three years. To ensure that R293 staff personnel subsidies are guaranteed at full 70 per cent levels, these allocations are still reflected as a separate window over the next three years. The baseline allocations reduce from R396 million in 2003/04 to R263 million in 2004/05, R184 million in 2005/06 and R129 million in 2006/07. Thereafter, this component will no longer exist.

'Guaranteed' amount

To create stability and prevent the disruption of services, municipalities are guaranteed 70 per cent of their previous year's allocation. However, given the new functions for the 2003/04 financial year for category B and C municipalities, the equitable share allocations have been adjusted to provide funds to the municipality legally assigned the function. The guarantee mechanism does not therefore apply to that portion where a municipality no longer carries out a specific function.

The introduction of the new census data creates substantial shifts in the distribution of allocations between municipalities. To phase in the impact and maintain stability in the system, a 100 per cent guarantee of the 2004/05 indicative allocations and a 70 per cent guarantee of the 2005/06 indicative allocations, as published in terms of the Division of Revenue Act (Act No. 7 of 2003), have been incorporated.

Minimum Allocation

In light of the fact that it is administratively cumbersome to deal with small allocations and that some district municipalities see their allocations dropping to zero since they no longer perform functions related to the provision of basic services, a minimum allocation of R1 million on the overall equitable share allocations to all municipalities has been introduced to provide for other district municipal functions.

Water Services Operating Subsidy

This grant is a transitional operational grant closely related to the local government equitable share grant, in that it should in principle be part of the equitable share. The grant is a transitional and indirect grant, in that it is used to fund over 300 water schemes in municipalities through the Water Trading Account on the vote of the Department of Water Affairs and Forestry (DWAF). DWAF has administered a number of these schemes in poor areas prior to 1994. Such schemes are in the process of being transferred to municipalities. The operating grant amounts to R1 001 million in 2003/04, R858 million in 2004/05, R934 million in 2005/06 and R991 million in 2006/07 or a total of R3,8 billion over the MTEF.

DWAF is in the process of transferring schemes over the next two years, for which funding will be phased out from 2006/07. Like the process for the R293 staff, DWAF plans to conclude bilateral negotiations with municipalities by 30 June 2004. All funds on this programme will thereafter be transferred to municipalities directly as soon as such transfers occur. Direct grants to DWAF will be phased progressively downwards and those to municipalities upwards.

The transfer of water schemes involves the transfer of both assets and staff, and the resulting operating costs of salaries and free basic services. The 300 schemes employ 8 094 staff and affect 83 municipalities. Over 40 per cent of the staff is to be transferred to municipalities in Limpopo. Estimated personnel related costs over the three years amount to R393 million. Full costs for the operations of the schemes are being finalised. About 500 of the 8 094 staff have already been transferred to 5 municipalities. The medium-term plan is to transfer 1 000 staff in 2003/04 and up

to 6 500 in the 2004/05 and 2005/06 financial years. However, it should be noted that many municipalities are reluctant to accept all the staff or schemes for several reasons: they either already have staff to operate such water schemes, the DWAF personnel are often poorly skilled or are remunerated at levels higher than rural municipalities can afford. Moreover some of these schemes are overstaffed, and DWAF may have to find alternative ways to deal with such staff, rather than shift them to municipalities.

All receiving municipalities will be required to conclude formal transfer agreements where the latest effective date of transfer is 30 June 2005. The operating and transfer subsidy will be treated as a grant-in-kind until the effective date of transfer, and thereafter progressively phased into the equitable share. The operating subsidy will cover staff related costs (HR component) and direct operating and maintenance costs (O component). The allocation per municipality will be according to the operational budget for each scheme and the funding requirements identified and agreed in the transfer agreement. Clear performance targets will be set with the assistance of the Department of Provincial and Local Government and SALGA to complete the process.

Conditional grants to local government

Schedules 6 and 7 of the Division of Revenue Bill present conditional grants to municipalities. Despite the growing importance of the unconditional equitable share grant, conditional grants are still a significant portion of national grants to local government. In particular, conditional grants are used to:

- Incorporate national priorities in municipal budgets
- Promote national norms and standards
- Address backlogs and regional disparities in municipal infrastructure
- Effect transition by supporting capacity-building and restructuring of municipalities.

Total conditional grants to municipalities increase from R6,0 billion in 2003/04, to R6,6 billion in 2004/05, R7,3 billion in 2005/06 and R7,7 billion in 2006/07. There are two categories of conditional grants, infrastructure and capacity-building/restructuring grants. The most significant development for 2004/05 is the establishment of the new Municipal Infrastructure Grant, which replaces all the other current infrastructure grants over the next two years. The capacity building and restructuring grants rise slightly, but are capped at R749 million for the two outer years, and are also rationalised. As a result, significant changes are introduced in the policy framework underlying some grants, particularly in infrastructure and capacity building. Below is a summary of all the conditional grants listed in Schedules 6 and 7 of the 2004 Division of Revenue Bill.

Infrastructure conditional grants to local government

Infrastructure grants are a critical instrument for achieving national Government's objective of expanding the delivery of basic services to poor households and to alleviating poverty. They complement the equitable share allocations to give effect to government's commitment towards poverty relief and the delivery of free basic services.

Infrastructure grants are also aimed at stimulating job creation and ensuring skills transfer over the medium term. Municipalities are therefore required to dedicate a portion of their capital budgets to labour-based infrastructure methods to meet the objectives of the Expanded Public Works Programme. The total allocation for infrastructure is R5,0 billion, R5,6 billion, R6,0 billion for each of the MTEF years.

The Municipal Infrastructure Grant (MIG) gives effect to earlier Cabinet decisions and policy positions on the establishment of a single consolidated funding mechanisms to support municipal infrastructure. The MIG has been set up to merge the following funding programmes in a phased manner over a three-year period commencing in 2004/05:

- Consolidated Municipal Infrastructure Programme, in support of internal bulk, connector infrastructure and community facilities to poor households;
- Water Service Capital Fund, in support of bulk, connector and internal infrastructure for water services at a basic level;
- Community Based Public Works Programme, in support of the creation of community assets in rural, historically disadvantage communities;
- Local Economic Development Fund, in support of planning, and implementation of job creation and poverty alleviation;
- Building for Sport and Recreation Programme, in support of promoting sport and recreation facilities within disadvantage communities; and
- Electrification funding in support of addressing the electrification backlog of permanently occupied residential dwellings that are situated in historically under-supplied areas.

The MIG is a new infrastructure transfer mechanism and is geared to making the system of transfers to municipalities simpler, more certain and direct. Its conditions are more flexible, designed to support the capital budgets of municipalities, and to facilitate integrated development planning. The MIG will not fund specific projects, but is designed to complement the capital budgets of municipalities (similar to the provincial infrastructure grant). Reporting on spending will therefore be on the entire capital budget of municipalities, which also has to ensure that there are sufficient operational budgets in the future to fund such capital expenditure.

Much technical work has been undertaken over the past 6 months to ensure that the phasing in of the grant is smooth and fully operational by 2006/07, if not sooner, especially for the larger, more well capacitated municipalities. To this end, all committed and uncommitted infrastructure transfers to local government (except for the Sport and Recreation Programme and the Electrification Programme) have been moved to the vote of the Department of Provincial and Local Government with effect from 1 April 2004. Commitments made by the respective line departments prior to 30 September 2003 will be honoured by the municipalities through the imposition of conditions on the grant.

The above arrangement will not apply to those commitments where DWAF is the implementing agent, and is committed by way of contracts as part of its capital programme. These funds will be retained on the vote of DWAF over the next two years, before fully phasing into the MIG.

The MIG policy also makes provision for various capacities of municipalities namely, highly capacitated, medium capacitated and low capacitated municipalities. The fifty highly capacitated municipalities, as measured by budget size, will receive their allocations directly from the grant. The final allocations equal either the existing commitments for the municipality or the allocation as calculated by the MIG formula, whichever is higher. This arrangement is applicable to all municipalities categorised as having high capacity and that will be able to produce medium term capital plans and budgets, reflecting all projects to be funded in each sector.

Municipalities that are not classified as highly capacitated will receive their committed and uncommitted allocations via the district municipality in whose jurisdiction they fall. After determining the allocations to the highly capacitated municipalities, the remainder of the funds will be used to meet existing commitments in the medium and poorly capacitated municipalities. The Department of Provincial and Local Government will ensure that a plan exists to build in-house capacity over the next two to three years to ensure that these municipalities graduate into highly capacitated municipalities over the shortest possible time so that they could manage this programme allowing for funding to flow directly to them. Various levels of support will be rendered to municipalities either by the national government, provincial government and Project Management Units (PMU's) to ensure the smooth implementation of the MIG programme.

Medium-capacitated local municipalities that are able to submit three-year capital plans by 30 June 2004 will, however, qualify to receive allocations directly from the district municipality.

The MIG gives municipalities a central role in coordinating development activity and the delivery of municipal infrastructure within their jurisdictions. The MIG is focused on achieving a number of output conditions, including the achievement of service coverage targets, employment creation and linking Integrated Development Plans (IDPs) and budgets. The role of national government would be to support, and monitor policy outcomes and regulate municipal infrastructure investments. Crucially, the policy reform around infrastructure grants will bring the grant system in line with the general direction and path of the intergovernmental system, which is focused towards improving the capacity, efficiency, effectiveness, sustainability and accountability of the local government sphere, and making integrated development plans the primary mechanisms for intergovernmental coordination.

The grant frameworks of the respective programmes reflect the output-based reporting as required in terms of the Division of Revenue Act. Municipalities will be required to report on spending and progress in implementing projects, focusing on priority areas, such as water and sanitation, refuse removal, roads and community facilities as well as reporting on labour utilisation. Municipalities will be required to improve the quality and content of annual reports. In this regard, specific outputs and outcomes will be monitored through this reporting mechanism.

MIG Formula

There are five main components of the formula, after accounting for funds flowing to the Special Municipal Infrastructure Fund (SMIF) (4 per cent of total funds) for innovation and region-wide programmes. The SMIF is an in-year allocation made by the Department of Provincial and Local Government to municipalities.

For the 2004/05 municipal financial year, the application of the formula begins with determining the allocation due to each municipality using the formula. Depending on the level of existing commitments and the capacity of the municipality, a proportion will flow as MIG funds to the municipality as described above. The key condition over this initial period is the submission of three-year capital spending plans by municipalities conforming to MIG criteria. The other applicable conditions and outputs are contained in the MIG framework as per the Division of Revenue Gazette.

$$\text{MIG}_{(F)} = \text{B} + \text{P} + \text{E} + \text{N} + \text{M}$$

- **B** Basic residential infrastructure (new and rehabilitated)
Proportional allocations for water supply and sanitation (72%), electricity (0%), roads (23%) and 'other' (5%) (Street lighting and solid waste removal)
- **P** Public municipal service infrastructure (new and rehabilitated)
- **E** Allocation for social institutions and micro-enterprises infrastructure
- **N** Allocation to all nodal municipalities
- **M** Negative or positive allocation related to past performance of each municipality relative to grant conditions

Over the 2004 MTEF, R15,7 billion is available for the MIG Programme. The Sport and Recreation Programme and the Electricity Programme are excluded from the MIG programme in 2004/05. The Electricity Programme will only be included in the MIG allocations after two years

upon finalisation of the restructuring of the electricity distribution industry. Until such time, the electricity portion has been shifted to water and sanitation over the 2004/05 to 2006/07 medium-term because existing commitments exceed the amounts determined by the MIG formula. This effectively gives the water and sanitation component the largest allocation at 72 per cent (or R2,3 billion, R2,7 billion and R3,1 billion in 2004/05, 2005/06 and 2006/07 respectively) of the B component.

Table E19 Municipal Infrastructure Grant (MIG) allocations per sector, 2004/05 – 2006/07

R million	Weighted share	2004/05	2005/06	2006/07
Medium-term estimates				
Municipal Infrastructure Grant	100,0%	4 446	5 193	5 987
Special Municipal Infrastructure Fund and Management	4,0%	178	208	239
Municipal Infrastructure Grant (formula)	96,0%	4 268	4 985	5 748
of which Municipal Infrastructure Grant (formula)	100,0%	4 268	4 985	5 748
B Component	75,0%	3 201	3 739	4 311
Water and sanitation	72,0%	2 305	2 692	3 104
Electricity	0,0%	–	–	–
Roads	23,0%	736	860	991
Other	5,0%	160	187	216
P Component	15,0%	640	748	862
E Component	5,0%	213	249	287
N Component	5,0%	213	249	287

Table E19 captures the way in which the funds are distributed by each component using data from STATS SA to municipalities. The formula allocations have been adjusted to provide funds to the municipality legally assigned the function to perform the particular service, in line with Government Gazette No. 24228 of 3 January 2003 issued by the Minister of Provincial and Local Government.

Table E20 Horizontal Distribution of Funds¹	
B Component	
Water & Sanitation	$\frac{\text{Number of Water Backlogs in Municipality}}{\text{Total Number of Water Backlogs in SA}} * 0.5 * \text{W \& S Allocation}$ $\frac{\text{Number of Sanitation Backlogs in Municipality}}{\text{Total Number of Sanitation Backlogs in SA}} * 0.5 * \text{W \& S Allocation}$ Backlog = Household with less than basic access to water and sanitation Basic access to water = Access to water within 200m of dwelling Basic access to sanitation = Pit Latrine with Ventilation
Electricity	$\frac{\text{Number of Electricity Backlogs in Municipality}}{\text{Total Number of Electricity Backlogs in SA}} * \text{Electricity Allocation}$ Backlog = Household with no access to electricity for lighting Basic access to electricity = Use of electricity for lighting
Roads	$\frac{\text{Number of Roads Backlogs in Municipality}}{\text{Total Number of Roads Backlogs in SA}} * \text{Roads Allocation}$ Backlog = Household living in an informal dwelling
Other	$\frac{\text{Number of Other Backlogs in Municipality}}{\text{Total Number of Other Backlogs in SA}} * \text{Other Allocation}$ Backlog = Household with less than basic access to refuse removal Basic = Refuse removal by municipality at least on a weekly basis
New and Rehabilitated Infrastructure	Assume an 80:20 % split between new and rehabilitated infrastructure.
P Component	$\frac{\text{Number of Poor Households in Municipality}}{\text{Total Number of Poor Households in SA}} * \text{P Allocation}$ Poverty threshold = R1100 household expenditure per month
New and Rehabilitated Infrastructure	Assume an 80:20 % split between new and rehabilitated infrastructure.
E Component	$\frac{\text{Number of Poor Households in Municipality}}{\text{Total Number of Poor Households in SA}} * \text{E Allocation}$ Poverty threshold = R1100 household expenditure per month
N Component	$\frac{\text{Number of Poor Households in Nodal Areas in Municipality}}{\text{Total Number of Poor Households in all Nodal Areas}} * \text{N Allocation}$ Poverty threshold = R1100 household expenditure per month

1. All the data used in the formula has been obtained from STATS SA; namely Census 2001 and poverty data based on imputed household income

Capacity-building and restructuring grants

There are two capacity-building grants, the Financial Management Grant and the Municipal Systems Improvement Programme, and a Restructuring Grant. These grants totalled R901 million in 2003/04, and reduce to R723 million in 2004/05 and R749 million each for 2005/06 and 2006/07. Government has limited the size of these grants to R749 million, and intends to reduce them further after 2006/07, as such grants should by their nature build capacity initially and phase-down thereafter. Such reductions also benefit the equitable share, which gains from any reductions in the capacity-building grants.

Over the past years, national and provincial governments have committed significant resources to capacity building. It is not clear what, or whether, capacity building funds have in fact brought about improved capacity in municipalities. Emphasis is now shifting towards building in-house municipal capacity, improve service delivery and value-for-money. For this reason, such grants will, in future, be allocated to municipalities directly, rather than to provincial or national departments. Government is also focusing its efforts on greater coordination between capacity-building initiatives.

The capacity-building grants were set up to assist municipalities in building management, planning, technical, budgeting and financial management skills.

The Department of Provincial and Local Government is working closely with sector departments to develop a comprehensive capacity-building strategy. An interim framework for municipal capacity building regulates the alignment of capacity-building programmes. In line with this approach, the Local Government Capacity Building Grant, which is currently distributed via provinces to municipalities, will be incorporated into the Municipal Systems Improvement Grant (MSIG) and will be transferred directly to municipalities.

The *Municipal Systems Improvement Grant (MSIG)* under the vote of the Provincial and Local Government Department assists municipalities to build in-house capacity through district and selected local municipal support and focuses on stabilising municipal and governance systems, supporting Planning and Implementation Management Support centres (PIMS), reviewing IDP's and implementing the Municipal Systems Act. To date 44 PIMS centres have been established in 44 districts and a further 3 are in the process of being established and IDPs have been completed and are currently being implemented. Allocations over the 2004 MTEF amount to a further R582 million.

The *Financial Management Grant* under the National Treasury vote funds budget and financial management reforms, including building in-house municipal capacity to implement multi-year budgeting, link integrated development plans to budgets, produce quality and timely in-year and annual reports, as well as the implementation of the Municipal Finance Management Act. It also includes a provision for an international technical assistance programme. In 2000 a pilot programme commenced to develop the reforms in selected municipalities. The number of participating municipalities grew from the initial 7 in 2000 to 63 in 2003. Countrywide roll out was promoted in 2003 and by the end of 2004 all municipalities will be participating in the programme. The programme provides for the gearing of international support and direct allocations to municipalities. The allocations amounted to R50 million, R60 million, R154 million and R212 million in 2000/01, 2001/02, 2002/03 and 2003/04, respectively. The 2004 MTEF provides for a further R599 million. During 2003 sixteen international financial advisors were placed in selected municipalities to support the implementation of the reforms. This is to expand over the medium-term to over thirty advisors. Furthermore, to facilitate skills development in financial management, municipalities have utilised the grant to appoint over one hundred Municipal Finance Management Interns.

The *Restructuring Grant* under the National Treasury vote is a demand driven grant and is aimed at funding municipal restructuring initiatives of a financial, institutional and developmental nature that are locally designed and owned. Only large municipalities are eligible for this grant. Following an initial slow take-up rate on the restructuring grant, a noticeable increase in demand occurred during 2003. Multi-year contracts will be concluded with several new municipalities, and future efforts will focus on assessing the successful implementation in terms of agreed milestones. The grant has been capped at R350 million from 2006 and will be reviewed thereafter. The City of Johannesburg's restructuring plan encompassed a wide range of institutional and financial reforms including the implementation of iGoli 2002 strategy. First time applications from eligible municipalities were of a poor quality and standard. Three municipalities were allocated the grant R99 million during 2003, Cacadu District, Msunduzi and Mangaung local municipalities. Applications were received from Buffalo City, Emfuleni, Polokwane, uMhlatuze, Sol Plaatje, Matjhabeng, Mogale City, local municipalities and from the five metropolitan municipalities. These applications are being evaluated and it is anticipated that, for successful municipalities, funding will be disbursed by March 2004.

Part 6: Way Forward

The first decade of democracy witnessed remarkable progress in the development, evolution and consolidation of South Africa's intergovernmental grants system. Intergovernmental executive and legislative structures have been established. These include, among others:

- The National Council of Provinces which includes the Premiers, representatives of provincial legislatures and organised local government;
- The Presidential Coordinating Council comprising the President, Premiers and Minister of Provincial and Local Government Affairs
- The Budget Council constituted by the Minister of Finance and the MECs for Finance
- The Budget Forum, which is the Budget Council extended with representation from organised local government
- Sectoral MinMECs made up of the national minister and provincial MECs responsible for concurrent functions such as education, health, welfare, housing, agriculture and others
- Joint MinMECs which bring together sectoral MinMECs with Budget Council and in the case of local government, with the Budget Forum.

These are the building blocks on which the intergovernmental system has evolved. They bring together democratically elected representatives with the view of facilitating alignment of intergovernmental policy programmes and implementation across the three spheres. Several technical forum(s) of officials support each of these forums. Effective intergovernmental coordination among the three spheres during the first ten years of democracy saw the successful implementation of the following reforms, which have now become permanent features of the intergovernmental system:

- Introduction of three-year rolling budgets – the Medium Term Expenditure Framework – which initially focused on national and provincial budgets, and has been extended to local government in the last two years, with three year allocations of national transfers now published four months before municipalities table their budgets. Together with the early publication of the Medium term Budget Policy Statement, this gives South Africans advance indication of the future direction of government policies and sets out how coming budgets will give expression to national policies affecting them.
- Strategic planning, financial management and reporting, publication of performance information and other reforms underpinned by the Public Finance Management Act Promulgated on 1999.

- The enactment of the Municipal Finance Management Act, which is due to take effect in July this year, setting out the legal framework for extending all the reforms that have been implemented at national and provincial levels to local government, some of which are already being piloted in several municipalities.

In addition, the last decade saw the development and application of objective redistributive provincial and local government formulae that have been used to determine allocation of resources within each sphere. Notwithstanding that these formulae have been reviewed, revised and updated as circumstances change or new information became available, with the ending of the first decade of democracy, Census 2001 results released and more clarity on the division of powers and functions among spheres including the shifting of social grants and restructuring of electricity distribution, it is opportune that a more in-depth fiscal review of the intergovernmental grant system be undertaken. The review will be broad ranging and all encompassing.

Provincial fiscal framework

The review will consider the taxation and borrowing powers of provinces. With the passage of the Provincial Tax Regulation Process Act, Western Cape is in the process of applying for a surcharge on the fuel levy. Further, the last Budget Council *lekgotla* has also raised whether it is feasible for provinces to borrow with their limited fiscal capacity, and given the nature of their functions, many of which like education, health and social grants have no potential to raise significant revenue. The fiscal review will examine the way forward on the taxation and borrowing powers of provinces, taking into account past policy papers that have informed the current provincial fiscal framework.

With regard to the provincial grant formulae, it is instructive to assess the outcome of the current grants framework. The table below indicates how redistributive the current equitable share allocations are. It should be borne in mind that the actual allocations and percentages are outcomes of the formula (and underlying that, of the policy parameters and weightings of components). These outcomes can guide how the formula should be revised for the 2005 and future budgets. The table indicates that in 2004/05, the equitable share allocation per head is redistributive, from Gauteng which is 22 per cent lower than the per capita average, Western Cape at 11 per cent and to a lesser extent KwaZulu-Natal (2 per cent). The province that gains the most is Northern Cape (31 per cent), Eastern Cape (17 per cent) and Limpopo (16 per cent), and to a lesser extent Free State (9 per cent), Mpumalanga (4 per cent) and North West (1 per cent).

Table E21 Available resources: Per capita percentage above or below national average

	2004/05			1998/99		
	Equitable share (ES)	ES and conditional grants	ES, conditional grants and own revenue	Equitable share (ES)	ES and conditional grants	ES, conditional grants and own revenue
	%	%	%	%	%	%
Eastern Cape	17.5	15.8	14.7	14.5	9.7	8.5
Free State	9.2	11.2	12.0	5.8	5.9	6.1
Gauteng	-22.2	-18.8	-17.4	-18.3	-11.7	-9.4
KwaZulu-Natal	-1.7	-3.1	-3.5	-5.5	-3.6	-4.9
Limpopo	15.8	12.4	10.5	8.5	3.4	1.2
Mpumalanga	4.1	1.5	-0.4	-4.5	-9.5	-11.6
Northern Cape	30.7	32.7	38.3	19.9	13.1	24.4
North West	1.3	0.2	-0.4	4.5	-1.0	-0.7
Western Cape	-11.3	-7.7	-5.6	3.3	10.5	12.2

Conditional grants, however, tend to make the allocations less redistributive. This is not surprising as most tertiary services and medical training (the largest provincial conditional grants) are

provided in academic hospitals in wealthier provinces like Gauteng, Western Cape and KwaZulu-Natal. Hence, Gauteng and Western Cape lose less per capita at 19 and 8 per cent respectively, whilst KwaZulu-Natal loses 3 per cent. Eastern Cape (16 per cent), Limpopo and Mpumalanga (2 per cent) lose slightly, whilst Northern Cape and Free State gain significantly. If own revenue collected is added, the Gauteng, Western Cape and KwaZulu-Natal budgets are lower per capita by 17, 6 and 3 per cent respectively, whilst Eastern Cape, Mpumalanga and North West are average, and all other provinces budget more per head on their revenue side.

Compared to 1998/9, more (equitable share) funds are redistributed per head in 2004/05 from Gauteng, Western Cape and KwaZulu-Natal. More funds flow per head to Northern Cape, Eastern Cape, Limpopo, Free State and Mpumalanga. Only the North West receives less funds per head than in 1998/99.

A second factor to assess on provincial grants is to compare the adjusted 2003/04 budget shares for social grants, and the social sectors, compared to the weight in the formula. Most striking is that provinces expect to spend 29,3 per cent of their total equitable share allocations on social development budgets, compared to its 18 per cent weighting. Similarly, total social services expenditure on education, health and social development (excluding the tertiary services and training grants) is now 85,6 per cent compared to its weighting of 78 per cent.

These are the sorts of factors that will require further analysis going forward, to determine the adequacy of funding for provinces, given the functions they are expected to deliver on.

Local government fiscal framework

More than provinces, the local government fiscal framework will require the greatest adjustments, given the significant changes expected. The restructuring of the electricity industry will have significant impact on the budgets of municipalities. A related issue will be whether REDs are funded directly for the provision of electricity to poor households, or whether this is done via municipalities using the REDs as an external provider in terms of the Municipal Systems Act. The future of the RSC levies will also be reviewed, and if replaced, will affect the current intergovernmental framework for local government. Any increase in fiscal capacity of municipalities through the new Property Rates Bill will also affect how allocations are divided between municipalities, as fiscal capacities will be affected differently between municipalities. The shifting of functions or new functions like municipal health, public transport and their subsidies, municipal roads, municipal police, municipal housing and other shared functions will also have to be taken into account. Hence the review of the fiscal framework, taking account of the above shifts in functions, will probably be very significant.

Municipalities will also be affected by the transfer of water schemes and their staff, which will also have to be taken into account when finalising the grant framework. This may have to be addressed in a similar manner as with the R293 staff transfer.

Whilst the intention is to review all conditional grants, the new Municipal Infrastructure Grant formula is not expected to change significantly. On the other hand, the current equitable share formula was adopted in 1998, and has had to be adjusted to take account of the many changes to municipalities over the last 4 years, including the new municipal system introduced in December 2000. Though it is widely accepted that this formula needs to be restructured, any new formula is dependent on reliable information available per municipality. Official surveys conducted by STATS SA tend to be reliable only at a provincial level, and many municipalities are unable to provide relevant information on their revenue or expenditure in terms of internationally accepted economic classifications. The problem facing the allocations system is that it needs only one weak municipality to render unusable any information collected from all other municipalities. National allocations are an important (and growing) source of revenue for municipalities. In 2003/04

national allocations comprised around 13,7 per cent of total local government budgets, varying from between 3,0 to 6,7 per cent for metros, up to a maximum of 92,1 per cent for the Bohlabela (Bushbuckridge) in Limpopo province. The variance of the share of national allocations between municipalities reflects the different fiscal capacities, poverty and backlogs of municipalities, with more urban municipalities raising more of their own revenue, whilst more rural municipalities tend to raise less of their own revenue. Attached at the end of this memorandum are municipal allocations (Tables E22 and E23).

Review of conditional grants

An important part of the grants review for both provinces and local government is the reforms required to make the current system of conditional grants more coherent, transparent, performance-driven and accountable.

The first point of the review is to ensure that all conditional grants are clearly motivated, and that the formula used is equitable, and that all data used for the formula for a grant is of an acceptable quality, preferably certified by STATS SA or as audited, and available to the public. Many of the current conditional grants tend to reflect sectoral agreements secured through the relevant MinMECs.

The second point of the review is to assess whether conditional grants achieve their objectives, and are linked to clear performance objectives. Spending information on conditional grants is often poor. Many transferring national departments do not effectively monitor such grants after making their transfers, as noted by the Auditor-General on the audits for the 2002/03 financial year. Five key national departments administering conditional grants were found not in material non-compliance with the 2002 Division of Revenue Act, including ineffective monitoring, to the point where the Auditor-General could not determine whether such grants were utilised as stipulated. These comments affected some of the biggest grants for housing, health, education and local government. Neither is the audit process comprehensive at this stage in tracking whether grants transferred are budgeted for by provinces and municipalities receiving such grants. In this respect, it is important the all transfers are audited against the Schedules of the Division of Revenue Act.

Conclusion

In spite of the remarkable successes in the development of the intergovernmental fiscal framework, the review process for the 2005 framework will consider the outcomes of the current allocation formulae, and the broader fiscal framework. The coming 2004 Intergovernmental Fiscal Review, expected in May, will also cover more detailed analysis on provincial and local budgets, as well as on specific sectors like education, health, social development, water, electricity, housing and roads. Such information will enhance the review process.

The Division of Revenue Bill, attendant documentation (schedules indicating division and grant frameworks), and background material such as the *Intergovernmental Fiscal Review* are available on the National Treasury website (www.treasury.gov.za).

Table E22 Transfers to municipalities, 2003/04 – 2006/07 national financial year

Metropolitan and consolidated district and local municipalities	Census population, 2001	Total 2003 municipal budgets ¹	Total transfers ²				Rand per capita Total 2003 municipal budgets ¹ 2003/04	Transfers as a % of 2003/04 budgets ³
R thousand	thousands	2003/04	2003/04	2004/05	2005/06	2006/07		%
Eastern Cape								
Alfred Nzo (Umzimvubu)	550	323 882	282 778	307 271	284 640	302 784	588	87,3%
Amatole (Buffalo City)	1 664	1 958 090	685 300	743 701	699 285	740 158	1 177	35,0%
Cacadu (Kouga)	388	673 181	139 024	150 864	127 670	134 620	1 734	20,7%
Chris Hani (Lukhanji)	810	622 301	391 367	423 492	405 753	412 657	768	62,9%
O.R. Tambo (King Sabata Dalindyebo)	1 676	1 272 049	736 911	823 015	761 875	809 129	759	57,9%
Ukhahlamba (Malatswai)	341	301 133	214 621	218 723	220 023	199 105	882	71,3%
Nelson Mandela	1 006	3 257 962	218 966	240 306	249 166	261 333	3 239	6,7%
Sub total	6 437	8 408 598	2 668 968	2 907 371	2 748 413	2 859 786	1 306	31,7%
Free State								
Lejweleputswa (Matjhabeng)	657	1 151 307	242 779	302 655	263 645	286 769	1 752	21,1%
Motho (Mangaung)	728	1 679 204	357 146	339 263	259 620	270 647	2 306	21,3%
Northern Free State (Metsimaholo)	460	958 631	150 911	191 232	170 310	153 503	2 083	15,7%
Thabo Mofutsanyana (Maluti a Phofung)	726	940 761	369 778	392 599	358 198	345 977	1 296	39,3%
Xhariep (Kopongong)	135	174 314	56 330	66 514	59 954	64 402	1 289	32,3%
Sub total	2 707	4 904 217	1 176 945	1 292 262	1 111 728	1 121 298	1 812	24,0%
Gauteng								
Metsweding (Kungwini)	160	275 259	33 436	44 245	55 518	63 848	1 722	12,1%
Sedibeng (Emfuleni)	795	1 573 341	115 759	153 915	190 190	212 004	1 980	7,4%
West Rand (Mogale City)	744	1 335 366	124 593	201 881	258 150	287 089	1 794	9,3%
City of Johannesburg	3 226	12 175 136	385 118	682 829	800 484	900 266	3 774	3,2%
City of Tshwane	1 986	7 080 904	262 412	390 546	479 656	519 209	3 565	3,7%
Ekurhuleni Metro	2 480	7 998 212	288 355	504 612	659 721	741 542	3 225	3,6%
Sub total	9 391	30 438 218	1 209 673	1 978 028	2 443 720	2 723 958	3 241	4,0%
KwaZulu-Natal								
Amajuba (Amajuba)	468	613 731	87 992	103 390	125 095	137 296	1 311	14,3%
Ilembe (Kwa Dukuza)	560	404 710	157 172	184 064	200 770	219 646	722	38,8%
Sisonke (Kokstad)	298	480 014	104 521	104 159	125 404	143 035	1 609	21,8%
Ugu (Hibiscus Coast)	704	636 627	194 774	219 927	268 380	296 550	904	30,6%
Umgungundlovu (Msunduzi)	928	1 755 534	317 702	284 110	274 315	302 185	1 892	18,1%
Umkhanyakude (Jozini)	573	247 295	174 089	181 292	215 055	241 034	431	70,4%
Umkhanyathi (Endumeni)	456	396 190	173 533	174 247	196 489	208 599	868	43,8%
Uthukela (Emnambithi)	657	389 700	129 518	170 488	211 460	236 880	593	33,2%
Uthungulu (Umkhathuze)	886	907 291	187 392	218 948	280 009	308 119	1 024	20,7%
Zululand (Abaqulusi)	804	515 409	221 567	235 016	289 477	311 990	641	43,0%
eThekweni	3 090	9 801 876	537 713	643 268	762 497	824 009	3 172	5,5%
Sub total	9 426	16 148 377	2 285 974	2 518 908	2 948 951	3 229 342	1 713	14,2%
Limpopo								
Bohlabela (Bushbuckridge)	598	267 085	246 012	247 930	294 827	330 307	447	92,1%
Capricorn (Polokwane)	1 155	1 058 887	327 047	387 313	482 260	535 055	917	30,9%
Greater Sekhukhune	967	380 054	343 506	417 670	507 655	529 564	393	90,4%
Mopani (Greater Tzaneen)	964	433 373	320 983	373 292	457 580	495 680	449	74,1%
Vhembe (Makhado)	1 200	672 101	425 214	445 059	561 210	611 441	560	63,3%
Waterberg (Mogalakwena)	614	478 696	152 932	189 089	238 561	272 146	779	31,9%
Sub total	5 498	3 290 196	1 815 694	2 060 352	2 542 093	2 774 193	598	55,2%
Mpumalanga								
Ehlanzeni (Mbombela)	945	897 149	314 937	319 805	394 990	420 104	950	35,1%
Gert Sibande (Govan Mbeki)	900	1 143 113	230 737	249 096	307 440	337 713	1 270	20,2%
Nkangala (Emalahleni)	1 021	1 465 184	228 423	310 220	381 219	411 771	1 436	15,6%
Sub total	2 865	3 505 446	774 097	879 121	1 083 649	1 169 588	1 223	22,1%

Metropolitan and consolidated district and local municipalities	Census popu- lation, 2001	Total 2003 municipal budgets ¹	Total transfers ²				Rand per capita Total 2003 municipal budgets ¹ 2003/04	Transfers as a % of 2003/04 budgets ³ %
			2003/04	2004/05	2005/06	2006/07		
R thousand	thousands	2003/04	2003/04	2004/05	2005/06	2006/07	2003/04	%
Northern Cape								
Frances Baard (Sol Plaatje)	325	679 253	109 055	116 071	121 194	114 907	2 091	16,1%
Karoo (Emthanjeni)	165	234 206	73 415	83 835	72 390	69 846	1 423	31,3%
Kgalagadi (Ga-Segonyana)	177	223 327	131 916	133 064	122 754	101 315	1 262	59,1%
Namakwa (Nama Khoi)	108	177 804	47 272	51 528	45 086	41 772	1 645	26,6%
Siyanda (//Khara Hais)	210	392 915	68 022	69 022	67 951	68 874	1 872	17,3%
Sub total	984	1 707 505	429 681	453 520	429 375	396 716	1 735	25,2%
North West								
Bojanala Platinum (Rustenburg)	1 185	1 454 700	315 862	411 040	486 968	538 553	1 227	21,7%
Bophirima (Lekwa-Teemane)	440	386 226	174 440	178 851	177 464	201 385	878	45,2%
Central (Mafikeng)	763	495 667	223 590	246 463	270 267	310 979	650	45,1%
Southern (City of Klerksdorp)	600	1 022 228	128 543	157 214	183 243	205 799	1 705	12,6%
Sub total	2 988	3 358 821	842 435	993 568	1 117 941	1 256 717	1 124	25,1%
Western Cape								
Boland (Drakenstein)	629	1 547 171	79 497	95 604	107 249	112 171	2 458	5,1%
Central Karoo (Beaufort West)	60	131 353	49 517	53 065	51 811	28 299	2 172	37,7%
Eden (Eden)	455	1 245 152	77 053	82 522	94 502	98 155	2 737	6,2%
Overberg (Overstrand)	204	536 974	36 139	40 120	45 307	48 379	2 638	6,7%
West Coast (Saldanha Bay)	283	772 040	47 677	47 929	52 828	54 033	2 731	6,2%
Cape Town	2 893	10 251 170	304 688	360 984	454 286	504 063	3 543	3,0%
Sub total	4 524	14 483 860	594 570	680 225	805 983	845 100	3 201	4,1%
Total	44 820	86 245 238	11 798 036	13 763 355	15 231 853	16 376 698	1 924	13,7%

1. Includes total municipal capital and operating budgets.

2. Includes equitable share, infrastructure grants, recurrent grants and indirect grants but excludes unallocated transfers.

3. Not possible to make a comparison with 2004 transfers as municipal budgets for 2004 not yet available.

Table E23 Equitable share & infrastructure transfers to municipalities, 2003/04 – 2006/07 national financial year

Metropolitan and consolidated district and local municipalities								
	Equitable share transfers				Infrastructure transfers			
R thousand	2003/04	2004/05	2005/06	2006/07	2003/04	2004/05	2005/06	2006/07
Eastern Cape								
Alfred Nzo (Umzimvubu)	151,603	183,986	153,309	157,253	94,372	101,665	109,597	129,191
Amatole (Buffalo City)	420,413	473,751	403,734	428,232	163,264	230,003	254,321	277,090
Cacadu (Kouga)	83,992	93,686	80,883	87,372	26,578	34,942	35,841	39,768
Chris Hani (Lukanji)	221,071	257,441	221,796	228,988	109,162	127,412	137,827	155,685
O.R. Tambo (King Sabata Dalindyebo)	405,560	488,857	402,130	412,541	228,750	287,816	323,134	363,348
Ukhahlamba (Malatswai)	105,132	123,117	108,221	114,798	56,892	77,720	93,698	77,722
Nelson Mandela	149,300	161,075	155,976	174,216	64,616	75,731	89,690	86,117
Sub total	1,537,070	1,781,913	1,526,050	1,603,400	743,634	935,289	1,044,107	1,128,921
Free State								
Lejweleputswa (Matjhabeng)	187,668	214,293	165,701	174,167	39,317	80,937	90,459	106,117
Motheo (Mangaung)	226,299	235,291	167,864	174,002	54,469	71,731	84,349	92,062
Northern Free State (Metsimaholo)	109,344	122,754	97,227	100,876	30,226	63,234	67,801	47,095
Thabo Mofutsanyana (Maluti a Phofung)	222,252	252,499	206,305	194,853	97,631	112,549	123,532	123,642
Xhariep (Kopanong)	43,462	49,687	43,163	44,793	7,592	11,532	11,970	13,788
Sub total	789,025	874,524	680,260	688,691	229,235	339,982	378,112	382,704
Gauteng								
Metsweding (Kungwini)	19,209	24,897	33,036	36,189	9,127	13,940	16,705	20,283
Sedibeng (Emfuleni)	72,003	97,776	129,310	146,709	35,706	52,038	56,611	61,026
West Rand (Mogale City)	77,818	119,375	167,683	188,550	33,911	78,406	86,199	94,270
City of Johannesburg	238,763	391,161	540,445	613,393	135,441	223,637	256,939	285,873
City of Tshwane	158,737	201,389	269,776	300,956	78,739	161,956	180,680	200,253
Ekurhuleni Metro	192,485	305,515	425,108	485,023	91,570	196,097	231,613	255,520
Sub total	759,015	1,140,115	1,565,358	1,770,820	384,493	726,075	828,747	917,224
KwaZulu-Natal								
Amajuba (Amajuba)	44,980	59,932	78,525	85,326	23,914	36,485	40,933	46,208
Ilembe (Kwa Dukuza)	89,339	103,086	114,035	123,119	46,614	74,959	81,198	90,469
Sisonke (Kokstad)	51,134	61,334	81,147	89,008	27,483	37,005	39,818	48,417
Ugu (Hibiscus Coast)	94,340	110,909	146,429	158,447	74,318	101,729	115,073	129,796
Umgungundlovu (Msunduzi)	133,412	142,629	176,832	190,437	54,619	80,437	88,780	103,372
Umkhanyakude (Jozini)	79,737	91,904	123,210	131,485	60,928	78,770	83,524	99,974
Umkhanyakude (Endumeni)	84,272	93,853	108,830	116,384	63,054	71,756	80,225	82,890
Uthukela (Emnambithi)	67,313	95,448	130,443	140,409	34,136	64,046	71,267	84,691
Uthungulu (Umkhathuzi)	90,435	119,065	166,969	179,577	50,034	91,124	104,274	119,075
Zululand (Abaqulusi)	93,714	114,818	156,623	167,630	74,402	102,929	115,617	125,858
eThekweni	373,607	392,243	474,524	525,556	157,419	244,599	282,982	297,453
Sub total	1,202,283	1,385,221	1,757,567	1,907,379	666,922	983,838	1,103,692	1,228,203
Limpopo								
Bohlabela (Bushbuckridge)	101,322	113,623	144,374	152,512	61,286	75,652	88,425	109,699
Capricorn (Polokwane)	120,161	164,070	238,862	262,676	69,950	133,442	149,873	177,368
Greater Sekhukhune	124,938	164,119	226,813	242,180	88,179	144,489	164,083	189,188
Mopani (Greater Tzaneen)	145,591	164,092	222,554	239,517	42,329	93,736	114,732	148,057
Vhembe (Makhado)	162,807	184,982	251,086	271,806	51,710	97,665	127,478	174,371
Waterberg (Mogalakwena)	74,071	97,868	133,131	146,075	34,993	63,393	75,067	94,165
Sub total	728,890	888,752	1,216,820	1,314,766	348,446	608,378	719,658	892,847
Mpumalanga								
Ehlanzeni (Mbombela)	120,481	145,470	199,263	217,881	63,295	109,609	125,284	130,616
Gert Sibande (Govan Mbeki)	117,589	139,681	182,851	202,877	53,987	89,034	102,453	111,857
Nkangala (Emalahleni)	90,398	139,713	191,825	211,453	49,665	103,366	116,643	124,193
Sub total	328,467	424,864	573,938	632,211	166,947	302,009	344,380	366,665

Table E23 Equitable share & infrastructure transfers to municipalities, 2003/04 – 2006/07 national financial year

Metropolitan and consolidated district and local municipalities	Equitable share transfers				Infrastructure transfers			
R thousand	2003/04	2004/05	2005/06	2006/07	2003/04	2004/05	2005/06	2006/07
Northern Cape								
Frances Baard (Sol Plaatje)	61,771	68,758	65,184	70,523	28,758	30,091	37,596	27,876
Karoo (Emthanjeni)	53,158	59,073	45,335	45,174	10,867	16,800	17,931	14,463
Kgalagadi (Ga-Segonyana)	46,514	54,415	50,499	51,353	40,773	60,482	53,080	30,852
Namakwa (Nama Khoi)	29,427	33,071	26,486	26,106	8,159	11,641	10,741	7,098
Siyanda (//Khara Hais)	41,052	46,775	42,381	44,859	9,819	16,194	18,849	16,494
Sub total	231,922	262,092	229,886	238,015	98,376	135,208	138,197	96,784
North West								
Bojanala Platinum (Rustenburg)	179,985	207,115	250,461	273,779	71,574	170,825	198,779	219,391
Bophirima (Lekwa-Teemane)	95,723	111,996	104,691	112,971	26,767	44,155	47,371	59,872
Central (Mafikeng)	122,743	141,583	153,637	165,979	41,369	67,955	80,460	106,211
Southern (City of Klerksdorp)	83,388	92,999	116,579	131,350	27,740	56,365	60,435	67,970
Sub total	481,839	553,692	625,368	684,079	167,451	339,301	387,045	453,445
Western Cape								
Boland (Drakenstein)	46,863	54,411	64,643	72,233	20,978	33,793	35,075	32,407
Central Karoo (Beaufort West)	13,990	15,341	15,694	16,258	27,384	32,044	28,398	2,972
Eden (Eden)	30,864	40,554	52,551	58,574	26,034	32,418	31,863	28,532
Overberg (Overstrand)	17,297	21,668	26,537	29,805	10,209	12,852	13,042	12,596
West Coast (Saldanha Bay)	22,861	28,621	33,121	36,741	12,805	15,558	15,848	13,183
Cape Town	159,992	205,778	275,550	311,970	137,540	151,207	174,736	191,094
Sub total	291,867	366,373	468,095	525,580	234,950	277,872	298,962	280,784
Total	6,350,377	7,677,546	8,643,341	9,364,941	3,040,455	4,647,952	5,242,899	5,747,577

1. Not possible to make a comparison with 2004 transfers as municipal budgets for 2004 not yet available.

APPENDIX E1 and E2:
FRAMEWORKS FOR CONDITIONAL
GRANTS TO PROVINCES AND LOCAL
GOVERNMENT

Appendix E1 and E2: Frameworks for Conditional Grants to Provinces and Local Government

Detailed Frameworks on Schedules 4, 5, 6 and 7 Grants to Provinces and Municipalities

Introduction

Appendix E1 and E2 provide a brief description of the framework for each grant in Schedules 4, 5, 6 and 7 of the Division of Revenue Bill. The following are key areas considered for each grant:

- Purpose and measurable objectives of the grant
- Conditions of the grant (additional to what is required in the Bill)
- Criteria for allocation between provinces or municipalities
- Rationale for funding through a conditional grant
- Monitoring mechanisms
- Past performance
- The projected life of the grant
- 2004/05 Allocation
- The payment schedule
- Responsibility of national transferring department

This framework is not part of the Division of Revenue Bill, but is published in order to provide more information on each grant to Parliament, legislatures, municipal councils, officials in all three spheres of government and the public. Once the 2004 Division of Revenue Bill is enacted, these frameworks will be gazetted in terms of section 24(1) of the Bill. It is also expected that each transferring and receiving national and provincial department will provide more detail on the grant framework in its own departmental strategic plan to be tabled during February 2004 in terms of chapter 5 of the Treasury Regulations.

The financial statements and annual reports for 2004/05 will report against the Division of Revenue Bill and its schedules, and the grant frameworks as gazetted in terms of section 24(1). Such reports must cover both financial and non-financial performance, focusing on the outputs achieved. The Auditor-General is expected to audit compliance to the 2004 Division of Revenue Act and gazetted grant framework by both transferring national departments and receiving provincial departments or municipalities.

Appendix E1: Grant Framework for Conditional Grants to Provinces

AGRICULTURE GRANTS

Land Care Programme: Poverty Relief and Infrastructure Development	
Transferring Department	Agriculture (Vote 26)
Purpose	To address the degradation problems of natural/agricultural resources and improve the socio-economic status, and food security of rural communities
Measurable objectives/outputs	• Rehabilitation of irrigation schemes to benefit small scale farmers • Improvement of veldt management systems • Improvement in production systems for small scale farmers • Reduction in depletion of soil fertility and soil acidity • Training facilitation • Raise the level of awareness to show how incorrect farming activities impact negatively on resources
Conditions	Implementation of approved projects according to the project schedule
Allocation criteria	Based on: • Four thematic areas of soil care, water care, veldt care and junior land care • Targeting the poverty nodes, and nationally targeted areas for poverty alleviation • Targeting areas with high levels of degradation of natural resources
Reasons not incorporated to equitable share	The funding originated with the special poverty allocations made by national government
Monitoring mechanisms	• Provinces report monthly and quarterly on implementation progress • The Intergovernmental Technical Working Group on Land Care assesses progress and ensures sharing of best practises across provinces
Past performance	2002/03 financial outcomes • Allocated amount of R38 million was transferred and spent by provinces
	2002/03 service delivery performance • 2 800 people benefited from upgraded water supply for drinking and irrigation, 115km of irrigation channels repaired • 60 000 ha of natural veldt planned, with 350 km fencing and 90 km of stock watering supply network constructed • 82 000 ha of invasive plants were eradicated in order to improve veld condition • 1 115 ha arable land was improved through the demonstration of various soil care practices • Training was done to ensure that land care groups are self-sustainable after completion of the projects
Projected life	3 years
2004 MTEF Allocations	R27,1 million, R40 million and R44,5 million
Payment schedule	Quarterly instalments
Responsibilities of national department	• Department to provide report to SCOF on audited outcomes for 2002/03 of receiving provincial departments and the national department, identifying any corrective steps to be taken on any problems with this grant identified during audit. Also to report on outputs achieved in 2002/03 per province • Detailed information on the allocation formula and data used, and on monitoring system, to be submitted to SCOF in NCOP during DoR hearings or as agreed • Submission of quarterly performance (i.e outputs) reports with a quarter lag to SCOF in NCOP

Comprehensive Agriculture Support Programme	
Transferring Department	Agriculture (Vote 26)
Purpose	To enhance the provision of support services to promote and facilitate agricultural development targeting beneficiaries of the Land and Agrarian Reform programmes and resource poor land-users
Measurable objectives/outputs	• Increased access to and improvement in the quality of agricultural support services provided to targeted beneficiaries (i.e. advisory, information and knowledge management, training and capacity building, market and business development support; financial, on and off farm infrastructure such as dipping) • Improvement in the capacity of the departments to deliver agricultural support services • Number of targeted beneficiaries [from Land and Agrarian Reform Programmes] getting access to public agricultural support services • Increased access by resource poor farmers to timeous market and technical information • Improvement in the availability of farm and off farm infrastructure supporting targeted farmers (for example dipping, fencing, rehabilitation of irrigation schemes etc)
Conditions	• Funds to be used to supplement provincial budgets to improve and increase farmer support services within the CASP framework • Submission of business plans by 31 March 2004 indicating how this allocation will be used in line with CASP objectives. Information should indicate additional inputs to be acquired and services to be improved or developed • Quarterly report on performance (i.e output) in terms of reporting schedule as agreed between provinces and national department • Provincial departmental strategic plans for 2005/06 to clearly indicate CASP measurable objectives and performance targets as agreed with national department
Allocation criteria	The formula used to allocate funds is a weighted average of the following variables: • The size of agricultural land, with higher weights for arable land • Number of farmers emerging from the land reform programme – considering restitution and LRAD – increasing number of farmers increases demand for support services • Rural population as determined by Stats SA based on 2001 Census - farming mostly targets rural areas – this variable captures the possibility of rural people undertaking various types of farming including livestock
Reasons not incorporated to equitable share	• The development of support services is a national priority given that they will enhance the productive capacity and economic success of the resource limited land users; household and communal food producers; beneficiaries of the Land Reform and Agrarian Reforms programmes • The grant will allow for the development and implementation of national norms and standard for service delivery, and for better targeting
Monitoring mechanisms	• Submission of quarterly reports reflecting outputs against the plans • Provincial visits by national department to assess performance and provide advice • Regular assessment by ITCA
Past performance	New conditional grant
Projected life	The grant will be reviewed after 3 years
2004 MTEF Allocations	R200 million, R250 million, and R300 million
Payment schedule	Quarterly instalments
Responsibilities of national department	• Submit format for business plan to provinces no later than 28 February 2004, and all approvals of business plans to be completed by 30 April 2004 • Detailed information on the allocation formula and data used, and on monitoring system, to be submitted to SCOF in NCOP during DoR hearings or as agreed • Submission of quarterly performance (i.e outputs) reports with a quarter lag to SCOF in NCOP

EDUCATION GRANTS

HIV and Aids Grant (Life Skills Education)	
Transferring department	Education (Vote 15)
Purpose	- To ensure access to an appropriate and effective integrated system of prevention, care and support for children infected and affected by HIV and Aids - To deliver life skills, sexuality and HIV and Aids education in primary and secondary schools
Measurable outputs	- Additional 400 master trainers to be trained - Additional training of 10 000 educators to deliver programme to learners - Verified reporting of implementation of the life skills programmes in schools - Peer education, care and support programmes implemented in selected schools in nodal areas
Conditions	- Provincial business plans with focus on the above outputs must be approved by the national Accounting Officer before the transfer of the first instalment - The outcomes as outlined in the approved business plans must be achieved
Allocation criteria	Education component of the equitable share formula as explained in Annexure E of Budget Review is used to allocate this grant amongst provinces
Reason not incorporated in equitable share	Enables the Department of Education to provide overall direction such that congruency, coherence, and alignment with the Department of Education's National Strategy for HIV and Aids and the National Integrated Plan for Children Infected and Affected with HIV and Aids (NIP) is ensured, and also enables the Department of Education to play an oversight role over the implementation of life skills programmes in primary and secondary schools
Monitoring mechanisms	- Departments of Education, Health and Social Development will schedule inter-departmental and inter-provincial meetings as part of the National Integrated Plan for Children and Youth affected and infected with HIV and Aids - Monitoring and evaluation will be conducted by the Departments of Education both at national and provincial level - At least two site visits per province and 4 inter-provincial meetings/workshops held to support and monitor implementation of programmes
Past performance	2002/03 audited financial outcomes - Of the total allocation amounting to R144,6 million, R133 million was transferred to provinces, R11 million was not transferred to Limpopo due to slow spending - Administration of conditional grants was a matter emphasised in 2002/03 audit, and six of ten education departments received qualified audits
	2002/03 service delivery performance - HIV and Aids learner support materials for Grades 1 to 9 was developed and distributed to schools - Provinces trained more than 300 Master Trainers (mainly district-based officials) to cascade training to educators to deliver curriculum-based programmes to all learners - Provinces trained and provided ongoing follow-up support to more than 50 000 educators on care and support, sexuality education, HIV and Aids and other related life skills - Provided schools with age-appropriate Teacher Learner Support Material – more than 80% of schools covered - According to surveys conducted in provinces, 70%-80% of schools are implementing the life skills programme through the curriculum
Projected life	It is envisaged that, given the nature of the epidemic, the need for such a grant will persist for at least another 5 to 8 years
Payment schedule	Four instalments (15 April 2004, 15 July 2004, 15 October 2004 and 14 January 2005)
2004 MTEF Allocations	R128,6 million, R136,3 and R144,5 million
Responsibilities of national department	- Department to provide report to SCOF on audited outcomes for 2002/03 of receiving provincial departments and the national department, identifying any corrective steps to be taken on any problems identified during audit. Also to report on outputs achieved in 2002/03 per province - Submit format for business plan to provinces no later than 28 February 2004, and all approvals of business plans to be completed by 30 April 2004 - Detailed information on the allocation formula and data used, and on monitoring system, to be submitted to SCOF in NCOP during DoR hearings or as agreed - Submission of quarterly performance (i.e outputs) reports with a quarter lag to SCOF in NCOP

Primary School Nutrition Programme	
Receiving department	Education (Vote 15)
Purpose	To improve the nutrition status of South African children: specifically to enhance active learning capacity and improve attendance in schools
Measurable objectives/ outputs	• Reach about 15 000 poverty stricken schools at which about 5 million learners will be fed • Improve coverage of planned feeding days to a minimum of 156 in all 9 provinces • Comply 100% with nutritional criteria for school feeding as directed by Cabinet decision (feed according to approved menu, feed by 10h00, and comply with food safety standards)
Conditions	• Provincial business plans with focus on the above outputs must be approved by the national Accounting Officer before the transfer of the first instalment • Grant must be kept on separate responsibility and objective codes • Compliance with the targeting criteria and minimum norms and standards as determined by Cabinet decision of 23/1/02 and implementation guidelines of the national Department with regard to approved menus, nutrition quality and quantity and food safety • Measurable objectives as outlined in this document must be achieved
Allocation criteria	The distribution formula that is based on an index comprising of three indicators, namely the poverty gap (1996), poverty distribution according to population (1996) and anthropometric indicators of children (2000)
Reason not incorporated in equitable share	The Primary School Nutrition Programme is a government programme for poverty alleviation specifically initiated to uphold the rights of children to basic food. For this reason, there is a national mandate to fund, spend and account transparently before government and the public
Monitoring mechanisms	• Provinces must report quarterly in terms of progress indicators • Monitoring visits by Education and Health on nutrition quality, quantity and food safety • Periodic assessment commissioned by national Department
Past performance	This is the first year of this conditional grant in education
Projected life	It is envisaged that, given the economic climate in the country and the impact of HIV and Aids, the need for such a grant will persist for another 8 to 10 years at least
Payment schedule	Four instalments (15 April 2004, 15 July 2004, 15 October 2004 and 14 January 2005)
2004 MTEF Allocations	R832,2 million, R912,2 million and R1 098 million
Responsibilities of national department	• Submit format for business plan to provinces no later than 28 February 2004, and all approvals of business plans to be completed by 30 April 2004 • Information on allocation formula, and data used to be tabled with SCOF in NCOP during DoR hearings or as agreed • Submission of quarterly performance (i.e outputs) reports with a quarter lag to SCOF in NCOP

HEALTH GRANTS

National Tertiary Services Grant	
Transferring department	Health (Vote 16)
Purpose	To fund national tertiary services delivered in 27 hospitals across the nine provinces, as identified by the national Department of Health (DOH), in order to ensure equitable access to basic tertiary health services by all South Africans
Measurable outputs	- Number of admissions, outpatients and day cases per specialised service unit, per institution - Improvement in management of information for identified hospitals
Conditions	- Maintenance of a separate budget and management centre for each identified hospital - Appointment of a chief executive officer and delegation of general management functions and powers to the Chief Executive Officer of each identified hospital. These functions should cover – financial accountability, supply chain management, hiring and disciplining of staff - Provision of designated national tertiary services at activity levels as agreed between the province and the national DOH - Provinces to include appropriate information in their strategic plans - Departments that receive this grant must communicate in writing to each benefiting hospital the allocations made, conditions and expected service level outputs. For monitoring purposes, this information should be supplied to the national DOH - No discrimination in admitting patients on the grounds of residency or province
Allocation Criteria	- Cost of designated national tertiary services as determined by 2001 costing and service review - Phasing in over a five year period - Costs based on service delivery levels and should a province provide less than the agreed services, funding may be adjusted downwards accordingly, in consultation with the National Treasury
Reason not incorporated in equitable share	- National tertiary services have spill-over benefits and need to be planned nationally and collectively - These services benefit other provinces and the spill-over costs cannot be covered by the equitable share formula
Monitoring mechanisms	Quarterly submission of NTSG monitoring data via District Hospital Information System (DHIS) or any other agreed to mechanism
Past performance	2002/03 audited financial outcomes - Allocated amount of R3,7 billion was transferred and spent by provinces - Administration of conditional grants was a matter emphasised in 2002/03 audit, and four of ten health departments received qualified audits - Funding of academic hospitals under pressure in 2003/04 2002/03 service delivery performance - Transition from former Central Hospitals Grant has been successfully achieved, including establishment of routine monitoring system for NTSG via DHIS Standards of reporting - Standards of reporting particularly in terms of statistics and data sets improved - Management has in general improved in tertiary hospitals
Projected life	The need to support the provision of tertiary services in provinces will continue into the foreseeable future. The planning of the service configuration and the basis for the calculation of the grant will be constantly reviewed
2004 MTEF Allocations	R4 273 million, R4 529,4 million, and R4 801,1 million
Payment schedule	Equal monthly instalments – normally on the 10 th day of the month
Responsibilities of national department	2004/05 - Finalise long term plan for modernisation of tertiary services - Develop grant framework to support modernisation process - Review of funding based on first two years of output monitoring - Submission of quarterly performance (i.e. output) reports with a quarter lag to Select Committee on Finance in NCOP - Detailed information on the allocation formula and data used, and on monitoring system, to be submitted to SCOF in NCOP during DoR hearings or as agreed 2004/05-2005/06 - Develop structures and mechanisms to implement modernisation of tertiary services - Review funding of academic hospitals with National Treasury and Department of Education

Health Professions Training and Development Grant	
Transferring department	Health (Vote 16)
Purpose	• Support provinces to fund service costs associated with training of health professionals • Enable shifting of teaching activities from central hospitals to regional and district facilities • Development and recruitment of medical specialists in under-served provinces
Measurable outputs	• Number and composition of health sciences students by province and institution • Number of filled training placements per discipline and per institution as compared to plan • Expanded specialist and teaching infrastructure in target provinces
Conditions	• Business plans for provinces receiving developmental portion of the grant should be approved by 1 April 2004 for this portion to the national DOH, indicating planned deployment of additional registrars and specialists, showing current and proposed posts • Each province to publish in its strategic plan for 2004/05, information as required by the national DOH, on the training of all health care personnel by institution, including any subsidies and other associated costs, deployment of additional registrars and specialists by gaining provinces and institutions showing current and proposed posts and related infrastructure • Provinces to create and budget for additional posts related to registrars and specialists as agreed with national DOH and the deans of medical faculty in universities • Timely submission of monitoring information as agreed with national DOH. This should include annual reports on additional numbers of registrars and specialists in gaining provinces
Allocation criteria	• A specific increment has been allocated to provinces without health professional training facilities to develop specialist and teaching capacity • The remaining funds are divided between the five provinces with medical schools on the basis of proportion of medical undergraduates; ten percent of the remainder is divided equally between the four provinces with no medical school • Target allocations per province to be phased in over 5 year period, subject to annual review, to accelerate the phase in period
Reason not incorporated in equitable share	• Grant primarily targets certain provinces, which currently provide the bulk of health professionals training nationally • Expansion and shifting of location of teaching activities requires national coordination
Monitoring mechanisms	• Bi-annual reporting by province on number of students enrolled by discipline, level and training institution (frequency to be significantly decreased once national DOH has adequate database) using the prescribed format • Bi-annual reporting by province on the number and duration of practical placements by health sciences students by type/level of health facility (frequency to be significantly decreased once national DOH has adequate data-base) • Bi-annual reporting by targeted province on achievement of planned expansion of specialist and teaching infrastructure
Past performance	2002/03 audited financial outcomes • All allocated amounts (R1,3 billion) were transferred to provinces and funding flowed to institutions as planned • Administration of conditional grants was a matter emphasised in 2002/03 audit, and four of ten health departments received qualified audits
	2002/03 service delivery performance • The actual deployment of postgraduate employees was achieved with mixed results
Projected life	• The need to compensate provinces undertaking the bulk of training is likely to continue for the foreseeable future, but ongoing review of this grant is expected to improve its alignment with national human resource development policy
2004 MTEF Allocations	R1 434,1 million, R1 520,2 million, R1 520,2 million
Payment schedule	Equal monthly instalments – normally on the 10 th working day.
Responsibilities of national department	2004/05 • Detailed information on the allocation formula, and data used, to be tabled with Select Committee on Finance in NCOP during DoR hearings or as agreed • Submission of quarterly performance (i.e. output) reports with a quarter lag to Select Committee on Finance in NCOP • Continue research to improve and reconfigure this grant. It is envisaged that this grant will be completely reformed within the next two years • Table new proposals to progressively improve this grant alongside modernisation of tertiary services proposals

Comprehensive HIV and Aids Grant	
Transferring department	Health (Vote 15)
Purpose	To Enable the health sector to develop an effective response to HIV and Aids epidemic: • Support approved interventions including voluntary counselling and testing (VCT), mother to child transmission prevention (PMTCT) programmes, strengthening of provincial management, establishment of Regional Training Centres, post exposure prophylaxis (PEP), home-based care, and step-down care to provide a comprehensive treatment package • Support implementation of the National Operational Plan for Comprehensive HIV and Aids Treatment and Care
Measurable outputs	• Number of health districts which have voluntary counselling and testing facilities • Number of mothers receiving VCT and number of mother/baby pairs receiving PMTCT prophylaxis • Number of facilities providing PMTCT services • Number of home based care teams in operation, caseload and number of patient contacts • Number of step-down facilities in operation, number of admissions and bed days • Number of adults and children presenting after sexual assault, and number receiving PEP • Number of projects targeting commercial sex workers and number of sex workers reached • Increased condom distribution • Number of persons enrolled in Comprehensive Treatment & Care programme • Number of persons receiving nutritional support and supplementation • Number of persons receiving antiretroviral therapy • Number of sites accredited to provide Comprehensive Treatment and Care programmes
Conditions	• Flow of instalments will be dependant on adequate performance on expenditure and outputs; in particular, continued poor performance in implementing Comprehensive Treatment and Care Programme may result in reallocation of funds to other provinces • Quarterly monitoring returns to be submitted • Provinces must comply with all data reporting requirements of the National Monitoring & Evaluation Framework for Comprehensive Treatment and Care programme; non-compliance will result in withholding of funds • Comprehensive Treatment & Care programme must be delivered at nationally accredited facilities only • All treatment and care must follow national treatment and clinical guidelines as published by the National Comprehensive Treatment & Care programme • Procurement of pharmaceuticals and nutritional supplements/products for use in the Comprehensive Treatment & Care programme must be undertaken as agreed with the national Department of Health including through the appropriate use of national tenders • All laboratory and diagnostic monitoring under the Comprehensive Treatment & Care programme must be procured from the National Health Laboratory Service • Payment of all suppliers (including NHLS) will be effected within 30 days of receipt of invoice, continuing late payment may result in withholding of funds • Provinces should budget for long-term recurrent funding of home based care and step-down care (i.e. once projects have matured)
Allocation criteria	Based on prevalence as determined by: 2001 Antenatal HIV Prevalence Survey, estimated share of HIV+ births, share of reported rapes, and estimated share of Aids cases
Reason not incorporated in equitable share	• National priority • Distribution of epidemic differs from equitable share distribution
Monitoring mechanisms	• Quarterly reporting of output in terms of the monitoring framework established by national DOH • Reporting requirements as specified by the National Monitoring & Evaluation Framework for Comprehensive Treatment and Care Programme • Provincial liaison and technical support visits by members of the national DOH • Regular meetings by the National Steering Committee

Past performance	2002/03 audited financial outcomes • All funds (R210 million) were transferred to provinces. Most provinces spent their allocated amounts with the exception of Mpumalanga which spent 60 percent • Administration of conditional grants was a matter emphasised in 2002/03 audit, and four of ten health departments received qualified audits
	2003/04 service delivery performance • 400 new sites provided comprehensive PMTCT interventions bringing a total number of sites to 650, reaching out to more than 80,000 women • Kwazulu-Natal, Western Cape and Gauteng achieved close to full coverage for the implementation of post-exposure prophylaxis • Operational sites for Voluntary Counselling and Testing (VCT) increased from 472 in 2001/02 to 1625 in 2002/03
Projected life	For duration of the allocation
2004 MTEF Allocations	R781,6 million, R1 135,1 million, and R1 567,2 million
Payment schedule	Equal monthly instalments
Responsibility of national Department	2004/05 – 2005/06 • Finalise the output reporting framework for the programme to incorporate National Monitoring & Evaluation Framework for Comprehensive Treatment and Care Programme • Constant monitoring of outputs and spending trends under Comprehensive Treatment and Care Programme to allow for revision of grant amounts and allocations as required to support implementation • Department to provide report to SCOF on audited outcomes for 2002/03 of receiving provincial departments and the national department, identifying any corrective steps to be taken on any problems identified during audit. Also to report on outputs achieved in 2002/03 per province • Submit format for business plan to provinces no later than 28 February 2004, and all approvals of business plans to be completed by 1 April 2004 • Detailed information on the allocation formula, and data used, to be tabled with Select Committee on Finance in NCOP during DoR hearings or as agreed. • Submission of quarterly performance (i.e. output) reports with a quarter lag to Select Committee on Finance in NCOP

Hospital Revitalisation Grant	
Transferring department	Health (vote 16)
Purpose	To transform and modernise infrastructure and equipment in hospitals in line with national policy and to achieve a sustainable infrastructure from which modern, equitable and sustainable services can be delivered
Measurable outputs	• Number of hospitals approved and started on the revitalisation programme • 27 hospitals currently in the programme will be completely upgraded or replaced
Conditions	• Compliance with Integrated Health Planning Framework (IHPF) • Compliance with provincial priorities for sustainable service delivery as identified in the provinces' Strategic Position Statements (SPS) • All projects must comply with the 2004/05 Project Implementation Manual requirements for implementation • Business cases in a standard format indicated in the 2004/05 Project Implementation Manual must be approved by the National Department of Health by 30th May for any additional projects to be funded in the following years allocation • Submission of prioritisation schedule for all hospitals reflecting order of implementation of revitalisation hospitals over the long-term and backlog reduction in lower priority hospitals • Annual Project Implementation Plans for each approved project in a standard format indicated in the 2004/05 Project Implementation Manual must be submitted to National Department of Health by the 28th February. Transfer of first instalment is subject to prior approval of implementation plans
Allocation criteria	• Allocations will be based on projects comprised of at least one hospital per province • The number of projects per province will be agreed between the National Department and Treasury each year • Monitoring of performance in achieving planned and national targets will affect allocations
Reasons not incorporated in the equitable share	• To provide the additional, targeted and time bound investment to provincial health departments to enable them to transform and modernise the hospital sector in line with nationally agreed goals and timeframes • The large size of the whole hospital projects makes them difficult for provinces to fund from equitable share
Monitoring mechanisms	• Annual and Quarterly reporting on hospital monitoring modules in the prescribed format • Prescribed monthly reports to Treasury • Quarterly reporting on project implementation progress and expenditure to the National Department in the prescribed format
Past performance	2002/03 audited financial outcomes • The revised allocation for the grant amounted to R650 million. Provinces spent all transferred funds • Administration of conditional grants a matter emphasised in 2002/03 audit, and four out of ten health departments received qualified audits 2002/03 Service Delivery Performance • All provinces converted fully to project based funding for revitalisation by April 2003 • 18 new projects (two per province) were added to the 9 that were initiated in 2001/02, bringing the total hospitals earmarked for complete revitalisation projects to 27. Of these hospitals, 16 are new hospitals, either to replace existing dilapidated hospitals or provide a complete new service. Some of these projects (15) are already under construction, while the rest are in planning stage • Three large hospitals funded through conditional grants have been completed, Inkosi Albert Luthuli Central Hospital (846 beds) in Kwazulu-Natal, Nelson Mandela hospital (460 beds) in the Eastern Cape, and Pretoria Academic (777 beds) in Gauteng
Projected life	The National and Provincial Departments of Health agreed target is to achieve full revitalisation of all hospitals in 20 years
2004 MTEF Allocations	R911,9 million, R1 027,4 million, and R1 180,3 million
Payment Schedule	Equal monthly instalments

Responsibilities of national department	2004/05 – 2005/06. • Department to provide report to SCOF on audited outcomes for 2002/03 of receiving provincial departments and the national department, identifying any corrective steps to be taken on any problems identified during audit. Also to report on outputs achieved in 2002/03 per province • Detailed information on the allocation formula, and data used, to be tabled with Select Committee on Finance in NCOP during DoR hearings or as agreed • Agree with provinces and Treasury on the number and distribution of projects by province to be funded through the grant over the MTEF • Obtain and evaluate additional business cases for projected project start requirements through the entire MTEF • The department must publish a detailed performance assessment and report on this grant in its 2004/05 annual report, including the performance of the national department and provincial health departments • The department must submit non-financial performance information per province (and if requested, by hospital) to the National Treasury and Select Committee on Finance in the NCOP no later than 90 days after end of each quarter
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Integrated Nutrition Programme Grant	
Transferring depart.	Health (Vote 16)
Purpose	To implement integrated nutrition activities aimed at improving the nutritional status of all South Africans
Measurable objectives/ outputs	• Reduce wasting to < 2%, stunting < 18%, underweight <8%, and severe underweight < 1% in children by 2006/07 • Reduce Vitamin A deficiency <19%, Iron Deficiency <7.5% and Iodine deficiency <5% in children by 2006/07 • Increase percentage of children 6 – 11 months receiving vit A supplementation to ≥90% by 2006/07 • Increase percentage of children 1 – 5 years receiving vit A supplementation to ≥75% by 2006/07 • Increase percentage of post partum mothers receiving vit A supplementation to ≥90% by 2006/07 • Increase the percentage of infants exclusively breastfed for 6 months ≥10% by 2006/07 • Increase percentage of 12 month olds with Road to Health Charts = 100% by 2006/07 • Increase Percentage of baby-friendly maternity facilities ≥ 32% by 2006/07
Conditions	• Access of funding through business plans • Grant must be kept on separate cost center codes • Compliance with minimum norms and standards as determined by policy and implementation guidelines • Funding for programme management functions restricted to a maximum of 1 % of the grant
Allocation criteria	The INP conditional grant is distributed in total to the provincial departments of health according to an index comprised of three indicators: • Indicator 1: 1996 Poverty gap (65 per cent of Index) • Indicator 2: 1996 Population 0 to 15 years living under the poverty line (30 per cent of index) • Indicator 3: 2000 Anthropometric indicators (5 per cent of Index)
Reason not incorporated in equitable share	• The Primary School Nutrition Programme has shifted to education in 2004/05. The INP remains a conditional grant for two years, this establishes the level at which the programme has to be funded when it phases into equitable share in 2006/07
Monitoring mechanisms	• Provinces must report quarterly in terms of progress indicators • Provinces must report monthly in terms of financial indicators • The National office conducts regular monitoring and technical support visits to the provinces • Formal assessments
Past performance 2002/03	2002/03 Audited financial outcomes • R592 million was allocated and transferred to provinces, and 98% was reported as spent • Administration of conditional grants was matter emphasised in 2002/03 audit, and four out of ten health departments received qualified audits
	2002/03 Service delivery performance • Feeding took place in 15,650 schools reaching 4,6 million children. This coverage constitute 95 per cent of targeted number of schools
Projected life	The programme will phased into equitable share in 2006/07
2004 MTEF Allocations	R112,2 million, R123,4 million
Payment schedule	Four installments based on cash flow plans: • On approval of Business Plan (April) • On receipt of monthly financial reports for 1st quarter (July) • On receipt of monthly financial reports for 2nd quarter (October) • On receipt of monthly financial reports for 3rd quarter (January)
Responsibilities of national department	• Department to provide report to SCOF on audited outcomes for 2002/03 of receiving provincial departments and the national department, identifying any corrective steps to be taken on any problems identified during audit. Also to report on outputs achieved in 2002/03 per province • Detailed information on the allocation formula, and data used, to be tabled with Select Committee on Finance in NCOP during DoR hearings or as agreed • Submission of quarterly performance (i.e. output) reports with a quarter lag to Select Committee on Finance in NCOP

Hospital Management and Quality Improvement Grant	
Transferring depart.	Health (Vote 16)
Purpose	To transform hospital management and improve quality of care in line with national policy
Measurable objectives/ outputs	Number of hospitals with approved management strengthening and quality improvement plans started on the programme
Conditions	- Implementation plans in the prescribed format must be submitted and approved before the flow of the first instalment - Significant progress must be reported on the quarterly targets as stated in the plan before subsequent payments are transferred - This grant must support Revitalisation projects, but may additionally be used for appropriate projects in other Hospitals, provided revitalisation project needs are met
Allocation criteria	Project based allocation in order to achieve hospital management transformation within agreed period of revitalisation programme
Reason not incorporated in equitable share	To provide the additional, targeted and time bound investment to provincial health departments to enable them to transform and modernise the hospital sector in line with nationally agreed goals and timeframes
Monitoring mechanisms	- Annual and Quarterly reporting on hospital monitoring modules in the prescribed format - Prescribed monthly reports to Treasury - Quarterly reporting on project implementation progress and expenditure to the National Department in the prescribed format
Past performance 2002/03	2002/03 audited financial outcomes - Allocation amounted to R126 million. All funds were transferred. Provinces spent around 85% of transferred funds, with somewhat lower spending in Mpumalanga and Eastern Cape - Administration of conditional grants was matter emphasised in 2002/03 audit, and four of ten health departments received qualified audits
	2002/03 Service Delivery Performance - The grant was originally targeted at financial management of tertiary hospitals, and this was extended to support management and quality improvement in the revitalisation programme. During the transition utilisation was hampered by split responsibility and lack of clarity, 2003/04 is the first year the grant has been largely focused on revitalisation programme - All central hospitals are now headed by chief executive officers and most have fully fledged general management teams in place - Systems to support greater delegation of management authority to hospital level are being finalised by the provincial departments of health - Cost centre accounting system is in use in 46 public hospitals
Projected for 2003/04	The grant is linked to the projected lifespan of the Revitalisation Programme, currently targeted at completion within 20 years. It is expected that the rollout of management improvements can be achieved in shorter timeframes than the infrastructure and so it is expected to be completed within 10 to 12 years
2004 MTEF Allocations	R141,8 million, R150,3 million, R159,4 million
Payment schedule	Quarterly instalments
Responsibilities of national department	- Department to provide report to SCOF on audited outcomes for 2002/03 of receiving provincial departments and the national department, identifying any corrective steps to be taken on any problems identified during audit. Also to report on outputs achieved in 2002/03 per province - Detailed information on the allocation formula, and data used, to be tabled with Select Committee on Finance in NCOP during DoR hearings or as agreed - Submission of quarterly performance (i.e. output) reports with a quarter lag to Select Committee on Finance in NCOP

HOUSING GRANTS

Housing Subsidy Grant	
Transferring department	Housing (Vote 29)
Purpose	To finance subsidies under the national housing programme
Measurable objectives/ outputs	• Number of subsidies financed per annum averages 180 000 houses • Number of houses under construction • Number of houses completed per province • Number of households benefiting
Conditions	• Provincial cash flows linked to projects for 2004/05 must be submitted to the national Department of Housing by 31 March 2004 for approval before the flow of the first instalment • Provincial housing department to ensure that all subsidy allocations for 2005/06 are allocated by 31 October 2004 and such allocations should be submitted to National Housing Department for evaluation and approval by 15th November 2004. The provincial housing HOD must satisfy himself/herself that municipalities will duly provide for infrastructure before allocating subsidy • Provinces must utilise the Housing Subsidy System for budgeting, subsidy administration, financial administration and reporting purposes • Submit comprehensive reporting on expenditure on individual projects by the 15th of each and every month • Housing allocations must be in terms of national housing programmes and priorities, as approved • Provincial housing departments must set aside a minimum 0.75 percent of the allocation to finance emergency housing needs. The funding will provide for the needs of people who must be assisted in cases similar to Constitutional Court ruling in the Grootboom case.
Allocation criteria	• A formula which introduces an urban preference is used to determine allocations for 2004/05. The allocation is based on: • The needs of each province as measured by the housing backlog. Backlog is a function of people who are homeless, staying in inadequate housing or conditions, and is assigned a weight of 50 percent; • A poverty indicator as measured by the number of households earning less than R3 500 in each province and is weighted 30 percent; • A population indicator as measured by each province's share of total population using statistics from 1996 census and is weighted 20 percent. • The third component of the formula will be adjusted with effect from the 2005/06 financial year to: • A population indicator, weighted at 20 percent, as measured by each province's share of total population as per the 2001 census data with effect from the 2005/06 financial year
Reason not incorporated in equitable share	The provision of housing to the poor is a national priority. The conditional grant enables the national government to provide for the implementation of housing delivery in provincial budgets, and the monitoring of provinces accordingly
Monitoring mechanisms	• The national Department of Housing has installed a transversal computerised subsidy management system (HSS) in all provincial housing departments for the administration of the subsidy scheme and to allow the national department to monitor progress and expenditure continuously through monthly reporting, visits to provinces, interaction by the housing sector Chief Financial Officers and Heads of Housing and MINMEC meetings • The national Department of Housing requires that the provincial department of housing focus particular attention on the submission of comprehensive non-financial information to form part of the prescribed conditional grant reporting

Past performance	2002/03 audited financial outcomes • R3,8 billion was allocated and transferred to provinces. When including unspent funds in 2001/02, the total funds available for spending amounted to R4,5 billion, of which R900 million was not spent • Little information provided on actual spending against transfers to municipalities and housing funds • Three of the ten housing departments and an unknown number of housing funds received qualified audit opinions. The Auditor-General noted as a matter emphasised that there was material contravention of the DoRA, and could not determine whether transfer payments were utilised as stipulated. 2002/03 service delivery outcomes • The number of subsidies approved in the last three years averaged 346 331 per annum, while the number of houses completed during the same period averaged 179 171 per annum
Projected life	Unless government directs otherwise and taking into account the level of backlogs in housing, it is anticipated that the need for funding will exist for at least the next 20 years
2004 MTEF Allocations	R4 473,6 million, R4 745,4 million, and R5 030,1 million
Payment schedule	Monthly instalments (payment schedules) as determined through predetermined provincial expenditure projections
Responsibilities of national department	• Department to provide report to SCOF on audited outcomes for 2002/03 of receiving provincial departments and the national department, identifying any corrective steps to be taken on any problems identified during audits. Also to report on outputs achieved in 2002/03 per province, linking housing outputs to previous years subsidies. • Detailed information on the allocation formula and data used, and on monitoring system, to be submitted to SCOF in NCOP during DoR hearings or as agreed • Submission of quarterly performance (i.e. output) reports with a quarter lag to Select Committee on Finance in NCOP • Department and National Treasury to review the housing delivery mechanisms in order to improve spending capacity in the light of past underspending, and to determine interim measures in terms of section 35 of the Division of Revenue Bill

Human Settlement and Redevelopment Grant	
Transferring department	Housing (Vote 29)
Purpose	To fund projects that aim to improve the quality of the environment by identifying dysfunctionalities in human settlements
Measurable outputs	The outputs of the programme depend largely on the unique content of each project funded in terms of the pilot programme. This will include: • Upgraded infrastructure in depressed areas • The number of existing depressed areas re-planned and redeveloped, such as inner city redevelopment, urban renewal and informal settlement upgrading; and • Completed plans of areas which could promote integration (new developments)
Conditions	• Provincial Housing Departments to ensure that business plans for the 2005/06 financial year are submitted to the National Department of Housing no later than 15 August 2004 • The business plan will form part of the contract (referred to as a Letter of Allocation) between the provincial government and the national Department of Housing on specific projects based on approved business plans
Allocation criteria	Division between provinces is made on the basis of the housing subsidy grant formula
Reason not incorporated in equitable share	As a Pilot Programme, the Department of Housing needs to be involved in approving, monitoring and evaluating the projects in line with expected outputs with a view to the formulation of a more comprehensive permanent programme, and it should remain a conditional grant. The programme is furthermore viewed as an initiative through which projects and programmes can be funded that are in support of the housing investment being made in an effort to create viable communities
Monitoring mechanisms	• The Directorate: Special Programmes Support monitors projects on a monthly basis through financial and implementation progress reports, as well as site visits in order to ensure compliance and correct reporting on Key Performance Indicators, in accordance with an approved monitoring framework • The National Department of Housing requires that provincial departments' of Housing focus particularly on the submission of comprehensive, non-financial, performance related information that forms part of the conditional grant reports to be submitted to the approved Monitoring and Reporting Framework
Past performance	2002/03 audited financial outcomes • R106 million was transferred to the provinces, in 2001/02 the grant was underspent by R80 million, this increased total funds available for spending by provinces to R186 million, and spending amounted to R66 million resulting in provincial underspending by about R120 million • Three of the ten housing departments received qualified audit opinions. The Auditor-General noted as a matter emphasised that there was material contravention of the DoRA, and could not determine whether transfer payments were utilised as stipulated 2002/03 service delivery outcomes 63 project plans were approved and implementation started: • Sixteen of the 63 business plans are for planning and/or replanning exercises. Furthermore 14 of the 16 business plans are located within urban renewal nodes • The remaining 47 business plans will upon completion provide upgraded infrastructure in depressed areas, of which 13 will lead to upgraded infrastructure in urban renewal nodes, and an additional 3 will provide infrastructure in rural development nodes
Projected life	The programme is an important tool in achieving functional human settlements, it is expected to continue until all settlement areas that need improvements are covered
2004 MTEF Allocations	R115,5 million, R122,5 million, and R129,8 million
Payment schedule	Monthly instalments (payment schedules) as determined through predetermined provincial expenditure projections
Responsibilities of national department	• Department to provide report to SCOF on audited outcomes for 2002/03 of receiving provincial departments and the national department, identifying any corrective steps to be taken on any problems identified during audit. Also to report on outputs achieved in 2002/03 per province • Detailed information on the allocation formula, and data used, to be tabled with Select Committee on Finance in NCOP during DoR hearings or as agreed • Submission of quarterly performance (i.e. output) reports with a quarter lag to Select Committee on Finance in NCOP

THE NATIONAL TREASURY

Provincial Infrastructure Grant	
Transferring department	National Treasury (Vote 8)
Purpose	• Help accelerate construction, maintenance and rehabilitation of new and existing infrastructure in education, roads, health and agriculture • Gradually increase the labour-intensity of certain specific types of projects over the next five years
Measurable objectives/ outputs	• Rehabilitation and maintenance of roads, schools, health facilities and agriculture infrastructure • Average length of employment for labour intensive projects • Number of persons participating in the training programs under the expanded public works programme
Conditions	• Submission and approval of detailed infrastructure plans by 1 April 2004. The flow of the first instalment depends on the submission and approval of plans. The plans must disaggregate the information by project or cluster of projects, and should demonstrate how its implementation fits into an overall infrastructure strategy in that province. These plans should form part of the treasury's strategic plan to be tabled 15 days after the Budget, as well as that of each of the line function departments receiving funds • To adhere to the labour-intensive construction methods in terms of the Expanded Public Works Programme (EPWP) guidelines agreed between Department of Public Works, National Treasury and SALGA • Submission of quarterly reports on physical progress with implementation of infrastructure projects in addition to in year expenditure monitoring reports. Reported information should cover the full infrastructure budget in the province, not only the grant allocation. Reports should also indicate progress in terms of expenditure and jobs created with EPWP designated projects
Allocation criteria	• Amounts of R100 million, R115 million and R130 million in 2004/05, 2005/06 and 2006/07 were top sliced for Northern Cape to take account of the vastness of its land area and the resulting length of road network to be constructed and maintained • An average of the percentage equitable shares and backlog component of equitable share formula has been used to allocate the grant among funds to provinces. The aim is to introduce a bias in favour of provinces with substantial backlogs while at the same time supporting those that inherited substantial infrastructure
Reason not incorporated in equitable share	This grant ensures that provinces give priority to infrastructure maintenance, rehabilitation and construction, and support rural development initiatives in line with Government priorities
Monitoring mechanisms	• Provinces are required to submit detailed quarterly reports, which capture the full details of the projects including the allocation for the year, the expenditure for the period in question and on outputs achieved
Past performance	2002/03 audited financial outcomes • Allocation of this grant amounted to R1 950 million, which include R400 million for flood rehabilitation, was transferred to provinces. The grant aims to encourage increased allocation for infrastructure on roads, health and education and improved performance in the implementation of projects. Provinces increased spending on capex from R11 056 million in 2001/02 to R14 473 million in 2002/03, which amounts to 31 percent. This has increased the share or capital spending from 6 percent in 1998/99 to about percent 13 percent in 2002/03. A large share of growth in capital spending is in social services and roads. This grant only constitutes 12 percent of total capex budgets in provinces, indicating that this grant has achieved its object of increasing provincial budgets for infrastructure. Detailed reporting done by National Treasury in the annual Intergovernmental Fiscal Review. Quarterly spending trends reflect that provinces have improved their spending capacity • Actual spending outcomes of this grant must be based on total spending on capital in each province. Each line function department accounts for its spending separately, to its own legislature
	2002/03 Service delivery performance • The real outcome of the higher levels of spending on infrastructure is left to each province, and relevant Minmecs for key concurrent functions like education, health and roads
Projected life	To be reviewed after five years
2004 MTEF Allocations	R3 348,4 million, R3 730,8 million, and R4 118,1 million
Payment schedule	Quarterly instalments
Responsibilities of national department	• National Treasury to ensure that all capital plans submitted are approved by 1 April 2004 • This is a general Schedule 4 grant, and each provincial department accounts for its expenditure to its own legislature. The responsible national department could also, through its Minmec, prepare consolidated reports on infrastructure to the NCOP if requested. The National Treasury publishes the Intergovernmental Fiscal Review to report on spending trends and outcomes as reported

PROVINCIAL AND LOCAL GOVERNMENT GRANTS

Local Government Capacity Building Fund (LGCBF) (Provincial Component)	
Transferring department	Provincial and Local Government (Vote 5)
Purpose	To assist municipalities to build their institutional capacity and improve their systems for sustainable service delivery
Measurable objectives/ outputs	The following should be achieved by municipalities that are being assisted: • Prepare operating and capital budgets • Prepare annual financial statements • Council approval and implementation of consolidated credit control, indigence and tariff policies • Monthly and quarterly financial reporting to take place as required by proclamation R1535 and R1536 • Debt restructuring plans to be approved by creditors and council, and implemented
Conditions	• Provinces will access LGCBF through the submission of business plans • Council to approve appointment of management support team (MST) and a team to conduct the financial analysis and prognosis • Provinces will be expected to manage the available funds, providing the necessary support where required
Allocation criteria	Allocations are based on the current needs as expressed by the Provinces, after assessing the number of municipalities in financial distress and the extent of the support required. Larger municipalities that can access funding from National Treasury have been excluded from the allocation process
Reason not incorporated in Equitable Share	According to section 154 (1) of the Constitution, the national government and provincial governments, by legislative and other measures, must support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions
Monitoring mechanisms	Quarterly reports on the support provided to municipalities and the progress made with the implementation of systems in municipalities. Monthly reports of conditional reporting as stipulated in the Division of Revenue Act
Past performance	2002/03 audited financial outcomes • Total allocation amounting R170 million was transferred to provinces, the available funds for spending was R187 million, including roll overs from the previous year. Provinces reported spending R146 million, with R41 million unspent • The Auditor-General did not specifically comment on this grant, but reported generally as an emphasis of matter, material contravention of the requirements of the Division of Revenue Act. Two of the provincial local government departments also received qualified audits
	2002/03 service delivery performance • Municipalities have benefited from this grant for the past 3 years. Financial Systems have been put in place and helped municipalities to realise their tax base
Projected life	The fund is phased out into the local government equitable share after 2004/05.
2004 MTEF Allocations	R220,5 million
Payment schedule	Monthly instalments
Responsibilities of national department	• Department to provide report to SCOF on audited outcomes for 2002/03 of receiving provincial departments and the national department, identifying any corrective steps to be taken on any problems identified during audit. Also to report on outputs achieved in 2002/03 per province • Detailed information on the allocation formula, and data used, to be tabled with Select Committee on Finance in NCOP during DoR hearings as agreed • Submission of quarterly performance (i.e. output) or reports with a quarter lag to Select Committee on Finance in NCOP

Provincial Project Management Capacity for MIG (previously called the Provincial CMIP Grant)	
Transferring Department	Provincial and Local Government (Vote 5)
Purpose	To provide support to provinces to manage the implementation of Municipal Infrastructure Grant (MIG) effectively and efficiently on behalf of the Department to ensure sustainability of MIG projects
Measurable objectives/ outputs	The key outputs of the programme are: • Proper co-ordination between all municipal infrastructure programmes in their respective provinces • MIG projects are aligned to provincial development plans and integrated development plans of municipalities • Support the establishment of municipal service partnerships through the MIG programme
Conditions	• Business plan setting out clear objectives and outputs in respect of programme management for MIG in their respective provinces must be submitted before the flow of the first instalment • The submission of monthly and quarterly reports in respect of targets, key performance indicators and measurable outputs as required by the Department
Allocation criteria	Programme management costs ranging between 1,5 percent and 2,2 percent depending on the size of the provincial allocation
Reasons for funding through conditional grants	According to Section 154(1) of the Constitution, the national government and provincial governments, by legislative and other measures, must support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions. Provinces monitor and report to the Department on a monthly basis on progress made with the implementation of MIG projects on the ground
Monitoring mechanisms	Through monthly and quarterly reports and monthly meetings in the provinces
Past Performance	2002/03 audited financial outcomes • R104 million was transferred, and provinces spent R90 million • The Auditor-General did not specifically comment on this grant, but reported generally as an emphasis of matter material contravention of the requirements of the Division of Revenue Act. Two of the provincial local government departments also received qualified audits
	2002/03 service delivery performance Provinces assisted the Department successfully in managing the programme through improved monitoring and expenditure and putting capacity in place in municipalities
Projected life	The grant will phase into MIG in 2005/06
2004 MTEF Allocations	R40,7 million, R43,6 million, and R46,2 million
Payment schedule	Monthly payments to provinces
Responsibilities of national department	• Department to provide report to SCOF on audited outcomes for 2002/03 of receiving provincial departments and the national department, identifying any corrective steps to be taken on any problems identified during audit. Also to report on outputs achieved in 2002/03 per province • Detailed information on the allocation formula, and data used, to be tabled with Select Committee on Finance in NCOP during DoR hearings or as agreed • Submission of quarterly performance (i.e. output) reports with a quarter lag to Select Committee on Finance in NCOP • Grant to be consolidated into MIG in 2005/06

SOCIAL DEVELOPMENT GRANTS

HIV and Aids Grant (Community-Based Care)	
Transferring Department	Department of Social Development (Vote 19)
Purpose	- To provide social welfare services to orphans and vulnerable children who are infected and affected by HIV and Aids, within family and community context, in partnership with non profit making organizations (NGOs, CBOs and other community organisations) - To develop and support institutional structures and professionals, community workers and child and youth care workers through targeted training programmes in order to ensure effective delivery of services
Measurable objectives/outputs	- Number of orphans receiving appropriate care and support increased 50% of identified children and families receive essential material assistance 50% of the identified vulnerable children provided with alternative care 60% of care givers identified from communities, NGOs, CBOs, faith based organizations, families and volunteers to be capacitated through training and support 70% of the identified children and families provided with counselling and support services - Number of coordinating structures and partnerships for management and maintenance of social welfare services to children infected and affected by HIV and Aids increased
Conditions	- Approved business plans with measurable outputs must exist for each province in line with the framework for the grant - Each operational plan should be approved and signed by the Head of Department and submitted to the Director-General before 20 February of each year. The first installment will only flow if plans are approved - Legal contracts signed between provincial departments of social development and the implementing agencies by 1 April each year
Allocation criteria	A formula based on antenatal HIV and Aids prevalence survey and poverty index
Reason not incorporated in equitable share	- The National Integrated Plan for Children Infected and Affected by HIV and Aids is a programme involving three social service departments (Education, Health and Social Development) - The conditional grant provides the opportunity to establish a coordinated approach across the provinces in terms of planning and implementation, and also enables more effective monitoring by the national departments
Monitoring mechanisms	- Monthly expenditure reporting by provinces - Quarterly performance evaluation and reporting by national and provincial coordinators - Quarterly provincial visits to evaluate implementation of the programmes - Structured site visits twice a year by a team consisting of both Social Development and Health officials on the national and provincial levels
Performance	2002/03 audited financial outcomes 97% of the allocated amount of R47,5 million was spent by the provinces - Audit did not specifically comment on conditional grant. Three of the ten social development departments received qualified audits 2002/03 service delivery performance The following outputs has been achieved: 314 centers/sites for home/community-based care and support were supported 29,612 additional children orphaned or vulnerable due to HIV and AIDS were identified which brings the number of children identified since the inception of this programme in 2000 to over 75,000 - Services provided to children include food parcels, provision of clothing, counseling, support, provision of day care and after school centers/drop in centres, placement of children in foster care and residential care and addressing the education and health needs of children 13061 food parcels ranging between R154 and R350 per parcel were provided - Over 1000 care givers received stipends, between R225 and R500 per household 2,695 families received support such as food parcels, counseling, placements, assistance with bereavement, and linking families with income generating projects 1,604 volunteers were recruited and trained 41 Child Care Forums have been established in some parts of the country 85 Support Groups for Persons Living With Aids are being provided with both financial and professional
Projected life	For the duration of the allocation
2004 MTEF Allocations	R70,2 million, R74,4 million, and R78,9 million
Payment schedule	Three instalments
Responsibilities of national department	- Department to provide report to SCOF on audited outcomes for 2002/03 of receiving provincial departments and the national department, identifying any corrective steps to be taken on any problems identified during audit. Also to report on outputs achieved in 2002/03 per province - Detailed information on the allocation formula, and data used, to be tabled with Select Committee on Finance in NCOP during DoR hearings as agreed - Submission of quarterly performance (i.e outputs) reports with a quarter lag to SCOF in NCOP

Child Support Extension Grant to Children Aged 7- 14 Years	
Transferring department	Social Development (Vote 19)
Purpose	To fund extension of child support grant to eligible children between the ages of 7 to 14 years, (entitlement coming to and end on the child's 14 th birthday) phased in over three years, and to cover associated administrative and payment costs
Measurable objectives/ outputs	Number of children between the ages of 7 and 14 years who access the grant according to the proposed annual phasing in as follows: • Children under the age of 9 years in 2003/04 • Children under the age of 11 years in 2004/05 • Children under the age of 14 years in 2005/06
Conditions	1. The funds may only be utilised for the payment of child support grants to eligible children (as determined in the Social Assistance Act, 1992 and regulations) between the ages of six and fourteen years (i.e. from their seventh to fourteenth birthday) and to cover reasonable administrative and payment cost associated with this 2. Provincial implementation plans must be submitted to the national transferring officer by 20 February and approved by 15 March each year. Provincial plans must consider capacity to implement and reasonable processes to build capacity. The flow of the first instalment depends on submission and approval of plans 3. A consolidated implementation plan as per (2) above to be submitted to the DG of National Treasury by 1 April for information 4. Provinces must submit to the DG: National DoSD, within 15 days after the end of each month, a report detailing: <i>Beneficiary Numbers</i> • The total number of CSG children (seven to ten-years) registered and eligible • Age distribution of registered children (seven to ten-years by year-group) • Number of new children (seven to ten-years) registered for payment in the relevant month and the age distribution of these children • Number of children (seven to ten-years) deregistered during the relevant month and age (by year-group) • Number of applications still being processed and projected children (seven to ten-years) numbers for the year • Expenditure • Final grant expenditure for the month and composition of expenditure for the extension of CSG (children seven to ten-years). • Final administrative and payment expenditure related to the child support extension grant • Progress with extension of the child support grant relative to the provincial implementation plan • Projected expenditure based on trends in beneficiary numbers 5. A consolidated quarterly report as per (4) above to be submitted to the DG: National Treasury by the DG: Social Development within 20 working days after the end of each quarter 6. Bi-annual audits (September and March) of grant applications and approval process to ensure compliance with legislative requirements and norms and standards for grant payment
Allocation criteria	Based on number of eligible beneficiaries (as per application of the means-test) by province, determined through the most reliable demographic and socio-economic data available and in line with the purpose of the Child Support Grant Extension grant (7 to 14 years)
Reason not incorporated in equitable share	A conditional grant is used for the following reasons: • Distribution between provinces may need to be different from proportions in the equitable share formula • To ensure that undue pressure is not placed on provincial budgets. A need to have transparent and adequate budgeting for the extension. Provinces must be fully funded for this national mandate • There is substantial uncertainty around population numbers, numbers of children that would qualify, their provincial distribution and the likely rates of uptake. A conditional grant will ensure that there is more flexibility to make adjustments in line with changing information and data • A function shift to national is contemplated regarding the administration of social security grants. Transparent funding through a conditional grant will allow for greater ease in eventually transferring the function
Monitoring mechanisms	Monthly reports as set out under conditions

Past performance	Grant introduced in 2003/04. The take-up of the grant has been rapid in 2004/05, causing some pressure on provincial budgets.
Projected life	Maximum of three years while establishment of national social security agency for grant administration is in process of finalisation
2004 MTEF Allocations	R3 650 million, R6 900 million, and R9 284 million
Payment schedule	Quarterly transfers in advance to provinces in line with payment schedule
Responsibilities of national department	• Detailed information on the allocation formula, and data used, to be tabled with Select Committee on Finance in NCOP during DoR hearings or as agreed • Submission of quarterly performance (i.e outputs) reports with a quarter lag to SCOF in NCOP

Food Emergency Relief Grant	
Transferring department	Social Development (Vote 19)
Purpose	To provide food relief to vulnerable individuals and households
Measurable objectives/outputs	Number of beneficiaries (households and individuals) receiving food relief
Conditions	1. The funds may only be utilised to provide food relief to vulnerable individuals and households and to cover reasonable administrative and payment cost associated with this. Such administrative and payment costs must not exceed 3% of total provincial allocation. The Director-General of Social Development must give prior approval of any excess amount above this limit 2. A national business plan must be developed and approved by the Director-General of Social Development, in consultation with the National Treasury, by 30 October each year. Provincial implementation plans, which must be in line with the national business plan, must be submitted to the national DG: Social Development by 20 February for approval by 15 March of each year. Provincial plans must consider capacity to implement and reasonable processes to build capacity. The flow of the first instalment depends on the submission and approval of the implementation plans 3. Joint centralized procurement of service providers to effect uniformity and economies of scale 4. Provinces to submit to the DG: National Department of Social Development (DoSD), within 15 days of the end of each quarter, a report detailing: <i>Services</i> • Number of beneficiaries reached per month by location (municipality) and composition (gender, age, and recipient of social security benefit) • Nature of food relief interventions (food parcel / drop in centres/ soup kitchens) • Implementing agents (whether departmental offices, NGOs, etc.) and nature of association • Number of beneficiaries that have exited the programme and whether alternative support has been arranged 5. Provinces to submit to the DG: National Department of Social Development (DoSD), within 15 days of the end of each month, a report detailing: <i>Expenditure</i> • Expenditure on food relief for the month and the composition of expenditure • Projections regarding new beneficiaries for the remainder of the financial year and the spending implications of these trends relative to budget allocations 5. The DG: National DoSD to submit a consolidated quarterly report as per (4) above to the DG: National Treasury, 20 days after the end of each quarter 6. A national and 9 provincial annual evaluation reports
Allocation criteria	The allocation per province is based on the proportional shares of poverty and income adjustment distribution per province
Reason not incorporated in equitable share	This is a high priority, national Government intervention for which capacity in provinces is limited. A conditional grant is therefore required to ensure adequate monitoring and national support and to ensure that the capacity is established without impacting on other provincial functions
Monitoring mechanisms	Monthly/quarterly reports as set out under conditions
Past performance	The grant was introduced in 2003/04
Projected life	3 years
2004 MTEF Allocations	R388 million, R388 million, and R411,3 million
Payment schedule	Three instalments
Responsibilities of national department	• Detailed information on the allocation formula, and data used, to be tabled with Select Committee on Finance in NCOP during DoR hearings as agreed • Submission of quarterly performance (i.e outputs) reports with a quarter lag to SCOF in NCOP

SPORT AND RECREATION SA GRANTS

Mass Sport and Recreation Participation Programme	
Transferring department	Sport & Recreation SA (Vote 20)
Purpose	Promotion of mass participation within disadvantaged communities in a selected number of sport activities and the empowerment of communities to manage these activities in conjunction with provincial departments responsible for sport
Measurable outputs	• Coaching and sports administration training within the short and long term (focus on maximizing local community empowerment) • Number of coaches and referees trained • Number of people participating actively in sport • Number of sustainable clubs/leagues created • 27 000 new participants in sport • 18 local municipalities empowered to continue with sports programmes
Conditions	• Provincial departments responsible for sport will be required to enter formal agreements after approval of business plans, before funds are transferred • Each approved project must have a sustainability plan • Provinces identify priority areas in accordance with government nodal areas
Allocation criteria	Funds are distributed equally among provinces
Monitoring system	Regular performance monitoring based on in-person inspections by SRSA and reporting by the provinces
Past performance	The programme is to commence in April 2004
Projected life	SRSA will provide project funding and support for the 2004/05 financial year for specific areas, thereafter the projects will be introduced in new areas. Provinces will implement and monitor the projects on an ongoing basis
2004 MTEF Allocations	R9 million, R24 million, and R39 million
Reason not incorporated in equitable share	A conditional grant is necessary to ensure: • National Coordination and facilitation • National Campaign to get the nation active
Payment Schedule	The first payment will be made once a Memorandum of Agreement has been signed between SRSA and the relevant province. Thereafter, payments will be effected monthly on the basis of certified expenditure reports

Appendix E2: Grant Framework for Conditional Grants to Local Government

Local Government Financial Management Grant	
Transferring department	National Treasury (Vote 8)
Purpose	To promote and support reforms to municipal financial management and the implementation of the Municipal Finance Management Act (MFMA)
Measurable outputs	Outputs include: • The preparation and implementation of multi-year budgets which meet uniform norms and standards • The implementation of accounting reforms • Improvements in internal and external reporting on budgets, finances and annual reports • Implement the Municipal Finance Management Act
Conditions	Conditions include: • The submission of a Council resolution striving to achieve multi-year budgets and implementation of accounting and reporting reforms • The employment of an appropriately skilled chief financial officer • Completion and submission of a checklist identifying critical financial management areas to be addressed • Submission of a plan to implement budget and financial management reforms
Allocation criteria	• The allocation of funds was initially targeted at pilot municipalities in all categories of municipalities (A, B and C) to implement and refine the financial reforms. With the phased implementation of the MFMA and the country-wide roll out of the reforms, the grant will be extended to cover all municipalities over the 2004 MTEF
Reason not incorporated in equitable share	To provide for the critical need to develop municipal financial management capacity and to lend support to the implementation of the Municipal Finance Management legislation
Monitoring system	Monthly monitoring is undertaken by the National Treasury per the requirements contained in DoRA and the agreements
Past performance	2002/03 Audited financial outcome • R221 million was transferred to 39 pilot municipalities. The monthly reports submitted by most municipalities on actual spending does not provide sufficient information on spending against amounts transferred, but reflected R117 million or 53 per cent spending. • No audit issues were identified, as the department received an unqualified audit opinion for 2002/03. The department's 2002/03 annual report contains a detailed explanation of the grant outcomes. The audit process for municipalities receiving these grants has also not been concluded, as some municipalities have not submitted their financial statements, so it is not possible to assess whether the funds received were spent as stipulated Service delivery performance • 24 of the 39 pilot municipalities tabled three-year budgets. All employed suitably qualified municipal managers and chief financial officers. 7 prepared annual reports in the new format as proposed • One hundred and forty nine (149) municipalities are currently participating in the reform programme. Over 120 finance interns have been appointed using this funding to increase finance management capacity in local government
Projected life	The programme is designed to support and implement the MFMA. All municipalities will receive funding over the 2004 MTEF. This initiative is also linked to governments' international contractual obligations with regards the international advisor programme. The programme will continue to 2007/08 financial year. The grant forms part of government's broader Capacity Building initiative and focuses on building in-house municipal capacity
2004 MTEF allocation	R197,9 million, R198,7 million and R198,7 million for 2004/05, 2005/06 and 2006/07 financial years
Payment schedule	The grant will be disbursed in three instalments – April, July and November
Responsibilities by national department	• Treasury officials are responsible for monitoring and management of the programmes • Funds will continue to be transferred to municipalities as well as leveraging a portion of the grant to secure international expertise through the Municipal Finance Management Technical Assistance Programme. DBSA has been appointed to manage the latter • The programme will encompass implementation of the Municipal Finance Management Act, including the preparation of supporting material

Municipal Systems Improvement Grant (MSIG)	
Transferring Department	Provincial and Local Government (Vote 5)
Purpose	To assist municipalities in building in-house capacity to perform their functions
Measurable Outputs	Capacity improvements in each category B and C municipality, including for • Stability and governance systems • Institutional systems aligned to IDPs • Implementation of division of powers and functions • Implementation of municipal legislation • Participation of communities as required in terms of Municipal Systems Act
Conditions	• Capacity Development Plans submitted by district municipalities, covering capacity needs of each local municipality and the district. • Local municipalities receiving direct support to submit capacity needs. • The implementation of district-specific capacity development plans must also provide the following information: • Achievement of stable municipal and governance systems • Support to Planning and Implementation Management Support Centres (PIMS) • Reviewing and aligning institutional systems to integrated development plans (IDPs) • Implementation of the division of powers and functions • Implementation of the Municipal Systems Act and Municipal Structures Act • Addressing community participation issues • District Municipalities to provide work and sustainability plans for PIMS centres • Each district to show the allocations for supporting local municipalities, both as transfers or direct expenditure
Allocation Criteria	Allocations are made to district municipalities, and selected category B local municipalities. Allocations to be determined according to assessed need
Reason not incorporated in Equitable Share	The grant gives effect to assist municipalities in implementing new legislation, Structures and Systems Acts.
Monitoring system	Submission of quarterly reports on support provided to municipalities and the progress made with the implementation of systems in municipalities. Submission of monthly expenditure reports by municipalities as stipulated in the Division of Revenue Act
Past Performance	2002/03 Audited financial outcome The Auditor-General reported as an emphasis of matter material contravention of the requirements of the Division of Revenue Act. The audit process for municipalities receiving these grants has also not been concluded, as some municipalities have not submitted their financial statements, so it is not possible to assess whether the funds received were spent as stipulated. The monthly reports submitted by most municipalities on actual spending does not provide sufficient information on spending against amounts transferred. Service delivery performance PIMS Centres have been established and are fully operational in 45 districts; a further 2 are in the process of being established • IDPs have been reviewed and municipalities are currently in the process of aligning institutional systems to IDPs, (are about 60% to 70% complete) • Performance Management was extended to all municipalities, 80% of municipalities have established PMS framework • The Department has experienced difficulties in administering this grant due mainly to its multiplicity of outputs
Projected Life	The fund will be utilised to assist municipalities to implement systems required by local government legislation, with a review in 2006/07
2004 MTEF allocation	R 182,2 million, R200 million and R200 million for 2004/05, 2005/06 and 2006/07 financial years
Payment Schedule	Transfers will be made in accordance with the requirements of the Division of Revenue Act. The first transfer will be made on submission of plans. The second transfer will be made upon progress in implementation
Responsibilities by national department	• Department to report to SCOF on audited outcomes for 2002/03, identifying any corrective steps to be taken on any problems with this grant identified during audit. Also to report on outputs achieved in 2002/03 • Detailed information on the allocation formula and data used, and on monitoring system, to be submitted to SCOF in NCOP during DoR hearings or as agreed • Department to submit allocations per municipality for unallocated R40 million in 2004/05 to the National Treasury and SCOF by 31 March 2004. • Submission of quarterly performance (i.e outputs) reports with a quarter lag to SCOF in NCOP

Local Government Restructuring Grant	
Transferring department	National Treasury (Vote 8)
Purpose	To support municipal restructuring initiatives of large municipalities
Measurable outputs	Outputs of individual grants are specified by municipality in their restructuring plans, and are subject to negotiation and agreement with the National Treasury
Conditions	- Funds will be made available on the basis of a municipality's commitment to a locally owned restructuring plan that addresses challenges in a sustainable manner - The municipal council must pass a resolution agreeing to the plan - Quarterly reports measuring progress towards achieving agreed benchmarks and milestones - Transfers will depend upon the progressive implementation and achievement of agreed benchmarks and milestones
Allocation criteria	Municipalities with total annual budgets exceeding R300 million qualify for this grant, on the grounds of the macroeconomic risk should they not restructure or modernise. This allocation is demand-driven, with applications subjected to an intensive assessment, evaluation and review prior to negotiation on benchmarks and milestones, and credible plans to achieve such restructuring or modernisation
Reason not incorporated in equitable share	The grant supports implementation of municipal restructuring or modernisation plans necessary to avoid financial distress and possible risks to the national fiscus
Monitoring system	National Treasury conducts a technical evaluation of applications and reviews regular reports in terms of the grant agreements
Past performance	2002/03 Audited financial outcome - No audit issues were identified, as the department received an unqualified audit opinion for 2002/03. The department's 2002/03 annual report contains a detailed explanation of the grant outcomes. - Four of the receiving municipalities did not fully comply with the conditions of the grant, resulting in a non-transfer of R224 million. Three of these municipalities (Msunduzi, Mangaung, Cacadu district) complied after the start of the financial year, and received R99 million of this amount in May 2003. The remaining R125 million due to Johannesburg has not as yet been transferred, due to non-compliance. Further explanations of the grant outcomes are contained in the departments annual report Service delivery performance The City of Johannesburg restructuring plan encompassed a wide range of institutional and financial reforms including the implementation of iGoli 2002 strategy. First time applications from other eligible municipalities were of a poor quality and standard. Three municipalities were allocated a total of R99 million during 2003 (Cacadu District, Msunduzi and Mangaung local municipalities). Applications were also received from Buffalo City, Emfuleni, Polokwane, uMhlathuze, Sol Plaatje, Matjhabeng, Mogale City, local municipalities and from the five metropolitan municipalities. These applications are being evaluated and it is anticipated that, for those successful municipalities, funding will be disbursed by March 2004
Projected life	The grant is anticipated to continue for a further four years and will be subject to a progress review in 2006/07
2004 MTEF allocation	R342,9 million, R350 million, R350 million for 2004/05, 2005/06, 2006/07 financial year
Payment schedule	Quarterly transfers is planned in accordance with restructuring agreements and achievements of milestones
Responsibilities by national department	- Five applications will be reassessed during 2004 depending on quality submission and re-negotiation of milestones with three municipalities is planned - Ongoing assessment to determine progress against agreed milestones and the future of the grant to be reviewed following the achievements of restructuring plans in 2007

Building for Sport and Recreation Programme	
Transferring department	Sport & Recreation SA (Vote 20)
Purpose	Promotion of sport and recreation within disadvantaged communities and upgrading of existing sports facilities
Measurable outputs	• Number of jobs created with focus on employment from local communities • Number of existing facilities upgraded and new facilities constructed • Value assessment of facilities constructed • Number of communities empowered to promote sport and manage facilities
Conditions	• Programme Management System/policy to be adhered • Municipalities are required to operate and maintain the facilities • Sustainability planning for all projects is required • Project identification should be done in conjunction with IDPs
Allocation criteria	The allocations are made in accordance with a Poverty Targeting Formula based on census 2001 information Allocations between District and Local municipalities are made on the basis of regional scope of the facility and the most appropriate authority to develop and maintain the facilities At least 24 per cent of projects are to be situated within the nodal areas The allocations to balance between rural and urban/peri urban disadvantaged communities
Reason not incorporated in equitable share	A conditional grant is necessary in order to ensure that: • appropriate facilities are created within target communities • sustainability plans are developed • municipalities and communities are empowered to promote sport; and • employment targets are met
Monitoring system	A Management Monitoring Information System has been introduced in terms of which monthly performance monitoring is carried out by the provinces, on the basis of monthly inspections and reports provided by the municipalities
Past performance	2002/03 Audited financial outcome The department received an unqualified report. No specific comment was made in regard to the grant
	Service delivery performance The following reflects past performance since 2001/02: • Allocation: R259 million • Number of projects/ facilities/ sports councils: 256 • Jobs provided during construction: 9 667 • Spent on community wages: 24% on average • Women employed: between 40 to 44%
Projected life	2004/05 financial year thereafter incorporated into the MIG
2004 MTEF allocation	R 132,270 million in 2004/05 financial year
Payment Schedule	The first payment will be transferred once the implementing agent agreement has been signed between the department and the municipality. Thereafter, payments will occur monthly on the basis of actual expenditure.
Responsibilities by national department	• Department report to SCOF on audited outcomes for 2002/03, identifying any corrective steps to be taken on any problems with this grant identified during audit. Also to report on outputs achieved in 2002/03 • Detailed information on the allocation formula and data used, and on monitoring system, to be submitted to SCOF in NCOP during DoR hearings or as agreed • Submission of quarterly performance (i.e outputs) reports with a quarter lag to SCOF in NCOP

Implementation of Water Services Projects	
Transferring department	Water Affairs and Forestry (Vote 34)
Purpose	To fund bulk, connector and internal infrastructure for water services at a basic level of service and to implement such projects on behalf of municipalities
Measurable outputs	• Number of people to be served with water – 107 000 (targeted) • Number of jobs to be created: 3 200 for all categories • Number of people to be impacted through health and hygiene programme – 30 800 (targeted) • Number of toilets to be constructed: 7700
Conditions	Municipalities are required to meet the following outputs; • Submit the necessary service plans (e.g. WSDP) and budget for the operation and maintenance costs of projects, including the implementation thereof • Have demonstrated acceptable level of expertise in managing water services projects • Have established the mechanisms and structures for reporting • Enter into formal service provision agreements (including provision for payment of services rendered by the department) with the department • Completed projects will be transferred to municipalities
Allocation criteria	The commitments for ongoing projects as well as operational, capacity and transference of completed projects will receive preference in the project selection process The Minister of DWAF to approve all projects earmarked for implementation
Reason not incorporated in equitable share	This is a specific capital transfer focused on the national policy priority of ensuring all South Africans have access to safe water sources and acceptable sanitation systems
Monitoring system	Projects are managed and monitored by DWAF and through contracts to Build, Operate, Train and Transfer arrangements
Past performance	2002/03 Audited financial outcome The Auditor-General did not specifically comment on this grant, though the department received an adverse qualification
	Service delivery performance Approximately nine million people have been provided with access to basic water services and 113 projects have been transferred to municipalities. Approximately 200 000 toilets have been constructed in the past five years and 1,2 million people have benefited from health and hygiene programmes
Projected life	• Two years. The grant will be fully incorporated into MIG in 2006/07 • DWAF to continue service provision and/ or hand over to other service providers where municipalities are unable to take over services responsibilities of already completed projects not yet transferred
2004 MTEF allocation	R 160 million and R139 million for 2004/05 and 2005/06 financial years on the Vote of DWAF R787 million and R898 million for 2004/05 and 2005/06 financial years has been moved to the MIG programme on the Vote of DPLG.
Payment schedule	Based on the requirements of WSAs the payment will be made on a quarterly basis and in terms of the transfer agreement for each specific project/municipality/WSA
Responsibilities by national department	• Assessment will be carried out to rank all recipients in preparedness for acceptance of transfers. Priority will be given to those municipalities ready to accept transfers. This will be undertaken in co-operation with DPLG and SALGA • Department report to SCOF on audited outcomes for 2002/03, identifying any corrective steps to be taken on any problems with this grant identified during audit. Also to report on outputs achieved in 2002/03 • Detailed information on the allocation formula and data used, and on monitoring system, to be submitted to SCOF in NCOP during DoR hearings or as agreed • Submission of quarterly performance (i.e outputs) reports with a quarter lag to SCOF in NCOP

Integrated National Electrification Programme (INEP)	
Transferring department	Minerals and Energy (Vote 31)
Purpose	To implement the Programme (INEP) by providing capital subsidies to municipalities to address electrification backlogs of permanently occupied residential dwellings
Measurable outputs	The number of connections to households, schools and clinics
Conditions	Municipalities must contractually undertake to: • Account for the allocated funds • Pass all benefits to end-customers • Adhere to the approved electrification programme and agreed cash flow budgets • Ring-fence electricity function
Allocation criteria	Applications from licensed municipal distributors based on: • high backlogs • the requirements to furnish appropriate documentation, approved tariffs, ring-fenced functions • the financial, technical and staff capabilities to distribute electricity, to expand and maintain networks • effective credit control policies • consultation with communities in terms of the IDP process
Reason not incorporated in equitable share	This is a specific capital transfer in support of the Integrated National Electrification Programme
Monitoring system	Monthly reports in accordance with PFMA and DoRA together with a technical audit process
Past performance	2002/03 Audited financial outcome There were no specific comments on the INEP with regards to 2002/3 financial year
	Service delivery performance From 2001, 129 237 households and 3 schools were connected with a total expenditure of R812 million
Projected life	The INEP will be incorporated into the Municipal Infrastructure Grant (MIG) in 2006/07 or sooner
2004 MTEF Allocation	R 248 million and R 258 million for the 2004/05 and 2005/06 financial year.
Payment schedule	Transfers are made monthly based on pre-agreed plans and cash flows
Responsibilities by national department	• Department report to SCOF on audited outcomes for 2002/03, identifying any corrective steps to be taken on any problems with this grant identified during audit. Also to report on outputs achieved in 2002/03 • Detailed information on the allocation formula and data used, and on monitoring system, to be submitted to SCOF in NCOP during DoR hearings or as agreed • Submission of quarterly performance (i.e outputs) reports with a quarter lag to SCOF in NCOP

Municipal Infrastructure Grant (MIG)	
Transferring department	Provincial and Local Government (Vote 5)
Purpose	To support municipal capital budgets to fund municipal infrastructure to upgrade existing infrastructure, primarily for the benefit of poor households
Measurable outputs	- Number of existing and new households receiving water per annum, backlogs to be removed by 2008 - Number of existing and new households receiving sanitation services per annum, backlogs to be removed by 2010 - Implementation of labour-intensive methods on new projects, particularly projects identified in EPWP guidelines - Progress on removal of backlogs - Maintenance of existing infrastructure for water, sanitation, electricity and other infrastructure
Conditions	- Prioritise residential infrastructure for water, sanitation, electricity, refuse removal, streets, housing connector, and other municipal infrastructure like roads, in line with any MIG or sector policies established before the start of the municipal financial year - Approval by the municipal council of a three-year capital plan linked to its IDP and budget no later than 30 June 2004. Approved budget must reflect operational and maintenance costs for the three years and beyond - District municipalities must provide detailed information by 30 June 2004 on expected transfers from the district to local municipalities, as well as any information on projects undertaken directly by it. All spending on capital projects by the district municipality must be also approved by the local municipalities that such project will service - Municipalities receiving the MIG grant must prioritise commitments made on CMIP and DWAF capital programmes before 30 September 2003 - To adhere to the labour-intensive construction methods in terms of the Expanded Public Works Programme (EPWP) guidelines agreed between Department of Public Works, National Treasury and SALGA, for at least low-volume roads, sidewalks, storm-water drainage, trenching etc. - Quarterly reporting on budget and project implementation
Allocation criteria	Part 5 of Annexure E spells out the new MIG formula in detail and the appendix E4 provides the basic data used in the formula. The formula incorporates backlog and poverty-weighted data
Reason not incorporated in equitable share	This is a specific purpose grant with objectives and distribution criteria (eg backlogs on infrastructure) different from that of the equitable share
Monitoring system	- This grant requires monitoring of the overall capital budget of municipalities. Each sector national or provincial department will be expected to fulfil sectoral monitoring role - A comprehensive monitoring system will be developed by DPLG and National Treasury - Department of Public Works will be responsible for monitoring and training on EPWP at a municipal level - National and provincial treasuries will monitor municipal capital budgets, and the reporting on spending information - The overall monitoring system will be based on one reporting system, rather than through a plethora of departmental monitoring systems.
Past performance	This is a new programme, which consolidates a number of previous municipal infrastructure programmes
Projected life	10 years
2004/05 allocation	R4 446 million, R5 193 million and R5 987 million for 2004/05, 2005/06 and 2006/07 financial years
Phasing arrangements	- Uncommitted funds from infrastructure grants on the vote of DWAF and DPLG will be transferred into the new programme - Electrification funding will be incorporated once the framework for restructuring of the electricity distribution industry has been finalised - Commitments made before 30 September 2003 by national departments administering grants incorporated into MIG must be prioritised by municipalities
Payment schedule	Transfers will be made in terms of the Division of Revenue Act
Responsibilities of national departments	- DPLG- Transfer funds as per schedule, co-ordinating MITT meetings, comply with DoRA and MIG policy and framework - DWAF –to support and monitor municipalities to prepare and implement Water Services Development Plans (WSDP's) and monitor progress on water and sanitation budgets - Public Works –secure agreement of NT and SALGA on EPWP by 1 April 2004, provide training to municipalities by 30 June 2003, and monitor compliance with EPWP conditions - National Treasury – ensure receipt of budgets of municipalities by 31 July 2004, monitor spending trends - Department to submit allocations per municipality for unallocated R177,8 million in 2004/05 to the National Treasury and SCOF by 31 March 2004

Water Services Operating and Transfer Subsidy (via augmentation to the Water Trading Account)	
Transferring department	Water Affairs and Forestry (Vote 34)
Purpose	To augment the Water Trading Account of the Department of Water Affairs and Forestry (DWAF) to subsidise water schemes owned and/or operated by the department or by other agencies on behalf of the department
Measurable outputs	This grant is used to fund over 300 water schemes involving 8094 staff. Both the schemes and their staff are to be transferred to 83 municipalities over the three years. The key measurable output is on the speed and success of effecting such transfers to municipalities Operating outputs: • Operation of water services schemes and improved revenue collection • Support to complete Water Services Development Plans linked to municipal operating budgets and IDP's • All transfer agreements signed and formalize by 30 June 2005 • Successful transfer of all appropriate staff, budgets and schemes to municipalities by 30 June 2005 Transfer outputs: • Schemes refurbished to standards outlined in terms of the agreed policy framework • Sustainability assessments completed per scheme or group of schemes to be transferred • Water Services Authority/Provider has developed sufficient capacity in line with funding requirements • Cost recovery plan in place to support the sustainability of schemes
Conditions	• The operating and transfer subsidy is a grant in kind until the effective date of transfer. The operating subsidy (grant in kind) will cover staff related costs (HR component), the direct operating and maintenance costs (O component) and will facilitate the transfer of schemes • All receiving municipalities and service providers will be required to conclude formal transfer agreements where the latest effective date of transfer is 30 June 2005 • 2004/05 – Where transfer agreements are in place by 30 June 2004, schemes transferred during the year will be transferred with the remaining O component for 2 years and the HR component for 3 years • 2005/06 – All transfer agreements concluded, receiving institutions continue to receive the O component for 1 year and HR Component for 3 years
Allocation criteria	Basic allocation per Water Services Authority in accordance with the operational requirements identified and agreed to in transfer agreements
Reason not incorporated in equitable share	To facilitate the transfer of schemes to Water Service Authorities/Providers, following which funds will be incorporated into the local government equitable share
Monitoring system	A comprehensive monitoring and evaluation system is being developed
Past Performance	2002/03 Audited financial outcome The Auditor-General did not specifically comment on this grant, though both the department and the trading account received an adverse qualification
	Service delivery performance Progress can be summarised as follows: 11 agreements signed, 316 staff and 48 schemes with a total asset value of approximating R648,4 million transferred. The department has conducted a joint study with dplg outlining the process of transferring over 300 water schemes with their staff to 83 municipalities.
Projected life	The transfer process to be completed by 2005/06. DWAF role as service provide will terminates in 2005/06
2004/2005 allocation	R 858,3 million and R934,4 million for 2004/05 and 2005/06 financial years.
Payment schedule	The payments will be made on a quarterly basis as agreed to in the transfer agreement for each specific scheme/municipality.
Responsibilities by national department	• Department report to SCOF on audited outcomes for 2002/03, identifying any corrective steps to be taken on any problems with this grant identified during audit. Also to report on outputs achieved in 2002/03 • Detailed information on the allocation formula and data used, and on monitoring system, to be submitted to SCOF in NCOP during DoR hearings or as agreed • Submission of quarterly performance (i.e outputs) reports with a quarter lag to SCOF in NCOP • Department to submit allocations per municipality for unallocated R10 million in 2004/05 to the National Treasury and SCOF by 31 March 2004

APPENDIX E3:

RECURRENT GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6)

(National and Municipal Financial Year)

APPENDIX E3

RECURRENT GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6)

Category	Number	Municipality	Local Government Financial Management Grant				Local Government Restructuring Grant				Municipal Systems Improvement Programme				SUB-TOTAL: RECURRENT			
			2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2007/08 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2007/08 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2007/08 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2007/08 (R'000)
EASTERN CAPE																		
A		Nelson Mandela	3 500	3 500	1 000	3 500	1 000								3 500	1 000	3 500	1 000
B	EC101	Camdeboo	250	250	500	250	500								250	500	250	500
B	EC102	Blue Crane Route	250	250	500	250	500								250	500	250	500
B	EC103	Ikezi	250	250	500	250	500								250	500	250	500
B	EC104	Makana	250	250	500	250	500								250	500	250	500
B	EC105	Ndlambe	250	250	500	250	500								250	500	250	500
B	EC106	Sundays River Valley	250	250	500	250	500								250	500	250	500
B	EC107	Baviaans	250	250	500	250	500								250	500	250	500
B	EC108	Kouga	250	250	500	250	500								250	500	250	500
B	EC109	Koukamma	250	250	500	250	500								250	500	250	500
C	DC10	Cacadu District Municipality	1 000	1 000	1 000	1 000	1 000	10 000			3 300	3 480	3 480	3 300	14 300	4 480	14 300	4 480
		Total: Cacadu Municipalities	2 500	2 500	4 000	2 500	4 000	10 000			3 300	3 480	3 480	3 300	15 800	5 960	15 800	5 960
B	EC121	Mbashe	250	250	500	250	500								250	500	250	500
B	EC122	Mquma	250	250	500	250	500								250	500	250	500
B	EC123	Great Kei	250	250	500	250	500								250	500	250	500
B	EC124	Amahlathi	2 500	2 500	1 000	2 500	1 000								2 500	1 000	2 500	1 000
B	EC125	Buffalo City	250	250	500	250	500								250	500	250	500
B	EC126	Nqushwa	250	250	500	250	500								250	500	250	500
B	EC127	Nkonkhe	250	250	500	250	500								250	500	250	500
B	EC128	Nxuba	1 500	1 500	1 000	1 500	1 000				3 350	3 533	3 533	3 350	4 850	5 033	4 850	5 033
C	DC12	Anatole District Municipality	5 000	5 000	4 000	5 000	4 000				3 350	3 533	3 533	3 350	8 350	8 533	8 350	8 533
		Total: Anatole Municipalities	2 500	2 500	4 000	2 500	4 000				3 350	3 533	3 533	3 350	8 350	8 533	8 350	8 533
B	EC131	Inxuba Yethemba	250	250	500	250	500								250	500	250	500
B	EC132	Tsoelwana	250	250	500	250	500								250	500	250	500
B	EC133	Inkavana	250	250	500	250	500								250	500	250	500
B	EC134	Lukhanji	250	250	500	250	500								250	500	250	500
B	EC135	Insika Yethu	250	250	500	250	500								250	500	250	500
B	EC136	Enalaleni	250	250	500	250	500								250	500	250	500
B	EC137	Engcobo	250	250	500	250	500								250	500	250	500
B	EC138	Sakhisizwe	250	250	500	250	500				3 438	3 625	3 625	3 438	4 438	4 625	4 438	4 625
C	DC13	Chris Hani District Municipality	1 000	1 000	1 000	1 000	1 000				3 438	3 625	3 625	3 438	5 938	6 125	5 938	6 125
		Total: Chris Hani Municipalities	2 500	2 500	4 000	2 500	4 000				3 438	3 625	3 625	3 438	5 938	6 125	5 938	6 125
B	EC141	Elundini	250	250	500	250	500								250	500	250	500
B	EC142	Serqu	250	250	500	250	500								250	500	250	500
B	EC143	Maletswai	250	250	500	250	500								250	500	250	500
B	EC144	Gariep	250	250	500	250	500								250	500	250	500
C	DC14	Ukhahlamba District Municipality	1 000	1 000	1 000	1 000	1 000				3 400	3 585	3 585	3 400	4 400	4 585	4 400	4 585
		Total: Ukhahlamba Municipalities	2 000	2 000	3 000	2 000	3 000				3 400	3 585	3 585	3 400	5 400	5 585	5 400	5 585
B	EC151	Mbizana	250	250	500	250	500								250	500	250	500
B	EC152	Ninabankulu	250	250	500	250	500								250	500	250	500
B	EC153	Qukeni	250	250	500	250	500								250	500	250	500
B	EC154	Port St. Johns	250	250	500	250	500								250	500	250	500
B	EC155	Nyandeni	250	250	500	250	500								250	500	250	500
B	EC156	Mhlontlo	250	250	500	250	500								250	500	250	500
B	EC157	King Sabata Dalindyebo	1 000	1 000	1 000	1 000	1 000				2 975	3 137	3 137	2 975	1 000	1 000	1 000	1 000
C	DC15	O.R. Tambo District Municipality	2 500	2 500	1 000	2 500	1 000				2 975	3 137	3 137	2 975	5 475	5 637	5 475	5 637
		Total: O.R. Tambo Municipalities	5 000	5 000	5 000	5 000	5 000				2 975	3 137	3 137	2 975	7 975	8 137	7 975	8 137
B	EC0501	Unzinkhulu	250	250	500	250	500								250	500	250	500
B	EC0502	Unzimvubu	250	250	500	250	500								250	500	250	500
C	DC44	Alfred Nzo District Municipality	1 000	1 000	1 000	1 000	1 000				2 800	2 953	2 953	2 800	3 800	3 953	3 800	3 953
		Total: Alfred Nzo Municipalities	1 500	1 500	2 000	1 500	2 000				2 800	2 953	2 953	2 800	4 300	4 453	4 300	4 453
		Total: Eastern Cape Municipalities	22 000	22 000	23 000	22 000	22 000	10 000			19 263	20 313	20 313	19 263	51 263	42 313	51 263	42 313

RECURRENT GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6)

Category	Number	Municipality	Local Government Financial Management Grant				Local Government Restructuring Grant				Municipal Systems Improvement Programme				SUB-TOTAL: RECURRENT			
			National Financial Year		Municipal Financial Year		National Financial Year		Municipal Financial Year		National Financial Year		Municipal Financial Year		National Financial Year		Municipal Financial Year	
			2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2007/08 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2007/08 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2007/08 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2007/08 (R'000)
FREE STATE																		
B	FS161	Lesemong	250	250	500	250	500								250	250	500	500
B	FS162	Kopongong	1 000	1 000	1 000	1 000	1 000								1 000	1 000	1 000	1 000
B	FS163	Molokare	250	250	500	250	250	500							250	250	500	500
C	DC16	Xhariep District Municipality	250	250	500	250	250	500							2 925	3 071	3 321	3 321
Total: Xhariep Municipalities			1 750	1 750	2 500	1 750	2 500								4 425	4 571	5 321	5 321
B	FS171	Naledi	250	250	500	250	500								250	250	500	500
B	FS172	Mangung	2 000	2 000	1 000	2 000	1 000	25 000							27 000	2 000	2 000	1 000
B	FS173	Mamotsa	250	250	500	250	500								250	250	500	500
C	DC17	Matjhabeng District Municipality	2 500	2 500	1 000	2 500	1 000	25 000							2 450	2 584	2 450	2 584
Total: Matjhabeng Municipalities			2 500	2 500	2 000	2 500	2 000	25 000							29 950	5 084	4 584	4 584
B	FS181	Masibiyana																
B	FS182	Tokologo	250	250	500	250	250	500							250	250	500	500
B	FS183	Tswelopele	250	250	500	250	250	500							250	250	500	500
B	FS184	Matjhabeng	2 500	2 500	1 000	2 500	2 500	1 000							2 450	2 584	2 450	2 584
B	FS185	Nala																
C	DC18	Lejweletswa District Municipality	1 000	1 000	1 000	1 000	1 000	1 000							4 305	4 485	4 305	4 485
Total: Lejweletswa Municipalities			4 000	4 000	3 000	4 000	4 000	3 000							7 305	7 485	6 485	6 485
B	FS191	Sesoto																
B	FS192	Dhlabeng																
B	FS193	Nketoana																
B	FS194	Matloti-a-Phofung	2 000	2 000	2 000	2 000	2 000	2 000							2 000	2 000	2 000	2 000
B	FS195	Phumelela	250	250	500	250	250	500							250	250	500	500
C	DC19	Thabo Mofutsanyana District Municipality													3 500	3 691	3 691	3 691
Total: Thabo Mofutsanyana Municipalities			2 250	2 250	2 500	2 250	2 250	2 500							5 750	5 941	6 191	6 191
B	FS201	Moghaka																
B	FS203	Ngweni																
B	FS204	Metsimaholo	2 000	2 000	2 000	2 000	2 000	2 000							2 000	2 000	2 000	2 000
B	FS205	Matibane	250	250	500	250	250	500							250	250	500	500
C	DC20	Northern Free State District Municipality													2 875	3 032	2 875	3 032
Total: Northern Free State Municipalities			2 250	2 250	2 500	2 250	2 250	2 500							5 125	5 282	5 125	5 282
Total: Free State Municipalities			12 750	12 750	12 500	12 750	12 750	12 500	25 000						52 355	28 362	28 112	28 112

RECURRENT GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6)

Category			Local Government Financial Management Grant				Local Government Restructuring Grant				Municipal Systems Improvement Programme				SUB-TOTAL: RECURRENT			
			National Financial Year		Municipal Financial Year		National Financial Year		Municipal Financial Year		National Financial Year		Municipal Financial Year		National Financial Year		Municipal Financial Year	
Number	Municipality		2004/05	2005/06	2006/07	2004/05	2005/06	2006/07	2004/05	2005/06	2006/07	2004/05	2005/06	2006/07	2004/05	2005/06	2006/07	
			(R000)	(R000)	(R000)	(R000)	(R000)	(R000)	(R000)	(R000)	(R000)	(R000)	(R000)	(R000)	(R000)	(R000)	(R000)	(R000)
GAUTENG																		
A	Ekurhuleni		3 000	3 000	1 000										3 000	3 000	1 000	
A	City of Johannesburg		3 000	3 000	1 000										68 000	3 000	1 000	
A	City of Tshwane		3 000	3 000	1 000										3 000	3 000	1 000	
B	GT02b1	Nokeng tsa Taamane	250	250	500										250	250	500	
B	CBLC2	Krugvin	250	250	500										3 125	3 282	3 532	
C	CBDC2	Metsweding District Municipality	250	250	500							2 875	3 032	3 032	3 125	3 282	3 532	
Total: Metsweding Municipalities			500	500	1 000							2 875	3 032	3 032	3 375	3 532	4 032	
B	GT421	Emfuleni	1 000	1 000	1 000										1 000	1 000	1 000	
B	GT422	Midvaal										3 100	3 269	3 269	3 100	3 269	3 269	
B	GT423	Lesedi										3 100	3 269	3 269	3 100	3 269	3 269	
C	DC42	Sedibeng District Municipality																
Total: Sedibeng Municipalities			1 000	1 000	1 000										4 100	4 269	4 269	
B	GT411	Mogale City													1 000	1 000	1 000	
B	GT412	Randfontein	1 000	1 000	1 000													
B	GT414	Westonaria																
B	CBLC8	Meirifong City										3 100	3 269	3 269	3 100	3 269	3 269	
C	CBDC8	West Rand District Municipality										3 100	3 269	3 269	3 100	3 269	3 269	
Total: West Rand Municipalities			1 000	1 000	1 000							3 100	3 269	3 269	4 100	4 269	4 269	
Total: Gauteng Municipalities			11 500	11 500	6 000	11 500	11 500	6 000	65 000			9 075	9 570	9 570	85 575	21 070	15 570	

RECURRENT GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6)

Category	Number	Municipality	Local Government Financial Management Grant						Local Government Restructuring Grant						Municipal Systems Improvement Programme						SUB-TOTAL: RECURRENT					
			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year		
			2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)
KWAZULU-NATAL																										
A.		eThekweni	3 500	3 500	1 000	3 500	3 500	1 000													3 500	3 500	1 000			
B	KZ211	Vlamehlo	250	250	500	250	250	500													250	250	500			
B	KZ212	Undoni	250	250	500	250	250	500													250	250	500			
B	KZ213	Unzumbi	250	250	500	250	250	500													250	250	500			
B	KZ214	uMuziwabantu	250	250	500	250	250	500													250	250	500			
B	KZ215	Ezangolweni	250	250	500	250	250	500													250	250	500			
B	KZ216	Hlabiscus Coast																								
C	DC21	Ugu District Municipality																			3 800	4 007	4 007	3 800	4 007	4 007
Total: Ugu Municipalities			1 000	1 000	2 000	1 000	1 000	2 000													3 800	4 007	4 007	3 800	4 007	4 007
B	KZ221	uMshwathi	250	250	500	250	250	500																		
B	KZ222	uMgeni	250	250	500	250	250	500																		
B	KZ223	Mphahana	250	250	500	250	250	500																		
B	KZ224	Impendle	250	250	500	250	250	500																		
B	KZ225	Msunduzi	2 500	2 500	1 000	2 500	2 500	1 000	50 000												52 500	2 500	1 000	52 500	2 500	1 000
B	KZ226	Mchambhathi	250	250	500	250	250	500													250	250	500			
B	KZ227	Richmond	250	250	500	250	250	500													250	250	500			
C	DC22	uMgungundlovu District Municipality	2 000	1 000	1 000	2 000	1 000	1 000													5 675	4 875	4 875	5 675	4 875	4 875
Total: uMgungundlovu Municipalities			5 750	4 750	4 500	5 750	4 750	4 500	50 000												59 425	8 625	8 375	59 425	8 625	8 375
B	KZ232	Ennambithi/Ladysmith	1 000	1 000	1 000	1 000	1 000	1 000													1 000	1 000	1 000			
B	KZ233	Isidaka	250	250	500	250	250	500													250	250	500			
B	KZ234	Umshezi	250	250	500	250	250	500													250	250	500			
B	KZ235	Okhahlamba	250	250	500	250	250	500													250	250	500			
B	KZ236	Imbakazane	250	250	500	250	250	500													250	250	500			
C	DC23	Uthukela District Municipality	250	250	500	250	250	500													3 725	3 915	4 165	3 725	3 915	4 165
Total: Uthukela Municipalities			2 000	2 000	3 000	2 000	2 000	3 000													5 475	5 665	6 665	5 475	5 665	6 665
B	KZ241	Endumeni																								
B	KZ242	Nquthu	250	250	500	250	250	500													250	250	500			
B	KZ244	Mzinga	250	250	500	250	250	500													250	250	500			
B	KZ245	Unvoti	250	250	500	250	250	500													250	250	500			
C	DC24	Umzinyathi District Municipality																			3 400	3 585	3 585	3 400	3 585	3 585
Total: Umzinyathi Municipalities			750	750	1 500	750	750	1 500													4 150	4 335	5 085	4 150	4 335	5 085
B	KZ252	Newcastle	1 000	1 000	1 000	1 000	1 000	1 000													1 000	1 000	1 000			
B	KZ253	Utrecht	250	250	500	250	250	500													250	250	500			
B	KZ254	Damhauser	250	250	500	250	250	500													250	250	500			
C	DC25	Anajuba District Municipality																			3 125	3 282	3 532	3 125	3 282	3 532
Total: Anajuba Municipalities			1 750	1 750	2 500	1 750	1 750	2 500													4 625	4 782	5 532	4 625	4 782	5 532

RECURRENT GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6)

Category	Number	Municipality	Local Government Financial Management Grant						Local Government Restructuring Grant						Municipal Systems Improvement Programme						SUB-TOTAL: RECURRENT					
			2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)
B	KZ261	eDumbe	250	250	500	250	250	500													250	250	500	250	250	500
B	KZ262	uPhongolo	250	250	500	250	250	500													250	250	500	250	250	500
B	KZ263	Abaqulusi	250	250	500	250	250	500													250	250	500	250	250	500
B	KZ265	Nongoma	250	250	500	250	250	500													250	250	500	250	250	500
B	KZ266	Ulundi	250	250	500	250	250	500													250	250	500	250	250	500
C	DC26	Zululand District Municipality	2 250	2 250	3 000	2 250	2 250	3 000													4 400	4 558	4 558	4 400	4 558	4 558
Total: Zululand Municipalities			2 250	2 250	3 000	2 250	2 250	3 000													5 150	5 308	6 058	5 150	5 308	6 058
B	KZ271	Umhlathayalingana	250	250	500	250	250	500													250	250	500	250	250	500
B	KZ272	Izini	250	250	500	250	250	500													250	250	500	250	250	500
B	KZ273	The Big 5 False Bay	250	250	500	250	250	500													250	250	500	250	250	500
B	KZ274	Hlabisa	250	250	500	250	250	500													250	250	500	250	250	500
B	KZ275	Mthunzwa	250	250	500	250	250	500													250	250	500	250	250	500
C	DC27	Umkhanyakade District Municipality	1 000	1 000	2 000	1 000	1 000	2 000													3 000	3 164	3 164	3 000	3 164	3 164
Total: Umkhanyakade Municipalities			1 000	1 000	2 000	1 000	1 000	2 000													4 000	4 164	5 164	4 000	4 164	5 164
B	KZ281	Mbonambi	250	250	500	250	250	500													250	250	500	250	250	500
B	KZ282	uMthathuze	1 000	1 000	1 000	1 000	1 000	1 000													1 000	1 000	1 000	1 000	1 000	1 000
B	KZ283	Numbanana	250	250	500	250	250	500													250	250	500	250	250	500
B	KZ284	Umlalazi	250	250	500	250	250	500													250	250	500	250	250	500
B	KZ285	Mthobajeni	250	250	500	250	250	500													250	250	500	250	250	500
B	KZ286	Nkandla	250	250	500	250	250	500													250	250	500	250	250	500
C	DC28	uThungulu District Municipality	2 000	2 000	3 000	2 000	2 000	3 000													2 900	3 058	3 058	2 900	3 058	3 058
Total: uThungulu Municipalities			2 000	2 000	3 000	2 000	2 000	3 000													4 900	5 058	6 058	4 900	5 058	6 058
B	KZ291	eNdonakusuka																								
B	KZ292	KwaDukuza	250	250	500	250	250	500													250	250	500	250	250	500
B	KZ293	Nkqechwe	250	250	500	250	250	500													250	250	500	250	250	500
B	KZ294	Mapumulo	250	250	500	250	250	500													250	250	500	250	250	500
C	DC29	Ilenbe District Municipality	500	500	1 000	500	500	1 000													2 900	3 058	3 058	2 900	3 058	3 058
Total: Ilenbe Municipalities			500	500	1 000	500	500	1 000													3 400	3 558	4 058	3 400	3 558	4 058
B	KZ5a1	Igwe	250	250	500	250	250	500													250	250	500	250	250	500
B	KZ5a2	Kwa Sani	250	250	500	250	250	500													250	250	500	250	250	500
B	KZ5a3	Matatiele	250	250	500	250	250	500													250	250	500	250	250	500
B	KZ5a4	Kolstad	250	250	500	250	250	500													250	250	500	250	250	500
B	KZ5a5	Uphleheze	250	250	500	250	250	500													250	250	500	250	250	500
C	DC43	Sisonke District Municipality	1 250	1 250	2 500	1 250	1 250	2 500													3 700	3 361	3 611	3 700	3 361	3 611
Total: Sisonke Municipalities			1 250	1 250	2 500	1 250	1 250	2 500													4 200	4 361	5 011	4 200	4 361	5 011
Total: KwaZulu-Natal Municipalities			21 750	20 750	26 000	21 750	20 750	26 000													103 625	54 363	59 613	103 625	54 363	59 613

RECURRENT GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6)

Category	Number	Municipality	Local Government Financial Management Grant						Local Government Restructuring Grant						Municipal Systems Improvement Programme						SUB-TOTAL: RECURRENT					
			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year		
			2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)
LIMPOPO																										
	B	NP03A2																								
	B	NP03A2		250	500		250	250	500															250	250	500
	B	NP03A3		250	500		250	250	500															250	250	500
	B	CBLC3		250	500		250	250	500															250	250	500
	B	CBLC3		250	500		250	250	500															250	250	500
	B	CBLC4																								
	B	CBLC4		250	500		250	250	500															250	250	500
	B	CBLC5		250	500		250	250	500															250	250	500
	C	CBDC3																								
			1 000	1 000	2 000		1 000	1 000	2 000														3 900	4 113	4 113	
			1 000	1 000	2 000		1 000	1 000	2 000														3 900	4 113	4 113	
B	NP04A1	Maruleng																								
B	CBLC6	Bushbuckridge																								
C	CBDC4	Bohlabela District Municipality																								
			500	500	1 000		500	500	1 000															2 775	2 926	2 926
			500	500	1 000		500	500	1 000															2 775	2 926	2 926
B	NP331	Greater Giyani																								
B	NP332	Greater Letaba																								
B	NP333	Greater Tzaneen																								
B	NP334	Ba-Pfalaborwa																								
C	DC33	Mopani District Municipality																								
			250	250	500		250	250	500																	
			1 750	1 750	2 500		1 750	1 750	2 500																	
			1 750	1 750	2 500		1 750	1 750	2 500																	
B	NP341	Musina																								
B	NP342	Mutale																								
B	NP343	Thulamela																								
B	NP344	Makhado																								
C	DC34	Vhembe District Municipality																								
			1 000	1 000	1 000		1 000	1 000	1 000																	
			3 500	3 500	4 000		3 500	3 500	4 000																	
			3 500	3 500	4 000		3 500	3 500	4 000																	
B	NP351	Blouberg																								
B	NP352	Aganang																								
B	NP353	Molemole																								
B	NP354	Potokwane																								
B	NP355	Lepelle-Nkumpi																								
C	DC35	Capricorn District Municipality																								
			1 000	1 000	1 000		1 000	1 000	1 000																	
			4 500	4 500	4 000		4 500	4 500	4 000																	
			4 500	4 500	4 000		4 500	4 500	4 000																	
B	NP361	Thabazimbi																								
B	NP362	Lephalale																								
B	NP364	Mookgopong																								
B	NP365	Modimolle																								
B	NP366	Bela Bela																								
B	NP367	Mogalakwena																								
C	DC36	Waterberg District Municipality																								
			1 000	1 000	1 500		1 000	1 000	1 500																	
			1 000	1 000	1 500		1 000	1 000	1 500																	
			12 250	12 250	15 000		12 250	12 250	15 000																	
			12 250	12 250	15 000		12 250	12 250	15 000																	

RECURRENT GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6)

Category Number Municipality			Local Government Financial Management Grant						Local Government Restructuring Grant						Municipal Systems Improvement Programme						SUB-TOTAL: RECURRENT					
			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year		
			2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)
MPUMALANGA																										
B	MP301	Albert Luthuli	250	250	500		250	500														250	250	500	500	
B	MP302	Msakaligwa																								
B	MP303	Mkondo																								
B	MP304	Seme																								
B	MP305	Lekwa																								
B	MP306	Dipaleseng	250	250	500		250	500														250	250	500	500	
B	MP307	Govan Mbeki	2 000	2 000	2 000	2 000	2 000	2 000	2 000													2 000	2 000	2 000	2 000	
C	DC30	Gert Sibande District Municipality	1 500	1 500	1 000	1 500	1 500	1 000	1 000													4 000	4 136	3 636	3 636	
Total: Gert Sibande Municipalities			4 000	4 000	4 000	4 000	4 000	4 000	4 000								2 500	2 636	2 636	2 500	2 636	2 636	6 500	6 636	6 636	
B	MP311	Delmas																								
B	MP312	Enalahleni	2 000	2 000	1 000	2 000	2 000	1 000	1 000													2 000	2 000	1 000	1 000	
B	MP313	Steve Tshwete	1 000	1 000	1 000	1 000	1 000	1 000	1 000													1 000	1 000	1 000	1 000	
B	MP314	Highlands	250	250	500	250	250	500	500													250	250	500	500	
B	MP315	Thembelesile																								
B	MP316	Dr JS Moroka	250	250	500	250	250	500	500													250	250	500	500	
C	DC31	Nkangala District Municipality																				2 700	2 847	2 847	2 847	
Total: Nkangala Municipalities			3 500	3 500	3 000	3 500	3 500	3 000	3 000								2 700	2 847	2 847	2 700	2 847	2 847	6 200	6 347	5 847	
B	MP321	Thaba Chweu																								
B	MP322	Mbombela	2 500	2 500	1 000	2 500	2 500	1 000	1 000													2 500	2 500	1 000	1 000	
B	MP323	Unjini																								
B	MP324	Nkomazi																								
C	DC32	Ehlanzeni District Municipality	2 000	2 000	1 000	2 000	2 000	1 000	1 000								3 100	3 269	3 269	3 100	3 269	3 269	5 100	5 269	4 269	
Total: Ehlanzeni Municipalities			4 500	4 500	2 000	4 500	4 500	2 000	2 000								3 100	3 269	3 269	3 100	3 269	3 269	7 600	7 769	5 269	
Total: Mpumalanga Municipalities			12 000	12 000	9 000	12 000	12 000	9 000	9 000								8 300	8 753	8 753	8 300	8 753	8 753	20 300	20 753	17 753	

RECURRENT GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6)

Category	Number	Municipality	Local Government Financial Management Grant						Local Government Restructuring Grant						Municipal Systems Improvement Programme						SUB-TOTAL: RECURRENT					
			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year		
			2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)
NORTHERN CAPE																										
B	NC01B1	Gamagara	250	250	500		250	250	500												250	250	500			
B	NW1a1	Moshaweng	250	250	500		250	250	500												250	250	500			
B	CBLC1	Ga-Segonyana																								
C	CBDC1	Kgalagadi District Municipality	1 000	1 000	1 000	1 000	1 000	1 000	1 000												4 500	4 691	4 691			
Total: Kgalagadi Cross Border Municipalities			1 500	1 500	2 000	1 500	1 500	2 000													5 000	5 191	5 691			
B	NC061	Richersveld	250	250	500		250	250	500												250	250	500			
B	NC062	Nama Khoi																								
B	NC064	Kamiesberg	250	250	500		250	250	500												250	250	500			
B	NC065	Hantam	250	250	500		250	250	500												250	250	500			
B	NC066	Karoo Hoogland	250	250	500		250	250	500												250	250	500			
B	NC067	Khai-Ma	250	250	500		250	250	500												250	250	500			
C	DC6	Namakwa District Municipality	1 000	1 000	1 000	1 000	1 000	1 000	1 000												4 100	4 269	4 269			
Total: Namakwa Municipalities			2 250	2 250	3 500	2 250	2 250	3 500													5 350	5 519	6 769			
B	NC071	Umtata	1 000	1 000	1 000	1 000	1 000	1 000													1 000	1 000	1 000			
B	NC072	Umsobomvu	250	250	500		250	250	500												250	250	500			
B	NC073	Emthatheni																								
B	NC074	Kareeberg	250	250	500		250	250	500												250	250	500			
B	NC075	Renostersburg	250	250	500		250	250	500												250	250	500			
B	NC076	Thembelille	250	250	500		250	250	500												250	250	500			
B	NC077	Siyathemba	250	250	500		250	250	500												250	250	500			
B	NC078	Siyancuma	250	250	500		250	250	500												250	250	500			
C	DC7	Karoo District Municipality	1 000	1 000	1 000	1 000	1 000	1 000	1 000												3 675	3 821	3 821			
Total: Karoo Municipalities			3 500	3 500	5 000	3 500	3 500	5 000													6 175	6 321	7 821			
B	NC081	Mier	250	250	500		250	250	500												250	250	500			
B	NC082	Kai ! Garib	250	250	500		250	250	500												250	250	500			
B	NC083	//Kara Hais																								
B	NC084	!Kheis	250	250	500		250	250	500												250	250	500			
B	NC085	Tsantsabane	250	250	500		250	250	500												250	250	500			
B	NC086	Kgatelopele	250	250	500		250	250	500												250	250	500			
C	DC8	Siyanda District Municipality	1 000	1 000	1 000	1 000	1 000	1 000	1 000												3 675	3 821	3 821			
Total: Siyanda Municipalities			2 250	2 250	3 500	2 250	2 250	3 500													4 925	5 071	6 321			
B	NC091	Sol Plaatje	2 500	2 500	1 000	2 500	2 500	1 000													2 500	2 500	1 000			
B	NC092	Thusamang	250	250	500		250	250	500												250	250	500			
B	NC093	Magareng	250	250	500		250	250	500												250	250	500			
B	CBLC7	Phokwane																								
C	DC9	Franses Baard District Municipality	2 500	2 000	1 000	2 500	2 000	1 000													6 325	6 034	5 034			
Total: Franses Baard Municipalities			5 500	5 000	3 000	5 500	5 000	3 000													9 325	9 034	7 034			
Total: Northern Cape Municipalities			15 000	14 500	17 000	15 000	14 500	17 000													30 775	31 135	33 635			

RECURRENT GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6)

Category	Number	Municipality	Local Government Financial Management Grant						Local Government Restructuring Grant						Municipal Systems Improvement Programme						SUB-TOTAL: RECURRENT					
			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year		
			2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)
NORTH WEST																										
B	NW371	Moretele		250	500		250		500													250	250	500	250	500
B	NW372	Madibeng																								
B	NW373	Rustenburg	1 000	1 000	1 000	1 000	1 000	1 000														1 000	1 000	1 000	1 000	1 000
B	NW374	Kgetlengrivier	250	250	500	250	250	250	500													250	250	500	250	500
B	NW375	Moses Kotane																								
C	DC37	Bojanala Platinum District Municipality																								
Total: Bojanala Platinum Municipalities			1 500	1 500	2 000	1 500	1 500	2 000		2 000												2 700	2 847	2 847	2 700	2 847
B	NW381	Ratlou	250	250	500	250	250	250	500													250	250	500	250	500
B	NW382	Tswaing	250	250	500	250	250	250	500													250	250	500	250	500
B	NW383	Mafikeng	2 750	1 500	1 500	2 750	1 500	1 500	1 500													2 750	1 500	1 500	2 750	1 500
B	NW384	Disobola																								
B	NW385	Zeerust																								
C	DC38	Central District Municipality																								
Total: Central Municipalities			3 250	2 000	2 500	3 250	2 000	2 500		2 500												2 675	2 821	2 821	2 675	2 821
B	NW391	Kagisano		250	500		250		500																	
B	NW392	Naledi																								
B	NW393	Mamusa	250	250	500	250	250	250	500													250	250	500	250	500
B	NW394	Greater Taung	250	250	500	250	250	250	500													250	250	500	250	500
B	NW395	Molopo	250	250	500	250	250	250	500													250	250	500	250	500
B	NW396	Lekwa-Teemane																								
C	DC39	Bophirima District Municipality																								
Total: Bophirima Municipalities			1 000	1 000	2 000	1 000	1 000	2 000		2 000												3 700	3 902	3 902	3 700	3 902
B	NW401	Vereenisdorp	250	250	500	250	250	250	500													250	250	500	250	500
B	NW402	Potchefstroom	2 000	1 000	1 000	2 000	1 000	1 000	1 000													2 000	1 000	1 000	2 000	1 000
B	NW403	Klerksdorp	1 750	1 000	1 000	1 750	1 000	1 000	1 000													1 750	1 000	1 000	1 750	1 000
B	NW404	Maquassi Hills																								
C	DC40	Southern District Municipality	1 500	1 500	1 500	1 500	1 500	1 500	1 500													3 850	3 978	3 978	3 850	3 978
Total: Southern Municipalities			5 500	3 750	4 000	5 500	3 750	4 000		4 000												7 850	6 228	6 478	7 850	6 228
Total: North West Municipalities			11 250	8 250	10 500	11 250	8 250	10 500		10 500												22 675	20 298	22 548	22 675	20 298

RECURRENT GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6)

Category	Number	Municipality	Local Government Financial Management Grant			Local Government Restructuring Grant			Municipal Systems Improvement Programme			SUB-TOTAL: RECURRENT							
			National Financial Year		Municipal Financial Year	National Financial Year		Municipal Financial Year	National Financial Year		Municipal Financial Year	National Financial Year		Municipal Financial Year					
			2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)		
WESTERN CAPE																			
A		City of Cape Town	4 000	4 000	1 000	4 000	1 000							4 000	4 000	1 000	4 000	1 000	
B	WC011	Matzikama																	
B	WC012	Cederberg	250	250	500	250	500							250	250	500	250	500	
B	WC013	Begirivier																	
B	WC014	Saldanha Bay	500	500	500	500	500							500	500	500	500	500	
B	WC015	Swartland	1 000	1 000	1 000	1 000	1 000	1 000						3 000	3 109	3 109	3 000	3 109	
C	DC1	West Coast District Municipality	1 750	1 750	2 000	1 750	1 750	2 000						2 000	2 109	2 109	2 000	2 109	
Total: West Coast Municipalities														2 000	2 109	2 109	2 000	2 109	
B	WC022	Witzenberg																	
B	WC023	Drakenstein	2 000	2 000	2 000	2 000	2 000	2 000									2 000	2 000	
B	WC024	Stellenbosch	1 000	1 000	1 000	1 000	1 000	1 000								1 000	1 000	1 000	
B	WC025	Breda Valley																	
B	WC026	Breda River Waelands	2 000	2 000	2 000	2 000	2 000	2 000						2 400	2 531	2 531	2 400	2 531	
C	DC2	Boland District Municipality	5 000	5 000	5 000	5 000	5 000	5 000						2 400	2 531	2 531	2 400	2 531	
Total: Boland Municipalities														2 400	2 531	2 531	2 400	2 531	
B	WC031	Theewaterskloof																	
B	WC032	Overstrand	1 500	1 500	1 500	1 500	1 500	1 500								1 500	1 500	1 500	
B	WC033	Cape Agulhas																	
B	WC034	Swellendam	250	250	500	250	250	500								250	250	500	
C	DC3	Overberg District Municipality	1 500	1 500	1 500	1 500	1 500	1 500						2 350	2 478	2 478	2 350	2 478	
Total: Overberg Municipalities														2 350	2 478	2 478	2 350	2 478	
B	WC041	Kannaland	250	250	500	250	250	500									250	500	
B	WC042	Langenberg																	
B	WC043	Mossel Bay																	
B	WC044	George	1 000	1 000	1 000	1 000	1 000	1 000								1 000	1 000	1 000	
B	WC045	Oudshoorn																	
B	WC047	Plettenberg Bay	1 000	1 000	1 000	1 000	1 000	1 000								1 000	1 000	1 000	
B	WC048	Koyasna	1 500	1 500	1 500	1 500	1 500	1 500						2 400	2 531	2 531	2 400	2 531	
C	DC4	Eden District Municipality	3 750	3 750	4 000	3 750	3 750	4 000						2 400	2 531	2 531	2 400	2 531	
Total: Eden Municipalities														2 400	2 531	2 531	2 400	2 531	
B	WC051	Laingsburg	250	250	500	250	250	500									250	500	
B	WC052	Prince Albert	250	250	500	250	250	500									250	500	
B	WC053	Beaufort West																	
C	DC5	Central Karoo District Municipality	250	250	500	250	250	500						3 100	3 269	3 269	3 100	3 269	
Total: Central Karoo Municipalities														3 100	3 269	3 269	3 100	3 269	
Total: Western Cape Municipalities														12 250	12 918	12 918	12 250	12 918	
Unallocated and other National Allocations																			
Municipal Systems Improvement Programme																			
Restructuring Grant																			
National Total			137 000	132 500	136 000	137 000	132 500	136 000	192 900	350 000	350 000	342 900	350 000	350 000	182 243	200 000	200 000	182 243	200 000
Total																			

APPENDIX E4:

INFRASTRUCTURE GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6A)

(National and Municipal Financial Years)

INFRASTRUCTURE GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6A)

Building for Sports and Recreation Programme Grant															National Electrification Programme (NEP)						SUB-TOTAL: INFRASTRUCTURE					
Category	Number	Municipality	National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year								
			2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)						
EASTERN CAPE																										
A		Nelson Mandela																								
B	EC101	Camdeboo																								
B	EC102	Blue Crane Route																								
B	EC103	Ikwezi																								
B	EC104	Makana																								
B	EC105	Ndlambe																								
B	EC106	Sundays River Valley																								
B	EC107	Baviaans																								
B	EC108	Kouga																								
B	EC109	Koukamma																								
C	DC10	Cacadu District Municipality	3 000		2 550																					
Total: Cacadu Municipalities			3 000		2 550																					
B	EC121	Mbashe																								
B	EC122	Mnquma																								
B	EC123	Great Kei																								
B	EC124	Amahlathi																								
B	EC125	Buffalo City																								
B	EC126	Ngqushwa																								
B	EC127	Nkonkobe																								
B	EC128	Nxuba	9 700		8 245																					
C	DC12	Anatole District Municipality	9 700		8 245																					
Total: Amatole Municipalities			9 700		8 245																					
B	EC131	Inxuba Yethemba																								
B	EC132	Tsolwana																								
B	EC133	Inkwanca																								
B	EC134	Lukhanji																								
B	EC135	Insika Yethu																								
B	EC136	Emalahleni																								
B	EC137	Engcobo																								
B	EC138	Sakhisizwe																								
C	DC13	Chris Hani District Municipality	4 104		3 488																					
Total: Chris Hani Municipalities			4 104		3 488																					
B	EC141	Elundini																								
B	EC142	Senqu																								
B	EC143	Maleiswai																								
B	EC144	Gariep																								
C	DC14	Ukhahlamba District Municipality	1 000		850																					
Total: Ukhahlamba Municipalities			1 000		850																					
B	EC151	Mbizana																								
B	EC152	Ntabankulu																								
B	EC153	Qaukeni																								
B	EC154	Port St. Johns																								
B	EC155	Nyandeni																								
B	EC156	Mhlontlo																								
B	EC157	King Sabata Dalindyebo																								
C	DC15	O.R. Tambo District Municipality	5 500		4 675																					
Total: O.R. Tambo Municipalities			5 500		4 675																					
B	EC05b1	Umtzinkhulu																								
B	EC05b2	Umtzinkhulu																								
C	DC44	Alfred Nzo District Municipality	1 500		1 275																					
Total: Alfred Nzo Municipalities			1 500		1 275																					
Total: Eastern Cape Municipalities			24 804		21 083																					

INFRASTRUCTURE GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6A)

Category			Number	Municipality	Building for Sports and Recreation Programme Grant			National Electrification Programme (NEP)			SUB-TOTAL: INFRASTRUCTURE					
					National Financial Year		Municipal Financial Year		National Financial Year		Municipal Financial Year		National Financial Year		Municipal Financial Year	
					2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)
FREE STATE																
B	FS161	Letsemeng														
B	FS162	Kopanong														
B	FS163	Mohokare														
C	DC16	Xhariep District Municipality	1 600			1 360									1 360	
Total: Xhariep Municipalities			1 600			1 360						800			1 840	680
B	FS171	Naledi														
B	FS172	Mangaung														
B	FS173	Mantsopa														
C	DC17	Motheo District Municipality														
Total: Motheo Municipalities															4 996	4 420
B	FS181	Masilonyana														
B	FS182	Tokologo													203	
B	FS183	Tswelopele														
B	FS184	Matjhabeng													770	850
B	FS185	Nala													105	595
C	DC18	Lejweleputsa District Municipality	4 309			3 663									3 663	
Total: Lejweleputsa Municipalities			4 309			3 663						1 700			4 741	1 445
B	FS191	Setsoto														
B	FS192	Diblahabeng														
B	FS193	Nketoana													355	255
B	FS194	Maluti-a-Phofung													14 193	13 582
B	FS195	Phumelela													75	425
C	DC19	Thabo Mofutsanyana District Municipality														
Total: Thabo Mofutsanyane Municipalities															14 623	14 262
B	FS201	Moghaka														
B	FS203	Ngwathe													770	850
B	FS204	Mesimaholo													466	850
B	FS205	Mafube													1 390	850
C	DC20	Northern Free State District Municipality	4 500			3 825									460	850
Total: Northern Free State Municipalities			4 500			3 825									3 825	
															6 911	3 400
Total: Free State Municipalities			10 409			8 848									33 111	24 207

APPENDIX E4 (1 of 2)

INFRASTRUCTURE GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6A)

Category			Building for Sports and Recreation Programme Grant			National Electrification Programme (NEP)			SUB-TOTAL: INFRASTRUCTURE							
			National Financial Year			National Financial Year			National Financial Year			National Financial Year				
			2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)		
GAUTENG																
A		Ekurhuleni	1 350													
A		City of Johannesburg	1 350		1 148										6 048	8 500
A		City of Tshwane	3 250		1 148										7 784	7 650
					2 763										8 623	5 950
B	GT02b1	Nokeng tsa Taamane														
B	CBLC2	Kungwini													75	425
C	CBDC2	Metsweding District Municipality	1 370		1 165										75	425
															1 165	
		Total: Metsweding Municipalities	1 370		1 165				150				1 370	1 000	1 315	850
B	GT421	Emfuleni	1 368													
B	GT422	Midvaal	1 000		1 163				150				1 368	1 000	1 313	850
B	GT423	Lesedi			850				1 790				3 240	1 000	2 640	850
C	DC42	Sedibeng District Municipality							300				2 530	2 000	300	1 700
		Total: Sedibeng Municipalities	2 368		2 013				2 240				7 138	4 000	4 253	3 400
B	GT411	Mogale City	1 500													
B	GT412	Randfontein	600		1 275				225				1 500	1 500	1 500	1 275
B	GT414	Westonaria			510				2 205				2 730	500	2 715	425
B	CBLC8	Merapong City							150				1 000	1 000	150	850
C	CBDC8	West Rand District Municipality							3 795				4 070	1 500	3 795	1 275
		Total: West Rand Municipalities	2 100		1 785				6 375				8 300	4 500	8 160	3 825
		Total: Gauteng Municipalities	11 788		10 020				26 162				47 758	35 500	36 182	30 175

APPENDIX E4 (1 of 2)

INFRASTRUCTURE GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6A)

Category			Number	Municipality	Building for Sports and Recreation Programme Grant			National Electrification Programme (NEP)			SUB-TOTAL: INFRASTRUCTURE				
					Municipal Financial Year			Municipal Financial Year			Municipal Financial Year				
					2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)		
KWAZULU-NATAL															
A		eThekweni													
B	KZ211	Vulamehlo													
B	KZ212	Umdoni													
B	KZ213	Umzumbe													
B	KZ214	uMuziwabantu													
B	KZ215	Ezingolweni													
B	KZ216	Hibiscus Coast													
C	DC21	Ugu District Municipality	4 500		3 825										
Total: Ugu Municipalities			4 500		3 825										
B	KZ221	uMshwathi													
B	KZ222	uMgeni													
B	KZ223	Mpofana													
B	KZ224	Impendle													
B	KZ225	Msunduzi													
B	KZ226	Mkhambathini													
B	KZ227	Richmond													
C	DC22	uMgungundlovu District Municipality	3 600		3 060										
Total: uMgungundlovu Municipalities			3 600		3 060										
B	KZ232	Emnambithi/Ladysmith													
B	KZ233	Indaka													
B	KZ234	Umishezi													
B	KZ235	Okhahlamba													
B	KZ236	Inbabazane													
C	DC23	Uthukela District Municipality	3 000		2 550										
Total: Uthukela Municipalities			3 000		2 550										
B	KZ241	Endumeni													
B	KZ242	Nquthu													
B	KZ244	Msinga													
B	KZ245	Unvoti													
C	DC24	Umzinyathi District Municipality	1 400		1 190										
Total: Umzinyathi Municipalities			1 400		1 190										
B	KZ252	Newcastle													
B	KZ253	Utrecht													
B	KZ254	Dannhauser													
C	DC25	Amajuba District Municipality	1 500		1 275										
Total: Amajuba Municipalities			1 500		1 275										

APPENDIX E4 (1 of 2)

INFRASTRUCTURE GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6A)

Category		Building for Sports and Recreation Programme Grant						National Electrification Programme (NEP)						SUB-TOTAL: INFRASTRUCTURE					
		National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year		
		2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)
B	KZ261 eDumbe													775	1 500	1 000	1 275		
B	KZ262 uPhongolo														500	75	425		
B	KZ263 Abaqulusi													1 550	4 000	2 150	3 400		
B	KZ265 Nongoma																		
B	KZ266 Ulundi													6 346	7 000	2 848	5 950		
C	DC26 Zululand District Municipality	3 000				2 550								3 000		2 550			
Total: Zululand Municipalities		3 000				2 550								11 671	13 000	8 623	11 050		
B	KZ271 Umhlabyalingana																		
B	KZ272 Jozini																		
B	KZ273 The Big 5 False Bay																		
B	KZ274 Hlabisa																		
B	KZ275 Mubatuba													3 922	1 000	3 324	850		
C	DC27 Umkhanyakude District Municipality	1 500				1 275								1 500		1 275			
Total: Umkhanyakude Municipalities		1 500				1 275								5 422	1 000	4 599	850		
B	KZ281 Mbonambi																		
B	KZ282 uMhlathuze														500	75	425		
B	KZ283 Ntambanana																		
B	KZ284 Umlalazi														500	75	425		
B	KZ285 Mthonjaneni																		
B	KZ286 Nkandla																		
C	DC28 uThungulu District Municipality	2 700				2 295								2 700		2 295			
Total: uThungulu Municipalities		2 700				2 295								2 700	1 000	2 445	850		
B	KZ291 eNdongakusuka																		
B	KZ292 KwaDukuza													6 789	7 000	6 649	5 950		
B	KZ293 Ndwedwe																		
B	KZ294 Maphumulo																		
C	DC29 Ilembe District Municipality	3 100				2 635								3 100		2 635			
Total: Ilembe Municipalities		3 100				2 635								9 889	7 000	9 284	5 950		
B	KZ5a1 Ingwe																		
B	KZ5a2 Kwa Sani																		
B	KZ5a3 Matatiele														500	75	425		
B	KZ5a4 Kokstad													973	1 200	968	1 020		
B	KZ5a5 Ubhulebezwe																		
C	DC43 Sisonke District Municipality	1 582				1 345								1 582		1 345			
Total: Sisonke Municipalities		1 582				1 345								2 556	1 700	2 388	1 445		
Total: KwaZulu-Natal Municipalities		25 882				22 000								82 061	60 000	69 850	51 000		

APPENDIX E4 (1 of 2)

INFRASTRUCTURE GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6A)

Category			Building for Sports and Recreation Programme Grant				National Electrification Programme (NEP)				SUB-TOTAL: INFRASTRUCTURE				
			National Financial Year		Municipal Financial Year		National Financial Year		Municipal Financial Year		National Financial Year		Municipal Financial Year		
			2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	
LIMPOPO															
B	NP03A2	Makhuduthamaga													
B	NP03A3	Fetakomo													
B	CBLC3	Greater Marble Hall	1 000		850									850	
B	CBLC4	Greater Groblersdal													
B	CBLC5	Greater Tubatse	3 000		2 550									2 550	
C	CBDC3	Greater Sekhukhune Cross Boundary													
Total: Greater Sekhukhune Cross Boundary Municipalities			4 000		3 400									3 400	
B	NP04A1	Maruleng													
B	CBLC6	Bushbuckridge													
C	CBDC4	Bohlabela District Municipality	1 500		1 275									1 275	
Total: Bohlabela Municipalities			1 500		1 275									1 275	
B	NP331	Greater Giyani													
B	NP332	Greater Letaba													
B	NP333	Greater Tzaneen													
B	NP334	Ba-Phalaborwa													
C	DC33	Mopani District Municipality	3 000		2 550									2 550	
Total: Mopani Municipalities			3 000		2 550									3 146	850
B	NP341	Musina													
B	NP342	Mutale												620	93
B	NP343	Thulamela	1 500		1 275									1 275	
B	NP344	Makhado												385	1 275
C	DC34	Vhembe District Municipality	1 500		1 275									1 500	1 275
Total: Vhembe Municipalities			3 000		2 550									3 302	1 802
B	NP351	Blouberg	1 966		1 671									1 966	850
B	NP352	Aganang													
B	NP353	Molemole												300	255
B	NP354	Polokwane	6 000		5 100									4 650	3 953
B	NP355	Lepelle-Nkumpi													
C	DC35	Capricorn District Municipality													
Total: Capricorn Municipalities			7 966		6 771									12 616	5 058
B	NP361	Thabazimbi												500	425
B	NP362	Lephalale													
B	NP364	Mookgapong													
B	NP365	Modimolle												2 000	1 700
B	NP366	Bela Bela												500	425
B	NP367	Mogalakwena	1 500		1 275									1 633	213
C	DC36	Waterberg District Municipality	1 500		1 275									1 500	1 275
Total: Waterberg Municipalities			3 000		2 550									7 821	2 763
Total: Limpopo Municipalities			22 466		19 096									32 684	10 472

APPENDIX E4 (1 of 2)

INFRASTRUCTURE GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6A)

Category	Number	Municipality	Building for Sports and Recreation Programme Grant			National Electrification Programme (NEP)			SUB-TOTAL: INFRASTRUCTURE					
			National Financial Year			National Financial Year			National Financial Year			Municipal Financial Year		
			2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)
MPUMALANGA														
B	MP301	Albert Luthuli	1 000											
B	MP302	Mskuligwa	1 000	850		3 100	3 000					4 100	3 000	
B	MP303	Mkhondo	1 000	850		1 705	2 000					2 705	2 000	2 550
B	MP304	Seme		850		2 083	2 000					3 083	2 000	1 700
B	MP305	Lekwa				133	340					133	340	118
B	MP306	Dipaleseng				1 626	1 500					1 626	1 500	289
B	MP307	Govan Mbeki				930	600					930	600	1 155
C	DC30	Gert Sibande District Municipality				1 653	4 000					1 653	4 000	1 275
Total: Gert Sibande Municipalities			3 000	2 550		11 231	13 440					11 284	13 440	11 424
B	MP311	Delmas				960	1 000					960	1 000	850
B	MP312	Emalahleni	1 197	1 018		3 000	3 931					4 197	3 931	3 341
B	MP313	Sieve Tshwete				1 864	2 000					1 864	2 000	1 700
B	MP314	Highlands				1 120	1 000					1 120	1 000	850
B	MP315	Thembisile												
B	MP316	Dr JS Moroka	3 000	2 550			1 000						1 000	850
C	DC31	Nkangala District Municipality										3 000		
Total: Nkangala Municipalities			4 197	3 568		6 944	8 931					11 141	8 931	7 591
B	MP321	Thaba Chweu												
B	MP322	Mbombela	1 000	850		3 350	5 000					4 350	5 000	4 250
B	MP323	Umlindi				1 779	2 000					1 779	2 000	1 700
B	MP324	Nkomazi				4 986	5 000					4 986	5 000	4 250
C	DC32	Ehlanzeni District Municipality	1 500	1 275								1 500		
Total: Ehlanzeni Municipalities			2 500	2 125		10 115	12 000					12 615	12 000	10 200
Total: Mpumalanga Municipalities			9 697	8 243		28 289	34 371					37 986	34 371	29 215

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INFRASTRUCTURE GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6A)

Category Number Municipality		Building for Sports and Recreation Programme Grant				National Electrification Programme (NEP)				SUB-TOTAL: INFRASTRUCTURE			
		National Financial Year		Municipal Financial Year		National Financial Year		Municipal Financial Year		National Financial Year		Municipal Financial Year	
		2004/05 (R'000)	2005/06 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2004/05 (R'000)	2005/06 (R'000)
NORTHERN CAPE													
B	NC01B1 Gamagara	3 413		2 901			500		75		425		
B	NW1a1 Moshaweng											2 976	425
B	CBLC1 Ga-Segonyana						200		30		170	30	170
C	CBDC1 Kgalagadi District Municipality												
Total: Kgalagadi Cross Border Municipalities		3 413		2 901			700		105		595	3 006	595
B	NC061 Richtersveld												
B	NC062 Nama Khoi						150		623		128	623	128
B	NC064 Kamiesberg						200		30		170	30	170
B	NC065 Hanam						100		123		85	123	85
B	NC066 Karoo Hoogland						200		30		170	30	170
B	NC067 Khat-Ma						100		79		85	79	85
C	DC6 Namakwa District Municipality												
Total: Namakwa Municipalities							750		884		638	884	638
B	NC071 Ubuntu						100		558		85	558	85
B	NC072 Umsobomvu												
B	NC073 Emthanjeni						200		294		170	294	170
B	NC074 Kareeberg												
B	NC075 Renosterberg												
B	NC076 Thembelhle	3 413		2 901								2 901	
B	NC077 Siyathemba												
B	NC078 Siyancuna												
C	DC7 Karoo District Municipality												
Total: Karoo Municipalities		3 413		2 901			300		851		255	3 752	255
B	NC081 Mier												
B	NC082 Kai ! Garib						200		30		170	30	170
B	NC083 //Khara Hais						500		1 625		425	1 625	425
B	NC084 ! Kheis												
B	NC085 Tsantsabane												
B	NC086 Kgatelopele						150		428		128	428	128
C	DC8 Siyanda District Municipality												
Total: Siyanda Municipalities							850		2 083		723	2 083	723
B	NC091 Sol Plaatje												
B	NC092 Thusanang						1 200		180		1 020	180	1 020
B	NC093 Magareng						200		30		170	30	170
B	CBLC7 Phokwane												
C	DC9 Frances Baard District Municipality												
Total: Frances Baard Municipalities							1 400		210		1 190	210	1 190
Total: Northern Cape Municipalities		6 827		5 803			4 937		4 133		3 400	9 935	3 400

APPENDIX E4 (1 of 2)

INFRASTRUCTURE GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6A)

Category		Building for Sports and Recreation Programme Grant			National Electrification Programme (NEP)			SUB-TOTAL: INFRASTRUCTURE		
		National Financial Year			National Financial Year			National Financial Year		
		2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)
NORTH WEST										
B	NW371 Moretele				117	1 000		117	1 000	179 850
B	NW372 Mafikeng	1 171			620	2 500		1 791	2 500	1 991 2 125
B	NW373 Rustenburg	1 019			2 480	5 000		3 499	5 000	4 096 4 250
B	NW374 Kgetlengrivier	2 500						2 500		2 125
B	NW375 Moses Kotane									
C	DC37 Bojanala Platinum District Municipality									
Total: Bojanala Platinum Municipalities		4 690			3 217	8 500		7 907	8 500	8 391 7 225
B	NW381 Radou									
B	NW382 Tswaing	1 000						1 000		850
B	NW383 Mafikeng	2 200						2 200	1 000	1 870 150 850
B	NW384 Ditsobotla									
B	NW385 Zeerust									
C	DC38 Central District Municipality									
Total: Central District Municipalities		3 200				1 000		3 200	1 000	2 870 850
B	NW391 Kagisano									
B	NW392 Naledi								500	75 425
B	NW393 Mamusa									
B	NW394 Greater Taung	1 000						1 000		850
B	NW395 Molopo	1 000						1 000		850
B	NW396 Lekwa-Teemane	1 200						1 665		1 485
C	DC39 Bophirima District Municipality									
Total: Bophirima Municipalities		3 200			465	500		3 665	500	3 260 425
B	NW401 Ventersdorp									
B	NW402 Potchefstroom				2 170	700		2 170	700	2 275 595
B	NW403 Klerksdorp				2 536	1 500		2 536	1 500	2 761 1 275
B	NW404 Maquassi Hills				1 550	1 000		1 550	1 000	1 700 850
C	DC40 Southern District Municipality				620			620		
Total: Southern District Municipalities					6 876	3 200		6 876	3 200	6 736 2 720
Total: North West Municipalities		11 090			10 558	13 200		21 648	13 200	21 257 11 220

APPENDIX E4 (1 of 2)

INFRASTRUCTURE GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6A)

Category Number Municipality		Building for Sports and Recreation Programme Grant				National Electrification Programme (NEP)				SUB-TOTAL: INFRASTRUCTURE			
		National Financial Year		Municipal Financial Year		National Financial Year		Municipal Financial Year		National Financial Year		Municipal Financial Year	
		2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2005/06 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2005/06 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2005/06 (R'000)
WESTERN CAPE													
A	City of Cape Town	1 000			850				8 302	9 000		9 572	7 650
B	WC011 Matzikama												
B	WC012 Cederberg												
B	WC013 Bergivier												
B	WC014 Saldanha Bay												
B	WC015 Swartland												
C	DC1 West Coast District Municipality	606			515								
Total: West Coast Municipalities		606			515				2 489	1 400		2 047	1 190
B	WC022 Witzenberg												
B	WC023 Drakenstein												
B	WC024 Stellenbosch												
B	WC025 Breede Valley	2 000			1 700								
B	WC026 Breede River Winelands												
C	DC2 Boland District Municipality												
Total: Boland Municipalities		2 000			1 700				3 245	2 100		3 541	1 785
B	WC031 Theewaterskloof												
B	WC032 Overstrand												
B	WC033 Cape Agulhas												
B	WC034 Swellendam												
C	DC3 Overberg District Municipality												
Total: Overberg Municipalities									2 465	1 200		2 245	1 020
B	WC041 Kamaland	1 250			1 063								
B	WC042 Langeberg												
B	WC043 Mossel Bay	650			553								
B	WC044 George												
B	WC045 Oudtshoorn												
B	WC047 Plettenberg Bay												
B	WC048 Knysna	500			425								
C	DC4 Eden District Municipality												
Total: Eden Municipalities		2 400			2 040				5 391	4 800		5 281	4 080
B	WC051 Laingsburg	1 000			850								
B	WC052 Prince Albert	350			298								
B	WC053 Beaufort West	1 600			1 360								
C	DC5 Central Karoo District Municipality	350			298								
Total: Central Karoo Municipalities		3 300			2 805				1 705	1 630		4 290	1 386
Total: Western Cape Municipalities		9 306			7 910				23 596	20 130		26 975	17 111
National Total		132 270			112 430				247 577	258 000		333 249	219 300

INFRASTRUCTURE GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6A)

MIG Formula Allocations (i) (Before Commitments)			Implementation of Water Services Project (Capital) Commitments				Consolidated Municipal Infrastructure Programme Grant Commitments				Total Existing Commitments (ii)				Municipal Infrastructure Grant ¹ (iii) (Final Allocations After Commitments)							
			National Financial Year				National Financial Year				National Financial Year				National Financial Year				National Financial Year			
			2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)		2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)		2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)		2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)		2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	
Category	Number	Municipality	63 950	74 690	86 117													63 950	74 690	86 117		
EASTERN CAPE																						
A		Nelson Mandela*																				
B	EC101	Candehoo	1 556	1 818	2 096		1 300											2 096				
B	EC102	Blue Crane Route	2 827	3 302	3 807													3 807				
B	EC103	Ikwezi	748	873	1 007		1 025	2 000										1 007				
B	EC104	Makana	5 715	6 675	7 696		950											7 696				
B	EC105	Ndlambe	5 268	6 152	7 094													7 094				
B	EC106	Sundays River Valley	4 324	5 050	5 823													5 823				
B	EC107	Baviaans	852	995	1 147													1 147				
B	EC108	Kouga	5 499	6 422	7 405													7 405				
B	EC109	Koukamma	2 390	2 792	3 219													3 219				
C	DC10	Cacadu District Municipality	352	411	474																	
Total: Cacadu Municipalities			29 531	34 491	39 768		3 275	2 000			20 509	23 565					27 205	32 141	474	27 748	32 979	
B	EC121	Mbashe	8 968	10 474	12 077																	
B	EC122	Mnquma	12 249	14 306	16 494													16 494				
B	EC123	Great Kei	1 894	2 213	2 551													2 551				
B	EC124	Anahlathi	5 292	6 180	7 126													7 126				
B	EC125	Buffalo City*	69 616	81 308	93 748		600	500			51 152	56 673					69 616	81 308	93 748	70 902	82 676	
B	EC126	Ngushwa	3 342	3 903	4 500													4 500				
B	EC127	Nkonkobe	4 772	5 574	6 426													6 426				
B	EC128	Nxuba	1 054	1 231	1 419													1 419				
C	DC12	Amatole District Municipality*	98 578	115 133	132 748		30 160	31 979			98 774	111 294					136 148	159 013	132 748	138 663	156 124	
Total: Amatole Municipalities			205 765	240 321	277 090		30 760	32 479			149 926	167 467					205 765	240 321	277 090	209 566	244 366	
B	EC131	Inxuba Yethemba	1 312	1 533	1 767																	
B	EC132	Tsolwana	1 148	1 341	1 547													1 547				
B	EC133	Inkwanca	657	768	885													885				
B	EC134	Lukhanji	5 847	6 829	7 873													7 873				
B	EC135	Insika Yethu	7 333	8 565	9 875													9 875				
B	EC136	Emalahleni	3 941	4 603	5 308													5 308				
B	EC137	Engcobo	5 299	6 188	7 135													7 135				
B	EC138	Sakhisizwe	2 056	2 402	2 769													2 769				
C	DC13	Chris Hani District Municipality	88 016	102 798	118 526		16 686	16 727			100 024	109 565					116 710	132 727	118 526	118 472	131 165	
Total: Chris Hani Municipalities			115 610	135 026	155 685		16 686	16 727			100 024	109 565					116 710	132 727	135 685	118 472	135 252	
B	EC141	Elundini	5 451	6 367	7 341																	
B	EC142	Senqu	5 487	6 408	7 388													7 388				
B	EC143	Maletswai	2 102	2 455	2 830													2 830				
B	EC144	Gariep	1 139	1 330	1 534													1 534				
C	DC14	Ukhahlamba District Municipality*	43 537	50 849	58 629		11 164	26 975			58 288	62 523					69 452	89 498	58 629	71 657	86 103	
Total: Ukhahlamba Municipalities			57 716	67 409	77 722		11 164	26 975			58 288	62 523					69 452	89 498	77 722	71 657	88 203	
B	EC151	Mbizana	7 344	8 577	9 889																	
B	EC152	Ntabankulu	4 506	5 263	6 068													6 068				
B	EC153	Qaukeni	8 424	9 839	11 345													11 345				
B	EC154	Port St. Johns	4 860	5 676	6 544													6 544				
B	EC155	Nyandeni	9 163	10 702	12 339													12 339				
B	EC156	Mhlontlo	7 367	8 604	9 920													9 920				
B	EC157	King Sabata Dalindyebo*	13 380	15 628	18 019													15 628				
C	DC15	O.R. Tambo District Municipality*	214 776	250 845	289 224		49 873	55 907			213 483	237 386					263 356	299 506	289 224	267 333	298 375	
Total: O.R. Tambo Municipalities			269 820	315 134	363 348		49 873	55 907			213 483	237 386					276 736	315 134	363 348	280 960	320 437	
B	EC05b1	Unzimkhulu	5 719	6 679	7 701																	
B	EC05b2	Unzinwubu	14 462	16 891	19 476																	
C	DC44	Alfred Nzo District Municipality	75 755	88 477	102 014		6 100				94 065	102 738					100 165	109 597	102 014	101 202	108 763	
Total: Alfred Nzo Municipalities			95 936	112 048	129 191		6 100				94 065	102 738					100 165	109 597	129 191	101 202	111 752	
Total: Eastern Cape Municipalities			838 328	979 118	1 128 921		117 858	134 089			687 623	759 562					859 984	994 107	1 128 921	874 737	1 008 936	

1. This table should be read in conjunction with the relevant section in Annexure E. The final allocations (iii) take into account formula derived allocations (i), as well as all existing commitments (ii). Hence the final allocations are equal or as close as possible to the formula allocations, depending on the capacity of the municipality.

* denotes a high capacity municipality

INFRASTRUCTURE GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6A)

Category	Number	Municipality	MIG Formula Allocations (i) (Before Commitments)			Implementation of Water Services Project (Capital) Commitments			Consolidated Municipal Infrastructure Programme Grant Commitments			Total Existing Commitments (ii)			Municipal Infrastructure Grant' (iii) (Final Allocations After Commitments)					
			National Financial Year			National Financial Year			National Financial Year			National Financial Year			National Financial Year			Municipal Financial Year		
			2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)
FREE STATE																				
B	FS161	Lesemeng	3 681	4 299	4 957											4 957	545	4 957		
B	FS162	Kopanong	3 753	4 383	5 053											5 053	556	5 053		
B	FS163	Mohokare	2 805	3 277	3 778											3 778	416	3 778		
C	DC16	Xhariep District Municipality							7 948	8 965		7 948	8 965			9 942	9 942			
Total: Xhariep Municipalities			10 239	11 958	13 788				7 948	8 965		7 948	8 965		9 312	11 170	13 788	9 516	11 458	13 788
B	FS171	Naledi	2 487	2 904	3 349											3 349	368	3 349		
B	FS172	Mangaung*	60 739	70 939	81 793	11 494	3 500		40 151	45 094		51 645	48 594		60 739	70 939	81 793	61 861	72 133	81 793
B	FS173	Mantsopa	5 139	6 002	6 920	100			5 428	6 261		100			6 777	8 210	6 920	6 934	7 307	6 920
C	DC17	Motheo District Municipality										5 428	6 261							
Total: Motheo Municipalities			68 364	79 845	92 062	11 594	3 500		45 579	51 355		57 173	54 855		67 515	79 149	92 062	68 795	80 569	92 062
B	FS181	Masilonyana	8 140	9 507	10 962											10 962	1 206	10 962		
B	FS182	Tokologo	3 695	4 316	4 976											4 976	547	4 976		
B	FS183	Tswelopele	5 805	6 780	7 818											7 818	860	7 818		
B	FS184	Matjhabeng*	49 111	57 359	66 135				24 266	27 262		24 266	27 262		49 111	57 359	66 135	50 018	58 324	66 135
B	FS185	Nala	12 050	14 073	16 226										26 493	31 400	16 226	17 85	17 85	16 226
C	DC18	Lejweleputswa District Municipality				5 613	4 000		16 177	18 232		21 790	22 232					27 033	27 946	
Total: Lejweleputswa Municipalities			78 802	92 036	106 117	5 613	4 000		40 443	45 494		46 056	49 494		75 604	88 759	106 117	77 052	90 669	106 117
B	FS191	Setsoto	17 542	20 488	23 623	6 232	4 843					6 232	4 843			23 623	2 598	23 623		
B	FS192	Ditlhabeng	11 076	12 936	14 916											14 916	1 641	14 916		
B	FS193	Nketoana	6 777	7 916	9 127											9 127	1 004	9 127		
B	FS194	Matluti-a-Phofung*	36 414	42 529	49 036	5 613	8 000		23 704	23 704		29 317	31 704		36 414	42 529	49 036	37 087	43 245	49 036
B	FS195	Phumelela	4 869	5 687	6 557											6 557	721	6 557		
C	DC19	Thabo Mofutsanyana District	15 136	17 678	20 383				51 720	58 033		51 720	58 033		57 952	64 224	20 383	58 642	59 401	20 383
Total: Thabo Mofutsanyana Municipalities			91 815	107 235	123 642	11 845	12 843		75 424	81 737		87 269	94 580		94 366	106 753	123 642	95 729	108 611	123 642
B	FS201	Moghaka*	9 906	11 570	13 340										9 906	11 570	13 340	10 089	11 765	13 340
B	FS203	Ngwathe	10 431	12 182	14 046	5 275	6 847					5 275	6 847			14 046	1 545	14 046		
B	FS204	Mesimholo*	10 172	11 881	13 698										10 172	11 881	13 698	10 360	12 081	13 698
B	FS205	Matibele	4 464	5 213	6 011											6 011	661	6 011		
C	DC20	Northern Free State District				2 807	3 000		27 287	30 504		30 094	33 504		35 369	40 351	35 912	35 917	35 912	
Total: Northern Free State Municipalities			34 973	40 846	47 095	8 082	9 847		27 287	30 504		35 369	40 351		55 448	63 801	47 095	56 366	61 963	47 095
Total: Free State Municipalities			284 193	331 921	382 704	37 134	30 189		196 681	218 055		233 815	248 244		302 245	349 633	382 704	307 458	353 270	382 704

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INFRASTRUCTURE GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6A)

Category			MIG Formula Allocations (i) (Before Commitments)			Implementation of Water Services Project (Capital) Commitments			Consolidated Municipal Infrastructure Programme Grant Commitments			Total Existing Commitments (ii)			Municipal Infrastructure Grant' (iii) (Final Allocations After Commitments)					
			National Financial Year			National Financial Year			National Financial Year			National Financial Year			National Financial Year			Municipal Financial Year		
			2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)
GAUTENG																				
A		Ekurhuleni*	189 747	221 613	255 520							94 206	104 588		94 206	104 588		189 747	221 613	255 520
A		City of Johannesburg*	212 287	247 939	285 873		2 000					147 051	162 084		147 051	164 084		212 287	247 939	285 873
A		City of Tshwane*	148 706	173 680	200 253							81 511	90 441		81 511	90 441		148 706	173 680	200 253
B	GT02b1	Nokeng tsa Taemane	5 060	5 910	6 814															
B	CBLC2	Kungwini	10 002	11 682	13 469							8 905	10 428		8 905	10 428		12 570	15 705	13 469
C	CBDC2	Metsweding District Municipality																		
Total: Metsweding Municipalities			15 062	17 591	20 283							8 905	10 428		8 905	10 428		12 570	15 705	20 283
B	GT421	Enfulemi*	35 082	40 974	47 242							22 759	26 167		22 759	26 167		35 082	40 974	47 242
B	GT422	Midvaal	5 475	6 394	7 372															
B	GT423	Lesedi	4 761	5 561	6 411															
C	DC42	Sedibeng District Municipality										9 205	10 750		9 205	10 750		9 819	11 637	
Total: Sedibeng Municipalities			45 317	52 928	61 026							31 964	36 917		31 964	36 917		44 900	52 611	61 026
B	GT411	Mogale City*	22 268	26 007	29 986							12 753	14 558					22 268	26 007	29 986
B	GT412	Randfontein*	8 095	9 455	10 902													8 095	9 455	10 902
B	GT414	Westonaria	18 011	21 036	24 254															
B	CBLC8	Merafong City*	21 271	24 844	28 645													21 271	24 844	28 645
C	CBDC8	West Rand District Municipality	359	419	483							18 472	21 218		18 472	21 218		18 472	21 393	483
Total: West Rand Municipalities			70 004	81 761	94 270							31 225	35 776		31 225	35 776		70 106	81 699	94 270
Total: Gauteng Municipalities			681 123	795 513	917 224			2 000				394 862	440 234		394 862	442 234		678 317	793 247	917 224
</																				

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INFRASTRUCTURE GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6A)

Category	Number	Municipality	MIG Formula Allocations (i) (Before Commitments)				Implementation of Water Services Project (Capital) Commitments				Consolidated Municipal Infrastructure Programme Grant Commitments				Total Existing Commitments (ii)				Municipal Infrastructure Grant ¹ (iii) (Final Allocations After Commitments)					
			National Financial Year		2006/07		National Financial Year		2006/07		National Financial Year		2006/07		National Financial Year		2006/07		National Financial Year		2006/07			
			(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)		
KWAZULU-NATAL																								
A		eThekweni*	220 886	257 982	297 453	11 326					146 860	161 080			158 186	161 080			220 886	257 982	297 453	262 324	297 453	
B	KZ211	Vulamehlo	2 611	3 049	3 516															3 516	387	3516	387	
B	KZ212	Undoni	2 233	2 608	3 008															3 008	331	3008	331	
B	KZ213	uMzumbane	5 977	6 980	8 048															8 048	885	8048	885	
B	KZ214	uMuziwabantu	2 923	3 414	3 936															3 936	433	3936	433	
B	KZ215	Ezingolweni	1 738	2 030	2 341															2 341	257	2341	257	
B	KZ216	Hibiscus Coast*	6 244	7 292	8 408															8 408	6 359	7 415	8 408	
C	DC21	Ugu District Municipality*	74 660	87 199	100 540	9 774	6 540				71 349	77 073			81 123	83 613			90 142	105 281	100 540	91 807	104 759	
Total: Ugu Municipalities			96 386	112 573	129 796	9 774	6 540				71 349	77 073			81 123	83 613			96 386	112 573	129 796	98 166	114 467	
B	KZ221	uMshwathi	3 359	3 923	4 524																4 524	498	4 524	
B	KZ222	uMngeni	2 393	2 795	3 222																3 222	354	3 222	
B	KZ223	Mpofana	1 205	1 408	1 623																1 623	179	1 623	
B	KZ224	Impendle	871	1 018	1 173																1 173	129	1 173	
B	KZ225	Msunduzi*	36 977	43 187	49 794						21 766	24 666			21 766	24 666			36 977	43 187	49 794	37 660	43 913	
B	KZ226	Mkhambathini	2 235	2 610	3 009																3 009	331	3 009	
B	KZ227	Richmond	2 827	3 301	3 806																3 806	419	3 806	
C	DC22	uMgungundlovu District	26 896	31 413	36 220	6 201	870				22 250	25 185			28 451	26 055			35 199	41 093	36 220	35 847	40 557	
Total: uMgungundlovu Municipalities			76 763	89 655	103 372	6 201	870				44 016	49 851			50 217	50 721			72 176	84 280	103 372	73 507	86 380	
B	KZ232	Emnambithi/Ladysmith*	5 687	6 642	7 658															7 658	6 642	7 658	5 792	6 754
B	KZ233	Idakha	3 032	3 541	4 083																4 083	449	4 083	449
B	KZ234	Umsheshi	1 278	1 493	1 721																1 721	189	1 721	189
B	KZ235	Okhahlamba	4 165	4 864	5 608																5 608	617	5 608	617
B	KZ236	Imbabazane	3 240	3 784	4 363																4 363	480	4 363	480
C	DC23	Uthukela District Municipality	45 490	53 129	61 258	18 647	24 049				23 813	26 863			42 460	50 912			51 237	62 625	61 258	52 490	62 474	
Total: Uthukela Municipalities			62 891	73 453	84 691	18 647	24 049				23 813	26 863			42 460	50 912			56 924	69 267	84 691	58 282	70 963	
B	KZ241	Endumeni	1 195	1 395	1 609																1 609	177	1 609	177
B	KZ242	Nquthu	3 905	4 561	5 259																5 259	578	5 259	578
B	KZ244	Msinga	5 471	6 390	7 368																7 368	810	7 368	810
B	KZ245	Unvoti	11 303	13 202	15 222																15 222	1 674	15 222	1 674
C	DC24	Unzinyathi District Municipality	39 679	46 343	53 434	13 200	19 575				55 911	59 650			69 111	79 225			69 111	79 225	53 434	70 224	76 388	
Total: Unzinyathi Municipalities			61 554	71 891	82 890	13 200	19 575				55 911	59 650			69 111	79 225			69 111	79 225	82 890	70 224	79 628	
B	KZ252	Newcastle*	19 668	22 971	26 486						11 372	13 511			12 326	13 511			19 668	22 971	26 486	20 032	23 358	
B	KZ253	Ureth	858	1 002	1 155																1 155	127	1 155	127
B	KZ254	Dannhauser	2 695	3 148	3 629																3 629	399	3 629	399
C	DC25	Anajuba District Municipality	11 093	12 956	14 938	5 200	5 750				8 039	9 672			13 239	15 422			14 076	16 662	14 938	14 361	16 472	
Total: Anajuba Municipalities			34 314	40 077	46 208	6 154	5 750				19 411	23 183			25 565	28 933			33 745	39 633	46 208	34 392	40 357	

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INFRASTRUCTURE GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6A)

Category	Number	Municipality	MIG Formula Allocations (i) (Before Commitments)			Implementation of Water Services Project (Capital) Commitments			Consolidated Municipal Infrastructure Programme Grant Commitments			Total Existing Commitments (ii)			Municipal Infrastructure Grant ¹ (iii) (Final Allocations After Commitments)					
			National Financial Year		2006/07 (R'000)	National Financial Year		2006/07 (R'000)	National Financial Year		2006/07 (R'000)	National Financial Year		2006/07 (R'000)	National Financial Year		Municipal Financial Year		Municipal Financial Year	
			2004/05 (R'000)	2005/06 (R'000)		2004/05 (R'000)	2005/06 (R'000)		2004/05 (R'000)	2005/06 (R'000)		2004/05 (R'000)	2005/06 (R'000)		2004/05 (R'000)	2005/06 (R'000)	2004/05 (R'000)	2005/06 (R'000)		
B	KZ261	eDumbe	2 140	2 499	2 881											2 881	317	2 881		
B	KZ262	uPhongolo	3 662	4 278	4 932											4 932	543	4 932		
B	KZ263	Abaqulusi	4 394	5 132	5 917											5 917	651	5 917		
B	KZ265	Nongoma	4 845	5 658	6 524											6 524	718	6 524		
B	KZ266	Ulundi	5 709	6 668	7 689											7 689	846	7 689		
C	DC26	Zululand District Municipality	72 711	84 922	97 915	25 248	16 672		62 768	67 647		88 016	84 319		92 507	102 100	97 915			
		Total: Zululand Municipalities	93 461	109 158	125 858	25 248	16 672		62 768	67 647		88 016	84 319		92 507	105 174	125 858			
B	KZ271	Umlalabyalingana	4 421	5 164	5 954											5 954	655	5 954		
B	KZ272	Jozini	5 677	6 630	7 644											7 644	841	7 644		
B	KZ273	The Big 5 False Bay	1 115	1 302	1 501											1 501	165	1 501		
B	KZ274	Hlabisa	4 106	4 796	5 530											5 530	608	5 530		
B	KZ275	Muthamba	945	1 103	1 272											1 272	140	1 272		
C	DC27	Umkhanyakude District	57 977	67 713	78 073	12 497	7 060		59 539	63 757		72 036	70 817		74 357	82 034	78 073			
		Total: Umkhanyakude Municipalities	74 240	86 708	99 974	12 497	7 060		59 539	63 757		72 036	70 817		74 357	84 444	99 974			
B	KZ281	Mbonambi	3 071	3 587	4 136											4 136	455	4 136		
B	KZ282	uMhlatuze*	21 338	24 921	28 734				11 716	13 880		11 716	13 880		21 732	25 341	28 734			
B	KZ283	Namabanana	1 671	1 952	2 251											2 251	248	2 251		
B	KZ284	Umlalazi	6 334	7 397	8 529											8 529	938	8 529		
B	KZ285	Mthonjaneni	1 841	2 150	2 479											2 479	273	2 479		
B	KZ286	Nandla	4 102	4 791	5 525											5 525	608	5 525		
C	DC28	uThungulu District Municipality*	50 067	58 475	67 422	6 428	4 043		36 738	41 257		43 166	45 300		68 325	77 150	67 422			
		Total: uThungulu Municipalities	88 424	103 274	119 075	6 428	4 043		48 454	55 137		54 882	59 180		90 058	105 012	119 075			
B	KZ291	eNdonakusuka	4 807	5 614	6 473											6 473	712	6 473		
B	KZ292	KwaDukuza*	7 625	8 906	10 268											10 268	9 056	10 268		
B	KZ293	Ndwedwe	5 027	5 871	6 769											6 769	745	6 769		
B	KZ294	Mphumulo	3 572	4 172	4 810											4 810	529	4 810		
C	DC29	Ilenbe District Municipality	46 151	53 902	62 148	12 575	6 446		41 764	46 912		54 339	53 358		58 308	64 947	62 148			
		Total: Ilenbe Municipalities	67 181	78 464	90 469	12 575	6 446		41 764	46 912		54 339	53 358		66 074	75 988	90 469			
B	KZ5a1	Ingwe	3 426	4 001	4 613											4 613	507	4 613		
B	KZ5a2	Kwa Sani	615	718	828											828	91	828		
B	KZ5a3	Matatiele	629	735	848											848	93	848		
B	KZ5a4	Kokstad	2 932	3 425	3 949											3 949	434	3 949		
B	KZ5a5	Umhlebezwe	3 836	4 480	5 165											5 165	568	5 165		
C	DC43	Sisonke District Municipality	24 516	28 634	33 015	13 211	5 291		19 027	21 988		32 238	27 279		34 853	37 557	33 015			
		Total: Sisonke Municipalities	35 954	41 992	48 417	13 211	5 291		19 027	21 988		32 238	27 279		34 853	39 251	48 417			
		Total: KwaZulu-Natal Municipalities	912 054	1 065 226	1 228 203	135 262	96 297		592 912	653 141		728 174	749 438		917 387	1 063 988	1 228 203			

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allocations, depending on the capacity of the municipality.

INFRASTRUCTURE GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6A)

Category	Number	Municipality	MIG Formula Allocations (i) (Before Commitments)				Implementation of Water Services Project (Capital) Commitments				Consolidated Municipal Infrastructure Programme Grant Commitments				Total Existing Commitments (ii)				Municipal Infrastructure Grant' (iii) (Final Allocations After Commitments)											
			National Financial Year		2006/07		National Financial Year		2006/07		National Financial Year		2006/07		National Financial Year		2006/07		National Financial Year		2006/07		National Financial Year		2006/07					
			2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2006/07 (R'000)				
MPUMALANGA																														
B	MP301	Albert Luthuli	18 231	21 293	24 551	5 317	3 500																							
B	MP302	Msukaligwa	8 682	10 140	11 691	1 750																								
B	MP303	Mkhondo	13 708	16 010	18 460	1 738	1 500																							
B	MP304	Seme	6 156	7 190	8 290	665	2 000																							
B	MP305	Lekwa	9 713	11 344	13 080	920																								
B	MP306	Dipaleseng	3 693	4 313	4 973	3 000	1 553																							
B	MP307	Govan Mbeki*	22 881	26 723	30 812																									
C	DC30	Gert Sibande District																												
Total: Gert Sibande Municipalities			83 064	97 014	111 857	13 390	8 553			38 159	42 881			51 549	51 434															
B	MP311	Delmas	4 688	5 476	6 313																									
B	MP312	Enalahleni*	24 109	28 157	32 465	3 000																								
B	MP313	Steve Tshwete*	8 259	9 646	11 122																									
B	MP314	Highlands	2 509	2 931	3 379																									
B	MP315	Thembisile	26 421	30 858	35 579																									
B	MP316	Dr JS Moroka	26 239	30 645	35 334	5 250	1 000																							
C	DC31	Nkangala District*																												
Total: Nkangala Municipalities			92 224	107 713	124 193	8 250	1 000			41 621	46 908			49 871	47 908															
B	MP321	Thaba Chweu	7 577	8 849	10 203	2 000	1 500																							
B	MP322	Mbombela*	49 916	58 299	67 218	10 882	9 578																							
B	MP323	Umlindi	5 718	6 678	7 700																									
B	MP324	Nkomazi	33 646	39 296	45 309	14 183	3 915																							
C	DC32	Ehlanzeni District Municipality*	138	161	186																									
Total: Ehlanzeni Municipalities			96 994	113 284	130 616	27 065	14 993			41 183	46 251			68 248	61 244															
Total: Mpumalanga Municipalities			272 283	318 010	366 665	48 705	24 546			120 963	136 040			169 668	160 586															

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INFRASTRUCTURE GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6A)

Category	Number	Municipality	MIG Formula Allocations (i) (Before Commitments)				Implementation of Water Services Project (Capital) Commitments				Consolidated Municipal Infrastructure Programme Grant Commitments				Total Existing Commitments (ii)				Municipal Infrastructure Grant ¹ (iii) (Final Allocations After Commitments)							
			National Financial Year		2006/07		National Financial Year		2006/07		National Financial Year		2006/07		National Financial Year		2006/07		National Financial Year		2006/07		National Financial Year		2006/07	
			(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
NORTHERN CAPE																										
B	NC01B1	Ganiagara	650	759	875																					
B	NW1a1	Moshaweng	10 101	11 798	13 603																					
B	CBLC1	Ga-Segonyana	7 565	8 836	10 188																					
C	CBCD1	Kgalagadi District Municipality	4 594	5 365	6 186																					
		Total: Kgalagadi Cross Border	22 910	26 758	30 852																					
B	NC061	Richtersveld	318	372	428																					
B	NC062	Nama Khoi	1 862	2 174	2 507																					
B	NC064	Kamiesberg	778	909	1 048																					
B	NC065	Hantam	1 015	1 186	1 367																					
B	NC066	Karoo Hoogland	691	807	931																					
B	NC067	Klaar-Ma	536	625	721																					
C	DC6	Namakwa District Municipality	71	83	95																					
		Total: Namakwa Municipalities	5 271	6 156	7 098																					
B	NC071	Uburu	1 098	1 283	1 479																					
B	NC072	Umsobomvu	1 747	2 040	2 352																					
B	NC073	Emthanjeni	1 646	1 923	2 217																					
B	NC074	Kareeberg	581	679	783																					
B	NC075	Renosieberg	645	753	868																					
B	NC076	Thembelille	1 069	1 248	1 439																					
B	NC077	Siyathemba	721	842	971																					
B	NC078	Sivacuma	2 952	3 448	3 975																					
C	DC7	Karoo District Municipality	281	328	379																					
		Total: Karoo Municipalities	10 740	12 544	14 463																					
B	NC081	Mier	538	628	724																					
B	NC082	Kai ! Garib	4 065	4 747	5 474																					
B	NC083	//Khara Hais	3 500	4 088	4 713																					
B	NC084	! Kheis	1 195	1 396	1 610																					
B	NC085	Tsantsabane	1 546	1 806	2 082																					
B	NC086	Kgatelopele	594	693	799																					
C	DC8	Siyanda District Municipality	811	947	1 092																					
		Total: Siyanda Municipalities	12 249	14 306	16 494																					
B	NC091	Sol Plaatje*	10 642	12 429	14 331																					
B	NC092	Thusanang	3 492	4 079	4 703																					
B	NC093	Magareng	1 371	1 602	1 847																					
B	CBLC7	Phokwane	4 794	5 599	6 456																					
C	DC9	Frances Baard District Municipality	402	469	541																					
		Total: Frances Baard Municipalities	20 701	24 177	27 876																					
		Total: Northern Cape Municipalities	71 871	83 941	96 784																					

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INFRASTRUCTURE GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6A)

MTG Formula Allocations (f) (Before Commitments)						Implementation of Water Services Project (Capital) Commitments				Consolidated Municipal Infrastructure Programme Grant Commitments				Total Existing Commitments (ff)				Municipal Infrastructure Grant' (iii) (Final Allocations After Commitments)																																								
Category		Number		Municipality		National Financial Year		2004/05 (R'000)		2005/06 (R'000)		2006/07 (R'000)		National Financial Year		2004/05 (R'000)		2005/06 (R'000)		2006/07 (R'000)		National Financial Year		2004/05 (R'000)		2005/06 (R'000)		2006/07 (R'000)																														
NORTH WEST																																																										
B	NW371	Moretele	24 567	28 693	33 083																																																					
B	NW372	Madibeng*	49 197	57 459	66 250																																																					
B	NW373	Rustenburg*	55 907	65 286	75 286																																																					
B	NW374	Kgetlengriver	3 289	3 841	4 429																																																					
B	NW375	Moses Koane	29 956	34 987	40 340																																																					
C	DC37	Bojanala Platinum District	3	4	4					13 800	10 000																																															
Total: Bojanala Platinum Municipalities						162 918	190 279	219 391		13 800	10 000																																															
B	NW381	Ratlou	3 526	4 119	4 749																																																					
B	NW382	Tswang	4 441	5 187	5 980																																																					
B	NW383	Matikeng	9 119	10 650	12 279																																																					
B	NW384	Drusobothla	5 919	6 913	7 970																																																					
B	NW385	Zeerust	4 973	5 808	6 696																																																					
C	DC38	Central District Municipality	50 894	59 441	68 536					9 000	5 000																																															
Total: Central Municipalities						78 871	92 117	106 211		9 000	5 000																																															
B	NW391	Kagisano	3 525	4 117	4 747																																																					
B	NW392	Naledi	1 746	2 039	2 351																																																					
B	NW393	Mamusa	2 377	2 776	3 201																																																					
B	NW394	Greater Tanga	6 346	7 412	8 546																																																					
B	NW395	Molopo	691	806	930																																																					
B	NW396	Lekwa-Tsemane	2 198	2 567	2 960																																																					
C	DC39	Bophirima District Municipality	27 578	32 209	37 137					10 000	5 000																																															
Total: Bophirima Municipalities						44 461	51 928	59 872		10 000	5 000																																															
B	NW401	Ventersdorp	4 352	5 083	5 861																																																					
B	NW402	Potchefstroom*	9 009	10 522	12 132																																																					
B	NW403	Klerksdorp*	30 283	35 369	40 780																																																					
B	NW404	Maquassi Hills	6 830	7 977	9 197																																																					
C	DC40	Southern District Municipality								4 000	1 000																																															
Total: Southern Municipalities						50 474	59 951	67 970		4 000	1 000																																															
Total: North West Municipalities																														336 725	393 275	453 445		36 800	21 000																							
Total: North West Municipalities																														317 653	373 845	453 445		373 845	453 445																							

1. This table should be read in conjunction with the relevant section in Annexure E. The final allocations (iii) take into account formula derived allocations (i), as well as all existing commitments (ii). Hence the final allocations are equal or as close as possible to the formula allocations, depending on the capacity of the municipality.

* denotes a high capacity municipality

INFRASTRUCTURE GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 6A)

Category	Number	Municipality	MIG Formula Allocations (i) (Before Commitments)				Implementation of Water Services Project (Capital) Commitments				Consolidated Municipal Infrastructure Programme Grant Commitments				Total Existing Commitments (ii)				Municipal Infrastructure Grant ¹ (iii) (Final Allocations After Commitments)							
			National Financial Year		2006/07		National Financial Year		2006/07		National Financial Year		2006/07		National Financial Year		2006/07		National Financial Year		2006/07		National Financial Year		2006/07	
			(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
WESTERN CAPE	A	City of Cape Town*	141 905	165 736	191 094						137 867	151 032			137 867	151 032			141 905	165 736	191 094			141 905	165 736	191 094
	B	WC011 Matzikama	2 322	2 712	3 127																	3 127			344	3 127
	B	WC012 Cederberg	1 572	1 836	2 117																	2 117			233	2 117
	B	WC013 Bergvliet	1 367	1 597	1 841																	1 841			203	1 841
	B	WC014 Saldanha Bay*	2 134	2 492	2 873																	2 873			2 534	2 873
	B	WC015 Swartland	2 171	2 535	2 923																	2 923			322	2 923
	C	DC1 West Coast District Municipality	224	262	302						10 329	11 956			10 329	11 956			10 329	11 956	302	10 508	10 674			13 382
	Total: West Coast Municipalities		9 790	11 434	13 183						10 329	11 956			10 329	11 956			12 463	14 448	13 183	12 681	14 309			13 183
	B	WC022 Witzenberg	3 120	3 644	4 202						6 690	7 594			7 704	7 594			7 704	8 714	10 047	7 815	8 860			4 202
	B	WC023 Drakenstein*	7 461	8 714	10 047			1 014			4 402	5 138			4 402	5 138			5 046	5 894	6 795	5 139	5 993			10 047
Total: Boland Municipalities	B	WC024 Stellenbosch*	5 046	5 894	6 795														5 286	6 173	7 118	5 383	6 277			7 118
	B	WC025 Breede Valley*	5 286	6 173	7 118																					3 996
	B	WC026 Breede River Winelands	2 967	3 466	3 996																					249
	C	DC2 Boland District Municipality	185	216	249						10 512	12 194			10 512	12 194			10 512	12 194	249	10 697	10 880			249
	Total: Boland Municipalities		24 065	28 107	32 407			1 014			21 604	24 926			22 618	24 926			28 548	32 975	32 407	29 035	32 912			32 407
	B	WC031 Theewaterskloof	5 126	5 987	6 903			157							157				2 509	2 930	3 378	2 555	2 979			6 903
	B	WC032 Overstrand*	2 509	2 930	3 378			2 011							2 011											3 378
	B	WC033 Cape Agulhas	702	819	945																					945
	B	WC034 Swellendam	1 012	1 182	1 363						7 722	8 912			7 722	8 912			7 879	8 912	7 967	7 993	7 932			1 363
	C	DC3 Overberg District Municipality	5	6	7																					7
Total: Overberg Municipalities	Total: Overberg Municipalities		9 353	10 924	12 596			2 168			7 722	8 912			9 890	8 912			10 388	11 842	12 596	10 548	11 925			12 596
	B	WC041 Kannaland	1 090	1 273	1 468			2 355	1 200						2 355	1 200										1 468
	B	WC042 Langeberg	1 385	1 618	1 865																					1 865
	B	WC043 Mossel Bay*	2 471	2 886	3 328														2 471	2 886	3 328	2 517	2 935			3 328
	B	WC044 George*	6 857	8 009	9 234						5 365	6 171			5 365	6 171			6 857	8 009	9 234	6 984	8 144			9 234
	B	WC045 Oudshoorn	2 584	3 018	3 480																					3 480
	B	WC047 Plettenberg Bay	1 926	2 249	2 593																					2 593
	B	WC048 Knysna	4 381	5 116	5 899						12 944	14 968			12 944	14 968			15 299	16 168	665	15 395	14 463			5 899
	C	DC4 Eden District Municipality	494	576	665														24 627	27 063	28 532	24 895	27 224			665
	Total: Eden Municipalities		21 187	24 746	28 532			2 355	1 200		18 309	21 139			20 664	22 339			24 627	27 063	28 532	24 895	27 224			28 532
Total: Central Karoo Municipalities	B	WC051 Laingsburg	227	265	305																					305
	B	WC052 Prince Albert	345	403	465																					465
	B	WC053 Beaufort West	795	929	1 071																					1 071
	C	DC5 Central Karoo District Municipality	840	981	1 131			1 362	670		25 677	26 098			27 039	26 768			27 039	26 768	1 131	27 009	23 948			1 131
	Total: Central Karoo Municipalities		2 207	2 578	2 972			1 362	670		25 677	26 098			27 039	26 768			27 039	26 768	2 972	27 009	24 150			2 972
	Total: Western Cape Municipalities		208 508	243 525	280 784			6 899	1 870		221 508	244 063			228 407	245 933			244 969	278 832	280 784	248 694	279 047			280 784
	Unallocated and other National Allocations																									
	Municipal Infrastructure Grant																									
	National Total		4 401 484	5 140 677	5 927 188			478 969	430 924		2 724 028	3 016 470			3 202 897	3 447 394			4 401 484	5 140 677	5 927 188	4 480 331	5 224 572			5 927 188

1. This table should be read in conjunction with the relevant section in Annexure E. The final allocations (iii) take into account formula derived allocations (i), as well as all existing commitments (ii). Hence the final allocations are equal or as close as possible to the formula allocations, depending on the capacity of the municipality.

* denotes a high capacity municipality

APPENDIX E5:

INDIRECT GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 7)

(National and Municipal Financial Year)

INDIRECT GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 7)

Category		Water Services Operating Subsidy (via augmentation to the Water Trading Account)				Implementation of Water Services Projects (Capital)				SUB-TOTAL: INDIRECT GRANTS			
		National Financial Year		Municipal Financial Year		National Financial Year		Municipal Financial Year		National Financial Year		Municipal Financial Year	
		2004/05 (R'000)	2005/06 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2004/05 (R'000)	2005/06 (R'000)
EASTERN CAPE													
A Nelson Mandela													
B	EC101 Camdeboo												
B	EC102 Blue Crane Route												
B	EC103 Ikwezi												
B	EC104 Makana												
B	EC105 Ndlambe												
B	EC106 Sundays River Valley												
B	EC107 Baviaans												
B	EC108 Kouga												
B	EC109 Koukamma												
C	DC10 Cacadu District Municipality					6 436	4 967	6 612	4 249	6 436	4 967	6 612	4 249
Total: Cacadu Municipalities						6 436	4 967	6 612	4 249				
B	EC121 Mbashe												
B	EC122 Mquma												
B	EC123 Great Kei												
B	EC124 Anabhlathi												
B	EC125 Buffalo City	7 631	8 063	8 521	7 767	8 574	1 100	1 007		8 731	8 063	8 521	8 221
B	EC126 Ngqushwa												
B	EC127 Nkonkobe												
B	EC128 Nxuba												
C	DC12 Anarole District Municipality	14 580	18 868	18 782	15 276	18 975	8 286	5 767	8 424	22 866	24 635	18 782	23 700
Total: Anarole Municipalities		22 211	26 931	27 303	23 043	27 196	9 386	5 767	9 431	31 597	32 698	27 303	32 474
B	EC131 Inxuba Yethemba												
B	EC132 Tsolwana												
B	EC133 Inkwanca												
B	EC134 Luthanjali												
B	EC135 Insika Yethu												
B	EC136 Emalahleni												
B	EC137 Engcobo												
B	EC138 Sakhisizwe												
C	DC13 Chris Hani District Municipality	16 824	20 499	20 359	17 438	20 607	15 877	19 506	17 362	32 701	40 005	20 359	34 800
Total: Chris Hani Municipalities		16 824	20 499	20 359	17 438	20 607	15 877	19 506	17 362	32 701	40 005	20 359	34 800
B	EC141 Elundini												
B	EC142 Senqu												
B	EC143 Maleswai												
B	EC144 Garies	4 900	5 201		4 975	4 491	7 586	7 317	8 006	12 486	12 518		12 981
C	DC14 Ukhahlamba District Municipality												
Total: Ukhahlamba Municipalities		4 900	5 201		4 975	4 491	7 586	7 317	8 006	12 486	12 518		12 981
B	EC151 Mhizana												
B	EC152 Ntabankulu												
B	EC153 Qaukeni												
B	EC154 Port St. Johns												
B	EC155 Nyandeni												
B	EC156 Mhlontlo												
B	EC157 King Sabata Dalindyebo												
C	DC15 O.R. Tambo District Municipality	28 648	23 258	25 102	27 999	23 726	9 719	5 217	9 656	38 367	28 475	25 102	37 655
Total: O.R. Tambo Municipalities		28 648	23 258	25 102	27 999	23 726	9 719	5 217	9 656	38 367	28 475	25 102	37 655
B	EC05b1 Umzimkhulu												
B	EC05b2 Umzimvubu												
C	DC44 Alfred Nzo District Municipality	11 184	12 715	11 387	11 445	12 584	6 136	4 567	6 281	17 320	17 282	11 387	17 726
Total: Alfred Nzo Municipalities		11 184	12 715	11 387	11 445	12 584	6 136	4 567	6 281	17 320	17 282	11 387	17 726
Total: Eastern Cape Municipalities		83 767	88 604	84 151	84 900	88 604	55 139	47 339	57 347	138 906	135 943	84 151	142 247

INDIRECT GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 7)

Category Number Municipality		Water Services Operating Subsidy (via augmentation to the Water Trading Account)						Implementation of Water Services Projects (Capital)						SUB-TOTAL: INDIRECT GRANTS					
		National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year		
		2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)
FREE STATE																			
B	FS161 Letsameeng																		
B	FS162 Kopanong	750	250	500		625	313	500									625	313	500
B	FS163 Mokokare																		
C	DC16 Xhariep District Municipality								120				119				119		
Total: Xhariep Municipalities		750	250	500		625	313	500	120			119		870	250	500	744	313	500
B	FS171 Naledi																		
B	FS172 Mangaung	2 000	2 323			2 081	1 742							2 000	2 323		2 081	1 742	
B	FS173 Mantsopa													291			291		
C	DC17 Motheo District Municipality								291				291	291	2 323		2 372	1 742	
Total: Motheo Municipalities		2 000	2 323			2 081	1 742		291			291		2 291	2 323		2 372	1 742	
B	FS181 Masilonyana																		
B	FS182 Tokologo																		
B	FS183 Tswelopele																		
B	FS184 Matjhabeng																		
B	FS185 Nala																		
C	DC18 Lejwelepuswa District Municipality								120			119		120			119		
Total: Lejwelepuswa Municipalities									120			119		120			119		
B	FS191 Setsoto																		
B	FS192 Dhlabeng	10				8								10			8		
B	FS193 Nkcatana																		
B	FS194 Malut-a-Phofung	21 500	22 420	21 291		21 606	21 767	21 291						21 500	22 420	21 291	21 606	21 767	21 291
B	FS195 Phumelela													291			291		
C	DC19 Thabo Mofutsanyana District Municipality								291				291	291	22 420	21 291	21 905	21 767	21 291
Total: Thabo Mofutsanyane Municipalities		21 510	22 420	21 291		21 614	21 767	21 291	291			291		21 801	22 420	21 291	21 905	21 767	21 291
B	FS201 Mqhlaka																		
B	FS203 Ngwathe																		
B	FS204 Mesiimaholo																		
B	FS205 Mafube																		
C	DC20 Northern Free State District Municipality								120			119		120			119		
Total: Northern Free State Municipalities									120			119							
Total: Free State Municipalities		24 260	24 993	21 791		24 320	23 822	21 791	941			939		25 201	24 993	21 791	25 259	23 822	21 791

INDIRECT GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 7)

Category	Number	Municipality	Water Services Operating Subsidy (via augmentation to the Water Trading Account)						Implementation of Water Services Projects (Capital)						SUB-TOTAL: INDIRECT GRANTS					
			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year		
			2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)
GAUTENG																				
A		Ekurhuleni																		
B		City of Johannesburg																		
A		City of Tshwane	19 200	20 200	17 000	19 345	19 738	17 000												
B	GT02b1	Nokeng tsa Taemane																		
B	CBL C2	Kungwini							31	100								45	86	
C	CBD C2	Metsweding District Municipality							5 000	6 000								23 598	24 871	17 000
Total: Metsweding Municipalities			2 032	2 245	3 344	2 080	2 500	3 347												
B	GT421	Emfuleni																		
B	GT422	Midvaal																		
B	GT423	Lesedi																		
C	DC42	Sedibeng District Municipality																		
Total: Sedibeng Municipalities																				
B	GT411	Mogale City																		
B	GT412	Randfontein																		
B	GT414	Westonaria																		
B	CBL C8	Merapong City																		
C	CBD C8	West Rand District Municipality																		
Total: West Rand Municipalities																				
Total: Gauteng Municipalities			21 232	22 445	20 344	21 425	22 238	20 347	5 031	6 100		4 298	5 219		26 263	28 545	20 344	25 723	27 457	20 347

INDIRECT GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 7)

Category Number Municipality		Water Services Operating Subsidy (via augmentation to the Water Trading Account)					Implementation of Water Services Projects (Capital)					SUB-TOTAL: INDIRECT GRANTS				
		National Financial Year					National Financial Year					National Financial Year				
		2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)
KWAZULU-NATAL																
A	eThekweni	1 308	1 413		1 339	1 055		1 619	78			1 491		2 687	1 114	
B	KZ211 Vulamehlo															
B	KZ212 Umdoni															
B	KZ213 Umzumbi															
B	KZ214 uMuziwabantu															
B	KZ215 Ezingolweni															
B	KZ216 Hibiscus Coast	870	1 792	2 300	1 001	1 855	2 300	1 619	78			1 870	2 300	2 340	1 922	2 300
C	DC21 Ugu District Municipality	870	1 792	2 300	1 001	1 855	2 300	1 619	78			1 870	2 300	2 340	1 922	2 300
Total: Ugu Municipalities																
B	KZ221 uMshwathi															
B	KZ222 uMngeni															
B	KZ223 Mpodana															
B	KZ224 Impendle															
B	KZ225 Msunduzi															
B	KZ226 Mkhambathini															
B	KZ227 Richmond															
C	DC22 uMgungundlovu District Municipality							1 619	78			78		1 339	67	
Total: uMgungundlovu Municipalities								1 619	78			78		1 339	67	
B	KZ232 Ennambithi/Ladysmith															
B	KZ233 Indaka															
B	KZ234 Umtshezi															
B	KZ235 Okhahlamba															
B	KZ236 Imbabazane	3 900	4 008	5 115	3 930	4 186	5 143	1 619	78			4 086	5 115	5 269	4 253	5 143
C	DC23 Uthukela District Municipality	3 900	4 008	5 115	3 930	4 186	5 143	1 619	78			4 086	5 115	5 269	4 253	5 143
Total: Uthukela Municipalities																
B	KZ241 Endumeni															
B	KZ242 Nquthu															
B	KZ244 Msinga															
B	KZ245 Umvoti															
C	DC24 Umzinyathi District Municipality	2 870	3 020	4 239	2 900	3 196	4 261	1 619	78			3 098	4 239	4 239	3 263	4 261
Total: Umzinyathi Municipalities																
B	KZ252 Newcastle															
B	KZ253 Utrecht															
B	KZ254 Damhauser															
C	DC25 Amajuba District Municipality	730	777	230	741	705	242	1 619	78			855	230	2 080	772	242
Total: Amajuba Municipalities																
Total: KwaZulu-Natal		730	777	230	741	705	242	1 619	78			855	230	2 080	772	242

INDIRECT GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 7)

Category		Number		Municipality		Water Services Operating Subsidy (via augmentation to the Water Trading Account)										Implementation of Water Services Projects (Capital)									
						National Financial Year					Municipal Financial Year					National Financial Year					Municipal Financial Year				
						2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)					
B	KZ261	eDumbe																							
B	KZ262	uPhongolo																							
B	KZ263	Abaqulusi																							
B	KZ265	Nongoma																							
B	KZ266	Ulundi																							
C	DC26	Zululand District Municipality	10 500	11 850	12 443	10 736	11 999	12 514	1 619	78		1 339	67												
Total: Zululand Municipalities			10 500	11 850	12 443	10 736	11 999	12 514	1 619	78		1 339	67												
B	KZ271	Umhlabuyalingana																							
B	KZ272	Jozini																							
B	KZ273	The Big 5 False Bay																							
B	KZ274	Hlabisa																							
B	KZ275	Muthutaba																							
C	DC27	Umkhanyakade District Municipality	5 000	4 080	4 411	4 875	4 091	4 449	1 619	78		1 339	67												
Total: Umkhanyakade Municipalities			5 000	4 080	4 411	4 875	4 091	4 449	1 619	78		1 339	67												
B	KZ281	Mbonambi																							
B	KZ282	uMhlathuze	640	930		718	704														704				
B	KZ283	Ntambanana																							
B	KZ284	Umlalazi																							
B	KZ285	Mhlonjaneni																							
B	KZ286	Nkandla	1 600	2 700	3 409	1 759	2 802	3 409	1 619	78		1 339	67												
C	DC28	uThungulu District Municipality	2 240	3 630	3 409	2 477	3 506	3 409	1 619	78		1 339	67												
Total: uThungulu Municipalities			2 240	3 630	3 409	2 477	3 506	3 409	1 619	78		1 339	67												
B	KZ291	eNdondakusuka																							
B	KZ292	KwaDukuza																							
B	KZ293	Ndwebwe																							
B	KZ294	Maphumulo																							
C	DC29	Ilembe District Municipality	1 000	1 900	2 000	1 130	1 914	2 000	1 619	78		1 339	67												
Total: Ilembe Municipalities			1 000	1 900	2 000	1 130	1 914	2 000	1 619	78		1 339	67												
B	KZ5a1	Ingwe																							
B	KZ5a2	Kwa Sani																							
B	KZ5a3	Matatiele																							
B	KZ5a4	Kokstad																							
B	KZ5a5	Uhuhlebezwe																							
C	DC43	Sisonke District Municipality							1 619	78		1 339	67							1 339	67				
Total: Sisonke Municipalities									1 619	78		1 339	67							1 339	67				
Total: KwaZulu-Natal Municipalities			28 418	32 470	34 147	29 129	32 507	34 318	17 806	860		14 741	729							43 870	33 236	34 318			

INDIRECT GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 7)

Category	Number	Municipality	Water Services Operating Subsidy (via augmentation to the Water Trading Account)						Implementation of Water Services Projects (Capital)						SUB-TOTAL: INDIRECT GRANTS					
			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year		
			2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)
LIMPOPO																				
B	NP03A2	Makhuduthamaga																		
B	NP03A3	Fetakgomo																		
B	CBLC3	Greater Marble Hall																		
B	CBLC4	Greater Groblersdal																		
B	CBLC5	Greater Tubatse																		
C	CBDC3	Greater Sekhukhune Cross Boundary	80 039	85 287	92 083	81 039	86 514	92 521	24 123	26 360	24 429	22 551			104 162	111 647	92 083	105 468	109 065	92 521
Total: Greater Sekhukhune Cross Boundary Municipalities			80 039	85 287	92 083	81 039	86 514	92 521	24 123	26 360	24 429	22 551			104 162	111 647	92 083	105 468	109 065	92 521
B	NP04A1	Maruleng																		
B	CBLC6	Bushbuckridge	54 720	58 602	64 169	55 472	59 636	64 501	660		564			55 380	58 602	64 169	56 036	59 636	64 501	
C	CBDC4	Bohlabela District Municipality	54 720	58 602	64 169	55 472	59 636	64 501	660		564			55 380	58 602	64 169	56 036	59 636	64 501	
Total: Bohlabela Municipalities																				
B	NP331	Greater Giyani																		
B	NP332	Greater Letaba																		
B	NP333	Greater Tzaneen																		
B	NP334	Ba-Phalaborwa																		
C	DC33	Mopani District Municipality	86 153	94 596	102 258	87 750	96 155	102 914	24 386	20 600	23 821	17 623		110 539	115 196	102 258	111 571	113 778	102 914	
Total: Mopani Municipalities			86 153	94 596	102 258	87 750	96 155	102 914	24 386	20 600	23 821	17 623		110 539	115 196	102 258	111 571	113 778	102 914	
B	NP341	Musina																		
B	NP342	Mutale																		
B	NP343	Thulamela																		
B	NP344	Makhado																		
C	DC34	Vhembe District Municipality	137 000	147 146	157 785	139 332	149 885	159 231	18 612	28 520	20 030	24 399		155 612	175 666	157 785	159 362	174 284	159 231	
Total: Vhembe Municipalities			137 000	147 146	157 785	139 332	149 885	159 231	18 612	28 520	20 030	24 399		155 612	175 666	157 785	159 362	174 284	159 231	
B	NP351	Blouberg																		
B	NP352	Aganang																		
B	NP353	Molemole				206	299	313									206	299	313	
B	NP354	Polokwane																		
B	NP355	Lepelle-Nkumpi																		
C	DC35	Capricorn District Municipality	75 030	80 977	87 663	76 166	82 304	88 133	7 097	4 700	6 746	4 021		82 127	85 677	87 663	82 912	86 325	88 133	
Total: Capricorn Municipalities			75 030	80 977	87 663	76 372	82 603	88 446	7 097	4 700	6 746	4 021		82 127	85 677	87 663	83 118	86 624	88 446	
B	NP361	Thabazimbi																		
B	NP362	Lephalale	19 900	22 041	27 085	20 461	2 334	27 125						19 900	22 041	27 085	20 461	2 334	27 125	
B	NP364	Mookgapong																		
B	NP365	Modimolle																		
B	NP366	Bela Bela				97	140	147										97	140	147
B	NP367	Mogalakwena												3 778	4 000		3 806	3 422		
C	DC36	Waterberg District Municipality	19 900	22 041	27 085	20 558	2 474	27 272	3 778	4 000	3 806	3 422		23 678	26 041	27 085	24 364	5 896	27 272	
Total: Waterberg Municipalities														23 678	26 041	27 085	24 364	5 896	27 272	
Total: Limpopo Municipalities			452 842	488 649	531 043	460 523	477 267	534 885	78 655	84 180	79 396	72 016		531 497	572 829	531 043	539 919	549 283	534 885	

APPENDIX E5

INDIRECT GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 7)

Category			Water Services Operating Subsidy (via augmentation to the Water Trading Account)			Implementation of Water Services Projects (Capital)						SUB-TOTAL: INDIRECT GRANTS										
			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year				
			2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)		
MPUMALANGA																						
B	MP301	Albert Luthuli	13 500	15 500	16 343	14 007	15 659	8 508														
B	MP302	Msukaligwa							380									15 659		8 508		
B	MP303	Mkhondo																				
B	MP304	Sene																				
B	MP305	Lekwa																				
B	MP306	Dipaleseng																				
B	MP307	Govan Mbeki																				
C	DC30	Gert Sibande District Municipality																				
Total: Gert Sibande Municipalities			13 500	15 500	16 343	14 007	15 659	8 508	380				380				13 880	15 500	16 343	14 387	15 659	8 508
B	MP311	Delmas																				
B	MP312	Emalahleni																				
B	MP313	Steve Tshwete																				
B	MP314	Highlands																				
B	MP315	Thembisile	16 900	18 851	19 961	17 443	19 209	20 045									16 900	18 851	19 961	17 443	19 209	20 045
B	MP316	Dr JS Moroka	44 042	47 552	50 317	45 062	48 450	50 533									44 042	47 552	50 317	45 062	48 450	50 533
C	DC31	Nkangala District Municipality																				
Total: Nkangala Municipalities			60 942	66 403	70 278	62 505	67 659	70 578									60 942	66 403	70 278	62 505	67 659	70 578
B	MP321	Thaba Chweu	200	450	404	263	439	404									200	450	404	263	439	404
B	MP322	Mbombela	30 079	32 679	34 472	30 758	33 170	34 517									30 079	32 679	34 472	30 758	33 170	34 517
B	MP323	Umjindi																				
B	MP324	Nkomazi	26 847	29 546	31 462	27 598	30 136	31 578									26 847	29 546	31 462	27 598	30 136	31 578
C	DC32	Ehlanzeni District Municipality																				
Total: Ehlanzeni Municipalities			57 126	62 675	66 338	58 619	63 745	66 499									57 126	62 675	66 338	58 619	63 745	66 499
Total: Mpumalanga Municipalities			131 568	144 578	152 959	135 131	147 063	145 585	380								131 948	144 578	152 959	135 511	147 063	145 585

INDIRECT GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 7)

Category	Number	Municipality	Water Services Operating Subsidy (via augmentation to the Water Trading Account)						Implementation of Water Services Projects (Capital)						SUB-TOTAL: INDIRECT GRANTS					
			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year		
			2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)
NORTHERN CAPE																				
B	NC01B1	Gamagara					19	25	30								19	25	30	
B	NW1a1	Moshaweng	9 600	10 144	9 440	9 440	9 725	9 935	9 440								9 725	9 935	9 440	
B	CBL C1	Ga-Segonyana	3 500	3 800	3 980	3 980	3 575	3 845	3 980								3 575	3 845	3 980	
C	CBDC1	Kgalagadi District Municipality								66	40						72	34		
Total: Kgalagadi Cross Border Municipalities			13 100	13 944	13 420	13 319	13 805	13 450		66	40		72	34			13 391	13 839	13 450	
B	NC061	Richtersveld	350	700	500	500	438	650	500								438	650	500	
B	NC062	Nama Khoi																		
B	NC064	Kamiesberg	500	600	500	500	525	575	500								525	575	500	
B	NC065	Hantam	250	500	500	500	313	500	500								313	500	500	
B	NC066	Karoo Hoogland																		
B	NC067	Khai-Ma	301	500	300	300	351	450	300								351	450	300	
C	DC6	Namakwa District Municipality								66	40						72	34		
Total: Namakwa Municipalities			1 401	2 300	1 800	1 627	2 175	1 800		66	40		72	34			1 699	2 209	1 800	
B	NC071	Ubuntu																		
B	NC072	Umsobomvu	1 000	1 000	1 000	1 000	1 000	1 000	1 000								1 000	1 000	1 000	
B	NC073	Emhlangeni																		
B	NC074	Kareeberg	222	950	968	968	404	955	968								404	955	968	
B	NC075	Renosterberg																		
B	NC076	Thembelihle																		
B	NC077	Siyathemba																		
B	NC078	Siyancuma	500	813	420	420	578	715	420								578	715	420	
C	DC7	Karoo District Municipality								66	40						72	34		
Total: Karoo Municipalities			1 722	2 763	2 388	1 982	2 670	2 388		66	40		72	34			2 054	2 704	2 388	
B	NC081	Mier	400	800	400	400	500	700	400								500	700	400	
B	NC082	Kai ! Garib	313	260	300	300	300	270	300								300	270	300	
B	NC083	//Khara Hais																		
B	NC084	! Kheis	300	500	300	300	350	450	300								350	450	300	
B	NC085	Tsantsabane																		
B	NC086	Kgatelopele	50	50	200	200				66	40						72	34		
C	DC8	Siyanda District Municipality								66	40						72	34		
Total: Siyanda Municipalities			1 063	1 610	1 200	1 150	1 420	1 000		66	40		72	34			1 222	1 454	1 000	
B	NC091	Sol Plaatje																		
B	NC092	Thusanang	2 931	3 808	4 173	4 173	3 148	3 893	4 173								3 148	3 893	4 173	
B	NC093	Magareng	800	1 200	1 137	1 137	900	1 184	1 137								900	1 184	1 137	
B	CBL C7	Phokwane	4 100	4 332	4 164	4 164	4 150	4 266	4 164								4 150	4 266	4 164	
C	DC9	Frances Baard District Municipality								66	40						72	34		
Total: Frances Baard Municipalities			7 831	9 340	9 474	8 198	9 343	9 474		66	40		72	34			8 270	9 377	9 474	
Total: Northern Cape Municipalities			25 117	29 957	28 282	26 276	29 413	28 112		328	200		359	170			26 635	29 583	28 112	

APPENDIX E5
INDIRECT GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 7)

Category			Water Services Operating Subsidy (via augmentation to the Water Trading Account)			Implementation of Water Services Projects (Capital)						SUB-TOTAL: INDIRECT GRANTS								
			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year		
			2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)
NORTH WEST																				
B	NW371	Moretele	11 000	13 400	15 918	11 588	13 992	15 918												
B	NW372	Madibeng	6 300	7 490	12 890	6 598	8 840	12 890												
B	NW373	Rustenburg	3 300	3 900	2 133	3 441	3 432	2 133												
B	NW374	Kgetlengrivier																		
B	NW375	Moses Kotane	7 300	8 590	9 595	7 623	8 841	9 595												
C	DC37	Bojanala Platinum District Municipality							1 000			677								
Total: Bojanala Platinum Municipalities			27 900	33 380	40 536	29 250	35 105	40 536	1 000			677				29 927	35 105	40 536		
B	NW381	Ratlou																		
B	NW382	Tswaing																		
B	NW383	Matikeng																		
B	NW384	Disobotla																		
B	NW385	Zeerust																		
C	DC38	Central District Municipality	30 000	31 350	33 468	30 199	31 662	33 474	1 000			677				30 876	31 662	33 474		
Total: Central Municipalities			30 000	31 350	33 468	30 199	31 662	33 474	1 000			677				30 876	31 662	33 474		
B	NW391	Kagisano																		
B	NW392	Naledi																		
B	NW393	Mamusa																		
B	NW394	Greater Taung																		
B	NW395	Molopo																		
B	NW396	Lekwa-Teemane																		
C	DC39	Bophirima District Municipality	18 000	20 500	22 640	18 332	20 638	22 640								18 332	20 638	22 640		
Total: Bophirima Municipalities			18 000	20 500	22 640	18 332	20 638	22 640								18 332	20 638	22 640		
B	NW401	Ventersdorp																		
B	NW402	Potchefstroom																		
B	NW403	Klerksdorp																		
B	NW404	Maquassi Hills																		
C	DC40	Southern District Municipality																		
Total: Southern Municipalities																				
Total: North West Municipalities			75 900	85 230	96 644	77 781	87 405	96 650	2 000			1 354				79 135	87 405	96 650		

INDIRECT GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 7)

Category			Water Services Operating Subsidy (via augmentation to the Water Trading Account)						Implementation of Water Services Projects (Capital)						SUB-TOTAL: INDIRECT GRANTS																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
			2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)	2004/05 (R'000)	2005/06 (R'000)	2006/07 (R'000)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
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APPENDIX E6:

TOTAL ALLOCATIONS BY NATIONAL AND MUNICIPAL FINANCIAL YEAR:

Equitable Share (Schedule 3) + Recurrent Grants (Schedule 6) + Infrastructure Grants (Schedule 6A) + Indirect Grants (Schedule 7)