

Intergovernmental
Fiscal Review
1999

Intergovernmental Fiscal Review 1999

Department of Finance

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FOREWORD

This first *Intergovernmental Fiscal Review* provides essential provincial financial data, including historical information on actual expenditure and revenue and three-year forward estimates from the 1999/00 provincial budgets. Broadening access to this information is especially crucial given that provincial governments are now the main agents of social service delivery. The *Review* facilitates greater transparency in budgets, and will enable Parliamentarians, legislators, parliamentary standing committees, policymakers, government officials, non-governmental organisations and civil society to analyse and interact more meaningfully in the budget process.

This *Review* complements the *1999 Budget Review*, which provides consolidated national and provincial MTEF allocations, but not details on individual provincial budgets. The *Intergovernmental Fiscal Review* presents the expenditure and revenue information for individual provincial governments, thereby enabling comparisons across provinces.

Although this edition focuses exclusively on the provinces, financial data from local government will also be included in future. Obtaining timely, accurate and comparable financial data at both the provincial and local levels is generally problematic. The impending local government equivalent of the Public Finance Management Act of 1999 should address this problem.

The government's budget reform efforts aim to link budgeted expenditure with service delivery. The *1999 National Expenditure Survey* is a step in this direction for national departments. It is hoped that subsequent editions of the *Intergovernmental Fiscal Review* will also reflect this move towards a more results-oriented budgeting system. This would, in future, permit the benchmarking of provincial performance, with a shift in emphasis from financial data to service delivery output.

The *Intergovernmental Fiscal Review* was compiled by the Budget Office in the Department of Finance. The Intergovernmental Relations Chief Directorate oversaw the production of the document and the development of the database. The Financial Planning Chief Directorate contributed to the analyses of the social sectors, which grew out of work undertaken by the MTEF review teams over the last two years. In addition, the Applied Fiscal Research Centre contributed to earlier drafts of the document, and Janine Thorne provided editorial assistance. I want to extend a special thanks to Joel Friedman in the Intergovernmental Relations Chief Directorate for his sterling work in overseeing this project to completion.

Maria Ramos

Director-General: Finance

Rounding

Tables may not add up due to rounding.

Fiscal year

References to a combined year, for instance 1999/00, are to the fiscal year from 1 April to 31 March.

Improvements in conditions of service

Medium-term estimates include estimated costs of improvements in conditions of service.

Data sources

All provincial budget data were provided by the provincial treasuries.

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INTRODUCTION

Transition to a new intergovernmental fiscal system

The first democratic government has presided over significant political, economic and social transformation. The creation of nine provincial governments with considerably expanded responsibilities and the concomitant set of intergovernmental institutions and fiscal arrangements posed enormous challenges. Achievements in intergovernmental relations have sometimes been overshadowed by reports of corruption, poor financial management and high turnover of senior political office-bearers. Progress in creating a robust intergovernmental fiscal system over the past five years has received less attention.

The emphasis on cooperative governance and on laying a sound foundation is paying dividends, as shown by a dramatic turnaround in provincial financial affairs and improvements in service delivery. The *Intergovernmental Fiscal Review* traces the development of the provincial fiscal system since its inception in 1995/96. It explains the background to the financial difficulties experienced in the system's infancy and describes the strides being made to strengthen provincial finances.

Improving financial data

Access to reliable, timely data has been particularly problematic. As such, the *Intergovernmental Fiscal Review* marks a milestone in Government's pursuit of greater transparency and accountability. It provides historical data on actual revenue and expenditure as well as projections of future revenue and expenditure. While most of the historical data have not been audited, and some adjustments are therefore possible, they reflect the best current estimates. For 1998/99 preliminary estimates of actual expenditure and revenue have been used. Appendix B includes detailed tables of provincial revenue and expenditure and outlines some of the data problems that complicate comparisons across provinces or trend analyses over time. The Public Finance Management Act of 1999 addresses many of these problems by requiring uniform classifications and timeous reporting.

The challenges of new provinces

The provinces have different demographic and economic profiles and differing capacity to fulfil their Constitutional responsibilities. Provinces that incorporated former apartheid structures faced additional problems arising from the consolidation of various administrations. Chapter 1 examines the economic and demographic profiles of the provinces, highlighting aspects that affect the allocation of resources and the ability of the provinces to cope with the challenges confronting them.

The foundations of a new system

Laying the foundations of a new system while increasing service delivery has been a mammoth task. Although a decentralised system will facilitate more efficient and equitable service delivery in future, the transition phase is particularly complex. Chapter 2 reviews the intergovernmental fiscal system, which has developed rapidly within a new Constitutional and legislative framework and a shifting policy environment. Appendix A

discusses the revenue-sharing formula for calculating each province's equitable share of national revenues.

Improved financial management

Provincial overspending in 1996/97 and 1997/98 has been well documented. Efforts to improve financial management are bearing fruit, as evidenced by the marked improvement in the financial position of the provinces over the past year. As a group, provinces have shifted from running a significant deficit in 1997/98 to a surplus in 1998/99. Chapter 3 describes the evolution of provincial financial management and details trends in aggregate provincial expenditure.

Spending on social services

Government is committed to increasing access to public services and redressing the imbalances of the past. Provinces are crucial to achieving these goals since they account for 60 per cent of non-interest spending, the bulk of which is allocated to health, education and welfare services. Trends in spending on the social services, factors contributing to escalating costs and obstacles to improved service delivery are discussed in some detail in Chapters 4, 5 and 6. They provide spending patterns to date and discuss current financing issues.

Other provincial priorities

Social spending will continue to dominate provincial budgets but provinces are also responsible for several other functions. Chapter 7 describes these other expenditures, examining spending patterns and the approaches provinces have taken to address the trade-offs between social imperatives and other provincial priorities such as agriculture, rural and industrial development and infrastructure. The focus on social service spending has squeezed allocations to these other functions, although they are important for promoting job creation, provincial growth, alleviating poverty and promoting equity. How to resolve these tensions and divert resources to provincial priorities without undermining national commitments is an issue of ongoing debate.

1: PROFILE OF THE PROVINCES

INTRODUCTION

Provinces vary substantially

The geographic, economic and demographic characteristics of South Africa's nine provinces vary substantially. While some of these differences can be ascribed to factors such as location, climate and mineral wealth, many were either caused or exacerbated by apartheid policies. These differing characteristics affect the demand for public services, the cost of delivering these services and the capacity of a province – both in terms of human resources and the ability to raise revenue – to meet the needs of its people. The Constitution stipulates that these differences must be taken into account in the intergovernmental budget process. Before examining the financial dimensions of intergovernmental relations, it is therefore useful to review socio-economic conditions in the provinces as these frame fiscal decisionmaking.

HISTORICAL BACKGROUND

Fragmented system

The previous system of government was highly centralised but simultaneously fragmented along racial lines. In total, there were 17 systems of government and administration:

- ◆ The three separate administrations covering whites, Indians and coloureds under the tricameral system.
- ◆ The four provincial administrations of the Cape, Transvaal, Orange Free State and Natal within the Republic of South Africa.
- ◆ The four “independent states” of Transkei, Ciskei, Bophuthatswana and Venda.
- ◆ The six “self-governing” territories of Gazankulu, KaNgwane, KwaNdebele, KwaZulu, Lebowa and QwaQwa.

Need to redress imbalances

Each of these systems had, at least on paper, a political executive, an administration of public servants and, except for the provincial administrations, a legislative assembly. The provinces, although performing health, education and welfare functions, were merely administrative extensions of the white House of Assembly, with policy formulation highly centralised in Pretoria. The homelands received transfers from central government and were also allowed to borrow and raise certain forms of revenue. The racial and regional bias in public

resource allocation is well documented elsewhere. However, the need to redress the imbalances of the past remains a powerful force shaping the emerging system of intergovernmental relations.

Government of National Unity

The Government of National Unity assumed office in May 1994. Provincial Premiers were elected and executive councils appointed soon afterwards. The basic framework legislation for the new public service was promulgated by proclamation by the President on 3 June 1994. The Public Service Act of 1994 established 35 national departments, offices and services and nine provincial governments, each to be headed by a Director-General.

The Constitution formalised the boundaries of the newly created provinces, assigning them distinct functions and powers (as delineated in Schedules 4 and 5 of the Constitution). Parallel to the process of merging and rationalising the 17 administrations and establishing new provincial governments, functions formerly carried out by the national government had to be devolved to these governments. This was an immense task and, not surprisingly, several problems were encountered.

Establishing nine new provinces

The Constitution established nine new provinces, most combining some of the governments and administrations of the previous dispensation. Each new province faced different challenges in merging, consolidating and rationalising its public service while at the same time avoiding interruptions in service delivery.

The nature of the old structures largely determined the developmental needs facing each newly formed province as well as its internal capacity to address these. For instance, provinces that inherited former homeland structures tended to have poor infrastructure and populations with lower levels of educational attainment.

New provinces	Major former administrations
Eastern Cape	Transkei, Ciskei, part of Cape Provincial Administration, House of Representatives
Free State	QwaQwa, Orange Free State Provincial Administration, part of Bophuthatswana
Gauteng	Part of Transvaal Provincial Administration, House of Representatives, House of Delegates
KwaZulu-Natal	KwaZulu, Natal Provincial Administration, House of Representatives, House of Delegates
Mpumalanga	KaNgwane, KwaNdebele, part of Transvaal Provincial Administration
Northern Cape	Part of Cape Provincial Administration, House of Representatives
Northern Province	Venda, Lebowa, Gazankulu, part of Transvaal Provincial Administration
North West	Bophuthatswana, part of KwaNdebele, part of Transvaal and Cape Provincial Administrations
Western Cape	Part of Cape Provincial Administration, House of Representatives

Division of functions

As with the other spheres of government, the functions of the provinces are based on the legislative competence constitutionally assigned to them. However, the Interim Constitution did not explicitly spell out the division of functions between the national and provincial levels, presumably leaving this to be resolved administratively. As the Public Service Commission (1997) pointed out, the appropriate division of these functions was not self-evident – many major functions did not fit neatly

into either category. In general, the national government provides policy frameworks within a function (especially norms and standards), overall planning and essential coordination. Provinces in turn are responsible for the actual delivery of public services. The exact functions of the national and provincial departments continue to evolve and are based on a practical interpretation of the Constitution and political agreement between office-bearers at each level.

DEMOGRAPHIC¹ AND ECONOMIC CHARACTERISTICS

Demographics indicate service needs

The size and age distribution of provincial populations give a rough indication of the levels and mix of public service needs. It is obvious that larger provinces provide public services to larger populations and therefore need more capacity and funding. The age profile affects the type of services provided – relatively younger populations require more education while older people are eligible for pension benefits. Provinces with a high proportion of people of working age often spend more on economic and household infrastructure.

Table 1.1 Population by province

Province	Population (000)	Share (%)
Eastern Cape	6 303	15,5
Free State	2 634	6,5
Gauteng	7 348	18,1
KwaZulu-Natal	8 417	20,7
Mpumalanga	2 801	6,9
Northern Cape	840	2,1
Northern Province	4 929	12,1
North West	3 355	8,3
Western Cape	3 957	9,7
Total	40 584	100,0

Source: Statistics South Africa, Census 1996

Table 1.2 shows that provinces with former homelands have relatively more children and aged people. For instance, Eastern Cape has 15,5 per cent of the nation's population, but has 18,4 per cent of the country's school-age children and 19,1 per cent of its elderly. These provinces therefore need to spend relatively more on social services.

People of working age generally stay closer to employment opportunities, for instance in Gauteng. This province has proportionally fewer school-age children and elderly people, and thereby faces a relatively lower demand for education and pensions. Given the size of its population, social spending will still be high in absolute terms. Moreover, school enrolment, take-up of old-age pensions and child-maintenance grants and

¹The demographic data in this chapter are based on the October 1996 census. Although Statistics SA has released mid-year estimates for 1998 (Statistical Release P0302), those population figures are not as detailed and do not include, for instance, a breakdown by age.

the overall level of services provided will also influence actual spending in a province.

Table 1.2 Age distribution of the population by province

Province	School age (6–17)		Aged ¹	
	(000)	Share (%)	(000)	Share (%)
Eastern Cape	2 010	18,4	477	19,1
Free State	680	6,2	156	6,2
Gauteng	1 394	12,8	392	15,7
KwaZulu-Natal	2 377	21,7	496	19,8
Mpumalanga	789	7,2	147	5,9
Northern Cape	223	2,0	54	2,1
Northern Province	1 665	15,2	326	13,0
North West	896	8,2	196	7,8
Western Cape	895	8,2	259	10,4
Total	10 930	100,0	2 502	100,0

¹Aged includes males over age 65 and females over age 60, which is the group eligible for old age grants.

Source: Statistics South Africa, Census 1996

Spatial distribution

The table below shows that the size of the nine provinces vary greatly, as does the spatial distribution of the population. Although the population of the country as a whole is fairly evenly divided between urban and rural areas, provincial urbanisation patterns differ significantly. The spatial distribution of the population has important implications for the cost of service delivery.

Table 1.3 Spatial distribution of the population by province

Province	Distribution (%)		Area (km ²)	Density (per km ²)
	Urban	Rural		
Eastern Cape	36,6	63,4	169 580	37
Free State	68,6	31,4	129 480	20
Gauteng	97,0	3,0	17 010	432
KwaZulu-Natal	43,1	56,9	92 100	91
Mpumalanga	39,1	60,9	79 490	35
Northern Cape	70,1	29,9	361 830	2
Northern Province	11,0	89,0	123 910	40
North West	34,9	65,1	116 320	29
Western Cape	88,9	11,1	129 370	31
Total	53,7	46,3	1 219 090	33

Source: Statistics South Africa, Census 1996

Apartheid affected settlement patterns

Although spatial distribution patterns to some extent correlate with the economic opportunities available in a province, apartheid affected

settlement patterns. Provinces containing former homelands have above average population densities and their population is largely rural. The main economic centres, Gauteng and Western Cape, are predictably more urbanised. Provinces with a strong mining or agricultural economy, such as Free State and Northern Cape, are also more urbanised, as extensive commercial farming limits rural settlement possibilities. This is also reflected in the low population densities of these provinces. Obviously, provinces with a relatively larger rural or more dispersed population incur more costs in trying to extend services to these people.

Economic disparities

The dramatic disparity in access to economic opportunities is reflected in Table 1.4, which shows the proportion of total remuneration accruing to employees in each province. The four most rural provinces, with a combined share of 43 per cent of the population, receive only 17 per cent of remuneration.

Inadequate employment opportunities also burden the public sector, for instance by limiting the availability of private health care. Although less than 20 per cent of South Africans have access to medical aid, its availability is generally correlated with employment, as shown in Table 1.4. When the population is not in a position to access private health care, public health facilities face higher demand.

Table 1.4 Distribution of remuneration and medical aid

Province	Share of total remuneration (%)	Share of total medical aid (%)
Eastern Cape	5,9	6,7
Free State	5,1	6,2
Gauteng	43,2	39,1
KwaZulu-Natal	18,9	14,6
Mpumalanga	4,7	5,2
Northern Cape	1,6	2,3
Northern Province	1,7	5,0
North West	5,1	6,0
Western Cape	13,7	14,9
Total	100,0	100,0

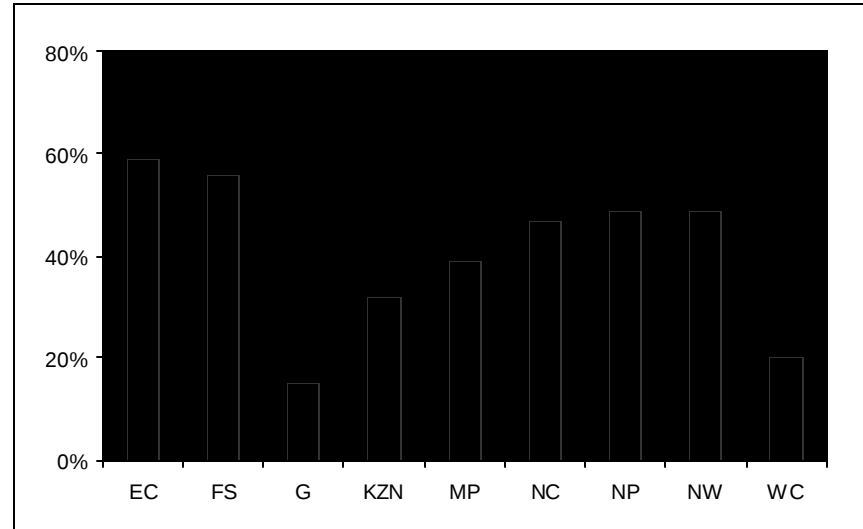
Source: Statistics South Africa, 1995 income and expenditure survey and 1995 October household survey

Income statistics

These patterns are mirrored in income data. Provinces such as Eastern Cape, Northern Province and Free State have a larger share of the country's low-income households than their share of the total number of households. (Households are defined as poor if they are in the bottom 40 per cent of all households in terms of total household income.) Gauteng and Western Cape, in contrast, have proportionally more high-income households – that is, in the richest 20 per cent.

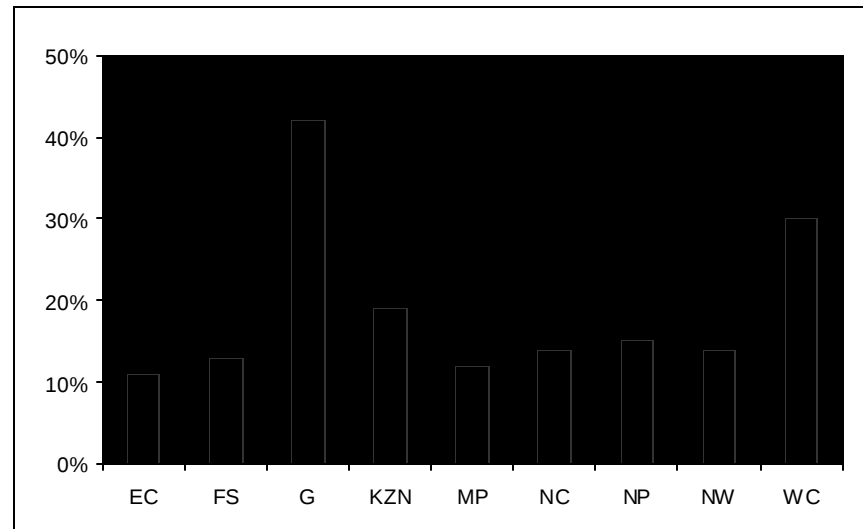
A low level of economic activity and larger numbers of poor households not only increase the demand for social services, but also limit a province's ability to finance the delivery of such services from own revenue sources.

Figure 1.1 Percentage of low-income households by province



Source: Statistics South Africa, income and expenditure survey, 1995

Figure 1.2 Percentage of high-income households by province



Source: Statistics South Africa, income and expenditure survey, 1995

Capacity and human resources

Disparities in economic opportunities not only affect demand for services, but also have a strong impact on the human resources available to a provincial government to administer social service programmes. People migrate in search of economic and educational opportunities and provinces with more limited opportunities have difficulty attracting or retaining qualified individuals. Thus it is not surprising that nearly half of all adult South Africans with tertiary qualifications reside in Gauteng and Western Cape, given the concentration of higher education institutions and the level of economic activity in these two provinces. Nor is it surprising that the poorer, rural provinces tend to have populations with relatively low levels of educational achievement. Figures 1.4 and 1.5 provide an indication of the human capacity of each province to address its challenges.

Human development index

The human development index (HDI) compares quality of life across regions and countries. Ranging between 0 and 1, it is a composite index of life expectancy at birth, educational attainment (measured by adult literacy and school enrolment) and living standards (as measured by real GDP per capita). An HDI of less than 0,5 indicates a low level of development, between 0,5 and 0,8 a medium and 0,8 and above a high level of development. Figure 1.3 shows the HDI of the nine provinces relative to other countries. The data are for 1991 and thus do not reflect improvements since the transition to democracy. South Africa is estimated to have a medium human development ranking, similar to Sri Lanka and Paraguay. Western Cape and Gauteng have high levels of human development while Northern Province has a low level of human development, comparable to Zimbabwe or Namibia.

Figure 1.3 Comparison of provincial HDI with selected countries

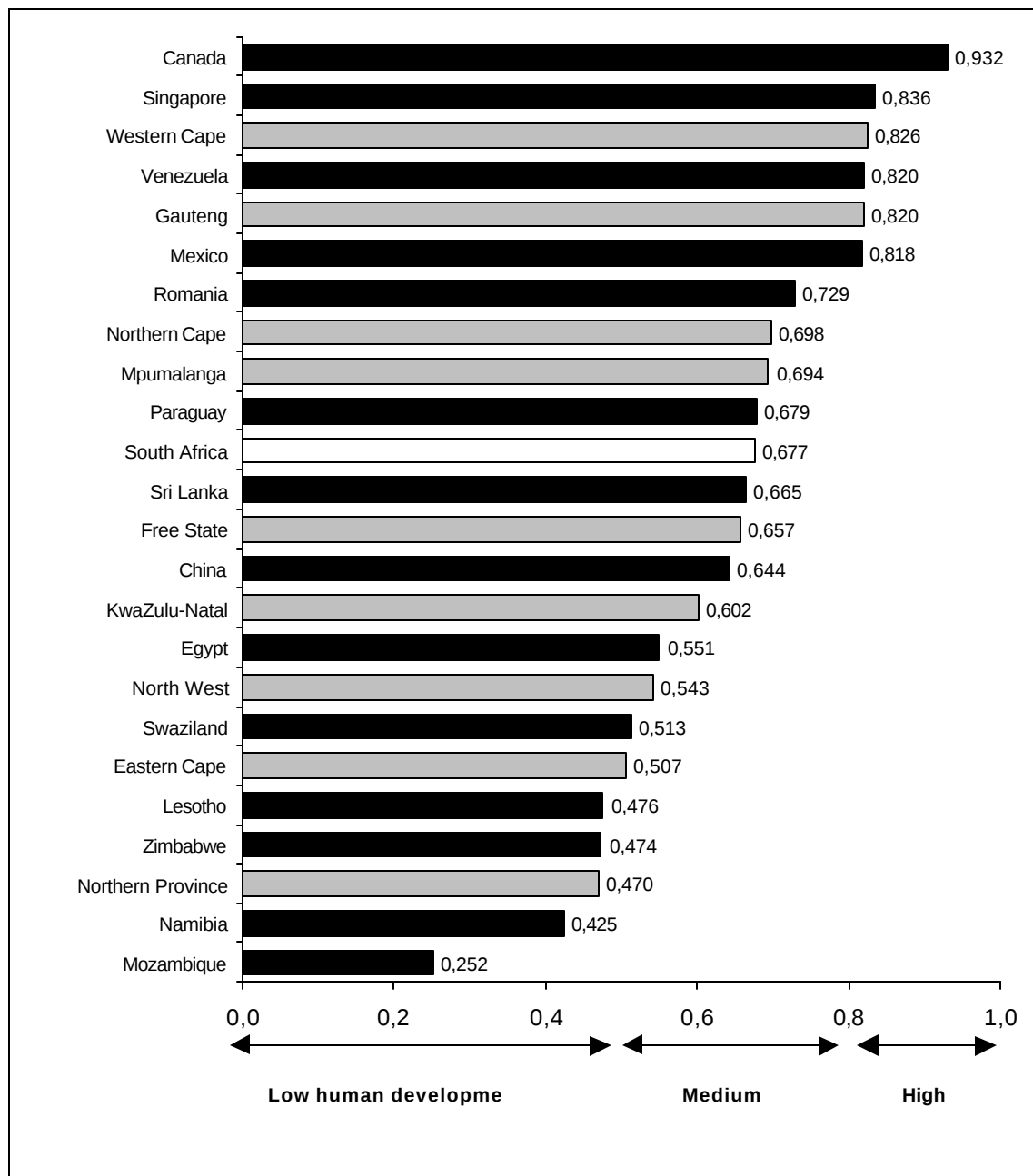
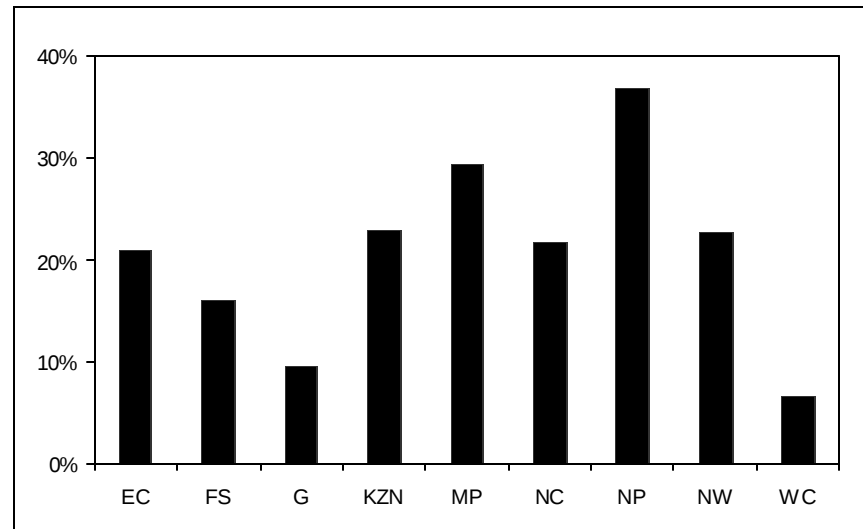
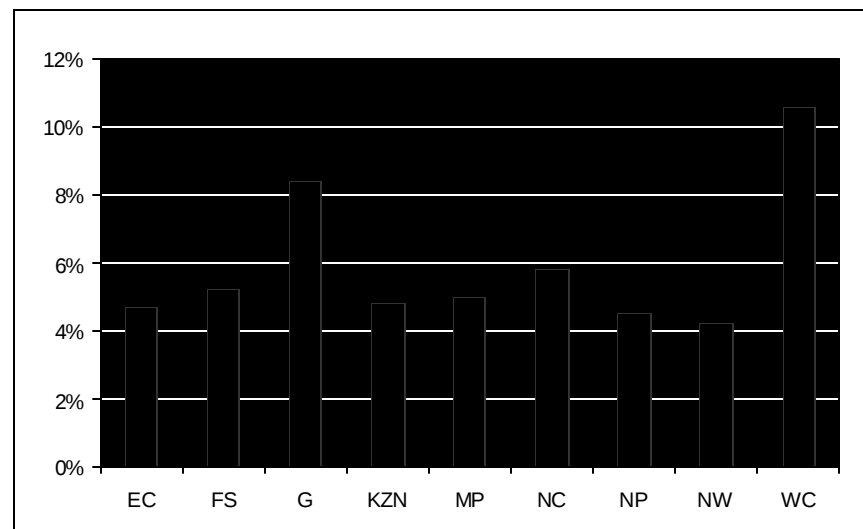


Figure 1.4 Percentage of adult population with no education



Source: Statistics South Africa, Census 1996

Figure 1.5 Percentage of adult population with higher education



Source: Statistics South Africa, Census 1996

CONCLUDING REMARKS

The challenges facing provincial governments can best be understood in the light of the historical context in which they emerged and the current socio-economic conditions. Even a cursory review of provincial statistics reveals the substantial differences between provinces, and how these differences can affect the demand for public services. The intergovernmental financial framework has to accommodate the need to redress imbalances and promote equity in the allocation of resources. Consequently, the formula for sharing nationally raised revenue between the provinces (which is presented in detail in Appendix A) takes into account many of the key factors affecting demand for public services.

2: THE INTERGOVERNMENTAL SYSTEM

INTRODUCTION

Significant changes to the system

South Africa's intergovernmental system emerged from the Constitutional negotiation process during the democratic transition and represents a substantial transformation challenge. As with most developing countries, the pressures for decentralisation were largely politically driven.

Significant changes include the creation of nine provinces from four provincial administrations, four "independent states", six self-governing territories and the "own affairs" administrations; the shift from allocating funds through function committees to an objective formula-based approach; the introduction of the Medium Term Expenditure Framework (MTEF); and the development of a framework for intergovernmental relations.

Evolution of the system

The system has evolved rapidly over the past four years. Being superimposed on existing structures and systems, it has created certain tensions. This chapter explains the intergovernmental fiscal system and highlights both achievements and constraints in its efficient functioning.

CONSTITUTIONAL FRAMEWORK

Establishing three spheres

The Constitution establishes three "distinctive, interdependent and interrelated" spheres of government. Provinces have the power to establish their own political structures and processes and elect their leaders. This enhanced political autonomy requires a complex system of cooperative government and intergovernmental relations, for which Section 41 of the Constitution lays the foundation.

Assigning responsibility for service delivery

In addition to these powers, provinces have certain expenditure responsibilities, as set out in Schedules 4 and 5. These are either exclusive or concurrent. Exclusive functions include provincial planning, roads and transport, and economic affairs. Concurrent functions are those shared with national government. For instance, responsibility for the three social services, health, education and welfare, is shared with national government. Provinces currently account for some 60 per cent of non-interest expenditure and 70 per cent of public service employment.

Provincial powers to raise revenue

Despite their significant expenditure responsibilities, provinces have limited sources of own revenue. In terms of Section 228(1) they may impose taxes, levies and duties other than income tax, VAT, sales tax,

rates on property and customs duties. They may also levy a flat-rate surcharge on the tax bases of any tax, levy or duty imposed by national legislation, except for corporate income tax, VAT, rates on property and customs duties. Such taxes must not unreasonably prejudice national economic policies, interprovincial economic activity or the mobility of resources and must be regulated in terms of national legislation.

Sharing nationally collected revenue

Section 214(1) of the Constitution stipulates that nationally raised revenue must be distributed equitably between the three spheres of government; that the provincial share must be divided equitably between the nine provinces; and that other allocations may be made from the national share, with or without conditions. The mechanisms for sharing revenue are discussed in Appendix A.

Regulating provincial borrowing

Section 230(1) of the Constitution allows provinces and municipalities to borrow capital and bridging finance, subject to regulation. The Borrowing Powers of Provincial Governments Act of 1996 regulates provincial borrowing, but was written in terms of the Interim, rather than final, Constitution. The Act established a Loans Coordinating Committee to oversee provincial borrowing. With the exception of short-term bridging finance, such borrowing is currently quite restricted. Provinces are generally not permitted to borrow to finance recurrent expenditure and, until a clearer policy framework exists, there is general agreement that they will not borrow to finance capital expenditure either.

Achieving a balance in intergovernmental relations

While the Constitution confers significant autonomy on provincial governments, it creates a coordination and monitoring role for national government to ensure macroeconomic stability, achievement of national policy goals and obligations, and a consistent standard of services so that citizens are not prejudiced based on their place of residence. The government achieves this through framework legislation or setting norms and standards. Provinces are responsible for implementing national policies affecting concurrent functions.

The Constitution also provides for more direct national monitoring of provincial affairs under prescribed conditions. National government intervention is permitted in order to maintain national security, economic unity, national norms and standards, or to avoid prejudicial activities by any provincial government. Section 100 and Sections 146–150 of the Constitution govern such national supervision in specific instances. Section 100(1) provides for “any appropriate steps” for ensuring that provinces fulfil their executive obligations. Although this section applies broadly to all executive obligations of provincial governments, it has thus far been used exclusively with regard to budgets and financial management.

LEGISLATIVE FRAMEWORK

Intergovernmental Fiscal Relations Act

The Intergovernmental Fiscal Relations Act of 1997 came into effect on 1 January 1998 and was first fully implemented for the 1999 Budget. The Act formalises an intergovernmental budget process. It gives effect to Section 214 of the Constitution by setting out the process for revenue sharing and to Section 41 by promoting cooperative governance.

The Budget Council	The Act establishes the Budget Council and Budget Forum to promote cooperation between the spheres of government on fiscal, budgetary and other financial matters. The Budget Council consists of the national Minister of Finance and the nine provincial MECs for finance. The council is consulted on any fiscal or financial matter affecting provincial government, including financial management issues and proposed legislation or policy with financial implications. The Technical Committee on Finance, which includes officials from the national and provincial treasuries, supports the Budget Council.
The Budget Forum	The Budget Forum is the equivalent body for fiscal and financial matters of concern to local government. Its membership includes the Budget Council, five members nominated by the South African Local Government Association (SALGA) and one representative from each of the provincial associations.
Formalising the budget process	In terms of the Act, the Financial and Fiscal Commission (FFC) proposes a division of revenue 10 months before the new financial year. This is submitted to the Minister of Finance, Parliament and the nine provincial legislatures. The Minister then consults the provinces, local government and the FFC before taking it to Cabinet.
Division of Revenue Bill	Finally the Minister tables a Division of Revenue Bill at the time of the budget, setting out the final allocations to the three spheres and each of the provinces, as well as any conditions that apply. Neither the Constitution nor the Act requires that the division of the local government share between municipalities be detailed. The Bill is accompanied by a memorandum explaining assumptions and formulae used in determining the allocations, and how those allocations comply with constitutional requirements and take into account the FCC's recommendations.

Public Finance Management Act

The Public Finance Management Act of 1999 significantly reforms budgeting and financial management. It is in line with the government's commitment to transparency and accountability, Constitutional obligations and international best practice.

In 1994, the government inherited a fragmented system of financial management and control that undermined accountability. The introduction of nine provincial Exchequer Acts for governing the activities of provincial departments, and the Reporting of Public Entities Act for dealing with public entities were useful interim measures but also introduced some inconsistencies and duplication. The Public Finance Management Act replaced all this legislation with a single comprehensive, coherent framework for financial management. It has four critical components.

Greater accountability	First, the Act ensures that all national and provincial institutions and public entities have accounting officers with clear roles and responsibilities. These officers are responsible for establishing and maintaining basic financial management systems, for keeping their departments within budget and for timely financial reporting. They are subject to clear disciplinary procedures and strict sanctions, including criminal prosecution for gross and wilful financial misconduct. The fiduciary responsibilities of the boards of public entities are similarly set out and regulated.
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Improved reporting	Second, the Act significantly improves the information requirements and timing of financial reports. For example, departments submit monthly expenditure reports to their treasuries and audited financial statements must be available soon after the close of the financial year.
Focus on performance	Third, the Act promotes accounting for performance rather than simply for money spent. As opposed to the formerly narrow, rule-bound focus on inputs, the Act focuses on what public money buys. The minister or MEC is responsible for policy matters and the outcomes of public spending. The head of the department is responsible for outputs and policy implementation and is directly accountable to Parliament for the management of public funds. This approach is in line with the new public service regulations that rely on a performance-driven system based on measurable outputs.
Appropriation of funds	The final component is that Parliament and provincial legislatures are to appropriate funds for specific programmes (the “main divisions” of votes) rather than for entire departments, as is currently the case. Departments are restricted in their ability to transfer funds between programmes. These changes will strengthen parliamentary oversight over the allocation of public funds.

Financial and Fiscal Commission Act of 1997

The Financial and Fiscal Commission (FFC) Act gives effect to Section 220 of the Constitution. An advisory body accountable to Parliament and the legislatures, it makes recommendations and advises organs of the state on financial and fiscal matters. The FFC was originally established under the Interim Constitution and has contributed significantly to the development of the intergovernmental system. Its recommendations for the division of resources between the spheres of government underlie the current allocations.

IMPLEMENTATION

Changes to the budget process

The budget process has changed significantly over the past four years to reflect the financial provisions of the Constitution and the introduction of the MTEF. Even though provinces were established under the Interim Constitution, the flexibility to allocate their own budgets did not materialise until 1997/98. Prior to this, allocations were largely made through function committees for education, health and welfare amongst others.

Allocations through function committees	Function committees were responsible for coordinating budget proposals for all areas of Government’s functional expenditure such as health, education and defence. The budget was effectively divided into allocations by function committees and “unexamined estimates”, which the Department of State Expenditure advised on. Those government departments consisting only of a national department (such as Minerals and Energy, Foreign Affairs, Home Affairs) submitted a budget to the Department of State Expenditure for approval. For departments with provincial counterparts, a function committee coordinated budget proposals and distributed allocations for the function (eg health, housing,
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and education) among national and provincial departments. The function committees had their own mechanisms or formulae for determining this distribution. Within this system, provincial budgets amounted to little more than a total of predetermined allocations decided on by the committees.

Greater provincial discretion

The provisions of the final Constitution, which allows the provinces to establish their own priorities, rendered the function committees obsolete. In 1997/98 provincial governments for the first time received a lump sum to allocate according to their priorities. Provincial departments no longer competed for funds within a function across provinces but rather between functions within a province. Provincial treasuries now took on the provincial coordination, monitoring and expenditure control functions.

Introduction of the MTEF

The reintegration of the former independent states and self-governing territories, the extension of services to all South Africans and the commitment to transformation heightened pressures to expand public spending. As the new government had also inherited a large and growing public debt, these pressures had to be balanced against the need to reduce debt to sustainable levels. This tension is managed by a medium-term approach to budgeting whereby priorities and longer-term policy options are explicitly brought into the budget process. Expenditure is driven by priorities but choices about these priorities are made from a set of affordable alternatives. This facilitates better planning, ongoing reprioritisation and clear political involvement in policy choices.

Provincial expenditure responsibilities

Provincial and national responsibilities

Expenditure responsibilities have largely been devolved as envisaged in the Constitution. Although exclusive and shared functions were specified, the Constitution did not provide guidelines for the management of shared responsibilities. Within concurrent functions national departments are responsible for policy formulation and for monitoring and evaluating implementation, while provincial departments are responsible for service delivery. In the early years of the transition policy development was emphasised above systems for monitoring delivery and outputs.

In the provincial budget the amount for each function is proposed by the provincial executive and must be approved by the provincial legislature, based on available resources and provincial priorities within the context of national legislation.

Expenditure reprioritisation constrained

Despite provinces' freedom to allocate their budgets, they are constrained by a number of factors, which are discussed in more detail in the following chapters. The challenge facing provinces is to meet social and developmental commitments within the limits of available resources. Although provinces have discretion over the allocation of their equitable shares, committed expenditures in a number of areas reduce the opportunities for discretionary allocations. For example, they are bound by national policy to provide free primary health care and national entitlements such as old age pensions. More than half of provincial budgets are spent on personnel, yet conditions of service are currently negotiated nationally with public sector unions.

Disjuncture between policy development and delivery

The separation between responsibility for policy formulation and for funding and delivery creates certain tensions. National departments frequently develop policy that must be financed from provincial budgets,

over which national departments have no direct control. In turn, provincial governments have the right to allocate their budgets according to provincial priorities, but are also bound to meet national mandates. Service delivery suffers when policies are proposed that provinces cannot afford, or provinces allocate insufficient funds to meet national priorities. Because provinces rely almost entirely on national government transfers to cover expenditure, accountability for poor service delivery is diluted. This creates an incentive for provinces to blame overspending on national mandates or poor performance on insufficient transfers from national government. Yet provinces also potentially face unfunded national mandates that divert funds from exclusively provincial responsibilities. The challenge of cooperative governance in South Africa's intergovernmental system is managing this tension between moral hazard on the one hand, and unfunded mandates on the other.

Sharing nationally collected revenue

Division based on political judgement

The equitable division of national revenue between the three spheres of government is based on the functions assigned to each sphere by the Constitution and revenue sources to fund these. It determines the broad allocation of such resources between the respective responsibilities of the spheres. Although analyses of the different functions and the impact on service delivery of different funding levels should inform the vertical division, relative priorities fundamentally remain a political choice.

The equitable shares are further divided between the different spheres of government according to formulae that have a strong equity component, recognising the special needs of poorer areas.

Funding provincial priorities

The provincial revenue-sharing formula is based on the demographic and economic profiles of the provinces, as explained in Appendix A. The formula comprises six components (with the weight given to each component shown in brackets):

- ◆ An education share based on the average size of the school-age population (ages 6–17) and the number of learners enrolled in public ordinary schools (40 per cent).
- ◆ A health share based on the differential use of the public health system by people with and without medical aid or health insurance (18 per cent).
- ◆ A social security component based on the population eligible for social security grants – the elderly, disabled and children – and adjusted to target the poor (17 per cent).
- ◆ A basic share based on each province's share of the total population of the country (9 per cent).
- ◆ A backlog component based on the distribution of capital needs as captured in the schools register of needs, the audit of hospital facilities and the share of the rural population (3 per cent).
- ◆ An economic activity share based on the distribution of total remuneration in the country (8 per cent).
- ◆ An institutional component divided equally among the provinces (5 per cent).

Table 2.1 Division of resources between the spheres, 1999 Budget

R million	1998/99²	1999/00	2000/01	2001/02
Total budget expenditure	204 293	216 780	230 722	247 250
Less:				
Debt service costs	43 413	48 222	49 820	52 609
Contingency reserve	—	1 100	3 500	8 000
Skills development levy grant scheme	—	—	1 000	2 000
Donor-financed spending	651	750	750	750
Resources to be divided¹	160 228	166 708	175 652	183 891
National equitable share	78 273	78 733	81 100	84 489
<i>As a percentage</i>	<i>48,9</i>	<i>47,2</i>	<i>46,2</i>	<i>45,9</i>
Of which:				
National departments	67 573	69 972	72 739	76 232
Conditional grants to provinces and local government	10 700	8 761	8 361	8 257
Provincial equitable share	80 931	86 302	92 071	96 822
<i>As a percentage</i>	<i>50,5</i>	<i>51,8</i>	<i>52,4</i>	<i>52,7</i>
Local government equitable share	1 024	1 673	2 480	2 580
<i>As a percentage</i>	<i>0,6</i>	<i>1,0</i>	<i>1,4</i>	<i>1,4</i>
Addendum				
Provincial allocations including conditional grants	90 499	94 420	100 432	105 079
Local government share including conditional grants	2 156	2 316	2 480	2 580

¹Note that the national and provincial equitable shares include estimates of improvements in conditions of service.

²The national and provincial shares of expenditure in 1998/99 are adjusted here for the reduction in the employer's contribution to pension funds from 17 to 15 per cent.

Conditional grants to provinces

In addition to their equitable share, provincial governments also receive conditional or unconditional allocations from the national share. Conditional grants and agency payments, which are presented in Schedule 3 of the Division of Revenue Act of 1999, are made to:

- ◆ Provide for national priorities in the budgets of other spheres.
- ◆ Promote national norms and standards.
- ◆ Compensate provinces for cross-border flows and specialised services of nationwide benefit, such as the training of medical professionals.
- ◆ Recognise that other spheres implement some national government functions, such as the provision of housing.

Conditional grants were first introduced in the 1998 Budget, most significantly in the health sector.

Accountability for conditional grants

A conditional grant is voted in the budget of a national department and reflected as a revenue item in provincial accounts, and is also voted in the budgets of provincial departments. The national department is responsible for monitoring compliance with the conditions of the grant, whereas the province is accountable for the actual expenditure of the funds. The incentive, therefore, lies with the provincial department to meet the conditions of the grant as efficiently as possible. Specific conditional grants to provinces are presented in Appendix A. For 1999/00 the largest grants are:

- ◆ A supplementary allocation to augment provincial funding of social services and assist in improved financial management.
- ◆ A health grant with subcomponents: research and training, provision of specialised health services, hospital rehabilitation and construction, and the Primary School Nutrition Programme.
- ◆ A local government transfer to assist in the transfer of functions and staff to local government and to ease municipalities' adjustment to the formula distribution of the equitable share.

Other grants

Other grants include amounts to support capacity building and financial management in housing and welfare; systems development and support by the Department of State Expenditure; and training centres in two provinces.

Agency payments

Agency payments, such as housing subsidies, are not reflected on provincial budgets. In an agency payment, the national department retains full accounting responsibility for the funds and, in essence, pays the provincial or local government to deliver particular services.

Provincial own revenue

Limited sources of revenue

Provincial own revenue accounts for less than 4 per cent of provincial budgets. It is derived mainly from motor vehicle licences, hospital fees and gambling levies. Provinces are therefore highly dependent on intergovernmental transfers to finance their activities while local governments, in contrast, have significant revenue bases.

FFC proposals

The FFC has argued for a provincial surcharge on the personal income tax base to increase the fiscal capacity of provinces and improve accountability. To avoid increasing the tax to GDP ratio, the FFC recommended that national government reduce national income tax rates to create room for such a surcharge.

Katz Commission report

The Katz Commission, at the request of the Budget Council, reviewed provincial revenue. It noted several constraints to a surcharge:

- ◆ Allowing each province to choose the applicable tax rate may lead to tax competition between provinces, which can interfere with trade, investment or migration across provincial boundaries.
- ◆ Economic disparities between provinces could be reinforced by expanded revenue-raising powers since the distribution of wealth and economic activity is highly skewed.

- ◆ As tax revenue generated from a surcharge will remain a small proportion of total provincial budgets, particularly in poorer provinces, it is not clear that it would stimulate accountability.
- ◆ Collecting provincial surcharges will pose administrative problems, at least in the foreseeable future. The South African Revenue Service has indicated that it is as yet unable to collect the surcharge on behalf of provinces because, among other factors, its information on the residence of taxpayers is insufficient.

Government's approach to provincial tax powers

Taking into account capacity issues and other considerations discussed above, the government remains cautious in extending provincial taxing powers. At the request of the Budget Council, the Department of Finance is reviewing existing provincial revenue sources and options for new sources. The effective collection of existing sources is a key goal and hospital fees are currently being reviewed. New revenue options are also being explored, but proper coordination is required to prevent a proliferation of small fees and charges that could cause unnecessary confusion, raise the cost of compliance and undermine efforts to simplify the tax regime. The Constitution requires national legislation to regulate provincial revenue powers and to guard against such problems. This legislation will be developed as part of the overall revenue review process.

Provincial borrowing

In terms of the Constitution, provincial governments may borrow money for bridging finance and to fund capital projects such as investments in infrastructure. Section 230 further states that provincial borrowing must be “in accordance with reasonable conditions determined by national legislation.” Currently, the Borrowing Powers of Provincial Governments Act of 1996 regulates provincial borrowing.

Financing of capital expenditure

Borrowing enables a government to finance the initial cost immediately but to budget repayment over time as benefits from the investment are derived. Spreading the burden of the investment ensures that current taxpayers do not fund the entire cost of a project that will render benefits to future generations. Debt financing also allows a government to undertake more projects, and sooner, than would have been possible from tax revenue alone.

Regulating provincial borrowing

The Borrowing Powers of Provincial Governments Act was enacted prior to the provinces receiving their current level of autonomy with regard to budgeting and before current intergovernmental financial relationships took shape. Although the Act continues to guide provincial borrowing, it may need to be updated. For instance, the Act did not envisage that provincial borrowing would primarily be in the form of bank overdrafts and project-specific financing schemes.

Despite the Constitutional autonomy and independence of the provinces, the markets often view national government as a guarantor of provincial debt. To counter this perception and foster provincial independence, national government has taken a clear “no bail out” approach. It has offered assistance only under stringent conditions, as part of Section 100 interventions. National government has also encouraged the provinces to eliminate any outstanding debts over the medium term, and provinces have budgeted accordingly. As the relationship between the national and

provincial governments becomes clearer and the management of provincial finances continues to improve, the scope may increase for provincial borrowing or public-private partnerships to address capital needs. The regulatory framework will, however, first have to be updated to ensure that a proper assessment of risk and its incidence is undertaken and that the financial implications for the province and the nation are better understood.

Intergovernmental coordination

Redistributing resources

While the Division of Revenue Act and the formula for distributing the provincial equitable share address interprovincial equity in access to available resources, other critical issues require coordination. Several intergovernmental forums, such as the MinMECs, MTEF review teams and technical committees (also known as 4x4s), deal with issues such as managing transformation, the coherence of policy within sectors and norms and standards. These issues will be discussed in more detail in subsequent chapters.

Information management and systems

Fragmented information systems

A proliferation of systems and poor financial record keeping prior to 1994 resulted in fragmented and incomplete data on consolidated government expenditure. Before 1995/96, expenditure data reflected the aggregate of all the budgets of the various administrations. Provinces that inherited self-governing territories and the TBVC ran different systems in tandem during the integration process. Two provinces are still not on the FMS or BAS financial accounting systems. All nine provinces have only been running the same centralised personnel management system, Persal, since the 1997/98 financial year. Therefore, despite some improvement, the availability of detailed, timely expenditure data remains a problem. Differences in classifications across provinces also complicate interprovincial comparisons and consolidated expenditure by economic or functional classifications.

Developing new systems

The new Vulindlela system collates data from the national and provincial personnel and financial systems. When complete, it will provide a central repository of data that allows analysis and comparison between sectors and provinces. The Reserve Bank is assisting with the classification of data according to internationally accepted functional and economic definitions. Provinces are being encouraged to adopt new budget formats that will make the strategic plans and policies underlying budgets more transparent, and will also assist in the compilation of comparative data through the Vulindlela system.

THE WAY FORWARD

Four years after the democratic transition, the disparities between provinces and between municipalities in terms of development and access to public services have been reduced and progress has been significant in the intergovernmental financial system. However, several challenges remain. Developmental needs differ widely, with poorer provinces having to overcome inherited backlogs in service delivery. Geographic variation and differences in population densities reinforce cost differentials in service delivery across provinces.

International focus on decentralisation	Fiscal decentralisation has been much debated during the nineties. While it can improve the allocation of public resources and offer greater freedom of choice in services, it may undermine macroeconomic management and redistribution. The challenge is to achieve an appropriate balance between national government control and provincial autonomy and to harness the advantages without neglecting overarching transformation and development goals.
Improving resource allocation	Decentralisation can also improve the distribution of resources and allow for regional diversities. Instead of centralised decisions that compel all regions to produce the same mix of public services and taxes, decentralisation allows regional governments to adjust the mix, level and mode of service delivery to suit regional preferences and circumstances. Where, however, regional disparities are significant in wealth or access to productive resources, decentralisation can widen the divide. The ability to provide services will differ, but cross-border flows can be destabilising and reinforce political or social instability.
Institutional constraints to decentralisation	Moreover, institutional constraints can dilute the possible benefits of decentralisation. International experience suggests that successful decentralisation depends on adequate policymaking, delivery and management capacity at provincial level. This is necessary for implementing and managing differentiated spending programmes, managing the increased financial flows and containing corruption. Financial management information, monitoring and evaluation systems are important to measure performance against agreed goals for service delivery.
Creating provincial capacity	Regional governments generally find it more difficult to attract staff with skills and experience. Extending national controls to compensate for a lack of provincial capacity is not a long-term solution. In fact, it may generate disincentives and obstacles to the creation of longer-term capacity if provinces become dependent on nationally provided skills. While current capacity may determine the timing and phases of a transition path, it should not dictate the long-term structure of the intergovernmental system.
Managing decentralisation	The development of the intergovernmental system is a process, not an event. The system considers short-term conditions and constraints while working towards a long-term desired outcome. The speed and sequencing of devolution is a critical issue. To date, political pressures and timeframes specified in the Constitution have determined the speed and direction of refinements to the system. Provinces have largely moved in tandem, with expanded rights and responsibilities being applied equally. But as provincial governments have matured, individual provinces are looking for ways to exercise their autonomy and address their specific needs within the context of cooperative governance. Given the uneven distribution of resources and differing historical circumstances, it is not surprising that the demands facing provinces differ. Taking these differences into account is essential for the promotion of Government's reconstruction and development goals. Yet the required regulation and management of such an intergovernmental system necessarily becomes more complex. Institutions are, however, in place to ensure that future changes will follow a structured approach, allowing for the evolution of a coherent framework for intergovernmental fiscal relations.

3: OVERVIEW OF PROVINCIAL BUDGETS

INTRODUCTION

Budgets reflect circumstances of provinces

This chapter provides an overview of provincial budgets, including actual revenue and expenditure for 1995/96 through 1997/98, estimated actual outcomes for 1998/99 and budgeted amounts for 1999/00 through 2001/02. The information in this chapter, and the next four, should be seen against the different demographic, economic and historical circumstances of the nine provinces (see Chapter 1), and the evolving nature of intergovernmental financial relations (see Chapter 2). These factors strongly influenced the allocation of resources within provinces as well as the ability of provinces to manage their finances.

Adjustments to expenditure

This chapter also discusses certain adjustments to provincial expenditure, which facilitate comparisons across provinces and trend analyses over time. Such adjustments are required when similar items are recorded differently in provincial budgets, thus distorting interprovincial comparisons; or when responsibilities shift between the provincial and national spheres of government, thus distorting expenditure trend analysis. The need for these adjustments arise because the intergovernmental system is new and evolving, with spending responsibilities and accounting rules still being clarified.

PROVINCIAL REVENUE AND EXPENDITURE

Provincial budget performance

Positive outlook for provincial budgets

Provincial expenditure and revenue and the resulting deficits or surpluses are presented in Table 3.1. The nine provinces were projected to run a combined surplus of R1,1 billion in 1998/99, reversing a pattern of growing deficits in 1996/97 and 1997/98. The medium-term budgets tabled by the provinces in February 1999 continue this positive trend.

Budgets include reserves to repay debt

All provinces budgeted to repay debts accumulated in previous years, according to an agreement with the national government on the allocation of an additional R1 billion in 1998/99. Under the agreement, provinces set aside funds in “finance reserves” dedicated to debt repayment. Gauteng chose to display its reserve in the form of a surplus, as debt repayment will ultimately be treated as a financing item rather than as expenditure. The surpluses shown in Table 3.1 for 1999/00 through 2001/02 are thus attributable to Gauteng, the other provinces all tabling balanced budgets that include finance reserves.

Table 3.1 Total provincial revenue and expenditure

	Actual			Estimated actual	Medium term estimate		
R million	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Transfers from national budget ¹	72 885	84 700	85 956	91 811	94 259	99 424	103 963
<i>Of which: conditional grants¹</i>	–	–	–	10 275	7 958	7 353	7 141
Own revenue	4 334	4 089	3 458	3 375	3 529	3 852	4 204
Total provincial revenue	77 220	88 789	89 414	95 186	97 789	103 276	108 168
Education	29 971	36 606	38 570	38 656	39 862	42 613	44 636
Health	16 097	20 640	22 376	22 878	23 529	25 171	26 291
Welfare	14 400	15 938	17 669	18 288	18 487	19 465	20 322
Other expenditure:							
Local government grants	1 963	2 238	1 999	1 132	463	–	–
State debt service costs ²	1 321	1 998	–	–	–	–	–
Finance reserve	–	–	–	–	2 419	1 596	1 475
All other expenditure	12 286	14 391	14 632	13 105	12 841	13 869	14 629
Total provincial expenditure	76 038	91 810	95 246	94 059	97 601	102 715	107 354
Surplus/deficit(-)	1 181	- 3 021	- 5 831	1 128	187	561	814
Percentage growth:							
Total revenue		15,0	0,7	6,5	2,7	5,6	4,7
Total expenditure		20,7	3,7	-1,2	3,8	5,2	4,5
Adjusted revenue ³		14,4	3,4	7,6	3,5	6,1	4,7
Adjusted expenditure (see Table 3.3)		20,4	6,5	-0,3	1,9	6,8	4,7
Addendum:							
GDP (R billions) ⁴	564,3	631,4	696,6	749,0	811,3	878,2	949,0
CPI (percentage change)	7,8	8,1	7,6	7,6	5,5	4,5	4,0

¹This reflects amounts shown in provincial budgets, and thus excludes agency payments and certain conditional grants that have not yet been allocated by province.

²This reflects interest on debts inherited by the provinces that were later assumed by the national government.

³ Adjusted to take into account functions shifts (local government grants and state debt service costs).

⁴The historical GDP figures are those published in the June 1999 Quarterly Bulletin of the South African Reserve Bank, reflecting revisions to accommodate updated definitions of the national accounts. The projections reflect the same growth rates and inflation forecasts presented in the 1999 Budget, but are applied to the revised GDP estimates.

Provincial surpluses expected

Had the other provinces imitated Gauteng in scoring their finance reserves as surpluses, they would have shown a combined surplus of R7,1 billion between 1999/00 and 2001/02. This amount exceeds the rough estimate of provincial debt identified in the agreement, reflecting the intention of several provinces to use some reserve funds for unanticipated expenditure. Assuming this additional expenditure and anticipated debt reduction, the combined provincial surpluses are therefore likely to be R3–R4 billion between 1999/00 and 2001/02.

All provinces improve in 1998/99

The turnaround in provincial budgets is illustrated in Table 3.2 and Figure 3.1. All nine provinces ran a deficit in 1997/98, totalling R5,8 billion or 0,8 per cent of GDP. For 1998/99, however, all provinces projected an improved financial situation, with five provinces estimating a surplus and the remainder running smaller deficits. Most notably, Eastern Cape anticipated moving from a deficit of R886 million in 1997/98 to a surplus of R837 million in 1998/99, and KwaZulu-Natal is showing a surplus of R287 million after a deficit of R1,2 billion.

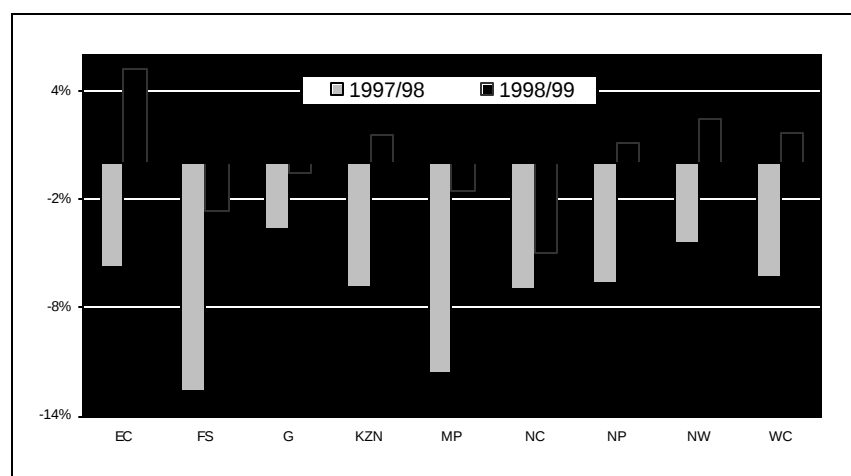
Table 3.2 Provincial surplus/deficit(-), 1997/98 and 1998/99

Province	1997/98	1998/99
Eastern Cape	-886	837
Free State	-762	-177
Gauteng	-528	-88
KwaZulu-Natal	-1 216	287
Mpumalanga	-618	-110
Northern Cape	-151	-112
Northern Province	-731	130
North West	-321	186
Western Cape	-618	172
Total	-5 831	1 128

Deficits as share of budget

The 1997/98 provincial deficits were sizeable by any measure. Figure 3.1 shows these deficits as a percentage of each province's total revenue, indicating the size of the deficit relative to its budget and the difficulty of closing the gap between revenue and expenditure. For instance, KwaZulu-Natal ran the largest deficit in rand terms, nearly twice the size of Mpumalanga's deficit. Yet as a share of revenue, the situation is nearly reversed. In 1997/98 Mpumalanga's deficit amounted to 11,6 per cent of revenue, while the KwaZulu-Natal figure was 6,8 per cent. Similarly, the 1997/98 deficits in Free State and Northern Cape, at 12,6 per cent and 7,0 per cent of revenue respectively, appear more serious.

Figure 3.1 Provincial surplus/deficit as percentage of provincial revenue, 1997/98 and 1998/99



Steps to align budgets with outcomes

The analysis in this *Intergovernmental Fiscal Review* focuses on actual expenditure and revenue between 1995/96 and 1998/99, and budgeted amounts for 1999/00 through 2001/02. It examines trends over time and the implications of budget proposals. The *Review* does not, however, compare in detail previous budgets with actual expenditure or revenue.

Part of the reason is technical – comparing budgets to actuals is a very inexact science. The original provincial “white book” budgets exclude certain amounts that are provided in the adjustments estimate, such as funds to cover the cost of pay increases. In 1996/97, for instance, the national government transferred over R9 billion to the provinces as part of the adjustments estimate. Moreover, the provincial adjustments estimates are less detailed than the original budgets and actual expenditure data, making comparisons difficult. In some cases, funds for items such as improvements are not distributed by department, let alone by programme. Moreover, adjustments estimates frequently do not indicate amounts suspended by the treasury and thus present appropriation levels that exceed what is actually anticipated to be spent.

In addition to these technical concerns, the main causes of actual expenditure exceeding budgets in 1996/97 and 1997/98 have, to a large extent, been identified and documented elsewhere (see *1998 Budget Review*). Most are closely associated with the immaturity of the new intergovernmental system at that time. Proper capacity and systems were simply not in place at either the national or provincial sphere to address adequately the challenges of a new intergovernmental financial system.

In 1997/98 and 1998/99 several budget reforms were introduced to improve the quality of intergovernmental budgeting. These reforms include:

- The Medium Term Expenditure Framework, which gives the provinces three-year forward estimates to create more certainty in budget allocations and improve planning.
- The Division of Revenue Bill, which is tabled with the annual budget and identifies all allocations from national government to provinces and any conditions that may be attached.
- The early warning system, which requires provinces to report expenditure and revenue outcomes on a monthly basis. This facilitates expenditure control and budget preparation.
- Sectoral review teams, which were created as part of the MTEF process to assess expenditure trends and policy issues in education, health and welfare. Intergovernmental policy coordination has been expanded to include regular “technical committee” meetings (4x4s) between officials from national and provincial treasuries and relevant line departments.

Most of these reforms were put in place during 1997/98 and thus affected both the preparation of the 1998/99 budgets and their management during the year. Compared to the outcomes in 1997/98, estimates for 1998/99 indicate a clear improvement. The reforms seem to be having the desired impact, although many problems remain. In future, therefore, comparing budgeted amounts with actual outcomes will provide considerably more insight, similar to the analysis of national departments in the *Budget Review* and *National Expenditure Survey*.

Provincial revenue

Transfers from national government

Transfers from national government dominate provincial revenue, representing over 96 per cent of such revenue in 1999/00. The transfers comprise an unconditional equitable share allocation and numerous conditional grants. How these allocations are determined is discussed in more detail in Chapter 2 and Appendix A. Provinces are responsible for compiling their own budgets on the basis of these transfers and any revenue from own sources.

In 1999/00, the equitable share including improvements in conditions of service (ICS) represents about 88 per cent of provincial revenue, while conditional grants equal 8 per cent and own revenue less than 4 per cent. However, the distribution varies across provinces, particularly regarding

conditional grants. Recipients of the central hospital grant, which is the single largest conditional grant, obtain considerably more of their allocations from conditional grants. For instance, conditional grants form nearly 15 per cent of Gauteng's revenue in 1999/00, compared to less than 4 per cent in Northern Cape.

Provincial own revenue

Provincial own revenue has been steadily decreasing, falling from R4,3 billion in 1995/96 to an estimated R3,4 billion in 1998/99. This represents a decline from 5,6 per cent of total provincial revenue in 1995/96 to 3,6 per cent in 1998/99. Provincial own revenue is projected to grow at an average rate of 8,1 per cent a year over the medium term and will increase modestly as a share of total revenue. However, even in 2001/02, provincial own revenue is projected to be slightly below the 1995/96 level, reflecting a significant real decline.

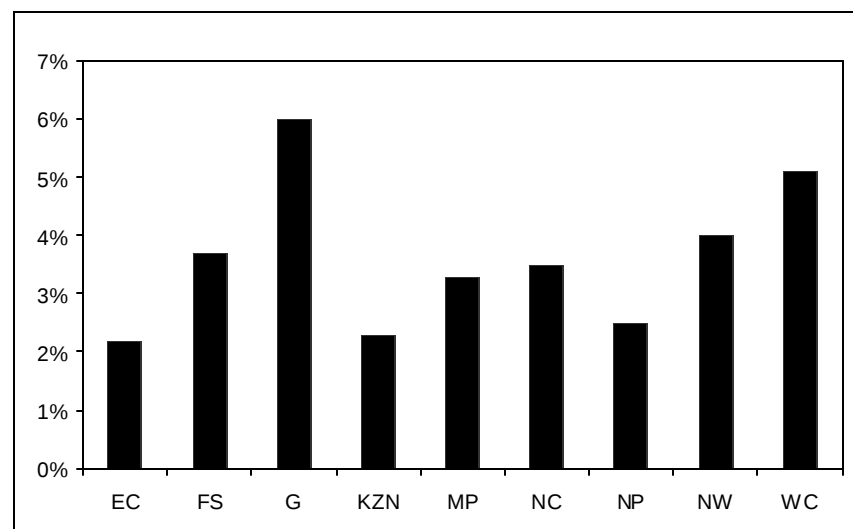
Provincial own revenue sources are fairly limited, mainly comprising fees for motor vehicle licences, gambling licences and hospital services. Lower income from hospital fees and a sharp decline in interest income (as provinces used up their bank balances to finance deficit spending) are the main reasons for the overall decline. Poor collection systems and inadequate incentives to collect fees also contributed.

New policy initiatives should have a positive impact on provincial fee revenues. For instance, recently enacted reforms to road traffic management and the implementation of provincial gambling laws affect two of the provinces' major revenue sources. At the request of the Budget Council, the Department of Finance is undertaking a thorough review of provincial own revenues, including fee structures and the associated collection processes. It is also reviewing the recommendations of the Katz Commission report on provincial taxing powers.

Collections vary by province

Figure 3.2 shows that the relative importance of own revenue differs between provinces. To some extent this correlates with the provinces' economic circumstances. Predictably, the share of own revenue is above average in Gauteng and Western Cape, and well below average in Northern Province and Eastern Cape.

Figure 3.2 Provincial own revenue as percentage of total provincial revenue, 1998/99



Total provincial expenditure

Table 3.1 presents total actual provincial expenditure for 1995/96 through 1997/98, projected expenditure for 1998/99 and budgeted expenditure for 1999/00 through 2001/02. These figures are useful for calculating the deficits and surpluses as presented by the provinces. For purposes of reviewing expenditure trends, however, certain distorting items should be removed from the data. These are shown on Table 3.1 under “other expenditures” and include grants to local government, state debt service costs and the finance reserves.

Function shifts

Both grants to local government and state debt service costs represent function shifts, in that the provinces have been relieved of these funding responsibilities. Provinces subsidise municipal operating expenses from their budgets, but these grants are to be replaced by the local government equitable share. Similarly, some provinces used to pay interest on debts inherited from the previous dispensation. In terms of the Interim Constitution, these debts and associated interest costs were transferred to the national government. From 1997/98, provincial budgets no longer reflected such costs.

With function shifts, a decline in funding does not imply a reduction in services but rather a change in responsibility. Removing such expenditure items therefore gives a clearer picture over time of resources available to fund current provincial functions. Since 1995/96, other smaller functions have shifted between the different spheres, but these are not reflected as the amounts are not significant and the information not readily available.

Finance reserves

As discussed above, provinces included finance reserves in their medium-term budgets. These reserves were established in terms of an agreement with national government to repay outstanding provincial debt. Under the rules of the International Monetary Fund’s Government Finance Statistics, repayment of debt is not treated as expenditure but instead as a change in financing. As a result, the portion of finance reserves allocated to debt reduction will be scored as a budget surplus rather than expenditure. The remaining reserve amounts are unallocated, much like the contingency reserve on the national budget. Because it is as yet unclear how reserve amounts will be used, it is less distorting to remove all reserves from expenditure figures, as was done in the Gauteng budget.

Adjusted provincial expenditure

Table 3.3 shows provincial expenditure between 1995/96 and 2001/02 after excluding debt service costs in the first two years, local government operating subsidy grants in the first five and finance reserves in the last three. Details of these adjustments by province are shown in Appendix B.

Adjustments affect individual provinces

Although these adjustments do not fundamentally alter the overall picture of provincial expenditure over the period, they can have a dramatic impact on specific provinces or categories of expenditure. For instance, of the total debt service costs that were excluded from Table 3.3 because these were later assumed by the national government, Eastern Cape incurred R1,5 billion in 1996/97. Had this item not been excluded, overall spending in Eastern Cape would have declined by nearly 4 per cent in 1997/98 instead of increasing by 5,8 per cent as shown in the table.

Unless stated otherwise, the adjusted provincial totals are used throughout the *Review* when calculating shares of total provincial expenditure or for analysis of non-social services expenditure.

Table 3.3 Adjusted provincial expenditure by province¹

R million	Actual			Estimated actual	Medium term estimate		
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Eastern Cape	11 883	14 899	15 769	14 982	15 132	16 699	17 523
Free State	5 050	6 039	6 730	6 851	6 624	6 986	7 286
Gauteng	11 650	13 478	14 834	15 576	16 041	16 823	17 627
KwaZulu-Natal	14 318	17 069	18 451	17 857	18 561	19 966	20 981
Mpumalanga	4 168	5 320	5 841	5 995	6 095	6 584	7 022
Northern Cape	1 803	2 026	2 274	2 327	2 292	2 390	2 478
Northern Province	8 947	11 401	11 635	11 592	11 774	12 550	13 195
North West	6 280	7 260	7 473	7 592	7 942	8 396	8 716
Western Cape	8 655	10 082	10 239	10 153	10 257	10 725	11 051
Total, adjusted	72 754	87 575	93 247	92 927	94 719	101 119	105 879

Percentage growth:

Eastern Cape	25,4	5,8	-5,0	1,0	10,4	4,9
Free State	19,6	11,4	1,8	-3,3	5,5	4,3
Gauteng	15,7	10,1	5,0	3,0	4,9	4,8
KwaZulu-Natal	19,2	8,1	-3,2	3,9	7,6	5,1
Mpumalanga	27,6	9,8	2,6	1,7	8,0	6,6
Northern Cape	12,3	12,2	2,4	-1,5	4,3	3,7
Northern Province	27,4	2,1	-0,4	1,6	6,6	5,1
North West	15,6	2,9	1,6	4,6	5,7	3,8
Western Cape	16,5	1,6	-0,8	1,0	4,6	3,0
Total, adjusted	20,4	6,5	-0,3	1,9	6,8	4,7

¹Expenditure totals exclude debt service costs in 1995/96 and 1996/97, local government grants in 1995/96 through 1999/00, and finance reserve amounts in 1999/00 through 2001/02. See Appendix B for each of these adjustments by province.

Provincial spending has grown in real terms

Adjusted provincial expenditure grew from R72,8 billion in 1995/96 to an estimated R92,9 billion in 1998/99, reflecting an average annual rate of 8,5 per cent. This represents real expenditure growth, given average inflation of 7,8 per cent over the period. The provincial medium-term budgets, as adjusted, will grow to R94,7 billion in 1999/00 and then to R105,9 billion by 2001/02. This reflects an average annual growth rate of 4,4 per cent, nearly equal to the anticipated inflation rate of 4,7 per cent.

Strong growth in 1996/97

Much of the strong growth in consolidated expenditure over the last four years occurred in 1996/97, when it jumped by 20,4 per cent. Expenditure growth was more moderate in subsequent years. As will be discussed in later chapters, the growth in that year reflects the impact of a generous wage agreement, new appointments, the follow-through costs of RDP projects and costs associated with consolidating administrations.

Expenditure patterns in individual provinces tend to mirror the overall provincial trend, all provinces having shown double-digit growth in 1996/97. Growth was particularly strong in those provinces, such as Eastern Cape and Northern Province, that experienced large increases in

their personnel costs as a result of the new wage agreement or new appointments. Expenditure growth slowed in 1997/98 as provinces implemented cost saving measures to contain the level of overexpenditure. Four of the five provinces that are estimated to run surpluses in 1998/99 reduced expenditure below the previous year's level. Northern Cape and Free State, which are projecting the largest deficits in 1998/99, have budgeted for nominal declines in expenditure for 1999/00. With few options on the revenue side, provinces have been forced to reduce expenditure in order to restore stability to their budgets.

Aligning of budgets and actual expenditure

Table 3.4 shows that budgeted transfers from national government, which are the main source of recurrent provincial revenue, grew by over 10 per cent a year between 1995/96 and 1998/99. Steady growth is also reflected in budgeted provincial expenditure. However, actual provincial expenditure growth of over 20 per cent in 1996/97 exceeded growth in revenue, leading to deficits in 1996/97 and setting the stage for the large 1997/98 deficits. Provinces relied on transfers in the adjustments estimate and on bank reserves and overdrafts to cover this overexpenditure. With the budget process now limiting transfers in the adjustments estimate and with fewer bank reserves to utilise, provinces have had to curtail expenditure growth, bringing actual spending in 1998/99 in line with the budgeted allocations.

Table 3.4 Budgeted and actual transfers and expenditure

R million	1995/96	1996/97	1997/98	1998/99	1999/00
Transfers from national budget¹					
Budget estimates	63 109	71 435	78 807	86 955	91 696
<i>Percent change</i>		13,2	10,3	10,3	5,5
Budget plus ICS	65 745	77 192	82 337	89 374	93 796
<i>Percent change</i>		17,4	6,7	8,5	4,9
Actual transfers	69 601	80 465	83 957	90 679	N/A
<i>Percent change</i>		15,6	4,3	8,0	N/A
Provincial expenditure²					
Budget estimates	68 393	75 804	82 959	90 591	92 619
<i>Percent change</i>		10,8	9,4	9,2	2,2
Budget plus ICS	71 029	81 561	86 489	93 010	94 719
<i>Percent change</i>		14,8	6,0	7,5	1,8
Actual expenditure	72 754	87 575	93 247	92 927	N/A
<i>Percent change</i>		20,4	6,5	-0,3	N/A

¹Excludes function shifts (debt service costs and local government grants).

²Excludes function shifts and finance reserves (see Table 3.3).

Note: ICS is new improvements in conditions of service, which are determined annually.

Social expenditure

Real growth in social services

The three major social services programmes – education, health and welfare – grew by an average of 9,7 per cent a year between 1995/96 and 1998/99, above the rate of inflation and faster than total provincial expenditure. As a result, they captured an increasing share of provincial spending, growing from 83,1 per cent of total adjusted provincial expenditure in 1995/96 to 85,9 per cent three years later (see Table 3.5).

The share of social services remains above 86 per cent in the medium-term estimates of the provincial budgets. Social services expenditure is discussed in more detail in Chapters 4–6.

Table 3.5 Expenditure on social services as percentage of adjusted provincial expenditure ¹

	Actual			Estimated actual	Medium term estimate		
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Social services	83,1	83,6	84,3	85,9	86,4	86,3	86,2
Education	41,2	41,8	41,4	41,6	42,1	42,1	42,2
Health	22,1	23,6	24,0	24,6	24,8	24,9	24,8
Welfare	19,8	18,2	18,9	19,7	19,5	19,3	19,2
Non-social services	16,9	16,4	15,7	14,1	13,6	13,7	13,8
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0

¹Total provincial expenditure adjusted to exclude function shifts (local government grants and debt costs) and finance reserves.

Non-social services under pressure

Table 3.5 shows that the growth in the three main social services is crowding out expenditure on non-social services, such as provincial roads, tourism promotion, agricultural development and economic affairs. (These programmes are discussed in Chapter 7.) Expenditure on these programmes grew by 2,1 per cent over the period, and their share of provincial expenditure fell from 16,9 per cent in 1995/96 to 14,1 per cent in 1998/99. Their share falls further to 13,6 per cent in the 1999/00 provincial budgets, before increasing in the subsequent two years.

Personnel and social security spending

Current expenditure dominates provincial budgets, capturing about 95 per cent of spending (see Table 3.6). Capital spending, on the other hand, represents only about 4–5 per cent of provincial expenditure.

Rapid growth in personnel

Within current expenditure, spending on personnel has risen steadily since 1995/96. Up to 1998/99, personnel expenditure grew at an average annual rate of 11,4 per cent, or nearly 4 per cent in real terms. Its share of total expenditure rose from 56,2 per cent in 1995/96 to 60,8 per cent in 1998/99. Over the medium term, personnel spending is projected to stabilise at about 61 per cent of expenditure.

The rapid growth in personnel costs from 1996/97 reflects large pay increases (improvements in conditions of service) resulting from wage agreements between the national government and the civil service employee unions. It was also affected by hiring of education and health personnel in certain provinces. The specific circumstances in each sector are presented in more detail in the following chapters.

Table 3.6 Adjusted provincial expenditure by economic classification

R million	Actual			Estimated actual	Medium term estimate		
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Current expenditure	69 122	82 940	88 455	88 990	90 836	96 601	101 438
Personnel	40 897	49 469	54 085	56 468	58 294	61 784	64 549
Transfer payments	16 121	19 213	20 446	20 485	22 073	22 323	23 097
Other current	12 104	14 258	13 924	12 061	10 470	12 494	13 792
Capital expenditure	3 632	4 635	4 792	3 913	3 883	4 518	4 442
Total	72 754	87 575	93 247	92 927	94 719	101 119	105 879

As a percentage of total:

Current expenditure	95,0	94,7	94,9	95,8	95,9	95,5	95,8
Personnel	56,2	56,5	58,0	60,8	61,5	61,1	61,0
Transfer payments	22,2	21,9	21,9	22,0	23,3	22,1	21,8
Other current	16,6	16,3	14,9	13,0	11,1	12,4	13,0
Capital expenditure	5,0	5,3	5,1	4,2	4,1	4,5	4,2
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Personnel costs impact on provinces

Table 3.7 highlights the impact of personnel costs on individual provinces. Northern Province has dedicated 68,4 per cent of its budget to personnel expenditure in 1999/00, well above the average of 61,7 per cent. It has 242 public sector employees for every 10 000 residents, representing over one-fifth of all employed persons in the province. Thus personnel policy has an impact not only on its budget, but also on the provincial economy. In most other provinces, public sector employees are fewer than 10 per cent of total employees. But, even in these provinces, personnel costs are still more than half of all provincial expenditure.

Table 3.7 Personnel expenditure and public sector employment

Province	Personnel expenditure ¹ (1999/00)		Number of public sector employees		Provincial employment	
	R million	Share (%) of total expenditure	(000)	Employees per 10 000 population	Total employed (000)	Public sector as % of total employed
Eastern Cape	9 612	63,2	136 935	217	786 818	17,4
Free State	4 458	66,8	61 054	232	701 175	8,7
Gauteng	9 599	59,8	112 851	154	2 564 243	4,4
KwaZulu-Natal	11 278	60,3	153 687	183	1 570 573	9,8
Mpumalanga	3 728	60,9	51 355	183	605 925	8,5
Northern Cape	1 160	50,6	14 821	176	215 523	6,9
Northern Province	8 129	68,4	119 465	242	570 129	21,0
North West	4 927	61,6	67 169	200	725 287	9,3
Western Cape	5 866	57,2	67 940	172	1 374 174	4,9
Total	58 757	61,7	785 277	193	9 113 847	8,6

¹Includes funds for R293 town employees excluded from Table 3.6.

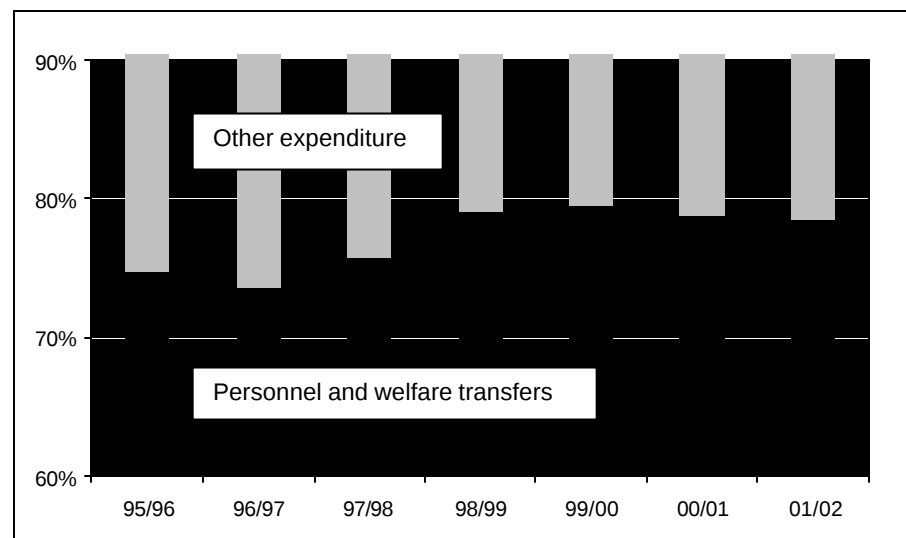
Source: Department of Public Service and Administration Exchequer Report, 1998, and 1996 Census

Transfer payments

Transfer payments grew at an annual average rate of 8,3 per cent between 1995/96 and 1998/99. Welfare transfers, which are primarily social security grants, are by far the largest component in this category, amounting to about R17 billion or nearly 80 per cent of total transfers in 1999/00.

Figure 3.3 shows trends in personnel and welfare transfers relative to other expenditure. In 1995/96 personnel costs and social security transfers represented just under 75 per cent of total provincial expenditure. This increased to 76 per cent in 1997/98 and 79 per cent the year after. The MTEF estimates suggest that it should stabilise at around this level. Personnel and welfare transfers not only represent three-quarters of provincial expenditure but are the items over which the provinces have only limited control, as both wages and social security grants are determined nationally.

Figure 3.3 Share of personnel and welfare transfers of total adjusted provincial expenditure



Complementary inputs

Within the social services, this growth in personnel costs and social security expenditure affects the ability of provinces to invest in complementary inputs such as textbooks and medicines. Table 3.6 shows that provinces budgeted R10,5 billion for “other current” expenditure in 1999/00, R3,8 billion below the 1996/97 peak. Between 1995/96 and 1999/00 the share of “other current” items in provincial expenditure declines from 16,6 per cent to 11,1 per cent. Provinces were able to “absorb” the expenditure pressures coming from personnel and transfers by drawing on cash balances in 1996/97 and by utilising overdrafts in 1997/98. Obviously neither of these were sustainable.

Capital expenditure

The imbalance between provincial revenue and expenditure in 1996/97 and 1997/98, caused by a surge in expenditure on personnel and transfers and financed by means of once-off financing mechanisms, is reflected in the inability of provinces to maintain investment in capital. Capital expenditure grew rapidly in 1996/97 to R4,6 billion or 5,3 per cent of provincial expenditure, reflecting RDP efforts to address infrastructure backlogs. Since then, capital spending has declined as a share of expenditure. Many provinces classify expenditure on maintenance under

capital, raising concerns that this slowdown in spending over the past few years implies that maintenance of the capital stock is not receiving sufficient attention.

The provincial budget estimates suggest that this downward trend in “other current” and capital expenditure may be reversed over the medium term. Both are budgeted to begin rising in 2000/01. This trend should strengthen once provinces have settled all their debts.

CONSOLIDATED EXPENDITURE AND REVENUE

National and provincial expenditure

The national government budget includes funds for national departments, transfers to provincial and local governments, debt service costs and a contingency reserve. Provincial expenditure is funded from national government transfers and from own revenue sources. Consolidated spending comprises national and provincial expenditure, after netting out transfer payments between the different spheres of government, and the local government equitable share. These expenditure figures, which have been adjusted to exclude national and provincial reserve amounts¹, are shown in Table 3.8 for 1995/96 through 2001/02.

Consolidated expenditure growth

Consolidated expenditure grew from R155,0 billion in 1995/96 to an estimated R207,0 billion in 1998/99, reflecting average annual growth of 10,1 per cent. This growth is substantial in real terms, given that inflation averaged 7,8 per cent over the period. As presented in the recently tabled national and provincial budgets, consolidated expenditure excluding reserve amounts will grow to R241,2 billion by 2001/02. This reflects an average growth rate of 5,2 per cent, which is slightly above the anticipated inflation rate. Including reserves potentially available for ordinary expenditure, spending will grow at 6,5 per cent per year on average between 1998/99 and 2001/02.

Much of the strong growth in consolidated expenditure since 1995/96 occurred in 1996/97, when it jumped by 18,3 per cent. Expenditure growth was more moderate in subsequent years. Provincial expenditure grew faster by about 6 percentage points than national expenditure in 1996/97, partially financed from provincial cash reserves. As a result, provincial expenditure as a share of consolidated non-interest expenditure grew to 59,3 per cent. This level of spending continued into 1997/98, when provinces again drew down reserves and some relied on overdrafts. Since then, the provincial share has had to adjust to available recurrent resources and is estimated to be 56,4 per cent in 1998/99 and 56,2 per cent in 2001/02.

¹For purposes of comparison, the national contingency reserve as well as the provincial finance reserves were excluded from the expenditure totals in Table 3.8. The national contingency reserve is unallocated in the national budget and is available to cushion the budget against future economic uncertainties and other unanticipated events. The division of the reserve between the spheres is therefore unknown. In 1997/98, for instance, the reserve was divided proportionately between national government and the provinces, while in 1998/99 it was absorbed entirely by higher than anticipated debt service costs. Provincial contingency reserves are excluded because they are primarily intended for debt repayment, as discussed above.

Table 3.8 Consolidated national and provincial expenditure

R million	Actual			Estimated actual	Medium term estimate		
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
National expenditure	50 631	57 825	65 172	69 680	71 346	75 497	80 097
Provincial expenditure	72 754	87 575	93 247	92 927	94 719	101 119	105 879
Local govt equitable share ¹	1 963	2 238	1 999	2 156	2 316	2 480	2 580
Consolidated non-interest expenditure	125 349	147 638	160 418	164 763	168 381	179 096	188 557
State debt costs	30 658	36 097	39 479	43 413	48 222	49 820	52 609
Recovery from pension fund	-1 023	-335	–	-1 158	–	–	–
Consolidated expenditure	154 984	183 401	199 897	207 018	216 603	228 916	241 166
Note: reserve amounts excluded from expenditure totals							
National contingency reserve	–	–	–	–	1 100	3 500	8 000
Provincial reserves	–	–	–	–	2 419	1 596	1 475
As a percentage of consolidated non-interest expenditure:							
National expenditure	40,4	39,2	40,6	42,3	42,4	42,2	42,5
Provincial expenditure	58,0	59,3	58,1	56,4	56,3	56,5	56,2
Local govt equitable share ¹	1,6	1,5	1,2	1,3	1,4	1,4	1,4
Percentage growth:							
National expenditure		14,2	12,7	6,9	2,4	5,8	6,1
Provincial expenditure		20,4	6,5	-0,3	1,9	6,8	4,7
Local govt equitable share ¹		14,0	-10,7	7,9	7,4	7,1	4,0
State debt costs		17,7	9,4	10,0	11,1	3,3	5,6
Consolidated non-interest expenditure		17,8	8,7	2,7	2,2	6,4	5,3
Consolidated expenditure		18,3	9,0	3,6	4,6	5,7	5,4
Consolidated expenditure adjusted ²		15,5	7,6	7,3	5,8	6,5	7,2
As a percentage of GDP:							
National expenditure	9,0	9,2	9,4	9,3	8,8	8,6	8,4
Provincial expenditure	12,9	13,9	13,4	12,4	11,7	11,5	11,2
Local govt equitable share ¹	0,3	0,4	0,3	0,3	0,3	0,3	0,3
State debt costs	5,4	5,7	5,7	5,8	5,9	5,7	5,5
Consolidated expenditure	27,5	29,0	28,7	27,6	26,7	26,1	25,4
Consolidated expenditure adjusted ²	27,7	28,6	27,9	27,8	27,2	26,7	26,5
Note: reserves	–	–	–	–	0,4	0,6	1,0

¹Prior to 2000/01, when the local government equitable share is scheduled to be fully phased in, figures reflect grants from the provinces subsidising R293 town personnel and other municipal operating costs.

²Consolidated expenditure adjusted to exclude provincial deficit-financed expenditure, but to include national and provincial reserve amounts and provincial surpluses.

The provincial share of expenditure differs from the share of the national budget devoted to transfers to the provinces owing to provincial own-financing. As noted, in 1996/97 and 1997/98, provinces supplemented transfers from national government with own revenue and by drawing down accumulated bank reserves (or in some cases running bank overdrafts). This boosted the provincial share of total expenditure relative to later years, as provincial own revenue has subsequently declined and fewer financing options are now available. The provincial share of the national budget is presented in Chapter 2 and in Appendix A.

Expenditure as a share of GDP

Table 3.8 shows expenditure as a share of gross domestic product (GDP). Consistent with Government's macroeconomic policy, which calls for smaller deficits and a lower tax burden, consolidated expenditure is declining as a share of GDP. Using the revised GDP estimates that reflect the updated definition of the national accounts, expenditure fell from a peak of 29,0 per cent of GDP in 1996/97 to an estimated 27,6 per cent in 1998/99. This trend continues in the medium-term budget estimates.

Consolidated expenditure trends

These trends in consolidated expenditure, however, are somewhat distorted by two factors. First, expenditure is higher in 1996/97 and 1997/98 as provinces used deficit financing rather than recurrent revenues to fund expenditure. Second, expenditure is lower over the medium term because of the sizeable amounts set aside for reserves in both the national and provincial budgets. As result, expenditure rises and falls as a share of GDP more dramatically than if provinces had not used exceptional financing to fund expenditure and if reserve amounts were allocated to expenditure programmes. By adjusting consolidated expenditure to account for these two factors, the trends appear more stable with expenditure declining gradually as a share of GDP in response to Government's deficit-reduction policy. These adjusted figures are shown in Table 3.8 for comparison purposes.

Provincial and national expenditure

In line with the consolidated totals, both national and provincial expenditure decline as a share of GDP. Provincial expenditure peaked at 13,9 per cent in 1996/97, while national expenditure reached a high of 9,4 per cent in 1997/98. As a share of GDP, provincial expenditure falls to 11,7 per cent in the 1999/00 budget. This exceeds the decline in national expenditure, reflecting the slowdown in provincial expenditure growth as provinces have attempted to align their expenditure and revenue streams. Again, these trends would be softened if the national and provincial figures were adjusted as discussed above.

ISSUES IN PROVINCIAL BUDGETING

Strengthen financial management capacity

Provinces lack capacity

Inadequate management capacity, particularly on financial matters, has been a main concern at the provincial sphere of government. In 1997 the Department of Public Service and Administration noted that this resulted in inadequate expenditure controls, increasing fraud, administrative overstaffing, lack of oversight to prevent unnecessary expenditure and inordinate delays in needed reforms.

Innovations in financial management

The national and provincial spheres have both taken measures to improve the financial management capacity of provincial treasuries and

departments. One such measure is a financial management improvement programme coordinated by the Department of State Expenditure. It involves monitoring expenditure on a monthly basis, appointing qualified personnel, training financial managers, and improving financial reporting and oversight procedures. In addition tighter control measures were introduced to curb unwarranted expenditure. Several provinces also launched anti-fraud units or investigations.

Public Finance Management Act

The Public Finance Management Act of 1999, which applies to both the national and provincial spheres, will significantly improve financial management practices. It clarifies the responsibility of accounting officers with regard to financial matters and establishes strict reporting procedures. Failure to comply could lead to sanctions, including civil penalties.

Improved early warning

Reforms are also anticipated in the early warning system. First, a more complete reporting and analysis of provincial cash flows will supplement the monthly reporting of expenditure. Proper cash management has become crucial for provinces trying to reduce or avoid bank overdrafts and the associated interest costs. Second, the Department of State Expenditure anticipates automating the early warning reports through its new Vulindlela system. This supplements the existing FMS and BAS systems, which simply record revenue and expenditure, by providing analytical tools to support more sophisticated financial management. Automated reports have now become possible as seven provinces are using FMS or BAS and the remaining two provinces (Mpumalanga and North West) are able to provide data in a format that is compatible with Vulindlela.

Improve budget preparation and policy coordination

Provinces can now better monitor and control expenditure, thereby helping to stabilise provincial budgets, but the preparation of these budgets does not always follow a proper process. Provinces implemented the MTEF in 1998/99 along with national departments. Yet some have been unable to develop a decisionmaking process that ensures adequate involvement of political office-bearers and sufficiently links budgets with provincial policy objectives. Moreover, the process is complicated by insufficient policy coordination with national departments. When national departments fail to take full account of the cost implications of their policies, and additional funds are not provided to provinces to implement new responsibilities, provinces face unfunded mandates.

4x4 meetings

A key recommendation of the 1998 MTEF sectoral review teams was a call for regular meetings between provincial and national treasuries and line departments providing social services. This policy coordination process in education, health and welfare was established at the end of 1998 and supplements the work of existing intergovernmental institutions, such as the Budget Council. The issues addressed in these technical committee meetings, or 4x4s, are discussed in the chapters on the social services. In addition, a similar process for transportation was launched in 1999. This will significantly enhance the understanding of policies impacting on provincial budgets.

Benchmark projections

As part of its assistance to the provinces in preparation of the 1999/00 provincial budgets, the Department of Finance attempted to develop benchmark budgets for the social services departments. These were

essentially baseline projections, reflecting the cost of continuing current policies, to compare with proposed provincial budgets. They were used, for instance, to gauge the impact of social security grant increases on provincial budgets. These benchmarks estimates are not recommended budgets, but simply a tool to assess whether amounts budgeted by a province are consistent with the underlying policies. The department envisages further refinement of these projection techniques as part of the MTEF sectoral review process in 1999, allowing these benchmark estimates to be used more extensively in the 2000/01 provincial budgets.

Revised budget formats

A further reform in the budget preparation process will be the introduction of new provincial budget formats. The Public Finance Management Act enables the national treasury to establish common budget formats for all the provinces. The new formats will increase transparency by highlighting relevant information and presenting this in a user-friendly manner. Gauteng incorporated some of these new formats as a pilot project in its *1999/00 Budget Statement* document. Improved presentation of budget information will encourage wider and more informed participation in the budget process.

Expanding political involvement

Wider involvement by political office-bearers remains one of the key challenges facing provincial budget-making. Inadequate political participation in the budget process weakens the government's ability to set priorities and pursue its policy goals through the budget. Some provinces have mirrored the national government by establishing a subcommittee of the executive council to deal with budget issues and oversee the budget process. Reforms in the budget process are unlikely to yield the desired results without wider political involvement.

Enhance service delivery

Goal is improved service delivery

Improving financial management and budgeting systems is not an end in itself. It is rather a crucial step towards improving provincial service delivery, particularly of social services, which is the core responsibility of the provinces under the Constitution.

Government's budget reform goals include establishing clearer links between funding levels and the quantity and quality of services provided. Ultimately, Government must be able to assess whether the desired policy outcomes have been achieved. The MTEF is designed to focus policymaking on the outcomes that the government is to achieve. It does this first by aligning budgeting with policy and planning time horizons. The next step in the MTEF budgeting process is to move toward performance budgeting.

Output and performance indicators

At the national level, the focus on performance was demonstrated in the publication of the *1999 National Expenditure Survey*. This document presented each national department budget in the context of its desired policy goals and outcomes. It laid the groundwork for judging departmental performance against established output indicators. Similar reforms are to be initiated at the provincial level. The MTEF sectoral reviews for 1999 are to develop output indicators for provincial social services. Provinces will be encouraged to publish these indicators as part of their 2000/01 budgets. By emphasising performance and the achievement of policy outcomes as the standard for success, budgeting will promote efficient and effective use of public funds.

4: FOCUS ON EDUCATION

INTRODUCTION

Constitutional obligations

The Bill of Rights in the Constitution stipulates in Section 29 that “everyone has the right to a basic education”. The Constitution further obligates the state to provide each person with education in the language of his or her choice, where “reasonably practicable”. While the state is required to consider quality, equity and redress in the provision of education, this must be balanced against available resources.

Responsibility for education

All but tertiary level education is a concurrent function of national and provincial governments in terms of Schedule 4 of the Constitution. The national government funds higher education at universities and technikons and develops education policy for the whole country. Provinces fund primary and secondary schooling, teacher education and training, adult basic education, pre-school care, technical colleges and education for learners with special needs. Provincial governments account for roughly 85 per cent of education spending.

Overcoming apartheid education

The first task of provincial governments was to combine the education departments established under apartheid’s racial and spatial policies. For example, the KwaZulu-Natal Department of Education is the result of the integration of the KwaZulu Department of Education and Culture, the education departments under the Houses of Assembly, Delegates and Representatives (for whites, Indians and coloureds respectively) and the Department of Education and Training which catered for African children outside the homelands.

Disparities in education expenditure

Per capita education expenditure differed substantially between education departments, with a white child receiving almost three times as much as an African child. The legacy of apartheid and, particularly, of racially based education policies, is evident in low and uneven levels of educational attainment, a low skills base and high unemployment. The creation of nine provincial education departments laid the foundation for a uniform education system with equitable levels of funding and non-racial admissions criteria.

Key legislation

The National Education Policy Act of 1996 established the overall aims and objectives of the education system, with the national minister responsible for strategic policy direction. It also provided the basis for non-racial schooling, obligating provinces to achieve equity and redress in the delivery of education. The South African Schools Act of 1996 provided a framework for dividing responsibility for school education between the national minister, provincial education departments, school governing bodies and parents.

Coordinating education policy

A key challenge facing the post-apartheid education system is to clarify the roles and responsibilities of the various stakeholders. The MTEF

promotes intergovernmental coordination in the budget process. In 1997 and 1998, MTEF education sectoral review teams consisting of officials from the national Departments of Education, Finance and State Expenditure and provincial education and treasury officials evaluated expenditure patterns and trends, examined policy options and recommended financing and policy options to political decisionmakers.

Education 4x4 meetings

A permanent forum of national and provincial treasury and education officials was established in 1998 to facilitate on-going dialogue on education finance issues. Known as the education 4x4, this forum used the recommendations of the MTEF sectoral reports for proposals aimed at stabilising provincial education budgets, restraining growth in personnel costs, increasing non-personnel expenditure and improving efficiency in education. It also discusses joint research programmes, procurement procedures, the provision of textbooks and difficulties at higher education institutions.

FINANCING EDUCATION

National budget

Most of the national allocation to the Department of Education is earmarked for the higher education sector. Provision is made for R211 million in 1999/00, as a conditional grant to provinces for developing financial and managerial capacity. The remainder is allocated to the policy and monitoring role of the department.

Provincial equitable shares

With the exception of the conditional grants, which are discussed in more detail below, provinces budget for education from their own resources. The largest source of revenue for a province is its equitable share, which is determined by an objective formula. One component of the formula is a proxy for the relative need for educational services. Weighted at 40 per cent, it reflects the provincial distribution of the school-age population and actual school enrolment figures. The former identifies the target group for education services, while the latter compensates for higher enrolment rates in provinces that inherited poor quality education systems. Appendix A details the revenue-sharing formula and its education component.

Conditional grants to provinces

Table 4.1 shows conditional grants and agency payments used to meet national objectives such as classroom building and projects to develop the culture of learning. In 1998/99, R200 million was allocated to the national department to supplement provincial expenditure on textbooks and learner support materials. This grant was targeted at learners in grades one, two and twelve (matric) in poor schools. Conditional grants were also used for classroom building.

Improved management and quality

In addition, the government has allocated R966 million over four years from 1998/99 to improving quality and financial management, particularly in schools and school districts. The 1999/00 allocation comprises R111 million to the provinces and R100 million to be managed by the national department. Initiatives supported by this grant include:

- ◆ Education management development.
- ◆ Quality assurance capacity and systems.
- ◆ The culture of learning, teaching and service campaign (Colts).

- ◆ Professional development of teachers for Curriculum 2005.
- ◆ Corporate-level financial and other management services.
- ◆ District development projects.

Table 4.1 Conditional grants and agency payments to provinces for education

R million	1998/99	1999/00	2000/01	2001/02
Financial management and quality enhancement	200	211	272	283
Classroom backlogs	51	–	–	–
KwaZulu-Natal peace initiative	80	–	–	–
Textbook grant	200	–	–	–

School fees

The South African Schools Act allows schools to charge a user fee or to raise funds from communities. The Act gives school governing bodies discretion over the use of such money. With the introduction of a more redistributive funding system, parents in wealthier areas are required to pay for certain services previously provided by the government. As a result, private contributions now constitute a significant proportion of expenditure on education. Poor students are exempted from paying fees if their parents earn less than a particular threshold amount.

AGGREGATE EDUCATION SPENDING

Consolidated education expenditure is the single largest item of public expenditure in the country, representing about 28 per cent of total non-interest expenditure. The education system teaches almost a third of the total population and employs one in three civil servants.

Increase in education expenditure

Table 4.2 shows that education expenditure increased from R34,1 billion in 1995/96 to R45,2 billion in 1998/99, reflecting an average annual growth rate of 9,8 per cent. This implies an average real growth rate of about 2,0 per cent a year since 1995/96. However, much of this growth was concentrated in 1996/97, for reasons discussed below.

MTEF trends

During the MTEF years, growth in education expenditure is expected to be steady but moderate. With an average annual growth rate of 5,0 per cent, education spending will remain steady in real terms, while it remains at just under 28 per cent of total non-interest expenditure over the medium term.

Trends in learner numbers

School enrolment growth accelerated after the 1994 elections. Indeed, the increase in enrolment from about 10 million in 1994 to 12,5 million in 1998 is a significant achievement of the new government. But demographic trends indicate that enrolment growth should decline at all levels over the next few years. Full-time enrolment at universities has grown by just 1 per cent in 1998 and a similar trend is expected over the medium term. Enrolment at technikons has grown more rapidly, reflecting the attraction of vocational or employment-related training programmes.

Table 4.2 Aggregate national and provincial education expenditure

R million	Actual			Estimated actual	Medium term estimate		
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
National education expenditure	4 165	5 319	5 975	6 718	7 028	7 474	7 928
<i>Less: conditional grants to provinces</i>	–	–	–	132	111	272	283
Provincial education expenditure ¹	29 971	36 606	38 570	38 656	39 862	42 613	44 636
Consolidated education expenditure	34 136	41 925	44 545	45 243	46 780	49 816	52 281
Provincial education expenditure as a percentage of:							
Consolidated education expenditure	87,8	87,3	86,6	85,4	85,2	85,5	85,4
Total adjusted provincial expenditure	41,2	41,8	41,4	41,6	42,1	42,1	42,2
Consolidated education expenditure as a percentage of:							
Total consolidated expenditure ²	22,0	22,9	22,3	21,3	21,6	21,8	21,7
Total consolidated non-interest expenditure ²	27,2	28,4	27,8	27,5	27,8	27,8	27,7
Percentage growth:							
Provincial education expenditure		22,1	5,4	0,2	3,1	6,9	4,7
Consolidated education expenditure		22,8	6,2	1,6	3,4	6,5	4,9

¹Expenditure data reflect totals for provincial departments of education. In some provinces, the education department includes arts and culture and sports and recreation, but the amounts spent on these programmes are relatively small.

²Excludes national and provincial reserve amounts.

TRENDS IN PROVINCIAL EDUCATION EXPENDITURE

Real increase in education expenditure

Provincial expenditure grew at an annual rate of 8,9 per cent or just over 1 per cent a year in real terms over the last three years, rising from R30,0 billion to R38,7 billion. Under the recently tabled provincial budgets, education expenditure should grow slightly faster than inflation, reaching R44,6 billion in 2001/02. About 42 per cent of provincial expenditure is devoted to education, representing the largest provincial spending category.

Increase in personnel costs

Education is the most labour-intensive service provided by the government. As shown in Table 4.3, personnel costs currently consume about 90 per cent of provincial education budgets, up from a low of 86,3 per cent in 1996/97. While education expenditure has increased in real terms during the period, personnel expenditure has grown faster, thus

reducing the share of education expenditure on textbooks, capital and other non-personnel items. Indeed, following a sharp increase in non-personnel spending in 1996/97, it fell by an average of 17 per cent a year over the next two years as provinces tried to eliminate overspending but lacked the flexibility to reduce personnel numbers. Despite budgeting for an increase in 1999/00, non-personnel expenditure will still be at about the 1995/96 level, reflecting a significant real decline.

Table 4.3 Provincial education expenditure by economic classification

R million	Actual			Estimated actual	Medium term estimate		
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Current expenditure	29 290	35 607	38 063	38 107	39 363	42 022	44 023
Personnel expenditure	26 128	31 578	34 252	35 229	36 137	38 071	39 830
Transfer payments	538	593	539	507	637	716	748
Other current expenditure	2 623	3 437	3 272	2 372	2 589	3 234	3 445
Capital expenditure	681	999	507	549	500	592	613
Total	29 971	36 606	38 570	38 656	39 862	42 613	44 636
As a percentage of total education expenditure:							
Current expenditure	97,7	97,3	98,7	98,6	98,7	98,6	98,6
Personnel expenditure	87,2	86,3	88,8	91,1	90,7	89,3	89,2
Transfer payments	1,8	1,6	1,4	1,3	1,6	1,7	1,7
Other current expenditure	8,8	9,4	8,5	6,1	6,5	7,6	7,7
Capital expenditure	2,3	2,7	1,3	1,4	1,3	1,4	1,4
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Uniformity in salary scales

The increase in personnel expenditure has two main causes. First, apartheid-era education departments had different salary structures and rewarded qualifications and experience differently. In 1996/97, the various salary structures were merged into a consolidated salary scale, with average salary increases of 12–15 per cent. This broadbanding process meant that teachers in former homelands, who used to be paid less for similar qualifications, were now paid the same across the board. Thus teacher salaries were, in effect, adjusted upwards to the scale of the former white education departments. This agreement resulted in roughly 40 per cent of teachers moving into a higher salary bracket. Other adjustments included equal pay for female and male teachers, a principle not adhered to in some homeland departments.

Additional teachers hired

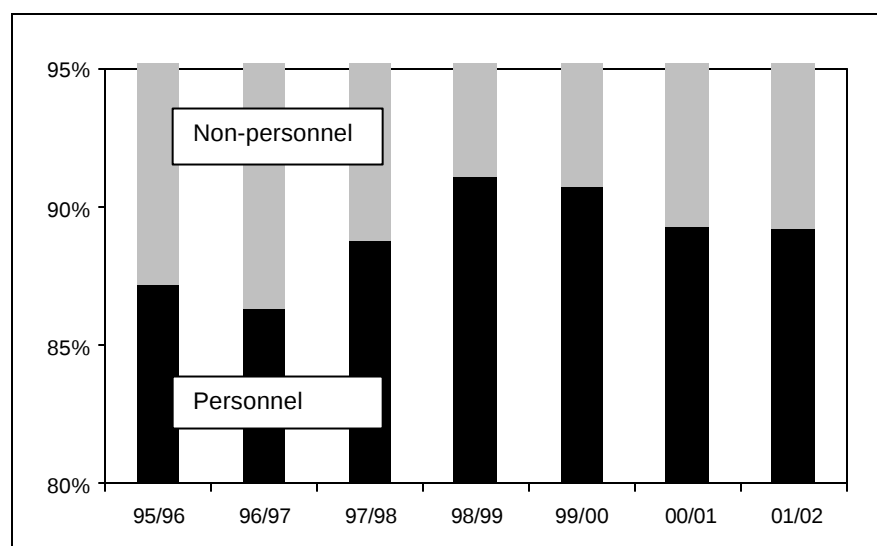
The second reason for increased personnel costs was the introduction of norms and standards for class sizes. The national minister issued policy guidelines requiring class sizes to be equalised at 40 in primary and 35 in secondary schools. While these ratios did not necessitate an increase in the overall number of teachers, schools that were above the norm hired additional teachers to reduce class sizes while schools below the norm were given five years to reduce their teacher numbers. This resulted in the employment of between 40 000 and 60 000 teachers countrywide.

Currently 383 000 educators are employed in provincial education departments.

Reduced non-personnel expenditure

The main consequence of these developments has been the crowding out of non-personnel expenditure, as illustrated in Figure 4.1. The ability of provincial governments to provide complementary inputs such as textbooks and new classrooms has been compromised. Capital expenditure projects have been curtailed in most provinces, and expenditure on textbooks, other support materials, water, rates and electricity have declined to undesirable levels. The decrease in non-personnel expenditure has clearly affected the quality of education. The trend in personnel and non-personnel expenditure shows some improvement over the medium term.

Figure 4.1 Composition of education expenditure



Public schooling

In financial terms, public ordinary school education is by far the most significant programme provided by the government (see Table 4.4). It supports pre-primary, primary and secondary schooling and constitutes over 80 per cent of provincial education spending. Support for private or independent schools, on the other hand, comprises less than 1 per cent of provincial education spending.

Expenditure on administration, ie on provincial education departments and district offices, comprises about 8 per cent of education spending. About 2,0 per cent is dedicated to teacher education and training, while less than 3 per cent is spent on special school education for children with special education needs. The growth in teacher training and special school education in 1999/00 is due almost entirely to sharply higher allocations to these programmes in the Eastern Cape education budget.

Table 4.4 Provincial education expenditure by programme

R million	Actual			Estimated actual	Medium term estimate		
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Administration ¹	1 613	3 023	3 069	3 083	1 860	2 733	2 867
Public ordinary schools	25 718	29 788	31 681	31 809	33 663	35 345	37 037
Private ordinary schools	265	261	261	245	239	260	270
Special school education	658	910	989	1 068	1 156	1 218	1 271
Teacher training	784	966	840	813	953	967	994
Other	933	1 659	1 731	1 638	1 991	2 091	2 198
Total	29 971	36 606	38 570	38 656	39 862	42 613	44 636
As a percentage of total education expenditure:							
Administration ¹	5,4	8,3	8,0	8,0	4,7	6,4	6,4
Public ordinary schools	85,8	81,4	82,1	82,3	84,4	82,9	83,0
Private ordinary schools	0,9	0,7	0,7	0,6	0,6	0,6	0,6
Special school education	2,2	2,5	2,6	2,8	2,9	2,9	2,8
Teacher training	2,6	2,6	2,2	2,1	2,4	2,3	2,2
Other	3,1	4,5	4,5	4,2	5,0	4,9	4,9
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0

¹The dip in 1999/00 is due to a categorisation change in the Northern Province budget.

Future education shortfall possible

Education departments will face tough choices over the next few years if they are to improve quality while avoiding financial problems. In 1998 the MTEF team estimated that, at current learner:educator (L:E) ratios, if the cost per teacher and expenditure on education were to remain constant in real terms, provincial education departments would face a budget shortfall by 2005.

Policy trade-offs

Education departments will also face trade-offs between class size, teacher salaries and growth in education budgets. The MTEF report recommends a combination of measures, such as wage restraint, a slightly higher L:E ratio, increased teacher productivity, efficiency measures such as longer school hours, and improved use of textbooks and learner-support materials.

INTERPROVINCIAL ANALYSIS

Education expenditure by province

High growth in most provinces

The rate of increase in education spending differs considerably between provinces. Northern Province and Eastern Cape increased education expenditure by 38,7 per cent and 45,9 per cent respectively from 1995/96 to 1998/99, by far exceeding the average growth rate of 29 per cent. This increase was partly to correct for underfunding in the apartheid era.

Education expenditure in Western and Northern Cape and Gauteng increased by only 10,4 per cent, 23,8 per cent and 22,6 per cent respectively, which are well below the average (see Figure 4.2).

Table 4.5 shows that most of this increase occurred in 1996/97 when expenditure rose by an average of 22,1 per cent, significantly above budgeted amounts. (In Northern Province and Eastern Cape, the increases were 28,5 per cent and 36,9 per cent respectively.) This increase occurred off a base much lower than other provinces. Growth in 1997/98 averaged only 5,4 per cent, which was less than the inflation rate of 7,6 per cent, and slowed down further in 1998/99 as provinces attempted to stay within available resources.

Trends in provincial MTEF budgets

Over the MTEF period, provincial education budgets are to increase by 15,5 per cent from 1998/99. Only Western Cape, Northern Province and Northern Cape are likely to record below-average growth. Slower growth in projected expenditure will encourage provinces to focus on effective spending to achieve quality educational outcomes.

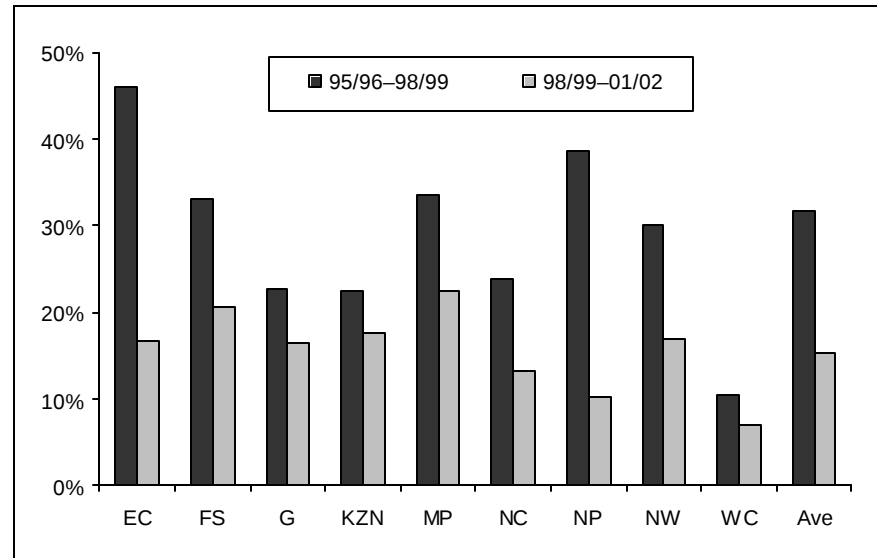
Table 4.5 Education expenditure by province

R million	Actual			Estimated actual	Medium term estimate		
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Eastern Cape	4 517	6 183	6 750	6 590	6 634	7 375	7 684
Free State	1 964	2 426	2 539	2 612	2 812	2 994	3 151
Gauteng	4 931	5 577	5 865	6 045	6 424	6 733	7 041
KwaZulu-Natal	5 799	6 720	7 207	7 106	7 430	7 915	8 356
Mpumalanga	1 963	2 414	2 506	2 624	2 760	3 004	3 215
Northern Cape	714	809	855	885	889	960	1 002
Northern Province	4 160	5 348	5 696	5 771	5 732	6 090	6 355
North West	2 455	2 966	3 240	3 196	3 373	3 574	3 736
Western Cape	3 468	4 164	3 912	3 828	3 810	3 970	4 098
Total	29 971	36 606	38 570	38 656	39 862	42 613	44 636

Percentage growth:

Eastern Cape	36,9	9,2	-2,4	0,7	11,2	4,2
Free State	23,5	4,7	2,9	7,6	6,5	5,2
Gauteng	13,1	5,2	3,1	6,3	4,8	4,6
KwaZulu-Natal	15,9	7,2	-1,4	4,6	6,5	5,6
Mpumalanga	23,0	3,8	4,7	5,2	8,8	7,0
Northern Cape	13,3	5,7	3,4	0,5	7,9	4,4
Northern Province	28,5	6,5	1,3	-0,7	6,2	4,3
North West	20,8	9,3	-1,4	5,5	6,0	4,6
Western Cape	20,1	-6,0	-2,2	-0,5	4,2	3,2
Average	22,1	5,4	0,2	3,1	6,9	4,7

Figure 4.2 Percentage increase in education expenditure



Education expenditure by economic classification

Personnel expenditure

The imbalance between personnel and non-personnel expenditure in the provincial education sector is clearly evident in Table 4.6. As noted, with personnel spending being the major category of current expenditure, an appropriate balance is required between personnel expenditure and complementary inputs into the education process. Personnel spending covers 383 000 educators and 64 000 non-educators.

Some provinces are better able to maintain this balance. Others, such as Eastern Cape, Mpumalanga, Northern Province and North West all spend 90 per cent or more of their budgets on personnel. They inherited inefficient education systems with high failure rates and thus teach large numbers of repeaters. They also generally faced large classroom backlogs. Most, particularly Northern Province, moved rapidly to decrease L:E ratios by employing more teachers. However, not having first addressed classroom backlogs, some schools had more teachers than physical classes and average class sizes remained high.

Former homeland areas also had sizeable education bureaucracies with large numbers of staff at head offices or in regions and districts. Provinces that did not inherit such problems were able to allocate larger portions to non-personnel expenditure.

Non-personnel expenditure

Expenditure on complementary items such as textbooks, materials, equipment and teacher-support programmes has been cut in real terms due to unbudgeted increases in personnel costs. This is most evident in Eastern Cape, Northern Province and KwaZulu-Natal.

With capital expenditure under pressure from unplanned increases in personnel costs, backlogs in rural classrooms school maintenance can hardly be addressed. Parents increasingly contribute to equipment and maintenance costs. Should this trend continue, poor schools will find it hard to provide quality education. This problem could be addressed through an increased emphasis on non-personnel spending and on improving the quality of personnel expenditure.

Table 4.6 Education expenditure by province and economic classification, 1999/00

R million	Personnel	Transfer payments	Other current	Capital	Total
Eastern Cape	6 308	34	275	16	6 634
Free State	2 473	34	289	15	2 812
Gauteng	5 576	203	462	183	6 424
KwaZulu-Natal	6 681	106	558	85	7 430
Mpumalanga	2 489	17	198	56	2 760
Northern Cape	716	29	128	16	889
Northern Province	5 445	27	211	48	5 732
North West	3 074	62	198	38	3 373
Western Cape	3 375	125	269	42	3 810
Total	36 137	637	2 589	500	39 862

As a percentage of total:

Eastern Cape	95,1	0,5	4,1	0,2	100,0
Free State	88,0	1,2	10,3	0,5	100,0
Gauteng	86,8	3,2	7,2	2,8	100,0
KwaZulu-Natal	89,9	1,4	7,5	1,1	100,0
Mpumalanga	90,2	0,6	7,2	2,0	100,0
Northern Cape	80,5	3,3	14,5	1,8	100,0
Northern Province	95,0	0,5	3,7	0,8	100,0
North West	91,2	1,8	5,9	1,1	100,0
Western Cape	88,6	3,3	7,1	1,1	100,0
Average	90,7	1,6	6,5	1,3	100,0

Education expenditure by programme**Administration**

Administrative expenditure supports functions performed at provincial and regional offices and some at school district level. The successful implementation of educational policies and the smooth running of schools depend on an efficient administration. However, Table 4.7 shows that Northern Province, Free State and North West devote more than 7 per cent of their education budgets to administration compared with 1,5 per cent in Gauteng, partly owing to differences in classification. Provinces need to balance efficient education management and support structures, such as school districts, against a large bureaucracy that drains resources.

Public ordinary schooling

The public ordinary schooling programme includes expenditure on primary and secondary schools, teachers, equipment, teacher support programmes and examinations. It comprises the bulk of provincial education expenditure and is a key programme in provincial services. In this programme, provincial departments pay salary costs, manage capital expenditure and provide certain services such as teacher support systems. The Schools Act establishes a framework whereby other recurrent expenditure on items such as textbooks, maintenance, water and electricity and equipment may be transferred directly to schools. School

governing bodies will then vote on such expenditure as part of a school budget, giving parents more discretion over these resources. Gauteng and Western Cape allocate the lowest proportion of their budget to this programme. This partly reflects higher expenditure on independent schools and education for learners with special needs.

Table 4.7 Education expenditure by province and programme, 1999/00

R million	Adminis- tration	Public ordinary schools	Indepen- dent schools	Teacher training	Other	Total
Eastern Cape	400	5 518	8	182	526	6 634
Free State	236	2 255	15	75	230	2 812
Gauteng	96	5 387	121	121	698	6 424
KwaZulu-Natal	129	6 558	30	182	533	7 430
Mpumalanga	132	2 420	9	48	150	2 760
Northern Cape	40	719	3	9	118	889
Northern Province	501	4 855	7	213	155	5 732
North West	247	2 910	7	68	140	3 373
Western Cape	79	3 041	40	54	597	3 810
Total	1 860	33 663	239	953	3 148	39 862
As a percentage of total:						
Eastern Cape	6,0	83,2	0,1	2,7	7,9	100,0
Free State	8,4	80,2	0,5	2,7	8,2	100,0
Gauteng	1,5	83,9	1,9	1,9	10,9	100,0
KwaZulu-Natal	1,7	88,3	0,4	2,4	7,2	100,0
Mpumalanga	4,8	87,7	0,3	1,7	5,4	100,0
Northern Cape	4,5	80,9	0,3	1,0	13,3	100,0
Northern Province	8,7	84,7	0,1	3,7	2,7	100,0
North West	7,3	86,3	0,2	2,0	4,1	100,0
Western Cape	2,1	79,8	1,0	1,4	15,7	100,0
Average	4,7	84,4	0,6	2,4	7,9	100,0

Independent schools

Independent schools are registered with government and operate outside the public education system. They are responsible for their own staff, curricula, school management, school buildings and equipment. Independent schools receive a government subsidy if they meet certain requirements, including having been in existence for more than a year and achieving success in examinations. Currently provinces have discretion over the level of subsidies to independent schools. The subsidy depends on the fee structure of the school and ranges from 0–60 per cent of the per learner expenditure on public ordinary schools in the province.

Norms and standards for school funding in terms of the Schools Act require provinces to adopt a similar funding formula for subsidies to independent schools. Provinces such as Gauteng and Western Cape have more of these schools, while poorer provinces generally have fewer.

Teacher education and training

Provinces currently run teacher education and training institutions. This should change over the next few years as these are integrated into the higher education sector. Universities provide teacher education and training and will absorb some colleges. Provinces with former homelands generally spend a higher proportion of their budgets on teacher training. African learners had fewer opportunities to study at universities and technikons and teaching was one of the few available middle-income occupations. Hence, the number of African learners who studied teaching was disproportionately high, as reflected in the large share of teacher training in Northern Province and Eastern Cape.

Other programmes

The “other” category consists mainly of educational provision for learners with disabilities, early learning and adult literacy programmes and technical colleges. Western and Northern Cape and Gauteng provide relatively more specialised education and technical colleges.

PER LEARNER EXPENDITURE

Table 4.8 shows differences in per learner spending and Table 4.9 learner:educator ratios. Gauteng and Western Cape spend almost 70 per cent more per learner than Northern Province, KwaZulu-Natal and Mpumalanga and have substantially smaller classes.

Table 4.8 Per learner amounts for personnel and non-personnel, 1999/00

Province	Learners (1998) (000)	Expenditure (R million)			Per-learner budget (R)		Total (R)
		Personnel	Other	Total	Personnel	Other	
Eastern Cape	2 295	6 308	326	6 634	2 749	142	2 890
Free State	808	2 473	339	2 812	3 062	419	3 481
Gauteng	1 400	5 576	847	6 424	3 984	605	4 589
KwaZulu-Natal	2 812	6 681	749	7 430	2 376	266	2 642
Mpumalanga	924	2 489	271	2 760	2 694	294	2 988
Northern Cape	202	716	173	889	3 538	856	4 394
Northern Province	2 043	5 445	287	5 732	2 665	140	2 805
North West	946	3 074	298	3 373	3 251	315	3 567
Western Cape	905	3 375	436	3 810	3 730	481	4 211
Total	12 335	36 137	3 726	39 862	2 930	302	3 232

Poorer provinces tend to have a younger age profile and a higher proportion of their population is of school-going age. Past inefficiencies, high repetition rates, under-aged and over-aged enrolment and inadequate employment opportunities for young adults also contribute to high enrolment rates. This perpetuates an inefficient and overstretched system. The Minister of Education has published a policy on admission and age-grade norms that are intended to arrest these problems. Even where enrolment figures are exaggerated, they still highlight a serious problem. Unless out-of-age enrolment – ie under-aged children in grade one and over-aged children in higher grades – is decreased and pass rates increased, large class sizes and poor teaching quality will persist. The

MTEF team recommended increased teacher productivity, improved workloads, better lesson planning and teacher support systems.

Table 4.9 Learners per educator, 1999

Province	Learner: educator ratio
Eastern Cape	32,4
Free State	31,2
Gauteng	27,9
KwaZulu-Natal	36,1
Mpumalanga	35,2
Northern Cape	27,6
Northern Province	33,6
North West	27,4
Western Cape	30,8
Average	32,2

Source: Calculated from Department of Education data

Learner:educator ratios

Provincial disparities in per learner expenditure correspond with L:E ratios. Gauteng, Northern Cape, North West and Western Cape have low L:E ratios while KwaZulu-Natal, Northern Province and Eastern Cape have higher ratios. Individual qualifications and the agreed salary structure at national level determine educator costs, and provinces consequently have very little discretion. However, they do have some control over promotions and notch adjustment increases for certain categories of staff. Tighter control over these instruments can yield savings at the margins, which can be used on non-personnel expenditure. Table 4.10 reflects differences in the cost of educators. This cost is lowest in KwaZulu-Natal where relatively more teachers are underqualified.

Table 4.10 Estimated cost per educator, 1999/00¹

Province	Number	Average teacher cost (R)	Expenditure (R 000)
Eastern Cape	70 932	77 514	5 498 244
Free State	25 911	83 549	2 164 832
Gauteng	50 090	90 585	4 537 392
KwaZulu-Natal	77 911	74 698	5 819 801
Mpumalanga	26 224	80 253	2 104 547
Northern Cape	7 321	84 147	616 037
Northern Province	60 759	78 506	4 769 944
North West	34 562	76 199	2 633 583
Western Cape	28 945	98 559	2 852 800
Total	382 655	82 307	30 997 179

¹This table only reflects educators employed in the college and school sector. It excludes all other staff employed by provincial education departments.

Source: Department of Public Service and Administration

The 1999/00 budgets reflect a concerted effort to increase expenditure on textbooks and learner support materials, with the provision for textbooks having almost doubled (see Table 4.11). Differences in per learner amounts remain substantial, with Free State, Gauteng, Western Cape and Northern Province being above average and the rest below. Ideally, expenditure on these items should be about R100 per learner. All provinces are far from this norm, though matters have improved since last year.

Table 4.11 Per learner allocation on textbooks, 1999/00

Province	Textbook allocation (R million)	Per learner (R)
Eastern Cape	108,0	47,06
Free State	56,7	70,20
Gauteng	87,0	62,16
KwaZulu-Natal	110,0	39,11
Mpumalanga	32,0	34,64
Northern Cape	5,9	29,16
Northern Province	103,3	50,55
North West	30,0	31,73
Western Cape	56,7	62,67
Total	589,6	47,80

ISSUES IN SCHOOL FINANCING

Quality schooling

Poor teaching quality in the classroom

While education expenditure has increased in real terms over the last four years, progress in the quality of schooling cannot simply be achieved through higher spending. The education MTEF sectoral reviews in 1997 and 1998 pointed out that, in most provinces, the outputs of the education system are still poor. Some of the reasons highlighted were:

- ◆ Decreases in complementary inputs such as textbooks and learner support materials.
- ◆ Weak management, especially at school and district level.
- ◆ Low teacher productivity and inadequate teacher support services.
- ◆ An inability to address classroom backlogs in some provinces.

Inefficient school system

Flow-through of learners is low – some 35 pupil-years of effort are needed to produce one matric pass. A more reasonable goal for a country such as South Africa might be about 25. Thus, while learners are spending 12–13 years in schools on average, only about a third of each cohort of young adults achieves a matric pass. Poor educational outcomes contribute to high failure rates and out-of-age enrolment and a low skills base, high unemployment and low economic growth.

New initiatives to improve quality

Based on the education sectoral reviews, several initiatives have been implemented, such as proposals aimed at increasing non-personnel expenditure, raising teacher productivity and reducing overenrolment. An instrument for educator appraisal was introduced in 1999 to assist individual educators in identifying strengths and addressing weaknesses.

Personnel costs**Central bargaining**

The salaries of educators and their terms of employment are the result of national negotiations in the Public Sector Consolidated Bargaining Chamber (PSCBC) and the Education Labour Relations Council (ELRC). Provincial education authorities are insufficiently involved in the current structure of salary bargaining; they are represented, but are not always adequately informed about sector-specific matters. As funds are voted centrally for the nine-month period following an agreement (July–March), problems are not immediately apparent but only arise in the following year when provinces have to finance carry through costs from within their MTEF baseline allocations. They are often not aware of the full impact of these carry through costs when compiling their budgets.

More provincial discretion

In November 1998 the Minister of Education signed an agreement with teacher unions on a process of rationalisation and redeployment. It allows provincial education departments to redistribute teaching posts more evenly within provinces and to determine the number of teaching posts within the framework of provincial budgets. This will allow them to reduce the number of surplus temporary teachers. The salaries of teachers are still determined nationally in the PSCBC.

Non-personnel costs**More expenditure on textbooks and classrooms**

The Department of Education, in its norms and standards for school funding, aims to increase non-personnel expenditure to approximately 15 per cent of total provincial education expenditure. This will allow provinces to increase complementary inputs, address classroom backlogs through increased capital expenditure, establish teacher support systems and improve the administrative and financial capacity of education departments. Over the medium term, savings from reduced personnel expenditure can be channelled to non-personnel expenditure.

Quality enhancement and financial management**Conditional grant for improved quality and management**

The national Department of Education has allocated R966 million from 1998/99 to 2001/02 for quality enhancement and the improvement of financial management capacity in provinces. The programmes supported by this grant are listed above in the discussion on conditional grants. The priorities for education departments in 1999/00 are to improve efficiency at school district level, build the capacity of school principals and develop a culture of learning, teaching and service. A new project to improve teacher support programmes will assist in evaluating the needs of teachers, providing subject advisory services and enhancing the relevance of teacher training.

Improved teacher productivity

Teacher appraisals

Two agreements concluded between the Minister of Education and teacher unions in 1998 relate specifically to improving teacher productivity in the classroom. For the first time, job descriptions are available for educators at all levels and an appraisal system is used to measure teacher performance on the basis of these job descriptions.

New teaching hours

Teachers are now required to work a 40-hour week with compulsory attendance at school for seven hours a day, and have to undergo 80 hours of in-service training annually. Contact time with learners, subject preparation procedures and learner evaluation are also addressed.

CONCLUDING REMARKS

Many of South Africa's social ills stem from poor education, and apartheid education contributed much to the current inequalities in society. Long-term social and economic wellbeing can only be achieved by a nation that is able to improve its educational base. Thus the government has provided more resources for education in general and for public schools in particular.

The focus is now shifting from more funds to better expenditure. The education system needs to provide better services by emphasising teaching quality, efficient use of resources and a firmer commitment to involving communities in education delivery.

The current policy environment, legislative framework and financial base are conducive to improved productivity in education. Education is already an example of good cooperative governance, where national and provincial governments are able to coordinate policies and where budgeting and planning are linked. These successes can form the basis for a culture of learning, teaching and service that could break the cycle of poor education, low economic growth and high unemployment.

5: FOCUS ON HEALTH

INTRODUCTION

Constitutional provisions

The Bill of Rights stipulates that “everyone has the right to have access to health care services, including reproductive health care”. It further states that “no one may be refused emergency medical treatment”. The state is obligated to take reasonable legislative and other measures progressively to realise the relevant rights, “within its available resources”.

Responsibility for service provision

Schedule 4 of the Constitution lists health and municipal health services as functional areas of concurrent national and provincial legislative competence. While provinces therefore have administrative authority for health services, and municipalities for municipal health services, they have to implement national legislation. Section 146 provides criteria for determining what legislation will prevail should conflicts arise. According to Section 125(3) the responsibility of provinces to implement national legislation is limited by their administrative capacity to assume effective responsibility. The national government is also obliged to develop the administrative capacity of the provinces.

National Health Bill

Efficient service delivery depends on a clear allocation of tasks between the relevant levels of government. The current uncertainty about roles stems from the integration of previously fragmented systems and the creation of a district health system. The division of responsibilities between national, provincial and local government is to be addressed in the National Health Bill currently being drafted.

In practice the national department is primarily involved in formulating health policy and monitoring its implementation, while provincial departments are responsible for delivering most health services at a regional or district level. Local government also provides important community health and ambulance services.

Classifying health services

Health services can be classified by level of care, ranging from primary to secondary, tertiary and quaternary health services. Primary health care includes promotive, preventative and ambulatory curative care through the outpatient departments of hospitals, clinics or health centres and general practitioners’ offices. District hospitals are first-level non-specialist hospitals for referral from clinics and provide services by generalist medical personnel with access to basic diagnostic and therapeutic facilities. Primary services include personal, promotive and preventative services, maternal and child health services, provision of essential drugs, basic oral and optometry services, health education and health-related nutritional support.

Secondary health care is provided at regional and provincial hospitals with some specialist services and frequently an intensive care unit. Tertiary services are for patients requiring the expertise and care

associated with the more specialised disciplines (such as cardiology, endocrinology, oncology, plastic and trauma surgery, neonatology and sophisticated paediatrics) or requiring access to scarce, expensive and specialised therapeutic and diagnostic equipment at central or tertiary hospitals. These services are mostly linked to academic health complexes. Level four services provide highly advanced health care such as liver and heart transplants.

Health policy

Health care reform in South Africa has two aims: to shift focus from hospital-based to primary care, and to shift resources from better resourced urban to underfunded rural areas. This will provide more appropriate and cost-effective care and address the legacy of unequal access to basic health care services. To this end a district health system is being established to provide primary health care at district level. Provinces therefore have the dual responsibility of implementing an effective district health system while providing different levels of hospital services.

The transformation of the health sector and increased emphasis on primary services substantially affects provincial health administration and budgets. Free health care services to pregnant women and children under six, clinic building and free access to primary health care all put pressure on recurrent health expenditure, as did implementation of the Choice on Termination of Pregnancy Act. Tertiary services are being rationalised and scaled down to accommodate the shift to lower-level services. This has led to substantial reorganisation in the provinces.

FINANCING HEALTH SERVICES

The provinces budget for the bulk of health services. These are primarily funded from provincial equitable shares and conditional grants from the national Department of Health as listed in Table 5.1.

Provincial equitable shares

Provincial governments have discretion over the allocation of the provincial equitable share between services such as education, health and welfare. However, the national government considers the relative need for public health services in determining this equitable share. In effect people without medical aid coverage are weighed more heavily in determining the distribution of available resources. Appendix A provides more information on the equitable share and its health component.

Conditional grants for health

The vote of the national Department of Health includes the largest conditional grants to provinces. These are mainly for specialised health services that are provided by a few provinces only.

Central hospitals grant

The central hospitals grant aims to ensure access to high-level health services for all South Africans irrespective of whether these services are provided in their province. The grant is allocated to four provinces – Gauteng, Western Cape, KwaZulu-Natal and Free State – whose hospitals provide tertiary health care and extensive referral services, including services to patients from other provinces. It is conditional on non-discrimination between residents and non-residents of the province in which the services are located. Other conditions, such as the submission of strategic plans to the Minister, enable the national department and provinces to plan for the delivery of specialised health services in central hospitals.

Table 5.1 Conditional grants to provinces for health

Rmillion	1999/00	2000/01	2001/02
Central hospital services	3 075,0	3 112,0	3 220,9
Health professional training and research	1 118,0	1 174,0	1 215,1
Redistribution of specialised health services	112,0	176,0	182,2
Hospital rehabilitation	200,0	400,0	500,0
Primary school nutrition programme	554,7	582,4	602,8
Umtata hospital	63,9	—	—
Durban academic hospital	247,0	273,0	102,6
Total	5 370,6	5 717,4	5 823,6

Medical training and research

The Health Professional Training and Research Grant funds training activities and effectively compensates provinces for the higher service costs associated with training health professionals. This grant will increase from R1 118 million in the current financial year to R1 215 million in 2001/02. All provinces receive a share of this grant but most is reserved for provinces with academic health complexes. Medical training and research facilities serve the country as a whole, but are mainly located in the four provinces with central hospitals.

Redistribution of specialised health services

The Grant for the Redistribution of Specialised Services supports the development of specialised health services in provinces without such facilities. The intention is to reduce referrals to the four provinces with tertiary services. The grant will increase from R112,0 million in 1999/00 to R182,2 million in 2001/02.

Nutrition programme

One of the first initiatives of the democratic government was to provide meals to primary school children in poor areas to supplement their nutritional intake. This programme is funded through a conditional grant to all provinces, the largest shares accruing to Eastern Cape, KwaZulu-Natal and Northern Province.

Hospital rehabilitation programme

The Department of Health is assisting provinces to restructure and rehabilitate their hospital systems to improve service delivery. The rehabilitation programme finances the repair and upgrading of hospital buildings and the purchase of capital equipment to restore acceptable service levels. This grant enables provinces to embark on restructuring within a nationally agreed framework.

Durban and Umtata hospitals

The construction of the new Durban academic hospital is financed through a five-year grant to KwaZulu-Natal. The hospital is to play a larger role in tertiary health services in the country, as is the Umtata regional hospital for which the Eastern Cape receives a similar grant.

AGGREGATE HEALTH SPENDING**Total expenditure and relative importance**

Total consolidated expenditure on health is projected to reach R24,1 billion in 1999/00 (see Table 5.2). This amounts to 3,0 per cent of GDP and 11,1 per cent of consolidated government expenditure. Nearly

98 per cent of expenditure, or R23,5 billion, occurs at provincial level. This includes transfers to local authorities that provide some primary health care services on an agency basis for the provincial health departments.

Table 5.2 Aggregate national and provincial health expenditure

R million	Actual			Estimated actual	Medium term estimate		
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
National health expenditure	1 291	656	512	5 513	5 940	6 243	6 379
<i>Less: conditional grants to provinces</i>	–	–	–	4 960	5 371	5 717	5 824
Provincial health expenditure	16 097	20 640	22 376	22 878	23 529	25 171	26 291
Consolidated health expenditure	17 388	21 296	22 889	23 430	24 098	25 697	26 847
Provincial health expenditure as a percentage of:							
Consolidated health expenditure	92,6	96,9	97,8	97,6	97,6	98,0	97,9
Total adjusted provincial expenditure	22,1	23,6	24,0	24,6	24,8	24,9	24,8
Consolidated health expenditure as a percentage of:							
Total consolidated expenditure ¹	11,2	11,6	11,5	11,3	11,1	11,2	11,1
Total consolidated non-interest expenditure ¹	13,9	14,4	14,3	14,2	14,3	14,3	14,2
Percentage growth:							
Provincial health expenditure		28,2	8,4	2,2	2,8	7,0	4,5
Consolidated health expenditure		22,5	7,5	2,4	2,9	6,6	4,5

¹Excludes national and provincial reserve amounts.

Growth in expenditure

Between 1995/96 and 1998/99 consolidated health expenditure grew at a rate of 10,0 per cent per year as against an inflation rate of 7,8 per cent. This can primarily be attributed to the sharp increase in provincial health expenditure in 1996/97 of 28,2 per cent or about 20 per cent in real terms. This exceptional growth resulted from the amalgamation of previous homeland administrations in the provinces and the financing of some new RDP projects in the health sector. Consolidated expenditure growth rates subsequently fell to 7,5 per cent in 1997/98 and 2,4 per cent in 1998/99 as provinces attempted to contain overexpenditure.

Over the MTEF period, consolidated health expenditure is projected to grow at an average annual rate of 4,6 per cent from R23,4 billion in 1998/99 to R26,8 billion in 2001/02. The health share of consolidated non-interest expenditure remains fairly stable at just over 14 per cent.

The sizeable increase in national health expenditure in 1998/99 is due to the introduction of conditional grants and the resulting change in the channel for funding central hospital services and health training. Before 1998/99 funding for these services flowed directly to the provinces. The

upward adjustment in the national budget therefore does not imply a shift in functional responsibilities.

TRENDS IN PROVINCIAL HEALTH EXPENDITURE

Compared to total provincial expenditure

Table 5.2 indicates that health expenditure is expected to comprise 24,8 per cent of total provincial expenditure in 1999/00. This is higher than the 22,1 per cent in 1995/96 and reflects the increasing priority of social services, particularly health. This also partially reflects the wage drift experienced in the health sector. Over the MTEF period the share of health is expected to remain stable at 24,8 per cent.

Composition by economic classification

As shown in Table 5.3, personnel expenditure should constitute 64,2 per cent of provincial health expenditure in 1998/99. Other current expenditure comprised an estimated 24,6 per cent of the total and includes administrative expenditure (for example communication and transport costs), consumables (such as medicines) and contracted professional and special services. Transfers, mostly to local authorities for agency services, amount to a further 7,5 per cent. Capital expenditure is estimated at 3,7 per cent of expenditure in 1998/99.

Table 5.3 Provincial health expenditure by economic classification

	Actual			Estimated actual	Medium term estimate		
R million	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Current expenditure	15 619	19 838	21 536	22 035	22 238	23 669	24 830
Personnel expenditure	9 616	12 354	13 612	14 689	15 174	16 081	16 729
Transfer payments	1 190	1 855	1 745	1 724	1 921	2 055	2 200
Other current expenditure	4 814	5 629	6 179	5 622	5 143	5 533	5 901
Capital expenditure	479	802	840	842	1 291	1 502	1 461
Total	16 097	20 640	22 376	22 878	23 529	25 171	26 291

As a percentage of total health expenditure:

Current expenditure	97,0	96,1	96,2	96,3	94,5	94,0	94,4
Personnel expenditure	59,7	59,9	60,8	64,2	64,5	63,9	63,6
Transfer payments	7,4	9,0	7,8	7,5	8,2	8,2	8,4
Other current expenditure	29,9	27,3	27,6	24,6	21,9	22,0	22,4
Capital expenditure	3,0	3,9	3,8	3,7	5,5	6,0	5,6
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Growth in expenditure and personnel cost pressures

Between 1996/97 and 1998/99, provincial health expenditure increased at an average annual rate of 5,3 per cent. Personnel costs, however, grew faster than aggregate expenditure at 9,0 per cent per year and the share of expenditure on personnel increased from 59,7 per cent in 1995/96 to 64,2 per cent in 1998/99. Consequently, other essential complementary inputs such as pharmaceuticals and medical equipment were crowded out, often resulting in declining levels of service and lower quality of services.

Reasons for personnel cost growth

The increase in personnel costs can largely be attributed to growth in average remuneration rather than to increasing numbers. Average costs increased because the pay scales of the various administrations were consolidated into a single salary scale during broadbanding in 1996/97. In addition, the 1996 wage agreement affected rank and leg promotions, particularly through automatic promotion in some categories after a certain period of service. Reprioritisation of service delivery towards primary care also required new posts, while tools for redeployment and managing down supernumeraries were limited.

The increase in the unit cost of personnel put severe pressure on personnel numbers. Given the moratorium on retrenchment, an aggressive policy of restructuring proved impossible, except in Western Cape where voluntary severance packages were used extensively. As personnel costs increased from R48 000 per post to R78 000 over three years, the Western Cape health department cut personnel numbers by 8 000.

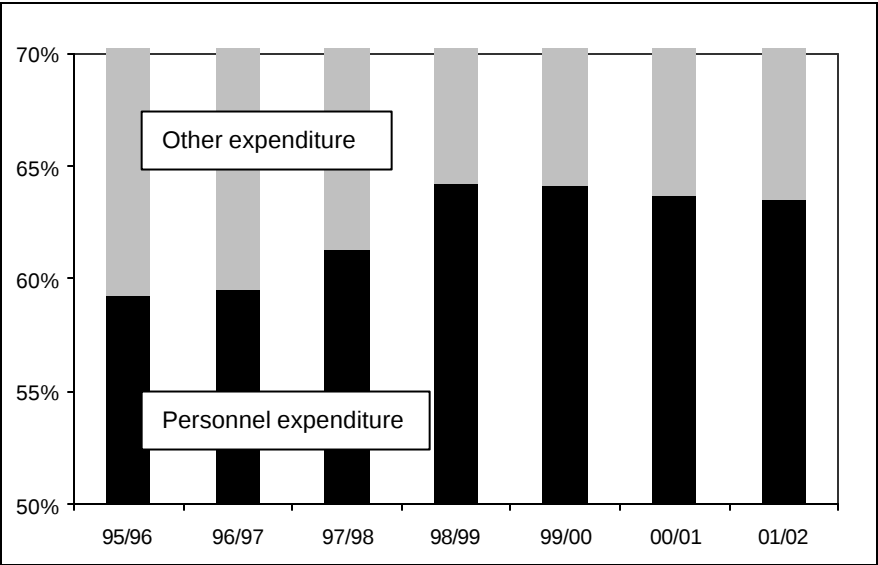
Other cost pressures

The programmes of free medical care for pregnant women and children under six, free primary health care and clinic building expanded access to health services and added to cost pressures in the provinces. Amalgamation of different administrations often necessitated upward adjustment of budgets, as the extent of expenditure by the various administrations became clear.

MTEF allocations

Although MTEF allocations show stabilisation of personnel cost at just under 64 per cent of expenditure, the recent escalation in personnel costs allows little room for funding non-personnel at the required levels (see Figure 5.1). Expenditure on non-personnel items is projected to remain well below 1995/96 levels in real terms. Transfer payments are projected to increase slightly to 8,2 per cent of total expenditure, which implies some pressure on service delivery by local governments and provincially aided hospitals.

Figure 5.1 Composition of health expenditure



Expenditure by programme

Table 5.4 shows the five major programmes of provincial health expenditure. Between 1995/96 and 1998/99 the classification of expenditure by programme changed substantially and trends are therefore misleading. These changes included the introduction of the academic health services programme and the reallocation of certain expenditure from this to other programmes. Since 1998 programmes have been increasingly standardised to ensure greater comparability.

Table 5.4 Provincial health expenditure by programme

R million	Actual			Estimated actual	Medium term estimate		
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Administration	771	1 184	825	744	801	943	1 093
District health services	4 831	7 624	8 419	8 941	9 362	10 505	10 930
Provincial hospital services	9 139	5 614	6 506	6 615	6 502	6 602	6 842
Academic hospital services	124	4 677	5 173	5 119	4 970	5 187	5 416
Other	1 233	1 541	1 453	1 459	1 895	1 934	2 009
Total	16 097	20 640	22 376	22 878	23 529	25 171	26 291

As a percentage of total health expenditure:							
Administration	4,8	5,7	3,7	3,3	3,4	3,7	4,2
District health services	30,0	36,9	37,6	39,1	39,8	41,7	41,6
Provincial hospital services	56,8	27,2	29,1	28,9	27,6	26,2	26,0
Academic hospital services	0,8	22,7	23,1	22,4	21,1	20,6	20,6
Other	7,7	7,5	6,5	6,4	8,1	7,7	7,6
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Relative importance of programmes

In 1999/00, district health services will comprise 39,8 per cent of provincial health expenditure, provincial hospital services 27,6 per cent and academic hospital services 21,1 per cent. While the district health services programme encompasses primary health care services, it also includes expenditure on secondary services in district hospitals. This programme is therefore not a reliable proxy for the shift to primary health care services. It is thus difficult to deduce from the current programme structure whether policy priorities are being implemented.

Programmes over the MTEF period

Over the MTEF period the district health services programme (including primary care) is projected to grow more rapidly (at 6,9 per cent annually) than the provincial and academic health services programmes at 1,1 and 1,9 per cent respectively. As a result district health services will grow in relative importance from 39,1 per cent of total expenditure in 1998/99 to 41,6 per cent in 2001/02. The low growth in the other two expenditure programmes indicates that further rationalisation will be required.

INTERPROVINCIAL ANALYSIS

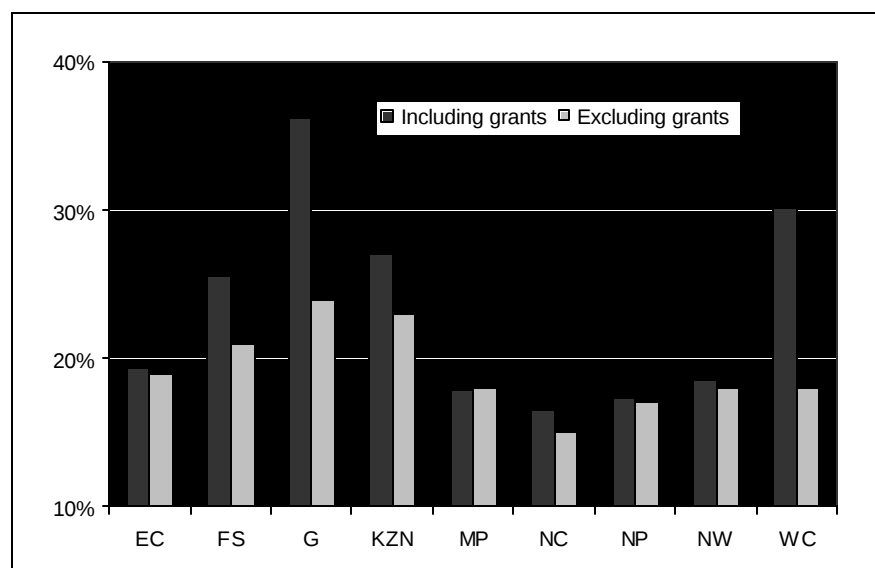
Relative importance in provincial budgets

Health expenditure by province

The proportion of expenditure devoted to health differs substantially between provinces, ranging from 17,9 per cent in Mpumalanga to 36,2 per cent in Gauteng in 1999/00. This difference mainly relates to the concentration of tertiary services and medical training in four provinces – Free State, Gauteng, KwaZulu-Natal and Western Cape. These provinces deliver direct and indirect services to patients from other provinces, and maintain specialised hospital facilities for which they are compensated by national conditional grants.

While health expenditure in Free State, Gauteng, KwaZulu-Natal and Western Cape exceeds 25 per cent of provincial expenditure, it varies from 15–20 per cent in the other provinces (see Figure 5.2). If conditional grants for central hospitals and medical training are excluded, health expenditure ranges from 15–24 per cent of total expenditure.

Figure 5.2 Health expenditure as a proportion the total, including and excluding conditional grants, 1999/00



Growth in health expenditure to 1998/99

Table 5.5 shows that, up to 1998/99, health expenditure in the provinces moved in tandem – a large increase in 1996/97, lower growth in the next year and negative real growth in 1998/99. With the exception of KwaZulu-Natal, provinces providing tertiary services and training experienced smaller increases than the poorer provinces. Over this period, growth was particularly strong in Mpumalanga (at 26,5 per cent per year), Northern Province (40,7 per cent) and North West (14,1 per cent). This reflects a first tentative movement towards equalisation of expenditure levels between provinces, although disparities are still large, as described below.

While all provinces experienced real growth in health expenditure over the period, growth was reduced sharply in Eastern Cape, Free State, KwaZulu-Natal and North West in 1998/99. Western Cape reduced personnel numbers and closed beds in order to address a deficit.

MTEF trends

Between 1998/99 and 2001/02, growth will be contained in all provinces, averaging slightly more than the expected inflation rate. The exceptions are Northern Cape and Western Cape where expenditure will decline in real terms as resources shift in favour of poorer provinces.

Table 5.5 Provincial health expenditure by province

R million	Actual			Estimated actual	Medium term estimate		
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Eastern Cape	2 206	3 066	3 039	3 024	2 947	3 235	3 500
Free State	1 183	1 470	1 659	1 688	1 697	1 795	1 875
Gauteng	3 902	4 643	5 299	5 476	5 800	5 997	6 279
KwaZulu-Natal	3 285	4 234	4 806	4 869	5 014	5 517	5 629
Mpumalanga	541	817	1 017	1 058	1 091	1 196	1 269
Northern Cape	277	333	380	388	377	399	414
Northern Province	1 424	2 020	1 865	2 004	2 049	2 220	2 315
North West	933	1 276	1 375	1 342	1 467	1 552	1 609
Western Cape	2 346	2 780	2 937	3 029	3 087	3 260	3 402
Total	16 097	20 640	22 376	22 878	23 529	25 171	26 291
Percentage growth:							
Eastern Cape		39,0	-0,9	-0,5	-2,5	9,7	8,2
Free State		24,3	12,8	1,7	0,5	5,8	4,5
Gauteng		19,0	14,1	3,3	5,9	3,4	4,7
KwaZulu-Natal		28,9	13,5	1,3	3,0	10,0	2,0
Mpumalanga		51,0	24,5	4,1	3,1	9,6	6,1
Northern Cape		20,2	14,3	2,2	-2,9	5,8	3,9
Northern Province		41,9	-7,7	7,5	2,2	8,3	4,3
North West		36,7	7,8	-2,4	9,3	5,9	3,6
Western Cape		18,5	5,6	3,1	1,9	5,6	4,4
Average		28,2	8,4	2,2	2,8	7,0	4,5

Health expenditure by economic classification

Personnel

Despite differences in the mix of services provided by the provinces, personnel expenditure is generally close to the average of 64,5 per cent of total expenditure (Table 5.6). The exceptions are Gauteng, which spends only 58,5 per cent on personnel, and Free State with 73,9 per cent. This broad similarity, however, hides significantly different trends over the last three years.

Between 1995/96 and 1999/00, personnel cost was proportionally stable in the two provinces with large tertiary and academic complexes, ie Gauteng and Western Cape. This can partly be explained by the freezing of posts, which led to some personnel cost being shifted to professional and special services. For instance, some nursing staff were not appointed against posts but were rather hired from nursing agencies. In Western

Cape the stability was achieved by cutting 8 000 posts. In KwaZulu-Natal, however, personnel cost increased by five percentage points to 66,4 per cent during this period, while in the Free State it rose sharply by 13 points to 73,9 per cent.

In provinces without significant tertiary facilities, personnel expenditure increased rapidly as a proportion of expenditure, with the exception of Northern Province. In this province it increased by only three percentage points to 1999/00, as against over seven percentage points in Eastern Cape, Mpumalanga, Northern Cape and North West.

In all the provinces personnel cost is projected to stabilise as a proportion of expenditure over the MTEF period, with average annual growth rates of personnel expenditure (including improvements in conditions of service) ranging between 3,1 per cent in Western Cape and 7,3 per cent in Mpumalanga.

Table 5.6 Health expenditure by province and economic classification, 1999/00

R million	Personnel	Transfer payments	Other current	Capital	Total
Eastern Cape	1 987	446	417	98	2 947
Free State	1 253	117	297	30	1 697
Gauteng	3 391	522	1 495	392	5 800
KwaZulu-Natal	3 329	297	976	412	5 014
Mpumalanga	675	3	371	42	1 091
Northern Cape	239	52	79	6	377
Northern Province	1 309	48	497	195	2 049
North West	1 024	63	300	80	1 467
Western Cape	1 965	374	710	37	3 087
Total	15 174	1 921	5 143	1 291	23 529

As a percentage of total:					
Eastern Cape	67,4	15,1	14,2	3,3	100,0
Free State	73,9	6,9	17,5	1,8	100,0
Gauteng	58,5	9,0	25,8	6,8	100,0
KwaZulu-Natal	66,4	5,9	19,5	8,2	100,0
Mpumalanga	61,9	0,3	34,0	3,8	100,0
Northern Cape	63,5	13,8	21,1	1,7	100,0
Northern Province	63,9	2,3	24,3	9,5	100,0
North West	69,8	4,3	20,4	5,5	100,0
Western Cape	63,7	12,1	23,0	1,2	100,0
Average	64,5	8,2	21,9	5,5	100,0

Transfer payments

Table 5.6 highlights the significant provincial differences in transfers as a proportion of health expenditure. These transfers are mainly to local authorities for the delivery of primary health care services, although some

transfers are also paid to provincially aided hospitals providing various health services on behalf of the province. Transfer payments range from 9,0 per cent to 15,1 per cent in Eastern Cape, Northern Cape, Western Cape and Gauteng, depending on the ability of local authorities to deliver primary health care and emergency services. Transfers are below 5,0 per cent in Mpumalanga, Northern Province and North West, possibly indicating limited local authority capacity.

Other current expenditure

Other current expenditure as a proportion of total expenditure also varies between provinces, ranging from 14,2 per cent in Eastern Cape to 34,0 per cent in Mpumalanga. While Gauteng and Western Cape managed to keep other expenditure proportionally stable or increasing between 1995/96 and 1998/99, some provinces saw large real cuts in this category. Provinces where personnel expenditure rose rapidly were most affected, such as Eastern Cape (average annual decline of 4,7 per cent), Free State (-3,3 per cent) and North West (-3,0 per cent). While this category should recover over the MTEF period, it is still projected to decline in nominal terms in Eastern Cape and North West, implying severe strain on budgets and service delivery in these provinces.

Capital expenditure

Interprovincial comparisons of health capital expenditure are difficult as it is treated differently by the provinces, captured under either the public works vote or the health vote. Capital expenditure as a proportion of total expenditure varies significantly around the provincial average of 5,5 per cent in 1999/00, with Northern Province, KwaZulu-Natal and Gauteng allocating above average amounts. Capital expenditure is projected to increase proportionally in North West, Mpumalanga and Northern Province. In Western Cape, Northern Cape and Free State it is projected to remain below 2,0 percent of total spending.

Health expenditure by programme

Function shifts and changes to the programme structure also complicate comparisons of health spending, particularly in 1995/96 and 1996/97. Since then, initiatives to standardise the programme structure have improved matters.

Table 5.7 reflects estimated expenditure by programme for each of the nine provincial governments in the 1999/00 fiscal year. Provinces such as Eastern Cape, KwaZulu-Natal, Northern Cape and North West direct most of their health budgets to district health services, and to a lesser extent provincial health services. Others, such as Western Cape, Gauteng and Free State, spend proportionally less on district level services due to their additional national function of providing academic health services. The high proportion of expenditure on district health services in Mpumalanga reflects the low level of secondary and tertiary services.

Table 5.8 compares trends in the relative importance of district and tertiary health expenditure by province over the last three years. The proportion of expenditure on district health care has grown in all provinces, while tertiary expenditure has declined.

District health care expenditure

Most provinces increased proportional expenditure on district health care services, frequently as a result of active policy implementation in the sector, with primary care being prioritised above hospital-based care. The parallel capital-financing scheme for building clinics in previously underserved areas throughout the country probably added impetus to

this shift, as it required an increase in recurrent budgets to run new facilities. More detailed expenditure and output information on reprioritisation is, however, required.

As noted, the introduction of free primary health care contributed to higher expenditure as the number of visits to these facilities grew. Health authorities regard this as a major policy success and a vindication of the view that user charges had been a barrier for many potential users.

Table 5.7 Health expenditure by province and programme, 1999/00

R million	Admini- stration	District health services	Provincial hospital services	Academic hospital services	Other¹	Total
Eastern Cape	116	1 593	1 040	48	150	2 947
Free State	49	619	488	348	194	1 697
Gauteng	183	1 165	1 320	2 815	317	5 800
KwaZulu-Natal	94	2 031	1 814	598	477	5 014
Mpumalanga	71	847	90	–	82	1 091
Northern Cape	19	220	123	–	15	377
Northern Province	153	1 049	480	–	367	2 049
North West	42	888	410	–	126	1 467
Western Cape	74	950	737	1 161	165	3 087
Total	801	9 362	6 502	4 970	1 895	23 529
As a percentage of total:						
Eastern Cape	3,9	54,0	35,3	1,6	5,1	100,0
Free State	2,9	36,5	28,7	20,5	11,4	100,0
Gauteng	3,1	20,1	22,8	48,5	5,5	100,0
KwaZulu-Natal	1,9	40,5	36,2	11,9	9,5	100,0
Mpumalanga	6,6	77,6	8,2	–	7,6	100,0
Northern Cape	5,1	58,2	32,6	–	4,0	100,0
Northern Province	7,5	51,2	23,4	–	17,9	100,0
North West	2,9	60,6	27,9	–	8,6	100,0
Western Cape	2,4	30,8	23,9	37,6	5,3	100,0
Average	3,4	39,8	27,6	21,1	8,1	100,0

¹Other programmes include health sciences, health support services, health facilities development and maintenance as well as authorised losses, statutory payments, capital expenditure from public works, auxiliary and associated services, supernumerary staff, less recovery from internal charges and gender affairs.

Academic hospital expenditure

Owing to rigidities in personnel expenditure and issues such as agreements with academic institutions on the provision of service platforms, rationalisation of tertiary institutions proved difficult. Nevertheless, the figures show nominal declines in all provinces, which is evidence of significant reprioritisation in favour of policy priorities such as primary service delivery.

Table 5.8 Percentage of expenditure on district and tertiary health care

R million	1996/97		1997/98		1998/99		1999/00	
	District	Tertiary	District	Tertiary	District	Tertiary	District	Tertiary
Eastern Cape	39,2	4,7	50,3	0,7	54,7	0,6	54,0	1,6
Free State	37,6	19,4	35,2	24,0	36,8	21,3	36,5	20,5
Gauteng	15,0	54,8	14,6	55,4	17,7	54,0	20,1	48,5
KwaZulu-Natal	39,0	12,8	39,8	12,8	40,3	12,2	40,5	11,9
Mpumalanga	82,1	–	84,0	–	71,0	–	77,6	–
Northern Cape	54,1	–	55,1	–	57,5	–	58,2	–
Northern Province	64,6	–	55,4	–	53,7	–	51,2	–
North West	48,9	–	53,8	–	63,7	–	60,6	–
Western Cape	26,6	41,7	26,7	41,0	27,4	39,3	30,8	37,6
Total	36,9	22,7	37,6	23,1	39,1	22,4	39,8	21,1

Note: Academic hospital expenditure was used to proxy tertiary health care spending.

Regional hospital expenditure

The analysis of regional hospital trends combines secondary general hospitals with specialised hospitals such as psychiatric, TB or other non-tertiary referral hospitals due to insufficient information. The expenditure trend is interesting for its lack of consistency in all provinces. While in Eastern Cape and North West regional hospital proportions are declining, other provinces have less straightforward patterns. Despite fears that regional hospitals are being neglected as primary health care is prioritised, spending patterns across provinces do not fully support this view (see Table 5.9).

Table 5.9 Trends in actual and projected regional hospital expenditure as a proportion of total health expenditure

Province	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Eastern Cape	38,8	35,6	35,4	35,3	37,2	36,6
Free State	31,4	32,3	35,8	28,7	28,9	29,1
Gauteng	23,5	26,7	24,1	22,8	22,9	22,8
KwaZulu-Natal	36,9	37,7	37,3	36,2	29,1	27,5
Mpumalanga	0,0	0,0	9,9	8,2	3,8	7,1
Northern Cape	33,0	32,3	33,7	32,6	32,5	32,7
Northern Province	5,1	20,3	21,7	23,4	21,3	21,4
North West	33,2	30,4	29,5	27,9	28,2	28,6
Western Cape	24,3	25,2	24,2	23,9	25,0	25,1
Average	27,2	29,1	28,9	27,6	26,2	26,0

PER CAPITA SPENDING

Table 5.10 details spending per person without medical aid coverage. Disparities are significant, with the range from R1 321 in Gauteng to R450 in Northern Province in 1999/00. It may, however, be more appropriate to compare expenditure excluding conditional grants as these fund services to the whole country. This narrows the range substantially from R444 in Mpumalanga to R874 in Gauteng. The disparity is still large, however, indicating that access to health services remains unequal.

Table 5.10 Health expenditure by province and economic classification, 1999/00

R million	Total health expenditure		Total spending per capita		People without medical aid
	Including conditional grants	Excluding conditional grants ¹	Including conditional grants	Excluding conditional grants ¹	
Eastern Cape	2 947	2 833	509	489	5 793
Free State	1 697	1 381	783	637	2 166
Gauteng	5 800	3 839	1 321	874	4 390
KwaZulu-Natal	5 014	4 224	686	578	7 314
Mpumalanga	1 091	1 069	453	444	2 409
Northern Cape	377	355	567	534	665
Northern Province	2 049	2 027	450	445	4 554
North West	1 467	1 444	506	498	2 897
Western Cape	3 087	1 854	1 091	655	2 830
Total	23 529	19 026	713	576	33 018

¹Conditional grants fund services that are available to people from all provinces so that it should not be attributed to provinces where they are physically located.

ISSUES IN HEALTH FINANCING

Conditional grants

Implementation

The 1998/99 fiscal year saw the introduction of conditional grants that are voted on the budget of the national Department of Health and transferred to provincial budgets for specific purposes. These grants were outlined above. Implementation problems relating to approval of business plans and mechanisms for compliance are being addressed by the Health/Finance Technical Committee (4×4).

Provincial discretion

Provinces have discretion in allocating the resources available to them, subject to conditions applying to grant funding. Funding through a conditional grant allows planning for delivery of advanced services at a national level. The intention is that the conditional grant will be reduced as tertiary services are distributed more evenly and primary care is prioritised.

Evaluation of grant financing

As this financing mechanism is new, its efficacy and the appropriateness of allocations have to be evaluated over the medium term. Such an

evaluation will, however, depend on agreements about service delivery levels. Once these are in place, costs can be estimated and grant values determined on a more rational basis. A process to establish service delivery targets (or norms and standards) has been initiated in the Department of Health. This will enable proper evaluation so that adjustments can be made for the 2001/02 financial year.

Hospital revenue issues

Resource pressures in hospitals

Prioritisation of primary care and personnel cost pressures in the context of budget constraints severely affected hospital budgets. Financing mechanisms and centralised decisionmaking also often failed to ensure dynamic and proper management at institution level. Shifts in the pattern of demand for hospital services, in particular the increased use of private services by medical aid members and wealthy individuals, reduced revenue from public hospitals. The channelling of hospital revenue to provincial revenue funds provides little incentive for revenue collection at the hospital level. Consequently fee structures have been updated only sporadically and revenue collection has been unequal and inefficient.

Proposal for revenue retention

Over the last few years, several proposals have been considered for addressing these issues. The principle of decentralised management has long been accepted and mechanisms are being introduced to stimulate revenue generation by the hospital sector, eg public-private partnerships and service contracts with private funders. This could contribute to a stabilisation of the resources available to this sector. Such initiatives have, however, been limited by the absence of a mechanism for revenue retention in the health sector and at the level of institutions. Mechanisms for revenue retention are now being explored in Gauteng and Western Cape. Revenue generated above specified targets will be allocated to health departments and, in the case of Gauteng, to specific institutions through the Adjustments Estimate. Piloting of hospital funding through trading accounts is currently receiving attention. The provincial subsidy to hospitals and collected revenue will flow to hospitals via these trading accounts. This should eliminate the need for additional appropriations, clearly reflect the net cost to the state of hospitals and allow for management reform.

Revenue retention will facilitate greater revenue collection from the current patient profile. It will also allow increased participation of the public sector in the market for low-cost hospital services that is expected to result from the new mandatory minimum hospital package envisaged in the Medical Schemes Act.

Billing

Outdated billing systems and uneven treatment of clients from other provinces, state departments and social insurance funds, such as the Road Accident Fund and the Workmen's Compensation Fund, have led to substantial loss of revenue in the public health sector. Proposals on a uniform billing system as well as processes to address this issue are now in place.

Personnel issues

Personnel pressures

Broadbanding and the rank and leg promotions resulting from the 1996 wage negotiations created wage cost pressure in the health sector. The reprioritisation to primary delivery necessitated a shift in the skills mix and location of personnel. A shortage of highly skilled personnel with

supernumeraries at the lower end has also been experienced, particularly in rural areas.

Management constraints

Provincial health managers are constrained in dealing with these forces. The moratorium on retrenchments and the absence of an affordable retrenchment tool have complicated redeployment and rightsizing of the personnel component. Central wage determination in the public sector without adequate input from health and provincial managers also limited flexibility. Planning is currently in progress for more effective mandating procedures for the new Health and Welfare Bargaining Council.

Management capacity

Financial management capacity for personnel budgeting is limited and will be further stretched by the simultaneous phasing in of decentralised budgeting for ICS, the Public Finance Management Act and new public service regulations. Strengthening financial and personnel management capacity is therefore a priority in the health sector.

Information systems

Effective personnel management requires detailed and timely data on personnel numbers, composition and remuneration. This information is on the Persal and FMS systems, but access arrangements are cumbersome and these systems are not available in all provinces. Implementation of the Vulindlela management information system should help address these problems.

Monitoring outputs and performance

The health sector has seen substantial policy shifts and reorganisation in order to provide more appropriate services. Current budget information does not allow sufficient evaluation of the correlation between policy shifts and budgetary allocations. In addition, information on changes in service availability and actual service delivery is extremely limited. Several new initiatives aim to improve the output information necessary for performance management.

6: FOCUS ON WELFARE

INTRODUCTION

Constitutional provisions

The Constitution guarantees all people access to social security, including social assistance when they are unable to support themselves and their dependants. The government is mandated to take reasonable legislative and other measures within available resources to progressively realise these rights.

Responsibilities

The Constitution also lists welfare as a concurrent function of national and provincial governments. Currently, the national Department of Welfare and Population Development is responsible for policy development, regulating entitlements and monitoring the system, while the provinces are responsible for the delivery of welfare, including social security payments. As a result, the national department's share of the welfare budget is less than 1 per cent.

Composition

Welfare expenditure is classified into social security and welfare services. Social security consists of means-tested grant payments to the elderly, the disabled and households with children. Welfare services refer to the provision of services such as institutional care for the aged and the disabled, rehabilitation centres for juvenile offenders or drug dependants, adoption services and probation services. The government provides some services to citizens while subsidising private organisations to provide other services.

Attainments

Each month provincial welfare departments distribute approximately R1,3 billion to almost 3 million beneficiaries. Thus social security, which accounts for 91 per cent of welfare expenditures, represents the government's primary investment in poverty alleviation. The main beneficiaries are the aged and the disabled, but their households frequently include young children. Grants are therefore a key source of income for poor households, particularly in rural areas. They are well targeted to the poor and are strongly redistributive.

Policy developments

Several recent welfare policy initiatives help to safeguard the fiscal sustainability of this safety net. These include:

- ◆ Timely adjustments to the benefit structure (phasing out the state maintenance grant and phasing in the better-targeted and fiscally more manageable child support grant).
- ◆ Swift integration of the highly fragmented apartheid system.
- ◆ Steps to contain fraud and abuse of the system.

The *White Paper for Social Welfare* emphasises the need to transform expensive institutional models of service delivery to a developmental model that empowers individuals and communities to become self-reliant.

Recent policies on substance abuse, care of the aged and community development reflect this shift from unsustainable, and often inequitable, institutional care models to cost-effective and sustainable community-based methods.

Financing of provincial welfare expenditure

Provinces have to finance large welfare expenditures from their equitable share. As explained in Chapter 2 the horizontal division of the equitable share between the provinces is based on demographic and economic profiles and the relative demand for social security.

AGGREGATE WELFARE EXPENDITURE

Total expenditure and relative importance

In 1999/00 consolidated welfare expenditure is projected to total R18,7 billion. This equals 8,6 per cent of consolidated government expenditure and 2,3 per cent of GDP. Of this amount, 99,0 per cent is spent at provincial level.

Growth in expenditure

Table 6.1 shows that consolidated welfare expenditure increased from R14,5 billion in 1995/96 to an estimated R18,4 billion in 1998/99, at an average annual rate of 8,3 per cent. This is primarily attributable to expanding provincial welfare expenditure, as discussed below. Aggregate growth equalled 10,6 per cent in 1996/97 and 11,3 per cent the year after, before slowing to 3,2 per cent in 1998/99. Over the MTEF period, total expenditure grows to R20,6 billion at an annual average rate of 4,0 per cent.

Table 6.1 Aggregate national and provincial welfare expenditure

	Actual			Estimated actual	Medium term estimate		
R million	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
National welfare expenditure	66	67	145	95	187	342	276
Provincial welfare expenditure	14 400	15 938	17 669	18 288	18 487	19 465	20 322
Consolidated welfare expenditure	14 466	16 005	17 814	18 383	18 673	19 807	20 598
Provincial welfare expenditure as percent of:							
Consolidated welfare expenditure	99,5	99,6	99,2	99,5	99,0	98,3	98,7
Total adjusted provincial expenditure	19,8	18,2	18,9	19,7	19,5	19,3	19,2
Consolidated welfare expenditure as a percentage of:							
Total consolidated expenditure ¹	9,3	8,7	8,9	8,9	8,6	8,7	8,5
Total consolidated non-interest expenditure ¹	11,5	10,8	11,1	11,2	11,1	11,1	10,9
Percentage growth:							
Provincial welfare expenditure		10,7	10,9	3,5	1,1	5,3	4,4
Consolidated welfare expenditure		10,6	11,3	3,2	1,6	6,1	4,0

¹Excludes national and provincial reserve amounts.

National department

The national department's expenditure fluctuated substantially in recent years. Specific allocations were made to the department to address government priorities outside its normal line functions. Voted in the Adjustments Estimates, these included funds for poverty alleviation, implementing secure care programmes and for implementing proposals of the Inter-ministerial Committee on the Transformation of the Child and Youth Care System. The national department will receive R50 million in 1999/00 and R203 million for poverty alleviation in each of the next two years. Its budget also includes funds to improve the financial management of the social security system and to cover initial implementation costs of child support grants.

PROVINCIAL WELFARE EXPENDITURE**Compared to total provincial expenditure**

Table 6.1 indicates that provincial welfare expenditure is projected to amount to R18,5 billion in 1999/00, comprising 19,5 per cent of total provincial expenditure. This is somewhat below the 19,8 per cent for 1995/96 and is expected to drop slightly to 19,2 per cent by 2001/02.

Economic classification

Table 6.2 shows provincial welfare expenditure by economic classification. In 1999/00 transfer payments will comprise 92,0 per cent of welfare expenditure with the remainder coming from personnel (4,0 per cent), other current expenditure (3,7 per cent) and capital expenditure (0,3 per cent). Compared to the other social services, the low proportion of expenditure on personnel is notable, although to be expected given the large role of welfare transfers.

Table 6.2 Provincial welfare expenditure by economic classification

	Actual			Estimated actual	Medium term estimate		
R million	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Current expenditure	14 365	15 887	17 644	18 262	18 431	19 402	20 267
Personnel	619	512	615	693	742	794	835
Transfer payments	13 421	14 935	16 505	16 928	17 014	17 847	18 599
Other current	325	440	523	641	676	762	833
Capital expenditure	35	51	25	27	55	63	55
Total	14 400	15 938	17 669	18 288	18 487	19 465	20 322
As a percentage of total:							
Current expenditure	99,8	99,7	99,9	99,9	99,7	99,7	99,7
Personnel	4,3	3,2	3,5	3,8	4,0	4,1	4,1
Transfer payments	93,2	93,7	93,4	92,6	92,0	91,7	91,5
Other current	2,3	2,8	3,0	3,5	3,7	3,9	4,1
Capital expenditure	0,2	0,3	0,1	0,1	0,3	0,3	0,3
Total	100, 0	100,0	100,0	100,0	100,0	100,0	100,0

Transfer payments	The bulk of transfer payments consists of grants to individuals and households (social pensions). Thus welfare payments directly assist the poor and leakage to intermediaries in the delivery process is limited. Transfer payments also include subsidies and other payments to non-governmental organisations for the provision of welfare services such as probation and adoption services, family counselling and homes for children and the aged.
Trends	Up to 1999 other current expenditure has grown in relative importance at the expense of personnel and transfer payments. Transfers declined slightly from 93,2 per cent of total in 1995/96 to 92,6 per cent in 1998/99. This implies an increase in the relative importance of administration costs, equipment and professional and special services. Over the MTEF period, transfer payments should decline to 91,5 per cent in 2001/02 and other current expenditure increase to 4,1 per cent of welfare expenditure.
Capital	Given the nature of services provided by the welfare department, capital expenditure is limited. However, unequal access to welfare institutions and backlogs resulting from uneven capital expenditure in the past have led to calls for increased capital expenditure in this sector. Over the MTEF period, capital expenditure is projected to be slightly higher at 0,3 per cent of total expenditure.
Expenditure by programme	Table 6.3 shows the dominance of the social security programme (grants and their administration) in overall expenditure. Social security will comprise 90,5 per cent of welfare expenditure in 1999/00, social assistance (subsidies to welfare organisations) 4,5 per cent and social welfare services (provided directly by provincial welfare departments) 3,2 per cent. Social development is a relatively new programme, reflecting the department's focus on developing independence and capacities rather than merely providing income support.
Programme trends	The table also shows an increase in the share of social security between 1995/96 and 1998/99, although this is due to the accounting convention implemented in 1996/97 to allocate administrative expenditure to specific programmes. This is also reflected in the decline of administrative expenditure from 5,4 per cent of total expenditure to 1,0 per cent in 1998/99. Over the same period social assistance grew modestly, while expenditure on social welfare services nearly tripled, but off a small base. Likewise, social development grew strongly, but also off a low base. Between 1998/99 and 2001/02 social security grows somewhat more slowly than the other programmes, leading to a slight drop in its relative importance to 90,4 per cent. While the other programmes grow at more than the inflation rate, further reprioritisation to more developmental services is envisaged in the <i>White Paper on Social Welfare</i>. Reprioritisation will have to be balanced against the costs of maintaining social grants programmes.
Social security	Social security expenditure is dominated by old age grants, which comprise nearly 70 per cent of total provincial grant expenditure (see Figure 6.1). Care of the disabled is the second most important category and largely reflects grants to disabled people qualifying in terms of a means test. Grants to children and families are currently being restructured and state maintenance grants are being replaced by child support grants.

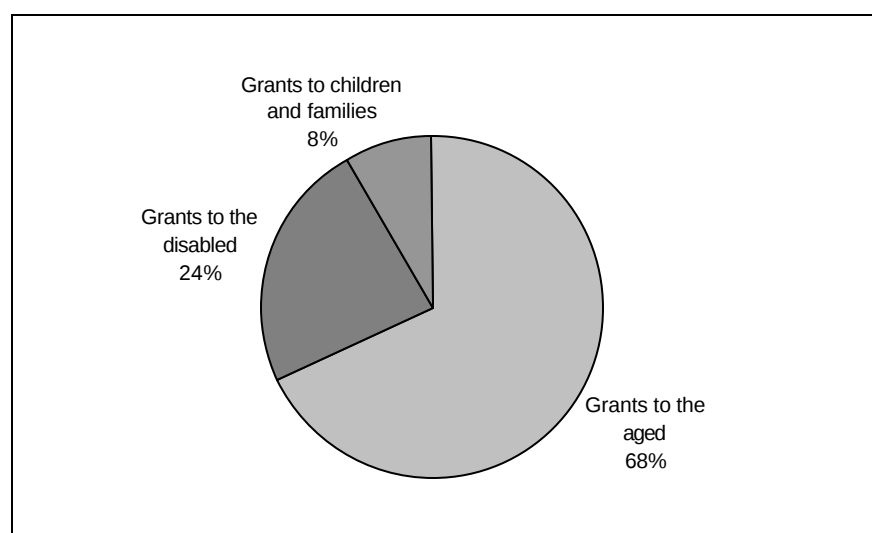
Table 6.3 Provincial welfare expenditure by programme

R million	Actual			Estimated actual	Medium term estimate		
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Administration	773	223	150	183	177	185	197
Social security	12 674	14 539	16 127	16 698	16 739	17 628	18 377
Social assistance	717	754	753	792	828	844	900
Social welfare services	180	335	533	518	586	638	676
Social development	8	22	31	52	62	67	70
Other	48	65	75	46	95	105	102
Total	14 400	15 938	17 669	18 288	18 487	19 465	20 322

As a percentage of total:

Administration	5,4	1,4	0,8	1,0	1,0	0,9	1,0
Social security	88,0	91,2	91,3	91,3	90,5	90,6	90,4
Social assistance	5,0	4,7	4,3	4,3	4,5	4,3	4,4
Social welfare services	1,2	2,1	3,0	2,8	3,2	3,3	3,3
Social development	0,1	0,1	0,2	0,3	0,3	0,3	0,3
Other	0,3	0,4	0,4	0,3	0,5	0,5	0,5
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Figure 6.1 Composition of social security expenditure, February 1999



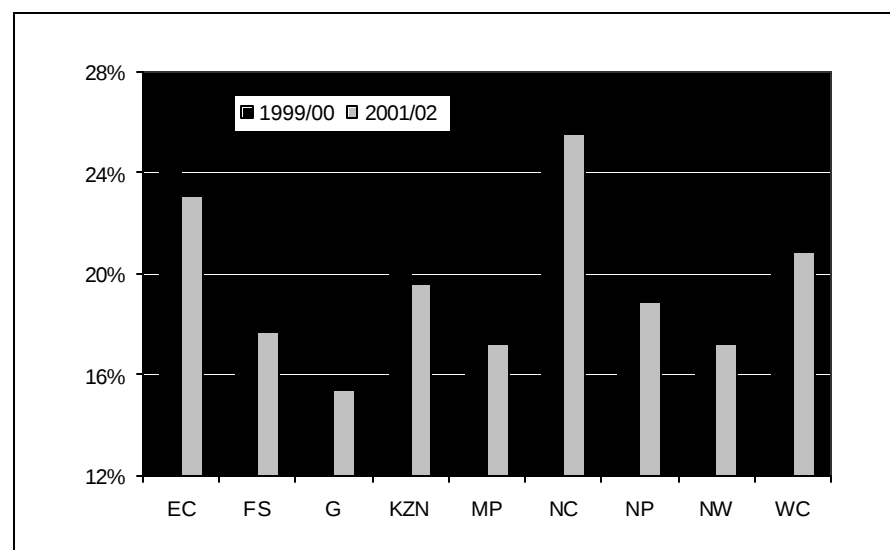
INTERPROVINCIAL ANALYSIS

Relative importance in provincial budgets

While on average 19,5 per cent of provincial expenditure in 1999/00 will be on welfare, this varies widely between provinces (see Figure 6.2). The proportion ranges from a high of 26,5 per cent in the Northern Cape to a low of 14,8 per cent in Gauteng. Western Cape, Eastern Cape, Northern Cape and KwaZulu-Natal spend more than the average on welfare and the

other provinces less than the average. This diversity reflects a mix of historical factors and demographic realities.

Figure 6.2 Welfare expenditure as percentage of provincial expenditure, 1999/00 and 2001/02



Explaining provincial diversity

The relatively low share of welfare spending in Gauteng reflects a relatively small section of aged and young people in the province as well as a high proportion of gainfully employed people. The differences between the northern (North West, Northern Province, Mpumalanga) and southern provinces (Western Cape, Northern Cape and Eastern Cape) reflect historical discrimination against Africans in favour of whites and coloureds in terms of access to grants as well as historical differences in administrative reach and efficiency. As administrative systems improve and fraud is eliminated, proportional spending on welfare should better reflect poverty levels per province. The figure provides some evidence of this over the MTEF period as relative spending by traditionally “big spenders” declines substantially.

Impact of child support grant

The changeover from state maintenance grants to child support grants will improve equity in relative expenditure levels. It will also lead to substantial savings in Eastern Cape, Western Cape and Northern Cape, with upward pressure on expenditure in provinces such as North West, Northern Province and Mpumalanga. While poverty and equity issues will be addressed more effectively, the budgets of several provinces will be under pressure.

Growth rates

Table 6.4 shows that all provinces except Western Cape participated in the strong growth in welfare expenditure between 1995/96 and 1998/99. Growth was higher in provinces that spent below average proportions on welfare, namely Northern Province, North West and Mpumalanga. In Western Cape, the growth rate was somewhat below the average inflation rate for the period.

Growth rates between 1998/99 and 2001/02 vary across provinces depending on assumptions about the impact of re-registration processes, the uptake of the child support grant and the trend in disability grants. Higher grant levels and increased uptake of the child support grant

particularly in poorer provinces could result in tight welfare budgets. Real declines in expenditure are projected in Northern Cape, Western Cape, and KwaZulu-Natal. Both Western Cape and Northern Cape should realise savings from the new child support grants, but Northern Cape will require prudent management of disability grants in order to remain within budget allocations.

Table 6.4 Provincial welfare expenditure by province

R million	Actual			Estimated actual	Medium term estimate		
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Eastern Cape	2 750	3 451	3 651	3 628	3 680	3 930	4 056
Free State	898	968	1 125	1 158	1 225	1 261	1 288
Gauteng	1 926	2 019	2 214	2 292	2 373	2 592	2 722
KwaZulu-Natal	3 011	3 329	3 731	3 972	3 803	3 905	4 120
Mpumalanga	747	821	988	1 116	1 063	1 133	1 205
Northern Cape	526	546	650	666	608	623	633
Northern Province	1 610	1 794	2 014	1 961	2 134	2 312	2 489
North West	990	1 012	1 083	1 299	1 399	1 440	1 496
Western Cape	1 941	2 000	2 212	2 196	2 201	2 270	2 313
Total	14 400	15 938	17 669	18 288	18 487	19 465	20 322
Expenditure growth:							
Eastern Cape		25,5	5,8	-0,6	1,5	6,8	3,2
Free State		7,7	16,3	2,9	5,8	2,9	2,1
Gauteng		4,8	9,7	3,5	3,5	9,2	5,0
KwaZulu-Natal		10,6	12,1	6,5	-4,3	2,7	5,5
Mpumalanga		10,0	20,3	12,9	-4,7	6,6	6,4
Northern Cape		3,7	19,2	2,5	-8,7	2,3	1,7
Northern Province		11,4	12,3	-2,7	8,8	8,4	7,6
North West		2,2	7,0	20,0	7,7	2,9	3,9
Western Cape		3,0	10,6	-0,7	0,2	3,2	1,9
Total		10,7	10,9	3,5	1,1	5,3	4,4

Provincial welfare expenditure by economic classification

Table 6.5 shows that while transfer payments naturally dominate in all provinces, some differences are noteworthy. Transfers are well over 90 per cent of expenditure in North West, KwaZulu-Natal, Northern Province and Eastern Cape. Free State, Gauteng and Northern Cape have more than 10 per cent of their budgets available for other expenditure.

Proportional expenditure on personnel also varies substantially, eg Free State's share is more than four times that of Northern Province. Relatively high personnel expenditure in Western Cape and Gauteng relate to higher levels of institutional and curative care, especially compared to the rural provinces. The same may be true for Northern Cape. Providing equal access to and equity in institutional care will substantially affect personnel cost in other provinces. The developmental

approach to welfare services, in contrast to income support, will also require expanded personnel expenditure, a factor that has to receive more attention in the planning of welfare service delivery.

Table 6.5 Welfare expenditure by province and economic classification, 1999/00

R million	Personnel	Transfer payments	Other current	Capital	Total
Eastern Cape	102	3 501	67	11	3 680
Free State	90	1 061	69	4	1 225
Gauteng	125	2 107	139	2	2 373
KwaZulu-Natal	144	3 556	101	2	3 803
Mpumalanga	40	963	57	3	1 063
Northern Cape	39	529	36	4	608
Northern Province	36	2 006	79	13	2 134
North West	54	1 287	48	11	1 399
Western Cape	112	2 004	79	5	2 201
Total	742	17 014	676	55	18 487
As a percentage of total:					
Eastern Cape	2,8	95,1	1,8	0,3	100,0
Free State	7,4	86,6	5,7	0,4	100,0
Gauteng	5,3	88,8	5,9	0,1	100,0
KwaZulu-Natal	3,8	93,5	2,7	0,1	100,0
Mpumalanga	3,7	90,6	5,4	0,3	100,0
Northern Cape	6,4	87,0	6,0	0,6	100,0
Northern Province	1,7	94,0	3,7	0,6	100,0
North West	3,9	92,0	3,4	0,8	100,0
Western Cape	5,1	91,0	3,6	0,2	100,0
Total	4,0	92,0	3,7	0,3	100,0

Provincial welfare expenditure by programme

The welfare department's long-term target is to reduce social security expenditure to 80 per cent of expenditure as against the current provincial average of 90,5 per cent. This will free up funds for developmental welfare services. Table 6.6 shows that only Free State, Northern Cape, Western Cape and Gauteng spend less than 90 per cent on social security. In the other five provinces, social security accounts for well over 90 per cent of welfare expenditure in 1999/00. The dominance of the social security programme in these provinces reflects the underdevelopment of other welfare services. Poverty levels and demographic profiles, eg the proportion of aged people, also contribute.

Table 6.6 shows that the 80/20 target seems within reach only for Gauteng, which currently spends 81,0 per cent on social security. Given savings from phasing in child support grants and scaling down disability grants, Western Cape and Northern Cape may also approach the target in the foreseeable future. Other provinces will have more difficulty,

especially since the increased uptake of child support grants will put upward pressure on social security expenditure.

Table 6.6 Welfare expenditure by province and programme, 1999/00

R million	Admin- istration	Social security	Other welfare services	Total
Eastern Cape	24	3 446	210	3 680
Free State	18	1 089	119	1 225
Gauteng	28	1 923	422	2 373
KwaZulu-Natal	23	3 574	206	3 803
Mpumalanga	11	977	76	1 063
Northern Cape	11	538	59	608
Northern Province	20	2 035	79	2 134
North West	8	1 295	96	1 399
Western Cape	33	1 863	305	2 201
Total	177	16 739	1 571	18 487

As a percentage of total:

Eastern Cape	0,7	93,6	5,7	100,0
Free State	1,5	88,9	9,7	100,0
Gauteng	1,2	81,0	17,8	100,0
KwaZulu-Natal	0,6	94,0	5,4	100,0
Mpumalanga	1,0	91,9	7,1	100,0
Northern Cape	1,9	88,5	9,6	100,0
Northern Province	0,9	95,4	3,7	100,0
North West	0,6	92,6	6,9	100,0
Western Cape	1,5	84,6	13,8	100,0
Total	1,0	90,5	8,5	100,0

**Trends in relative
importance of social
security**

Although the large share of social security limits the ability of provinces to refocus on other services, the situation is not deteriorating. While social security did increase from 88,0 per cent of total expenditure in 1995/96 to 91,3 per cent in 1998/99 this resulted from the inclusion of administrative costs in the programme. In fact, in four of the nine provinces, social security expenditure remained stable or declined relative to total expenditure. In Western Cape, Eastern Cape and KwaZulu-Natal, where the increase was at least 3 percentage points, it was caused by a once-off upward adjustment in 1996/97. In all provinces the social security share is projected to decline marginally or remain stable over the MTEF period. Given pressures for increasing grant levels and beneficiary numbers in the poorer provinces, they may find it difficult to emphasise expenditure on welfare services.

PER CAPITA EXPENDITURE, TRENDS IN BENEFICIARY NUMBERS AND COVERAGE OF POPULATION

Expenditure per capita

Expenditure per capita provides a basic measure of relative levels of welfare delivery in the provinces. Table 6.7 and Figure 6.3 show estimated per capita welfare expenditure for 1999/00.

Table 6.7 Welfare and social security expenditure per capita, 1999/00

Province	Population	Per capita expenditure (R)			Poverty rate ²
	1999 ¹ (000)	Welfare expenditure	Social security	Other welfare	
Eastern Cape	6 648	554	518	35	70,7
Free State	2 779	441	392	49	63,4
Gauteng	7 794	304	247	58	17,3
KwaZulu-Natal	8 911	427	401	26	51,9
Mpumalanga	2 999	355	326	29	57,3
Northern Cape	874	696	616	80	54,9
Northern Province	5 329	400	382	19	59,1
North West	3 557	393	364	29	62,1
Western Cape	4 164	528	447	81	28,0
Total	43 055	429	389	41	50,0

¹Stats SA mid-year estimates for 1998, increased by the average annual growth rate between 1996 and 1998.

²The proportion of the provincial population below a poverty line that places 50 per cent of the total country's population in poverty.

Total welfare expenditure

As indicated in the table, Northern Cape spends the highest per capita amount on welfare, followed by Eastern Cape and Western Cape. Gauteng and Mpumalanga are at the bottom of the list, with per capita spending about half that of the Northern Cape amount. Per capita expenditures are also well below the national average in Northern Province and North West, despite the high levels of poverty.

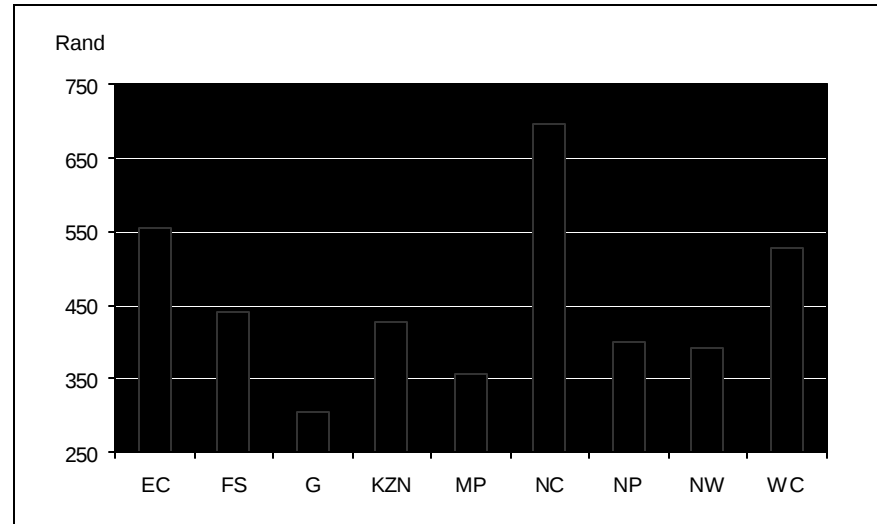
Social security

The pattern of per capita expenditure on social security is much the same as for total welfare expenditure. The low level of expenditure in Gauteng is in line with its fairly youthful population and the tendency for people to retire to other provinces. Gauteng and Western Cape are also noticeably less poor than other provinces. Since grants are means tested, this will tend to reduce per capita expenditure. Below average per capita expenditure in Northern Province, North West and Mpumalanga contrasts with high rates of poverty in these provinces. This raises the question whether these provinces are likely to increase per capita expenditure on social security to the national level.

Welfare services

Western Cape and Northern Cape spend the highest amounts per capita on other welfare services, followed by Gauteng. KwaZulu-Natal and Northern Province spend the least per capita – about a third of the amount in Western Cape. This confirms the unequal distribution of welfare facilities and the backlogs in certain provinces.

Figure 6.3 Per capita welfare expenditure by province, 1999/00



Trends in beneficiary numbers

The Socpen payment system, utilised by all provinces and managed by the national department, provides basic information on the number of beneficiaries on a monthly basis. Systematic and comparable data are available from the beginning of 1997.

Overall change

Table 6.8 shows that between April 1997 and April 1999 beneficiary numbers grew by only about 40 000, at an average rate of 0,7 per cent per year. The overall change, however, masks two underlying trends. First, numbers declined in the first year and then grew strongly until April 1999. The downward movement is presumably related to the cleanup process, while the recovery in numbers can be ascribed to reinstatement of wrongfully removed beneficiaries, population growth and increased effectiveness in delivering benefits.

Table 6.8 Number of beneficiaries by province

Province	April 1997	April 1998	October 1998	April 1999
Eastern Cape	630 514	583 705	577 988	591 392
Free State	174 727	181 994	177 583	169 272
Gauteng	335 721	323 947	310 987	325 069
KwaZulu-Natal	594 916	617 568	629 010	628 204
Mpumalanga	157 091	164 656	157 912	164 096
Northern Cape	110 301	113 592	117 800	122 963
Northern Province	339 555	276 465	338 110	350 695
North West	189 980	194 579	203 237	207 325
Western Cape	366 719	384 220	388 022	380 809
Total	2 899 524	2 840 726	2 900 559	2 939 825

Source: Socpen

Provincial differences

A second trend is the differences between provinces. Numbers in Eastern Cape, Free State and Gauteng declined between 1997 and 1999 while most other provinces showed moderate growth of around 2 per cent a year. North West and Northern Cape showed strong growth of more than 4 per cent per year. After October 1998 numbers declined in Free State, KwaZulu-Natal and Western Cape, but all other provinces showed growth exceeding 4 per cent a year.

Trends by grant type

Table 6.9 indicates that a decline in disability grant numbers has been counteracted by rapid growth in the number of old age grant beneficiaries. While the number of disability beneficiaries declined by about 7 per cent a year over the last two years, the number of old age grant beneficiaries increased by about 2,5 per cent per year. The numbers of war veteran's and maintenance grant beneficiaries are also expected to decline, the latter due to the phasing out of this grant over a four-year period from April 1998. Currently no new beneficiaries are taken on and the value of the grant is decreased by 25 per cent of the original amount each year.

Table 6.9 Number of grant beneficiaries

Type of grant	April 1997	April 1998	October 1998	April 1999
Old age	1 737 682	1 702 647	1 789 934	1 822 255
War veterans	12 047	10 441	9 656	9 109
Disability	732 322	660 198	625 747	632 286
Grants-in-aid	10 082	9 113	8 750	8 587
Parent allowance	152 973	173 662	171 487	160 162
Child allowance	209 658	230 633	228 673	214 029
Foster care	41 865	43 906	46 342	47 133
Care dependency	2 895	10 126	13 406	17 721
Child support	—	—	6 564	28 543
Total	2 899 524	2 840 726	2 900 559	2 939 825

Disability grants

The number of disability grants has declined in all provinces except Northern Cape and North West. Many elderly disabled people are receiving old age grants instead and cleanups removed large numbers of disability beneficiaries from the rolls. Cleanups affected disability grants in particular as, in the past, temporary disability grants were not removed automatically on expiry. Criteria for the disability grant are also more open to interpretation, which led to abuse. In some provinces, benefits to legitimate recipients were discontinued and thus large reinstatements have taken place. Continued scope for abuse and HIV/AIDS may again increase the number of disability beneficiaries in future.

Foster care and care dependency

Growth in the number of foster care and care dependency grants has been rapid over the last two years, averaging 6 per cent and 147 per cent a year, respectively. This has, however, been off a low base. The increasing number of AIDS orphans and the phasing out of maintenance grants should lead to continued strong growth in foster care grants. The growth in care dependency grants possibly relates to better dissemination of information about this relatively underutilised grant.

Child support grant

Since April 1998 take-up of the child support grant has been substantially below target but it has been increasing rapidly in recent months. After the first year of the five-year implementation period, less than 30 000 people, or 1 per cent of the target of 3 million, had registered for this grant. Slow take-up relates to stringent information requirements and inadequate capacity in welfare departments. Efforts are underway to improve take-up of the grant.

Data cleanup and suspensions

The cleanup of the social security database has progressed significantly over the last year. The national and provincial welfare departments are all involved in the process, which includes suspensions, monthly data discrepancy reports to provinces, re-registrations, and data linkages with the Unemployed Insurance Fund, Persal and civil pension databases to identify people receiving double payments from the different funds.

Grants have been suspended from the Socpen system for the following reasons:

- ◆ Deceased beneficiaries.
- ◆ Expiry of temporary disability grants.
- ◆ Corrections in state maintenance grants, foster care grants and care dependency.
- ◆ Suspension of child care grants to people older than 18 years old.
- ◆ Invalid grant combinations.
- ◆ Requests from provinces to suspend those who do not qualify from reports.

Suspensions and estimated total savings for the two previous fiscal years are shown in Table 6.10. A total of 230 866 grants were suspended from April 1997 to March 1999, with a potential saving of R497 million. While large numbers of beneficiaries were suspended, many had to be re-registered. Up to 70 per cent of those suspended in Northern Province were re-registered. Legitimate beneficiaries might also have been suspended and be unable to re-register, due to circumstances or poor administration.

Coverage of target populations

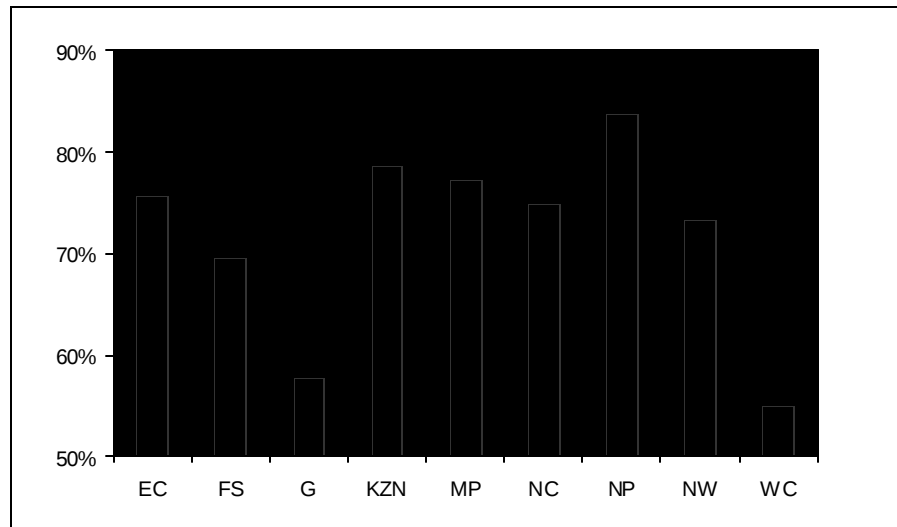
Unequal per capita expenditures outlined above reflect the unequal grant coverage of target populations in different provinces. This is also shown by the number of beneficiaries relative to the target population groups. Information on income levels is not sufficient to include this in defining target groups, hence the focus on demographics.

Coverage of the elderly

Figure 6.4 shows that old age grant coverage is high and generally mirrors poverty patterns, with poorer provinces having higher coverage levels. While more than 70 per cent of the elderly in the country receive old age grants, only about 55 per cent receive grants in the richer provinces of Gauteng and Western Cape. Given the means-tested nature of the grant, coverage of the target population must be close to complete and grant numbers should not grow faster than the elderly population.

Table 6.10 Total beneficiary suspension

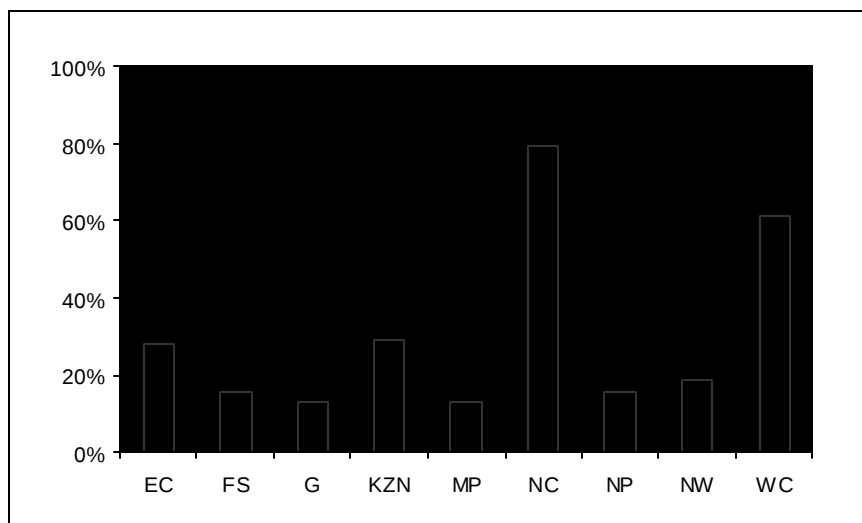
	April 1997–March 1998		April 1998–March 1999	
	Suspensions	Amount saved (R)	Suspensions	Amount saved (R)
Eastern Cape	7 716	6 888	3 855	14 213
Free State	6 545	6 361	3 914	13 923
Gauteng	16 657	13 421	4 583	16 411
KwaZulu-Natal	9 849	10 206	5 316	19 951
Mpumalanga	6 129	5 779	2 610	8 823
Northern Cape	4 023	3 813	1 340	35 025
Northern Province	94 999	132 355	2 170	8 059
North West	6 079	4 782	1 973	7 178
Western Cape	10 779	8 817	3 723	13 947
Batch suspension	29 147	126 745	9 459	40 050
Total	191 923	319 167	38 943	177 579
Estimated savings after reinstatement				53 274

Figure 6.4 Proportion of elderly receiving old age grants, by province

Coverage of the disabled

In contrast, disability grant coverage varies significantly between provinces and does not reflect the incidence of poverty (see Figure 6.5). Northern Cape and Western Cape have high levels of coverage, but four of the poorest provinces, Free State, Mpumalanga, Northern Province and North West, have low coverage levels. The extremely high coverage in Northern Cape stands out. Low coverage in the poorer provinces points to significant future budgetary pressure. This pattern holds for maintenance grants, grants-in-aid and foster care grants.

Figure 6.5 Proportion of disabled receiving disability grants, by province



Welfare services

Expenditure on welfare services other than social security varies considerably, as shown in Table 6.11. For instance Northern Cape spends only slightly less than North West and Mpumalanga despite its far smaller population. This reflects historical imbalances in the distribution of welfare facilities.

Table 6.11 Percentage expenditure on welfare programmes other than social security, 1999/00

Province	Welfare expenditure excl. social security (Rmillion)	Social assistance (%)	Social welfare services (%)	Social development (%)	All other (%)
Eastern Cape	235	55,4	29,8	1,2	13,7
Free State	137	37,7	36,9	10,6	14,9
Gauteng	450	44,3	36,7	3,6	15,4
KwaZulu-Natal	229	48,7	39,3	1,1	11,0
Mpumalanga	86	40,3	38,6	0,0	21,1
Northern Cape	70	37,9	32,7	4,0	25,4
Northern Province	99	24,3	29,5	12,9	33,3
North West	104	38,4	40,7	3,6	17,3
Western Cape	338	62,1	24,5	2,1	11,3
Total/Average	1 748	47,3	33,6	3,6	15,5

ISSUES IN WELFARE

Sustainability of grant expenditure

Several factors point towards continuing budgetary pressure for grant expenditure. First, unequal per capita expenditure and unequal coverage of target populations, particularly regarding disability benefits, show that some poor provinces do not as yet provide adequate services to their communities, probably owing to a lack of capacity and information.

Expenditure in these provinces is likely to grow in future. Second, provinces with large numbers of children qualifying for child support grants will benefit little from phasing out the state maintenance grant. Higher take-up of the child benefit will therefore put upward pressure on spending. Annual increases in grant values will have to be balanced against this expected growth in numbers and the affordability of the current system should be carefully monitored over the next few years.

Budgeting for social security

The lack of detailed demographic data and information about household income levels precludes rigorous budgeting for social security expenditure. Data for projecting future grant expenditure should urgently be improved.

Reprioritisation of expenditure

The welfare policy is to reprioritise expenditure towards developmental services and away from “passive” income support. This challenge is formidable given cost pressures on grants, and innovative solutions will need to be sought.

Unequal expenditure on welfare services

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

Financing welfare services

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

Location of responsibility for social security

As noted above, welfare is a concurrent function of national and provincial governments. While the financing and delivery of social grants is in the hands of provinces, the national minister is responsible for policy, legislation and regulation. This division of responsibilities could lead to budget gaming, with provinces anticipating that the national government will foot deficits on what is essentially a national mandate, as well as allegations of unfunded national mandates. Recent years saw increased efforts to coordinate policy determination with provincial financial realities. These will have to be strengthened, or responsibilities for policy and financing consolidated at either the national or provincial level.

Improving financial management and efficiency

Given the budgetary pressures in the welfare sector, management of resources and efficiency of service delivery need to be strengthened. A conditional grant to support such efforts has been included on the national budget in 1998/99 and 1999/00.

7: FOCUS ON OTHER PROVINCIAL FUNCTIONS

INTRODUCTION

The previous chapters discussed the social services, which are concurrent responsibilities of the national and provincial governments. However, provincial governments also have several other functions, which have been severely affected by the focus on social service delivery.

Non-social service responsibilities

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

Differences in classification

Provinces have considerable freedom to determine how departments will be structured, leading to a lack of uniformity across provinces. For example, some provinces link finance and economic affairs while others combine trade, industry and tourism. This complicates interprovincial comparisons as expenditure on subcomponents such as administration and stores cannot be isolated.

Funding of other functions

Provinces fund all their other functions from their equitable share and own revenues. Given the dominance of social spending, less than 20 per cent of provincial budgets is available for these functions.

AGGREGATE EXPENDITURE ON OTHER PROVINCIAL FUNCTIONS

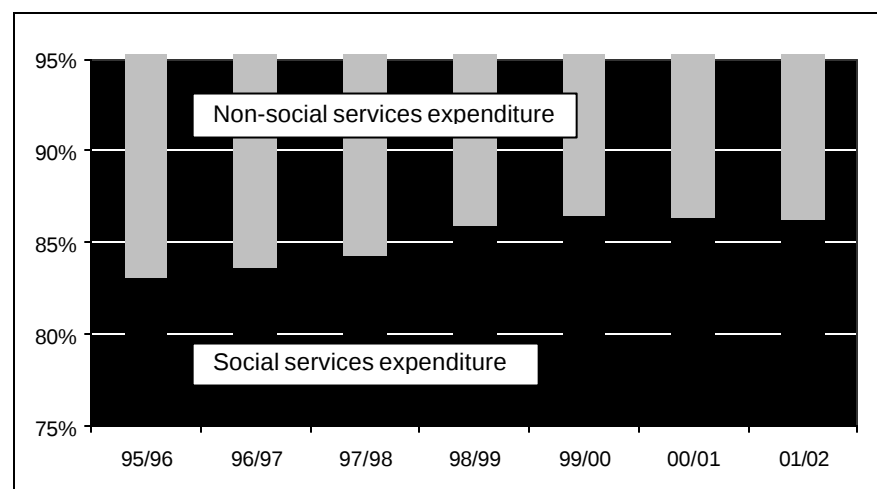
Decrease in expenditure on other functions

Figure 7.1 shows the division of adjusted total provincial expenditure (which excludes state debt service costs, finance reserves and certain grants to local government) between social service and non-social service programmes. Aggregate expenditure on non-social service functions has declined from 16,9 per cent of total provincial expenditure in 1995/96 to 14,1 per cent in 1998/99. In provinces with academic hospital complexes, such as Gauteng and Western Cape, the proportion of the budget spent on other functions is significantly lower, at about 11 per cent on average, despite conditional grants.

The 1999/00 provincial budgets reflect a further reduction in expenditure on non-social services to 13,6 per cent of provincial expenditure and a

subsequent marginal increase to 13,8 per cent in 2001/02. This reduction is partly due to provinces repaying debts accumulated in previous years. “Other” programmes are particularly affected since most social services expenditure items, such as teachers’ salaries and social security grants, are fixed costs over which provinces have little direct control.

Figure 7.1 Share of social services and other expenditure of total adjusted provincial expenditure



Increasing expenditure on personnel

Table 7.1 and Figure 7.2 show spending on personnel capturing a growing share of non-social services, increasing from 34,9 per cent in 1996/97 to 44,7 per cent in 1998/99. The increase in personnel expenditure has been more significant in provinces with former homelands. This is due in part to above-average pay increases to workers at the lowest levels. In addition, these provinces carry surplus personnel (supernumeraries) in public works, agriculture and local government.

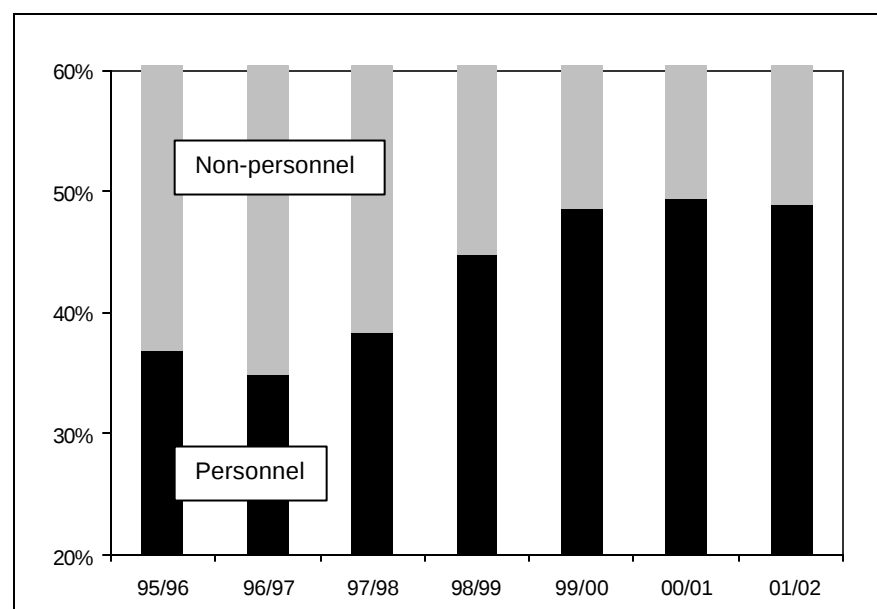
Table 7.1 Provincial expenditure on non-social services functions ¹

	Actual			Estimated actual	Medium term estimate		
R million	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Personnel expenditure	4 535	5 025	5 605	5 856	6 242	6 839	7 155
Other expenditure	7 791	9 366	9 067	7 248	6 599	7 031	7 475
Total	12 286	14 391	14 632	13 105	12 841	13 869	14 629
As a percentage of total:							
Personnel expenditure	36,9	34,9	38,3	44,7	48,6	49,3	48,9
Other expenditure	63,1	65,1	61,7	55,3	52,4	50,7	51,1
Percentage growth:							
Personnel expenditure		10,8	11,5	4,5	6,6	9,6	4,6
Other expenditure		20,8	-3,6	-19,7	-9,0	6,5	6,3
Total		17,1	1,7	-10,4	-2,0	8,0	5,5

¹Excluding finance reserves, state debt service costs and local government grants (see Chapter 3 and Appendix B).

Over the MTEF period, personnel expenditure grows at an average rate of 7,1 per cent per year, which is above the average anticipated inflation rate of 4,7 per cent over the period. In contrast to this growth in personnel expenditure, non-personnel spending has declined steadily since 1996/97, falling nearly 20 per cent in 1998/99 alone. Provinces budgeted for a further decline of 9,0 per cent in 1999/00. This trend should be reversed from 2000/01, when expenditure allocated to non-personnel is expected to increase.

Figure 7.2 Personnel and non-personnel shares of “other” expenditure



Budget instability

Overspending in the large social services programmes in 1997/98 and 1998/9 affected non-social services functions, which were reduced in-year as provinces attempted to stay within overall budget totals. Stabilisation of social services budgets through the MTEF process should enable provinces to divert more resources to other provincial priorities, especially from 2000/01 onwards.

INTERPROVINCIAL COMPARISONS

Difficulty in comparing provincial budgets

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

Budgets of other functions

Apart from provincial health, education and welfare department votes, provincial budgets contain 10 to 15 other votes. These votes are small relative to social service budgets, with the four largest components constituting only about 10 per cent of total provincial budgets in 1999/00. These are provincial public works and transport, local government, housing and agriculture. The remaining provincial votes comprise less than 4 per cent of provincial budgets and include the Premier's office, the provincial legislature, safety and security, corporate services, sport and culture, and economic and environmental affairs. The four largest non-social functions are discussed in more detail below.

Public works and transport

National public works responsibility	Public works and transport are concurrent responsibilities of the national and provincial governments. The national Department of Public Works focuses on the land and building needs of national departments and the National Public Works Programme (NPWP). The NPWP delivers public-sector infrastructure through labour-intensive construction and a community-based public works programme.
National transport responsibilities	The national Department of Transport is responsible for transport policy, regulation and safety, and rail and bus subsidy transfers. National roads infrastructure is the responsibility of the National Roads Agency.
Provincial programme structure	Provinces do not have a uniform programme structure for these two departments, some combining and others separating the functions. In some provinces, the transport department is responsible for road safety, maintenance and construction, while in others this is the responsibility of public works. To facilitate comparisons, Table 7.2 combines public works and transport expenditure. These votes are important because a significant portion of the funds is devoted to capital expenditure. Note that provinces show some capital expenditure on the votes of individual departments such as health rather than on the public works vote.
Expenditure levels	In 1998/99 provincial expenditure on both public works and transport is only slightly above its 1995/96 level. It increased by 18,1 per cent in 1996/97, reflecting a surge of RDP funds, and was static in 1997/98. Expenditure subsequently declined as provinces tried to contain overexpenditure on the budget totals. Provinces budgeted for a further decline in 1999/00, with above-inflation growth in the following year. KwaZulu-Natal increases its allocation by 23,1 percent in 2000/01, mainly to replace existing capital stock.
Variation in expenditure across provinces	Although overall expenditure on public works and transport is largely the same in 1998/99 as in 1995/96, provincial patterns vary significantly. Over this period, public works and transport expenditure declined sharply in Eastern Cape and KwaZulu-Natal, with most provinces experiencing a significant decrease in 1998/99. In 1998/99 Western Cape's public works and transport expenditure was also under pressure after restructuring that separated transport and public works into two departments. In contrast, Gauteng nearly doubled its expenditure between 1995/96 and 1998/99.
Growth in personnel expenditure	The economic classification of public works and transport expenditure in Table 7.3 shows that the share of capital expenditure grew from 27,5 per cent to about 32,4 per cent in 1997/98 and then declined to 28,1 per cent in 1998/99. The medium-term budgets envisage a drop in this share to about 26 per cent. The share of personnel expenditure is expected to increase from 29,9 per cent in 1995/96 to 42,1 per cent in 1999/00 before receding somewhat in the outer MTEF years. As a result of declining allocations and high personnel expenditure, new capital spending is being curtailed. This may also impact on maintenance and rehabilitation.
Infrastructure review report	The infrastructure MTEF review noted that provincial roads require rehabilitation and maintenance. Continued neglect may begin to impair the provinces' ability to promote economic development and address unemployment and poverty.

Table 7.2 Provincial expenditure on public works and transport

R million	Actual			Estimated actual	Medium term estimate		
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Eastern Cape	1 075	1 070	1 041	784	731	836	884
Free State	600	711	825	716	452	473	490
Gauteng ¹	624	868	940	1 128	1,067	1,126	1,166
KwaZulu-Natal	1 125	1 384	1 464	896	1 040	1 280	1 362
Mpumalanga	383	662	491	511	580	596	636
Northern Cape	172	192	208	187	163	171	174
Northern Province	830	877	950	809	884	915	975
North West	952	1 042	953	967	933	969	989
Western Cape	557	650	691	505	469	494	466
Total	6 317	7 458	7 564	6 504	6 318	6 860	7 143

Percentage growth:

Eastern Cape	-0,4	-2,8	-24,7	-6,8	14,4	5,8
Free State	18,5	16,1	-13,2	-36,9	4,7	3,7
Gauteng	39,3	8,3	19,9	-5,4	5,5	3,5
KwaZulu-Natal	23,1	5,7	-38,8	16,0	23,1	6,4
Mpumalanga	73,0	-25,9	4,1	13,5	2,8	6,7
Northern Cape	11,8	7,9	-10,1	-13,1	5,0	2,1
Northern Province	5,8	8,1	-14,9	9,3	3,6	6,6
North West	9,4	8,3	1,4	-3,5	3,8	2,1
Western Cape	16,7	6,3	-29,9	-7,1	5,4	-5,7
Total	18,1	1,4	-14,0	-2,9	8,6	4,1

¹For 1999/00 through 2001/02, the Gauteng totals include about R250 million each year of capital-related expenditure that was budgeted on the health vote. Actual figures include similar health expenditure on capital projects on the works vote, and thus are included above for consistency.

Stabilisation of the budgets

Some provincial departments are exploring innovative ways of providing services more efficiently and addressing infrastructure backlogs such as:

- ◆ Outsourcing construction and maintenance units of public works departments
- ◆ Establishing dedicated infrastructure funds
- ◆ Promoting public-private partnerships
- ◆ Restructuring assets to raise funds for infrastructure maintenance and investment
- ◆ Establishing provincial road agencies for road rehabilitation and construction

Table 7.3 Total provincial public works and transport expenditure by economic classification

R million	Actual			Estimated actual	Medium term estimate		
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Current expenditure	4 580	5 499	5 118	4 679	4 631	4 893	5 258
Personnel	1 890	2 261	2 449	2 478	2 661	2 801	2 901
Transfer payments	378	427	461	322	381	400	388
Other current	2 312	2 810	2 203	1 879	1 590	1 691	1 969
Capital expenditure	1 737	1 959	2 450	1 824	1 687	1 968	1 885
Total	6 317	7 458	7 564	6 504	6 318	6 860	7 143
As a percentage of total:							
Current expenditure	72,5	73,7	67,2	71,9	73,3	71,3	73,6
Personnel	29,9	30,6	32,4	38,1	42,1	40,8	40,6
Transfer payments	6,0	5,0	6,1	5,0	6,0	5,8	5,4
Other current	36,6	37,7	29,1	28,9	25,2	24,7	27,6
Capital expenditure	27,5	26,3	32,4	28,1	26,7	28,7	26,4
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Local government and housing expenditure

Expenditure trends

Some provinces combine housing with local government, while others have a separate housing department. Table 7.4 shows total local government and housing expenditure by province. The local government totals include provincial grants to local government. As from 1998/99, the local government equitable share replaced most grants to local governments subsidising operating costs. These grant amounts were removed from other analyses, but are included here to illustrate the declining budgetary responsibility of provinces in respect of funding for local government.

The share of local government and housing was approximately 24 per cent of total non-social expenditure in 1997/98 and then, as the local government equitable share was introduced, declined to 17 per cent in 1998/99 and will decline to 10 per cent in 2000/01. By that stage the local government equitable share will be fully phased in and provinces will not have this responsibility for funding local government.

The housing expenditure excludes housing subsidies. These agency payments are administered by provincial housing boards and are not reflected on provincial budgets.

Transfer of R293 staff

Some provinces are currently transferring to municipalities the functions and staff of R293 towns, which are towns in certain former homeland areas. In 1998/99, R951 million was allocated to fund services and staff in R293 towns. It was anticipated that the transfer would be complete by the end of 1998/99 and that funding for R293 towns would form part of the equitable share from 1999/00. Delays in the transfer of staff led to funding for R293 towns being split for 1999/00. About R477 million will be paid directly to R293 towns as part of the local government equitable

share to fund the provision of services. Staff transfers should be finalised this year and the salary component remains with the provinces for the 1999/00 budget. Conditional grants to the provinces for R293 staff amount to R463 million in 1999/00, and a further R40 million has been allocated to assist with staff transfers. The transfer of staff will be monitored and grants adjusted as transfers occur.

Table 7.4 Local government and housing expenditure and budgets by province

R million	Actual			Estimated actual	Medium term estimate		
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Eastern Cape ¹	405	441	514	275	285	234	251
Free State ¹	185	308	311	323	135	83	87
Gauteng	291	99	95	109	97	106	115
KwaZulu-Natal ¹	911	1 188	992	797	463	364	388
Mpumalanga ¹	155	167	211	131	104	107	109
Northern Cape	56	71	69	45	43	45	47
Northern Province ¹	138	478	276	286	224	119	124
North West ¹	385	446	484	311	245	253	260
Western Cape	220	337	304	107	94	98	101
Total	2 746	3 534	3 258	2 385	1 691	1 409	1 483
Percentage growth:							
Eastern Cape ¹		8,8	17,0	-46,6	3,5	-17,7	7,2
Free State ¹		66,5	1,0	4,1	-58,1	-38,4	4,7
Gauteng		-65,9	-4,0	13,9	-10,2	9,1	8,4
KwaZulu-Natal ¹		30,4	-16,5	-19,6	-41,9	-21,4	6,7
Mpumalanga ¹		7,8	26,1	-37,7	-21,0	2,8	1,9
Northern Cape		26,7	-1,9	-34,5	-6,2	6,3	3,3
Northern Province ¹		247,8	-42,2	3,4	-21,5	-47,1	4,9
North West ¹		15,8	8,5	-35,7	-21,3	3,1	2,9
Western Cape		53,3	-9,6	-64,9	-11,9	3,8	4,0
Total		28,7	-7,8	-26,8	-29,1	-16,7	5,3

¹Indicates provinces that have R293 towns.

Reduction in transfers to local government

In addition to the R293 transfers, the budgets of local government departments included intergovernmental grants (IGGs) paid to black municipalities between 1995/96 and 1997/98 to support service delivery. The IGGs are included in the equitable share for local government in 1998/99. With IGGs being replaced by equitable share allocations, transfer payments paid by provinces to local government fall from a high of 50,6 per cent of expenditure in 1997/98 to 12,9 per cent in 1999/00 (see Table 7.5). As a result of this function shift, personnel expenditure, which stays relatively steady in rand terms, more than doubles as a share of expenditure. It tapers off beginning in 2000/01, reflecting the end of the conditional grant funding R293 staff.

Table 7.5 Local government and housing expenditure by economic classification

R million	Actual			Estimated actual	Medium term estimate		
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Current expenditure	2 474	3 213	2 926	2 147	1 593	1 307	1 378
Personnel	700	927	915	1 032	1 016	810	853
Transfer payments	875	1 652	1 649	861	219	142	148
Other current	899	633	363	254	359	354	377
Capital expenditure	271	322	331	237	98	102	105
Total	2 746	3 534	3 258	2 385	1 691	1 409	1 483
As a percentage of total:							
Current expenditure	90,1	90,9	89,8	90,1	94,2	92,8	92,9
Personnel	25,5	26,2	28,1	43,1	60,1	57,5	57,5
Transfer payments	31,9	46,7	50,6	36,1	12,9	10,1	10,0
Other current	33,8	17,9	11,1	10,7	21,2	25,1	25,4
Capital expenditure	9,9	9,1	10,2	9,9	5,8	7,2	7,1
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Developmental and oversight role of local government

Although provincial local government departments are no longer responsible for budgeting for transfers to local government, these departments still direct national funds to the local sphere. For instance, they administer Consolidated Municipal Infrastructure Programme (CMIP) grants. The CMIP emerged from the rationalisation of the three short-term programmes that funded municipal bulk infrastructure between 1995/96 and 1997/98: the Municipal Infrastructure Programme (MIP), the Extended Municipal Infrastructure Programme (EMIP), and the Bulk and Connector Infrastructure Grant (BCIG). Through these programmes, R666 million was transferred to local governments in 1995/96 and 1996/97. This increased to R1 808 million in 1997/98 when the CMIP was implemented and the others phased out.

Objective of CMIP

CMIP funds are voted on the budget of the Department of Constitutional Development. It supports the installation of new internal bulk and connector infrastructure for greenfield development and upgrading or rehabilitation of existing bulk and connector infrastructure. The rural water infrastructure grant of the Department of Water Affairs and Forestry funds community water and sanitation projects. These programmes complement the housing programme by ensuring service provision especially to poor households with land and housing subsidies.

Access to CMIP funds

To access CMIP funds, municipalities prepare business plans that are submitted to provincial local government departments for approval and for submission to the Department of Constitutional Development. CMIP transfers amounted to R703 million in 1998/99 and R696 million are budgeted for 1999/00. These agency payments do not appear on the provincial budgets.

Responsibility for housing function

Housing is a concurrent function of national and provincial governments, with the national Department of Housing giving policy direction. Its budget also supports the South African Housing Fund that, in terms of the Housing Act of 1997, provides subsidy payments via the provincial housing boards. Provinces administer the housing programme and offer secretarial and administrative support to the provincial housing boards. In 1999/00, R2,9 billion is budgeted for housing subsidies. These agency payments are also not reflected on provincial budgets.

Agriculture

Responsibility for agriculture

Agricultural is a concurrent responsibility of the national and provincial governments. The national Department of Agriculture sets policy to support the development of agriculture, sustainable use of agricultural resources and agricultural trade. The provinces facilitate sustainable development of both small-scale and commercial agriculture. Small-scale agriculture is particularly critical in rural areas with high unemployment.

Table 7.6 Provincial expenditure and budgets for agriculture

	Actual			Estimated actual	Medium term estimate		
R million	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Eastern Cape	563	507	537	391	375	482	503
Free State	149	124	117	100	88	93	96
Gauteng	34	41	65	67	93	96	104
KwaZulu-Natal	301	366	374	264	345	379	414
Mpumalanga	137	89	136	135	116	127	135
Northern Cape	42	46	53	53	49	53	55
Northern Province	540	422	659	558	551	579	609
North West	309	289	193	192	197	204	210
Western Cape	63	84	78	79	75	80	83
Total	2 138	1 967	2 212	1 838	1 889	2 093	2 210

Percentage growth:

Eastern Cape	-10,0	6,1	-27,3	-4,1	28,5	4,5
Free State	-17,2	-5,8	-14,6	-11,6	5,1	3,7
Gauteng	18,9	58,1	3,8	38,4	3,4	8,8
KwaZulu-Natal	21,6	2,3	-29,1	30,7	9,9	9,3
Mpumalanga	-35,1	53,2	-0,9	-14,1	9,7	6,4
Northern Cape	9,9	16,1	-1,7	-5,9	7,1	3,9
Northern Province	-21,9	56,2	-15,3	-1,2	5,1	5,0
North West	-6,6	-33,3	-0,2	2,3	3,8	2,9
Western Cape	33,6	-7,0	0,4	-4,7	6,3	3,8
Total	-8,0	12,5	-16,9	2,8	10,8	5,6

Agriculture in former homelands

Agriculture in most former homelands and self-governing states is largely limited to subsistence farming. The provincial governments aim to broaden access to agricultural resources in these areas through marketing and extension services, credit and land. These initiatives contribute significantly to job creation and poverty alleviation in rural areas.

Expenditure on agriculture

Consolidated total expenditure on agriculture in the 1999/00 budgets is approximately R2,6 billion, of which about three-quarters or R1,9 billion is on the provincial budgets. This is approximately 2 per cent of total provincial expenditure. Most rural provinces, except KwaZulu-Natal, have allocated more than 2,5 per cent of total expenditure to agriculture. Urban provinces, such as Gauteng and Western Cape, spend a smaller proportion on this sector. Compared to other years, 1998/99 shows a reduction in provincial expenditure on agriculture, concentrated in KwaZulu-Natal, Eastern Cape, Free State and Northern Province. A recovery in these expenditures in 1999/00 is budgeted in some provinces (KwaZulu-Natal and Gauteng) or is projected to take place in subsequent years (Eastern Cape).

Provincial spending trends

Table 7.7 shows that over 90 per cent of agriculture budgets are allocated to current expenditure, with personnel absorbing a growing share. Expenditure on personnel increased from 53,3 per cent in 1995/96 to 73,8 per cent in 1998/99, stabilising at about 71 per cent over the MTEF period. Particularly in provinces with former homelands, agriculture departments carry excess low-level staff, while they have a shortage of the skills required for adaptive research and extension programmes.

Table 7.7 Total provincial agriculture expenditure and budgets by economic classification

	Actual			Estimated actual	Medium term estimate		
R million	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Current expenditure	2 084	1 902	2 164	1 779	1 780	1 942	2 032
Personnel	1 141	1 081	1 386	1 356	1 399	1 491	1 571
Transfer payments	532	466	346	163	97	160	171
Other current	411	355	432	260	284	291	290
Capital expenditure	54	64	47	59	109	151	178
Total	2 138	1 967	2 212	1 838	1 889	2 093	2 210
As a percentage of total:							
Current expenditure	97,5	96,7	97,9	96,8	94,2	92,8	91,9
Personnel	53,3	55,0	62,7	73,8	74,1	71,2	71,1
Transfer payments	24,9	23,7	15,6	8,9	5,1	7,7	7,8
Other current	19,2	18,1	19,5	14,2	15,1	13,9	13,1
Capital expenditure	2,5	3,3	2,1	3,2	5,8	7,2	8,1
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0

CONCLUDING REMARKS

Importance of other functions

The non-social services functions constitute a small, but important, part of provincial budgets. Provinces acknowledge the need to move beyond the provision of social services and most have development plans to stimulate job creation through support for SMMEs, tourism and agriculture. Limited resources and the magnitude of the need for basic social services have meant that many have had to delay implementation of these programmes.

Sectoral expenditure reviews

The sectoral expenditure reviews facilitate programme standardisation, identification of key challenges and policy formulation for improved delivery of social services. They resulted in the establishment of policy and budget coordination committees to harmonise the roles of different spheres of government in the delivery of social services. With the exception of the infrastructure review, other concurrent functions have not been comprehensively reviewed. Even this review focuses mainly on national government functions, and sectoral reviews of the other socio-economic functions are increasingly necessary. Coordinating policy and delivery of these functions is equally important for achieving the government's goal of expanding access to socio-economic services.

APPENDIX A: THE DIVISION OF REVENUE¹

DIVISION OF REVENUE BETWEEN THE SPHERES

The Constitution requires that all revenue raised nationally be divided equitably between the three spheres of government, taking into account their ability to generate revenue. In addition to collecting revenue from taxes, government borrows to meet its expenditure requirements.

Amounts set aside

The first stage in the division of revenue is to remove from the shared pool the costs of servicing debt and a reserve for contingencies. Interest payments already constitute the second largest expenditure item and higher interest rates translate into higher repayments. They are, however, contractual obligations that must be honoured. The contingency reserve can absorb the impact of unforeseen circumstances. In 1998/99, for instance, it was used to offset higher than anticipated debt servicing costs.

Consistent with budget reform measures to increase transparency, donor financed expenditure is reflected in the Budget. These amounts are committed to specific projects and are not available to be shared. The skills development levy grant scheme, to be introduced in 2000/01, will be dedicated to training as specified in the Skills Development Levy Bill.

Table A1 presents the division of revenue as laid out in the 1999 Budget.

Spending by national departments

The national equitable share includes amounts for national departments as well as conditional grants and agency payments to other spheres. The expenditure responsibilities of national government are defined by the Constitution. Some functions, such as protection services, economic services and foreign affairs, are exclusively performed by national departments. Other functions, including education, health and welfare, are performed in conjunction with other spheres. All national government activities must be paid for from the national equitable share.

Conditional grants to other spheres

Conditional grants and agency payments are funds on the budget of national departments that are allocated to provincial and local governments. These payments are made to:

- ◆ Enable national priorities to be provided for in the budgets of other spheres.
- ◆ Promote national norms and standards.

¹This Appendix is an excerpt from the Memorandum to accompany the Division of Revenue Bill 1999. It is presented in full as Annexure E in the national *1999 Budget Review*.

- ◆ Compensate provinces for cross-border flows and specialised services of national benefit such as training medical professionals.
- ◆ Recognise that other spheres implement some national government functions, such as the provision of housing.

The conditional grants to provinces are detailed in Table A2. The Medium Term Expenditure Framework allocates estimated improvement in conditions of service (ICS) to the national and provincial shares. However, for 1999/00, these amounts are actually on the national budget and will be allocated to the provinces as a conditional grant once wage negotiations have been concluded.

Table A1 Division of revenue, 1999/00

R million	Medium term expenditure framework ¹		
	1999/00	2000/01	2001/02
National equitable share	78 733	81 100	84 489
National departments	69 972	72 739	76 232
Conditional grants	8 761	8 361	8 257
Provincial equitable share	86 302	92 071	96 822
Local government equitable share	1 673	2 480	2 580
Total to be shared	166 708	175 652	183 891
Plus:			
Debt service costs	48 222	49 820	52 609
Contingency reserve	1 100	3 500	8 000
Skills development levy grant scheme	—	1 000	2 000
Donor-financed spending	750	750	750
Total expenditure	216 780	230 722	247 250

Addendum:

Percentage of shared total with conditional grants distributed

National	42,0	41,4	41,5
Provincial	56,6	57,2	57,1
Local	1,4	1,4	1,4

¹The MTEF estimates include improvements in conditions of service in the respective national and provincial shares.

DIVISION OF REVENUE BETWEEN PROVINCES

Equitable share

Provinces rely on transfers from national government to fund their activities. Provincial revenue comprises an equitable share that is unconditional, a set of conditional grants and the revenue provinces are able to generate themselves. The total transfers to provinces for 1999/00 are shown in Table A3. The distribution of the equitable share between provinces is determined by a formula discussed below.

Table A2 Conditional grants to provinces¹

R million	1998/99	1999/00	2000/01	2001/02
Health				
Central hospitals	3 021	3 075	3 112	3 221
Training and research	1 060	1 118	1 174	1 215
Redistribution of specialised services	53	112	176	182
Hospital rehabilitation programme	–	200	400	500
Durban academic hospital	200	247	273	103
Umtata regional hospital	100	64	–	–
Primary school nutrition programme	526	555	582	603
Finance				
Supplementary grant	2 800	2 500	2 212	2 000
Contingency transfer to provinces for debt relief	1 000	–	–	–
Education				
Financial management and quality enhancement	200	111	272	283
Classroom backlogs	51	–	–	–
KwaZulu-Natal peace initiative	80	–	–	–
Textbook grant	200	–	–	–
Housing				
Capacity building	10	10	10	10
State expenditure				
Financial and personnel management	100	20	100	140
Welfare				
Financial management of social security systems	100	50	50	–
Labour				
Training centres in former Bophuthatswana	52	56	–	–
Other conditional grants	15	–	–	–
Subtotal	9 568	8 118	8 361	8 257
Grants to provinces for local government				
Department of Constitutional Development				
R293 staff	951	463	–	–
R293 transfer cost assistance grant	–	40	–	–
Local government support grant ²	181	140	–	–
Subtotal	1 132	643	–	–
Total	10 700	8 761	8 361	8 257

¹Excludes improvements in conditions of service; some conditional grants are not yet allocated by provinces.

²This grant was called the Local Government Transition Grant in 1998/99.

The provincial horizontal distribution allocates resources to provinces based on their demographic and economic profiles, as shown in Table A4. The formula has a strong redistributive effect while creating sufficient incentives for provinces to develop productive capacity and stimulate growth.

Table A3 Total transfers to provinces, 1999/00

R million	Equitable share	Conditional grants ¹	Total
Eastern Cape	14 819	1 137	15 956
Free State	5 742	745	6 487
Gauteng	12 573	2 717	15 290
KwaZulu-Natal	16 707	2 001	18 707
Mpumalanga	5 646	402	6 048
Northern Cape	2 084	133	2 216
Northern Province	11 144	891	12 035
North West	7 213	556	7 770
Western Cape	8 274	1 706	9 980
Unallocated	0	572	572
Total	84 202	10 861	95 062

¹Including estimates of improvements in conditions of service totalling R2,1 billion.

The elements of the formula are not indicative budgets or guidelines to provinces on how to spend their allocations. The final allocations are discretionary but the components are broadly weighted in line with expenditure patterns. The 1999/00 budget is the third year of distributing the provincial equitable share by formula, though it has been revised.

Table A4 Distributing the equitable share

Percentage	Education	Health	Social welfare	Basic share	Economic activity	Institutional	Backlogs	Target shares
<i>Weighting</i>	<i>40,0</i>	<i>18,0</i>	<i>17,0</i>	<i>9,0</i>	<i>8,0</i>	<i>5,0</i>	<i>3,0</i>	<i>100,0</i>
Eastern Cape	18,5	17,0	19,6	15,5	5,9	11,1	20,7	16,8
Free State	6,3	6,5	7,1	6,5	5,1	11,1	5,6	6,6
Gauteng	12,3	14,7	13,9	18,1	43,2	11,1	5,0	15,7
KwaZulu-Natal	22,1	21,7	19,6	20,7	18,9	11,1	23,0	20,7
Mpumalanga	7,3	7,2	6,5	6,9	4,7	11,1	8,5	7,1
Northern Cape	1,9	2,0	2,2	2,1	1,6	11,1	1,3	2,4
Northern Province	15,7	13,3	13,7	12,1	1,7	11,1	22,9	13,5
North West	8,0	8,6	8,7	8,3	5,1	11,1	9,5	8,2
Western Cape	7,9	8,9	8,8	9,7	13,7	11,1	3,6	8,9
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Changes to the formula

As noted in the FFC's *Framework Document for Intergovernmental Relations in South Africa*, adjustments to the formula are to be expected from two sources: changes in the underlying data can occur or structural changes can be made to the formula to reflect improved information or changed circumstances. Adjustments made to the provincial formula for 1999/00 primarily reflect the incorporation of new data, particularly revised census data. Certain structural refinements were also made, in consultation with provinces, national departments and the FFC, to reflect

provincial needs more effectively. The specific changes are discussed in detail below, and summarised in Table A11 at the end of the appendix.

Impact of the final 1996 census

The 1996 census affected the allocations in the formula, given its sensitivity to demographic factors. The figures show a different population distribution than the preliminary estimates that were used to calculate equitable share allocations in the 1998 Budget. Provinces such as Northern Province and KwaZulu-Natal gained from the revised census data, while allocations to Western Cape and Gauteng were affected negatively. The population data used in calculating the distribution of the equitable share for 1999/00 are summarised in Table A5.

Table A5 Population data

Thousands	Total	Rural	Children (0–6)	School age (6–17)	Elderly	Quintile 4 & 5 ¹	No medical aid ²
Eastern Cape	6 303	3 998	1 113	2 010	477	3 718	5 793
Free State	2 634	827	366	680	156	1 475	2 166
Gauteng	7 348	218	915	1 394	392	1 102	4 390
KwaZulu-Natal	8 417	4 789	1 384	2 377	496	2 693	7 314
Mpumalanga	2 801	1 706	466	789	147	1 092	2 409
Northern Cape	840	251	127	223	54	395	665
Northern Province	4 929	4 388	944	1 665	326	2 415	4 554
North West	3 355	2 183	536	896	196	1 644	2 897
Western Cape	3 957	441	539	895	259	791	2 830
Total	40 584	18 802	6 390	10 930	2 502	15 327	33 018

¹Based on the 1995 Income and Expenditure Survey.

²Based on the 1995 October Household Survey.

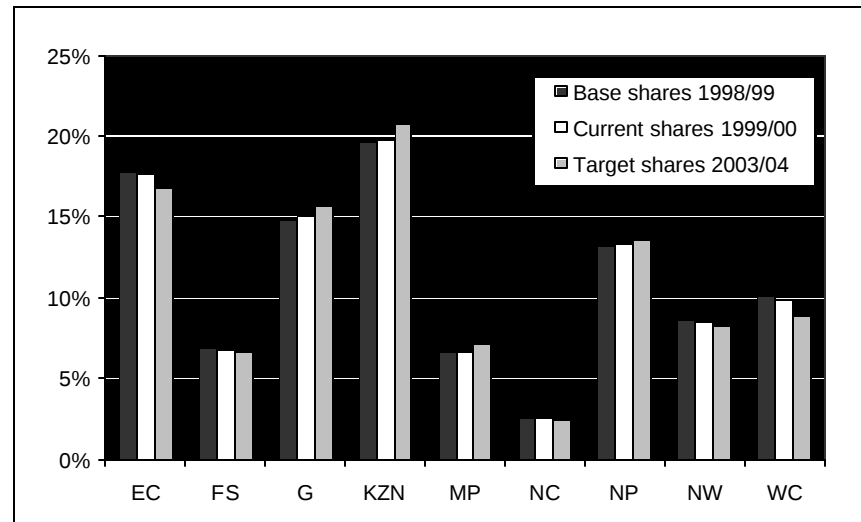
Phasing in the target shares

The FFC recommended that the equitable share formula be phased in to avoid disruptions in provinces where the target shares differ substantially from the current allocation of resources. Taking into account the significant impact of the final census data on the allocation of funds, the Budget Council agreed to retain a five-year phasing-in period. The starting point for the phasing-in process is the final equitable share allocations in 1998/99. Actual expenditure was not incorporated into the base shares, because a once-off base adjustment was made in 1998/99 and improvements in budgeting and financial planning have reduced the gap between budgeted and actual expenditure. Phasing in occurs on a straight line, with five equal moves towards the target share. For example, the final allocation in 1999/00, before the pension adjustment, weighted a province's target share 20 per cent and its base share 80 per cent. The impact of the phasing in is shown in Figure A1.

Adjusting the weightings of components

The weightings of the components have changed slightly from 1998/99. Those attached to education and welfare were increased to reflect actual expenditure trends, based on the findings of the MTEF review teams. The weighting of the institutional component increased by one percentage point. The basic component has been split into a basic share and a backlog component. Their combined weighting was reduced from 15 to 12 per cent to accommodate increases in other components.

Figure A1: Phasing in the equitable shares formula¹



¹Shares include improvements in conditions of service but exclude other conditional grants.

Calculating the education component

The education component targets primary and secondary schooling, which accounts for roughly 90 per cent of provincial education spending. Both the school-going age population and enrolment numbers are relevant to funding needs, but each presents difficulties. The distribution of children of school-going age does not reflect repeater rates and the numbers of learners in the system who are under- or overage, but using the enrolment numbers creates perverse incentives. The figures are used together to reflect the demand for education services. In 1998/99, a simple average was used to compensate provinces where learners do not match the age profile for historical reasons and to reflect the target population. Overenrolment has severely strained education resources, particularly in poorer provinces, prompting education policies to reduce the number of learners who are over- and underage. For example, from 1999/00 children should only start school in the year they turn seven. The education component double weights the school-age cohort.

Table A6 Calculation of the education component

Thousands	Enrolment	School-age (6–17)	Weighted share (%)
<i>Weighting</i>	<i>1</i>	<i>2</i>	
Eastern Cape	2 295	2 010	18,5
Free State	808	680	6,3
Gauteng	1 400	1 394	12,3
KwaZulu-Natal	2 812	2 377	22,1
Mpumalanga	924	789	7,3
Northern Cape	202	223	1,9
Northern Province	2 043	1 665	15,7
North West	946	896	8,0
Western Cape	905	895	7,9
Total	12 335	10 930	100,0

Calculating the health shares

The health component addresses the need for provinces to deliver primary and secondary health services. As all citizens are eligible for health services, the provincial shares of the total population form the basis for the health share. Within the target population, those with access to medical insurance are treated differently. Contrary to 1998/99, they have not been removed from the base population, reflecting their right to choose public health facilities.

People without medical aid support are more likely to use public health facilities than the insured. This component is calculated by weighting the population without medical aid four times higher than those with medical aid, implying that the uninsured account for 95 per cent of usage of public health facilities. The proportions of the population with and without access to medical aid are taken from the 1995 October Household Survey applied to the census figures.

Table A7 Calculation of the health component

Thousands	With medical aid	Without medical aid	Weighted share (%)
<i>Weighting</i>	<i>1</i>	<i>4</i>	
Eastern Cape	510	5 793	17,0
Free State	467	2 166	6,5
Gauteng	2 958	4 390	14,7
KwaZulu-Natal	1 103	7 314	21,7
Mpumalanga	392	2 409	7,2
Northern Cape	175	665	2,0
Northern Province	376	4 554	13,3
North West	457	2 897	8,6
Western Cape	1 127	2 830	8,9
Total	7 566	33 018	100,0

Calculating the welfare shares

The welfare component (Table A8) captures provinces' responsibility for providing social security grants. The constituent parts reflect the target populations of social security payments weighted by the historical distribution of each type of grant. For example, the bulk of social security payments are old-age pensions. Thus the base population for the old-age and childcare subcomponents are those proportions of the population that are eligible for grants: males over age 65, females over age 60 and children under six. The base population for the disability subcomponent is the total population, based on the assumption that the distribution of the disabled population follows that of the total population. An income factor is incorporated to capture the impact of the means test for old age and child support grants. The income adjustment is the provincial share of the population that falls in the lowest two quintiles of the income distribution. The final welfare share is a combination of the income factor, weighted 25 per cent, and the weighted average of grant populations.

Table A8 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
Mpumalanga	5,9	6,9	7,3	6,3	7,1	6,5
Northern Cape	2,1	2,1	2,0	2,1	2,6	2,2
Northern Province	13,0	12,1	14,8	13,0	15,8	13,7
North West	7,8	8,3	8,4	8,0	10,7	8,7
Western Cape	10,4	9,7	8,4	10,0	5,2	8,8
Total	100,0	100,0	100,0	100,0	100,0	100,0

Changes to the basic component

The basic share was previously weighted in favour of the rural population as a proxy for poverty in order to address developmental needs and backlogs. These concerns are now addressed in a separate backlog component that incorporates the rural weighting. The basic share is distributed by percentage share of the total population.

Taking account of economic activity

The economic activity component is a proxy for provincial tax revenue by directing a proportion of nationally collected revenue back to its source. It also reflects costs associated with economic activity, such as maintenance of provincial roads. Gross geographic product (GGP) from 1994 was used in 1998/99 to estimate the distribution of economic activity across provinces. As updated GGP figures are unavailable, they were replaced by the distribution of employee remuneration (Table A9). Remuneration data are the largest component of provincial GGP.

Table A9 Distribution of remuneration

Percentage	Weighted share
<i>Weighting</i>	100,0
Eastern Cape	5,9
Free State	5,1
Gauteng	43,2
KwaZulu-Natal	18,9
Mpumalanga	4,7
Northern Cape	1,6
Northern Province	1,7
North West	5,1
Western Cape	13,7
Total	100,0

Taking account of institutional costs

The institutional component recognises that some costs associated with running a government and providing services are not directly related to the size of a province's population. It is therefore evenly distributed between provinces. The institutional component takes into account certain fixed costs that all provinces must incur, irrespective of their size or state of development. For example, Northern Cape incurs higher costs per person because it has a smaller, highly dispersed population.

Introducing a backlog component

The backlog component (Table A10) addresses the significant backlogs faced by some provinces. Its three subcomponents recognise the need for capital spending on rural infrastructure and facilities in the health and education sectors. The latter subcomponents are weighted, as in the main formula, to reflect actual provincial spending on these functions. Provincial shares of the rural population make up the remaining 42 per cent of the weighted share. The health and education distributions are based on the distribution of capital needs identified in the audit of hospital facilities and the schools' register of needs, respectively.

Table A10 Calculation of the 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
Mpumalanga	9,2	7,5	9,1	8,5
Northern Cape	1,2	1,2	1,3	1,3
Northern Province	27,5	20,4	23,3	22,9
North West	9,1	7,5	11,6	9,5
Western Cape	6,1	3,9	2,3	3,6
Total	100,0	100,0	100,0	100,0

Adjustments to the formula distribution

For 1999/00 two personnel related adjustments were made to the provincial equitable shares as calculated by the formula explained above. These adjustments are shown in Table A11. The equitable share calculated by the formula includes improvements in conditions of service. As noted, new improvements will be allocated as a conditional grant once negotiations in the Public Service Central Bargaining Chamber are complete. The estimated distribution of improvements was, therefore, removed from the equitable share.

Table A11 Adjustments to the 1999/00 equitable share

R million	1998 Budget estimate	Census/ phasing change	Formula changes	Other changes	1999 Budget estimate	Pension adjust- ment	Remove ICS	Equitable share 1999/00
Eastern Cape	15 246	81	-37	2	15 292	-111	-362	14 819
Free State	5 931	-29	39	1	5 942	-47	-153	5 742
Gauteng	13 196	-245	87	-30	13 008	-102	-333	12 573
KwaZulu-Natal	17 175	54	7	3	17 238	-125	-407	16 707
Mpumalanga	5 936	-56	-61	1	5 820	-41	-133	5 646
Northern Cape	2 104	12	19	1	2 136	-12	-40	2 084
Northern Province	11 300	306	-70	1	11 538	-93	-302	11 144
North West	7 403	35	-7	1	7 433	-52	-168	7 213
Western Cape	8 672	-157	23	2	8 539	-62	-203	8 274
Total	86 964	0	0	-19	86 946	-644	-2 100	84 202

Lower pension contributions

The employers' contribution to the Government Employees Pension Fund was reduced from 17 per cent to 15 per cent, consistent with actuarial advice. Although this proposal was first included in the 1998 Budget, the savings of lower pension fund contributions were carried as an offset to total expenditure rather than allocated to provincial and national departments. The adjustment has now been distributed, and it reflects lower expenditure commitments rather than a reduction in services.

APPENDIX B: TABLES

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EXPLANATORY NOTES ON TABLES

The tables in Appendix B contain provincial expenditure and revenue figures compiled from information submitted by the provincial treasuries. The data reflect the latest available estimates of actual and budgeted expenditure.

Actual expenditure and revenue

The process for closing the books and determining actual expenditure and revenue begins with departments drawing up draft actual expenditure reports. These are used to compile appropriation accounts that represent actual expenditure for a specific department in a given financial year. These appropriation accounts are prepared by each department and signed by the responsible accounting officer. Once signed appropriation accounts are available for all departments, the provincial treasury submits these to the Auditor General. The Auditor General's report contains the province's audited expenditure and revenue numbers and comments on the financial statements.

The 1995/96 information for five of the provinces is based on actual expenditure numbers from the Auditor General's report for that year. The other provinces submitted draft appropriation accounts for the year. Northern Province and Eastern Cape employed auditors to assist with closing the books for 1995/96, 1996/97 and 1997/98 and the numbers reflected in the *Intergovernmental Fiscal Review* were compiled by these teams. These two provinces have been unable to close their books for previous financial years due to problems with inherited financial systems and the difficulty of reconciling function shifts from national government and other provinces. These problems were addressed in the new financial systems and the provinces were able to close their books for 1998/99.

The 1996/97 and 1997/98 data for other provinces represent draft appropriation accounts in various stages of completion. The 1998/99 numbers are draft actual expenditure numbers that will be used for preparing the final appropriation accounts. The final figures for 1998/99 could still change and these figures should therefore be regarded as

preliminary. For instance some provinces are still closing outstanding suspense accounts.

Capital expenditure and statutory payments

Some information is omitted from the attached tables, being either impossible to obtain from the current systems or requiring expensive extraction from the previous systems. For example, expenditure on the Works vote for the Health, Education and Welfare departments could not be obtained as the old systems did not separate these expenditures in the Works department. Some provinces were also not able to distinguish the amounts spent on statutory appropriations (salaries for office bearers) as these amounts were included in the personnel line.

Some technical adjustments to the appropriation account numbers were required as provinces classify expenditure for certain functions differently. This problem will be addressed by the introduction of the Government Finance Statistics (GFS) classification as prescribed by the International Monetary Fund (IMF).

Provincial medium-term estimates

The provincial medium-term estimates are from the 1999 budgets tabled by the provinces in February 1999. All the medium-term budgets include estimates of improvements in conditions of service, which are distributed by department and programme. In some cases, the ICS amounts were distributed by formula in proportion to the budgeted personnel expenditure in the programme. Actual ICS amounts will be determined through the central wage bargaining process.

National department estimates

National department medium-term estimates are from the 1999 *National Expenditure Survey* and 1998/99 estimated actual expenditure is from the 16 April 1999 exchequer statement, except for the Department of Welfare. The Welfare medium-term estimates include decisions about the distribution of the poverty alleviation funds, and the 1998/99 estimates are from the department's draft appropriations account.

REVISED ESTIMATES OF GDP

In its June 1999 *Quarterly Bulletin*, the South African Reserve Bank published revised GDP figures through the first quarter of 1999. The revisions accommodated updated definitions of the national accounts. The projections in this *Review* apply the same growth rates and inflation forecasts as the 1999 *Budget*, but to the revised GDP estimates. The GDP estimates shown below are used throughout.

Gross Domestic Product (GDP) estimates

R billion	Actual		Estimated actual		Medium term estimate		
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Original GDP (1999 Budget)	497,3	556,2	606,9	654,0	708,4	766,9	828,7
Revised GDP	564,3	631,4	696,6	749,0	811,3	878,2	949,0

SUMMARY TABLES

Provincial summary

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Provincial social services

Table B4	Total actual and budgeted expenditure on education services by province
Table B5	Total actual and budgeted expenditure on health services by province
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PROVINCIAL SUMMARY							
TABLE B1: TOTAL ACTUAL AND BUDGETED EXPENDITURE AND REVENUE BY PROVINCE							
Province	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
	Actual	Actual	Actual	Estimated Actual	Medium Term Estimates (incl. estimated improvements in condition of service)		
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Eastern Cape							
Revenue	13 222	16 010	15 267	15 993	16 308	16 975	17 633
Expenditure	13 253	16 741	16 153	15 156	16 308	16 975	17 633
Surplus / (Deficit)	(32)	(731)	(886)	837	-	-	-
Free State							
Revenue	5 395	6 023	6 067	6 713	6 815	7 122	7 422
Expenditure	5 190	6 221	6 829	6 890	6 815	7 122	7 422
Surplus / (Deficit)	206	(198)	(762)	(177)	-	-	-
Gauteng							
Revenue	12 031	13 371	14 472	15 516	16 229	17 384	18 441
Expenditure	12 033	13 827	15 000	15 603	16 041	16 823	17 627
Surplus / (Deficit)	(3)	(456)	(528)	(88)	187	561	814
KwaZulu-Natal							
Revenue	15 212	16 976	17 930	18 736	19 211	20 454	21 491
Expenditure	14 944	17 901	19 146	18 449	19 211	20 454	21 491
Surplus / (Deficit)	268	(925)	(1 216)	287	-	-	-
Mpumalanga							
Revenue	4 438	5 225	5 331	5 931	6 200	6 684	7 122
Expenditure	4 314	5 438	5 949	6 040	6 200	6 684	7 122
Surplus / (Deficit)	124	(213)	(618)	(110)	-	-	-
Northern Cape							
Revenue	1 905	2 206	2 158	2 221	2 292	2 431	2 540
Expenditure	1 839	2 061	2 309	2 333	2 292	2 431	2 540
Surplus / (Deficit)	65	145	(151)	(112)	-	-	-
Northern Province							
Revenue	8 946	11 319	11 094	11 858	12 295	12 990	13 667
Expenditure	9 100	11 817	11 825	11 727	12 295	12 990	13 667
Surplus / (Deficit)	(155)	(497)	(731)	130	-	-	-
North West							
Revenue	6 899	7 268	7 291	7 864	8 024	8 432	8 752
Expenditure	6 565	7 541	7 612	7 678	8 024	8 432	8 752
Surplus / (Deficit)	334	(273)	(321)	186	-	-	-
Western Cape							
Revenue	9 172	10 391	9 804	10 355	10 415	10 803	11 101
Expenditure	8 799	10 264	10 422	10 182	10 415	10 803	11 101
Surplus / (Deficit)	373	127	(618)	172	-	-	-
Total							
Revenue	77 220	88 789	89 414	95 186	97 789	103 276	108 168
Expenditure	76 038	91 810	95 246	94 059	97 601	102 715	107 354
Surplus / (Deficit)	1 181	(3 021)	(5 831)	1 128	187	561	814

PROVINCIAL SUMMARY

TABLE B2: TOTAL ACTUAL AND BUDGETED EXPENDITURE AND REVENUE BY FUNCTIONAL AREA

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
	Actual	Actual	Actual	Estimated Actual	Medium Term Estimates (incl. estimated improvements in condition of service)		
Expenditure	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Education							
Personnel Expenditure	26 128	31 578	34 252	35 229	36 137	38 071	39 830
Other Expenditure	3 842	5 028	4 318	3 427	3 726	4 542	4 806
Total	29 971	36 606	38 570	38 656	39 862	42 613	44 636
Health							
Personnel Expenditure	9 616	12 354	13 612	14 689	15 174	16 081	16 729
Other Expenditure	6 482	8 286	8 764	8 188	8 356	9 090	9 562
Total	16 097	20 640	22 376	22 878	23 529	25 171	26 291
Welfare							
Personnel Expenditure	619	512	615	693	742	794	835
Transfer Payments	13 421	14 935	16 505	16 928	17 014	17 847	18 599
Other Expenditure	360	491	548	668	731	825	888
Total	14 400	15 938	17 669	18 288	18 487	19 465	20 322
Expenditure other Functions							
Personnel Expenditure	4 878	5 395	6 005	6 263	6 705	6 839	7 155
Finance Reserve					2 419	1 596	1 475
Other Expenditure	10 692	13 231	10 625	7 974	6 599	7 031	7 475
Total	15 570	18 626	16 631	14 237	15 723	15 465	16 104
Total Personnel Expenditure	41 241	49 838	54 485	56 874	58 757	61 784	64 549
Finance Reserve					2 419	1 596	1 475
Total Other Expenditure	34 798	41 972	40 761	37 185	36 425	39 335	41 330
Total Expenditure	76 038	91 810	95 246	94 059	97 601	102 715	107 354
Current Expenditure	72 406	87 176	90 454	90 146	93 719	98 197	102 912
Capital Expenditure	3 632	4 635	4 792	3 913	3 883	4 518	4 442
Revenue							
Transfers from National	72 885	84 700	85 956	91 811	94 259	99 424	103 963
Own Revenue	4 334	4 089	3 458	3 375	3 529	3 852	4 204
Total Revenue	77 220	88 789	89 414	95 186	97 789	103 276	108 168
Surplus/(Deficit)	1 181	(3 021)	(5 831)	1 128	187	561	814

PROVINCIAL SUMMARY

TABLE B3: ADJUSTMENTS TO TOTAL ACTUAL AND BUDGETED EXPENDITURE BY PROVINCE

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
	Actual	Actual	Actual	Estimated Actual	Medium Term Estimates (incl. estimated improvements in condition of service)		
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Eastern Cape							
Total Expenditure	13 253	16 741	16 153	15 156	16 308	16 975	17 633
Less: Finance Reserve					1 106	276	110
Less: Debt Service Cost	1 054	1 483					
Less: Local Government Transfers	316	358	384	173	70		
Adjusted Total Expenditure	11 883	14 899	15 769	14 982	15 132	16 699	17 523
Free State							
Total Expenditure	5 190	6 221	6 829	6 890	6 815	7 122	7 422
Less: Finance Reserve					136	136	136
Less: Debt Service Cost		14					
Less: Local Government Transfers	140	168	99	39	55		
Adjusted Total Expenditure	5 050	6 039	6 730	6 851	6 624	6 986	7 286
Gauteng							
Total Expenditure	12 033	13 827	15 000	15 603	16 041	16 823	17 627
Less: Finance Reserve							
Less: Debt Service Cost		36					
Less: Local Government Transfers	383	313	166	27			
Adjusted Total Expenditure	11 650	13 478	14 834	15 576	16 041	16 823	17 627
KwaZulu-Natal							
Total Expenditure	14 944	17 901	19 146	18 449	19 211	20 454	21 491
Less: Finance Reserve					506	488	509
Less: Debt Service Cost	30	36					
Less: Local Government Transfers	595	796	695	592	144		
Adjusted Total Expenditure	14 318	17 069	18 451	17 857	18 561	19 966	20 981
Mpumalanga							
Total Expenditure	4 314	5 438	5 949	6 040	6 200	6 684	7 122
Less: Finance Reserve					75	100	100
Less: Debt Service Cost	29	22					
Less: Local Government Transfers	117	96	108	45	30		
Adjusted Total Expenditure	4 168	5 320	5 841	5 995	6 095	6 584	7 022
Northern Cape							
Total Expenditure	1 839	2 061	2 309	2 333	2 292	2 431	2 540
Less: Finance Reserve						41	62
Less: Debt Service Cost							
Less: Local Government Transfers	36	35	35	6			
Adjusted Total Expenditure	1 803	2 026	2 274	2 327	2 292	2 390	2 478
Northern Province							
Total Expenditure	9 100	11 817	11 825	11 727	12 295	12 990	13 667
Less: Finance Reserve					419	440	472
Less: Debt Service Cost	55	264					
Less: Local Government Transfers	99	152	190	135	102		
Adjusted Total Expenditure	8 947	11 401	11 635	11 592	11 774	12 550	13 195
North West							
Total Expenditure	6 565	7 541	7 612	7 678	8 024	8 432	8 752
Less: Finance Reserve					20	36	36
Less: Debt Service Cost	152	142					
Less: Local Government Transfers	133	138	139	86	62		
Adjusted Total Expenditure	6 280	7 260	7 473	7 592	7 942	8 396	8 716
Western Cape							
Total Expenditure	8 799	10 264	10 422	10 182	10 415	10 803	11 101
Less: Finance Reserve					157	79	50
Less: Debt Service Cost							
Less: Local Government Transfers	144	182	183	30			
Adjusted Total Expenditure	8 655	10 082	10 239	10 153	10 257	10 725	11 051
Total All Provinces							
Total Expenditure	76 038	91 810	95 246	94 059	97 601	102 715	107 354
Less: Finance Reserve					2 419	1 596	1 475
Less: Debt Service Cost	1 321	1 998					
Less: Local Government Transfers	1 963	2 238	1 999	1 132	463		
Adjusted Total Expenditure	72 754	87 575	93 247	92 927	94 719	101 119	105 879

PROVINCIAL SOCIAL SERVICES: EDUCATION

TABLE B4: TOTAL ACTUAL AND BUDGETED EXPENDITURE ON EDUCATION SERVICES BY PROVINCE

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Province	Actual	Actual	Actual	Estimated Actual	Medium Term Estimates (incl. estimated improvements in condition of service)		
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Eastern Cape							
Personnel Expenditure	4 123	5 257	5 839	6 018	6 308	6 750	7 020
Other Expenditure	394	926	911	572	326	625	664
Total	4 517	6 183	6 750	6 590	6 634	7 375	7 684
Free State							
Personnel Expenditure	1 760	2 087	2 265	2 388	2 473	2 628	2 795
Other Expenditure	204	339	274	224	339	366	355
Total	1 964	2 426	2 539	2 612	2 812	2 994	3 151
Gauteng							
Personnel Expenditure	4 136	4 796	5 153	5 289	5 576	5 845	6 097
Other Expenditure	795	781	712	756	847	888	944
Total	4 931	5 577	5 865	6 045	6 424	6 733	7 041
KwaZulu-Natal							
Personnel Expenditure	4 700	5 733	6 531	6 503	6 681	7 065	7 407
Other Expenditure	1 099	987	676	602	749	850	949
Total	5 799	6 720	7 207	7 106	7 430	7 915	8 356
Mpumalanga							
Personnel Expenditure	1 813	2 139	2 299	2 434	2 489	2 720	2 921
Other Expenditure	150	276	207	190	271	284	293
Total	1 963	2 414	2 506	2 624	2 760	3 004	3 215
Northern Cape							
Personnel Expenditure	613	694	739	754	716	790	834
Other Expenditure	101	115	116	130	173	169	168
Total	714	809	855	885	889	960	1 002
Northern Province							
Personnel Expenditure	3 790	4 690	5 138	5 450	5 445	5 556	5 815
Other Expenditure	370	658	558	321	287	534	540
Total	4 160	5 348	5 696	5 771	5 732	6 090	6 355
North West							
Personnel Expenditure	2 146	2 518	2 875	3 018	3 074	3 237	3 376
Other Expenditure	309	447	365	178	298	337	361
Total	2 455	2 966	3 240	3 196	3 373	3 574	3 736
Western Cape							
Personnel Expenditure	3 048	3 664	3 412	3 374	3 375	3 480	3 565
Other Expenditure	419	500	500	454	436	490	533
Total	3 468	4 164	3 912	3 828	3 810	3 970	4 098
Total All Provinces							
Personnel Expenditure	26 128	31 578	34 252	35 229	36 137	38 071	39 830
Other Expenditure	3 842	5 028	4 318	3 427	3 726	4 542	4 806
Total	29 971	36 606	38 570	38 656	39 862	42 613	44 636

PROVINCIAL SOCIAL SERVICES: HEALTH

TABLE B5: TOTAL ACTUAL AND BUDGETED EXPENDITURE ON HEALTH SERVICES BY PROVINCE

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Province	Actual	Actual	Actual	Estimated Actual	Medium Term Estimates (incl. estimated improvements in condition of service)		
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Eastern Cape							
Personnel Expenditure	1 235	1 938	1 845	1 978	1 987	2 126	2 211
Other Expenditure	971	1 129	1 194	1 046	960	1 109	1 289
Total	2 206	3 066	3 039	3 024	2 947	3 235	3 500
Free State							
Personnel Expenditure	721	883	995	1 126	1 253	1 308	1 356
Other Expenditure	462	588	665	562	444	487	518
Total	1 183	1 470	1 659	1 688	1 697	1 795	1 875
Gauteng							
Personnel Expenditure	2 268	2 807	3 145	3 276	3 391	3 532	3 684
Other Expenditure	1 634	1 836	2 155	2 200	2 410	2 466	2 595
Total	3 902	4 643	5 299	5 476	5 800	5 997	6 279
KwaZulu-Natal							
Personnel Expenditure	1 965	2 514	2 957	3 192	3 329	3 518	3 665
Other Expenditure	1 320	1 719	1 849	1 677	1 685	2 000	1 964
Total	3 285	4 234	4 806	4 869	5 014	5 517	5 629
Mpumalanga							
Personnel Expenditure	304	437	561	649	675	803	795
Other Expenditure	237	380	455	409	416	392	474
Total	541	817	1 017	1 058	1 091	1 196	1 269
Northern Cape							
Personnel Expenditure	135	163	196	220	239	251	260
Other Expenditure	142	169	184	169	138	148	154
Total	277	333	380	388	377	399	414
Northern Province							
Personnel Expenditure	952	1 024	1 048	1 274	1 309	1 373	1 441
Other Expenditure	472	996	817	730	740	847	874
Total	1 424	2 020	1 865	2 004	2 049	2 220	2 315
North West							
Personnel Expenditure	554	746	889	972	1 024	1 078	1 124
Other Expenditure	379	530	486	370	442	474	484
Total	933	1 276	1 375	1 342	1 467	1 552	1 609
Western Cape							
Personnel Expenditure	1 481	1 841	1 976	2 004	1 965	2 093	2 192
Other Expenditure	865	939	961	1 025	1 121	1 168	1 210
Total	2 346	2 780	2 937	3 029	3 087	3 260	3 402
Total All Provinces							
Personnel Expenditure	9 616	12 354	13 612	14 689	15 174	16 081	16 729
Other Expenditure	6 482	8 286	8 764	8 188	8 356	9 090	9 562
Total	16 097	20 640	22 376	22 878	23 529	25 171	26 291

PROVINCIAL SOCIAL SERVICES: WELFARE

TABLE B6: TOTAL ACTUAL AND BUDGETED EXPENDITURE ON WELFARE SERVICES BY PROVINCE

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Province	Actual	Actual	Actual	Estimated Actual	Medium Term Estimates (incl. estimated improvements in condition of service)		
Eastern Cape	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Personnel Expenditure	230	69	88	106	102	109	115
Transfer Payments	2 481	3 325	3 484	3 400	3 501	3 738	3 856
Other Expenditure	39	57	78	121	78	83	85
Total	2 750	3 451	3 651	3 628	3 680	3 930	4 056
Free State							
Personnel Expenditure	36	55	68	83	90	94	97
Transfer Payments	852	895	1 035	1 040	1 061	1 092	1 113
Other Expenditure	10	18	22	35	74	76	77
Total	898	968	1 125	1 158	1 225	1 261	1 288
Gauteng							
Personnel Expenditure	88	103	107	122	125	131	137
Transfer Payments	1 784	1 841	2 005	2 025	2 107	2 302	2 406
KwaZulu-Natal	55	75	103	146	141	159	180
Total	1 926	2 019	2 214	2 292	2 373	2 592	2 722
KwaZulu-Natal							
Personnel Expenditure	83	102	122	138	144	161	172
Transfer Payments	2 795	3 066	3 428	3 659	3 556	3 557	3 751
Other Expenditure	133	160	181	176	103	186	198
Total	3 011	3 329	3 731	3 972	3 803	3 905	4 120
Mpumalanga							
Personnel Expenditure	18	32	27	27	40	45	49
Transfer Payments	720	770	931	1 051	963	1 018	1 084
Other Expenditure	9	20	30	37	60	70	72
Total	747	821	988	1 116	1 063	1 133	1 205
Northern Cape							
Personnel Expenditure	20	24	30	35	39	43	46
Transfer Payments	497	507	600	596	529	537	541
Other Expenditure	9	15	20	36	40	43	46
Total	526	546	650	666	608	623	633
Northern Province							
Personnel Expenditure	35	7	66	43	36	38	39
Transfer Payments	1 565	1 750	1 936	1 902	2 006	2 215	2 376
Other Expenditure	11	36	12	16	92	60	73
Total	1 610	1 794	2 014	1 961	2 134	2 312	2 489
North West							
Personnel Expenditure	28	32	20	40	54	57	59
Transfer Payments	951	952	1 030	1 232	1 287	1 322	1 373
Other Expenditure	11	28	33	27	58	62	63
Total	990	1 012	1 083	1 299	1 399	1 440	1 496
Western Cape							
Personnel Expenditure	81	88	86	99	112	117	122
Transfer Payments	1 776	1 829	2 057	2 023	2 004	2 066	2 099
Other Expenditure	84	82	69	74	85	87	93
Total	1 941	2 000	2 212	2 196	2 201	2 270	2 313
Total All Provinces							
Personnel Expenditure	619	512	615	693	742	794	835
Transfer Payments	13 421	14 935	16 505	16 928	17 014	17 847	18 599
Other Expenditure	360	491	548	668	731	825	888
Total	14 400	15 938	17 669	18 288	18 487	19 465	20 322

DETAILED TABLES

Provincial tables

Table B7	Eastern Cape
Table B8	Free State
Table B9	Gauteng
Table B10	KwaZulu-Natal
Table B11	Mpumalanga
Table B12	Northern Cape
Table B13	Northern Province
Table B14	North West
Table B15	Western Cape

Detailed tables for each province

For each province, the following six tables are provided:

1. Summary of actual and budgeted revenue and expenditure
2. Actual and budgeted revenue
3. Actual and budgeted expenditure, by department
4. Education actual and budgeted expenditure, by programme
5. Health actual and budgeted expenditure, by programme
6. Welfare actual and budgeted expenditure, by programme

EASTERN CAPE

TABLE B7.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
	Actual	Actual	Actual	Estimated Actual	Medium Term Estimates (including estimated improvements in condition of service)		
Expenditure	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education							
Personnel Expenditure	4 122 643	5 257 155	5 838 826	6 017 951	6 308 088	6 749 622	7 019 588
Other Expenditure	394 203	926 074	910 730	571 925	325 886	625 136	663 975
Total	4 516 846	6 183 229	6 749 556	6 589 876	6 633 974	7 374 758	7 683 563
Health							
Personnel Expenditure	1 234 512	1 937 572	1 845 205	1 977 659	1 987 100	2 126 165	2 211 193
Other Expenditure	971 036	1 128 624	1 193 566	1 046 065	960 389	1 108 561	1 288 781
Total	2 205 548	3 066 196	3 038 771	3 023 724	2 947 489	3 234 726	3 499 974
Welfare							
Personnel Expenditure	229 971	69 090	88 463	106 482	101 612	108 792	114 584
Transfer Payments	2 480 852	3 324 600	3 484 366	3 399 892	3 500 873	3 738 118	3 855 976
Other Expenditure	39 319	57 059	78 044	121 187	77 775	82 856	85 349
Total	2 750 142	3 450 749	3 650 873	3 627 561	3 680 260	3 929 766	4 055 909
Expenditure other Functions							
Personnel Expenditure	1 078 121	972 358	1 052 933	1 072 973	1 215 627	1 311 937	1 388 065
Finance Reserve					1 106 100	276 044	109 657
Other Expenditure	2 702 839	3 068 387	1 661 083	841 393	724 281	847 511	895 361
Total	3 780 960	4 040 745	2 714 016	1 914 366	3 046 008	2 435 492	2 393 083
Total Personnel Expenditure	6 665 247	8 236 175	8 825 427	9 175 065	9 612 427	10 296 516	10 733 430
Finance Reserve					1 106 100	276 044	109 657
Total Other Expenditure	6 588 249	8 504 744	7 327 789	5 980 462	5 589 204	6 402 182	6 789 442
Total Expenditure	13 253 496	16 740 919	16 153 216	15 155 527	16 307 731	16 974 742	17 632 529
Revenue							
Transfers from National	12 909 564	15 790 820	15 044 775	15 636 429	15 963 643	16 589 013	17 189 628
Own Revenue	312 417	218 746	222 470	356 442	344 088	385 729	442 901
Total Revenue	13 221 981	16 009 566	15 267 245	15 992 871	16 307 731	16 974 742	17 632 529
Surplus/(Deficit)	(31 515)	(731 353)	(885 971)	837 344			

Eastern Cape Table B7.2

EASTERN CAPE							
TABLE B7.2: ACTUAL AND BUDGETED REVENUE							
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Revenue	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	12 909 564	15 790 820	15 044 775	15 636 429	15 963 643	16 589 013	17 189 628
Equitable Share	12 260 768	14 739 814	13 771 485	14 073 061	14 819 394	15 195 848	15 406 712
Conditional Grants:							
Improvements in conditions of service	500 423	785 359	566 290	418 779	361 533	819 474	1 245 279
Contingency Grant			107 000	177 400			
Finance Supplementary Grant				502 919	444 950	389 022	346 505
Other Conditional Grants *	148 373	265 647	600 000	464 270	337 766	184 669	191 132
Own Revenue	312 417	218 746	222 470	356 442	344 088	385 729	442 901
Taxation							
Interest and dividends				133 043	40 110	52 678	61 507
Licences and permits		61 505	56 756	79 872	116 179	134 562	151 466
Recovery of loans and advances							
Departmental activities	312 417	157 241	165 714	117 759	89 757	148 757	171 890
State property rights					56 021	13 586	15 392
Moneys prescribed by law/ordinance							
Moneys not prescribed by law/ordinance					9 570	6 800	10 050
Miscellaneous				25 768	32 451	29 346	32 596
Other Revenue							
Total	13 221 981	16 009 566	15 267 245	15 992 871	16 307 731	16 974 742	17 632 529
Increase/(Decrease)					314 860	667 011	657 787

* Includes conditional grant of R600 m transferred to the province in 1997/98 in terms of Section 100 of the Constitution.

EASTERN CAPE

TABLE B7.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Provincial Summary	Actual	Actual	Actual	Estimated	Medium Term Estimates		
Department	Expenditure	Expenditure	Expenditure	Actual Expenditure	(including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education	4 516 846	6 183 229	6 749 556	6 589 876	6 633 974	7 374 758	7 683 563
Health	2 205 548	3 066 196	3 038 771	3 023 724	2 947 489	3 234 726	3 499 974
Welfare	2 750 142	3 450 749	3 650 873	3 627 561	3 680 260	3 929 766	4 055 909
Premier	248 718	181 541	196 590	104 574	91 916	93 452	96 843
Legislature	21 262	31 138	41 083	48 577	47 512	48 770	50 000
Finance *	1 416 025	1 667 445	248 038	88 635	1 216 750	403 096	249 037
Economic Affairs, Environment & Tourism	52 583	138 751	130 057	107 694	134 092	154 584	167 237
Housing & Local Government	404 825	440 630	515 452	275 297	284 814	234 350	251 216
Transport	267 747	248 513	283 153	144 054	191 508	224 708	245 199
Public Works	807 045	821 938	757 698	640 003	539 250	611 121	638 726
Agriculture & Land Affairs	562 755	506 693	537 411	390 665	374 804	481 742	503 444
Sports, Arts & Culture				110 432	160 751	178 394	185 679
Safety & Security		4 096	4 534	4 435	4 611	5 275	5 702
Total	13 253 496	16 740 919	16 153 216	15 155 527	16 307 731	16 974 742	17 632 529
Increase/(Decrease)					1 152 204	667 011	657 787
Classification of expenditure							
Current							
Personnel expenditure	6 665 247	8 236 175	8 825 427	9 175 065	9 588 861	10 272 502	10 708 952
Transfer payments	4 434 539	5 990 454	4 713 522	3 918 897	5 299 882	4 828 062	4 821 688
Other current expenditure *	2 022 551	2 448 783	2 512 014	1 609 215	1 089 316	1 471 521	1 660 008
Capital							
Transfer payments	82 443	51 978	84 105	192 148	37 063	42 737	50 848
Other capital expenditure	48 716	13 529	18 148	260 202	269 043	335 906	366 555
Statutory					23 566	24 014	24 478
Total	13 253 496	16 740 919	16 153 216	15 155 527	16 307 731	16 974 742	17 632 529

* The Finance Reserve is included in these amounts.

EASTERN CAPE

TABLE B7.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Education Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	71 708	765 981	441 341	1 793 241	399 751	434 794	449 127
Public Ordinary School Education	4 174 860	4 978 756	5 863 533	4 497 683	5 518 058	6 225 893	6 487 156
Private Ordinary School Education	20 552	6 533	5 805	7 373	8 000	8 873	8 873
Special School Education	36 089	81 893	78 010	100 094	164 885	174 867	182 181
Teacher Training	101 835	149 959	92 023	61 971	182 362	194 788	202 936
Technical College Education	18 012	90 769	105 475	89 786	134 688	143 140	149 127
Non-Formal Education	40 194	18 096	65 611	24 792	103 953	110 780	119 148
Auxiliary & Associated Services	53 596	69 141	89 051	14 936	121 816	81 162	84 554
Museums & Heritage Resources		1 805	3 973				
Sports, Recreation & Youth Affairs		1 576	1 160				
Arts, Culture & Music		9 213	1 839				
Libraries & Archives		9 507	1 735				
Statutory					461	461	461
Capital Expenditure from Works Department							
Total	4 516 846	6 183 229	6 749 556	6 589 876	6 633 974	7 374 758	7 683 563
Increase/(Decrease)					44 098	740 784	308 805
Classification of expenditure							
Current							
Personnel expenditure	4 122 643	5 257 155	5 838 826	6 017 951	6 307 627	6 749 161	7 019 127
Transfer payments	20 058	29 221	15 876	37 336	34 325	65 844	69 935
Other current expenditure	345 103	896 853	894 854	486 190	275 066	527 650	560 432
Capital							
Transfer payments							
Other capital expenditure	29 042			48 399	16 495	31 642	33 608
Statutory					461	461	461
Total	4 516 846	6 183 229	6 749 556	6 589 876	6 633 974	7 374 758	7 683 563

EASTERN CAPE

TABLE B7.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Health Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Health Administration	111 788	411 490	177 540	125 565	116 247	132 570	141 033
District Health Services	381 182	1 202 865	1 529 439	1 655 216	1 592 993	1 780 827	1 832 230
Provincial Hospital Services	1 636 688	1 188 424	1 083 272	1 071 275	1 039 934	1 204 091	1 280 687
Academic Health Services		145 218	20 882	17 198	48 162	53 181	56 564
Health Sciences		39 101	45 449	44 233	46 977	56 556	60 153
Health Care Support Services	75 890	15 545	26 336	15 104	14 057	15 760	16 762
Health Facilities Development Maintenance		63 553	155 853	95 133	88 658	137 906	146 679
Revenue Reduction						(146 626)	(34 595)
Statutory					461	461	461
Capital Expenditure from Works Department							
Total	2 205 548	3 066 196	3 038 771	3 023 724	2 947 489	3 234 726	3 499 974
Increase/(Decrease)					(76 235)	287 237	265 248
Classification of expenditure							
Current							
Personnel expenditure	1 234 512	1 937 572	1 845 205	1 977 659	1 986 639	2 125 704	2 210 732
Transfer payments	222 559	420 920	351 145	392 340	445 754	514 526	598 174
Other current expenditure	748 477	707 704	842 421	585 206	417 107	481 460	559 731
Capital							
Transfer payments							
Other capital expenditure				68 519	97 528	112 575	130 876
Statutory					461	461	461
Total	2 205 548	3 066 196	3 038 771	3 023 724	2 947 489	3 234 726	3 499 974

EASTERN CAPE							
TABLE B7.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Welfare Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	241 853	57 410	16 755	21 754	24 357	20 109	20 949
Social Security	2 382 475	3 233 911	3 425 447	3 414 572	3 445 740	3 689 161	3 806 451
Social Assistance	98 377	107 740	100 107	106 104	129 822	131 660	134 883
Social Welfare Services	27 437	32 221	73 217	74 387	69 960	77 820	82 460
Social Development		1 240	3 388	2 655	2 700	2 825	2 940
Welfare Facilities Development & Maintenance		10 798	30 174	8 089	5 000	5 000	5 000
Auxillary & Associated Services		7 429	1 785		2 000	2 000	2 000
Population Unit					220	730	765
Statutory					461	461	461
Capital Expenditure from Works Department							
Total	2 750 142	3 450 749	3 650 873	3 627 561	3 680 260	3 929 766	4 055 909
Increase/(Decrease)					52 699	249 506	126 143
Classification of expenditure							
Current							
Personnel expenditure	229 971	69 090	88 463	106 482	101 151	108 331	114 123
Transfer payments	2 480 852	3 324 600	3 484 366	3 399 892	3 500 873	3 738 118	3 855 976
Other current expenditure	39 319	45 772	78 044	110 468	66 725	72 856	75 349
Capital							
Transfer payments							
Other capital expenditure		11 287		10 719	11 050	10 000	10 000
Statutory					461	461	461
Total	2 750 142	3 450 749	3 650 873	3 627 561	3 680 260	3 929 766	4 055 909

FREE STATE

TABLE B8.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
	Actual	Actual	Actual	Estimated Actual	Medium Term Estimates (including estimated improvements in condition of service)		
Expenditure	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education							
Personnel Expenditure	1 759 907	2 086 528	2 264 993	2 388 110	2 472 799	2 627 859	2 795 494
Other Expenditure	204 269	339 181	273 773	223 985	338 723	366 213	355 414
Total	1 964 176	2 425 709	2 538 766	2 612 095	2 811 522	2 994 072	3 150 908
Health							
Personnel Expenditure	721 327	882 844	994 594	1 125 866	1 253 379	1 307 781	1 356 376
Other Expenditure	462 111	587 585	664 501	562 162	443 725	487 115	518 419
Total	1 183 438	1 470 429	1 659 095	1 688 028	1 697 104	1 794 896	1 874 795
Welfare							
Personnel Expenditure	36 126	54 565	68 401	82 907	90 075	93 527	97 002
Transfer Payments	852 338	894 889	1 034 754	1 040 251	1 061 371	1 091 597	1 113 284
Other Expenditure	9 923	18 088	22 268	35 028	73 818	75 796	77 215
Total	898 387	967 542	1 125 423	1 158 186	1 225 264	1 260 920	1 287 501
Expenditure other Functions							
Personnel Expenditure	419 711	494 364	554 893	589 259	642 122	619 876	637 867
Finance Reserve					135 829	135 829	135 829
Other Expenditure	723 852	862 762	951 275	842 390	303 020	316 254	334 849
Total	1 143 563	1 357 126	1 506 167	1 431 649	1 080 971	1 071 959	1 108 545
Total Personnel Expenditure	2 937 071	3 518 301	3 882 881	4 186 142	4 458 375	4 649 043	4 886 739
Finance Reserve					135 829	135 829	135 829
Total Other Expenditure	2 252 493	2 702 505	2 946 571	2 703 816	2 220 657	2 336 975	2 399 181
Total Expenditure	5 189 564	6 220 806	6 829 451	6 889 958	6 814 861	7 121 847	7 421 749
Revenue							
Transfers from National	5 112 995	5 741 367	5 804 389	6 461 893	6 471 373	6 753 333	7 025 061
Own Revenue	282 291	281 499	262 624	251 366	343 488	368 514	396 688
Total Revenue	5 395 286	6 022 866	6 067 013	6 713 259	6 814 861	7 121 847	7 421 749
Surplus/(Deficit)	205 722	(197 940)	(762 438)	(176 699)			

Free State Table B8.2

FREE STATE							
TABLE B8.2: ACTUAL AND BUDGETED REVENUE							
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Revenue	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	5 112 995	5 741 367	5 804 389	6 461 893	6 471 373	6 753 333	7 025 061
Equitable Share	4 774 322	5 329 386	5 481 652	5 432 157	5 742 237	5 896 730	5 990 409
Conditional Grants:							
Improvements in conditions of service	199 972	411 981	285 737	178 309	152 606	345 907	525 643
Contingency Grant			37 000	69 000			
Finance Supplementary Grant				188 691	167 818	148 240	133 867
Other Conditional Grants *	138 701			593 736	408 712	362 456	375 142
Own Revenue	282 291	281 499	262 624	251 366	343 488	368 514	396 688
Taxation							
Interest and dividends	17 288	27 727	15 960	6 309	25 960	25 960	25 960
Licences and permits	1 247	1 190	1 335	1 202	1 300	1 400	2 026
Recovery of loans and advances	11 443	12 198	15 215	16 073	15 000	15 000	15 000
Departmental activities	6 583	2 883	6 066	3 346	6 100	6 100	6 100
State property rights	5 392	5 063	5 170	4 293	5 000	5 000	5 000
Moneys prescribed by law/ordinance	164 282	150 707	146 176	147 562	235 536	259 462	285 962
Moneys not prescribed by law/ordinance	50 717	38 154	32 217	24 439	32 592	33 592	34 640
Miscellaneous	25 339	43 577	40 485	48 142	22 000	22 000	22 000
Other Revenue							
Total	5 395 286	6 022 866	6 067 013	6 713 259	6 814 861	7 121 847	7 421 749
Increase/(Decrease)					101 602	306 986	299 902

* Includes conditional grant of R200 m transferred to the province in 1998/99 in terms of Section 100 of the Constitution.

FREE STATE

TABLE B8.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Provincial Summary	Actual	Actual	Actual	Estimated	Medium Term Estimates		
	Expenditure	Expenditure	Expenditure	Actual	(including estimated improvements in condition of service)		
Department				Expenditure			
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education	1 964 176	2 425 709	2 538 766	2 612 095	2 811 522	2 994 072	3 150 908
Health	1 183 438	1 470 429	1 659 095	1 688 028	1 697 104	1 794 896	1 874 795
Welfare	898 387	967 542	1 125 423	1 158 186	1 225 264	1 260 920	1 287 501
Premier	8 677	16 697	65 532	50 394	47 990	50 589	52 809
Legislature	12 219	15 794	21 249	25 346	37 517	39 688	41 672
Finance *	72 433	51 814	61 101	57 273	194 112	200 082	201 598
Economic Affairs	36 765	33 077					
Corporate Services	57 620	61 576					
Service Commision	4 469	5 412	5 334	2 617	1	1	1
Housing	52 718						
Local Government	132 039	307 560	310 486	323 233	135 458	83 452	87 340
Transport	63 944	71 452					
Public Works	229 562	240 610	825 443	716 186	451 565	472 719	490 249
Agriculture	149 411	123 705	116 560	100 099	88 455	92 975	96 372
Environment		9 108	45 944	54 521	44 162	46 553	48 639
Sport	14 654	19 084	32 808	44 358	32 100	33 217	34 495
Safety	2 548	2 503	21 711	57 622	49 611	52 682	55 370
Roads	306 504	398 733					
Total	5 189 564	6 220 806	6 829 452	6 889 958	6 814 861	7 121 847	7 421 749
Increase/(Decrease)					(75 097)	306 986	299 902
Classification of expenditure							
Current							
Personnel expenditure	2 937 071	3 518 301	3 882 881	4 186 142	4 458 375	4 649 043	4 886 739
Transfer payments	1 141 231	1 389 168	1 470 527	1 454 820	1 383 809	1 429 522	1 463 321
Other current expenditure *	930 987	1 029 534	869 336	1 003 142	844 714	895 040	914 132
Capital							
Transfer payments	1 695						
Other capital expenditure	178 580	283 803	606 708	245 854	127 963	148 242	157 557
Statutory							
Total	5 189 564	6 220 806	6 829 451	6 889 958	6 814 861	7 121 847	7 421 749

* The Finance Reserve is included in these numbers.

Free State Table B8.4

FREE STATE							
TABLE B8.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Education Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	109 284	191 482	188 072	164 217	235 820	211 970	209 550
Public Ordinary School Education	1 612 371	1 955 374	2 044 963	2 154 555	2 254 854	2 448 952	2 589 702
Private Ordinary School Education	12 017	18 554	13 274	11 787	15 239	16 556	16 981
Special School Education	40 082	61 282	66 592	69 946	72 359	77 411	82 111
Teacher Training	50 303	66 101	69 328	66 575	75 223	78 091	82 437
Technical College Education	31 742	40 508	41 701	44 553	48 684	52 424	55 614
Non-Formal Education	8 706	17 672	13 711	19 340	22 852	25 383	26 674
Auxiliary & Associated Services	99 595	74 392	100 781	80 600	86 492	83 285	87 839
Authorised Losses	76	344	344	522			
Statutory							
Capital Expenditure from Works Department							
Total	1 964 176	2 425 709	2 538 766	2 612 095	2 811 522	2 994 072	3 150 908
Increase/(Decrease)					199 427	182 550	156 836
Classification of expenditure							
Current							
Personnel expenditure	1 759 907	2 086 528	2 264 993	2 388 110	2 472 799	2 627 859	2 795 494
Transfer payments	23 333	28 275	25 568	24 673	34 246	37 156	36 013
Other current expenditure	159 640	226 207	248 205	199 312	289 267	313 847	304 191
Capital							
Transfer payments	1 695						
Other capital expenditure	19 601	84 699			15 210	15 210	15 210
Statutory							
Total	1 964 176	2 425 709	2 538 766	2 612 095	2 811 522	2 994 072	3 150 908

FREE STATE

TABLE B8.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Health Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	107 210	108 802	44 749	46 914	48 599	51 412	53 999
District Health Services	745 532	552 511	584 426	620 382	619 217	649 395	666 982
Provincial Hospital Services	336 940	461 438	535 758	603 571	487 896	518 001	545 631
Academic Health / Central Hospital Services		285 780	397 796	358 972	347 754	367 879	385 993
Health Sciences		44 427	50 856	50 586	34 965	38 315	41 359
Health Care Support		28 367	38 637	30 966	28 311	30 003	31 557
Supernumerary Staff					130 362	139 889	149 275
Less: Internal Charges	(7 694)	(13 910)		(25 337)			
Authorised Losses	1 450	3 014	6 873	1 974			
Statutory							
Capital Expenditure from Works Department							
Total	1 183 438	1 470 429	1 659 095	1 688 028	1 697 104	1 794 896	1 874 795
Increase/(Decrease)					9 076	97 792	79 899
Classification of expenditure							
Current							
Personnel expenditure	721 327	882 844	994 594	1 125 866	1 253 379	1 307 781	1 356 376
Transfer payments	86 914	159 463	148 026	123 556	116 571	128 804	137 629
Other current expenditure	364 531	414 359	479 146	416 392	296 912	328 069	350 548
Capital							
Transfer payments							
Other capital expenditure	10 666	13 763	37 329	22 214	30 242	30 242	30 242
Statutory							
Total	1 183 438	1 470 429	1 659 095	1 688 028	1 697 104	1 794 896	1 874 795

Free State Table B8.6

FREE STATE							
TABLE B8.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Welfare Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	39 299	25 531	20 676	20 342	17 917	18 459	19 350
Social Security	800 094	866 459	1 006 014	1 022 097	1 088 752	1 118 374	1 138 967
Social Support	52 244	45 467	50 241	51 784	51 407	52 872	54 261
Social Welfare Facilities	6 175	22 654	36 831	49 987	50 424	53 531	56 389
Auxiliary & Associated Services		1 454	2 033	853	1 955	2 007	2 057
Social Development		5 258	8 622	11 806	14 404	15 252	16 033
RDP			1 006	360			
Population Development				1	405	425	445
Authorised Losses	575	718		956			
Total	898 387	967 542	1 125 423	1 158 186	1 225 264	1 260 920	1 287 501
Increase/(Decrease)					67 078	35 656	26 581
Classification of expenditure							
Current							
Personnel expenditure	36 126	54 565	68 401	82 907	90 075	93 527	97 002
Transfer payments	852 338	894 889	1 034 754	1 040 251	1 061 371	1 091 597	1 113 284
Other current expenditure	9 582	15 874	19 504	31 483	69 458	71 436	72 855
Capital							
Transfer payments							
Other capital expenditure	341	2 214	2 764	3 545	4 360	4 360	4 360
Statutory							
Total	898 387	967 542	1 125 423	1 158 186	1 225 264	1 260 920	1 287 501

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TABLE B9.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
	Actual	Actual	Actual	Estimated Actual	Medium Term Estimates (including estimated improvements in condition of service)		
Expenditure	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education							
Personnel Expenditure	4 135 782	4 795 540	5 152 729	5 289 400	5 576 222	5 844 984	6 096 750
Other Expenditure	794 826	781 116	712 355	755 794	847 288	887 868	943 865
Total	4 930 608	5 576 656	5 865 084	6 045 194	6 423 510	6 732 852	7 040 615
Health							
Personnel Expenditure	2 267 997	2 807 439	3 144 532	3 275 981	3 390 616	3 531 507	3 683 623
Other Expenditure	1 633 863	1 835 690	2 154 645	2 199 886	2 409 635	2 465 896	2 595 108
Total	3 901 860	4 643 129	5 299 177	5 475 867	5 800 251	5 997 403	6 278 731
Welfare							
Personnel Expenditure	87 646	102 853	106 979	121 812	124 852	130 869	136 506
Transfer Payments	1 783 732	1 841 423	2 004 636	2 024 611	2 107 023	2 302 034	2 405 626
Other Expenditure	54 720	74 552	102 533	145 827	140 983	159 041	180 234
Total	1 926 098	2 018 828	2 214 148	2 292 250	2 372 858	2 591 944	2 722 366
Expenditure other Functions							
Personnel Expenditure	367 211	383 323	408 606	460 984	507 260	529 876	550 996
Finance Reserve							
Other Expenditure	907 719	1 204 755	1 213 214	1 329 082	937 315	970 842	1 034 231
Total	1 274 930	1 588 078	1 621 820	1 790 066	1 444 575	1 500 718	1 585 227
Total Personnel Expenditure	6 858 636	8 089 155	8 812 846	9 148 177	9 598 950	10 037 236	10 467 875
Finance Reserve							
Total Other Expenditure	5 174 860	5 737 536	6 187 383	6 455 200	6 442 244	6 785 681	7 159 064
Total Expenditure	12 033 496	13 826 691	15 000 229	15 603 377	16 041 194	16 822 917	17 626 939
Revenue							
Transfers from National	11 157 501	12 403 807	13 571 413	14 586 580	15 276 636	16 323 796	17 275 411
Own Revenue	873 122	967 190	901 028	929 297	952 000	1 060 000	1 165 241
Total Revenue	12 030 623	13 370 997	14 472 441	15 515 877	16 228 636	17 383 796	18 440 652
Surplus/(Deficit)	(2 873)	(455 694)	(527 788)	(87 500)	187 442	560 879	813 713

Gauteng Table B9.2

GAUTENG							
TABLE B9.2: ACTUAL AND BUDGETED REVENUE							
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Revenue	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	11 157 501	12 403 807	13 571 413	14 586 580	15 276 636	16 323 796	17 275 411
Equitable Share	10 374 590	11 406 637	12 890 274	11 700 907	12 573 114	13 188 921	13 699 858
Conditional Grants:							
Improvements in conditions of service	347 888	997 170	601 139	376 320	332 555	753 791	1 145 467
Contingency Grant			80 000	148 600			
Finance Supplementary Grant				407 741	357 969	323 634	300 624
Other Conditional Grants	435 023			1 953 012	2 012 998	2 057 450	2 129 462
Own Revenue	873 122	967 190	901 028	929 297	952 000	1 060 000	1 165 241
Taxation							
Interest and dividends	124 237	113 156	58 678	19 107	16 332	34 000	46 000
Licences and permits	2 935	3 430	3 867	4 421	3 712	4 000	4 491
Recovery of loans and advances	10 554	9 402	8 669	9 387	10 058	17 000	18 000
Departmental activities	2 088	2 636	5 938	4 602	3 313	4 000	4 705
State property rights	15 938	16 862	13 480	13 782	39 484	17 000	18 000
Moneys prescribed by law/ordinance	645 110	626 918	674 032	698 995	815 711	897 000	984 000
Moneys not prescribed by law/ordinance	31 056	90 892	44 070	38 287	31 372	40 000	42 445
Miscellaneous	41 204	103 894	92 294	140 716	32 018	47 000	47 600
Other Revenue							
Total	12 030 623	13 370 997	14 472 441	15 515 877	16 228 636	17 383 796	18 440 652
Increase/(Decrease)					712 759	1 155 160	1 056 856

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TABLE B9.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Provincial Summary	Actual	Actual	Actual	Estimated	Medium Term Estimates		
Department	Expenditure	Expenditure	Expenditure	Actual	(including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education	4 930 608	5 576 656	5 865 084	6 045 194	6 423 510	6 732 852	7 040 615
Health	3 901 860	4 643 129	5 299 177	5 475 867	5 800 251	5 997 403	6 278 731
Welfare	1 926 098	2 018 828	2 214 148	2 292 250	2 372 858	2 591 944	2 722 366
Premier	10 452	15 552		121 384	108 659	114 075	124 703
Legislature	34 672	42 611	51 817	57 793	71 376	73 990	80 952
Finance	11 558	50 930	62 108	103 164	119 920	86 756	94 039
Corporate Services	190 744	68 934	93 482				
Service Commission	4 798	14 872	7 886	7 448			
Housing & Local Government	291 315	99 235	95 253	108 525	97 454	106 294	115 203
Transport	247 723	868 314	940 443	1 127 848	823 693	881 789	909 764
Works & Transport	375 824						
Agriculture	34 345	40 840	64 555	66 982	92 712	95 882	104 326
Sport	32 884	44 984	58 769	66 490	52 813	57 081	62 440
Safety	5 126	8 545	11 753	14 843	18 186	20 866	24 189
Development Planning	35 489	333 261	235 755	115 587	59 762	63 981	69 613
Total	12 033 496	13 826 691	15 000 230	15 603 375	16 041 194	16 822 913	17 626 941
Increase/(Decrease)					437 819	781 719	804 028
Classification of expenditure							
Current							
Personnel expenditure	6 858 636	8 089 155	8 812 846	9 148 177	9 598 950	10 037 236	10 467 875
Transfer payments	2 514 046	2 714 321	2 853 012	2 753 260	2 862 491	3 091 624	3 232 844
Other current expenditure	2 099 869	2 342 262	2 660 857	2 789 093	2 597 915	2 639 089	2 840 490
Capital							
Transfer payments	9 823	24 403	6 425	2 889	977	1 037	1 119
Other capital expenditure	551 122	656 550	667 089	909 958	980 861	1 053 931	1 084 611
Statutory							
Total	12 033 496	13 826 691	15 000 229	15 603 377	16 041 194	16 822 917	17 626 939

Gauteng Table B9.4

GAUTENG							
TABLE B9.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Education Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	102 533	82 605	71 675	76 859	96 445	101 089	105 710
Public Ordinary School Education	4 085 112	4 540 294	4 838 579	5 078 064	5 386 956	5 646 381	5 904 480
Private Ordinary School Education	160 389	160 415	158 298	129 261	120 772	126 588	132 375
Education in Specialised Schools	208 178	238 616	250 649	271 944	280 629	294 144	307 589
Teacher Training	138 738	137 794	133 024	121 066	120 987	126 813	132 610
Technical College Education	157 137	172 542	204 177	204 090	210 491	220 628	230 713
Non-Formal Education	28 875	33 025	64 073	63 116	75 083	78 698	82 296
Auxiliary and Associated Services	46 107	210 133	142 112	100 184	132 147	138 511	144 842
Authorised Losses	3 539	1 232	2 497	610			
Statutory							
Capital Expenditure from Works Department							
Total	4 930 608	5 576 656	5 865 084	6 045 194	6 423 510	6 732 852	7 040 615
Increase/(Decrease)					378 316	309 342	307 763
Classification of expenditure							
Current							
Personnel expenditure	4 135 782	4 795 540	5 152 729	5 289 400	5 576 222	5 844 984	6 096 750
Transfer payments	226 612	243 378	226 268	207 406	202 711	212 473	222 185
Other current expenditure	356 039	383 038	400 647	397 728	461 519	484 524	541 026
Capital							
Transfer payments	9 725			31			
Other capital expenditure	202 450	154 700	85 440	150 628	183 057	190 871	180 653
Statutory							
Total	4 930 608	5 576 656	5 865 084	6 045 194	6 423 510	6 732 852	7 040 615

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TABLE B9.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Health Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	32 829	221 782	71 744	133 243	182 651	194 361	213 554
District Health Services	404 896	697 391	774 138	967 874	1 165 497	1 177 703	1 230 456
Provincial Health Services	3 053 741	1 088 869	1 414 178	1 320 922	1 320 214	1 373 778	1 433 309
Auxillary & Associated Services	437 897						
Academic Health Services		2 545 446	2 936 715	2 958 998	2 814 536	2 928 186	3 061 077
Health Sciences		46 527	48 177	47 714	51 457	53 684	56 245
Health Care Support Services		60 585	71 384	67 959	68 494	71 212	74 353
Health Facilities Development & Maintenance		8 192	3 565	1 729	243 447	244 524	255 782
Less: Internal Charges	(30 056)	(28 777)	(24 450)	(23 731)	(46 045)	(46 045)	(46 045)
Authorised Losses	2 553	3 114	3 726	1 159			
Statutory							
Capital Expenditure from Works Department							
Total	3 901 860	4 643 129	5 299 177	5 475 867	5 800 251	5 997 403	6 278 731
Increase/(Decrease)					324 384	197 152	281 328
Classification of expenditure							
Current							
Personnel expenditure	2 267 997	2 807 439	3 144 532	3 275 981	3 390 616	3 531 507	3 683 623
Transfer payments	372 038	375 186	430 272	422 580	522 179	543 206	568 687
Other current expenditure	1 241 220	1 365 889	1 616 608	1 617 016	1 495 318	1 514 762	1 599 358
Capital							
Transfer payments							
Other capital expenditure	20 605	94 615	107 765	160 290	392 138	407 928	427 063
Statutory							
Total	3 901 860	4 643 129	5 299 177	5 475 867	5 800 251	5 997 403	6 278 731

Gauteng Table B9.6

GAUTENG							
TABLE B9.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Welfare Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	85 254	64 938	19 188	27 678	28 361	30 031	31 542
Social Security	1 578 047	1 674 455	1 855 220	1 882 912	1 922 536	2 115 123	2 221 552
Social Assistance	204 555	207 969	204 067	201 479	199 642	211 385	222 021
Social Welfare Services	54 013	65 978	120 578	142 043	165 365	175 099	183 910
Development Activation	2 241	22	500	22 622	16 188	17 140	18 003
Auxillary & Associated Services	1 074	400	100		1 556	1 647	1 731
Welfare Facilities Development & Maintenance		4 359	12 439	14 529	37 337	39 535	41 524
Population Development				330	1 873	1 984	2 083
Authorised Losses	914	707	2 056	657			
Statutory							
Capital Expenditure from Works Department							
Total	1 926 098	2 018 828	2 214 148	2 292 250	2 372 858	2 591 944	2 722 366
Increase/(Decrease)					80 608	219 086	130 422
Classification of expenditure							
Current							
Personnel expenditure	87 646	102 853	106 979	121 812	124 852	130 869	136 506
Transfer payments	1 783 732	1 841 423	2 004 636	2 024 611	2 107 023	2 302 034	2 405 626
Other current expenditure	54 715	70 093	102 533	145 828	139 113	157 065	178 162
Capital							
Transfer payments							
Other capital expenditure	5	4 459			1 870	1 976	2 072
Statutory							
Total	1 926 098	2 018 828	2 214 148	2 292 251	2 372 858	2 591 944	2 722 366

KWAZULU-NATAL

TABLE B10.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
	Actual	Actual	Actual	Estimated Actual	Medium Term Estimates (including estimated improvements in condition of service)		
Expenditure	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education							
Personnel Expenditure	4 699 698	5 732 723	6 531 184	6 503 257	6 680 847	7 065 092	7 406 691
Other Expenditure	1 099 252	987 124	675 744	602 416	749 017	849 734	949 019
Total	5 798 950	6 719 847	7 206 928	7 105 673	7 429 864	7 914 826	8 355 710
Health							
Personnel Expenditure	1 965 047	2 514 460	2 956 969	3 191 766	3 329 415	3 517 781	3 664 761
Other Expenditure	1 319 870	1 719 394	1 848 558	1 677 176	1 684 873	1 999 617	1 963 959
Total	3 284 917	4 233 854	4 805 527	4 868 942	5 014 288	5 517 398	5 628 720
Welfare							
Personnel Expenditure	82 952	102 236	121 544	137 837	143 979	160 920	171 965
Transfer Payments	2 794 679	3 066 351	3 428 078	3 658 546	3 555 656	3 557 200	3 750 606
Other Expenditure	133 455	160 366	180 902	175 812	102 865	186 394	197 915
Total	3 011 086	3 328 953	3 730 524	3 972 195	3 802 500	3 904 514	4 120 486
Expenditure other Functions							
Personnel Expenditure	885 157	1 063 784	978 386	1 060 239	1 123 539	1 043 873	1 092 294
Finance Reserve					505 642	488 085	509 049
Other Expenditure	1 963 691	2 555 039	2 424 446	1 441 593	1 335 108	1 585 740	1 784 251
Total	2 848 848	3 618 823	3 402 832	2 501 832	2 964 289	3 117 698	3 385 594
Total Personnel Expenditure	7 632 854	9 413 203	10 588 083	10 893 099	11 277 780	11 787 666	12 335 712
Finance Reserve					505 642	488 085	509 049
Total Other Expenditure	7 310 947	8 488 274	8 557 728	7 555 543	7 427 519	8 178 685	8 645 750
Total Expenditure	14 943 801	17 901 477	19 145 811	18 448 642	19 210 941	20 454 436	21 490 511
Revenue							
Transfers from National	14 280 043	16 148 157	17 288 370	18 303 288	18 682 941	19 873 436	20 851 511
Own Revenue	932 151	827 864	641 492	432 467	528 000	581 000	639 000
Total Revenue	15 212 194	16 976 021	17 929 862	18 735 755	19 210 941	20 454 436	21 490 511
Surplus/(Deficit)	268 393	(925 456)	(1 215 949)	287 113			

KwaZulu-Natal Table B10.2

KWAZULU-NATAL							
TABLE B10.2: ACTUAL AND BUDGETED REVENUE							
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Revenue	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	14 280 043	16 148 157	17 288 370	18 303 288	18 682 941	19 873 436	20 851 511
Equitable Share	13 700 123	15 126 846	15 617 243	15 507 854	16 706 549	17 539 325	18 227 342
Conditional Grants:							
Improvements in conditions of service	452 936	1 021 311	647 127	471 275	406 727	921 915	1 400 950
Contingency Grant			124 000	195 600			
Finance Supplementary Grant				561 760	509 280	451 624	408 983
Other Conditional Grants *	126 984		900 000	1 566 799	1 060 385	960 572	814 236
Own Revenue	932 151	827 864	641 492	432 467	528 000	581 000	639 000
Interest and dividends	338 777	258 955	74 879	3 956	1	1	1
Taxation							
Licences and permits	1 337	647	779	891	2 006	2 270	2 474
Recovery of loans and advances	19 122	22 626	23 780	20 519	19 958	22 318	24 342
Departmental activities	11 777	26 575	14 899	14 275	15 312	16 139	17 592
State property rights	9 444	5 475	6 782	6 382	6 388	7 143	7 786
Moneys prescribed by law/ordinance	340 312	348 514	367 795	420 557	402 124	447 350	493 306
Moneys not prescribed by law/ordinance	70 301	73 341	69 599	53 275	49 473	52 203	56 901
Miscellaneous **	141 081	91 731	82 979	(87 388)	32 738	33 576	36 598
Other Revenue							
Total	15 212 194	16 976 021	17 929 862	18 735 755	19 210 941	20 454 436	21 490 511
Increase/(Decrease)					475 186	1 243 495	1 036 075

* Includes conditional grant of R900 m transferred to the province in 1997/98 in terms of Section 100 of the Constitution.

** The negative amount in 1998/99 reflects exchequer payments made directly from the revenue fund, i.e. refunds.

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TABLE B10.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Provincial Summary	Actual	Actual	Actual	Estimated	Medium Term Estimates		
Department	Expenditure	Expenditure	Expenditure	Actual	(including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education & Culture	5 798 950	6 719 847	7 206 928	7 105 673	7 429 864	7 914 826	8 355 710
Health	3 284 917	4 233 854	4 805 527	4 868 942	5 014 288	5 517 398	5 628 720
Social Welfare	3 011 086	3 328 953	3 730 524	3 972 195	3 802 500	3 904 514	4 120 486
Premier	58 257	99 230	74 837	79 498	84 764	99 044	107 545
Legislature	29 546	43 848	48 615	52 053	51 021	53 155	56 445
Finance *	133 312	137 721	95 924	108 575	632 928	586 990	664 566
Economic Affairs & Tourism	115 889	149 900	119 376	114 651	108 654	114 381	129 597
Provincial Service Commission	8 172	7 468	5 170	313	998	1 103	1 070
Local Government & Housing	911 228	1 187 947	991 664	796 911	463 179	363 943	388 425
Transport	583 574	679 978	724 053	519 169	705 569	878 259	934 897
Works	541 356	704 406	739 880	377 184	334 545	402 070	427 185
Agriculture	300 561	365 525	373 873	264 054	345 223	379 236	414 376
Safety & Security	638	856	706	4 398	4 913	5 751	5 956
Traditional & Environmental Affairs	166 315	211 404	206 076	167 342	220 014	220 019	241 375
Reconstruction & Development Programme		30 540	22 658	17 684			
The Royal Household					12 481	13 748	14 156
Total	14 943 801	17 901 477	19 145 811	18 448 642	19 210 941	20 454 436	21 490 511
Increase/(Decrease)					762 299	1 243 495	1 036 075
Classification of expenditure							
Current							
Personnel expenditure	7 605 223	9 380 146	10 560 558	10 865 542	11 250 912	11 760 798	12 308 844
Transfer payments	3 301 068	4 079 597	4 436 434	4 566 687	4 206 529	4 231 394	4 469 158
Other current expenditure*	2 851 964	2 748 318	2 737 874	2 054 063	2 803 331	3 291 471	3 619 450
Capital							
Transfer payments	105 334	92 420	88 762	126 709	34 001	34 001	34 001
Other capital expenditure	1 052 581	1 567 939	1 294 658	808 084	889 300	1 109 904	1 032 190
Statutory	27 631	33 057	27 525	27 557	26 868	26 868	26 868
Total	14 943 801	17 901 477	19 145 811	18 448 642	19 210 941	20 454 436	21 490 511

* The Finance Reserve is included in these amounts.

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TABLE B10.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Education Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	191 013	133 028	208 653	151 632	128 505	154 860	184 557
Public Ordinary School Education	5 024 889	5 915 486	6 308 976	6 224 106	6 557 573	6 978 588	7 360 109
Private Ordinary School Education	37 849	39 485	38 542	28 819	29 500	31 000	32 500
Special School Education	112 594	129 814	142 722	155 065	168 162	166 594	176 648
Teacher Training	203 172	226 596	220 523	188 762	181 736	172 691	169 317
Technical College Education	101 998	121 335	106 425	112 402	115 251	132 090	140 034
Non-Formal Education	10 483	21 524	27 194	14 708	24 784	30 144	31 900
Sport & Recreation Advancement	3 232	3 801	4 223	4 844	7 155	7 970	8 176
Arts & Culture	5 438	6 827	7 924	12 176	10 811	11 459	11 939
Auxiliary & Associated Services	107 424	121 070	140 852	212 583	205 983	229 026	240 124
Authorised Losses	426	537	508	159			
Statutory	372	344	386	417	405	405	405
Capital Expenditure from Works Department	60						
Total	5 798 950	6 719 847	7 206 928	7 105 673	7 429 864	7 914 826	8 355 710
Increase/(Decrease)					324 191	484 963	440 883
Classification of expenditure							
Current							
Personnel expenditure	4 699 326	5 732 379	6 530 798	6 502 840	6 680 442	7 064 687	7 406 286
Transfer payments	88 412	90 023	86 388		105 541	116 185	121 570
Other current expenditure	748 278	593 597	504 054	450 008	558 352	609 953	675 853
Capital							
Transfer payments	11 080	4 731	230	83 957			
Other capital expenditure	251 482	298 773	85 072	68 451	85 124	123 596	151 596
Statutory	372	344	386	417	405	405	405
Total	5 798 950	6 719 847	7 206 928	7 105 673	7 429 864	7 914 826	8 355 710

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TABLE B10.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Health Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	67 313	86 186	82 988	103 226	93 943	97 947	107 330
District Health Services	940 200	1 650 925	1 910 876	1 961 903	2 030 864	2 639 706	2 923 643
Provincial Hospital Services	2 005 749	1 564 122	1 813 306	1 818 432	1 813 610	1 605 867	1 545 916
Central Health Services		542 284	613 284	592 630	598 456	634 891	672 732
Health Sciences		96 532	130 080	119 367	132 930	167 224	178 822
Auxiliary & Associated Services	203 348	180 695	149 460	272 262	344 079	371 358	199 873
Authorised Losses	1 313	2 766	647	739			
Statutory	372	344	386	383	405	405	405
Capital Expenditure from Works Department	66 622	110 000	104 500				
Total	3 284 917	4 233 854	4 805 527	4 868 942	5 014 288	5 517 398	5 628 720
Increase/(Decrease)					145 346	503 110	111 322
Classification of expenditure							
Current							
Personnel expenditure	1 964 675	2 514 116	2 956 583	3 191 383	3 329 010	3 517 376	3 664 356
Transfer payments	189 175	232 837	250 146	283 163	296 899	298 512	308 482
Other current expenditure	980 358	1 110 552	1 247 233	1 026 860	976 279	1 273 946	1 396 863
Capital							
Transfer payments		4 005			1	1	1
Other capital expenditure	150 337	372 000	351 179	367 153	411 694	427 158	258 613
Statutory	372	344	386	383	405	405	405
Total	3 284 917	4 233 854	4 805 527	4 868 942	5 014 288	5 517 398	5 628 720

KWAZULU-NATAL							
TABLE B10.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Welfare Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	168 342	14 341	22 700	17 761	22 654	27 872	31 453
Social Security	2 690 788	3 118 135	3 500 991	3 738 352	3 573 517	3 645 021	3 847 836
Social Assistance	108 520	105 690	105 407	122 142	111 432	117 971	128 008
Social Welfare Services	21 786	75 463	85 717	91 139	89 953	107 178	106 538
Social Development		1 504	1 365	1 617	2 454	3 780	3 899
Population Development				838	1 585	1 287	1 349
Auxiliary & Associated Services	46	1 417	1 933		500	1 000	1 000
Authorised Losses	185	59	25	11			
Statutory	372	344	386	335	405	405	405
Capital Expenditure from Works Department	21 047	12 000	12 000				
Total	3 011 086	3 328 953	3 730 524	3 972 195	3 802 500	3 904 514	4 120 486
Increase/(Decrease)					(169 695)	102 013	215 973
Classification of expenditure							
Current							
Personnel expenditure	82 580	101 892	121 158	137 502	143 574	160 515	171 560
Transfer payments	2 794 679	3 066 351	3 428 078	3 658 546	3 555 656	3 557 200	3 750 606
Other current expenditure	109 998	143 935	166 360	175 801	100 782	174 205	182 915
Capital							
Transfer payments							
Other capital expenditure	23 457	16 431	14 542	11	2 083	12 189	15 000
Statutory	372	344	386	335	405	405	405
Total	3 011 086	3 328 953	3 730 524	3 972 195	3 802 500	3 904 514	4 120 486

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TABLE B11.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
	Actual	Actual	Actual	Estimated Actual	Medium Term Estimates (including estimated improvements in condition of service)		
Expenditure	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education							
Personnel Expenditure	1 812 743	2 138 597	2 299 317	2 434 164	2 488 902	2 720 226	2 921 349
Other Expenditure	150 464	275 658	206 565	190 192	271 197	283 756	293 323
Total	1 963 207	2 414 255	2 505 882	2 624 356	2 760 099	3 003 982	3 214 672
Health							
Personnel Expenditure	304 326	436 977	561 485	648 843	675 266	803 119	795 414
Other Expenditure	236 696	379 760	455 369	409 269	415 650	392 382	473 596
Total	541 022	816 737	1 016 854	1 058 113	1 090 916	1 195 501	1 269 010
Welfare							
Personnel Expenditure	18 439	31 713	27 247	26 946	39 717	44 676	48 883
Transfer Payments	719 965	769 884	930 580	1 051 191	963 011	1 018 172	1 084 331
Other Expenditure	8 596	19 734	30 160	37 449	60 420	70 179	71 853
Total	747 000	821 331	987 987	1 115 586	1 063 148	1 133 027	1 205 067
Expenditure other Functions							
Personnel Expenditure	323 300	391 532	471 666	514 502	524 116	561 056	646 776
Finance Reserve					75 000	100 000	100 000
Other Expenditure	739 676	993 734	966 628	727 757	687 131	690 762	686 324
Total	1 062 977	1 385 266	1 438 294	1 242 259	1 286 247	1 351 818	1 433 100
Total Personnel Expenditure	2 458 808	2 998 818	3 359 714	3 624 456	3 728 001	4 129 077	4 412 422
Finance Reserve					75 000	100 000	100 000
Total Other Expenditure	1 855 398	2 438 770	2 589 303	2 415 858	2 397 409	2 455 251	2 609 427
Total Expenditure	4 314 206	5 437 589	5 949 017	6 040 313	6 200 410	6 684 328	7 121 849
Revenue							
Transfers from National	4 289 250	5 008 819	5 073 270	5 736 942	6 010 055	6 480 828	6 897 999
Own Revenue	148 496	216 024	257 266	193 720	190 355	203 500	223 850
Total Revenue	4 437 746	5 224 843	5 330 536	5 930 662	6 200 410	6 684 328	7 121 849
Surplus/(Deficit)	123 540	(212 746)	(618 481)	(109 651)			

Mpumalanga Table B11.2

MPUMALANGA							
TABLE B11.2: ACTUAL AND BUDGETED REVENUE							
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Revenue	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	4 289 250	5 008 819	5 073 270	5 736 942	6 010 055	6 480 828	6 897 999
Equitable Share	3 975 821	4 697 175	4 809 293	5 213 416	5 645 686	5 963 361	6 235 007
Conditional Grants:							
Improvements in conditions of service	206 334	269 951	219 977	153 283	133 138	301 780	458 587
Contingency Grant			44 000	65 800			
Finance Supplementary Grant				191 570	171 034	152 479	138 985
Other Conditional Grants	107 095	41 693		112 873	60 197	63 208	65 420
Own Revenue	148 496	216 024	257 266	193 720	190 355	203 500	223 850
Taxation							
Interest and dividends	31 536	29 860	46 109	16 810	20 000	22 000	24 200
Licences and permits	33 379	1 224	3 052	4 242	3 300	3 630	3 993
Recovery of loans and advances	11 302	2 000	5 738	660	3 100	3 410	3 751
Departmental activities	10 991	5 882	3 832	8 275	8 000	8 800	9 680
State property rights	2 551	3 577	3 807	2 193	5 700	6 270	6 897
Moneys prescribed by law/ordinance	30 110	95 480	87 218	83 597	88 300	96 630	106 293
Moneys not prescribed by law/ordinance	7 831	41 352	22 125	16 448	42 600	46 860	51 546
Miscellaneous *	20 796	36 649	85 385	61 495	19 355	15 900	17 490
Other Revenue							
Total	4 437 746	5 224 843	5 330 536	5 930 662	6 200 410	6 684 328	7 121 849
Increase/(Decrease)					269 748	483 918	437 521

* Miscellaneous revenue for 1998/99 includes R2,3 m for Donor Funding.

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TABLE B11.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Provincial Summary	Actual Expenditure R ' 000	Actual Expenditure R ' 000	Actual Expenditure R ' 000	Estimated Actual R ' 000	Medium Term Estimates (including estimated improvements in condition of service)		
					R ' 000	R ' 000	R ' 000
Education	1 963 207	2 414 255	2 505 882	2 624 356	2 760 099	3 003 982	3 214 672
Health	541 022	816 737	1 016 854	1 058 113	1 090 916	1 195 501	1 269 010
Welfare	747 000	821 331	987 987	1 115 586	1 063 148	1 133 027	1 205 067
Premier	79 800	33 583	17 325	46 830	60 499	59 998	64 709
Legislature	16 979	27 233	38 345	33 298	39 277	39 399	39 493
Finance *	126 668	228 917	267 103	157 007	200 387	230 606	243 601
Economic Affairs & Gaming	45 614	25 234	23 023	28 682	28 690	30 400	32 334
Service Commision / Central Services	15 329		88 331				
Housing	13 118						
Local Government, Housing & Land Affairs	141 969	167 187	210 796	131 271	103 703	106 642	108 711
Public Works, Roads & Transport	382 568	661 941	490 759	511 110	579 883	595 976	635 881
Agriculture	136 668	88 635	135 767	134 548	115 638	126 834	134 943
Environment & Tourism	66 372	80 103	108 140	143 416	104 957	102 550	109 486
Arts & Culture		8 187	16 940	36 548	34 559	33 810	37 505
Safety & Security	37 892	64 247	41 764	19 548	18 655	25 602	26 437
Total	4 314 206	5 437 589	5 949 017	6 040 313	6 200 410	6 684 328	7 121 849
Increase/(Decrease)					160 098	483 917	437 521
Classification of expenditure							
Current							
Personnel expenditure	2 458 808	2 998 818	3 359 714	3 624 456	3 728 001	4 129 077	4 412 422
Transfer payments	1 003 642	1 201 615	1 266 043	1 324 189	1 095 033	1 170 750	1 236 985
Other current expenditure *	620 330	793 266	827 144	727 365	1 081 120	1 085 268	1 183 427
Capital							
Transfer payments				18 910	24	24	31
Other capital expenditure	231 426	443 889	496 115	345 394	296 232	299 209	288 984
Statutory							
Total	4 314 206	5 437 589	5 949 017	6 040 313	6 200 410	6 684 328	7 121 849

* The Finance Reserve is included in these amounts.

Mpumalanga Table B11.4

MPUMALANGA							
TABLE B11.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Education Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	37 982	358 189	60 793	125 980	132 103	141 387	149 039
Public Ordinary School Education	1 892 965	1 952 820	2 266 619	2 328 658	2 420 370	2 639 967	2 830 240
Private Ordinary School Education		4 325	5 437	8 873	9 000	9 441	9 800
Education in Specialised Schools	308	14 270	49 824	46 101	55 069	59 462	63 232
Teachers Training	8 255	20 214	52 583	40 487	48 273	52 142	55 463
Technical College Education	4 295	7 656	36 074	35 437	47 217	50 863	54 003
Non-Formal Education	5 027	33 456	28 563	27 330	24 825	26 247	27 419
Supporting & Related Services	14 317	23 326	5 989	11 490	23 242	24 473	25 476
Authorised Losses	59						
Capital Expenditure from Works Department							
Total	1 963 207	2 414 255	2 505 882	2 624 356	2 760 099	3 003 982	3 214 672
Increase/(Decrease)					135 743	243 883	210 690
Classification of expenditure							
Current							
Personnel expenditure	1 812 743	2 138 597	2 299 317	2 434 164	2 488 902	2 720 226	2 921 349
Transfer payments	4 899	12 997	12 000	25 499	16 825	17 649	18 320
Other current expenditure	113 197	126 778	132 683	109 559	198 031	207 730	215 627
Capital							
Transfer payments				320			
Other capital expenditure	32 368	135 883	61 883	54 814	56 341	58 377	59 376
Statutory							
Total	1 963 207	2 414 255	2 505 882	2 624 356	2 760 099	3 003 982	3 214 672

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TABLE B11.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Health Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	84 063	146 187	162 473	80 278	71 458	125 483	233 670
District Health Services	399 013	670 164	854 381	751 287	847 033	964 528	825 868
Provincial Hospital Services				105 265	89 951	45 745	90 596
Health Care Support Services				3 560	31 220	32 701	28 817
Health Facilities Development & Maintenance				95 247	24 125	1 141	63 220
Gender Affairs	375	386					
Auxiliary & Associated Services	57 470						
Human Resource Development				22 476	27 129	25 903	26 839
Authorised Losses	101						
Statutory							
Capital Expenditure from Works Department							
Total	541 022	816 737	1 016 854	1 058 113	1 090 916	1 195 501	1 269 010
Increase/(Decrease)					32 803	104 585	73 509
Classification of expenditure							
Current							
Personnel expenditure	304 326	436 977	561 485	648 843	675 266	803 119	795 414
Transfer payments	2 145	30 242	14 576	37 031	3 154	20 468	3 797
Other current expenditure	211 011	245 381	326 379	248 068	370 954	334 436	366 697
Capital							
Transfer payments				8 793			
Other capital expenditure	23 540	104 137	114 414	115 377	41 542	37 478	103 102
Statutory							
Total	541 022	816 737	1 016 854	1 058 113	1 090 916	1 195 501	1 269 010

Note: Between 1995/96 and 1997/98 Health and Welfare formed a single department.

Mpumalanga Table B11.6

MPUMALANGA							
TABLE B11.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Welfare Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	12 025	2 341		6 004	10 829	12 281	12 231
Social Security	729 810	780 872	906 615	1 050 195	976 770	1 035 234	1 088 163
Social Assistance Services	1 055	31 952		31 949	34 780	31 226	50 683
Social Welfare Services	4 110	5 649	81 372	23 876	33 373	30 168	37 170
Population Unit		517		1 765	4 301	4 195	4 310
Auxiliary & Associated Services				860	1 105	2 649	2 649
Welfare Facilities				847	90	1 992	1 992
Social Development							
Administrative Support				90	1 900	15 282	7 869
Statutory							
Capital Expenditure from Works Department							
Total	747 000	821 331	987 987	1 115 586	1 063 148	1 133 027	1 205 067
Increase/(Decrease)					(52 438)	69 879	72 040
Classification of expenditure							
Current							
Personnel expenditure	18 439	31 713	27 247	26 946	39 717	44 676	48 883
Transfer payments	719 965	769 884	930 580	1 051 191	963 011	1 018 172	1 084 331
Other current expenditure	8 596	19 734	29 198	34 717	57 355	61 468	66 078
Capital							
Transfer payments				34			
Other capital expenditure			962	2 698	3 065	8 711	5 775
Statutory							
Total	747 000	821 331	987 987	1 115 586	1 063 148	1 133 027	1 205 067

Note: Between 1995/96 and 1997/98 Health and Welfare formed a single department.

NORTHERN CAPE

TABLE B12.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
	Actual	Actual	Actual	Estimated Actual	Medium Term Estimates (including estimated improvements in condition of service)		
Expenditure	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education							
Personnel Expenditure	613 073	694 442	739 171	754 336	715 674	790 321	834 083
Other Expenditure	101 253	114 751	116 249	130 227	173 220	169 196	167 577
Total	714 326	809 193	855 420	884 563	888 894	959 517	1 001 660
Health							
Personnel Expenditure	135 092	163 363	196 402	219 636	239 355	250 649	260 054
Other Expenditure	141 590	169 151	183 673	168 680	137 859	148 324	154 301
Total	276 683	332 514	380 075	388 316	377 214	398 973	414 355
Welfare							
Personnel Expenditure	19 799	24 304	29 944	34 559	39 155	42 962	45 877
Transfer Payments	497 287	506 646	600 273	596 353	529 194	537 030	540 764
Other Expenditure	8 858	14 683	20 267	35 549	40 104	42 565	46 440
Total	525 944	545 633	650 484	666 461	608 453	622 557	633 081
Expenditure other Functions							
Personnel Expenditure	87 911	93 490	114 469	136 913	165 773	175 868	182 520
Finance Reserve						41 000	62 000
Other Expenditure	234 538	280 212	308 312	256 686	251 676	233 188	246 845
Total	322 449	373 702	422 781	393 599	417 449	450 056	491 365
Total Personnel Expenditure	855 875	975 599	1 079 986	1 145 444	1 159 956	1 259 799	1 322 535
Finance Reserve						41 000	62 000
Total Other Expenditure	983 526	1 085 443	1 228 774	1 187 495	1 132 053	1 130 303	1 155 927
Total Expenditure	1 839 401	2 061 042	2 308 760	2 332 939	2 292 009	2 431 102	2 540 462
Revenue							
Transfers from National	1 834 115	2 110 025	2 055 263	2 142 731	2 213 988	2 342 072	2 445 618
Own Revenue	70 605	96 341	102 499	78 379	78 021	89 030	94 844
Total Revenue	1 904 720	2 206 366	2 157 762	2 221 110	2 292 009	2 431 102	2 540 462
Surplus/(Deficit)	65 319	145 324	(150 998)	(111 829)			

Northern Cape Table B12.2

NORTHERN CAPE							
TABLE B12.2: ACTUAL AND BUDGETED REVENUE							
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Revenue	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	1 834 115	2 110 025	2 055 263	2 142 731	2 213 988	2 342 072	2 445 618
Equitable Share	1 657 589	2 006 264	1 972 212	1 964 190	2 083 523	2 165 027	2 224 136
Conditional Grants:							
Improvements in conditions of service	39 511	103 761	73 051	47 778	40 370	91 505	139 052
Contingency Grant			10 000	24 700			
Finance Supplementary Grant				63 710	58 120	51 964	47 679
Other Conditional Grants	137 015			42 353	31 975	33 576	34 751
Own Revenue	70 605	96 341	102 499	78 379	78 021	89 030	94 844
Taxation					52 852	66 542	71 143
Interest and dividends	16 997	25 044	32 481	11 660	6 000	6 000	6 000
Licences and permits	28 599	52	262	103	92	92	100
Recovery of loans and advances	1 011	1 072	1 805	2 350	1 820	1 000	1 300
Departmental activities		1 918	6 824	3 496	2 300	2 100	2 000
State property rights		2 338	2 029	1 002	517	1 200	1 500
Moneys prescribed by law/ordinance	13 450	38 019	38 237	31 772	6 191	7 065	7 526
Moneys not prescribed by law/ordinance	4 415	9 060	7 151	18 522	4 633	3 831	3 500
Miscellaneous	6 133	18 838	13 710	9 474	3 616	1 200	1 775
Other Revenue							
Total	1 904 720	2 206 366	2 157 762	2 221 110	2 292 009	2 431 102	2 540 462
Increase/(Decrease)					70 899	139 093	109 360

NORTHERN CAPE

TABLE B12.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Provincial Summary	Actual	Actual	Actual	Estimated	Medium Term Estimates		
Department	Expenditure	Expenditure	Expenditure	Actual	(including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education & Culture	714 326	809 193	855 420	884 563	888 894	959 517	1 001 660
Health	276 683	332 514	380 075	388 316	377 214	398 973	414 355
Welfare	525 944	545 633	650 484	666 461	608 453	622 557	633 081
Premier	8 849	26 426	38 887	47 726	39 889	42 401	43 841
Legislature	10 292			12 696	20 761	21 976	23 727
Finance	2 328	12 605	18 410	15 293	24 558	32 942	41 731
Economic Affairs, Trade & Industry	1 852	7 526	11 590	15 349	12 332	13 116	13 538
Corporate Services	15 410						
Provincial Service Commission	1 904	1 828	1 848	1 243	1 751	1 877	1 953
Housing & Local Government	55 865	70 756	69 408	45 451	42 619	45 321	46 807
Transport, Roads & Traffic Control	143 742	164 291	147 613	129 007	132 788	139 363	142 253
Works	28 440	28 142	60 498	58 257	29 879	31 488	32 245
Agriculture	41 896	46 051	53 456	52 534	49 427	52 945	54 985
Nature & Environmental Conservation	7 885	10 606	12 106	8 470	9 207	9 803	10 173
Recreation, Sport & Youth Affairs	2 389	3 395	5 732	3 898	4 153	4 421	4 569
Safety & Security	1 598	2 076	3 233	3 675	3 165	3 402	3 544
Promoting the RDP *					46 920	51 000	72 000
Total	1 839 401	2 061 042	2 308 760	2 332 939	2 292 009	2 431 102	2 540 462
Increase/(Decrease)					(40 930)	139 093	109 360
Classification of expenditure							
Current							
Personnel expenditure	851 956	973 310	1 077 142	1 135 539	1 149 108	1 248 951	1 311 687
Transfer payments	605 249	644 130	779 930	750 306	670 627	681 411	689 786
Other current expenditure *	267 071	319 164	313 798	325 149	381 193	404 014	451 084
Capital							
Transfer payments	3 528	10 206	21 448	1 574	3 855	2 373	2 294
Other capital expenditure	107 678	111 943	113 598	110 466	76 378	83 505	74 763
Statutory	3 919	2 289	2 844	9 905	10 848	10 848	10 848
Total	1 839 401	2 061 042	2 308 760	2 332 939	2 292 009	2 431 102	2 540 462

* The Finance Reserve is included in these amounts.

Northern Cape Table B12.4

NORTHERN CAPE							
TABLE B12.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Education Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	40 847	62 705	91 660	39 102	39 750	39 161	43 707
Public Ordinary School Education	605 088	676 889	690 179	751 958	719 077	786 549	824 072
Private Ordinary School Education	8 905	2 989	3 143	2 861	2 859	2 859	2 859
Special School Education	13 657	18 638	16 897	20 641	32 248	33 775	35 482
Teacher Training	21 185	13 108	6 163	10 134	8 827	9 190	9 444
Technical College Training	10 619	13 343	20 483	16 225	18 717	19 466	20 105
Non-Formal Education	501	3 790	3 177	3 267	4 654	4 816	5 002
Arts & Culture	12 263	10 609	10 251	12 938	10 678	14 518	14 732
Auxiliary & Associated Services	386	4 113	7 491	20 408	26 646	25 497	26 340
Statutory	349	344	395	410	405	405	405
Capital Expenditure from Works Department	526	2 665	5 581	6 619	25 032	23 282	19 513
Total	714 326	809 193	855 420	884 563	888 894	959 517	1 001 660
Increase/(Decrease)					4 331	70 623	42 144
Classification of expenditure							
Current							
Personnel expenditure	612 724	694 098	738 776	753 926	715 269	789 916	833 678
Transfer payments	22 559	25 555	23 445	26 387	29 022	27 637	29 056
Other current expenditure	74 987	84 946	79 401	94 976	128 498	120 076	128 835
Capital							
Transfer payments	118	133	45	119			
Other capital expenditure	3 589	4 117	13 358	8 745	15 700	21 483	9 686
Statutory	349	344	395	410	405	405	405
Total	714 326	809 193	855 420	884 563	888 894	959 517	1 001 660

NORTHERN CAPE

TABLE B12.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Health Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	10 483	31 802	31 910	16 392	19 292	19 971	21 356
District Health Services	70 724	179 972	209 461	223 451	219 700	231 320	238 468
Provincial Hospital Services	172 071	109 635	122 734	130 977	123 007	129 502	135 695
Health Sciences		5 727	5 860	5 756	4 931	5 214	5 604
Auxiliary & Associated Services	20 870	2 738	5 094	6 740	3 878	4 002	4 267
Authorized losses	166	269	936	713			
Statutory	349	344	395	410	405	405	405
Capital Expenditure from Works Department	2 020	2 027	3 685	3 877	6 000	8 560	8 561
Total	276 683	332 514	380 075	388 316	377 214	398 973	414 355
Increase/(Decrease)					(11 102)	21 760	15 382
Classification of expenditure							
Current							
Personnel expenditure	134 744	163 019	196 007	219 226	238 950	250 244	259 649
Transfer payments	70 514	64 493	78 875	65 109	52 120	54 917	57 419
Other current expenditure	63 130	92 060	92 009	99 623	79 410	84 782	88 349
Capital							
Transfer payments		396	149				
Other capital expenditure	7 946	12 202	12 640	3 948	6 329	8 625	8 533
Statutory	349	344	395	410	405	405	405
Total	276 683	332 514	380 075	388 316	377 214	398 973	414 355

Northern Cape Table B12.6

NORTHERN CAPE							
TABLE B12.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Welfare Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	17 019	21 604	22 121	15 638	11 305	12 545	13 260
Social Security	470 715	482 705	578 907	598 489	538 447	548 644	554 233
Social Assistance	26 551	24 597	22 202	20 509	26 515	28 320	29 514
Social Welfare Services	10 950	15 275	23 649	25 624	22 889	24 844	26 726
Social Development	42	863	1 928	2 160	2 817	3 096	3 600
Auxiliary & Associated Services	1		844	2 668	1 017	1 116	1 287
Population Development				94	103	200	262
Authorised Losses			12	20			
Capital Expenditure from Works Department	666	589	821	1 259	5 359	3 791	4 200
Total	525 944	545 633	650 484	666 461	608 453	622 557	633 081
Increase/(Decrease)					(58 008)	14 104	10 525
Classification of expenditure							
Current							
Personnel expenditure	19 799	24 304	29 944	34 559	39 155	42 962	45 877
Transfer payments	497 287	506 646	600 273	596 353	529 194	537 030	540 764
Other current expenditure	8 180	13 034	17 555	32 596	36 455	40 398	44 352
Capital							
Transfer payments	2	675	836		3 649	2 167	2 088
Other capital expenditure	676	974	1 876	2 953			
Statutory							
Total	525 944	545 633	650 484	666 461	608 453	622 557	633 081

NORTHERN PROVINCE

TABLE B13.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
	Actual	Actual	Actual	Estimated Actual	Medium Term Estimates (including estimated improvements in condition of service)		
Expenditure	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education							
Personnel Expenditure	3 790 404	4 689 951	5 138 409	5 449 792	5 445 125	5 556 319	5 815 031
Other Expenditure	369 952	657 703	557 956	320 935	286 665	533 595	539 595
Total	4 160 356	5 347 654	5 696 365	5 770 727	5 731 790	6 089 914	6 354 626
Health							
Personnel Expenditure	952 301	1 023 744	1 047 864	1 274 032	1 309 028	1 372 910	1 440 719
Other Expenditure	471 875	996 499	816 824	729 946	740 015	846 635	873 973
Total	1 424 176	2 020 243	1 864 688	2 003 978	2 049 043	2 219 545	2 314 692
Welfare							
Personnel Expenditure	34 615	7 269	66 298	43 209	35 998	37 755	39 374
Transfer Payments	1 564 876	1 750 017	1 936 097	1 901 570	2 005 816	2 214 515	2 376 073
Other Expenditure	10 816	36 251	12 062	16 292	92 230	59 982	73 243
Total	1 610 307	1 793 537	2 014 457	1 961 071	2 134 044	2 312 252	2 488 690
Expenditure other Functions							
Personnel Expenditure	984 660	1 024 147	1 453 561	1 372 318	1 338 875	1 342 425	1 337 030
Finance Reserve					419 194	440 202	472 048
Other Expenditure	920 714	1 631 047	796 276	619 364	622 333	585 800	699 874
Total	1 905 374	2 655 194	2 249 837	1 991 682	2 380 402	2 368 427	2 508 952
Total Personnel Expenditure	5 761 980	6 745 111	7 706 132	8 139 351	8 129 026	8 309 409	8 632 154
Finance Reserve					419 194	440 202	472 048
Total Other Expenditure	3 338 233	5 071 517	4 119 215	3 588 107	3 747 059	4 240 527	4 562 758
Total Expenditure	9 100 213	11 816 628	11 825 347	11 727 458	12 295 279	12 990 138	13 666 960
Revenue							
Transfers from National	8 459 139	10 818 116	10 891 964	11 563 036	12 017 279	12 690 138	13 342 960
Own Revenue	486 527	501 277	202 340	294 883	278 000	300 000	324 000
Total Revenue	8 945 666	11 319 393	11 094 304	11 857 919	12 295 279	12 990 138	13 666 960
Surplus/(Deficit)	(154 547)	(497 235)	(731 043)	130 461			

Northern Province Table B13.2

NORTHERN PROVINCE							
TABLE B13.2: ACTUAL AND BUDGETED REVENUE							
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Revenue	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	8 459 139	10 818 116	10 891 964	11 563 036	12 017 279	12 690 138	13 342 960
Equitable Share	8 038 123	9 775 105	10 345 706	10 424 106	11 143 848	11 572 319	11 897 150
Conditional Grants:							
Improvements in conditions of service	421 016	1 043 011	463 258	348 432	301 868	684 234	1 039 767
Contingency Grant			83 000	131 700			
Finance Supplementary Grant				377 545	346 221	304 073	271 998
Other Conditional Grants				281 253	225 342	129 512	134 045
Own Revenue	486 527	501 277	202 340	294 883	278 000	300 000	324 000
Taxation							
Interest and dividends	111 477	85 629	7 806	9 051	990	990	990
Licences and permits	27 603	183 825	61 739	57 875	121 790	129 810	140 848
Recovery of loans and advances							
Departmental activities	9 376	7 755	17 026	15 900	34 025	35 790	38 452
State property rights	1 887	459	1 920	900	313	330	356
Moneys prescribed by law/ordinance	52 686	54 927	67 984	74 068	44 006	52 260	56 148
Moneys not prescribed by law/ordinance	60 671	116 859	33 599	31 789	75 023	78 870	85 110
Miscellaneous	222 827	51 823	12 266	105 300	1 853	1 950	2 096
Other Revenue							
Total	8 945 666	11 319 393	11 094 304	11 857 919	12 295 279	12 990 138	13 666 960
Increase/(Decrease)					437 360	694 859	676 822

NORTHERN PROVINCE

TABLE B13.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Provincial Summary	Actual	Actual	Actual	Estimated	Medium Term Estimates		
Department	Expenditure	Expenditure	Expenditure	Actual	(including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education, Arts, Culture & Sport	4 160 356	5 347 654	5 696 365	5 770 727	5 731 790	6 089 914	6 354 626
Health	1 424 176	2 020 243	1 864 688	2 003 978	2 049 043	2 219 545	2 314 692
Welfare	1 610 307	1 793 537	2 014 457	1 961 071	2 134 044	2 312 252	2 488 690
Office of the Premier	69 550	327 314	128 455	63 742	87 913	88 296	91 759
Provincial Legislature		26 085	29 438	24 999	26 395	27 669	28 245
Finance & Provincial Expenditure *	155 921	351 479	84 774	127 503	529 740	556 574	591 706
Housing & Water Affairs			9 964	19 935	19 556	21 021	21 776
Local Government & Traditional Affairs	137 522	478 148	266 244	265 898	204 784	97 664	102 686
Public Transport	172 791	174 272	225 197	190 364	198 090	207 209	214 206
Public Works	656 911	703 223	724 730	618 397	685 502	708 040	761 096
Agriculture, Land & Environment	540 507	422 064	659 205	558 151	551 336	579 354	608 596
Environment & Tourism	47 204	80 449					
Safety & Security		3 372	5 307	4 616	5 262	5 544	5 835
Traditional Affairs	31 035						
Trade, Industry & Tourism	90 231	88 788	116 523	118 077	71 823	77 055	83 047
RDP	3 702						
Total	9 100 213	11 816 628	11 825 347	11 727 458	12 295 279	12 990 138	13 666 960
Increase/(Decrease)					567 821	694 859	676 822
Classification of expenditure							
Current							
Personnel expenditure	5 761 980	6 745 111	7 705 962	8 123 640	8 114 396	8 294 779	8 617 524
Transfer payments	1 644 181	2 161 050	2 301 239	2 146 806	2 184 885	2 419 508	2 589 243
Other current expenditure *	1 288 162	2 500 428	1 538 029	1 206 205	1 529 382	1 771 941	2 013 788
Capital							
Transfer payments	163 724	64 976	80 000	86 873	104 566	155 512	72 446
Other capital expenditure	242 166	345 063	199 947	148 223	347 420	333 768	359 329
Statutory			170	15 711	14 630	14 630	14 630
Total	9 100 213	11 816 628	11 825 347	11 727 458	12 295 279	12 990 138	13 666 960

* The Finance Reserve is included in these amounts.

NORTHERN PROVINCE							
TABLE B13.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Education Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	604 767	983 712	1 554 240	396 235	501 002	1 296 758	1 357 789
Primary Education	2 000 119	2 290 777	1 082 488	2 818 861	2 707 767	2 198 312	2 226 127
Secondary Education	1 320 398	1 776 512	2 791 888	2 205 541	2 119 844	2 164 590	2 315 150
Special Education	23 833	46 040	59 444	72 384	54 863	66 671	69 934
Technical Education	21 057	36 671	45 557	50 563	64 213	66 668	69 518
Teacher Training	169 859	189 519	152 576	205 260	213 386	221 704	236 356
Adult Basic Education & Training	20 323	24 423	9 786	8 246	35 883	31 692	34 063
Pre-primary Education				980	27 550	28 115	30 284
Independent Schools				10 926	6 876	15 000	15 000
Sports & Recreation				905			
Arts & Culture				208			
Statutory			386	618	405	405	405
Capital Expenditure from Works Department							
Total	4 160 356	5 347 654	5 696 365	5 770 727	5 731 790	6 089 914	6 354 626
Increase/(Decrease)					(38 937)	358 124	264 712
Classification of expenditure							
Current							
Personnel expenditure	3 790 404	4 689 951	5 138 409	5 449 174	5 444 720	5 555 914	5 814 626
Transfer payments		15 489	29 153	36 324	26 986	47 003	47 003
Other current expenditure	288 580	588 487	513 518	250 920	211 481	434 646	440 646
Capital							
Transfer payments	28 711					51 946	51 946
Other capital expenditure	52 661	53 727	15 285	33 691	48 198		
Statutory				618	405	405	405
Total	4 160 356	5 347 654	5 696 365	5 770 727	5 731 790	6 089 914	6 354 626

NORTHERN PROVINCE

TABLE B13.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Health Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Health Administration	158 882	81 646	109 209	100 434	152 669	195 819	193 888
District Health Services	850 998	1 304 467	1 032 912	1 075 184	1 048 607	1 114 127	1 179 394
Regional & Specialised Hospital Services	108 679	102 702	379 332	435 209	480 281	472 605	496 044
Health Science Services		4 889	23 008	48 332	60 010	63 291	66 409
Health Care Support Services	155 617	180 691	130 505	139 811	147 480	170 297	172 652
Health Facilities Development & Maintenance	150 000	345 848	189 722	205 008	159 591	203 000	205 900
Statutory					405	405	405
Capital Expenditure from Works Department							
Total	1 424 176	2 020 243	1 864 688	2 003 978	2 049 043	2 219 545	2 314 692
Increase/(Decrease)					45 065	170 502	95 148
Classification of expenditure							
Current							
Personnel expenditure	952 301	1 023 744	1 047 864	1 274 032	1 308 623	1 372 505	1 440 314
Transfer payments		172 957	157 599	76 729	48 015	64 537	73 572
Other current expenditure	397 070	721 326	585 729	594 988	497 409	541 118	539 639
Capital							
Transfer payments	27 891				5 000	5 000	5 000
Other capital expenditure	46 914	102 216	73 496	58 229	189 591	235 980	255 762
Statutory					405	405	405
Total	1 424 176	2 020 243	1 864 688	2 003 978	2 049 043	2 219 545	2 314 692

Northern Province Table B13.6

NORTHERN PROVINCE							
TABLE B13.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Welfare Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Welfare Administration	55 934	6 600	19 670	39 405	19 949	20 105	21 851
Social Security Services	1 533 528	1 733 185	1 948 066	1 880 841	2 035 178	2 217 060	2 384 909
Social Assistance Services		17 439	33 328	25 000	24 042	25 495	26 718
Social Welfare Services		9 199	9 275	6 695	29 214	29 499	32 954
Social Development Services	4 401	2 458	3 304	2 384	12 704	13 048	14 153
Population & Development Services		14 892		39	957	967	928
Auxiliary & Associated Services	16 444	9 764	814	129	12 000	6 078	7 177
Welfare Facilities Development				6 578			
Capital Expenditure from Works Department							
Total	1 610 307	1 793 537	2 014 457	1 961 071	2 134 044	2 312 252	2 488 690
Increase/(Decrease)					172 973	178 208	176 437
Classification of expenditure							
Current							
Personnel expenditure	34 615	7 269	66 298	43 209	35 998	37 755	39 374
Transfer payments	1 564 876	1 750 017	1 936 097	1 901 570	2 005 816	2 214 515	2 376 073
Other current expenditure	7 165	24 241	10 262	15 732	79 340	53 000	65 000
Capital							
Transfer payments							
Other capital expenditure	3 651	12 010	1 800	560	12 890	6 982	8 243
Statutory							
Total	1 610 307	1 793 537	2 014 457	1 961 071	2 134 044	2 312 252	2 488 690

NORTH WEST

TABLE B14.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
	Actual	Actual	Actual	Estimated Actual	Medium Term Estimates (including estimated improvements in condition of service)		
Expenditure	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education							
Personnel Expenditure	2 145 710	2 518 447	2 875 304	3 018 200	3 074 407	3 236 997	3 375 532
Other Expenditure	308 800	447 149	364 751	177 629	298 226	336 540	360 904
Total	2 454 510	2 965 596	3 240 055	3 195 829	3 372 633	3 573 537	3 736 436
Health							
Personnel Expenditure	554 119	746 228	888 942	971 662	1 024 131	1 078 291	1 124 439
Other Expenditure	379 362	529 907	486 362	370 335	442 411	474 110	484 220
Total	933 481	1 276 135	1 375 304	1 341 997	1 466 542	1 552 401	1 608 659
Welfare							
Personnel Expenditure	28 183	31 713	20 229	40 382	54 072	56 932	59 367
Transfer Payments	951 204	952 320	1 030 062	1 232 051	1 287 000	1 321 866	1 373 405
Other Expenditure	10 963	28 020	32 550	26 639	58 279	61 505	63 330
Total	990 350	1 012 053	1 082 841	1 299 072	1 399 351	1 440 303	1 496 102
Expenditure other Functions							
Personnel Expenditure	436 730	617 499	647 402	715 001	774 065	815 006	850 324
Finance Reserve					20 050	36 452	36 195
Other Expenditure	1 750 095	1 669 463	1 266 129	1 126 088	991 556	1 014 698	1 024 204
Total	2 186 825	2 286 962	1 913 531	1 841 089	1 785 671	1 866 156	1 910 723
Total Personnel Expenditure	3 164 742	3 913 887	4 431 877	4 745 245	4 926 675	5 187 226	5 409 663
Finance Reserve					20 050	36 452	36 195
Total Other Expenditure	3 400 424	3 626 859	3 179 854	2 932 742	3 077 472	3 208 719	3 306 063
Total Expenditure	6 565 166	7 540 746	7 611 731	7 677 987	8 024 197	8 432 397	8 751 921
Revenue							
Transfers from National	6 198 923	6 847 074	6 987 334	7 552 932	7 651 912	8 048 944	8 356 964
Own Revenue	700 246	420 806	303 883	311 045	372 285	383 453	394 957
Total Revenue	6 899 169	7 267 880	7 291 217	7 863 977	8 024 197	8 432 397	8 751 921
Surplus/(Deficit)	334 003	(272 866)	(320 514)	185 990			

North West Table B14.2

NORTH WEST							
TABLE B14.2: ACTUAL AND BUDGETED REVENUE							
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Revenue	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	6 198 923	6 847 074	6 987 334	7 552 932	7 651 912	8 048 944	8 356 964
Equitable Share	5 862 948	6 416 279	6 674 894	6 837 145	7 213 351	7 419 442	7 545 743
Conditional Grants:							
Improvements in conditions of service	198 975	393 396	266 440	196 214	168 129	381 092	579 110
Contingency Grant			46 000	86 100			
Finance Supplementary Grant				235 978	210 558	185 540	167 040
Other Conditional Grants	137 000	37 399		197 495	59 874	62 870	65 071
Own Revenue	700 246	420 806	303 883	311 045	372 285	383 453	394 957
Taxation	239 722	198 134	96 134				
Interest and dividends	67 581	94 904	43 492	44 797	74 550	75 000	75 000
Licences and permits				1 483	2 000	2 100	2 200
Recovery of loans and advances	2 100	9 868	22 341	23 011	20 800	22 000	24 000
Departmental activities	90 229	88 558	82 350	72 099	108 915	110 353	111 885
State property rights	8 140	15 927	9 058	9 330	11 000	12 000	12 500
Moneys prescribed by law/ordinance				109 754	140 020	147 000	154 372
Moneys not prescribed by law/ordinance	3 089	1 125	1 440				
Miscellaneous	289 386	12 290	49 067	50 571	15 000	15 000	15 000
Other Revenue							
Total	6 899 169	7 267 880	7 291 217	7 863 977	8 024 197	8 432 397	8 751 921
Increase/(Decrease)					160 220	408 200	319 524

NORTH WEST

TABLE B14.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Provincial Summary	Actual	Actual	Actual	Estimated	Medium Term Estimates		
Department	Expenditure	Expenditure	Expenditure	Actual	(including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education	2 454 510	2 965 596	3 240 055	3 195 829	3 372 633	3 573 537	3 736 436
Health	933 481	1 276 135	1 375 304	1 341 997	1 466 542	1 552 401	1 608 659
Welfare	990 350	1 012 053	1 082 841	1 299 072	1 399 351	1 440 303	1 496 102
Premier	30 867	72 394	43 647	72 633	77 000	78 814	80 927
Office Of The Legislature	18 297	21 689	27 553	29 090	29 975	31 761	33 756
Finance & Economic Affairs *	216 863	299 988	117 735	122 234	159 725	181 810	184 773
Economic Affairs	65 887						
Service Commission	24 348	38 865	29 502				
Local Government, Housing, Planning & Development	385 460	446 421	484 310	311 495	245 011	252 666	259 897
Transport & Civil Aviation	277 955	302 969	336 071	341 904	343 426	352 597	359 405
Public Works	674 057	738 955	617 239	625 104	589 811	616 078	629 641
Agriculture	309 309	288 963	192 629	192 310	196 744	204 162	209 996
Tourism, Environment & Conservation		71 322	59 633	66 338	62 307	64 421	65 847
Arts, Culture & Sport	178 246			73 975	75 967	77 617	79 952
Safety & Security	5 536	5 396	5 212	6 006	5 704	6 231	6 530
Total	6 565 166	7 540 746	7 611 731	7 677 987	8 024 197	8 432 397	8 751 921
Increase/(Decrease)					346 210	408 200	319 524
Classification of expenditure							
Current							
Personnel expenditure	3 164 742	3 913 887	4 431 877	4 745 245	4 926 675	5 187 226	5 409 663
Transfer payments	2 002 121	1 951 748	1 584 001	1 832 387	1 813 980	1 852 732	1 907 632
Other current expenditure *	1 003 750	1 127 927	960 524	816 486	909 169	840 883	864 443
Capital							
Transfer payments	44 360	14 350	4 300				
Other capital expenditure	350 193	532 834	631 029	283 869	374 373	551 556	570 183
Statutory							
Total	6 565 166	7 540 746	7 611 731	7 677 987	8 024 197	8 432 397	8 751 921

* The Finance Reserve is included in these amounts.

NORTH WEST

TABLE B14.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Education Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	355 784	318 716	329 536	263 592	247 469	269 993	281 922
Auxiliary & Associated Services	5 746	28 498	11 736	9 682	22 975	24 312	24 882
Public Ordinary Schools	2 082 396	2 195 404	2 645 645	2 697 919	2 909 958	3 068 707	3 215 391
Special School Education	904	52 366	55 010	57 878	56 530	61 437	63 992
Teacher Training	7 562	67 608	43 434	59 134	68 480	65 861	62 745
Technical College Education	786	20 215	25 195	50 250	23 249	35 419	37 698
Non-Formal Education		36 973	69 781	51 402	36 835	40 376	42 286
RDP		185 771					
Sport & Recreation	1 332	3 953	13 904				
Arts & Culture		50 753	39 612				
Private Ordinary Schools		5 339	6 202	5 972	7 139	7 431	7 520
Statutory							
Capital Expenditure from Works Department							
Total	2 454 510	2 965 596	3 240 055	3 195 829	3 372 633	3 573 537	3 736 436
Increase/(Decrease)					176 804	200 904	162 899
Classification of expenditure							
Current							
Personnel expenditure	2 145 710	2 518 447	2 875 304	3 018 200	3 074 407	3 236 997	3 375 532
Transfer payments	71 249	57 421	38 863	56 320	62 000	62 500	63 000
Other current expenditure	219 066	196 418	163 053	75 368	198 273	226 190	239 454
Capital							
Transfer payments							
Other capital expenditure	18 485	193 310	162 835	45 941	37 953	47 850	58 450
Statutory							
Total	2 454 510	2 965 596	3 240 055	3 195 829	3 372 633	3 573 537	3 736 436

NORTH WEST

TABLE B14.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Health Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	132 750	36 712	86 485	37 133	42 306	42 250	43 716
Auxiliary & Associated Services	93 511						
District Health Services	707 220	624 629	739 528	854 751	888 040	934 029	963 201
Provincial Hospital Services		424 100	417 556	396 113	409 860	438 523	459 414
Health Services		23 330	22 517	29 692	35 659	42 425	44 960
Media and Communication		74 405	32 962				
RDP		33 071					
Development & Maintenance		28 240	55 521	107	40 500	42 500	43 000
Support Services		31 648	20 735	24 201	50 176	52 674	54 368
Statutory							
Capital Expenditure from Works Department							
Total	933 481	1 276 135	1 375 304	1 341 997	1 466 542	1 552 401	1 608 659
Increase/(Decrease)					124 545	85 859	56 258
Classification of expenditure							
Current							
Personnel expenditure	554 119	746 228	888 942	971 662	1 024 131	1 078 291	1 124 439
Transfer payments	27 368	129 799	77 183	54 455	62 511	64 490	65 137
Other current expenditure	261 986	324 522	314 035	290 986	299 588	217 839	224 054
Capital							
Transfer payments							
Other capital expenditure	90 008	75 586	95 144	24 894	80 312	191 781	195 029
Statutory							
Total	933 481	1 276 135	1 375 304	1 341 997	1 466 542	1 552 401	1 608 659

North West Table B14.6

NORTH WEST							
TABLE B14.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Welfare Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	31 044	3 356	1 683	3 223	8 219	8 873	9 581
Social Security	912 502	943 858	1 007 806	1 234 451	1 295 264	1 329 714	1 374 230
Social Assistance	26 650	28 644	32 454	31 831	39 936	34 642	35 359
Social Welfare Services	13 437	34 433	31 233	25 859	42 390	54 100	60 589
Social Development		1 762	1 664	2 891	3 763	4 093	4 379
Welfare Support Services			1		3 000	3 000	4 000
Development & Maintenance			8 000		5 000	4 000	6 000
Population Development	6 717			817	1 779	1 880	1 964
Statutory							
Capital Expenditure from Works Department							
Total	990 350	1 012 053	1 082 841	1 299 072	1 399 351	1 440 303	1 496 102
Increase/(Decrease)					100 279	40 951	55 800
Classification of expenditure							
Current							
Personnel expenditure	28 183	31 713	20 229	40 382	54 072	56 932	59 367
Transfer payments	951 204	952 320	1 030 062	1 232 051	1 287 000	1 321 866	1 373 405
Other current expenditure	7 001	26 668	31 503	25 436	47 523	48 261	57 130
Capital							
Transfer payments							
Other capital expenditure	3 962	1 352	1 047	1 203	10 756	13 244	6 200
Statutory							
Total	990 350	1 012 053	1 082 841	1 299 072	1 399 351	1 440 303	1 496 102

WESTERN CAPE

TABLE B15.1: SUMMARY OF ACTUAL AND BUDGETED REVENUE AND EXPENDITURE

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
	Actual	Actual	Actual	Estimated Actual	Medium Term Estimates (including estimated improvements in condition of service)		
Expenditure	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education							
Personnel Expenditure	3 048 326	3 664 314	3 412 312	3 373 939	3 374 501	3 479 961	3 565 280
Other Expenditure	419 208	499 637	499 778	453 895	435 625	489 980	532 679
Total	3 467 534	4 163 951	3 912 090	3 827 834	3 810 126	3 969 941	4 097 959
Health							
Personnel Expenditure	1 480 792	1 841 049	1 976 400	2 003 663	1 965 479	2 092 692	2 192 312
Other Expenditure	865 476	939 295	960 550	1 024 882	1 121 110	1 167 660	1 210 090
Total	2 346 268	2 780 344	2 936 950	3 028 545	3 086 589	3 260 352	3 402 402
Welfare							
Personnel Expenditure	81 147	88 434	86 157	98 851	112 120	117 197	121 915
Transfer Payments	1 776 036	1 829 124	2 056 628	2 023 348	2 003 620	2 066 089	2 098 711
Other Expenditure	83 812	82 040	69 093	73 863	84 898	86 898	92 617
Total	1 940 995	1 999 598	2 211 878	2 196 062	2 200 638	2 270 184	2 313 243
Expenditure other Functions							
Personnel Expenditure	295 091	354 393	323 271	340 409	413 580	438 590	468 809
Finance Reserve					157 421	78 512	49 817
Other Expenditure	749 085	965 849	1 037 976	789 581	746 333	785 821	768 731
Total	1 044 176	1 320 242	1 361 247	1 129 990	1 317 334	1 302 923	1 287 357
Total Personnel Expenditure	4 905 357	5 948 190	5 798 140	5 816 862	5 865 680	6 128 440	6 348 316
Finance Reserve					157 421	78 512	49 817
Total Other Expenditure	3 893 617	4 315 945	4 624 025	4 365 569	4 391 586	4 596 448	4 702 828
Total Expenditure	8 798 974	10 264 135	10 422 165	10 182 431	10 414 687	10 803 400	11 100 961
Revenue							
Transfers from National	8 643 752	9 831 980	9 239 285	9 827 214	9 971 427	10 322 931	10 578 184
Own Revenue	528 623	558 787	564 809	527 670	443 260	480 469	522 777
Total Provincial Revenue	9 172 375	10 390 767	9 804 094	10 354 884	10 414 687	10 803 400	11 100 961
Surplus/(Deficit) *	373 401	126 632	(618 071)	172 453			

* Surplus for 1998/99 includes debt redemption of R101,1 m for debts of previous financial years.

Western Cape Table B15.2

WESTERN CAPE							
TABLE B15.2: ACTUAL AND BUDGETED REVENUE							
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Revenue	Actual Revenue	Actual Revenue	Actual Revenue	Estimated Actual Revenue	Medium Term Estimates		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Transfers from National	8 643 752	9 831 980	9 239 285	9 827 214	9 971 427	10 322 931	10 578 184
Equitable Share	8 184 885	9 100 725	8 755 271	7 964 599	8 274 005	8 370 106	8 362 240
Conditional Grants:							
Improvements in conditions of service	268 867	731 255	406 593	228 708	203 074	460 302	699 478
Contingency Grant			49 000	101 100			
Finance Supplementary Grant				270 086	234 049	205 424	184 319
Other Conditional Grants	190 000		28 421	1 262 721	1 260 299	1 287 099	1 332 147
Own Revenue	528 623	558 787	564 809	527 670	443 260	480 469	522 777
Taxation	205 933	228 692	258 301	284 278	287 798	314 983	344 289
Interest and dividends	98 344			128			
Licences and permits			447		1 209	1 272	1 322
Recovery of loans and advances	15 402	19 872	11 002	6 644	9 434	9 704	10 156
Departmental activities				69			
State property rights							
Moneys prescribed by law/ordinance	106 222	103 152	80 663	73 835	91 674	96 798	105 357
Moneys not prescribed by law/ordinance	42 138	161 610	164 327	136 322	50 995	55 052	58 536
Miscellaneous	60 584	45 461	50 069	26 394	2 150	2 660	3 117
Other Revenue							
Total	9 172 375	10 390 767	9 804 094	10 354 884	10 414 687	10 803 400	11 100 961
Increase/(Decrease)					59 803	388 713	297 561

WESTERN CAPE

TABLE B15.3: ACTUAL AND BUDGETED EXPENDITURE BY DEPARTMENT

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Provincial Summary	Actual	Actual	Actual	Estimated	Medium Term Estimates		
Department	Expenditure	Expenditure	Expenditure	Actual	(including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Education	3 467 534	4 163 951	3 912 090	3 827 834	3 810 126	3 969 941	4 097 959
Health	2 346 268	2 780 344	2 936 950	3 028 545	3 086 589	3 260 352	3 402 402
Welfare	1 940 995	1 999 598	2 211 878	2 196 062	2 200 638	2 270 184	2 313 243
Premier	3 527	4 454	5 376	7 603	14 521	17 236	18 954
Legislature	15 478	16 935	21 098	21 197	22 525	24 369	25 649
Finance *	17 029	27 784	62 870	123 413	295 746	226 849	211 160
Corporate Services	59 872	62 367	40 933	48 242	55 086	56 383	58 071
Service Commision	4 574	5 929	4 879	1 277			
Planning, Local Government & Housing	219 574	336 529	304 178	106 685	93 948	97 515	101 392
Transport & Works	557 057	650 231	690 943	505 174	469 271	494 469	466 425
Agriculture	63 012	84 176	78 278	78 619	74 900	79 617	82 637
Environment, Culture & Sport	95 015	108 748	110 306	117 322	132 299	140 225	141 049
Sport		6 828	8 520				
Community Safety	1 127	2 895	7 576	8 638	11 023	11 869	12 594
Business Promotion, Property Management & Tourism	7 910	13 366	26 290	111 820	144 406	146 709	158 927
ICS					3 609	7 682	10 499
Total	8 798 974	10 264 135	10 422 165	10 182 431	10 414 687	10 803 400	11 100 961
Increase/(Decrease)					232 256	388 713	297 561
Classification of expenditure							
Current							
Personnel expenditure	4 894 897	5 937 441	5 785 304	5 802 837	5 850 489	6 112 490	6 331 728
Transfer payments	2 199 139	2 452 930	2 640 011	2 463 183	2 555 595	2 617 624	2 686 563
Other current expenditure *	1 235 828	1 442 394	1 504 176	1 530 615	1 652 852	1 690 685	1 719 379
Capital							
Transfer payments	84 047	58 970	84 558	53 968	30 472	27 196	19 927
Other capital expenditure	374 603	361 651	395 280	317 803	310 088	339 455	326 776
Statutory	10 460	10 749	12 836	14 025	15 191	15 950	16 588
Total	8 798 974	10 264 135	10 422 165	10 182 431	10 414 687	10 803 400	11 100 961

* The Finance Reserve is included in these amounts.

WESTERN CAPE

TABLE B15.4: EDUCATION ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Education Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	99 035	126 260	122 743	71 688	79 054	82 794	85 646
Public Ordinary School Education	2 919 743	3 505 194	3 147 898	3 051 104	3 040 623	3 159 113	3 254 015
Private Ordinary School Education	25 384	23 298	29 977	38 942	39 746	41 929	44 048
Special School Education	221 911	267 136	269 914	273 956	271 567	283 551	289 928
Teacher Training	82 910	94 801	70 495	59 573	53 715	45 445	42 396
Technical College Education	86 886	88 217	86 593	93 829	95 461	103 323	114 176
Non-formal Education	12 660	17 272	21 776	16 256	22 311	17 834	18 666
Auxilliary and Associated Services	18 511	41 354	19 309	63 954	65 196	82 612	93 431
Education Dev. and Support Services			20 868	20 197	26 811	28 306	29 528
Professional Staffing, Regional & Associated Services			51 745	91 600	83 102	85 424	86 515
Restructuring				32			
Authorised Losses	154	75	92	1 506			
Statutory	340	344	407	440	405	405	405
Capital Expenditure from Works Department			70 273	44 757	32 135	39 205	39 205
Total	3 467 534	4 163 951	3 912 090	3 827 834	3 810 126	3 969 941	4 097 959
Increase/(Decrease)					(17 708)	159 815	128 018
Classification of expenditure							
Current							
Personnel expenditure	3 047 986	3 663 970	3 411 905	3 373 499	3 374 096	3 479 556	3 564 875
Transfer payments	80 887	90 275	81 604	92 856	125 139	129 758	141 257
Other current expenditure	318 336	340 717	335 602	307 458	268 888	309 672	339 112
Capital							
Transfer payments	1 380	15 125					
Other capital expenditure	18 605	53 520	82 572	53 581	41 598	50 550	52 310
Statutory	340	344	407	440	405	405	405
Total	3 467 534	4 163 951	3 912 090	3 827 834	3 810 126	3 969 941	4 097 959

WESTERN CAPE

TABLE B15.5: HEALTH ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Health Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	65 497	59 874	58 236	101 117	73 579	83 575	84 707
District Health Services	330 745	740 790	783 582	830 940	949 939	1 013 047	1 070 012
Hospital Services	1 825 063	674 253	740 084	732 994	737 330	813 734	854 869
Academic Health Services	123 911	1 158 021	1 204 667	1 191 007	1 160 726	1 203 040	1 240 066
Health Sciences		62 292	62 750	60 436	67 479	73 385	76 525
Health Care Support Services		82 689	54 664	55 011	59 778	63 166	65 818
Restructuring				46 389	27 353		
Authorised Losses	708	2 081	2 406	5 967			
Statutory	344	344	377	409	405	405	405
Capital Expenditure from Works Department			30 184	4 275	10 000	10 000	10 000
Total	2 346 268	2 780 344	2 936 950	3 028 545	3 086 589	3 260 352	3 402 402
Increase/(Decrease)					58 044	173 763	142 050
Classification of expenditure							
Current							
Personnel expenditure	1 480 448	1 840 705	1 976 023	2 003 254	1 965 074	2 092 287	2 191 907
Transfer payments	218 968	269 228	237 058	269 477	374 210	365 200	387 547
Other current expenditure	545 822	647 303	675 400	742 401	710 089	756 978	775 866
Capital							
Transfer payments	5 073	4 988	4 405	1 009	5 281	5 001	5 001
Other capital expenditure	95 613	17 776	43 687	11 995	31 530	40 481	41 676
Statutory	344	344	377	409	405	405	405
Total	2 346 268	2 780 344	2 936 950	3 028 545	3 086 589	3 260 352	3 402 402

Western Cape Table B15.6

WESTERN CAPE							
TABLE B15.6: WELFARE ACTUAL AND BUDGETED EXPENDITURE BY PROGRAMME							
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Welfare Programmes	Actual Expenditure	Actual Expenditure	Actual Expenditure	Estimated Actual Expenditure	Medium Term Estimates (including estimated improvements in condition of service)		
	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000	R ' 000
Administration	122 434	26 685	26 854	30 936	33 335	34 327	36 504
Social Security	1 576 499	1 705 023	1 898 405	1 876 210	1 862 592	1 929 760	1 960 415
Social Assistance	199 067	184 662	205 379	200 710	209 947	210 340	218 816
Social Welfare Services	41 945	74 624	71 272	78 298	82 827	85 565	89 757
Social Development	1 050	8 604	9 796	5 713	7 068	7 310	7 358
Population Development				242	369	382	393
Statutory			78	92			
Capital Expenditure from Works Department			94	3 861	4 500	2 500	
Total	1 940 995	1 999 598	2 211 878	2 196 062	2 200 638	2 270 184	2 313 243
Increase/(Decrease)					4 576	69 546	43 059
Classification of expenditure							
Current							
Personnel expenditure	81 147	88 434	86 079	98 759	112 120	117 197	121 915
Transfer payments	1 776 036	1 829 124	2 056 628	2 023 348	2 003 620	2 066 089	2 098 711
Other current expenditure	80 722	80 569	68 136	68 857	79 461	83 461	91 194
Capital							
Transfer payments	633						
Other capital expenditure	2 457	1 471	957	5 006	5 437	3 437	1 423
Statutory			78	92			
Total	1 940 995	1 999 598	2 211 878	2 196 062	2 200 638	2 270 184	2 313 243