

Budget strategy and aggregates

1.1 Introduction

Budget appropriations are voted by the Legislature to provide departments and other spending agencies with funds consistent with their identified aims and programme objectives. The Budget Statement sets out the allocations proposed by the MEC for Finance following consideration by political office-bearers and officials of the expenditure requirements of all spending agencies. Detailed submissions to the Provincial Treasury by all departments provide the essential information needed to assess competing claims on available funds. In preparing their budget submissions, departments are expected to pursue cost-effective strategies for delivering the services for which they are responsible and to ensure full political endorsement of departmental plans and priorities.

Departmental programmes give effect to the full range of government's policies and commitments. Within the limits of the resources available to the fiscus, the government allocates funds across these programmes in keeping with the Government priorities, as well as the relevant policies and the requirements of national and provincial legislation. The bulk of provincial spending goes to social services – basic education, primary health care and social security. These services make up approximately 73,8 per cent of total provincial spending. The remainder of the budgets goes to the non social services departments. Provinces are also expected to fund key economic infrastructure, like provincial roads, integrated housing, agriculture, economic development. Provincial priorities for the 2008 MTEF draw from the deliberations of political office bearers at forums such as Cabinet Makgotla, Budget and Finance Committee, Budget Council and other relevant political forums. The 2008 budget addresses some of the key social services and economic priorities that are summarised as follows:

PRIORITIES FOR EDUCATION

Expansion of Grade R: the main aim is to increase access to Grade R with the target of universal enrolment by 2010 in mind. The priority focuses on:

- training and appointment of additional staff
- adequate classrooms with appropriate learner and teacher support material (LTSM)
- setting up and supporting the structures and staff required to manage and administer the system effectively

Inclusive Education: the primary aim here is to consolidate and expand the sector for Learners with Special Education Needs (LSEN).

- Existing facilities would be upgraded by improving their physical resources, providing more LTSM to LSEN schools, employing more support staff and improving hostel and transport facilities.
- Increase the support and development capacity at district and Department of Education level
- Equip special schools to become resource centres for other schools in their areas

Infrastructure

- Reduce the backlogs in infrastructure and improve the capacity of provincial departments to deliver on their infrastructure targets.

- Building capacity in the provinces for planning and managing infrastructure projects
- Increased capital budgets to include increased maintenance budgets

Personnel-related bid to address

- Support staff at schools
- District admin and office based educator staff
- Upgrading posts of District Managers and Circuit Managers
- Teacher Assistants
- Safety and security at schools
- School sport

The growth and development of successful nations depends on access to quality education that provides skills necessary for the economic and social development needs. Similarly, as a Province, we are committing resources towards improving the quality of education, and ensuring broad-based access to quality education by the majority of South Africans, especially the poor who cannot afford to pay for their own education.

In the 2007/08 financial year the Department scaled the number of 'no fee schools to all Quintiles 1 and 2 schools, which represents 49,8% of the total number of public schools in Mpumalanga . This has translated to 952 schools, affecting 408,196 children, or 34,9% of the total number of children in the public schooling system of the Province. In the 2008/2009 financial year, we will allocate an additional R20 million to increase the number of 'no fee schools' to 1440, representing 75% of our public schooling system, a significant performance above the national target of 60%.

Early childhood development is critical for future learning performance and educational attainment by children as they progress in their academic life. In the 2008/2009 financial year, the province will spend R91 million to increase the number of children who access the Grade R programme from 42 729 to 52 000, with a progressive increase to 72 000 children by 2010. Alongside this, we have ensured that the number of school-based ECD centres increased from 882 in 2006 to 1061 in 2007. Critically, the ECD programme also contributes significantly to increase opportunities for incomes within our EPWP programme. Practitioners such as child-minders, cooks and gardeners in pre-primary centres are provided with training and job opportunities which enhance the income of poor households significantly.

Central to facilitating access to job opportunities is improving literacy levels among the population of the Province. Illiteracy creates artificial barriers that prevent many of our citizens from meaningful participation in economic life and development activities. Our Adult Basic Education and Training (ABET) programme presents hope to many of our people who were denied the opportunity to receive education. Our ability to eradicate extreme poverty will be determined by our success in eradicating illiteracy.

This coming financial year, we will recruit 28 000 learners and support them particularly in those areas that would enable them to be economically active. Through the EPWP programme, adult learners will be developed in skills programmes such as basic electricity, carpentry, plumbing, plastering and tiling. The EPWP-linked training will offer a full qualification to 280 learners in different trades.

PRIORITIES FOR HEALTH

New Remuneration Dispensation for Health Professionals: This priority relates to the Human Resources Plan for Health and aims to stem the loss of professional staff from the public sector by improving salaries:

- 2007/08: Nurses: this proposal has already been finalised with the DPSA and is being implemented in the Chamber, for implementation from July 2007. Costing by the DPSA indicates that the amounts allocated to provinces are sufficient to cover the proposal.
- 2008/09: Medical practitioners, medical specialists, dentists and pharmacists. The details of these categories will be finalised in the 2007/08 financial year.
- 2009/10: Other health professionals e.g. Physiotherapists, Radiographers etc. (May consider bringing this forward to 2008/09)

Hospital Revitalisation: The department plans to address the increasing costs of specific projects and to allow for some new projects by bidding for more funding as well as exploring other funding possibilities. One of which is Public Private Partnerships (PPPs), on which the department has met National Treasury. A co-funding arrangement is possible with this agreement, which a service provider providing a portion of the capital funding (e.g. 50%), and then being awarded the contract to manage the hospital for a certain period of time.

HIV & AIDS National Strategic Plan: This plan was launched earlier in the year along with the developing of operational plans at provincial and district level, increasing rollout of ARVs, various policy amendments called for by the plan, etc. “Care, support and health system strengthening” accounts for about 89% of the plan (with ARVs the largest sub-category at 57%) and “prevention” accounting for the remaining 11%. The costing of the plan in both high and low-cost scenarios reveals a funding gap.

Health Information Systems: This forms one of the six “major pillars” of the National Human Resources Plan for Health, launched in 2006. A common system for the main health professional councils and provincial departments needs to be developed and it will be used as a management tool in order to aid decision making, planning and development of the health workforce. While there are weaknesses in existing information systems which require attention, there are numerous complexities with this issue, such as the potential high costs of large systems, rollout in places without electricity etc.

Tuberculosis: The National Department of Health launched a national tuberculosis crisis management plan in three provinces in 2006 in response to spread of MRD-TB, and the emergence of XDR-TB. Since then there has been an increasing number of cases, an increasing burden of disease, and slow progress in increasing cure rates. The National department plans to bid for more funds, to strengthen the system and compensate for the increase in treatment costs (e.g. treatment for normal TB costs about R400 per patient, while the cost for treating MDR-TB is R24,000 per patient).

The provision of public health services is, together with education, the core mandate of provincial government. In the 2008/09 financial year, R12,1 billion – 70,3% of the total budget – has been allocated to this critical area of service delivery. Public health is a critical service because the vast majority of the population cannot afford private health services and therefore rely on public hospitals, clinics and community health centres when they require medical interventions. The Province must also contribute to the national effort to meet the health Millennium Development Goals of reducing infant mortality and maternal mortality, and reversing the spread of HIV and AIDS, tuberculosis, and malaria.

There are currently weaknesses in the health sector in the following areas:

- A dire shortage of health professionals, as evidenced by a vacancy rate of 54% for doctors, 61% for pharmacists and 30% for nurses, which is compounded by a difficulty in attracting skilled people to the province because of poor working conditions and lower salaries than are offered by other provinces;
- Inadequate health infrastructure in terms of hospital buildings, medical equipment and transport facilities for patients, exacerbated by the inability of the Department of Health and Social Services to spend budgets earmarked for this purpose, including the conditional grant for hospital revitalisation;

To address these challenges the Department of Health and Social Services has put in place a turnaround strategy, with a multi-pronged plan to recruit and retain health workers in the province and to fast-track an infrastructure delivery mechanism. The Department's commitment to strengthening the provincial health system is such that it has secured the support of the National Departments of Health, Social Development and Public Service and Administration to implement the turnaround strategy. Given the importance of an effective public health system to the human capital of the province, the province has prioritized the improvement of health services in the 2008/09 financial year and will closely monitor the implementation of the turnaround strategy.

PRIORITIES FOR SOCIAL SERVICES

Infrastructure for social welfare service delivery:

- to improve working condition of social welfare service professionals, looking at basic working conditions such as office space and "tools of the trade";
- substance abuse centres, children's homes, secure care centres, ECD centres
- management information systems to facilitate improved operational procedures.

Protection of women and children and reduction of child poverty which includes further advances on previous bids such as:

- standardisation of subsidies for children aged 0-4 for Early Childhood Development,
- increasing access and improving quality of services at children's homes and ECD centres
- an anti-rape strategy

Social welfare service improvements

- includes a programme which will improve the capacity of NGO's to undertake service delivery on behalf of government
- implementing norms and standards for the funding of welfare services and Home and Community Based Care expansion.

Human Capital Strategy : occupation specific dispensation for all categories of the social welfare workforce which includes social workers, social auxiliary workers, probation officers, assistant probation officers, community development practitioners, and child and youth care workers.

Our medium term strategic goal of a compassionate government service will find resonance in the implementation of the Masupa-Tsela youth development programme that we are planning to roll out in the 2008/09 financial year. This programme is designed to respond to the acute shortage of Social Services Professionals. It is a government-wide programme promoting youth activism, and helping to contribute to reducing poverty among the youth through the provision of skills development, and improving youth employability. This programme will be funded in collaboration with the National Department of Social Development.

PROVINCIAL PRIORITIES

The **five flagship** programmes are a culmination of a process by the provincial government to evaluate the Provincial Growth and Development Strategy priorities in all sectors. The Executive Council resolved in order to deal with the priorities in a focused manner, the provincial government would have to identify major programmes with calculated potential for macro-impact on the socio-economic development of the province in order to leverage and accelerate development in Mpumalanga. The five flagships were announced by the Premier during his State of the Province Address, which took place on 23 February 2007.

Furthermore, these programmes are also responding to the 24 priority projects as identified by the national government for initiation and implementation during the remaining period of the current government – i.e. before the 2009 election or beyond as legacy programmes/ projects.

The following are the five flagship programmes, as announced by the Premier during State of Province Address:

1. Moloto Rail Development Corridor
2. Maputo Development Corridor
3. Heritage, Greening Mpumalanga and Tourism
4. Accelerated Capacity Building
5. Water for All

Moloto Rail Development Corridor

This is a programme that has been initiated in partnership with the national Department of Transport, the provincial government through its Department of Roads and Transport and the Nkangala District Municipality (Thembisile and Dr JS Moroka local municipalities). The programme is aimed at addressing the carnage that has been happening on the Moloto Road which is heavily congested with high volumes of busses transporting workers between Mpumalanga and Gauteng provinces. On the other side it seeks to create economic activities which are expected to be the spin offs from the rail construction – thereby reducing unemployment and poverty that are rampant in this area.

In the light of the rationale provided above, it is also crucial to note that for a programme of this magnitude all three spheres of government will have to take some responsibility in terms of certain functions, if implementation is to succeed. For example, the Department. of Roads and Transport will be responsible for the construction of the rail, the province will also be responsible for dealing with issues of land, EIAs, roads, and other infrastructure which is the responsibility of the province. The same will apply to the local municipalities in terms of creating infrastructure required to create an environment conducive for economic development and growth.

Maputo Development Corridor

The corridor was established more that a decade ago, however, the provincial participation in the corridor gradually subsided. The flagship seeks to rekindle the provincial participation and accelerate the economic development that has been taking place along the corridor. To a certain extend the role of the province will be that of facilitation and creating an environment conducive to investment along the corridor. However, there will be projects initiated by the provincial government to directly intervene in creating the requisite environment for investment such as construction of economic and social service delivery infrastructure – e.g. provincial road construction, hospitals, just to mention a few. The programme as well will

require the contribution by all three spheres of government given each others roles and responsibilities.

Heritage, Greening Mpumalanga and Tourism

The programme is aimed at revitalizing the provincial tourism capability through sponsoring restoration, preservation and packaging of our Heritage and the Greening Mpumalanga to become SA's green region – through conservation management. The programme has two main goals, i.e. nature conservation and heritage and job creation and poverty alleviation.

For us to achieve these goals funding is necessary for the lead departments to be able to embark on a process of massification especially in the area of environmental conservation and management given the threat posed by global warming. The programme is also crucial if one were to consider the number of power stations, coal mines and steel industries located in the province. Furthermore, by and large employment in the province is generated through the agriculture sector, making the programme even more relevant for funding.

Accelerated Capacity Building

Accelerated Capacity Building programme is aimed at improving the skills of the provincial management cadre to attain efficiency and excellence in service delivery. The programme came as a result of a skills audit exercise commission by the Premier during the 2004/05 financial. The audit concentrated on the SMS and MMS levels, as the crucial levers for service delivery. The outcomes of the audit also recommended interventions to be undertaken. The programme was designed in such a way that it deals with generic management challenges as identified by the audit and is being used by both provincial and local government managers. A Mpumalanga Management Centre has been launched which will provide the province with ongoing training of its officials.

Water for All

The programme is aimed at accelerating the process of rolling out water infrastructure and provision through the province. This programme is also quite important especially if one were to look at the recent events around Delmas, Standerton and other areas of the province. What also makes it important is its links to the Millennium Development Goals (MDGs). It needs to be clarified just like in the previous programmes – this programme also involves all three spheres of government, each with its roles and responsibilities.

One of the challenges facing local municipalities is their ability to spend their MIG allocation, and this has been attributed to their lack of capacity, esp. in the area of project management for infrastructure projects. The situation has also been compounded by the inability to raise adequate income to hire the best and poor municipalities.

As an intervention the Executive Council resolved that one programme management unit (PMU) be establishment in each district municipalities to deal with these challenges. The support will be for a limited period whilst the district municipalities are making the necessary arrangements to secure funding to take over the PMUs. Whilst the PMUs will be focused on the roll out of the Water for All projects, they will not necessarily neglect other important infrastructure projects such as sanitation.

As stated in the State of Province address, the implementation of the '*Water for All*' flagship project is on course to resolve water backlog challenges in the Province and to accelerate the provision of basic water services to all households by 2010. To enhance delivery capabilities, we have established Project Management Units within the three Districts, and one in the Department of Local Government and Housing to provide institutional, project management

and technical capacities required for the effective implementation of the water services infrastructure projects. We have finalized the planning and prioritization of projects for implementation in the three Districts to ensure that we meet the target of providing access to safe water to all citizens by 2010.

In the light of the importance of the five flagship programmes as articulated above, it is vital that funding be provided to the lead departments to be able to make their contributions to the successful implementation of the flagships.

HIGH IMPACT PROJECTS

The rehabilitation of the **coal haulage network** grid remains one of our priorities. During this financial year, we have been working closely with key stakeholders, in particular Eskom, SANRAL and the Chamber of Mines, to define the coal haulage grid where mass coal transport is permitted, and exploring funding models for rehabilitating the network. We have also looked into self-regulation in the coal haulage industry. Over the next five years, we will spend R3 billion to reconstruct the network and we are currently exploring various funding models to address these challenges.

During 2007/08, the allocation of R30 million for the **Masibuyel' Emasimini** project was utilised to provide 52 tractors, seeds and fertilizers to the rural poor in order to maximise food production in poor rural areas of our province. 11,935 hectares of land were ploughed and planted to benefit 5,913 beneficiaries. In the 2008/09 financial year, R35 million will be allocated to scale up support to deliver 83 tractors, plough and plant 15,000 hectares of land, thereby reaching 5,916 new beneficiaries.

This year, 1,710 poor households were assisted with agriculture starter packs to enable them to produce food and in this way address food insecurity at the household level. In 2008/09 we intend to provide a further 1,200 indigent households with agriculture starter packs.

EXPANDED PUBLIC WORKS PROGRAMME

In March 2007, the unemployment rate in Mpumalanga stood at 26.3%, 0.9% lower than in March 2006. Despite this reduction in the rate of unemployment, the major task of halving poverty and unemployment by 2014 remains formidable. In concrete terms, 302,000 members of the province's economically active population who are actively seeking employment are unable to find jobs.

To address unemployment is a sustained focus on facilitating access to skills development and opportunities for self-employment. The Expanded Public Works Programme has continued to make significant contributions to the creation of employment and skills opportunities for many poor people, including youth, women and people with disabilities.

The province commits to create 100,000 job opportunities over a period of five years. During the 2008/09 financial year, the provincial target is to create 50,000 more jobs. This is part of the plan to scale up the implementation and impact of the Expanded Public Works Programme as catered for by the President in his State of the Nation Address.

In addition to the EPWP, the provincial government has played an active role in the implementation of the National Youth Service. The intention is to enrol a further 1,000 young people into this programme in the 2008/09 financial year.

INFRASTRUCTURE DELIVERY IMPROVEMENT PROGRAMME

IDIP (Infrastructure Delivery Improvement Plan) is a cornerstone to supporting the government in achieving its promises to the community. IDIP is a treasury intervention that assists Departments at the coal face of service delivery to achieve their mandates. The principle objective of IDIP is to be able to account to the people of South Africa for the money that is spent on their behalf.

Table 1.1: Provincial budget summary

R thousand	Outcome			Main appropriation	Adjusted appropriation 2007/08	Revised estimate	Medium-term estimates		
	2004/05	2005/06	2006/07				2008/09	2009/10	2010/11
Provincial receipts									
Transfer receipts from national	9,959,287	10,985,426	12,415,605	15,868,899	16,609,751	16,164,628	18,549,868	21,055,698	23,201,925
Equitable share	9,058,824	10,028,677	11,227,317	14,140,126	14,561,003	14,561,003	16,435,956	18,562,376	20,250,300
Conditional grants	900,463	956,749	1,188,288	1,728,773	2,048,748	1,603,625	2,113,912	2,493,322	2,951,625
Provincial own receipts	332,222	354,131	374,794	335,196	338,167	354,902	357,751	376,127	394,289
Flagship Funding							100,000		
Total provincial receipts	10,291,509	11,339,557	12,790,399	16,204,095	16,947,918	16,519,530	19,007,619	21,431,825	23,596,214
Provincial payments									
Current payments	8,352,992	9,674,076	10,494,293	13,029,179	13,218,746	13,135,016	14,924,321	16,648,161	18,067,221
Transfers and subsidies	944,656	914,546	1,132,561	1,688,401	1,867,690	1,874,350	1,946,775	2,290,496	2,708,695
Payments for capital assets	757,327	1,096,429	1,078,058	1,493,198	1,760,013	1,715,811	1,868,523	2,157,627	2,462,317
Unallocated contingency reserve									
Total provincial payments	10,054,975	11,685,051	12,704,912	16,210,778	16,846,449	16,725,177	18,739,619	21,096,284	23,238,233
Surplus/(deficit) before financing	236,534						268,000	335,541	357,981
Financing									
Provincial priorities									
Other (Specify)									
Other (Specify)									
Other (Specify)									
Surplus/(deficit) after financing							0	335,541	357,981

1.2 Financing

SURPLUS

The province is tabling a surplus budget in 2009/10 and 2010/11. R268 million has been used fund flagship and other provincial priorities. The amounts that remain unallocated are R335, 541 million during 2009/10 and R357, 981 million during 2010/11. These amounts have remained unallocated in order to equalise expenditure patterns.

2. Budget process and the Medium Term Expenditure Framework

Although, the budget cycle formally starts with the issuing of the Treasury Guideline Circular (or document) in May by National Treasury, the process in our province commenced earlier in the

year with the convening of the Executive Lekgotla at BlydeRivier during 12 – 14 February 2008. A major outcome of the Executive Lekgotla relevant to the strategic and budget planning processes was the review of the provincial policy priorities for the 2008/09 planning cycle as well as reaffirmation of the National priorities per department. A review was also done to assess the extent to which the provincial budgets gave expression to the National and specific Provincial priorities. Provincial departments presented their plans and so did the various cluster committees.

Budget Preparation Workshop

All provincial departments were invited by the Provincial Treasury to participate in a workshop that took place on 16 July 2007 shortly after issuing the Circular to discuss the inputs required in terms of the Treasury Guideline document. Issues that were discussed at the workshop were:

Variables (such as rate of salary adjustment and inflation rate) impacting on the budget;

Format of the budget submission – i.e. various schedules to be completed;

Content of the budget submission – i.e., Ministerial letter, Accounting Officer's covering letter, reprioritisation within baseline, proposed options, etc.

Departments were given two months to prepare the 2008/09 baseline budget for submission to Treasury by the end July 2007. In their budget submissions, departments were required to compile a set of policy and budgetary proposals that will involve changes (increase or decrease) to the baseline allocation reflected in the *2008/09 Budget Statements*. The budget proposals were then evaluated in terms of the extent to which departments have made an effort to reprioritise within their baseline allocation.

In the first two weeks of August 2007, the Provincial Treasury evaluated the departmental budget submissions to ensure that the budgets are aligned with the strategic plans. Comments on the budget submissions were returned to departments for use to revise the budgets, where necessary. The revised baseline budgets were submitted to the Provincial Treasury by the end of August 2007.

Departments interacted with their respective portfolio committees prior to submitting their baseline budgets and strategic plans to the Provincial Treasury. This interaction afforded the Committees to know what departments intend to achieve/deliver with their indicated budgets.

The Medium-Term Expenditure Committee (MTEC) Hearings were held during September 2007 and first two weeks of October 2007. During these hearings, departments will be provided with an opportunity to present and motivate their budget requirements to the Committee. At this stage, the MTEC only considered and recommended to the Budget and Finance Committee in principle on policy and budgetary proposals, and not the allocation of additional funds. The Provincial Treasury submitted the 2008/09 baseline budget and MTEF allocations for 2008/09 to National Treasury in October 2007 for the preparation of the Medium-Term Budget Policy Statement.

Treasury held a workshop in October 2007 to discuss the final format and content of departments' inputs to the *2008/09 Budget Statements*.

The Provincial Treasury received the preliminary allocation from National Treasury for the 2008/09 MTEF period towards the end of October 2007. Based on the recommendations of the MTEC Hearings and the availability of additional funding from National Government, Treasury will submit a detailed report to the Budget and Finance Committee, explaining the proposed allocation of the additional funding to departments.

The MTEC and Budget and Finance Committee budget recommendations were considered and approved at the planning Executive Council Lekgotla that was held from 12-14 February 2008. Also at this Lekgotla, the strategic goals for the province were re-affirmed and/or amended to accommodate any major shifts in strategic direction caused by changes in the operating environment and/or unforeseen circumstances.

Departments were required to submit their second draft of Annual Performance Plans and first draft of budget inputs for the preparation of the 2008/09 Budget Statement 2. At this stage, it is critical for departments to ensure that their budgets are aligned with the Strategic plans, Annual Performance Plans and that the service delivery measures contained in both the budget inputs and strategic plans are consistent and do not contradict each other. Departments are able to interact with their respective Portfolio Committees before submitting their second draft Annual Performance plans and budget inputs to Treasury. Treasury will submitted the 2008/09 – 2010/11 MTEF budget (known as the Printers' Proof) and the second draft departmental strategic plans to National Treasury during mid-December 2007.

The entire budgetary process culminates in the tabling of the 2008/09 Budget in the Provincial Parliament by the MEC for Finance on 04 March 2008.

In April 2008, each department will formally table its budget speech and strategic plan to the Provincial Parliament, after which the Appropriation Bill will be passed into an Act by the Provincial Legislature.

3. Socio-Economic Outlook of Mpumalanga

This section reflects on important social and economic statistics in the Mpumalanga Province. Information used in this section has been collected from approved and credible sources to give a realistic picture of economic and social conditions in the province. The socio-economic outlook is crucial in the planning process to ensure that any measures introduced by the provincial government are in line with the ever-changing socio-economic dynamics. Placing the Mpumalanga Province on a shared growth and integrated development trajectory requires a coherent and co-ordinated public sector response to the province's socio-economic opportunities and challenges.

3.1 Demographic profile

The population is a cornerstone of the development process, as it affects economic growth through provision of labour and entrepreneurial skills, and forms the demand for the production output. Therefore, the analysis of its dynamics, including size and growth pattern, is imperative to understanding the future trends.

Based on the new Dec-2005 provincial boundaries, Global Insight estimates that there were more than 3.6 million people living in the province. The District Municipalities within the Mpumalanga province have steadily grown in population with the Gert Sibande District Municipality showing the highest average annual growth of 1.67% for the period 2000 to 2006.

In table 3.1 the 2000 figure represents the Mpumalanga province population based on the 2005-12 boundaries (historical data reworked to fit the new 2005 boundaries). The growth rates therefore reflect the true population growth (births, deaths & migration) over the period using a consistent set of boundaries. The provincial population grew close to 1% per annum which is slower than the national population growth rate of 1.25%. The main reason for the lower than national growth, is the migration effects, where people move out of Mpumalanga to other provinces.

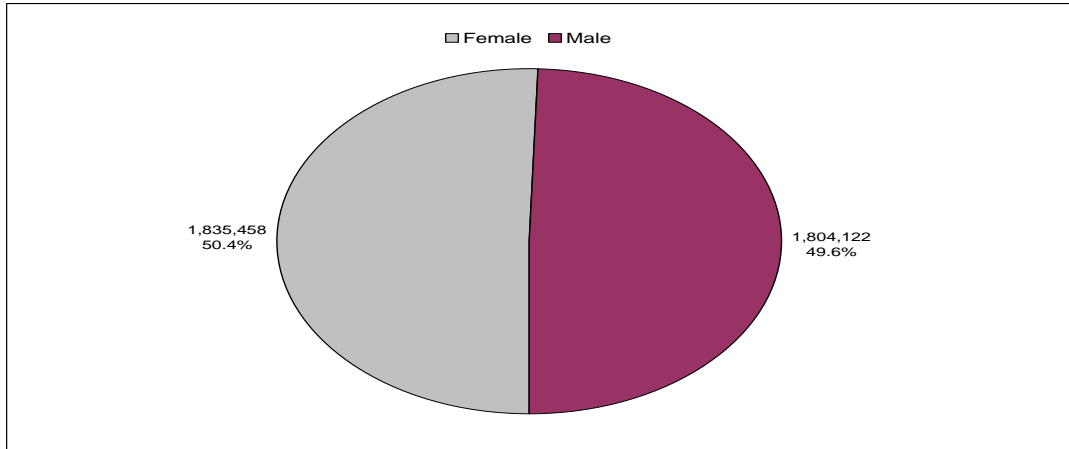
Table 3.1 Summary of the population size and its growth in the Mpumalanga Province

Area	Population		Avg annual growth rate ('00-'06)
	2000	2006	
South Africa	44 837 910	48 296 119	1.25
Mpumalanga	3 445 094	3 639 581	0.92
Gert Sibande MD	920 287	1 016 145	1.67
Nkangala MD	1 052 373	1 100 498	0.75
Ehlanzeni MD	1 472 434	1 522 937	0.56

Source : Global Insight- ReX

Diagram 3.1 below shows the population breakdown of the province by gender. Noticeably, the province has more females than males. In 2006 the number of females in the province was estimated at 1.83 million which is 50.4% of the total population while males on the other hand are estimated at 1.80 million which make up 49.6% of the total population.

Diagram 3.1 Population by gender – Mpumalanga 2006

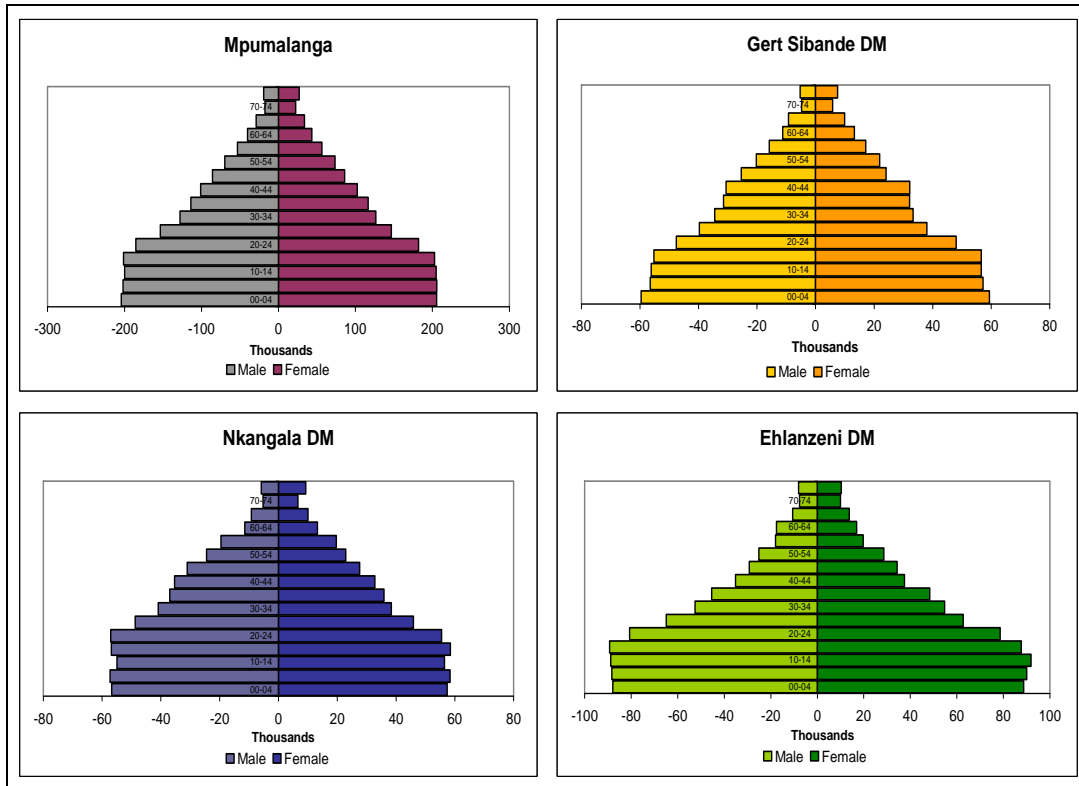


Source: Global Insight - ReX

From the population cohort diagram (Diagram 3.2) it is evident that the youth in the province constitute the largest share of the total population. Approximately 33.5% of the population is between the ages of 0 and 14; 36.4% is between 15 and 34 years; 20.5% is between 35 and 54; 7.0% is between 55 and 69 years and only 2.3% is 70 years and above.

The same can be said for the district municipalities: approximately 34% of the population in the Gert Sibande District Municipality is between the ages of 0 and 14; 34.7% is between 15 and 34 years; 21.5% is between 35 and 54; 7.5% is between 55 and 69 years and only 2.3% is 70 years and above. In the Nkangala District Municipality approximately 31% of the population is between the ages of 0 and 14; 36.5% is between 15 and 34 years; 22.5% is between 35 and 54; 7.5% is between 55 and 69 years and only 2.4% is 70 years and above and in the Ehlanzeni District Municipality approximately 35% of the population is between the ages of 0 and 14; 37.5% is between 15 and 34 years; 18.6% is between 35 and 54; 6.3% is between 55 and 69 years and only 2.3% is 70 years and above. All the age distribution cohorts show a stable growing population. There is however a slight tendency amongst the working age people to move out of Mpumalanga.

Diagram 3.2 Population breakdown by age cohort



Source: Global Insight – ReX

3.1.1 Population growth rate and impact of HIV/AIDS

According to the National HIV and Syphilis Prevalence Survey of 2005 completed by the National Department of Health, the HIV/AIDS prevalence among antenatal clinic attendees was 30.2% in 2005, with 29.1% and 31.2% confidence limits. This represents a 5.7% increase from 2000. Mpumalanga was ranked second with regard to the HIV prevalence rate among the antenatal clinic attendees. The average rate was 34.8%, while its confidence limits were between 31.0% and 38.5%. The survey also reveals that the major group of people suffering from HIV/AIDS are people aged between 25 and 29 years of age, followed by people of 30 - 34 years old. The South African national HIV/AIDS survey estimated that 10.8% of the population aged from 2 years and older was HIV positive in 2005.

The ASSA-2003 model is a well known AIDS model that models the impact of HIV/AIDS for the country as a whole, as well as for specific provinces. The ASSA model takes into account various results from different AIDS-related surveys. They estimate the Adult HIV prevalence rate for the African population group in Mpumalanga at 25.8% for 2006. This rate is however showing a decrease from its highest levels reached during 2005. In the ASSA-2003 model, Mpumalanga ranks 4th when the provinces are ranked from the highest adult prevalence rates to the lowest.

3.1.2 Employment profile

Analysis of the labour force employment and unemployment statistics provides vital information pertaining to social and economic trends in the area. Table 3.2 below presents the overview of the labour force in Mpumalanga. In 2006 an estimated 1.4 million people were economically active in the Mpumalanga Province, which represents 40.5% of the working age population.

In assessing the unemployment in the province a distinction needs to be made between two definitions of unemployment: the official definition and the expanded definition. According to the official definition, unemployed persons are those that

- (a) Have not worked seven days prior to an interview;
- (b) Want to work and are available to work, and
- (c) Have taken active steps to seek employment

The expanded definition incorporates both (a) and (b), but excludes condition (c). The people affected by condition (c) are called the discouraged work seekers. The official definition of unemployment regards the discouraged work seekers as not economically active; while the expanded definition regards them as unemployed. The expanded definition gives a better indication of the overall unemployment as the portion of discouraged workers in South Africa is relatively large. Global Insight uses the expanded definition of unemployment.

Unemployment has remained fairly constant over the last few years with the rate only increasing slightly to 36% in 2006 from 35% in 2000. What is important though is the fact that there was a huge increase in the economic active population, with new people entering the job market – at an average annual rate of 3%, which is far above the population growth of 1%. The provincial economy was not able to generate new job opportunities at the same rate that new entrants were entering the labour market, but on the positive side: the number of total jobs increased by an average annual rate of 1.3% which is higher than the total population growth rate. The municipal districts show similar unemployment rates than the provincial rate of around 36%.

Table 3.2 Labour force profile

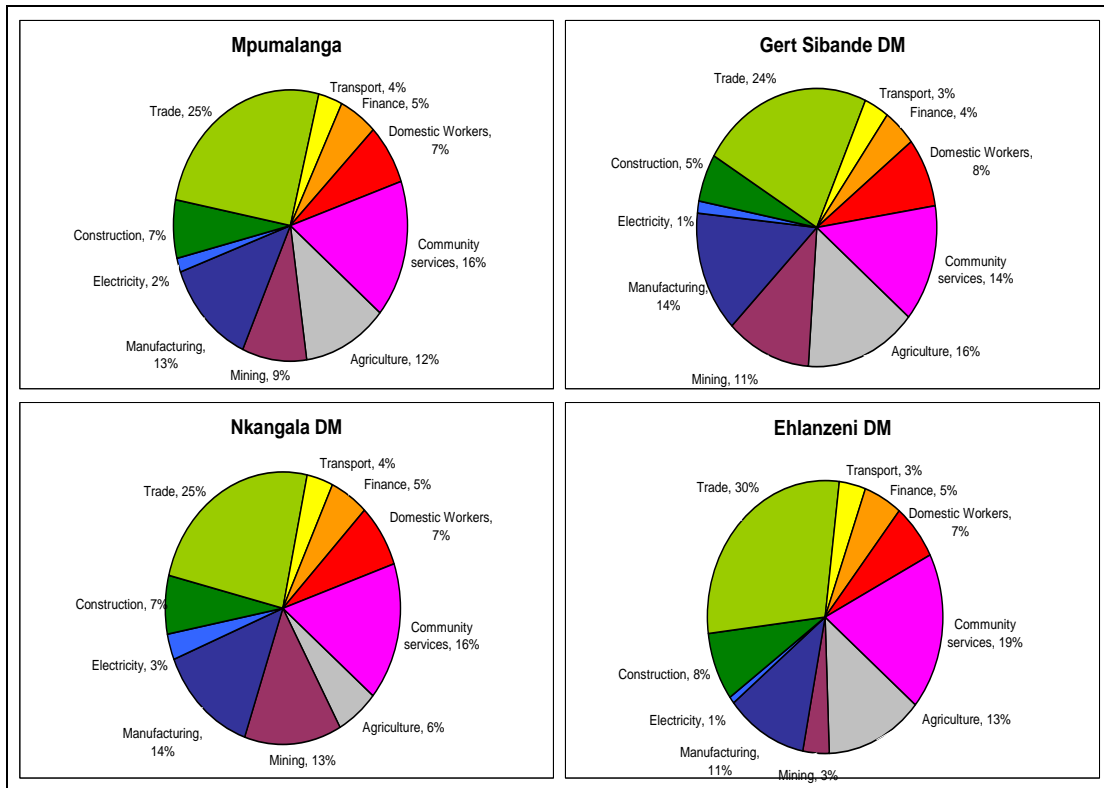
Category	Mpumalanga		Gert Sibande		Nkangala		Ehlanzeni	
	2 000	2 006	2 000	2 006	2 000	2 006	2 000	2 006
Economically active population	1 173 653	1 397 982	341 734	408 972	397 670	468 604	434 249	520 407
Formal employment	559 977	618 589	181 215	195 990	175 329	202 629	203 434	219 970
Informal employment	201 378	205 635	50 928	55 050	50 731	53 148	99 718	97 437
Total employment	761 355	824 224	232 143	251 040	226 060	255 776	303 152	317 407
Unemployed Population	408 851	497 902	114 541	138 141	141 791	174 373	152 518	185 388
EAP as a % of Working age	34%	38%	37%	40%	38%	43%	29%	34%
Labour absorption capacity		74%		66%		106%		53%
Unemployment Rate	35%	36%	34%	34%	36%	37%	35%	36%

Source Global Insight REX

The provincial rate of unemployment for women is considerably higher than that for men. Unemployment trend analysis for men and women in the province are very important in policy decision processes and budget priorities. The women unemployment rate in the province has risen above the national average of 35% in the last two years. In contrast, the unemployment rate for men is lower than the national average at approximately 20.7%. However unemployment is forecast to fall steadily in the province over the years, reaching 25.1% by the year 2010.

Diagram 3.3 below illustrates the sectoral employment structure for total employment (both informal, formal and domestic workers), which assists in identifying the sectors that are key employers in the province. The Trade sector, which includes a large portion of informal employment, is the biggest employer in the province (25%).. When excluding the informal employment, the Community & Government services sector is the biggest employer. The smallest contributor to employment is the Electricity & Water sector accounting for approximately 2% of employment in the province. The trade industry is the largest employer in all the municipal districts. Mining features prominently in the Nkangala District Municipality.

Diagram 3.3 Employment structure, 2006



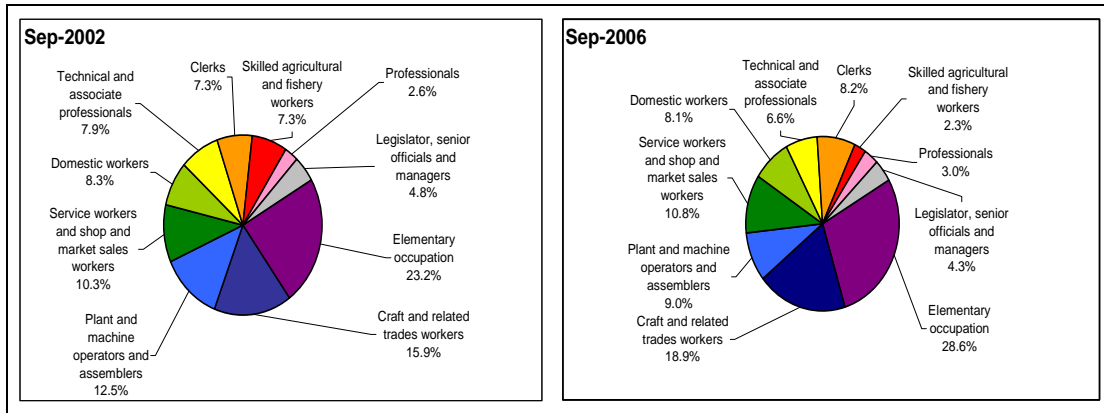
Source: Global Insight - ReX

3.1.3 Occupation profile

The occupation profile is an indicator of the quality of the labour force in the region. It provides information on the employability of local workers and their proficiency levels and assists in identifying the shortage of skills in the economy by matching the demand for labour with its relative supply. Diagram 3.4 below illustrates the occupation profile of the labour force in Mpumalanga Province for the years 2002 and 2006. It is heavily skewed towards the unskilled occupations (elementary occupations and domestic workers), increasing from 31.5% in 2002 to 36.8% in 2006. The share of semi-skilled occupations (crafts and related trades workers, plant and machine operators and assemblers) decreased from 28.3% to 27.9%. The share of skilled and highly-skilled occupations decreased significantly from 40.2% in 2002 to 35.3% in 2006.

The conclusion can therefore be made that 64.7% of the labour force in the province for 2006 was semi-skilled or unskilled. The province has a relatively low percentage of skilled, in particularly highly skilled workers, such as professionals, legislators, and managers.

Diagram 3.4 Mpumalanga occupational profile



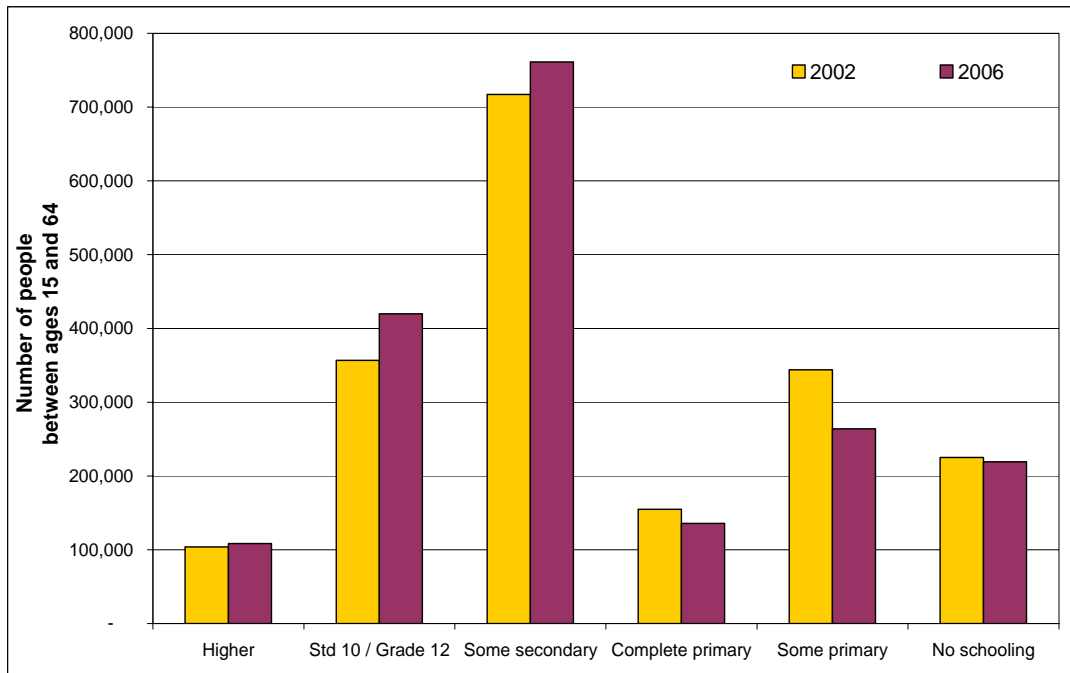
Source: Statistics South Africa – Labour Force Surveys

3.1.4 Education profile

There is a direct correlation between the educational attainment and employment growth rate. Higher employment growth rates are observed among all those who have higher levels of education. In this context, the analysis of the education profile provides vital information pertaining to the employability of the labour force as well as insight into the potential employment growth.

The education profile indicates the level of education among the Potentially Economically Active Population (PEAP), i.e. people between 15 and 64 years of age. Diagram 3.5 illustrates the education profile of the Mpumalanga Province in the year 2002 and 2006 based on the StatsSA General Household Survey data.

Diagram 3.5 Education profile of the Mpumalanga PEAP in 2002 and 2006



Source: Statistics South Africa – General Household Survey

In 2006, the biggest group of the PEAP in the province comprised of people with some secondary education. It was followed by persons who have completed high school. Approximately 220,000 have not received any schooling. On the other hand, just over 100,000 people between 15 and 64 years of age has higher than matric education. Based on the information presented on the diagram, the following trends can be highlighted:

- The percentage of the population with higher education is increasing
- The percentage of the population with no schooling is decreasing slightly
- There is a shift towards completing high school

Table 3.3 below shows the trend of Grade 12 pass rate since 2003 to 2006. The national Grade 12 pass rate has declined by 1.7% from 68.3% in 2005 to 66.6% in 2006. On the other hand the Mpumalanga province Grade 12 pass rate increased 5.7% from 59.6% in 2005 to 65.3% in 2006. This is a huge improvement. The increase in Grade 12 pass rate suggests that necessary measures should be taken to cater for the new entrants into labour markets.

Table 3.3 Number of Grade 12 passes and pass rate, 2003-2006

Area	2003		2004		2005		2006	
	number of learners	% Pass Rate	number of learners	% Pass Rate	number of learners	% Pass Rate	number of learners	% Pass Rate
Eastern Cape	37 468	60%	33 915	54%	39 597	57%		59%
Free State	18 916	80%	1 459	79%	20 355	78%		72%
Gauteng	55 621	82%	54 808	77%	57 073	75%		78%
KwaZulu	75 077	77%	81 831	74%	84 842	71%		66%
Limpopo	48 219	70%	54 897	71%	60 087	65%		56%
Mpumalanga	22 700	58%	22 913	62%	22 737	60%		65%
Northern	5 667	91%	5 609	83%	6 172	79%		67%
North West	2 555	70%	24 221	65%	23 748	63%		77%
Western Cape	33 769	87%	33 065	85%	32 573	84%		84%
Total	322 492	73%	330 717	71%	347 184			67%

Source: Report on the senior certificate examination (EMIS, National Department of Education)

The table below presents that Mpumalanga Province has a high learner-to-educator ratio, at 34.1 learners per teacher. Limpopo's ratio is 33.1 and Kwa-Zulu Natal is at 32.3. This suggests that there is a shortage of teachers in the province. This needs serious attention as it could have a negative impact on the entire education system, and therefore also on the employment opportunities in the future.

Table 3.4 Number of learners, educators and schools in the ordinary and independent sectors

Province	School Sector	Learners	Educators	Schools	LER
Limpopo	Independent	29 928	1 333	97	22
	public	1 902	56 962	4 243	33
	Total	279	58 295	4 340	33
Mpumalanga	Independent	21 285	975	99	22
	Public	922 823	26 746	1 749	35
	Total	944 108	27 721	1 848	34
Kwa-Zulu Natal	Independent	47 208	2 789	176	17
	public	2 662	81 171	5 651	33
	Total	202	83 960	5 827	32

Source: Department of Education: School Realities, 2006

3.1.5 Health and Social services profile

Health and Social services are also key priorities for the government. Therefore profiling these sectors is critical in informing the budget processes. Table 3.5 below indicates that Mpumalanga needs to put more efforts in dealing with the disease such as TB and the distribution of condoms. The province also needs to improve on the immunization coverage as the province is ranked last on the table.

Table 3.5 Selected primary care outcome indicators

Area	Immunization	TB cure rate	Male Condom distribution rate
Eastern Cape	100.0	38.0	10.3
Free State	91.6	60.0	7.4
Gauteng	86.9	-	5.5
KwaZulu-Natal	96.3	-	7.6
Limpopo	94.0	53.6	12.4
Mpumalanga	84.0	55.0	5.8
Northern Cape	100.0	-	5.4
North West	84.3	58.8	6.0
Western Cape	89.7	69.0	18.2

Source: National Treasury Benchmark Exercise for Mpumalanga, 22 January 2007

Source: National Treasury provincial database

The table below indicates that there are only 208 social workers employed by the government and only 48 employed by NPO. The total number of social workers employed in the province is 256 which serve a total population of 3.2 million people (now increased to 3.6 million due to new boundaries). This suggests that there is a huge shortage of social workers in the province.

Table 3.7 Service Delivery Model

Province	Total Population	Social Workers			Norm	Individuals per worker
		Social Govt.	NPO	Total		
Eastern Cape	7 039 300	510	245	755	3 000	9 324
Free State	2 953 100	148	165	313	3 000	9 435
Gauteng	9 018 000	532	564	1 096	5 000	8 228
KwaZulu-Natal	9 651 100	429	536	965	4 500	10 001
Limpopo	5 635 000	361	92	453	3 000	12 439
Mpumalanga	3 219 900	208	48	256	3 000	12 578
Northern Cape	902 300	108	98	206	3 000	4 380
North West	3 823 900	238	60	298	3 000	12 832
Western Cape	4 645 600	284	437	721	4 500	6 443
Total	46 888 200	2 818	2 245	5 063		

Source: Findings Report on the financial Award to Service Providers

3.1.6 Basic Service Infrastructure

Table 3.8 below presents the number of households in the province, the number of households requiring basic services provision from government and backlogs with regard to basic services delivery. The total number of households in the province is expected to increase from 1.3 million in 2006 to 1.5 million in 2007. This suggests that the demand for basic services delivery is expected to increase in 2007. As shown on the table the demand of basic services is increasing, with the delivery on the other side not matching the demand as the backlogs keep on increasing.

This situation needs serious attention as it impacts on the economy of the province. According to the Provincial Growth and Development Strategy (PGDS), the provincial government has set the goal to eradicate the basic service infrastructure backlog by 2009. However, according to Econometrix's forecast, at current rates of demand growth and delivery, the water backlog is forecast to be eradicated by 2016, unless the rate of delivery can be tripled in 2007, 2008 and 2009. With regard to basic sanitation backlog, the delivery rate should be 7 times higher in 2007, 2008 and 2009 to meet the set target.

To eradicate the electricity backlog as set out in the PGDS, the province should increase the delivery rate by 9 to 10 times more than current rate of delivery. The housing delivery should increase the delivery rate from 13,000 units on average annually from 2001 to 2006 to 37,000 units annually in 2007, 2008 and 2009 in order to deal with the backlog.

Table 3.8 Household basic service infrastructure

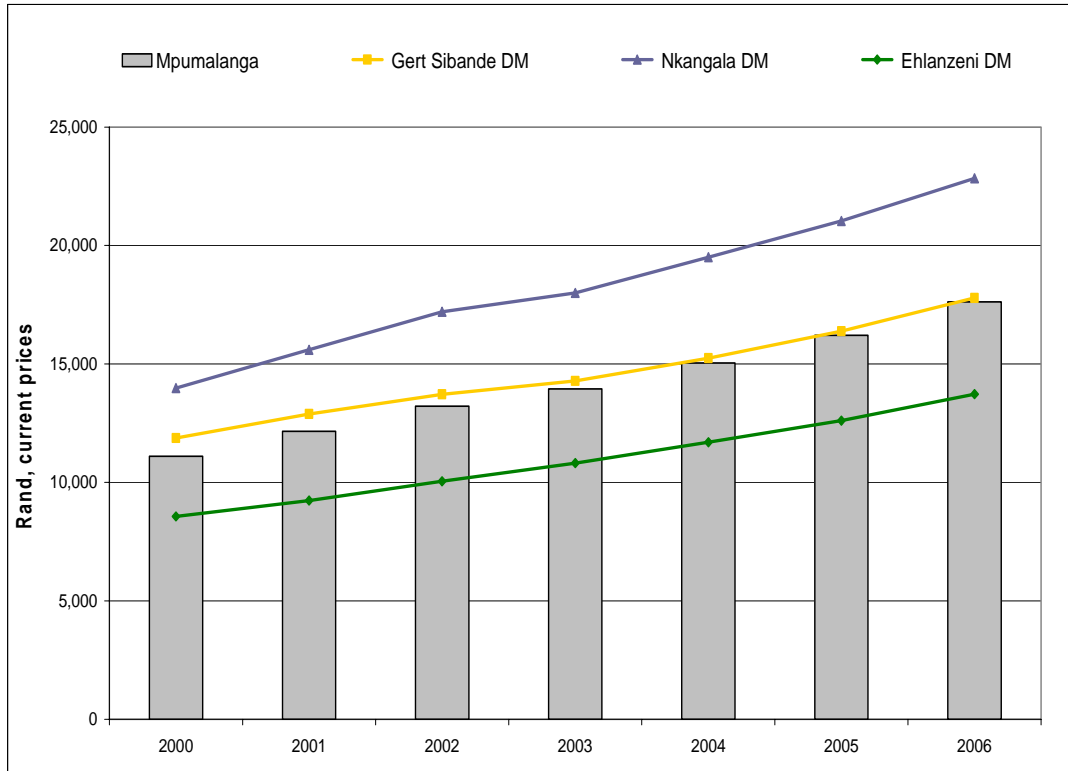
Households - 000's	2006	2007	2008
Number of households	1028.4	1052.3	1074.8
Demand of households basic services			
Water	289	292.9	296.3
Sanitation	512.1	519	525
Electricity	288.9	292.7	295.9
Housing	299.7	303.6	306.8
Delivery backlog			
Water	183.9	166.7	149.1
Sanitation	410.6	397.2	383
Electricity	245.8	241	235.6
Housing	216.8	207.8	197.9

Source: Econometrix

3.2 Income and Expenditure

Annual per capita income refers to the total income generated from production activities in the area divided by the number of people living in the area. From the diagram below, it is evident that the Nkangala District Municipality shows a higher income per capita than the other municipality districts and has shown a greater increase over time than the provincial trend. This means that the average person in Nkangala District Municipality earns more than the average person in the province.

Diagram 3.6 Annual per capita income



Source: Global Insight - ReX

The table below shows the income per household - the income per household has increased 29% since 2000 in Mpumalanga. The greatest increase has been in the Nkangala District Municipality where household income increased by almost 32%.

Table 3.9 Annual per household income (Rand, current prices)

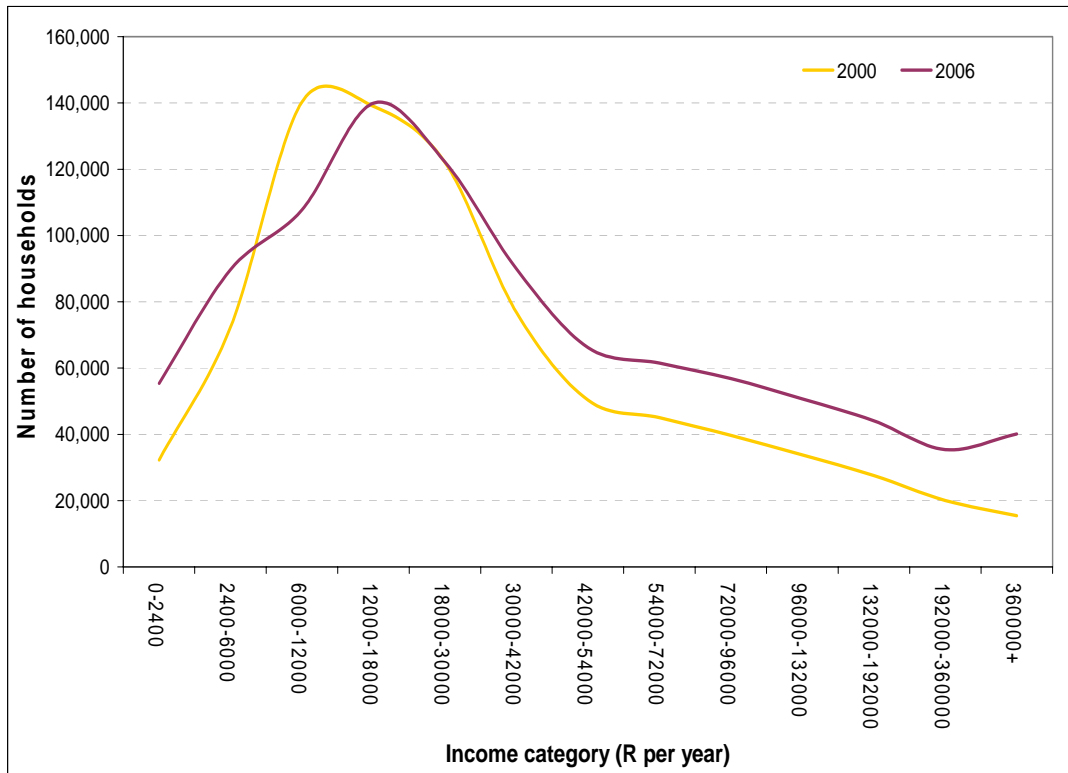
Mpumalanga	2000	2006
Region	46 943	66 801
Gert Sibande District Municipality	50 034	67 919
Nkangala District Municipality	58 812	85 984
Ehlanzeni District Municipality	36 419	52 088

Source: Global Insight- REX

3.2.1 Number of households per income category

The basis of all income figures presented is derived from an income-distribution model. Very little accurate and trustworthy primary data is available to track and monitor these changes, making the use of a modelling framework the only possible solution to capture the dynamics in the complex topic of income and expenditure. The Global Insight income-distribution model monitors and tracks the dynamics and patterns of the way people earn and spend their money.

Diagram 3.7 Income-distribution: Mpumalanga (2000 and 2006)



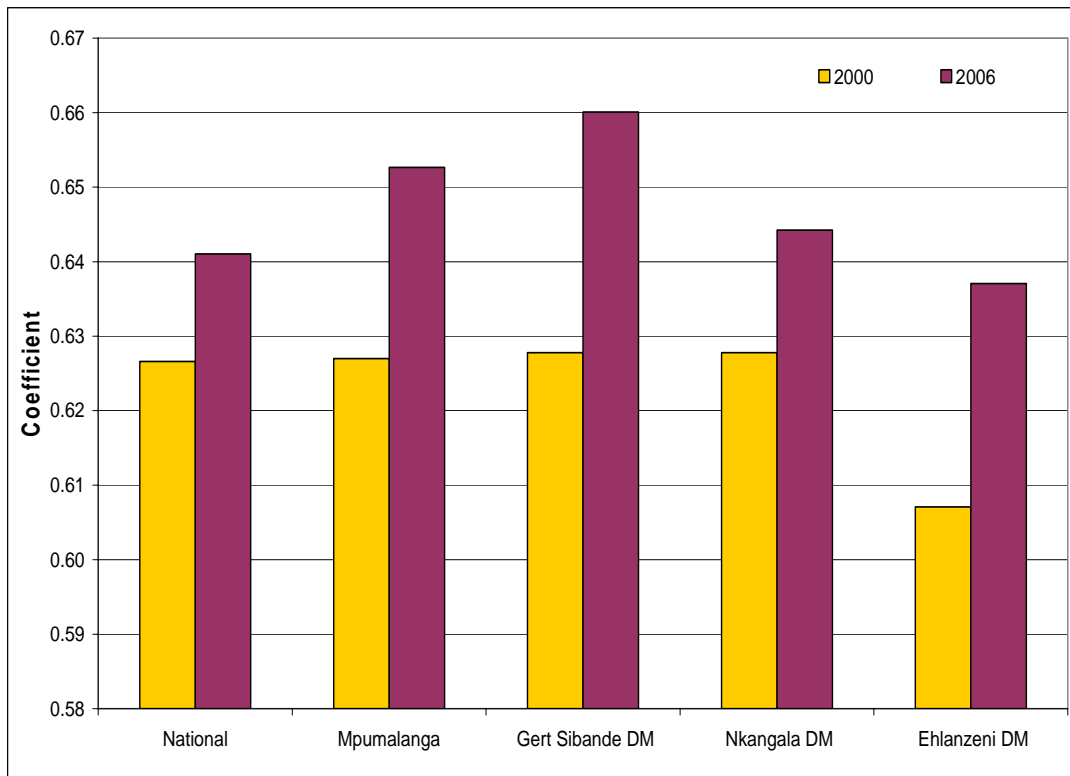
Source: Global Insight - ReX

It is evident that the number of households per income bracket shifted to the right, and increased on a whole due to population growth and inflationary pressure. Note that the bottom income category (on the far left in the diagram) which is the very poor people, also increased. The municipal profiles show a similar picture to that of the total province, where the majority of the households earn in the range R 6 000 to R42 000 per year. The number of households in the higher income brackets has also increased over the years, with the top income bracket showing a marked increase.

3.2.2 Gini-Coefficients

The Gini-Coefficient is a summary statistic of income inequality and is used to show the skewness of the distribution of income across the population. The coefficient has a range from zero to one, where zero represents perfect income equality (everyone has the same income) and one representing perfect income inequality (one person has all the income, while everyone else has nothing). It should be noted that South Africa has one of the highest Gini-coefficients in the world.

Diagram 3.8 Gini coefficient



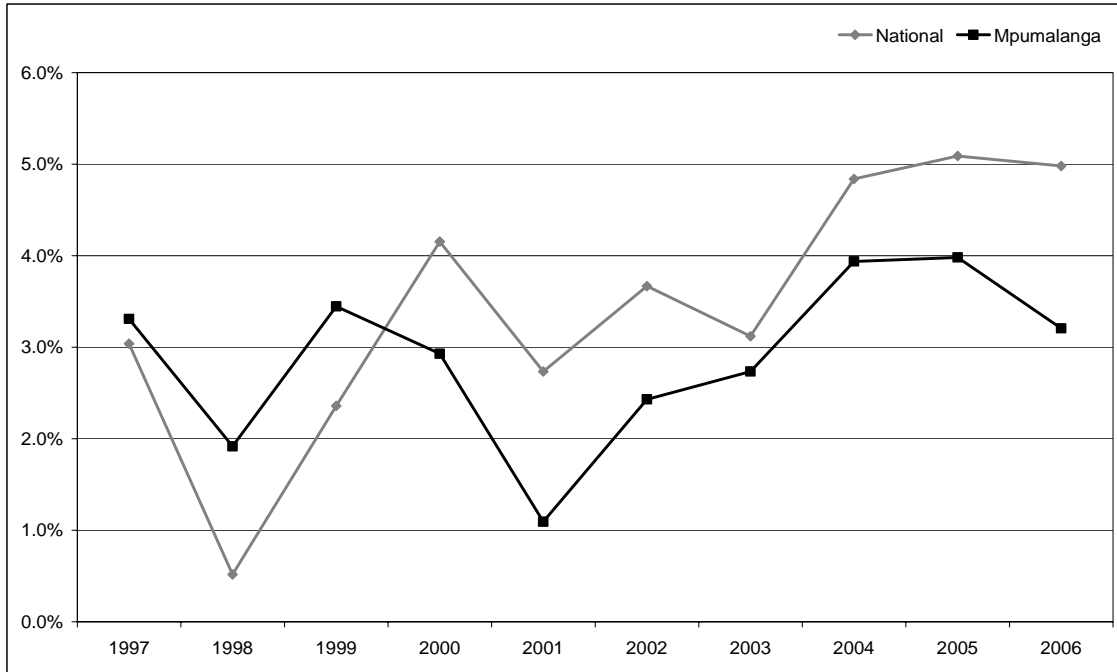
Source: Global Insight - ReX

The figure above shows the Gini-Coefficients for South Africa, Mpumalanga and the District Municipalities within Mpumalanga. As evident in the figure above, the Mpumalanga province along with the districts municipalities shows an increase for the period 2000 to 2006. The largest increase was seen in the Gert Sibande District Municipality with the coefficient increasing to 0.66. The higher coefficient shows that the income distribution in 2006 is more skewed than in 2000, meaning that the rich people earns even more, and the poor even less.

3.3 Economic Outlook for Mpumalanga Province

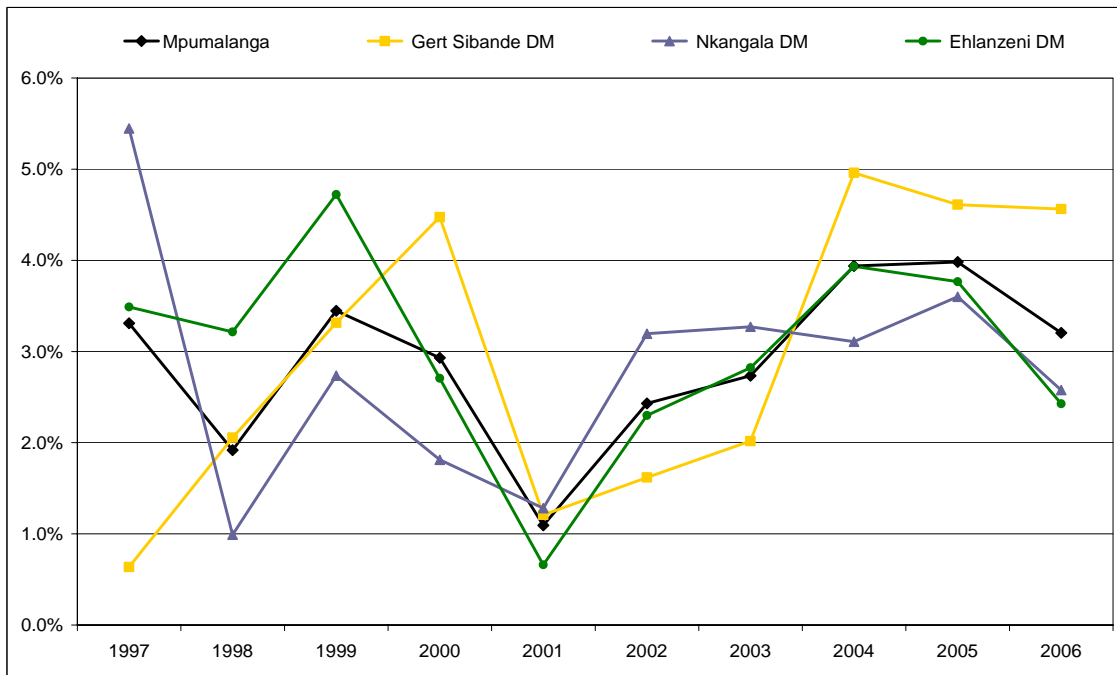
The economic performance of the province can be measured by means of the Gross Domestic Product by Region (GDP-R). Diagram 3.9 shows that the Mpumalanga economy has shared in the historic upswing phase of the South African economy. The GDP-R figures below is based on the official StatsSA GDP-R figures, with certain adjustments to compensate for the new provincial boundary changes.

Diagram 3.9 GDP-R Growth 1997 - 2006



Source: Global Insight - ReX

Diagram 3.10 GDP-R growth per district



Source: Global Insight - ReX

The economy of Mpumalanga is fairly diverse. Table 3.10 below shows that the biggest sectors in the province are Mining (21.6%), Manufacturing (20%), and Community & Government Services (16.1%). For the District municipalities manufacturing is prominent in Gert Sibande District Municipality, with Mining being the biggest contributor in Nkangala District Municipality. Ehlanzeni is the smallest District Municipality, with the main sector being Community Services (which includes the Government sector).

Table 3.10 Sector contribution to GVA-R, 2006 (%)

Sector	Mpumalanga	Gert Sibande	Nkangala	Ehlanzeni
1 Agriculture	3.6%	4.7%	2.3%	4.0%
2 Mining	21.6%	18.9%	31.1%	11.2%
3 Manufacturing	20.0%	33.7%	14.3%	10.8%
4 Electricity	4.5%	3.5%	8.0%	0.5%
5 Construction	1.8%	1.5%	1.5%	2.5%
6 Trade	10.3%	8.6%	7.5%	16.5%
7 Transport	8.5%	6.6%	8.0%	11.6%
8 Finance	13.7%	11.2%	13.2%	17.6%
9 Community services	16.1%	11.3%	14.0%	25.2%
Total Industries (GVA)	100.0%	100.0%	100.0%	100.0%

Source: Global Insight - ReX

The table below presents the contribution of each sector to the national GVA. The total contribution by the Mpumalanga province to the national GVA is 6.8%. The main contributors to the respective total national GVA sectors are Mining (18.7%), Electricity (13.9%), and Agriculture (8.9%). The smallest contributor is Finance at 4.2%.

Table 3.11 Regional contribution to National GVA by sector, 2006

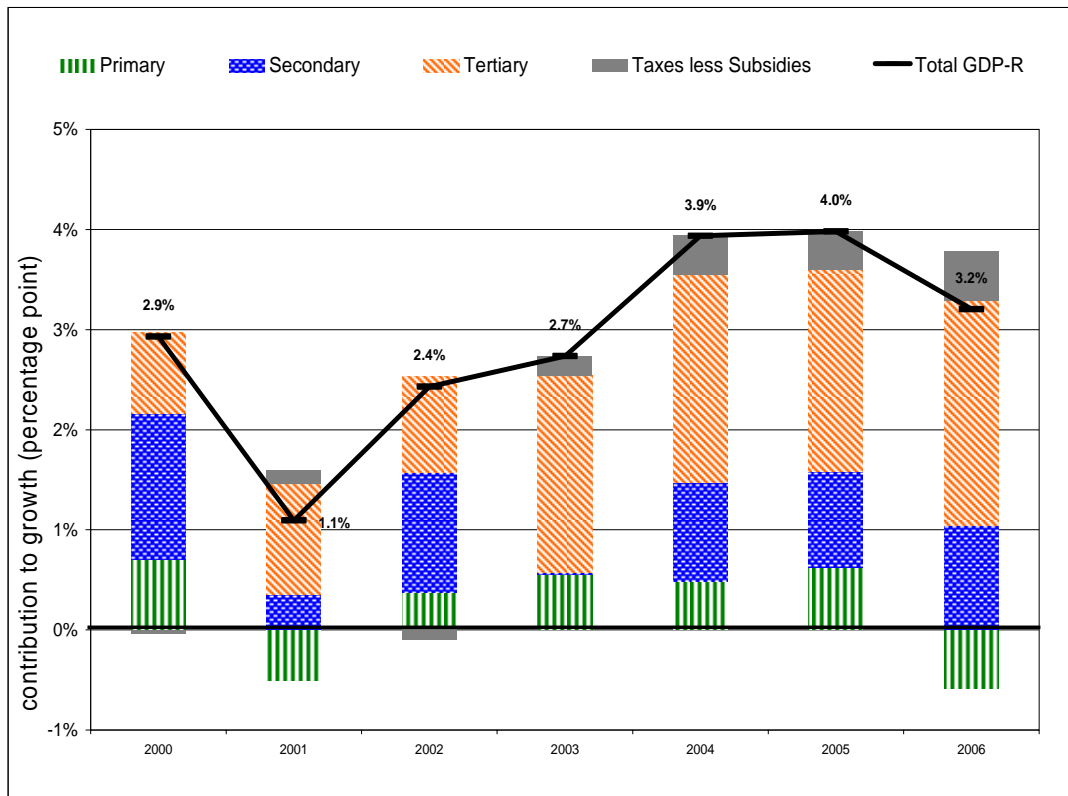
Sector	Mpumalanga	Gert Sibande	Nkangala	Ehlanzeni
1 Agriculture	8.9%	4.0%	2.3%	2.6%
2 Mining	18.7%	5.6%	10.5%	2.6%
3 Manufacturing	7.5%	4.3%	2.1%	1.1%
4 Electricity	13.9%	3.7%	9.8%	0.4%
5 Construction	4.7%	1.4%	1.6%	1.8%
6 Trade	5.0%	1.4%	1.4%	2.1%
7 Transport	6.1%	1.6%	2.2%	2.2%
8 Finance	4.2%	1.2%	1.6%	1.4%
9 Community services	5.2%	1.3%	1.8%	2.2%
Total Industries (GVA)	6.8%	2.3%	2.7%	1.8%

Source: Global Insight - ReX

The diagram below shows the sector contribution to GDP-R growth per primary, secondary and tertiary industry. For the period 2000 to 2006, the tertiary sector (Trade, Transport, Finance & Community Services) made a positive contribution to growth. The agriculture sector is volatile, and depending on the weather circumstances and commodity prices, it can sometimes have a negative impact on the overall GDP-R growth on the region.

The taxes-less-subsidies component represents the difference between GDP-R and GVA-R.

Diagram 3.11 Sector contribution to GDP growth, Mpumalanga 2006



Source: Global Insight - ReX

With regard to the socio-economic situation in the province, it is evident that the province has the second highest HIV/AIDS prevalence rate in South Africa; this could have a detrimental effect on the supply of labour in the future. In addition the occupation profile of the economically active population in the province is heavily skewed towards the unskilled and semi-skilled occupations. However on the positive side, the economy of the province is growing at a higher rate than the PGDS target. The education profile is improving with more people completing higher education and fewer people registered with no schooling.

4. Receipts

4.1 Overall position

Revenue estimates for 2008/09 to 2010/11 are based upon national government's equitable share, conditional grants and forecasts of provincial own revenue using economic growth parameters and estimated actual collection for 2008/09. The total amount of revenue to be derived from national sources (both the equitable share and conditional grants) and provincial own receipts amounts to R19, 007 billion for 2008/09.

Table 1.7: Summary of provincial receipts

R thousand	Outcome			Main appropriation	Adjusted appropriation 2007/08	Revised estimate	Medium-term estimates		
	2004/05	2005/06	2006/07				2008/09	2009/10	2010/11
Transfer receipts from National									
Equitable share	9 058 824	10 028 677	11 227 317	14 140 126	14 561 003	14 561 003	16 435 956	18 562 376	20 250 300
Conditional grants	900 463	956 749	1 188 288	1 728 773	2 048 748	1 603 625	2 113 912	2 493 322	2 951 625
Total transfer receipts from National	9 959 287	10 985 426	12 415 605	15 868 899	16 609 751	16 164 628	18 549 868	21 055 698	23 201 925
Provincial own receipts									
Tax receipts	145 159	177 206	198 632	206 605	206 605	206 605	213 525	222 642	233 774
Casino taxes	20 617	22 444	24 088	25 951	25 951	25 951	27 988	28 486	29 910
Horse racing taxes	2 533	3 500	4 000	4 000	4 000	4 000	4 000	4 000	4 200
Liquor licences	622	1 344	1 195	1 823	1 823	1 823	1 556	1 711	1 796
Motor vehicle licences	121 387	149 918	169 349	174 831	174 831	174 831	179 981	188 445	197 868
Sales of goods and services other than ce	60 021	59 104	68 526	66 247	64 960	66 138	64 096	67 268	69 738
Transfers received	5								
Fines, penalties and forfeits	29 736	29 095	19 386	18 585	18 585	18 585	19 525	20 501	21 526
Interest, dividends and rent on land	84 056	76 650	81 079	41 521	46 497	61 243	60 392	64 713	68 224
Sales of capital assets	3 511	4 433	4 853	1 471	1 270	1 473	1 869	1 962	2 060
Financial transactions in assets and liabilities	9 734	7 643	2 318	767	250	858	304	321	337
Total provincial own receipts	332 222	354 131	374 794	335 196	338 167	354 902	359 711	377 407	395 659
Total provincial receipts	10 291 509	11 339 557	12 790 399	16 204 095	16 947 918	16 519 530	18 909 579	21 433 105	23 597 584

4.2 Equitable Share

The Constitution establishes national, provincial and local government as autonomous spheres, which are “distinctive, interdependent, and interrelated.” It also identifies functional areas of concurrent and exclusive competence. In order to give effect to the requirements of the Constitution, budgetary procedures and other institutional arrangements have undergone dramatic changes. Budget making is the responsibility of all three spheres of government. The Constitution requires that nationally raised revenues be divided equitably between the three spheres of government and that the provincial share be divided equitably between the nine provinces. In addition to equitable shares, provinces and local government also receive grants from the national share. National norms and standards may apply to provincial spending out of the equitable share and grant funds, which may be subject to conditions. The allocations from national government to provinces and local government must take into account the recommendations of the Financial and Fiscal Commission (FFC) and criteria detailed in section 214(2) of the Constitution.

Revenue sharing is necessitated by the constitutional assignment of revenue-raising and expenditure responsibility. Most of the revenue is raised nationally. Although provinces have significant expenditure requirements, they have only limited revenue sources.

The equitable division of national revenues between the three spheres of government gives each the funds to provide the services and perform the functions assigned to it under the Constitution.

The provincial and local government equitable shares are further divided according to objective formulae after the recommendations of the FFC have been taken into account. The provincial formula allocates funds between the provinces according to their demographic and economic profiles taking account of the services – primarily health care, welfare and school education – for which provinces are responsible. The local government formula is designed to enable municipalities to deliver a package of basic services to low income households at affordable cost. Both formulae have a strong equity component. Taking into account the special needs of poorer areas. The province's share from nationally raised revenue for the 2008/09 is R16.436 billion, which represents R1. 981 billion increase compared to 2007/08 adjusted equitable share of R 14.454 billion.

4.3 Conditional Grants

In addition to the equitable shares, the Constitution provides for transfers to provinces and local government out of the national equitable share of revenue. These grants can be assigned for particular purposes and may be subject to conditions provided for in the legislation. The primary purpose of conditional grants is to support compliance with national norms and standards to compensate provinces for providing services that may extend beyond provincial boundaries and to enable national priorities to be adequately provided for in sub-national budgets.

The grants have increased from R1.683 billion to R2.113 billion. The growth in the grants from 2007/08 financial year to 2008/09 financial year amounts to 25.5 per cent.

The growth is mainly in the National School Nutrition grant, Comprehensive Agricultural support programme grant, Comprehensive HIV and Aids grant, Hospital Revitalisation Grant, Mass Participation and Recreation Participation programme as well as Community Library Services grant.

A new grant namely Devolution of property rates, has been introduced to cater for payments of rates on the government properties that were previously administered by the National Department of Public Works. During the period under review, the Further Education and Training college sector recapitalisation grant is being phased out. Equitable share will be made available from 2009/10 and 20/11 onwards.

Provincial Conditional Grants

Table 1.8: Summary of conditional grants by grant

R thousand	Outcome			Main appropriation	Adjusted appropriation 2007/08	Revised estimate	Medium-term estimates		
	2004/05	2005/06	2006/07				2008/09	2009/10	2010/11
Vote 4	335 334	269 179	329 949	526 286	676 286	507 603	629 210	749 963	923 644
Integrated housing and human settlement development grant	309 758	269 179	329 949	526 286	676 286	507 603	629 210	749 963	923 644
Local Government Capacity Building Grant	25 576								
Vote 5	21 499	51 425	32 067	45 338	45 338	36 008	57 426	66 899	79 930
Agricultural disaster management grant		17 000							
Comprehensive agricultural support programme grant	16 045	26 142	28 222	41 133	41 133	32 614	4 407	4 627	4 904
Land care programme grant: poverty relief and infrastructure development	5 454	8 283	3 845	4 205	4 205	3 394	53 019	62 272	75 026
Vote 7	76 098	87 014	126 720	159 669	168 742	169 342	189 553	171 534	218 367
Further education and training college sector recapitalisation grant			32 000	40 055	47 676	48 276	39 099		
HIV and Aids (life skills education) grant	13 402	10 541	11 623	13 010	13 010	13 010	13 848	14 626	15 420
National school nutrition programme grant	62 696	76 473	83 097	106 604	108 056	108 056	136 606	156 908	202 947
Vote 8							36 000	40 340	44 374
Devolution of Property Rate Funds							36 000	40 340	44 374
Vote 10	225 039	279 731	306 703	393 737	412 073	340 517	564 730	684 616	796 039
Comprehensive HIV and Aids Grant	56 421	87 402	110 709	121 190	121 190	125 649	151 849	187 928	241 561
Forensic Pathology Services Grant		2 310	23 165	52 628	70 964	47 256	42 003	44 233	50 107
Health Professions Training and Development Grant	42 083	54 363	54 363	57 081	57 081	45 045	59 935	71 839	76 149
Hospital Construction Grant									
Hospital Revitalisation Grant	75 107	92 245	72 895	107 843	107 843	76 103	244 322	299 499	337 364
Malaria and Cholera Prevention Grant	4 902								
National Tertiary Services Grant	46 526	43 411	45 571	54 995	54 995	46 464	66 621	81 117	90 858
Vote 11	208 432	248 525	302 332	519 929	566 387	511 341	572 244	694 144	794 875
Infrastructure grant to provinces	208 432	248 525	302 332	519 929	566 387	511 341	572 244	694 144	794 875
Vote 12	469	3 180	10 020	38 814	38 814	38 814	64 749	85 826	94 396
Mass sport and recreation	469	3 180	10 020	15 954	15 954	15 954	21 823	29 870	31 663
Community library services grant				22 860	22 860	22 860	42 926	55 956	62 733
Total conditional grants	866 871	939 054	1 107 791	1 683 773	1 907 640	1 603 625	2 113 912	2 493 322	2 951 625

4.4 Total Provincial Own Receipts

The Mpumalanga Province expects to collect an amount of R359.7 million from own provincial revenue for the 2008/09 financial year, which is 1.9% of the total revenue.

The provinces have some tax assignment powers given to them by the Constitution but the extent of provincial own revenues is currently limited consisting mainly of a number of small taxes, user charges and fees.

The biggest of which in the Mpumalanga Province are motor vehicle licenses and hospital fees. In the light of the budget constraints facing the Province attempts have been made to take full advantage of the limited revenue sources and ensuring that the taxes are being collected efficiently and effectively. Steps are being taken to improve the collection of own revenue, as this will enhance the Province's ability to deliver services.

The main sources of provincial own receipts for the 2008/09 financial years are:

- o Motor vehicles licences estimated to be collected is R180 million, which accounts for 50 per cent of the total Provincial own revenue.
- o Hospital Patient Fees: the province is estimating to collect R16.698 million from this source which accounts for 4.6 per cent.
- o Gambling and betting taxes estimated to be collected are R32.0 million which amounts to 7.8 per cent. Included in this amount are taxes received in respect of betting and totalisators from the horseracing industry.
- o Revenue to be generated from other sources amounts to R135.013 million which accounts for 38 per cent.

4.5 Summary of provincial receipts by Vote

Table 1.9: Summary of provincial own receipts by Vote

R thousand	Outcome			Main appropriation	Adjusted appropriation 2007/08	Revised estimate	Medium-term estimates		
	2004/05	2005/06	2006/07				2008/09	2009/10	2010/11
Vote 01: Office of the Premier	1 146	638	480	504	504	504	534	560	593
Vote 02: Provincial Legislature									
Vote 03: Finance	72 004	65 090	63 894	28 244	32 244	47 974	40 489	42 138	43 695
Vote 04: Local Government and Housing	1 146	2 334	2 121	1 972	1 972	1 972	2 065	2 168	2 276
Vote 05: Agriculture and Land Administration									
Vote 06: Economic Development and Planning	24 308	28 143	30 247	32 794	32 794	32 794	34 680	36 780	38 616
Vote 07: Education	23 498	19 917	18 670	19 670	19 670	19 670	20 653	21 626	22 410
Vote 08: Public Works	4 415	4 906	8 017	2 767		2 767	2 872	3 797	4 025
Vote 09: Safety and Security	530	331	332	151	151	127	151	192	218
Vote 10: Health	31 201	41 566	36 909	38 792	38 792	38 792	28 588	29 910	31 576
Vote 11: Roads and Transport	173 223	189 603	210 961	209 462	209 462	209 462	220 162	230 414	241 936
Vote 12: Culture Sport and Recreation	751	818	1 243	840	840	840	854	897	941
Vote 13: Social Services		785	1 920		1 738		1 911	2 103	2 239
Total provincial own receipts by Vote	332 222	354 131	374 794	335 196	338 167	354 902	352 959	370 585	388 525

5. Expenditure

5.1 Overall Position

The amount to be voted in the Mpumalanga Appropriation Act, 2005 is R19, 007,619 billion. Details of the funds to be allocated within each vote for 2008/09, as well as the indicative MTEF allocations for 2009/10 to 2011/12 can be found in the Budget Statements (Budget Statement 1 and 2). Included in the allocations to the departments are the amounts of estimated own revenue, which fund provincial spending pressures that could not be accommodated within the provincial equitable share.

Total outlays for the provincial programmes are budgeted at:

Financial year 2008/2009: R 19.007.619 million

Financial year 2009/2010: R 21.431.825 million

Financial year 2010/2011: R 23.596.214 million

5.2 Payments by Vote

Table 1.10: Summary of provincial payments and estimates by Vote

R thousand	Outcome			Main appropriation 2007/08	Adjusted appropriation 2007/08	Revised estimate 2007/08	Medium-term estimates		
	2004/05	2005/06	2006/07				2008/09	2009/10	2010/11
Social VOTE									
Vote 07: Education	4870 716	5780 657	6272 885	7956 022	8118 307	8118 307	8934 232	9739 439	10676 178
Vote 10: Health	2258 222	2671 975	3013 110	3594 674	3717 636	3717 636	4241 773	5154 020	5590 895
Vote 13: Social Services	223 673	249 898	319 218	497 517	497 517	497 517	662 332	782 279	900 010
	7352 611	8702 530	9605 213	12048 213	12333 460	12333 460	13838 337	15675 738	17167 083
NON-SOCIAL									
Vote 01: Office of the Premier	105 297	106 030	108 779	148 821	170 450	170 450	182 765	193 678	208 958
Vote 02: Provincial Legislature	50 897	61 846	72 694	70 260	92 677	91 845	97 223	98 730	109 919
Vote 03: Finance	191 526	106 029	131 861	145 052	145 052	144 227	201 062	235 098	257 047
Vote 04: Local Government and H	518 797	500 650	555 769	839 586	1006 023	964 568	982 049	1119 992	1334 243
Vote 05: Agriculture and Land Adm	465 449	616 436	475 058	621 073	669 193	591 033	741 576	769 195	835 687
Vote 06: Economic Development ai	175 236	190 495	321 485	361 348	371 348	371 348	442 654	491 395	524 232
Vote 08: Public Works	274 525	301 058	302 829	355 070	362 446	362 446	429 572	465 527	512 000
Vote 09: Safety and Security	33 667	38 772	40 268	44 510	44 510	44 510	68 132	89 411	125 176
Vote 11: Roads and Transport	816 839	964 676	969 382	1420 770	1480 051	1480 051	1547 316	1730 988	1916 206
Vote 12: Culture Sport and Recrea	70 131	96 529	121 574	156 075	171 238	171 238	208 933	226 532	247 682
	2702 364	2982 521	3099 699	4162 565	4512 988	4391 716	4901 282	5420 546	6071 150
Total provincial payments and e	10054 975	11685 051	12704 912	16210 778	16846 448	16725 176	18739 619	21096 284	23238 233

5.3 Payments by economic classification

Table 1.11: Summary of provincial payments and estimates by economic classification

R thousand	Outcome			Main appropriation	Adjusted appropriation 2007/08	Revised estimate	Medium-term estimates		
	2004/05	2005/06	2006/07				2008/09	2009/10	2010/11
Current payments	8 352 992	9 674 076	10 494 293	13 029 179	13 218 746	13 135 016	14 924 434	16 648 161	18 067 220
Compensation of employees	5 926 760	6 786 484	7 539 278	9 502 355	9 423 819	9 418 208	10 685 530	11 748 587	12 700 884
Goods and services	2 425 272	2 885 268	2 954 115	3 526 824	3 794 926	3 716 807	4 238 904	4 899 574	5 366 336
Financial transactions in assets and liabilities	656		13						
Unauthorised expenditure	304	2 324	887						
Transfers and subsidies to:	944 656	914 546	1 132 561	1 688 401	1 867 690	1 874 350	1 946 775	2 290 496	2 708 695
Provinces and municipalities	88 623	43 472	33 760	14 724	22 863	17 774	61 140	71 092	75 575
Departmental agencies and accountants	11 638	8 649	4 369	50 421	42 347	42 347	14 243	14 082	15 348
Universities and technikons									
Public corporations and private enterprises	179 023	220 172	134 159	201 335	246 863	261 290	276 984	337 342	341 878
Foreign governments and international organisations									
Non-profit institutions	338 807	350 644	445 716	717 167	811 381	811 363	900 369	1 049 382	1 278 794
Households	326 565	291 609	514 557	704 754	744 236	741 576	694 039	818 598	997 100
Payments for capital assets	757 327	1 096 429	1 078 058	1 493 198	1 760 013	1 715 811	1 868 411	2 157 627	2 462 317
Buildings and other fixed structures	581 790	856 664	885 756	1 237 898	1 377 201	1 348 947	1 439 697	1 659 107	1 898 302
Machinery and equipment	174 865	239 355	191 119	255 150	381 462	366 693	427 657	498 353	563 840
Cultivated assets		100	110	100		9	67	61	64
Software and other intangible assets	604	310	1 073	50	1 350	162	990	106	111
Land and subsoil assets	68								
Total economic classification	10 054 975	11 685 051	12 704 912	16 210 778	16 846 449	16 725 177	18 739 620	21 096 284	23 238 232

5.4 Payments by policy area

Table 1.13: Summary of provincial payments and estimates by policy area

R thousand	Outcome			Main appropriation	Adjusted appropriation 2007/08	Revised estimate	Medium-term estimates		
	2004/05	2005/06	2006/07				2008/09	2009/10	2010/11
General public services	347 720	273 905	313 334	364 133	408 179	406 522	2 457 938	4 524 021	3 004 130
Public order and safety	33 667	38 772	40 268	44 510	44 510	44 510	68 132	89 411	125 176
Economic affairs	1 751 271	2 123 277	2 191 804	2 965 534	3 088 234	2 988 061	442 654	491 395	524 232
Environmental protection	138 296	134 918	54 736	49 318	67 232	48 088	741 576	769 195	835 687
Housing and community amenities	361 279	315 120	377 983	582 995	733 595	733 297	982 049	1 119 992	1 334 243
Health	2 258 222	2 671 975	3 013 110	3 594 674	3 717 636	3 717 636	4 241 773	5 154 020	5 590 895
Recreation, culture and religion	70 131	96 529	121 574	156 075	171 238	171 238	208 933	226 532	247 682
Education	4 870 716	5 780 657	6 272 885	7 956 022	8 118 307	8 118 307	8 934 232	7 939 439	10 676 178
Social protection	223 673	249 898	319 218	497 517	497 517	497 517	662 332	782 279	900 010
Total provincial payments and estimates by policy area	10 054 975	11 685 051	12 704 912	16 210 778	16 846 448	16 725 176	18 739 619	21 096 284	23 238 233

5.5 Summary of infrastructure payments

Table 1.14(a): Summary of provincial infrastructure payments and estimates by Vote

R thousand	Outcome			Main appropriation	Adjusted appropriation 2007/08	Revised estimate	Medium-term estimates		
	2004/05	2005/06	2006/07				2008/09	2009/10	2010/11
Capital									
Vote 01: Office of the Premier	1 838	2 704	4 452						
Vote 02: Provincial Legislature	1 560	2 837	10 000	2 650	18 514	14 111			
Vote 03: Finance	3 703	1 446							
Vote 04: Local Government and Housr	13 829	43 536	28 802	24 554	35 502	11 903	46 494	11 264	11 939
Vote 05 Agriculture and Land Administi	2 432	24 549	9 841	30 083	9 694	9 442	15 758	20 808	21 586
Vote 06 Economic Development and Planning									
Vote 07 Education	129 233	173 406	300 525	346 667	392 056	392 056	331 028	412 212	251 233
Vote 08: Public Works	13 925	11 701	3 377	12 333	18 103	18 103	1 910	2 035	2 157
Vote 09: Safety and Security				100	100	100	120	74	
Vote 10 Health	95 359	128 753	155 638	185 364	218 157	218 157	290 043	323 238	393 415
Vote 11: Roads and Transport	323 294	468 097	360 495	595 082	652 285	652 285	631 696	736 378	827 258
Vote 12: Culture Sport and Recreation									
Vote 13: Social Services		23	2 948	13 465	11 868	11 868	45 035	63 101	77 497
Sub-total: Capital	585 173	857 052	876 078	1 210 298	1 356 279	1 328 025	1 362 084	1 569 110	1 585 085
Recurrent maintenance									
Vote 01: Office of the Premier									
Vote 02: Provincial Legislature									
Vote 03: Finance									
Vote 04: Local Government and Housng							853	1 012	871
Vote 05 Agriculture and Land Administration									
Vote 06 Economic Development and Planning									
Vote 07 Education							15 656	19 363	19 721
Vote 08: Public Works							8 607	9 574	10 220
Vote 09: Safety and Security									
Vote 10 Health							34 800	43 100	47 000
Vote 11: Roads and Transport							18 366	18 719	19 231
Vote 12: Culture Sport and Recreation									
Vote 13: Social Services							1 623	1 853	2 026
....									
Sub-total: Recurrent maintenance							79 905	93 621	99 069
Recurrent maintenance									
Vote 01: Office of the Premier	1 838	2 704	4 452						
Vote 02: Provincial Legislature	1 560	2 837	10 000	2 650	18 514	14 111			
Vote 03: Finance	3 703	1 446							
Vote 04: Local Government and Housr	13 829	43 536	28 802	24 554	35 502	11 903	47 347	12 276	12 810
Vote 05 Agriculture and Land Administi	2 432	24 549	9 841	30 083	9 694	9 442	15 758	20 808	21 586
Vote 06 Economic Development and P									
Vote 07 Education	129 233	173 406	300 525	346 667	392 056	392 056	346 684	431 575	270 954
Vote 08: Public Works	13 925	11 701	3 377	12 333	18 103	18 103	10 517	11 609	12 377
Vote 09: Safety and Security				100	100	100	120	74	
Vote 10 Health	95 359	128 753	155 638	185 364	218 157	218 157	324 843	366 338	440 415
Vote 11: Roads and Transport	323 294	468 097	360 495	595 082	652 285	652 285	650 062	755 097	846 489
Vote 12: Culture Sport and Recreation									
Vote 13: Social Services		23	2 948	13 465	11 868	11 868	46 658	64 954	79 523
Total provincial infrastructure paym	585 173	857 052	876 078	1 210 298	1 356 279	1 328 025	1 441 989	1 662 731	1 684 154

Table 1.14(b): Summary of provincial infrastructure payments and estimates by category and Vote

R thousand	Outcome			Main appropriation	Adjusted appropriation 2007/08	Revised estimate	Medium-term estimates		
	2004/05	2005/06	2006/07				2008/09	2009/10	2010/11
New construction (buildings and infrastructure)									
Vote 04: Local Government and Housing							46 494	11 264	11 939
Vote 07: Education							207 652	239 083	145 715
Vote 10: Roads and Transport							559 282	648 630	661 491
Vote 11: Health							47 721	65 962	81 466
Vote 13: Social Services							45 035		
Sub-total: New construction (buildings and infrastructure)							906 184	964 939	900 611
Rehabilitation/upgrading									
Vote 07 : Education							107 719	153 766	85 796
Vote 11: Health							139 868	169 208	208 978
Vote 12: Culture, Sports and Recreation							3 440	4 330	4 730
Sub-total: Rehabilitation/upgrading							251 027	327 304	299 504
Other capital projects									
Vote 11: Health							44 255	51 623	63 756
Sub-total: Other capital projects							44 255	51 623	63 756
Recurrent maintenance									
Vote 4: Local Government and Housing							853	1 012	871
Vote 7: Education							15 656	19 363	19 721
Vote 8: Public Works							8 607	8 524	10 220
Vote 10: Roads and Transport							461 166	518 465	548 129
Vote 11: Health							34 800	43 100	47 000
Vote 12: Culture, Sports and Recreation							4 410	6 195	6 814
Vote 13: Social Services							1 623	1 853	2 026
Sub-total: Recurrent maintenance							527 115	598 512	634 781
Professional fees									
Vote 07: Education									
Vote 11: Health							6 710	6 710	6 710
Sub-total: Professional fees							6 710	6 710	6 710
Total provincial infrastructure payments and estimates							1735 291	1949 088	1905 362

5.6 Transfers to public entities

Table 1.15: Summary of provincial transfers to public entities by transferring department

R thousand	Outcome			Main appropriation	Adjusted appropriation 2007/08	Revised estimate	Medium-term estimates		
	2004/05	2005/06	2006/07				2008/09	2009/10	2010/11
Vote 04: Local Government and Housir	16 000	16 000	14 667	16 400	17 733	17 733	17 000	17 850	18 921
Vote 05: Agriculture and Land Administ	163 017	194 366	119 490	184 935	168 225	182 651	42 677	44 810	47 051
Vote 06: Economic Development and F	2 700	2 500	3 400	123 651	183 059	183 059	269 372	296 974	318 048
Vote 07: Education	14 500	21 000	21 000	29 000	29 000	29 000	23 470	24 094	25 370
Total provincial transfers to public €	196 217	233 866	158 557	353 986	398 017	412 443	352 519	383 728	409 390

Table 1.16: Summary of provincial payments on training by Vote

R thousand	Outcome			Main appropriation	Adjusted appropriation 2007/08	Revised estimate	Medium-term estimates		
	2004/05	2005/06	2006/07				2008/09	2009/10	2010/11
Vote 01: Office of the Premier							909	964	998
Vote 02: Provincial Legislature							481	507	532
Vote 03: Finance							650	695	745
Vote 04: Local Government and Housng							3 476	3 655	3 841
Vote 05 Agriculture and Land Administration							1 844	1 644	1 734
Vote 06 Economic Development and Planning							400	550	650
Vote 07 Education	66 000	71 684	66 943	80 836	85 041	87 441	28 049	29 092	29 720
Vote 08: Public Works	2 194	1 733	4 034	7 365	5 403	5 403	7 666	8 432	8 938
Vote 09: Safety and Security							670	704	739
Vote 10 Health	25 575	40 389	34 388	51 653	55 858	58 258	73 625	84 944	97 970
Vote 11: Roads and Transport	2 881	4 068	9 173	12 507	12 507	12 507	7 469	7 857	9 067
Vote 12: Culture Sport and Recreation	17 236	25 260	18 383	30 586	34 791	37 191	892	983	1 066
Vote 13: Social Services							21 863	25 002	35 002
Total provincial payments on trainir	113 886	143 134	132 921	182 947	193 600	200 800	147 994	165 029	191 002

Table 1.17: Summary of personnel numbers and costs by Vote¹

Personnel numbers	As at 31 March 2005	As at 31 March 2006	As at 31 March 2007	As at 31 March 2008	As at 31 March 2009	As at 31 March 2010	As at 31 March 2011
Vote 01: Office of the Premier	257	283	340	438	414	414	414
Vote 02: Provincial Legislature	122	158	158	158	158	158	158
Vote 03: Finance	941	635	552	531	367	389	413
Vote 04: Local Government and Housing	890	896	990	1 352	1 355	1 358	1 362
Vote 05 Agriculture and Land Administration	2 113	1 960	1 969	1 969	2 118	2 218	2 218
Vote 06 Economic Development and Planning	158	158	211	268	288	324	358
Vote 07 Education	35 529	35 918	46 644	47 244	47 880	48 268	48 884
Vote 08: Public Works	1 811	1 271	1 269	1 463	1 896	2 183	2 566
Vote 09: Safety and Security							
Vote 10 Health	11 020	11 007	12 701	13 858	15 526	16 167	16 575
Vote 11: Roads and Transport	2 736	3 226	3 313	3 583	3 824	4 126	4 326
Vote 12: Culture Sport and Recreation	229	256	384	357	384	338	346
Vote 13: Social Services	344	544	1 481	1 588	1 588	1 904	1 904
Total provincial personnel numbers	56 150	56 312	70 012	72 809	75 798	77 847	79 524
Total provincial personnel cost (R thousand)	5 926 760	6 786 484	7 539 278	9 418 208	10 685 530	11 748 589	12 700 885
Unit cost (R thousand)	106	121	108	129	141	151	160