

Vote 5

Provincial and Local Government

	2005/06			2006/07	2007/08
	To be appropriated				
MTEF allocations of which:	R15 580 777 000			R18 488 849 000	R20 202 662 000
	<i>Current payments</i>	<i>Transfers</i>	<i>Capital payments</i>		
	R229 018 000	R15 345 969 000	R5 790 000		
Statutory amounts	-			-	-
Responsible minister	Minister of Provincial and Local Government				
Administering department	Department of Provincial and Local Government				
Accounting officer	Director-General of Provincial and Local Government				

Aim

The aim of the Department of Provincial and Local Government is to develop and promote a national system of integrated and co-operative governance and to support provincial and local government.

Programme purpose and measurable objective

Programme 1: Administration

Purpose: Provide for the management, leadership and administration of the department.

Programme 2: Governance, Policy and Research

Purpose: Provide policy advice and research support for the development and monitoring of: intergovernmental relations and the performance of provincial government, provincial-municipal relations, integrated development planning, local economic development, the institutions of traditional leadership, and international and donor relations.

Measurable objective: Maintain effective and predictable relations between national government, provinces and municipalities by developing and implementing policy, systems and support programmes to improve governance in accordance with government's programme of action.

Programme 3: Urban and Rural Development

Purpose: Manage, co-ordinate, monitor and measure the effectiveness of the integrated implementation of the urban renewal programme and the integrated sustainable rural development programme across all spheres of government.

Measurable objective: Ensure the effectiveness of the integrated implementation of the urban renewal programme and the integrated sustainable rural development programme across all spheres of government, by implementing and maintaining alignment and integration protocols.

Programme 4: Systems and Capacity-Building

Purpose: Provide capacity-building and hands-on support programmes to local government. Provide a national disaster management centre. Promote intergovernmental fiscal relations.

Measurable objective: A sustainable system for developmental local government that fosters integrated development and service delivery through monitoring and support for capacity-building and systems development.

Programme 5: Free Basic Services and Infrastructure

Purpose: Strengthen local government capacity to increase access to basic services, including free basic services for all communities, to enable municipalities to meet their constitutional mandate.

Measurable objective: Strengthen the capacity of municipalities to deliver sustainable infrastructure and increase access to basic services, including free basic services to the poor, who are predominantly found in the under-serviced areas of South Africa.

Programme 6: Provincial and Local Government Transfers

Purpose: Provide for the transfer of conditional grants to the provincial and local spheres of government that are directly administered by the department.

Measurable objective: Reinforce the pace and quality of municipal infrastructure development and promote the reforming and restructuring of service delivery by municipalities by managing the transfer of equitable share and conditional grants to the provincial and local spheres.

Programme 7: Fiscal Transfers

Purpose: Provide for financial transfers to various authorities and institutions in terms of the relevant legislation or founding agreements.

Measurable objective: Meet financial obligations to ensure that the objectives of authorities and institutions are effectively and efficiently met.

Strategic overview and key policy developments: 2001/02 – 2007/08

The role of the Department of Provincial and Local Government is to develop appropriate policies and legislation to promote integration in government's development programmes and service delivery. It aims to provide strategic interventions, support and partnerships to facilitate policy implementation in the provinces and local government, and create enabling mechanisms for communities to participate in governance.

Municipal reform

The Department of Provincial and Local Government will contribute to building the key capabilities of a development state across all spheres of government to address the specific challenges of the two economies. This includes democratising, demarcating and amalgamating municipalities in three phases. The first phase, between 2000 and 2002, focused on establishing the 284 municipalities in the local government sphere. The current phase, 2002 to 2005, focuses on consolidating and extending the gains of the first phase. To this end, the department initiated Project Consolidate in 2004, which will provide hands-on support to targeted municipalities for a period of two years to address the specific challenges that these municipalities face and propel all municipalities towards the final phase of sustainability. The project will be undertaken in close consultation and within the competency of other departments.

Legal framework

With the Local Government: Municipal Structures Act (1998), the Local Government Municipal Systems Act (2000) and the Disaster Management Act (2002) in place, the department is now focusing on the Municipal Property Rates Act (2004), which will be implemented over approximately four years, beginning in July 2005.

The Traditional Leadership and Governance Framework Act (2003) sets norms and standards for provincial legislation. Each provincial government is expected to finalise its own legislation in 2005. This Act recognises traditional leaders and traditional affairs, and regulates relations between traditional leaders and government.

The Intergovernmental Relations Bill, to be debated in Parliament in 2005, will provide greater certainty and predictability to intergovernmental co-ordination, by laying down the ground rules for governance between the three spheres of government.

Municipal grant administration

The Department of Provincial and Local Government is responsible for administering and managing a system of intergovernmental transfers. The consolidation of grants to municipalities, which began in 2002/03, will continue over the MTEF period. The aim is to have three main sources of income for local government from national government: the municipal infrastructure grant, which is for capital expenditure; the municipal systems improvement grant for capacity-building; and the local government equitable share, which is designed for operating expenditure.

The rollout of the municipal infrastructure grant (MIG), which is a consolidation of all municipal infrastructure grants from national departments for funding infrastructure programmes, started in April 2004. The MIG funds projects for water and sanitation services, roads, storm-water infrastructure, solid waste disposal, community services and other municipal services included in the integrated development plans (IDPs). Projects typically involve local contractors and are labour intensive, targeting women and youth for employment and training in line with the expanded public works programme.

The department is working closely with other departments to integrate national government capacity-building grants to municipalities into a single, consolidated grant – the local government capacity-building grant. All the capacity-building grants have to undergo a performance review in 2006/07 to determine if and when they are to be phased into the equitable share. All capacity-building grants are being phased in so that municipalities will have more flexibility, discretion and decision-making power in how they use their funding.

Development planning

The Department of Provincial and Local Government continues to support municipalities to develop integrated development plans (IDPs), which are participatory, strategic and implementation-oriented. Work will continue in consolidating the new planning system, and to improve the quality of IDPs. Municipalities will get direct strategic support as well as support through provinces and planning implementation management support (PIMS) centres. The department actively supported The Presidency initiative to align the national spatial development perspective, the provincial growth and development strategies and IDPs. This work, along with the forthcoming IDP hearings, will be core part of the current IDP review process, to be finalised by municipalities by June 2005 and annually thereafter.

Intergovernmental relations

Effective intergovernmental relations are necessary for unified action to reverse the effects of poverty and underdevelopment in South Africa. Since 2001, the Department of Provincial and Local Government has introduced a number of measures to improve intergovernmental co-ordination, or collaborated with other national departments to do this. An example is the department's guidelines on intergovernmental disputes and interventions.

The document *Towards a Ten Year Review*, published in 2004, identified the links between state practice and sustainable development. The priority over the next decade for the governance and administration cluster is to constitute a government capable of addressing the development challenges arising from the co-existence of two economies and implementing its programmes, particularly at the local level. To achieve this, government must function as a cohesive force for social and economic transformation, directing its leadership, resources and services to the poor in a targeted and sustainable way.

Rural development and urban renewal

The integrated sustainable rural development programme (ISRDP) and the urban renewal programme (URP), which run projects for improving service delivery and alleviating poverty, will continue to focus on their key target groups - the poor, the marginalised, the underdeveloped and the disadvantaged. The programmes need to maximise the impact of all government resources and know-how in the 21 identified rural and urban nodes. Following a review of progress on the nodes, Cabinet has approved the proposed financial interventions to support the nodes, within the framework of government's priority programmes.

A guide for national departments' participation in implementing the ISRDP and URP has also been finalised, setting out the specific roles and responsibilities for each department or cluster in relation to the nodes.

Challenges for the medium term

The main strategic challenge for local government over the medium term is to move from the present consolidation phase to the final sustainability phase by 2005/06. A national delivery facilitation team will be assembled to focus on local government matters requiring immediate and direct action. These include community development workers, free basic services, billing systems and municipal debt, the municipal infrastructure grant (MIG) and local economic development (LED), and special interventions in the urban renewal and rural development nodes. Further challenges for the medium term include helping municipalities hold successful IDP reviews, finalising policy on the status of the Khoisan community, supporting provinces to complete their legislative processes on traditional leadership, and helping provinces to develop their provincial growth and development strategies.

Expenditure estimates

Table 5.1: Provincial and Local Government

Programme	Expenditure outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome			2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05		2005/06	2006/07	2007/08
1. Administration	36 948	53 229	73 242	86 629	92 474	80 774	90 706	95 772
2. Governance, Policy and Research	14 866	18 431	20 371	26 043	21 923	25 541	29 919	31 630
3. Urban and Rural Development	832	4 819	3 371	9 020	4 973	9 253	11 301	11 939
4. Systems and Capacity-Building	44 700	36 951	64 237	66 748	74 365	67 949	80 464	83 541
5. Free Basic Services and Infrastructure	7 427	11 199	14 154	35 753	30 157	39 727	44 989	41 352
6. Provincial and Local Government Transfers	4 506 527	6 387 087	9 203 092	12 840 924	12 840 924	15 279 502	18 168 535	19 871 894
7. Fiscal Transfers	41 766	45 044	62 807	72 264	72 264	78 031	62 935	66 534
Total	4 653 066	6 556 760	9 441 274	13 137 381	13 137 080	15 580 777	18 488 849	20 202 662
Change to 2004 Budget estimate				286 613	286 312	1 210 191	2 574 530	3 492 627

Economic classification

Current payments	102 002	123 023	176 149	229 051	225 023	229 018	263 504	270 704
Compensation of employees	34 182	46 315	51 957	96 344	74 629	121 056	138 925	147 243
Goods and services	67 753	76 361	121 900	132 707	150 394	107 962	124 579	123 461
<i>of which:</i>								
Communication	3 544	4 663	5 851	7 273	7 630	6 440	7 759	8 180
Consultants and contractors	43 521	36 688	60 484	55 116	64 896	61 816	74 983	71 281
Printing and publications	2 165	2 967	4 572	895	3 502	4 172	4 401	4 623
Travel and subsistence	10 941	18 736	35 282	35 812	32 275	19 931	21 133	22 090
Financial transactions in assets and liabilities	67	347	2 292	–	–	–	–	–
Transfers and subsidies to:	4 544 627	6 427 895	9 257 629	12 902 923	12 902 557	15 345 969	18 219 237	19 925 544
Provinces and municipalities	4 506 630	6 387 225	9 203 250	12 841 266	12 840 900	15 279 865	18 168 923	19 872 301
Departmental agencies and accounts	37 842	40 670	44 561	50 423	50 423	53 318	36 321	38 125
Foreign governments and international organisations	155	–	–	–	–	–	–	–
Public corporations and private enterprises	–	–	–	31	31	–	–	–
Non-profit institutions	–	–	9 440	11 203	11 203	12 786	13 993	15 118
Households	–	–	378	–	–	–	–	–
Payments for capital assets	6 437	5 842	7 496	5 407	9 500	5 790	6 108	6 414
Machinery and equipment	6 437	5 842	7 496	5 407	9 500	5 790	6 108	6 414
Total	4 653 066	6 556 760	9 441 274	13 137 381	13 137 080	15 580 777	18 488 849	20 202 662

Expenditure trends

Expenditure increased very rapidly between 2001/02 and 2004/05, rising from R4,7 billion to R13,1 billion, an annual average increase of 41,3 per cent. It is expected to increase further to reach R20,2 billion in 2007/08, an annual average increase of 15,4 per cent.

Much of the growth in expenditure goes towards local government through the equitable share and the municipal infrastructure grant. The operating costs of the department in 2001/02 (expenditure net of transfers) consumed 2,3 per cent of total expenditure, and this is expected to drop to 0,8 per cent in 2005/06.

In the 2005 Budget, additional allocations were made of R1,2 billion for 2005/06, R2,6 billion for 2006/07 and R3,5 billion for 2007/08, mainly to increase the equitable share. Additional funds will also go to the Municipal Demarcation Board, the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities and the Commission on Traditional Leadership, Disputes and Claims. Changes to baseline for the municipal infrastructure grant to local government of R243,6 million in 2005/06, R1,5 billion in 2006/07 and R2,0 billion in 2007/08 are also made.

Departmental receipts

It is estimated that departmental receipts are very low and arise from the collection of parking fees, commission on insurance policy deductions, subsidised vehicles and bursary repayments.

Table 5.2: Departmental receipts

R thousand	Receipts outcome				Adjusted appropriation	Medium-term receipts estimate		
	Audited	Audited	Preliminary	2004/05		2005/06	2006/07	2007/08
	2001/02	2002/03	2003/04					
Sales of goods and services produced by department	37	46	54	55	56	56	56	
Sales of scrap, waste and other used current goods	–	–	3	1	1	1	1	
Interest, dividends and rent on land	29	23	10	30	30	30	32	
Sales of capital assets	–	–	82	–	–	–	–	
Financial transactions in assets and liabilities	3 958	1 133	477	5	5	5	5	
Total	4 024	1 202	626	91	92	92	94	

Programme 1: Administration

Administration conducts the overall management of the department, formulates policy and provides for the leadership functions. Other activities include: providing centralised administrative support and legal services; managing departmental, personnel and financial administration; determining working methods and procedures; strengthening corporate governance, due diligence and compliance; and exercising managerial and administrative control.

Expenditure estimates

Table 5.3: Administration

Subprogramme	Expenditure outcome				Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary	2004/05		2005/06	2006/07	2007/08
	2001/02	2002/03	2003/04					
Minister ¹	646	691	747	791	843	898	942	
Deputy Minister ²	420	536	603	643	654	697	731	
Management	3 063	3 409	5 315	5 359	5 036	5 349	5 655	
Corporate Services	30 038	45 821	57 054	64 772	59 369	67 474	71 222	
Monitoring and Evaluation	1 372	2 425	6 746	14 374	14 138	15 514	16 409	
Government Motor Transport	1 342	–	485	690	734	774	813	
Special Functions: Authorised Losses	67	347	2 292	–	–	–	–	
Total	36 948	53 229	73 242	86 629	80 774	90 706	95 772	
Change to 2004 Budget estimate				(1 637)	(7 606)	(8 445)	(8 337)	

¹ Payable as from 1 April 2004. Salary: R633 061. Car allowance: R158 265.

² Payable as from 1 April 2004. Salary: R514 537. Car allowance: R128 634.

R thousand	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary		2005/06	2006/07	2007/08
	2001/02	2002/03	outcome 2003/04	2004/05			
Economic classification							
Current payments	32 716	49 058	67 637	82 844	77 036	86 760	91 629
Compensation of employees	17 005	24 572	25 785	40 547	46 142	53 168	56 341
Goods and services	15 644	24 139	39 560	42 297	30 894	33 592	35 288
<i>of which:</i>							
<i>Communication</i>	2 758	4 165	5 389	6 339	5 163	6 416	6 770
<i>Consultants and special services</i>	2 633	2 976	16 486	6 101	6 627	7 076	7 341
<i>Travel and subsistence</i>	4 444	6 599	6 754	7 738	8 394	8 961	9 312
Financial transactions in assets and liabilities	67	347	2 292	–	–	–	–
Transfers and subsidies to:	52	72	77	189	137	147	154
Provinces and municipalities	52	72	77	158	137	147	154
Public corporations and private enterprises	–	–	–	31	–	–	–
Payments for capital assets	4 180	4 099	5 528	3 596	3 601	3 799	3 989
Machinery and equipment	4 180	4 099	5 528	3 596	3 601	3 799	3 989
Total	36 948	53 229	73 242	86 629	80 774	90 706	95 772

Expenditure trends

Expenditure increased rapidly over the last four years, rising from R36,9 million in 2001/02 to R86,6 million in 2004/05, an annual average growth increase of 32,8 per cent. Expenditure is expected to increase further, but at a much slower rate, to R95,8 million in 2007/08, an annual average increase of 3,4 per cent. The increases have been used to expand capacity and improve monitoring and evaluation systems.

Programme 2: Governance, Policy and Research

Governance, Policy and Research supports: the development of integrated and co-operative governance; constitutional principles and practices in intergovernmental relations; and an integrated system of planning and delivery. Activities include research and policy-making related to provincial and local government, and the institutions of traditional leadership.

Apart from *Management*, there are five subprogrammes:

- *Intergovernmental Relations* supports the constitutional principles and practices in inter-governmental relations.
- *Development Planning* supports: the development of integrated and co-operative governance.
- *Local Economic Development* provides support to municipalities in building the required capacity for local economic development.
- *Traditional Leadership and Institutions* focuses on research and policy-making related to the institutions of traditional leadership.
- *International and Donor Relations* manages relations with donors and international support.

Expenditure estimates

Table 5.4: Governance, Policy and Research

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
Management	961	1 514	2 324	1 934	1 398	1 688	1 787
Intergovernmental Relations	3 941	5 861	4 611	6 051	6 946	7 583	8 020
Development Planning	3 600	5 142	3 746	4 927	5 195	6 251	6 592
Local Economic Development	3 085	1 562	3 332	4 510	2 109	3 723	3 936
Traditional Leadership and Institutions	3 279	4 352	4 490	6 082	5 671	6 064	6 416
International and Donor Relations	–	–	1 868	2 539	4 222	4 610	4 879
Total	14 866	18 431	20 371	26 043	25 541	29 919	31 630
Change to 2004 Budget estimate				(935)	(3 236)	(3 481)	(3 440)
Economic classification							
Current payments	14 609	18 146	20 080	25 948	25 410	29 781	31 484
Compensation of employees	6 729	7 860	8 296	17 293	18 457	21 446	22 732
Goods and services	7 880	10 286	11 784	8 655	6 953	8 335	8 752
of which:							
Consultants and special services	3 663	5 056	6 402	2 326	2 983	4 147	4 354
Travel and subsistence	1 852	3 614	3 561	3 797	2 601	2 744	2 880
Transfers and subsidies to:	175	23	26	62	56	59	62
Provinces and municipalities	20	23	26	62	56	59	62
Foreign governments and international organisations	155	–	–	–	–	–	–
Payments for capital assets	82	262	265	33	75	79	84
Machinery and equipment	82	262	265	33	75	79	84
Total	14 866	18 431	20 371	26 043	25 541	29 919	31 630

Expenditure trends

Expenditure has been increasing rapidly over the last four years, rising from R14,9 million in 2001/02 to R26 million in 2004/05, an annual average increase of 20,5 per cent. It is expected to continue to grow, but at a reduced rate of 6,7 per cent, to reach R31,6 million in 2007/08.

Service delivery, objectives and indicators

Recent outputs

Legal framework

Cabinet adopted the Intergovernmental Relations Framework Bill in November 2004, after an extensive process of consultation that included two workshops with all three spheres of government. The bill will be debated by Parliament in 2005. The Municipal Systems Act (2000) was amended in 2004 to establish a certain and predictable legal framework for managing the assignment of additional functions to municipalities.

Development planning

The IDP nerve centre was launched in June 2004, and a draft local economic development strategy and implementation framework was completed, and now awaits formal Cabinet approval. Preparations for the 2005 IDP review process are under way.

Work on aligning municipal IDPs and provincial growth and development strategies (PGDS) is well advanced. A PGDS review led by The Presidency and looking at more effective engagement with municipal IDPs, has begun.

Traditional leadership

Provinces have progressed with provincial legislation on the institutions of traditional leadership and governance as required by the Traditional Leadership and Governance Framework Act (2003), which became law in September 2004. The Commission on Traditional Leadership Disputes and Claims was established in November 2004 and its principal officers appointed. The next phase of repealing outdated legislation has begun and will be completed once the provincial legislation, which is in the process of being drafted, is promulgated.

International and donor relations

A strategic framework for improving the co-ordination and management of donor funding within the department was completed and adopted in 2004. In 2004, extensive technical, advisory and administrative support was provided to international forums in which the ministry participates and to countries with bilateral agreements with South Africa. This included dedicated support to governance programmes in Africa and in Southern Africa.

Selected medium-term output targets**Governance, Policy and Research**

Measurable objective: Maintain effective and predictable relations between national government, provinces and municipalities by developing and implementing policy, systems and support programmes to improve governance in accordance with government's programme of action.

Subprogramme	Output	Measure/indicators	Target
Intergovernmental Relations	Intergovernmental Relations Framework Bill	Enactment of bill	July 2005
Development Planning	Integrated development plan (IDP) review as required by national legislation, and alignment between national, provincial and local strategies supported	IDP review process held in all provinces and report produced on alignment of strategies	June 2005
Local Economic Development	Implementation of the national local economic development strategy framework	Strategy and implementation framework communicated within government	July 2005
Traditional Leadership and Institutions	Policy on role of Khoisan traditional leadership in governance	Finalisation of policy	July 2005
International and Donor Relations	Operational plan for official development assistance (ODA) programme	Plan developed and introduced	April 2005

Programme 3: Urban and Rural Development

Urban and Rural Development supports the effective implementation of the presidential urban renewal programme and the presidential integrated sustainable rural development programme. Activities are centred around both practical approaches and systems for strengthening co-operation between the spheres of government and government agencies.

There are four subprogrammes:

- *Urban Renewal: Programme Management*
- *Urban Renewal: Monitoring and Evaluation*
- *Integrated Sustainable Rural Development: Programme Management*
- *Integrated Sustainable Rural Development: Monitoring and Evaluation.*

Expenditure estimates

Table 5.5: Urban and Rural Development

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
Management	–	–	360	1 631	1 956	2 078	2 198
Urban Renewal	832	2 412	1 383	1 719	1 831	2 383	2 516
Urban Renewal: Monitoring and Evaluation	–	–	365	1 695	1 822	2 124	2 244
Rural Development	–	2 407	691	2 290	1 822	2 578	2 723
Integrated Sustainable Rural Development Programme: Monitoring and Evaluation	–	–	572	1 685	1 822	2 138	2 258
Total	832	4 819	3 371	9 020	9 253	11 301	11 939
Change to 2004 Budget estimate				(858)	(1 063)	(581)	(537)

Economic classification

Current payments	832	4 180	3 220	8 881	9 115	11 156	11 786
Compensation of employees	–	3	1 018	5 151	5 904	7 268	7 704
Goods and services	832	4 177	2 202	3 730	3 211	3 888	4 082
of which:							
Consultants and special services	647	2 802	1 630	1 080	1 800	2 399	2 519
Travel and subsistence	151	612	471	2 040	680	717	753
Transfers and subsidies to:	–	–	2	19	18	19	20
Provinces and municipalities	–	–	2	19	18	19	20
Payments for capital assets	–	639	149	120	120	126	133
Machinery and equipment	–	639	149	120	120	126	133
Total	832	4 819	3 371	9 020	9 253	11 301	11 939

Expenditure trends

Expenditure increased very rapidly over the last four years, rising from R0,8 million in 2001/02 to R9,0 million in 2004/05, an annual average increase of 121,3 per cent. These increases were due to capacity improvements, and involved expenditure on both personnel and consultants and contractors. Expenditure is expected to continue to grow over the next three years, but at a much slower rate of 9,8 per cent a year, taking it to an expected R11,9 million in 2007/08.

Service delivery, objectives and indicators

Recent outputs

Focus on the nodal projects

The joint ISRDP/URP work plan, which defines the required contribution of all departments and promotes inter-sectoral and inter-sphere planning, was reviewed to incorporate the programmes

announced by the president in the State of the Nation address and government's programme of action.

Joint ISRDP/URP provincial alignment workshops were held in all provinces, which identified critical areas for the success of the programmes. The findings have been incorporated in Project Consolidate interventions and addressed through other training workshops.

Working sessions were held with 25 national sector departments to facilitate their planning and funding for the nodes. Nodal projects were analysed to determine the links with other sectors, the current contribution of stakeholders, and the nodes' funding and resource needs. The findings have been communicated to all three spheres of government and included in the profiles that were developed in preparation for finalising the financing protocol. The recent audit of the department's contribution to nodal development suggests that integrated planning needs improving to enhance the contribution of the three spheres of government.

An analysis of nodal projects was undertaken, which indicated that there is improvement in the socio-economic content of the projects and that infrastructure projects are contributing to socio-economic development. Though not adequate, there is an increase in projects aimed at income generation in agriculture and tourism. The majority of projects are for providing basic services.

Implementation of the ISRDP/URP is being continuously monitored. A draft monitoring and evaluation framework was generated as well as draft guidelines for nodal support by national sector departments. Nodal progress reports are submitted to the social sector cluster regularly.

Selected medium-term output targets

Urban and Rural Development

Measurable objective: Ensure the effectiveness of the integrated implementation of the urban renewal programme and the integrated sustainable rural development programme across all spheres of government, by implementing and maintaining alignment and integration protocols.			
Subprogramme	Output	Measure/indicators	Target
Urban Renewal: Programme Management	Implement and maintain alignment and integration protocols	Implementation framework developed	December 2005
Urban Renewal: Monitoring and Evaluation	Monitor and evaluate programme impact	Monitoring and evaluation framework implemented and maintained	February 2006
	Report on experiences and practices in URPs	Emerging practice documented and published	February 2006
Integrated Sustainable Rural Development: Programme Management	Programme design document	Finalised, published and launched	September 2005
Integrated Sustainable Rural Development: Monitoring and Evaluation	Monitor and evaluate programme impact	Evaluation report	February 2006

Programme 4: Systems and Capacity-Building

Systems and Capacity-Building provides support to local government to promote development; and manages the national disaster management centre. The main emphasis of the programme is on building systems, in particular financial management, administrative and institutional systems, performance management and capacity-building.

Apart from *Management* and *Anti-Corruption*, there are six subprogrammes:

- *Intergovernmental Fiscal Relations* co-ordinates the disbursement of the equitable share.
- *Local Government Administrative Systems* provides support to local government in order to promote development.

- *Capacity-Building Systems* provides support for implementing fiscal, administrative, performance management and capacity-building systems.
- *Disaster Management* manages the national disaster management centre.
- *Performance Management and Monitoring Systems* monitors the performance of municipalities and rewards best achievers.
- *Local Government Leadership Academy* co-ordinates the leadership development programme for municipal officials and councillors.

Expenditure estimates

Table 5.6: Systems and Capacity-Building

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
Management	1 144	1 724	1 639	1 363	1 346	1 428	1 508
Intergovernmental Fiscal Relations	14 358	16 797	3 232	6 660	12 532	14 453	15 296
Local Government Administrative Systems	1 589	1 883	3 618	4 811	4 718	5 183	5 485
Capacity-Building Systems	1 907	4 413	4 316	3 256	6 560	9 963	9 880
Disaster Management	23 222	8 241	32 588	28 475	13 235	14 034	14 099
Performance Management and Monitoring Systems	2 480	3 893	18 844	19 863	20 971	25 527	26 839
Local Government Leadership Academy	–	–	–	2 320	2 193	2 774	2 935
Anti-Corruption	–	–	–	–	2 913	3 211	3 391
Local Government Transformation	–	–	–	–	3 481	3 891	4 108
Total	44 700	36 951	64 237	66 748	67 949	80 464	83 541
Change to 2004 Budget estimate				1 929	3 934	5 567	4 899

Economic classification

Current payments	42 919	36 367	62 990	65 189	66 524	78 960	81 962
Compensation of employees	8 025	10 371	11 940	18 429	27 835	32 645	34 604
Goods and services	34 894	25 996	51 050	46 760	38 689	46 315	47 358
of which:							
Consultants and special services	32 115	19 749	26 472	25 054	32 295	39 571	40 277
Travel and subsistence	1 497	4 061	19 300	14 509	2 300	2 427	2 548
Transfers and subsidies to:	24	32	35	64	84	89	94
Provinces and municipalities	24	32	35	64	84	89	94
Payments for capital assets	1 757	552	1 212	1 495	1 341	1 415	1 485
Machinery and equipment	1 757	552	1 212	1 495	1 341	1 415	1 485
Total	44 700	36 951	64 237	66 748	67 949	80 464	83 541

Expenditure trends

Expenditure is expected to continue to increase steadily, rising from R44,7 million in 2001/02 to an expected R83,5 million in 2007/08, an annual average increase of 11 per cent.

Much of the increase over the last four years went towards the *Performance Management and Monitoring Systems* subprogramme, with the bulk of this increase showing in 2003/04. Both the *Intergovernmental Fiscal Relations* and the *Capacity Building Systems* subprogrammes will see significant increases in 2005/06, to fund the additional capacity required after the 2005 local government elections and the full implementation of Project Consolidate.

Within the additional allocations set out in the 2005 Budget, R3,9 million was allocated for 2005/06, R5,6 million for 2006/07 and R4,9 million for 2007/08 for the Local Government Leadership Academy, anti-corruption work and local government transformation.

Service delivery, objectives and indicators

Recent outputs

Disaster management

Good progress was made in implementing the Disaster Management Act (2002). The disaster management framework was gazetted in 2004 for public comment and is scheduled for finalisation early in 2005. Draft regulations were also prepared for consultation. The inter-ministerial committee on disaster management was established and is functioning. The department also helped various provinces and municipalities in responding to disasters, for example the fires in KwaZulu-Natal, the Free State and Gauteng.

South Africa played an active role in preparing for the World Conference on Disaster Risk Reduction in Kobe, Japan, in January 2005. The ministry and the department were responsible for co-ordinating South Africa's response to the December 2004 tsunami disaster.

Local government

Quarterly transfers via the local government equitable share were made to municipalities in terms of the Division of Revenue Act. A draft monitoring framework, to monitor how funds allocated via the Division of Revenue Act, are used, was completed. Significant progress has been made with National Treasury in revising the local government equitable share formula. Key aspects of the revision of the local government fiscal framework have also been completed with National Treasury.

Progress was made on the municipal revenue enhancement programme. The Department of Provincial and Local Government and the Department of Public Works have almost completed a protocol for the payment of rates and taxes by national and provincial government departments to municipalities. Within the context of Project Consolidate, 12 municipalities have been identified for intensified support on their billing. Draft regulations for the implementation of the Property Rates Act (2004) were prepared for consultation.

All the technical work has been completed for eliminating cross-boundary municipalities. Consultations with communities affected by the changing boundaries are under way.

A draft report on the remuneration of municipal councillors has been finalised and is currently being reviewed by the South African Local Government Association (SALGA), the department and National Treasury. A draft Local Government Employees Bill was completed, which will facilitate establishing a single public service.

A local government elections conference was held in 2004, where all the key parties adopted a programme of action for successful municipal elections in 2005/06.

A national capacity-building framework for local government was adopted in 2004. Planning implementation management support (PIMS) centres have been established in all 47 district municipalities to strengthen their capacity. Work on the knowledge-sharing facility is ongoing and peer reviews have been undertaken in three municipalities.

All the basic planning and design work on the Local Government Leadership Academy was completed, and additional work is being done to amend the proposed financing model.

A draft local government anti-corruption strategy was developed and a pilot rollout began in selected municipalities in the Western Cape.

Selected medium-term output targets

Systems and Capacity-Building

Measurable objective: A sustainable system for developmental local government that fosters integrated development and service delivery through monitoring and support for capacity-building and systems development.			
Subprogramme	Output	Measure/Indicators	Target
Intergovernmental Fiscal Relations	Municipal billing system initiative	Implementation of billing systems	In 12 municipalities by end of April 2006
	Municipal services debt reduction programme Appropriate division of fiscal powers and functions between category B and C municipalities	Debt reduction strategy developed and piloted In conjunction with National Treasury, draft local government fiscal framework adopted	In selected municipalities by March 2006 By end of March 2006
Local Government Administrative Systems	Legislation to facilitate the creation of a single public service	Local Government Employees Bill approved by Cabinet	By March 2006
Capacity-Building Systems	Strengthened capacity to implement the powers and functions for category B and C municipalities	Targeted capacity support programme rolled out	In 50% of district municipalities by March 2006
	Extended knowledge-sharing facility	Learning networks expanded	All 47 district municipalities covered by December 2005
Disaster Management	Implementation of the Disaster Management Act	Functional disaster management structures established	By March 2006
	Co-ordination and management of disasters	A monitoring strategy developed for disaster management plans	By October 2005
	Further development and maintenance of the integrated information system	Fire and severe weather early warning status board system and vulnerability maps and profiles developed	For selected rural nodes by March 2006
Performance Management and Monitoring Systems	Municipal performance management systems	Performance management systems implemented	In 129 municipalities by end March 2006
Local Government Leadership Academy	Improve quality and effectiveness of local government leadership	Establish and launch the Local Government Leadership Academy as a pilot	By February 2006

Programme 5: Free Basic Services and Infrastructure

Free Basic Services and Infrastructure provides support to local government to enable it to deliver sustainable infrastructure and increase access to basic services, including free basic services such as water and electricity.

Apart from *Management*, there are four subprogrammes:

- *Municipal Infrastructure* manages the implementation of the municipal infrastructure grant.
- *Free Basic Services Co-ordination* helps municipalities implement free basic services.
- *Municipal Services Partnerships* promotes the participation of private sector, public sector, NGOs and community-based organisations in service delivery.
- *Public Participation and Empowerment* facilitates effective interaction and communication between municipalities and communities.

Expenditure estimates

Table 5.7: Free Basic Services and Infrastructure

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Management	–	–	1 173	3 452	2 371	2 515	2 655
Municipal Infrastructure	6 174	8 509	9 643	22 632	26 885	31 153	26 734
Free Basic Services Co-ordination	350	935	956	3 801	3 558	3 780	3 996
Municipal Service Partnerships	–	–	–	2 649	3 806	4 248	4 493
Public Participation and Empowerment	903	1 755	2 382	3 219	3 107	3 293	3 474
Total	7 427	11 199	14 154	35 753	39 727	44 989	41 352
Change to 2004 Budget estimate				6 764	6 001	5 727	127
Economic classification							
Current payments	7 172	10 922	13 898	35 556	39 017	44 239	40 565
Compensation of employees	1 834	2 534	3 632	13 316	19 027	20 467	21 695
Goods and services	5 338	8 388	10 266	22 240	19 990	23 772	18 870
<i>of which:</i>							
<i>Consultants and special services</i>	4 445	6 015	7 838	17 140	15 511	19 047	13 910
<i>Travel and subsistence</i>	594	1 192	1 445	3 373	2 056	2 169	2 277
Transfers and subsidies to:	5	7	12	34	57	61	64
Provinces and municipalities	5	7	12	34	57	61	64
Payments for capital assets	250	270	244	163	653	689	723
Machinery and equipment	250	270	244	163	653	689	723
Total	7 427	11 199	14 154	35 753	39 727	44 989	41 352

Expenditure trends

Expenditure increased rapidly over the last four years, rising from R7,4 million in 2001/02 to R35,8 million in 2004/05, an annual average increase of 68,8 per cent. Over the next three years, expenditure is expected to continue to rise, but at a much slower rate of 5 per cent.

The increases over the last four years were due to the need to expand capacity to address the introduction of free basic services, the administration of the municipal infrastructure grant and the encouragement of public participation and partnerships in the local government sphere. A new subprogramme to support municipal service partnerships was created in 2004/05.

Service delivery objectives and indicators

Recent outputs

Free basic services

The uptake of free basic services, especially free basic energy, increased from 23 per cent in 2003/04 to 41 per cent in 2004/05 because of the stronger energy going to these households (from 10 Amps to 60 Amps which allowed them to use more electrical appliances). A study of free basic services resulted in a free basic services internet portal, a database system which captures the progress of each municipality in implementing free basic services, that will be accessible to all three spheres of government. Provincial support structures were established in eight of the nine

provinces. The national task team for free basic services identified areas where there were significant challenges and direct interventions with other partner departments were begun.

The department is currently helping municipalities to develop indigent policies and registers to improve their ability to identify poor households, and improve revenue collection to ensure sustainable delivery.

Infrastructure

The rollout of the municipal infrastructure grant (MIG) was brought forward by two years and full implementation started in 2004/05. The municipal infrastructure task team, which includes nine national departments, was established to co-ordinate implementation. The municipal infrastructure backlog assessment and infrastructure modelling, which is part of the review of the municipal infrastructure investment framework, are being finalised, and will contribute to providing strategic direction on municipal infrastructure investment in South Africa. The earlier rollout required the department and other key national departments to fast-track implementation, while the implementation systems are still being developed.

The 2004/05 target of establishing 69 project management units in municipalities has been exceeded, and a total of 71 project management units have now been established in municipalities.

Municipal services partnerships

Municipal services partnership workshops were facilitated in five provinces with National Treasury, the municipal infrastructure investment unit and the Department of Water Affairs and Forestry's joint response task team. There have been nine partnership projects facilitated by the municipal infrastructure investment unit and one multi-jurisdictional municipal entity established.

Capacity-building

The Department of Provincial and Local Government co-ordinated the training of more than 400 councillors and municipal officials at the University of the Free State and the University of the Western Cape. The established project management units that are implementing the MIG have been trained on consultant and contract management. The reporting system on the priorities of the Growth and Development Summit agreement has been facilitated and implemented.

Selected medium-term output targets

Free Basic Services and Infrastructure

Measurable objective: Strengthen the capacity of municipalities to deliver sustainable infrastructure and increase access to basic services, including free basic services to the poor, who are predominantly found in the under-served areas of South Africa.

Subprogramme	Output	Measure/indicator	Target
Municipal Infrastructure	Information on investment in municipal infrastructure	Report to Cabinet on progress on implementing the municipal infrastructure grant	March 2006
Free Basic Services Co-ordination	Increased efficiency of municipalities to provide access to free basic services to poor households	Increase the rollout of free basic water and electricity to all indigent households connected to infrastructure	30% increase from last year
Municipal Services Partnerships	Monitor compliance with chapter 8 of the Municipal Systems Act (2000) as amended	Guidelines and standardised contracts and service level agreements	September 2005
Public Participation and Empowerment	Monitor and evaluate, and support the implementation of the community development worker programme	Improvement in community participation in local government affairs	30% improvement in community participation

Programme 6: Provincial and Local Government Transfers

The *Provincial and Local Government Transfers* programme is responsible for managing the equitable share and conditional grants to the provincial and local spheres of government for which the Department of Provincial and Local Government is directly responsible.

The two subprogrammes, *Provincial Transfers* and *Local Government Transfers*, reflect transfers to provinces and local government respectively.

Expenditure estimates

Table 5.8: Provincial and Local Government Transfers

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
Provincial Transfers							
Local Government Capacity Building	160 000	241 244	232 339	220 459	–	–	–
Disaster Relief	2 500	–	27 213	–	–	–	–
Local Government Transfers							
Equitable Share	3 184 328	4 186 813	6 350 377	7 677 546	9 643 341	10 514 940	11 370 620
Municipal Systems Improvement Programme	41 235	93 831	150 993	182 243	200 000	200 000	200 000
Municipal Infrastructure Grant	1 115 964	1 865 199	2 442 170	4 480 676	5 436 161	7 453 595	8 301 274
Disaster relief	2 500	–	–	280 000	–	–	–
Total	4 506 527	6 387 087	9 203 092	12 840 924	15 279 502	18 168 535	19 871 894
Change to 2004 Budget estimate				274 000	1 200 001	2 570 365	3 493 816
Economic classification							
Transfers and subsidies to:	4 506 527	6 387 087	9 203 092	12 840 924	15 279 502	18 168 535	19 871 894
Provinces and municipalities	4 506 527	6 387 087	9 203 092	12 840 924	15 279 502	18 168 535	19 871 894
Total	4 506 527	6 387 087	9 203 092	12 840 924	15 279 502	18 168 535	19 871 894
Details of transfers and subsidies:							
Provinces and municipalities							
Provinces							
Provincial revenue funds							
Current	162 500	241 244	259 552	220 459	–	–	–
Local Government Capacity Building	160 000	241 244	232 339	220 459	–	–	–
Disaster Relief	2 500	–	27 213	–	–	–	–
Municipalities							
Municipal bank accounts							
Current	3 261 651	4 314 124	6 501 370	8 139 789	9 843 341	10 714 940	11 570 620
Equitable Share Transfer to Municipalities	3 184 328	4 186 813	6 350 377	7 677 546	9 643 341	10 514 940	11 370 620
Municipal Systems Improvement Programme	41 235	93 831	150 993	182 243	200 000	200 000	200 000
Disaster Relief	2 500	–	–	280 000	–	–	–
Municipal Infrastructure Grant	33 588	33 480	–	–	–	–	–
Capital	1 082 376	1 831 719	2 442 170	4 480 676	5 436 161	7 453 595	8 301 274
Municipal Infrastructure Grant	1 082 376	1 831 719	2 442 170	4 480 676	5 436 161	7 453 595	8 301 274
Total provinces and municipalities	4 506 527	6 387 087	9 203 092	12 840 924	15 279 502	18 168 535	19 871 894

Expenditure trends

The programme manages the equitable share and the department's conditional grants, and is therefore responsible for almost all the department's expenditure, with programme expenditure tracking that of the department.

The municipal infrastructure grant has seen the fastest growth, rising from R1,1 billion in 2001/02 to R4,5 billion in 2004/05, an annual average increase of 58,9 per cent. It is expected to rise further to reach R8,3 billion in 2007/08, an annual average increase of 22,8 per cent. The rapid growth reflects the increasing investment in infrastructure, but is also due to the consolidation into the grant of programmes, such as the electrification programme, that were previously in other department's budgets. Note also that the grant goes towards capital expenditure.

The equitable share is expected to continue to grow steadily, rising from R7,7 billion in 2004/05 to R11,4 billion in 2007/08, an annual average increase of 14 per cent. The last four years saw annual average growth of 34,1 per cent.

Almost all of the additional allocations set out in the 2005 Budget are for this programme.

Service delivery objectives and indicators

Recent outputs

The municipal infrastructure grant is funding programmes in water, sanitation, roads, storm-water infrastructure, solid waste disposal, community services and other municipal services included in the IDPs.

In 2004, the funding provided through the municipal systems improvement grant (MSIG) supported: the implementation of core municipal systems (including integrated development planning, community participation, performance management and efficient service delivery and the authorisations on powers and functions); the operations of the planning implementation management support centres; and the implementation of the revenue enhancement programmes. In all of these activities the MSIG was aimed at improving municipalities' capacity.

Selected medium-term output targets

Provincial and Local Government Transfers

Measurable objective: Reinforce the pace and quality of municipal infrastructure development and promote the reforming and restructuring of service delivery by municipalities by managing the transfer of equitable share and conditional grants to the provincial and local spheres.

Subprogramme	Output	Measure/indicators	Target
Local Government Equitable Share	Equitable share allocations transferred to all municipalities	Correct disbursement of quarterly equitable share allocations to all complying municipalities in terms of the Division of Revenue Act	100% transfers of equitable share to all complying municipalities
Municipal Infrastructure Grant	Transfer of the grant to municipalities	Transfer of grant in compliance with the requirements of the Division of Revenue Act, with clearly defined outputs and conditions and a schedule of payments	100% transfer of MIG in compliance with all requirements

Programme 7: Fiscal Transfers

Fiscal Transfers makes funds available to public authorities and other institutions in terms of the agreements between government and the individual authority or institution.

Each subprogramme reflects a separate transfer.

Expenditure estimates

Table 5.9: Fiscal Transfers

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
South African Local Government Association	16 000	22 000	20 250	17 300	18 385	19 494	20 461
Municipal Demarcation Board	15 842	11 670	14 311	22 523	23 699	16 827	17 664
Municipal Infrastructure Investment Unit	6 000	7 000	10 000	10 600	11 234	–	–
South African Cities Network	–	–	1 500	1 500	1 500	1 590	1 670
Cultural, Religious and Linguistic Communities	20	–	9 140	9 703	11 286	12 403	13 447
Commission on Traditional Leadership	–	–	–	2 000	4 120	4 363	4 598
National House of Traditional Leaders	3 904	4 374	7 606	8 638	7 807	8 258	8 694
Total	41 766	45 044	62 807	72 264	78 031	62 935	66 534
Change to 2004 Budget estimate				7 350	12 160	5 378	6 099

Economic classification

Current payments	3 754	4 350	8 324	10 633	11 916	12 608	13 278
Compensation of employees	589	975	1 286	1 608	3 691	3 931	4 167
Goods and services	3 165	3 375	7 038	9 025	8 225	8 677	9 111
of which:							
Consultants and special services	18	90	1 656	3 415	2 600	2 743	2 880
Travel and subsistence	2 403	2 658	3 751	4 355	3 900	4 115	4 320
Transfers and subsidies to:	37 844	40 674	54 385	61 631	66 115	50 327	53 256
Provinces and municipalities	2	4	6	5	11	13	13
Departmental agencies and accounts	37 842	40 670	44 561	50 423	53 318	36 321	38 125
Non-profit institutions	–	–	9 440	11 203	12 786	13 993	15 118
Households	–	–	378	–	–	–	–
Payments for capital assets	168	20	98	–	–	–	–
Machinery and equipment	168	20	98	–	–	–	–
Total	41 766	45 044	62 807	72 264	78 031	62 935	66 534

Details of transfers and subsidies:

Departmental agencies and accounts							
Current	37 842	40 670	44 561	50 423	53 318	36 321	38 125
South African Local Government Association	16 000	22 000	20 250	17 300	18 385	19 494	20 461
Municipal Infrastructure Investment Unit	6 000	7 000	10 000	10 600	11 234	–	–
Municipal Demarcation Board	15 842	11 670	14 311	22 523	23 699	16 827	17 664
Total departmental agencies and accounts	37 842	40 670	44 561	50 423	53 318	36 321	38 125
Non-profit institutions							
Current	–	–	9 440	11 203	12 786	13 993	15 118
Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities	–	–	7 940	9 703	11 286	12 403	13 448
South African Cities Network	–	–	1 500	1 500	1 500	1 590	1 670
Total non-profit institutions	–	–	9 440	11 203	12 786	13 993	15 118

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
Households							
Other transfers							
Current	-	-	378	-	-	-	-
Traditional Leaders	-	-	378	-	-	-	-
Total households	-	-	378	-	-	-	-

Expenditure trends

Expenditure has increased steadily over the last four years, rising from R41,8 million in 2001/02 to R72,3 million in 2004/05, an annual average increase of 20,1 per cent. However, over the next three years, expenditure is not expected to follow any set trend, reflecting the movements in the transfers to the different entities that the programme funds.

The Municipal Infrastructure Investment Unit (MIIU) is under review and no allocations have been made for the 2006/07 and 2007/08 financial years. The Municipal Demarcation Board will receive increased transfers in both 2004/05 and 2005/06 due to the 2005 local government elections.

The 2005 Budget set out additional allocations of R12,1 million for 2005/06, R4,7 million for 2006/07 and R5,8 million for 2007/08, for the Municipal Demarcation Board, the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities and the Commission on Traditional Leadership, Disputes and Claims.

Service delivery objective and indicators

Recent outputs

South African Local Government Association

The South African Local Government Association (SALGA) has progressed with implementing uniform conditions of service and medical aid contributions, and a single pension fund system. The organisation has gone a long way towards extending these benefits to many more local government employees and redressing past imbalances.

Municipal Demarcation Board

In 2004/05, the main achievement of the Municipal Demarcation Board was the demarcation of municipal wards in preparation for the 2005/06 local government elections.

The Board has successfully determined new municipal wards and boundaries and a list of all new councillors has been published. Successful consultations with communities have been conducted and the demarcation activities have been completed in preparation for the 2005 local government elections.

Municipal Infrastructure Investment Unit

Since its inception in 1998, the Municipal Infrastructure Investment Unit (MIIU) has played a leading role in developing municipal services partnerships (MSPs) to accelerate the equitable

delivery of municipal services. Of the 84 ongoing projects, 9 were completed in 2003/04. Total disbursements for that year were R16,6 million in comparison with the R14,1 million envisaged. Of the 50 current projects, 7 are likely to be completed at the end of 2004/05. Disbursements to date are R10,2 million.

SA Cities Network

The SA Cities Network is an established network of South African cities and partners that encourages the exchange of information, experience and best practices on urban development and city management. In 2004/05, the SA Cities Network achieved a number of its key strategic objectives by:

- producing the State of South African Cities report, and others on the readiness of cities to implement the expanded public works programme, urban renewal experiences in South Africa, and transport in South African cities
- establishing three reference groups on productive cities, inclusive cities and well governed cities
- reviewing the local government peer review methodology.

The Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities (CRL Commission)

The CRL commission is a constitutional body, which became active in January 2004 after 18 commissioners were sworn in during November 2003. The Commission is funded through transfers from the Department of Provincial and Local Government. Its mission is to develop and promote peace, friendship, humanity, tolerance and national unity among cultural, religious and linguistic communities. This will be achieved by facilitating the development of programmes to foster sensitivity, respect and understanding for cultural, religious and linguistic diversity and also by mediating in inter-community conflict situations and facilitate harmonious co-existence.

As the commission only started functioning in January 2004, its focus so far has been on developing the functions of the commission as provided in the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities Act (2002).

Commission on Traditional Leadership, Disputes and Claims

Set up in November 2004, the commission has just started to formalise the way it will work.

National House of Traditional Leaders

The National House of Traditional Leaders hosted a conference on traditional initiation schools to highlight and address deaths of initiates.

Partnerships between the National House of Traditional Leaders and stakeholders have been developed. One partnership is Project Ndabezitha, which was launched together with the National Prosecuting Authority, to raise awareness in rural communities about violence against women and children.

Public entities reporting to the minister

Municipal Infrastructure Investment Unit

The Municipal Infrastructure Investment Unit (MIIU) is a non-profit company established in 1998 to assist with leveraging private sector resources in response to the challenges facing municipalities to address and improve service backlogs. The unit contracts with private sector organisations to provide technical and legal services to municipalities, which have expressed an interest in entering into partnership arrangements with the private sector.

In addition to funding received from national government, the MIIU also receives donor funding from USAID to pursue alternative service delivery options. In the first three years, the unit assisted in finalising projects with a contract value of over R6 billion. In 2001, Cabinet took a decision to extend the operating span of the MIIU for a further five years ending until 2006. The role performed by the MIIU is currently under review in light of the recent legislative changes to the Municipal Systems Act (2000) and Municipal Finance Management Act (2003), which could result in possible function duplications with line department responsibilities.

South African Local Government Association

The South African Local Government Association (SALGA) was established in 1996 and registered as an association not for gain. SALGA's mandate is to represent the interests of organised local government in South Africa's intergovernmental relations system, as well as to promote sound labour relations practices, while providing a co-ordinated platform to serve the interests of local government at national and provincial levels of government. Capacity-building at the local government level is also an important focus of SALGA. SALGA was recognised by government in January 1998 as the single national organisation representing the majority of municipal organisations in terms of Section 2 of the Organised Local Government Act (1997).

SALGA receives funding from a variety of sources. These include transfers from government (16,1 per cent in 2004/05), membership fees from provincial and local government associations (71,3 per cent in 2004/05), as well as donor funding (9,6 per cent in 2004/05). It is envisaged that SALGA will be primarily funded through municipal membership contributions in the future.

During 2003/04, SALGA produced a mayoral handbook; initiated a programme to assist and train councillors on taxation and related matters; established knowledge sharing programmes; implemented uniform conditions of service for the sector; completed the councillor development programme; started the core councillor training programme; and undertook several intervention and support programmes to assist municipalities in trouble.

Going forward SALGA aims to: restructure the Municipal Pension Fund; restructure the Medical Aid Scheme for Municipal workers; develop a Speaker's handbook; play an active role in the forthcoming local government elections; complete the process of reviewing the present system of remuneration of councillors; strengthen local government's participation in intergovernmental relations forum; finalise competency frameworks for mayors, speakers, mayoral/executive committees, part-time councillors and ward committees; and support and strengthen municipalities approaching crisis with on-site assistance.

Due to an increase in revenue received, the organisation has been able to undertake new projects, which has resulted in a significant increase in expenditure from the 2001/02 base year. During 2003/04, SALGA's national office assumed responsibility for the operations, including the payroll, of six of its provincial offices. The creation and filling of additional senior management posts started in 2002/03 and continued till 2004/05, leading to the significant increase in spending on

compensation of employees between 2001/02 and 2004/05. This is expected to stabilise from 2005/06.

Table 5.10: Financial summary for the South African Local Government Association (SALGA)

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
INCOME STATEMENT SUMMARY							
Revenue							
Non-tax revenue	1 912	21 670	40 193	80 727	83 966	87 314	90 795
Sale of goods and services other than capital assets	–	20 119	38 237	77 494	80 594	83 818	87 170
Interest	266	339	759	250	270	270	270
Other non-tax revenue	1 646	1 212	1 197	2 983	3 102	3 226	3 355
Transfers received	17 345	26 077	32 942	27 950	24 325	25 494	27 461
Total revenue	19 257	47 747	73 135	108 677	108 291	112 808	118 256
Expenses							
Current expense	19 243	42 836	75 684	99 382	105 168	110 826	116 777
Compensation of employees	6 630	17 162	28 232	35 820	37 610	39 868	42 260
Goods and services	11 279	25 417	46 923	62 970	66 119	69 425	72 896
Depreciation	1 325	257	266	342	1 202	1 305	1 407
Interest	9	–	263	250	237	228	214
Total expenses	19 243	42 836	75 684	99 382	105 168	110 826	116 777
Surplus / (Deficit)	14	4 911	(2 549)	9 295	3 123	1 982	1 479

Data provided by the South African Local Government Association

Annexure

Vote 5: Provincial and Local Government

Table 5.A: Summary of expenditure trends and estimates per programme and economic classification

Table 5.B: Summary of personnel numbers and compensation of employees per programme

Table 5.C: Summary of expenditure on training per programme

Table 5.D: Summary of information and communications technology expenditure per programme

Table 5.E: Summary of conditional grants and indirect grants to provinces and local government

Table 5.F: Summary of official development assistance expenditure

Table 5.G: Summary of expenditure on infrastructure

Table 5.A: Summary of expenditure trends and estimates per programme and economic classification

Programme	Appropriation		Preliminary outcome	Appropriation			Revised estimate
	Main	Adjusted		Main	Additional	Adjusted	
R thousand	2003/04			2004/05			
1. Administration	64 173	75 185	73 242	88 266	(1 637)	86 629	92 474
2. Governance, Policy and Research	20 445	19 756	20 371	26 978	(935)	26 043	21 923
3. Urban and Rural Development	7 064	5 896	3 371	9 878	(858)	9 020	4 973
4. Systems and Capacity Building	48 712	74 481	64 237	64 819	1 929	66 748	74 365
5. Free Basic Services and Infrastructure	21 861	19 016	14 154	28 989	6 764	35 753	30 157
6. Provincial and Local Government Transfers	9 174 896	9 209 583	9 203 092	12 566 924	274 000	12 840 924	12 840 924
7. Fiscal Transfers	61 850	62 314	62 807	64 914	7 350	72 264	72 264
Total	9 399 001	9 466 231	9 441 274	12 850 768	286 613	13 137 381	13 137 080
Economic classification							
Current payments	162 013	194 674	176 149	222 168	6 883	229 051	225 023
Compensation of employees	68 998	62 785	51 957	108 185	(11 841)	96 344	74 629
Goods and services	93 015	131 705	121 900	113 983	18 724	132 707	150 394
Financial transactions in assets and liabilities	–	184	2 292	–	–	–	–
Transfers and subsidies	9 230 132	9 264 198	9 257 629	12 623 193	279 730	12 902 923	12 902 557
Provinces	270 747	297 960	259 552	220 459	–	220 459	220 459
Municipalities	8 904 384	8 911 858	8 943 698	12 346 808	273 999	12 620 807	12 620 441
Departmental agencies and accounts	44 561	44 561	44 561	44 923	5 500	50 423	50 423
Private enterprises	–	–	–	–	31	31	31
Non-profit institutions	8 940	7 940	9 440	11 003	200	11 203	11 203
Households	1 500	1 879	378	–	–	–	–
Payments for capital assets	6 856	7 359	7 496	5 407	–	5 407	9 500
Machinery and equipment	6 856	7 359	7 496	5 407	–	5 407	9 500
<i>Transport equipment</i>	510	510	485	690	–	690	690
<i>Other machinery and equipment</i>	6 346	6 849	7 011	4 717	–	4 717	8 810
Total	9 399 001	9 466 231	9 441 274	12 850 768	286 613	13 137 381	13 137 080

Table 5.B: Summary of personnel numbers and compensation of employees per programme¹

Programme	2001/02	2002/03	2003/04	2004/05	2005/06
1. Administration	128	140	156	198	223
2. Governance, Policy and Research	26	50	47	65	67
3. Urban and Rural Development	–	–	7	15	16
4. Systems and Capacity Building	40	65	65	76	86
5. Free Basic Services and Infrastructure	15	15	18	31	69
7. Fiscal Transfers	4	7	7	7	17
Total	213	277	300	392	478
Total personnel cost (R thousand)	34 182	46 315	51 957	96 344	121 056
Unit cost (R thousand)	160	167	173	246	253

¹ Budgeted full-time equivalent

Table 5.C: Summary of expenditure on training per programme

R thousand	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
	2001/02	2002/03	2003/04				
1. Administration	384	616	1 541	1 523	1 401	1 524	1 600
2. Governance, Policy and Research	107	86	321	335	360	391	411
3. Urban and Rural Development	–	2	130	–	180	176	185
4. Systems and Capacity Building	76	146	342	436	433	468	491
5. Free Basic Services and Infrastructure	76	76	169	232	182	308	323
7. Fiscal Transfers	2	2	20	20	21	22	23
Total	645	928	2 523	2 546	2 577	2 889	3 033

Table 5.D: Summary of information and communications technology expenditure per programme

R thousand	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
	2001/02	2002/03	2003/04				
1. Administration	2 595	3 269	3 787	3 051	3 187	3 379	3 548
Technology	1 881	1 905	2 165	2 256	2 339	2 480	2 604
IT services	714	1 364	1 622	795	848	899	944
2. Governance, Policy and Research	–	198	110	33	35	37	39
Technology	–	198	107	33	35	37	39
IT services	–	–	3	–	–	–	–
3. Urban and Rural Development	–	–	40	120	120	128	134
Technology	–	–	40	120	120	128	134
4. Systems and Capacity Building	1 706	268	1 309	1 495	1 549	1 626	1 707
Technology	1 706	268	1 174	1 495	1 549	1 626	1 707
IT services	–	–	135	–	–	–	–
5. Free Basic Services and Infrastructure	187	186	113	163	628	665	698
Technology	187	186	112	163	628	665	698
IT services	–	–	1	–	–	–	–
7. Fiscal Transfers	–	5	28	–	–	–	–
Technology	–	5	28	–	–	–	–
Total	4 488	3 926	5 387	4 862	5 519	5 835	6 127

Table 5.E: Summary of conditional grants and indirect grants to provinces and local government (municipalities)¹

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
Conditional grants to provinces							
6. Provincial and Local Government Transfers							
Local Government Capacity Building							
Local Government Capacity Building	160 000	241 244	232 339	220 459	-	-	-
6. Provincial and Local Government Transfers							
Disaster Relief							
Disaster Relief	2 500	-	27 213	-	-	-	-
Total	162 500	241 244	259 552	220 459	-	-	-
Conditional grants to local government (municipalities)							
6. Provincial and Local Government Transfers							
Municipal Systems Improvement Programme							
Municipal Systems Improvement Programme	41 235	93 831	150 993	182 243	200 000	200 000	200 000
6. Provincial and Local Government Transfers							
Municipal Infrastructure Grant							
Municipal Infrastructure Grant	1 115 964	1 865 199	2 442 170	4 480 676	5 436 161	7 453 595	8 301 274
6. Provincial and Local Government Transfers							
Disaster Relief							
Disaster Relief	2 500	-	-	280 000	-	-	-
Total	1 159 699	1 959 030	2 593 163	4 942 919	5 636 161	7 653 595	8 501 274

¹ Detail provided in the Division of Revenue Act (2005).

Table 5.F: Summary of official development assistance expenditure

Donor	Project	Cash/ kind	Outcome				Medium-term expenditure estimate		
			2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
R thousand									
Foreign									
Norway	Local Government Capacity Building	Cash	10 123	2 479	2 160	2 379	-	-	-
Norway	Project Viability	Cash	169	2 736	1 902	1 600	-	-	-
Norway	SADC: Local Government Framework	Cash	-	-	-	2 083	-	-	-
Norway	White Paper on Traditional Leaders	Cash	-	-	-	-	-	-	-
Norway	Mbombela support	Cash	2 881	-	562	725	-	-	-
Norway	SALGA	Cash	6 221	-	2 766	-	-	-	-
Norway	Municipal Demarcation Board	Cash	3 110	3 287	1 141	966	-	-	-
Norway	Disaster Management training	Cash	-	-	-	359	-	-	-
Norway	Technical co-operation and support	Cash	-	-	-	237	-	-	-
Norway	Knowledge sharing facility	Cash	-	-	-	447	-	-	-
Norway	Project economic viability of municipalities	Cash	-	-	-	420	-	-	-
European Union	Local Government support Mpumalanga/Limpopo	Cash	4 494	4 023	4 639	42 000	-	-	-
Netherlands	Sectoral Budget support	Cash	18 954	9 315	11 792	19 355	-	-	-
Netherlands	Masibambane project	Cash	-	-	547	1 500	1 500	1 500	-
Conseil de L' Europe	Winter school	Cash	300	204	-	2	-	-	-
Conseil de L' Europe	intergovernmental relations								
Conseil de L' Europe	Local government workshops	Cash	-	-	-	4	-	-	-
UNDP	White Paper on Disaster Management	Cash	-	-	-	443	-	-	-
UNDP	Capacity Building for local governance	Cash	-	-	-	5 222	9 758	4 884	-
Raoul Wallenberg	Conference on Traditional Leaders	Cash	-	-	-	23	-	-	-
UKDFIN	Consolidation of Municipal Transformation Programme	Kind	-	-	-	27 750	27 750	22 200	22 200
UKDFIN	Local government support	Kind	-	10 625	38 100	38 100	38 100	38 100	-
UKDFIN	LOGOSUL	Kind	-	410	-	-	-	-	-
USAID	Local Government Support Programme	Kind	-	102 520	15 950	7 628	7 343	4 501	-
USAID	Municipal Infrastructure Investment Framework	Kind	-	-	-	18 245	15 607	15 573	-
GTZ	Strengthening Local Government	Kind	6 280	7 272	7 611	8 625	12 684	12 684	-
AusAid	Local Governance Partnership "Ubundlelwane"	Kind	3 464	10 198	10 246	10 246	-	-	-
Total			55 996	153 069	97 416	188 359	112 742	99 442	22 200

Table 5.G: Summary of expenditure on infrastructure

Projects	Description	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate			
		Audited	Audited	Preliminary outcome		2004/05	2005/06	2006/07	2007/08
R thousand									
Infrastructure transfers									
Consolidated Municipal Infrastructure Programme	Basic municipal infrastructure projects targeted for low income households	996 002	1 670 767	2 246 253	-	-	-	-	-
Municipal Infrastructure Grant	Basic bulk connector and internal infrastructure for municipal services	-	-	47 000	4 445 943	5 436 161	7 453 595	8 301 275	-
Local Economic Development Fund	Job creation and poverty alleviation projects	86 944	110 565	117 000	-	-	-	-	-
Total		1 082 946	1 781 332	2 410 253	4 445 943	5 436 161	7 453 595	8 301 275	