

2014 Division of Revenue Bill

Joint meeting of the Standing and Select Committees on Appropriations

Presenters: Malijeng Ngqaleni , Wendy Fanoë and Samantha Naidu
Intergovernmental Relations Branch, National Treasury
28 February 2014



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Background

- Division of Revenue Bill
 - S214(1) of Constitution requires an equitable division of nationally raised revenue among the 3 spheres, and any other allocations to provinces and municipalities. Annual DoR Bill gives effect to this section of Constitution
- Section 76(4) of Constitution requires that DoR Bill must be tabled in NA, and go to NCOP thereafter
- Money Bills Amendment Procedure and Related Matters Act (MBAPRMA) requirements:
 - When budget is tabled, a report must be tabled that explains how recommendations by Parliamentary Committees on Appropriations regarding proposed division of revenue and conditional grant allocations to provinces and local government as contained in MTBPS are given effect to (or reasons why not)
- IGFR Act requires that
 - FFC submits 10 months before start of financial year recommendations to Minister on division of revenue for coming budget. Government to present Government's response at tabling of Budget

Outline

- Responses to the recommendations by the Standing and Select Committees on Appropriations
- 2014 Division of Revenue Bill
 - Changes to 2013 Division of Revenue Act
- Division of Revenue
 - Provincial allocations
 - Local government allocations
- FFC proposals related to division of revenue for 2014/15 and government's responses

**Responses to Recommendations by
Standing and Select Committees on
Appropriations
as they relate to Division of Revenue
(provinces and local government):
2013 Division of Revenue Bill, 2013
Division of Revenue Amendment Bill and
2013 MTBPS**

(“new” and “additions” in red)

Standing Committee on Appropriations (SCOA) recommendations on 2013 DoRB (1 of 3)

Committee Recommendation	Minister's Response
Participation of stakeholders in implementing Municipal Water Infrastructure Grant (MWIG)	
DWA to put in place measures to ensure participation of SALGA, FFC and affected municipalities in MWIG planning & implementation	<ul style="list-style-type: none">• Minister of Finance wrote to Minister of Water and Environmental Affairs in this regard• Dept of Water Affairs established consultative structures to aid management of grant• From 2014/15, MWIG will have direct and indirect components
Timing of roll-overs	
NT to put in place measures to ensure that roll-overs are finalised and approved by the first quarter of financial year	<ul style="list-style-type: none">• Timing of rollover approvals depends on date the Appropriations Act is assented to<ul style="list-style-type: none">• Given this, not possible to approve rollovers in first quarter of provincial or municipal financial year• Flexibility provided in Appropriations Act that Minister of Finance can approve that a department begins spending earlier

SCOA recommendations on 2013 DORB (2 of 3)

Committee Recommendation

Minister's Response

Report on measures to ensure provinces are able to meet requirements of the new infrastructure grant system

NT to submit a report on strategies and measures to ensure that provinces are able to meet the new infrastructure planning criteria within 90 days after adoption of report by House

- Report was submitted outlining support provided to provinces
- **Provisions for the second year of these reforms are included in the 2014 Bill**

SCOA recommendations on 2013 DoRB (3 of 3)

Committee Recommendation	Minister's Response
<p>Report on impact of change in schedule of Rural Households Infrastructure Grant</p> <p>NT, in consultation with Dept of Human Settlements and SALGA, to submit a report to the National Assembly within 60 days after adoption of report by the House on how a direct Rural Households Infrastructure Grant (RHIG) will improve expenditure and service delivery</p>	<ul style="list-style-type: none">• Report was submitted on 27 May 2013 outlining past performance of indirect grant and reasons for conversion to a direct grant• Indirect RHIG was reintroduced as part of 2013 Adjustments Budget• RHIG has both direct and indirect components in 2014 Budget and flexibility to shift between 2 components to support better expenditure
<p>Expenditure reports on the Rural Households Infrastructure Grant (RHIG)</p> <p>NT to submit quarterly expenditure and nonfinancial performance reports in accordance with conditions in 2013 DoRB on RHIG to the Committee</p>	<ul style="list-style-type: none">• Minister of Finance appreciated close monitoring of this grant by Committee• Transfers delayed due to incorrect gazetting of receiving municipalities. Was corrected and transfers could start from Dec 2013. Reports will be submitted to Committee

SeCOA recommendations on 2013 DoRB (1 of 5)

Committee Recommendation

Minister's Response

Priorities in provincial and municipal budgets

Although unconditional, NT should encourage provinces and municipalities to reflect weighting attached to each component in equitable share formula, as well as government priorities, in their budgets

- Minister agreed that provincial and municipal budgets should reflect national priorities
- Local circumstances to inform budget allocations - equitable shares not be rigidly applied
- NT uses benchmarking processes and circulars to monitor and advise provinces and municipalities on budget priorities

Compliance with construction industry best practice standards

NT should include incidences of non-compliance with s13(2)(d) of Bill in quarterly reports so that oversight bodies can use such information during in-year monitoring

- Compliance will be measured against specific construction industry best practice standards and guidelines. **Draft regulations were published in Dec 2012 for comments**
- **NT will shortly submit a report to this Committee on extent to which provinces complied with these standards and guidelines**

SeCOA recommendations on 2013 DoRB (2 of 5)

Committee Recommendation	Minister's Response
Avoiding unnecessary roll-overs	
NT should ensure that any shifting of funds within various components of the new Health Grant does not lead to unnecessary roll-overs	<ul style="list-style-type: none">• Changes to health grants in 2013 DoRB made it easier to shift money between projects to prevent underspending• Changes in 2014 Bill further advance this by removing the requirement to gazette changes
Addressing sanitation backlogs	
NT should ensure that shifting of funds away from Municipal Infrastructure Grant will not compromise addressing current backlogs in sanitation	<ul style="list-style-type: none">• Water and sanitation key government priorities. 2013 funds shifted out of MIG was to accelerate delivery of water infrastructure through Municipal Water Infrastructure Grant• In 2014 Bill municipalities are required to prioritise the eradication of bucket sanitation

SeCOA recommendations on 2013 DoRB (3 of 5)

Committee Recommendation

Minister's Response

Devolution of property rate funds

NT should ensure that Devolution of Property Rate Funds Grant objective is not compromised by phasing it into provincial equitable share

- Assessment of grant in 2012 showed its objectives have largely been achieved. Municipalities know who to bill for provincial buildings and provinces have established payment systems
- NT and Dept of Public Works will continue monitoring this

Managing declines in provincial equitable shares

NT should monitor and assess any unintended consequences of declining equitable shares due to population movements to ensure that Pareto optimality principle is applied

- Updating provincial equitable share formula with 2011 Census data ensures that increased resources will flow to those provinces with largest growth in demand for services
- Impact of slower growth in other provinces is catered for through phasing in impact of changes over 3 years and the addition of R4.2b in 'top-up' support

SeCOA recommendations on 2013 DoRB (4 of 5)

Committee Recommendation	Minister's Response
Impact of unique cost factors	
<p>NT should look into alternatives that will minimise impact of increased costs due to uniqueness of some areas (such as vastness and topography of the area)</p>	<ul style="list-style-type: none">• NT continuously reviews mechanisms used to allocate funds. Provincial Roads Maintenance Grant formula already uses data on topography and climate. Research by FFC on costs of municipal services in different areas may inform future changes to allocations
Monitoring free basic services (FBS) for poor households	
<ul style="list-style-type: none">• NT and appropriate national depts should improve monitoring of provision of FBS to poor households• NT should monitor whether municipalities provide proper service delivery and budget implementation plans (SDBIPs) that channel increased allocations to poor households	<ul style="list-style-type: none">• New LG equitable share formula provides more transparency on how allocations are determined• 'A10' sheet in prescribed budget formats facilitates monitoring of how municipalities budget for FBS• NT is developing indicators to monitor on a quarterly basis how municipalities are progressing w.r.t. plans in their SDBIPs

SeCOA recommendations on 2013 DoRB (5 of 5)

Committee Recommendation	Minister's Response
Operation Clean Audit	
<ul style="list-style-type: none">• NT and DCoG should intensify measures towards realising Operation Clean Audit so that there is value for money spent• DCoG should further report on a quarterly basis to Parliament on progress made in this regard	<ul style="list-style-type: none">• NT provides support to municipalities in a coordinated manner to improve municipal capacity for financial management, complimenting objectives of Operation Clean Audit• Minister of Finance has informed the Minister of Cooperative Governance and Traditional Affairs of this recommendation
Gazetting allocations	
NT to correct allocations of 2 municipal grants through s15 Gazette	<ul style="list-style-type: none">• Corrections were done through s15 Gazette
Chief Procurement Officer (CPO)	
NT should ensure that appointment of CPO strengthens NT's role in enforcing compliance with legislation and Treasury regulations across all spheres	<ul style="list-style-type: none">• The Office of the CPO has been set up and is already impacting procurement and other processes in all three spheres

SCOA recommendations on 2013 MTBPS related to provinces and municipalities (1 of 2)

Committee Recommendations

Minister's Response

Education infrastructure

NT and Dept of Basic Education should develop systems and mechanisms targeted at enhancing performance of schools infrastructure programmes such as the Accelerated Schools Infrastructure Development Initiative (ASIDI)

- **NT provides support to this programme through the Infrastructure Delivery Improvement Programme (IDIP) which supports the development of management systems and building of human-resource capacity to enhance infrastructure delivery**

Further education and training (FET) colleges

NT should develop and implement mechanisms to ensure that baseline funding requirements are in place for the successful transfer of the FET colleges function to the Department of Higher Education and Training

- **NT has provided extensive support over several years and a special committee will be set up in 2014 to coordinate between provincial and national governments to ensure full funding for this function is shifted by 1 April 2015**

SCOA recommendations on 2013 MTBPS related to provinces and municipalities (2 of 2)

Committee Recommendations

Minister's Response

Expenditure reviews and grants

National Treasury's announced programme of expenditure reviews include an assessment of the performance of direct versus indirect conditional grants

- **NT and Department of Performance Monitoring and Evaluation are conducting expenditure reviews - indirect grants will be examined as part of the review of each sector's funding**
- **NT is managing the review of LG infrastructure grants that will include direct and indirect grants**

Devolving human settlements

Ministers of Finance and Human Settlements develop and implement a capacity enhancement and support initiative specifically aimed at the successful devolvement of the human settlements function to the six metros

- **A new grant, worth R300m per year is introduced in 2014 Budget to assist the 6 metros to develop capacity to manage human settlements**

SCOA recommendations on 2013 Adjustments Appropriation Bill related to provinces and municipalities (1 of 1)

Committee Recommendations

Minister's Response

Rural households infrastructure grant

National Treasury should consider re-scheduling the rural households infrastructure grant from a direct to an indirect grant

- **2014 Budget contains both direct and indirect allocations for this grant, differentiated based on the capacity and past performance of municipalities**

SeCOA recommendations on 2013 Division of Revenue Amendment Bill related to provinces and municipalities (1 of 2)

Committee Recommendations

Minister's Response

Costs of the public service

Escalating costs of compensation of public service employees and funds spent on consultants need to be brought under control

- **Agreed. Although still growing over MTEF, will fall from 35.4% in 2012/13 to 34% in 2015/16**

Grant designs

Grant designs, capacity, monitoring and evaluation in Govt departments need to be continually improved to ensure effective and efficient spending

- **Agreed. NT provides extensive support to national departments responsible for grants to provinces and municipalities**
- **National depts commit resources for the administration and monitoring of grants**

SeCOA recommendations on 2013 Division of Revenue Amendment Bill related to provinces and municipalities (2 of 2)

Committee Recommendations	Minister's Response
Roll-overs	
NT should ensure when approving rollovers there are also plans and capacity to spend rollover funds in addition to current allocations	<ul style="list-style-type: none">• Agreed. Expenditure levels are taken into account when considering rollovers
Withholding of funds	
NT should ensure that withholding of funds is used as a last resort when all efforts have been exhausted	<ul style="list-style-type: none">• Agreed. Extensive consultation processes followed prior to withholding
Conditional grant for municipal restructuring	
A transitional conditional grant for municipalities impacted by re-demarcation from the next municipal elections	<ul style="list-style-type: none">• D CoG is coordinating a process together with NT and SALGA to determine what types of support municipalities need that will be impacted by the re-demarcation

SeCOA recommendations on proposed DoR as it relates to provinces and municipalities contained in 2013 MTBPS (1 of 3)

Committee Recommendations	Minister's Response
Spheres of Government	
National and provincial spheres should continue to support and strengthen municipalities to manage their own affairs	<ul style="list-style-type: none">• Agreed. Support provided through various municipal capacity grants, Municipal Infrastructure Support Agency and City Support Programme
Payment schedules	
NT to stipulate, where appropriate, payment schedules as part of 2014 DoRB	<ul style="list-style-type: none">• High-level payment schedules contained in provincial conditional grant frameworks• Detailed payment schedules determined by 31 March for provincial transfers and 30 June for municipal transfers
Unfunded mandates	
Allocation of funds should follow functions and capacity to perform such functions should be ascertained before devolution of such functions	<ul style="list-style-type: none">• Agreed. Detailed work required to determine the full costs of a function shift - NT and FFC have important roles

SeCOA recommendations on proposed DoR as it relates to provinces and municipalities contained in 2013 MTBPS (2 of 3)

Committee Recommendations

Minister's Response

Support for municipalities on maintenance

NT, in collaboration with provincial treasuries, should continue to monitor and support municipalities to ensure that they budget adequately for infrastructure repairs and maintenance

- **Agreed. NT directly monitors 17 municipalities, while provincial treasuries monitor the rest**
- **NT recommends that 8% of total operating expenditure be budgeted for maintenance and monitors this through budget benchmarking**

Provincial infrastructure

The National Treasury should ensure that, at the provincial sphere, allocation of funds follows functions relating to maintenance, repairs and replacement of infrastructure

- **Agreed. Reforms being introduced to health and education infrastructure grants intended to achieve better value for money from investment in provincial infrastructure by institutionalising proper planning, budgeting and delivery of infrastructure**

SeCOA recommendations on proposed DoR as it relates to provinces and municipalities contained in 2013 MTBPS (3 of 3)

Committee Recommendations	Minister's Response
Provincial expenditure	
NT should monitor and support provincial treasuries to improve on their projections and expenditure controls	<ul style="list-style-type: none">• NT does this through benchmarking engagements and individualised support and monitoring in each province• Technical and political engagements facilitated through Technical Committee on Finance and the Budget Council
Grant reductions	
NT should ensure that reduction of allocations to certain grants does not compromise service delivery	<ul style="list-style-type: none">• The decision to reduce conditional grant allocations is primarily informed by persistent underspending on these grants. Capacity support is also provided to underspending provinces and municipalities

Policy and crosscutting issues informing the 2014 Division of Revenue Bill

Layout of the 2014 DORB

- Division of Revenue Bill – 40 sections
- 7 Schedules:
 1. Equitable division of revenue among 3 spheres of government
 2. Determination of each province's equitable share (direct charge against National Revenue Fund)
 3. Determination of each municipality's equitable share
 4. Supplementary conditional grants to provinces and municipalities
 5. Specific purpose allocations to provinces and municipalities
 6. Grant-in-kind (or indirect) grants to provinces and municipalities
 7. Provision to specifically cater for immediate release of funds to provinces and municipalities for disaster response

This forms part of Act once enacted

- Explanatory memorandum

Falls away (but remains on NT website)

- Conditional grant frameworks
- Annexures with allocations per municipality

Given legal force through Gazette i.t.o. s16(1)

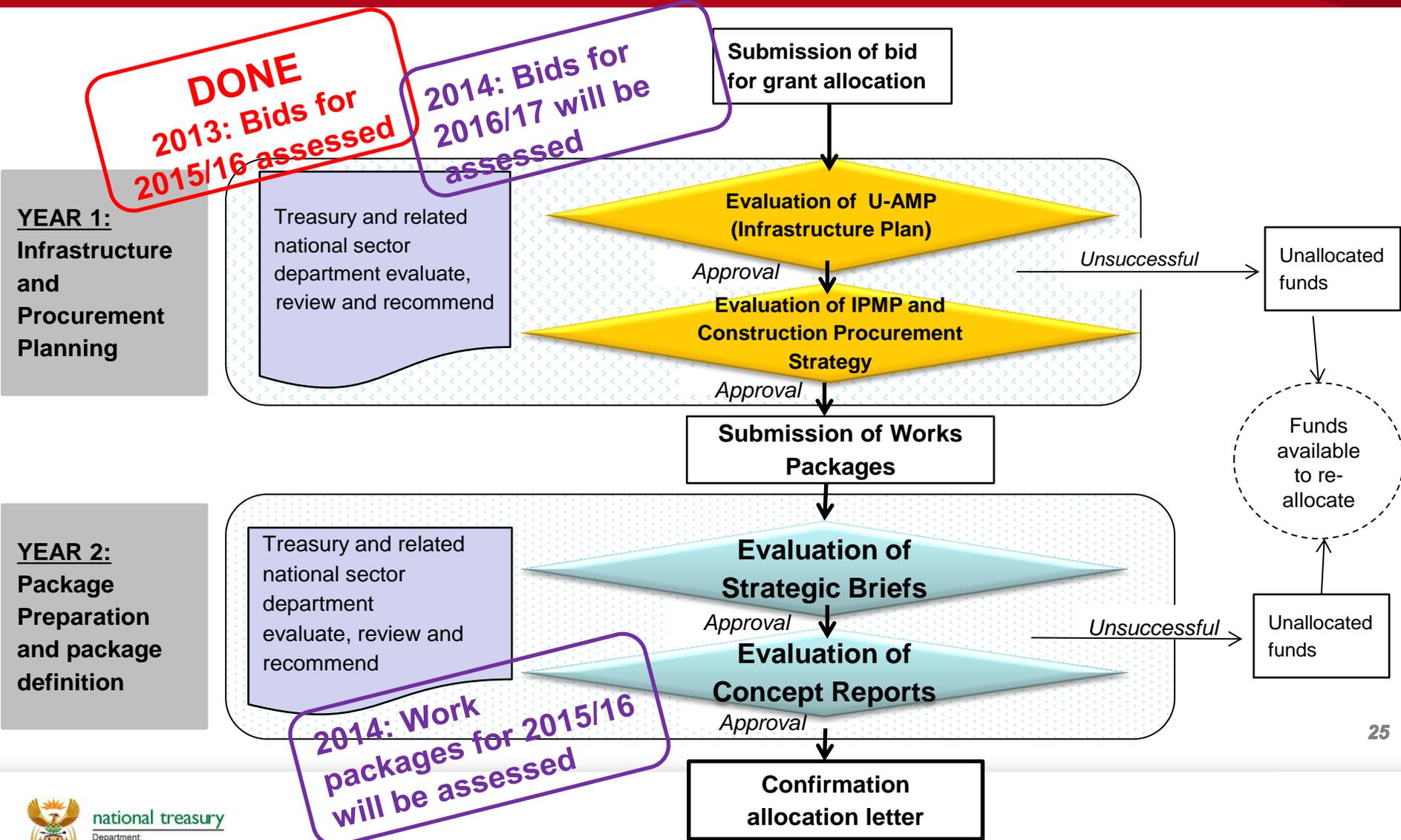
Summary of key policy and cross-cutting issues

- A large part of Bill remains the same annually – revisions are mainly to take into account specific policy adjustments
- Following policy issues inform changes to 2014 Division of Revenue Bill:
 1. Institutionalising better planning in provincial infrastructure programmes
 2. Laying the foundations for faster and more inclusive growth in city economies
 3. The growing role of indirect grants in a differentiated system
 4. Efforts across all spheres to prioritise the eradication of bucket sanitation
- Additions also made to Bill for:
 5. Increased transparency, accountability and ease of administration of grants and technical refinements

1. Incentive approach in terms of provincial infrastructure grants (1 of 2)

- Incentive approach in terms of provincial grants
 - Proper planning is necessary for the successful implementation of infrastructure projects. Reforms introduced in 2013 Act required provinces to plan infrastructure spending two years in advance to receive health and education infrastructure transfers
 - Direct health and education infrastructure grants for 2015/16 (2014 Budget) were determined on this basis for new infrastructure projects. Existing provincial commitments were however catered for in 2015/16 allocations
 - *Health Facility Revitalisation Grant*: R884.3m unallocated in 2015/16 (16% of grant) and R5.7b unallocated in 2016/17 (100% of grant). *Education Infrastructure Grant*: R1.2b unallocated in 2015/16 (12% of grant) and R10b unallocated in 2016/17 (100% of grant)
 - Unallocated amounts for 2015/16 and 2016/17 will be allocated based on how provinces perform against new planning requirements
 - Health Facility Revitalisation Grant no longer has separate components requiring a gazette to shift funds between. Increases flexibility for provinces to ensure they spend their infrastructure budgets

1. How the planning and approval process works for provincial incentive grants (2 of 2)



2. Urban Economies: Challenges at a city level

(1 of 5)

- Urban economies are underperforming – but critical to national GDP growth
- Current growth and spatial patterns are exclusionary
- Constraints to current growth are:
 - Structural (especially in relation to spatial form of our cities)
 - Systemic (there is fragmented authority and investment) – result in poor returns in public investments & poor coordination,
 - Governance related (weak partnerships especially with households and business) - limited leverage of private investments both HHs and privates sector
- No new resources available to invest to enhance spatial efficiencies and integrated mixed development that improve access of the poor to opportunities – need to do more with same resources

What the NDP says:

- Urban sprawl should be “contained and possibly, reversed as denser forms of development are more efficient in terms of land usage, infrastructure usage and environmental protection”
- “The major concentrations of urban poor should be spatially linked into the mainstream of city life through investments in transport infrastructure and the connecting corridors of development”



2. How the 2014 DoRB responds to the challenge in cities (2 of 5)

- Cities receive many different infrastructure grants from national govt and contribute from their own funds BUT don't always succeed in planning across all their different infrastructure projects to achieve more integrated cities
- If planned strategically, the billions cities invest in economic and social infrastructure annually can change the future development path of their cities
 - Metros have budgeted to invest R28.6b in infrastructure in 2013/14
- A new clause 14, and several other provisions, included in 2014 Bill to institutionalise the **Built Environment Performance Plan (BEPP)** as a tool for changing the spatial development patterns of our cities
 - Metros are required to submit a Council approved BEPP that gives a strategic summary of how its infrastructure programme will be used to develop a more integrated and efficient city
 - BEPP must include projects funded by all infrastructure grants (Urban Settlements Development Grant, Integrated National Electrification Programme Grant, Public Transport Infrastructure Grant, Neighbourhood Development Partnership Grant)
 - BEPP bridges gap between IDP & Budget, giving effect to Spatial Development Frameworks - it is a critical instrument for investment prioritisation and focus on **spatial targeting and integration**

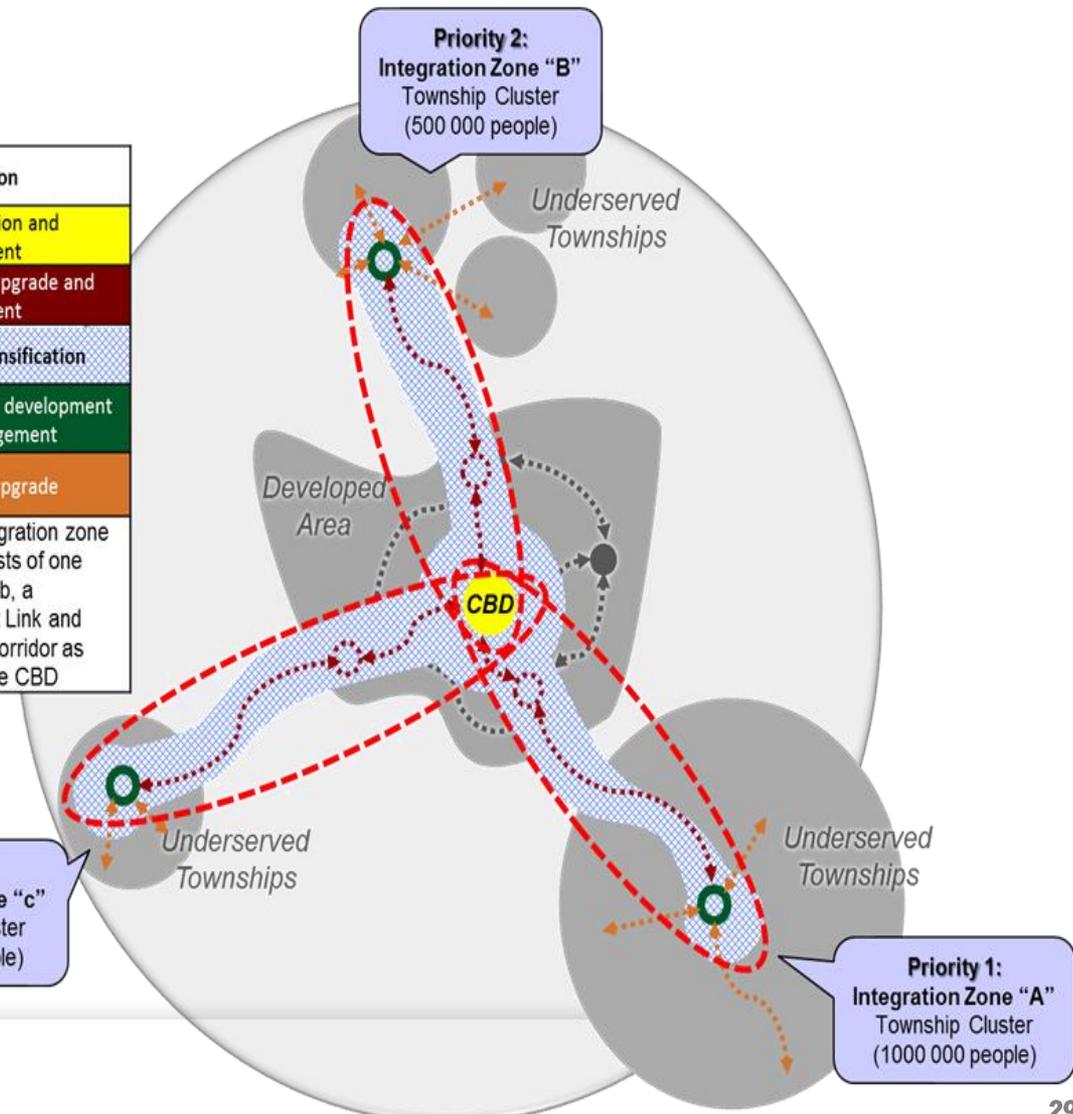
2. How the 2014 DoRB responds to this challenge in cities (3 of 5)

- R356m added to **Integrated City Development Grant (ICDG)** that is designed to incentivise cities to plan for change
 - BEPP submission is a requirement for this grant
 - Allocation of grant depends on cities meeting a number of performance criteria on good governance – over time, measures of performance on achieving targets for building more integrated cities will determine more of the allocations
 - Funds can be spent on infrastructure projects in the “**integration zones**” that are a key focus of the BEPP
 - Over time the grant will need to have sufficient monetary value to motivate desired behaviours
 - It will take time to capacitate municipalities to understand purpose and impact of incentives (FFC input on incentive based grants was very useful)
- In addition, a **Project Preparation Facility** is being set up by National Treasury to strengthen preparation of large catalytic investment projects / programmes regardless of financing source



2. Prioritisation & investment targeting: How this will change the shape of a city (4 of 5)

Network Elements	Primary Network*	Secondary Network	Intervention
CBD	X		Regeneration and management
Primary Transport Link	X		Develop/Upgrade and management
Activity Corridor	X		Infill & Densification
Urban Hubs	X	X	Mixed-use development and management
Secondary Transport Link		X	Develop/Upgrade
Integration Zones/s			Each integration zone will consist of one Urban Hub, a Transport Link and Activity Corridor as well as the CBD



2. How the City Support Programme assists cities to plan for change (5 of 5)

Outcome Indicators of built environment transformation

- Identify and measure desired outcomes upfront

Strategy development

Identification of Urban Network with Integration Zones

- Focus strategy on catalytic interventions necessary to achieve desired outcomes

City Implementation Support Plans

- Partnership agreement describing “package” of implementation support required to achieve outcomes

Systems alignment

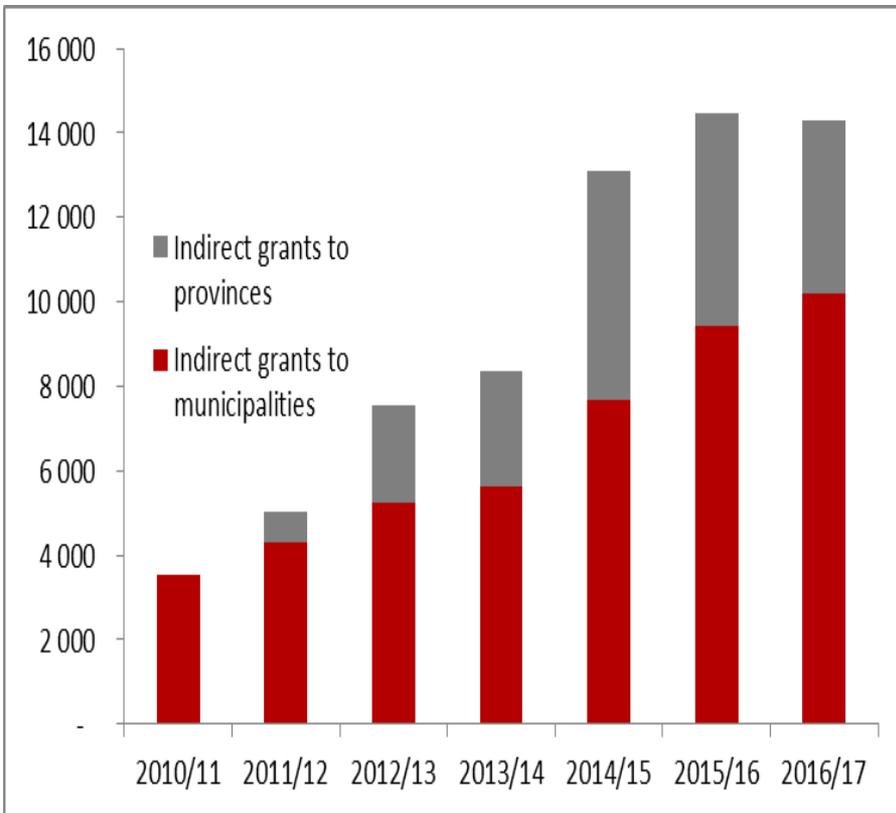
- Alignment of national grants to support achievement of outcomes through agreed strategy
- Performance rewards for achievement of strategy

Ultimately these reforms will lead to city economies with faster and more inclusive growth



3. Indirect grants are becoming a stronger feature of the Division of Revenue

Value of indirect grants



- Indirect grants are programmes through which national govt spends on behalf of other spheres (no funds are transferred) - allows for services to be provided while capacity is being built
- Provisions added to s21 to allow for more conversions between direct and indirect grants (and vice versa)
- Changes to provincial indirect grants largely to cater for reforms in health sector
- Following shifts to indirect municipal grants
 - **Integrated National Electrification Programme** - R460m in 2014/15 shifted from direct to indirect grant
 - **Municipal Water Infrastructure Grant** - R3.3b over MTEF shifted into new indirect component
 - **Rural Households Infrastructure Grant** - R132.8m over MTEF shifted to indirect component of grant

4. Eradicating bucket sanitation

- Eradication of bucket sanitation is a government priority that requires the cooperation of all three spheres to achieve
- Planning and support for programme is being led by Departments of Human Settlements, Water Affairs and Cooperative Governance
- The 2014 DoRB funds this objective through:
 1. A new indirect Human Settlements Development Grant worth R1.9b over two years
 2. Prioritisation of bulk support in the Regional Bulk Infrastructure Grant
 3. A condition in Municipal Infrastructure Grant requiring prioritisation of bucket eradication
 4. A condition in Urban Settlements Development Grant that at least 3% of funds must be used for bucket eradication and sanitation upgrading
 5. Provisions in Bill that allow funds for MIG and USDG to be converted to indirect allocations if these priorities are not met.

5. More transparency, accountability and ease of administration of grants

- Receiving officers of conditional grants must now include in their expenditure reports reasons why a grant transfer has been withheld or stopped
- Conversion between Public Transport Infrastructure Grant (PTIG) and Public Transport Network Operations Grant provided for (and *vice versa*). Also, stipulated consultation processes strengthened prior to a PTIG allocations to an individual municipality being protected for purposes of securing a loan
- Clarifying certain provisions and technical changes include:
 - Objects clause now reflects language of section 214(1) of Constitution
 - NT must set date for unspent conditional grant funds at the end of financial year to be returned to National Revenue Fund
 - Procedures in Public Finance Management Act and Municipal Finance Management Act are made applicable to the recovery of fruitless and wasteful expenditure
 - National transferring officers must approve the grant allocations and frameworks submitted to National Treasury
 - Provision that after funds are redirected following a function shift during the financial year, normal rules and procedures for a conditional grant will apply to the new recipient

2014 Medium Term Expenditure Framework

2014 MTEF Division of Revenue

Table W1.3 Division of nationally raised revenue, 2010/11 – 2016/17

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	Outcome			Revised estimate	Medium-term estimates		
R million							
Division of available funds							
National departments	356 027	382 712	412 706	449 251	489 424	522 257	552 983
<i>of which:</i>							
<i>Indirect transfers to provinces</i>	–	76	860	2 693	5 413	5 044	4 127
<i>Indirect transfers to local government</i>	2 939	2 770	4 956	5 697	7 726	9 467	10 221
Provinces	322 822	362 488	388 238	414 932	444 423	477 639	508 254
Local government	60 904	68 251	76 430	83 670	90 815	100 047	105 187
Equitable share	30 541	33 173	37 139	39 789	44 490	50 208	52 869
Conditional grants	22 821	26 505	30 251	34 268	36 135	39 181	41 094
General fuel levy sharing with metropolitan municipalities	7 542	8 573	9 040	9 613	10 190	10 659	11 224
Non-interest allocations	739 752	813 451	877 374	947 853	1 024 662	1 099 943	1 166 424
<i>Percentage increase</i>	7.2%	10.0%	7.9%	8.0%	8.1%	7.3%	6.0%
Debt-service cost	66 227	76 460	88 121	101 256	114 901	126 647	139 201
Contingency reserve	–	–	–	–	3 000	6 000	18 000
Main budget expenditure	805 979	889 911	965 496	1 049 109	1 142 562	1 232 590	1 323 624
<i>Percentage increase</i>	7.9%	10.4%	8.5%	8.7%	8.9%	7.9%	7.4%
<i>Percentage shares</i>							
<i>National departments</i>	48.1%	47.0%	47.0%	47.4%	47.8%	47.5%	47.4%
<i>Provinces</i>	43.6%	44.6%	44.2%	43.8%	43.4%	43.4%	43.6%
<i>Local government</i>	8.2%	8.4%	8.7%	8.8%	8.9%	9.1%	9.0%

Provincial Budget Framework for the 2014 MTEF

Provincial equitable share (1 of 3)

Table W1.6 Total transfers to provinces, 2014/15

R million	Equitable share	Conditional grants	Total transfers
Eastern Cape	52 154	9 846	62 000
Free State	20 883	6 158	27 041
Gauteng	68 673	16 935	85 608
Kw aZulu-Natal	78 138	15 941	94 080
Limpopo	43 274	7 580	50 854
Mpumalanga	29 355	6 352	35 707
Northern Cape	9 652	3 406	13 057
North West	24 707	5 621	30 328
Western Cape	35 631	9 917	45 549
Unallocated	–	197	197
Total	362 468	81 955	444 423

Equitable share accounts for 81.5% of transfers to provinces

Additions to provincial equitable share in 2014 MTEF

- R11.6b added for increased wage costs due to higher than anticipated inflation
- R150m for shelters for victims of gender-based violence
- R200m in 2016/17 for rollout of the HPV vaccine
- No amounts reduced on provincial equitable share

Provincial equitable share (2 of 3)

- The provincial equitable share formula updated with mid-year population estimates, school enrolment, health facility usage, poverty and GDP-R

Table W1.9 Distributing the equitable shares by province, 2014 MTEF

	Education	Health	Basic share	Poverty	Economic activity	Institutional	Weighted average
	48%	27%	16%	3%	1%	5%	100%
Eastern Cape	15.2%	13.4%	12.5%	16.1%	7.5%	11.1%	14.0%
Free State	5.3%	5.4%	5.2%	5.3%	5.3%	11.1%	5.6%
Gauteng	17.5%	21.5%	24.0%	17.2%	34.5%	11.1%	19.5%
KwaZulu-Natal	22.6%	22.0%	19.7%	22.2%	15.7%	11.1%	21.3%
Limpopo	13.1%	10.4%	10.4%	13.6%	7.1%	11.1%	11.8%
Mpumalanga	8.5%	7.3%	7.8%	9.1%	7.0%	11.1%	8.2%
Northern Cape	2.3%	2.1%	2.2%	2.2%	2.2%	11.1%	2.7%
North West	6.5%	6.8%	6.8%	8.1%	6.5%	11.1%	6.9%
Western Cape	9.0%	11.1%	11.4%	6.2%	14.2%	11.1%	10.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Provincial equitable share (3 of 3)

- Changes as a result of data updates are much smaller than last year when formula was updated with Census 2011 data
- Phase-in refined as part of 2014 Budget to ensure a smoother transition from a province's "proportion" share in current financial year (2013/14) to new share over the next MTEF (i.e. 2014/15 to 2016/17)
- Phase-in over three years are as follows:

Table W1.8 Implementation of the equitable share weights, 2014/15 – 2016/17

	2014/15 Indicative weighted shares from 2013	2014/15	2015/16	2016/17
Percentage		2014 MTEF weighted shares 3-year phasing		
Eastern Cape	14.5%	14.4%	14.2%	14.0%
Free State	5.8%	5.7%	5.7%	5.6%
Gauteng	18.8%	19.1%	19.3%	19.5%
KwaZulu-Natal	21.5%	21.5%	21.4%	21.3%
Limpopo	12.0%	12.0%	11.9%	11.8%
Mpumalanga	8.1%	8.1%	8.2%	8.2%
Northern Cape	2.7%	2.7%	2.7%	2.7%
North West	6.8%	6.8%	6.9%	6.9%
Western Cape	9.7%	9.8%	9.9%	10.0%
Total	100.0%	100.0%	100.0%	100.0%

Changes to provincial conditional grants

Additions to conditional grant baseline allocations, 2014/15 – 2016/17

R million	2014/15	2015/16	2016/17	2014 MTEF
Additions to baseline	1 344	750	1 203	3 297
Direct transfers	1 144	550	1 203	2 897
Comprehensive agricultural support programme	196	14	–	209
Education infrastructure	53	40	–	92
Health facility revitalisation	1	1	–	2
Comprehensive HIV and Aids	–	–	1 000	1 000
FET colleges	31	60	69	160
Human settlements development	365	141	–	506
EPWP integrated grant	–	–	10	10
Social sector EPWP	–	–	74	74
Provincial roads maintenance	235	178	–	414
OSD therapists	213	67	–	280
Public transport operations	50	50	50	150
Indirect transfers	200	200	–	400
National health grant	200	200	–	400

Changes to conditional grants

- New **Substance Abuse Treatment Grant** for creating public substance abuse treatment centres in 4 provinces (R124m over 3 years)
- **OSD for Education Sector Therapists Grant** - New grant for 2 years (R280m). From 2016/17 part of equitable share
- **Further Education and Training Colleges Grant** - R160m added for wage increases due to inflation
- **Health Facility Revitalisation Grant** – merged
- **National Health Grant: HPV vaccine component** –Vaccine prevents cervical cancer. Indirect grant for 2 years (R200m p.a.), then part of equitable share
- **Comprehensive HIV and Aids Grant** – R1b in 2016/17 for estimated annual additional patient take up
- **Public Transport Operations Grant** - R150m to assist provinces with impact of rising fuel and labour costs
- **Human Settlements Development Grant** - R180m in 2014/15 for informal settlement upgrading in mining towns, bringing total earmarked allocation to R2.4b
- **Disaster recovery funds** - R670m in 2014/15; R374m in 2015/16

Local Government Budget Framework for the 2014 MTEF

Local government (LG) budget framework

- Total of R323 billion is allocated to local government over the MTEF

Table W1.21 Transfers to local government, 2010/11 – 2016/17

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	Outcome			Revised estimate	Medium-term estimates		
R million							
Direct transfers	60 905	68 251	76 430	83 670	90 815	100 047	105 187
Equitable share and related	30 541	33 173	37 139	39 789	44 490	50 208	52 869
Equitable share formula ¹	26 761	29 289	32 747	35 093	39 410	44 895	47 282
RSC levy replacement	3 492	3 544	3 733	3 930	4 146	4 337	4 567
Support for councillor remuneration and ward committees	288	340	659	766	935	976	1 020
General fuel levy sharing with metros	7 542	8 573	9 040	9 613	10 190	10 659	11 224
Conditional grants	22 822	26 505	30 251	34 268	36 135	39 181	41 094
Infrastructure	20 871	24 643	27 923	31 053	32 582	35 324	36 722
Capacity building and other	1 951	1 862	2 329	3 214	3 553	3 857	4 372
Indirect transfers	2 939	2 770	4 956	5 697	7 726	9 467	10 221
Infrastructure	2 682	2 553	4 823	5 558	7 584	9 316	10 062
Capacity building and other	257	217	133	139	142	151	159
Total	63 844	71 021	81 386	89 367	98 541	109 514	115 408

1. Outcome figures for the equitable share reflect amounts transferred after funds have been withheld to offset underspending by municipalities on conditional grants



Local government equitable share

- A new LG equitable share formula was introduced in 2013/14 following extensive consultation
- The new formula (being phased in over 5 years) provides a subsidy of R293 per month for every household with an income of less than two old age pensions so that their municipality can provide them with free basic services
- It also provides R8.8b in funding for administration and community services in poorer municipalities
- The formula has been updated with cost data to account for price increases and estimates of household growth
- No funds are added to the local government equitable share in 2014 MTEF
 - Annual growth rate of 22.9% (2000/01 - 2013/14)
 - Over MTEF, grows by 10.4%



**R293 per month
for a package of
free basic
services for 59%
of households**

LG conditional grants – Additions and Major Changes

Additions to direct and indirect transfers to LG, 2014/15-2016/17

	2014/15	2015/16	2016/17	2014 MTEF Total revisions
R million				
Additions to baselines	526	788	945	2 259
Direct transfers	442	438	445	1 325
Integrated city development	105	116	135	356
Municipal disaster recovery	37	22	–	59
Municipal human settlements capacity	300	300	300	900
EPWP	–	–	10	10
Integrated Grant for municipalities	–	–	–	–
Indirect transfers	84	350	500	934
Regional bulk infrastructure	84	350	500	934

- **Prioritising eradication of bucket sanitation** - Conditions in Urban Settlements Development and Municipal Infrastructure Grants require municipalities to prioritise bucket eradication. Provisions in Bill allows for conversion to indirect grant
- **Water infrastructure** - R934m to Regional Bulk Infrastructure Grant to accelerate bulk water and sanitation needed to unlock development potential
- **Disaster funding** - R59m for disaster recovery (R118.3m in 2013 DoRAA)
- **Promoting more integrated and efficient cities** - R356m to Integrated City Development Grant and new clauses in Bill
- **Supporting devolution of housing function** –
 - Built environment functions to cities will support more integrated and efficient city investments (NDP goal)
 - R300m p.a. for new Municipal Human Settlements Capacity Grant to support 6 to be assigned metros
 - Once assigned, Human Settlements Development Grant portion to provinces will be stopped and transferred to cities (same provisions apply to devolution of public transport)

Government's Response to Recommendations of Financial and Fiscal Commission on 2014/15 Division of Revenue

FFC Recommendations related to annual Division of Revenue (1 of 2)

- FFC must make recommendations on requirements for DORB in section 214(1) of Constitution, i.e.
 - equitable division of revenue;
 - each province's equitable share; and
 - allocations to provinces & local government from national government's share and conditions attached to those allocations
- FFC's recommendations must take into account factors listed in section 214(2) of Constitution
- Before enactment of DoRB, Parliament, specifically its committees on appropriations, are required to take into account FFC's recommendations
 - (s214(2) of Constitution, sections 4(4)(c) & 9(7)(a) of Money Bills Amendment Procedure & Related Matters Act, 2009, and sections 9 & 10 of Intergovernmental Fiscal Relations Act, 1997)

FFC Recommendations related to annual Division of Revenue (2 of 2)

- Intergovernmental Fiscal Relations Act requires Minister of Finance to consult FFC twice before tabling of DoRB. i.e.
 - 10 months before start of financial year or later agreed date
 - 14 days before the tabling of DoRB
- A memorandum accompanying DoRB must indicate extent to which account was taken of FFC's recommendations to Minister of Finance on constitutional requirements for DoRB, i.e. equitable division of revenue, each province's equitable share and grants to provinces and local government from national's share and conditions attached to those grants
- Therefore, those FFC recommendations that could be implemented through provisions of DoRB, including its Schedules, must be responded to in the memorandum
 - (Sections 9 & 10 of Intergovernmental Fiscal Relations Act)
 - Govt responded to recommendations that are **directly** and **indirectly related** to division of revenue in Annexure **W1** of 2014 DoRB

Responses to FFC's recommendations **DIRECTLY** related to the division of revenue (1)

Chapter 1: Budget Consolidation in South Africa: Balancing Growth and Socioeconomic Rights

FFC Recommendation

Government response

- Moderate the growth in public sector wage expenditure

Agreed. This is primarily about:

1. Managing employee remuneration policies (wage increases, allowances, etc.) – led by DPSA
2. Managing staff numbers - accounting officers and executive authority to ensure that people are not recruited where there is no pre-authorized budget

Chapter 3: Funding of the South African Further Education and Training Sector

FFC Recommendation

Government response

- Funding further education training colleges

Agreed.

DHET developed in 2012 and is now implementing a Comprehensive Turnaround Strategy. Objective of strategy is to address challenges incl. those in FFC recommendation

Responses to FFC's recommendations **DIRECTLY** related to the division of revenue (2)

Chapter 5: Evolution of Conditional Grants

FFC Recommendation

- Consulting the Commission when planning for conditional grants
- Reviewing efficacy of conditional grants

Government response

FFC support welcomed.

- FFC support to national departments on new conditional grants, phasing out and redressing existing grants should be done on a case-by-case basis
- IGFRA and FFC Act regulate FFC role. No need to write into other legislation

Supported.

- Government assesses performance and effectiveness of grants on an going basis and changes are made where required in DORA and the gazetted grant frameworks

Responses to FFC's recommendations **INDIRECTLY** related to the division of revenue (1)

Chapter 5: Evolution of Conditional Grants

FFC Recommendation	Government response
<ul style="list-style-type: none">• Capacity building in transferring national department	<p>Agreed.</p> <ul style="list-style-type: none">• NT provides technical guidance to national departments on design, management and monitoring of grants. Annual workshops held with transferring departments to discuss changes to the Act. Transferring national departments responsible of ensuring that officials have requisite capacity to administer conditional grants

Chapter 6: Assessing and Improving the Fiscal Performance of Provinces

FFC Recommendation	Government response
<ul style="list-style-type: none">• Establishing provincial fiscal performance framework• Mandatory expenditure reviews by provincial treasuries	<p>Agreed.</p> <ul style="list-style-type: none">• Govt agrees that frameworks for fiscal performance are critical. Expenditure reviews instituted by NT jointly with DPME. Provincial Treasuries have also instituted expenditure reviews in provinces <p>Agrees, but</p> <ul style="list-style-type: none">• National departments to lead given that most provincial functions are concurrent. DPME and NT jointly conducting reviews in 2013/14 and 2014/15. Provincial expenditure reviews also being done by Provincial Treasuries

Responses to FFC's recommendations **INDIRECTLY** related to the division of revenue (2)

Chapter 7: Managing the Provincial Wage Bill to Contain Fiscal Stress

FFC Recommendation

- An appropriate balance between wage and non-wage components of provincial budgets for social spending

Government response

Recommendation supported.

- Transition towards a more appropriate balance should be systematic in nature. Budget estimates must be informed by staffing norms and not the other way round.

Chapter 9: Effective Intergovernmental Planning and Budgeting for Better Outcomes

- Budget process reforms for collective responsibility for delivery agreement outcomes
- Reorienting conditional grant to incentives to reward successful delivery

Recommendation supported and already implemented.

- Budget process explicitly incorporates outcomes approach through functional budgeting introduced from 2011 Budget

Supported, where appropriate.

- Govt committed to improving incentives in system where appropriate to do so. 2013 Division of Revenue changed way health and education infrastructure grants to provinces are allocated, creating strong incentives for provinces to plan better. ICDG introduces incentives for cities to plan developments with outcome of delivering more integrated and efficient cities

Responses to FFC's recommendations **INDIRECTLY** related to the division of revenue (3)

Chapter 10: Improving the Performance of Municipalities through Incentive-Based Grants

FFC Recommendation

- Performance-Based Grants
- Sufficient awareness on the nature of performance-based grants

Government draft response

Guidance by FFC appreciated.

- Govt will consider FFC's proposed principles and guidelines in design of any future incentive grants. Will be done on a case-by-case basis and the appropriateness of each of these proposed principles will be considered with respect to each grant

Agrees that:

- National Govt must ensure that prior to introduction municipalities understand how any new incentive or performance-based grants are allocated , incl. performance required to earn more from grant

Chapter 13: A Collaborative Effort to Enhance Revenue Generation in Rural Municipalities

- Linking grant funding for municipalities in rural areas to capacity-building initiatives

Agreed.

- Govt provides extensive capacity support to rural municipalities through programmes such as Financial Management Grant, Municipal Systems Improvement Grant, Municipal Finance Improvement Programme (MFIP), Infrastructure Skills Development Grant and Municipal Infrastructure Support Agency (MISA)

THANK YOU

ANNEXURES

Provincial Equitable Share Phase-In

- Previous PES phase-in took a province's current year's share as "base share" to determine 3-year phase-in path for next MTEF
 - base share for 2014 MTEF is PES share for 2013/14 (2013 Budget)
- New phase-in uses a similar 3-year method but takes a province's indicative share for the current year as its base
 - Base share for 2014 MTEF is PES share for 2014/15 (2013 MTEF)
- 3 year cushioning for provinces with declining population shares (2011 Census) maintained

Table W1.10 Full impact of data updates on the equitable share

	2013 MTEF	2014 MTEF	Difference
Eastern Cape	14.2%	14.0%	-0.11%
Free State	5.6%	5.6%	-0.02%
Gauteng	19.4%	19.5%	0.04%
Kw aZulu-Natal	21.3%	21.3%	0.02%
Limpopo	11.8%	11.8%	0.01%
Mpumalanga	8.2%	8.2%	0.02%
Northern Cape	2.7%	2.7%	-0.04%
North West	6.9%	6.9%	0.04%
Western Cape	10.0%	10.0%	0.05%
Total	100.0%	100.0%	-

Table W1.7 Cushioning for 2011 Census impact on provinces with declining shares in the 2014 MTEF

	2014/15	2015/16	2016/17
R thousand	Medium-term estimates		
Eastern Cape	421 166	685 628	-
Free State	78 350	171 261	-
Gauteng	-	-	-
Kw aZulu-Natal	656 600	773 075	-
Limpopo	297 127	487 036	-
Mpumalanga	-	-	-
Northern Cape	-	-	-
North West	-	-	-
Western Cape	-	-	-
Total	1 453 243	2 117 000	-

Technical revisions to provincial conditional grants

Table W1.18 Revisions to conditional grant baseline allocations, 2014/15 – 2016/17

R million	2014/15	2015/16	2016/17	2014 MTEF
Technical revisions	–	–	–	–
Direct transfers	-399	-575	400	-575
Health facility revitalisation	500	400	400	1 300
Human settlements development	-899	-975	–	-1 875
Indirect transfers	399	575	-400	575
National health	-500	-400	-400	-1 300
Human settlements development	899	975	–	1 875

Reductions to provincial conditional grants

R million	2014/15	2015/16	2016/17	2014 MTEF
Reductions to baseline	-1 481	-2 530	-2 416	-6 427
Direct transfers	-1 025	-1 767	-1 675	-4 467
Comprehensive agricultural support programme	–	-67	-77	-144
Land care programme: poverty relief and infrastructure development	–	-3	-3	-6
Expanded public works programme integrated grant for provinces	-22	-25	–	-47
Social sector expanded public works programme	-15	-18	–	-33
Human settlements development grant	-300	-300	-300	-900
Education infrastructure grant	-232	-590	-555	-1 376
Indirect transfers	-456	-764	-741	-1 960
National health grant	-225	-285	-285	-794
School infrastructure backlogs	-231	-479	-456	-1 166

- Small amounts (as percentage of each grant) reduced to provide funds for government priorities
- HSDG reduction funds new *Municipal Human Settlements Capacity Grant*

Provincial Conditional Grant Allocations (1 of 2)

Table W1.19 Conditional grants to provinces, 2013/14 – 2016/17

R million	2013/14	2014/15	2015/16	2016/17	MTEF total
Agriculture, Forestry and Fisheries	2 152	2 389	2 238	2 336	6 963
Comprehensive agricultural support programme	1 604	1 861	1 688	1 757	5 306
Ilima/Letsema projects	438	461	482	507	1 450
Land care programme: poverty relief and infrastructure development	109	68	68	72	208
Arts and Culture	598	1 016	1 341	1 412	3 768
Community library services	598	1 016	1 341	1 412	3 768
Basic Education	11 836	13 170	15 827	16 662	45 659
Dinaledi schools	109	111	116	122	350
Education infrastructure	6 160	6 929	9 469	10 038	26 436
HIV and Aids (life skills education)	204	221	226	238	686
National school nutrition programme	5 173	5 462	5 704	6 006	17 172
Technical secondary schools recapitalisation	190	233	244	257	735
Occupational-specific dispensation for education sector therapists	–	213	67	–	280
Cooperative Governance and Traditional Affairs	38	197	204	215	617
Provincial disaster	38	197	204	215	617
Health	27 686	30 111	32 484	35 184	97 780
Comprehensive HIV and Aids	10 534	12 311	13 957	15 697	41 965
Health facility revitalisation	5 291	5 240	5 389	5 652	16 281
Health professions training and development	2 190	2 322	2 429	2 557	7 308
National tertiary services	9 620	10 168	10 636	11 200	32 004
National health insurance	51	70	74	78	222
Higher Education and Training	2 454	2 631	2 819	2 974	8 424
Further education and training colleges	2 454	2 631	2 819	2 974	8 424



Provincial Conditional Grant Allocations (2 of 2)

Table W1.19 Conditional grants to provinces, 2013/14 – 2016/17

R million	2013/14	2014/15	2015/16	2016/17	MTEF total
Human Settlements	17 028	17 084	18 533	20 410	56 027
Human settlements development	17 028	17 084	18 533	20 410	56 027
Public Works	614	607	624	786	2 017
Expanded public works programme integrated grant for provinces	357	349	357	412	1 117
Social sector expanded public works programme incentive for provinces	258	258	268	375	900
Social Development	–	29	48	48	124
Substance abuse treatment centres	–	29	48	48	124
Sport and Recreation South Africa	498	526	550	579	1 654
Mass participation and sport development	498	526	550	579	1 654
Transport	13 090	14 194	15 005	15 610	44 809
Provincial roads maintenance	8 538	9 361	9 952	10 292	29 606
Public transport operations	4 553	4 833	5 053	5 318	15 203
Total direct conditional grants	75 995	81 955	89 672	96 215	267 842
Indirect transfers	2 693	5 413	5 044	4 127	14 583
Basic Education	1 956	2 939	2 433	2 611	7 982
School infrastructure backlogs	1 956	2 939	2 433	2 611	7 982
Health	737	1 575	1 635	1 516	4 726
National health	731	1 575	1 635	1 516	4 726
2014 African Nations Championship: health and medical services	6	–	–	–	–
Human Settlements	–	899	975	–	1 875
Human settlements development	–	899	975	–	1 875



Technical revisions to local government conditional grants

Table W1.20 Revisions to direct and indirect transfers to local government, 2014/15 – 2016/17

R million	2014/15	2015/16	2016/17	2014 MTEF Total revisions
Technical adjustments	-580	-1 000	-1 000	-2 580
Direct transfers	-1 050	-1 359	-1 512	-3 921
Municipal water infrastructure	-525	-1 292	-1 512	-3 328
Integrated national electrification programme	-460	–	–	-460
Public transport infrastructure	-158	-181	-455	-794
Public transport network operations	158	181	455	794
Rural households infrastructure	-66	-67	–	-133
Indirect transfers	470	359	512	1 341
Municipal water infrastructure	525	1 292	1 512	3 328
Integrated national electrification programme	460	–	–	460
Rural households infrastructure	66	67	–	133
Regional bulk infrastructure	-580	-1 000	-1 000	-2 580

Reductions on LG conditional grants to fund government priorities

- Reductions are small (in percentage terms) and mainly come from areas with a history of underspending

R million	2014/15	2015/16	2016/17	2014 MTEF Total revisions
Reductions to baseline	-156	-501	-594	-1 251
Direct conditional grants	-156	-501	-594	-1 251
Municipal infrastructure	–	-350	-500	-850
Urban settlements development	-50	-45	-35	-130
Expanded public works programme integrated grant for municipalities	-38	-42	–	-80
Infrastructure skills development	-50	-50	-50	-150
Energy efficiency and demand-side management	-19	-14	-9	-41

LG conditional grants - Infrastructure

Table W1.23 Infrastructure transfers to local government, 2010/11 – 2016/17

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	Outcome			Revised estimate	Medium-term estimates		
R million							
Direct transfers	20 871	24 643	27 923	31 053	32 582	35 324	36 722
Municipal infrastructure	9 704	11 443	13 879	14 355	14 684	15 098	15 767
Municipal water infrastructure	–	–	–	403	534	1 380	1 302
Urban settlements development	4 968	6 267	7 392	9 077	10 285	10 655	11 232
Integrated national electrification programme	1 033	1 097	1 151	1 635	1 105	2 056	2 165
Public transport infrastructure	3 700	4 612	4 884	4 669	4 968	5 098	5 104
Neighbourhood development partnership	832	738	578	598	591	600	632
Integrated city development	–	–	–	40	255	266	293
2010 FIFA World Cup stadiums development	302	–	–	–	–	–	–
Rural roads asset management systems	10	35	37	52	75	98	103
Rural households infrastructure	–	–	–	107	48	51	125
Municipal disaster recovery	320	450	–	118	37	22	–
Indirect transfers	2 682	2 553	4 823	5 558	7 584	9 316	10 062
Integrated national electrification programme	1 720	1 165	1 879	2 141	2 948	3 680	3 875
Neighbourhood development partnership	50	50	80	55	58	55	52
Regional bulk infrastructure	851	1 260	2 523	3 261	3 987	4 222	4 624
Municipal water infrastructure	–	–	–	–	525	1 292	1 512
Rural households infrastructure	62	78	341	101	66	67	–
Total	23 553	27 196	32 746	36 611	40 165	44 639	46 784



LG conditional grants – Capacity and Other

Table W1.25 Capacity building and other current transfers to local government, 2010/11 – 2016/17

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	Outcome			Revised estimat	Medium-term estimates		
R million							
Direct transfers	1 951	1 862	2 329	3 214	3 553	3 857	4 372
Municipal systems improvement	212	220	230	240	252	261	275
Local government financial management	365	385	403	425	449	470	495
Municipal human settlements capacity	–	–	–	–	300	300	300
Public transport network operations	–	–	–	881	903	1 043	1 362
2010 FIFA World Cup host city operating	210	–	–	–	–	–	–
2013 African Cup of Nations host city operating	–	–	123	–	–	–	–
2014 African Nations Championship host city operating	–	–	–	120	–	–	–
Water services operating subsidy	664	542	562	411	450	470	495
Expanded public works programme	280	364	662	611	595	619	706
integrated grant for municipalities							
Infrastructure skills development	–	39	75	99	104	129	139
Energy efficiency and demand-side management	220	280	200	181	137	188	204
Municipal disaster	–	32	73	247	364	376	396
Indirect transfers	257	217	133	139	142	151	159
Energy efficiency and demand-side management	109	119	–	–	–	–	–
Water services operating subsidy	148	98	133	139	142	151	159
Total	2 208	2 079	2 461	3 353	3 695	4 008	4 531

