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Province of the  
**EASTERN CAPE**

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28 August 2008

The Chairperson

Select Committee on Finance

National Council of Provinces

P.O. Box 15

CAPE TOWN

8000

Dear Sir

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**REPORT ON CONDITIONAL GRANT AND INFRASTRUCTURE PERFORMANCE AS AT 30 JUNE 2008 OF THE  
2008/09 FINANCIAL YEAR**

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**1. PURPOSE**

The purpose of this memorandum is to apprise the Select Committee on Finance on the financial performance of Conditional Grants and Infrastructure as at 30 June 2008.

**2. EXECUTIVE SUMMARY**

In as far as conditional grant expenditure is concerned in the first quarter, actual expenditure stood at R1.065 billion or 102 per cent against transfers of R1, 043 billion, thus recording an over expenditure of R21.8 million or -2.1 per cent. On average, all the three months of the first quarter experienced an expenditure of above R300 million, with the highest expenditure of R383,8 million spent in April. Except for the month of May, all other months recorded over expenditure, the highest being R172.7 million recorded in the month of June.

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**Table 1: Projected and Actual Expenditure on Conditional Grants by Type, April to June 2008**

Grant Type	Transfers, April - June (R'000)	Actual April - June (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Transfers	Over(-)/Under(+) as % of Transfers
Comprehensive agriculture support programme	22,505	4,140	18,365	18.4%	81.6%
Land care programme	734	297	437	40.5%	59.5%
Further Education and Training	57,753	57,748	5	100.0%	0.0%
HIV / AIDS Life skills (Education)	7,136	2,635	4,501	36.9%	63.1%
National school nutrition program	84,954	116,018	(31,064)	136.6%	-36.6%
Comprehensive HIV/AIDS (Health)	65,739	70,620	(4,881)	107.4%	-7.4%
Forensic pathology services	26,253	9,092	17,161	34.6%	65.4%
Health professions training and development	23,440	36,001	(12,561)	153.6%	-53.6%
Hospital revitalisation	70,572	59,588	10,984	84.4%	15.6%
National tertiary services	117,024	117,794	(770)	100.7%	-0.7%
Integrated housing & human resettlement dev.	213,038	192,070	20,968	90.2%	9.8%
Provincial infrastructure grant	329,478	392,432	(62,954)	119.1%	-19.1%
Community library services grant	9,252	3,616	5,636	39.1%	60.9%
Mass sports and recreational participating program	16,003	3,682	12,321	23.0%	77.0%
<b>Total Conditional Grants</b>	<b>1,043,881</b>	<b>1,065,733</b>	<b>(21,852)</b>	<b>102.1%</b>	<b>-2.1%</b>

Table 1 above shows accumulated actual expenditure on conditional grant for the period under review. Against transfers of R1.043 billion, actual spending amounted to R1, 065 billion, thus giving rise to an over expenditure of R21.8 million. The School Nutrition Programme (R31 million), Comprehensive HIV/AIDS (R4, 8 million), Health Professional Training and Development (R12, 5 million), Provincial Infrastructure (R62, 9 million) and National Tertiary Services (R 770 thousand) registered over expenditures. All other grants recorded under expenditure, with the following grants recording the highest levels of under spending:

- Integrated Housing and Human Resettlement Development      R20, 9 million
- CASP      R18, 3 million
- Forensic Pathology Services      R17, 1 million
- Mass Sport and Recreation Participation Programme      R12, 3 million

## 2.2 INFRASTRUCTURE

The infrastructure budget has increased from R 3, 4 billion in 2007/08 to R5 billion in the current financial year. Against projection of R997.7 million, actual expenditure stood at R1.2 billion.

Table2: Projected and Actual Expenditure on Infrastructure by Vote, April to June 2008

Department	2008/09 Budget	April	May	June	Total Actual Expenditure end June.08	Difference Actual and Projections	Total % Spent compared to adj budget	S 40 projections April -June	% Projected to Budget	Remaining Budget
		Actual Expenditure	Actual Expenditure	Actual Expenditure						
Traditional Affairs	R'000 27,894	R'000 812	R'000 3,394	R'000 3,290	7,496	2,168	27%	9,664	35%	20,398
Housing	20,000	-	20,000	-	20,000	0	100%	20,000	100%	0
Sports	276,932	0	102,000	2,401	104,401	4,819	38%	109,220	39%	172,531
Education	1,027,931	66,524	16,649	59,754	142,927	5,947	14%	148,874	14%	885,004
Roads and Transport	2,092,669	146,702	217,902	219,315	583,919	-185,218	28%	398,701	19%	1,508,750
Agriculture Total	173,190	1,351	49,131	606	51,088	-5,982	1	45,106	26%	122,102
Health	1,129,266	101,801	90,433	64,419	256,653	-64,323	23%	192,330	17%	872,613
Public Works	305,710	14,498	24,601	24,263	63,362	6,951		70,313	23%	242,348
Social Development	28,520	2,338	2,068	2,620	7,026	-3,532	25%	3,494	12%	21,494
<b>Total</b>	<b>5,082,112</b>	<b>334,026</b>	<b>526,178</b>	<b>376,668</b>	<b>1,236,872</b>	<b>-239,170</b>	<b>24%</b>	<b>997,702</b>	<b>20%</b>	<b>3,845,240</b>

According to the table 2 above, actual expenditure on a month-to-month basis had sustained a cyclical pattern. In the month of April for example, actual spending stood at R334 million, increased sharply to R526 million in May and declined to R376.6 million in June. In the period under review, the expenditure for the whole province stood at R1.2 billion against projection of R997.7 million. Of the spent amount, the Department of Roads and Transport contributed R583.9 million followed by Health R256.6 million and Education R142.9 million.

### 3. DISCUSSION

#### 3.1 COMMENTS ON EXPENDITURE TRENDS BY GRANT

##### 3.1.1 DEPARTMENT OF HEALTH

Table 3: Projected and Actual Expenditure on Conditional Grants, April to June 2008

Grant Type	Budget 2007/08	Transfers, April - June (R'000)	Actual April - June (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Transfers	Over(-)/Under(+) as % of Transfers	Actual as % of Budget
Comprehensive HIV/AIDS (Health)	300,522	65,739	70,620	(4,881)	107.4%	-7.4%	23.5%
Forensic pathology services	58,129	26,253	9,092	17,161	34.6%	65.4%	15.6%
Health professions training and development	140,641	23,440	36,001	(12,561)	153.6%	-53.6%	25.6%
Hospital revitalisation	282,288	70,572	59,588	10,984	84.4%	15.6%	21.1%
National tertiary services	468,088	117,024	117,794	(770)	100.7%	-0.7%	25.2%
<b>Total Conditional Grants - Health</b>	<b>1,249,668</b>	<b>303,028</b>	<b>293,095</b>	<b>9,933</b>	<b>96.7%</b>	<b>3.3%</b>	<b>23.5%</b>

#### COMPREHENSIVE HIV AND AIDS

In the reporting period, transfers of R65.7 million were received, while expenditure for the same period amounted to R70.6 million or 107.4 per cent of actual transfers, yielded an over expenditure of R4.8 million or 7.4 per cent. The main reason for over expenditure can be attributable to the following factors:

- Payment of Occupation Specific Dispensation to nurses that are attached to Ante-Retroviral Treatment sites are proving to be much higher than what was anticipated.
- The number of patients accessing ARV treatment continues to rise above projected targets. The costs associated with treatment also include laboratory tests which are fairly expensive. To this extent, an accrual payment of R12 million was paid in the month of April to the National Health Laboratory Services (NHLS)
- Transfer of funds to the Home Based Care Non-Governmental Organizations;
- Procurement of Ante-Retroviral Drugs – payments are done quarterly;
- Procurement of test kits for the Voluntary Counseling & Testing (VCT)

Further, through the grant the department has inter alia; managed to put new clients on the ART programme, a number of new patients that are now accessing home based care services, prevention of mother to child transmission has been stepped and voluntary counseling & testing coverage extended. The table below gives an account of the service delivery out puts in the period under review.

PREVENTION OF MOTHER TO CHILD TRANSMISSION		
	TARGET	ACTUAL
Number of antenatal client tested for HIV	2400	32140
Proportion antenatal clients tested for HIV	88%	63%
Nevirapine dose to baby coverage rate	50%	30%
Number of PCR HIV tests done in infants	13000	5735
VOLUNTARY COUNSELING & TESTING		
Number of client HIV pre-test counselled (excluding antenatal)	110 000	75,489
Number of client tested for HIV (excluding antenatal)	99 000	63,207
STEP DOWN CARE		
Number of admissions at Step Down Facilities/Units	580	1062
ANTE-RETROVIRAL TREATMENT		
Number of registered ART patients - ART start	5,000	6,501
Number of sites accredited as ART service points	7	4
HOME BASED CARE		
Number of patients served by home-based carers	50 000	53 079
Number of home visits conducted by home-based carers	499 500	499 538
SEXUALLY TRANSMITTED INFECTIONS		
No. of male condoms distributed to province	17,000,000	8,025,244
No. of female condoms distributed to province	375,000	234,496
STI treated new episode	37,000	49,693
POST EXPOSURE PROPHYLAXIS		
Number of sexual assault cases – new	875	197
Number of ARV prophylaxis to sexual assault case – new	700	63

#### FORENSIC PATHOLOGY SERVICES

Of the R26.2 million transfers received, R9 million or 34. 6 per cent of the actual transfers has been spent, leading to an under expenditure of R17.1 million or 65, 4 per cent unspent. The bulk (R7.9 million) of the expenditure took place in the month of June. The under expenditure is attributable to two factors, namely the misallocation of compensation of employees expenditure and low spending for capital assets. From a

service delivery point of view; the grant managed to build three mortuaries and 22 mortuary vehicles were purchased.

#### HEALTH PROFESSIONS, TRAINING AND DEVELOPMENT (HPTD)

In the period under review, transfers amounting to R23.4 million were received under this grant against which expenditure of R36 million was recorded. A month to month expenditure trend shows that, of the spent amount, R23.6 million was spent in the month of April alone. This amount is mainly constituted of the transfers to the nursing colleges and partner institutions of higher learning in the Province. From a service delivery perspective, the achievements listed below are worth noting:

- Procurement has been completed for the training of 50 clinical managers on 2 courses for prevention of blindness programme. As a first step towards commencement of the mobilization programme for recruitment to entry level posts in 2009, induction of interns and community health professionals was held.
- Procurement of medical journals and books has been completed as planned.
- To comply with the Pharmacy Act, 156 nurses started training on dispensing skills in 5 districts. Furthermore, 636 nurses enrolled for a four year diploma programme in February 2008.
- 23 students are continuing on Clinical Associates programme at WSU.
- Training was conducted on maternal woman and child health.

Though certain activities for the HPTD grant are progressing as planned, two main challenges were identified in the grant. The first one, being the non-submission of the 1st quarterly report from WSU for medical training of under and post graduates, thus made it difficult for the department to make a transfer, which somewhat contributed to the under expenditure. Secondly, when the activity based budgeting was done in March, the budget for machinery and equipment was wrongly classified under compensation of employees and goods and services. An over expenditure of R800 thousand was recorded under machinery and equipment.

An extensive exercise has been done to re-align the budgets and an application for a virements from compensation of employees and goods and service to machinery and equipment has been requested. The realignment of the economic classifications and the items will enable the project drivers to set the

procurement process in motion. As part of the recovery plan, the cash flow projections will be adjusted accordingly. There are other projects where expenditure is lagging behind the activities. For example, the following projects have commenced activities as planned but the cash flow projections will be adjusted:

- Cuban medical programme- orders for flights and accommodation in Cuba has been placed; the payment to Cuba takes place through an invoice from the NDOH
- Clinical Technicians- road show to select students has commenced
- Radiology- 6 blocks of 10 students each block for advanced orders placed for first block
- Chronic diseases- eye care week planning is underway but expenditure will occur once procedures occur during August and October
- Maternal Woman and Child Health – Training conducted and operational costs incurred for:
  - 2 day TOP quarterly meeting
  - Measles protocols developed and printed
  - Diarrhoea protocols developed and printed
  - IMCI training for Makana and Cacadu; Ukuhlamba,
  - Reproductive health modules for Amathole, KSD, Makana printed

#### HOSPITAL REVITALIZATION

Against transfers of R70.5 million, actual expenditure in the period under review stood at R59.5 million, thus giving rise to an under expenditure of R10.9 million. The bulk is targeting projects in the following hospitals within the Eastern Cape Province, Frontier, St. Patrick's Madwaleni, Madzikane Kazulu, St. Lucy's and St. Elizabeth. Except for St Lucy's and Madzikane KaZulu, all other projects have shown varying degrees of under expenditure in the period under review. The main reason for under expenditure is due to the fact that medical contracts for all the hospitals were yet to be finalized.

#### NATIONAL TERTIARY SERVICES

Of the R117 million transferred in the period under review, an amount of R117.7 million recorded as actual expenditure. A month to month expenditure analysis shows that the bulk of the expenditure (69.7 million) was incurred in the month of April, whilst in the month of June a lowest expenditure of R20.9 million was registered.

### 3.1.2 DEPARTMENT OF EDUCATION

Grant Type	Budget 2008/09	Transfers, April - June (R'000)	Actual April - June (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Transfers	Over(-)/Under(+) as % of Transfers
Further Education and Training	115,506	57,753	57,748	5	100.0%	0.0%
HIV / AIDS Life skills (Education)	28,542	7,136	2,635	4,501	36.9%	63.1%
National school nutrition program	339,816	84,954	116,018	(31,064)	136.6%	-36.6%
<b>Total Conditional Grants - Education</b>	<b>483,864</b>	<b>149,843</b>	<b>176,401</b>	<b>-26,558</b>	<b>117.7%</b>	<b>-17.7%</b>

#### FURTHER EDUCATION AND TRAINING (FET)

Of the budget of R115.5 million, the Department of Education managed to transfer R57.7 million to all of eight Further Education and Training (FET) Colleges in the Province. From a service delivery point of view, progress has been made on the construction of the second phase of the new 515 square meter Fitting workshop in Midlands FET College. Furthermore, the construction of business unit in King Sabata College has started and is progressing very well. Under Lovedale College, connectivity of Local Area Network and Wide Area Networks at King Campus is completed; 16 classrooms, 4 workshops and 2 labs are completed, 31 computers for King campus and another 31 for Alice campus were bought. Internal renovations of the 8 classrooms at Teko campus (King Hints College) are completed. A mechatronics programme was developed by Buffalo city, which has been approved by National Department for implementation in 5 Colleges in 2009/10.

Staff training is proceeding according to plan. For those responsible for internal moderation; educators offering English as a fundamental and mathematical literacy in King Hints College were trained (three members on each of the four campuses). Lastly, 5125 text books and stationery have been purchased and the balance of the funds will be used between December 2008 and January 2009

#### LIFE SKILLS AND HIV/AIDS GRANT

In the period under review, the grant spent R2. 6 million or 33% of the R7.1 million transferred in the quarter. The training of educators in Basic Counselling Skills, Abstinence Enrichment Programme and infusion of the programme into the curriculum as well as training of Health Advisory Committees was scheduled to commence in May, however the training programmes never took place because of delays with the tendering processes, hence an under expenditure was reported. Since Service Level Agreements (SLA) were signed towards the end of June, the training in the aforementioned areas were rescheduled for July, except for the Abstinence Enrichment Programme that will be rolled out in the beginning of September. Even



though there was no movement in expenditure in certain key strategic areas; certain events took place such as the launch of Orphans and Vulnerable Children (OVC) project was held at Daniels Primary School in Port Elizabeth, launch of Child Friendly Schools project took place in Herenvale Primary School in Port Elizabeth, events to mark Youth Day took place in uMtata, Mt Fletcher and PE Districts, where 2680 educators and learners participated. Furthermore, Peer Education was launched in 15 schools in the Libode, Maluti and KWT Districts, 3520 learners and educators participated in the Candlelight Memorial service in KWT, Graaf Reinet, Lusikisiki, Grahamstown, uMtata and Port Elizabeth, 1720 learners have been trained as Peer educators by 41 PGTs in Dutywa, Butterworth and East London and of the 575 school support visits targeted, only 288 monitoring and support visits took place in this quarter.

#### **NATIONAL SCHOOLS NUTRITION PROGRAMME GRANT**

The grant registered actual expenditure of R116 million, against transfers of R84.9 million. In the main the expenditure components are; feeding, payment of meal servers and overheads such as transport and accommodation. In the same period last year, this grant only managed to post expenditure of R37.3 million. By any standard, expenditure in the first quarter of the current financial year is very impressive.

During the month of June an SNP Indaba was held where all relevant stakeholders were invited to make inputs on the new SNP concept document. The concept document outlines the decentralisation of funds to school principals and the service delivery model for the cooked menu introduced in July for the piloted 230 schools. The increase of service providers from 56 suppliers to 134 has led to better allocation of schools per supplier. In the Mt Frere District, one of the service providers has donated food to learners in grades not covered by SNP and a netball uniform to one of the schools that it feeds. The food production initiative registered the following important highlights:

- A partnership with the Department of Water Affairs and Forestry has been formed and a discussion to plant fruit trees in the Eastern Cape is underway
- A garden launch was held in KWT in collaboration with Food Garden Foundation, Edcon Group, and the local leadership
- A partnership with a German based NGO called SIGNAL has been formed. The NGO supports schools with needs such as fencing, water tanks and provides counselling to children affected by HIV and AIDS
- Three workshops on sustainable food production, targeting 52 SNP personnel were held successfully in Queenstown, Port St Johns and Port Elizabeth

- Another workshop was held in Uitenhage District for school community members on food production
- Approximately 1211 SNP schools have productive food gardens

As much as the SNP has made tremendous improvement in the administration of the programme, the SNP is not without challenges and concerns. These challenges relate to the escalation of food prices that undermine efforts to expand the programme to other higher grades, certain Districts continue to experience problems with the payment of meal servers, unsigned documents or non submission of claims from cost centres resulting in non payment and at times delay in payments of service providers. These concerns have received attention and corrective measures were proposed and undertaken.

### 3.1.3 DEPARTMENT OF HOUSING

Table 5: Projected and Actual Expenditure on Conditional Grants, April to June 2008

Grant Type	Budget 2008/09	Transfers, April - June (R'000)	Actual April - June (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Transfers	Over(-)/Under(+) as % of Transfers	Actual as % of Budget
Integrated housing & human resettlement dev.	1,251,018	213,038	192,070	20,968	90.2%	9.8%	15.4%
Total Conditional Grants - Housing	1,251,018	213,038	192,070	20,968	90.2%	9.8%	15.4%

#### INTEGRATED HOUSING AND HUMAN SETTLEMENT GRANT

Expenditure in the reporting period stood at R192 million or 90, 2 per cent against transfers of R213 million, leaving an amount of R20, 968 million 9, 8 per cent as unspent. A month to month expenditure reveals that, the month of June alone registered an expenditure of R98.8 million. The main reasons for under expenditure include amongst other things the following:

- Shortage of builders and established contractors as well as project managers to monitor housing projects
- Poor prior project approval planning at both sub national spheres of government and poor monitoring and reporting system for early warning signals
- Lack of bulk infrastructure
- Unrealistic cash flow projections due to non consideration of project state of readiness linked to poor planning
- Delays on Environmental Impact Assessments approval
- Poor project management by emerging contractors
- The lack of synergy and planning capacity at both Provincial and Municipal level (weak joint planning).

The department has embarked on mitigating steps to speed up service delivery by means of de-linking subsidy from beneficiaries, enhancing the contract management and at this stage the contract management unit is in operation and led by the General Manager that deals with both the contract management and legal issues.

### 3.1.4 DEPARTMENT OF AGRICULTURE

Table 6: Projected and Actual Expenditure on Conditional Grants, April to June 2008

Grant Type	Budget 2008/09	Transfers, April - June(R'000)	Actual April - June(R'000)	Over(-)/Under(+) (R'000)	Actual as % of Transfers	Over(-)/Under(+) as % of Transfers	Actual as % of Budget
Comprehensive agricultural support programme	90,018	22,505	4,140	18,365	18.4%	81.6%	4.6%
Land care programme	7,345	734	297	437	40.5%	59.5%	4.0%
<b>Total Conditional Grants - Agriculture</b>	<b>97,363</b>	<b>23,239</b>	<b>4,437</b>	<b>18,802</b>	<b>19.1%</b>	<b>80.9%</b>	<b>4.6%</b>

#### COMPREHENSIVE AGRICULTURAL SUPPORT PROGRAMME (CASP)

The primary aim of this program is to provide effective agricultural support and to streamline the provision of services to the targeted four different levels of clients within the farming continuum. The need for CASP flows from the recommendations of the Strauss Commission, which recommended the financial 'sunrise' subsidies, and the adoption of a "sunrise" package of enabling conditions for the beneficiaries of the land reform programme who require loan finance. The purpose of CASP is therefore to establish financing mechanism by creating enabling conditions for beneficiaries through the "sunrise" package.

The CASP is targeted to support the four different levels of clients within the farming continuum and these are:

- The hungry-supported through advice and food emergencies through the agricultural food packs and dealing with food crises.
- Subsistence and household food producers- supported through food production and include the special programme on food security (SPFS) and the Integrated Food and Nutrition Programme (IFSNP) where the provision of starter pack is made.
- Farmers-supported through farm level support and include the beneficiaries of LRAD and other strategic programmes e.g. the rehabilitation of irrigation schemes.

Of the R22.5 million received in the period under review, R4. 1million has been spent, giving rise to an under expenditure of R18. 3 million. The main attributing factor to this under spending is the delays in tendering processes.