

## LAND CARE PROGRAMME

In the current financial year, an amount of R7.3 million has been allocated for the implementation of nine Land Care projects. Against transfers of R734 000, actual expenditure at the end of June 2008 amounted to R297 000 or 40, 5 per cent of R0, 734 million of transfers, thus leading to an under expenditure of R 437 000. Delays in the signing of contract with Uvimba Bank (implement agent) and procurement challenges experienced by district offices are cited as major causes of under expenditure in the period under review.

On a positive note, individual project leadership had been engaged in a process of setting up managerial and operational community based structures to oversee the implementation of activities in Land Care projects. With the involvement of the above mentioned committees, Project Implementation Plans were successfully drawn.

### 3.1.5 DEPARTMENT OF ROADS AND TRANSPORT

Table 7: 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
Provincial infrastructure grant	1,317,909	329,478	392,432	(62,954)	119.1%	-19.1%	29.8%
Total Conditional Grants - Roads & Transport	1,317,909	329,478	392,432	-62,954	119.1%	-19.1%	29.8%

### PROVINCIAL INFRASTRUCTURE GRANT

Against transfers of R329 million, an amount of R392 million or 119 per cent was recorded as the actual expenditure, thus giving rise to an over expenditure of R62.5 million or 19 per cent. The bulk (R346.1 million) of the amount spent came from the Department of Roads and Transport, followed by the Department of Health with R38.6 million. The Departments of Education and Agriculture recorded the lowest expenditure levels of R5.2 million and R4.2 million, respectively.

### 3.1.5 DEPARTMENT OF SPORT, ARTS AND CULTURE

Table 8: 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
Community Library Services Grant	42,588	9,252	3,616	5,636	39.1%	60.9%	8.5%
Mass sports and recreational participating program.	44,895	16,003	3,682	12,321	23.0%	77.0%	8.2%
Total Conditional Grants - Sport	87,483	16,003	7,298	17,957	45.6%	112.2%	8.3%

### SIYADLALA COMMUNITY MASS PARTICIPATION PROGRAMME

During the period under review, R16 million was transferred against which an expenditure of R3.6 million was incurred. Spending in this grant started on a low note of R743 000 in the month of April, but steadily picked up to reach R1.4 million in June. The following reasons were cited as main contributors to under expenditure:

- Delays in the recruitment and tender processes
- Late submission of invoices from service providers
- Slow turn around time in processing invoices for payment

### COMMUNITY LIBRARY SERVICES GRANT

With regards to library renovation and building, the department is awaiting the Department of Public Works to appoint quantity surveyor during the course of the second quarter in order to draw up bills of quantities

In respect of library material, a book fair exhibition was undertaken in Jeffreys Bay on 25-27 June 2008 R1.7m submission awaiting for approval and other exhibition are scheduled to take place in the second quarter.

In as far as purchasing of the ICT equipment, work in progress, SITA was appointed for R1.7m to rollout cabling for 40 libraries that is scheduled to be completed in the second quarter. On Library containers, a tender inviting service providers was advertised in Local and National newspaper. The closing date is on the 17 July 2008 and the successful service provider will be appointed this month and expected to deliver within three months

The Eastern Cape has by the end of the first quarter spent 8.2% of its conditional grant budget. The reasons for under spending and corrective measures are as follows:

#### Infrastructure ICT and Equipment

- **ICT Infrastructure:** An order has been issued to SITA for the cabling of 41 libraries and Head Office offices. The project is going to be finished by the 3rd September 2008. It is then that the Department will be able to pay. The amount involved is R1, 893. 985.
- **ICT equipment:** (120 computers) has been purchased and delivered. Payment will be effected as soon as the equipment is delivered. The amount involved is R926 990.

## Library Material

- Orders worth R2, 351 million are with publishers awaiting delivery of library materials.
- Submissions to the value of R3 million are awaiting orders.

In relation to the infrastructure for the upgrading of libraries, there have been some delays in the implementation of 2008/2009 budget. The Department of Public Works only appointed quantity surveyors in August. Bills of quantity are being drawn for all identified libraries and consultancy fees are going to be effected in September.

## 3.2 COMMENTS ON EXPENDITURE TRENDS ON INFRASTRUCTURE

### 3.2.1 DEPARTMENT OF AGRICULTURE

Table 9: Projected and Actual Expenditure on Infrastructure, April to June 2008

Vote	2008/09 Budget	Projections, April - June (R'000)	Actual April - June (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Projections	Over(-)/Under(+) as % of Projections	Actual as % of Budget
8. Agriculture	173,190	45,106	51,088	(5,982)	113.26%	-13%	29.50%
Total	173,190	45,106	51,088	(5,982)	113.26%	-13%	29.50%

The R173, 2 million is made up of R139, 8 million for new projects, R29, 9 million for rehabilitation and R3, 5 million for upgrades. The Department of Agriculture had projected to spend R45, 1 million or 26 per cent of its infrastructure budget by the end of June 2008. Actual expenditure in this period was R51, 1 million or 30, 0 per cent of the budget. This resulted in an over expenditure of R5, 98 million or 113 per cent when compared to projected expenditure. Of the R51, 1 million that was spent, R47 million relates to transfers to public entities.

A report was requested from the Department to indicate the updated status of each project. It was established that 68 projects were at tender stage, 87 on design stage 51 were under construction and 8 were identified. The status of the projects will be closely monitored by the Provincial Treasury in consultation with the Departmental Project Managers, to identify and deal with threats of potential under/over spending.

### 3.2.2 DEPARTMENT OF EDUCATION

Table 10: Projected and Actual Expenditure on Infrastructure, April to June 2008

Vote	2008/09 Budget	Projections, April - June (R'000)	Actual April - June (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Projection	Over(-)/Under(+) as % of Projection	Actual as % of Budget
6. Education	1,027,930	148,874	142,945	5,929	96%	3.98%	14%
Total	1,027,930	148,874	142,945	5,929	1	3.98%	14%

The Department had projected to spend R148, 9 million of its infrastructure budget by the end of June 2008. Actual expenditure in this period stood at R142.9 million or 14 per cent of the budget. This resulted in an under spending of R5, 9 million or 4 per cent when compared to projected expenditure.

The department has 2249 identified projects, 10 projects under feasibility study, 2 projects under design, 22 projects under tender, 655 projects are being evaluated for implementation, 542 projects are under construction, 142 projects are under retention and only 33 projects are being completed and handed over as at June 2008. As at June 2008 New and Replaced infrastructure projects totalled 2114, projects under Rehabilitation, Renovations and Refurbishments totalled 729, and those under maintenance totalled 111.

The department has poor infrastructure spending patterns and this dates as far back as 2005. The following challenges have been identified:

- Capacity constraints in terms of human capacity, skills and systems.
- Lack of maintenance plan strategy for schools in the province and the magnitude of the maintenance backlog is overwhelming.
- Lack of departmental or implementing agent capacity to manage SDA's.
- Instability of DOE's management structures and Suspension of key senior officials within DOE. This causes a delay for the IDIP programme to be fully implemented.
- Too much reliance on Implementing agents and consultants.
- Delays in payment of contractors, and there is no indication of tightening up this issue in the sector. This attracts interest cost thus resulting in fruitless expenditure.
- Exclusion of PTAT (Provincial Technical Assistance Team) and Public Works during discussion on In-Year interventions.

Efforts are being made by the department in consultation with Provincial Treasury, to address these challenges.

### 3.2.3 DEPARTMENT OF HEALTH

Table 11: Projected and Actual Expenditure on Infrastructure, April to June 2008

Vote	2008/09 Budget	Projections, April - June (R'000)	Actual April - June (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Projection	Over(-)/Under(+) as % of Projection	Actual as % of Budget
3. Health	1,129,266	318,343	256,653	61,690	80.62%	19%	22.73%
Total	1,129,266	318,343	256,653	61,690	80.62%	19%	22.73%

The Department had projected to spend R318, 3 million of its infrastructure budget by the end of June 2008. Actual expenditure in this period was R256, 7 million or 23 per cent of the budget. The Department thus under spent by R61, 7 million.

The under spending was as a result of the Health Revitalization Grant. Several meetings have been held with the department of Health to ensure expenditure and to stabilize the project list. The spending has significantly increased from 8% to 23 % compared to last year's first quarter expenditure which was at 8%.

Even though the infrastructure budget is currently under spent, the department is projecting to fully spend the budget. The under expenditure is attributable to invoices that were planned to be paid in June, but because of some delay in procurement processes, were only paid in July.

The National Department of Health delayed the approval of Madwaleni Hospital project because it could not meet the standards of the Hospital Revitalization grant. The project is being redesigned. It became apparent that Madwaleni budget can not be spent this year. As a recovery plan the funds were then distributed among Frontier, St Elizabeth and St Lucy's Gateway projects which could not be funded this in this financial year because of the budget pressures.

St Elizabeth's Hospital Casualty and Out Patient section is being redesigned due to changes in scope and prioritization. In this regard, the department has decided to bring forward other activities that were meant to be done at later stages.

### 3.2.4 DEPARTMENT OF PUBLIC WORKS

Table 12: Projected and Actual Expenditure on Infrastructure, April to June 2008

Vote	2008/09 Budget	Projections, April - June (R'000)	Actual April - June (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Projection	Over(-)/Under(+) as % of Projection	Actual as % of Budget
5. Public Works	305,710	63,745	63,362	383	99.40%	1%	20.73%
Total	305,710	63,745	63,362	383	9.30%	16%	20.73%

The Department had projected to spend R63, 7 million or 20, 7 per cent of its infrastructure budget by the end of June 2008. Actual expenditure in this period (R63, 4 million) was in line with the projections. In order to improve the working relationships between Public Works and client departments, Provincial Treasury facilitated the signing of the Service Delivery Agreements between the departments of Health and Public Works. The Service Delivery agreements are being implemented.

Monthly Monitoring is being done by the Provincial Treasury to mitigate the possibilities of deviations. The Infrastructure Unit holds budget and expenditure monitoring meetings with the departments to assess the readiness of departments in implementing their projects in the 2008/09 financial year. Changes in the project list by client departments (especially the department of Health) has been a the biggest challenge in the first quarter.

### 3.2.5 DEPARTMENT OF ROADS AND TRANSPORT

Table 13: Projected and Actual Expenditure on Infrastructure, April to June 2008

Vote	2008/09 Budget	Projections, April - June (R'000)	Actual April - June (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Projection	Over(-)/Under(+) as % of Projection	Actual as % of Budget
10. Roads & Transport	2,092,669	398,701	583,919	(185,218)	146.46%	-46%	27.90%
Total	2,092,669	398,701	583,919	-185,218	146.46%	-46%	27.90%

The Department of Roads and Transport had projected to spend R398, 7 million of its infrastructure budget by the end of June 200. Actual expenditure in this period was R583, 9 million or 28 per cent of the budget. In terms of the total infrastructure allocation for the Department, the bulk allocation per category was distributed to Maintenance Recurrent at R 1 050, 379 representing 50% of budget followed by Upgrading at R 639,734 representing 31% of budget and Rehabilitation at R 273,285 representing 13% of the budget.

In terms of first quarter expenditure, the following category recorded the highest expenditure i.e. Upgrading at 46%, Rehabilitation at 32%, and New Works at 28%. The following categories recorded under expenditure namely; Maintenance Periodic at 19%, Maintenance Recurrent at 17% and Replacement at 13%.

A presentation and submission was made to Exco on 28 May 2008 on the inaccessible / impassible roads amounting to R300 million covering mostly the Eastern part of the Eastern Cape. Whilst Exco favourably pronounced on R300 million, currently there are no surplus funds to fund the project. Treasury is still engaging National Treasury on the retention and utilization of unspent conditional grants from the period 2001 to 2007/08 financial years amounting to R1, 5 billion. National Treasury wants the Provincial Treasury to surrender these funds to the national fiscus.

If Provincial Treasury is successful in negotiating with National Treasury on retaining these funds, then these funds would become available for allocation. Until such a time that this issue is resolved with National Treasury, the Department was advised to slow down its expenditure in order to avoid over spending the budget thus incurring unauthorized expenditure. The main cause of the shortfall is due to the escalation of prices in the construction industry.

### 3.2.6 DEPARTMENT OF SOCIAL DEVELOPMENT

Table 14: Projected and Actual Expenditure on Infrastructure, April to June 2008

Vote	2008/09 Budget	Projections, April - June (R'000)	Actual April - June (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Projection	Over(-)/Under(+) as % of Projection	Actual as % of Budget
4. Social Development	28,520	3,494	7,026	(3,532)	201.09%	-101%	24.64%
Total	28,520	3,494	7,026	-3,532	201.09%	-101%	24.64%

The Department had projected to spend R3, 5 million of its infrastructure budget by the end of June 2008. Actual expenditure for this period was R7, 0 million or 24, 6 per cent of the budget. The Department exceeded the projection by R3, 5 million.

### 3.2.7 DEPARTMENT OF SPORTS, ARTS AND CULTURE

Table 15: Projected and Actual Expenditure on Infrastructure, April to June 2008

Vote	2008/09 Budget	Projections, April - June (R'000)	Actual April - June (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Projection	Over(-)/Under(+) as % of Projection	Actual as % of Budget
14. Sport	276,932	109,220	102,000	7,220	93.39%	7%	36.83%
<b>Total</b>	<b>276,932</b>	<b>109,220</b>	<b>102,000</b>	<b>7,220</b>	<b>93.39%</b>	<b>7%</b>	<b>36.83%</b>

The Department had projected to spend R109, 2 million of its infrastructure budget by the end of June 2008. Actual expenditure in this period was R102, 0 million or 93, 4 per cent of the budget. There are delays in the spending of the Library conditional grant.

In terms of the total infrastructure allocation for the Department, the bulk of the allocation per category is distributed to New Works at 212,948 representing 77% of budget followed by Upgrading at R 61,484 representing 22% of budget and Renovations at R 2,500 representing 1% of the budget. In terms of first quarter expenditure, the New Works recorded highest expenditure at 47%. In terms of under expenditure the following categories recorded nil expenditure, namely Upgrading and Renovations.

The department has spent more than 25% of its infrastructure budget. 90% of the budget consists of transfers to the Municipalities for the Construction and Upgrading of stadiums in Nelson Mandela Bay Metro, Buffalo City and Mthatha Local Municipality.

### 3.2.8 DEPARTMENT OF LOCAL GOVERNMENT AND TRADITIONAL AFFAIRS

Table 16: Projected and Actual Expenditure on Infrastructure, April to June 2008

Vote	2008/09 Budget	Projections, April - June (R'000)	Actual April - June (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Projection	Over(-)/Under(+) as % of Projection	Actual as % of Budget
7. Housing	27,894	9,664	7,496	2,168	77.57%	22%	26.87%
<b>Total</b>	<b>27,894</b>	<b>9,664</b>	<b>7,496</b>	<b>2,168</b>	<b>77.57%</b>	<b>22%</b>	<b>26.87%</b>

The infrastructure budget for the Department is R 27,894. The Department had projected to spend R9, 664 million or 35% of its infrastructure budget by the end of June 2008. Actual expenditure in this period was



#### 4. RECOMMENDATIONS AND WAY FORWARD

It is hereby recommended that the Select Committee on Finance notes the improved conditional grant expenditure for the first quarter of the current financial year. In the same period last year, the Eastern Cape managed to spend R429 million, however, in the current financial year this has improved by about R730 million. The School Nutrition Programme, Infrastructure Grant to Provinces and Integrated housing and human settlement witnessed improved expenditure of R78.6 million, R140.3 million and R219.6 million, respectively. The comprehensive agricultural support programme and community library service grant are the only two grants that reflect poor spending levels.

Kind regards.

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Honourable P. Masualle  
MEC for Finance, Economic Development and Environmental Affairs