



**NATIONAL TREASURY  
REPUBLIC OF SOUTH AFRICA**

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**PRESS RELEASE  
17 May 2005**

**2004/05 National and Provincial Budgets  
4<sup>th</sup> Quarter Year to Date National and Provincial Budget Report  
(Preliminary Outcome)**

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**SUMMARY**

1. The fourth quarter national and provincial budget statement of revenue, expenditure and national borrowing report published by the National Treasury on 29 April 2005 is the first estimate of spending outcomes for the 2004/05 financial year, from 1 April 2004 to 31 March 2005. These figures will be revised as national and provincial departments finalise (and reconcile) their financial statements by 31 May 2005 for submission to the Auditor-General.
2. Initial observations from the fourth quarter statement indicate the following trends:

**2.1. Consolidated national and provincial preliminary outcomes for 2004/05**

- 2.1.1. Consolidated receipts amounted to R353,5 billion in 2004/05 compared to the adjusted budget of R333,4 billion published in the October 2004 Medium Term Budget Policy Statement.
- 2.1.2. Consolidated national and provincial payments (including national transfers to municipalities) amounted to R371,7 billion or 97,8 per cent of the adjusted budget, resulting in a consolidated deficit of 18,2 billion or 1,3 per cent of GDP. After taking into account extra-ordinary receipts and payments the financing requirement amounted to R25,5 billion, which is R26,2 billion lower than the October 2004 estimate of R51,7 billion.
- 2.1.3. Total national and provincial spending recorded 97,8 per cent of their consolidated adjusted budgets in 2004/05, with national departments spending R149,9 billion of their R153,5 billion adjusted budget (excluding statutory funds). Provinces have spent R188,8 billion of their adjusted budget of R193,6 billion in 2004/05.
- 2.1.4. It should be noted that the balance of 2,2 per cent not spent should not be regarded as underspending, as it comprises both savings, non-transfer of funds and underspending – the exact breakdown of which can only be determined once

all departments finalise their annual financial statements, and report on the reasons for the amounts not spent from their budgets.

### Consolidated national and provincial account

R million	Outcome 2000/01	Outcome 2001/02	Outcome 2002/03	Outcome 2003/04	Adjusted appropriation 2004/05	Revised estimate 2004/05	Preliminary outcome
<b>Receipts<sup>1</sup></b>							
Tax receipts (net of SACU)	214 198	246 626	276 777	296 287	325 304	335 349	344 520
Non-tax receipts	5 553	6 280	6 829	8 864	7 309	7 644	8 114
Transactions in assets and liabilities	364	369	733	932	752	798	872
Transfers received	8	24	24	26	52	47	40
<b>Consolidated receipts</b>	<b>220 123</b>	<b>253 299</b>	<b>284 364</b>	<b>306 108</b>	<b>333 417</b>	<b>343 839</b>	<b>353 546</b>
<b>Payments</b>							
Statutory payments	47 563	51 245	50 971	51 033	54 349	53 633	54 017
Current payments	119 034	131 326	146 856	163 286	183 401	182 840	178 522
Transfers and subsidies	62 017	71 163	90 231	109 653	124 622	125 402	123 316
Payments for capital assets	6 505	10 548	12 349	13 912	17 799	16 598	15 869
Projected savings and underspending					-277		
<b>Consolidated payments</b>	<b>235 119</b>	<b>264 282</b>	<b>300 408</b>	<b>337 883</b>	<b>379 893</b>	<b>378 473</b>	<b>371 725</b>
<b>Surplus (+) / Deficit (-)</b>	<b>-14 995</b>	<b>-10 983</b>	<b>-16 044</b>	<b>-31 775</b>	<b>-46 476</b>	<b>-34 634</b>	<b>-18 178</b>
<i>Percentage of GDP</i>	<i>-1,6%</i>	<i>-1,0%</i>	<i>-1,3%</i>	<i>-2,5%</i>	<i>-3,3%</i>	<i>-2,5%</i>	<i>-1,3%</i>
Extraordinary payments	-2 299	-2 078	-7 971	-7 443	-7 200	-7 136	-9 787
Extraordinary receipts	2 984	4 159	8 168	1 598	2 014	1 720	2 492
<b>Financing requirement (-)</b>	<b>-14 310</b>	<b>-8 902</b>	<b>-15 848</b>	<b>-37 621</b>	<b>-51 662</b>	<b>-40 051</b>	<b>-25 474</b>
<i>Percentage of GDP</i>	<i>-1,5%</i>	<i>-0,8%</i>	<i>-1,3%</i>	<i>-2,9%</i>	<i>-3,7%</i>	<i>-2,9%</i>	<i>-1,8%</i>
<b>GDP</b>	<b>951 682</b>	<b>1 047 992</b>	<b>1 193 771</b>	<b>1 277 029</b>	<b>1 403 851</b>	<b>1 403 851</b>	<b>1 403 851</b>

1. Transfers between spheres netted out

The analysis below provides more information on national and provincial budget outcomes:

## 2.2. National preliminary outcomes for 2004/05

- 2.2.1 National departments spent R149,9 billion (97,6 per cent) of their R153,3 billion adjusted budget (excluding statutory funds). No national department materially overspent its budget.
- 2.2.2 Underspending on capital amounted to 2 per cent of the October 2004 estimate, which is a marked improvement from previous years. Capital spending increased by 9,5 per cent in real terms from 2003/04.
- 2.2.3 Some of the underspending in national departments is due to withholding of transfers, like conditional grants (e.g. Health (R249 million) or to other funds and institutions pending negotiation of terms (e.g. National Treasury (R275 million) – such withholding is for good reason, as there is little point in making transfers to underspending provinces, municipalities or public entities.
- 2.2.4 Further savings can be attributed to external factors and improved management in national departments, mainly savings associated with the unanticipated strength of the Rand (e.g. R239 million in Foreign Affairs), savings on the implementation of IT contracts (e.g. National Treasury), savings on lower than originally anticipated arrears on municipal rates and taxes (e.g. R206,4 million in Public Works) and the

decision to replace the 2006 census with a lower-cost sample survey (e.g. Statistics SA).

- 2.2.5 Other than these savings, other departments with large amounts not spent on the national budget were Correctional Services (R431,1 million), Home Affairs (R390,6 million), largely attributable to delays in capital, HANIS or filling of personnel vacancies.

### **2.3. Provincial preliminary outcomes for 2004/05**

- 2.3.1 Provinces have spent R188,8 billion (97,6 per cent) of their adjusted budget of R193,6 billion in 2004/05. This represents a significant spending increase year-on-year of R18,2 billion or 10,6 per cent between 2003/04 and 2004/05. Spending varies between the lowest share of 94,8 per cent in North West to the highest at 99,6 per cent in KwaZulu-Natal.
- 2.3.2 Provinces have succeeded in better controlling their budgets in 2004/05, with only four provincial departments overspending significantly compared to the 12 in the previous 2003/04 financial year. However, 26 provincial departments significantly underspent their adjusted budgets by more than 10 per cent. Eight of the nine provinces had at least two such underspending departments.
- 2.3.3 Social development budgets have stabilised in 6 provinces, and in aggregate, provinces spent close to budget at 100,3 per cent or R50,8 billion of their R50,7 billion adjusted budget. This represents a massive increase of R8,7 billion or 20,6 per cent over the previous financial year, and is now the second biggest item on provincial budgets. However, three provinces still overspent their budgets, with the most significant in KwaZulu-Natal (by R504,9 million or 104,6 per cent), and less significantly in Eastern Cape (R114,3 million) and Gauteng (R34 million).
- 2.3.4 Education expenditure totalled R64,4 billion or 98 per cent of the R65,7 billion total adjusted budget for education, and remains the largest item on provincial budgets. The spending pattern reflects a R4,9 billion or 8,2 per cent increase compared with spending in 2003/04.
- 2.3.5 Health expenditure totalled R40,3 billion or 98,6 per cent, which is R2,7 billion higher compared with the previous financial year.
- 2.3.6 The biggest underspending problem in provinces is on capital, as provinces did not spend R1,9 billion of their R12 billion adjusted capital budget, spending only 84,5 per cent of their adjusted budget or R10,1 billion. This is still an improvement of 13 per cent over the previous financial year, exceeding the R9 billion spent in that year by R1,2 billion.
- 2.3.7 The poorest performing provinces on capital spending were Mpumalanga (66,1 per cent), North West (70,6 per cent), Northern Cape (74,8 per cent), Free State (75,9 per cent) and Gauteng (84,5 per cent). The poorest performing sectors were the education and health sectors, with both spending less on capital in 2004/05 than the previous financial year.
- 2.3.8 Education provincial departments spent relatively low on capital at 78 per cent of their adjusted budget, or R2,3 billion, which is R29,8 million less than the previous year. The poorest spending on education capital was in Free State (57,8 per cent), Mpumalanga (60,1 per cent) and KwaZulu-Natal (68,3 per cent). Northern Cape (108,3 per cent) and Eastern Cape (94,1 per cent) performed the best on education capital spending.

- 2.3.9 Health was also sluggish on spending in capital at 82,6 per cent of adjusted budget, or R2,3 billion, which is R438,3 million less than the previous year. The poorest spending in health capital was in Mpumalanga (36,3 per cent) and Northern Cape (58,8 per cent) and the best in KwaZulu-Natal (103,2 per cent).
- 2.3.10 Total personnel expenditure in all nine provinces is R87,8 billion or 98,2 per cent of the R89,5 billion personnel budget. Both provincial education and health departments underspent on personnel spending in 2004/05. The reason for this in education appears to be related to the delay in implementing pay progressions and incentives for school-based educators.
- 2.3.11 Provincial own revenue collected is R6,3 billion or 118,9 per cent of the total own revenue budget of R5,3 billion. National government transferred R164,1 billion in the form of the equitable share grant and R21,1 billion in conditional grants for the 2004/05 financial year.
3. The analysis in this document is based on the statement of receipts and payments published by the National Treasury on 29 April 2005, and is available on the treasury website [www.treasury.gov.za](http://www.treasury.gov.za). The information is based on the section 40(4) PFMA reports submitted (and signed) by each head of department to their respective treasuries by 15 April 2005, and submitted to the National Treasury, in the case of provinces, by 22 April 2005. Queries on national departmental spending or conditional grants should be referred to the Director-General of that department (as accounting officer). Queries on any *provincial* spending or budgets should, in the first instance, also be referred to the relevant head of provincial department, and in the second instance to the head of the respective provincial treasuries.
4. A more detailed analysis on provincial spending is also available on the National Treasury's website under the title "Detailed analysis of the preliminary outcomes for 2004/05 provincial budgets". This release needs to be read together with the 29 April 2005 notice in the Government Gazette (which contains tables per department).