

CHAPTER 5

Evolution of Conditional Grants



Evolution of Conditional Grants

5.1 Introduction

In recent years, conditional grants have been used increasingly as a mechanism to transfer funding to provinces and municipalities for the purpose of achieving particular national government policy objectives. Intergovernmental fiscal transfers are a dominant feature of provincial and local government finances in South Africa. Conditional grants, which are applied judiciously, well designed and implemented, are crucial fiscal levers for national development. In South Africa, conditional transfers are reviewed yearly through the promulgation of the Division of Revenue Act, which comes with amended grant frameworks and classifications. Classifications specify the conditionality of grants, whether they are specific stand-alone grants or supplementary grants.

The Commission has a long history of studying the use of conditional fiscal transfers in its various submissions made on the Division of Revenue. The Commission's 1995 Framework Document (FFC, 1995), which played a critical role in the evolution of the current Intergovernmental Fiscal Relations framework, was very emphatic on the need to use conditional fiscal transfers sparingly in order (i) to protect the integrity of the country's intergovernmental fiscal arrangements and (ii) not to compromise institutional accountability flowing from fiscal decentralisation. The Commission's 10-year (2000/01–2009/10) review of conditional fiscal transfers to provincial governments and municipalities found that the application of conditional grants had evolved substantially over time. This evolution occurred often in an ad hoc manner and, in some cases, as a kneejerk response to the perception of failure by municipalities and provinces to prioritise national priorities (FFC, 2010). During the ten years, some grants merged into the equitable share allocation, others merged with other conditional grants. A few conditional grants were terminated, while others have been in existence for more than five years. The practice of reacting in an ad hoc manner meant that allocations for certain conditional grants have been sporadic and infrequent over the years.

The National Treasury provides guidelines on the design of conditional grants, but these are not always effective and are inconsistently applied. During the Commission's formal consultation with the Minister of Finance on the Division of Revenue Bill (as prescribed by Section 9 and 10 of the Intergovernmental Fiscal Relations Act), which took place this year, the Commission raised the issue that conditional grants constituted a strong feature of the 2013 Division of Revenue Bill. It was agreed that this matter be addressed as part of the Commission's submission for 2014/16 *Division of Revenue 2014/15*. This chapter documents conditional fiscal transfers and highlights some interesting and relevant patterns.

5.2 Nature of Conditional Grants

Most fiscally decentralised countries use some form of conditional transfers from national to sub-national governments. The extent of their use and their design depend very much on the constitutional, institutional and fiscal circumstances of the country concerned. In the most general sense, the purpose of conditional grants is to influence the fiscal decisions of the sub-national government, presumably with the express intent of achieving some objective of national government, including constitutional objectives.

Conditional grants are especially relevant in the South African context, where the Constitution decentralises the delivery of major public services, such as education and health, to provincial or local governments (although these services remain concurrent in nature). Thus, there is a constitutional case for the national government to use the intergovernmental grant system to progressively provide all citizens with uniform access to basic public services, which include (at the very least) health, education, water and welfare. In addition, the economics literature argues for national governments to make transfers to other spheres of government to ensure that uniform minimum standards of basic public services are provided to all citizens. The grants can also be used to support and encourage more

narrowly defined projects, such as infrastructure or administration, in order to achieve more effective decentralised decision-making. These arguments are examined in greater detail in the Commission's Submission for the 2001/02 Division of Revenue.

Conditional grants take many forms depending on the scope, which ranges from specific grants – for fairly narrow and well-defined purposes – to block grants that are intended to support a broad area of expenditure. Conditions for block grants conditions may stipulate general criteria that broad spending programmes must satisfy, including the scope or comprehensiveness of services provided in health care, the levels of schooling to be made available to target populations in education, etc. The criteria can be very broad indeed (covering such principles as non-discrimination, availability to residents of other jurisdictions, or fairness somehow defined), leaving considerable discretion to the provinces and municipalities to choose the design and level of services offered.

Conditional grants may be *matching or non-matching*, which refers to the amount of the grant that may (or may not) be tied by formula to spending by the recipient government. If matching, they may be closed-ended (subject to a maximum amount), or they may be open-ended. Matching grants influence not only the programme design, but also the amount of expenditures devoted to the programme. Finally, conditions may be imposed by the sphere of government allocating the funds, or negotiated by the two spheres of government. In either case, an important feature of conditional grants is the method used to enforce the conditions. With specific grants, enforcement will typically not be an issue: the grant will only be paid if the recipient government undertakes the specific spending (FFC, 2000).

The South African system of conditional grants generally contains three types of grants²¹; supplementary, specific-purposes and in-kind-allocations.

- **Schedule 4** conditional grants are allocations to provinces and municipal made to supplement the funding of programmes or functions funded from provincial and municipal budgets.
- **Schedule 5** type grants are allocations made for specific purposes of national interest, without a requirement for addition funds from provincial and municipal own budgets.
- **Schedule 6** type grants are also specific purpose in-kind allocations to provinces and municipalities for designated special programmes.
- **Part A of Schedule 7** type grants are specific allocations that may be released to provinces and municipalities to fund disaster response, in terms of the Disaster Management Act, 2002 (Act No. 57 of 2002).

5.3 Trends and Evolution of Conditional Grants

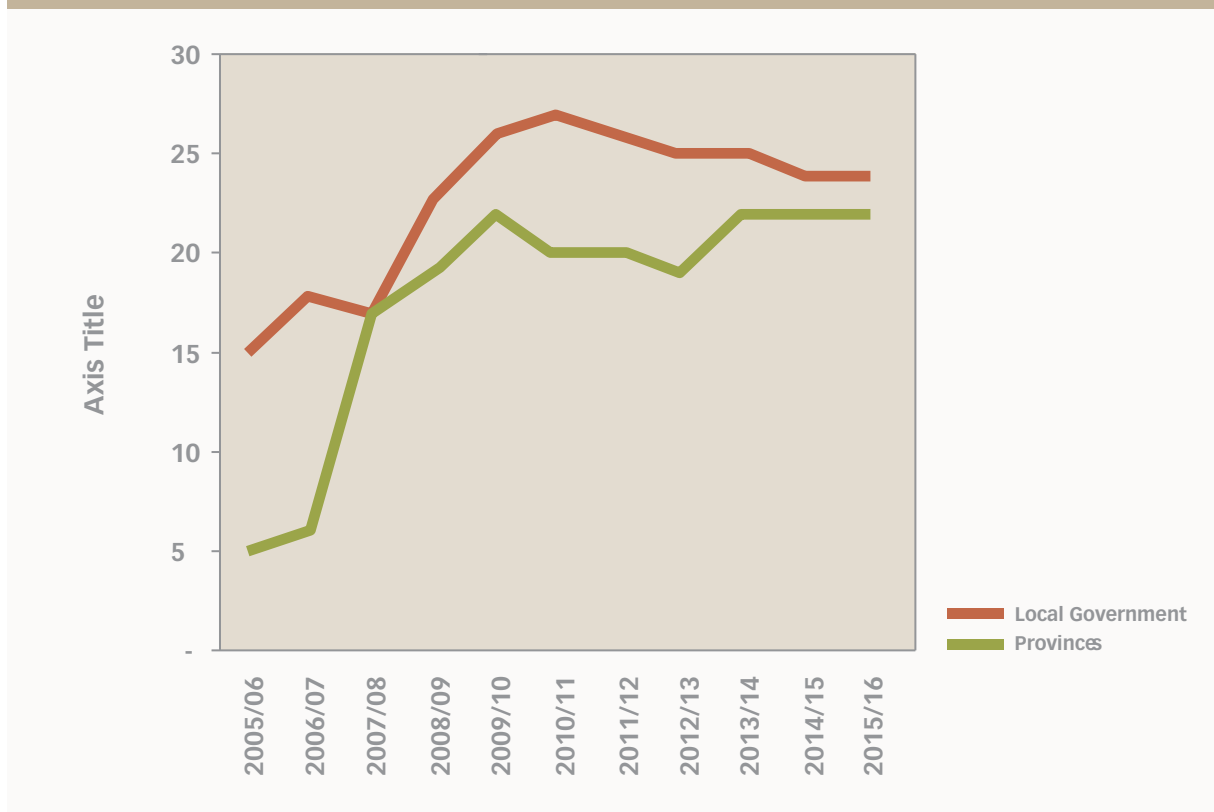
Between 2005/06 and 2013/14, total conditional grants transferred to provinces and local government increased more than fivefold, from R20 billion to R116 billion.

- Grants to provincial government grew the most: from R19.2 billion in 2005/06 to R76.6 billion in 2013/14 (see Annexure A1).
- The biggest share of grants to provinces went to health (35 per cent), followed by human settlements (22 per cent), transport (15 per cent) and education (13 per cent), as shown in Annexure A2.
- Direct and indirect grants to local government grew from a mere R783 million in 2005/06 to R39 billion in 2013/14 year (see Annexure B). Direct transfers represented 82 per cent and indirect transfers 18 per cent of grants to local government.

The quantity of conditional grants within the intergovernmental relations system has grown. However, the distribution between provincial and local spheres has changed over the years, as Figure 11 illustrates.

(Please see Figure 11 on page 62)

²¹ See Division of Revenue Bill, National Treasury (2007)

Figure 11: Comparison of Number of Grants by Sphere since 2005/2006

Commission computations

5.3.1 Provincial Conditional Grants

Provincial conditional grants have shown a steady growth. As Table 18 illustrates, the average increase in the number of grants per annum for provinces is 6 per cent, while the average increase in their allocated funding is 17 per cent.

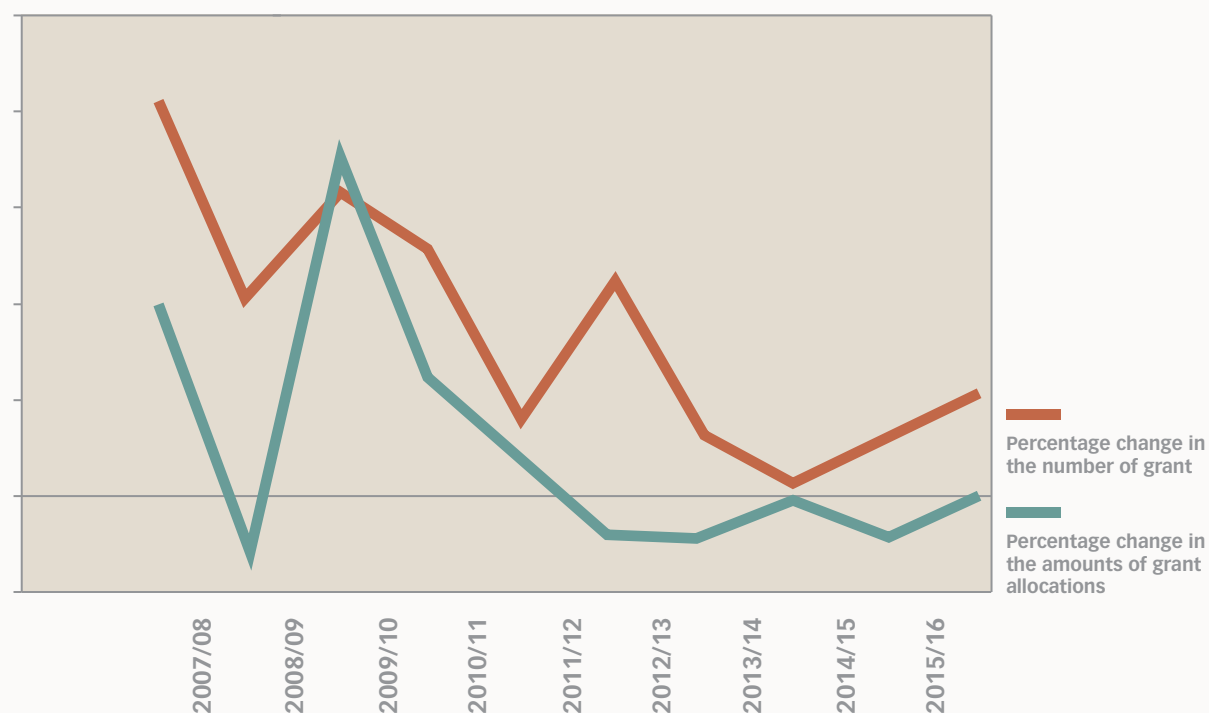
Table 18: Provincial Conditional Grants (2005/06–2015/16)

FY	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Average
Provinces	15	18	17	23	26	27	26	25	25	24	24	
Percentage change in the number of grants		20%	-6%	35%	13%	4%	-4%	-4%	0%	-4%	0%	6%
Percentage change in the amounts of grants allocations		41%	20%	31%	26%	8%	22%	6%	1%	7%	11%	17%

Commission computations

Figure 12 shows the evolution of the number of grants and allocated amounts to provinces, which follows a similar trend. The only exception is in 2011/12 when no correlation between the two is discernible, as the number of grants went down from 27 to 26, but the amounts allocated grew by 22 per cent.

Figure 12: The Percentage Change in Provincial Grants since 2005/2006



Commission computations

5.3.2 Local Government Conditional Grants

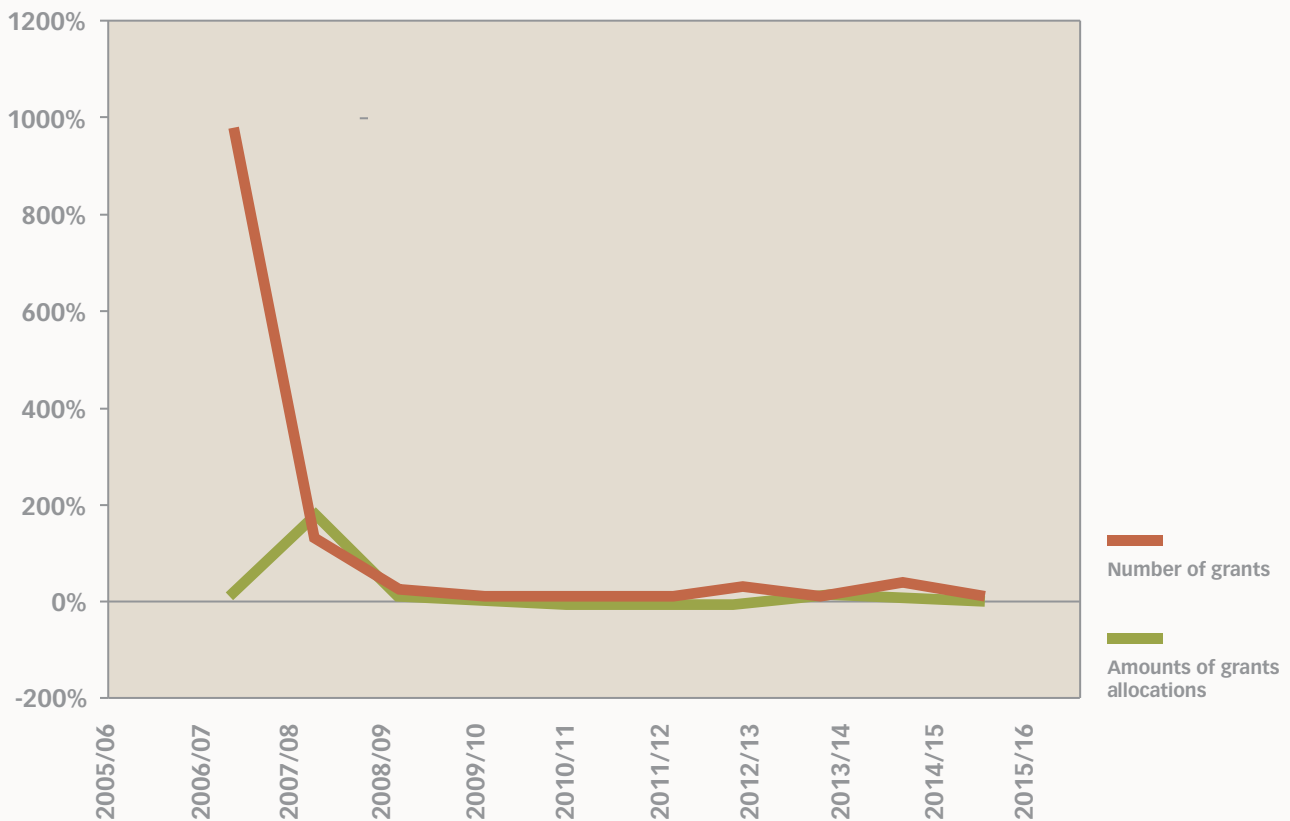
The number and amounts of conditional grants for local government have grown much more strongly than those for provinces, albeit from a lower base. Table 19 shows the average annual growth rate for local government conditional grants, which is four times higher than that for provinces, i.e. 23 per cent compared to 6 per cent for provinces.

Table 19: Local Government Conditional Grants

FY	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Average
Local Government	5	6	17	19	22	20	20	19	22	22	22	
Percentage change in the number of grants		20%	183%	12%	16%	-9%	0%	-5%	16%	0%	0%	23%
Percentage change in the amounts of grants allocations		972%	123%	19%	8%	7%	14%	21%	14%	28%	13%	122%

Commission computations

The number of grants and allocated amounts to local government follow a similar trend and are more aligned than in the case of provinces (see Figure 13 on page 64). The average growth in the amount allocated to local governments has also grown much faster, at 122 per cent, which is seven times higher than for provinces.

Figure 13: The Percentage Change in Local Government Conditional Grants since 2005/2006

Commission computations

5.4 Discussion

As the previous section showed, the number of individual conditional grants available to provinces and municipalities has increased markedly in the last 12 years (2001/02–2012/13). Such increases are likely to make the task of planning and administering grants considerably more difficult and could consequently affect grant expenditure performance.

The most commonly cited justification for retaining conditional grants is that sub-national governments lack the capacity to assume responsibility for the effective management of resources and delivery of services. Reasons given include perceived poor planning, poor financial management and weak technical supervision. More recently, sub-national officials have been criticised for being either incompetent or corrupt. Consequently sector programmes and government's overall policies are being compromised, and so the commitments made to citizens cannot be honoured. This is sometimes perceived as a justification for retaining decision-making powers within central government and imposing conditions on sub-national governments that use the resources. Another argument is that conditionalities help strengthen the performance of sub-national governments by keeping them focused and holding them to account. Therefore, these conditions should not necessarily be seen in a negative light, as this discipline contributes to enhancing the capacities of sub-national government in the longer term and ensures that allocations are not diverted from national priorities.

The Commission is sympathetic to some of these reasons and acknowledges the evolving nature of the intergovernmental fiscal system and the need for conditional grants, given the constitutional imperatives in South Africa. In this regard, the tough stance adopted by Government to curtail the rate of growth in conditional allocations in 2013 is welcome. Nevertheless, the Commission's view is that the current unsystematic and unevenly applied approach to introducing, terminating and reviewing conditional grants destabilises the composition and predictability of transfers. The destabilising effect on provincial expenditure planning has the potential to create spending capacity problems, which are avoidable.

For provinces and municipalities, grant proliferation is a problem primarily because it often leads to a confusing array of overlapping programmes, with variously competing or duplicated objectives and conditions, and complex implementation and reporting requirements. Proliferation often reflects the framework and programme design weaknesses in transferring departments, which increases the risk of under-spending and other suboptimal outcomes. Continual additions to individual conditional grants tend to legitimise programmes that may otherwise be inefficient and undermine the national prioritisation framework. Allocations of conditional grants should incorporate a direct link to performance, not only for provinces but also for the responsible national department (to encourage accountability).

Furthermore, national departments often see conditional grants as one of the few ways they can influence provincial government and local government behaviour in delivering concurrent functions. However, they often neglect other crucial elements of their leadership role, such as setting (and monitoring and evaluating) clear norms and standards. Furthermore, while National Treasury and the provincial treasuries have, to varying degrees, the skills to support effective grant design and to monitor and evaluate grant implementation, these skills are often lacking in national departments and unevenly distributed across the treasuries.

5.5 Recommendations

With respect to **conditional grants**, the Commission recommends that:

- The section in the Division of Revenue Act dealing with preparation for the next financial year is reviewed to make consultation with the Commission mandatory when planning for conditional grants for the forthcoming year. This would assist departments with grant design, especially in the case of new grants, phased-out grants, and material redesign of existing grants.
- The efficacy of conditional grants is reviewed, specifically in relation to the necessity and purpose of some of the grants, criteria for allocations, targeting, reporting on non-financial data, performance, and value for money.
- National Treasury builds the capacity of transferring national departments for effective grant design, monitoring and evaluation to ensure that guidelines are adhered to.

The Commission has previously made recommendations on conditional grants. These recommendations are reiterated and informed by the following five key principles established by the Commission for grants administration:

1. Introduction and termination of conditional grants

- A mandatory, systematic process is needed for the design and planning of individual conditional grants. This would cover incentive effects and administrative accountability arrangements, as well as stipulate regular review periods and exit strategies for the phasing-out of the grant.
- Monitoring arrangements, which will measure whether the stated purpose is being achieved, are identified upfront.
- An independent evaluation of the grant performance or an existing strategy is in place before grants are terminated or merged with other grants or into the equitable share allocation.

2. Transparency in the criteria used to allocate conditional grants:

- An area that will be affected by the grant and the change needed must be identified. If appropriate, grants may be tailored to particular problems, depending on the nature and magnitude of a problem to be resolved, as individual provinces and/or municipalities face different challenges. Not all provinces and municipalities would necessarily be beneficiaries of the conditional transfer system.
- The criteria, measures and baselines used are generally accepted throughout government to allow rigorous benchmarking of performance and evaluation of impact. Criteria for the division of

grant allocations among provinces and municipalities need to be as transparent as possible and not only modelled upon the equitable share formula, especially for infrastructure-related grants.

- Infrastructure-specific grant schemes must have project proposals, which are designed to meet pre-determined funding criteria that are transparent and understood by all. Performance information should feed through to outer years allocations.

3. Importance of non-financial performance data

- Accounting for delivery should be a prerequisite for most conditional grants. Credible data is severely lacking in relation to the actual performance of conditional grants, even in cases where outputs are in principle tangible and measurable. This renders systematic evaluation of grant performance virtually impossible and undermines accountability for results.
- Provinces and municipalities should be required to report on delivery, as the basis for being awarded grants, especially infrastructure-related grants where structure are visible and can be verified.
- A documented agreement must in place between the department responsible for the grant and the recipient government. The outputs need to be the actual products of the provincial department, such as houses, health facilities and schools built, meals served to school children or the number of people completing a training course in financial management.

4. Achieving results-based accountability through incentive-oriented grants

- Output-based or performance-oriented grants create incentives for good performance and create conditions for improvements in provinces and municipalities where service delivery is a challenge. Through the Extended Public Works Programme Incentive Grant to provinces and municipalities, Government has already started experimenting with these types of grant.
- Conditional grants should be used to create a competitive service delivery environment by making financing available on similar conditions to different spheres of government.
- Output-based grants should link grant finance with service delivery performance (e.g. number of schools built, houses connected with electricity, kilometres of roads built). This type of conditional grant places conditions on the results to be achieved while providing full flexibility in the design of programmes and associated spending levels to achieve those objectives.

5. Rethinking the financing of natural disasters

- New thinking is required on the public financing of disasters, given changing climate conditions and the increasing spate of natural disasters globally and in the country.
- Government should examine the budgetary impact of natural disasters and review the way they are financed.
- Changing climate patterns require that government must re-evaluate institutional responsibilities for plans and financing of disasters including insurance and contingency reserves. Catastrophe insurance markets increasingly offer opportunities for the transfer of catastrophic risks. South Africa must explore such opportunities.

Annexure A1: Conditional Grants to Provinces 2005/06 to 2015/16

Conditional grants to provinces, 2005/06 – 2015/16											
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
R million								Revised estimate	Medium-term estimates		
Agriculture, Forestry and Fisheries	410	401	552	868	974	1,167	1,652	1,925	2,147	2,194	2,294
Agriculture disaster management	120	45	155	137	157	862	–	–	–	–	–
Comprehensive agricultural support programme	250	300	350	614	715	50	1,189	1,393	1,600	1,665	1,742
Ilima/Letsema projects	–	–	–	66	50	200	405	416	438	461	482
Land care programme: Poverty relief and infrastructure development	40	56	47	51	51	55	58	116	109	68	71
Arts and Culture	–	–	163	324	441	513	570	565	598	1,016	1,341
Community library services	–	–	163	324	441	513	570	565	598	1,016	1,341
Basic Education	1,248	1,243	2,017	2,909	2,575	7,107	10,737	10,990	12,343	13,188	16,350
Dinaledi schools	–	–	–	–	–	–	70	100	105	111	116
Education disaster management	–	–	–	22	–	–	–	–	–	–	–
Education infrastructure	–	–	–	–	–	3,206	5,678	5,587	6,631	7,161	10,059
HIV and Aids (life skills education)	136	144	166	165	181	188	199	203	214	221	226
National school nutrition programme	1,112	1,098	1,219	1,927	2,395	3,663	4,579	4,906	5,173	5,462	5,704
Technical secondary schools recapitalisation	–	–	–	–	–	50	211	194	221	233	244
Cooperative Governance and Traditional Affairs	41	–	–	30	–	214	–	180	188	197	204
Provincial disaster	41	–	–	30	–	–	–	180	188	197	204
Provincial Infrastructure disaster relief	–	–	–	–	–	214	–	–	–	–	–
Health	8,907	10,207	11,507	14,091	16,417	20,483	23,877	26,073	27,517	29,610	32,083
Comprehensive HIV and Aids	1,150	1,616	2,006	2,885	4,376	6,052	7,398	8,763	10,534	12,311	13,957
Forensic pathology services	271	562	592	595	502	557	590	–	–	–	–
Africa Cup of Nations 2013: medical services	–	–	–	–	–	–	1,690	15	–	–	–
Health disaster response (cholera)	–	–	–	–	50	–	–	–	–	–	–
Health professions training and development	1,520	1,520	1,596	1,679	1,760	1,865	1,977	2,076	2,190	2,322	2,429
Health Infrastructure grant	–	–	–	–	–	840	–	–	–	–	–
Health facility revitalisation	1,256	1,527	1,991	2,793	3,085	3,771	4,172	6,191	5,124	4,739	4,988
National health insurance	–	–	–	–	–	–	–	150	49	70	74
National tertiary services	4,709	4,981	5,321	6,134	6,614	7,398	8,049	8,878	9,620	10,168	10,636
Nursing colleges and schools	–	–	–	–	–	–	–	–	–	–	–
2010 FIFA World Cup health preparation strategy	–	–	–	–	30	–	–	–	–	–	–
Higher Education and Training	–	470	–	795	3,168	3,804	4,375	4,845	2,443	2,600	2,759
Further education and training colleges	–	470	–	795	3,168	3,804	4,375	4,845	2,443	2,600	2,759
Human Settlements	4,868	6,404	7,650	9,921	12,592	13,033	15,122	15,726	16,984	17,918	19,667
Housing disaster relief	–	–	–	–	150	134	–	–	–	–	–

Annexure A1: Conditional Grants to Provinces 2005/06 to 2015/16

Conditional grants to provinces, 2005/06 – 2015/16											
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
R million								Revised estimate	Medium-term estimates		
Human settlements development	4,868	6,404	7,650	9,921	12,442	12,899	15,122	15,726	16,984	17,918	19,667
Land Affairs	8	8	–	–	–	–	–	–	–	–	–
Land distribution:Alexendra urban renewal project grant	8	8	–	–	–	–	–	–	–	–	–
National Treasury	3,731	4,983	6,664	5,697	9,249	–	1,090	–	–	–	–
Provincial infrastructure grant	3,731	4,983	6,414	5,697	9,249	–	1,090	–	–	–	–
Transitional grant:NW	–	–	250	–	–	–	–	–	–	–	–
Public Works	–	–	837	889	1,401	2,181	2,161	2,429	613	644	667
Devolution of property rate funds	–	–	837	889	1,350	1,865	1,803	1,919	–	–	–
Expanded public works programme integrated grant for provinces	–	–	–	–	51	259	157	293	356	371	382
Social sector expanded public works programme incentive grant for provinces	–	–	–	–	–	57	200	217	258	273	286
Sport and Recreation South Africa	24	119	194	279	402	426	452	470	498	526	550
Mass participation and sport development	24	119	194	279	402	426	452	470	498	526	550
Trade and Industry	–	58	–	–	–	–	–	–	–	–	–
Industrial development zones grant	–	58	–	–	–	–	–	–	–	–	–
Transport	–	3,241	3,029	7,024	6,670	9,013	10,856	12,299	13,249	13,909	14,777
Gautrain rapid rail link	–	3,241	3,029	3,266	2,977	438	5	–	–	–	–
Overload control	–	–	–	9	10	11	–	–	–	–	–
Provincial roads maintenance	–	–	–	–	–	4,700	6,697	7,982	8,696	9,126	9,774
Public transport operations	–	–	–	2,984	3,532	3,863	4,153	4,317	4,553	4,783	5,003
Sani Pass roads	–	–	–	30	34	–	–	–	–	–	–
Transport disaster management	–	–	–	735	117	–	–	–	–	–	–
Total conditional grants	19237	25926	32362	43719		57,941	70,891	75,500	76,580	81,803	90,692

Annexure A2: Shares in Conditional Grants to Provinces 2005/06 to 2015/16

Conditional grants to provinces, 2005/06 – 2015/16

R million	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Medium-term estimates			Shares over the period	
								Revised estimate	2013/14	2014/15	2015/16		
Agriculture, Forestry and Fisheries	410	401	552	868	974	1,167	1,652	1,925	2,147	2,194	2,294	14,584	2%
Agriculture disaster management	29%	11%	28%	16%	16%	74%	0%	0%	0%	0%	0%	2	
Comprehensive agricultural support programme	61%	75%	63%	71%	73%	4%	72%	72%	75%	76%	76%	7	
Ilimal/eisema projects	0%	0%	0%	8%	5%	17%	25%	22%	20%	21%	21%	1	
Land care programme: Poverty relief and infrastructure development	10%	14%	9%	6%	5%	5%	4%	6%	5%	3%	3%	1	
Arts and Culture	-	-	163	324	441	513	570	565	598	1,016	1,341	5,530	1%
Community library services	-	-	100%	100%	100%	100%	100%	100%	100%	100%	100%	9	
Basic Education	1,248	1,243	2,017	2,909	2,575	7,107	10,737	10,990	12,343	13,188	16,350	80,707	13%
Dineledi schools	0%	0%	0%	0%	0%	0%	0%	1%	1%	1%	1%	0	
Education disaster management	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0	
Education infrastructure	0%	0%	0%	0%	0%	45%	53%	51%	54%	54%	62%	3	
HIV and Aids (life skills education)	11%	12%	8%	6%	7%	3%	2%	2%	2%	2%	1%	1	
National school nutrition programme	89%	88%	60%	66%	93%	52%	43%	45%	42%	41%	35%	7	
Technical secondary schools recapitalisation	0%	0%	0%	0%	0%	1%	2%	2%	2%	2%	1%	0	
Cooperative Governance and Traditional Affairs	41	-	-	30	-	214	-	180	188	197	204	1,055	0%
Provincial disaster	1	-	-	1	-	-	-	1	1	1	1	6	
Provincial infrastructure disaster relief	-	-	-	-	-	1	-	-	-	-	-	1	
Health	8,907	10,207	11,507	14,091	16,417	20,483	23,877	26,073	27,517	29,610	32,083	220,772	35%
Comprehensive HIV and Aids	13%	16%	17%	20%	27%	30%	31%	34%	38%	42%	44%	3	
Forensic pathology services	3%	6%	5%	4%	3%	3%	2%	0%	0%	0%	0%	0	
Africa Cup of Nations 2013: medical services	0%	0%	0%	0%	0%	0%	7%	0%	0%	0%	0%	0	
Health disaster response (cholera)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0	
Health professions training and development	17%	15%	14%	12%	11%	9%	8%	8%	8%	8%	8%	1	
Health infrastructure grant	0%	0%	0%	0%	0%	4%	0%	0%	0%	0%	0%	0	

Annexure A2: Shares in Conditional Grants to Provinces 2005/06 to 2015/16

R million	Conditional grants to provinces, 2005/06 – 2015/16										Shares over the period	
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Medium-term estimates			
Health facility revitalisation	14%	15%	17%	20%	19%	18%	17%	24%	19%	16%	16%	2
National health insurance	0%	0%	0%	0%	0%	0%	0%	1%	0%	0%	0%	0
National tertiary services	53%	49%	46%	44%	40%	36%	34%	34%	35%	34%	33%	4
Nursing colleges and schools	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	–
2010 FIFA World Cup health preparation strategy	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0
Higher Education and Training	–	470	–	795	3,168	3,804	4,375	4,845	2,443	2,600	2,759	25,258
Further education and training colleges	–	100%	0%	100%	100%	100%	100%	100%	100%	100%	100%	9
Human Settlements	4,868	6,404	7,650	9,921	12,592	13,033	15,122	15,726	16,984	17,918	19,667	139,885
Housing disaster relief	0%	0%	0%	0%	1%	1%	0%	–	–	–	–	0
Human settlements development	100%	100%	100%	100%	99%	99%	100%	100%	100%	100%	100%	11
Land Affairs	8	8	–	–	–	–	–	–	–	–	–	16
Land distribution:Alexandra urban renewal project grant	1	1	–	–	–	–	–	–	–	–	–	2
National Treasury	3,731	4,983	6,664	5,697	9,249	–	1,090	–	–	–	–	31,414
Provincial infrastructure grant	100%	100%	96%	100%	100%	0%	100%	0%	–	–	–	6
Transitional grant:NW	0%	0%	4%	0%	0%	0%	0%	0%	–	–	–	0
Public Works	–	–	837	889	1,401	2,181	2,161	2,429	613	644	667	11,822
Devolution of property rate funds	–	–	100%	100%	96%	86%	83%	79%	0%	0%	0%	5
Expanded public works programme integrated grant for provinces	–	–	0%	0%	4%	12%	7%	12%	58%	58%	57%	2
Social sector expanded public works programme incentive grant for provinces	–	–	0%	0%	0%	3%	9%	9%	42%	42%	43%	1
Sport and Recreation South Africa	24	119	194	279	402	426	452	470	498	526	550	3,939
Mass participation and sport development	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	11

Annexure A2: Shares in Conditional Grants to Provinces 2005/06 to 2015/16

Conditional grants to provinces, 2005/06 – 2015/16		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Shares over the period
		Revised estimate											
R million													
Trade and industry		-	58	-	-	-	-	-	-	-	-	-	58
Industrial development zones grant		-	100%	-	-	-	-	-	-	-	-	-	1
Transport		-	3,241	3,029	7,024	6,670	9,013	10,856	12,299	13,249	13,909	14,777	94,066
Gautrain rapid rail link		-	100%	100%	46%	45%	5%	0%	0%	0%	0%	0%	3
Overload control		-	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0
Provincial roads maintenance		-	-	-	-	-	52%	62%	65%	66%	66%	66%	4
Public transport operations		-	-	-	42%	53%	43%	38%	35%	34%	34%	34%	3
Sani Pass roads		-	-	-	0%	1%	0%	0%	0%	0%	0%	0%	0
Transport disaster management		-	-	-	10%	2%	0%	0%	0%	0%	0%	0%	0
Total conditional grants		19237	27134	32613	42827	53889	57941	70892	75500	76580	81803	90692	629,108
Indirect transfers													
Basic Education													
School infrastructure backlogs									1,277	1,956	3,170	2,912	
Health									2%	100%	100%	100%	
2014 African Nations Championship health and medical services									-	1,104	2,100	2,120	
National health									-	1%	0%	0%	
Number of grants in provinces		15	18	17	23	26	27	26	25	25	24	24	
Percentage change in the number of grants			20%	-6%	35%	13%	4%	-4%	-4%	0%	-4%	0%	
Percentage change in the amounts of grants allocations			41%	20%	31%	26%	-	22%	6%	1%	7%	11%	

Annexure B: Local Government Conditional Grants Allocations since 2005/06

National transfers to local government, 2005/06 – 2015/16											
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
R million	Outcome							Revised estimate	Medium-term estimates		
Direct transfers											
Infrastructure	–	7,447	15,127	18,562	18,699	20,871	24,643	28,029	31,132	33,698	37,121
Municipal infrastructure grant	5436	5,938	8,754	6,968	8,728	9,704	11,443	13,882	14,352	14,684	15,448
Urban settlement development grant				3,590	4,418	4,968	6,267	7,392	9,077	10,335	10,700
Public transport infrastructure and systems grant	242	518	1,174	2,920	2,421	3,700	4,612	4,988	4,669	5,126	5,279
Integrated national electrification programme grant			462	589	900	1,033	1,097	1,151	1,635	1,565	2,056
National Electrification programme	297	391									
Neighbourhood development partnership grant	0	–	41	182	508	832	738	578	598	591	600
2010 FIFA World Cup stadiums development grant	0	600	4,605	4,295	1,661	302	–	–	–	–	–
Disaster relief	311										
Rural transport grant	0	–	–								
Rural roads asset management systems grant	0	–	–	–	10	10	35	37	52	75	98
Integrated city development grant	0	–	–	9	–	–	–	–	40	150	150
Rural households infrastructure grant	0	–	–	–	–	–	–	–	107	113	118
Municipal drought relief grant	0	–	91	9	54	320	450	–	–	–	–
Municipal water infrastructure grant	0	–						–	603	1,059	2,672
Capacity building and other	–	–	1,517	1,365	2,194	1,951	1,862	2,586	3,324	3,201	3,482
2010 FIFA World Cup host city operating grant	0	–	–	–	508	210	–	–	–	–	–
Financial management grant	0	–	145	180	300	365	385	403	425	449	470
Public transport network operations grant	0	–						–	881	745	862
Municipal systems improvements grant	0	–	200	200	200	212	220	230	240	252	261
2013 African Cup of Nations host city operating grant	0	–						123	–	–	–
2014 African Nations Championship host city operating grant	0	–						–	120	–	–
Expanded public works programme incentive grant for municipalities	0	–	–	–	101	280	364	662	611	632	661
Infrastructure skills development grant	0	–					39	75	99	154	179
Water services operating subsidy grant	0	–	642	985	849	664	542	562	421	450	470
Energy efficiency and demand-side management grant	0	–			175	220	280	200	181	155	202
Municipal disaster grant	0	–			61	–	32	330	347	364	376

Annexure B: Local Government Conditional Grants Allocations since 2005/06

National transfers to local government, 2005/06 – 2015/16											
R million	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	Outcome							Revised estimate	Medium-term estimates		
Restructuring grant	0	–	530	–							
Subtotal direct transfers grants	–	7,447	16,644	19,927	20,893	22,822	26,505	30,615	34,456	36,899	40,603
Indirect transfers											
Infrastructure transfers	783	943	1,484	1,928	2,763	2,620	2,476	4,482	5,399	7,029	8,617
Regional bulk infrastructure grant	–	–	300	450	577	851	1,260	2,523	3,203	4,483	4,872
Backlogs in the electrification of clinics and schools	–	–	45	90	149	–	–	–	–	–	–
Backlogs in water and sanitation at clinics and schools	–	–	105	186	350	–	–	–	–	–	–
Integrated national electrification programme (Eskom) grant	783	893	973	1,148	1,616	1,720	1,165	1,879	2,141	2,488	3,680
Urban settlement development grant	–	–	–	–	–	–	–	–	–	58	65
Neighbourhood development partnership grant	–	50	61	54	70	50	50	80	55	–	–
	–	–	–	–	–	62	78	341	–	–	–
Capacity building and other	–	–	550	379	318	257	217	133	139	7,171	8,768
Energy efficiency and demand-side management grant	–	–	53	50	75	109	119	–	–	142	151
Water services operating subsidy grant	–	–	497	329	243	148	98	133	139	7,029	8,617
Subtotal indirect transfers	783	943	2,034	2,307	3,081	2,877	2,692	4,615	5,538	14,200	17,385
Total of Direct and indirect grants	783	8,390	18,678	22,234	23,974	25,699	29,197	35,230	39,994	51,100	57,987
Number of grants for LG	5	6	17	19	22	20	20	19	22	22	22