

BUDGET STATEMENT NUMBER 1

BUDGET OVERVIEW

The purpose of this statement is to provide a high-level, general overview of the main components of the annual budget. It comprises tables of the main aggregates as well as text explaining the government's strategic objectives that are to be met from budget funding.

1. BUDGET STRATEGY AND AGGREGATES

1.1 Introduction

Structure

This Budget Statement is made up of 6 Sections. This Section provides an overview, Section 2 deals with the budget process and the Medium Term Expenditure outlook, Section 3 with the socio-economic outlook, Section 4 with revenue, Section 5 with expenditure and Section 6 discusses key service delivery measures and indicators. This Section provides an overview of the overall objectives within the context of the Cabinet's goals, and Section 1.2 summarises the budget aggregates.

Overall objectives and cabinet goals

The overall objective of the Western Cape Fiscal Policy Framework is to direct departmental budget allocations and planning towards attaining the objectives formulated by the Provincial Cabinet. All departments within the Western Cape Province should strive to attain the goals set by Cabinet. The strategic framework for policy formulation set by Cabinet in December 2001 entail the following:

- To establish the Western Cape Government as caring and representative, providing quality, equitable and accessible services to all its people.
- To orientate Government towards the poor by ensuring basic services, an indigent policy, a safety net and a caring budget.
- To fight HIV/AIDS and other diseases in a co-ordinated and comprehensive manner which includes the provision of anti-retroviral drugs, lifestyle intervention and sustained action against poverty.
- To deracialise and integrate all state financed institutions in a responsible manner to maintain stability and good order.
- To develop the capacity of local government to ensure the rapid and comprehensive implementation of Integrated Development Programmes (IDP) and free basic services.
- To stimulate economic growth – both in the traditional and emerging sectors – with appropriate infrastructural development, and to the benefit of all through, among others, procurement reform.
- To focus on agriculture and tourism towards rural development so that all inhabitants can live harmoniously and in safety.
- To promote policies which will maintain a healthy balance between protecting the environment and developing the economy.
- To contain and eradicate crime through good intergovernmental co-operation so that the Western Cape can be a safe and secure home, especially for its women and children.
- To nurture our diversity and promote our various cultures, religions and languages to become the source of our unity and strength.

In essence what the budget tries to do within this policy framework is to push people-oriented service delivery.

A lot of hard work lies ahead requiring departments to increasingly refine their service delivery measures/key measurable objectives so as to better measure progress towards attainment of these goals. This should lead to better targeted and more cost-effective service delivery. These efforts must be integrated with similar national strategic objectives, including the National Cabinet's priorities. Where required, budget adjustments will be made to achieve the various desired outcomes.

Pointsofdeparture

In terms of the Public Finance Management Act of 1999, the Provincial Treasury must prepare a provincial budget, exercise control and ensure that its fiscal policies do not prejudice national economic policy. Given the provincial strategic goals, departments were asked to formulate planning documents and develop key measurable objectives (KMO's) that take into account existing planning documents, develop service delivery programmes, set service delivery indicators, identify monitoring and reporting requirements, categorise spending plans with respect to the Cabinet goals, and take cognisance of sectoral provincial policies.

The Public Finance Management Act provides that accounting officers must submit key measurable objectives for each main division within their budget, to focus activities on service delivery. Departments were thus requested to break down their spending plans into key measurable objectives aligned with the Cabinet goals. To assist accounting officers in compiling their KMO's, the Provincial Treasury prepared a generic format for strategic plans. Departments were requested to develop minimum service level indicators, adequate performance measures and indicators, monitoring and reporting mechanisms, benchmarks, and linkages to the desired outcomes.

Despite the progress made, much remains to be done to further develop and improve measurable service delivery objectives and to more effectively link these with the different strategic objectives, sectoral policies and actual requirements to close or lessen service delivery gaps. This new approach has started to transform budgeting and its further evolution should further shift the focus towards transparent service delivery objectives and outputs, sensitive to socio-economic needs and desired outcomes.

Backgroundtothebudget

Although South Africa is an upper-middle income country, poverty is still rampant. Many households, especially in rural areas, still have unsatisfactory access to education, health care, energy and clean water. Many children live in poverty, and they are also less likely to complete their schooling and are more subject to crime and violence. Female unemployment is especially high and female-headed households are more likely to be poor. This poverty and inequality affects not only the country's social and political stability, but also the development path it follows. It is seen as axiomatic that more unequal countries tend not to grow as rapidly as those do with a more equitable distribution. It is against this context that public budgets and institutions – including provinces – have a role to play to draw everyone into the mainstream of economic and social life.

In preparing the budget, choices and trade-offs need to be made between objectives and goals, as available funds never suffice, given the plethora of needs. Provincial resource allocation occurs within the context of what occurs at the national and local government level, and this therefore also has an effect on allocations to departments.

South Africa's approach to overall economic management changed significantly when the new government assumed office in 1994 and embarked upon a concerted effort to achieve macroeconomic stability and to bring fiscal policy into line with this. A commitment to maintain fiscal discipline while effecting a reorganisation of expenditure in line with the objectives of the reconstruction and development programme has been a cornerstone of fiscal policy since 1994.

Since the democratic transition, considerable progress has been made:

- On the economic front, economic growth has improved, inflation has been reduced, and there has been an easing of the balance of payments constraints, whilst the economy has been opened to international competition, which contributed to improved international competitiveness. The Growth, Employment and Redistribution (GEAR) macro-economic strategy provides the context for confronting the related challenges of meeting basic needs in education, health, and welfare that provinces are confronted with. Notwithstanding the considerable economic achievements, job creation, which is crucial for improving the situation of the poor, remains inadequate.
- On the fiscal front, the budget deficit has been substantially reduced, whilst there has also been reform of the tax system and a reprioritisation of public expenditure.
- In administration, the civil service has been integrated and public sector institutions transformed.
- Policy frameworks have been established for social service delivery. Transforming these policy frameworks into real achievements on the ground in the form of effective and equitable services still remains a challenge, particularly for the provinces.

The proposed 2002 Medium-Term Expenditure Framework of the National Government continues the emphasis on investment in maintenance and rehabilitation of infrastructure, enhancing job creation and improving medium to long term economic growth prospects. The MTEF shows that the macroeconomic fundamentals in South Africa have improved, with consequent greater fiscal transfers to the provinces, enabling this Province to resume budgeting for real increases in social expenditure. It is essential, however, that this should not reduce the emphasis on spending fiscal resources well and effectively in order to speed up delivery, also at local government level.

Provincial finances have emerged strongly from the deficit run up in the period prior to 1999. During the period 1994-1996 the Provincial Treasury was preoccupied with the establishment of governmental structures, systems and functions. The period 1997-1999 saw an emphasis on fiscal discipline, restructuring, stability, expansion of basic financial skills, the division between social and non-social votes, and the beginning of budget transformation. Action was taken during 1999-2001 to build up liquidity, reinforce previous gains and to strengthen the links between policy and budgets. The Public Finance Management Act was introduced in 1999 to modernise public financial management. During this whole period (1994-2001) the basis for the Medium Term Expenditure Framework (MTEF) that was introduced in 1999, was established.

In 2000 the Western Cape Revenue and Expenditure Policy Framework 2000/01-2002/03 improved in quality and it culminated in the Western Cape Fiscal Policy 2001-2004, that is to direct departmental budget allocations and planning towards attaining the Western Cape Government Strategic Objectives. The Fiscal Policy also contained a Sequential Priority Framework for allocating available revenue. The 2002-2005 Fiscal Policy took this a step further.

Like all other provinces, the Western Cape is reliant on transfers (equitable share and national grants) from National government. Own revenue sources are fairly limited and consist in the main of motor vehicle licenses, hospital fees and gambling and betting taxes. Growing demands of service delivery forced the Provincial Treasury to institute measures to ensure stability of own revenue sources to maintain fiscal stability. Consequently, by 2000/01 own revenue collected represented 8.8% of total equitable share – considerably more than the national average of between 4% and 5%. A reduction of personnel spending of 9% was achieved between 1998 and 2001; but without reducing the number of employees, there would have been no room for spending in other categories of expenditure, some of which are statutory requirements. The social sectors' budget declined as a portion of the Provincial budget since 1997/98 but is still a projected 79.3% in 2002/03, rising slightly to 80.9% in 2004/05.

There are still considerable difficulties to overcome for the vital third sphere of government to function optimally. Local government is central to participative democracy and the Province is doing what it can to assist local authorities. The relationship between provincial departments and local authorities creates a need not only for financing projects, but also for direction and co-ordination. The Municipal Finance Management Bill of 2001 provides an enabling framework for National Government to monitor municipal budgets and finance, with a still to be finalised role for Provincial Treasuries and provincial local government departments.

Some expenditure priorities

This section very briefly deals focuses on various expenditure categories, pointing to the role, major challenges, budget issues and major objectives in terms of a 2 year time frame for each. As each budget vote receives more attention later, this is only intended as an overview to place the budget in perspective.

Social Welfare

Relative to other provinces, the Western Cape is considered wealthy, yet a high proportion of its population live in poverty, as is shown in Chapter 3. The phasing out of the Child Maintenance Grant had a particularly severe effect on the income of many poor households in the Western Cape. The child support grant will partially compensate for this. The Province has seen a very rapid take-up and 103 537 children received the Child Support Grant in November 2001 – almost double earlier projected estimates. Additionally grant values have seen significant increases to protect the real value of transfers to the poor. The Department of Social Services is expected to continue to face funding pressures and risks due to the rise in the number and level of grants. The Department has set itself the objective of having in place by the end of 2003/04 scientific baseline data upon which to plan, implement and evaluate its service delivery.

Community Safety

Containing and eradicating crime through good intergovernmental co-operation requires a shift away from reacting to crime incidents towards strategies for crime reduction and targeting prolific offenders. An example is the Truancy Reduction Project of the Department of Community Safety to reduce truancy and juvenile offending and increase school attendance in areas worst affected by gang activities. Budget allocations for Community Safety contain strong real growth, as already foreseen in the previous budget, including provision for Improvement in Conditions of Service (ICS). In accordance with the Sequential Priority Framework, additional allocations were made in 2003/04 and 2004/05 to strengthen road traffic law enforcement, plus earmarked amounts for day-to-day maintenance. The Department of Community Safety has set itself the objective of more clearly identifying policing needs and priorities and to institute a greater civilian perspective on policing matters.

Health

There has been a major reorientation of the health sector, with high priority given to maternal, children and women's health. A related aspect emphasised in the Western Cape is the maintenance and upgrading of primary health care facilities and achieving an adequate referral system. The steady increase of visits to primary health care services is likely to continue and will have to be matched by a shift of resources towards preventative and primary care.

Preventative and curative measures required to curtail the spread of HIV/Aids are to be funded both from the national conditional grant and from the provincial contribution. Separate conditional grants have been allocated to the Departments of Health, Education and Social Services. Apart from the National Aids Grant and additional provincial earmarked funds (for financial management improvement and day to day maintenance) as per the Sequential Priority Framework, allocations are largely in line with earlier MTEF projections. The new national framework for the National Tertiary Services and Professional Training Development imply lower contributions from these grants over the next five years for the Western Cape. As allowed for in the Sequential Priority Framework, the Department of Health has been compensated for this reduction, but full compensation beyond 2004/05 is not likely, making further restructuring inevitable.

Some of the Health department's objectives for 2002/03 are:

- To develop a Quality of Care Improvement Plan focused on patient satisfaction, improved clinical quality, caring for the ill, control of HIV/Aids and its impact, control of Tuberculosis, and reshaping health services by developing and implementing a new strategic plan.
- Subject to national and provincial government policy requirements, to move towards a functioning district health system with local government.
- To improve immunisation levels.
- To contribute to a life skills programme functioning under the Department of Education.
- To manage Sexually Transmitted Diseases by syndromic methods in public and private sites and effective prevention of transmission from mother to child.
- To improve geographical access through new or upgraded facilities at Kraaifontein, Bonteheuwel/Langa and Greenpoint. Identified district hospitals will be upgraded to sub-regional hospitals, which provides some specialities on a part-time basis.
- To increase own revenue.

Education

The key to long-term improvement in economic growth and in equity (via improved access to the labour market and greater economic opportunities) is improved education. Some resource needs remain in Western Cape education. Some schools lack basic infrastructure (though seven new schools have been built and 35 were extended in 2000/01). Many township and rural schools are overcrowded, and a significant proportion of staff are not properly qualified. Despite the much better than national results of Western Cape matriculants, there are still severe deficiencies in the performance of many schools that need addressing. Many of these have less to do with the availability than with the efficient use of resources, particularly teachers, given the dominance of personnel spending in education.

MTEF allocations were adjusted to allow for constant real growth for 2002/03 and 2003/04, but due to the high ratio of personnel to other expenditure, non-personnel funding needs could not be fully accommodated for 2004/05.

Objectives in Education include providing suitable accommodation in schools for all children, to reduce drop out and repetition rates through the grades, and to improve matriculation results. The last two objectives require further analysis of trends at school level.

Infrastructure

The reduction in infrastructure backlogs and maintenance of existing physical infrastructure remain important. The Building Audit Programme provides a basis for proper management and prioritisation of the maintenance programme. Coordination between the three spheres of Government is of particular importance. The previously disadvantaged will gain a significant percentage of construction contracts via small, medium and micro enterprises through the Province's newly instituted Preferential Procurement Policy. Some fiscal leeway has made possible a substantial injection of funds into physical infrastructure, spread over the next three years, to ameliorate current backlogs. This will be augmented by national conditional grants for Provincial Infrastructure and Hospital Rehabilitation.

Housing

Although the Department of Planning, Local Government and Housing created 23 505 housing opportunities in 2000/2001, the housing backlog is still estimated to exceed 300 000. However, a significant rise in housing fund allocations should systematically enable reduction of this backlog over the next decade and a half. The Western Cape Provincial Housing Plan serves as strategic document for planning housing provision. In accordance with a new national procurement policy under the housing subsidy programme, municipalities will fulfil the role of housing developers on land selected and approved in terms of the Integrated Development Plan (IDP).

To achieve the objectives of the housing policy, the department is looking at ways of gearing funds, optimally utilising available land close to existing infrastructure, and integrating housing provision with commercial and industrial development in order to have jobs close to places of residence, and to reduce urban sprawl.

Agriculture and Tourism

Agriculture, with 14 000 farmers (1500 from previously disadvantaged communities) and 220 000 farm workers, produces output of close to R9 billion. Earmarked allocation from revenue was made for Agriculture in accordance with the Sequential Priority Framework in an effort to enhance commercial agriculture's global competitive position. Another objective is the promotion of food security at household level through the implementation of various projects.

Approximately 770 000 foreign tourists, 51,0% of all tourists visiting South Africa, visited the Western Cape during 2000. Tourism contributes approximately 9% to gross geographic product and creates sustainable employment for a similar proportion of the employed. Students from previously marginalized communities benefit from tourism training at the Cape Technicon, whilst the Joint Marketing Initiative between the Province and the Unicity aims to align the marketing efforts of the various tourism organisations, investment agencies and marketing entities such as those serving the events and film sector. A major contribution will also be made from Province's coffers for the completion of the Convention Centre being built in Cape Town.

The objective for tourism is to attract significantly more foreign and domestic tourists and that the Western Cape Investment and Trade Promotion Agency (Wesgro) will become a world-class institution. The province will link up with key regional and national agencies for focused tourism promotion, export and investment-seeking missions abroad.

In conclusion

Although poverty, HIV/AIDS and unemployment affect the whole country, the Western Cape is fortunate in having lower levels of poverty, a better health situation, higher education standards and consequently greater overall prosperity than other Provinces. However, to continue making progress requires inter alia that its needs in terms of education, health, welfare and infrastructure should be addressed. Given limited budgets, the budgetary process remains crucial in ensuring the appropriate allocation of resources, but also that resources are efficiently utilised. Efficient and equitable service delivery thus remains the overall objective.

The provision for ring-fenced financial management improvement (quality of spending) at departments, where already in force has been kept, augmenting the current provision at Health.

Special needs submitted in September 2001, were considered but not taken into account as the available funding level, apart from consolidation of social and infrastructure spending does not allow much room to manoeuvre. However, concerted efforts were taken to ensure that all departments allocations were either kept constant or allowed growth in real terms in line with policy considerations.

This budget is pro-growth (anti - poverty), disparity and vulnerability reducing, in line with both National and Provincial government's objectives, as was the intended outcome of the latest fiscal policy. In more expressed terms, long-term growth and lessening of inequality will come through the maintenance of the provision of education in real terms, allowing sufficient scope for enhanced efficiency over the medium term.

1.2 Summary budget aggregates

Table 1.1 compares the total national transfers for 2002/03 to 2004/05 for the Province. As depicted in Table 1.1 Summary of Provincial Revenue, there will be a 10.6% growth in the Equitable share to the Province for 2002/03 in comparison with the 2001/02 estimated Actual Expenditure, while national conditional grants declined by 4% for the same period.

Limited provision has been made by the Provincial Treasury for contingent liabilities which include just over R50million in real terms over the 2002-2005 MTEF for unforeseeable and unavoidable events; and to a maximum of close to R53 million in real terms for all other contingencies, bringing the gross provision to just under 1% of the gross budget. This is a similar approach to that of the National Treasury, spreading such risks between Treasury and the Department concerned.

Details on own provincial revenue will be discussed under section 4.3.

Provincial Department	1999/2000 Actual R'000	2000/01 Actual R'000	2001/02 Est. Actual R'000	2002/03 Voted R'000	% Change Voted to Actual	2003/04 MTEF R'000	2004/05 MTEF R'000
National Transfers	10 195 503	11 143 616	11 912 724	12 880 209	8.12	13 524 922	14 374 449
Equitable share	8 499 193	9 235 141	9 869 840	10 918 905	10.63	11 452 677	12 221 319
Conditional grants	1 696 310	1 908 475	2 042 884	1 961 304	(3.99)	2 072 245	2 153 130
Own Revenue	733 329	764 733	692 010	797 952	15.31	843 068	835 643
Total revenue	10 928 832	11 908 349	12 604 734	13 678 161	8.52	14 367 990	15 210 092
Current outlays	7 494 595	7 868 888	8 584 844	9 226 492	7.47	9 729 468	10 213 319
Capital outlays	219 622	551 778	815 606	840 000	2.99	802 930	817 181
Transfer payments	2 682 365	3 092 590	3 394 105	3 727 076	9.81	3 956 098	4 219 014
Total expenditure	10 396 581	11 513 256	12 794 555	13 793 568	7.81	14 488 496	15 249 514
Smoothing				81 286		(61 681)	(19 605)
Contingent liabilities				52 750		55 335	58 267
Unforeseen and unavoidable contingencies				50 100		52 499	54 821
Total amount available	10 396 581	11 513 256	12 794 555	13 977 704	9.25	14 534 649	15 342 997
Lending							
Surplus (Deficit)	532 251 ^a	395 093 ^b	(189 821)	(299 543) ^c	58	(166 659) ^c	(132 905) ^c

^a Includes debt redemption (R296,821 million) and a surplus (R235,429 million).

^b Includes roll-over to 2001/02.

^c Financing from accumulated reserves

1.3 Financing

An amount of R599,107 million has been included as cash financing from accumulated reserves from previous financial years to finance infrastructure expenditure over the 2002/03-2004/05 period. As indicated in the footnotes to Table 1.1, the surplus mainly originated from 2000/01 and previous financial years.

It was necessary to smooth the Province's current and capital outlays with total revenue received over the 2002/03-2004/05 MTEF period to ensure that expenditure is kept relatively constant in real terms for all departments.

The 15/50/70 Project has been established with its main goal to clear old/non-recurrent balances in the books of departments inclusive of those that may form a liability against the Provincial Revenue Fund. The intention is to finalise this during 2002/03 financial year.

1.4 Extra-Budgetary Institution

Tables 1.4.1 to 1.4.7 provide an indication of the amounts transferred by each department to extra-budgetary institutions within the Province.

Extra-budgetary institutions according to the National Treasury's Guideline on Provincial Budget Formats for 2002/03 are "agencies that are controlled by the government and that receive a significant proportion of their funding from it". Examples are Public Entities as listed in schedule 3 of the Public Finance Management Act, 1999 (Act 1 of 1999), Sectoral Education and Training Authorities (SETA's) and transfers to Universities. Listed here-under are lists of extra-budgetary institutions per department.

1.4.1 Premier, Director-General and Corporate Services

Name	Purpose	2002/03 R'000
Provincial Development Council (PDC)	The PDC's work programme consisted largely of activities concerning the Provincial Strategic Plan, the economic development and growth policy framework and social dialogue and public participation in local areas	1 692
LANOK Pty Ltd	Assist Provincial Government with rural development and subsequent poverty relief	4 500
Public Sectoral Education and Training Authority	Contributions for administrative costs of SETA	97
TOTAL		6 289

1.4.2 Provincial Parliament

Name	Purpose	2002/03 R'000
Public Sectoral Education and Training Authority	Training and education of employee	15
TOTAL		15

1.4.3 Department of Finance

Name	Purpose	2002/03 R'000
Western Cape Gambling and Racing Board	Financial assistance to the Western Cape Gambling and Racing Board to regulate gambling in the Province	7 000
Western Cape Provincial Tender Board	Remuneration of members	330
Public Sectoral Education and Training Authority	Training and education of the department's employees	276
TOTAL		7 606

1.4.4 Department of Education

Name	Purpose	2002/03 R'000
Public ordinary schools	Subsidy	118 303
Independent schools	Subsidy	23 850
Schools for learners with special educational needs	Subsidy	61 480
Further education and training colleges	Subsidy	29 245
Adult basic education training centres	Subsidy	4 494
Early childhood development centres	Subsidy	13 032
Education Training and Development Practice Sectoral Education and Training Authority	Training	3 057
TOTAL		253 461

1.4.5 Department of Health

Name	Purpose	2002/03 R'000
Health and Welfare Sectoral Education and Training Authority	Training and education of the department's employees	1 440
TOTAL		1 440

1.4.6 Department of Environmental and Cultural Affairs and Sport

Name	Purpose	2002/03 R'000
Public Service Sectoral Education and Training Authority	Training and education of employees	30
Western Cape Nature Conservation Board	To promote and ensure nature conservation and related matters in the Province	52 476
Western Cape Cultural Commission	To register cultural councils and provide assistance to arts and culture organisations to preserve, promote and develop culture in the Western Cape	5 564
Western Cape Language Committee	To ensure that the three official languages enjoy equal status and to promote the previously marginalised groups	602
Environmental Commissioner	To ensure sustainable development and realisation of environmental rights	1 615
Museums	Grants in aid, financial assistance and subsidies	1 000
TOTAL		61 287

1.4.7 Department of Economic Development, Tourism and Agriculture

Name	Purpose	2002/03 R'000
Western Cape Investment Trade and Promotion Agency	Promotion of foreign and domestic investment and trade	3 500
Western Cape Tourism Board	Tourism marketing	6 340
Convenco	Honour Convenco Act Obligations	400
	Construction of Convention Centre	85 000
Agriculture Research Council	Deciduous Fruit Research	5 675
TOTAL		100 915

2. BUDGET PROCESS AND THE MEDIUM-TERM EXPENDITURE FRAMEWORK

The budget process is integrated with the National process.

During June 2001 the Provincial Treasury initiated a workshop between members of the Provincial Parliament and the Provincial Top Management on parliamentary involvement in the budget process.

July 2001 saw workshops with the Provincial Treasury, the Chief Directorate Intergovernmental Relations and Provincial Planning and all the provincial departments to get the strategic departmental planning on the road and the development of Key Measurable Objectives.

During September/October 2001 advertisements were placed in local newspapers and comments were invited per letter from the Speaker of the Western Cape Provincial Parliament, selected role-players in the business sector, organised labour and metropolitan and local government to invite comments on Western Cape Fiscal Policy (WCFP) 2001-2004 with a view to improve the WCFP 2002-2005. In addition specific information and inputs were requested from departments, which were further followed up by critical sessions with them in order to obtain a comprehensive picture of individual and aggregated departmental direction, special needs and contingent liabilities. All inputs and comments received were assessed and the key issues considered for inclusion in this document.

The Provincial Cabinet approved the WCFP 2002-2005 on 7 December 2001. A new set of strategic goals were formulated by Cabinet early December 2001 that will form the basis of future strategic and fiscal planning. The ten goals are listed under paragraph 1.1 (Introduction) under the heading "Overall objectives and Cabinet goals".

The first round of budget allocations were approved by Provincial Cabinet in December 2001 and subsequently the Budget Statements were submitted to National Treasury and subjected to a benchmarking exercise.

Due to changes in the macro economical environment further allocations from National Treasury were received. The second round of budget allocations were approved by Cabinet in February 2002.

The tabling date for the Provincial Budget and the departmental strategic plans was 1 March 2002.

The Provincial Parliament and its Standing Committees will deal with the various votes during March 2002 with the Premier to sign the bill prior to the advent of the new financial year on 1 April 2002.

3. SOCIO-ECONOMIC PROFILE OF THE WESTERN CAPE

3.1 Demographic profile

Given the paucity of provincial level data, this analysis is based on a compilation of statistics from many sources which in some cases may appear dated. However, socio-economic conditions are relatively slow to change and past patterns often have a long influence.

The estimated population breakdown is given in Table 1. The Western Cape has a very high degree of functional urbanisation (89%). Influx of migrants from other provinces augments much lower natural population growth, especially to the Cape Metropolitan Area.

	Number	% of Western Cape
Western Cape 1996	3 975 000	100.0
Western Cape as a percentage of SA	9.7	
Cape Metropolitan Area 1999	2 810 500	66.8
Coloured/Asian 1999	2 322 540	55.2
Black 1999	879 368	20.9
White 1999	875 160	20.8
Unspecified 1999	130 432	3.1
Total Western Cape 1999	4 207 500	100.0
Number of Households	1 050 250	

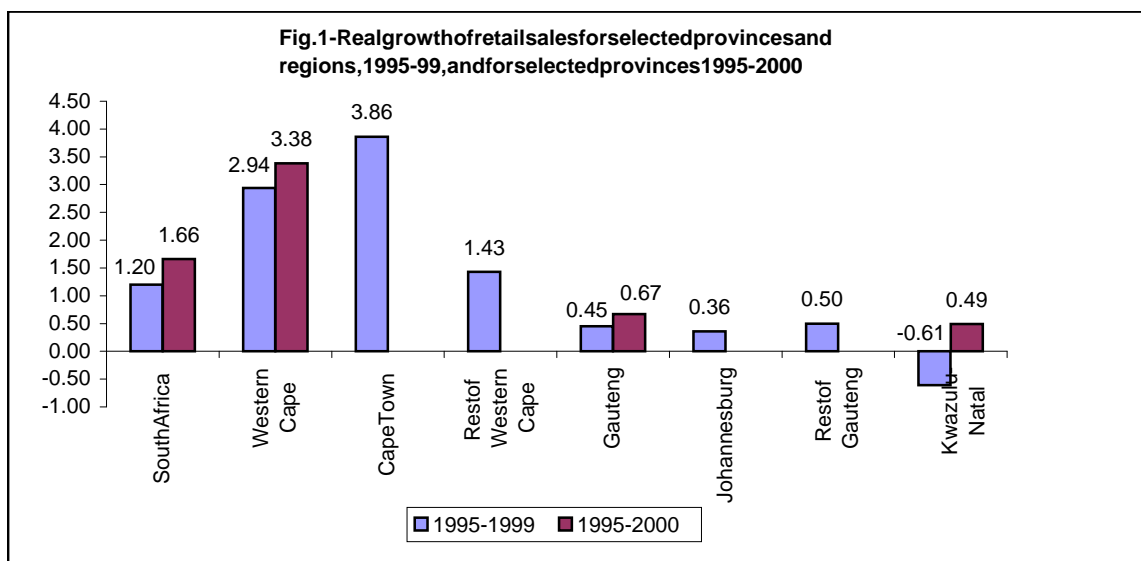
Source: Wesgro (1999) and 1996 final Census results

3.2 Economic conditions

3.2.1 Economic growth and sectoral composition of production

As gross geographic product by province was last determined for 1994, the formula for sharing of fiscal revenue between spheres of government rather uses remuneration data. The Western Cape generates 14.4% of national remuneration, behind Gauteng and Kwazulu-Natal, but in per capita terms it surpasses the latter. Bureau for Economic Research show that retail sales in the Western Cape economy has outgrown the rest of South Africa (Figure 1) and its 19.6% share in the national total (up from 18.0% in 1995) considerably exceeds that of Kwazulu-Natal. The province benefited from South Africa's improved international status, which stimulated agricultural exports, enhanced the attractiveness of industrial location near the ports, and encouraged tourism. An attractive living and business environment attracted firms needing skilled labour and professional support services.

The Western Cape has a broad range of key sectors encompassing agriculture (contributing about 6% to estimated gross geographic product), manufacturing (24%), tourism (9%), financial, commercial and other services. Although agriculture's relative contribution has been declining, it remains a critical contributor to output, employment and particularly exports (it contributes 60% of export earnings). Manufacturing, the largest sector, is also a large employer, particularly the clothing/textile and food processing/beverage industries, which contain 50% of manufacturing employment.



3.2.2 Labourmarket

Although high, the Western Cape 13.7% unemployment rate is nevertheless considerably below the national average of 23.3%. Unemployment rates for groups most susceptible to unemployment – blacks, females and rural inhabitants – are considerably lower than elsewhere in South Africa. The unemployed (248 000 in 1999, according to the narrow definition of unemployment) are almost all located in urban areas and are numerically dominated by coloured males (70 000), coloured females (63 000), black females(53000)andblackmales(47000).

Race	Males		Females		Total	
	Western Cape %	SA %	Western Cape %	SA %	Western Cape %	SA %
Black	20.1	24.5	31.7	35.0	24.9	29.2
Coloured	13.1	13.4	14.1	17.5	13.5	15.3
Indian		14.6		16.8		15.5
White	4.2	4.4	2.2	5.0	3.2	4.7
Total	12.7	19.8	14.9	27.8	13.7	23.3
Urban	14.1	18.4	16.0	25.7	14.9	21.7
Rural	3.2	22.7	6.5	32.2	4.6	27.0

Source: StatisticsSouthAfrica, OctoberHouseholdSurvey1999

3.3 Socialconditions

3.3.1 Incomeinequalityandpoverty

The Western Cape incomes are substantially higher than the national average and many conditions associated with poverty are less severe than elsewhere in South Africa (Table 3). Social services and amenities are more widely available, labour force participation is higher, unemployment lower, the labour force is better educated, and inequality is lower but nevertheless high (the Gini coefficient of 0.58 is better thanthenationalaverageof0.65).Butpovertyandassociatedproblemsarestillwidelyprevalent.

Indicators	WesternCape %	SouthAfrica %
Demography:		
Urbanisationlevel1996	88.9	53.7
Meanhouseholdsize	4.0	4.5
Dependencyratio(peopleinotherage groupsdividedbypeoplein economicallyactiveagegroup15-64), 1996	1.2	1.9
Economicconditionsand employment:		
Percapitapersonalincomeindex1996	R17 880	R11 421
Meanmonthlyhouseholdexpenditure, 1996	R3 816	R2 769
Povertyheadcounratio, 1996 (households)(cf.Table4)	12.0	28.0
Labourforceparticipationrate, 1999: Total(age15+)	66.4	51.5
Labourforceparticipationrate, 1999: Male	74.9	59.4
Labourforceparticipationrate, 1999: Female	58.3	44.2
Unemployment(narrow)1999	13.7	23.3

Table3 Selected socio-economic indicators, Western Cape and South Africa		
Indicators	Western Cape %	South Africa %
Education and skills:		
Adult (20+) literacy rate 1996 (at least 4 years school)	90.3	66.9
Mean years of schooling of 20 year olds, 1996	9.7	9.1
Not attending school, 7-15 year olds, 1996	5.5	11.1
Labour force without any secondary education, 1996	40.4	48.5
Labour force matriculated, 1996	31.6	27.3
Health conditions:		
Life expectancy at birth 1996: Males (years)	55.8	52.1
Life expectancy at birth 1996: Females (years)	65.7	61.6
Infant mortality rate (per 1000 infants aged less than 1), 1998	8.4	45.4
Child mortality (per 1000 children aged 1-4), 1998	4.8	14.7
Children fully vaccinated, 1998 (BCG, 3 doses DPT, polio)	64.2	63.4
Children under 5 with diarrhoea in past two weeks, 1998	9.9	13.2
Total fertility rate (children born per women given prevailing age-specific fertility), 1998	2.3	2.9
Smoking among adult males, 1998	49.0	42.0
Smoking among adult females, 1998	29.0	11.0
Social amenities:		
Households with telephone, 1996	54.0	26.0
Households with running water, 1996	77.0	40.0
Households with flush toilet, 1996	87.0	45.0
Position of women:		
Women abused by partner in last year, 1998	8.0	6.3
Women ever abused by partner, 1998	16.9	12.5
Adult (15-49) women ever raped, 1998	6.6	4.0
Teenage mothers: Women 15-19 who are mothers or have been pregnant, 1998	13.7	13.2

Sources: Data mainly taken from Statistics South Africa, October Household Survey 1999; Census 1996; and Demographic and Health Survey 1998

Only 5.7% of Western Cape inhabitants were in severe poverty against the national rate of 24.7%, and 19.1% were in poverty, compared to 42.3% for all of South Africa. Table 4 shows these poverty estimates and those of Alderman and associates that 12% of Western Cape households fell into poverty in 1996 (based on a poverty line of R800 household expenditure per month), compared to 28% for South Africa. Estimated mean monthly household expenditure of R3 816 for the Western Cape was 38% higher than for South Africa as a whole. (In per capita terms the Western Cape was 57% richer than South Africa as a whole.)

DistrictCouncilArea	Relativelypoor households(income below R12000peryear) %	Relativelyaffluent households(income above R54000peryear) %	Relativelypoor households (expenditurebelow R800permonth) %	Mean household incomeper month R
BreedeRiver	37.7	14.0	21	2 957
KleinKaroo	42.4	12.3	20	3 132
CapeMetropolitanArea	24.3	27.1	9	4 075
Overberg	32.7	15.4	18	3 258
CentralKaroo	49.9	10.4	21	2 743
SouthernCape	31.6	17.3	14	3 650
WestCoast	31.6	16.6	18	3 276
Winelands	25.8	22.6	15	3 546
TotalWesternCape	27.3	23.6	12	3 816

Source: Based on Census 1996, and expenditure figures on Alderman et al. 2000. Note that household size was not taken into consideration and that census income is usually not regarded as a very accurate reflection of actual income, forthatreasonthelasttwocolumns,basedonAldermanetal.,maybemoreaccurate.

Coloureds make up the vast majority (71%) of the poor compared with the 28% share of blacks, but blacks account for almost half of those in extreme poverty . As elsewhere, females and children bear the brunt of poverty.

Inequality within race groups is not all that large within the province, as reflected in Gini coefficients of between 0.42 and 0.45 for most groups. Inequalities within regions are large. The Overberg and Southern Cape regions both have Gini coefficients of more than 0.60, and even in the Cape Metropolitan Area the Gini coefficient still exceeds 0.50. Table 5 shows that poverty is most endemic in the Central and Klein Karoo, while affluence is concentrated in the Cape Metropolitan Area and the Winelands.

Province	Severepovertyratios (%ofindividuals),1995	Povertyratios(%of individuals),1995	Povertyratios(%of households),1996
	Povertyline=R2200 peradultequivalent peryear	Povertyline=R3509 peradultequivalent peryear	Povertyline=R800per householdpermonth
WesternCape	5.7	19.1	12.0
Gauteng	4.9	12.7	12.0
KwaZulu-Natal	22.1	42.4	26.0
NorthernCape	26.1	46.0	35.0
Mpumalanga	28.0	49.2	25.0
NorthernProvince	31.7	50.8	38.0
North-West	34.0	54.3	37.0
FreeState	38.0	57.5	48.0
EasternCape	42.2	64.1	48.0
SouthAfrica	24.7	42.3	42.3

Source: Woolard and Leibbrandt 1999:21, Table 12; Alderman et al. 2000.

Regionalinqualitiesareconsiderable,with12.1%ofindividualsintheKarooexperiencingseverepovertycomparedto theprovincialaverageof4.4%,accordingtoNieuwoudt&Oosthuizen.Despitelowerpovertyrates,themorepopulous Winelands,SouthernCapeandCapeMetropolitanAreahousemostofthepoor.

3.3.2 Life expectancy, mortality and health

The Western Cape's life expectancy of 61 years is the highest in South Africa and the infant mortality rate of 8.4 per 1000 live births the lowest in the country (Table 3). Child mortality at 4.8 per 1000 in the age group 1-4 is less than one-third the national average. Higher than average vaccination levels and lower than national incidence of diarrhoea are indicative of a better (though still far from satisfactory) health status in the Western Cape. AIDS thus far, has had a lesser impact in the Western Cape than in other provinces.

The province has good medical facilities. Declines in total fertility (the number of children born to a woman in her lifetime) have proceeded further in the Western Cape to 2.3, just above replacement level, compared to South Africa's average of 2.9, but teenage pregnancies are still alarmingly high and smoking prevalence is above the national average, particularly amongst women.

3.3.3 Education

In 1996, almost 96% of children aged 6-15 were enrolled in education. The 90% adult literacy rate (those above 19 years who had completed four years education) was well above the national average of 67%. Although the matriculation pass rate and the proportion passes with university exemptions are far above the national, more than 40% of the labour force have had no secondary education.

3.3.4 Security and crime

The province faces severe security challenges, including gang related crime and violence, violence in the transport sectors, religious fanaticism, attacks on farming communities, rampant serious violent crime, and drug trafficking. The incidence of rape is considerably above the national average (with 6.6% of women aged 15 to 49 having been raped).

3.3.5 Gender Inequalities

Most gender inequalities in the Western Cape are relatively small: The proportion of individuals in female-headed households, at 26% in 1996, was far smaller than the national average of 39%; female-headed households were not much worse off in terms of service provision (water, electricity, sanitation and even telephones) than other households, in stark contrast to the national situation; there were hardly any discernible differences in educational levels of adult males and females. Although large gender differences exist in the labour market (male unemployment at 12.7% was well below the 14.9% of women), this differential was much smaller than for the country as a whole. There was also greater labour force participation amongst women in the province.

However, women are more prone to abuse and rape than in more rural provinces (see Table 3). Almost 17% of adult women have at some time been abused by a partner, and 8% in the year preceding the 1998 Demographic and Health Survey. Altogether 6.6% of Western Cape adult women have been rape victims at some stage, compared to 4.0% nationally.

3.4 Conclusion

The Western Cape is one of South Africa's more developed provinces, and its economy in recent years considerably outpaced the rest of the country. Nevertheless, the province still faces problems of poverty and inequality fundamentally similar to the rest of the country. As at the national level, employment is the single most crucial requirement for reducing poverty and inequality, and here education is central. Furthermore, if jobs were created in the Western Cape but not elsewhere in South Africa, the positive effect on Western Cape poverty and distribution would probably be undone by immigration of unemployed people. National growth therefore remains imperative.

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Woolard, Ingrid and Leibbrandt, Murray. 1999. Measuring poverty in South Africa. DPRU Working Paper 99/33. Cape Town: Development Policy Research Unit, University of Cape Town: 21, Table 12. Severe poverty is here taken to be expenditure below R2200 per annum per adult equivalent, and poverty below a less restrictive R3509.

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Using an alternative estimate, household poverty levels fluctuate between 21% in the Central Karoo and Breede River District council areas and 20% in the Klein Karoo District Council Area, to only 9% in the Cape Metropolitan Area. (Alderman, Harold; Babita, Miriam; Lanjouw, Peter; Makhatha, Nthabiseng; Mohamed, Amina; Özler, Berg & Gaba, Olivia. Combining census and survey data to construct a poverty map of South Africa. Ch. 2 in Statistics South Africa. Measuring poverty in South Africa. Pretoria: Statistics South Africa: 5-52)

4. REVENUE

4.1 Overallposition

Revenuesource	1999/2000	2000/01	2001/02	2002/03	%Change	2003/04	2004/05
	Actual	Actual	Est.Actual	Voted	Votedto Actual	MTEF	MTEF
	R'000	R'000	R'000	R'000		R'000	R'000
Nationalpayments							
Equitablesharepayments	8 499 193	9 235 141	9 869 840	10 918 905	10.63	11 452 677	12 221 319
Conditionalgrants	1 696 310	1 908 475	2 042 884	1 961 304	(3.99)	2 072 245	2 153 130
TotalNationalpayments	10 195 503	11 143 616	11 912 724	12 880 209	8.12	13 524 922	14 374 449
Provincialownrevenue							
Currentrevenue	723 714	760 335	667 917	797 917	19.46	843 030	835 602
Taxrevenue	324 559	391 244	533 054	588 937	10.48	661 836	661 824
Casino		21 654	85 667	84 000	(1.95)	84 000	84 000
Motorvehiclelicences	294 786	339 167	422 649	486 049	15.00	558 960	558 960
Horseracing	29 773	27 733	21 038	15 500	(26.32)	15 500	15 500
Liquorlicences		2 690	3 700	3 388	(8.43)	3 376	3 364
Non-Taxrevenue	399 155	369 091	134 863	208 980	54.96	181 194	173 778
Interest	88 163	150 324	5 365	69 776	1 200.58	35 892	22 966
Healthpatientfees	61 677	70 455	67 954	70 721	4.07	74 726	78 900
Reimbursements							
Othersales	2 220	2 644	2 921	2 425	(16.98)	2 726	2 732
Otherrevenue	247 095	145 668	58 623	66 058	12.68	67 850	69 180
Capitalrevenue	9 615	4 398	24 093	35	(99.85)	38	41
Saleoflandandbuildings	9 520	4 323	24 041		(100.00)		
Saleofstock,livestocketc.	95	75	52	35	(32.69)	38	41
Othercapitalrevenue							
TotalProvinciallysourced revenue	733 329	764 733	692 010	797 952	15.31	843 068	835 643
TotalProvincialrevenue	10 928 832	11 908 349	12 604 734	13 678 161	8.52	14 367 990	15 210 092

Description/Item	2001/02	2002/03	2003/04	2004/05
	Est.Actual	Voted	MTEF	MTEF
	R'000	R'000	R'000	R'000
<ul style="list-style-type: none"> • ProvincialLegislature • Provincialpublicentity • DonorfundspaidtotheReconstructionandDevelopment ProgrammeFund • Tradingentity • Trust • Fundsreceivedfromanotherdepartmenttorenderanagencyservice • ExemptedintermsoftheDivisionofRevenueAct • MoneyofkinddescribedinSchedule4ofthePublicFinance ManagementAct,1999(Act1of1999) 	93 236	95 997	98 721	102 795
	438 425 ^a	462 735	488 185	515 036
Total	531 661	558 732	586 906	617 831

^a Schoolfeescollectedbypublicordinaryschools.

4.2 Conditional Grants

Table 1.3 Conditional Grants						
Source	1999/2000			2000/01		
	Budget	Actual transfer	Actual exp.	Budget	Actual transfer	Actual exp.
	R'000	R'000	R'000	R'000	R'000	R'000
Vote 3: Finance						
Financial and personnel management systems support	3 400	4 230	1 074		8 666	2 295
Contingency transfer: Debt relief	139 400	139 400	139 400			
Financial management: Internal Audit	830					
Supplementary allocation	234 049	234 049	234 049	205 502	205 502	205 502
Other	234 049	234 049	234 049	205 502	205 502	205 502
Housing: Capacity building						
Economic: National Land						
Transport Transition Act						
Health: Health Management						
Finance: Implementation of Public Finance Management Act						
Vote 5: Education						
Financial management and quality enhancement	15 168	15 168	15 168	15 168	15 168	11 369
Early childhood development						
HIV/AIDS					2 297	823
Vote 6: Health						
Central hospital	954 499	954 499	954 499	961 949	961 949	961 949
Professional training development	278 382	278 382	278 382	292 326	292 326	292 326
Integrated nutrition programme	27 418	33 734	27 511	28 789	28 789	26 808
HIV/AIDS					2 190	1 189
Vote 7: Social Services						
Financial management and improvement of social security system	3 405	3 405	3 405	2 555	4 583	3 083
Child support grant	2 000	2 000	2 000	2 000	2 000	2 096
Victim empowerment	430	430	286			144
Criminal justice system	1 500	1 888				400
HIV/AIDS						
Vote 8: Planning, Local Government and Housing						
Housing Fund			351 375	341 466	341 466	363 237
Capacity building	1 120	1 120	670		510	1 130
Land development objectives	1 757			4 265		
Local government support	13 550	13 550	5 266		5 420	6 583
Hostel upgrading	3 750	3 750				3 000
Human Settlement	9 000			9 000	9 000	5 203
Vote 10: Transport and Public Works						
Provincial Infrastructure						
Hospital rehabilitation	19 138	10 705	10 705	26 000	28 294	24 552
Vote 11: Economic Development, Tourism and Agriculture						
Poverty relief and Infrastructure Development					315	105
Contingency grant						
Total Conditional grants	1 708 796	1 696 310	2 023 790	1 889 020	1 908 475	1 911 794

Table1.3 (continued)		ConditionalGrants (continued)					
Source	2001/02			ConditionalGrants:MTEF-period			
	Budget	Actual transfer	Actual exp.	2002/03 Voted	%Change Voted to Actual	2003/04 MTEF	2004/05 MTEF
	R'000	R'000	R'000	R'000		R'000	R'000
Vote3:Finance							
Financialandpersonnel managementsystems support							
Supplementary allocation	207 647	207 647	207 647		(100.00)		
Other	184 547	184 547	184 547		(100.00)		
Housing: Capacitybuilding	1 100	1 100	1 100		(100.00)		
Economic: NationalLand TransportTransitionAct	1 000	1 000	1 000		(100.00)		
Health: HealthManagement	16 000	16 000	16 000		(100.00)		
Finance:Implementationof PublicFinanceManagement Act	5 000	5 000	5 000		(100.00)		
ProvincialInfrastructure:Flood Damage ^a		18 000					
Vote5:Education							
Financialmanagementand qualityenhancement	16 827	17 827	17 827	17 721	(0.59)	18 519	19 630
Earlychildhooddevelopment	1 659	1 659	1 659	4 108	147.62	6 952	
HIV/Aids	5 017	5 017	5 017	11 218	123.60	9 275	9 869
Vote6:Health							
Nationaltertiaryservices ^b	1 011 436	1 011 436	1 011 436	1 030 510	1.89	1 049 252	1 072 703
Professionaltrainingand development ^c	308 776	308 776	308 776	308 164	(0.20)	306 666	305 974
Integratednutritionprogramme	28 789	28 789	28 789	28 789		28 789	30 516
HIV/Aids	3 500	4 328	4 328	8 760		14 642	21 322
HospitalManagementImprovement				19 000		17 000	18 020
Vote7:SocialServices							
Financialmanagementand improvementofsocial system	642	642	642	1 200	86.92		
Childsupportgrant							
Victimempowerment							
Criminaljusticesystem							
HIV/Aids	1 000	1 000	1 000	2 046	104.60	2 826	3 000
Disasterreliefgrant		2 500	2 500		(100.00)		
Vote8:Planning,Local GovernmentandHousing							
HousingFund	321 564	325 861	325 861	372 778	14.40	412 480	433 357
Landdevelopmentobjectives		17 500	17 500		(100.00)		
Localgovernmentsupport				16 500		15 100	13 350
Hostelupgrading							
HumanSettlement	12 500	12 500	12 500	13 000	4.00	13 500	14 310
Vote10:Transportand PublicWorks							
ProvincialInfrastructure	49 524	49 524	49 524	86 589		129 685	160 063
Hospitalrehabilitation	29 000	29 000	29 000	30 000	3.45	31 350	33 231
Vote11:Economic Development,Tourismand Agriculture							
ProvincialInfrastructure							
PovertyreliefandInfrastructure development		878	878	1 300		1 800	
ProvincialInfrastructure				9 621		14 409	17 785
Contingencygrant							
TotalConditionalgrants	1 997 881	2 042 884	2 024 884	1 961 304	(3.14)	2 072 245	2 153 130

^a Re-imbursment of expenditure incurred by Vote 10: Economic Development, Tourism and Agriculture for reconstruction of roads(infrastructure)in2000/01.This amount is included incash financing in Table1.1.

^b CentralHospitalgrantuntil2001/02.

^c Professionaltrainingresearchuntil2001/02.

4.3 Details of provincial own revenue

The contribution of own revenue as part of total provincial revenue is estimated to increase from 5.5% for 2001/02 to 5.8% for 2002/03. This growth is attributable to an increase in own revenue of 15.3% from 2001/02 to 2002/03 which is considerably higher than the increase of 9.5% in national payments to be received by the Province. Estimated revenue for 2003/04 is projected to increase by 5.7% mainly due to a 15% increase in motor vehicle licence fees. The total own revenue estimated for 2004/05 shows a marginal decrease (0.9%), mainly due to the systematic lowering in the liquidity of the Provincial Revenue Fund.

Major revenue sources

Casino taxes

Although casino gambling is a fairly new revenue source in the Province, some early trends are evident. Since the first legal casino opened in October 2000, casino taxes to March 2001 amounted to R21,65 million, which exceeded expectations. However, since the beginning of the 2001/02 financial year, the growth rate of casino taxes progressively declined, mainly as a result of alternative forms of gambling e.g. the national lottery and the general decline in the novelty of casino gambling. Consequently, it is anticipated that an estimated R85,67 million will be collected for 2001/02. Consistent with this trend, and in line with treasury's quest to prepare fiscally credible and achievable budgets, an amount of R84 million per year is estimated for both the 2002/03 and 2003/04 years.

Motor vehicle licences

This source of revenue is the single largest contributor to provincial own revenue, representing in excess of 60% of the total provincial own revenue portfolio with projections for the year 2004/05 growing to an estimated 66.9% of total provincial own revenue. In order to keep abreast with the annual expenditure on maintenance of the provincial road infrastructure, the motor vehicle licence fee system was overhauled resulting in an average increase of approximately 25% with effect from 1 April 2001. Further increases of 15% for 2002/03 and 2003/04 have been projected over the MTEF period. These increases will result in motor vehicle licence income representing 60.9% for 2002/03, which grows to 66.3% for 2003/04 of provincial own revenue.

Betting revenue

Betting revenue comprises taxes generated from the totalisator and bookmakers. Revenue from this source has recently shown dwindling tendencies, mainly as a result of the advent of alternative forms of gambling. Although revenue from this source is expected to contribute R21,04 million in the 2001/02 year, this amount has been conservatively reduced, in line with industry expectations, to R15,5 million per annum over the MTEF.

Hospital fees

Hospital patient fees has been showing a declining trend mainly due to a reduction in the number of paying patients using public sector facilities. The capacity for revenue at public hospitals has further been affected by the loss of patients to the private sector, coupled with free services to certain citizens in terms of national policies. Despite these tendencies, revenue collected during 2000/01 increased by 14% from the 1999/2000 year. Although a marked decline of 3.6% in revenue is estimated for 2001/02 compared to 2000/01, estimated revenue for 2002/03 is expected to grow by 4.1% and annually by approximately 5.6% over the MTEF.

Other revenue

Revenue sources included under this heading are mainly interest earned, capital revenue, services rendered, board and lodging, stale cheques, commission earned and contributions by universities towards expenditure incurred at provincial academic hospitals. This source of revenue represented 49.2% of provincial own revenue in the 2000/01 financial year of which R150,32 million consisted of interest received as a result of improved cash management in the Province. For the financial years 2003/04 and 2004/05 falling investment interest revenues to R35,89 million and R22,97 million respectively, are projected mainly due to the systematic lowering in the liquidity of the Provincial Revenue Fund. These revenue streams are dependent on interest trends, government investment policies and obviously on amounts available for investment.

5. EXPENDITURE

Overall position

Total outlays for provincial programmes are budgeted at:

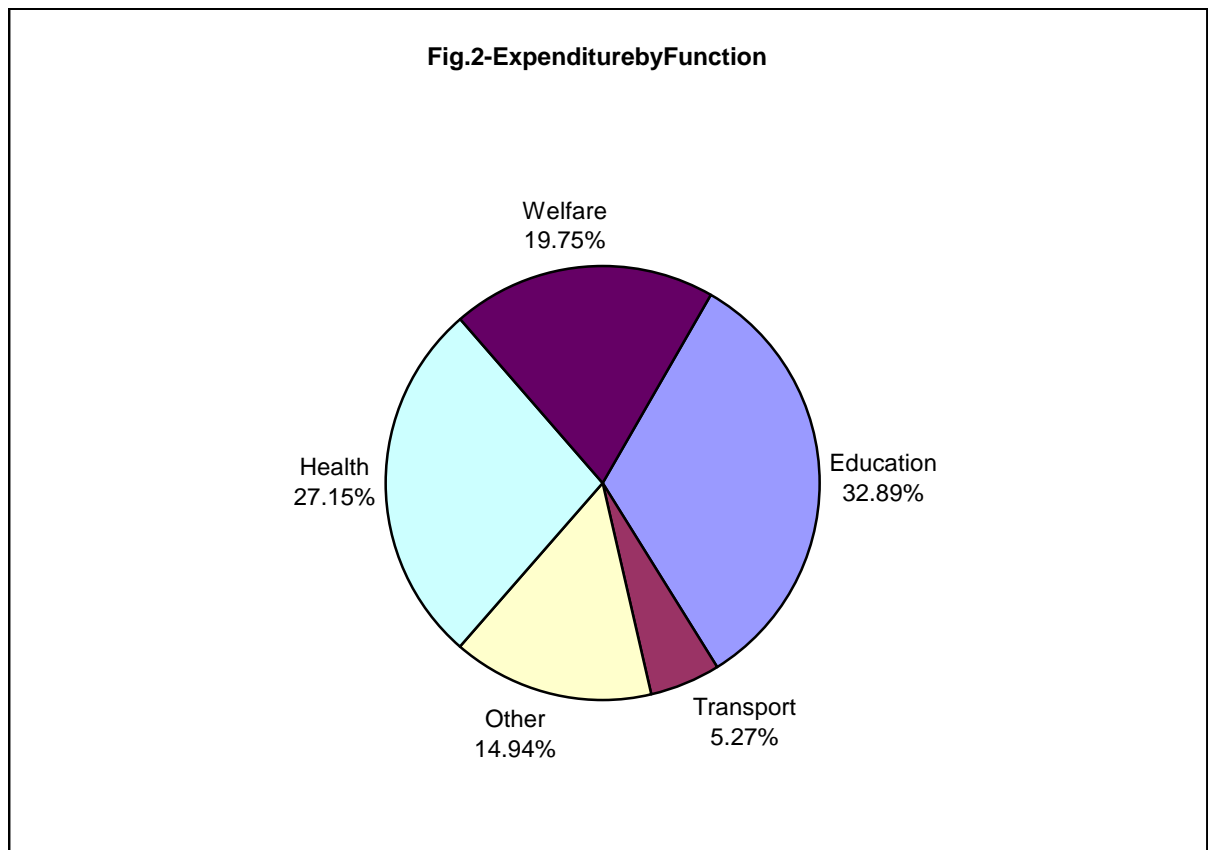
- Financial year 2002/2003: R13,781 billion
- Financial year 2003/2004: R14,474 billion
- Financial year 2004/2005: R15,234 billion

(The above outlays exclude direct charges, smoothing, contingent liabilities and unforeseen and unavoidable contingencies.)

5.1 Expenditure per Policy Area and details per Policy Area

Table 1.4 Summary of expenditure by policy area							
GFS Functions	1999/2000	2000/01	2001/02	2002/03	%	2003/04	2004/05
	Actual	Actual	Est. Actual	Voted	Change	MTEF	MTEF
	R'000	R'000	R'000	R'000	Voted to Actual	R'000	R'000
General Public Services	596 161	715 483	1 060 116	1 047 217	(1.22)	1 070 116	1 107 689
Public Order and Safety	38 787	51 608	107 021	118 224	10.47	138 595	144 673
Education Affairs and Services	3 807 327	3 972 609	4 339 199	4 532 963	4.47	4 765 977	4 976 744
Health Affairs and Services	3 106 705	3 366 689	3 578 767	3 741 094	4.54	3 957 087	4 157 185
Social Security and Welfare	219 4860	220 1479	240 1622	272 2215	13.35	295 5069	3 186 602
Housing and Community Affairs	73 203	416 401	437 911	471 630	7.70	515 471	540 292
Recreational and Cultural Affairs	134 070	148 604	172 111	187 469	8.92	197 427	206 580
Agriculture and Forestry	63 692	71 823	100 950	108 322	7.30	121 902	134 165
Transport and Communications	346 790	526 050	530 217	726 207	36.96	710 569	720 897
Other Economic Affairs	20 343	27 078	55 215	125 659	127.58	42 457	59 480
Total expenditure	10 381 938 ^a	11 497 824 ^a	12 783 129 ^a	13 781 000 ^a	7.81	14 474 670 ^a	15 234 307 ^a

^a Excludes direct charges (salaries and remuneration of the members of the Provincial Parliament).



Details of Expenditure by Policy Area

Table 1.5 Estimates of Expenditure 2002/03-2004/05 by Function						
Sector	1999/2000 Actual R'000	2000/01 Actual R'000	2001/02 Estimate Actual R'000	2002/03 Voted R'000	2003/04 MTEF R'000	2004/05 MTEF R'000
FUNCTION-GENERAL PUBLIC SERVICES						
Department of Premier, Director-General and Corporate Services (Programme 1.1)	11 464	25 103	66 905	62 571	70 939	78 890
Provincial Parliament (Vote 2)	13 900	17 602	20 719	23 748	24 995	25 876
Total for Category-Executive and Legislative	25 364	42 705	87 624	86 319	95 934	104 766
Category-Financial and Fiscal Affairs						
Department of Finance (Vote 3) plus Programme 1.2	38 581	39 956	68 647	66 731	70 280	74 361
Total for Category-Financial and Fiscal Affairs	38 581	39 956	68 647	66 731	70 280	74 361
Category-General Policy and Administration						
Department of Planning, Local Government and Housing (Programme 8.4)	13 454	18 666	51 195	33 731	32 802	31 582
Total for Category-General Policy and Administration	13 454	18 666	51 195	33 731	32 802	31 582
Category-General Services						
Department of the Premier, Director-General and Corporate Services (Programmes 1.3, 1.4 and 1.5)	154 233	179 029	283 969	298 858	302 406	309 458
Department of Transport and Public Works (Programme 10.1 and 10.3)	347 868	419 983	550 873	535 633	547 058	563 277
Department of Economic Development, Tourism and Agriculture (Programme 11.1)	16 661	15 144	17 808	25 945	21 636	24 245
Total for Category-General Services	518 762	614 156	852 650	860 436	871 100	896 980
TOTAL FOR FUNCTION-GENERAL PUBLIC SERVICES	596 161	715 483	1 060 116	1 047 217	1 070 116	1 107 689
FUNCTION-PUBLIC ORDER AND SAFETY						
Category-Police Services						
Department of Community Safety (Vote 4)	38 787	51 608	107 021	118 224	138 595	144 673
Total for Category-Police Services	38 787	51 608	107 021	118 224	138 595	144 673
TOTAL FOR FUNCTION-PUBLIC ORDER AND SAFETY	38 787	51 608	107 021	118 224	138 595	144 673
FUNCTION-EDUCATION AFFAIRS AND SERVICES						
Category-Pre-Primary, Primary and Secondary Education						
Department of Education (Programmes 5.1, 5.2, 5.3, 5.4 and 5.6)	3 482 487	3 652 827	3 939 277	4 109 432	4 319 691	4 513 229
Total for Category-Pre-Primary, Primary and Secondary Education	3 482 487	3 652 827	3 939 277	4 109 432	4 319 691	4 513 229
Category-Tertiary Education						
Department of Education (Programmes 5.5 and 5.10)	150 511	139 360	157 210	163 199	170 130	175 769
Total for Category-Tertiary Education	150 511	139 360	157 210	163 199	170 130	175 769
Category-Subsidiary Services to Education						
Department of Education (Programmes 5.7, 5.8 and 5.9)	174 329	180 422	242 712	260 332	276 156	287 746
Total for Category-Subsidiary Services to Education	174 329	180 422	242 712	260 332	276 156	287 746
TOTAL FOR FUNCTION-EDUCATION AFFAIRS AND SERVICES	3 807 327	3 972 609	4 339 199	4 532 963	4 765 977	4 976 744

Table1.5 EstimatesofExpenditure2002/03-2004/05byFunction						
Sector	1999/2000 Actual R'000	2000/01 Actual R'000	2001/02 Estimate Actual R'000	2002/03 Voted R'000	2003/04 MTEF R'000	2004/05 MTEF R'000
FUNCTION-HEALTHAFFAIRSANDSERVICES						
Category-HospitalServices DepartmentofHealth(Programmes6.1,6.3,6.4,6.5and 6.7)	2 097 351	2 276 286	2 431 449	2 514 491	2 659 443	2 793 850
TotalforCategory-HospitalServices	2 097 351	2 276 286	2 431 449	2 514 491	2 659 443	2 793 850
Category-ClinicalServices DepartmentofHealth(Programme6.2)	956 978	1 031 686	1 077 319	1 160 543	1 227 768	1 289 929
TotalforCategory-ClinicalServices	956 978	1 031 686	1 077 319	1 160 543	1 227 768	1 289 929
Category-PublicHealthServices DepartmentofHealth(Programme6.6)	52 376	58 717	69 999	66 060	69 876	73 406
TotalforCategory-PublicHealthServices	52 376	58 717	69 999	66 060	69 876	73 406
TOTALFORFUNCTION-HEALTHAFFAIRSAND SERVICES	3 106 705	3 366 689	3 578 767	3 741 094	3 957 087	4 157 185
FUNCTION-SOCIALSECURITYANDWELFARE						
Category-SocialSecurity DepartmentofSocialServices(Programmes7.1,7.2 and7.3)	257 966	290 453	280 660	274 142	279 499	282 319
TotalforCategory-SocialSecurity	257 966	290 453	280 660	274 142	279 499	282 319
Category-WelfareServices DepartmentofSocialServices(Programmes7.4and7.5)	1 936 894	1 911 026	2 120 962	2 448 073	2 675 570	2 904 283
TotalforCategory-WelfareServices	1 936 894	1 911 026	2 120 962	2 448 073	2 675 570	2 904 283
TOTALFORFUNCTION-SOCIALSECURITYAND WELFARE	2 194 860	2 201 479	2 401 622	2 722 215	2 955 069	3 186 602
FUNCTION-HOUSINGANDCOMMUNITYAFFAIRS						
Category-HousingAffairsandServices Department of Planning, Local Government and Housing (Programmes8.1,8.2,8.3and8.5)	73 203	416 401	437 911	471 630	515 471	540 292
TotalforCategory-HousingAffairsandServices	73 203	416 401	437 911	471 630	515 471	540 292
TOTALFORFUNCTION-HOUSINGANDCOMMUNITY AFFAIRS	73 203	416 401	437 911	471 630	515 471	540 292
FUNCTION-RECREATIONALANDCULTURALAFFAIRS						
Category-SportingandRecreation Department of Environmental and Cultural Affairs and Sport (Programmes9.1and9.4)	15 990	20 414	22 471	27 534	28 272	28 915
TotalforCategory-SportingandRecreation	15 990	20 414	22 471	27 534	28 272	28 915
Category-CulturalAffairs Department of Environmental and Cultural Affairs and Sport (Programmes9.2and9.3)	118 080	128 190	149 640	159 935	169 155	177 665
TotalforCategory-CulturalAffairs	118 080	128 190	149 640	159 935	169 155	177 665
TOTALFORFUNCTION-RECREATIONANDCULTURAL AFFAIRS	134 070	148 604	172 111	187 469	197 427	206 580

Table 1.5 (continued) Estimates of Expenditure 2002/03-2004/05 by Function

Sector	1999/2000 Actual R'000	2000/01 Actual R'000	2001/02 Estimate Actual R'000	2002/03 Voted R'000	2003/04 MTEF R'000	2004/05 MTEF R'000
FUNCTION-AGRICULTURE AND FORESTRY						
Category-Agriculture and Forestry Department of Economic Development, Tourism and Agriculture (Programme 11.3)	63 692	71 823	100 950	108 322	121 902	134 165
Total for Category-Agriculture and Forestry	63 692	71 823	100 950	108 322	121 902	134 165
TOTAL FOR FUNCTION-AGRICULTURE AND FORESTRY	63 692	71 823	100 950	108 322	121 902	134 165
FUNCTION-TRANSPORT AND COMMUNICATION						
Category-Transport Department of Transport and Public Works (Programme 10.2)	346 790	526 050	530 217	726 207	710 569	720 897
Total for Category-Transport	346 790	526 050	530 217	726 207	710 569	720 897
TOTAL FOR FUNCTION-TRANSPORT AND COMMUNICATION	346 790	526 050	530 217	726 207	710 569	720 897
FUNCTION-OTHER ECONOMIC AFFAIRS						
Category-Tourism Department of Economic Development, Tourism and Agriculture (Programme 11.2.4)	8 312	11 700	29 326	103 367	17 398	17 459
Total for Category-Tourism	8 312	11 700	29 326	103 367	17 398	17 459
Category-Consumer Affairs Department of Economic Development, Tourism and Agriculture (Programme 11.2.3 and 11.4)	3 998	5 046	12 562	10 295	12 455	20 937
Total for Category-Consumer Affairs	3 998	5 046	12 562	10 295	12 455	20 937
Category-Industry Affairs Department of Economic Development, Tourism and Agriculture (Programme 11.2.1 and 11.2.2)	8 033	10 332	13 327	11 997	12 604	21 084
Total for Category-Industry Affairs	8 033	10 332	13 327	11 997	12 604	21 084
TOTAL FOR FUNCTION-OTHER ECONOMIC AFFAIRS	20 343	27 078	55 215	125 659	42 457	59 480
TOTAL: BY FUNCTION	10 381 938	11 497 824	12 783 129	13 781 000	14 474 670	15 234 307

5.2 Expenditure by economic type

Table 1.6 describes the conversion of the Financial Management System (FMS) programmes to Government Finance Statistics (GFS) while Table 1.7 depicts the conversion of the amounts into the GFS functions.

Table 1.6 Classification of Conversions from FMS Programmes to GFS			
GFS Functions	Category	Department	Programme
General Public Service	Executive and Legislative	Premier, Director-General and Corporate Services	1.1 Administration
		Provincial Parliament	2.1 Administration of the Provincial Parliament
			2.2 Procedural services 2.3 Facilities and benefits of members
	Financial and Fiscal Affairs	Premier, Director-General and Corporate Services	1.2 Internal audit
		Finance	3.1 Administration 3.2 Budgets 3.3 Provincial Accountant-General services
	General Policy and Administration		8.4 Local government services
	General Services		Premier, Director-General and Corporate Services
		Transport and Public Works	10.1 Administration 10.3 Public Works
			Economic Development, Tourism and Agriculture
	Public Order and Safety	Police Service	Community Safety
Education Affairs and Services	Pre-Primary, Primary and Secondary	Education	5.1 Administration 5.2 Public ordinary school education 5.3 Independent school education 5.4 Schools for learners with special educational needs 5.6 Early child and adult education
			Tertiary Education
	Subsidiary Services to Education		5.7 Curriculum planning 5.8 Specialised services 5.9 Education management and development

Table 1.6 (continued) Classification of Conversions from FMS Programmes to GFS

GFS Functions	Category	Department	Programme
Health Affairs and Services	Hospital services	Health	6.1 Administration 6.3 Hospital services 6.4 Academic health services 6.5 Health sciences 6.7 Restructuring
	Clinical services		6.2 District health services
	Public health services		6.6 Health care support services
Social Services and Welfare	Social Security	Social Services	7.1 Administration 7.2 Research and development 7.3 Developmental social welfare
	Welfare Services		7.4 Social security 7.5 Customer services
Housing and Community Affairs	Housing Affairs and Services	Planning, Local Government and Housing	8.1 Administration 8.2 Housing 8.3 Development Planning
	Community Affairs		8.5 Restructuring
Recreational and Cultural Affairs	Sporting and Recreational	Environmental and Cultural Affairs and Sport	9.1 Administration 9.4 Sport
	Cultural Affairs		9.2 Environmental Affairs 9.3 Cultural affairs
Agriculture and Forestry	Agriculture and Forestry	Economic Development, Tourism and Agriculture	11.3 Agriculture
Transport and Communication	Transport	Transport and Public Works	10.2 Transport
Other Economic Affairs	Tourism	Economic Development, Tourism and Agriculture	11.2.4 Tourism
	Consumer Affairs		11.2.3 Economic development co-ordination 11.4 Knowledge economy and E-government
	Industry Affairs		11.2.1 Industrial development and marketing 11.2.2 Business regulation

Table 1.7 Expenditure by Economic Type (Standard Items)							
Economic Type	1999/2000	2000/01	2001/02	2002/03	%Change	2003/04	2004/05
	Actual	Actual	Est. Actual	Voted	Voted to Actual	MTEF	MTEF
	R'000	R'000	R'000	R'000		R'000	R'000
Current expenditure							
Compensation of employees	5 840 161	6 159 166	6 578 466	7 065 488	7.40	7 438 797	7 801 297
Salaries and wages	4 300 118	4 561 728	4 899 464	5 300 375	8.18	5 557 677	5 832 552
Other remuneration	1 540 043	1 597 438	1 679 002	1 765 113	5.13	1 881 120	1 968 745
Use of goods and services	1 622 720	1 675 727	1 973 939	2 125 482	7.68	2 252 574	2 371 272
Interest paid	466	665	413	86	(79.18)	94	94
Transfer payments	2 645 659	2 724 795	3 000 414	3 246 900	8.22	3 517 965	3 763 369
Subsidiestobusinessenterprises							
Local government	25 726	24 430	60 500	41 074	(32.11)	40 940	40 016
Extra-budgetary institutions	157 784	145 540	206 059	236 922	14.98	262 289	275 976
Households	2 245 994	2 313 892	2 488 168	2 732 805	9.83	2 975 357	3 207 824
Non-profit organisation	216 155	240 933	245 687	236 099	(3.90)	239 379	239 553
Total current	10 109 006	10 560 353	11 553 232	12 437 956	7.66	13 209 430	13 936 032
Capitalexpenditure							
Non-financial assets	219 623	551 779	815 598	840 000	2.99	802 930	817 181
Buildings and structures	111 704	434 569	491 912	615 826	25.19	585 955	598 600
Machinery and equipment	101 312	115 337	301 511	215 674	(28.47)	208 475	210 081
Non-produced assets	6 607	1 873	22 175	8 500	(61.67)	8 500	8 500
Other assets							
Capital transfers to	53 309	385 692	414 299	503 044	21.42	462 310	481 094
Local government	2 100	8 203	19 647	13 000	(33.83)	13 500	14 310
Other capital transfers	51 209	377 489	394 652	490 044	24.17	448 810	466 784
Total capital	272 932	937 471	1 229 897	1 343 044	9.20	1 265 240	1 298 275
Total GFSE Economic Type expenditure	10 381 938	11 497 824	12 783 129	13 781 000	7.81	14 474 670	15 234 307
Standard Items							
Personnel expenditure	5 805 336	6 141 794	6 577 408	7 063 429	7.39	7 437 739	7 800 239
Administrative expenditure	153 387	179 268	215 700	245 411	13.77	258 611	271 881
Stores and livestock	625 176	690 606	773 432	809 218	4.63	863 308	908 571
Current	625 176	690 606	773 432	809 218	4.63	863 308	908 571
Capital						0	
Equipment	126 136	148 834	337 375	252 860	(25.05)	247 648	249 025
Current	24 663	33 132	35 410	37 186	5.02	39 173	38 944
Capital	101 474	115 702	301 965	215 674	(28.58)	208 475	210 081
Land and buildings	100 263	83 838	112 725	99 290	(11.92)	99 357	105 166
Current	93 818	82 331	90 996	90 790	(0.23)	90 857	96 666
Capital	6 445	1 507	21 729	8 500	(60.88)	8 500	8 500
Professional and special services	840 821	1 134 843	1 366 455	1 576 710	15.39	1 604 187	1 672 497
Current	729 118	700 274	874 543	960 884	9.87	1 018 232	1 073 897
Capital	111 703	434 569	491 912	615 826	25.19	585 955	598 600
Transfer payments	2 682 365	3 092 590	3 394 105	3 727 076	9.81	3 956 098	4 219 014
Current	2 629 056	2 706 898	2 979 806	3 224 032	8.20	3 493 788	3 737 920
Capital	53 309	385 692	414 299	503 044	21.42	462 310	481 094
Miscellaneous expenditure	48 454	26 051	5 929	7 006	18.16	7 722	7 914
Total current	10 109 008	10 560 354	11 553 224	12 437 956	7.66	13 209 430	13 936 032
Total capital	272 931	937 470	1 229 905	1 343 044	9.20	1 265 240	1 298 275
Total standard item classification	10 381 938	11 497 824	12 783 129	13 781 000	7.81	14 474 670	15 234 307
Statutory	14 643	15 432	11 426	12 568	9.99	13 826	15 207
Totalexpenditure	10 396 581	11 513 256	12 794 555	13 793 568	7.81	14 488 496	15 249 514

5.3 Capitalexpenditure

All of the major capital projects with the exception of day to day maintenance of schools and hospitals and clinics which are reflected in the budgets of the Departments of Education and Health respectively, are managed by Transport and Public Works.

One major reform regarding capital expenditure for the 2002/03-2004/05 MTEF period, was the substantial additional allocation of R599,107 million for backlogs on capital projects. The amount will be allocated as follows: R299,543 million for 2002/03, R166,659 million for 2003/04 and R132,905 million for 2004/05.

It was jointly agreed between the Provincial Treasury and the Department of Transport and Public Works that the additional funds will be divided on a 60:40 basis where 60% is to be utilised for roads and 40% land and buildings over the 2002/03-2004/05 MTEF period.

Further conditions *inter alia* were that:

- (a) The funds should be mainly used to improve the backlogs of roads and buildings.
- (b) Expenditure on new physical infrastructure would only be allowed if projects are clearly distinguished in budget documentation of the Province and contribute to the economy of the Province.
- (c) Relevant departments that may utilise the additional funds must submit comprehensive plans to the Department of Transport and Public Works before 31 August 2002.
- (d) The plans must cover a period of five years, taking into account the current level of utilisation of existing buildings and the operational capacity and future availability of funds to utilise the assets optimally.
- (e) In adherence to the Provincial Cabinet's quest for better co-operation with local authorities the plans should also include how the infrastructure will jointly benefit the Province and relevant local authorities.
- (f) The Department of Transport and Public Works compile integrated accommodation plans that are to be approved by the Provincial Cabinet.

The projects identified that may benefit from the additional allocations for the period 2002/03 to 2004/05 are listed on pages 381 to 389 in table(s) 9 and 9.1 to 9.12 of Budget Statement 2 of Transport and Public Works.

Departments were requested to list and provide an overview of capital projects in excess of R10 million. Only Health and Transport and Public Works identified such projects that are discussed in paragraphs 5.3.1 and 5.3.2 below.

5.3.1 The major projects for Health will be the upgrading and additions to Worcester Eben Dönges Hospital and the Valkenburg's Acute Admission/Assessment unit. These projects will provide hospital facilities outside the metro area, improve functional regional hospital units and provide for acute psychiatric assessment observation unit for the population of the metropole. Further major projects will be funded from the National Conditional Grant for Hospital Reconstruction and Rehabilitation Project. In addition to the previous projects, George Hospital's existing wards will be upgraded.

5.3.2 Transport identified five projects that will cost more than R10 million.

5.3.2.1 The final phase of the Worcester to Robertson reconstruction project will commence April 2002. This project will be constructed under contract at an estimated total cost of R58,08 million with an amount of R30 million budgeted for 2002/03. This project will have an 18 months duration.

5.3.2.2 Recently, Transport has upgraded the MR 174 from Malmesbury utilising the Kraaifontein Construction Unit (initially private sector contracts). The final link that needs further attention is from the N1 to Klipheuwel with an estimated cost of R45 million, requiring R12 million in the 2002/03 financial year.

5.3.2.3 Chapman's Peak Drive restoration is planned to start mid 2002. The estimated costs of the total project is R150 million. Chapman's Peak Drive is an important commuter route between the City and the South Peninsula, as well as being a tourist destination in its own right.

5.3.2.4 The recent very severe winter has impacted negatively on the dual carriageway section of the N7 between Wingfield and Malmesbury. This section is a very important section that links Cape Town and South Africa to Namibia. Currently the road layer collapsed and severe potholes occur in many sections of the road. This implies that some of the lanes of this route had to be closed to traffic for a number of weeks. The project will be constructed under contract at an estimated cost of R41,112 million with R39,07 million budgeted for 2002/03. The contract duration will be 15 months. Due to the inadequate funding this contract can only address the reinstatement of the layers and surfacing, with no further upgrading for this economic viable route.

5.3.2.5 The Main Road 201 between the N1 and Paarl carries a great deal of business, agricultural and tourism traffic. This road has deteriorated markedly with the recent winter rains and R11,5 million will be made available in the 2002/2003 financial year and R13,5 million in latter years.

6. SUMMARY OF SERVICE DELIVERY MEASURES AND INDICATORS

6.1 Introduction

Effective public policy requires that all service delivery options be subjected to a socio-economic evaluation in the context of clear objectives, priorities and outcomes. Without such evaluation, it is not possible to assess the extent to which economic, social, political and environmental outcomes are being attained, or whether the value for money is being achieved.

This is in line with the move towards performance budgeting which aims to strengthen the link between political priorities and spending plans; to plan and manage in ways that will contribute to improved service delivery and seek to meet the economic and social aspirations of present and future generations of the Province, ultimately improving the quality of life of all the citizens of South Africa. In sketching the links between allocation of budgetary resources, service delivery outputs and desired outcomes, service delivery measures should prove useful in assessing progress towards effective and efficient service delivery.

Policies should be guided and informed by political priorities (Barbeton, 2001: p. 7). A heavy social cost is incurred in making budgetary allocations that diverge from the social needs or socio-economic priorities of the nation. (Abedian *et al*, 1997: p. 32). Until recently the budget has been only minimally adjusted between sectors from year to year, thus precluding a fundamental reprioritisation of resources. If new priorities are to be realised there will have to be greater flexibility in the budget process and provision will have to be made for performance based budgeting. Budgeting for service delivery is a process that is positive and sequenced, allows for the building of capacity and leads to a proactive policy. Provincially, some progress in promoting budgeting and planning for service delivery (performance budgeting and planning) has already been made. The Province is striving to deliver services and manage expenditures in terms of economy, efficiency and effectiveness expressed in terms of outcome measures.

Political priorities and policies should ideally be informed by reliable disaggregated data and analysis on the probable impact of proposed programmes on communities in the Province, the level and mix of services delivery outputs required as well as the financial and capacity implications of implementation. Changes in the socio-economic data should have considerable impact on provincial budget allocations. In order to track outcomes it is thus necessary to have a reliable set of socio-economic data to establish the baseline against which the effectiveness of policies can be measured. A well-developed database therefore serves as a mechanism for targeting expenditures and for evaluating the results of the targeted interventions. It offers a bridge from the formulation and refinement of objectives and strategies of Provincial departments to the service delivery outcomes actually achieved.

Updated, credible information and information systems generate information flows about outcomes, service delivery outputs and costs that allow the setting of realistic performance targets. The resultant efficiencies in implementation will ultimately increase the access to basic services and/or lower user charges for any given amount of budgeted resources. Assessment of the information allows Treasury to monitor efficiency changes (such as in quality and equity), make informed policy choices, as well as allowing for central oversight. Unless the appropriate reporting and information systems are in place accountability for performance cannot be made

Planning and budgeting for service delivery and quality of life in the Province has focussed on the following core principles:

- pro-growth: enhance growth through medium-term infrastructure development and procurement reform.
- anti-poverty: reduce poverty through short-term child welfare transfers and child growth development.
- equality: ensuring an equitable use of government resources.
- vulnerability: reducing vulnerability through caring and dealing with the unique needs and characteristics of its people.
- people centredness: human development is the heart of the budget. The Provincial Government seeks to promote this across the spectrum of its activities.
- sustainability: looking at the short, medium and long term effectiveness and financial issues.
- integration: in terms of the knowledge, objectives and actions involved.
- inclusiveness: recognising the wider range of people involved in planning, controlling and budgeting.

The 2002/03 budgets and strategic plans represent an important shift in its impact on the economy and it is more explicitly aimed at service delivery and sustained human development.

6.2 Service delivery by departments

Efficiency gains can be achieved when government expenditure produce external benefits. By subjecting service delivery alternatives to a socio-economic evaluation in the context of clear objectives, priorities and outcomes one can determine whether public policy has been effective.

The following pages give a summary of the service delivery indicators from the main external service delivery departments:

6.2.1 Education

Public ordinary school education expenditure increased substantially and is currently receiving 79,6% of a total of R4 532 million voted to the education department. Access to quality basic education is a provincial as well as a national priority because of its importance for long-term human development and economic growth. The role of education in reducing poverty is of paramount importance, because of the potential of education to increase the labour force participation, employment and earnings of low income groups (Bhorat, p. 74). Quality education, apart from being a basic human right (section 29.1 of the Constitution), produces significant social returns - it leads to the full development of human personality, provide a sense of dignity and enable all persons to participate effectively in a free society (Human Rights Commission, 2000: p. 10). Bvinvestindinqualitybasiceducationhuaddevelopmentbenefitscanbereaped.

Some of the key objectives of the department's public ordinary school education programme are to develop the intellectual, emotional and physical potential of the Province's approximately 900 000 primary and secondary school learners, reducing the numbers of over-aged learners, improved teacher and learner attendance rates and improved learner material. Timeous determination and payment of subsidies to independent schools in terms of the funding Norms and Standards is an objective of the Independent School Education programme. Other objectives of the Western Cape Education Department include:

- provision of education services to approximately 12 000 learners with special needs at 77 public ELSEN schools, to encourage market-related further education and training in colleges resulting in absorption of learners by the private sector.
- Increased registered learners in Adult Basic Education programmes in the Western Cape by 2500.
- Increased number of subsidised pre-primary education sites.
- Identification and support of high risk schools with security infrastructure in order to create a safer learning environment.

Targeting basic education services may be more effective than a narrower targeting of more specialised programmes because of the costs of managing and administering the latter often outweigh the benefits.

The high dropout rates and inadequate student learning in primary education are matters of grave concern.

In the 2000-2001 fiscal year, 7 049 learners dropped out before completing seventh grade, down slightly from the 8 666 who dropped out in the previous year. In addition, those who leave have often mastered less than half of what they have been taught (unverified figures from the Western Cape Department of

In the year 2000-2001, 59 100 learners repeated their grades. The corresponding number of learners repeating their grades in 2001/02 was 54 526. The highest repeater rates in primary school are in grades 1 and 4. In secondary education, there is a high prevalence of repeaters in grades 8, 9 and 10.

According to the Human Rights Commission (2000), the shifted responsibility for Early Childhood Development centres (as a result of the admission policy restricting grade one to 7-year-old learners) is not well conceptualised since there is no proper system of ECD. Although there has been a 7% increase in the budget for the following year, no other increases have been provided for.

Though enrolment in schools is high in the Western Cape, especially at primary level, the efficiency of schooling in terms of output remains a deep concern. Learners are spending an average of 12 to 13 years in school and only about one third of each cohort of young adults achieves a matric pass. Policy commitments should support a focus on out-of-school children, flexible learning strategies and entry and exit points, compulsory schooling up to 15 years of age (Children in 2001, p. 45).

Various intervention strategies can be embarked upon to improve the quality of education. Some of these strategies may include, for instance, an investigation into and a dropout intervention program. The latter can be facilitated, *inter alia*, through: multilevel learning materials and a parent-teacher partnership – either individually or in combination. Multilevel learning materials allow teachers to pace teaching to different student needs. Parent-teacher partnerships have negligible cost implications but can assist student learning both at home and at school. Other strategies may include multi learning media, building educational infrastructure, sector-focused training and a workplace-linked approach to education and training, skills transfer and a commitment to excellence.

6.2.2 Health

Health receives the next largest allocation of total expenditure after education. The Provincial Government has introduced various measures to transform the health care system. The major focus of the reprioritisation of expenditure includes a comprehensive Primary Health Care Package, the development of health infrastructure mainly through upgrading, the development of policies in the area of HIV/AIDS, the development of programmes to address childhood illnesses, as well as setting up and strengthening financial management and administration systems.

Other key objectives of the Department of Health include:

- The transfer of 35 community health centres to the Unicity.
- Increasing the number of sites offering voluntary AIDS testing and counselling by 100 during the year, bringing the total to 250.
- Expanding the Mother to Child Transmission programme to 75% of all ante-natal clinics.
- The establishment of monthly financial and performance monitoring systems.

The primary goals of our AIDS plan is to reduce the number of new HIV infections (especially among youth) and to reduce the impact of HIV/AIDS on individuals, families and communities. Although the programme has been extended to provide anti-retroviral drugs to HIV infected pregnant women, it is not a drug focussed budget. This therapy has to be provided on a tightly rationed budget.

The comprehensive approach, including lifestyle intervention, followed in the Western Cape is thus an appropriate strategy. This is necessitated by the fact that the AIDS crisis and drug problems impact heavily on our economy.

The formation of the Road to Health Card uses growth surveillance statistics to promote and monitor child growth.

Spending on Primary Health Care can be justified in terms of cost and subsequent increased accessibility. Compared with the costs of secondary or tertiary care, the cost of providing primary care is relatively low.

The key challenges facing the health sector is to improve service delivery with better access and quality of care. Improved service delivery may be achieved through growing the required strategic management and organisational and human capacity. According to the White Paper on Health a "caring ethos" must be promoted. The former, according to Klugman and McIntyre (2000) can be achieved by working with health workers and users to define a Charter of Community and Patients' Rights, and rewarding health workers for their excellent services. Building health worker morale and positive attitudes to clients, is crucial in dealing with health problems.

Setting up financial, information and performance management systems is another important mechanism for improving efficiency of health expenditure. The financial management and administration should be based on among others, properly designed education and training programmes on the higher education and training level. (IPFA Journal, 2001, p. 14). Training initiatives should be aligned with the priorities dictated by the Public Finance Management Act (PFMA) and ensuring that such initiatives contribute to addressing existing deficiencies.

Increase access to basic health services and improvements in the health status of all citizens of the Western Cape may be achieved by improving infrastructure such as hospitals and health centers, adequate transport and developing health information systems to facilitate decision-making, accountability and efficiency.

In order to align priority improvements in service delivery for those with the greatest capacity to benefit, it is important to find a mechanism for explicitly identifying such individual/groups in order to target resources to them. Such a mechanism involves a well-developed information system and the development and monitoring of appropriate performance indicators/measures. Any examination of the impact of spending and health should be informed by an understanding of the economic, social and technical factors influencing health outcomes. The departmental level and broad socio-economic group analyses are not sufficiently disaggregated for this purpose. In particular, they do not identify the significant differences within the province and socio-economic groups; and outcome and performance indicators of the various programmes are too broad, high-level and general.

6.2.3 Social Services

Social security and welfare expenditures form an essential part of government's programme to address poverty by means of a multifaceted approach that includes education, health, safe environment, training and research. Many policy areas have already shifted substantially towards poverty alleviation, and there is limited scope for further initiatives without much outlay of already limited fiscal resources. Therefore the emphasis must be on enhancing the effectiveness within existing expenditure levels.

The primary function of this programme is to provide cash benefits to poor and vulnerable households.

The new Child Support Grant (CSG) aims to reach a larger number of children. Even though the individual amount of the CSG provided via the Child Maintenance Grant, is lower than was previously provided, the benefit also has been seen in other early childhood development programs and multi-purpose community centres. As in previous years the rate at which groups have utilised the funds has been rather uneven.

Office	1998/99	1999/2000	2000/01	2001/02
Athlone	720	2 115	13 187	12 646
Atlantis	215	294	1 538	3 215
BeaufortWest	193	350	4 100	1 615
Bellville	631	847	1 066	3 042
CapeTown	149	173	968	1 262
EersteRiver			594	3 470
George	216	435	1 544	4 339
Khayelitsha	190	623	8 987	11 146
Mitchell'sPlain	333	274	2 807	6 626
Oudshoorn	285	560	4 544	3 110
Paarl	314	462	2 150	5 029
Vredendal	109	107	990	2 577
Worcester	954	799	2 528	7 795
Wynberg	367	498	911	2 481
Total	4 676	7 537	45 914	68 353

Source: Western Cape Department of Social Services

A new costing model has been developed to assist personnel with the funding of welfare services. Social service delivery is personnel intensive, with wages accounting for up to 80% of expenditure. This constrains the Province's discretionary control over its budget.

The full ambit of our poverty and vulnerability problem can not be accompanied by significant increases in fiscal revenues. Anti-poverty and vulnerability efforts therefor need to be tightly focussed and aimed at addressing the principal causes of poverty and vulnerability.

There is generally insufficient scrutiny of empirical results in developing strategic strategies and outcome measures. Scant recognition is given of the fact that different measurement techniques and different data give different results.

Intervention strategies need to be monitored and changes documented. The focus must be directed at monitoring the extent and nature of change in the poverty and vulnerability levels as well as monitoring change at the household level. The selection of indicators to be used for monitoring purposes has to be based on the understanding that the economic reforms are likely to have an influence on both factors inside the welfare sector (budget, staffing levels, accessibility of services, quality of services, etc.) as well as on factors outside the social welfare sector (education, health, demographics, environment, etc.) In addition, changes in poverty levels and vulnerability status need to be assessed by both process and outcome indicators. Indicators need to be selected on the basis of the criteria that they are likely to be easy to measure meaningfully, and that they are likely to be indicative of immediate (although not necessarily immutable) change, particularly at the household level.

6.2.4 Local Government and Housing

Local Government is uniquely placed to analyse and understand the power dynamics and divisions within a local community. Group interest and group welfare can be more easily defined, articulated and promoted in an exceptionally effective manner since the local government can ensure that those who tend to be excluded and marginalised can become active and equal participants in community processes. Local governments are closer to the electorate and are better placed to determine local needs and areas for expenditure of revenues.

The Integrated Development Plan (IDP) which is required of local government in terms of the Municipal Systems Act of 2000, could be a strong driving force to promote objectives of targeted planning. A major challenge is getting full articulation between the IDP and the budget so that both tools reflect the agreed priorities and targets. Budget cycles and the IDP process needs to be synchronised and these have to be aligned with the budget cycles and strategic plans of provincial government. There is also a need to establish a common language of evaluation for the two processes, i.e. budget cycles and IDP process.

Province should ensure that appropriate accounting and financial reporting systems are established and ensuring that these are consistently implemented. They are also responsible for the overall regulation of municipal budgets insofar as these may impact macro-level stability in the country; and intervention in the final instance given financial position deterioration of any given municipality. They are ultimately responsible for designing and implementing the monitoring and oversight systems that are required for these purposes.

Capacity building (internal) at provincial as well as local government level is a key priority in order to prepare the members of the organisation for effective engagement in different development initiatives and to accord priority improvements in service delivery for those with the greatest capacity to benefit.

6.2.5 Community Safety

It is the objective of this department to eradicate crime and provide a safe environment through promoting quality policing, well trained municipal police officers, youth clubs, and other crime prevention strategies. Another major objective and indicator is to reduce the motor vehicle accident rate by 10% and to promote the Integrated Justice System - an initiative aimed at an integrated computer-based information system that provides information on criminal issues. Provincial protocols involving various stakeholders have been developed regarding child abuse. Community support is an essential part of any successful crime prevention strategy.

Data on people affected by violence have been inadequate but a system has been put in place: statistics are being compiled on domestic violence and maintenance cases, data collection systems are being changed to ensure that gender violence statistics are continuously collected and stored in an accessible form. Records of crime and violence in schools are not consistently kept. Data has been collected by the Department of Education on a simple data collection system as part of an ongoing record-keeping process. This enabled them to record and monitor crimes affecting the school. This is linked to the 24 hour Call Centre which will provide online advice and capture data.

6.2.6 Transport and Public Works

Transport

The key objective is to provide and maintain provincial transport infrastructure through upgrading, rehabilitation and reconstruction of roads. Actual condition of roads and reduced accident rate are just some of the indicators that have been developed.

Public Works (Including Property Management)

Their key objective is to construct and maintain provincial buildings. A lack of spending on the construction and maintenance of facilities has profound implications for the poor, since the poor tend to be disproportionately dependent on public service delivery.

Investigating and analysing capital expenditure is extremely problematic. Not only is there insufficient data to build up a comprehensive overview, but data is also fragmented. Any examination of the impact of allocation on infrastructure should be informed by an understanding of the utilisation of capital funds. The ability of the Province to utilise these funds effectively remain a concern. Enhanced decision-making capacity will increase the effectiveness of infrastructure allocations. Otherwise, increased allocations are likely to result in underspending, increased rollovers or a rushed project selection and implementation processes which compromise the quality of service delivery.

6.3 Future work to be done

Strategies and targets need to be revised after sufficiently scrutinising empirical results and aligned with macro-economic objectives. Keeping in mind that different techniques and different data give different results, a gap analysis should be carried out to identify different interventions and estimate their costs. Accountability can be enhanced by making budget allocations dependent on the attainment of performance in terms of the stated performance measures.

Treasury needs to support and foster approaches to improve socio-economic data and strengthened the systems for gathering and analysing the data. It is envisaged that mechanisms will be set in place to compile comprehensive socio-economic data on a routine basis. The availability of accurate data will greatly enhance efforts to monitor the outcomes of expenditure of the various sectors. Such data will be proactively monitored by the fiscal component of the Treasury. The key is to develop the data-base in collaboration with other institutions (province, national departments, universities and neighbouring local authorities) and the usage of existing data to maximum effect.

6.4 Conclusion

There is only tenuous correlation between the desired outcome targets and the amounts allocated in the budgets. Performance targets and measures are high level and are not often well specified or measurable. Thus it would seem that despite the sustained emphasis on the strengthening of management and planning practices and progress already evidenced, line departments, in co-operation with the Treasury, will in future years have to focus more effort on:

- Developing a detailed socio-economic profile of the Western Cape as an input into the political resource allocation process and as a baseline against which to track the progressive realisation of desired outcomes.
- Capacity building within line departments and Treasury itself to ensure that performance targets are well defined, measurable and clearly linked to the desired outcomes for the Province.

- Ensuring that departments have systems in place to report credibly on an ongoing basis during the year and in their annual reports on their progress against their stated objectives.
- Analysis of outcome, service delivery output and cost information in order to evaluate current sectoral interventions and to inform political decision-making about future interventions.

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6.5 Specific departments: Output measures

6.5.1 Education output measures

Output Measures	Number of schools				Number of learners			
	2001/02	2002/03	2003/04	2004/05	2001/02	2002/03	2003/04	2004/05
Pre-primary school	1 064	1 183	1 302	1 421	28 046	31 616	35 186	38 756
Primary school	1 129	1 129	1 129	1 129	568 358	569 000	569 000	569 000
Secondary school	334	334	334	334	310 117	311 000	311 000	311 000
Special education	75	76	76	76	13 520	13 500	13 500	13 500
Teacher training	1	1	1	1	570	486	140	140
Technical College	38	39	39	40	18 600	20 000	20 000	22 000
Non-formal	130	140	150	160	26 000	26 250	2 500	27 000

6.5.2 Health output measures

Output Measures	Number of hospitals/clinics				Number of clients			
					2001/02	2002/03	2003/04	2004/05
Hospitals AAH Region	3	3	3	3	1 003 275	1 053 439	1 106 111	1 161 416
Doctors	248	248	248	248				
Nurses	3 765	3 765	3 765	3 765				
Hospitals APH Region	4	4	4	4	55 125	57 881	60 775	63 814
Doctors	14	14	14	14				
Nurses	1 112	1 112	1 112	1 112				
Hospitals Metro Region	16	16	16	16	727 650	764 033	802 234	842 346
Doctors	336	336	336	336				
Nurses	2 931	2 931	2 931	2 931				
Hospitals Boland/Overberg Region	10	10	10	10	363 825	382 016	401 117	421 173
Doctors	42	42	42	42				
Nurses	683	683	683	683				
Hospitals West Coast/Winelands Region	10	10	10	10	330 750	347 288	364 652	382 884
Doctors	47	47	47	47				
Nurses	714	714	714	714				
Hospital South Cape/Karoo Region	13	13	13	13	441 000	463 050	486 203	510 513
Doctors	50	50	50	50				
Nurses	722	722	722	722				
Total Hospitals/Clients	56	56	56	56	1 970 000	1 970 000	1 970 000	1 970 000
Clinics Metro region	149	149	149	149	6 396 000	6 651 840	6 917 914	7 194 630
Clinics Boland/Overberg region	107	107	107	107	1 352 000	1 406 080	1 462 323	1 520 816
Clinics West Coast/Winelands region	126	126	126	126	1 664 000	1 730 560	1 799 782	1 871 774
Clinics South Cape/Karoo region	103	103	103	103	1 664 000	1 730 560	1 799 782	1 871 774
Total Clinics/Clients	485	485	485	485	10 970 000	11 420 000	11 880 000	12 360 000

The number of clinics reflects Provincial Administration and Local Authority controlled services. The term clinics describes clinics, community health centres, mobile services, satellite clinics and midwife obstetric units.

The number of Hospital clients = Admissions + Out Patient Headcounts + Emergency attendances

Trends for hospitals indicate a stable number of clients, and clinics to show a steady increase. It is unfortunately difficult to predict the number of clients due to many unforeseen factors, e.g. changes in the health status of the population, and the increase in TB and HIV/AIDS clients.

Personnel data reflects all categories of doctors (including interns) and nurses. Unfortunately personnel data for clinics is not available.

Indicators are used as measurements to determine service delivery and the quality of services that is being rendered.

Indicators for hospitals could include: Separations (Admissions), Out Patients, Trauma attendances, Average Length of Stay, Bed Occupancy rates and Patient Day Equivalents.

For Primary Health Care, indicators could include: Attendances, Perinatal and Maternal mortality rates, TB treatment cure rates and Immunisation coverage.

6.5.3 Social Security output measures

Output Measures	Projected number of beneficiaries and total estimate/grants							
	2001/02		2002/03		2003/04		2004/05	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Type of grant								
Old age	150 331	993 027	151 834	1 129 858	153 353	1 214 209	154 886	1 298 733
War veterans	1 377	9 798	1 154	9 022	967	7 811	810	6 808
Disability	91 802	635 867	92 995	685 737	94 204	740 289	95 429	795 665
Grant-in-aid		31						
Parental allowances								
Childcare								
Foster care	22 441	96 700	23 271	121 954	24 132	158 833	25 025	187 130
Care dependency	4 153	28 274	5 316	36 571	6 804	50 181	8 710	68 428
Child support grant	109 106	127 325	163 106	223 235	193 106	240 740	205 106	262 999
Other								
Social relief		6 215		3 864		3 864		3 864
Placement in Places of Safety		6 000		4 000		6 000		6 000
Subsidies	1 340	245 337	1 400	235 999	1 500	239 279	1 600	239 453

Note: Examples of quality indicators could be that the correct amount is paid out to the right beneficiary at the right time.

6.5.4 Housing output measures

Approximately 23 000 subsidies can be provided from the conditional grant. Please note that the number of subsidies to be granted cannot be predetermined with accuracy. Subsidy beneficiaries could qualify for any of the three subsidy values (that is, R16 000, R10 000 or R5 500) depending on their income. Furthermore, these subsidies can be increased by 15 % depending on geo-physical conditions. Even though the project application will make provision for subsidies for beneficiaries at the correct values given their incomes at the time, adjustments in value often have to be made due to changes in income of beneficiaries due to retrenchments etc. For this reason, an estimated value of R14 500 is used to determine the approximate number of subsidies to be provided from the conditional grant.

Amount date, 97433 (July 2001) houses have been completed and 120119 sites have been serviced.

Year	Conditional Grant	*Anticipated subsidies
2002/03	R342867000	23646
2003/04	R354754000	24465

*(This is based on an average subsidy amount of R14500)

The minimum size of housing units approved by the Western Cape Housing Development Board is 27 square metres.

6.5.5 Roadsoutputmeasures

OutputMeasures	2001/02	2002/03	2003/04	2004/05
TotalkmofTarredRoads	6 403	6 403	6 403	6 403
MaintenanceofTarredRoad(kmperyear)	6 403	6 403	6 403	6 403
Maintenancecosts(kmperyear)	23,50	27,01	28,60	24,83
NewTarredRoads(kmperyear)		16		
Constructioncost(kmperyearnewroads)		1 200		
TotalkmofGravelRoad	31 501	31 501	31 501	31 501
MaintenanceofGravelRoads(kmperyear)	31 501	31 501	31 501	31 501
Maintenancecosts(kmperyear)	2,45	3,46	3,88	3,50
NewGravelRoads(kmperyear)				
Constructioncosts(kmyear)				
Totalcostsroadmaintenance(R'000)	227 409	287 033	309 889	291 589
Totalconstructioncosts(R'000)	127 418	175 681	120 773	156 210
Totalcostsroads(R'000)	354 827	325 007	376 112	371 000

6.5. Worksoutputmeasures

OutputMeasures	2001/02	2002/03	2003/04	2004/05
Buildings				
Numberoferectedbuildings				
Totalsquaremetres				
Costpersquaremetre				
Totalcosts(R'000)	150 763	139 833	128 869	94 049
Maintenanceandrehabilitation				
Totalmillionsquaremetres				
Costpersquaremetre				
Totalcosts(R'000)	100 154	54 052	67 908	122 155
DaytoDayMaintenance				
Totalmillionsquaremetres	6,5	6,5	6,5	6,5
Costpersquaremetre				
Totalcosts(R'000)	86 606	137 004	143 604	129 473
Leases				
Totalsquaremetres				
Costpersquaremetre				
Totalcosts(R'000)	90 423	92 275	92 275	97 919
Othercosts(specify)				
Grandtotalcosts(R'000)	427 946	423 164	432 656	443 596

Note: Therequiredinformationcouldnotbereadilyprovidedandnecessitatesfuturework.