

**Provincial Government Western Cape
Provincial Treasury**

MEDIUM TERM BUDGET POLICY STATEMENT

2009 - 2012



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Foreword

The fortunes of the people of this province are tied in part to global economic realities and events, particularly the current financial market crisis. On the home front government and citizens are also confronted by a number of other related challenges, which include: inflationary pressures, variable or doubtful domestic energy supply, climate change risks and increasing food insecurity.

Despite these challenges, the Western Cape Provincial Government will continue to do all in its power to grow the economy in a manner that shares its benefits and achieves developmental objectives which will improve the lives of all, particularly the poor and vulnerable. Our provincial Growth and Development Strategy (iKapa GDS) underpins the 2009 Western Cape Medium Term Budget Policy Statement (WC MTBPS). The focus is on efforts to include all our citizens in the social and economic life of the province. Our medium term goals are to: strengthen constitutional democracy and social dialogue; improve the health status of citizens; better target poverty reduction programmes; the reduction of crime; build technical and other capacity and skills competence; improve industrial competitiveness; enhance land reform and food security; increase economic growth and broad-based black economic participation; create better work opportunities; accelerate housing delivery and improve economic infrastructure.

The 2009 WC MTBPS communicates our medium-term funding plans to strengthen these objectives. The budget is a policy instrument which is located in a difficult economic context and of necessity involves difficult budget decisions and trade offs. What and how much gets done, is dependent on the size of the revenue envelope.

The focus of our medium term plans and budgets is on improving the access, quality and effectiveness of social and economic services. This can only be achieved through improved synergy and collaboration in planning and budgeting within and across departments and spheres.

Government departments are cordially advised to explore measures to: improve efficiencies; improve the effectiveness and quality of their service delivery and lastly to "do more with less".



Garth Strachan
Minister of Finance, Economic Development and Tourism

20 November 2008

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Abbreviations

ACE	Advanced Certificate in Education
AFR	Asset Financing Reserve
ART	Antiretroviral Treatment
AsgiSA	Accelerated and Shared Growth Initiative of South Africa
BER	Bureau for Economic Research
BESP	Built Environment Support Programme
BNG	Breaking New Ground
BOD	Burden of Disease
BPO	Business Process Outsourcing
CASP	Comprehensive Agricultural Support Programme
CBD	Central Business District
CCTV	Closed Circuit Television
CIAT	Cape Institute for Agricultural Training
CIMCI	Community Integrated Management of Childhood Illness
CPFs	Community Policing Forums
CPIX	Consumer Price Index
CSP	Comprehensive Service Plan
DBSA	Development Bank of Southern Africa
DCAS	Department of Cultural Affairs and Sport
DEDAT	Department of Economic Development and Tourism
DoH	Department of Health
DoTP	Department of the Premier
DoTPW	Department of Transport and Public Works
DOTS	Directly Observed Therapy Short-Course
DPISA	Department of Public Service and Administration
DSD	Department of Social Development
ECD	Early Childhood Development
EMS	Emergency Medical Services
EPWP	Expanded Public Works Programme
ERSP	Extended Rural Service Project
FAO	Food and Agricultural Organisation
FET	Further Education and Training
FFC	Financial and Fiscal Commission
FIFA	Fédération Internationale de Footbal Association
GDP	Gross Domestic Product
GDPR	Gross Domestic Product by Region
GFCF	Gross Fixed Capital Formation
GHS	General Household Survey
GIS	Geographic Information System
HDD	Housing Demand Database
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HRP	Hospital Revitalisation Programme
ICS	Improved Conditions of Service

ICT	Information Communication Technology
IDPs	Integrated Development Plans
IES	Income and Expenditure Survey
iKapa GDS	iKapa Growth and Development Strategy
IGP	Infrastructure Grant to Provinces
IGR	Inter-governmental Relations
IMF	International Monetary Fund
ISDM	Integrated Service Delivery Model
JIPSA	Joint Initiative on Property Skills Acquisition
KPAs	Key Performance Areas
LARP	Land and Agrarian Reform Programme
LDAC	Local Drug Action Committees
LFS	Labour Force Surveys
LGNET	Local Government Network
LGMTEC	Local Government Medium Term Expenditure Committee
M&E	Monitoring and Evaluation
MDGs	Millennium Development Goals
MDR-TB	Multi-Drug Resistant TB
MEDS	Micro-Economic Development Strategy
MIG	Municipal Infrastructure Grant
MTEC	Medium Term Expenditure Committee
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
MVA	Motor Vehicle Accident
NERSA	National Energy Regulator of South Africa
NPDE	National Professional Diploma in Education
NSDP	National Spatial Development Perspective
NTSG	National Tertiary Services Grant
NYS	National Youth Service
OECD	Organisation for Economic Co-operation and Development
OSD	Occupational Specific Dispensation
PDA	Planning Development Act
PDC	Provincial Development Council
PDMC	Provincial Disaster Management Centre
PEMC	Provincial Emergency Management Centre
PER&O	Provincial Economic Review and Outlook
PES	Provincial Equitable Share
PGWC	Provincial Government Western Cape
PHC	Primary Health Care
PHP	People Housing Project
PPI	Production Price Index
PRF	Provincial Revenue Fund
PSDF	Provincial Spatial Development Framework
QIDS-UP	Quality Improvement, Development, Support and Upliftment Programme
RAVAs	Risk and Vulnerability Assessments

RED	Real Enterprise Development
SALGA	South African Local Government Association
SAPS	South African Police Services
SDFs	Spatial Development Frameworks
SETA	Sector Education Training Authority
SHSS	Sustainable Human Settlement Strategy - "Isidima" (Xhosa) meaning dignity
SIP	Strategic Infrastructure Plan
SMMEs	Small, Medium and Micro Enterprises
STP	Social Transformation Programme
TB	Tuberculosis
US	United States
WCED	Western Cape Education Department
WC MTBPS	Western Cape Medium Term Budget Policy Statement
WCPSDF	Western Cape Provincial Spatial Development Framework
WCPYC	Western Cape Provincial Youth Commission
XDR-TB	Extreme-Drug Resistant Tuberculosis

Executive Summary

Introduction

The tabling of this year's Medium Term Budget Policy Statement (MTBPS) occurs at a time when the global economy is experiencing a financial market crisis on a scale not seen since the 1930s. South Africa's sound fiscal and monetary policy will help us weather the storm, shielding the domestic economy from the worst effects of the global crisis.

Projections for South Africa's economic growth have been revised downwards, putting pressure on the revenue envelope. The proposed fiscal framework for 2009 takes this slower growth into account and acknowledges despite these challenges that our social services and infrastructure investment needs remain. The situation therefore calls for an approach that supports a paradigm of achieving 'more with less'. The tight fiscal envelope necessitates the phasing-in of priorities over the three-year Medium Term Expenditure Framework (MTEF) cycle with much of the available resources targeted for inflation-related and other cost pressures in wages, infrastructure and goods and services.

The Province has made progress in the fight against poverty and unemployment, as well as increasing access to quality social and economic services. These priorities remain over the medium-term and aim to bolster growth, accelerate job creation, broaden economic participation and improve access to social services.

Improving the quality and efficiency of public services can only be achieved through greater synergies within and across departments and is deemed a necessity if the Province is to achieve 'more with less'.

The remainder of this chapter provides a brief overview of the 2009 WC MTBPS including the macro-economic outlook; national and provincial policy context; revenue and expenditure trends; departmental performance and plans and provincial infrastructure.

Macroeconomic Overview (Chapter 1)

Global economic prospects have been deteriorating since mid 2007 as the world economy battles a pervasive and deepening financial market crisis. Fears of a deeper recession are intensifying across the globe despite interventions to mitigate the losses arising from the credit crunch. The world economy is also faced with rising inflationary pressures and climate change challenges that pose long-term risks to the economic outlook.

On the domestic front, in addition to the threat of a global recession, the economic growth prospects for South Africa remain clouded by other challenges such as energy supply constraints and climatic changes. The latter is expected to negatively impact on agriculture and water supplies.

The Western Cape economy is still expected to perform at rates above the national average over the medium-term, however, there is a need for the provincial government to step-up its efforts in implementing interventions aimed at boosting economic growth to meet the growth and social goals set in the iKapa Growth and Development Strategy (iKapa GDS).

The Western Cape labour market has performed reasonably well over the past 5 years in terms of job creation, boosted by growth mainly in the services and construction industries. The entrenched jobs losses in industries such as manufacturing and agriculture, which can absorb low- skilled labour market entrants, continues.

Moreover, in spite of the growth in new jobs, unemployment rates remain high, specifically among the youth and women, which calls for targeted interventions to improve the participation of these population groups.

Resource Envelope and Financing Issues (Chapter 2)

When compared to the 2008 MTEF, the 2009 MTEF allocations increase by R12 billion. These additions include R8.388 billion given to Health and Education, R1.281 billion to Housing and R1.839 billion to economic services (roads and other infrastructure mainly). Additional resources are largely provided through national transfers (equitable share and conditional grants) and aim to strengthen policy priorities and mitigate rising inflation.

Budget priorities funded through the equitable share and conditional grants target improvements in the quality of education, health and social development and to step-up investment in built environment infrastructure. The total resources available to the Western Cape are projected to grow at an annual average rate of 9.22 per cent over the 2009 MTEF.

The Western Cape's share (relative to other provinces) of the total provincial equitable share funds (PES) increases from 8.98 per cent to 9.22 per cent over the 2009 MTEF. The increased share is due to data updates informing the equitable share formula. Additional equitable share funding only provides for inflation and policy adjustments, chiefly in Health and Education. Additions to conditional grants caters mainly for inflation adjustments, infrastructure related expenditure, especially in Education, school nutrition and for HIV and AIDS.

Own revenue projections over the MTEF will remain at more or less the same level. This overall trend in projections is as a result of policy and other developments within the three bigger own revenue sources (Health Patient, Motor Vehicle Licence and Gambling and Racing Fees).

This chapter highlights the fact that the overall fiscal envelope is tight with limited room for expansion of current services, whilst continued funding for roads from the Asset Financing Reserve (AFR) will become more challenging over the MTEF.

National and Provincial Policy Context (Chapter 3)

Government has renewed its commitment to achieve the development objectives and targets as contained in, among others the Millennium Development Goals (MDGs), and acknowledge that even though there have been remarkable successes, much more needs to be done.

Government's policy objectives, which at the start of the current Government's term, found expression in the base Medium Term Strategic Framework, drafted in 2004. This Framework is updated annually and linked to funding streams over the medium term.

Government in pursuit of its broad objectives has been required to make major policy choices and take key actions, which favour anti-poverty activities, projects and programmes aimed at putting the economy on a higher growth trajectory. It is expected that these programmes and projects would contribute to raising the standard of living of particularly vulnerable groups such as women, children, the disabled and youth.

One of the more recent undertakings has been to boost the economy across all three spheres and remove the obstacles, which impede faster and shared growth.

The strategy in essence is aimed at growing the economy and facilitates more inclusive sharing of the benefits of such growth.

The adverse global economic conditions and its spillover effects on the South African economy, together with its own trials and tribulations, determine what and how much gets done. The tight fiscal framework necessitates hard policy choices. These have resulted in a variable approach to proposed funding of departmental priorities. In some instances funding priorities are spread over the 2009 MTEF, while in others funding is only made available in the second and/or third year of the current MTEF or is low in the first year of the 2009 MTEF and stepped up over the outer two years.

Despite limited additional resources, the Western Cape Provincial Government will continue to play a key role in: improving access to better quality social and economic services; supporting labour-intensive services and infrastructure programmes; investing in infrastructure and services that raise the long-term growth potential of the economy; and improving the maintenance of key infrastructure.

Cluster Progress, Performance and Plans (Chapter 4)

The economic performance and outlook, highlighted in Chapter 1 of this year's Provincial MTBPS, paints a picture of global economic uncertainties. Chapter 1 also makes the point that South Africa, and in particular the Western Cape's economic fortunes, are inextricably tied to the current unsettledness of world financial markets.

South Africa's economic growth is projected to slow down in 2009 and start recovery from 2010 and beyond. This makes meeting Government's objectives to improve the lives of our people, through efforts that eventually aim to at least halve poverty and unemployment, more challenging over the shorter term.

Government, despite the current economic challenges, has renewed its commitment to: a Constitutional democracy; a development agenda; improved overall health status; better targeted poverty reduction programmes; build the needed technical capacity and skill competence; industrial competitiveness, enhanced land reform and food security; achieving more with less; higher economic growth; increased, especially broad-based black economic participation; better job opportunities; accelerated housing delivery; and improved hard economic infrastructure.

Improving the quality of service delivery remains the key focus for all clusters over the 2009 MTEF. Over the 2009 MTEF, the Social Cluster has placed particular emphasis on expanding no fee schools to quintile 3 schools and reducing the learner educator ratio in quintile 1 schools. In addition to this, there will be a heightened emphasis on reducing infant mortality, continued strengthening of TB control, expanding general health capacity and the expansion of Early Childhood Development (ECD).

The Economic Cluster will continue to strengthen efforts and direct resources towards skills development, infrastructure and the Expanded Public Works Programme (EPWP). Food security initiatives and agricultural support to new producers and land reform beneficiaries also remain high on the agenda for the 2009 MTEF. The built environment departments will continue collaborating to further support and capacitate municipalities to carry out their planning and delivery functions through the dynamic revision of more sustainable and socially inclusive long-term spatial plans.

The Governance and Administration Cluster has prioritised strategic investment in strengthening the provincial government internally, especially its Information Communication Technology (ICT) capacity. The Cluster will also continue to facilitate cluster engagements for greater interdepartmental co-operation and collaboration. The coordination of the 2010 FIFA World Cup, the iKapa Growth and Development Strategy (iKapa GDS), the implementation of financial management reform initiatives in departments and municipalities and intensifying targeted support to and co-operation with municipalities will also continue over 2009/10 MTEF.

Provincial Infrastructure (Chapter 5)

Infrastructure investment remains a high priority for government. The iKapa Growth and Development Strategy (iKapa GDS) provides the strategic framework for infrastructure investment in the Province.

The Strategic Infrastructure Plan (SIP) for the Province as it evolves, intends to show what infrastructure is needed, where it is needed, and how it can be built over time. The Provincial Spatial Development Framework (PSDF), the Human Settlement Strategy, Isidima and departmental infrastructure plans further direct infrastructure investment towards mostly the metropolitan area, the Saldanha-Vredenburg area, the Southern Cape Coastal area, and the Breede River and Olifants River Valleys. The Province's SIP and the iKapa GDS highlight the importance of investment in economic and social infrastructure.

The Health, Education and Roads infrastructure plans show that departments are finding it difficult to remove infrastructure delivery bottlenecks; provides support in the event where there may be human resource or other capacity constraints; and to balance resource allocations to give effect to the construction of new, the upgrading of existing and the rehabilitation and maintenance of existing infrastructure. The provision for Health infrastructure increased sharply between the 2007/08 and 2008/09 financial years and beyond, mainly to cater for the construction of two district hospitals in Khayelitsha and Mitchell's Plain respectively, as part of the Hospital Revitalisation Programme (HRP).

Expenditure Trends (Chapter 6)

This final chapter highlights that departments have improved their spending capacity and for the 2007/08 financial year, have spent R21.523 billion or 97.3 per cent of the Adjusted Budget. This is particularly relevant in that for the 2006/07 financial year, departments have in aggregate underspent by 3.1 per cent. Improved spending between 2006/07 and 2007/08 has been in Housing (where spending increased from 79 per cent to 94 per cent) and investment in capital (increased from 92 to 95 per cent).

The half-yearly estimates show that there is strong year-on-year growth in expenditure of 19.2 per cent between 2007/08 and 2008/09.

The Adjustments Estimate makes provision for additional R1.303 billion of expenditure in 2008/09. These adjustments mainly address higher than expected inflation; pressures within existing conditional grants; and lastly provides for unforeseen and unavoidable expenditures, which amongst others include disasters.

Macroeconomic Overview

Globalisation has had a profound effect on the socio-economic conditions and the quality of life of all our people. The recently published economic indicators once again highlighted our vulnerability to global market conditions.

As stated above, South Africa's economic performance and outlook has not been unaffected by global developments. The recent volatility in the rand and stock market losses in recent times demonstrate our interconnectedness with the global economy and our vulnerability as an emerging economy. South African banks have been spared from the turmoil on international financial markets for now as their capital adequacy was unaffected, although stocks traded on the Johannesburg Stock Exchange have been highly volatile.

On the positive side, the construction sector remains the mainstay of the South African economy and it maintained its strong performance in the first and second quarters of 2008. The manufacturing and transport and communication sectors also posted positive growth rates in the second quarter of 2008.

However, household consumption expenditure continues to decline as a result of the high inflationary environment and as painful as this might be, it is welcomed in that it relieves the indebtedness of households who were indebted up to 78.2 per cent of their disposable income after the second quarter of 2008.

The Western Cape economy is still expected to perform at rates above the national average over the medium-term. However, there is need to step-up efforts in implementing interventions aimed at boosting economic growth for the Province to meet the growth and social goals set in the iKapa Growth and Development Strategy (iKapa GDS).

The major threats to the Western Cape economic outlook emanate from the high interest rate environment and the impact of energy supply constraints on agricultural and manufacturing sector activities.

Introduction

Global economic prospects have been deteriorating since mid-2007 as the world economy battles a pervasive and deepening financial market crisis. Fears of a recession are intensifying across the globe despite interventions to curb the losses arising from the credit crunch. In addition, the world economy is also faced with rising inflation and global warming challenges that pose longer-term risks to the economic outlook.

On the domestic front, economic growth prospects for South Africa remain clouded by other domestic challenges such as energy supply constraints and climatic changes. The latter is expected to negatively impact on agriculture and water supplies.

The Western Cape economy is still expected to perform at rates above the national average over the medium-term, however, there is need for the provincial government to step-up its efforts in implementing interventions aimed at boosting economic growth in order to meet the growth and social goals set in the iKapa Growth and Development (iKapa GDS) White Paper.

The Western Cape labour market has performed considerably well in the past 5 years in terms of job creation, boosted by employment growth mainly in the services and construction industries. The entrenched loss of jobs in industries such as manufacturing and agriculture, which can absorb low- skilled labour market entrants, continues.

However, in spite of the growth in new jobs, unemployment rates remain high, specifically among the youth and women, which calls for targeted interventions to improve the participation of these population groups.

Developments in the global economy

Since mid-2007, the global economy has been embroiled in a protracted financial market turmoil, which originated from the sub-prime mortgage market¹ and evolved into a credit crisis.

The past few weeks have been a tumultuous period for the global financial markets and it has been difficult to analyse the implications of the unfolding events on the global economic outlook. In recent weeks, a number of large investment banks have been liquidated or sold-off cheaply in the United States (US).

¹ Sub-prime mortgages are loans made to borrowers who are perceived to have high credit risk, often because they lack a strong credit history or have other characteristics that are associated with high probabilities of default.

Various governments in industrialised countries have intervened with massive financial bailout packages and synchronised interest rate cuts in a bid to curtail losses on stock markets across the world and to restore liquidity in financial markets, as the threat of global recession looms. Stock markets have remained highly volatile despite these efforts. In addition, the downturn in US retail sales and manufacturing output data for September 2008 has further worsened fears of a global recession.

The global economic outlook

According to the International Monetary Fund (IMF), the global economy is projected to decelerate substantially from a growth rate of 5 per cent achieved in 2007 to a moderate growth rate of 3.9 per cent in 2008 and 3 per cent in 2009². Modest economic recovery is only expected in the last quarter of 2009, where on a quarter-on-quarter basis economic growth is projected at 3.2 per cent.

These projections represent downward revisions from the global economic outlook as at July 2008, where the global economy was projected to grow at 4.1 per cent and 3.9 per cent in 2008 and 2009 respectively. The downgrading of economic growth projections was prompted by the intensifying financial market shock that resulted from the dramatic liquidation of major investment banks in the US³ in the past few weeks.

Advanced economies

The US economy is now expected to lose pace to 1.5 per cent in 2008 and to decelerate further to 0.5 per cent in 2009 due to weakening industrial production and tighter credit conditions. The housing market and financial sectors remain weak although the non-financial corporate sector remains relatively strong (in an environment of worsening liquidity constraints).

Economic growth in the Euro-area decelerated to 2.6 per cent in 2007 and the Region is expected to register lower economic growth rates of 1.3 per cent and 0.2 per cent in 2008 and 2009 respectively. Italy and Spain are expected to register negative economic growth rates averaging minus 0.2 per cent and the United Kingdom minus 0.1 per cent in 2009. The latest available data indicates that business and consumer sentiment in these economies is also retreating sharply.

² Source: World Economic Outlook, International Monetary Fund (IMF) April, and July & October 2008.

³ Such as Lehman Brothers, American International Group (AIG) and other troubled banks.

Emerging and developing economies

Emerging market and developing economies are expected to continue growing rapidly in 2008, led by China (9.7 per cent) and India (7.9 per cent) although economic activity is beginning to lose steam in some countries as these growth rates are significantly lower than the averages for 2007.

The emerging market and developing economies have managed to sustain high growth in economic activity although these economies are beginning to feel the impact of the financial market crisis (through reversal of capital flows to US) after emerging unscathed in the previous episode of the financial market crisis.

Developments in world inflation

Inflation has become more pervasive in both advanced and developing economies, driven by rising food and energy prices

In 2008, the global economy experienced high inflationary pressures emanating from the boom in the prices of commodities such as food, gold and oil. The rising trend in consumer prices has been a feature in both advanced and developing countries.

Consumer prices are projected to increase to 3.6 per cent in advanced economies from an average of 2.2 per cent in 2007 before slowing down to 2 per cent in 2009. Consumer prices are rising in advanced economies despite slow economic growth. However, the inflation pressure in advanced economies is likely to be countered by slowing consumer demand and moderating oil prices in 2009, hence the projected decline.

In contrast, inflation has been more pervasive in emerging and developing economies where a sharper increase is expected for consumer prices i.e. up to 9.4 per cent in 2008 from an average of 6.4 per cent in 2007. The rise in consumer prices is fueled by high food and energy prices, which constitute a high proportion of the consumer basket in these countries.

Risks to the global outlook and policy options

In the short-term, the world economic outlook is vulnerable to sharp downturns in housing markets in other advanced economies, such as countries in the Euro area, and declining commodity prices which are contributing strongly to the economic performance in emerging markets economies. In addition, financial risks remain elevated, as rising losses in the context of a global slowdown could add to strains on capital and exacerbate the squeeze on credit availability.

In the longer-term, the global economy faces a bigger challenge of climate change, which has been dubbed the world's potentially catastrophic global externality and one of the world's greatest collective problems. Efficient energy pricing and sustainable climate change mitigating policies as well broad country participation and cooperation is required.

The global economy is still under threat from financial market crisis in addition to global warming

Policy priorities for governments across the world range from heading-off rising inflationary pressures and keeping sight on risks to economic growth. Advanced economies still need to watch rising inflationary pressures although the argument for tighter monetary policies is less compelling given the lower levels of inflation in these countries.

Counter-cyclical strategies are also necessary at this point, as the global economy seems to be headed for a sharper downturn. Many policy-makers are revisiting the role of fiscal policy as a counter-cyclical tool as the ongoing turbulence in financial markets raises questions regarding the relevance and strength of monetary policy as a counter-cyclical tool in the face of a deepening financial market crisis.

Developments in the South African economy and outlook

This section discusses the performance of the South African economy, which has been variable since 2007. After showing resilience against the international financial market turmoil that unfolded during the third quarter of 2007, the economy registered annualised growth rates in Gross Domestic Product (GDP) of 4.8 per cent and 5.3 per cent in the third and fourth quarters of 2007 respectively. Overall, the Bureau for Economic Research (BER) estimate indicates that the South African economy grew at an average rate of 5.1 per cent in 2007.

In line with the projected slow down in global economic activity, the South African economy is projected to decelerate in 2008 and 2009

However, since the beginning of 2008, economic growth decelerated to 2.1 per cent in the first quarter. The major cause of this less favourable outcome was the power supply constraints, which adversely affected output in the mining and manufacturing sectors. In addition, the economy has been operating under a tighter monetary policy regime, which saw the repo rate being hiked by a cumulative 500 basis points since June 2006. This resulted in dampened growth in consumer demand, higher cost of capital (investment) and ultimately lower economic growth.

In the second quarter of 2008, annualised GDP rose steeply to a respectable 4.9 per cent, but the economy is not out of the woods as yet. With Eskom partially restoring its electricity supply, a bounce back in GDP was expected with a recovery in mining output (recovering from a decline of 25.1 per cent in the first quarter of 2008 to 15.6 per cent in the second quarter of 2008). The South African economy also experienced a noteworthy windfall in the agricultural sector during the second quarter of 2008.

Table 1.1 Economic outlook for South Africa, 2008-2013

	2007	2008	2009	2010	2011	2012	2013	2002-2007	2008-2013
	%	%	%	%	%	%	%	%	%
Real GDP growth (real y-o-y %)									
Final household consumption expenditure	7.0	2.4	1.6	3.9	4.3	4.4	4.5	4.6	3.5
Government consumption expenditure	5.0	4.7	4.5	4.5	4.4	4.3	4.4	2.8	4.4
Gross fixed capital formation	14.8	8.1	1.8	7.0	7.8	7.3	6.9	6.9	6.5
Real Gross Domestic Expenditure	6.0	3.8	2.0	4.9	5.2	5.1	5.0	4.2	4.3
Total exports	8.3	0.8	6.7	7.7	6.0	6.9	6.7	5.0	5.8
Total imports	10.4	3.2	2.7	8.0	7.9	7.8	7.7	7.5	6.2
Real GDP	5.1	3.2	3.0	4.6	4.4	4.5	4.4	3.5	4.0
R/\$	7.05	7.97	8.67	9.32	9.99	10.69	11.39	6.1	6.6
R/euro	9.67	12.30	12.95	13.48	13.98	14.53	15.06	4.9	7.1
R/pound sterling	14.12	15.54	16.03	16.37	16.99	17.69	18.37	6.8	7.9

Source: The Bureau for Economic Research, 2008

The construction sector remains the mainstay of the South African economy and it maintained its sterling performance by registering an annualised growth rate of 10.1 per cent in the second quarter of 2008. The manufacturing sector (14.5 per cent) and transport and communication (4.1 per cent) also posted positive growth rates in the second quarter of 2008.

South African economic outlook

Economic growth prospects for the South African economy have deteriorated considerably, however there is no recession forecast for South Africa in the medium-term. The unfolding global financial crisis, the energy-supply constraints and the higher interest and inflation rates contribute to the subdued growth prospects for South Africa.

The BER expects the South African economy to decelerate to an average of 3.2 per cent in 2008 and 3.0 per cent in 2009. Thereafter, economic growth is projected to accelerate to 4.6 per cent in 2009 and average around 4.4 per cent between 2011 and 2013.

The high inflation and interest rate environment, contributes to the unfavourable decline in the projections for the key components of economic growth, namely Gross Fixed Capital Formation (GFCF) and final household consumption expenditure discussed in the following sections.

Household consumption expenditure

Household consumption expenditure continues to decline in response to higher inflation interest rates and slower growth in household incomes. An annualised growth rate of 3.3 per cent in household consumption expenditure was registered in the first quarter of 2008, down from 3.8 per cent in the third quarter of 2007. The contraction of 8.1 per cent in the consumption of durable goods is the main contributor to the deceleration.

For 2008, household consumption expenditure is projected to average 2.4 per cent and to decelerate to 1.6 per cent in 2009. This can be attributed to factors such as declining credit extension by financial institutions, rising household debt (as the debt to disposable income registered 78.2 per cent in the second quarter of 2008) and deteriorating consumer confidence.

Gross fixed capital formation

Growth in Gross Fixed Capital Formation (GFCF) averaged 14.8 per cent in 2007 and results from the first quarter of 2008 registered an acceleration of GFCF of 14.7 per cent. The main drivers of the growth in GFCF are the private sector corporations with a brisk growth rate of 13 per cent and public sector entities at 15.3 per cent (although still high, the rate is much lower than 30 per cent achieved in 2007).

Investment spending outlays by government on AsgiSA-related infrastructure (transport, communication and energy projects) and 2010 FIFA World Cup (stadiums and transport infrastructure, etc.) remain major contributors to growth in investment. In addition, Eskom's investment in de-mothballing and upgrading of existing electricity supply infrastructure as well as the expansion of its energy generating capacity will also contribute hugely to investment leading up to 2012. However, the BER forecasts a deceleration in GFCF to average 8.1 per cent in 2009.

Growth in GFCF remains upbeat, however household consumption expenditure has decelerated considerably

The inflation outlook for South Africa has deteriorated although the risk posed by high fuel prices has abated for now

The inflation outlook for South Africa

The South African economy has been under pervasive inflation pressures in line with other emerging market economies. The main drivers of inflation remain the high food and energy prices. Inflation, measured by the Consumer Price Index excluding interest rates on mortgage bonds (CPIX) averaged 6.5 per cent for 2007 and since March 2008, CPIX exceeded 10 per cent. The rise in inflation continues as the latest available figures for July 2008 indicate CPIX rates of 13 per cent and 13.6 per cent for August 2008⁴.

The impending rebasing and reweighting of the consumer basket in January 2009 by Statistics South Africa (Stats SA) complicates the prediction of the mid-term inflation trend. The inflation outlook⁵ is expected to moderately improve in the near-term as CPIX is expected to peak at an average of 13.3 per cent in the third quarter of 2008. Thereafter, CPIX is expected to decline significantly in the first quarter of 2009 (averaging 6.9 per cent for the year) partially as a result of the rebasing and reweighting effects. The CPIX is projected to fall gradually in 2010 and fall within the target range by the second quarter of 2010.⁶

The major reasons for less favourable inflation outlook include higher than expected inflation outcomes in 2008 and projections of a further depreciated rand. The risk to the inflation outlook posed by international oil prices has moderated as the international oil price has dropped significantly from a peak of US\$145 per barrel in July 2008 to US\$56⁷ per barrel. International oil prices remain volatile due to various supply and demand-related reasons.

High food prices and food security

The growth in bio-fuel production in advanced countries as a response to high oil prices has contributed to high demand for food crops and high food prices. Bio-fuel related demand has boosted prices of major food crops that are used in corn-based ethanol production. Moreover, export restrictions by food exporting countries such as rice exporters (to improve domestic food supply and lower food prices) exacerbates the rise in international food prices.

⁴ The latest July and August 2008 rates incorporate the electricity tariff hikes awarded to Eskom by NERSA in June 2008.

⁵ Projections by the South African Reserve bank, Private forecasters tend to be more optimistic.

⁶ The forecast takes into account the additional electricity price increases granted to Eskom in June 2008.

⁷ Average daily price on 13 November 2008.

In addition, high food prices have also been fuelled by poor weather conditions in countries such as Australia, which has reduced the world supply of food. The continued growth in demand for food especially in emerging and developing economies has also compounded the situation.

In South Africa, food prices have risen in the past year to levels beyond the reach of poorer households, which have significantly compromised their food security. According to the Food and Agricultural Organisation (FAO), “food security exists when all people, at all times have access to sufficient, safe and nutritious food to meet their dietary requirements for an active and healthy lifestyle”.

Food security is thus multidimensional in nature and includes food access, availability, food use and stability. The rising food price has been described as an international phenomena and a global disaster, which is unprecedented as the rising food prices are coinciding with a highly probable global recession, rising input prices, rising fuel prices, global warming and policy failures.

The escalation of food prices threatens peace (evidenced by food riots in some countries) and security, poverty reduction strategies, sectoral development programmes and the achievement of the Millennium Development Goals (Stats SA 2008). For the first time in many years; reports indicate that South Africa is now a net food importer.

Review of the Western Cape economic performance and outlook

This section highlights the performance of the Western Cape economy by analysing various aspects such as the sectoral composition, performance of major sectors, and projected economic growth of the provincial economy.

The Western Cape economy posted above-average growth rates in Regional Gross Domestic Product (GDPR) of 5.9 per cent and 6.1 per cent for 2006 and 2007 respectively.

GDPR growth rates for 2008 and 2009 have been downgraded to 3.8 and 3.1 per cent respectively

Table 1.2 Economic outlook of the Western Cape, 2008-2013

SIC	Description	2006	2007	2008	2009	2010	2011	2012	2013
		%	%	%	%	%	%	%	%
1	Agriculture, forestry and fishing	-4.9	1.3	2.9	1.7	2.0	2.0	2.0	2.0
2	Mining	1.0	-0.5	-4.8	1.0	1.6	1.8	2.0	2.0
3	Manufacturing of which:	4.0	3.2	2.5	2.4	3.0	3.1	2.9	2.9
5	<i>Food, beverages and tobacco</i>	3.6	1.8	2.3	1.5	1.5	1.8	1.5	1.5
6	<i>Textiles, clothing and leather goods</i>	1.2	0.9	1.1	1.2	1.2	1.2	1.2	1.2
7	<i>Wood and paper; publishing and printing</i>	1.9	1.0	1.3	2.0	2.1	2.1	2.1	2.1
8	<i>Petroleum products, chemicals, rubber and plastic</i>	5.0	5.0	5.8	3.6	4.8	4.7	4.6	4.7
9	<i>Other non-metal mineral products</i>	4.4	6.2	2.0	0.6	1.4	1.4	1.4	1.4
10	<i>Metals, metal products, machinery and equipment</i>	2.6	4.3	1.4	3.6	4.9	4.4	4.2	4.0
11	<i>Electrical machinery and apparatus</i>	4.0	3.0	4.0	1.0	4.0	4.2	4.0	4.0
12	<i>Radio, TV, instruments, watches and clocks</i>	4.6	4.0	-0.1	0.5	1.0	2.0	2.0	2.0
13	<i>Transport equipment</i>	3.0	3.7	3.5	4.0	5.0	5.4	4.9	4.8
14	<i>Furniture and other manufacturing</i>	3.0	4.0	0.0	1.1	0.7	1.0	1.0	1.0
15	Electricity	4.4	4.0	3.7	3.7	4.6	4.2	4.2	4.2
16	Water	-2.9	2.0	0.3	-0.3	-1.3	-1.4	-1.5	-1.6
17	Construction	15.2	17.5	9.7	8.0	10.0	9.7	9.9	9.2
18	Wholesale & retail trade	7.9	5.7	2.6	1.6	5.4	5.2	5.1	5.0
19	Catering and accommodation	4.7	5.0	3.0	2.4	6.5	6.2	6.6	6.4
20	Transport	4.0	4.8	4.2	3.0	5.5	4.8	4.9	4.7
21	Communication	9.1	7.6	6.0	4.9	7.6	7.4	7.2	6.7
22	Finance and insurance	4.9	9.0	4.6	4.2	7.1	7.0	6.9	7.0
23	Business services	5.0	7.3	4.0	2.6	5.4	5.7	5.6	5.5
24	Community, social and other personal services	4.6	4.0	2.3	2.4	2.4	2.4	2.4	2.4
25	General government services	2.6	3.7	3.0	3.1	3.2	3.2	3.0	3.0
Total GDP		5.9	6.1	3.8	3.1	5.2	5.1	5.1	5.0

Source: BER economic forecast, 2008

The BER economic forecast for the Western Cape for 2008 and 2009 has been downgraded from 4.6 per cent and 5.3 per cent projected in June 2007⁸. The most recent forecast indicates that the Western Cape economy will grow by 3.8 per cent and 3.1 per cent in 2008 and 2009 respectively (Table 1.2 above shows that). Moderate improvements in the trend are projected from 2010 onwards.

⁸ See PER&O 2007

The major constraints to economic growth for the current year have been the slowdown in economic activity as a result of energy supply constraints experienced across the country and the tighter monetary policy, which constrained consumer demand and growth in interest rate sensitive sectors such as finance and insurance.

Composition of the Western Cape economy

In terms of sectoral contribution, the Western Cape's economic activity is concentrated in the financial intermediation, insurance, real estate and business services sectors, which accounted for 30.6 per cent of GDP in 2007. The second largest broad sector is the manufacturing sector (17.2 per cent), followed by wholesale, retail trade catering and accommodation (16.8 per cent), which fell from 18.1 per cent registered in 2005 (see PER&O 2007).

Agriculture, forestry and fishing (3.9 per cent) and construction (5.3 per cent) sectors remained small contributors to GDP, although the contribution of the construction sector increased by 1.2 per cent between 2005 and 2007 (see PER&O 2007).

Sectoral performance

Manufacturing

In terms of composition, the Western Cape manufacturing sector in 2007 was dominated by the production of petroleum products, chemicals, rubber and plastic (21.7 per cent) and agro-processing activities in the form of the manufacturing of food, beverages and tobacco (20.3 per cent).

Other prominent manufacturing sub-sectors include the production of metals, metal products, machinery and equipment (15.4 per cent), wood and paper, publishing and printing (12.2 per cent), furniture and other manufacturing (9 per cent) and textiles, clothing and leather goods (8.6 per cent).

Overall, growth of the manufacturing sector is projected to decelerate to 2.5 per cent in 2008, down from 3.2 per cent achieved in 2007. Strong performance by the manufacturing sector becomes critical in the Western Cape, which has an excess supply of unskilled and semi-skilled labour force that could be easily absorbed in the manufacturing sector.

Efforts to create jobs in targeted manufacturing sub-sectors are already underway in the Province. These priority sectors such as boat building and servicing of the oil and gas sector were identified through the Western Cape Micro-economic Development Strategy (MEDS) process.

Agriculture, forestry and fishing

The agriculture, forestry and fishing sector has been declining for some time, for example the sector declined by 4.9 per cent in 2006. A slight recovery was recorded in 2007 to an average of 1.3 per cent but this performance is still below potential growth. In addition, the projections for the medium-term are still below average, at 2.9 per cent and 1.7 per cent for 2008 and 2009 respectively.

The trend is worrying just as in the manufacturing sector; as the implications range from the prospects of job losses over the medium-term and diminished opportunities for the unskilled labour force to join the mainstream economy.

On the upside, there has been a surge in the international prices of agricultural field crops (maize, wheat, and soybeans) owing to the rise in food prices for various reasons ranging from increasing demand for food and poor weather in major grain producing countries.

Construction

The construction sector has been the mainstay of the country's economic growth and has been driven mainly by public and private sector investment in infrastructure as discussed in earlier sections. The construction sector constituted 5.0 per cent of the Western Cape GDP in 2007, and has registered tremendous growth rates of 15.2 per cent in 2006 and 17.5 per cent in 2007.

The less accommodative monetary policy and the low business confidence environment accounts for the projected slowdown of 9.7 per cent for 2008 in construction sector activity and a further decline to 8 per cent anticipated in 2009.

Wholesale & retail trade, catering and accommodation

These sectors have started shrinking in South Africa at large as most recent results show a negative growth rate of 2.2 per cent for the second quarter of 2008. Although still growing at positive rates in the Western Cape, the wholesale & retail trade (2.6 per cent) and catering and accommodation (3.0 per cent) sectors are projected to decelerate in 2008. The reasons are much similar to those affecting national trends ranging from less accommodative monetary policy to slumps in consumer confidence.

Projections for 2009 are also less favourable, however, there is anticipated acceleration in growth of these sectors from 2010 onwards due to the expected boost in consumption expenditure related to the 2010 FIFA Soccer World Cup tournament. Moreover, the inflation outlook is also projected to moderately improve over the medium-term which will contribute to the revival of these sectors.

Finance and insurance, business services

These two sectors dominate the Western Cape economy (constituting close to one third of the Province' economic output in 2007) and their fortunes will heavily determine the outlook of the Provincial economy. Growth in these two sectors is projected to decelerate in 2008 and 2009, primarily as a result of the current tight monetary policy as these sectors are highly sensitive to interest rates.

Projections for 2009 are less promising, as the finance and insurance sector is anticipated to decelerate sharply to 4.2 per cent while the business services sector is projected to come in at 2.6 per cent, way below the growth rates achieved in 2007. Recovery in these sectors is projected from 2010 onwards mainly due to the improving interest rate and inflation outlook. However, continued deterioration in international financial market prospects can severely damage the prospects of these sectors.

Western Cape labour markets

In this section, the developments in the Western Cape labour market for the period 2002 to 2007 based on the Labour Force Surveys (LFS) released in the month of September in both years are discussed.

Overall, the working-age population⁹ of the Western Cape grew by 7.7 per cent between 2002 and 2007 at an average annual rate of 1.5 per cent. The period under review also saw a combination of a rapid increase in employment and a decline in unemployment. Employment creation was faster at national level as employment increased by 17.1 per cent (1 937 061 jobs) in South Africa and by 14.6 per cent (229 315 jobs) in the Western Cape (see Table 1.3 below).

The faster growth in employment led to a faster reduction in the number of the narrow unemployed¹⁰ in the labour force by 20.1 per cent in South Africa, while narrow unemployment was reduced by 4.1 per cent in the Western Cape.

A less encouraging development was the increase in the number of discouraged employment-seekers¹¹ both in South Africa and the Western Cape for the same period. This is despite the faster economic growth, a faster pace of employment creation and various interventions by government during this period.

⁹ The working-age population is comprised of individuals aged 15 to 65 years old.

¹⁰ Narrow unemployment is made up of people who are unemployed and are actively searching for employment.

¹¹ Discouraged employment –seekers are those individuals who are unemployed but are not actively searching for employment.

Table 1.3 Labour force aggregates in South Africa and the Western Cape, 2002 and 2007

	2002	2007	Total Change (2002–2007)		Average annual growth rate (%)
			Number	Percentage change	
Western Cape					
Employed	1 570 985	1 800 300	229 315	14.6	2.8
Narrow Unemployed	383 200	367 571	-15 629	-4.1	-0.8
<i>Narrow Labour Force</i>	1 954 185	2 167 871	213 686	10.9	2.1
Discouraged Unemployed	142 202	179 520	37 318	26.2	4.8
<i>Broad Labour Force</i>	2 096 387	2 347 391	251 004	12.0	2.3
<i>Working Age Population</i>	2 981 160	3 209 572	228 412	7.7	1.5
<i>Broad Unemployed</i>	525 402	547 091	21 689	4.1	0.8
South Africa					
Employed	11 296 454	13 233 515	1 937 061	17.1	3.2 *
Narrow Unemployed	4 936 025	3 944 621	-991 404	-20.1	-4.4
<i>Narrow Labour Force</i>	16 232 479	17 178 136	945 657	5.8	1.1
Discouraged Unemployed	3 193 550	3 425 291	231 741	7.3	1.4
<i>Broad Labour Force</i>	19 426 029	20 603 427	1 177 398	6.1	1.2
<i>Working Age Population</i>	28 527 167	30 413 283	1 886 116	6.6	1.3
<i>Broad Unemployed</i>	8 129 575	7 369 912	-759 663	-9.3	-1.9

Source: Provincial Treasury calculations derived from Stats SA LFS September 2003 and 2007

Employment changes that are statistically significant at the 95 per cent confidence level are indicated with an asterisk (*).

The number of discouraged employment-seekers increased by 26.2 per cent in the Western Cape, resulting in an overall increase in broad unemployment (which incorporates discouraged employment-seekers in the definition of unemployed) in the Province of 4.1 per cent. The growth in the number of discouraged employment-seekers in South Africa was relatively lower at 7.3 per cent.

Various reasons for not seeking employment that were sighted by discouraged work-seekers in the Western Cape in 2007 include amongst others, no jobs available in the area (53 per cent), loss of hope (10.1 per cent), cannot find jobs requiring my skills (7.9 per cent) and no money for transport (4.7 per cent).

These responses highlight a critical lack of jobs in areas where the unemployed people reside and some respondents have lost hope, as they remained unemployed for longer periods.

Employment by sector

Over the last decade South Africa has experienced economic growth, which was stimulated by a surge in domestic demand (a result of a combination of low inflation and interest rates and an expansionary fiscal policy). These factors have led to faster growth in the services sectors of the economy and demand for labour in these sectors.

Table 1.4 Western Cape employment by sector, 2002 and 2007

Industry	2002		2007		Total Change		Average annual growth rate
	Employment	Share (%)	Employment	Share (%)	Employment	Percentage change	
Agriculture	223 194	14.2	145 860	8.1	-77 334	-34.6	-8.2
Primary sector	225 023	14.3	149 653	8.3	-75 370	-33.5	-7.8
Manufacturing	282 612	18.0	277 521	15.4	-5 091	-1.8	-0.4
Construction	102 581	6.5	179 834	10.0	77 253	75.3	11.9
Secondary sector	395 394	25.2	498 785	27.7	72 162	18.7	4.8 *
Wholesale and retail trade	254 816	16.2	365 053	20.3	110 237	43.3	7.5 *
Transport, storage and communication	76 452	4.9	67 423	3.7	-9 029	-11.8	-2.5
Financial intermediation	212 789	13.5	226 260	12.6	13 471	6.3	1.2
Community, social	287 952	18.3	333 077	18.5	45 125	15.7	3.0
Private households	114 821	7.3	150 207	8.3	35 386	30.8	5.5
Tertiary sector	946 830	60.3	1 142 020	63.4	195 190	20.6	3.8
Total Employment	1 570 984	100.0	1 800 300	100.0	229 316	14.6	2.8

Source: Provincial Treasury calculations derived from Stats SA LFS September 2003 and 2007
Employment changes that are statistically significant at the 95 per cent confidence level are indicated with an asterisk (*).

Overall, employment in the tertiary sector has increased at a faster rate compared to the secondary sector, while the primary sector has reduced its total employment between 2002 and 2007 (see Table 1.5 below for statistics). The tertiary sector was responsible for much of the growth in employment in the Western Cape during the period under review.

As shown in Table 1.4, the tertiary sector, due to the huge contribution of the wholesale and retail industry, was responsible for 85.1 per cent of the new jobs created in the Western Cape from 2002 to 2007.

The wholesale and retail industry increased its employment by 43.3 per cent in the 2002 to 2007 period, creating 110 237 jobs. The primary sector, which is comprised of the agriculture and mining industries, shed 75 370 jobs from 2002 to 2007. Employment in the agriculture sector was reduced by just over a third (34.6 per cent) when compared with 2002.

On the other hand, the secondary sector was responsible for a net increase of 72 162 jobs during the same period due to the positive contribution of the construction sector. The manufacturing industry reduced its employment by 1.8 per cent while the construction industry increased its employment by 75.3 per cent, creating 77 235 jobs between 2002 and 2007. The construction industry in the Western Cape has shown robust growth, in the 2002 to 2007 period. This is a result of low interest rates and the 2010 FIFA World Cup related construction activities.

The combination of faster growth in the services industries and secondary sectors, which tend to absorb mainly skilled and highly skilled labour, and negative growth of industries in the primary sector are some of the factors behind the increasing unemployment among the unskilled sections of the labour force.

Unemployment trends

This section focuses on unemployment in the Western Cape using the narrow definition of unemployment. The narrow definition excludes the discouraged work-seekers from total unemployment. As shown in Table 1.3, the size of the unemployed labour force in the Western Cape was reduced by about 16 000 people (a rate of 4.1 per cent per annum from 2002 to 2007).

However, despite the reduction in overall unemployment in the Western Cape, the share of the labour force that is unemployed, or unemployment rate, was still relatively high among Africans (26.8 per cent), females (17.6 per cent) and the youth in (25.4 per cent) in 2007. Unemployment is particularly high for the 15-24 years age-group, with an unemployment rate of 37.2 per cent in 2007.

Table 1.5 Composition of Unemployment and Unemployment Rates in the Western Cape, 2002 and 2007

Demographics	2002		2007		Total Change		Average annual growth rate (%)
	Unemployment	Unemployment rate (%)	Unemployment	Unemployment rate (%)	Unemployment	Per cent	
African/Black	180 629	35.7	186 079	26.8	5 450	3.0	0.5
Coloured	183 838	17.9	162 583	16.3	-21 255	-11.6	-2.0
White	16 817	4.2	17 858	3.8	1 040	6.2	1.0
Total	383 200	19.6	367 571	17.0	-15 629	-4.1	-0.7
Male	184 395	16.4	189 245	16.3	4 850	2.6	0.4
Female	198 804	23.9	177 869	17.6	-20 935	-10.5	-1.8
Total	383 200	19.6	367 115	16.9	-16 085	-4.2	-0.7
15-24 years	136 339	37.4	171 519	37.2	35 180	25.8	3.9
25-34 years	138 375	19.8	121 977	17.6	-16 398	-11.9	-2.1
35-44 years	69 275	14.4	43 323	8.3	-25 952	-37.5	-7.5
45-54 years	34 063	11.4	26 651	7.6	-7 412	-21.8	-4.0
55-65 years	5 147	4.6	4 101	2.8	-1 046	-20.3	-3.7
Total	383 200	19.6	367 571	17.0	-15 629	-4.1	-0.7

Source: Provincial Treasury calculations derived from Stats SA LFS September 2003 and 2007

Despite the increase in the number of unemployed Africans by 5 000 people, the rapid growth in the overall labour force and employment for Africans led to a drop in the unemployment rate of Africans from 35.7 per cent to 26.8 per cent between 2002 and 2007. Unemployment among females in the labour force also dropped significantly by 20 935 people, with the unemployment rate dropping among females from 23.9 per cent in 2002 to 17.6 per cent in 2007.

Unemployment is highest among the youth compared to other age-groups. The slight reduction in youth unemployment by 6.8 per cent from 2002 to 2007 is inadequate because of the high rate unemployment among the youth and the fact that the youth constitute the majority of the labour force.

This has serious implications for the Province's social capital, as unemployed youths are more vulnerable to engage in undesirable activities such as drug abuse and crime. This state of affairs once again calls for improved efforts to create employment opportunities not only for the youth, but for all demographic categories of the population in the Western Cape that are disadvantaged in the labour market.

Conclusion

The most recent developments in the international financial markets have led to a deteriorating global economic outlook, with a more widespread housing market downturn, tighter credit conditions and heightened inflation risks. Policy options available for many economies have become limited as the crisis widens.

South Africa, in line with other emerging market and developing economies is now exposed to financial market risk through the reversal of financial flows as risk aversion rises, thereby testing the resilience of emerging market economies to the global credit turmoil.

At the moment, a recession is less likely for many emerging market and developing economies, including South Africa. The major challenges in these economies are therefore protecting the poor from high food and energy prices as well as stimulating economic growth to avert recessions.

The Western Cape economic outlook is largely dependent on the fortunes of the global and national economies as the economic growth projections for near-term are less favourable. However, the Province can take advantage of the local opportunities and strengths to improve its economic growth prospects through the deepening of the implementation of economic growth strategies and interventions that are already in place.

The labour market in the Western Cape experienced rapid growth in employment creation between 2002 and 2007. Growth in employment was high particularly among Africans, females and the older sections of the labour force. A major shortcoming of the labour market however, has been inadequate growth in employment opportunities for the youth in the Province.

The Resource Envelope and Financing Issues

The 2009 MTEF allocations, when compared to those proposed during the 2008 MTEF, increase by R12 billion. These additions include R8.388 billion given to Health and Education, R1.281 billion to Housing and R1.839 billion to economic services (roads and other infrastructure mainly). Additional resources are largely provided through national transfers (equitable share and conditional grants) and aim to strengthen policy priorities and mitigate rising inflation.

Budget priorities funded through the equitable share and conditional grants target coverage and quality improvements in education, health and social development and to step up investment in built environment infrastructure. The total resources available to the Western Cape are projected to grow at an average annual rate of 9.22 per cent over the 2009 MTEF.

The Western Cape's share (relative to other provinces) of the total provincial equitable share funds (PES) increases from approximately 8.98 per cent to 9.22 per cent over the 2009 MTEF. The increased share is due to data updates informing the equitable share formula.

Additional equitable share funding only provides for inflation and policy adjustments, mainly in Health and Education. Additions to conditional grants mainly caters for inflation adjustments, infrastructure related expenditure, especially in Education, school nutrition and for HIV and AIDS.

Own revenue projections over the MTEF will remain at more or less the same level. This overall trend in projections is as a result of policy and other developments within the three bigger own revenue sources (Health Patient, Motor Vehicle Licence and Gambling and Racing Fees).

The overall fiscal envelope is tight with very limited room for expansion of current services, whilst continued funding for roads from the Asset Financing Reserve (AFR) becoming increasingly challenging over the MTEF.

Introduction

The medium-term expenditure framework and the national division of revenue are targeted to give expression to national and provincial government priorities as described and presented in Chapter 3 as well as in Chapter 6 of the national 2008 Medium Term Budget Policy Statement tabled in Parliament by the national Minister of Finance.

Whilst the improved allocations builds on the momentum of rising government spending over the last couple of years, priority is given over the 2009 MTEF to allocating additional funds in areas where government has already made firm decisions on policy that have a high and clear impact on human development and the quality of life, as well as to mitigate rising inflation (i.e. to try and protect buying power in critical areas of service delivery, most notably in health and education).

The fiscal system allows for provincial expenditure to be financed via three sources: national transfers (provincial equitable share and conditional grants, which together contribute 91.19 per cent of the budget in 2009/10); provincial own receipts (taxes and fees/user charges, which account for 6.10 per cent in the same year); and the AFR which contributes the remaining 2.71 per cent in 2009/10.

Table 2.1 Fiscal Framework of the Western Cape

Source	2008/09	2009/10	2010/11	2011/12
R'000	Adjusted Budget	Medium Term Estimates		
Transfers from National	23 459 593	26 370 214	29 655 436	32 356 902
Equitable share	18 170 258	20 986 756	23 367 324	25 493 095
Conditional grants	5 289 335	5 383 458	6 288 112	6 863 807
Own receipts	1 783 559	1 763 473	1 720 596	1 738 293
Asset Financing Reserve	933 275	784 819	244 669	50 000
PRF Financing	32 174			
Total	26 208 601	28 918 506	31 620 701	34 145 195
Percentages				
Transfers from National	89.51%	91.19%	93.78%	94.76%
Equitable share	69.33%	72.57%	73.90%	74.66%
Conditional grants	20.18%	18.62%	19.89%	20.10%
Own receipts	6.81%	6.10%	5.44%	5.09%
Asset Financing Reserve	3.56%	2.71%	0.77%	0.15%
PRF Financing	0.12%	0.00%	0.00%	0.00%
Total	100.00%	100.00%	100.00%	100.00%

Transfers from National

The National Government over the 2009 MTEF has increased the total baselines of provinces by R51.291 billion, which include R32.298 billion for the PES and R18.993 billion for conditional grants. The PES amounts over the MTEF account for R14.173 billion in 2009/10, R14.238 billion in 2010/11 and R22.880 billion in 2011/12.

The adjustments in national transfers have resulted in aggregate transfers to all provinces growing by on average by 10.8 per cent per year from a revised R245.646 billion in 2008/09 to R333.751 billion 2011/12.

National transfers to all Provinces set to grow on average by 10.8 per cent each year over 2009 MTEF

For all Provinces, these additions increase the provincial aggregate equitable share allocations to R233.051 billion in 2009/10, R256.170 billion in 2010/11 and R275.934 billion in 2011/12. Conditional grants will grow to R49.281 billion in 2009/10, R51.707 billion in 2010/11 and R57.817 billion in 2011/12.

In respect of the Western Cape, Table 2.1 shows that the estimated transfers to the Western Cape Provincial Government from nationally raised revenue will grow at an annual average rate of 11.31 per cent in nominal terms or by R8.898 billion over the 2009 MTEF. Transfers increase from R23.460 billion in the current financial year to R26.370 billion in 2009/10, R29.655 billion in 2010/11 and rising to R32.357 billion by 2011/12.

Provincial equitable share

The Provincial Equitable Share (PES) on average makes up 73.71 per cent of the total Provincial Budget over the 2009 MTEF. The PES is a formula-driven unconditional transfer allocated to the Province and includes the following six components (with weights included in brackets):

- An education component (51 per cent) based on school age cohort (6-17 years) and school enrolment data;
- A health component (26 per cent) based on the proportion of the population with and without medical aid assistance (at a ratio of 1:4);
- A basic component (14 per cent) derived from each province's share of the national population;
- A poverty component (3 per cent) based on the population income per province;
- An institutional component (5 per cent) divided equally between provinces to fund institutional requirements of provinces; and
- An economic activity component (1 per cent) based on Gross Domestic Product per Region (GDPR).

The basic structure of the allocation formula, used over the 2008 MTEF to divide resources between provinces, has been retained over the 2009 MTEF. Over the medium term, government through the National and Provincial Treasuries in concert with the Financial and Fiscal Commission (FFC) is planning to fundamentally review the entire fiscal transfer system, including the PES formula. The review will cover some of the following:

- The constitutional provisions that apply to the intergovernmental fiscal architecture, inclusive of the nature of transfers, assignment of powers and functions (revenue raising vs spending responsibilities), fiscal capacity and autonomy, co-operative governance and budget prioritisation;

- An analysis of the evolution and taking into account the responsiveness of the current fiscal transfer system, international comparatives of best practice models; and
- Previous research work, especially by the FFC, and regional and sub-regional economic development initiatives that support accelerated and shared economic growth.

Adjustments to the PES for the 2009 MTEF took into account the updating of data from the 2008 Mid-year Population Estimates, the 2008 Education Snap Survey, 2007 General Household Survey, the 2006 Provincial GDP-R information and the 2005 Income and Expenditure Survey. These data updates resulted in shifts in the equitable shares of Provinces over the 2009 MTEF. Budget Council agreed that the adjustments would be phased in over a three-year period. Specific data updates are discussed in a later section.

Policy priorities funded through the PES

Table 2.2 shows that, over the MTEF, policy priorities funded through the PES are by and large only for Education and Health, whilst Social Development, roads and other economic services only receive an additional allocation in 2011/12.

With respect to Education, the PES revisions seek to ensure better access, improved quality, greater equity, extension of the no fee school policy to quintile 3 schools (60 per cent of schools nationally), reduction of the teacher: learner ratio in quintile 1 schools and to provide support to inclusive education for learners with disabilities in both mainstream and special schools. In aggregate over the 2009 MTEF, R381.3 million has been made available to fund Education policy priorities via the equitable share.

In Health, the PES revisions seek to further strengthen the sector by building on currently funded priorities so that public health services continue to better meet the health needs of society. Additional resources are allocated to partially address cost pressures in the health sector as a result of the implementation of occupation specific salary scales for nurses, and to begin to provide for doctors and other health specialists with better remuneration packages. Additional resources have also been made available to fund TB (XDR and MDR) and to reduce maternal and child mortality by expanding the range of vaccines available for inoculation of infants and children. Total allocations of R188.611 million in 2009/10, R261.600 million in 2010/11 and R460.193 million in 2011/12 has been made to fund Health policy priorities through the PES. The total allocation also provides funding to improve general health capacity in the last year of the 2009 MTEF.

In 2011/12, an additional allocation of R46.084 million to social development is intended to meet the growing welfare needs of communities, specifically focusing on early childhood development. A similar amount of R46.084 million has also been allocated in 2011/12 to roads and other economic services to mainly support the maintenance of provincial roads.

Table 2.2 Policy priorities funded through the PES

	2009/10	2010/11	2011/12	MTEF Total
	R'000	R'000	R'000	R'000
2009 MTEF: Policy Priorities funded through PES				
Education	-	357 141	838 081	1 383 833
Education	-	95 541	285 720	381 261
Extension of No Fee Policy to Q3 schools	-	72 793	92 168	164 961
Expansion of teachers to reduce teacher/learner ratio in Q1 schools	-	22 748	165 902	188 650
Support to inclusive education	-	-	27 650	27 650
Health	188 611	261 600	460 193	910 405
Personnel costs (shortfalls: OSD for Nurses)	98 796	100 090	101 384	300 271
Phasing in of the OSD for doctors and specialists	44 907	90 991	138 252	274 150
Tuberculosis (XDR and MDR)	8 981	15 923	17 788	42 693
Reducing infant and child mortality	35 926	54 595	73 734	164 255
General health capacity	-	-	129 035	129 035
Social Development	-	-	46 084	46 084
Roads and other economic functions	-	-	46 084	46 084

Inflationary adjustments through the PES

Inflation adjustments cater for the impact of the higher than anticipated inflation on salaries, as well as for the changes and impact of inflation on critical programmes such as medical goods and services and learner and teacher support material. In addition to policy adjustments to be funded through the PES, additional funds allocated to PES over MTEF amounting to R420.514 million in 2009/10, R452.955 million in 2010/11 and R476.783 million in 2011/12 were made available to partially cater for personnel adjustments (improvements in conditions of service) as a result of the higher than anticipated wage settlements to protect the real value of public service incomes. These adjustments were made due to the fact that at the time of tabling the 2008 main budget, provinces were asked to provide for salary adjustments of 7.1 per cent in 2008/09, but actual increases of 10.5 per cent have since been awarded. R288.419 million was allocated to this province in the 2009/10 adjustments estimate and the amount allocated over the MTEF provides for the carry through costs of the higher wage increases.

The wage agreement that was reached in the national bargaining council in 2007, as well as changes to MTEF estimates for ICS, are not fully compensated for in the PES increases over the 2009 MTEF. This fact impacts the extent to which the Province would be able to fund any provincially defined priorities.

Over the 2009 MTEF, R31.322 million has been allocated to learner and teacher support materials, whilst R182.008 million has been allocated towards medical goods and services.

Data updates

As highlighted earlier, the data informing the PES has been updated with data from the 2008 Mid-year Population Estimates, the 2008 Education Snap Survey, the 2007 General Household Survey, the 2006 Provincial GDP-R information and the 2005 Income and Expenditure Survey, all conducted by Stats SA. Table 2.3 shows the impact of these data revisions, inclusive of it's phasing in, on the Western Cape's share of the PES. Data changes resulted in the Western Cape's share of the equitable share increasing from 8.98 per cent in the 2008 MTEF to 9.22 per cent in the final year of the 2009 MTEF. These changes will be phased in over the MTEF from 9.0 per cent in 2009/10, 9.1 per cent in 2010/11 and 9.2 per cent in 2011/12. The financial impact of the data changes to the PES formula resulted in additional PES to the Province amounting to R116.871 million in 2009/10, R255.364 million in 2010/11 and R577.194 million in 2011/12.

Data changes to PES results in an additional PES of R949m over the 2009 MTEF

Table 2.3 Changes in PES component shares

	Weight	2008 MTEF	2009 MTEF	Variance
	%	%	%	
Education	51	8.1053	8.1616	0.0564
Health	26	9.5956	10.2070	0.6114
Basic	14	10.8831	10.8077	-0.0754
Poverty	3	4.1742	6.1950	2.0208
Institutional	5	11.1111	11.1111	0.0000
Economic activity	1	14.6681	14.5782	-0.0899
Final share	100	8.9796	9.2165	0.2369

Western Cape's PES increased from 8.98 per cent in 2008/09 to 9.22 per cent in 2011/12

According to the 2008 Education Snapshot Survey school enrolment in the Western Cape decreased by 7 057 from 969 065 in 2007 to 962 008 in 2008, whilst total enrolment for the country during the same period dropped from 12 410 501 to 12 239 363. However, the proportionate share of enrolment in the Province in comparison to total enrolment for the country increased from 7.8 per cent to 7.9 per cent. As a result of this change the Western Cape's share of the education component increases by 0.056 percentage points from 8.11 per cent in the 2008 MTEF to 8.16 per cent in the 2009 MTEF.

It is acknowledged that some Provinces still appear to have more children enrolled in school than the number of the school going cohort of children (age 5–17) living in those provinces. Contributing to this challenge had been: The school age-cohort (age 5-17) data that has not been updated since 2001; and methods used to conduct community surveys proves unreliable. It is expected that this problem will remain until the next census in 2011. National Treasury, however was tasked to engage the National Department of Education on the need to implement an electronic learner tracking and verification system in all Provinces.

The health component has been updated using data from the 2007 General Household Survey (GHS) and the 2008 Mid-year Population Estimates. The updating of the data resulted in the Western Cape's weighted share of the health component to increase from 9.60 per cent in the previous MTEF to 10.21 per cent over the new MTEF as a result of changes in the proportion of population with and without medical aid assistance, relative to the other provinces.

The Mid-year Population Estimates released in July 2008 were used to update the data used to calculate the basic component. In the 2008 MTEF the 2007 Community Survey was used. The shifts in the data between the mid-year population estimates of 2007 and 2008 resulted in the Western Cape's relative weighted share of the basic component to be 10.81 per cent. According to the 2008 Mid-year Population Estimate, the population numbers in the Western Cape increased from 4 839 766 to 5 262 000, indicating sizable inward migration to the Province. This represents a year-on-year growth rate of 8.7 per cent.

The poverty component was updated using the 2005 Income and Expenditure Survey (the 2007 Community Survey figures for the general population were used in the 2008 MTEF). The Western Cape experienced an increase in the number of relatively poorer people. This change in population shifts resulted in a 2.02 percentage shift in the Provincial Poverty Index, which increased from 4.17 per cent in 2000 to 6.20 per cent in 2005.

The institutional component remained unchanged, while the economic activity component was updated using the results of the 2006 GDP-R data. The Province's share of that component decreased marginally from 14.67 per cent in 2005 to 14.58 per cent in 2006.

Revision to the equitable share allocations

PES to the Province is projected to increase as a result of the data-updates, the subsequent phasing-in of these updates and the respective policy and inflationary additions. These have resulted in an annual average nominal increase of 11.95 per cent over the 2009 MTEF. As a result the equitable share has been adjusted from R18.170 billion in 2008/09 to R20.987 billion in 2009/10, R23.367 billion in 2010/11 and R25.493 billion in 2011/12.

Impact of data updates for the Western Cape

The revision of the 2008 MTEF before any additions, and using the new phased-in shares created a new baseline for the Western Cape at R20.306 billion, R22.470 billion and R24.124 billion in 2009/10, 2010/11 and 2011/12, respectively.

Table 2.4 shows that taking into consideration only the impact of the data updates and before adding any additional amounts to the baseline (i.e. for policy and inflationary adjustments), the Western Cape's equitable share allocation increases by R116.871 million in 2009/10, R255.364 million in 2010/11 and R577.194 million in 2011/12.

Table 2.4 Comparison between 2008 and 2009 MTEF allocations

	2009/10	2010/11	2011/12
	R'000	R'000	R'000
2008 MTEF	20 188 677	22 214 395	23 547 259
2009 MTEF (technically adjusted)	20 305 548	22 469 759	24 124 452
Difference	116 871	255 364	577 194
2009 MTEF (new PES baseline)	20 986 756	23 367 324	25 493 095
Difference	798 079	1 152 929	1 945 836

In aggregate, taking the overall impact of the data revisions together with the increase in the PES baselines for policy adjustments and inflation amounts to a R3.897 billion net increase in the Western Cape's PES allocation over the 2009 MTEF. The Province will thus receive an additional R798.079 million in 2009/10, R1.153 billion in 2010/11 and R1.946 billion in 2011/12 for a combination of data (technical) adjustments, policy revisions and inflation, relative to the 2008 MTEF.

The new overall PES allocations to the Western Cape amount to R20.987 billion, R23.367 billion and R25.493 billion in 2009/10, 2010/11 and 2011/12, respectively.

Conditional grants

Conditional grants supplement various programmes partly funded by provinces [Schedule 4 Division of Revenue (DORA) grants] such as the infrastructure grant to provinces and the national tertiary services grant (health), as well as specifically directed grants, [Schedule 5 DORA grants].

WC to receive almost R5.3 billion in conditional grant funds in 2008/09

On aggregate, conditional grant transfers to the Province are estimated to grow from an adjusted R5.289 billion in 2008/09 to R5.383 billion in 2009/10, R6.288 billion in 2010/11 and R6.864 billion in 2011/12. Conditional grant transfers account for on average 19.5 per cent of the total provincial budget over the 2009 MTEF.

Nationally, in aggregate and after adjusting the conditional grant framework by CPIX to create the 2011/12 baseline, the baseline for conditional grant allocations to all provinces over the 2009 MTEF are revised upwards by R18.993 billion (which includes a loan of R4.2 billion to Gauteng government for the Gautrain rapid link project). Of this total adjustment, R5.902 billion is provided for inflation adjustments to conditional grants and R13.071 billion for policy goals.

The following conditional grants have been revised upwards:

- The *infrastructure grant to provinces*: to address education specific interventions such as school infrastructure needs, including extending Grade R infrastructure to make more classrooms available for Grade R, upgrading schools for learners with special needs, the construction of school libraries, laboratories, sports fields and increased maintenance;
- The *national school nutrition programme*: to ensure that the poorest learners (quantile 1 to 3) have at least one meal each school day and to progressively expand the nutrition programme to secondary schools;
- The *hospital revitalisation programme*: to compensate for the effects of inflation and to ensure that hospitals are appropriately equipped and modernised;
- The *comprehensive HIV and AIDS grant*: to meet the greater demands that arise due to the increase in the ARV take-up rate;
- The *national tertiary services grant*: to deal with inflation related increases on goods and services purchased in tertiary hospitals;
- The *comprehensive agricultural support programme*: to expand the provision of agricultural support services to support food security; and
- The *integrated housing and human settlements grant*: to speed up housing delivery and to raise the value of the housing subsidy to keep pace with higher inflation.

With the exception of the *infrastructure grant to provinces (IGP)*, all other conditional grant disbursements must still be finalised nationally; therefore, the numbers in this publication, as applicable to the Western Cape, are provisional provincial estimates.

Nationally, the IGP additions are meant to augment infrastructure budgets in education, health and roads. A total of R453 million in 2009/10, R1.2 billion in 2010/11 and R2.5 billion in 2011/12, to fund inflation and policy related costs, have been allocated to provinces. Grade R infrastructure and school infrastructure received special attention, with provinces sharing R353 million in 2009/10, R734 million in 2010/11 and R936 million in 2011/12 to cushion the impact of inflation.

Additional infrastructure grant funds over the MTEF will boost infrastructure investment in the Province, especially Education

Nationally, education school infrastructure also receives R200 million in 2010/11 and R800 million in 2011/12 to address school safety, maintenance and support the implementation of inclusive education. Additional R100 million in 2010/11 and R400 million in 2011/12 are allocated for the Grade R infrastructure policy priority.

The formula used to divide the grant takes into account an equal split of 33.3 per cent for the phased-in equitable share component, the roads component and backlog component as per the 2007 National Education Infrastructure Management System (NEIMS). The Western Cape portion of the *infrastructure grant to provinces* is estimated to change by R23.115million in 2009/10, R52.610 million in 2010/11 and R106.930 million in 2011/12. The total allocation to the Western Cape of the *infrastructure grant to provinces* is estimated to increase to R649.963 million in 2009/10, R770.678 million in 2010/11 and R824.998 million in 2011/12.

Tables 2.5 and 2.6 below provides the Provincial Treasury's own calculation of estimated national conditional grant transfers that would flow to the Province over the 2009 MTEF. Table 2.5 distinguishes between inflation and policy adjustments whilst Table 2.6 provides the total estimated amounts per conditional grant and department over the 2009 MTEF.

The estimates are based on the assumption that revisions will be effected according to the current allocation formulae and that the 2011/12 allocations will grow at more or less the same rate as the national aggregate for that particular grant.

Table 2.5 Estimated revisions to conditional grant baseline allocations for the 2009 MTEF

	2009/10 R'000	2010/11 R'000	2011/12 R'000	Total MTEF R'000
Total Conditional grants Revision				
Inflation adjustments to conditional grants	156 123	195 344	212 778	564 245
National School Nutrition Programme	4 223	5 493	4 336	14 052
National Tertiary Services Grant	19 423	22 522	13 750	55 695
Integrated Housing and Human Settlement Development Grant	90 355	86 673	93 068	270 096
Comprehensive Agricultural Support Programme	7 073	8 418	10 168	25 659
Hospital Revitalisation Grant	15 480	30 676	39 425	85 581
Infrastructure Grant to Provinces	19 569	41 562	52 031	113 162
Policy Adjustments	49 451	127 767	357 485	534 703
National School Nutrition Programme	21 971	53 983	89 934	165 888
Comprehensive Agricultural Support Programme (LARP)	4 066	15 982	32 198	52 246
Hospital Revitalisation	-	-	-	-
Comprehensive HIV and AIDS	17 895	34 372	43 042	95 309
Integrated Housing and Human Settlement Development Grant	-	12 382	174 967	187 349
Infrastructure Grant to Provinces	5 519	11 048	17 344	33 911
Total Conditional grants Revision	205 574	323 111	570 263	1 098 948

Table 2.6 Estimated Conditional Grants Framework 2008/09-2011/12

Conditional Grant R'000	Adjusted Budget 2008/09	MTEF		
		2009/10	2010/11	2011/12
Infrastructure Grant to Provinces	514 120	649 936	770 678	842 650
Education	120 475	170 386	236 196	252 844
Health	94 643	114 915	128 879	155 614
Transport and Public Works	299 002	364 635	405 603	434 192
Cultural Affairs and Sport	31 434	40 976	45 938	48 341
Library Services	31 434	40 976	45 938	48 341
Education	177 713	122 498	180 538	221 740
HIV and Aids (Life Skills Education)	13 847	14 626	15 420	16 226
Further Education and Training College Sector Recapitalisation Grant	77 305	-	-	-
National School Nutrition Programme	86 561	107 872	165 118	205 514
Health	2 588 035	2 720 736	3 112 509	3 279 361
Comprehensive HIV and Aids Grant	241 467	311 071	456 008	486 730
Hospital Revitalisation Grant	400 388	402 490	451 641	482 406
Health Professions Training and Development Grant	359 970	362 935	384 711	404 831
National Tertiary Services Grant	1 500 193	1 585 756	1 753 898	1 835 677
Forensic Pathology Services	86 017	58 484	66 251	69 716
Cultural Affairs and Sport	27 446	38 237	40 532	42 652
Mass Sport and Recreation Participation Programme Grant	27 446	38 237	40 532	42 652
Agriculture	57 208	64 856	88 672	109 998
Comprehensive Agricultural Support	49 205	61 771	85 401	106 557
Land Care Programme Grant: Poverty Relief and Infrastructure Grant	3 428	3 085	3 270	3 441
Agricultural Disaster Management Grant	4 575	-	-	-
Disaster Management	-	-	-	-
Housing	1 305 862	1 581 354	1 867 895	2 128 230
Integrated Housing and Human Settlement Development Grant	1 305 862	1 581 354	1 867 895	2 128 230
Transport and Public Works	147 127	164 865	181 351	190 836
Devolution of Property Ratee Funds Grant to provinces	147 127	164 865	181 351	190 836
Internally Displaced People	12 690	-	-	-
Department of the Premier	5 000	-	-	-
Community Safety	2 690	-	-	-
Social Development	5 000	-	-	-
Disaster Management	427 700	-	-	-
Transport and Public Works	418 700	-	-	-
Agriculture	9 000	-	-	-
Total	5 289 335	5 383 458	6 288 112	6 863 808

Most conditional grants flow to the Departments of Health and Housing

Table 2.7 shows departmental shares of conditional grant transfers. The Department of Health receives the bulk of grant transfers and its share of total conditional grant transfers is projected to marginally decrease from 50.7 per cent in the 2008/09 adjusted budget to 50.04 per cent in 2011/12. The Department of Housing follows with 24.69 per cent of total transfers in the 2008/09 adjusted budget, projected to increase to 31.01 per cent in 2011/12, as a result of the large year-on-year additional allocations to Housing over the MTEF. The remaining transfers are allocated to the Departments of Education, Transport and Public Works, Agriculture, Cultural Affairs and Sport and in the 2008/09 to various other Departments to deal with expenditure related to Internally Displaced People.

Table 2.7 Estimated Conditional Grant Departmental Transfers

Department	2008/09	2009/10	2010/11	2011/12
R'000	Adjusted Budget	Medium Term Estimates		
Health	2 682 678	2 835 651	3 241 388	3 434 975
Education	298 188	292 884	416 734	474 584
Housing	1 305 862	1 581 354	1 867 895	2 128 230
Transport and Public Works	864 829	529 500	586 954	625 028
Agriculture	66 208	64 856	88 671	109 998
Cultural Affairs and Sport	58 880	79 213	86 470	90 993
Internally displaced people (various)	12 690	-	-	-
Total projected conditional grants	5 289 335	5 383 458	6 288 112	6 863 808
Percentage				
Health	50.72%	52.67%	51.55%	50.04%
Education	5.64%	5.44%	6.63%	6.91%
Housing	24.69%	29.37%	29.71%	31.01%
Transport and Public Works	16.35%	9.84%	9.33%	9.11%
Agriculture	1.25%	1.20%	1.41%	1.60%
Cultural Affairs and Sport	1.11%	1.47%	1.38%	1.33%
Internally displaced people	0.24%	-	-	-
Total	100.00%	100.00%	100.00%	100.00%

Provincial Own Receipts

Provinces raise an insignificant amount of revenue compared to their expenditure needs. Most revenue collection happens at national level while expenditure is decentralised to provinces and local governments. Under this system, national government controls the broad based revenue sources, while provinces only have access to narrow-based taxes and a few user charges/fees.

Table 2.8 shows the estimated contributions of departments to Provincial Own Receipts and the specific changes to the baseline per financial year over the 2009 MTEF.

In aggregate, Provincial Own Receipts are projected to marginally decrease from R1.784 billion in the 2008/09 adjusted budget to R1.738 billion in 2011/12. These decreases in the main are as result of a decrease in Health, where contributing factors include the reduction in transfer payments from the Global Fund and once-off revenue streams received in 2008/09.

Provincial own receipts contributes 6 per cent to the 2009/10 total budget

Departments indicating significant positive changes to the 2009 MTEF baseline budgets include Housing (mainly as a result of the implementation of the Enhanced Discount Benefit Scheme); Agriculture (as a result of increase tuition fees, sale of livestock, etc); and Economic Development (as a result of the proposed implementation of the Western Cape Liquor Bill).

Table 2.8 Summary of Provincial Own Receipts by Vote

Provincial Department R'000	2008/09	2009/10		2010/11		2011/12
	Adjusted Estimates	Revised Estimate	Changes to baseline	Revised Estimate	Changes to baseline	Revised Estimate
Premier	503	524	-	524	-	524
Provincial Parliament	52	52	-	52	-	52
Provincial Treasury	364 819	388 868	-	389 397	-	389 397
Community Safety	2 100	1 980	710	2 151	792	2 336
Education	24 466	23 691	-	22 874	-	22 874
Health	409 519	370 160	-	307 253	-	307 253
Social Development	280	360	80	382	102	404
Local Government and Housing	73 500	70 000	30 000	60 000	20 000	50 000
Environmental Affairs and Development Planning	126	106	-	106	-	106
Transport and Public Works	879 004	867 513	5 964	895 714	9 464	921 116
Agriculture	23 875	21 988	6 031	23 088	6 174	24 242
Economic Development and Tourism	4 770	17 670	12 900	18 470	13 700	19 370
Cultural Affairs and Sport	545	561	(4)	585	-	619
Total	1 783 559	1 763 473	55 681	1 720 596	50 232	1 738 293

Table 2.9 shows the total annual Provincial Own Receipts budget by source between 2008/09 and 2011/12. Motor vehicle licence fees, casino taxes and health patient fees (included in the sales of goods and services, other than capital assets as per economic classification) continues to dominate provincial own receipts.

Revenue attributed to the sale of assets is usually surrounded by uncertainty and long delays in realising their proceeds. For this reason it is accepted that the sale of capital assets would only be taken up in the relevant annual Adjusted Estimates.

Table 2.9 Western Cape Own Receipts by Source 2008/09–2011/12

Source R'000	2008/09	2009/10	2010/11	2011/12
	Adjusted appropriation	Medium-term estimate		
Tax receipts	1 114 690	1 164 588	1 185 618	1 211 960
Casino taxes	291 955	304 594	300 123	300 123
Motor vehicle licences	799 389	823 371	848 072	873 514
Horse racing taxes	18 846	19 223	19 223	19 223
Other taxes (Liquor licence fees)	4 500	17 400	18 200	19 100
Sales of goods and services other than capital assets	381 595	355 231	360 449	361 745
Transfers received	135 003	84 744	21 837	21 837
Fines, penalties and forfeits	617	657	678	698
Interest, dividends and rent on land	57 088	67 615	72 712	72 713
Sales of capital assets	31	11	11	11
Financial transactions in assets and liabilities	94 535	90 627	79 291	69 329
Total provincial own receipts	1 783 559	1 763 473	1 720 596	1 738 293

Motor Vehicle Licence Fees (MVLFF)

Motor vehicle licence fees are projected to contribute R799.389 million to provincial own receipts in 2008/09. The fees are projected to increase to R823.371 million in 2009/10, R848.072 million in 2010/11 and to R873.514 million in 2011/12. These increases give rise to an annual average increase of 3.0 per cent over the MTEF, mainly as a result of anticipated growth in the number of registered passenger vehicles over the MTEF period. Over the past three years, the growth in the number of vehicles (especially passenger vehicles) outstripped the average projected increases in revenue during that period, resulting in the Department being able to perform better than its annual budget estimates.

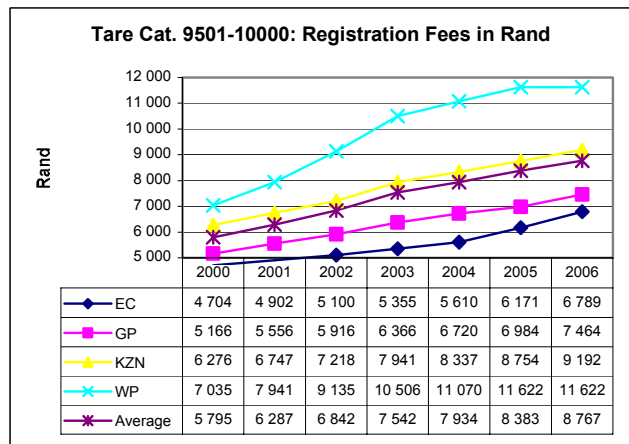
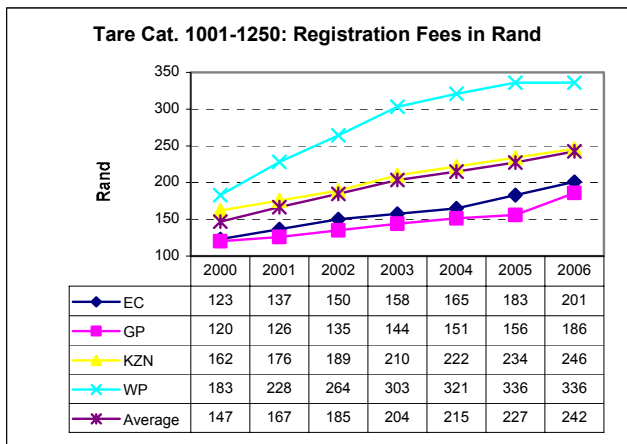
However, there have been growing concerns that the current Motor Vehicle Licensing Fee (MVLFF) structure, as the Western Cape being higher than other provinces, may encourage the illegal practice of licensing outside the Western Cape.

There are concerns that these practices are resulting in the PGWC losing licence fees, especially heavy vehicles operating predominantly within the Province. As a consequence, and to determine whether these practices exist the Western Cape Government (Provincial Treasury and Department of Transport and Public Works) undertook to engage in research on the socio-economic incidence analysis of the Province's motor vehicle licence structure and amongst others, the economic and social implications, social incidence and equity considerations of possible cross-border licensing practices, especially the impact on the Provincial fiscus and to propose a number of alternative approaches to addressing the impact of vehicle registration migration and the resulting revenue generation. The research project provided interesting results, which include some of the following:

Receipts from motor vehicle licence fees to exceed R800 million in 2009/10

- (a) Between 1998/99 to 2001/02 the Western Cape increased motor vehicle licence fees in excess of 25 per cent to address backlogs in road infrastructure development and maintenance, hoping that other Provinces would follow suit. Other provinces did not follow the PGWC, resulting in a significant structural differential in licence fees, which have remained since;
- (b) The MVLF currently charged in the Western Cape is on average over 50 per cent above other provinces. The high comparative level of MVLF is not equitable and has an inverse impact (in terms of marginal costs) on local businesses that compete on a national basis, with competitors based in other provinces, particularly passenger transport operators, heavy freight operators and construction firm utilising large vehicle fleets;

The graphs below illustrate the difference in actual rand changes in the MVLF structure from 1998-2006 for respective tare weights (passenger vehicles vs heavy vehicles). The graphs clearly demonstrate the rand differentials in the registration fees charged between the Western Cape and some of the other Provinces, ostensibly the reason for cross-border registration behaviour, especially of heavy vehicles:

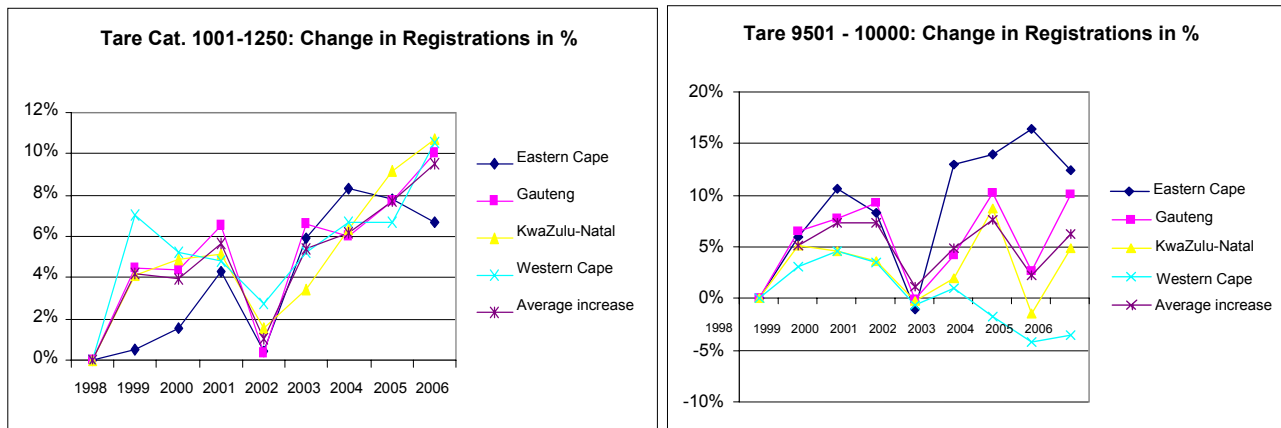


- (c) The change in number of registrations for tare weights up to four tons (4 000 kg) is comparable with the other provinces. However, the change in number of registrations for tare weight categories above five tons (5 000 kg) indicates that the relative growth in the Western Cape has declined sharply against that of other provinces. The decline in relative rates of registrations in comparison with other provinces becomes most marked from seven tons (7 000 kg) upwards;

Socio-economic incidence study confirms practices of cross-border registration, especially heavy vehicles above 5 tons

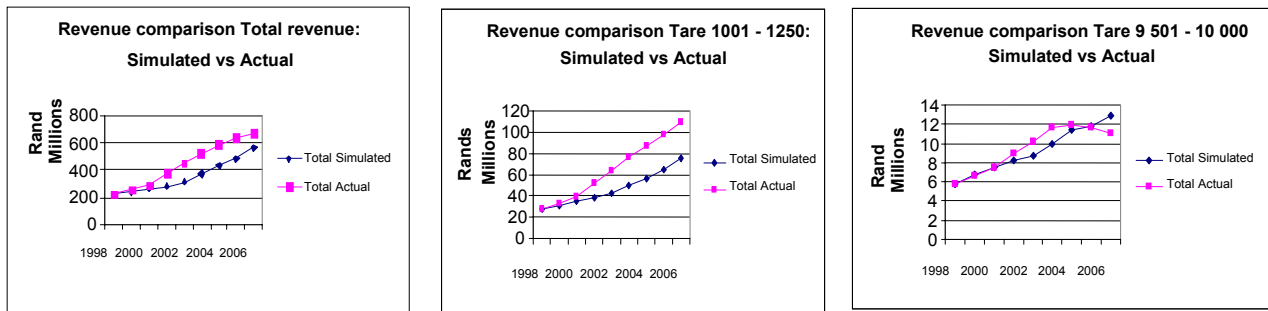
- (d) Incidence of vehicle registration migration was clearly evidenced from five tons (5 000 kg) upwards. This phenomenon was substantiated by survey findings, from mainly heavy vehicle fleet operators;

The graphs below illustrate the difference in actual changes (percentage terms) in registration behaviour (due to the MVLF structure) from 1998-2006 for respective tare weights (passengers vehicles vs heavy vehicles). They demonstrate a continued and marked decline in the number of registered vehicles for the tare 9501-1000 since the revised MVLF were introduced in 2000. Similar patterns are not evident for passenger vehicles:



- (e) From a socio-economic perspective, the differential between the MVLF in the Western Cape and other provinces creates a micro-economic distortion with respect to businesses competing inter-provincially and that the MVLF are inequitable with regard to the relatively high burden its places on the lower middle income groups;
- (f) It is estimated from the simulated projections that the total annual revenue will, within 2-3 years, fall below estimations should a higher comparative regime not have been followed. Gains from higher MVLF regime will be fully offset by the losses due to migration of registrations. The impact on migration in registrations on annual revenues is only evident in vehicles within tare groupings 4 000 kg – 14 000 kg. The greatest impact being between tare 5 000 kg and 12 000 kg. These impacts are significant within the higher tare groupings, but have been partly masked within the total revenue picture, due to the dominance of the light motor vehicles (tare categories < 2 000 kg of registrations).

The graphs below illustrate the revenue comparisons between actual and simulated registrations for total revenue, tare 1 001-1 250 and tare 9 501-10 000. The graphs clearly demonstrate that total revenue generated from MVLF will ultimately drop below the simulated projected MVLF. However, for passenger vehicles total actual outstrips simulated numbers whilst in the heavy category current revenue is currently falling well below the simulated projections.



Recommendations to address the above findings included amongst others a possible cross-border charge, that action be taken against companies that are clearly transgressing the law and a proposal to aim, over the medium term, for licence fee alignment amongst the nine Provinces as this will somehow address the issues of equity and the current adverse incentives within the system.

The findings of the incidence study report were extensively discussed amongst the nine provincial Treasuries and there is in principle agreement that all Provinces will progressively adjust (phased-in) their current motor vehicle licence fee structure over the MTEF to more or less match the current level of the Western Cape. It is anticipated that the alignment of MVLF would stop the current practices of cross-border registration. A further agreement was that the Western Cape Province does not increase motor vehicle licence fees over the 2009 MTEF until the other Provinces have caught up with the Western Cape's fee structure.

Provinces agreed to align motor vehicle fee structures over the next three years

Health patient fees

Health patient fees (incorporated under 'sales of goods and services other than capital assets' in Table 2.9) are expected to contribute R253.211 million to Provincial Own Receipts in 2008/09. This amount is projected to remain at this level in 2009/10, and it is projected that hospital fees will remain at more or less the same level over the 2009 MTEF given the uncertainty of the outcome around the recent policy review on hospital fees.

Health Patient Fees to remain at around R253 million per annum

The Department charges health patient fees to uninsured patients, Medical Aid Schemes, the Workmen's Compensation Fund, and the Road Accident Fund. The Department has entered into a formal collaborative agreement with the Road Accident Fund (RAF), which has resulted in substantial gains, approximately R178 million during the latter part of 2007/08. Regular monthly payments, averaging R4 million, are still being received due to the regular collaborative meetings between the Department and the RAF.

The Department of Health is continuously devising strategies to enhance revenue generation. Amongst these strategies are:

- The continued improvement of billing systems at hospitals and clinics, debt collection and payment methods;
- The revision of tariffs in line with inflation;
- The revision of the Uniform Patient Fee Schedules (UPFS) for uninsured patients attending public hospitals; and
- Increased focus in respect of medical schemes, including electronic claiming, besides formal agreements with the bigger schemes.

Interest, dividends and rent on land

Interest on the current account, dividends and rent on land is expected to contribute R57.088 million to budgeted provincial own receipts in 2008/09. The amount is projected to marginally increase over the 2009 MTEF to R67.615 million in 2009/10 and to R72.712 million in 2010/11 and stabilising at more or less the same level in 2011/12.

Casino and horse racing taxes

Casino and horseracing taxes combined are expected to contribute R310.801 million in 2008/09. These taxes are projected to marginally increase over the 2009 MTEF to R323.817 million in 2009/10 and will marginally drop to R319.346 million and remain at the same level in 2010/11 and 2011/12. These changes constitute an annual average increase of a mere 0.9 per cent over the MTEF.

Casino taxes are expected to total R291.955 million in 2008/09, marginally growing to reach R300.123 million in 2011/12 whilst horse racing taxes are expected to contribute R18.846 million in 2008/09 and projected to marginally increase to R19.223 million in the 2011/12 financial year.

The average increase in revenue from casino and horse racing taxes over 2009 MTEF is less than 1 per cent

Liquor licence fees

Liquor licence fees are expected to contribute R4.500 million in 2008/09. Over the 2009 MTEF, these fees are estimated to increase to R17.4 million in 2009/10, R18.2 million in 2010/11 and R19.1 million in 2011/12. These increases constitute an annual average increase of 61.19 per cent (from a low base) over the MTEF. The substantial increase in liquor licence fees between 2008/09 and 2009/10 is due to the planned implementation of the Western Cape Liquor Bill, which is currently in an advanced stage within the Provincial Legislature process. The Department anticipates that the new law will in all probability be enacted before the end of the 2008 calendar year.

WC Liquor Act expected to be promulgated by the end of 2008

The Western Cape Liquor Bill has been extensively redrafted in line with public comments and substantial inputs from various stakeholders. The regulations to the Bill are currently being drafted and will be published soon after the Western Cape Liquor Bill has been enacted.

The Bill provides for the licensing by the Liquor Board of activities relating to the retail sale and micro-manufacture of liquor within the province. Under the Bill, municipalities will be integrated into the licensing process through provisions requiring the police to forthwith notify a municipality of any application for a liquor licence lodged within that municipality's boundaries. It also vastly improves notification of the public through a range of mechanisms.

The Bill no longer makes provision for the licensing of premises within residential areas without the requisite land use approval. That provision, which would have allowed for licensing of shebeens, was expunged from the Bill pursuant to the public participation process. The Bill also stipulates harsh penalties and even forfeiture of property for offences relating to the retail sale, supply or micro-manufacture of liquor in the Province. The legislation seeks to deal effectively with the scourge of liquor abuse and the dire socio-economic consequences it brings by prescribing the harshest of the penalties for offences relating to supply of liquor to children and other vulnerable groups; prohibiting the granting of liquor licences for outlets within residential areas; and creating a special, dedicated fund to combat the consequences of the abuse of liquor and educating both traders in and consumers of liquor.

Revenue incentive policy

Over the last couple of years, the Province has experienced the maturing of a well developed revenue incentive policy whereby appropriate incentives were created aimed at getting departments to become more efficient in their revenue collection process and as a consequence to collect more revenue than originally budgeted for. The implementation of the policy has, amongst others, resulted in substantial growth in own revenue, most notably in Health. The current strategy provides for incentives to departments that collect funds above the targets set in their annual adjusted budgets.

Revenue retention strategy gives incentives to departments to frontload budgets

The strategy is intended to reduce under-budgeting in receipts, unnecessary delays in spending and the accumulation of cash in departments. Annually departments are allowed to submit requests to the Provincial Treasury to increase own revenue estimates with a concomitant increase in expenditure baselines ultimately resulting in improved service delivery. The proviso, however, is that for cash flow purposes, any under-collection will be compensated for by an equal amount of underspending in the Vote. In addition, departments could also make submissions on an annual basis to retain funds collected over and above their adjusted budgets. Approvals are guided by principles, such as:

- Retained funds should be allocated for once-off expenditure;
- Retained funds should not be allocated for recurrent expenditure;
- The allocation of retained funds should be evaluated against rollover requests to prevent 'double dipping';
- The fiscal position of the provincial government within a budget year needs to be taken into account; and
- Retained funds should be aligned and support Provincial policy priorities.

Despite this strategy, some departments' budget estimates are still below actual outcomes. The Provincial Treasury is currently exploring ways that will provide for more accurate and robust revenue estimates in the future.

Asset Financing Reserve

Apart from transfers from National Government and provincial own receipts, the third source of funds for the provincial allocation is the Asset Financing Reserve (AFR), which was set up to separate daily (current) and long-term (capital) cash transactions. This separation enables the Provincial Treasury to better distinguish between budgeted funds which are to be spent by Departments during the course of the financial year and accumulated reserves and uncommitted funds which may be allocated to departments as and when required. The accumulated reserves and uncommitted funds are in the main used to finance infrastructure-related expenditure.

Asset Financing Reserve enables increased spending on key infrastructure projects, but drops significantly in 2011/12

The establishment of the AFR also provides for the transparent reporting and management of reserves by the Provincial Treasury. The AFR allows for transparency in how reserve funds are invested during and at the end of a financial year, as well as the interest revenue received on these investments.

To enable the management of the AFR as a separate entity within the ambit of the Provincial Revenue Fund (PRF), a separate vote and responsibility code has been created on the Basic Accounting System (BAS) for the PRF. The separate code for the AFR allows the Provincial Treasury to easily distinguish the transactions and financial position of the AFR from those within the rest of the PRF.

Allocations from the AFR for the 2009 MTEF amount to R784.819 million in 2009/10; R244.669 million in 2010/11 and R50 million in 2011/12. The reduction in funding available for infrastructure investment due to the significant drop in the AFR is mainly as a result of the overall fiscal envelope being tight with very limited room for expansion of current services, resulting in the continued funding for roads from the Asset Financing Reserve (AFR) terminating in 2010/11.

Given the current pressures on the AFR, the fund will run into an unfinanced deficit of around R148 million in 2011/12.

Conclusion

While the proposed 2009 MTEF builds on the momentum to deepen the impact of key government programmes, most notably in Health and Education, the short-term impact of slower economic activity will reduce the pace at which these priorities will be financed over the medium term. Over the MTEF, additions to the equitable share and conditional grants target improvements in quality of education, health and social development and step up investment in built environment infrastructure. National transfers to the Province will grow at an average annual rate of 11.2 per cent over the 2009 MTEF.

Own revenue projections over the MTEF will remain flat as a result of policy and other developments within the three bigger own revenue sources. The draw down of the Asset Financing Reserve (AFR) over the first two years of the MTEF will result in the continued funding for roads from this source to become more challenging.

Overall, the fiscal envelope will be tight with very limited room for expansion of current services and for this reason the Province will continue to promote progressive, efficient and effective expenditures that strive to achieve “more with less”.



National and Provincial Policy Context

Government has renewed its commitment to achieve the developmental objectives and targets as taken in, among others, the Millennium Development Goals. Even though there have been remarkable successes, much more need to be done.

Government's policy priorities finds expression in the base Medium Term Strategic Framework, drafted in 2004. This Framework is updated annually and linked to funding streams over the medium term.

Government in pursuit of its broad objectives has been required to make major policy choices and take key actions, which favour anti-poverty activities, projects and programmes aimed at putting the economy on a higher and more inclusive growth trajectory. It is expected that these programmes and projects would contribute to raising the standard of living of particularly vulnerable groups such as women, children, disabled and youth.

One of the more recent undertakings has been to boost the economy across all three spheres and to remove obstacles impeding faster and shared growth. The strategy in essence is aimed at growing the economy and facilitating the more inclusive sharing of the benefits of such growth.

The adverse global economic conditions greatly determine what and how much gets done. The tight fiscal framework has necessitated hard policy choices. These have resulted in a variable approach to proposed funding departmental priorities. In some instances funding priorities are spread over the Medium Term Expenditure Framework (MTEF), while in others funding is only made available in the third year of the current MTEF or is low in the first year of the 2009 MTEF and stepped up over the outer two years.

Despite limited additional resources, the Western Cape Provincial Government continues to play a key role in improving access to better quality services; supporting labour-intensive services and infrastructure programmes; investing in infrastructure and services that raise the long-term growth potential of the economy; and prioritising the maintenance of key infrastructure.

Introduction

Government actions over the last fifteen years have been targeted to: create a constitutional democracy; improve the reach and access to quality social and economic services; establish a sustainable environment conducive to economic growth and redistribution; and strategically place South Africa on the international stage in respect of efforts to build a more caring and secure world.

The successes in respect of the above are in line with Government's 2004 goals and 2014 vision. These goals have strengthened commitment to the development agenda, as articulated in amongst others, the Millennium Development Goals. The development agenda includes reducing poverty and halving unemployment; achieving a better national health profile; reducing preventable causes of death; enhancing healthy lifestyles and; reducing violent crime and road accidents.

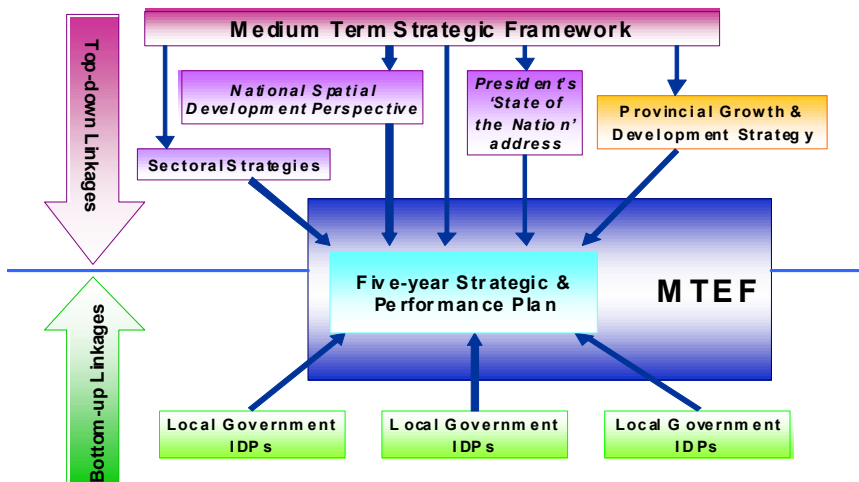
Pursuit of these broad objectives has required major policy choices and key actions, which favour anti-poverty activities and projects aimed at putting the economy on a higher growth trajectory. These programmes and projects contribute to raising the standard of living of particularly vulnerable groups such as women, children, disabled and youth.

Many critical challenges remain, and include: high levels of inequity, widespread unemployment and poverty, inadequate rates of savings, investment and economic growth, a low skills base, and high rates of crime.

Coordinating planning and delivery between and across government spheres is a complex exercise. It firstly has to recognise the Constitutional mandates of each sphere as being autonomous, independent spheres and places the responsibility on them to cooperate in the interest of service delivery. Figure 3.1 provides a conceptual view of the planning instruments used in Government, enacted upon through strategies such as the Medium Term Strategic Framework (MTSF).

The MTSF is linked to the National Spatial Development Framework; Provincial Growth and Development Plans; departmental and sectoral five-year strategic plans; three-year medium term resource allocations; and lastly municipal Integrated Development Plans.

Figure 3.1 Conceptual view of the planning instruments used in Government



The remaining part of this chapter highlights aspects of the planning instruments and gives an indication as to which priorities are considered for funding. Further discussion in this chapter is directly attributed to the Medium Term Strategic Framework, Government priorities over the MTEF and aligned to the iKapa Growth and Development Strategy (iKapa GDS).

Medium Term Strategic Framework (MTSF)

Updated annually, MTSF adjustments are based on actual experience and the 2008 updates have been aligned to the major national policy resolutions.

Providing much needed social services, ensuring economic growth and sharing the benefits of prosperity are the major tenets of the base MTSF with annual updates meant to refine measures to improve the capacity of the state to expand and deliver better quality services; support labour-intensive services and infrastructure programmes; progressively improve the social security net; invest in infrastructure and services that raise the long-term growth potential of the economy and lastly support programmes that ensure environmental sustainability.

One of the more recent undertakings has been to boost the economy across all spheres and remove the obstacles, which impede faster and shared growth. These developments are included under the Accelerated and Shared Growth Initiative of South Africa (AsgiSA) strategy. The strategy further identified the impediments to faster economic growth and more inclusive sharing of the benefits of such growth. These impediments are:

- The capacity of the national infrastructure system;
- Shortage of skills and cost impact on low-skilled labour of the still remaining apartheid spatial system;
- Poor international competitiveness of much of our manufacturing and tradable services sectors;
- The relative volatility of the currency;
- The regulatory environment for small and medium-sized businesses; and
- The capacity of government organs to support economic development and to efficiently deliver on policy requirements.

Government, in response to the above has made large investments in public sector infrastructure. These investments total in excess of R600 billion between 2007 and 2011 and aim to target the building of new and rehabilitating and maintaining existing infrastructure. These investments are in the main projects at Eskom and Transnet together with King Shaka International Airport and the Gautrain.

Competitiveness of the South African industry is advanced through further investments in wireless broadband networks to make conducting business in the information and communication technology (ICT) sector less costly.

The Joint Initiative on Priority Skills Acquisition (JIPSA), a key aspect of AsgiSA, has started to identify and remedy the critical skill shortages required to grow the economy. The identification and remedying of skill shortages, particularly artisans, engineering and other technical skills is receiving preference.

Partnerships have been entered into with professional bodies and tertiary institutions with promising results in the Construction and Manufacturing sectors (where universities are increasing their student intake) and by the Engineering Council of South Africa, which is addressing the shortage and placement of engineering graduates.

Efforts are also underway to encourage economic activity among those communities which are still marginalised from the First Economy and to ensure that they acquire skills that would promote sustainable livelihoods. It is believed that these interventions would reduce the levels of poverty, promote better integration into the First Economy and at the same time provide much-needed services.

Initiatives such as the Expanded Public Works Programme (EPWP) using labour intensive measures, have created employment, contributed towards sustaining the livelihoods of many people and have empowered otherwise many marginalised people.

Nationally, the EPWP programme in the infrastructure, social, economic, environmental sectors and across local government have been allocated dedicated resources. These funds are earmarked for roads, environmental projects, water, sanitation and other social and economic services to ensure enduring capacity for the maintenance of infrastructure. Currently the EPWP programme provides community services in health, welfare and for early childhood development as a deliberate human resource investment.

Progress has been made in achieving the objectives of creating jobs for particularly the unemployed and low skilled strata of the South African labour force. Further expansion of labour-intensive projects, as mooted by the National Minister of Finance in the MTBPS, could provide further opportunities for skills development for employment and self-employment.

From the inception of the EPWP programme it was always understood that the programme at some point would have to be expanded and aligned to the broader objectives supporting the creation of economic empowerment.

Youth employment is also targeted through the efforts of the Usombomvu Youth Fund (UYF), National Youth Service (NYS) and the Youth Advisory Centre (YAC) Programmes. These programmes, amongst others, aim to empower young people to play a more meaningful role in the country's economy.

AsgiSA, furthermore, targets support for small and micro-enterprises and co-operatives through relevant procurement legislation and improved access to seed-funding.

Provincial Growth and Development Plans

The 2009-2012 Medium Term Budget Policy Statement recognises the interrelatedness of planning and budget documents. This relationship is borne out through the linkages between the Medium Term Strategic Framework and its concomitant Fiscal and Expenditure Frameworks. These frameworks are important instruments for aligning the iKapa GDS, sector and departmental plans and budgets, municipal Integrated Development Plans and budgets with national development objectives.

Most of the plans highlighted above require cooperation together with sound intergovernmental relations to achieve its desired impact and synergy. The published plans and budgets bring about greater transparency and predictability on what communities and organs of state can expect from Government.

The iKapa GDS is the main document setting out the Province's growth and development agenda and thus is the key reference point for aligning national policy priorities with provincial spending priorities. The strategy supports the developmental role of Government and focuses on, amongst others, social and economic inclusion. The iKapa GDS aims to give effect to the developmental role of Government, which include social, economic and sustainable development.

The Provincial Growth and Development Strategy also provides guidelines to transform our historical spatial patterns, which exclude most of the citizens from socio and economic opportunities. The strategy also focuses on strategic infrastructure investment and their location, which include roads and public transport infrastructure and services.

It also focuses on identifying economic growth centres and industries to promote economic growth and sharing the benefits thereof with a broader base of society. The strategy lastly also supports environmental sustainability, which includes biodiversity management, responsible and efficient water usage and of late the Climate Change Response Strategy. The iKapa GDS further analyses and responds to the current and anticipated economic, social, environmental and spatial trends in the Province.

The sections of this chapter that follows highlight the direct line of accountability between Government's policy objectives, the medium term strategic framework, and budgets.

Linking the Funds to the Plans

The Western Cape Provincial Government plays a key role in having to improve access to better quality services; supporting labour-intensive services and infrastructure programmes; investing in infrastructure and services that raise the long-term growth potential of the economy; and adequately prioritising maintenance of key infrastructure.

The Province has limited revenue-raising capacity (collecting on average 5.45 per cent of what it spends) and is dependent largely on national transfers to fund Government's broad strategic objectives. The additional funds, allocated over the 2009 MTEF is meant to strengthen current baseline allocations and aim to:

- Improve access and quality of services, particularly in education, health and social development;
- Improve human resource management, implement strategies to retain and attract skills and increase their productive capacity;
- Strengthen the comprehensive housing strategy and access to basic services;

- Decrease rural poverty through access to land and support to emerging farmers; and
- Enhance initiatives targeted at the built environment and public transport.

What is funded and how much gets funded are functions of national and provincial policy objectives, the size of the resource envelope and prevailing economic conditions. Needless to say, the global economic conditions are less rosy than it had been a year ago and therefore restrict the choices that Government can make.

Nationally, the overall resource envelope is key in determining the final resource allocation between and amongst the spheres of Government, and this year is very constrained, particularly so in the first and second years of the 2009 MTEF.

Effective public finance management supports the following set of principles on deciding whether to fund departments:

- First, resources would be disbursed to those areas where no discretion exists. In this regard personnel inflation is considered as non-discretionary and would therefore receive funding;
- Secondly, to allocate funds to areas where limited discretion exist. These include areas where, if left unattended, it would result in declines in service levels. Adjustments for higher construction inflation, goods and services expenditure such as food, fuel, textbooks, medicines and medical equipment and cost-effective accommodation requirements, all fall within this category;
- Thirdly, to defer priority spending items with some discretion to the second and third years of the 2009 MTEF, where possible; and
- Lastly to consider the growth rates in current baselines and the state of readiness to implement the programmes for which additional funding was requested as well as the capacity to spend effectively.

Discussions that follow are limited only to the additional funds, allocated to the current equitable and conditional grant baselines. The top-ups, in the main, are targeted to strengthen key aspects of social service delivery in Education, Health and Social Development and to some context in the economic cluster as well.

Priorities in Education endeavour to improve access to and quality of educational outcomes. These include extending the no fee schools, lowering educator to learner ratios, investing in school infrastructure and extending Grade R.

Better health for all is an important part of improving the quality of life of the poor. Health outcomes are still well below desirable levels and there is renewed focus to put the country back on track to achieve each of the Millennium Development Goals, particularly in areas that would improve maternal and child mortality, HIV/AIDS and TB status. Further focus is also to: stabilise large personnel pressures; consolidation of the current Occupation Specific Dispensation for nurses (OSD) and phasing in of the OSD for doctors over the 2009 MTEF; and to introduce three new child vaccines to improve the child and infant mortality.

In Social Development expanding and strengthening Early Childhood Development is provided for in the last year of the 2009 MTEF.

Further priorities include improving food security, agrarian reform, public transport and the built-environment support. Top-up funding is also aimed to take account of food price increases, identify and implement appropriate interventions to revitalise the agriculture sector and thereby food security, particularly in the rural areas.

Conclusion

The adverse global and domestic economic conditions determine what and how much gets done. Government's plans are on track and its achievements are aligned with its 2014 vision and long-run policy goals.

Given each sphere's own requirements, the coordination of planning and budgeting between and across spheres is complex, therefore the challenge remains to achieve optimum synergy and impact across and between them.

The tight fiscal framework has necessitated hard policy choices. These have resulted in a variable approach to programme top-ups. In some instances top-ups are spread over the MTEF, while in other instances funding is only made available in the third year of the MTEF or is low in the first year of the 2009 MTEF and systematically stepped up over the outer two years. This approach is taken, particularly in instances where limited to no discretion exists.

Government has grown in confidence and ability to deliver and taken steps to achieve the development targets as articulated in amongst others the Millennium Development Goals.

4

Cluster Progress, Performance and Plans

The economic performance and outlook, highlighted in Chapter 1 of this year's Provincial MTBPS, paints a picture of global economic uncertainties. Chapter 1 also makes the point that South Africa and in particular the Western Cape's economic fortunes are inextricably tied to the current crisis in world financial markets.

South Africa's economic growth is projected to slow down in 2009 and is expected to start recovering as of 2010 and beyond. This makes meeting Government's objectives to improve the lives of our people, through efforts that aim to at least half poverty and unemployment, more challenging over the shorter term.

Government, despite the current economic challenges, has renewed its commitment to: a Constitutional democracy; the development agenda; improved health status; better targeted poverty reduction programmes; build the needed technical capacity and skill competence; industrial competitiveness; land reform and food security; higher economic growth and increased economic participation; and job creation.

Introduction

Improving governance, service delivery, access to and quality of social and economic services remain the key focus of all three clusters (social, economic and governance) over the 2009 MTEF.

The Social Cluster, over the 2009 MTEF, has placed particular emphasis on expanding no fee schools to quintile 3 schools and reducing the learner educator ratio in quintile 1 schools. In addition, it is expected that there will be a heightened emphasis on reducing infant mortality, continued strengthening of TB control and the expansion of the Early Childhood Development.

The Economic Cluster will continue to strengthen efforts and direct resources towards skills development, infrastructure and the Expanded Public Works Programme (EPWP).

Food security initiatives and agricultural support to new producers and land reform beneficiaries also remain high on the agenda for the 2009 MTEF. The built environment programme initiated in the current financial year will continue to further support and enhance municipalities' capability to carry out their integrated long-term planning and delivery functions.

The Governance and Administration Cluster has prioritised strategic investment in strengthening the provincial government internally, especially its Information Communication Technology (ICT) capacity. The cluster will also continue to facilitate cluster engagements for greater interdepartmental co-operation and collaboration. The coordination of the 2010 FIFA World Cup, the iKapa Growth and Development Strategy (iKapa GDS), the implementation of financial management reforms in provincial departments and municipalities and intensifying collaboration with and assistance to municipalities will also continue over the 2009 MTEF.

Social Cluster

Departments within this Provincial cluster include: Education, Health, Social Development, Cultural Affairs and Sport and Community Safety. Expenditure on this cluster is planned to climb by R8.7 billion, rising from R63.8 billion in the 2008 MTEF to R72.4 billion over the next three years.

This section focuses on the broad spending plans of each department within the Cluster, envisaged maintenance and extensions of current and other initiatives and highlights some of the pertinent achievements.

Department of Education

The Western Cape Education Department (WCED) in the main is responsible for: drafting the curriculum; providing finance and administrative functions; and supporting education delivery through a variety of institutions, systems and structures.

The WCED will continue to strengthen and consolidate its focus areas of better access, improved quality and greater equity. As the Department continues to make progress with greater access, higher learner attainment levels and improvements in the quality of education outcomes remain the primary priority.

Improving the quality of education outcomes

Included in the spending plans of the WCED, whose anticipated budget is set to rise by R4.2 billion to R34.1 billion over the 2009 MTEF, are a range of interventions aimed at improving the quality of education outcomes. Key amongst these interventions are:

- Ongoing support for systematically raising the levels of literacy and numeracy in primary schools;
- The further roll-out of the Quality Improvement, Development, Support and Upliftment Programme (QIDS-UP) which provides basic resources such as equipment, supplies, infrastructure repairs and professional development targeted at the poorest schools in national quintiles 1, 2 and 3;
- Monitoring and evaluation of special school projects, for example Dinaledi Schools (mathematics focused schools);
- Project Quality Turnaround provides for a clearly defined and coherent programme with high profile accountability and mentoring. The project is focused on the 54 National Strategy for Learner Attainment Schools, schools who attained a Grade 12 pass rate of less than 50 per cent, plus the schools scoring in the bottom 30 per cent in the WCED Grade 6 Literacy and Numeracy tests);
- Development of delivery standards for Districts;
- Development of an integrated approach to Early Childhood Development (ECD) together with the Departments of Social Development, Health and municipalities;
- Strengthening the Learner Attainment Strategy to reduce the number of schools achieving less than 60 per cent in the Senior Certificate examinations; and
- Continued professional development of principals and teachers through the Advanced Certificate in Education (ACE) and the National Professional Diploma in Education (NPDE) with 160 principals enrolled for a two-year ACE and at least 500 teachers enrolled in other courses.

Further expansion of Grade R programmes offered at public ordinary schools and community sites forms part of the Department's interventions aimed at improving access and the quality of education. The Department aims to achieve universal access to Grade R by 2010 and has set a target to increase enrolment by 6 000 per annum. Plans to accommodate these additional learners in approximately 200 new classes are already underway as well as allocating the increased subsidy formula to more sites in poor and rural communities.

Expanding Grade R programmes

The Department will also provide new teaching and learning kits to help learners meet the requirements of the national curriculum. As part of the social sector EPWP, the WCED provides learnerships for ECD practitioners at National Qualification Framework (NQF) levels 1, 4 and 5. The first intake of 900 ECD practitioners completed their studies in April 2008 with a further 1 500 learners expected to graduate during December 2008, January and February 2009. In June 2008 there was another intake of 1 000 learners with plans for a further intake of 1 200 learners in January 2009.

Many Grade R learners in rural communities are confronted with the challenge of accessing Grade R facilities due to the long distances they need to travel. The Department of Education is in the process of developing a plan to enable the gradual rollout of an extended learner transport programme to Grade R learners from 2009.

*Expanding the coverage
of the National School
Nutrition Programme*

More than 290 000 learners in 993 schools in the Western Cape currently benefit from the National School Nutrition Programme. The Department provides a school meal for 198 days at primary schools and 184 days at secondary schools out of an average of 200 school days a year. There are plans to expand the number of days the school nutrition programme covers. In addition, the Department facilitates the establishment and development of food gardens and other food production initiatives at targeted schools.

*Promoting HIV/AIDS
awareness*

The WCED plays a key role in the delivery of HIV prevention programmes in the Province. Key responsibilities of the Department include the provision of HIV/AIDS life skills education in schools, and to ensure access to an appropriate and effective integrated system of prevention, care and support. To give effect to these activities, HIV/AIDS is primarily reflected in the Life Orientation learning area/subject of the National Curriculum Statement, Grades R to 12.

Enhancing School Safety and Infrastructure

Securing the safety of learners remains a key priority for the Department of Education. Interventions are wide ranging and include community engagement, peer guidance programmes, deployment of 50 Safety Resource Officers/Learner Support Officers working in 109 high risk schools, the recruitment of Bambanani Volunteers as part of the Bambanani School Safety Volunteer Programme and improved physical safety facilities for schools at risk, including the installation of Closed Circuit Television (CCTV) cameras at 60 high risk schools.

The provision and recapitalisation of school infrastructure remains a priority of the Department. Key focus areas include the upgrading of school infrastructure, securing school facilities, increasing maintenance and the installation of new books and equipment in libraries and laboratories.

Skills development through FET colleges

The urgency and need for skills development is emphasised in the iKapa GDS and is identified as one of the three path breaking strategies necessary for unlocking shared economic growth within the Province. The final phase of the 3-year FET College Re-Capitalisation Grant has been completed. Over a three-year period, starting in 2006/07 the re-capitalisation grant has been used to modernise and provide for new workshops, equip workshops and upgrade administration systems at FET Colleges. This has enabled the FET Colleges to better respond to the skills needs of the Province as identified through the Micro Economic Development Strategy (MEDS) and nationally as outlined by the National Human Resource Development Strategy and AsgiSA. One example of collaboration between the Department of Education and Economic Development is the establishment of a Boat Building Training Centre of Excellence in response to the training needs of a rapidly growing boat building industry, as identified in the MEDS.

Expanding access to no-fee schools

There are plans over the two outer years of the MTEF to extend the no-fee school policy to national quintile 3 schools from the current policy where only national quintile 1 and 2 schools are included. As the Western Cape has relatively few schools in national quintiles 1 and 2 (14.5 per cent), the WCED has already been able to extend coverage to quintile 3 schools. There are currently 653 no fee schools in the Western Cape accommodating approximately 346 000 learners or more than 38 per cent of all learners in the province.

Lowering the learner educator ratio in quintile 1 schools

Educators are key to the delivery of an effective education system. The learner educator ratio (excluding School Governing Posts) in the Western Cape currently stands at 36.5:1 for public ordinary primary schools and 32.7:1 for public ordinary secondary schools. The Department has made progress in reducing the learner educator ratio for quintile 1 public ordinary primary school to 32:1, which is below the nationally established norm of 37:1.

A closer look at learner educator ratios shows that wealthier schools, where there is a higher proportion of learners whose parents are able to pay school fees, have had more flexibility to lower learner teacher ratios by using School Governing Positions. For 2008 quintile 5 schools in the Western Cape were able to reduce their effective learner educator ratio by 28 per cent with the result that schools in the poorest quintile have a higher relative learner educator ratio. Poverty quintile 1 public ordinary schools (taking an average for both primary and secondary schools), have an effective learner educator ratio of 31:1 compared with the least poor quintile 5 having an effective learner educator ratio of 25.5:1.

Special needs education

The provision of special needs education remains a focus for the Department. There is a need to increase the number of places available for learners with disabilities in both mainstream and special schools. There are plans to provide further funds, additional to the current budget baseline allocations for this purpose, in the outer year of the MTEF period.

Department of Health

Continuous improvement in the capacity of the state to deliver better quality health services is one of the thrusts of Government's Medium Term Strategic Framework. Strengthening of the health sector by some R4.2 billion over the next three years is meant to ensure that the needs of the people, especially the poor, are met and that this remains high on the agenda of Government. Within the planned overall R32.7 billion 2009 MTEF resourcing, spending priorities will focus on the consolidation of the previous MTEF priorities to improve the quality of and access to public health services as well as to strengthen those health programmes that significantly influence human development.

Improving quality of health care through the Comprehensive Service Plan (CSP)

Implementation of the CSP

National imperatives and strategic frameworks, such as the Millennium Development Goals (MDGs) and the iKapa Growth and Development Strategy (iKapa GDS) guide the Department of Health's priorities.

At a departmental level, efforts are focused on improving the quality of health care delivery through the implementation of the Comprehensive Service Plan (CSP). The ultimate objective of the CSP is to ensure that patients are treated at the level of care most appropriate to their need. This entails restructuring health services to ensure sufficient capacity at each level of service. Current initiatives of the CSP where the Department has already made progress and will continue implementing over the 2009 MTEF include:

- Improving the collaborative health district service delivery model and improving district management structures;
- Restructuring the service platform in central, regional and district hospitals;
- Restructuring Emergency Medical Services to improve care and response times;
- Expanding community-based services; and
- Construction of Khayelitsha and Mitchell's Plain district hospitals.

Investing in human resources

It is well recognised that nurses are the backbone of the medical profession and that the relative shortage of competent and dedicated nurses, doctors and other medical professionals in the public service remains a critical factor in addressing improvements in health care delivery. Government is therefore making substantial investments in human resources for Health and targeting recruitment and retention of health personnel in the public sector through its review of the remuneration composition and levels.

The Department has completed the Occupation Specific Dispensation (OSD) implementation for nurses, a process that commenced in 2007. Approximately 10 535 nurses have benefitted from the OSD adjustments in 2007/08. The OSD has revised salary structures, career pathing and pay progression systems for nurses. Whilst the details are still being finalised, the second phase of the Health Professionals Remuneration Review, i.e. the OSD for doctors and medical specialists, will be phased in over the 2009 MTEF.

Phasing in of OSD for doctors and medical specialists

Expanding Community based services and EPWP

Treating patients at a level more appropriate to their needs also entails strengthening services for de-hospitalised patients. The Department offers these services through 5 types of care facilities for Community Based Services: sub-acute care, palliative care (care for terminally ill/chronically ill patients), community mental health care and integrated home-based care.

The Department will continue to dedicate resources to expanding community-based services through the Expanded Public Works Programme. The key focus of the EPWP is to strengthen the home based care programme through training and skills development of the care-givers. The investment in the EPWP for home-based care therefore contributes directly to skills development of home-based care-givers, strengthens the service platform and empowers communities to actively participate in disease prevention and adherence support programmes to improve treatment.

Skills development and practical training for home-based care givers

The number of home-based care Non Profit Organisations funded by the community-based service programme has increased from 90 in 2007/08 to 110 in 2008/09 and the number of caregivers currently funded is 2 454 compared to 1 300 caregivers in 2007/08.

In 2007/08, 16 827 home-based care clients had been attended to and for the first quarter of 2008/09, the caregivers were able to attend to 18 227 home-based care clients 58 238 children as per the Community Integrated Management of Childhood illnesses (CIMCI) programme and 1 692 TB DOTS clients in the rural districts.

Continuing the fight against TB and HIV and Aids

In conjunction with national and provincial priorities, frameworks for health care activities are also specifically developed and implemented in response to the burden of disease in the Western Cape. HIV/AIDS is a leading cause of premature mortality and contributor to the provincial burden of disease. Combining this with TB shows that the burden resulting from these two infectious diseases account for approximately 22 per cent of the Province's burden of disease.

The Western Cape has seen a dramatic increase in the number of TB cases over the past seven years, with a slight decline in numbers in 2007. Furthermore, the number of TB cases has been disproportionately higher in geographic areas with higher HIV prevalence.

Stepping up TB control for MDR-TB and XDR-TB

Notably, TB is one of the country's most serious public health challenges and the strengthened control of TB is a key focus area at a national and provincial level. The Western Cape Department of Health has accelerated its response to TB control since 2006. It will continue to step up the control of TB in 2009/10 specifically to address the growing emergence of multidrug-resistant TB (MDR-TB) and extreme drug-resistant TB (XDR-TB).

In previous financial years the Department prioritised 22 high burden TB/HIV health facilities to ensure that these facilities have the resources they require to improve TB control. The result has been a significant improvement in the overall performance of the TB programme. The TB cure rate for new smear positive cases showed a significant increase from 72.2 per cent in 2006/07 to 77.3 per cent in 2007/08.

Efforts to provide care and management of people living with HIV and AIDS continue to be boosted in the 2009 MTEF. Priority has been given to programmes for the prevention of HIV transmission, treatment and care of HIV and AIDS patients. As at the end of June 2008, a total of 41 671 patients were currently enrolled for Antiretroviral Treatment (ART) at 62 facilities. The Department envisages that by end March 2009, an estimated total of 52 829 patients will be enrolled at the planned 70 accredited facilities. Given the high rate of co-infection of TB and HIV, the Department has begun treating TB patients who require ARV treatment at the TB hospitals. In addition to the aforementioned programmes, child and women's health programmes focused on reducing infant, child and women mortality are also priority programmes for the Department.

Child and women's health programmes a priority

Reducing the Burden of Disease

One of the key messages from the Burden of Disease (BOD) project, initiated by the Department in 2007, is that reducing the burden requires a focus on inter-sectoral collaboration between Health and other departments and agencies. This is because the major determinants of health are not only influenced by the provision of and access to health care. It is also driven by a range of socio-cultural or development issues such as income inequalities, poverty, education (particularly of women) social behavioural norms and access to basic services such as sanitation, water, etc.

The Department therefore continues to take the lead in strengthening mechanisms to assess the burden of disease. The Department has institutionalised a mortality surveillance system for all districts that will be able to provide information on the distribution of mortality that could be used for monitoring purposes. The Department will also continue to develop and implement strategies with other departments to reduce the burden of disease. The current focus of the project is on reducing alcohol-harm as it is one of the top three risk factors contributing to the burden of disease in South Africa. Unsafe sex is the top risk factor followed by interpersonal violence¹.

Areas of collaboration to reduce the burden of disease include:

- The BOD project provided extensive evidence based input into the development of the Liquor Bill (initiative of the Department of Economic Development and Tourism), which sought to decrease access to alcohol by legislating and controlling when and where alcohol can be made available; and
- Together with the Departments of Social Development and Community Safety, the Department is developing a document to promote the decrease in misuse of alcohol in the Western Cape.

Preparing Emergency Medical Services for 2010

The Department has dedicated resources to restructuring the Emergency Medical Services (EMS) in an effort to improve response times towards the national targets as well as to prepare for the 2010 FIFA World Cup.

Restructuring EMS to improve response times

The increased focus on EMS has resulted in improved response times in 2007/08 which will be further boosted by the Department's current efforts of expanding the ambulance fleet, constructing new ambulance stations and establishing a specialised Emergency Medicine component. Recruitment of EMS staff remains a challenge and the Department has responded to this by recruiting and training approximately 170 Student Emergency Care Practitioners in 2008/09.

¹ A comparative risk assessment for South Africa in 2000

The training equips the students to be employed as Basic Life Support personnel.

Since 2007/08, the Department has been busy developing plans to ensure that the medical requirements for 2010 FIFA World Cup is met for the expected influx of visitors to the Western Cape. Much of the strategic planning has been done in conjunction with the National Department of Health so as to ensure equitable service delivery across the nine Provinces as well as leaving a better health legacy after 2010.

Department of Cultural Affairs and Sport

The Department of Cultural Affairs and Sport's primary mandate relates to the following main areas of provincial competence, namely provincial archives, cultural matters, language policy and the regulation of official languages, libraries, museums, recreation and amenities as well as sport.

The Department was originally established as part of the implementation of a new departmentalisation model in 2002 when the then Department of Environmental and Cultural Affairs and Sport in the Province was rationalised into two separate departments. The cultural affairs and sport units were transferred to the new Department of Cultural Affairs and Sport (DCAS). With the exception of the creation of the departmental staff support components (human resource manager and the chief financial officer), the macro structure had not been reviewed since the establishment of the Department.

Considering the above, and taking into account the extent to which provincial strategic mandates evolved since the Department's inception, it was clear that the structure does not provide for an optimal organisational design nor for adequate capacity to enable the Department to deliver on all mandates. A comprehensive review aimed at repositioning the DCAS to deliver on its mandates and to improve alignment with national and provincial priorities and imperatives commenced in the 2008/09 financial year. The organisational redesign process, which followed a major diagnostic process of the business of the Department, is meant to improve on the capacity of the Department to deliver on its mandate.

It should, however, be emphasised that it is recognised that structural change alone will not produce the desired improved capacity for performance and delivery, but that other interventions are also required.

The Department is also responsible for three public entities, namely the Western Cape Cultural Commission, Western Cape Language Committee and Heritage Western Cape. The streamlining and redefinition of the departmental strategy in relation to these public entities is critical. The process has also highlighted the need to separate conflicting roles and accountabilities between the Department and the public entities. In this regard the proposed new structure provides the Department with an opportunity to consolidate all the various aspects of support to the public entities within one unit. The consolidation will ensure alignment of the public entities' work with that of the Provincial Government and the requisite support and departmental oversight.

Arts and Culture

The strategic objective of the Arts and Culture programme is to ensure cultural diversity and the advancement of artistic disciplines into viable sustainable opportunities. The Department conducted a study in March 2008 to determine the relevance and impact of the arts and cultural programmes as well as the effectiveness, efficiency and sustainability of the organisations that these programmes fund.

The evaluation found that the arts and cultural programmes contribute to the macro objectives of Government for skills development, social cohesion, crime prevention, job creation, poverty reduction and the promotion of national identity and pride. The challenge over the 2009 MTEF will be to align the objectives and performance measures of the programme with the macro objectives of government and to monitor the achievement of the programme's outputs.

An assessment of the effectiveness, efficiency and sustainability indicated that all of arts and culture organisations assessed would not be able to survive and continue with their services without the continued support from government and donors. The challenge for the Department over the 2009 MTEF will be to streamline the workflow for the disbursement of funding to arts and culture organisations and to conclude service level agreements in support of improved performance.

Library Service

Municipalities and the Province are responsible for providing library services. It is acknowledged that library services are experiencing pressures mainly due to funding challenges and sharing the responsibility across the two spheres. To assist with these challenges, National Treasury since 2007 introduced the Library Services Grant. The purpose of this grant is to enable communities to gain access to knowledge and information that will improve their social, economic and political situation.

Despite the uncertainties around the provision of funding, infrastructure and the delivery of library services, the Department has signed agreements with municipalities on the planning, management and maintenance of community libraries.

The Department has also implemented the Extended Rural Services Project (ERSP). As part of the ERSP, the Wheelie Wagon initiative is to extend the book collections of existing public libraries to deep rural communities, especially farming communities with an approximate population size of 200 and more persons. Books provided by the Department are placed onto trolleys in strategic places in communities. A volunteer from the community acts as librarian and receives a small remuneration from the Department.

2010 FIFA World Cup

The Department is also co-responsible for the creation of an enabling environment for the successful hosting of the 2010 FIFA World Cup. The Department received R232 million for 2008/09 of which R212 million was to fulfil the Province's capital infrastructure obligations related to the construction of Green Point Stadium and R20 million for phase 1 of the Philippi Stadium upgrade.

The latter includes the upgrade of the pitch, vehicle and spectator entry points, dressing rooms for referees, etc., and will be completed in 2008.

During the run up to 2010, several campaigns will be launched for the mass mobilisation of 2010 and included amongst others, a street football popularisation campaign. The street football campaign involves the set-up of temporary football pitches in strategic places to bring novelty and excitement to the game.

Maintaining the Sport School in Kuilsriver

The Department will continue to expand its services and make its presence felt in communities across the Province. The Department will continue to use the Sport School in Kuilsriver as the vehicle to enhance the performance of young athletes. The Sport School currently accommodates 112 learners from all over the province and will increase its numbers to 160 learners in 2009.

Department of Social Development

The Department of Social Development is mandated to protect, care for and support the most vulnerable members of society, especially children, the disabled, older persons and the poor while also focusing on youth development and family support. To assist the Department in delivering its mandate through the implementation of national and provincial legislation, strategies, policies and priorities, its resourcing is proposed to rise by R347 million to R3.9 billion over the new MTEF.

Guided by the iKapa Growth and Development Strategy (iKapa GDS), changes to key legislation and the drive to align with national policies, the Department developed a 10-year Integrated Service Delivery Strategy. The strategy promotes social development that will contribute to improving quality of life, human well-being and social cohesion. This strategy is also aligned to the national Integrated Service Delivery Model (ISDM) and represents a strategic shift to address the developmental challenges in the Province.

The ISDM model identifies four levels of intervention, which are internationally recognised namely: Awareness and Prevention, Early Intervention, Statutory/Crisis Intervention and Reintegration into society.

In planning for the 2009 MTEF the Department identified eight integrated key programmes that define the core business of the Department namely:

- Children and Families;
- HIV/AIDS;
- Institutional Capacity Building and Support;
- Integrated Youth Development;
- Older Persons;
- Services to People with Disabilities;
- Sustainable Livelihoods; and
- Substance Abuse.

The Department will develop concept papers for each programme in 2009/10 to facilitate better alignment with the iKapa GDS and the ISDM and to deepen the understanding of their core services.

Social Development policy priorities for the 2009 MTEF

National policy priorities such as Early Childhood Development will continue to be a key focus area for the Department over the 2009 MTEF. The Department will also focus on child poverty reduction, substance abuse, youth development and the implementation of a developmental community nutrition centre programme over the 2009 MTEF.

Bana Pele: Child Poverty Reduction Programme

Bana Pele is a programme aimed at breaking the cycle of poverty by entering poor and vulnerable households through children. In essence the programme will ultimately assist all poor and vulnerable children between the ages of 0 and 9 years of age in accessing a basic package of essential services that will improve their families' livelihoods.

The Department is piloting Bana Pele in the Cape Winelands and Central Karoo district municipalities in the 2008/09 financial year and other district municipalities will follow over the 2009 MTEF. The focus of the Western Cape government is on all poor and vulnerable children between the ages of 0-9 years and their parents/primary caregivers. The objectives of the programme are:

- To ensure that all children between 0-9 years old have access to appropriate social services, education and health care services;
- To compile a data base of all poor and vulnerable children between 0-9 years old through conducting household profiling in the identified district municipal areas;
- To plug parents/primary caregivers into sustainable livelihood and or other development projects/programmes to achieve their self-reliance; and
- Harnessing Government resources around the targeted group 0-9 year olds and their respective parents/primary care givers.

Substance Abuse, Prevention and Rehabilitation

Substance abuse is becoming such a serious problem that renewed efforts must be made to deal with it. Government is committed to combating of substance abuse by reducing both the supply of illegal substances and the demand for them through a wide range of actions and programmes and, where it deemed necessary, to effect changes to the existing legislation. The Prevention of and Treatment for Substance Abuse Bill therefore provides a framework:

- To create mechanisms for the combating of substance abuse through prevention, early intervention, treatment and re-integration programmes;
- To provide for the registration and establishment of treatment centres and halfway houses;
- To provide for the committal of persons to and from treatment centres and their treatment and training in such treatment centres;
- To provide for the establishment of a research and information management framework;
- To provide for the establishment of the Central Drug Authority, and
- To provide for matters connected therewith.

The Department of Social Development has already designed and implemented integrated services for substance abuse, prevention, treatment and rehabilitation in the Province. The implementation of an awareness and prevention strategy is well on course and the Department will also have 3 fully operational treatment centres in the 2008/09 financial year, which would also be expanded over the 2009 MTEF. A total of 48 Local Drug Action Committees (LDAC) is currently operational in the Western Cape and will be expanded to 60 in the 2009/10 financial year. The Department is also the lead department in the Development of a Mini Drug Master Plan for the Province.

Regular nutritious meals to people that are affected by hunger due to poverty

Youth Development

The strategic goal of the youth development programme is to enable youth to take responsibility for positive lifestyles and to contribute to and participate in family and community activities. Youth development programmes focus on basic skills development, the training of volunteers specifically for the social development sector where youth are linked with internships, learnerships and bursaries.

Implementation of a Developmental Community Nutrition Centre Programme

The development of Community Nutrition Centres is a response by Government to the effects of rising food prices on the poor. An evaluation of the current soup kitchen programme indicated a need for a more integrated programme at district level.

The implementation of a Developmental Community Nutrition Centre Programme will ensure a more effective service to the poor and vulnerable in all districts. To ensure ultimate effectiveness the programme would also integrate with interventions initiated by other departments such as Education, Agriculture and Health. The programme would not only provide nutritious meals to the poor, but would also develop a database of individuals and households that are unable to provide for themselves. These beneficiaries will also be linked to other government services and structures at the municipal level.

Department of Community Safety

The Department of Community Safety continues its efforts to fight crime and address the many challenges associated with ensuring the safety of communities in the Western Cape. These efforts have resulted in a number of ongoing collaborative agreements and partnerships with various departments, the South African Police Service (SAPS) and municipalities.

The Social Transformation Plan (STP) has seen the Department actively target 15 priority areas in an attempt to reduce the incidence of crime, including drug trafficking and gangsterism. These areas include Mitchell's Plain, Khayelitsha, Manenberg, Hanover Park, Nyanga, Elsies River, Bishop Lavis, Delft, Kleinvllei, Gugulethu, Phillipi, Muizenberg, Vredenberg, Paarl and Oudtshoorn. Achieving the social cohesion objectives of this Plan is however dependant on active participation by the communities. To this end, the Department actively encourages the establishment of, and continues to support, Community Policing Forums (CPFs) and Community Safety Forums to garner community support and involvement in creating a safer environment.

Social Transformation, Gang Prevention, and Intervention Strategy launched in October 2008

Focusing on Youth

The Department has recently begun implementing the Social Transformation, Gang Prevention, and Intervention Strategy. This strategy aims to deal with the factors that influence young people to join gangs as well as reduce and prevent drug-abuse amongst youth. A multi-faceted approach is enabled by partnerships with, amongst other, the SAPS, CPFs, the Western Cape Departments of Education (WCED), Health (DoH) and Social Development (DSD). The "Choose 2 Live" School Education Road Shows have thus far seen 72 schools pledge their facilities as drug and gang free-zones. The Street Smart Youth programme is also currently being implemented. This programme trains youth leaders towards mobilising their peers against drug-abuse and providing alternatives to gangsterism.

The establishment of the Chrysalis Academy is one of the key youth development initiatives, undertaken by Community Safety. Since inception, over 500 youth have been enrolled in its learning programmes. The programmes are aimed at providing participants with vocational education while promoting social consciousness and values. Of the 463 programme graduates, 87 have been successfully placed in employment. The Department intends training an additional 420 youth and providing refresher training for 300 youth in the current year.

Bambanani volunteers assist with school and commuter safety

The deployment of Bambanani volunteers in schools and trains aid in reducing crime

The Bambanani volunteer programme has been extended into a number of crime prevention and intervention activities undertaken by the Department. The use of Bambanani volunteers in the Safer Festive Season Programme resulted in a reduction in incidence of crime where they were deployed. In the current year, 350 Bambanani volunteers, in conjunction with a heightened SAPS and Metrorail security presence, have been deployed on 45 railway stations to improve commuter safety. In addition to this, the Department's School Safety Programme has seen 803 Bambanani volunteers deployed at 168 schools. The programme aims to reduce the incidence of crime at identified schools. To date, 25 of the schools

targeted have reported no incidents of crime since the deployment of the Bambanani volunteers. As a result of accredited SETA training provided to the volunteers, some are being absorbed into the private security industry and SAPS reservist corps. The Department anticipates that additional volunteers will be required to meet the safety and security needs of the 2010 FIFA World Cup.

Safer provincial roads

The Motor Vehicle Accident (MVA) Strategy aims to reduce one of the leading causes of premature fatalities in the Western Cape namely, road traffic injuries. Collaboration with the Department of Health in reducing the Burden of Disease is thus imperative. Furthermore, the partnership with the Department of Transport and Public Works (DoTPW) aims to reduce the economic impact of road accidents.

All 12 provincial traffic centres across the province are operating on a 24hr, 7-days-a-week cycle to achieve a 5 per cent reduction in road fatalities. The 24hr, 7-days-a-week cycle has placed strain on the current staff compliment. Additional officers are, however, being trained with 38 new officials trained this year. The Department has also made progress in improving the synergy with local authorities and other law enforcement agencies to provide a more effective service.

Emphasis on staff development to provide a more effective service

Complimentary to this is the ongoing road and pedestrian safety education and awareness campaigns run throughout the year. There are also targeted campaigns over the Easter, June and December festive period. In addition, the Department continues to partner with the DoTPW and National Youth Service to reduce pedestrian fatalities. This intervention deploys volunteers at identified hazardous locations to assist with community-based road safety awareness programmes. The Department continues to engage with community forums and Community Policing Forums (CPFs) to raise road safety awareness in communities.

Improving 2010 security and safety

The Security Risk Management Unit is continuing its efforts to provide a secure and safe environment for all employees, visitors and guests of the Provincial Government of the Western Cape (PGWC). Threat and Risk assessments are conducted at all facilities to ensure the implementation of security measures. In addition to this, the Unit continues to conduct awareness presentations at provincial departments. Capacity constraints have, however, only allowed for the incremental implementation of the centralised security model for the Province.

The Unit will: provide a key support role in the safety and security requirements of the 2010 FIFA World Cup, will vet all (Bambanani) volunteer recruits prior to deployment at fan parks, and assisting the South African Police Services (SAPS) with threat risk analyses at relevant fan parks.

Economic Cluster

Departments within this Cluster involve: Economic Development and Tourism; Agriculture; Transport and Public Works; Housing; and Environmental Affairs and Development Planning. The priorities of the Economic Cluster departments are based on the consolidation of the previous MTEF priorities and builds on progress made during 2008/09. To assist departments in the economic cluster to continue to strengthen efforts and direct resources towards skills development, infrastructure and the Expanded Public Works Programme (EPWP), it is proposed to add R1.8 billion over the 2009 MTEF, increasing spending in this sector to R13 billion over the next three years. Food security initiatives and agricultural support to new producers and land reform beneficiaries also remain high on the agenda for the 2009 MTEF. The Built environment departments will continue collaborating to further support and capacitate municipalities to carry out their planning and delivery functions through the revision of Integrated Human Settlement and spatial plans.

Department of Agriculture

Agriculture remains an important sector in the economy both in its contribution to growth and employment and as a mechanism for rural economic development. It is also a vital development tool for achieving the Millennium Development Goals of at least halving poverty and hunger by 2014 as noted in The World Development Report 2008, of which the theme was Agriculture for Development. To boost the priorities for the agricultural sector, it is planned to add a further R224 million over the 2009 MTEF to the sector, allowing for an intensified focus on increased agricultural support to land reform beneficiaries, to ensure the sustainability of new agricultural producers and agricultural support to increase food security.

Land and Agrarian Reform Programme (LARP) priorities

Priorities for the provincial Department of Agriculture are also guided by the presidential priorities embedded in the Land and Agrarian Reform Programme (LARP). The LARP provides a framework for delivery and collaboration on land reform and agricultural support. The aim is to speed up the rate at which land reform is taking place and to improve the sustainability of new agricultural producers. The LARP would be implemented through aligned action by all relevant stakeholders where Agriculture's main role is to support farmers to increase production. The strategic objectives of the LARP have been translated into the following priorities (or pillars):

Increasing support to new agricultural producers

- Redistribute 5 million hectares of current white-owned agricultural land to 10 000 New Agricultural Producers;
- Increase Black entrepreneurs in the agribusiness industry by 10 per cent;
- Provide universal access to agricultural support services to the target groups identified in the first two priorities;
- LETSEMA-ILIMA Campaign: Increase agricultural production by 10-15 per cent for the target groups identified in the first two priorities; and
- Increase agricultural trade by 10-15 per cent for the target groups identified in the first two priorities.

Support to Land reform beneficiaries and emerging farmers

Disaggregating the first pillar of the LARP into a provincial target translates into the Western Cape having to support 2 000 farmers on 800 000 hectares of redistributed land. Over the 2009 MTEF the Department will continue placing a strong emphasis on providing infrastructure, extension services and training to emerging farmers and new agricultural producers to improve production and financial viability. The Department is currently providing comprehensive agricultural support to 50 existing land reform projects with an approximate total of 2 400 beneficiaries. These beneficiaries will continue to receive support over the 2009 MTEF. The Department further supports emerging farmers through facilitating market access to local and international export markets. In 2008/09, 25 emerging farmers/groups of farmers have been targeted to link up with a local supermarket chain and meat wholesaler. The Department is also engaged in facilitating 10 export contracts for emerging farmers.

Facilitating access to markets for emerging farmers

Food security project to assist the poor

Addressing Food Security

The Department of Agriculture has a dedicated programme to coordinate and implement various food production projects and provide information and training to community garden and animal production beneficiaries. As at September 2008, the Department was at various stages of implementing 60 food security projects. The Department planned to assist another 40 households with small units of livestock and one communal garden in Merweville.

In addition to Agriculture, a few other provincial departments are currently implementing community and household food gardens. The Department is collecting information on the food gardens in the Province, which include: the number, and level of support required by these gardens to become and remain sustainable. The Department plans to target existing gardens that require rehabilitation to expand production for in some instances own consumption while others for the market. The Integrated Food Security Team will also be strengthened to improve collaboration in supporting food gardens with other departments.

Developing skills in the agricultural sector

Agricultural training to address scarce skills in the sector

The Department continues in its drive to develop skills in the agricultural sector through implementing its Human Capital Development strategy and through its Structured Agricultural Training programmes. The focus is to transform agriculture by addressing skills development and training needs of both the Department and the broader agricultural sector in the Western Cape. The Department has made progress in addressing the skills shortage in the sector and as of September 2008 had 66 learners participating in the junior farm management course; 78 interns working in the Department, with another intake to start later in the year; and 103 bursary students studying at the Cape Institute for Agricultural Training (CIAT). The Department has finalised an agreement with the Graham Beck Training Centre to provide technical skills training to evicted farm workers.

Protecting agricultural and environmental resources and mitigating climate change

Protecting and ensuring optimal use of agricultural water and land remain high on the agenda of the Department. Climate change presents additional challenges and pressures to sustainable resource use. Climate change specifically impacts on agriculture through water availability and use, temperature change and its affect on crop production, animal disease etc. and conservation. The Department has over the last few years been involved in number of initiatives to mitigate and adapt to climate change. Various projects and research has been undertaken. An example of this is research and promotion

on the effective use of irrigation water. For 2008/09, specific activities that have a climate change focus are:

- The waterwise and biodiversity awareness campaign is being extended to the Eden, West Coast and Breede River district municipalities. 3 000 Youth are to be trained in the Junior LandCare programme;
- A study is underway to investigate launching a real-time information website to assist farmers to increase water use efficiency; and
- The Technology, Research and Development programme is in the process of establishing the infrastructure for an indigenous seed production unit to ensure veld establishment and improvement.

Department of Economic Development and Tourism

Spending plans envisage an additional R169.2 million over the new MTEF to enhance the Department's vision and provincial goals of a shared, sustainable, labour absorbing and a global competitive economy, taking its lead from the Accelerated and Shared Growth Initiative of South Africa (AsgiSA). Total spending is estimated to be R914 million over the next three years.

Promoting Industry Development at the provincial level through the MEDS

The Department uses the Microeconomic Development Strategy (MEDS) as a catalyst for the development of the Western Cape economy. MEDS was based on research into economic sectors and cross cutting themes of the Western Cape to sharpen government interventions.

The Department's MEDS give effect to the National Industrial Policy Framework (NIPF) and Industry Policy Action Plan (IPAP). The Department will focus on industry development through multi-programme support to 15 Industry Bodies (Special Purpose Vehicles) that are tasked with advancing a Growth, Transformation and Industry Development agenda. The activities of these Industry Bodies are focused on skills development, Small Medium and Micro Enterprise (SMME) and Broad Based Black Economic Empowerment (BBBEE) support. Examples of these Industry Bodies include:

- South African Oil Gas Alliance (SAOGA) for oil and gas services
- Calling the Cape (BPO)
- Cape Information Technology Initiative and the Bandwidth Barn (ICT)
- Cape Craft and Design Institute (CCDI) (Crafts)

Giving Effect to the NIPF and IPAP through the MEDS

Over the 2009 MTEF period, the Department will translate the MEDS into a sound 10-year strategy to develop identified sectors and the crosscutting themes. This will further shape the strategies into coherent sets of interventions, monitoring and evaluating their impact and incorporating lessons learned.

The MEDS interventions that have been prioritised have facilitated employment creation, skills development, the establishment of successful industry-specific training schemes, the launch of new firms and the implementation of assistance programmes for black start-up businesses. Interventions have assisted more than 1 800 small firms (55 per cent black-owned) via best-practice initiatives, which assist firms to improve productivity and access contracts.

Broad-Based Black Economic Empowerment

The DEDAT through the BBBEE Strategy-Rollout Plan and together with broad provincial government procurement are important to achieving transformation of the Western Cape economy. The BBBEE Strategy and Action Plan targets black people, women, youth and people with disability.

The BBBEE Strategy-Rollout Plan is based on the following scorecard elements: ownership, management and control, employment equity, skill development, preferential procurement, enterprise development and socio-economic development (corporate social investment). Current activities of the Department are focused on an awareness campaign to forge partnerships and buy-in from all stakeholders.

Skills Development

The Department of Economic Development and Tourism (DEDAT) is involved in a number of skills development initiatives aimed at mitigating the constraints posed by skill shortages. The Workforce Development programme, Centre for Extended Learning, and the Learning Cape Festival are all initiatives focussed on satisfying the skills required in targeted sectors as well as building partnerships with relevant stakeholders. Stakeholders include the regional Sector Education Training Authority (SETA), the Department of Education, Department of the Premier and Further Education and Training (FET) colleges in the Province.

Demand and supply led skills research were largely completed for targeted sectors including Boat Building, Information Communication Technology (ICT), Tooling, Oil and Gas, Business Process Outsourcing (BPO) and Tourism and Film. Findings from these studies will assist the Department in formulating a holistic set of skills interventions and develop a range of interventions that satisfy the needs of industry, academia and the Western Cape economy.

Breaking the barriers of the skills constraint

Enterprise Development

The Real Enterprise Development (RED) Initiative is the flagship programme to deliver on SMME development. The Department has set up a network of one-stop offices and mobile units across the Western Cape that have been used as a benchmark for enterprise development for micro and small business nationally. The RED Door programme has assisted 10 769 businesses with business advice and support in 2007/08 and the Department will be expanding on this number over the new MTEF.

As part of Enterprise Development, the Provincial Government of the Western Cape (PGWC) has committed itself to create 100 000 job opportunities over the 2009 MTEF through skills development programmes for unemployed people in the Province. This initiative is a quantum leap in an attempt to reduce poverty and unemployment in previously disadvantaged communities. The DEDAT in partnership with other economic cluster and social partners will spearhead this initiative.

The PGWC is committed to creating 100 000 job opportunities over the 2009 MTEF

Rural Economic Development

Through the Rural Economic Assistance Initiative (REAI), the Department aims to assist rural communities in the development of economically viable enterprises within the framework of the MEDS. The rural economic assistance programme is a joint initiative between the Council for Scientific and Industrial Research and the Provincial Government: Western Cape (PGWC). Utilising a development model, the REAI identifies a number of rural projects and aims to establish new and economically viable, primarily agri-business, ventures for the benefit of previously disadvantaged communities. In so doing, the initiative is aimed at being a catalyst for the stimulation of economic and social activity in a particular region.

Promoting Tourism Growth

The tourism sector contributes 9.8 per cent to the Regional Gross Domestic Product. As such, the MEDS has identified tourism as a key growth and labour intensive sector driving the Provincial economy. Through the Western Cape Tourism Development (WCTD) Partnership and WCTD Framework, the DEDAT brings all the social partners (business, labour and civil society) together to promote tourism initiatives including marketing, enterprise development and the transformation of the industry in the Western Cape.

Department of Environmental Affairs and Development Planning

The Department has reconfirmed its commitment to sustainable development, world-class environmental management and a focus on enhancing people's quality of life as well as strengthening the environmental economy. Furthermore, in the Department's endeavour to ensure a sound regulatory framework, various legislative and policy instruments are being developed. In support of all these endeavours, it is anticipated that an additional R188.9 million will be added over the 2009 MTEF, bringing total spending to R895 million.

Integrated and Holistic Environmental Management

A key departmental priority is the adoption of the Western Cape Provincial Spatial Development Framework

A key departmental priority is the adoption of the Western Cape Provincial Spatial Development Framework (WCPSDF) that is aligned to the National Spatial Development Perspective (NSDP) as well as other national policy frameworks. The framework aims to provide a new spatial pattern for the future development of the Province; guide municipal Integrated Development Plans (IDPs) as well as provincial/municipal Spatial Development Plans and Frameworks. A further key aspect relates to the prioritising and alignment of investment and infrastructure plans of spheres of government and the private sector within the Province.

Practical aspects include the Department assisting local government (municipalities) with the development of credible Spatial Development Frameworks and its related alignment and review. Municipal capacity building through training/capacity building workshops and the development of explanatory manuals remain high on the agenda. In keeping with the above, the review of all municipal Integrated Development Plans (IDPs) for environmental content and compliance with the WCPSDF is identified as crucial.

With regard to integrated and holistic environmental management, the Department is focused on drafting the Biosphere Reserve Bill, finalisation of the Sustainable Development Implementation Plan and the development of further relevant environmental legislation in order to ensure compliance and enforcement.

Similarly, the Department remains committed to achieving the goal of sound environmental quality management through the development of appropriate legislation, policies, norms, standards and guidelines. It is significant to note that the Department is engaging with expanding the Law Enforcement and Compliance Monitoring component.

Land Use Management

With regard to land use management there are three particular focal areas. Firstly, the promulgation of the Planning Development Act (PDA) Amendment Act which has been forwarded to the South African Local Government Association (SALGA) for comment. This law reform project aims to modernise and align the current planning legislation with environmental legislation and to bring about the restructuring of towns and cities within the Province. The Bill will be submitted to the Standing Committee and finalisation is anticipated by March 2009.

Secondly, the Health Care Waste Management Bill was submitted to the Legislature during the 2007/08 financial year. The Bill seeks to provide for the effective handling, storage, collection, transportation, treatment and disposal of health care waste. The Regulations are in the process of being developed after which it will be published for public comment. These comments will be considered before finalisation of the regulations for promulgation.

Thirdly, the development of a business plan for the Built Environment Support Programme (BESP) has been developed. The BESP is a collaborative initiative between the Department of Environmental Affairs and Development Planning and the Department of Local Government and Housing. The BESP is an interdepartmental vehicle, which provides focussed support to municipalities to achieve credible Spatial Development Frameworks (SDFs) and Integrated Human Settlement Plans (HSPs) within municipal ties.

The development of the Development Facilitation Unit (DFU) is linked to the BESP. Following the funding approval of the latter, the Department will initiate the operations of the DFU with seconded internal staff. In the interim, the Department will develop and initiate a recruitment strategy for the establishment of the DFU with the intention of having a functional Unit before the end of March 2009.

Climate Change Mitigation

The Western Cape Climate Change Response Strategy and Action Plan was launched at the Renewable Energy and Climate Change Summit which was hosted by the Department during the 2007/08 financial year. The aim of the Strategy and Action Plan is to provide guidance on mitigation measures and pro-active adaptation to the effect of climate change.

The Department is currently capacitating the Climate Change Unit with funding received in the 2008/09 financial year. The relevant posts are in the process of being filled, bearing in mind considerations with regard to the recruitment of the related scarce skill.

Three focus areas:

- *Promulgation of the Planning Development Act*
- *Promulgation of the Health Care Waste Management Bill*
- *Business plan development for Built Environmental Support Programme*

Capacitation of the Climate Change Unit

More practically, the Department aims to roll-out a Climate Change Education and Awareness Programme in schools in the Province. The programme has a dual purpose, namely:

- To support educators in the presentation of effective teaching and learning strategies; and
- To increase the awareness of learners about the cause and effect of climate change.

Sustainable/Renewable Energy

The Department initiated a clean governance programme with funding from the British High Commissioner. The programme includes the development of a Western Cape Sustainable Energy Strategy. A significant provincial target prescribes a saving of 10 per cent in terms of energy usage. In addition, the clean governance programme also includes the investigation of appropriate institutional arrangements to promote renewable energy in the Western Cape. The deliverables in terms of the identified agreement are as follows:

- The Sustainable Energy Facilitation Act that will create a supporting regulatory environment to promote renewable energy and energy efficiency interventions in the Western Cape;
- The establishment of a Provincial Sustainable Energy Task Team; and
- The introduction of an investment and finance framework for sustainable energy.

The Western Cape has embarked on a roll-out of 1 000 solar water geysers in certain areas during the 2008/09 financial year. The objective of this project is to deal with 3 challenges facing the Western Cape i.e. poverty, energy efficiency and climate change. Under the umbrella of renewable energy, the objective of this programme is to strengthen the environmental economy. This includes, amongst other, the training of 240 people in manufacturing and installing of these solar water geysers.

The Department is also currently exploring the mainstreaming of energy efficiency and renewable energy technologies within all public buildings in the Province through measures such as solar heating, retro-fitting and more energy efficient building designs and practices. The Western Cape Government would like to set the example by installing and using energy efficient technologies and construction methods. In order to achieve this, an audit of the current energy use in selected public buildings is required.

The Department has invited proposals for conducting energy audits in selected public buildings. A related outcome is the drafting of guideline documents for energy efficiency in public buildings and private sector development.

Biodiversity Conservation and Management

CapeNature has the statutory obligation to the Western Cape Provincial Government to ensure that all the legal obligations are met in the Province with respect to biodiversity conservation and management.

Energy audits in selected public buildings to be conducted

Generally the more holistic capacitation of CapeNature has been identified as a critical success factor. This was gauged from a comprehensive business case process that was conducted during June 2008 to effectively address risks to biodiversity conservation and the critically important life support systems it maintains; to enhance its capacity to effectively spend its infrastructure and capital budget; and ensuring institutional sustainability.

Capacitation of CapeNature as key factor

Spatial Information Management

An additional departmental focus area relates to the operationalising of the web-enabled information system (GIS). This initiative is embedded within the broader goal regarding the promotion of spatial information technology to support informed decision-making. It is envisaged that this mechanism would capacitate internal as well as external users. A review of the 2005-2009 Strategic Information and Communication Technology Plan is considered a fundamental aspect.

Department of (Local Government and) Housing

Housing

The provision for housing is estimated to grow strongly over the next three years, rising by close to R1.2 billion, to over R6 billion for the 2009 MTEF.

Built Environment Support Programme (BESP)

The Built Environment Support Programme (BESP) aims to enable the Department together with the Department of Environmental Affairs and Development Planning to assist municipalities develop credible Spatial Development Frameworks (SDFs) and Integrated Human Settlements.

Built Environment Support programme to strengthen spatial development frameworks and 5 year Human Settlement Plans

Environmental Affairs and Development Planning, Local Government and Housing and Transport and Public Works are the key departments offering technical support to cities and towns in the Province to restructure their townscapes. It is for this reason that closer coordination is advised.

Similarly, and in line with the above-mentioned focus, the objective of the BESP is to act in accordance with the prescripts and policies of the National and Provincial Government to effect the transformation of apartheid spatial planning patterns and restructure urban areas within the Western Cape. These objectives are to be achieved by: supporting the revision of municipal SDFs and 5-year Human Settlement Plans and capacitating municipalities to carry out their planning and delivery functions.

Funding for the BESP has been made available in 2008/09 and over the 2009 MTEF based on a completed, clear, collaborative planning and implementation strategy. The project will be rolled out over the next couple of years, initially as part of a pilot project to six municipalities to improve the credibility of their SDFs and Human Settlement Plans. From the second year of the 2009 MTEF the project will progressively be rolled out to other municipalities as well.

MIG to fund bulk infrastructure services and provide housing support

Municipal Infrastructure Grant (MIG)

The Municipal Infrastructure Grant is intended to provide: capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions; and to provide for new, rehabilitation and upgrading of municipal infrastructure. Allocations in respect of this grant increases steadily over the 2008 MTEF. With respect to the grant, one of the challenges is slow spending in low capacity municipalities. In addressing this challenge, the Department with support from the Development Bank of South Africa (DBSA), will assist low capacity municipalities to increase the efficiency and effectiveness of spending on this grant, thereby accelerating municipal infrastructure delivery.

HDD to monitor and evaluate housing demand and housing delivery

Housing Demand Database (HDD)

The development of a National Housing Demand Database was introduced in the Western Cape in 2007 as a pilot project. Experiences with the implementation of this project in the Western Cape is intended to inform the roll-out of the Housing Demand Database (HDD) in other provinces. The ultimate aim of the HDD will be to inform the selection of an appropriate solution to housing delivery.

Department of Transport and Public Works

The Department's priorities and plans are also discussed in Chapter 5, Provincial Infrastructure. This section provides an overview of the Department's skills development efforts, both internally and within the broader built environment sector.

Developing skills in the built environment

The Learnership 1 000 programme commenced in 2006/07 with two development focus areas, namely the development of professional level technical skills in the broader built environment through largely experiential and management training and development. The development of technical skills is promoted under the banner of the Learnership 1 000 programme, while the business incubator is housed under the New Venture Creation Learnership programme.

Funded by the National Skills Fund and the private sector, the Learnership 1 000 programme avails entry-level professionals to a number of sectors including the roads and construction industries, call centres and arts and culture management, with the view to reducing the skills constraints experienced in these sectors. Of the first intake of 765 programme participants, 615 graduated in March 2008. Due to end in 2008/09, 250 programme participants will be enrolled in the programme by the end of the current financial year. The Department has however secured funding to continue with this developmental programme.

Learnership 1000 programme delivers first graduates in 2008

The implementation of the New Venture Creation Learnership was rolled out in 2008. To date 77 individuals are enrolled in the programme. Dependant on the securing of funding, the Department intends expanding this to 280 individuals. The incubator aims to provide both management and operations training through theoretical and experiential learning across a number of sectors including event management and Information Technology support. The programme participants attend accredited courses while the experiential learning occurs through mentoring. The Department appoints accredited mentors for this purpose. The availability of accredited mentors in South Africa is however proving problematic.

In furthering its developmental priorities, the Department has also implemented the Siyenyuka Contractor Incubator Programme. Contractors enrolled in this programme are mentored by various service providers in business and operations management topics. Training is also provided within the 12-month programme cycle. At present 51 contractors are enrolled in the programme from various areas across the Province.

Strengthening internal capacity

The shortage of professional technical staff in the construction industry has resulted in a decline in the uptake of these professionals into the Department. This shortage has been further compounded by the retirement of a number of senior professional staff. The Masakh'iSizwe Bursary Programme is the Department's effort to tackle the shortage of professional engineering and built environment skills. The Department has awarded 296 full-time studies bursaries thus far. In addition to this, the Department has also improved the

Bursary Programme to aid in strengthening internal professional skills capacity

monitoring of and support provided to these students. The consolidation of the Bursary Collaboration Venture with the Department's industry partners' has also enabled improvements in the workplace integrated learning aspect of the programme. The Department expects to recruit Masakh 'iSizwe bursaries holders into their Roads and Public Works branches from 2009 onwards. Once within the service of the Department, retired professionals will be utilised to mentor the abovementioned bursary holders while they receive experiential training.

These individuals will thus be well placed to progress within the Department and their chosen profession.

Continued focus on EPWP

EPWP continues to create new job opportunities

The Expanded Public Works Programme (EPWP) has continued to build upon previous years results, comfortably exceeding its annual target. The 2007/08 financial year is no exception, with 49 584 audited job opportunities created in that year, up from just over 44 000 in 2006/07.

In addition to this, improvements in data collection and reporting have further bolstered the implementation of the various EPWP programme initiatives in the Western Cape.

EPWP programme initiatives provide accredited training that includes both a theoretical and practical component. A number of EPWP initiatives are currently underway in the social sector. The Department of Health's home based care workers, the Department of Social Development and Education's Early Childhood Development workers and Department of Community Safety's Bambanani Volunteer programme are some of the initiatives with proven positive impact. 9 015 job opportunities were created in the social sector in 2007/08, up from 2 996 job opportunities created in 2006/07. While this sector has much potential for expansion, the high cost of training for these job opportunities places a real constraint on the expansion of these initiatives.

In the economic sector, the use of EPWP has been scaled up, particularly in infrastructure projects. The aim is to step up the use of more labour intensive methods in construction projects. The Roads Infrastructure branch within the Department has made a concerted effort in utilising the EPWP workforce in road maintenance and regravelling projects. In 2007/08, 7 629 audited job opportunities were created within the Roads branch. The establishment of regional offices by the Roads branch will also further facilitate the use of EPWP workers on smaller projects throughout the Province.

The Department has made much progress on furthering EPWP in the municipal sector. Each municipality now has a designated contact person with whom the Department and its regional coordinators can liaise. In this way, more effective identification of EPWP projects and planning thereof can be realised.

Other EPWP initiatives include the National Youth Service (NYS), also known as the Basil February Team. This programme empowers youth through training and experiential learning. At present, 477 youth are participating in the NYS. NYS participants have been deployed on a number of collaborative projects with other Departments. An example of this is the pedestrian safety education initiative with the Department of Community Safety. There are also NYS participants currently enrolled at traffic school to supplement the Provincial traffic law enforcement corps. Upon completion of their studies, these graduates will be partnered with and mentored by more experienced officers. The Siyunyeka Contractor Incubator and Learnership 1 000 initiatives also fall under the EPWP programme umbrella.

The Umsebenzi Job Opportunities Portal was launched in August 2008. This web-based system facilitates the matching of registered unemployed users with job opportunities. At present almost 25 000 users have registered on the Portal. The intention is to have all unemployed registered on the Portal. Being a web-based system, opportunities and candidates can be matched as updated information is uploaded. At present, a centre has been established by the Department in Philippi to facilitate better access to the Portal in this community. The Department intends launching 5 more centres during the 2008/09 financial year to further accessibility to the Portal.

Governance and Administration Cluster

Departments within this Cluster include Departments of the Premier, Provincial Treasury and Local Government. As a Cluster, the Governance and Administration departments prioritised strategic investment in strengthening the provincial government internally, especially its Information Communication Technology (ICT) capacity. The cluster would continue to manage the Inter Governmental Relation (IGR) structures and facilitate cluster engagements for greater interdepartmental co-operation and collaboration, thus to improve its capacity to deliver effectively and efficiently. The strategic driving and coordination of the 2010 FIFA World Cup, the iKapa Growth and Development Strategy (iKapa GDS), the implementation of financial management reforms in provincial departments and municipalities and the intensifying of hands on support to municipalities would also continue over the 2009 MTEF.

The Department of the Premier supports and strengthens the culture of democracy in the Western Cape

Department of the Premier

The Department's main driving force remains the achievement of its vision of "A Home for All" in a province that embraces, includes and benefits all in a sustainable way. The Department is responsible for providing strategic leadership, guidance and coordination to the Provincial Government of the Western Cape in line with national strategic imperatives and the iKapa GDS.

The broad aims that underpin the agency of the Department of the Premier are: the objectives of shared growth; integrated sustainable development; as well as rights-based service delivery for the citizens of the Western Cape. In lieu of the xenophobic attacks earlier this year, it is significant to note that one of the strategic goals of the Department is primarily about supporting and strengthening the culture of democracy in the Western Cape, of building and nurturing an environment of tolerance, understanding and care to enable the realisation of the vision of the Province as a "Home for All".

Giving meaning to iKapa Growth and Development Strategy (iKapa GDS)

The jamboree programme takes government services to communities

One of the most tangible expressions of the Department's effort to give real meaning to the provincial strategic plan, namely the iKapa GDS, is the Social Transformation Programme (STP). A practical manifestation of this programme is the introduction of service delivery jamborees in the current 21 priority areas and the development of related interim forums. The service delivery jamboree programme not only takes government services to these communities, but also influence the framework within which government officials define their role towards a developmental and needs based approach. The programme also fosters the proliferation of delivery networks towards an integrated approach beyond departmental or agency borders.

The aforementioned programme aims to make a difference in improving and increasing access to government services in poor and marginalised communities. The continued aim remains the creation of organised platforms of engagement between government and communities through the establishment of intermediary structures. Furthermore, jamborees reveal the practical implementation of the internal and external social capital strategies and its strategic link with the strategic goals and objectives of the iKapa GDS. The imbizo programme has been integrated with the STP and the service delivery jamborees broaden the impetus of community engagement.

In addition, the Department remains committed with regard to the delivery on the iKapa GDS through continued management of the Inter Governmental Relation (IGR) structures and partnerships. Furthermore, the Department has constructively positioned its e-Innovation deliverables towards Information Communication

Technology (ICT) as an enabler for the iKapa GDS. Key aspects include the renewal of the entire ICT infrastructure, institutionalising the Provincial ICT Plan as well as the delivery of e-Community Centres/Forums and an e-Community Website. Consequently, the implementation of the iKapa GDS with a coherent Strategic ICT Planning Framework and Communication Strategy remains a high priority. A province-wide integrated strategic ICT Plan commenced in September, with the first output expected in November 2008.

Work is to continue in light of the compendium of indicators for the high level goals and objectives of the iKapa GDS. In addition, a reporting framework for the Apex of Priorities has been put in place that serves as a guide for reports to the Presidency.

A further scoping of the iKapa GDS lead interventions and related support policy developments led to the identification of key research areas; amongst other the focus on Scarce Skills, Inter Governmental Relations (IGR), Guidelines for Policy Development, Poverty Reduction and the 2nd Economy.

Towards achieving the goals of good corporate governance

In terms of enhancing the institutional capacity of the developmental state, a range of transversal policies, service delivery improvement initiatives, systems and procedures were developed in pursuit of institutional excellence.

The DotP committed to enhance the institutional capacity of the developmental state

Notable developments in this regard include: the implementation of a handbook for heads of departments; the realignment of its organisational structure towards more effective service delivery; the participation in strategic budgeting processes to ensure alignment with iKapa GDS; the improvement relating to integration and co-ordination across the provincial government; strengthened implementation of performance management; and finalising of the repositioning/transformation of the Provincial Training Academy.

Within the broad umbrella of responsive and good holistic governance, the focus of the Department is on providing institutional support to the Provincial Government of the Western Cape in terms of the following core areas:

- Intergovernmental Relations (IGR) and partnerships;
- Monitoring and Evaluation;
- Communication internally and externally;
- Building internal human capital;
- Building internal social capital;
- Developing excellent institutional performance;
- Rendering quality labour relations service;

- Providing ICT services;
- Rendering quality legal services; and
- Combating economic crime².

In keeping with the above, the Department remains committed to ensuring accountability of the two public entities, namely the Provincial Development Council (PDC) as well as the Western Cape Provincial Youth Commission (WCPYC). The core business of the PDC is to co-ordinate, facilitate and initiate consensus amongst all relevant parties on all issues (including policy directives) relating to integrated developmental frameworks. The core business of the WCPYC is to promote and protect the interests of the youth in the Province.

2010 FIFA World Cup

The FIFA Final Draw is scheduled for 4 December 2009

The Department is responsible for continued strategic management and coordination of the 2010 FIFA World Cup preparatory and legacy projects. These projects allow the Department to effectively guide and/or coordinate the related deliverables of various government agencies at all spheres towards shared growth and sustainable development.

Current Departmental involvement includes formal engagement with municipalities around the 2010 FIFA World Cup as well as facilitating the development of team accommodation, training facility inventory and the development of base camps. Key aspects include the engagement with a volunteers programme, the 'kick start' of the FIFA-driven Centre of Hope and Festival of Hope in Khayelitsha in 2009 as well as the hosting of a successful FIFA Final Draw scheduled for 4 December 2009. In an attempt to strengthen the 2010 coordination function of the Department, it is intended to create a dedicated sub-programme for this purpose.

Philippi stadium to be upgraded to a 5 000 seater FIFA compliant training stadium

It is also proposed that an additional R34 million over the 2009 MTEF is to be awaited for the second phase upgrading of the Philippi Stadium, to render it FIFA compliant as a practice venue. The planning process for the second phase, which includes seating for about 5 000 spectators, floodlighting, drainage and irrigation for the pitch, electronic surveillance reticulation, view and run-out protection for players, fencing, media seating, ablutions and dressing rooms and heavy vehicle turning areas has also commenced and will continue into the 2009/10 financial year.

² Note that the Province will be hosting the Anti-Corruption Summit on the 9th of December 2008.

As part of the MTEC engagements, departments have been requested to make submissions on policy options. A number of departments submitted policy options related to the Province's readiness to deliver on 2010 FIFA World Cup. The 2010 Technical Steering Committee was requested to analyse all the 2010 related requests. The committee was also requested to submit three scenarios (R50, R75 and R100 million). Due to the essential nature of the request and the Provincial mandate and responsibilities for health relating to 2010 readiness, the bulk of the funding should go towards Health. The balance of the funding relates to greening, marketing, communications, mass mobilisation, volunteer programme, additional capacity, base camps, public viewing areas, etc. A decision must still be taken on the additional amount to be allocated for 2010 purposes.

Department of Local Government (and Housing)

Local Government

The main purpose of the Department with regard to the Local Government programme is to provide and facilitate viable and sustainable developmental local government.

Monitoring & evaluation of municipalities

The Department's Monitoring and Evaluation (M&E) Directorate is responsible for monitoring the institutional health of municipalities according to standards outlined in legislation. The M&E function allows the Department and the Province to design and target support to municipalities, where necessary. The Directorate has developed a monitoring tool, which consists of 70 indicators, streamlined down from 180 national indicators and weighted to produce an overall score. The tool is used to obtain a quarterly "snapshot" of each municipality, which serves as an early warning of municipal failure. The tool has been piloted and has been streamlined to inform District support plans and to incorporate new indicators that are being developed by the National Department of Housing and the best elements of monitoring systems used in other provinces. Once completely aligned with the National indicators, the tool will become web-based.

A monitoring tool provides a quarterly snapshot of each municipality

Municipal capacity building

The Department, in consultation with municipalities, has built on its Capacity Building Strategy since 2005/06. Sound shared capacity building initiatives replaced the traditional approaches of providing off-site, theory-based and short courses, which were not particularly effective in building capacity. Addressing real problems on-site, was seen as a more effective manner of building capacity. The aim is to

identify and draw on expertise already in existence within government, particularly in local government, so that knowledge can be shared and developed through sharing systems and instruments. Furthermore, given scarce skills constraints within government and economies of scale for its provision, system capacity or services are developed centrally and shared.

Capacity building continued in 2007/08 and 2008/09. Eden District Municipality has been selected and a Shared Service Centre is in the process of being established within the District with the possible extension to the Central Karoo District Municipality. A Steering Committee consisting of the Department, Ilima Trust (corporate support) and Eden District Municipality has been established to drive the implementation of shared services in the District. The intention for the 2009/10 financial year is to expand the shared services to other districts.

The focus for shared services over the MTEF is:

- To create norms and standards to develop best practices;
- To share knowledge via LGNET (a Local Government network database driven by the Development Bank of Southern Africa and other mediums);
- To engage in partnerships with other shared services or internal support services, municipalities and/or service providers;
- To focus on assisting municipalities to develop schemes to deliver services more efficiently, especially internal services, by sharing technical capacity and systems across municipalities; and
- To provide a system of peer advice and mentoring for senior managers and establishing a “pool of experts” to which municipalities can refer.

The following provincial cabinet deliverables strengthen the shared services concept:

- Integrated Development Plan (IDP) Learnerships focus on capacity development by offering a Provincial-wide IDP certificate on meeting regularly with IDP and Municipal Managers and ultimately improving the impact of the said certification to support credible IDPs;
- Intensive support to municipalities and support to municipalities with the implementation of Key Performance Areas (KPAs) will be ongoing. The Department’s capacity-building support to municipalities is informed by the 5-year Local Government Strategic Agenda of which the Department takes responsibility for three, namely, Public Participation and Service Delivery, Institutional Transformation and Good Governance;
- Comprehensive infrastructure plans;

- Hands on Support on Shared Service: In 2008/09, the Department has continued progress with recovery plans of four municipalities: Kannaland, Cederberg, Overberg and Oudtshoorn and other municipalities as required;
- Anti-corruption training; and
- Voter registration.

Disaster Management

The Provincial Disaster Management unit carries out activities in all three facets of disaster management, namely prevention, response and recovery for provincial scale disaster risks and actual disasters. The unit also assists municipalities to carry out their disaster management responsibilities.

Disaster management include prevention, response and recovery

The unit operates the satellite-based dispatching system for emergency services across the whole of the Western Cape. The system is housed in the Provincial Disaster Management Centre (PDMC), while despatching centres are located in the provincial centre and in each district municipality.

Since 1 April 2008, the unit has increased their capacity and employed specialists for the different facets of disaster management. District Disaster Management Centres are still at varying stages of completion.

During the 2008/09 financial year the Department coordinated the Internally Displaced Persons disaster process. The main challenge highlighted during this process was the response time to the crisis.

All five Districts have compiled Risk and Vulnerability Assessments (RAVAs). The Metro is currently busy with the first phase of the RAVA and would continue in the next financial year.

In terms of collaboration with other departments, the Department shares the Provincial Emergency Management Centre (PEMC) which includes emergency communication and disaster management with the Departments of Health and Community Safety.

Provincial Treasury

Provincial Treasury is responsible for ensuring the effective and efficient use of public resources and providing financial and resource management policy advice to government departments in delivery of their policy outcomes. The Department's aim is to improve social and economic equity in the Western Cape through its role as a change agent in financial resource allocation, expenditure and improved financial management within provincial departments and local municipalities.

The Provincial Treasury improving social and economic equity in the Western Cape

Through the provincial Medium Term Expenditure Committee processes, the Provincial Treasury engages with provincial departments twice a year to debate the funding of policy priorities and the credibility of budget and output plans.

Furthermore, Provincial Treasury ensures that greater synergy occurs across departments, integrating objectives of service delivery and thereby giving priority to growing the Western Cape through the iKapa GDS. Provincial Treasury facilitates cluster engagements for greater interdepartmental co-operation. For instance, departments in the Governance and Administrative cluster are exploring services and activities such as: socio-economic research (including demographic research); capacity building of municipalities; monitoring of municipalities; and intergovernmental relations. These collaborative interventions and integration across departments will increase the responsiveness of the provincial strategic planners and policy makers and will help eliminate duplication.

Leading into 2009/10, Provincial Treasury will place more emphasis on improving the delivery of services to communities by strengthening financial management support within municipalities. The support will in turn allow municipalities to compile credible budgets and would assist municipalities with better integration between budgets and Integrated Development Plans. Better integration would eventually lead to enhanced efficiency in resource allocation and effective spending at a municipal level. One of the forums used to facilitate this process is the Local Government Medium Term Expenditure Committee meetings (LGMTECs). The main objective of the LGMTEC process is to align spending by provincial departments in municipal areas with spending by municipalities.

In addition, technical support is given to departments and municipalities in the various disciplines such as supply chain management, financial governance and internal auditing.

Conclusion

Government services are aimed at improving the lives of all our people. This Chapter acknowledges that much progress has been made in provision and extension of much needed social and economic services.

Broadening access to and improving the quality and effectiveness of Government services remain a priority. In addressing poverty and advancing prosperity Government favours anti-poverty programmes and those programmes aimed at sharing the benefits of faster economic growth.

Provincial Infrastructure

Infrastructure investment remains a high priority for government. The iKapa Growth and Development Strategy (iKapa GDS) provides the strategic framework for infrastructure investment in the Province and more so the Strategic Infrastructure Plan (SIP) highlights what infrastructure is needed, where it is needed, and how it can be built over time. The Provincial Spatial Development Framework (PSDF), the Human Settlement Strategy, Isidima and departmental infrastructure plans further direct infrastructure investment in the Province. Current infrastructure investments are directed towards the metropolitan area, the Saldanha-Vredenburg area, the Southern Cape Coastal area, and the Breede River and Olifants River Valleys. The Province's SIP and the iKapa GDS highlight the importance of investment in economic and social infrastructure. Preparations for hosting the 2010 FIFA World Cup in the Western Cape (Cape Town is one the host cities) are a significant aspect of the Province's iKapa GDS.

The Health, Education and Roads Infrastructure Plans show that departments are finding it difficult to address the demand for new facilities and the demand for maintenance of existing facilities with their limited financial resources. The provision for Health infrastructure increases sharply between the 2007/08 and 2008/09 financial years and beyond, mainly to cater for the construction of two district hospitals in Khayelitsha and Mitchell's Plain respectively, as part of the Hospital Revitalisation Programme.

Introduction

One of the challenges of sustainable economic development is the provision of basic infrastructure and services that is affordable, reliable and safe. Functional infrastructure is the backbone of a modern economy and without it the potential for sustainable economic growth and poverty alleviation is compromised.

Maintenance often neglected because of pressure to address supply backlogs

Infrastructure is the platform for delivery of most essential services required for meeting economic, social and environmental goals.

Well-developed infrastructure enhances a country's productivity, and therefore creates effective and efficient economies. Not only does infrastructure enhance the efficiency of production, transportation and communication, also helps to provide economic incentives to the public and private sector.

The Accelerated and Shared Growth Initiative for South Africa (AsgiSA) has identified infrastructure investment and delivery as one of the binding constraints to economic growth.

Provinces play a key role in the delivery of infrastructure, the co-ordination of investments across spheres, lobbying for infrastructure of national significance, and supporting municipalities to manage infrastructure

Key infrastructure roles of the Province

Provincial governments play a number of important roles in infrastructure investment:

- Delivery of key social, economic and administrative infrastructure as regards to health, education, roads and other accommodation;
- Alignment and co-ordination of local, national and their own infrastructure investment with the aim of creating coherent, well functioning local infrastructure networks and built environments;
- From a regional perspective, provinces are well positioned to formulate coherent visions and plans for the development of provincial economic regions, and to lobby national infrastructure investment agencies for the types of investments which will enhance economic and shared growth;
- Supporting municipalities at a technical level in making investment decisions and setting up infrastructure management systems. Provinces also provide financial support or direct national financial resources, for example housing subsidies, for infrastructure investments; and
- Through its regulatory functions, provinces can influence the location, content, operation and use of public and private infrastructure investments. A province's regulatory and oversight functions include land use, municipal spatial planning, environment management and the regulation of public transport operators.

National Priorities

The key priorities, as contextualised by AsgiSA to achieve accelerated growth, are as follows:

- Provinces should use the National Spatial Development Plan (NSDP) as a framework to channel economic infrastructure resources, which should include housing subsidies, to areas of high growth potential and support municipalities to plan and develop infrastructure at levels that will be economically sustainable, given the trajectory of their economies;

- Provinces should also seek to improve the internal structure of human settlements by supporting and overseeing municipalities in settlement planning, adjudicating the granting of land use rights and in some cases granting land rights, and structuring subsidised housing projects. The national policy for restructuring human settlements, Breaking New Ground (BNG), proposes human settlements with higher densities where social groups and land use are more integrated with each other;
- Provinces should invest in the provincial road network to improve freight and service logistics in provincial economies;
- Provinces should also streamline the current regulatory frameworks for public authorisation of new infrastructure investment and spatial developments, which to some extent hamper investment;
- Government has put in place the Expanded Public Works Programme (EPWP), through which the infrastructure sector aims to increase employment by introducing more labour-intensive construction methods. Further efforts of this programme are to develop the skills and capacity of workers and small contractors during the construction phase;
- Provinces also have a role to play as direct providers of infrastructure in addressing the capacity and skills constraints within the construction industry;
- The preparations for the 2010 FIFA World Cup are also a critical aspect of AsgiSA's drive to reconfigure infrastructure. The event is a catalyst for a number of strategic investments in roads, public transport and related infrastructure;
- According to the 2008 National Medium Term Budget Policy Statement, the infrastructure grant to provinces is revised upwards by R4.1 billion (total for all the provinces over the 2009 MTEF period) to address school infrastructure needs, including extending grade R infrastructure, upgrading schools for learners with special needs, the construction of school libraries, laboratories, sports fields and increased maintenance; and
- The National MTBPS 2008 also indicates that over the MTEF period an additional R728 million (total for the country) is recommended for the Hospital Revitalisation Programme to compensate for the effects of inflation and ensure that hospitals are appropriately equipped and modernised.

National infrastructure priorities include directing investment to areas of high economic potential, improving the internal structure of cities and towns and switching to more labour intensive construction methods

Provincial Infrastructure priorities

The Provincial Spatial Development Framework (PSDF) is informed by the National Spatial Development Perspective to develop a more refined framework for the spatial distribution of capital investment in the Western Cape. The framework begins to show how to direct the location and type of investment across the Province to improve the structure and performance of the space economy. In addition to the metropolitan area, two other significant areas have the potential to be 'regional motors'. These are the Saldanha-Vredenburg area and the area between Mossel Bay and Plettenberg Bay along the Southern Cape Coast. A number of development corridors are also identified: Olifants River and the Breede River. The economy of these development corridors is mainly based on agriculture and processing industries.

PSDF shows how to direct investment across the Province to improve the structure and performance of the space economy

The National Housing policy implementation strategy, "Breaking New Ground (BNG)" receives support from the PSDF, the Sustainable Human Settlement Strategy (SHSS) and Isidima. The PSDF provides more details on the characteristics of the desired internal structure for human settlements. The framework starts to identify the instruments that local and provincial governments can use to achieve the objectives, such as the placement of no-development boundaries (called "urban edges") around urban settlements.

The Province's Strategic Infrastructure Plan (SIP) and iKapa GDS highlight the importance of investment in transport infrastructure and operating systems. Transport infrastructure and operations need to be seen as an integrated system in which public private and non-motorised modes work together to provide access as efficiently as possible. National Parliament is considering legislation, which might change the current roles and responsibilities between the spheres, with regard to transport infrastructure and operations.

Adequate provision for maintenance remains a huge challenge, not only for Provinces but also for Government in general. Although attempts are made to allocate more resources towards maintenance, the battle to address maintenance backlogs continues.

Provincial Response

This subsection considers the Province's agenda for direct investment in infrastructure, health, education, roads and administration accommodation.

Infrastructure plans for direct investment

The infrastructure plan is primarily a planning tool employed by the Province to provide certainty on infrastructure investment, as it enables forward planning and capacity building. The Plan gives direction and momentum to infrastructure investment over the next 5 to 10 years.

Health

The Department of Health (DoH) delivers services through a network of hospitals, clinics, community health centres and the Emergency Medical Services facilities. The Department is reconfiguring this facility network to better align with the health service delivery strategy (Comprehensive Service Plan). The Department aims to:

The building of district hospitals in under-serviced areas is a key strategic focus for the Health Department

- Construct a number of new district hospitals in under-serviced areas. District hospitals form the backbone of the primary health care services by supporting a network of clinics within districts, and providing overnight beds for care that can be rendered by general practitioners;
- Upgrade regional hospitals in fast growing economic centres outside the Cape Town metropolitan area (Worcester, Paarl and George);
- Rationalise specialised services including psychiatric hospitals and central hospitals; and
- Upgrade facilities associated with the transfers of a range of functions to the Department, including Emergency Medical Services facilities, TB hospitals and Forensic and Pathology service facilities.

Forensic Pathology Services: The Forensic Pathology Services Grant accompanied the transfer of the forensic mortuaries from the South African Police Services to the Department of Health. The Grant covers the upgrading and replacement of physical infrastructure and operations. The Department started upgrading the facilities in 2006/07 and commenced with multi-year upgrading programmes in 2007/08.

Emergency Medical Services (EMS): The ambulance service was recently transferred from local government to the DoH. Only a few of the ambulance stations were purpose built and appropriately located in hospital sites. The Department has built new ambulance stations in Caledon, Worcester, Lentegeur and Oudtshoorn whilst ambulance stations in Hermanus, Beaufort West and Riversdale are in progress.

Over the 2009 MTEF new ambulance stations are planned for George, Knysna, Laingsburg and Mossel Bay. An amount of R40 million has been provided for the upgrade and extension of the casualty unit at Somerset Hospital as well as other enabling work at the hospital to be FIFA compliant.

The Infrastructure Plan developed by the Department attempts to address all aspects of infrastructure including new facilities, renovations and maintenance in order to accommodate both patients and staff.

To meet the growing needs in the Province, key priorities for investment in health projects include:

- The development of additional health care facilities where growing demand warrants them (for example, the planned new district hospitals for Khayelitsha and Mitchell's Plain);
- Emergency Medical Services, by further improving ambulance stations;
- The upgrading of facilities associated with TB hospitals, Forensic Pathology service facilities;
- The general provision of a safe therapeutic environment for the provision of health care; and
- The gradual upgrading of primary health facilities taken over from municipalities.

Maintenance Backlogs

Although the Health Care 2010 strategy provides for additional maintenance funding, it will not be sufficient to address the existing maintenance backlogs, recorded at around R1 billion. However, the replacement of the most dilapidated facilities should assist in addressing the maintenance backlog.

Education

The Department of Education's infrastructure plan directs the bulk of the school building programme to areas of high population/ economic growth potential identified in the iKapa GDS. School buildings will be directed to areas where large new housing developments, especially subsidised housing developments, are planned. In sparsely populated areas, the Department provides school transport services for catchment areas that tend to be much larger than in densely populated areas.

The key priorities for investment in Education projects to meet the growing needs in the Province include:

- Lowering the learner Educator ratio (additional classrooms at existing schools and new schools);
- Accommodation for Grade R (reception) learners;
- School Infrastructure (halls, laboratories, etc.); and
- Replacement of unsafe structures ("plankie" schools).

School buildings to be directed to areas where large new subsidised housing developments are occurring or are planned

School investment in the metropole, due to the upgrading of the informal areas along the N2 Gateway, is directed to Joe Slovo in Langa, New Rest, Gugulethu and Nyanga.

Maintenance Backlogs

The asset replacement value of the education network is estimated at around R13 billion. An annual maintenance budget norm of an ideal 2 per cent of the replacement value of the education infrastructure network suggests that the Department should invest approximately R260 million to maintain its asset base. Over the 2009 MTEF the maintenance budget for schools ranges from about R50 million to R100 million per year.

Roads

The provincial road network is a crucial part of the transport system of the Province, and consists of approximately 6 349 km of surfaced roads, 10 350 km of gravel roads and approximately 15 000 km of minor roads, together with weighbridges. The asset valuation of the road network, excluding bridge structures, is R31 billion. To form a more integrated system with public transport, roads need to work with rail and air modes to open up economic opportunities.

Apart from other benefits, long-run econometric studies have shown a positive correlation between spending on roads and economic growth. Better and more efficient transport systems enhance disposable income and economic activity and therefore contribute significantly to economic growth, development and poverty reduction.

The Roads Programme splits its budget across routine maintenance, periodic road maintenance and lower and higher order construction activities

The budget of the Roads Programme is divided across a number of maintenance and upgrading activities. These activities include:

- Routine maintenance covers lower-order activities such as patching potholes, maintaining gravel shoulders of surfaced roads, cleaning culverts, grass cutting, etc. Over the 2009 MTEF, routine maintenance accounts for approximately a quarter of the total roads budget;
- Periodic road maintenance activities include resealing and re-graveling;
- Lower order construction activities consist of the rehabilitation and the upgrading of gravel roads. These activities are often associated with periodic maintenance since the role of these actions is essentially to keep the network functioning at current levels of performance; and

- Higher order construction activities include the upgrading of surfaced roads and the installation or upgrading of higher order road facilities, such as highway interchanges. The activity also includes the upgrading of underutilised roads that could unlock economic possibilities when upgraded.

The Department separates its resources for periodic maintenance and lower order construction across the roads network to minimise the “total transport cost”. Total transport cost is the cost to road users of running vehicles on the road and the cost to government of providing and maintaining the network.

Road maintenance is under pressure from dramatic increases in the costs of roads and high order upgrades necessary for hosting 2010 FIFA World Cup

A computer based optimisation model analyses the various maintenance requirements, informs resource allocations for periodic maintenance and lower order construction to the road network. Resealing, rehabilitation and gravel road upgrading tend to be directed to areas where traffic movement is greatest and thus to surfaced roads and well-used gravel roads, especially those used for tourism and agricultural freight. In 2007/08, periodic maintenance and lower order construction absorbed almost 50 per cent of the maintenance budget.

The Department also uses its resources to prevent some of the less well-used surfaced and gravel roads from collapsing. Once the road has collapsed it is very costly to restore the road to a functioning state as it essentially requires rebuilding. The Department dedicates a portion of its budget to upgrading access roads to remote communities.

Roads budget to reach R1.6 billion in 2008/09 and maintain this level over the new MTEF

Since 2004/05 expenditure on roads budget grew substantially from R676 million to over R1.6 billion in 2008/09. This increase plus a further anticipated rise in expenditure over the MTEF by R635 million (relative to the 2008 MTEF) should and has allowed Government to address a number of the maintenance backlogs on the network, particularly the resealing backlog, as well as commission a number of new roads construction projects. The maintenance programme has recently come under pressure for two reasons: firstly, over the last three years the cost of road works has more than doubled; and secondly, other roadwork priorities arose, displacing periodic maintenance and lower order construction.

Over the current and new MTEF the Department will take on higher order construction priorities to prepare the provincial network, especially those areas of network that fall within the metropolitan area, for the hosting of the 2010 FIFA World Cup. The main projects include Somerset West – Sir Lowry’s Pass (phase 1), Koeberg Interchange, Table Bay Boulevard (upgrading), N2 Eastbound and White Bridge – Knysna upgrade.

Floods have also affected the provincial road network in recent years and it appears that the intensity and frequency of floods are on the increase. Flood damage also impacts on the ability of the Province to manage and maintain its road network. In this regard a comprehensive strategy is required to ensure adequate response to floods to mitigate the negative impact on planned roads projects, from a cash flow perspective.

National Government allocated R440.390 million by means of a conditional grant (Disaster Management Transport) to assist the Western Cape with the rehabilitation of the road and transport network affected by the floods occurred in November 2007 and July 2008. However, due to the nature and extent of the damages, it will not be possible to complete all the rehabilitation work by 31 March 2009. This implies that some of the funding will have to be re-allocated over the 2009 MTEF.

Public Works

The redesigning and expansion of provincial departments' head office establishments have resulted in greater pressure for additional office accommodation. Additionally, well-placed and designed office space has important implications for inner city/town spatial design, character, economic vitality and its level of social capital. With the Province being a key tenant in both Cape Town and a number of other growth towns, a rethink about the placement and design of office precincts has been necessary. The Department has undertaken preliminary work to address both aspects. Additional funding had been made available in the 2008 MTEF with the intention to take the Central Business District requirements further over the 2009 MTEF period, inclusive of greater energy efficiency improvements.

Furthermore the redesign of departments necessitates a consideration of accommodation needs, which support better services delivery at a regional level.

At the September 2008 Cabinet Lekgotla the resolution was taken that the core departments of Transport and Public Works, the Provincial Treasury, in consultation with other departments (Local Government and Housing, Health, Education, Premier) prepare a position paper for discussion in Cabinet on short term issues and the strategic management of state property in the longer term. The position paper should, amongst other, be guided by the MEDS and iKapa GDS.

Mega-projects

The National Treasury has introduced a mega-project funding framework allowing provinces and municipalities to bid for capital resources for identified projects of national significance. The mega-project framework provides for an intergovernmental project planning, appraisal and funding process in which bidding provinces and municipalities will have to co-contribute their own resources to projects in order to obtain national funding. The framework also provides a transparent, consistent and sound appraisal process for such projects.

Mega-projects are projects with a value greater than R300 million per annum and take a minimum period of four years to complete

Mega-projects are defined as projects with a value greater than R300 million per annum and that would take a minimum period of four years to complete. Mega-projects could take the form of green-field projects, national strategic capital expansion projects and projects aimed at restructuring and maintaining major capital works.

Conclusion

The iKapa GDS and constituent strategies aim to give a spatial dimension to the shared growth objectives of the Western Cape by indicating where provincial departments should be directing their infrastructure investments. It also identifies enhancements to the transport network in the Province as key elements for new infrastructure investments.

The Health, Education and Road Infrastructure Plans indicate that these departments are basically following the iKapa GDS when making new infrastructure investments.

The biggest challenges facing Government with infrastructure delivery include: removing bottlenecks to delivery; providing support in the event where there may be a lack of capacity to deliver on infrastructure, be it at departmental or municipal level; and to balance resource allocations between new construction, upgrading of existing, rehabilitation and maintenance of infrastructure.

Expenditure Trends

This chapter highlights that departments have improved their spending capacity and for the 2007/08 financial year, have spent R21.523 billion or 97.3 per cent of the Adjusted Budget. This is particularly relevant in that for the 2006/07 financial year, departments have in aggregate underspent by 3.1 per cent. Improved spending between 2006/07 and 2007/08 has been in Housing (where spending increased from 79 per cent to 94 per cent) and investment in capital (increased from 92 to 95 per cent).

The half-yearly estimates show that there is strong year-on-year growth in expenditure of 19.2 per cent between 2007/08 and 2008/09.

The Adjustments Estimate makes provision for additional R1.303 billion of expenditure in 2008/09. These adjustments mainly address higher than expected inflation; pressures within existing conditional grants; and lastly provides for unforeseen and unavoidable expenditures, which amongst others include disasters.

Introduction

Chapter 1 of this year's Provincial MTBPS indicates that South Africa's economic growth is projected to slow down in 2009. This means that meeting Government's objectives over the short term becomes more challenging. Department's would need to become more efficient in spending in that outputs are increased without necessarily increasing the funding envelope. The 2008/09 Adjusted Estimates has taken the 2009 economic outlook into consideration with the theme of doing more with less.

Outcome of the 2007/08 Budget

The Western Cape's total expenditure for the 2007/08 financial year amounted to R21.523 billion compared to the adjusted budget of R21.682 billion. Total net underspending for 2007/08 amounted to R159 million or 0.7 per cent of the adjusted budget compared to 3.1 per cent underspending in 2006/07.

When one considers individual departmental spending, the Department of Health overspent its budget by R70.563 million due to the implementation of the Occupation Specific Dispensation (OSD) remuneration for nurses negotiated at a national level. Taking the aforementioned into account the Province's underspending amounts to R229.567 million or 1.06 per cent of the 2007/08 adjusted budget.

2007/08 has seen improved spending on housing at 94 per cent or R1.202 billion compared to 79 per cent or R883.862 million in 2006/07. Investment in capital has continued to show a strong trend in that spending amounted to 95 per cent in 2006/07 and 92 per cent in 2007/08

Half-year spending estimates for 2008/09

Expenditure for the first half of 2008/09 amounts to R11.620 billion or 44 per cent of the adjusted budget and is slightly lower than the same period in 2007/08 when R9.745 billion or 45 per cent of the adjusted budget was spent. When comparing the actual expenditure for the two periods (2008/09 and 2007/08) the year-on-year growth amounts to 19.2 per cent.

Table 6.1 Actual expenditure per provincial department

Departments	2007/08		2008/09		
	Adjusted Budget	Actual Expenditure	Adjusted Budget	Actual 1st Half Spending	% Spent of Adjusted Budget
	R'000	R'000	R'000	R'000	
Department of the Premier	373 274	370 538	450 004	207 994	46.22
Provincial Parliament	54 334	49 571	69 182	37 768	54.59
Provincial Treasury	116 551	115 124	121 895	54 789	44.95
Community Safety	205 342	203 201	242 703	108 524	44.71
Education	7 822 732	7 737 797	9 206 088	4 325 974	46.99
Health	7 427 305	7 497 868	8 870 805	4 062 376	45.79
Social Development	901 564	901 363	1 233 796	516 824	41.89
Local Government & Housing	1 431 861	1 353 833	1 615 814	612 592	37.91
Environmental Affairs & Development Planning	184 194	182 477	205 131	103 263	50.34
Transport & Public Works	2 388 183	2 344 477	3 080 161	1 013 276	32.90
Agriculture	331 560	325 623	376 644	162 613	43.17
Economic Development & Tourism	205 386	203 197	231 532	101 055	43.65
Cultural Affairs & Sport	225 209	223 138	502 203	312 572	62.24
Total	21 667 495	21 508 207	26 205 958	11 619 620	44.34

Note: Excludes Direct Charge

Table 6.2 Actual expenditure per economic classification

Economic Classification	2007/08		2008/09		% Spent of Adjusted Budget
	Adjusted Budget	Actual Expenditure	Adjusted Budget	Actual 1st Half Spending	
	R'000	R'000	R'000	R'000	
Current payments	16 256 652	16 338 678	19 248 355	9 011 443	46.82
Compensation of employees	11 260 976	11 252 513	13 395 152	6 556 308	48.95
Goods and services	4 965 023	5 038 988	5 849 047	2 450 716	41.90
Interest and rent on land					
Financial transactions in assets and liabilities	30 653	47 177	4 156	4 419	106.33
Unauthorised expenditure					
Transfers and subsidies	3 585 620	3 494 788	4 449 024	1 949 724	43.82
Provinces and municipalities	360 066	331 277	704 201	340 427	48.34
Departmental agencies and accounts	149 250	151 579	176 132	99 641	56.57
Universities and technikons	1 704	1 726	3 388	1 500	44.27
Public corporations and private enterprises	61 871	71 500	86 218	46 241	53.63
Foreign governments and international organisations	129	103	120	10	8.33
Non-profit institutions	1 608 564	1 622 952	1 971 716	913 658	46.34
Households	1 404 036	1 315 651	1 507 249	548 247	36.37
Payments for capital assets	1 825 223	1 674 741	2 508 579	658 453	26.25
Buildings and other fixed structures	1 540 671	1 391 931	2 224 479	596 619	26.82
Machinery and equipment	260 348	256 000	254 872	56 946	22.34
Cultivated assets	277	57			
Software and other intangible assets	11 396	18 702	25 427	4 328	17.02
Land and subsoil assets	12 531	8 051	3 801	560	14.73
Total	21 667 495	21 508 207	26 205 958	11 619 620	44.34

Adjusted Estimates

In addition to the Provincial Adjustments Appropriation Bill for 2008/09, a special Adjustments Appropriation Act, (Act No. 3 of 2008) has already been passed and enacted in August 2008 to provide for the appropriation of an amount of R10 million to be transferred to the Mandela Rhodes Foundation as a capital grant.

The Adjustments Appropriation Bill makes provision for an additional R1.303 billion of spending for 2008/09 (included in Tables 6.1 and 6.2 above), compromised as follows:

- R168.304 million to cover costs relating to higher than expected inflation, including personnel, learner teacher support material, and medical goods and services;
- R103.756 million for additional national conditional grant funding mainly consisting of R45.816 million for the Integrated Housing and Human Settlement Grant, R22.228 million for Forensic Pathology Services Grant, R14.139 million for National Tertiary Services and R11.903 million for the National School Nutrition Programme;

- R153.569 million mainly for infrastructure related projects towards 2010 FIFA World Cup and office accommodation for government departments in the central business district (CBD);
- R448.290 million for unforeseen and unavoidable expenditure associated with disasters such as floods;
- R44.800 million announced in the 2008 Main Budget for the greenification and upgrade of a government owned building (4 Dorp Street), sustainable and efficient job creation project, funding of selected festivals and events and the Built Environment Support Programme;
- R124.462 million for emergency funding in terms of section 25 of the PFMA as the Province's (represented by Social Development Department) share of damages awarded in a court case;
- R143.719 million of self-financed expenditure; and
- R117.004 million approved rollovers arising from unspent balances in 2007/08.

Expenditure and budget trends

Table 6.3 indicates the expenditure trends between 2004/05 and 2007/08 as well as budget allocations over the 2008 MTEF per Vote. Expenditure trends for the period 2004/05 to 2007/08 amounts to an average annual nominal growth of 13.8 per cent. The allocations over the 2008 MTEF echoes this growth by an annual increase of 15.7 per cent in 2008/09 and an average annual nominal increase of 11.5 per cent from 2008/09 to 2010/11. The 123 per cent increase in 2008/09 compared to 2007/08 at Cultural Affairs and Sport includes the Province's contribution towards the Green Point stadium of R212 million and the upgrade of Philippi Stadium of R20 million for the 2010 FIFA World Cup.

Table 6.3: Expenditure and budget trends

Votes	Audited				Budget 2008/09 R'000	Nom. Growth % 2007/08- 2008/09	MTEF	
	2004/05	2005/06	2006/07	2007/08			2009/10	2010/11
	R'000	R'000	R'000	R'000			R'000	R'000
Department of the Premier	288 662	296 048	318 160	370 538	407 473	9.97	451 367	476 994
Provincial Parliament	43 599	48 227	54 981	49 571	63 690	28.48	67 119	71 706
Provincial Treasury	102 333	114 275	133 936	115 124	120 596	4.75	132 822	140 132
Community Safety	164 256	178 768	182 205	203 201	228 282	12.34	253 809	269 260
Education	5 690 709	6 449 244	6 920 362	7 737 797	9 019 913	16.57	1 0013 961	1 0864 296
Health	5 169 199	5 718 812	6 419 515	7 497 868	8 641 973	15.26	9470 424	1 0350 772
Social Development	603 003	653 512	719 516	901 363	1 088 065	20.71	1180 151	1260 583
Local Government & Housing	665 872	790 167	1 035 711	1 353 833	1 451 041	7.18	1746 533	2039 180
Environmental Affairs & Development Planning	135 468	158 859	183 327	182 477	198 817	8.95	246 543	260 846
Transport & Public Works	1 258 628	1 773 251	2 254 031	2 344 477	2 610 516	11.35	2902 153	3105 830
Agriculture	196 893	258 515	266 366	325 623	344 704	5.86	365 271	412 044
Economic Development & Tourism	126 439	142 006	175 498	203 197	219 244	7.90	250 031	275 233
Cultural Affairs & Sport	148 932	165 705	185 166	223 138	497 740	123.06	298 230	314 446
Total	14 593 993	16 747 389	18 848 774	21 508 207	24 892 054	15.73	2 7378 414	2 9841 322
Difference		2 153 396	2 101 385	2 659 433	3 383 847		2486 360	2462 908
Nominal Growth		14.76%	12.55%	14.11%	15.73%		9.99%	9.00%
Average annual nominal growth (2004/05-2007/08)				13.80%				
Average annual nominal growth (2008/09-2010/11)								11.53%

Expenditure by economic classification

Table 6.4 below indicates provincial expenditure from 2004/05 to 2007/08 and budget allocations for the 2008 MTEF by economic classification. Compensation of employees' receives 52.16 per cent of the total R24.892 billion budget. Educators and medical staff at the Departments of Education and Health respectively receive 88.7 per cent, the bulk of the 'compensation and employees' budget.

Transfers and subsidies consume 16.88 per cent of the 2008/09 budget. The majority 2008/09 transfers and subsidies allocations include R1.177 billion for the housing subsidy programme for the province, R1.121 billion for allocations to schools and R616 million for non-profit organisations at the Department of Social Development.

Payments for capital assets constitute 7.97 per cent of the 2008/09 budget and increases by 18.53 per cent from 2007/08 to 2008/09. The item 'buildings and other fixed structures is the largest contributor to the year-on-year increase.

Table 6.4: Provincial expenditure per economic classification

Economic Classification	Audited				Budget 2008/09 R'000	Nom. Growth % 2007/08- 2008/09	MTEF	
	2004/05 R'000	2005/06 R'000	2006/07 R'000	2007/08 R'000			2009/10 R'000	2010/11 R'000
Current payments	11 404 352	12 571 734	14 210 158	16 338 678	18 704 752	14.48	20 811 155	22 645 632
Compensation of employees	8 177 831	8 853 273	9 725 272	11 252 513	12 983 710	15.38	14 496 082	15 652 754
Goods and services	3 213 949	3 708 127	4 470 361	5 038 988	5 717 685	13.47	6 311 562	6 989 205
Interest and rent on land								
Financial transactions in assets and liabilities	12 572	10 334	14 525	47 177	3 357	(92.88)	3 511	3 673
Unauthorised expenditure								
Transfers and subsidies to	2 133 937	2 703 065	2 933 318	3 494 788	4 202 298	20.24	4 460 059	4 932 477
Provinces and municipalities	352 436	490 162	378 275	331 277	545 371	64.63	337 333	345 624
Departmental agencies and accounts	139 420	161 096	211 521	151 579	158 922	4.84	195 430	212 072
Universities and technikons	57 799	55 631	4 325	1 726	1 888	9.39	2 021	2 148
Public corporations and private enterprises	37 924	45 548	49 511	71 500	70 951	(0.77)	80 194	91 570
Foreign governments and international organisations	120	88	94	103	120	16.50	120	120
Non-profit institutions	899 391	1 197 014	1 368 753	1 622 952	2 038 617	25.61	2 181 918	2 332 227
Households	646 847	753 526	920 839	1 315 651	1 386 429	5.38	1 663 043	1 948 716
Payments for capital assets	1 055 704	1 472 590	1 705 298	1 674 741	1 985 004	18.53	2 107 200	2 263 213
Buildings and other fixed structures	813 045	1 137 573	1 395 071	1 391 931	1 711 598	22.97	1 817 335	1 954 256
Machinery and equipment	229 718	272 170	261 694	256 000	258 482	0.97	274 143	292 503
Cultivated assets	112	1 049	75	57		(100.00)		
Software and other intangible assets	8 944	22 398	20 914	18 702	11 123	(40.53)	11 521	12 053
Land and subsoil assets	3 885	39 400	27 544	8 051	3 801	(52.79)	4 201	4 401
Total	14 593 993	16 747 389	18 848 774	21 508 207	24 892 054	15.73	27 378 414	29 841 322

Conclusion

This Chapter sets out the immediate spending objectives as well as the outcome of the previous financial year. The key challenge facing government departments is the ability to make more efficient use of public funds, thereby continuing to increase outputs or service delivery especially in the context of a global economic slowdown.