

**Provincial Government Western Cape
Provincial Treasury**

**MEDIUM TERM BUDGET
POLICY STATEMENT**

2010 - 2013



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Foreword

This Medium Term Budget Policy Statement (MTBPS) provides the policy framework for the Western Cape's 2010/11 – 2012/13 Medium Term Budget, due for tabling on 2 March 2010.

The MTBPS highlights the intended budget choices of this Government over the next three years. These choices are framed within both the national and provincial policy and funding contexts and is nuanced to address the plethora of socio-economic challenges facing the Western Cape Province, as best as possible with the resources at its disposal.

The development of a Provincial strategic response to these challenges has resulted in the Provincial Cabinet adopting 10 broad strategic objectives: maximising inclusive economic and employment growth; improving school education outcomes; increasing access to efficient and safe transport; maximising health outcomes; reducing crime; optimising human settlement integration; maximising sustainable resource management and use; increasing social cohesion; alleviating poverty; and clean, value-driven and responsive government.

This 2010 Western Cape MTBPS has been developed in a challenging economic and constrained fiscal environment, which has resulted in adjusted baselines and reprioritisation both across and within departmental budgets, to both improve fit and efficacy. This will, to a large extent, limit the scope of our plans, holding us to account to "cut our cloth according to our size" and re-assessing actual mandates. The financial crisis has therefore presented opportunities to work smarter, work more efficiently and ensure that the programmes we embark on are really effective in achieving its desired objectives.

It is envisioned that our initiatives, to more vigorously track performance, will lead to more enforced accountability and improved organisational and personnel management practices. Under the modernisation thrust, considerable progress has already been made to evaluate and propose appropriate responses to governance improvements that would improve delivery on our objectives. In essence, it is about putting basic management practices in place, having adequate human resource and other capacity in place, ensuring that our staff is well trained and that assets, financial, and human resources are well managed.

The fiscal constraints and economic realities, with the concomitant hardships imposed on all communities, especially the poor and middle income sectors, have necessitated a hard look at the way we conduct our business as government, so that we can provide a more targeted and appropriate mix of services to serve our people better.



Alan Winde

Minister of Finance, Economic Development and Tourism

26 November 2009

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Abbreviations

AFR	Asset Financing Reserve
AQMP	Air Quality Management Plan
ART	Antiretroviral Treatment
BAS	Basic Accounting System
BER	Bureau for Economic Research
BESP	Built Environment Support Programme
BOD	Burden of Disease
BRITT	Bulk Regional Infrastructure Task Team
Casidra	Cape Agency for Sustainable Development in Rural Areas
CASP	Comprehensive Agricultural Support Programme
CCTV	Closed-circuit Television Cameras
CDW	Community Development Workers
CPFs	Community Policing Forums
CPI	Consumer Price Index
CSF	Community Safety Forums
CSP	Comprehensive Service Plan
CTRU	Cape Town Routes Unlimited
DBSA	Development Bank of Southern Africa
DCAS	Department of Cultural Affairs and Sport
DoH	Department of Health
DORA	Division of Revenue
DotP	Department of the Premier
ECD	Early Childhood Development
ELRC	Education Labour Relations Council
EMS	Emergency Medical Services
EPWP	Expanded Public Works Programme
FET	Further Education and Training
FFC	Financial and Fiscal Commission
FIFA	Federation Internationale de Football Association
FMIP	Financial Management Improvement Plan
GDP	Gross Domestic Product
GDP-R	Gross Domestic Product by Region
GHS	General Household Survey
GIAMA	Government Immovable Asset Management Act
HEIs	Higher Education Institutions
HIV/Aids	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HSP	Human Settlement Plans
ICS	Improvement of Conditions of Service
ICT	Information Communication Technology
IDP	Integrated Development Plan
IGR	Intergovernmental relations

IMF	International Monetary Fund
IRT	Integrated Rapid Transport
KZN	KwaZulu-Natal
LARP	Land and Agrarian Reform Programme
LED	Local Economic Development
LFF	Line Function Forum
LFS	Labour Force Survey
LGMTEC	Local Government Medium Term Expenditure Committee
M&E	Monitoring and Evaluation
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MTBPS	Medium Term Budget Policy Statement
MTEC	Medium Term Expenditure Committee
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
MVLF	Motor Vehicle Licence Fees
NLTA	National Land Transport Act
NQF	National Qualification Framework
NTSG	National Tertiary Services Grant
OSD	Occupation Specific Dispensation
PER&O	Provincial Economic Review and Outlook
PES	Provincial Equitable Share
PGWC	Provincial Government of the Western Cape
PHP	People Housing Project
PPP	Public Private Partnership
PSBC	Public Service Bargaining Council
PSCBC	Public Service Co-ordinating Bargaining Council
QIDS-UP	Quality Improvement, Development, Support and Upliftment Programme
QLFS	Quarterly Labour Force Survey
REQV	Relative Education Qualification Value
SAPS	South African Police Services
SCoA	Standard Chart of Accounts
SDF	Spatial Development Framework
SETA	Sectoral Education Training Authority
SMMEs	Small, Medium and Micro Enterprises
Stats SA	Statistics South Africa
SUMS	Subsidy Management System
TB	Tuberculosis
WC MTBPS	Western Cape Medium Term Budget Policy Statement
WCED	Western Cape Education Department
WCR	Working Capital Reserve
Wesgro	Western Cape Investment and Trade Promotion Agency

Executive Summary

Introduction

The budget is an important policy instrument to deliver on Government's mandate. This mandate is formulated and funded in the context of our current intergovernmental, fiscal and economic realities.

In a nutshell the budget is about trade-offs and relative priorities. Against this background, this year's MTEF proposals try to maintain priority expenditure in areas such as health, education, other social spending and in agriculture, transport and public infrastructure.

However, limited by the reduced fiscal space, this will necessitate the reprioritisation of existing services in pursuit of finding savings to maintain and improve expenditure on key priority areas. This has resulted in further increased competition between priorities and programmes in the different sectors, departments, programmes and transversal areas. To this end it has become more critical than before to evaluate the opportunity costs of government programmes, find value for money and review non-core service delivery spending items. This approach will remain critical to all budgetary and spending decisions going forward.

The implications for the broader external environment dictate that the 2010 Budget needs to focus on obtaining more value for money and to better target departmental and public entity spending. This further implies that spending, specifically on non-core service delivery items, must become more efficient and that lower-priority spending reduced.

Macroeconomic Overview (Chapter 1)

Subsequent to the financial turmoil that erupted in 2007, the global economy experienced a decline in economic activity in the first quarter of 2009. There are signs of recovery, but this is expected to be moderate.

The Bureau for Economic Research (BER) projected that the SA economy would contract by around 1.7 per cent in 2009 and only revert to sustained positive growth in 2010 while National Treasury expects the economy to contract by 1.9 per cent. Headline Consumer Price Index (CPI) is expected to revert back to the target band towards the end of 2009/early 2010.

Economic growth for the Western Cape is estimated to contract by 1.0 per cent for 2009, with the manufacturing, wholesale, retail trade, catering and accommodation finance, insurance showing negative growth, while the transport, agriculture, forestry and fishing and construction sectors are projected to grow, albeit at moderate levels in 2009. The Western Cape economy is forecast to recover to 2.6 per cent growth in 2010.

Labour market trends in the Western Cape show that between 2003 and 2008 the working age population in the Western Cape grew more rapidly than South Africa as a whole: at 2.8 per cent compared to 1.4 per cent nationally. Western Cape employment, on the other hand, grew on average by 2.5 per cent per annum between 2003 and 2008, which is significantly lower than the national average of 4.2 per cent.

The Western Cape's labour force has become slightly more educated between 2003 and 2008, with 29.3 per cent of the labour force having completed secondary education in 2008, up from 27.7 per cent.

Employment in the Western Cape is concentrated in the wholesale and retail trade (22.8 per cent), manufacturing (19.7 per cent) and community, social and personal services (19.6 per cent).

Recent labour market trends from the Quarterly Labour Force Survey (QLFS) show that the Western Cape economy saw stagnant employment and a significant increase in unemployment numbers between the third quarter of 2008 and third quarter 2009. The unemployment rate increased by 2.8 percentage points to 22.5 per cent in the third quarter of 2009.

Resource Envelope and Financing Issues (Chapter 2)

Provincial expenditure is funded through the Provincial Equitable Share, Conditional Grants, Own Revenue and Financing. At this stage of the 2010 Budget Process, all additional funds available to the Province relate mostly to national transfers (equitable share and conditional grants).

Budget priorities funded through the equitable share and conditional grants target improvements in the quality of education, health, social development and investment in built environment infrastructure.

Additional funds for the 2010 MTEF primarily contribute to maintaining the current levels of funding for priority areas, while the bulk is targeted towards Improvement of Conditions of Service and the Occupation Specific Dispensation for government employees. Preliminary indications are that the calculated amounts to cover these expenses will be inadequate. It further excludes any additional funds for OSD for professionals in departments, other than the primary workforces Education, Health and Social Development.

The Western Cape's share (relative to other provinces) of the total Provincial Equitable Share funds increases from 9.1 per cent to 9.2 per cent over the 2010 MTEF. The increased share is due to data updates to the equitable share formula. However, provincial equitable share changes are phased in over the MTEF, so as to soften the financial impact in provinces where those shares have decreased.

National transfers increase by an annual average of 7.6 per cent from R28.48 billion in 2009/10 to R30.83 billion in 2010/11, R33.55 billion in 2011/12 and R35.48 billion in the outer year of 2010 MTEF. Provincial Equitable Share (PES) increases seek to address mainly increased personnel costs (i.e. OSD agreements in education and health as well as general salary increments) and policy priorities in education and health.

Conditional grant allocations to the Province increase by an annual average of 5.5 per cent from R6.72 billion in 2009/10 to R7.89 billion in 2012/13. Specific increases are largely the HIV and Aids programme to scale up both preventive and treatment components. Other conditional increments go to the Dinaledi Schools, National School Nutrition, Hospital Revitalisation Grant (Mitchell's Plain Hospital), Infrastructure Grant to Provinces and the Integrated Housing and Human Development Grant.

Provincial own receipts are projected to remain under R1.8 billion over the 2010 MTEF. This overall trend in projections is as a result of policy and other developments within the three bigger own revenue sources (Hospital Fees, Motor Vehicle Licence and Gambling revenue). Motor Vehicle Licence revenue increases remain limited

over the 2010 MTEF as efforts are geared towards other provinces aligning their fees to more or less the level in the Western Cape. Casino taxes declined in 2009/10 as a result of the declining economic environment with the province losing potential revenue of up to R40 million per annum over the MTEF.

The overall fiscal envelope remains tight with limited room for expansion of current services. Given the current pressures on the Asset Financing Reserve (AFR) coupled with need to create a working Capital Reserve fund for unforeseen and unavoidable cash/liquidity requirements; it is becoming increasingly challenging to fund provincial priorities from this source over the MTEF.

National and Provincial Policy Context (Chapter 3)

Government has just entered a new electoral cycle, resulting in the development of a wide array of policies at the national, provincial and local government spheres, aimed to address the socio-economic improvement of all citizens in our Country. This means that a large number of priorities have been developed, which require implementation and therefore concomitant funding.

South Africa, as across the world, is struggling to counter the effects of the global economic recession. These effects include an industrial contraction and declining personal incomes, and therefore less tax revenue accruing to Government.

With less revenue available for government expenditures, better targeting and retargeting of resources to areas where it can have the biggest impact becomes even more important. In pursuit of more efficient and effective government spending, the concept of achieving more with less or at least the same amount of financial and human resources has become de rigueur.

Therefore in the case of government departments and public entities, it is necessary that this somewhat elusive goal be achieved, noting that it is directly related to good governance practices. To achieve this it is a requirement that departments are capacitated with the right number and suitably qualified and committed staff.

Departments and public entities in the Province have already started to strengthen accountability systems and have ensured enhancements to the collection, storage, monitoring, verification and evaluation of the quality of performance information, focusing on value for money and the outputs these expenditures are intended to buy.

Departmental Performance and Plans (Chapter 4)

A critical pressure that provincial Departments will have to weather over the medium term, is around the impact of the substantive global and national economic downturn. This is practically shown in the decline in tax revenues (which has put government finances under immense pressure) as well as the national government budget deficit which has increased – from 1 per cent of GDP in 2008/09 to an expected 7.6 per cent in 2009/10.

Consequently, the focus of government is on doing more with less, leveraging from efficiency gains and ultimately improving the efficacy and reprioritisation of expenditure toward key priority areas. To realise this required shift over the medium-term, a 10-point Provincial Strategic Framework for 2010 – 2014 has been developed. The underlying Modernisation Project aims to better position and equip the Provincial Government of the Western Cape to engage with the task at hand. A specific output of this process is the drafting of a range of ‘blueprints’ which can be interpreted broadly as standard operating practices.

Departments are to strategically craft their agency in terms of the following objectives, that is to: ‘Maximise inclusive economic and employment growth, improve school and education outcomes, increase access to efficient and safe transport, reduce crime, optimise human settlement integration, alleviate poverty, maximise sustainable resource management and use and increase social cohesion as well as ensure clean, value driven, efficient, effective and responsive government’.

The Governance and Administration Sector departments have the role of enhancing intra- and interdepartmental co-ordination, co-operation and partnership development. The improvement with regard to the transversal service-delivery mandate is evidenced in the institutional capacity-building outreach, the policy and strategy development role as well as guidance and strategic leadership. This in order to enhance corporate governance, financial, human and institutional/change management. Additional focus areas are highlighted in the focus on the strengthening of transversal processes (e.g. planning, communication, norms and standards, M&E as well as performance management) and the associated development of enabling technology-based systems.

The Social Sector departments (in particular Education and Health¹) receive the largest proportion of the provincial budget. This social investment is strategically significant, which over the MTEF is geared towards improving access to opportunity with the aim of alleviating the negative impacts of poverty (within the ambit of a developmental

¹ Approximately 70 per cent of the provincial budget in 2009/10.

focus). The barometer for measuring social return-on-investment is the pursuit of areas that translate into the achievement of maximum impact on communities.

Increasing people's access to government's social-sector services is aimed at unlocking opportunity – in order to achieve people development and empowerment as well as address poverty. This is evidenced in key priority areas such as improving numeracy and literacy, strengthening HIV and Aids and TB programmes, delivering developmental social welfare services, reducing crime as well as sports development.

Key themes from an economic sector perspective are those which promote and facilitate resilience and recovery in focus areas such as the maximising of inclusive economic and employment growth (especially job creation); as well as mitigating of negative global/regional impacts.

Areas identified for optimum return on investment include: improvements in the built environment, support to local municipalities, investment in infrastructure as well as the public transport system, deepening the Expanded Public Works Programme, and relevant vocational skills development. Rural development and empowerment has been particularly elevated as a transversal priority.

A significant realisation is that a sustainable growth path requires the focus on benefiting optimally from the environmental- and green economy. One particular emphasis is the concept of biodiversity management through people development (with the focus on vulnerable groups such youth, women and people with disabilities).

Expenditure Trends (Chapter 5)

The aggregate spending for the Province as at 30 September 2009 amounts to R13.630 billion or 46.9 per cent of the 2009/10 main budget. For the same period in 2008/09, R11.620 billion or 46.7 per cent of the 2008/09 main budget was spent. When comparing the actual expenditure for the same two periods (2008/09 and 2009/10), the year-on-year increase amounts to 17.3 per cent. This increase is not sustainable over the 2010 MTEF given the fiscal pressures resulting from the current economic environment. Therefore provincial departments need to become more efficient in their spending to ensure planned outputs are reached with allocated budgets. Departments have to interrogate their baselines to identify savings and reprioritise from lower to higher priority items.

1

Macroeconomic Overview

Subsequent to the financial turmoil that erupted in 2007, the global economy experienced a decline in economic activity in the first quarter of 2009. There are signs of recovery, but this recovery is expected to be moderate.

The BER projects that the SA economy would contract by around 1.7 per cent in 2009 while National Treasury's projection is slightly a bigger contraction of 1.9 per cent. The general consensus amongst economic analysts is that the South African economy would rebound in 2010. Headline Consumer Price Index inflation is expected to revert back to the target band towards the end of 2009.

Economic growth for the Western Cape is estimated to contract by 1.0 per cent for 2009, with the manufacturing, wholesale, retail trade, catering and accommodation finance, insurance showing negative growth, while the transport, agriculture, forestry and fishing and construction sectors are projected to grow albeit at moderate levels in 2009. The Western Cape economy is forecast to recover to 2.6 per cent in 2010.

Labour market trends in the Western Cape show that between 2003 and 2008 the working age population in the Western Cape grew more rapidly than South Africa as a whole at 2.8 per cent compared to 1.4 per cent. Employment, on the other hand, grew on average by 2.5 per cent per annum between 2003 and 2008, which is significantly lower than the national average of 4.2 per cent.

The Western Cape's labour force has become slightly more educated between 2003 and 2008, with 29.3 per cent of the labour force having complete secondary education in 2008, up from 27.7 per cent.

Employment in the Western Cape is concentrated in the wholesale and retail trade (22.8 per cent), manufacturing (19.7 per cent) and community, social and personal services (19.6 per cent). Close to 50 per cent of the employed are engaged in medium-skill occupations, while the remainder of the workforce is split roughly between high and low-skilled occupations. Employment in the informal sector is estimated to be 10.3 per cent of the provincial labour force.

Recent labour market trends from the Quarterly Labour Force Survey show the Western Cape had stagnant employment and a significant increase in unemployment numbers between the third quarter of 2008 and third quarter 2009. The unemployment rate increased by 2.8 percentage points to 22.5 per cent in the third quarter of 2009.

Introduction

This chapter provides a summary of the global, national and provincial economic outlook and labour market trends in the Western Cape¹. Global economic prospects have been deteriorating since mid-2007 as the world economy battled a pervasive and deep financial market crisis. The fears of recession that emerged during 2008 were confirmed as global growth figures took a dip in 2009.

The downturn in the global economy has led to South Africa entering its first recession in 17 years. Although there are signs of a recovery, the pace of this recovery is expected to be slow and uneven.

The recession has also had a direct impact on employment levels. Whilst government has significantly contributed to employment growth, most sectors and notably the trade and industrial sectors, are registering declines in employment numbers. The national economy recently experienced job losses, but also experienced falling narrow unemployment numbers (1.9 per cent average annual fall) over the period between 2003 to 2008. The Western Cape economy saw an increase in employment (2.5 per cent average annual growth) and an increase in narrow unemployment numbers (2.6 per cent average annual growth) between 2003 and 2008.

This chapter presents an overview of the Western Cape taking into account the developments in the global economy, the impact of the economic crisis on growth and employment and the Province's economic outlook for growth beyond the immediate recession.

Developments in the global economy

Globally, major advanced economies entered into a recession following the intense financial turmoil that erupted in September 2007. The massive financial bailout packages implemented by governments in most advanced economies were not very effective in averting the recession.

The global economy is starting to show signs of recovery

Since July 2009, there have been signs that the global economy is beginning to recover from the recession. However, stabilisation will be uneven and recovery is expected to be sluggish. Global economic growth is expected to start expanding in 2010, albeit at a slow rate.

According to the latest International Monetary Fund (IMF) projections, global economic activity is expected to contract by 1.1 per cent in 2009, which represents an increase of 0.3 percentage points from a contraction of 1.4 per cent projected in July 2009. As a result of broad-based signs of recovery led by economies of the developing and emerging markets economic growth is projected to recover in 2010 at a rate of 3.1 per cent (0.6 percentage points higher

¹ Based on the 2009 Provincial Economic Review and Outlook (PER&O).

than the July 2009 forecast), supported by wide-ranging public interventions, and reduced uncertainty and lower risks in financial markets.

Hence, the outlook for the global economy in 2009 still remains gloomy characterised by negative economic growth forecasts.

Medium term economic outlook for South Africa

After showing resilience in 2008, the South African economy succumbed to external economic pressures and also entered into a recession in the first quarter of 2009 remaining deep in such for the second quarter. Fiscal and monetary policies enacted for the past six months since December 2008 have had little impact in averting the recession.

SA entered a recession in the first quarter 2009

Output in the manufacturing sector, South Africa's main economic engine fell dramatically in the first and second quarters of 2009, while the construction sector continued to buoy the economy. Mining production expanded in the second quarter of 2009 after a steep fall in the first quarter. Household consumption has lost momentum as the key driver of the economy in 2008 but is expected to recover in the fourth quarter of 2009. Investment spending is expected to lead economic growth in 2009.

The general consensus amongst economic analysts is that the South African economy would return to low but positive growth in the third or fourth quarter of 2009, as long as the global economy stays on a recovery path.

SA to return to positive growth

The BER projects Headline Consumer Price Index inflation to revert back to the target band in the second quarter of 2010 while National Treasury expects such a retreat by the latest in 2011.

In October 2009, the National Treasury forecast the SA economy to contract by 1.9 per cent in 2009, slightly down from the earlier forecast of 2 per cent in September 2009 and worse from a forecast of 1.2 per cent in February 2009. National Treasury expects positive growth in 2010, with the economy growing at a rate of 1.5 per cent, increasing to 2.7 per cent in 2011.

Table 1.1 Macroeconomic projections, 2009 – 2012

Calendar year	2006	2007	2008	2009	2010	2011	2012
	Actual			Estimate	Forecast		
<i>Percentage change unless otherwise indicated</i>							
Final household consumption	8.3	6.6	2.3	-3.1	0.9	2.3	2.5
Final government consumption	5.1	4.8	5	5.4	4.7	3.6	4.2
Gross fixed capital formation	13.2	16.3	10.2	3.5	4.4	7.1	6.6
Gross domestic expenditure	9.1	6	3.1	-3.4	1.7	3.3	3.8
Exports	6	7.5	1.7	-19.8	3.8	4.5	5.6
Imports	18.9	10	2.2	-20.3	4.2	6.2	7.3
Real GDP growth	5.3	5.1	3.1	-1.9	1.5	2.7	3.2
GDP inflation	7.3	9	10.9	6	6.3	6.4	5.7
GDP at current prices (R billion)	1 745.2	1 999.1	2 283.8	2 373.8	2 560.5	2 798.9	3 050.0
CPI inflation	3.2	6.1	9.9	7.1	6.3	6	5.7
Current account balance (percentage of GDP)	-6.3	-7.3	-7.4	-4.9	-5.7	-6.1	-6.9

Source: *Medium Term Budget Policy Statement, National Treasury, 2009*

The main challenges for the South African economy are to stimulate economic growth, save and create employment opportunities, support exporting industries and ensure inflation is brought within the target band.

Performance and outlook for the Western Cape economy

The Western Cape has continued to achieve growth rates that exceed the national averages up to 2009. The performance of the Western Cape economy in 2008 was largely driven by robust growth in the construction and finance and insurance sectors. However, similar to the national economy, the medium term economic outlook has deteriorated as a result of the global economic crisis. A contraction in output is projected for the Western Cape in 2009. However, this contraction is expected to turn around in 2010, albeit at a slower pace.

WC economy forecast to contract by 1.0 per cent in 2009

The most recent forecast provided by the Bureau for Economic Research indicates that the Western Cape economy will contract by 1.0 per cent in 2009 compared to an expected contraction of 1.9 per cent (National Treasury projection) for the national economy. The main reasons for a somewhat less pronounced decline in regional growth include the relative resilience of the Province's manufacturing sector, the limited share of mining in regional activity, as well as the positive impact of a growing agricultural sector. The provincial economy is expected to expand in line with the national economy at a rate of 2.6 per cent in 2010.

Table 1.2 Economic outlook for the Western Cape (%) growth in GDP-R, 2008 - 2014

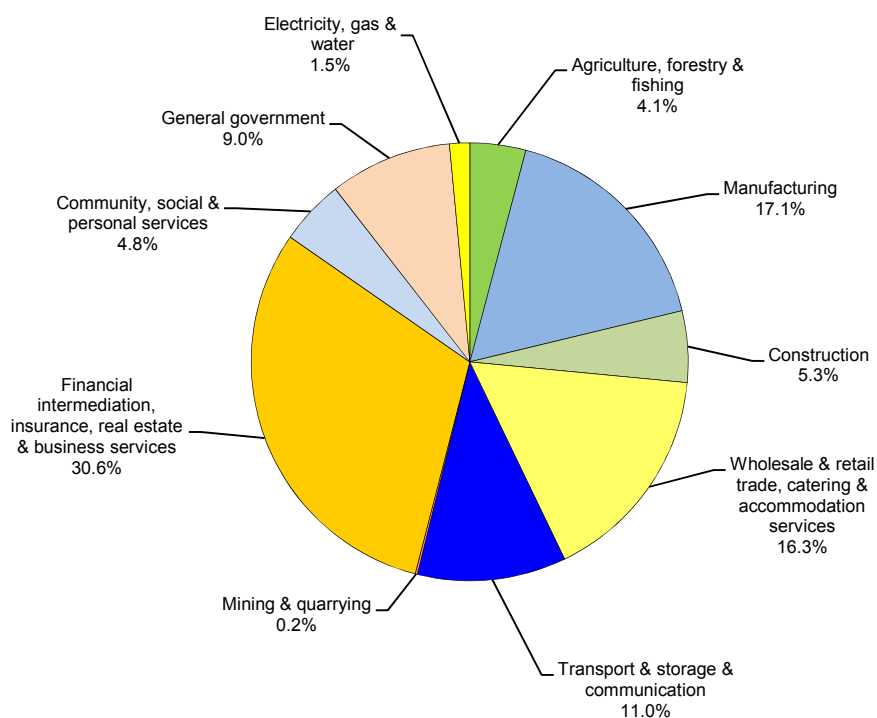
Description	2007 %	2008e %	2009f %	2010f %	2011f %	2012f %	2013f %	2014f %
Agriculture, forestry and fishing	3.0	6.8	2.9	0.4	0.9	1.2	1.1	1.0
Mining	-0.4	3.1	-1.6	2.1	3.0	3.2	3.2	3.1
Manufacturing	4.7	0.9	-8.4	2.0	2.1	2.5	2.0	2.0
Electricity	2.9	-1.8	-4.7	2.0	3.0	3.5	3.2	3.2
Water	1.6	-5.7	4.0	-2.1	-1.5	-1.1	-1.2	-1.3
Construction	17.2	9.9	8.3	-1.5	4.3	10.7	8.0	7.0
Wholesale & retail trade	5.4	0.6	-3.4	4.6	5.4	6.1	5.3	5.3
Catering and accommodation	4.0	0.3	-2.2	1.5	2.9	3.2	3.2	3.2
Transport	6.7	3.2	2.0	1.8	3.3	3.7	3.4	3.4
Communication	4.9	5.0	-2.6	3.7	4.3	4.6	4.3	4.4
Finance and insurance	12.6	10.7	-0.7	5.2	6.9	7.8	7.8	7.9
Business services	0.2	-0.7	1.0	1.0	1.4	2.4	2.7	2.6
Community, social and other personal services	3.8	3.9	3.4	0.9	2.1	2.4	2.2	2.2
General government services	3.7	3.0	4.0	2.3	3.0	3.5	3.3	3.2
Total GDP-R	5.8	3.5	-1.0	2.6	3.7	4.7	4.4	4.4

Source: Quantec/BER Western Cape economic forecast October 2009
e-estimate, f-forecast

The contribution of the different sectors to Western Cape Economic activity is reflected in Figure 1.1. The Western Cape economic activity is concentrated in the financial intermediation, insurance, real estate & business services sector. In 2008, this sector is estimated to have accounted for 30.6 per cent of GDP-R. The second and third largest sectors of the regional economy are the manufacturing (17.1 per cent) and the wholesale, retail trade, catering and accommodation sectors (16.3 per cent). With the exception of low growth in the business services sector, all these sectors are forecast to contract in 2009. The construction sector is expected to remain a key driver of growth in the Province.

Construction sector to remain a key driver of economic growth in WC

Figure 1.1 Sectoral contribution to Western Cape GDP-R (%), 2008



Source: Provincial Treasury calculations based on Quantec estimates, 2009

Labour market trends

Before the onset of the recession the Western Cape experienced positive economic growth. However, this growth did not translate into the desirable levels of employment creation. The main structural challenges of having a large supply of unskilled labourers and high demand for skilled labour still exist at both a national and provincial level. Improved performance of the labour market is critical for addressing poverty and rising levels of inequality.

WC employment growth of 2.5 per cent between 2003 – 2008

An analysis for the labour market in the Western Cape between 2003 and 2008 (see Table 1.3 below) reveals that employment in the Western Cape grew by an average of 2.5 per cent between 2003 and 2008. This employment growth is lower than the national average of 4.2 per cent for the same period.

Unlike the national trend, which saw narrow unemployment decreasing by an average annual rate of 1.9 per cent between 2003 and 2008, the Province experienced an average annual growth of 2.6 per cent in narrow unemployment for the period. Although not reflected in the table, the share of unemployment remains most pronounced amongst the African and Coloured populations, the youth and those with less than a Grade 12 qualification.

Table 1.3 Labour market aggregates, 2003 and 2008²

	Official revised estimates (2003)	2003	2008	Change	Average annual growth rate
	'000s	'000s	'000s	'000s	(%)
Western Cape					
Working age population	3 152	3 041	3 490 *	449	2.8
Employed	1 708	1 650	1 869 *	219	2.5
Broad unemployed	576	478	474	-4	-0.2
Broad labour force	2 284	2 129	2 343 *	214	1.9
Narrow unemployed	475	393	448 *	55	2.6
Narrow labour force	2 183	2 044	2 317 *	273	2.5
Discouraged workers	101	85	26	59	-21.3
South Africa					
Working age population	28 585	28 938	30 979 *	2 041	1.4
Employed	11 959	11 150	13 681 *	2 531	4.2
Broad unemployed	6 349	6 849	5 110 *	-1 739	-5.7
Broad labour force	18 308	18 000	18 791 *	791	0.9
Narrow unemployed	3 947	4 435	4 038 *	-397	-1.9
Narrow labour force	15 906	15 585	17 719 *	2 134	2.6
Discouraged workers	2 402	2 415	1 072	-1 343	-15.0

Source: Labour Force Survey (2003), Quarterly Labour Force Survey (2008), Own Calculations.

Notes: An asterisk (*) denotes a statistically significant change between 2003 and 2008 at the 95 per cent level of confidence.

With regards to the composition of the labour force, indications are that the Western Cape's labour force has become somewhat more educated between 2003 and 2008. This is evident with 29.3 per cent of the labour force having complete secondary education in 2008, up from 27.7 per cent. There has also been a significant decline in the number of individuals with no education (13.3 per cent decline).

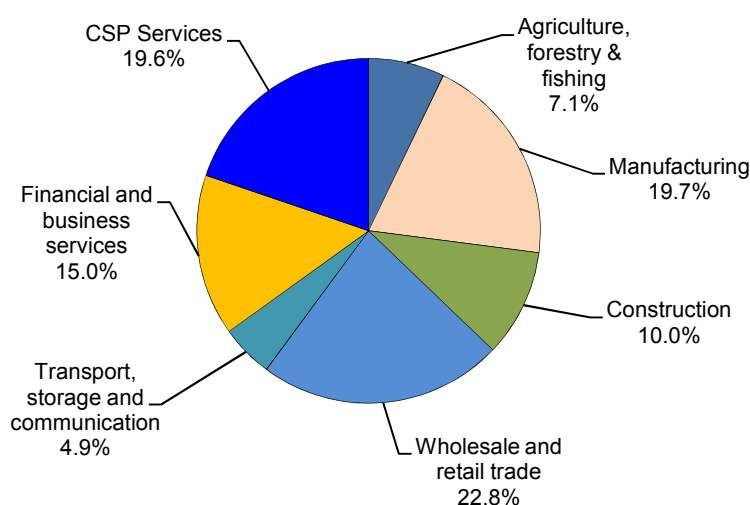
29.3 per cent of labour force with Grade 12 education

Growth in total employment has been stronger for individuals with higher education levels. Half of the Western Cape formal sector workforce is employed in skilled occupations with nearly 30 per cent employed in high-skilled occupations.

² Data for 2003 is obtained from the September edition of the Labour Force Survey (LFS), while data for 2008 derives from the Quarterly Labour Force Survey (QLFS) of the third quarter of that year.

The major employment sectors in the Western Cape remain the wholesale and retail trade (22.8 per cent), manufacturing (19.7 per cent) and community, social and personal CSP services (19.6 per cent). In addition, these three industries combined employ almost two thirds of the medium skilled workforce in the Western Cape. Wholesale and retail trade and manufacturing are also two of the three largest contributors to total production (GDP-R) in the Province.

Figure 1.2 Sectoral distribution of formal employment, South Africa & Western Cape, 2008³



The informal sector remains relatively small in the Western Cape accounting for 10.3 per cent of employment compared with 18.5 per cent of employment in South Africa for 2008. In 2008 Africans accounted for a larger share of informal employment (33 per cent) compared to the formal employment (24.8 per cent) in the Western Cape.

Recent labour market trends from the Quarterly Labour Force Survey illustrate the impact of the recession and consequent weak economic environment on the labour market. Looking at trends between the third quarter of 2008 and the third quarter of 2009, it can be seen that the Western Cape has, thus far, been less impacted, with employment relatively unchanged over the period.

Unemployment rate increases to 22.5 per cent in Q3 2009

Employment in the Province stood at just under 1.9 million in the third quarter of 2009. The national economy saw job losses, but relatively stable unemployment numbers over the period. The Western Cape on the other hand economy saw stagnant employment and a significant increase in unemployment numbers. The unemployment rate increased by 2.8 percentage points to 22.5 per cent in the third quarter of 2009, while the labour force participation rate, in contrast to the national trend, rose by 1.6 percentage points to

³ Selected sectors only.

68.7 per cent. This appears to indicate a more favourable situation in terms of perceptions surrounding the labour market, with people more likely to actively seek employment in the Province than nationally, although this may be related to relatively lower costs associated with job search in the Province.

Table 1.4 Recent Labour Market Trends, 2008Q3 - 2009Q3

	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	Change: 2008Q3 – 2009Q3	
	'000s	'000s	'000s	'000s	'000s	'000s	Per cent
Western Cape Working Age Population	3 462	3 473	3 484	3 495	3 506	44	1.3
Employment	1 865	1 931	1 965	1 898	1 868	3	0.2
Narrow Unemployment	457	392	442	490	542	85	18.6
Narrow Labour Force	2 322	2 323	2 407	2 388	2 409	87	3.7
Discouraged Workseekers	48	39	22	33	38	-10	-20.8
<i>Unemployment Rate</i>	19.7	16.9	18.4	20.5	22.5	+2.8 percentage points	
<i>Labour Force Participation Rate</i>	67.1	66.9	69.1	68.3	68.7	+1.6 percentage points	
South Africa							
Working Age Population	30 801	30 894	30 987	31 080	31 172	371	1.2
Employment	13 655	13 844	13 636	13 369	12 885	-770	-5.6
Narrow Unemployment	4 122	3 873	4 184	4 125	4 192	70	1.7
Narrow Labour Force	17 777	17 718	17 820	17 495	17 077	-700	-3.9
Discouraged Workseekers	1 071	1 168	1 215	1 517	1 632	561	52.4
<i>Unemployment Rate</i>	23.2	21.9	23.5	23.6	24.5	+1.3 percentage points	
<i>Labour Force Participation Rate</i>	57.7	57.3	57.5	56.3	54.8	-2.9 percentage points	

Source: Quarterly Labour Force Survey (2008 - 2009).

Conclusion

Adverse global economic developments that ensued in the second half of 2008 have worsened the global economic outlook. The impact of the economic crisis differs from country to country and from region to region. Developments in the global economy led to South Africa entering a recession in the first quarter of 2009. As a result, the economy started shedding jobs, export volumes and competitiveness plunged, and South Africa became more exposed to external shocks.

The recession has also had a substantive impact on the Western Cape. The regional economic outlook is bleak with downward revisions in growth projections for the medium term. There have also been rapid increases in the number of people who are unemployed.

The economic outlook for the Western Cape is inextricably linked to that of the global and national economy. All indications are that the global economy is expanding and likewise recovery is expected for South Africa and the Western Cape in 2010. To take full advantage of the global recovery requires increasing the labour absorption rate of the economy to mitigate against rising unemployment and improving competitiveness particularly in export sectors.

2

The Resource Envelope and Financing Issues

National transfers increase by an annual average of 7.6 per cent from R28.48 billion in 2009/10 to R30.83 billion in 2010/11, R33.55 billion in 2011/12 and R35.48 billion in the outer year of 2010 MTEF. Provincial Equitable Share (PES) increases seek to address mainly increased personnel costs (i.e. OSD agreements in education and health as well as general salary increments) and policy priorities in education and health.

Conditional grant allocations to the Province increase by an annual average of 5.5 per cent from R6.72 billion in 2009/10 to R7.89 billion in 2012/13. Specific increases are largely the HIV and Aids programme to scale up both preventive and treatment components. Other conditional increments go to the Dinaledi Schools, National School Nutrition, Hospital Revitalisation Grant (Mitchell's Plain Hospital), Infrastructure Grant to Provinces and the Integrated Housing and Human Development Grant.

Provincial own receipts are projected to remain under R1.8 billion over the 2010 MTEF. This overall trend in projections is as a result of policy and other developments within the three bigger own revenue sources (Hospital Fees, Motor Vehicle Licence and Gambling revenue). Motor Vehicle Licence revenue increases remain limited over the 2010 MTEF as efforts are geared towards other provinces aligning their fees to more or less the level in the Western Cape. Casino taxes declined in 2009/10 as a result of the declining economic environment with the province losing potential revenue of up to R40 million per annum over the MTEF.

The overall fiscal envelope remains tight with limited room for expansion of current services. Given the current pressures on the Asset Financing Reserve (AFR) coupled with need to create a working Capital Reserve fund for unforeseen and unavoidable cash/liquidity requirements; it is becoming increasingly challenging to fund provincial priorities from this source over the MTEF.

Introduction

The medium-term expenditure framework and the national division of revenue endeavour to present government policies and priorities over the 2010 MTEF. Chapter 4 of the 2009 National Medium Term Budget Policy Statement tabled in Parliament by the national Minister of Finance outlines the expenditure framework and the division of revenue.

The 2010 MTEF present unique challenges as the country has been facing declining economic activity, declining government revenues, higher than anticipated salary increases and the need to continue improving provision of quality education and health care for the poor. In this regard, improved allocations over the 2010 MTEF aims to cushion the Province against these challenges.

National Government has over the years increased its allocations to Provincial Governments to improve service delivery levels and promote the development and implementation of appropriate policies to address the current and future socio-economic challenges.

Provincial expenditure is financed through three main sources: national transfers (which include Provincial Equitable Share and Conditional Grants with a combined 94.1 per cent contribution to the 2010/11 budget), provincial own receipts (taxes and fees/user charges, which account for 5.1 per cent) and the Asset Financing Reserve together with the Provincial Revenue Fund contributing under 1 per cent in the 2010/11 budget.

Table 2.1 Fiscal Framework of the Western Cape

Source R'000	2009/10	2010/11	2011/12	2012/13
	Adjusted Budget	Medium Term Estimates		
Transfers from National	28 479 919	30 828 789	33 550 851	35 482 375
Equitable share	21 762 635	23 954 541	26 051 895	27 590 130
Conditional grants	6 717 284	6 874 248	7 498 956	7 892 245
Own receipts	1 714 905	1 677 817	1 684 113	1 712 231
Asset Financing Reserve	667 536	192 000		
PRF Financing	143 466	71 350		
Total	31 005 826	32 769 956	35 234 964	37 194 606
Percentages				
Transfers from National	91.85%	94.08%	95.22%	95.40%
Equitable share	70.19%	73.10%	73.94%	74.18%
Conditional grants	21.66%	20.98%	21.28%	21.22%
Own receipts	5.53%	5.12%	4.78%	4.60%
Asset Financing Reserve	2.15%	0.59%	0.00%	0.00%
PRF Financing	0.46%	0.22%	0.00%	0.00%
Total	100.00%	100.00%	100.00%	100.00%

Transfers from National

Over the 2010 MTEF, National Government has increased the total baselines of provinces by R39.88 billion to respond to pressures (mainly increased personnel costs) as well as the functional responsibilities of provinces. The adjustments are R11.67 billion in 2010/11, R12.8 billion in 2011/12 and R5.41 billion in 2012/13. R32.79 billion is added to the Provincial Equitable Share (PES) while R7.09 billion is added to conditional grants over the next three years.

National transfers to all Provinces set to grow on average by 7.5 per cent over 2010 MTEF

The adjustments in national transfers have resulted in aggregate transfers to all provinces growing by, on average 7.5 per cent per year from a revised estimate of R295.35 billion in 2009/10 to R366.99 billion in 2012/13.

The additional national transfers have resulted in overall increased PES baselines of R260.62 billion in 2010/11, R280.32 billion in 2011/12 and R294.39 billion in 2012/13. Conditional grants are estimated to increase to R60.75 billion in 2010/11, R68.40 billion in 2011/12 and R72.60 billion in 2012/13.

Table 2.1 shows that the estimated transfers to the Provincial Government of the Western Cape (PGWC), from nationally raised revenue, grows at an annual average rate of 7.6 per cent in nominal terms or by R7.0 billion over the 2010 MTEF. National transfers increase from R28.48 billion in the current financial year to R30.83 billion in 2010/11, R33.55 billion in 2011/12 and R35.48 billion in 2012/13.

Provincial equitable share

In the Western Cape, the PES on average makes up 73.7 per cent of total provincial shares of revenue from both the national fiscus and own revenue sources, over the 2010 MTEF. The PES formula comprises of six components namely:

- An education component (51 per cent) based on the size of the school age population (5 - 17 years) and the number of learners (Grade R to 12) enrolled in public ordinary schools;
- A Health component (26 per cent) based on the proportion of the population with and without access to 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;
- An institutional component (5 per cent) divided equally between provinces to fund institutional requirements of provinces;

- A poverty component (3 per cent) based on the relative income distributions per province; and
- An economic activity component (1 per cent) based on Gross Domestic Product per Region (GDP-R).

The basic structure of the allocation formula, used over the 2009 MTEF to divide resources between provinces, remains unchanged over the 2010 MTEF. National and provincial treasuries together with the Financial and Fiscal Commission (FFC) have in 2009 embarked on a comprehensive review of the fiscal transfer system, including the PES formula. The review comprises two phases. The first phase commenced in 2009 and will focus on the development of the policy imperatives that should underpin the reform of the formula. This phase is led by the FFC.

Preliminary findings from FFC indicate that the review mechanism can be carried out providing for short term solutions as well as medium term to long term solutions. Short term solutions relate to maintaining the current structure and removal of some components such as economic activity to reduce the number of goals the PES seeks to serve and also bring it closer to an equalisation grant for provinces. The removal and addition of individual components have been the trend since the inception of the formula about 10 years ago.

Medium to long term solutions indicate a need to overhaul the entire fiscal transfer system. This position departs from the traditional view of only annual changes to the formula but rather also proposes changes to other aspects of the fiscal decentralisation system. Such major changes may amongst other, require amendments to Schedules 4 and 5 of the Constitution.

The Provincial Government of the Western Cape will engage with other stakeholders leading up to the second phase of the PES review. The second phase will be led by National Treasury over the 2010 MTEF to review proposals on how the PES formula should be reconfigured to better support policy imperatives.

Adjustments to the PES for the 2010 MTEF took into account the updating of data from the 2009 School Realities, 2008 General Household Survey, 2009 Mid-year Population estimates and the Gross Domestic Product of the Regions (2007 GDP-R). These data updates resulted in shifts in the equitable share of Provinces over the 2010 MTEF. Gauteng and North West in particular were impacted on as a result of a review of the earlier redemarcation process. Specific data updates are discussed in a later section.

Policy priorities funded through the PES

Table 2.2 shows that, over the 2010 MTEF, policy priorities funded through the PES are mainly for education and health. In total, policy priorities increased by R1.77 billion over the 2010 MTEF.

With respect to Education, the PES revisions of R823.01 million over the MTEF seek to ensure better access, improved quality, and greater equity with a specific focus on personnel costs and Occupation Specific Dispensation (OSD) improvements for teachers. Following the Public Services Bargaining Council (PSBC) Resolution 1 of 2007, OSD in education was implemented on 1 January 2008. The Education Labour Relations Council (ELRC) collective agreement 4 of 2009 dealt with the finalisation of the OSD, including recognition of experience of educators, salary progression, grade progression, and Improvement of Conditions of Service for educators on the required equivalent qualification of 10, 11 and 12. At national level, an amount of R3.0 billion in 2010/11 has been set aside to address the educator OSD personnel shortfalls.

In Health, the PES revisions of R664.25 million over the MTEF seek to further strengthen the sector in ensuring that public health service continues to meet the health needs of society. In the previous MTEF, additional resources were allocated to provincial health departments for the phasing in of OSD for three categories of health workers (nurses first, then doctors and other specialists and then Health related professionals). The proposals for doctors and health professionals were only finalised earlier this year at a much higher cost than originally provided for. In this light, the addition is intended to deal with higher costs related to the implementation of OSD for doctors and health professionals.

Nationally R1 billion is set aside, for each of the year's in the 2010 MTEF (or R3 billion over the MTEF) as a general equitable share adjustment, specifically for priorities in education and health. An amount of R45 million per annum (R5 million per province) has been set aside as national government's contribution to enable provincial treasuries to strengthen their MFMA support units.

Table 2.2 Adjustment and Policy priorities funded through the PES

	2010/11 R'000		2011/12 R'000		2012/13 R'000		Total Revisions	Total Revisions
Technically adjusted provincial equitable shares before new money	22 881 198	22 881 198	24 916 018	24 916 018	26 390 742	26 390 742	74 187 958	74 187 958
PLUS:		Actually available		Actually available		Actually available		Actually available
Additional (new money) (in resource allocation)	1 073 343	972 909	1 135 877	939 248	1 199 388	1 226 167	3 408 608	3 138 324
<i>of which:</i>								
Inflationary Adjustments	489 404	443 610	548 675	453 695	608 925	622 521	1 647 004	1 519 826
Higher than anticipated wage settlement (provincial equitable share formula)	489 404	443 610	548 675	453 695	608 925	622 521	1 647 004	1 519 826
Policy Priorities funded through the Equitable Share	583 939	529 299	587 202	485 553	590 463	603 646	1 761 604	1 618 498
<u>OSD (Education and Health)</u>	493 309	447 149	495 756	409 937	498 202	509 325	1 487 266	1 366 412
<u>General adjustment</u> (provincial equitable share formula: Votes Provincial Treasury, Education and Health)	90 630	82 150	91 446	75 616	92 261	94 321	274 338	252 087
Total: Preliminary provincial equitable share for 2010 MTEF	23 954 541	23 854 107	26 051 895	25 855 266	27 590 130	27 616 909	77 596 566	77 326 282

Salary adjustments through the PES

Personnel adjustments to the equitable share over the 2010 MTEF provide for the impact of the higher than anticipated inflation on general compensation of employees following the PSCBC Resolutions 3 and 5 of 2009. Public Service Bargaining Council Resolution 3 has been partially implemented as of 1 April 2009 and expected to be fully implemented by 1 April 2010. Resolution 5 has taken effect from 1 July 2009. At the time of tabling the 2009 budgets, provinces were requested to provide for salary adjustments of 6.0 per cent in the 2009/10 and 2010/11 budgets and 5.6 per cent in the 2011/12 budget. Following this, R9.0 billion was made available nationally for the in-year adjustments proposals.

Going forward, National government has budgeted for R5.4 billion in 2010/11, R6.0 billion in 2011/12 and R6.6 billion in 2012/13 to cater for the two PSCBC resolutions in 2009. The Western Cape receives R489.40 million in 2010/11, R548.68 million in 2011/12 and R608.93 million in 2012/13. However, given the phasing-in of the PES, actual available ICS for the Province amounts to R443.61 million in 2010/11, R453.7 million in 2011/12 and R622.52 million in 2012/13.

Data updates

The data informing the PES has been updated with data from the 2009 School Realities published by the national Department of Education and the 2009 Mid-year Population Estimates, the 2008 General Household Survey, and the 2007 Provincial GDP-R published by Statistics SA (Stats SA).

Table 2.3 shows the impact of these data revisions, inclusive of its phasing in, on the Western Cape's share of the PES. The Western Cape's overall weighted share of the equitable share remains at 9.2 per cent over the 2010 MTEF. The phasing in process, as a result of data changes in the previous MTEF, indicated that Provincial Government of the Western Cape will be receiving 9.1 per cent of its weighted share in 2010/11 and 2011/12 while 9.2 per cent will be fully effected in the outer year of the 2010 MTEF. However, the financial impact of the data changes to the PES formula resulted in a notional reduced PES to the Province amounting to R91.37 million in 2010/11, R196.63 million in 2011/12 before gaining R26.78 million in 2012/13.

Table 2.3 Changes in PES component shares

	Weight	2009 MTEF	2010 MTEF	Variance
	%	%	%	
Education	51	8.1616	8.2151	0.0534
Health	26	10.2079	10.1078	-0.1001
Basic	14	10.8077	10.8614	0.0537
Poverty	3	6.1950	6.2428	0.0478
Institutional	5	14.5370	14.5370	0.0000
Economic activity	1	11.1111	11.1111	0.0000
Final share	100	9.2168	9.2265	0.0098

According to the 2009 School Realities, school enrolment in the Western Cape increased by 11 128 from 962 008 in 2008 to 973 136 in 2009, whilst total enrolment for the country during the same period dropped from 12 239 363 to 12 214 845. As a result, the proportionate share of enrolment in the Province in comparison to total enrolment for the country increased from 7.9 per cent to 8 per cent. Subsequently, the Western Cape's share of the education component increases by 0.05 percentage points from 8.16 per cent in the 2009 MTEF to 8.22 per cent in the 2010 MTEF.

Western Cape loses R91 million in 2010/11, R197 million in 2011/12 as a result of data updates to the PES formula over the 2010 MTEF

Western Cape's share of the PES remains at 9.2 per cent over 2010 MTEF

The health component has been updated using data from the 2008 General Household Survey (GHS) for population with medical aid and the 2009 Mid-year Population Estimates for population without medical aid. The updating of the data resulted in the Western Cape's weighted share of the health component declining from 10.2 per cent in the 2009 MTEF to 10.1 per cent over the 2010 MTEF as a result of changes in the proportion of population with and without medical aid assistance, relative to the other provinces.

The 2009 Mid-year Population Estimates released in July 2009 were used to update the data needed to calculate the basic component. According to the 2009 Mid-year Population Estimate, the population numbers in the Western Cape increased from 5.262 million in 2008 to 5.357 million in 2009, indicating a year on year growth rate of 1.8 per cent. Subsequently, the Western Cape's relative weighted share of the basic component increases to 10.9 per cent over the 2010 MTEF from 10.8 per cent in the previous MTEF.

The poverty component was updated using the 2005 Income and Expenditure Survey. The Western Cape's ratio of poor people to total provincial population remains relatively unchanged at 6.2 per cent in the 2010 MTEF. Similarly, economic activity component, updated with 2007 GDP-R data, remained unchanged with no adjustment to the institutional component being done over the 2010 MTEF.

Impact of data updates for the Western Cape

The full impact of data updates result in a marginal increase of 0.01 per cent in the Western Cape's share. The shifts will be phased in over the 2010 MTEF from 9.1 per cent share in 2010/11 and 2011/12 increasing to 9.2 per cent share in 2012/13. The full impact of the data revisions and phasing in is explained in Table 2.4 below.

The revision of the 2010 MTEF before any additions, and using the new phased-in shares created a new baseline for the Western Cape at R22.88 billion, R24.92 billion and R26.39 billion in 2010/11, 2011/12 and 2012/13, respectively.

Table 2.4 compares the 2009 and 2010 MTEF. The table shows that taking into consideration all the technical adjustments, before adding any additional amounts to the baseline (i.e. for policy and inflationary adjustments), the Western Cape's equitable share allocation decreases by R258.65 million in 2010/11, R300.57 million in 2011/12 and R86.68 million in 2012/13. Of this amount, the data updates result in Western Cape losing R91.37 million in 2010/11, R196.63 million in 2011/12, and gaining R26.78 million in 2012/13.

The function shift of FET colleges from provinces to national as a conditional transfer also results in a technical loss to the Province of R305.67 million, R323.90 million, and R343.13 million in 2010/11, 2011/12, and 2012/13 respectively.

Table 2.4 Comparison between 2009 and 2010 MTEF allocations

	2010/11 R'000	2011/12 R'000	2012/13 R'000
2009 MTEF	23 139 845	25 216 592	26 477 422
2010 MTEF (technically adjusted)	22 881 198	24 916 018	26 390 742
Difference	- 258 647	- 300 574	- 86 679
2010 MTEF (new PES baseline)	23 954 541	26 051 895	27 590 130
Difference	1 073 343	1 135 877	1 199 388

Net impact of the revision to the equitable share allocations to the Western Cape

The PES to the Province is projected to increase. However, the data-updates, a technical adjustment of R9.06 million in 2010/11 to allow for the 2010 FIFA World Cup legacy in the Northern Cape and subsequent phasing-in of the updates, result in the Province losing R270.28 million over the 2010 MTEF, but the respective policy and inflationary additions increase the equitable share by R3.41 billion before taking into account any technical adjustments over the 2010 MTEF. These have resulted in an annual average nominal increase of 8.23 per cent over the 2010 MTEF. As a result, the equitable share has been adjusted from R21.76 billion in 2009/10 (Adjusted Budget) to R23.95 billion in 2010/11, R26.05 billion in 2011/12 and R27.59 billion in 2012/13.

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 R2.76 billion net increase in the Western Cape's PES allocation over the 2010 MTEF. The Province will thus receive an additional R814.70 million in 2010/11, R835.30 million in 2011/12 and R1.11 billion in 2012/13 as a result of data updates, policy revisions and inflation, compared to the 2009 MTEF.

The new overall PES allocations to the Western Cape amount to R23.95 billion, R26.05 billion and R27.59 billion in 2010/11, 2011/12 and 2012/13, respectively.

WC to receive almost R7 billion in conditional grant funds in 2010/11

Conditional grants

Conditional grants supplement various programmes partly funded by Provinces [Schedule 4 Division of Revenue Act (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].

Nationally, in aggregate and after adjusting the conditional grant framework for inflation to create the 2012/13 baseline, the baseline for conditional grant allocations to all provinces are revised upwards by R1.34 billion in 2010/11, R1.87 billion in 2011/12 and a further R3.88 billion in 2012/13. The bulk of the conditional grant increases go to the HIV and Aids programme to scale up both preventive and treatment components of the programme, which includes accommodating a higher number of people on treatment. Specifically, R1.2 billion in 2010/11, R1.8 billion in 2011/12 and R2.4 billion in 2012/13 will be channeled to the HIV and Aids programme.

In summary the calculated¹ conditional grant increases to Western Cape are as follows:

- The R108 million in 2010/11, R162 million in 2011/12, R216 million in 2012/13 is added to the HIV and Aids programme;
- R3.29 million in 2011/12 and R4.7 million in 2012/13 is added to the Dinaledi schools for provision of additional resources such as equipment, science laboratories, text books, teachers and teacher training;
- R18.34 million in 2012/13 is added to the Infrastructure Grant to Provinces for real growth in school infrastructure;
- R140 million is provided in 2010/11 to the Hospital Revitalisation Grant for Mitchell's Plain district hospitals;
- R5.64 million in 2012/13 to the National School Nutrition programme to allow for real growth in the amount spent per learner as well as in the number of beneficiaries in the outer year; and

¹ National departments must still, after consultation with relevant stakeholders, finalise their respective conditional grant allocations the exact numbers of which will only be received during December 2009. For planning purposes the Provincial Treasury has made its own calculations based on previous trends grants distribution.

- R55.63 million in 2012/13 to the Integrated Housing and Human Settlement Development Grant to accelerate the roll-out of housing.
- R305.67 million in 2010/11, R323.9 million in 2011/12 and R343.13 million in 2012/13 which equates to a technical function shift from Provinces to National Government. This shift allows for closer alignment with the funding arrangements contained under the skills development levy so that FET colleges can access more of these funds and for business to make greater use of the colleges.

The Western Cape is estimated to receive conditional grants to the value of R6.87 billion in 2010/11, R7.50 billion in 2011/12 and R7.89 billion in 2012/13 up from R6.72 billion in 2009/10 Adjusted Budget. These contribute on average 21.2 per cent of the resource envelope over the 2010 MTEF.

Tables 2.5 and 2.6 below provide the Provincial Treasury's own calculation of estimated national conditional grant transfers that would flow to the Province over the 2010 MTEF. Table 2.5 indicates policy adjustments whilst Table 2.6 provides the total estimated amounts per conditional grant and department over the 2010 MTEF.

Table 2.5 Estimated revisions to conditional grant baseline allocations for the 2010 MTEF

	2010/11	2011/12	2012/13	Total MTEF
Basic Education				
<i>Dinaledi School Grant</i>		3 290	4 700	7 990
<i>National School Nutrition Programme Grant</i>			5 640	5 640
<i>New conditional grant for FET Colleges</i>	305 666	323 900	343 128	972 694
Health				
<i>Comprehensive HIV and Aids Grant</i>	108 000	162 000	216 000	486 000
<i>Hospital Revitalisation Grant</i>	140 000			140 000
Human Settlements				
<i>Integrated Housing and Human Settlement Development Grant</i>			55 633	55 633
National Treasury				
<i>Infrastructure Grant to Provinces</i>	7 951	14 779	45 432	68 162
<i>Infrastructure Grant to Provinces (School Infrastructure)</i>			18 340	18 340
Total	561 617	503 969	688 873	1 754 459

Table 2.6 Indicative Conditional Grants Framework 2009/10 - 2012/13

Conditional Grant R'000	Adjusted Budget 2009/10	2010/11	2011/12	2012/13
Infrastructure Grant to Provinces	680 673	794 845	916 760	1 010 852
Education	170 395	255 062	317 101	361 268
Health	145 634	131 529	160 540	178 539
Transport and Public Works	364 644	408 253	439 118	471 046
Cultural Affairs and Sport	41 073	45 938	48 694	51 129
Library Services	41 073	45 938	48 694	51 129
Education	132 369	494 404	570 968	609 435
HIV and Aids (Life Skills Education)	14 626	15 420	16 345	17 162
Dinaledi Schools Grant	-	-	3 290	4 700
National School Nutrition Programme	117 743	173 318	227 433	244 445
Inflation	-	-	-	-
Policy	-	-	-	-
Further Education and Training	-	305 666	323 900	343 128
Health	2 828 305	3 351 584	3 455 491	3 674 166
Comprehensive HIV and Aids Grant	383 538	556 834	642 994	721 044
Hospital Revitalisation Grant	420 060	580 554	485 501	509 776
2010 WC Health Strategies	3 238	-	-	-
Health Professions Training and Development Grant	362 935	384 711	407 794	428 184
National Tertiary Services Grant	1 583 991	1 763 234	1 848 976	1 941 425
Forensic Pathology Services	74 543	66 251	70 226	73 737
Hospital Construction Grant	-	-	-	-
Hospital Management and Quality Improvement Grant	-	-	-	-
Integrated Nutrition Programme Grant	-	-	-	-
Cultural Affairs and Sport	38 237	40 532	42 964	45 112
Mass Sport and Recreation Participation Programme Grant	38 237	40 532	42 964	45 112
Agriculture	161 513	96 751	129 942	136 439
Comprehensive Agricultural Support Programme Grant	57 640	69 481	78 476	82 400
Land Care Programme Grant: Poverty Relief and Infrastructure Grant	3 085	3 270	3 466	3 639
Agricultural Disaster Management Grant	94 788	-	-	-
Illima/Letsema Projects Grant	6 000	24 000	48 000	50 400
Housing	1 581 425	1 868 843	2 141 905	2 163 268
Integrated Housing and Human Settlement Development	1 581 425	1 868 843	2 141 905	2 163 268
Transport and Public Works	1 253 689	181 351	192 232	201 844
Devolution of Property Rates Funds Grant to provinces	268 864	181 351	192 232	201 844
EPWP incentive	500	-	-	-
Public Transport Operations	593 774	-	-	-
Disaster Management	390 551	-	-	-
Total	6 717 284	6 874 248	7 498 956	7 892 245

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 increase from 44.3 per cent in the 2009/10 adjusted budget to 48.8 per cent in 2012/13.

Most conditional grants flow to the Departments of Health and Housing

Housing follows with 23.5 per cent of total transfers in the 2009/10 adjusted budget, projected to increase to 27.4 per cent in 2012/13, as a result of the large year-on-year additional allocations to Housing over the MTEF. The principles determining the division of the Public Transport Operations grant have not been finalised as yet but its expected flows have been calculated around the earlier agreements reached with National. The remaining transfers are allocated to the Departments of Education, Transport and Public Works, Agriculture, and Cultural Affairs and Sport.

Table 2.7 Estimated Conditional Grant Departmental Transfers

Department R'000	2009/10 Adjusted Budget	Medium Term Estimates		
		2010/11	2011/12	2012/13
Health	2 973 939	3 483 113	3 616 031	3 852 705
Education	302 764	749 466	888 069	970 703
Housing	1 581 425	1 868 843	2 141 905	2 163 268
Transport and Public Works	1 618 333	589 605	631 351	672 889
Agriculture	161 513	96 751	129 942	136 439
Cultural Affairs and Sport	79 310	86 470	91 658	96 241
Total projected conditional grants	6 717 284	6 874 248	7 498 956	7 892 245
Percentage				
Health	44.27%	50.67%	48.22%	48.82%
Education	4.51%	10.90%	11.84%	12.30%
Housing	23.54%	27.19%	28.56%	27.41%
Transport and Public Works	24.09%	8.58%	8.42%	8.53%
Agriculture	2.40%	1.41%	1.73%	1.73%
Cultural Affairs and Sport	1.18%	1.26%	1.22%	1.22%
Total	100.00%	100.00%	100.00%	100.00%

Provincial Own Receipts

Sections 228 and 229 of the Constitution limit sources of revenue for provincial governments to narrow tax bases such as motor vehicle licence fees, health patient fees and gambling taxes. Broader tax bases such as personal income tax, corporate tax, value added tax and customs duty are in the domain of the national government. These provincial own receipts are very small relative to expenditure needs of Provinces.

Notwithstanding the above, Provincial own receipts declined in 2009 and are expected to remain under pressure over the 2010 MTEF. This is mainly due to the economic decline experienced in 2009, which resulted in the overall decrease of government revenue. Indications are that the economy will grow in 2010, albeit, at a slow pace. 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 2010 MTEF.

In aggregate, Provincial Own Receipts are projected to decrease from R1.71 billion in the 2009/10 Adjusted budget to R1.68 billion in 2010/11. These decreases, of which similar trends are projected over the MTEF, in the main are as a result of the more difficult economic environment in the country which impacted negatively on tax receipts such as gambling taxes during 2009/10 financial year and over the MTEF; non realisation of licence revenue due to the non-implementation of the Liquor Act; a decline in transfers received by the Provincial Health Department; and motor vehicle licence tariffs remaining unchanged over the 2010 MTEF.

The downward revisions of own receipts is largely from the Departments of Health and Provincial Treasury. This is due to a decline in transfers (including transfers received from universities and technikons) and donations received from international organisations which decrease from R85.16 million in 2009/10 to R22.26 million in 2010/11 and R11.54 million in 2011/12. The reduction is predominantly due to the Global Fund contractual agreement expiring during 2010/11. Therefore total provincial own receipts in health are projected to decline from R390.84 million in 2009/10 to R327.25 million in 2010/11. In Provincial Treasury, the decline relates to a reduction in gambling taxes of around R40 million per annum due to the downturn in the economy resulting in a reduction in the discretionary amount available for gambling. Given the sensitive stage of other casino related taxes, these have not yet been factored in.

Provincial own receipts contributes 5.6 per cent to the 2009/10 total budget

Table 2.8 below provides a summary of own receipts by vote.

Table 2.8 Summary of Provincial Own Receipts by Vote

Provincial Department R'000	2009/10	2010/11		2011/12		2012/13
	Adjusted Estimates	Revised Estimate	Changes to baseline	Revised Estimate	Changes to baseline	Revised Estimate
Premier	866	563	39	591	67	613
Provincial Parliament	52	52	-	52	-	52
Provincial Treasury	348 868	349 397	(40 000)	349 397	(40 000)	349 397
Community Safety	2 230	2 406	255	2 632	296	2 784
Education	23 691	22 874	-	23 025	151	23 025
Health	390 840	327 253	-	316 540	-	316 540
Social Development	360	385	3	397	(7)	410
Local Government and Housing	50 845	60 000	-	50 000	-	50 000
Environmental Affairs and Development Planning	106	156	50	156	50	156
Transport and Public Works	867 513	886 814	(8 900)	912 216	(8 900)	940 111
Agriculture	23 303	23 088	-	24 242	-	24 242
Economic Development and Tourism	5 670	4 068	(14 402)	4 068	(15 302)	4 068
Cultural Affairs and Sport	561	761	176	797	178	833
Total	1 714 905	1 677 817	(62 779)	1 684 113	(63 467)	1 712 231

Table 2.9 below shows the total annual Provincial Own Receipts budget over the 2010 MTEF per source. The major sources of own receipts for the PGWC are motor vehicle licence fees, casino taxes and health patient fees which together account for over 80 per cent of provincial own receipts.

Table 2.9 Western Cape Own Receipts by Source 2009/10 – 2012/13

Source R'000	2009/10	2010/11	2011/12	2012/13
	Adjusted appropriation	Medium-term estimate		
Tax receipts	1 122 588	1 146 216	1 171 658	1 197 863
Casino taxes	274 594	275 123	275 123	275 123
Motor vehicle licences	823 371	848 072	873 514	899 719
Horse racing taxes	19 223	19 223	19 223	19 223
Other taxes (Liquor licence fees)	5 400	3 798	3 798	3 798
Sales of goods and services other than capital assets	377 621	371 204	372 841	374 660
Transfers received	85 164	22 257	11 544	11 544
Fines, penalties and forfeits	633	1 008	1 043	1 078
Interest, dividends and rent on land	58 212	57 777	57 782	57 787
Sales of capital assets	33	33	33	33
Financial transactions in assets and liabilities	70 654	79 322	69 212	69 266
Total provincial own receipts	1 714 905	1 677 817	1 684 113	1 712 231

Motor Vehicle Licence Fees (MVLf)

Motor vehicle licence fees (MVLf) are projected to contribute R823.37 million to provincial own receipts in 2009/10. The income from these fees are projected to increase to R848.07 million in 2010/11, R873.51 million in 2011/12 and R899.72 million in the 2012/13 financial years. These increases give rise to an annual average increase of 4.5 per cent over the MTEF, mainly as a result of anticipated growth in the number of registered passenger vehicles over the MTEF period. MVLf is the main source of roads maintenance and upgrading and due to the low increases year-on-year, will result in real reduction in roads funding.

MVLf are expected to contribute R848 million in 2010/11 budget making up 50.5 per cent of total own receipts

The increases in total revenue from MVLf remains limited due to the in-principle agreements with other provinces not to increase Western Cape fees until the fees structures are more or less aligned with the tariff levels in the Western Cape. Over the 2010 MTEF, the Provincial Government of the Western Cape will engage with provinces in efforts to speed up the alignment. This engagement will be pursued through the normal channels of Provincial Treasury Forums and the Technical Committee on Finance on the other hand, and the equivalent forums on the Roads/Transport side.

Since the in-principle agreement with Provincial Treasuries, Provinces have gradually started increasing MVLF to better align with the Western Cape, albeit at different rates. The alignment process is assessed according to the different tare categories from 2007 to 2009.

Table 2.10 Tare Category 1251 - 1500

Province	2007	2008	2009	% change 2007 - 2009	% change to match WC
EC	282	306	339	20%	35%
FS	240	264	291	21%	57%
GP	252	252	291	15%	57%
KZN	348	348	387	11%	18%
LIM	234	240	252	8%	81%
MP	222	222	228	3%	100%
NW	240	300	330	38%	38%
NC	255	273	297	16%	54%
WP	456	456	456	0%	

Table 2.11 Tare Category 2501 - 2750

Province	2007	2008	2009	% change 2007 - 2009	% change to match WC
EC	660	714	786	19%	31%
FS	477	525	579	21%	78%
GP	594	594	642	8%	61%
KZN	801	801	891	11%	16%
LIM	561	570	600	7%	72%
MP	531	531	552	4%	87%
NW	564	684	753	34%	37%
NC	600	642	696	16%	48%
WC	1032	1032	1032	0%	

Table 2.12 Tare Category 7001 - 7250

Province	2007	2008	2009	% change 2007 - 2009	% change to match WC
EC	4710	5088	5598	19%	21%
FS	3855	4146	4563	18%	48%
GP	4473	4473	4698	5%	44%
KZN	5763	5763	6399	11%	5%
LIM	4311	4416	4632	7%	46%
MP	3915	3915	4104	5%	64%
NW	4260	4977	5475	29%	23%
NC	4482	4797	5181	16%	30%
WC	6750	6750	6750	0	

Table 2.13 Tare Category 10001 - 10500

Province	2007	2008	2009	% change 2007 - 2009	% change to match WC
EC	9438	10194	11214	19%	14%
FS	7602	8163	8982	18%	43%
GP	8745	8745	9183	5%	40%
KZN	11205	11205	12438	11%	3%
LIM	8373	8583	9012	8%	42%
MP	7596	7596	7980	5%	61%
NW	8328	9690	10659	28%	20%
NC	8721	9333	10080	16%	27%
WC	12825	12825	12825	0%	

Among the different tare categories, the general trends emerging are summarised briefly as follows:

- KZN is the closest to aligning fees with Western Cape requiring below 20 per cent increases over the 2010 MTEF in most of the tare categories.
- North West has made the greatest strides in the alignment process, although from a low base. The fees have been increased by at least 30 per cent since 2007 in most of the tare categories.
- Eastern Cape and North West are also increasing their fees and still require at least 20 per cent increase each over the 2010 MTEF.

- Mpumalanga is the slowest in the alignment process requiring at least 60 to 80 per cent increases in most of the tare categories over the 2010 MTEF, and
- Free State, Gauteng and Limpopo remain slow in the alignment process requiring at least 40 - 80 per cent increases in most of the tare categories over the 2010 MTEF.

Hospital fees

Hospital fees to remain at around R272 million per annum

Health patient fees (incorporated under 'sales of goods and services other than capital assets' in Table 2.9) are expected to contribute R271.81 million to Provincial Own Receipts in 2009/10. This amount is projected to remain at this level in 2010/11, and it is foreseen that hospital fees will remain at more or less the same level over the 2010 MTEF, provided that the outcome around the recent policy review on hospital fees does not negatively impact on the fee structures and the Department's ability to generate revenue.

Interest, dividends and rent on land

Interest on the current account, dividends and rent on land is expected to contribute R58.21 million to budgeted provincial own receipts in 2009/10. The amount is projected to remain more or less the same level for all the 2010 MTEF years.

Casino and horse racing taxes

The average contribution of casino taxes over the 2010 MTEF is 18.10 per cent

Casino taxes are expected to contribute R274.59 million in 2009/10, down by R40 million from the 2009 MTEF estimate. This temporary shortfall is as a result of the decline in the economic environment over the 2009 MTEF which eroded disposable income, the leisure Rand and therefore tax receipts. Although it is anticipated that economic conditions will improve, projections for casino taxes in 2010/11 remain conservative at R275.12 million.

Horse racing taxes are conservatively projected to contribute R19.22 million each year over the 2010 MTEF, which is more or less the same as the Province remains mindful of the nature of the gambling revenue which is heavily dependent on economic conditions prevailing over the MTEF.

Liquor licence fees

Liquor licence fees have been adjusted downwards to R5.11 million in the 2009/10 adjusted budget from an original estimate of a R17.4 million due to the non-implementation of the Liquor Act. Over the 2010 MTEF, these fees are estimated at around R3.80 million per annum due to the uncertainty in implementing the Western Cape Liquor Act as experienced during the 2009 MTEF. Going forward, the estimates will only be adjusted once certainty exists on the implementation of the latter, which will be based on the total number of liquor licence holders renewing their licences under the new dispensation.

WC Liquor Act expected to be promulgated by middle of 2010

Financing

The Asset Financing Reserve (AFR), 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 the main source used to finance the AFR. The AFR is primarily used to internally finance infrastructure related expenditure in the Province.

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

Allocations from the AFR amount to R667.54 million in 2009/10 and R192 million in 2010/11.

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. This in turn has resulted in the continued funding for roads from the Asset Financing Reserve (AFR) terminating in 2010/11.

Working Capital Reserve

The need to fund mismatches between expenditure and revenue as well as the overall tight financial position of the Province necessitates the establishment of the Working Capital Reserve.

It is envisaged that the WCR will be a cash reserve eventually equal to one week's equitable share and conditional grants funding from National Treasury and National departments to provide for amongst other things, unforeseen and unavoidable expenditure. The Reserve would act as a "financing" buffer when such a need arises, as the alternative is an approach to the national format for bridging financing, which has its own dilemmas.

The Working Capital Reserve will be financed, amongst others from: accumulated reserves in the Provincial Revenue Fund as at 31 March 2009; surplus (unspent) funds of departments as surrendered at the end of a financial year less approved roll-overs; revenue collected above budget, less approved revenue retention requests; and interest earnings on investment above budget.

To enable the management of the Working Capital Reserve as a separate entity within the ambit of the Provincial Revenue Fund a separate responsibility code will be created on the Basic Accounting System (BAS) in the books of the Provincial Revenue Fund to distinguish between the transactions and financial position of the Provincial Revenue Fund, Working Capital Reserve and Asset Finance Reserve. The additional Standard Chart of Accounts (SCoA) items to be utilised already exist on the SCoA.

Conclusion and impact on services

While the proposed 2010 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 and health. National transfers to the Province will grow at an average annual rate of 7.6 per cent over the 2010 MTEF.

Overall revenue projections over the MTEF will reduce as a result of policy changes, the fragile economy and other developments within the three bigger own revenue sources.

Overall, the fiscal envelope will be tight with very limited room for expansion of current services. Given the very high pressures in financing personnel remuneration, with possible slanting away from the other necessary expenditures, some rebalancing of votes and trade-offs between them has been necessary.

Overall, it's clear that the available fiscal envelope will necessitate adjustments to baselines as part of an efficiency and reprioritisation drive to release funds for funding of priorities especially at Health. Later adjustments will have to be made to finance modernisation related objectives to the extent that it is possible within the confines of the expected fiscal envelope.

Similar adjustments will have to be made to finance governance modernisation within the confines of the expected envelope.

In addition, a revision of core mandates and associated with administration and governance have become imperative.

3

National and Provincial Policy Context

Government has just entered a new electoral cycle, resulting in the development of a wide array of policies at the national, provincial and local government spheres, aimed to address the socio-economic improvement of all citizens in our Country. This means that a large number of priorities have been developed, which require implementation and therefore concomitant funding.

South Africa is struggling to counter the effects of the global economic recession. These effects include an industrial contraction and declining personal incomes, and therefore less tax revenue accruing to Government.

With less revenue available for government expenditures, better targeting and retargeting of resources to areas where it can have the biggest impact becomes even more important. In pursuit of more efficient, economical and effective government spending, the concept of achieving more with less or at least the same amount of financial and human resources has become de rigueur.

Therefore in the case of government departments and public entities, it is thus necessary that this somewhat elusive goal be achieved, noting that it is directly related to good governance practices. To achieve this it is a requirement that departments are capacitated with the right number and suitably qualified and committed staff.

Departments and public entities in the Province have already started to strengthen accountability systems and have ensured enhancements to the collection, storage, monitoring, verification and evaluation of the quality of performance information, focusing on value for money and the outputs these expenditures are intended to buy.

Introduction

Cooperative governance principles, as taken up in the South African Constitution require that provinces give expression to national, provincial and local government priorities in their budgets.

The newly adopted Provincial Strategic Directive for the Western Cape, is the main document setting out the Province's growth and development agenda over the next five years and thus is the point of reference for the interface with national policy priorities, as taken up in the national Medium Term Strategic Framework (MTSF) and provincial spending priorities. The Western Cape Medium Term Budget Policy Statement (WC MTBPS) therefore aims to give relative effect to the national MTSF and Provincial Strategy as its policy anchors.

This chapter picks up on the policy environment at the national and provincial levels and links these to the proposed provincial budget allocations over the next three years.

National Policy Environment

At a national level, government's many planning instruments are consolidated in a single strategy called the MTSF. This framework is updated annually and for the period 2009 and beyond identifies five strategic objectives: to halve poverty and unemployment by 2014; ensure a more equitable distribution of the benefits of economic growth and reduce inequality; improve the nation's health profile and skills base and ensure universal access to basic services; improve the safety of citizens by reducing incidents of crime and corruption; and build a nation free of all forms of racism, sexism, tribalism and xenophobia.

Ten priority areas were identified to give effect to the above strategic objectives. The key strategic priority areas that have implications for provinces are: speeding up growth and transforming the economy to create decent work and sustainable livelihoods; to build economic and social infrastructure; a comprehensive rural development strategy linked to land and agrarian reform and food security; strengthen the skills and human resource base; improve the health profile of all South Africans; and building a developmental state, including improvement of public services and strengthening democratic institutions.

Sectoral priorities

A number of intergovernmental fora (both technical and political) have been established to facilitate the functioning of the intergovernmental system, and to better coordinate the development of policy and its funding implications. Amongst these fora at national level are the: Budget Council, Technical Committee on Finance, technical (10 x 10s) and political sectoral clusters (Minmecs), in key functions such as education, health, social development, housing, transport and agriculture.

Key amongst these fora is the Budget Council, which consists of the Minister of Finance (as chairperson) and the nine MECs responsible for Finance in the provinces. The Budget Council, through consultation makes recommendations to Cabinet in liaison with the national Budget Committee. The Budget Council plays a pivotal role in the alignment of functional responsibilities and the vertical division (between the national, provincial and local government) of revenue on the one hand, and alignment of policy and budgets, on the other.

Intergovernmental fora at national government level

To assist with resource allocations, a number of technical line function and finance sectoral fora exist to consider and advise on sector policy priorities and associated funding requirements. These relate to the main constitutionally mandated concurrent functions, such as Housing, Transport, Education, Health, Social Development, etc.

The Economic and Policy Context

The economic environment has placed the fiscus under considerable pressure, as a result of the downward trend in tax collection. If the economy does not grow, the implications are that either government spending has to be reduced or borrowing and taxes have to be increased or both in order to sustain government expenditure. However, the latter two options (or a combination) can only be applied for a limited period (transitory), before reductions in spending becomes unavoidable in the absence of concomitant growth.

The national Minister of Finance in his 2009 MTBPS speech announced that government revenue collection might be about R70 billion below what had been projected when the 2009 MTEF was conceived. The reduced fiscal space necessitates the reprioritisation of existing allocations in pursuit of savings to maintain expenditure on key priority areas.

Given the reduction in fiscal resources, there is heightened competition between priorities and programmes in the different sectors and areas to the extent that it becomes more critical than before to evaluate the opportunity costs made in budget allocations.

The Provincial Fiscal Framework

The fiscal framework spans a three year period, termed the Medium Term Expenditure Framework (MTEF). The MTEF allows for a budget year and two future years of projected revenue and concomitant expenditures. The fiscal framework is adjusted annually and in the case of the new MTEF, only a few adjustments are proposed. In the main these adjustments significantly enhance personnel expenditures across government, but chiefly in Health and Education.

In Education, apart from general Improvements of Conditions of Service, the enhanced personnel emoluments and the Occupation Specific Dispensation (OSD) for educators relate to collective agreements that have resulted in agreements to recognise the experience of educators, salary progression, grade progression and Improvement of Conditions of Service for educators.

In Health, similarly the adjustments to personnel financing also focused on the phased-in Occupation Specific Dispensation (OSD) for doctors, and other health professionals.

The Provincial Policy context

The Provincial Government of the Western Cape in its pursuit of an open society for all, wishes to promote freedom and opportunity for all the people of the Province through:

- Improving policies and practices that strengthen the Constitution;
- Creating the conditions for sustainable economic and employment growth;
- Alleviating poverty by providing a welfare safety net for those unable to provide for themselves;
- Improving the safety of people;
- Attracting , developing and retaining skills and capital;
- Developing and maintaining infrastructure; and
- Delivering clean, efficient, cost-effective, transparent and responsive public administration.

Subsequently, the Western Cape Provincial Cabinet adopted a range of Provincial Strategic objectives, made up of 10 broad strategic areas of intervention: maximising inclusive economic and employment growth; improving school education outcomes; increasing access to efficient and safe transport; maximising health outcomes; reducing crime; optimising human settlement integration; maximising sustainable resource management and use; increasing social cohesion; alleviating poverty; and clean, value-driven and responsive government.

At the level of individual departments and public entities, as part of their 5-year and annual strategic planning processes, alignment is sought between the 10 broad strategic objectives and what each department/entity aims to deliver on. The annual performance and associated reporting plans will track the extent to which departments are making progress over time towards achieving the desired outcomes.

It is envisioned that the Provincial initiatives, to more vigorously track performance, will lead to better accountability, better service delivery with greater impact and improved organisational and personnel management practices. Considerable progress has already been made to evaluate and propose appropriate responses to Government and public entity structures so as to ensure delivery on our objectives. Under the auspices of a Modernisation drive, in essence it is about better focus and governance, putting basic management practices in place, having adequate human resource and other capacity in place, ensuring that staff is well trained and that assets, financial, and human resources are well managed.

As mentioned earlier, fiscal constraints have necessitated a hard look at the way that government conducts its business resulting, amongst others in a revisiting of departmental baselines, checking the effectiveness and efficiency of spending and effecting necessary reprioritisation in departmental plans and budgets over the 2010 Medium Term Expenditure Framework.

Provincial departments, in giving effect to the shift in priorities, are engaging in strategic planning and the development of strategies aligned to the electoral mandate.

Departments have also further improved on performance information specifically the quality and measurability of this. Reference here is made to both organisation and staff performance. The role of performance information is critical when it comes to the roll out of policies and priorities and institutionalising accountability as this indicates how well a department is performing against its aims and objectives and also assists in determining value for money budget allocations.

The introduction of performance management systems requires a move from an input-based budgeting system to an output-based results-oriented system. In a results-orientated system, the use of resources (inputs) is specifically linked to objectives (outputs and outcomes) and performance.

It should be noted that the Auditor-General is already in a process of evaluating performance information and will express an opinion on the soundness of the latter going forward.

Annual reports of departments and entities complete the accountability cycle and is the ultimate tool to assess performance. Annual reports are also critical for holding government accountable to the Provincial Parliament and the public on whether its endeavours have improved the lives of our citizens.

The Provincial Budget Process

The budget process aims to strengthen the link between policy objectives, implementation plans and available resources. More specifically, the process allows for:

- The revision of the economic framework, fiscal and budget policy;
- The allocation of available resources in line with revised policy priorities and concomitant adjustment of baselines;
- Departmental revisions to three-year MTEF baselines, and the preparation of detailed costing and phasing-in plans for spending priorities over time;
- Various role-players to provide political and technical advice when faced with trade-offs between competing spending priorities; and
- The required authority to be obtained from the Provincial Parliament for the proposed expenditures.

In assessing the budget (MTEF) proposals of the Executive, Provincial Parliament needs to take all of the former into account before appropriating budget amounts to each of the main divisions within a vote. As the Provincial Executive and heads of departments are tasked with the implementation of the budget, the Provincial Parliament needs to exercise its oversight role, by assessing the performance of departments through monthly or quarterly in-year reports, quarterly performance reports and annual reports which track both financial and non-financial information.

The annual MTEF, as tabled in the Provincial Parliament, is guided by the following principles:

- Evaluation of past spending performance against strategic objectives and performance targets should be central to the discussion of future funding;
- Resources should be reprioritised from low priority programmes and activities towards higher priorities and activities;
- In the interests of affordability, changes should be made by trade-offs between and within spending programmes; and
- Allocation of new resources should be driven by the existence of credible implementation plans. This provides greater certainty that services will be delivered as planned.

Departmental budgets are formulated to reflect a seven-year time horizon, illustrating evidence of three years historical expenditure and revenue, the current budget and three years of projected expenditure and revenue. These projected expenditures are based on revenue forecasts subject to the economic environment at the time of preparing the 2009 MTEF - suffice to say that the current forecast estimates how the economy would look like in three years time, accounting for some risk aversion.

Improved Governance

Citizens expect government to use its resources to improve their living conditions by providing appropriate services and public infrastructure. Given the economic downturn and the reduction in the size of the tax base relative to the extent of poverty and other social needs it is imperative that government use its resources more accountably, efficiently, effectively and equitably. When this does not happen, it has a negative impact on the provision of public goods and services to communities and citizens.

Factors that impede the government's ability to address the ever growing demand for public goods and services include:

- Increasing skill shortages and challenges in managerial capacity to emanate policies and achieve desired objectives, which include supervision and in some cases inadequate, inability or tardiness to take timely corrective action when required, such as when irregular or corrupt practices are discovered or more commonly ineffective processes to evaluate performance and hold the different role-players accountable for proper performance.

To deal with the above, the Provincial Government has embarked on a process to modernise its public service institutions so as to:

- Bring provincial government institutions on par with international best practice, particularly as regards financial and human resources management in all departments;
- Ensure that these institutions are fit for their respective intended purposes, with the introduction of practices and processes to ensure open and clean governance; and
- Ensure that they serve the public in a cost effective and efficient way and that citizens receive value for money.

Four important areas for review have been identified:

- Legislative frameworks (which includes legislative reforms, delegations, municipal support and power and power and functions, etc.); organisational reform and capacity building (including organisational design, values and culture, repositioning of a number of departments, greater efficiency, training of staff, etc.); physical resource management (supply chain management, asset management and public entities); and e-governance (IT services, registry/e-filing, dashboard and project management).

Targeting frontline services, strengthening financial prudence, corporate governance and intergovernmental relations (IGR) constitute significant mechanisms to ensure transparent and accountable Government.

It follows that the leveraging from efficiency gains throughout all baselines of departments has become an important exercise to soften any adverse effects of the tightening fiscal envelope on key priorities. Therefore, the principle of value for money and the review of non-core service delivery spending items remain critical to all budgetary and spending decisions going forward. The implications of the broader external environment dictates that the 2010 Budget needs to focus on obtaining more value for money and targeting and re-targeting of departmental spending.

This implies that spending, specifically on non-core service delivery items, must become more efficient and lower-priority spending must be reduced. Hence, government's efficiency-savings initiative, intends to redirect funds to high-priority service-delivery areas, which is also the focal point of the 2010 budget process.

Improving corporate governance engages with the strive towards accountable and responsive government and the putting in place supportive mechanisms to ensure informed managerial decision making, effective monitoring and evaluation, appropriate compliance and adherence to relevant norms and standards.

Conclusion

Government has just entered a new electoral cycle, resulting in the development of a wide array of policies, at the national, provincial and local government spheres, aimed to address the socio economic betterment of all citizens in the Country. This means that revised priorities have been developed, which require implementation and therefore re-directed funding.

South Africa, as across the world, is experiencing the effects of the global economic recession, which has resulted in declining corporate and personal incomes and therefore use revenue streams available for government expenditure.

With constrained revenues, the concept of achieving more with less or the same amount of fiscal resources has become de rigueur. Therefore in the case of government departments, it is recommended that they become more efficient, effective and more targeted on key mandates and impact areas. These are made more possible in areas where better governance practices exist. To achieve this it is a requirement that these departments are capacitated with the right number and suitably qualified staff.

4

Departmental Performance and Plans

As Chapter 1 pointed out, over the past year, the global and national economy experienced a substantive downturn. The result has been a decline in tax revenues which has put government finances under immense pressure. The national government budget deficit has increased from 1 per cent of GDP in 2008/09 to an expected 7.6 per cent in 2009/10.

What this means for the Province is that departments essentially have to 'do more with less' by striving for efficiencies, improving the efficacy of spending and reprioritising expenditure toward key priority areas.

From a strategic perspective, for the next five years, objectives identified for the Province are maximising inclusive economic and employment growth, improving school and education outcomes, increasing access to efficient and safe transport, maximising health outcomes, reducing crime, optimising human settlement integration, alleviating poverty, maximising sustainable resource management and increasing social cohesion. Clean, value driven, efficient, effective and responsive government is a key policy imperative.

Introduction

Education and Health receives the largest proportion of the provincial budget (about 70 per cent in 2009/10). The focus on improving school/education and health outcomes therefore becomes fundamental in order to ensure that government resources are directed towards achieving maximum impact on communities.

Key priority areas of the social sector departments for the 2010 MTEF include improving numeracy and literacy, strengthening HIV and Aids as well as TB programmes, delivering developmental social welfare services, reducing crime and sports development. All of these have a developmental and poverty alleviation focus and attempt to address some of the socio-economic challenges affecting the people of the Province.

The economic and social effects of the global economic downturn, considered to be the most severe in 80 years, has focused renewed emphasis on the contribution of the economic sector departments to promote and facilitate resilience in this regard. Hence a key theme revolves around the departments' role in enhancing and maximising inclusive economic and employment growth (in particular job creation), mitigate negative global/regional impacts and facilitate the process of economic recovery.

Focal areas include a consolidation of previous MTEF priorities with a specific view to enhance efficiencies and effectiveness. These areas include improvements in the built environment, support to local municipalities, infrastructure, the Expanded Public Works Programme (EPWP), public transport system, skills development and rural development. A sustainable growth path also requires emphasis on the environmental economy and biodiversity management.

A stronger focus on clean, value driven, efficient, effective and responsive government is a key imperative for all provincial departments over the medium term. The Departments of the Premier, Provincial Treasury and Local Government and Housing will be the key facilitators of this focus.

The Government of the Western Cape envisions a Province where, in the rural areas, poverty and food shortages will be halved in selected areas by 2015, women, children, the aged and people with disabilities are empowered and come into their own, rural areas are developed sustainably, unemployment can be systematically addressed, environmental stability is assured and HIV/Aids infection and TB levels have been reduced considerably. To this end a dedicated intervention on rural development will be implemented over the MTBPS period.

Department of the Premier

The Department of the Premier draws its mandate from Chapter 3 of the Constitution of South Africa. This chapter clarifies the responsibility of the Department as having to ensure cooperative, interrelated and interdependent relationships amongst and between the three spheres of government. The Department also has a role from the perspective of international and intergovernmental relations, especially in respect of the responsibilities imposed in terms of the Intergovernmental Relations Framework Act.

DotP provides strategic leadership and ensures provincial coordination

The mandate of the Department is further encapsulated in the Public Service Act (1994), and focuses around the regulation of the role of the Provincial Cabinet, intergovernmental relations, interdepartmental co-operation, co-ordination of departmental actions and legislation as well as fundamentally the provision of strategic management

direction within the Provincial Government. In short, the role of the Department includes the following:

- To support the Premier and Cabinet to fulfill their strategic and oversight role within the Western Cape Province;
- To improve provincial service delivery through institutional capacity building and to provide transactional management within provincial government;
- To facilitate, develop and monitor policies and strategies to achieve an integrated approach towards poverty reduction and sustainable development in the Province;
- To enhance service delivery and develop society through effective use of information communication technologies; and
- To establish and optimally resource the provincial policy capacity to guide and direct service delivery within the PGWC.

Modernisation of the Public Service

A key initiative driven by this Department which would provide guidance and direction over the medium-term is the Modernisation Project. Modernisation entails a process to modernise the public service institutions of the Provincial Government of the Western Cape. A key output of this process revolves around the completion (by the various workstreams) of the relevant 'blueprints' in relation to organisational design, stakeholder consultation process, legislative frameworks, organisational capacity building, physical resource management as well as E-Governance.

Initiate a process to modernise the public service

Furthermore as the basis for improved service delivery, the Department of the Premier was instrumental in the drafting of the 10-point Provincial Strategic Framework for 2010 - 2014. The Department has also launched a good governance project aimed at addressing all governance issues raised in a number of reports, including the various Auditor-General and audit committee reports.

DotP driving the Provincial Medium Term Strategic Framework

Continued improvement of service delivery and accessibility to government information and services are envisaged through the further roll-out of ICT deliverables. The specific emphasis will be on:

- Reviewing of best-practice as well as key initiatives;
- Addressing of a number of critical areas with reference to the modernisation of ICT services;
- Optimising of ICT infrastructure (automated, dynamic and a strategic asset); and
- Addressing of issues in relation to people/process and technology.

The Department maintains its commitment to providing strategic leadership and co-ordination in the successful hosting of the 2010 FIFA World Cup.

Provincial Treasury

Treasury to continue to play the key role in resource allocation, efficacy of spending and general fiscal discipline

The Provincial Treasury's key areas of responsibility include formulation and implementation of fiscal policy, financial governance, efficient acquisition and application of assets, capacity building and improvement of intergovernmental relations. The Provincial Treasury therefore plays a transversal role as change agent ensuring value for public expenditure by promoting and enforcing fiscal discipline and ensuring efficiency and effectiveness in allocation and application of public resources.

Focus on financial governance

Focus of financial governance to shift quantifiable aspects of service delivery

In terms of Governance over the MTEF, The Provincial Treasury's initiative known as the Line Function Forum (LFF) aims to raise the standard of general financial administration within the Province. The objective is the development and implementation of a value-driven good financial governance system that can deliver in terms of international best practice governance models.

The scope of the LFF encompasses the main financial management processes with a focus on the better use of systems, improved communication, risk management, delegations, capacity building, standard operating procedures and strengthening oversight. The LFF includes an overall delivery planning system (dashboard) and will be done in collaboration with the Department of the Premier (DotP) where there are cross-overs, such as those related to desired/identified human resource management and general governance improvements. The focus areas for the next 5 years are: raising the standard of accounting, financial systems management, goods and services management, expenditure and revenue management, departmental performance management, and infrastructure planning and expenditure as well as personnel management.

Reprioritisation

Reprioritisation to maintain expenditure on key priority areas

Leading into the 2010/11 financial year, Provincial Treasury's efforts are geared towards supporting provincial departments and municipalities and integrating efforts across departments and public entities, municipalities, national government and state-owned enterprises. Such integration would reduce duplication, encourage synergies and essentially improve service delivery to have a greater impact on communities. Pressure on the fiscus requires Provincial Treasury to reprioritise existing allocations in pursuit of savings to maintain expenditure on key priority areas. Further emphasis will be placed on improving governance arrangements, for example improvements in departmental financial management.

Alignment of spending through provincial and local government MTECs

The Provincial Treasury engages with provincial departments during the Medium Term Expenditure Committee (MTEC) processes bi-annually to discuss:

- Credibility and sustainability of the departmental budgets, with respect to expenditure, revenue flows and financial health;
- Responsiveness of the departmental budget to socio-economic conditions;
- The funding of spending priorities; and
- Gauge synergy between programmes and departments.

In addition, the Provincial Treasury engages with municipalities through, amongst other, the Local Government Medium Term Expenditure Committee (LG MTEC) engagements, where the main focus is to improve budget and financial management in municipalities.

Strengthening of the MFMA

Additional funds have been allocated to all provincial treasuries to strengthen the implementation of the Municipal Finance Management Act (MFMA). The focus will be on supporting municipalities to compile credible budgets, improve accounting, supply chain, asset and performance management. The ultimate goal is to enhance efficiency in resource allocation and effective spending at a municipal level.

Strengthening of municipal financial management through a focus in MFMA implementation

Ensuring improvement of revenue streams and value for money

With a greater emphasis on improving governance, resources are additionally allocated towards a range of performance audits to be conducted by the Auditor-General at selected provincial departments over the 2010 MTEF. The current economic climate is facilitating a much stronger emphasis on ensuring value for money in public expenditure.

The Treasury is also undertaking research into enhancing one of the Province's revenue streams, gambling taxes. The research will review the various options open to the Province subsequent to the expiry of the current exclusivity regime previously awarded to Casino operators, and replacing this with a new revenue generating stream.

Department of Community Safety

The Department of Community Safety is committed to ensuring the safety of communities in the Western Cape. Dependent on the outcome of the provincial modernisation process, and in terms of its current configuration the Department will focus on three core areas over the medium term: Civilian Oversight, Traffic Management and Security Risk Management.

A safer open society for all

Civilian oversight to be expanded

A departmental priority is to expand the process of civilian oversight to ensure effective and efficient policing which the people of the Western Cape are constitutionally entitled to. The aim is to transform the Provincial Secretariat for Safety and Security into the eminent institution for police accountability. The Provincial Secretariat will concentrate on scientific research on all aspects of community safety, translating this into focused safety and security frameworks, demand specific interventions and plans from the responsible agencies and monitor implementation and report to the relevant stakeholders. The Secretariat acknowledges the contribution of communities and other role-players in community safety and will concentrate on partnership management and the coordination of all interventions.

To enhance civilian oversight of the South African Police Services (SAPS) to ensure greater police accountability and further crime reduction over the coming MTEF, the Department intends focusing on four main elements namely: providing research, policy advice, safety information and analysis; monitoring and evaluating police conduct and policy implementation; developing safety strategies and designing safety models; and promoting partnerships and community police relations.

Integrated strategy to address drugs and gangs

A key strategy developed and coordinated by the Department to facilitate a safer society for all is the Social Transformation, Gang Prevention, and Integration Strategy. Active partnerships between communities, the Department, the South African Police Services (SAPS), NGOs, Community-Based Organisations, Business against Crime and other provincial departments are fundamental components in addressing and reducing crime, gangsterism and drug abuse. At present, 165 high risk schools are receiving attention through this partnership to prevent drug peddling and gang initiation at these schools.

Community Policing Forums (CPFs), Community Safety Forums (CSFs), Neighbourhood Watches and Farm Watches are the key components in empowering communities against crime. Up until September 2009, the Department capacitated 188 CPFs in the Province, provided training to over 2 000 victim support volunteers servicing 172 police stations, and facilitated the formation of over 200 street committees and 12 CSFs.

Ensuring safer roads and transport

The Department subscribes to the notion that safer roads will contribute to safer communities. The implementation of the Road Safety Strategy has already achieved some success. Compared to 2007/08, an 18 per cent reduction in fatalities on national and provincial roads patrolled by traffic law enforcement officials in the Province was recorded in 2008/09. Pedestrian fatalities have also declined, and there has been an increase in the number of people screened for drunk driving and vehicles tested for overloading.

The enhanced performance is the result of: a heightened traffic law enforcement presence; and more effective traffic management through the retention of the 24-hour/7 day workweek, a practice the Department intends to maintain over the coming MTEF.

Greater emphasis on road safety has been achieved through the placement of road safety matters on municipal Integrated Development Programmes, Integrated Transport Plans as well as CPF agendas. The Department is keen to empower viable local authorities to discharge well defined traffic management functions in their areas of jurisdiction. The Department in 2008/09 in collaboration with the Provincial Department of Transport and Public Works, also trained and deployed 38 Public Transport Inspectors to oversee safety on public transport.

Greater emphasis on road safety

Securing Provincial buildings and facilities

The Department also takes full responsibility to provide a comprehensive protection service to the Provincial Government of the Western Cape in respect of property, assets, equipment, reputation, employees, visitors and guests. This also translates to ensure full compliance to all relevant security and safety regulations and policies.

The 2009/10 financial year will see the culmination of the phased approach to upgrading and centralising the security of government buildings. This will be supported by an ongoing assessment of security management of various provincial government buildings and facilities in order to maintain a safe and secure environment for all employees, visitors and guests of the Provincial Government.

Maintaining a safe and secure environment for employees, visitors and guests at the Provincial Government

Focus on improving the reading, writing and calculating abilities of learners

Department of Education

Over the 2010 MTEF the Department of Education is reaffirming its commitment and focus on improving school education outcomes. In particular, the longer term focus in the period 2010 to 2019 will be on improving the reading, writing and calculating abilities of learners. The next five years will lay the foundations for the improvements in learner performance.

The Department will place significant focus on amongst others directing resources towards the foundation phase, providing quality texts and learning materials, testing, maintaining education infrastructure, improving school safety, early childhood development, etc. Strengthening and spreading the ethos of accountability within the Department from management practices at the head office, through to districts and classroom management will also be of primary importance.

Learner progress will be monitored through Grade 3, 6 and 9 testing

Improving literacy and numeracy

Key objectives for the Western Cape Education Department (WCED) in providing quality education in the Western Cape for the ten-year period 2010 to 2019 are:

- Improving literacy and numeracy in Grades 1 – 6; and
- Increasing the number of learners passing Grade 12 including an increase in the number passing with matric exemption, with mathematics and science.

Testing at the foundation and intermediate phases are important in providing a measure of learner progress with regards to literacy and numeracy. This information is essential in guiding the Department with its interventions to improve literacy and numeracy outcomes.

Diagnostic testing of all Grade 3 and Grade 6 learners every alternate year has taken place since 2002 while piloting grade 9 testing in 2009. The results for Grade 3 literacy shows improvement from 35.7 per cent in 2002, when testing began, to 53.5 per cent in 2008. Grade 6 literacy results have also improved from 35 per cent in 2003 to 44.8 per cent in 2007. Performance with regards to numeracy remains a significant challenge.

Furthermore, as part of a nationwide strategy to improve literacy and numeracy, workbooks will be made available to learners in grades 1 to 7 attending poor schools over the period 2010/11 to 2011/12. Improved literacy and numeracy outcomes will be further supported by efforts to ensure increasing “time-on-task” and teacher training. The Department will also introduce Grade 9 testing in 2010.

Increasing the number of learners passing mathematics, science and computer science as well increasing the number of learners who can register for a university degree has been prioritised both nationally and provincially. Additional resources are proposed in the two outer years of the MTEF for equipment, text books, teachers and teacher training for Dinaledi schools.

Increasing the number of learners passing mathematics, science and computer science prioritised

Promoting Access

With regards to pre-school or early childhood development, the Department of Education plays a supporting role to the Department of Social Development. The Department of Education is primarily responsible for curriculum matters, educator education/training and monitoring. The Reception Year, Grade R (for children aged 4 turning 5), is being implemented through programmes at public primary schools and community centres/independent schools. One of the objectives regarding Grade R has been to increase enrolment particularly in poor communities at both community sites and public ordinary schools. An estimated 68 600 children have access to Grade R, representing almost 75 per cent of 5 year olds in the Province.

Nearly 75 per cent of 5 year olds in the Province have access to Grade R

The Department through its Further Education and Training Colleges provides learnerships for ECD practitioners at National Qualification Framework (NQF) levels 1, 4 and 5. In 2008/09 3 000 practitioners enrolled for the ECD learnership (full qualification). The Department also provides teaching and learning resource kits to assist learners in meeting the requirements of the national curriculum.

For the 2008/09 financial year, a total of 334 287 learners benefited from the National School Nutrition Programme. The programme currently provides school feeding for 198 days in primary schools and 184 days in secondary schools out of an average of 200 school days a year. The main purpose of the programme is to provide nutritious meals to targeted learners to enhance learning capacity and to promote school attendance. The National School Nutrition Conditional Grant will be strengthened in the outer year of the MTEF to increase the coverage of the programme and the quality of meals provided.

National School Nutrition Conditional Grant strengthened to increase coverage

Additional resources were allocated in the 2008 MTEF, to be phased in from 2010/11, in order to extend the no-fee school policy to national quintile 3 schools (60 per cent of schools) and for fee exemption of poor learners in quintile 4 and 5 schools. This forms part of government's strategy to enhance access to schools.

Co-ordinated response to school safety

Ensuring the safety of learners while at school is an on-going concern. The need for a holistic strategy to address school safety has been identified by the Department of Education in recognition of the fact that the problems of violence and vandalism that manifest at schools are symptomatic of broader societal problems.

WCED adopts a Holistic approach to school safety

The Department of Education's Safe Schools Programme has developed a three-pronged strategy to tackle violence in schools. The first prong is to maximise the use of physical security measures including safety gates, burglar bars, Closed-circuit Television Cameras (CCTV), metal detectors, alarms, perimeter patrols by community volunteers and armed response. The second prong is aimed at behavioural and attitudinal change and is focused on conflict management, trauma counselling, behaviour modification, sport and cultural activities, etc. The final prong involves system-wide changes in the content or operation of the school. This includes leadership and management training, organisational development and community relations and effective governance. There are plans to link all alarm systems at each school with the nearest South African Police Service station and to 'adopt a cop' programme. This will help encourage a better working relationship between the police and schools.

Education Infrastructure

Ensuring a well resourced and efficiently managed learning environment is essential for improving school education outcomes. Addressing current infrastructure backlogs at many schools in the Western Cape is being hampered by excessive population growth in many areas already experiencing infrastructure backlogs. Addressing the increasing need for more new schools and classrooms, particularly in new residential areas requires improved co-ordination between the Departments of Education, Local Government and Housing and Transport and Public Works. Additional funds in the outer year of the MTEF will be made available for school infrastructure through the Infrastructure Grant to Provinces.

An estimated 30 per cent of schools in the Western Cape have school libraries, but not all of them are functional. The incremental development of functional school libraries has been identified as a priority by the Department. The five-year School Library Project began in 2007 and will continue to 2011/12. The aim is to establish school libraries in the 654 poorest schools in the province in Quintiles 1 to 3. This forms part of the Quality improvement, development, support and upliftment programme (Qids-Up). The School Library Project has already assisted 407 schools in Quintiles 1 and 2. Steps will have to be taken to achieve a closer fit with Provincial Library Services currently provided by municipalities and partially funded by the Province.

E-learning has been identified as a strategy to supplement the delivery of the education programme of teachers. The Khanya project has provided 1 079 schools with a total of 42 195 personal computers to date. The Department will continue to roll out this programme and has plans to pilot the introduction of new technology in the classroom such as the distribution of educational content via satellite TV, the use of whiteboards and the testing of telematic and distance teaching.

School and classroom infrastructure, school libraries and E-learning enhanced

The asset replacement value of the physical education infrastructure is estimated at around R15 billion. It widely accepted that maintenance should amount to about 1.5 per cent of the replacement value, but it remains a huge challenge to strike an optimal balance between the demand/need for new infrastructure against the maintenance of existing assets.

OSD

Additional resources have been made available over the MTEF to provide for Occupation Specific Dispensation for educators as well as Improvement of Conditions of Service. The OSD aims at providing for recognition of experience of educators, salary progression, grade progression and Improvement of Conditions of Service for educators. In terms of Bargaining Council resolutions senior and master teachers shall receive a once-off cash bonus. As per the various Bargaining Council resolutions, educators will receive one notch increase for every three consecutive year's experience. This entails educator salary progression of 3 per cent in April 2010 and 1 per cent thereafter. All educators on Relative Education Qualification Value (REQV) 10 - 12 who have been permanently appointed in line with Education Labour Relations Council (ELRC) Agreement 4 of 2001 shall be moved to REQV 13 for salary purposes. Provision is also made for the implementation of OSD for Educator Specialists, for example Counsellors, Therapists and Psychologists.

FET Colleges

FET Colleges are managed as a concurrent function between the national and provincial departments of Education. Funding for FET Colleges currently forms part of the provincial education budget. Responsibility for FET Colleges is expected to shift away from being a provincial responsibility to national government within the Department of Higher Education and Training with possible effect from 1 April 2011. In the interim funding for FET Colleges will be secured through a new conditional grant, to be funded, as a function shift from the current Provincial Equitable Share funding.

FET colleges to shift to national

Department of Health

Emphasis on reducing infant, child and maternal mortality rates

Government remains committed to strengthening public health services and maximising health outcomes and is a key priority of the provincial government for the next five years. Improving health service delivery remains a focus area with particular emphasis on reducing infant, child and maternal mortality rates.

The core function and responsibility of the Western Cape Department of Health is to deliver a comprehensive package of health services to the people of the Western Cape Province. These services include preventative, promotive, emergency and curative, rehabilitation and chronic care services.

In addition to the provincial objectives outlined in Chapter 3, the strategic direction of the Department of Health is also guided by the Comprehensive Service Plan (CSP). The aim of the CSP is to provide quality health care for all, in a manner that is cost effective and efficient so as to maximise the value obtained for the available resources. The CSP addresses issues of access to services and provides the guidelines for the development, of appropriate infrastructure such as the Khayelitsha and Mitchells Plain Hospitals currently being built.

Reducing and managing the burden of disease prioritised

Medium term spending priorities include reducing and managing the burden of disease, developing and maintaining a capacitated workforce to deliver the required health services and providing and maintaining appropriate health technology and infrastructure. A greater focus will also be placed on improving the quality of care in the delivery of health services. The challenge is to ensure more efficient and effective delivery of these services particularly given the resourcing constraints that has accompanied the economic downturn.

Strengthening HIV and Aids and TB programmes

ART programme to treat HIV and Aids receives additional funding

The Department of Health will continue to implement interventions to reduce morbidity and mortality particularly in high priority areas of HIV and Aids, Tuberculosis (TB), trauma and chronic diseases. With regards to the care and management of people living with HIV and Aids, funding has been boosted over the MTEF to upscale the antiretroviral programme.

During 2008/09, approximately 1 500 patients were enrolled monthly for ART at 66 accredited facilities. At the end of March 2009, the total number of patients receiving antiretroviral treatment was 54 703 which increased to 59 823 patients at the end of June 2009. Through the implementation of the Comprehensive Plan for the Treatment, Management and Care of HIV and Aids, the goal is to reduce the HIV-incidence rate by 50 per cent by the year 2011 and ensure that the target of reaching 80 per cent of those in need of ARV treatment by 2011 is achieved. Plans going ahead will include a greater focus on targeted prevention interventions and district health based treatment.

TB is also a high priority and resources are targeted towards strengthening staff capacity and TB control at all TB hospitals. A specific focus is directed towards dealing with the multi-drug and extreme drug resistant strains of TB. TB incidence is still a significant challenge in the Province. Some success in the TB interventions has seen the TB cure rate increase from 68.6 per cent in 2004/05 to 78.9 per cent as recorded in the first quarter of 2009/10.

Emergency Medical Services are also prioritised in line with the Constitutional imperative. A key issue for the Department is improving response times towards the national target of 15 minutes in urban areas and 40 minutes in rural areas. During the first quarter of 2009/10, EMS achieved 40.2 per cent of responses to calls in urban areas within 15 minutes and 75.9 per cent of responses to calls in rural areas within 40 minutes. Providing an effective Emergency Medical Service is a prerequisite for 2010 FIFA World Cup. The Department's FIFA World Cup unit currently coordinates all health planning and preparation for the tournament. Additional resources are provided over the MTEF to strengthen EMS in preparation for the tournament, the benefits of which will extend beyond 2010.

*Investment in EMS
improves response times*

Investing in health professionals

The Health sector is continuing with the phased implementation of the Occupation Specific Dispensation (OSD) for medical personnel. These dispensations aim to enhance the recruitment and retention of skilled medical professionals in the public sector. The OSD for nurses was introduced in 2007. This year saw the implementation of the OSD for doctors, dentists, pharmacists and emergency medical personnel. Whilst the details are still being finalised, revisions to the dispensations for physiotherapists, occupational therapists, radiographers, psychologists and dental therapists are currently underway.

*Higher salaries for
doctors and health
professionals through
OSD*

The shortage of appropriately skilled human resources and financial management staff is also proving to be a critical challenge for the Department. The Department is strengthening capacity in these areas through training and capacity building initiatives. The Department also provides a training platform within provincial health facilities for health care workers and professionals in conjunction with higher education institutions. It is estimated that 30 per cent of all medical students and 45 per cent of all dental students in the country are trained by the Western Cape Health Department.

Socio-economic environment and reducing the Burden of Disease (BOD)

The Western Cape suffers a quadruple burden of disease (BOD) which includes conditions related to under-development: infectious diseases such as TB, non-communicable or chronic diseases, injuries and HIV and Aids. Many of the determinants of health occur outside the direct influence of the health sector. These determinants encompass downstream risk factors such as biological and behavioural factors and upstream, societal and structural risk factors, such as poverty, unemployment, homelessness, etc. The Department of Health carries out interventions that target downstream risk factors such as improvements in child health and maternal health and controlling epidemic diseases such as HIV and Aids and TB.

Homicide and road traffic injuries as a result of alcohol abuse have been identified as major contributors to the burden of disease that has a significant impact on the health services in the Western Cape. The Department is currently engaged in two BOD projects in collaboration with Social Development and Community Safety, namely, an Alcohol Awareness TV series and Random Sobriety Testing.

Pursuing efficiency gains

The growth in patient numbers of approximately 3 per cent per year shows the increasing demand for health services. However, the current economic situation has constrained the growth in government spending and health budgets as experienced in recent years. This results in a situation where services need to be prioritised and greater efficiencies pursued to deliver a sustainable, quality health service. The Department is implementing various efficiency and stringency measures as part of an ongoing and continuous process. Examples of these efficiency initiatives relate to more efficient use of medical, surgical items and laboratory costs and better management of agency staff and staff appointments. There are also initiatives to establish improved methods of funding to hospitals specifically by focusing on efficiencies within the hospital system.

Health infrastructure

The Department of Health (DoH) infrastructure plan addresses infrastructure requirements for the full continuum of health care services through a network of hospitals, clinics, community health centres, mental health facilities, forensic pathology facilities 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). This includes the construction of two district hospitals in under serviced areas of Khayelitsha and Mitchell's Plain Hospital. 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

Growth in patient numbers reflect increased demand for health services

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

can be rendered by general practitioners, and upgrades and improvements to a range of other facilities.

The latter includes continuing upgrade to forensic pathology service facilities. A total number of eighteen Forensic Pathology Laboratories are planned which include two M6 laboratories at Salt River and Tygerberg Hospital and five M3 at Paarl, George, Worcester, Stellenbosch and Oudtshoorn.

As only a limited number of ambulance stations were purpose built and appropriately located in hospital sites, the Department has built new ambulance stations in Atlantis, Hermanus, Caledon, Riversdale, whilst the construction of ambulance stations in Ceres, Leeu-Gamka and Vredendal is to commence in 2010/11.

Maintenance Backlogs

Although the intention is to allocate additional maintenance funding, it will not be sufficient to address the existing maintenance backlogs, which are currently recorded at around R1 billion. However, the replacement of the most dilapidated facilities should assist in addressing the maintenance backlog. As in the case of Education it remains a challenge to strike an optimal balance between the demand/need for new infrastructure against the maintenance of existing assets.

Department of Social Development

The Department of Social Development is the lead department in developmental social welfare services, anti-poverty interventions and the strengthening of social cohesion. This is done through delivering the following core functions:

- Developmental Welfare Services to the poor and vulnerable in partnership with stakeholders and civil society organisations; and
- Community Development Services by providing sustainable development programmes, which facilitate the empowerment of communities.

The Department's priority role is to protect, care and support the most vulnerable members of our communities, especially children, persons with disabilities, older persons and the poverty stricken. In addition, the Department provides a comprehensive range of services aimed at developing youth and strengthening the family.

The Department of Social Development is committed to foster social cohesion amongst communities by providing appropriate, targeted social development services such as supporting the strengthening of resilient and functional families. Parental rights and responsibilities, with special attention to the paternal responsibilities and incentives

for healthy responsible lifestyles, will be the central theme over the 2010 MTEF.

Social Welfare Services

Special attention will be given to child-poverty through well packaged programmes including early-childhood development, after school care, nutrition intervention in partnership with Education and Health departments. Access to Early Childhood Development (ECD) at registered ECD sites will be increased over the 2010 MTEF. Although funding for ECD increased to R9 per child per day, the challenge remains to increase the funding to the national norm of R15 per child per day. Community caregivers will also continue to support and visit homes of families affected by HIV/Aids and other diseases.

Awareness and prevention of substance abuse and the promotion of healthy lifestyles will be a key priority in improving school education outcomes, maximising health outcomes, reducing crime and increasing social cohesion. Access to rehabilitation facilities will also be prioritised over the 2010 MTEF.

Greater Access to Community based care and protection services for Older Persons; day-care; healthcare; arts & craft; recreational activities and nutritional meals in rural and urban areas are also priorities for the 2010 MTEF.

Social Development

Community Nutrition and Development Centres were established in all 16 districts in the Province

The Department through its sustainable livelihood programmes aim to strengthen food security, basic income security and skills development to the most vulnerable families in communities.

Further efforts of the Department of Social Development are aimed at reducing the number of youths awaiting trial through the expansion of diversion options, and strengthening substance abuse services. These are done through prevention, early intervention, treatment and after care. If done effectively, these efforts will also contribute to crime reduction in the Province.

OSD

Additional resources have been made available since the 2009 MTEF to provide for Occupation Specific Dispensation (OSD) for social services professions and occupations. The OSD aims to introduce an occupation specific remuneration and career progression system for Social Workers (including Social Auxiliary Workers, Probation Officers and Assistant Probation Officers), Community Development Practitioners (including Community Development Assistants) and Child and Youth Care Workers. The implementation of the OSD will also attract and retain employees in the social services professions and occupations of the Public Service.

The strategic thrust for the Department of Social Development for the next 5 years will be underpinned by the vision of creating a Western Cape Province where everyone has access to a more diverse range of opportunities. This Department plays a key role in chartering the way, for especially the poor and vulnerable, from dependence to self-reliance. It is acknowledged that this will be an immense challenge, given the negative effects of the global economic slow-down, unemployment and growing food insecurity.

Efficiency, fitness for intention, social value and customer satisfaction will be key ingredients in achieving the envisioned impacts.

Department of Local Government and Housing

The internal configuration and mix of services are currently being assessed as part of the provincial modernisation project to improve its focus and impact. Currently it still consists of two main branches, Local Government and Housing.

Local Government

The main task of the Local Government branch of the Department is to give impetus to its core legislative and policy mandate, i.e.:

- To monitor the performance and compliance of municipalities and ensuring that municipal performance objectives are achieved; and
- Capacitating and supporting local municipalities in order to meet its developmental mandate.

Municipal Infrastructure Grant

Government has made significant contributions to the municipal infrastructure programmes over the past 15 years. The total national Municipal Infrastructure Grant (MIG) is revised upwards by R2.5 billion to provide more poor households with access to basic services, with the intention of meeting government's target of universal access to services by 2014. This brings the total amount allocated for the rollout of basic infrastructure through this grant to R45.9 billion over the MTEF. The 2009/10 Western Cape MIG allocation including the City of Cape Town is R599 million. Through the Department's monitoring role of local government, it aims to support municipalities to ensure efficient and effective expenditure of MIG funds.

Increased allocation of Municipal Infrastructure Grant funding for infrastructure projects

The Department of Local Government and Housing is embarking on the development of a municipal Bulk Regional Infrastructure Task Team (BRITT). The team will develop Provincial and District Bulk Infrastructure Master Plans while prioritising the most critical areas based on need facilitated through the use of a sustainable financial model. Key outputs include exploring the use of the housing grant

for bulk infrastructure and alignment of the Municipal Infrastructure Grant with the housing grant. With support from the Development Bank of South Africa (DBSA), the Department continues to provide support to improve capacity in order to ensure that all municipalities are able to spend their full allocation annually.

Intergovernmental Relations

Intergovernmental Relations is an important mechanism that contributes toward achieving greater involvement, commitment and full participation between the 3 spheres of government. In 2009/10, the Department has made extensive progress with the implementation of the IGR Framework Act (No. 13 of 2005) in partnership with the Department of the Premier. Over the 2010 MTEF the Department will continue to promote, strengthen and support good governance and better integration, co-ordination and co-operation between the 3 spheres of government through promotion of effective IGR relations.

Capacity Development

Over the past few years, the Department has offered support to municipalities in the form of many capacity building initiatives in respect of implementation of:

- The Municipal Property Rates Act;
- Performance Management Systems; and
- Councillor induction and training/competency guidelines.

Apart from the general shortage of scarce skills in the country, many municipalities are unable to attract the necessary technical skills because of their fiscal capacity or their remoteness. Over the 2010 MTEF the Department will provide increased support towards the implementation of the 5 year Local Government Strategic Agenda; and monitor and support municipalities to comply with the Municipal Property Rates Act, as well as facilitate structures and co-ordinated support to municipalities.

Other areas of support will include a continued focus on enhancing performance management systems, good governance systems and processes in municipalities. In terms of internal strengthening, the focus will be on increasing departmental capacity to ensure ongoing support to the municipalities as opposed to the wholesale use of consultants. The Department will continue to provide hands-on support and training to municipalities in performance management, anti-corruption, ethics etc. of which skills transfer to municipalities will be the key indicator. Departmental staff will be seconded to different municipalities to assist and to improve their skills and understanding of the functioning of local councils. The Department also intends on providing more hands-on support in both the planning and direct building and construction skills to the weaker

Municipal support plans developed for each municipality incorporate capacity building initiatives and support measures based on each municipality's unique circumstances

and less resourced municipalities through a focussed support programme.

Community Development Workers

The Community Development Worker (CDW) programme will remain a focus area. The CDW programme was designed to address the institutional gaps in the service delivery and investment programmes of government with a focus on poor and vulnerable communities. Currently the Department employs 200 CDW located within various wards in the District and Metro regions. A detailed evaluation of the CDW programme was completed in April 2009. Already a number of recommendations have been instituted to ensure that the CDW programme operates more effectively.

CDWs continue to facilitate public participation as widely as possible and promote access to government opportunities and services

Public Participation

The Department will also promote active and meaningful public participation through encouragement of ward committee establishment and monitoring of the functioning thereof. Over the 2010 MTEF the Department will continue to support municipalities with ward committee training and community-based planning. CDWs will continue to assist with these processes as well as provide information to communities in order to access government services and opportunities.

Disaster Management

The Provincial Disaster Management unit carries out activities in all three facets of disaster management - prevention, response and recovery – for provincial scale disaster risks and actual disasters. The unit also assists municipalities to execute their disaster management responsibilities. Strategic objectives of the Department over the 2010 MTEF are in line with legislative prescripts and include:

Disaster Management focused on dealing with reducing the risk of identified hazards and promoting a culture of risk reduction as opposed to response and recovery

- Co-ordination of disaster prevention and mitigation;
- Effective disaster recovery; and
- Co-ordinated and facilitated preparedness and response and effective and economical fire brigade services.

The Department also plans to establish institutional capacity within the Province to enable the effective implementation of disaster risk management policy and legislation.

Housing

The main aim of the Housing branch is to achieve developmental and well-governed municipalities in order to facilitate integrated human settlements and empowered communities. With this vision in mind, the Department is committed to accelerating service delivery, while promoting social cohesion with the focus on the development of sustainable human settlements.

Continued investment in the built environment and infrastructure

Infrastructure improvement and the built environment

To promote inclusive growth and development, one of government's policy priorities over the 2010 MTEF includes continued investment in the built environment and infrastructure. A key focus is thereby on increasing housing delivery as well as access to basic services such as water, sanitation and electricity. High potential municipalities will be assisted to become accredited as housing developers and support to the other municipalities will be strengthened. Furthermore, in terms of housing provision, government aims to improve coordination between provinces (which administer the housing grant) and municipalities (which provide bulk infrastructure) to speed up housing delivery.

In line with this priority, the Built Environment Support Programme (BESP) was launched in 2008/09 as a collaborative initiative in conjunction with the Department of Environmental Affairs and Development Planning. The BESP aims to improve both Spatial Development Frameworks and Human Settlement Plans (HSP) which provides both provincial and local government with an opportunity to work toward quality SDF's and a better understanding of housing development within improved spatial contexts.

Credible municipal SDFs strengthens the linkage between spatial restructuring objectives and fiscal instruments

A credible Spatial Development Framework (SDF) is a critical element for future development planning. For developments to be strategic and have the desired outcomes, a credible and reliable spatial understanding is required which is essentially captured in a SDF.

BESP is aimed at achieving urban restructuring through credible human settlement and spatial development plans. Six municipalities were selected for the first round of implementation of the BESP programme and rollout to the rest of the Western Cape municipalities will be incrementally extended over the 2010 MTEF.

Furthermore, BESP serves as tool for strengthening the strategic linkage to the Integrated Development Plan (IDP). The Department of Local Government and Housing plans to use lessons learnt from the BESP process to improve Integrated Development Planning as a planning tool and strategic document. The intention is to extend the outcomes of BESP to an improved IDP (3rd Generation IDP). This will strengthen the strategic link between the spatial reality, the housing strategy and the strategic developmental direction of the individual municipalities and regions. Thereby the strategic linkage with critical planning tools, such as the SDF and the HSP as key guiding instruments for integrated planning is to be facilitated. This approach can at some point be extended to other sectoral plans that critically need to be linked to municipal integrated planning. In this way, the BESP programme allows for a window of opportunity to strengthen the interface between provincial and local spatial planning on housing plans.

Housing Demand Database

During 2008/09 and in 2009/10, the Department continued with its research and collection efforts in the endeavour to put in place a credible Housing Demand Database. This project has proven to be logistically complex and a fundamental principle is that it requires close co-operation with municipalities. The most recent efforts by the Department are guided by the past and current lessons learned during the Housing Demand Database data collection processes.

Review of Housing Demand Database to develop system which provided credible housing backlog data

Looking ahead to 2010/11 the Department is in the process of reviewing the housing demand waiting list; and moving toward the development of a system to ensure that the gauge of housing demand becomes credible, updated and relevant. This system includes the setting up of competent data collection systems and mechanisms at each municipality which would then feed into the Provincial Database. In terms of the Housing Demand Data Improvement Programme, municipal data collection systems are currently being audited to determine what systems and methods are being used to collect housing backlog data and what the gaps are.

Housing delivery and development of Integrated Human Settlements

In the 2009 National MTBPS, Government has pledged to prioritise spending on housing, with the goal of eradicating informal settlements. The national budget makes provision for an increase in the housing subsidy and for additional units to be built. Further funding will support the integrated housing and human settlements grant in the outer year of the MTEF to sustain rapid growth with regard to this key programme. Since the country is recovering from the recent economic meltdown of 2008/09, the Western Cape Department of Local Government and Housing is committed to improving efficiency. The Department has embarked on a process to review its policies and programmes and identified the following policy shifts for the next five financial years:

- Less contractor-led projects in favour of in-situ upgrading of existing informal settlements thereby increasing the number of housing opportunities and addressing the Millennium Development Goals of clean water and sanitation to all. This in essence means that the Department will drastically upscale the development of formal sites or plots with basic infrastructure i.e. basic services (water, sanitation electricity) and provide more services to more people. More beneficiaries will receive transfer and ownership of the land providing them with an asset base. Furthermore, The Department will upscale the number of People's Housing Projects (PHP) subsidies relative to project-linked subsidies;

Policy shift in favour of upgrading of existing informal settlements, increasing the number of PHPs

- Municipalities will be encouraged to strike the right balance between informal settlement dwellers and backyarders in the selection of beneficiaries for new housing projects (gradually a 50:50 allocation ratio of shack dwellers and backyarders); and
- Further policy initiatives include continued establishment of partnerships with the private sector to promote accelerated housing delivery towards the development of integrated sustainable human settlements. The specific focus will be on gap and inclusionary housing, promotion of delivery of rental stock to offer a wider variety of housing options to communities and “Special Needs Housing” to fast-track the assistance to marginalised groups.

Department of Environmental Affairs and Development Planning

The Department of Environmental Affairs and Development Planning remains committed to fostering well-being (through the promotion of equitable access to natural resources), facilitating economic development, redressing the spatial legacy and ensuring environmental integrity towards sustainable development.

The shift in emphasis to alleviate the impact on the economy and the vulnerable

The environmental economy as a key focus area

The global economic crisis has necessitated a rethink of the Department’s role in the environmental economy. The focus is towards more strategic utilisation of the approval of land-use and planning/environmental applications which ultimately translate into development-related projects and as a result - the creation of temporary and permanent job opportunities. EIAs that are critical for the Province and future economic growth will be fast tracked whilst adhering to the legislative criteria.

In addition, the Department envisages leveraging from opportunities that are unlocked within the “Green Economy” with an emphasis on the recycling economy and green procurement. The further roll-out of the Solar Water Heater pilot project, is a key initiative and a closer collaboration with Economic Development and Tourism is envisaged in the Vredenburg/Saldanha area.

Deepening the focus on environmental and land management/ planning and resource-use sustainability

Broadly the Department’s outreach from an environmental-health perspective is embedded within initiatives such as the completion of the development phase of the Provincial Air Quality Management Plan (AQMP) and the related implementation over the MTEF. Other key aspects include the facilitation/monitoring of the implementation of the amended Noise Control Regulations, and the responsibilities of

the Department in respect of healthcare- and hazardous waste management. Waste management responsibilities will focus on implementation of the Waste Act including the licensing of waste facilities.

Departmental agency which supports sustainable resource use in the Province is reflected in the finalisation, promulgation and implementation of Western Cape Planning and Development Act and Regulations (note the renaming of the latter legislation as the Western Cape Land Use Planning Act). Further focus areas include the implementation of the Sustainable Development Implementation Plan and the Climate Change Response Strategy and the deepening of the NEMA Coastal Management programme implementation.

Elevating the focus on sustainable resource use and management

The Department (in conjunction with Department of Local Government and Housing) also spearheads the Built Environment Support Programme (BESP), which entails the drafting and compilation of credible Spatial Development Frameworks in six pilot municipalities.

CapeNature

CapeNature, as an implementation arm of the Department, is recognised as a significant contributor to furthering the sustainable resource use and management agenda – through providing leadership and innovation in the sphere of biodiversity, ecosystem and fire management; as well as integrated catchment management¹. Furthermore, the commitment is shown in the entity's roll-out of its Stewardship Programme in conjunction with private and communal landowners.

Facilitating social cohesion, CapeNature's outreach is evidenced in its youth/community development commitments that include a focus on environmental awareness, education and youth development. Importantly, the community-based natural resource management, the local economic development (LED) initiatives as well as partnerships with SMMEs contribute to the delivery of conservation and tourism services and related socio-economic development. A key aspect relates to biodiversity management through the creation of economic opportunities for people, which include the contractor management programme and also the development of co-operatives. A benchmark initiative relates to the development of the Public Private Partnership (PPP) at De Hoop Nature Reserve.

¹ CapeNature's integrated catchment management approach is made of up three programmes namely:

- The Fire Management programme
- CAPE Estuaries Programme
- Alien Vegetation Management Programme

A key focus area is the entity's contribution to the management/conservation of water which over the MTEF and beyond is going to be of critical importance for the Province.

*Engaging with
Biodiversity Crime
Management*

CapeNature has also developed a Biodiversity Crime Management Unit which pursues high level biodiversity crime prevention in the Western Cape. Although not properly capacitated to deal with the growing poaching industry in this biodiversity rich part of the world, some progressive inroads are being made in partnership with the SAPS and other law enforcement agencies. It is of strategic importance that the proliferation of environmental crime is reversed to ensure that the integrity of our natural resources is secured.

Chartering a decisive course

Reflecting on the Department's commitment in achieving its service delivery objectives, the development and implementation of a well-functioning, monitoring and evaluation system is of particular significance. More specifically, the focus is on improving aspects relating to governance within the Department as well as the Public Entity. Key themes over the MTEF, for both the Department as well as CapeNature, revolve around:

- Institutional- and process strengthening as a sound basis for service delivery; and
- Improved articulation of value-for-money in support of the provincial strategic objective, namely clean, value-driven, efficient, effective and responsive government.

Department of Transport and Public Works

The Department of Transport and Public Works is the principle delivery agent of provincial government infrastructure. This includes social (school buildings, health facilities, office accommodation, etc.) and economic infrastructure (roads and property management).

Enabling economic growth

A number of projects related to expanding road capacity and easing traffic congestion in anticipation of the 2010 FIFA World Cup tourist influx will be completed early in 2010, including phase one of the Koeberg Interchange and Table Bay Boulevard projects. Beyond the 2010 FIFA World Cup the Department will shift focus to maintaining over 32 000 kilometres of provincial roads in order to address the maintenance backlog and further reduce the possibility of major rehabilitation of road infrastructure in future.

Facilitating an efficient public transport system

Improved collaboration between the City of Cape Town and the Province since 2008 has culminated in a formalised, coordinated response to public transport needs in preparation for the 2010 FIFA World Cup as well as during the event. While the City of Cape Town remains the principle facilitator, coordinator and provider of the Integrated Rapid Transport (IRT) system within the metro, the

*Rounding off 2010 FIFA
World Cup related
projects*

Department will continue to oversee public transport initiatives outside the metro. The shift in focus is primarily the result of the enactment of the National Land Transport Act (NLTA) in 2009, which brought about a redefinition in the role of the Province in public transport provision. Going forward the Department intends positioning itself as the nexus of strategy and policy direction in the development of and access to public transport in the province, with municipalities acting as implementers.

Provincial public transport strategy and policy to be driven by Department

Public transport is to a large extent utilised by the poor. In 2009, the responsibility of financing subsidised public transport in the Western Cape was devolved to the Province through the implementation of the Public Transport Operations Grant. As a result, the Province is now responsible for maintaining the subsidised bus service contract with Golden Arrow Bus Services and efficient management of the contract and financing thereof. The Department has successfully negotiated a new kilometre based service, which provides for a more effective service and efficient management of the subsidised service. The finalisation and implementation of the national Subsidy Management System (SUMS) will be undertaken over the next few months.

Reducing poverty through job creation

The Department is involved in the Expanded Public Works Programme (EPWP), playing both an implementation and provincial coordination role. Over the 2008/09 financial year the work opportunity targets of 40 000 was once again surpassed with 60 522 audited work opportunities (averaging between 46 days per work opportunity) created in the Province during that period.

Phase two of the EPWP, which provides for an incentive for Provinces, based on the number of EPWP jobs created, commenced in 2009 with: a heightened focus on increasing the number of work opportunities per annum; increasing the duration of work opportunities; greater focus on women, youth and the disabled; and increasing the budget output ratio.

Increased focus on increasing number and duration of work opportunities

Over the 2010 MTEF, the Department intends facilitating the creation of 62 365 full-time equivalent work opportunities or 114 193 100-day work opportunities.

Towards improved governance, efficiency and internal capacity

The Department will continue with a number of initiatives aimed at improving governance, efficiency and effectiveness. These include the implementation of the reviewed macro and micro-organisational structure for the Department and the implementation of the Financial Management Improvement Plan (FMIP). Over the MTEF, resource allocations will also be directed towards a greater focus on core business, the prioritisation of key projects and improved efficiency.

Occupation Specific Dispensation for Engineers to be implemented shortly

The Masakh' iSizwe Bursary Programme is a further successful initiative of the Department aimed at reducing the professional skills shortage. To date graduates have been appointed at the Regional Offices structures within the Department as well as the Head Office.

The Programme has funded 299 students over the current academic year, 41 per cent of whom are female, and located in various construction related fields. Other capacity enhancing initiatives include expanding the mentorship programme to graduates and assisting in the placement of bursary holders who require experiential learning as part of their studies. In addition to these, the Occupation Specific Dispensation for Engineers, aimed at attracting and retaining professional engineers, will also be implemented shortly.

Roads infrastructure

The provincial road network is a crucial part of the transport system of the Province, and consist of approximately 6 575 km of surfaced roads, 25 658 km of gravel roads (including access roads), valued at about R31 billion (including bridge structure).

The number of licenced vehicles in the Province has grown from 1.2 million in 2002 to about 1.556 million in March 2009. In addition, the higher order roads and other roads likely to attract tourists or visitors from other regions, which will result in a broader population need to be served.

A computer based optimisation model analyses the various maintenance requirement

Maintenance requirements are informed by an optimisation model, with resealing, rehabilitation and gravel road upgrading directed to areas of greater traffic movement, especially those roads used for general transport, tourism and agricultural freight. The main factors that influence the demand are as follows:

- Backlog in the routine maintenance of all roads, currently estimated at R195 million;
- Backlog in the re-graveling, of gravel roads, currently estimated at R1.008 billion;
- Backlog in the upgrading of gravel roads to paved roads, currently estimated at R1.406 billion;
- Backlog in the resealing of paved roads, currently estimated at R102 million; and
- Backlog in the rehabilitation and reconstruction of paved roads currently estimated at R1.875 billion.

Roads budget to reach R1.7 billion in 2009/10 and maintain this level over the new MTEF

The roads budget has grown substantially from R676 million in 2004/05 to over R1.7 billion in 2009/10, a level that should be maintained over the 2010 MTEF. This has addressed a number of the maintenance backlogs on the network, particularly the resealing backlog, as well as allowing for a number of upgrading projects. The

maintenance programme has recently come under pressure; however, over the new MTEF there should be some recovery in the maintenance expenditure as some of the current major projects near completion.

Flood damage continued to affect the provincial road network, impacting on general maintenance. The national government assisted the Province with additional funds for floods that occurred in previous financial years.

Public Works infrastructure

The Province currently requires about 65 646 square metres of office accommodation in addition to the 119 469 square metres that it currently owns to meet increased demand, due to the redesigning and expansion of provincial departments' head office establishments. This tendency has compelled the development of a Strategic Provincial Property Plan and will form part of the City of Cape Town's "Central City Development Strategy", to address the increasing demand for accommodation and reduce the costs of leasing accommodation and thus creating investment opportunities for emerging and established businesses.

*Strategic Provincial
Property Plan to feed into
City of Cape Town
Central City Development
Strategy*

The Cape Town Central City plays an important role within the economic, social, cultural and political life of the region. It represents 40 per cent of the business turnover in the City. 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. Financing is to be derived in part from appropriate averaging of the Province's fixed asset base, in addition to crowding in investment from private sector investors and mutually advantageous collaboration with municipalities.

Furthermore, the development of User Asset Management Plans, as required by Government Immovable Asset Management Act, 2007 (GIAMA) will further enhance better management and utilisation of the provincial property portfolio.

To this end, it is required of User Departments to submit their User Asset Management Plans to the Department of Transport and Public Works and the Provincial Treasury by 1 April 2010.

Key priorities include Human Capital Development, market access, extension revitalisation, production increase, rural development as well as Research and Development

Department of Agriculture

The Department of Agriculture plays a key role in supporting job creation and rural development objectives of Government in the agricultural value chain. This Department gets its mandate from Schedule 4 (A) (Concurrent national and provincial functional area) and Schedule 5 (A) (Exclusive Provincial Competence) of the Constitution of South Africa. The medium-term key priorities for the Department include human capital development, improved market access for all farmers, revitalisation of extension services, increased agricultural production, rural development and research and technology.

Developing skills in the agricultural sector and the department

The Department offers bursaries, learnerships, internships, short courses and formal accredited training to learners, students at college, beneficiaries of Land and Agrarian Reform and its employees.

Currently, the Department has 81 interns, has awarded 57 bursaries for external and scarce skills, 107 bursaries for employees in the Structured Agricultural Training (53 bursaries of which are new) for study at college. The college has 414 students and short courses were provided to more than 2 000 beneficiaries and 166 learnerships will be completed for the financial year 2009/10. The Department will continue to focus on skills development in the agricultural sector, particularly the in scarce and critical skills categories.

In addition the Department is in process to implement the Occupation Specific Dispensation for scientists (across the agricultural fields) to ensure that the existing critical and scarce skills are retained for the benefit of the Department and the agricultural sector.

Increasing agricultural production and supporting farmers

Interventions to provide universal agricultural support in targeted areas

It is important to keep in mind that, according to the OECD and FAO, the average annual global consumption of grains outstripped the average annual global supply of grains by 28.6 million tons over the period 2001 to 2007. It follows that a number of interventions in the Department such the Ilima/letsema programme and Comprehensive Agricultural Support Programme (CASP) are aimed at increasing production, growing the economy, creating employment opportunities, developing skills and reducing poverty. These interventions provide universal agricultural support to identified areas and targeted projects and aims to increase black entrepreneurs in the agricultural sector and to facilitate market access for emerging and commercial farmers.

The most important challenge for the Department is the integration of support across the different programmes to ensure the graduation of farmers, especially new farmers, from a subsistence into a commercial level. The revitalisation of extension and the improved linkages with

research and technology and appropriate training will contribute significantly towards increasing entrepreneurs in the sector. Market access must be addressed through increase agricultural production and market research, but in the case of animal products the importance of the animal disease surveillance and certification of all exports facilities and products must be emphasised.

Casidra, the implementing agency for the Department, plays a crucial role in the implementation of the farming infrastructure projects financed through CASP.

Agricultural resource management and climate change contribution

As part of its contribution to mitigate the impacts of climate change on the agricultural sector, the Department embarked on the water wise and biodiversity awareness campaigns. The Junior Land Care programme targets the youth in all the districts to create awareness on resource conservation and management with particular emphasis on climate change. The department plans to commission a baseline study to determine which research has been done on climate change related topics relevant for agriculture in an attempt to identify important agricultural research needs to be addressed on provincial level. The Department will also play a coordinating role in the various action plans on climate change adaptation and mitigation.. Specific emphasis would be on water management in the intensive production areas, conservation production methodologies, new crop development and improved information sharing with all farmers

Climate Change mitigation through research, awareness campaigns and efficiency gains

The implementation of the different disaster schemes in the agricultural sector also allows the Department to support the repair of farming infrastructure within the expected effects of climate change.

Supporting and investing in the second economy

According to the General Household Survey done by Stats SA in 2007, 16.2 per cent of adults and 12.8 per cent of children in the Western Cape experienced hunger during 2007. For this reason specific interventions over the MTEF period aimed at improving food security include further support to the provincial food garden initiative, funding specific commodity groups to enact transformation and increasing agricultural production will continue. The coordination of especially household food security projects and programmes will receive dedicated attention.

The farm worker development programme will continue to support vulnerable farm workers with information on social issues whilst funding capacity building initiatives.

Department of Economic Development and Tourism

The Department of Economic Development and Tourism has positioned itself as a facilitator and enabler of increased inclusive economic growth, investment and job creation in the Province. The Department is currently undergoing a review and revision process aimed at maximising the impact of the Department's interventions. This process includes a review of the roles and responsibilities of the Department, its implementing agencies and the various stakeholders. The aim of the reviews is to enhance synergies and avoid possible duplication of activities going forward.

Targeting sectors for maximum job creation and inclusive economic growth

Resource allocations over the MTEF will be more reflective of the targeted approach being followed by the Department regarding its interventions aimed at unlocking the maximum return on investment. The Department's focus is moving towards leveraging private sector funding and deepening collaboration between provincial departments and national and local government. The Department will shift its primary role towards leadership and facilitation, away from direct implementation.

Attracting investment into the Province

Marketing the Province as an investment destination of choice will be of critical importance in creating both direct and indirect jobs. The Department through Wesgro plays a pivotal role in attracting investment to the Province. Wesgro managed to attract R3 billion worth of investment into the Province in 2008/09 and R7 billion since 2005. This translated into roughly 6 100 jobs in 2008/09 and approximately 21 000 since 2005.

The Department will over the 2010 MTEF maintain its central role in sector development and support. The format of this sector support however is currently under review within the Department. Sectors chosen for support will be measured against their potential in maximising economic and employment growth and support linkages between rural and urban economies.

Skills development

Bridging the gap between skills demand and skills supply

The shortage of skills remains an impediment to improved economic growth and employment creation within the Province. The Department is involved in a number of workforce development initiatives aimed at responding to the mismatch between skill supply and skill demand. The Department plays a central role in building institutional capacity and cohesion among key role players including, the various Sectoral Education and Training Authorities (SETAs); Higher Education Institutions (HEIs) and Further Education and Training (FET) Institutions, the Department of Labour and sector bodies.

The Department through Cape Town Routes Unlimited (CTRU) plays an important role in marketing the Province to both national and international visitors. As part of the Department's tourism development drive there are deliberate efforts to ensure the spatial spread of tourism benefits and opportunities throughout the entire Province. Key efforts include tourism route and product development, quality assurance standards, road signage and improved skills amongst those employed in the sector.

Business Regulation and Governance

The Department is responsible for ensuring a socially responsive business environment in the Western Cape through general interventions within the trading environment and through specific interventions mandated by the Constitution, national and provincial legislation and policies. The Department plays a critical regulatory and governance role with regards to liquor regulation and consumer protection.

Department of Cultural Affairs and Sport

The programmes within the Department of Cultural Affairs and Sport (DCAS) support the Provincial Government's social cohesion implementation framework by developing sports, arts, culture and language; supporting library services and hosting major events. National public holidays, such as Heritage Day and Women's Day are utilised as platforms to celebrate the social, cultural and economic advancement of designated groups.

Sports Development

The DCAS has developed an idiomatic saying – 'a child in sport is one child out of court', with a main objective is to get people participating in sport whether it is for lessons, or as athletes, coaches or even administrators.

Sports development, particularly in schools, aims to develop life skills as well as improving school education outcomes by engaging learners in healthy lifestyle activities. Participation and excellence in sport and recreation are enhanced when talent is exposed to opportunities and are nurtured, supported and sustained. Through strategic partnerships and cooperation, sports infrastructure will be strategically provided to historically excluded communities.

School Sport as part of the enrichment programmes offered by schools, includes Mass Participation Sport, Competitive Sport and High Performance Sport. The department over the next five years will ensure that each child in school has an opportunity to engage in one or other form of meaningful sport activity.

The Department in the first half of 2009/10 trained 220 sports administrators and 119 technical officials. More than 3 000 athletes were supported in events throughout the Province. The Department also hosted several national and international events including athletics, marathons, sevens rugby, golf, softball and chess, etc.

Athletes, from the WC Sport School are achieving at the highest levels the sport codes offered at the school

The Western Cape Sports School is currently delivering on its mandate of developing athletes holistically. The athletes, who are mainly drawn from poor communities, are achieving at the highest levels in each of the codes of sport offered at the school.

Cultural Affairs

Cultural and heritage tourism is one of the most rapidly growing sectors in the international tourism industry, and is an area in which the Western Cape, is well placed to compete. Our museums, heritage sites, theatres and festivals are all key attractions for cultural tourists. The aim for the next 5 years is also to involve every child, in one way or another, in arts and cultural activities such as dance and music (especially choirs).

The Department continues to promote language diversity and multilingualism and develop the three official languages as required by the national and provincial Constitutions. The Department also supports the implementation of the National Language Policy Framework (2003) and the development of previously marginalised languages, such as Nama, and Sign language.

Library and Information Services

The expansion of library staff place libraries in a better position to expand the services and offer literacy programmes

The Department supports public library and information services through the provisioning of library materials that addresses information, educational and recreational needs of the people of the Western Cape Province. At present there is a network of 333 public library service points in the Western Cape, administered by municipalities. To further expand the services to remote rural areas, five mobile library depots (wheelie wagons) were established at Avontuur (Eden District Municipality), Vleiland (Laingsburg Municipality), Mandlenkosi (Beaufort West Municipality), Kurland and Bossiesgif (both in the Bitou Municipality). An increase in usage at the established sites indicates that adults and children use these mobile libraries extensively to access books and information. It has been proven that learners with access to these mobile library depots in rural areas perform better at school.

A further five sites will also be identified for the establishment of mobile library depots in 2010/11. The increase of staff members at public libraries enabled municipalities to open additional service points (mostly mobile library depots), extend library hours of public libraries, provide enhanced library services to their respective communities and place libraries in a better position to promote the services and offer literacy programmes.

The Western Cape Archives Services has the oldest records in the country, dating back to 1651. Due to regular use and ageing these records need to be repaired on a continuous basis and digitalised for easy access and preservation. The development and growth in information technology, particularly the creation of digital and electronic records by governmental bodies, compels the Provincial Government of the Western Cape to consider the implementation of an integrated document and records management system. Digital storage facilities also have to be provided to ensure the proper management of electronic and digital records since its preservation is an archival heritage.

The Department believes that an emphasis on school sport and libraries will give it the maximum possibility to influence the development trajectory of youth in the Province and assist with the future enhancement of the socio-economic environment. This emphasis will become evident over the next five year period.

Conclusion

Government finances are under immense pressure given the impact of the economic recession. Even though there are signs of a recovery, the pressure on the fiscus will remain beyond the current MTEF. Therefore, within the fiscal envelope, the Province needs to reprioritise resources and vigorously pursue efficiency savings to direct expenditure towards priority areas.

Over the medium term, the aim of the provincial government is to improve the quality and effectiveness of service delivery. Strategic, annual plans and budgets of the departments will be informed by the objectives of the provincial strategic framework. Departmental programmes and projects will focus on core mandates and functions of the provincial government and achieving the objectives set by the latter.

5

Expenditure Trends

The 2009 Adjusted Estimates, to be tabled alongside the Medium Term Budget Policy Statement in the Provincial Parliament, proposes an additional R1.634 billion spending for the 2009/10 financial year.

Introduction

The aggregate spending for the Province as at 30 September 2009 amounts to R13.630 billion or 46.9 per cent of the 2009/10 main budget. For the same period in 2008/09, R11.620 billion or 46.7 per cent of the 2008/09 main budget was spent. When comparing the actual expenditure for the same two periods (2008/09 and 2009/10), the year-on-year increase amounts to 17.3 per cent. This increase is not sustainable over the 2010 MTEF given the fiscal pressures resulting from the current economic environment. Therefore provincial departments need to become more efficient in their spending to ensure planned outputs are reached with allocated budgets. Departments have to interrogate their baselines to identify savings and reprioritise from lower to higher priority items.

2008/09 Expenditure Outcomes

Details of the 2008/09 expenditure outcomes for the provincial departments and the Western Cape Provincial Parliament are set out in Table 5.1 below. In total, spending for the Province amounted to R25.614 billion out of a total adjusted appropriation of R26.223 billion.

For the 2008/09 financial year, the underspending amounted to R608 million or 2.3 per cent of the total adjusted appropriation. The underspending mostly relates to two national conditional grants, namely the Hospital Revitalisation Grant (R170 million) and the Transport Disaster Management Grant (R273 million). Once these two grants are discounted, the provincial underspending is reduced to 0.6 per cent of the total adjusted appropriation for 2008/09.

2009/10 Mid-year Estimates and Adjusted Budget

Details of the estimates for the first half of the current financial year for the provincial departments and Provincial Parliament are also set out in Table 5.1 below. Expenditure by provincial departments and Provincial Parliament in the first six months of 2009/10 amounted to R13.630 billion, or 46.94 per cent of the R29.009 billion main appropriation for the year.

The 2009/10 provincial adjusted budget is to be tabled alongside the Medium Term Budget Policy Statement in the Provincial Parliament. Additional spending of R1.634 billion is proposed in the Provincial Adjustments Appropriation Bill. The Provincial Adjustments Appropriation Bill for 2009/10 deals exclusively with necessary amendments in the current financial year. The Bill proposes the following main changes:

- R345.386 million to cover higher general salary adjustments than provided for in the Main Budget.
- R342.894 million for the Occupation Specific Dispensation (OSD) for the Education and Health sectors.
- R374.629 million for unforeseeable and unavoidable expenditure associated with natural disasters and other commitments.
- R323.555 million relates to unspent conditional grants of which R273 million relates to the Transport Disaster Management Grant.
- R185.012 million to fund Public Works maintenance and capital projects as well as roads infrastructure projects.

Taking the above into account, the revised estimate of provincial expenditure in 2009/10 is R30.672 billion. On 24 February 2009 at the tabling of the 2009 Main Budget, provision was made for expenditure of R29.034 billion for 2009/10.

Table 5.1 Expenditure by Votes, 2008/09 - 2009/10 financial years

R'000	2008/09			2009/10		
	Adjusted Budget	Audited Outcome	Deviation from Adjusted Budget	Main budget	Adjusted budget	Actual Spending Apr 2009 to Sep 2009
1 Department of the Premier	450 004	429 493	4.6%	491 920	484 245	219 872
2 Provincial Parliament	69 182	62 323	9.9%	68 499	74 112	49 557
3 Provincial Treasury	121 895	120 950	0.8%	134 682	139 757	60 162
4 Community Safety	242 703	242 329	0.2%	260 259	274 589	112 630
5 Education	9 206 088	9 192 478	0.1%	10 346 039	10 663 812	4 855 698
6 Health	8 870 805	8 655 845	2.4%	9 892 798	10 463 716	4 812 153
7 Social Development	1 233 796	1 215 245	1.5%	1 162 502	1 180 818	522 948
8 Local Government & Housing	1 615 814	1 615 635	0.0%	1 891 089	1 867 324	792 420
9 Environmental Affairs & Development Planning	205 131	204 584	0.3%	266 757	265 061	132 230
10 Transport & Public Works	3 080 161	2 766 228	10.2%	3 522 950	4 170 181	1 627 811
11 Agriculture	376 644	355 699	5.6%	398 607	493 468	182 202
12 Economic Development	231 532	229 921	0.7%	276 466	264 466	133 537
13 Cultural Affairs & Sport	502 203	499 970	0.4%	296 445	302 096	129 033
Subtotal	26 205 958	25 590 700	2.3%	29 009 013	30 643 645	13 630 253
Direct Charge	17 213	23 676		25 329	28 459	
Total	26 223 171	25 614 376	2.3%	29 034 342	30 672 104	13 630 253

Conclusion

Chapter 5 sets out the immediate spending objectives in 2009/10 as well as the outcome of the 2008/09 financial year.

The key challenge for provincial government departments is to manage its current expenditure within the tight fiscal envelope, identify savings and **increase efficiency in spending**.