

**Western Cape Government
Provincial Treasury**

**MEDIUM TERM BUDGET
POLICY STATEMENT**

2013 - 2016

Provincial Treasury
Business Information and Data Management
Private Bag X9165
7 Wale Street
Cape Town
tel: +27 21 483 5618 **fax:** +27 21 483 6601
www.westerncape.gov.za

Afrikaans and isiXhosa versions of this publication are available on request.

Email: Paul.Pienaar@westerncape.gov.za

PR 311/2012

ISBN 978-0-621-41383-0

Foreword

The 2013 – 2016 Western Cape Medium Term Budget Policy Statement (WC MTBPS) outlines the current economic environment, labour market prospects and selected socio-economic realities facing the people of our Province. These economic realities require major policy choices and key actions, which favour anti-poverty programmes and projects aimed at putting the economy on a higher growth trajectory.

Pursuing economic growth is imperative to address poverty and persistent high unemployment rates that in most instances are the root cause of the social ills plaguing the Province. The Western Cape Government therefore has a key role to play in addressing the structural constraints that will make the country and the Province internationally more competitive and reduce unemployment.

The Province's Strategic Objectives aim to transform the regional economy to provide a better life for all in the Province. To achieve these objectives, aspirations of departments are to:

- Maintain market access in traditional markets and establishment of access in new markets;
- Create an enabling environment through the reduction of red tape and other constraints to ease doing business in the Province;
- Ensure environmental sustainability through land-use and environment conservation;
- Invest in areas of economic potential and road infrastructure to improve economic prospects and access to markets;
- Pursuing efforts to impact and capitalise on opportunities that the green economy may present;
- Investment in human capital and skills development, linking the schooling system and other vocational readiness programmes; and
- Providing temporary employment relief through the Expanded Public Works Programme to low skilled people.

The Provincial Government's objectives further direct the assignment of the provincial budget over the next three to five years. The fiscal framework presented in this document reflects both the opportunities and constraints within which the Province operates. To improve value for money this Government intends to further enhance efficiency and over the long term improving functional governance that concomitantly raises the level of performance (results) and conformance (compliance).



Alan Winde

Minister of Finance, Economic Development and Tourism

22 November 2012

Contents

Chapter 1	Economic overview	1
	Developments in the global economy	2
	Medium term economic outlook for South Africa	2
	Performance and outlook for the Western Cape economy	4
	Labour market trends	6
	Conclusion with implications for budget policy	10
Chapter 2	From vision to action	13
	Introduction	13
	The role of the Province in promoting economic development	14
	Medium Term Budget Policy	16
	Policy effectiveness through provincial plans	17
	Creating an enabling economic environment	18
	What does our effort sum up to?	41
	Partnerships	45
Chapter 3	The resource envelope and financing issues	47
	Provisional transfers from National	49
	Provincial own receipts	55
	Conclusion and impact on services	60
Chapter 4	Expenditure trends	63
	Corporate Governance Framework	64
	Shifting the composition of expenditure	65
	2011/12 expenditure outcomes	71
	Efficiency in spending	72
	2012/13 mid-year estimates	73
	2012 Adjusted Budget	73
	Conclusion	74
Glossary		75

Tables

Chapter 1: Economic overview

1.1	Macroeconomic projections, 2011 – 2015	3
1.2	Western Cape economic outlook (year-on-year percentage change), 2012 - 2017	5
1.3	Labour market aggregates, 2008 and 2012	6
1.4	Recent labour market trends, 2011Q2 to 2012Q2	9

Chapter 3: The resource envelope and financing issues

3.1	Fiscal framework of the Western Cape 2012/13 – 2015/16	48
3.2	Impact on PES component shares between 2012 and 2013 MTEF	51
3.3	Revisions to the 2013 equitable share	51
3.4	Extended funding for Expanded Public Works	54
3.5	Estimated revisions to conditional grant baseline allocations for the 2013 MTEF	55
3.6	Summary of provincial own receipts by vote	56
3.7	Western Cape own receipts by source 2012/13 - 2015/16	57
3.8	Western Cape own receipts baseline changes	57

Chapter 4: Expenditure trends

4.1	Roads infrastructure: Committed funding in the AFR	68
4.2	City regeneration projects: Committed funding in the AFR	70
4.3	Expenditure by votes, 2011/12 - 2012/13 financial years	71

Figure

Chapter 1: Economic overview

1.1	Western Cape's fastest growing sectors, 2010	4
-----	--	---

Abbreviations

AIDS	Acquired immune deficiency syndrome
ART	Antiretroviral Treatment
ARV	Antiretroviral
BER	Bureau for Economic Research
BRIC	Brazil, Russia, India and China
CBD	Central Business District
CDW	Community Development Worker
CGRO	Corporate Governance Review and Outlook
CHBC	Community Home-Based Care
CHEC	Cape Higher Education Consortium
CPFs	Community Policing Forums
CPI	Consumer Price Index
CSC	Corporate Services Centre
CSP	Community, Social and Personal Services
CTICC	Cape Town International Convention Centre
DAFF	Department of Agriculture, Forestry and Fisheries
ECD	Early Childhood Development
EDP	Economic Development Partnership
EPWP	Expanded Public Works Programme
FAS	Fetal Alcohol Syndrome
FET	Further Education and Training
FGRO	Financial Governance Review and Outlook
FMC	Financial Management Capability
FMIP	Financial Management Improvement Plan
GAP	Governance Action Plan
GDP	Gross Domestic Product
GDP-R	Gross Domestic Product per Region
GMT	Government Motor Transport
HIV	Human immunodeficiency virus
ICS	Improvement of Conditions of Service
ICTs	Information Communication Technologies

IDIP	Infrastructure Development Improvement Programme
IDMS	Infrastructure Delivery Management System
IDP	Integrated Development Plan
IDZ	Industrial Development Zone
IMF	International Monetary Fund
IRR	Internal Rate of Return
LUPA	Land Use Planning Act
MDR	Multi-drug Resistant
MIG	Municipal Infrastructure Grant
MOD	Mass Opportunity and Development
MRF	Municipal Replacement Funding
MTEF	Medium Term Expenditure Framework
MVL	Motor Vehicle Licence
NCS	National Curriculum Standards
NHWs	Neighbourhood Watches
NREP	National Rolling Enforcement Plan
NSF	National Skills Fund
PES	Provincial Equitable Share
PMO	Portfolio Management Office
PRP	Provincial Regeneration Programme
PRT	Professional Resource Teams
PSDF	Provincial Skills Development Forum
PSOs	Provincial Strategic Objectives
PTB	Pulmonary Tuberculosis
PTMS	Provincial Transversal Management System
QLFS	Quarterly Labour Force Survey
RAF	Road Accident Fund
RCC	Rolling Continuation Channel
RTMC	Road Traffic Management Corporation
SAPS	South African Police Service
SARS	South African Revenue Service
SEZ	Special Economic Zone
SIPP	Saldanha Bay Infrastructure Pilot Project
SMMEs	Small Medium and Micro Enterprises
SPLUM	Spatial Planning and Land-Use Management
TB	Tuberculosis

TDR TB	Total Drug Resistant Tuberculosis
the dti	Department of Trade and Industry
TIA	Trade Investment Agency
U-AMP	User Asset Management Plan
V&A	Victoria & Alfred
WC MTBPS	Western Cape Medium Term Budget Policy Statement
WCED	Western Cape Education Department
WCG	Western Cape Government
WCIF	Western Cape Infrastructure Framework
Wesgro	Western Cape Investment and Trade Promotion Agency

1

Economic overview

Despite initial optimism, the global economic recovery has remained weak, with high levels of sovereign debt and high unemployment in developed countries compounded by slowing production and declining exports in emerging and developing countries. Risks to recovery remain, with great concern that already slow growth in the United States and Europe may decline further.

The interconnectedness of the South African economy with the global economy has left the domestic economy vulnerable. Being an emerging economy, however, growth prospects are optimistic, albeit moderate. While inflation is anticipated to remain within an acceptable range, rising food and oil prices and a weaker domestic currency are risks to the inflation outlook. The Provincial economy is expected to grow at an average annual growth rate of 3.9 per cent between 2012 and 2017. The risks to growth are emanating from the regional economy's exposure to the prolonged global economic slowdown via the export market and domestic policy uncertainty.

The response to the recent recession has been a significant decline in employment, with discouraged work seeker numbers increasing by 25.3 per cent per annum between 2008 and 2012, nationally. This was not the case for the Western Cape, which saw a decline in discouraged work seekers over the period.

Higher unemployment rates for young people between the ages of 15 to 24 and those with incomplete secondary school attainment remain a challenge.

While total employment has remained relatively stable in the Province over the last year, the narrow unemployment rate has increased to 23.1 per cent as the labour force continued to grow. Encouraging job creation growth, by improving access to employment opportunities, thus remains a priority.

Developments in the global economy

Further slowdown in developed country growth the main risk to global growth prospects

The global economic recovery remains weak and there are significant risks that the outlook may still weaken further. High levels of sovereign debt and unemployment in developed countries, combined with slowing production and exports in emerging and developing economies, have resulted in a synchronised global slowdown. However, growth in emerging and developing countries, despite the slowdown, is expected to continue to outpace that of developed countries. The main risks are that the already weak recoveries in key developed economies such as the United States and the European Union may stall further.

Global economic growth outlook revised downwards

As a result of the heightened risks, the International Monetary Fund (IMF) downwardly adjusted their expectation for global growth in their October forecast to 3.3 per cent for 2012, 0.2 of a percentage point lower compared to the July forecast, from 3.8 per cent growth recorded in 2011. Growth is predicted to pick up to 3.6 per cent in 2013, 0.3 of a percentage point lower than forecasted in July.

Medium term economic outlook for South Africa

The negative impact of the renewed slowdown in global demand on the South African economy was already evident in weaker export volumes in the second quarter of 2012. The current account deficit widened substantially to 6.4 per cent of Gross Domestic Product (GDP) from 4.9 per cent during the first quarter of 2012. Growth in exports is expected to moderate sharply to 0.5 per cent for 2012, from 5.9 per cent in 2011. The growth in imports is also predicted to decelerate, but at 6.3 per cent it remains substantially higher than export growth. As a result, the deficit on the current account is forecast to rise to 5.9 per cent of GDP in 2012 from 3.3 per cent in 2011 and to remain largely flat at 5.8 per cent in 2013.

In addition to concerns regarding the global economy, domestic factors - labour unrest in particular - have marred the prospects for the South African economy. The National Treasury estimates that R10.1 billion, or 0.3 per cent of GDP, worth of production value has been lost solely as a result of the disruptions to gold and platinum mining since the start of the year. The labour unrest also had a significant effect on investor confidence, with the rand exchange rate weakening substantially during the first few weeks in October 2012.

In addition to the more downbeat global economic outlook and the impact of strike action, forecasts also point toward lower growth in key private demand components such as household consumption expenditure. Household consumption has slowed since the start of the year amidst muted employment growth and moderating growth in real disposable income. As a result of these factors, the National Treasury estimates that growth in final household consumption will ease to 3.4 per cent in 2012 from 5 per cent in 2011.

In contrast, the growth in gross fixed capital formation is expected to improve from 4.4 per cent in 2011 to 5.2 per cent in 2012, mostly as a result of public sector led infrastructure spending while growth in private sector investment remains sluggish.

Overall, the National Treasury expects growth in the domestic economy to ease from 3.1 per cent in 2011 to 2.5 per cent in 2012. GDP growth is expected to recover to 3 per cent during 2013. A more meaningful uptick in GDP growth is only expected from 2014 onwards.

Moderate economic growth anticipated over the medium term

In contrast with the National Treasury, the Bureau for Economic Research (BER) expects economic growth to ease to 2.2 per cent in 2012, before accelerating to 2.6 per cent in 2013 and 3.8 per cent in 2014.

Table 1.1 Macroeconomic projections, 2011 – 2015

Calendar year	Actual	Estimate	Forecast		
	2011	2012	2013	2014	2015
<i>Percentage change unless otherwise indicated</i>					
Final household consumption	5.0	3.4	3.5	4.0	4.2
Final government consumption	4.5	3.7	3.5	3.5	3.2
Gross fixed capital formation	4.4	5.2	4.5	5.1	5.8
Gross domestic expenditure	4.3	4.1	3.8	4.4	4.7
Exports	5.9	0.5	3.5	5.8	6.5
Imports	9.7	6.3	6.4	7.4	7.6
Real GDP growth	3.1	2.5	3.0	3.8	4.1
GDP at current prices (R billion)	2 964.3	3 202.5	3 513.5	3 868.9	4 263.9
CPI inflation	5.0	5.7	5.5	5.1	4.9
Current account balance (% of GDP)	-3.3	-5.9	-5.8	-5.5	-5.5

Source: Budget Review/MTBPS

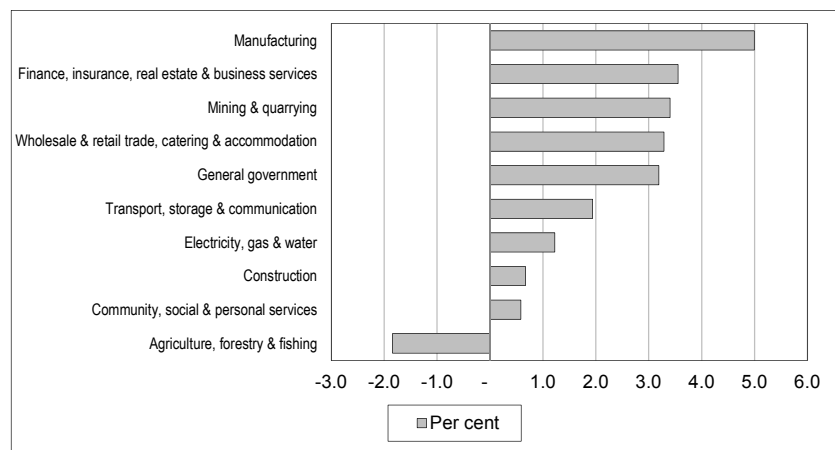
*Rising food and oil prices
and currency weakness
risk inflation outlook*

The National Treasury forecasts that the consumer price index (CPI) will average below the 6 per cent upper band of the South African Reserve Bank's inflation target, at 5.7 per cent for 2012 as a whole (with the latest CPI figure for September printing 5.5 per cent). Consumer price index is expected to ease to 5.5 per cent in 2013 and is predicted to remain anchored below the upper band for the duration of the forecast period, rising by only 4.9 per cent in 2015. Given rising international food prices, higher petrol prices and a weaker exchange rate, the short-term risks are stacked against lower consumer inflation.

Performance and outlook for the Western Cape economy

Western Cape economic growth increased to 3 per cent in 2010 after having contracted by 1.2 per cent (at basic prices) in 2009. The fastest growth was registered by the manufacturing sector which, after shrinking by 8.6 per cent in 2009, grew by 5 per cent in 2010. However, the biggest contributor to growth in 2010 was the finance, insurance, real estate and business services sector which, although only growing by 3.6 per cent, contributed 1.1 percentage points to overall growth. This sector represents approximately 31 per cent of economic activity in the Western Cape.

Figure 1.1 Western Cape's fastest growing sectors, 2010



Source: StatsSA

As a result of the increased activity in the tertiary sector, economic activity in the Western Cape is expected to have picked up to 3.3 per cent in 2011. However, in line with the outlook for the international and domestic economy, growth in the Western Cape is forecast to slow in 2012. Although, up to recently not as affected by labour unrest due to the small

contribution of the mining sector to overall Western Cape economic activity, the spread of unrest to the agricultural sector, will place growth under pressure with slower income growth likely to impact negatively on the services based Western Cape economy.

Overall, growth is predicted to slow to 2.9 per cent in 2012 before accelerating somewhat to 3.6 per cent in 2013. Thereafter, growth is forecast to remain stable at just above 4 per cent between 2014 and 2017, averaging growth of 3.9 per cent over this forecast period.

Provincial economy expected to grow on average by 3.9 per cent between 2012 and 2017

Table 1.2 Western Cape economic outlook (year-on-year percentage change), 2012 - 2017

Sector	2012	2013	2014	2015	2016	2017	6 - year average growth
Agriculture, forestry & fishing	-0.5	2.4	3.2	3.3	2.7	2.9	2.3
Mining & quarrying	-2.7	1.6	1.5	1.6	1.6	1.8	0.9
Manufacturing	2.4	2.4	3.1	3.4	3.5	3.6	3.0
Electricity, gas & water	1.0	2.3	2.3	2.0	2.3	2.5	2.1
Construction	2.8	4.7	5.0	5.2	5.5	5.5	4.8
Wholesale & retail trade, catering & accommodation	3.8	2.8	3.2	3.4	3.8	4.0	3.5
Transport, storage & communication	3.1	5.8	5.1	5.5	5.6	5.4	5.1
Finance, insurance, real estate & business services	3.4	4.4	5.4	5.3	5.4	5.2	4.8
Community, social & personal services	2.3	2.7	2.8	2.9	2.7	2.6	2.7
General government	2.6	2.3	2.4	2.6	2.4	2.5	2.5
Total	2.9	3.6	4.1	4.2	4.3	4.3	3.9

Source: BER/Quantec

The tertiary sector is set to be the main driver of growth over the 6 year forecast period, led by the transport, storage and communication sector which is expected to grow by an average of 5.1 per cent. This is followed by growth in the finance, insurance, real estate and business services and construction sectors. Both are expected to grow at an average of 4.8 per cent over the forecast horizon (see Table 1.2 above).

Tertiary sector main driver of growth over next six years

Given the downward adjustments to global and national economic growth forecasts, the risks to the Western Cape economic outlook are clearly tilted to the downside. Key risks include:

- A more prolonged global slowdown which would adversely affect exports, especially with the bulk of the Western Cape's exports still bound for developed countries and European economies in particular; and
- Domestic policy uncertainty which could continue even after key political meetings later this year.

Labour market trends

Rapid growth in discouraged work seekers nationally, in contrast with Province

While economic growth has recovered since the recession of late 2008, the labour market has not. The immediate labour market reaction to the recession was a rapid loss of jobs, with more than one million jobs lost, nationally, between the fourth quarter of 2008 and the third quarter of 2010. Expanded unemployment has grown rapidly over the period, both nationally and provincially, although for different reasons. Nationally, expanded unemployment grew by an average of 8.3 per cent per annum between the first quarter of 2008 and the first quarter of 2012, driven primarily by a massive increase in the number of discouraged work seekers, which grew by 25.3 per cent per annum. Provincially, however, growth in expanded unemployment occurred despite declining trends in the number of discouraged work seekers, originating instead in growth in narrow unemployment.

Table 1.3 Labour market aggregates, 2008 and 2012

	2008Q1	2012Q1	Change	
	'000	'000	'000	Per cent
Western Cape				
Working age population	3 273	3 504	232	2.3 p.a.
Employment	1 816	1 853	37	0.7 p.a.
Narrow unemployment	393	546	153	11.6 p.a.*
Narrow labour force	2 209	2 398	190	2.8 p.a.
Expanded unemployment	438	574	136	9.4 p.a.*
Expanded labour force	2 254	2 426	173	2.5 p.a.
Discouraged work seekers	45	28	-17	-14.4 p.a.
South Africa				
Working age population	30 963	33 000	2 037	2.1 p.a.
Employment	13 778	13 447	-332	-0.8 p.a.
Narrow unemployment	4 222	4 526	305	2.3 p.a.
Narrow labour force	18 000	17 973	-27	0.0 p.a.
Expanded unemployment	5 400	6 862	1 461	8.3 p.a.*
Expanded labour force	19 178	20 308	1 130	1.9 p.a.*
Discouraged work seekers	1 179	2 335	1 157	25.6 p.a.*

Note: An asterisk (*) denotes a statistically significant change between 2008 and 2012 at the 95 per cent level of confidence.

Source: Own calculations, Statistics South Africa (2008; 2012)

Limited progress has been made in South Africa over the past four years, towards addressing historical patterns of labour market disadvantage. However, it must be noted that recent labour market conditions have not been conducive to making significant improvements. This is also reflected in the provincial labour market. Relative to their shares of both the working age population and the labour force, Africans remain under-represented in total and formal sector employment, and over-represented in unemployment. Their rate of unemployment is also considerably higher than the provincial average. However, labour force participation amongst Africans in the Province is significantly higher than is the case nationally, being virtually indistinguishable from that of other race groups in the Province, and the African share of provincial employment (28.6 per cent) is more than two percentage points higher than in the first quarter of 2008.

The youth continue to face significant labour market challenges. The unemployment rate for 15 to 24 year olds, at 45.1 per cent in the first quarter of 2012, is twice the provincial average (22.8 per cent). Over the past four years, however, the size of the 15 to 24 year old labour force in the Western Cape has remained constant, with decreased employment balanced by increased unemployment. In essence, this means that the rise in the rate of unemployment amongst 15 to 24 years olds observed between 2008 and 2012 in the Province has been due to net job losses for this cohort, rather than growth in the size of the cohort.

High unemployment rate amongst youth

The age-related challenges within the labour market are interwoven with those related to education. Provincial unemployment rates for educational categories up to and including grade 12 are statistically indistinguishable from the provincial average, while the likelihood of unemployment is significantly lower for those with post-secondary qualifications. Unemployment of those with incomplete secondary education has grown rapidly over the period, with the number of unemployed matriculants growing at a similar rate. Together, these two groups account for 82 per cent of unemployment and 95 per cent of unemployment growth. At the same time, skilled occupations, while dominant within formal sector employment, account for a smaller proportion of employment in the province than in the country as a whole. These trends point to the urgent need for effective policy interventions aimed not only at encouraging individuals to remain in education to complete grade 12, but also to ensure that more matriculants continue on to further and higher education. For

Rapid growth in unemployment for those with incomplete secondary education

those who have already dropped out prior to completing matric, programmes designed to facilitate either re-entry into secondary education or the transition into further education and training are particularly important.

Tertiary sector employs two-thirds of those formally employed

In the Western Cape, the formal sector is particularly dominant within employment, accounting for 84.3 per cent of employment compared to 75.1 per cent in South Africa as a whole. Changes in agricultural employment over the period are not statistically significant. Apart from a relatively large agricultural sector, and relatively small mining and Community Social and Personal (CSP) services sectors in the Province, the sectoral structure of employment is quite similar in the Province and South Africa as a whole: two-thirds of provincial formal employment is located in the tertiary sector, with 25.3 per cent in the secondary sector. The largest employment sectors in the province are CSP services (22.6 per cent of employment), wholesale and retail trade (20.6 per cent), financial and business services (17.6 per cent) and manufacturing (17.6 per cent).

Provincial unemployment rate of 23.1 per cent

Employment is estimated at just over 1.8 million in the second quarter of 2012 – the most recent Quarterly Labour Force Survey (QLFS) data available at the time of print – and has remained at roughly that level over the past year. Nationally, employment is roughly 2.5 per cent higher than in second quarter of 2011 at almost 13.5 million, although this difference is not statistically significant. There have been slight, although statistically insignificant, increases in the number of unemployed individuals in the Province, irrespective of the definition of unemployment used. The narrow unemployment rate in the Western Cape is 23.1 per cent, which is slightly lower than the national average of 24.9 per cent. However, including discouraged work seekers raises the provincial unemployment rate to 24.1 per cent, which is more than nine percentage points lower than the national rate of 33.5 per cent.

Table 1.4 Recent labour market trends, 2011Q2 to 2012Q2

	2011Q2	2011Q3	2011Q4	2012Q1	2012Q2	Change	
						Absolute	Relative (%)
Western Cape							
<i>Aggregates ('000)</i>							
Working age population	3 456	3 473	3 490	3 504	3 522	66	1.9
Employment	1 806	1 810	1 848	1 853	1 821	15	0.8
Narrow unemployment	504	550	507	546	548	44	8.7
Narrow labour force	2 310	2 360	2 355	2 398	2 369	59	2.5
Expanded unemployment	538	581	553	574	578	40	7.4
Expanded labour force	2 345	2 391	2 401	2 426	2 400	55	2.3
Discouraged work seekers	34	30	46	28	31	-4	-11.4
Rates (per cent)							
Narrow Unemployment	21.8	23.3	21.5	22.8	23.1	1.3	
Expanded unemployment	23.0	24.3	23.0	23.7	24.1	1.1	
Narrow LFPR	66.8	68.0	67.5	68.4	67.3	0.4	
Expanded LFPR	67.8	68.8	68.8	69.2	68.1	0.3	
South Africa							
<i>Aggregates ('000)</i>							
Working age population	32 652	32 765	32 888	33 000	33 137	485	1.5
Employment	13 148	13 344	13 525	13 447	13 477	329	2.5
Narrow unemployment	4 538	4 442	4 244	4 526	4 470	-68	-1.5
Narrow labour force	17 686	17 786	17 769	17 973	17 947	260	1.5
Expanded unemployment	6 745	6 646	6 561	6 862	6 783	38	0.6
Expanded labour force	19 893	19 990	20 086	20 308	20 260	367	1.8
Discouraged work seekers	2 207	2 204	2 317	2 335	2 314	107	4.8
Rates (per cent)							
Narrow unemployment	25.7	25.0	23.9	25.2	24.9	-0.8	
Expanded unemployment	33.9	33.2	32.7	33.8	33.5	-0.4	
Narrow LFPR	54.2	54.3	54.0	54.5	54.2	-0.0	
Expanded LFPR	60.9	61.0	61.1	61.5	61.1	0.2	

Source: Own calculations, Quarterly Labour Force Surveys 2011Q2 - 2012Q2 (Statistics South Africa 2011, 2012)

The Province differs from the country as a whole in that it has relatively few discouraged work seekers: just 1.3 per cent of the expanded labour force in the Province is classified as discouraged work seekers, compared to 11.4 per cent, nationally. The main reason suggested for this difference is the lack of deep rural areas in the Province when compared with other parts of South Africa. Further, labour force participation rates – the proportion of individuals in the working age population that are part of the labour force – are substantially higher in the Western Cape. In the second quarter of 2012, 68.1 per cent of the working age population form part of the broad labour force in the Western Cape compared to 61.1 per cent, nationally.

Conclusion with implications for budget policy

High sovereign debt levels and high unemployment in developed countries, coupled with slowing production and declining exports in developed countries has led to a weakened recovery in global economic growth. Risks to growth prospects include further slowdown in economic activity in developed countries, in particular in the United States and Europe.

The South African economy is expected to grow moderately over the medium term, with more optimistic growth prospects for the outer years. While inflation is expected to remain within an acceptable range, exogenous factors risk the inflation outlook.

The Western Cape growth forecast remains more optimistic, despite the provincial economy's exposure to the prolonged global economic slowdown via exports to developed countries. The tertiary sector is anticipated to drive regional growth over the next 6 years. Risks to the growth outlook include a protracted global economic recovery adversely affecting regional exports, domestic policy uncertainty and labour unrest.

Moderating economic growth, stagnant employment and rising unemployment levels weigh heavily on regional economic prospects. Creative and innovative growth strategies are thus required to enable economic growth, the success of which requires partnerships with business and labour. Addressing the unemployment problem and improving access to employment opportunities, particularly for the youth, also remains a priority.

A revealed comparative advantage in a number of sectors, such as a finance and insurance, business service, wholesale and retail trade and agriculture, holds much potential in taking the regional economy forward. A new role awaits agriculture in the world economy as the burgeoning population numbers exert pressure on the supply of food. However, the tertiary sector remains the main sector driving growth going forward. Nonetheless, the recovery and growth of the manufacturing sector, a key employer in the Western Cape, provides new prospects for labour absorptive growth.

One of the clear engines for regional growth is the expansion of existing exports markets and exploration of new export markets. While the importance of traditional markets is retained, tapping into emerging economy markets holds the greatest potential for regional export expansion. In order to take advantage of the

more optimistic conditions within emerging market economies, the regional economy should look towards diversifying its current set of export destinations, including growing its share of exports to non-traditional markets such as Brazil, Russia, India and China (BRIC). Successful penetration of these markets lies in the pursuit of greater competitiveness and more diversity in the basket of export products.

Encouraging growth in industries with an identified comparative advantage, whilst increasing the labour absorptive capacity of the economy, should be central to the strategy. In this regard partnerships, particularly at the local level, will play an increasingly important role in economic development activities going forward.

Careful consideration must also be given to the spatial dimensions of economic growth and growth potential. Infrastructure development is of key importance to economic development and should be pursued as a specific strategy.

Infrastructure investment, both in economic and social infrastructure, should be targeted to where and when it will have the most impact. Delivering infrastructure that links key industries in the value chain with one another and with the appropriate labour, logistic development and trade facilitation, can be a key enabler for economic growth.

Economic development is dependent on ensuring appropriate skills are developed to support the emergence and expansion of key sectors. Skills development should be done in conjunction with improving education quality and outcomes, key of which is retaining learners in school, and addressing the high levels of youth unemployment.

Overall, critical to success would be effective implementation of all policy programmes and initiatives, which may need to take place transversally across departments and functions.

2

From vision to action

Introduction

Government actions have been targeted to improve the reach and access to quality social and economic services; establish a sustainable environment conducive to economic growth and redistribution; strategically place South Africa on the international stage. These efforts will better position Government to exploit opportunities to improve market access in existing and new trade markets; and build a more caring and secure society.

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

Many critical challenges remain, which include high levels of inequality, widespread unemployment and poverty, inadequate rates of savings, investment and economic growth, a low and inappropriate skills base, and high rates of crime and other social ills.

The previous chapter provided an overview of the most recent global, national and regional economic developments in the Province. Provinces, however, do not have conventional policy tools at their disposal, such as the macroeconomic and trade and industrial policy instruments available to national government to directly influence economic outcomes. However, there has been some recognition that there is a role for provinces in influencing and shaping economic development and accelerating regional and indirectly overall economic growth of the country.

Provincial government is the implementing agent for several government services

The major concurrent functions shared between national and provincial governments include school education, health services, social welfare services, housing, public works, roads and agriculture. Provinces are the main implementing agents for these functions in accordance with the nationally determined framework to which provinces can provide input.

The Province therefore plays a key role in human capital formation through the education and health systems, and contributes to the competitiveness of the economy through infrastructure development, particularly transport infrastructure (e.g. roads) and other social infrastructure that facilitates basic social services such as schools and hospitals. These functions (particularly health and education) also account for the largest proportion of public spending in the Province.

Irrespective of assigned functions, provinces, as one of the spheres in the intergovernmental system, must work in partnership with the other two spheres of government. This partnership is especially important in the Western Cape where the City of Cape Town dominates not only the economy but also the population of the Western Cape.

The focus of provincial fiscal policy in its broadest sense is to improve the welfare of communities and specifically to address the problem of poverty. This is a dynamic problem covering many facets of economic and social development. More and more it is becoming evident that the most sustainable means of alleviating and reducing poverty is to create an environment that favours sustainable economic growth and job creation.

The role of the Province in promoting economic development

Pursuing economic outcomes requires a longer term perspective. The long-term perspective is important for programmes and projects where it is imperative to develop policies and plans that have a time horizon stretching forward beyond the Medium Term Expenditure Framework (MTEF), to the next ten, twenty or even thirty years.

The WCG wants to achieve a better quality of life for all

One of the key objectives of the Western Cape Government (WCG) is to raise the rate of sustainable growth and achieve a better quality of life, with economic and employment opportunities for all. This is imperative for the country as a whole and for the region. Given the limited conventional policy tools available to a regional government to directly influence economic outcomes, the structure of the South African

economy and intergovernmental system, the role of the Province in economic development becomes crucial to consider.

New theories of growth and economic geography highlight the spatial dimensions of the growth process, acknowledging that the distribution of economic activity across space is concentrated and uneven.

There is increasing recognition that cities (and towns) and regions are often the engines of economic growth. Half the world's population currently lives in cities and generates more than 80 per cent of world Gross Domestic Product (GDP).

Half the world's population currently lives in cities

Agglomeration economies are the advantages derived through the spatial concentration of economic activities as a result of increasing returns. There are three reasons for this kind of economic concentration. The concentration of firms in a particular location provides a pooled market for workers with specialised skills, localised industries facilitate the development of specialised inputs and services and localisation enables firms to benefit from technological spill overs¹.

This spatial concentration of economic activity, often associated with urbanisation, is an important driver of growth. It also suggests that as a result of increasing returns and other market forces economic performance and hence economic development between and across regions may diverge.

The relevance of these trends for the role of the Province in economic development is that it helps us to understand that spatial concentration itself creates the favourable economic environment that supports further concentration and by implication, accelerated economic development. In other words, concentration results in increasing returns which is necessary for the attainment of accelerated economic growth.

Spatial concentration creates a favourable economic environment

The implication of this is that a differentiated approach to economic development can accelerate economic development in regions where agglomeration economies exist. Allowing faster growing regions to grow even faster will generate more future resources for economic development, and indeed also welfare, whilst taking a differentiated approach to boost the performance of and deal with the economic realities of the other regions.

¹ Identified by Alfred Marshall

The principle of supporting and reinforcing areas of agglomeration can be applied generally e.g. between urban and rural but also within both urban and rural environments, between economic sectors but also within an economic sector and within and across a country, province, city or town.

The WCG, in addressing the nature and spatial dimension of its investment, has already started with efforts to shift the composition of its spending away from current consumption (from personnel and recurrent expenditure categories) towards investment expenditures that will yield economic and social benefits (capital and infrastructure) over the medium to longer term.

Improvement of infrastructure development

The Western Cape Infrastructure Workgroup aims to improve infrastructure development in a transversal manner and to optimise the impact of Provincial investment. This workgroup is in a process of developing an overarching Western Cape Strategic Infrastructure Plan. The workgroup is transversal across the 3 spheres of Government as well as other stakeholders in infrastructure development. The eventual plan is to inform the investment decisions across all sectors.

This paradigm will be supported through the development of the Western Cape Infrastructure Framework (WCIF) 2012 - 2030 and the Saldanha Bay Infrastructure Pilot Project (SIPP). These initiatives will define long-term cross-sectoral infrastructure priorities triggered by the provincial strategic objective outcomes for infrastructure to address the overarching void in social, cultural and market driven strategic infrastructure delivery needs. The WCIF intends to define a common understanding of the overall provincial infrastructure needs in areas of economic growth.

The WCIF will further be supported by the development of a Provincial Spatial Development Framework and the related Provincial Spatial Plans.

Medium Term Budget Policy

Provisioning of appropriate economic and social infrastructure

Two areas where provinces can play a significant role given their location in the intergovernmental system is in providing appropriate economic and social infrastructure where and when it will have the most powerful impact and the creation of human capital. International developing country experience reinforces that both of these are equally critical to any successful strategy to achieve accelerated economic growth. Provinces therefore have an essential role to play in ensuring

that the education and training system is responsive and effective in providing the human capital that an evolving and dynamic regional economic system requires.

The Province has a key role to play in addressing the structural constraints that will make the country internationally competitive and reduce unemployment.

It is accepted that higher economic growth objectives can be achieved from infrastructure investment in regions of economic agglomeration. Faster economic growth in provinces will generate faster growth and more fiscal resources for the whole economy.

Within the ambit of regional economic development, attention is focused on creating the optimal enabling environment for business, commerce, communities and consumers to attain social and economic development strategic objectives for growing and transforming the regional economy.

Policy effectiveness through provincial plans

The WCG in pursuit of higher economic growth and employment has directed funding to support investment in economic infrastructure such as roads, ports, broadband telecommunications and information technology infrastructure that has the ability to yield a positive internal rate of return (IRR). If applied correctly, these yields could support sustainable investment into social infrastructure.

Funding will support economic infrastructure

Efforts will also be directed towards improvements in, amongst others, education and health, increasing safety, reducing poverty and promoting social inclusion. Emphasis is furthermore given to a Provincial Regeneration Programme (PRP) that seeks to unlock value within the Provincial property portfolio.

These initiatives are in response to the results of the WCG's prioritisation model. This model is designed to achieve the optimal allocation of fiscal resources between government programmes and projects. The prioritisation model is further consistent with a balanced approach between responsiveness, sustainability, efficiency, effectiveness and the promotion of Provincial Strategic Objectives (PSOs) and integration.

Creating an enabling economic environment

Creating opportunities for growth and jobs

The reduction of red tape is an important contributor to creating an enabling economic environment within the Western Cape. To this end, a business call centre has been established as a platform to influence the processing time of building plans, the quick resolution of Western Cape South African Revenue Service (SARS) issues and easy access for business registration. Further initiatives include overhauling the procurement process by introducing electronic registration and quotations and scrapping registration costs for Small-Medium-Enterprises and improving the regulatory processes involving environment- and land management.

Building partnerships in economic development

Establishment of the EDP to drive economic development

Provincial Government has facilitated the establishment of the Economic Development Partnership (EDP) to lead, co-ordinate and drive economic development in the Province. The EDP will drive its own research involving all key stakeholders on a voluntary basis.

The EDP, functioning under the auspices of the Department of Economic Development and Tourism, is a cross-sector partnership that focuses on mobilising a wide-range of socio-economic stakeholders towards a more inclusive and resilient regional economy. The EDP is constituted as an independent, membership-based non-profit organisation, and has been registered as a legal entity in 2012.

One Cape 2040: A Vision for more opportunities

The One Cape 2040 research programme currently led by the EDP, has created a vision for the Western Cape Province wherein society will be highly skilled, innovation driven, resource efficient, connected, collaborative, and affording more opportunities.

The EDP has set out a long term change roadmap wherein the preparatory phase (2012 - 2019) will create a platform that will consist of fixing the school system by providing intensive support to poor performing schools, introducing a universal Grade R by the end of the period, and improving post-school training.

Market access

Improving market access contributes to stimulating trade and investment and is probably one of the most important enablers in the economy as it contributes to establishing and expanding businesses and creating employment opportunities.

The retention of our existing trade markets and the need to explore opportunities for expansion of markets such as South America, India, Africa and China has become imperative for sustained economic growth.

A need to explore opportunities for expansion of markets

South Africa's trade policy and protocols are mainly housed within the Department of Trade and Industry (**the dti**) and through its Trade Investment Agency (TIA). The agricultural equivalent is housed at the Department of Agriculture, Forestry and Fisheries (DAFF).

The Western Cape Investment and Trade Promotion Agency (Wesgro) has been tasked to promote trade market access, investment and to unblock any trade or market access constraints. The Agency is influencing the supply side of exports by providing support and information to new entrants of the export market. The Province also has a role to play in penetrating new export markets through establishing networks and opening new opportunities to create co-operation agreements with foreign government structures and assisting with compliance to export destination standards.

To promote and nurture Western Cape agricultural exports, the Provincial Government is involved in various ventures of which veterinarian services plays a pivotal role. By way of an example, responding to the ban of ostrich meat exports to the European Union due to the Avian Influenza. Fortunately, the outbreak has largely been brought under control so that exports can be reinstated in the foreseeable future.

The Province is also developing a strategy to increase export market share in agro-processing and to provide associated support to the agricultural export fraternity. This strategy includes better access to information, facilitating export into relatively untapped markets such as the African continent.

Increasing market share for agro-processing

The effect of the pollution in the Berg River and climate change on agriculture in the Western Cape will also impact on the sustainability and competitiveness of agricultural products. In response to this effect the Provincial Government will assist at least 4 200 farmers in improving choices in farming activity, the better use of natural resources (water and land) and conservational agricultural practices.

Furthermore, over the 2013 MTEF the drive to collectively and progressively rehabilitate the Berg River will continue.

A Western Cape Sustainable Water Management Plan has been developed for managing water resources. The overall aim of the Water Plan is to foster sustainable water management in the Province, so that the growth and development needs of the region are met without compromising ecological integrity.

Broadband telecommunication strategy

High speed internet access for government, business and communities is an essential element for the development of a globally competitive environment. It provides an ideal enabling environment for effectiveness, innovation and economic growth, particularly in key economic sectors, industries, Small Medium and Micro Enterprises (SMMEs) and entrepreneurship development.

Transformation of Provincial Government services

The Provincial e-Government Strategy 2012 - 2019 was released for comment in September 2012. Not only is the Strategy aimed at improving internal abilities at a provincial/transversal level but importantly also improving accessibility to services for the benefit of communities and businesses.

The telecommunications project therefore aims to create an enabling environment for the creation of broadband infrastructure and skills that will be used to:

- Improve provincial and local government service delivery (connected government);
- Improve community access to communications infrastructure, information and opportunities – broadening their participation in society (connected citizens);
- Increase access to new opportunities and markets, while making the business environment more competitive (driving productivity); and
- Creating an environment for new kinds of service oriented businesses in the local, national and international space (connected economy).

As part of the telecommunication strategy roll-out, Government aims to connect government facilities and schools in the Province to the broadband network over the MTEF.

Saldanha Bay Industrial Development Zone

The Saldanha Bay Industrial Development Zone (IDZ) will distinguish itself through two key factors which include the initial sector-specific focus, i.e. the Oil and Gas and marine repair cluster; and the demarcation of a free zone which includes the Port of Saldanha Bay. The establishment of a project office to co-ordinate planning for and the implementation of mega infrastructure investments to support this Industrial Cluster is also envisioned.

The establishment of the Saldanha Bay IDZ includes the Port of Saldanha Bay

Wesgro has established a programme tasked with the establishment of the Saldanha Bay IDZ. A feasibility study was completed in 2012 with the next steps being the development of a business plan, the establishment of a legal entity and the application procedure for IDZ status with **the dti**.

The business plan outlines the implementation of the development of the IDZ in Saldanha Bay, as part of the application to **the dti**'s Manufacturing Development Board for IDZ designation in the Saldanha Bay area. The final desired outcome is the acquisition of an IDZ programme designation and permit that has been approved and ratified by **the dti** and National Cabinet.

Rural development

The Provincial Government is committed to ensuring that at least 60 per cent of all agricultural land reform projects in the Western Cape succeed by 2014. To monitor progress, an internal survey process was developed in 2011, with an independent survey for verification of the initial outcomes.

Increasing Opportunities for Growth and Development in Rural Areas

The commodity approach to farmer support has been established as a means of integrating new farmer entrants to mainstream agricultural networks in the Province. This approach enables project allocation committees, with members of both the private and public sector, to contribute to the farm assessment and planning processes as well as allocation of conditional grant funding. In addition, the commodity approach creates the opportunity to leverage private sector funds to compliment government investment.

Ten rural development nodes have been established in the Province. The organisational structures required to complete the 5-phased approach to prepare these communities for economic development, has also been established. About 530 temporary jobs have been created and another 1 000 is planned. The Department of Agriculture is coordinating the

implementation (and funding) of these projects by national, provincial and local governments.

Agricultural research is focussed on commodities grown in the Province, and the Department has been tasked to coordinate agricultural research with private, academic and public sector organisations. The research outputs form the basis for extension, advisory services and training within the Department as well as for the smallholder and commercial farmers in the Province.

Other agricultural services i.e. veterinary, sustainable resource management, training, agricultural extension and advisory as well as agricultural economics form the backbone for increased production – a 10 per cent increase over the next 10 years.

Green economy

The green economy has the potential of becoming the principal driver of investment and growth in the Western Cape, outstripping the current mainstay sectors. By way of example, the national renewable energy programme, recently expanded, will generate an estimated investment of around R150 billion over the next 7 years – most of which will be based in the Western, Eastern and Northern Cape Provinces.

On the back of the localisation policy, this will stimulate a renewable energy manufacturing and services sector. Additionally, all three spheres of government have significant infrastructure investment plans that will increasingly include a 'greening' or 'adaptability' component, which again will offer further market opportunities. An example within the built sector is the commitment to sustainable energy solutions in all WCG owned buildings.

100 per cent commitment and leadership for the green economy initiatives

The green economy is transversal and there are programmes and plans already underway that support this sector. The ultimate aims are to derive realistic and practical overall strategic frameworks to identify possible private sector investment cases in support of green investment growth; and to identify economic opportunities and to facilitate their realisation.

The WCG's 110 per cent Green Initiative was launched earlier this year. This initiative demonstrates the Province's commitment and leadership to create connections between the green and the general economy through practical action at all levels of society.

Infrastructure development

The Province via its Department of Transport and Public Works is the custodian for a sizeable property portfolio incorporating 6 087 state owned buildings and structures varying in age from a few hundred years old to new.

The PRP was approved by Cabinet in 2010 with the aim of utilising the Province's immovable properties as a catalyst to attract private sector investment and provide added revenue. Many of the current properties are not utilised to its full potential and making them available for development proposals should encourage new investment, encourage new businesses, create new jobs, provide opportunities for well-located housing and importantly, generate an income stream to cross-subsidise social projects.

Utilising WCG properties as a catalyst for private sector investment

The sum total of landholdings currently under development by this programme amounts to over 1 000 ha of developable land in the Metro alone.

The Strategic Framework for the PRP approved by the WCG made provision for six precincts, i.e.:

- Artscape Founders Garden – The development of this property aims to increase the opportunities for the Western Cape to celebrate its Cultural heritage. This development will provide more opportunities for citizens of the Province to both participate and experience arts and cultural activities. The property will be developed in conjunction with the Cape Town International Convention Centre (CTICC) and Artscape expansion programmes. The Cape Town International Convention Centre's primary mission is to grow business tourism, to attract large international and national gatherings of high-spending visitors, most of whom would not otherwise have visited Cape Town and the Western Cape as leisure tourists;
- Somerset Precinct – The development of this property aims to contribute to the creation of good quality, efficient and sustainable urban environments and is widely accepted to be the most valuable piece of real estate in government ownership. It entails as a first phase in redeveloping this site, the relocation of the National Health Laboratory Services (NHLS). The relocation of the NHLS is one of the key enabling issues that must be addressed in order to unlock the development potential of the Somerset Precinct;

- Prestwich Precinct located next to the entrance to the Victoria & Alfred (V&A) Waterfront – the development of this property offers unique opportunities for urban upgrade and inner city living and working;
- Government Garage Precinct located next to Parliament – the development of this property is aimed at delivering a residentially led mixed – use, mixed-income development of metropolitan scale – which is ideally suited to bring people right into the heart of the city;
- Government Head Office Precinct – this project aims to rationalise WCG departments within a precinct within the Cape Town CBD and to reduce the quantity of leased premises; improving effectiveness and efficiency; and
- Two Rivers Park Precinct – (consisting of the underutilised Oude Molen, Valkenberg and Alexandra properties alongside the Black and Liesbeeck Rivers). This precinct offers the Province with an opportunity to build a truly unique integrated and sustainable science, technology and residential neighbourhood.

Roads

The Province is also responsible for the planning and provision of new and upgraded roads as required and maintenance of the existing road network of 32 212 km, managing to keep the condition of the road network in a reasonably good state. There is, however, a phenomenal growth in the number of roads in need of rehabilitation due to the condition being past their planned economic life expectancy.

New projects will specifically promote the economic growth initiatives in the Province

A target to reduce the road maintenance backlog by 16 per cent has been set for 2014 to increase access to safe and efficient integrated transport, which is also a strategic priority. Projects identified to specifically promote the economic growth initiatives in the Province include the upgrading of the remaining section of the Divisional Road 1205, between Gansbaai and Bredasdorp from gravel to surfaced; the upgrade of the Wingfield interchange pre-stressed bridges and improving the road network in support of the Saldanha Bay IDZ and the Port expansion.

The N1 and N7, as land-based transport corridors, consist of both rail and roads which link the CBD and International Port of Cape Town to the rest of South Africa. The highest traffic volumes within the Western Cape, approximately 250 000 vehicles per day, pass through the N1:N7 Interchange.

As such, the Wingfield, (N1:N7), Interchange is a node of strategic significance. The upgrading of this Interchange and supporting road improvements will improve the accessibility into the Cape Town CBD and Port on both the N1 and N7.

Construction of the Wingfield interchange should be completed by end 2018/19

Replacing the Interchange, while minimising the impact on the Western Cape's economy during its implementation, requires an integrated and co-ordinated approach.

It is anticipated that 50 per cent of the design stage will be completed by the end of the 2014/15 financial year. Construction of the Interchange is planned to commence on completion of the design and the surrounding road improvement. The total cost of this mega project is estimated to amount to R1.255 billion and should be completed by end 2018/19.

The regional freight links between **Saldanha Bay - Vredenburg**, Cape Town and the N7, must be retained and upgraded to ensure the success of the Saldanha Bay IDZ project. The freight corridors include the R45 and the R27 and will service both the Saldanha Bay IDZ and the Port. This project will further review the local network system required to support these freight corridors between Langebaan – Saldanha Bay and Malmesbury and Cape Town.

The total estimated cost of this project is approximately R524.31 million. The construction of the 6 km link road with the interchange on the R27 will commence in 2014/15 followed by the upgrading of the R45 to the N7. The third phase includes the upgrading of the R27 to the Melkbos interchange.

The upgrading of the remaining 27.5 km of the Divisional Road 1205, (DR 1205), between Gansbaai and Bredasdorp from gravel to surfaced will commence in March 2013 and is planned to be completed by the 2015/16 financial year.

The DR 1205 will contribute to agriculture and tourism initiatives

This road will be transformed from a rural to a scenic route, which passes through the Elim Valley, linking Gordon's Bay to Cape Agulhas via Hermanus and Bredasdorp. This project also forms part of the Whale Route, an essential bulk infrastructure requirement in support of all the growth and development initiatives, mainly agriculture and tourism, promoted within the area by all sectors of government within the Overberg Area. This investment by the Provincial Government will further provide the necessary impetus for improvements to the local nature reserves in the area; i.e. De Hoop Nature Reserve.

The project approved for implementation has an estimated cost of R292.96 million.

Both the roads and regeneration development programmes are highly complex, even to the level of PPPs and will require cross-cutting supply chain management interventions inclusive of general goods and services, infrastructure procurement and disposal as well as property management.

Protecting the natural environment

It is a necessity to enhance informed decision-making to sustain and strengthen the natural environment within the broader objective of growing the economy. The Department of Environmental Affairs and Development Planning intends to build and expand the broad sustainable agenda within the Province.

Support to municipalities to promote sustainability

At the provincial level, the piloting of departmental-specific 'Guidelines for the Embedding of Sustainability' is to be collaboratively developed and implemented for each Department sequentially over the 2013 MTEF. The promotion of sustainability at the local government level include supporting an increasing number of municipalities over the 2013 MTEF in developing their sustainable development frameworks, climate change adaptation plans, sustainable energy as well as integrated waste management plans.

The Department is gearing towards the implementation of the Western Cape Land Use Planning Act (LUPA) over the 2013 MTEF. This is underpinned by a revised system for provincial spatial planning and development management. The Western Cape LUPA is to constitute the regional blueprint for the National Spatial Planning and Land-Use Management Bill (SPLUM).

The Provincial Disaster Management Centre has been tasked with the prevention and timely response to natural disasters

To further protect the environment and communities the Provincial Disaster Management Centre has been tasked with the prevention and timely response to natural disasters. A particular focus is on enhancing wild land fire-fighting capacity by upgrading early warning systems to speed up response times to within one hour of fire detection by increasing aerial and ground support capacity. A further focus is on promoting a culture of risk reduction and not only response and recovery.

The Expanded Public Works Programme

The Expanded Public Works Programme (EPWP) aims to increase the overall target of creating 2 million full time equivalent jobs over the next 5 years (2009 - 2014) in the country as a whole.

Expanded Public Works Programme initiatives in the Province are housed within the departments of Education, Health, Environmental Affairs and Development Planning, Social Development, Cultural Affairs and Sport, Agriculture, Transport and Public Works, Housing and Cape Nature. The Community Based Programme within the Department of Transport and Public Works further provides for the management, coordination, support, monitoring and evaluation of the EPWP initiatives throughout the Province inclusive of municipalities.

The introduction of a National EPWP Incentive Grant as a wage incentive to eligible public bodies to meet their EPWP targets, maximise employment creation and assist them to off-set costs that may be incurred in making public body projects and programmes more labour intensive.

Incentives to maximise employment creation

The National EPWP Incentive Grant to Provinces for the Infrastructure, Environment and Culture sectors, amounts to R17.099 million which has been allocated and split between Education, Health, Cultural Affairs and Sport, Transport and Public Works, Environmental Affairs and Development Planning (CapeNature) and Agriculture. A target of 3 494 additional jobs has been set for the 2012/13 incentive allocation.

In terms of the National Social Sector EPWP Incentive Grant to provinces that supports the expansion of Social Sector EPWP employment in various social services programmes, an amount of R24.724 million has been allocated to the Province in 2012/13. The allocation has been awarded to the Departments of Education and Community Safety. A target of 1 361 additional jobs has been set for this 2012/13 incentive allocation.

EPWP initiatives will continue over the 2013 MTEF

As these national grant amounts vary and to protect both the number of job opportunities created in the Province and the services associated with these, current allocations from the provincial equitable share (PES), to strengthen social service programmes that have employment potential as well as other labour intensive initiatives in the environment and culture sectors will be continued. An allocation of R21.505 million from the PES towards job creation in the Departments of Health,

Social Development, Environmental Affairs and Development Planning (CapeNature) and Cultural Affairs and Sport has been made in the 2012/13 financial year. Allocations will be extended over the 2013 MTEF to ensure the continuation of these programmes, with R71.68 million to be set aside over the 2013 MTEF.

Current estimates are that the Province including municipalities, will create 72 142 jobs in 2012/13. First quarter validated numbers already indicate that 43 330 jobs were created. Targets for job creation over the MTEF, increase to 159 577 jobs by 2015/16.

Community Home-Based Care (CHBC) provides opportunities for job creation within the EPWP. This programme will continue over the 2013 MTEF and projections are that 3 006 CHBCs will be employed by 2015/16.

The Department of Education has a total of 7 680 Early Childhood Development (ECD) practitioners as part of the EPWP currently training in either ECD level 1, 4 or 5 learnership programmes offered at each of the 6 Western Cape FET Colleges.

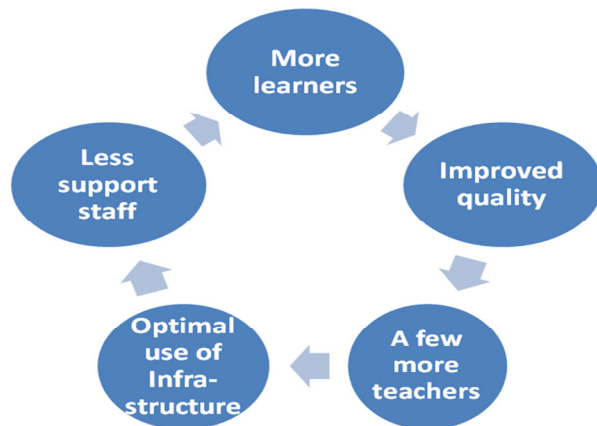
In February and in July 2013, two further groups of students will commence studies through the FET colleges to qualify as Early Childhood Development practitioners.

Improving education outcomes

In 2009 the WCED set out its plans and targets for the next ten years up until 2019. These plans and targets are monitored on a quarterly basis and are adjusted as circumstances demand.

The planning and monitoring model indicates that there will be approximately 20 000 more learners in Grades R to 12 in 2019 than there are in 2012. This is mostly as a result of in-migration to the Province and improved retention in Grades 10, 11 and 12. These projections also include plans to reduce the current Grade 1 and 9 repetition rates.

20 000 more learners in Grades R to 12 in 2019 than there are in 2012

Planning model 2009 to 2019

In order to improve the Grade 1 and 9 pass rates and retain more learners in Grades 10 to 12 (reduce the drop-out rate) the WCED will dedicate all available resources to improve the quality of education offered in all our schools and therefore improve the life chances of these children. The three goals of the WCED to improve quality therefore remain:

Resources will be dedicated to improvement of the quality of education

- Improve language and mathematics in primary schools;
- Improve number and quality of passes in the National Senior Certificate; and
- Reduce the number of under-performing schools.

One of the most effective ways to improve quality in schools is to ensure the appointment and retention of effective principals who demonstrate strong curriculum leadership. Recent investigation into the impact of principals on academic performance, gives promising indications that academic improvement, or the retention of high standards, is possible under strong leadership. The current replacement rate for principals in the WCED is approximately 100 per annum. The WCED will continue in the next seven years to put measures in place to ensure the recruitment, appointment and retention of caring men and women who can lead our schools to success.

Ensure the appointment and retention of effective principals

Improvement in quality is also anticipated through teacher development programmes, education provisioning especially textbooks, readers and IT and School Improvement Plans.

Although the WCED plans to increase the number of learners by 20 000 in the next seven years, the overall number of teachers is predicted to increase by only 120, that is, up from about 30 940 to about 31 060. This process would shift the ratio of learners to posts as follows:

	2012	2015	2019
Learner/post ratio	30.28	30.58	30.79

This lower than expected growth in teacher numbers is because of current inefficiencies through teachers in excess, the number of temporary and relief staff employed, teacher absenteeism, a wide range of small enrolment subjects in high schools and large numbers of grossly under-utilised schools. The plans for increased efficiency and quality include reducing the number of staff in excess and the number of temporary teachers, improving teacher attendance rates and implementing a long-term facilities' plan for the optimum use of education facilities. Improved subject choice in Grades 10 to 12 and other deployment decisions will also improve the balance in the learner: educator ratio across the Province.

Provincial Skills Development Forum

The major focus in skills has moved to partner with business, labour, civil society and skills supply institutions to develop a long-term vision and strategy for skills in the Western Cape.

The Western Cape Provincial Skills Development Forum (PSDF) was launched in 2011 and serves as a forum comprising all relevant social partners and stakeholders to co-ordinate skills development in the Western Cape. One of the main outputs of the PSDF is to leverage funding for the development of short-term interventions to assist with reducing the gap between skills demand and supply. The PSDF has identified priority areas for skills development including artisan development, research and knowledge management, career awareness, entrepreneurial and self-employment skills and work placement.

As the PSDF matures, greater alignment between the National Skills Fund (NSF) and PSDF will occur.

Social challenges facing the Province

The Western Cape, despite exhibiting somewhat better living conditions and income levels than other provinces in South Africa, has a particular set of social ills that marks its socio-economic environment. The Province has one of the highest

The Western Cape, has a particular set of social ills that marks its socio-economic environment

homicide rates in South Africa. The Cape Metro, Milnerton, Langa, Gugulethu, Harare, Nyanga, Delft and Mitchells Plain have particularly high homicide rates. Homicides are often linked with gangsterism and drug-related crime.

Substance abuse trends in the Province remains a concern, due to the negative social impact of this phenomenon as well as the associated link with other social risk factors such as crime and violence.

It should also be noted that men in the Province face a significant risk of violent injury and that the homicide rate of males in the Province is 6 times higher than that of females².

Approximately 244 000 disabled persons reside in the Western Cape. This group requires support due to their vulnerability, disadvantage and exclusion from mainstream society. Concern exists in particular around service delivery for children with disabilities and the burden of care on their caregivers³.

The Western Cape has a diversity of family types and structures as a reflection of changing population and social dynamics in society. Family types that require psycho-social support include teenage parents and female-headed households. Recent research⁴ regarding teenage parents in specific areas of the Province highlighted the vulnerability and need for emotional support to teenage parents who are dealing with the challenge of adjusting to early parenthood. Drawing on statistics provided by a study initiated in 2009, it was revealed that 28.7 per cent of children in the Province were living with their mothers only. The number of children living in income poverty in the Province – 28.4 per cent in 2009⁵, should also be addressed in order to prevent neglect and promote the optimal development and wellbeing of these children.

Emotional support to teenage parents

Apart from creating economic opportunities and improving educational outcomes, the Province is further intending to

² Molefi, S (2011). The Status of Men and Boys in the Western Cape. Internal research report for the Western Cape Department of Social Development.

³ Solomons, F and Molefi, S (2012). Child disability in the Western Cape: A study of the needs and experiences of children with disabilities and their caregivers, as well as gaps in service delivery in Vredendal, Beaufort West, Bellville and Gugulethu.

⁴ September, R and Moodley, N (2012). Describing the experiences and needs of teenage parents in the Vredenburg, Vredendal and Khayelitsha areas. Internal research report for the Western Cape Department of Social Development.

⁵ South African Child Gauge: 2010/11 (2011). University of Cape Town.

respond in a number of ways. These include endeavors to improve general wellness, safety, social inclusion and poverty alleviation.

Increasing wellness

The Province faces a quadruple burden of disease

Investment in Health (with the emphasis on human capital development) is key for economic development. While life expectancy in the Western Cape is the highest in South Africa, it remains low compared to peer developing countries.

The Province faces a quadruple burden of disease consisting of HIV and TB, communicable diseases associated with Child and Maternal health, Mental Health and non-communicable diseases such as diabetes and cardiovascular diseases, and injuries. An integrated approach in reducing the burden of disease is thus required in order to make a lasting impact on health outcomes in the Province.

Chronic diseases account for 58 per cent of deaths

The third leading cause of premature lives lost in the Province, non-communicable or chronic diseases account for 58 per cent of deaths in the Province, compared to 38 per cent nationally. Mental ill health is also a key contributor to the burden of disease, with depression and anxiety identified as the most prominent mental ill health diseases. To stem the rising incidence, 'healthy lifestyles' is being actively promoted, by encouraging proper eating habits, physical activity and avoidance of harmful substances.

Alcohol abuse a main driver of injuries

Injuries, including homicide, transport injuries, self-inflicted injuries, and injuries due to fires accounted for 18.1 per cent of the burden of disease in the Province in 2009. It was further found that substance abuse, particularly alcohol abuse, is one of the most important drivers of the injury burden in the Western Cape, fueling both violence and road traffic accidents.

In response to the burden of disease key targets to achieving the overall aim of a healthier more vibrant population has been set. These include decreasing the maternal mortality rate to 90 per 100 000 live births, the child mortality rates to 30 per 1 000, increasing the TB cure rate to 80 per cent and reducing the prevalence of HIV of 15 - 24 year olds to only 8 per cent by 2014. Improving women's health, mental health and promoting healthy lifestyle strategies are also key focus areas being pursued.

Over 178 000 on ART by 2016

The HIV Counseling and Testing campaign saw 904 699 people tested for HIV in 2011/12. The most notable impact is in respect of the prevention of mother-to-child transmission, recording a

transmission rate of only 1.9 per cent - the lowest in South Africa. In total 115 087 adults and children were on Antiretroviral Therapy at the end of March 2011. It is anticipated that over 178 000 people will be on ART by 2016.

The Province also has the highest new smear positive Pulmonary Tuberculosis (PTB) cure rate in the country at 81.7 per cent. One of the greatest risks for TB is co-infection with HIV. To address the risk over 10 000 of HIV-TB co-infected patients were placed on ART in 2011/12, with 1 300 more co-infected patients expected to access treatment by 2016. Challenging the gains made in respect of curbing the spread of TB is the increasing incidence of Multi-drug Resistant (MDR) and Extreme Drug Resistant TB and the emergence of Total Drug Resistant (TDR) TB.

Significant progress has been made in educating women about women's and maternal health issues, including heightened awareness of and screening for cervical cancer and the early detection of high risk and complicated pregnancies. By 2016 more than 88 000 women will be screened annually for cervical cancer and almost 59 000 pregnant women are expected to attend antenatal visit before 20 weeks at public health facilities.

Women's and maternal health a priority

In promoting infant and child health, 93 820 children under the age of 1 year were fully immunised in 2011/12, with the number of children immunised annually expected will increase to almost 102 000 by 2016.

Over 100 000 children fully immunised annually by 2016

Over the 2013 MTEF the Province will continue to improve access to and the quality of public healthcare in the Province.

Safety, housing, social inclusion and poverty alleviation

The Provincial Government is concerned about the safety of its citizens. Through its Community Safety Department, it exercises civilian oversight over the South African Police Service, influences their plans, encourages and empowers community involvement in ensuring their safety and improves road safety through enforcement, education and awareness.

Among the initiatives towards improving civilian oversight of the South African Police Service, the Department of Community Safety produced a Provincial crime shadow analysis which was done on the SAPS annual crime statistics for 2011/12. This report further undertook a profile analysis on the state of murder crime category in the Province and patterns of crimes providing improved insight on the crime situation in the Province.

Influencing policing responses for increased safety

Community Safety Bill to provide clarity on engagement between civil society and law enforcement agencies

Neighbourhood Watches (NHWs) and Community Policing Forums (CPFs) promote community involvement with the focus on improving their own safety. By 2016, 1 300 NHWs will be capacitated and 149 CPFs will be assisting in exercising SAPS oversight by actively reporting on oversight findings.

The Community Safety Bill, developed in 2011/12, provides a framework for the levels of interaction between civil society and law enforcement agencies. Some of the aims of the Bill are to regulate the civilian oversight responsibility of the Western Cape Cabinet, regulate the control over and inspections of the affairs of private security service providers, establish an Office of a Western Cape Provincial Police Ombudsman and establish and maintain integrated information systems. The Bill is expected to be promulgated in early 2013.

Estimates of the housing backlog in the Province are around 594 385 units, with almost 61 per cent situated in the City of Cape Town. Further data from the Department of Human Settlements indicates that the Western Cape is one of only two receiving provinces in terms of real net migration, which is estimated at more than 95 000 individuals per annum. The Western Cape population now stands at 5.8 million from 4.5 million in 2001.

Developing Integrated and Sustainable Human Settlements

The Province is committed to the optimal use of resources and encourages the development of high densities and mixed residential units.

A number of initiatives aimed at improving forward planning and providing greater assurance of the implementation-readiness of municipal human settlement projects have been introduced. An improved service delivery model includes:

- A Portfolio Management Office (PMO) that provides a central hub for all project-related information and ensures the application of appropriate project management methodologies;
- Re-engineered project applications and claims management processes, and new project approval processes;
- Professional Resource Teams (PRT) are appointed to assist the Provincial Government and municipalities to address capacity gaps and skills scarcity in specialised areas;
- Beneficiary selection guidelines have been refined; and

- Consolidation of 14 municipal housing demand databases into the provincial housing demand database to ensure more accurate housing backlog data.

In 2013/14, the Province via its partner municipalities will continue to deliver housing opportunities which includes housing assistance to communities by the state and other providers through the provision of serviced sites, offering of rental units and housing finance assistance, to ultimately, attain a fully developed state-financed housing unit. Through this process it is planned that everyone living in informal settlements, backyards and overcrowded areas in the Western Cape has access to basic services.

Continuous housing opportunities to communities promoting access to basic services

To assist in addressing the multi-faceted economic and socio-economic challenges within the Province, the Department of Cultural Affairs and Sport is taking the lead to promote social inclusion and reduce poverty. Together with the Department of Social Development, an after-school care Mass Opportunity and Development (MOD) centre programme has been developed as a response by the WCG to expose children, communities, farm workers and senior citizens in poorer communities to a more holistic development regime and contribute to the realisation of a more socially inclusive society. To this end, 181 MOD centres have been established in impoverished communities during the 2011/12 financial year. Plans are in place to continue to support these centres and expand the programme to 240 over the 2013 MTEF.

Promoting Social Inclusion and Reducing Poverty

MOD centres to be increased from 181 to 240 over the 2013 MTEF

Plans are also afoot to increase participation and develop excellence in sport and recreation. Continued support will be given to the Siyadlala community mass participation programme to assist in exposing individuals to positive recreation activities. To enhance excellence in sport and recreation the club development programme and the school sport mass participation programme will continue to provide school-going children with opportunities to participate in sport and to take their performance to a higher level.

In the case of Library Services, the Provincial Government will continue to support the fifteen (15) vulnerable Category B3 municipalities over the medium term. Notwithstanding this, a key challenge is in regard to the upgrading and building of new library facilities.

To further support and enhance library services to all the citizens of the Western Cape, the reach of the Wheelie Wagons (mobile library book trolleys) project will be increased by an additional

9 wheelie wagons over the medium term. However, the latter number could be revised upwards given the increased available resources for the conditional library services grant for the 2013 MTEF. Total library membership is currently close to a quarter of the Province's population and improvement and expansion of services aims to further increase membership over the medium-term. The rural library connectivity project will continue to connect rural communities in the Province to the internet.

Significant inroads have been made in addressing substance abuse; early childhood development, and disability challenges.

Significant inroads have been made in addressing substance abuse

The focus of government on substance abuse, prevention and rehabilitation for the year ahead will remain to be on internal integration, co-ordination with partners, standardising professional and management best practices, as well as closer monitoring of outcomes.

It further includes:

- Mainstreaming drug and alcohol education in the relevant National Curriculum Standards (NCS) Foundation, Intermediary and Grade 10 Life Orientation curriculum modules;
- Expanding Fetal Alcohol Syndrome (FAS) education in collaboration with specific strategic partners specialising in the field of FAS;
- Implementing post graduate and undergraduate accredited courses and the availing of a web-based Substance Abuse Resource Directory;
- Expanding of community based treatment programmes with a focus on the rural areas; and
- Expanding specialised services for treatment and brief interventions for children and adolescents.

Increased day care programmes for children and adults with disabilities in areas of greatest need

Funding of social service organisations focusing on the care and support of children with disabilities and capacitating their families/caregivers are in the implementation phase. Increased day care programmes for children and adults with disabilities in areas of greatest need were given attention in Genadendal, Gansbaai, Saron, Riviersonderend and Hawston.

Funding levels for frail older persons as well as community based support centres were increased during 2011/12 and critical infrastructure developments at residential care facilities are supported financially. An important strategic shift towards active ageing exercise programmes at all community based care support centres for older persons was implemented from June 2012. The costing model for residential facilities of older persons is in the process of being finalised.

An important strategic shift towards active ageing exercise programmes at all community based care support centres for older persons

The increase and improvement of ECD opportunities for children in the ECD age cohort, focusing on services for babies and toddlers is one of the priorities for the Provincial Government.

The aim is to systematically increase the number of children having access to ECD programmes. This includes children in centres as well as home and community based services to children that do not have access to formal centres.

A Provincial Integrated ECD Strategy was finalised and approved in Cabinet during the current financial year and implementation will commence over the 2013 MTEF.

At least 22 per cent of households in the Province go hungry which demands a serious and dedicated effort from all concerned. Government is leading and coordinating a process with different departments to address the implementation of different initiatives to address food security at household level. At least 800 households and 100 community gardens will be supported in the next year with food gardens.

22 per cent of households in the Province go hungry

Improving governance

The Province will continue to work towards its vision of developmental and well-governed municipalities via capacity building interventions and providing provincial support and oversight.

Steps include integrated service delivery for maximum impact, and advisory services deployed from a pool of experts ensuring skills transfer and to assist municipalities with projects such as organisational design, performance management systems and change management.

Integrating service delivery for maximum impact

Further support initiatives entail strengthening public participation at municipalities and improving active citizen participation in the IDP processes with a view towards achieving functional ward committees. This includes continued

Support initiatives entail strengthening public participation at municipalities

training of all ward committee members and supporting municipalities with their communication strategies.

To promote integrated service delivery, the Community Development Worker (CDW) and Thusong Service Centre Programmes have been implemented to facilitate greater coverage and easier access to government services. Approximately 175 CDWs will be deployed to assist communities to do so through conducting some 300 information sessions, supporting 12 government initiatives and 55 community projects, establishing at least 12 partnerships with key stakeholders and achieving 21 600 case referrals to government services.

Expanding the Thusong Service Centre Programme

Furthermore, the Thusong Programme has been expanded in the Western Cape Province to include Thusong Zones, Thusong Service Centres, Thusong Service Satellite Centres, Thusong Mobiles and a Thusong Extension Programme.

Municipalities will be assisted to develop and implement programmes for upgrading and financing of their infrastructure and to support municipalities to fully and appropriately spending their Municipal Infrastructure Grant (MIG) allocations.

Maintenance of fiscal discipline remain paramount amidst the many contesting demands, particularly that of rising personnel expenditures and service loads within the context of a more strained fiscal envelope.

Associated with this, the required steps are to ensure that funds allocated for specific purposes are spent as intended and that the concept of value for money is enhanced.

Efforts will be continued to achieve improved efficiencies and service delivery efficiency via appropriate assistance, monitoring and reporting on expenditure, revenue, cash flow and output or performance information.

Improved revenue generation, collection, allocation and utilisation across both the local and provincial spheres are key focus areas. It is acknowledged that this is by no means an easy objective to achieve, irrespective of the measurement instruments used. Uppermost will be the objective of cultivating responsive departmental, municipal and entity budgets that will substantially contribute to improvements in a number of outcomes.

The Province aims to progressively raise the bar on accounting and financial governance standards and the introduction of purposeful steps that will result in better data integrity, the reduction in irregularities and corruption towards sustainably attaining clean audits within departments, entities and municipalities. Key amongst these will be the development and introduction of the desired internal controls, self-testing and systematic building of skills amongst chief financial officers generally and more specifically, financial accountants, supply chain and asset management staff across both spheres.

Progressively raising the bar on accounting and financial governance standards

The same stance is applicable to supply chain management. This includes the promotion of better procurement planning through strategic sourcing, thereby ensuring efficiency in spending and value for money. Closer linkages between budget planning that informs procurement planning for both provincial departments and municipalities will also be pursued. Government will further develop and assist with the implementation of best practice guidelines to address value for money and efficiencies in procurement for both provincial department and municipalities. Supplier support and development and capacity building, through supplier open days and the maintenance of the supplier helpdesk is part of Government's ongoing initiatives.

A key tenet of the Provincial Government is to become one of the best-run regional governments in the world. Amongst others, the primary focus areas include ensuring efficient and transparent institutional governance, management for results as well as effective human resource (or people) management. In order to strengthen the transversal Corporate Services Centre (CSC), the Department of the Premier has reviewed departmental service standards with a view to render far more specific and department-oriented service offerings. Emphasis is placed on engaging with a more in-depth analysis of human resource capacity and strategic human resource planning. Importantly, the overall aim is to achieve a sense of collective identity for the Province, in order to institutionalise the provincial aim of "Better Together".

Building the best-run regional government in the world

In 2010, the WCG approved the Provincial Transversal Management System (PTMS), which was aimed to enhance Provincial Departments to work together transversally and interdependently, rather than to operate independently (or more specifically within silos).

The PTMS aims to enhance Provincial Departments to work together transversally

The over-arching goal is to provide the integrated platform for thought leadership, the promoting of 'big picture' thinking, the

enabling of synergy and broader provincial linkages between ideas, programmes and projects; as well as enhanced provincial stakeholder networking.

The WCG has identified the effective use of information and communication technologies (ICTs) as a key enabler in ensuring that the Province meets its Strategic Objectives.

A new approach to the provision of government services

In light of the above the WCG recognised the need for a new approach to the provision of government services that to be delivered to its citizens, businesses and other stakeholders in the Western Cape. This necessitated the development of the WCG e-Government Strategy. In support of the WCG's vision of "Delivering an open opportunity society for all" and the PSOs this strategy attempts to refocus the efforts of the WCG on how it improves its internal abilities by utilising ICT as an enabler and how it renders its services in a manner that puts citizens and other stakeholders first. In this regard, the key objectives of this e-government strategy are to:

- Utilise ICT to foster efficiencies in the Provincial Government, thus freeing up resources by doing the work of government more efficiently; and
- Transform provincial government services for the benefit of citizens, businesses and those charged with delivering services at the coal-face (such as doctors, teachers, nurses and social workers).

The e-Government vision

A vision to achieve technology enabled change

The vision is to achieve technology enabled change in the WCG – focusing on how services are rendered. This vision will be realised through the following strategic goals:

- Providing seamless services to citizens whereby they interact with government without needing to know which government department or sphere of government they are interacting with;
- The provision of electronic services and solutions which are tailor-made to citizens' needs. In this regard, service requirements that cut across different government departments should be provided in the form of packaged services;
- Improving transparency and accountability of government, thus enabling citizens to actively participate in government activities and decision making processes through various forms of electronic and digital media;

- Capacitating government through appropriate technologies, skills and processes that will result in the reduction of the cost of rendering services to citizens as well as alleviating the pressure on understaffed government departments; and
- Creating an enabling environment whereby the majority of citizens have easy access to ICTs and the Internet; are suitably skilled to engage government through its channels and have access to low cost broadband.

The WCG model has three outcomes; namely *e-services enhancement* which focuses on the depth and breadth of services; *e-governance* which focuses on ICT governance, policies and back-office efficiencies; and *digital enablement* which focuses on the broadband penetration, e-skills development, mobile platforms and public access to ICT.

What does our effort sum up to?

The WCG, already in its 2010 Medium Term Budget Policy Statement, committed to the shifting the composition of spending from consumption to investment expenditure. In this regard, it chose to prioritise spending that would strengthen the productive base of the economy.

Pursuing economic growth is imperative to address poverty and persistent high unemployment rates that in most instances are the root cause of the social ills plaguing the Province. The WCG therefore has a key role to play in addressing the structural constraints that will make the country and the Province internationally competitive and reduce unemployment.

The Province's economic development goals and strategies aim to transform the regional economy. To achieve these goals, taken from the various Provincial Objectives and aspirations of departments cited in this chapter, are efforts to:

The Province's economic development goals and strategies aim to transform the regional economy

- Maintain market access in traditional ones and the establishment of access in new markets in Africa, South America and Asia through market promotion and product quality specifications and safety standards;
- Create an enabling environment through the reduction of red tape and other constraints to ease doing business in the Province;
- Ensure environmental sustainability through land-use and environment conservations;

- Invest in areas of economic potential and differentiation as amongst others the Saldanha Bay IDZ and road infrastructure to improve the economic prospects and access to markets;
- Pursuing efforts to impact and capitalise on opportunities that the green economy may present; investments into economic and social infrastructure that will improve the region's global competitiveness;
- Investment in human capital and skills development, linking the schooling system and other vocational readiness programmes; and
- Providing temporary employment relief through the Expanded Public Works Programme to low skilled people.

Transversal priorities

A number of transversal priorities, which if boosted, could further have socio-economic benefits. These priorities have been assessed against a number of broad principles. These include:

- Transversal priorities across departments;
- Key thrusts of the PSOs and implications for the Western Cape Medium Term Budget Policy Statement (WC MTBPS);
- Providing for risks associated with the fragile fiscal envelope, mainly attributed to the adverse domestic and international economic environment;
- Ensure sustainability and credibility of expenditure estimates in support of service delivery and government's objectives;
- Improved governance and management practices in all departments and public entities and municipalities;
- Shifting consumption expenditures to investment expenditure - a focus on expenditures that will improve the productive capacity of the economy through prioritisation, improved planning, management and delivery;
- Promote better efficacy of frontline services so as to foster government's short and medium term objectives; and
- Efficiency measures to improve value for money of spending and to prevent non-essential and doubtful expenditures.

Transversal initiatives will give effect to specific government policy priorities

The principles or criteria listed above have been assigned relative weights and taken up in the provincial prioritisation model. Within the financial constraints, a number of transversal priorities have been identified. These arose from work done

within the Province and which with targeted additional funding could significantly contribute to the desired overall impact as highlighted earlier. These were ranked and a total of five transversal priorities were proposed to be further resourced. The priorities include: broadband, skills development, green economy, enterprise performance management systems and infrastructure planning and delivery and maintenance (U- and C-amps). A sixth has been added, i.e. the imposition of the necessary trade-offs as a further transversal mechanism to give effect to specific Government policy priorities.

Broadband

The readiness to adopt new technologies, innovative capacity and first class infrastructure and services are essential if a region is to attract and retain inward investment, stimulate job creation and ensure a fully inclusive society.

Investment in the development of broadband telecommunications infrastructure will assist the Province to foster greater economic growth in the region, as well as to assist in achieving greater effectiveness and efficiencies in government service management and delivery in the Province.

High speed internet access for business and residents is an essential element for the development of a global competitive environment. It provides an ideal enabling environment for innovation, economic growth and particularly in key economic sectors, industries, SMMEs and entrepreneurship development.

High speed internet access for business and residents

Skills development

The shortage of skills remains a very real impediment to improved economic growth and employment creation within the Province. The Province is involved in a number of skills development initiatives aimed at responding to the mismatch between skills demand and skills supply. The urgency and need for skills development is emphasised as one of the key strategies to unlocking economic growth within the Province and addressing high levels of structural unemployment.

Addressing mismatch between skills demand and supply

Further investment in skills development will provide a mechanism where business, government, institutions of learning and skills development agencies can effectively collaborate.

The strengthening of funding towards such a transversal initiative must provide industry and government with the skills necessary for growth. It also aims to address more precisely the medium and long-term skills requirements of the Western Cape

economy in order to better inform the strategies of institutions of learning and skills development agencies.

Green economy

Opportunities to maintain and improve market access, taking account of environmental sustainability and advantages of growth and job creation opportunities that the green economy may hold.

The expansion of the green economy has the potential to provide jobs for unemployed people in the Province. The development of the manufacturing capabilities and industry with regard to green economy would contribute to the regional economy.

User and Custodian Asset Management Plans (Infrastructure planning and delivery and maintenance)

Overall, public infrastructure backlogs and the ability to do so efficiently in the Western Cape continue to be a constraint. The fiscal stance has to allow for stronger growth in public sector capital formation and improved maintenance of infrastructure.

Better management and use of government assets is a transversal priority for all departments

Better management and use of government assets is a transversal priority for all departments. The shift from consumption expenditure to investment expenditure has to be supported by good asset management plans that take account of the life-cycle cost of government assets.

Enterprise performance management

Providing for the automated process of monitoring and reporting on Government's efforts and achievements has become a priority across departments. Investment in appropriate management systems to more effectively monitor organisational performance is a priority for improved synergies and collaboration.

Trade-offs

The implementation of Government programmes to address the many socio-economic challenges experienced in the Western Cape, require funding. There is often a mismatch between the priorities that needs to be implemented and available resources. Cabinet has and will provide further guidance on Government's priorities and clear indications as to the relative importance thereof. It is expected that resources would be allocated based on the trade-offs between individual departmental priorities versus what is more important for the

Western Cape. Considering these priorities in relation to funding, would very well require some hard choices to be made.

Partnerships

Human capital formation through the education and health systems, can also contribute to the competitiveness of the economy through infrastructure development, particularly transport infrastructure (e.g. roads) and other social infrastructure that facilitates basic social services such as schools and hospitals. These functions (particularly health and education) also account for the largest proportion of public spending in the Province.

Human capital formation through the education and health systems

Rising levels of unemployment continue to counteract social cohesion and is exacerbated by social ills, which include amongst others: high levels of substance abuse, child abuse, gender-based and domestic violence, and gangsterism. Government to date has had limited success in applying its resources to remove the longer-term root causes of social dysfunction and to restore the social fabric of its citizens.

The Western Cape must work in partnership with the other two spheres of government (local and national). This is especially to better integrate and coordinate the efforts. Furthermore, it is expected that through such improved synergies current constraints in service delivery efficiency and socio-economic development could be overcome.

In the Province, strong partnerships with municipalities are necessary to locate and direct services and infrastructure spatially so as to achieve the desired impact. It is crucial that this partnership also be extended to the private sector, labour and civil society. The inclusion of these stakeholders can only improve the sustainability and success of the public sector programmes. Similarly, partnerships with communities empower communities to take greater responsibility for improving their situation.

Strong partnerships with municipalities are necessary to locate and direct services and infrastructure

Networks across communities are therefore still to be explored to some level of detail. While it is important to focus on the family/community, gains should be used as building blocks towards wider and deeper networks.

Given the complexity of the social ills besetting communities, limited resources and learn by doing a number of communities are to be selected based on the potential for creating sustainable economic development and job creation.

After the tabling of the WC MTBPS, the key departments will further refine criteria for community development and logistics around the proposed support interventions.

Now more than ever, working together towards common goals is imperative. The Province has set up a management system to enhance cooperation and collaboration. Departments have been rising to the challenge as budget constraints, expanding functions, increasing demands from communities and organisations, as well compliance standards are forcing a re-look at existing systems but also calling for innovation to bring about sustainable and real changes in our communities.

3

The resource envelope and financing issues

The medium term expenditure framework and national division of revenue is presented at a time of a deteriorating global economic environment, modest domestic economic growth forecasts and the need for South Africa to show its commitment to fiscal prudence in light of the recent downgrading of South Africa's sovereign debt outlook by two international credit rating agencies.

In responding to the financial crisis that began in 2008, South Africa adopted an accommodative or countercyclical fiscal stance whereby government expenditure has assisted in responding to variations in the business cycle and external shocks. This approach was made possible by the fiscal space created in previous years. However, this fiscal space is diminishing which imposes limits on government spending over the short term. During 2013/14 and 2014/15, spending will remain within the non-interest expenditure ceilings established in the 2012 Budget, with the outer year making provision for moderate growth in expenditure. Spending on key social and economic programmes will be maintained and is underpinned by the policy objectives of:

Government spending to remain within 2012 Budget limits

- Improving the impact of spending, by shifting the balance of resource allocation towards investment in infrastructure;
- Moderating the increasing share of expenditure allocated to personnel;
- Managing expenditure to ensure greater efficiency in service delivery; and
- Ensuring that expenditure grows at a moderate pace.

National and Provincial Departments have reprioritised spending away from programmes that are not meeting performance requirements or are not closely aligned to

departmental mandates. This reprioritisation has enabled funds to be reallocated to infrastructure investment and other priorities, without reducing social expenditure particularly for education and health services. In so doing, government has maintained expenditure on social wage items such as expenditure on social services and investment in local government, housing and community amenities.

The reprioritisation of government spending has created the space to enable a shift in the composition of spending in favour of production investment away from current consumption expenditure. For these shifts to be achieved, while maintaining expenditure within the 2012 budget baselines, also necessitates moderation in personnel expenditure and greater efficiency in service delivery.

Over the 2013 MTEF, provincial expenditure remains mostly dependent on national transfers (which includes the provincial equitable share (PES) and conditional grants) contributing approximately 95 per cent with provincial own receipts (taxes and fees/user charges) contributing around 5 per cent.

Table 3.1 Fiscal framework of the Western Cape 2012/13 – 2015/16

Source R'000	2012/13	2013/14	2014/15	2015/16	Total 2012 MTEF
	Adjusted Budget	Medium Term Estimates			
Transfers from National	37 957 292	40 425 850	43 289 214	45 895 741	129 610 805
Equitable share	29 119 423	31 116 735	33 227 288	35 146 112	99 490 135
Conditional grants	8 837 869	9 309 115	10 061 926	10 749 629	30 120 670
Own receipts	1 937 590	2 073 635	2 050 647	2 057 061	6 181 343
Asset Financing Reserve	377 405				
Provincial Revenue Fund financing	500 031	26 819	3 000	3 000	32 819
Total	40 772 318	42 526 304	45 342 861	47 955 802	135 824 967
Percentages					
Transfers from National	93.10%	95.06%	95.47%	95.70%	95.42%
Equitable share	71.42%	73.17%	73.28%	73.29%	73.25%
Conditional grants	21.68%	21.89%	22.19%	22.42%	22.18%
Own receipts	4.75%	4.88%	4.52%	4.29%	4.55%
Asset Financing Reserve	0.93%	0.00%	0.00%	0.00%	0.00%
Provincial Revenue Fund financing	1.22%	0.06%	0.01%	0.01%	0.02%
Total	100.00%	100.00%	100.00%	100.00%	100.00%
Changes to baseline					
Equitable share	-	363 824	249 838	651 700	1 265 362
Conditional grants (estimated)	-	-265 642	-138 923	79 542	-325 024
Own receipts	-	77 125	9 190	15 604	101 919
Total	-	175 307	120 105	746 846	1 042 257

Provisional transfers from National

Over the 2013 MTEF national transfers to provinces are proposed to increase with additions to the PES for all provinces of R6.3 billion in 2013/14, R8 billion in 2014/15 and R13.4 billion in 2015/16. Nationally, additions to conditional grants amount to R500 million in 2013/14, R2.5 billion in 2014/15 and R7.4 billion in 2015/16.

Provincial equitable share additions are to provide for the carry through cost of higher-than-anticipated wage agreements (ICS) concluded in 2012/13. Reprioritisation within existing Conditional Grant baseline allocations provides for the expansion of library services and to extend and improve school facilities.

The Western Cape receives a proportional share of the national adjustments to the PES and conditional grants.

Provincial Treasury's own calculations in Table 3.1 show the net estimated national transfers to the Western Cape which are adjusted by R940.338 million over the MTEF. The aggregate net adjustment in the PES baseline to the Province amounts to R1.265 billion over the MTEF.

The preliminary calculations for the PES and Conditional Grant allocations to the Western Cape are expected to grow at an annual average of 6.47 per cent and 6.75 per cent, respectively.

Over the 2013 MTEF, the PES grows annually on average by 6.47 per cent and conditional grants by 6.75 per cent

The calculated new overall PES allocations for the Western Cape amount to R31.117 billion, R33.227 billion and R35.146 billion in 2013/14, 2014/15 and 2015/16, respectively.

Data updates

The PES formula is used to divide the equitable share allocations among provinces. The PES formula is largely population driven and the components that use population data account for over 60 per cent of the formula. Consequently any large population shifts between provinces, i.e. between the 2001 and 2011 Census data, following the release of Census 2011, will impact either positively or negatively on a particular provinces equitable share allocation. Should these shifts be substantial, the Technical Committee of Finance and Budget Council will need to agree on an appropriate phasing-in approach in order to mitigate the impact on funding for those provinces that have experienced large population shifts.

WC population grew by 28.7 per cent

Results from Census 2011 indicate that the Western Cape together with Gauteng experienced the greatest increase in population size between Census 2001 and Census 2011 increasing by 28.7 per cent and 33.7 per cent respectively, compared with 15.5 per cent for South Africa as a whole.

In order to ensure that the PES formula makes use of the most recent Statistics South Africa data; mid-year population estimates are used on an annual basis to update the formula. In so doing, a portion of the growth in the Western Cape population between Census 2001 and Census 2011 has already been factored into the data updates.

Results from Census 2011 have not as yet been used to finally inform the data updates for the PES formula.

The 2011 Mid-year Population Estimates, together with the Census 2001 School Age Cohort (5 – 17 years), 2012 School Realities Survey which measures 2012 school enrolment, the 2010 Gross Domestic Product per Region (GDP-R) and the 2008/09 Living Conditions Survey have been used to update the PES formula for Budget 2013. The PES formula updates also include output data from the health sector, including the proportion of the population without medical insurance from the 2011 General Household Survey, patient load data comprising primary health care visits and visits to tertiary hospitals and the Provinces' health risk profile. As before, the impact of data updates on the PES will be phased-in over three years from 2013/14 to 2015/16.

Minor upward revisions have been made to the Western Cape's share of the Education PES component, as a result of data updates. School enrolment data updates indicate an increase in school enrolment for the Western Cape from 1 015 038 in 2011 to 1 038 019 learners in 2012.

The Western Cape's share of the Basic and Poverty components remain unchanged, based on the 2011 mid-year population estimates. The Western Cape's share of the national population defined as poor, i.e. persons who fall in national quintiles 1 and 2 drawn from the 2008/09 Living Conditions Survey, declined from 6 per cent to 5.4 per cent.

Province's share of the Economic Activity component is based on its GDP-R. The Western Cape's share has increased marginally from 14 per cent to 14.1 per cent as a result of a relative increase in economic activity as measured between GDP-R for 2009 and GDP-R for 2010.

The table below summarises the impact of data updates and indicates the impact on the PES component shares between the 2012 and 2013 MTEF.

Table 3.2 Impact on PES component shares between 2012 and 2013 MTEF

Component	Weight	2012 MTEF %	2013 MTEF %	Variance
Education	48	8.3633	8.4078	0.044
Health	27	10.6439	10.4996	-0.144
Basic	16	10.6439	10.4531	-0.191
Poverty	3	6.0039	5.3730	-0.631
Institutional	5	11.1111	11.1111	0.000
Economic Activity	1	14.03330	14.13840	0.105
Final Share	100	9.4367	9.4012	-0.036

* Provincial Treasury own calculations

Table 3.3 shows the calculated preliminary revisions to the Provincial equitable share over the 2013 MTEF. The table indicates the impact on the reductions to the PES, data updates, phasing in of the PES and additions to cover the 2012/13 wage agreement over the MTEF. The net effect of these changes result in PES additions over the MTEF of R363.824 million in 2013/14, R249.838 million in 2014/15 and R651.700 million in 2015/16.

Provisional WC share of PES marginally decrease over the 2013 MTEF

Table 3.3 Revisions to the 2013 equitable share

R'000	2013/14	2014/15	2015/16
2012 MTEF	30 752 911	32 977 450	34 494 413
Reductions	-73 108	-155 822	-244 822
PES after reductions	30 679 803	32 821 628	34 249 591
PES phasing in	-147 228	-303 460	-140 340
2013 MTEF	30 532 575	32 519 168	34 109 251
Wage Agreement	584 160	708 120	1 036 861
Revised PES Baseline	31 116 735	33 227 288	35 146 112

* Provincial Treasury own calculations

Salary adjustments through the PES

The PES allocation provides for the carry-through costs of the higher-than-anticipated wage agreement in 2012/13.

Over the 2013 MTEF, National government has budgeted for R6.3 billion in 2013/14, R7.6 billion in 2014/15 and R11 billion in 2015/16 to cater for the public sector wage agreement as part of the Collective Labour Agreement for 2012. The three year agreement makes provision for inflation plus one per cent for the two outer years of the MTEF. It is estimated that the Western Cape will receive R584 million in 2013/14, R708 million in 2014/15 and R1.03 billion in 2015/16 for this purpose.

R2.329 billion additional over the MTEF to cater for Improvement of Conditions of Service

Conditional grants for concurrent and associated functions

Conditional Grants contribute 21.9 per cent of the total 2013/14 provincial envelope

Nationally, the baseline for conditional grant allocations to all provinces has been revised upwards by R500 million in 2013/14, R2.5 billion in 2014/15 and a further R7.4 billion in 2015/16. The bulk of the conditional grant increases go to the Education Infrastructure Grant, Community Library Services Grant, Further Education Training Colleges Grant, Comprehensive HIV and AIDS Grant, Provincial Road Maintenance Grant and Human Settlements Development Grant. A policy decision regarding the FET colleges grant has also been taken whereby a portion of the grant will be funded via a subsidy.

As indicated earlier, government is operating within a constrained fiscal framework with the 2013 budget constituting a holding one. Additional allocations to conditional grants are in part funded through savings of R221 million nationally over the 2013 MTEF. The Western Cape's share of this decline is estimated at R13.661 million over the 2013 MTEF and is largely attributed to declines in the allocation for the National Health Insurance Grant, HIV and AIDS (life skills education) and National School Nutrition Programme.

A portion of the FET colleges grant will be provided via a subsidy and directly transferred to the FET Colleges

As from 1 April 2013 the subsidy portion of the FET Grant will be removed from the FET Conditional Grant and transferred by the National Department of Higher Education directly to the FET Colleges. Over the MTEF this is estimated to result in a decline of R958.141 million to the FET Colleges Grant to the Province.

The allocations of the conditional grants will only be finalised by National Departments after consultation with the relevant stakeholders. Therefore, as part of the planning process Provincial Treasury has in the interim prepared its own calculations which are based on previous years trends in terms of the distribution of conditional grants.

Taking account of savings in a number of conditional grants, plus additions to conditional grant baselines and the impact of the changes in the funding mechanism for FET colleges, collectively will result in an estimated net decline for conditional grants of R325.024 million over the 2013 MTEF.

Within Education, estimated provisions have been made for an additional R86.602 million in 2014/15 and an additional R238.574 million in 2015/16 for the Education Infrastructure Grant. These funds are allocated for repair work on schools and other educational facilities. An additional R68.648 million is added to Further Education and Training Colleges over the MTEF. The additional funding is to provide for the higher than inflation wage increases.

For the Department of Cultural Affairs and Sport, R46.094 million and R80.664 million is estimated to be added to the Community Libraries Services grant in 2014/15 and 2015/16. These funds are to support the provision of community libraries infrastructure, facilities, and services. The additional funds are to assist with the provision of these services as a number of provinces have implemented emergency measures to prevent the closures of libraries in response to some municipalities cutting back on funding for library services.

Additional support provided for the provision of library services

For Human Settlements, R32.422 million in 2015/16 is estimated to be added to the Human Settlements Development Grant. These funds are to provide for installing the necessary infrastructure in smaller and less capacitated municipalities to upgrade informal settlements. Furthermore, in anticipation of the level 3 accreditation of metropolitan municipalities which should occur in the 2013/14 financial year, transfers will be allocated directly from the National Department of Human Settlements to these municipalities.

Additional funding will be made available through the Provincial Roads Maintenance grant to assist with the further investment in provincial roads. The net additional funds for provincial roads is estimated at R4.421 million in 2013/14, R8.631 million in 2014/15 and R11.508 million in 2015/16. This is an additional amount of R24.560 million over the MTEF. Over the MTEF the total funding made available for road infrastructure is estimated at R1.569 billion.

New methodology adopted to allocating the Infrastructure grant

A new approach for the implementation of the infrastructure grants has been adopted; provinces will be required to bid for their allocation of the grant. The allocations will be made to the provinces if they have met the pre-determined standards. These standards are based on the IDIP principles which include the principles of co-operation, good governance, transparency and consultation. The new approach also requires that provinces bid for their allocations two years in advance. The aim of this new methodology is to promote proper planning and transparency, while rewarding provinces for meeting their infrastructure delivery targets.

There has been a downward revision of the EPWP incentives nationally of R55 million and the impact on the Western Cape indicative allocation amount to R3.210 million over the 2013 MTEF. The indicative estimate for the EPWP Incentive Grant for the Province is R63.647 million over the 2013 MTEF. The EPWP has been identified as a priority for the province and additional funding of R71.680 million over the 2013 MTEF is provided from the PES.

Table 3.4 Extended funding for Expanded Public Works

R'000	2013/14	2014/15	2015/16	Total MTEF
PES Extended Allocations	22 709	23 935	25 036	71 680
Conditional Grants	19 725	21 651	22 271	63 647
EPWP total	42 434	45 586	47 307	135 327

The overall effect to conditional grants, when including the policy change regarding the funding mechanism of the FET colleges grant, is an estimated net downward adjustment of R265.642 million in 2013/14 and R138.923 million in 2014/15. The expected outcome for 2015/16 is that the province will receive additional funding of R79.542 million.

Table 3.5 provides the Provincial Treasury's own calculation of the estimated national conditional grant transfers that could flow to the Province over the 2013 MTEF.

Table 3.5 Estimated revisions to conditional grant baseline allocations for the 2013 MTEF

R'000	2013/14	2014/15	2015/16	Total MTEF
Revisions to Conditional Grants Baseline	43 239	186 344	417 196	646 779
Cultural Affairs and Sport	-	46 094	80 664	126 758
<i>Community Library Services</i>	-	46 094	80 664	126 758
Education	16 946	108 462	268 417	393 825
<i>Education Infrastructure Grant</i>	-	86 602	238 574	325 176
<i>FET Colleges Grant</i>	16 946	21 860	29 842	68 648
Human Settlements	-	-	32 422	32 422
<i>Human Settlements Developments</i>	-	-	32 422	32 422
Transport	5 168	9 437	12 313	26 918
<i>Provincial Road Maintenance</i>	5 168	9 437	12 313	26 918
Public Works	21 126	22 351	23 379	66 856
<i>EPWP</i>	21 126	22 351	23 379	66 856
Savings Effect on Provincial Conditional Grants	-4 373	-4 282	-5 007	-13 661
Education	-884	-1 590	-2 499	-4 973
<i>HIV & Aids (Life Skills Education)</i>	-585	-999	-1 416	-3 000
<i>National School Nutrition Programme</i>	-299	-591	-1 084	-1 974
Health	-1 342	-1 186	-593	-3 121
<i>National Health Insurance</i>	-843	-767	-383	-1 993
<i>Nursing Colleges</i>	-499	-419	-210	-1 127
Transport	-746	-806	-806	-2 358
<i>Provincial Road Maintenance</i>	-746	-806	-806	-2 358
Public Works	-1 401	-700	-1 109	-3 210
<i>EPWP</i>	-1 401	-700	-1 109	-3 210
Net Additions To Baselines	38 867	182 062	412 189	633 117
Policy Effects: FET Colleges Grants	-304 509	-320 985	-332 647	-958 141
Net Effect on Conditional Grants	-265 642	-138 923	79 542	-325 024

Provincial own receipts

In total, provincial own receipts are projected to increase from R1.938 billion in the 2012/13 Adjusted Budget to R2.074 billion in 2013/14. Over the 2013 MTEF, own receipts are expected to increase marginally by an annual average rate of 2.01 per cent.

Provincial own receipts is projected to contribute 4.88 per cent to the 2013/14 budget

The main contributors to total own receipts are Provincial Treasury, the Department of Health and the Department of Transport and Public Works. Collectively these three departments contributed 78.80 per cent of the total provincial own receipts in 2012/13.

The Department of Health has revised its own revenue projections down by R45.066 million for 2012/13 as part of the adjustment budget process. This adjustment has been mainly due to a R53.822 million reduction in transfers from the Global Fund which is attributed to the reduction in the cost of ARV drugs and revised laboratory protocols. The Department has however received additional donations to the value of R8.756 million.

Provincial Treasury's own receipts have been revised marginally upwards, but are expected to remain stable over the 2013 MTEF at around R309 million each year. Built into the forward estimates in gambling tax revenue is a risk mitigation strategy making provision for the unstable domestic and international economic environment. Not reflected as yet are the proposed changes to casino legislation and the gambling tax regime.

Table 3.6 Summary of provincial own receipts by vote

	Votes R'000	2012/13 Adjusted Budget	2013/14 2014/15 2015/16		
			Medium Term Estimate		
1 Department of the Premier		613	653	653	682
2 Provincial Parliament		52	52	52	54
3 Provincial Treasury		300 673	308 588	308 667	308 750
4 Community Safety		2 783	2 952	2 952	3 088
5 Education		24 533	25 065	26 234	27 022
6 Health		490 747	537 745	487 294	447 639
7 Social Development		593	810	862	915
8 Human Settlements		60 000	60 000	60 000	62 760
9 Environmental Affairs and Development Planning		318	1 150	1 200	1 250
10 Transport and Public Works		1 011 421	1 085 763	1 110 698	1 150 697
11 Agriculture		26 344	25 454	25 454	25 454
12 Economic Development and Tourism		17 340	24 270	25 270	27 270
13 Cultural Affairs and Sport		825	1 083	1 261	1 430
14 Local Government		1 348	50	50	50
Total		1 937 590	2 073 635	2 050 647	2 057 061

Table 3.7 indicates the total annual provincial own receipts budgets by economic classification over the 2013 MTEF period. Motor vehicle licences (MVL) is the largest contributor to total provincial own receipts, followed by hospital fees, and gambling taxes. Collectively, over the 2013 MTEF, these items are projected to contribute 79 per cent on average to total provincial own receipts.

Table 3.7 Western Cape own receipts by source 2012/13 - 2015/16

Source R'000	2012/13 Adjusted Budget	2013/14	2014/15	2015/16
		Medium Term Estimate		
Tax receipts	1 256 126	1 344 163	1 365 320	1 397 530
<i>Casino taxes</i>	279 411	287 000	287 000	287 000
<i>Motor vehicle licences</i>	943 400	1 013 163	1 033 320	1 063 530
<i>Horseracing taxes</i>	20 000	20 000	20 000	20 000
<i>Other taxes (Liquor licence fees)</i>	13 315	24 000	25 000	27 000
Sales of goods and services other than capital assets	418 501	424 309	429 759	440 220
Transfers received	179 505	220 559	170 108	130 453
Fines, penalties and forfeits	1 266	2 335	2 580	2 803
Interest, dividends and rent on land	3 295	3 508	3 556	3 678
Sales of capital assets	24	24	24	24
Financial transactions in assets and liabilities	78 873	78 737	79 300	82 353
Total provincial own receipts	1 937 590	2 073 635	2 050 647	2 057 061

Table 3.8 indicates the baseline changes per revenue source over the 2013 MTEF. Key changes include the additional R10 million per annum for Casino taxes, provision for an average of 5.3 per cent increase in MVL fees plus projected growth in vehicle registrations, increased liquor licence fees, and a decline in transfers due to the termination of the Global Fund agreement in 2015/16.

Table 3.8 Western Cape own receipts baseline changes

Source R'000	2012/13 Adjusted Budget	2013/14	2014/15	2015/16
		Medium Term Estimate		
Tax receipts	10 662	79 931	81 945	114 155
<i>Casino taxes</i>	2 411	10 000	10 000	10 000
<i>Motor vehicle licences</i>	-	50 995	52 009	82 219
<i>Horseracing taxes</i>	-	-	-	-
<i>Other taxes (Liquor licence fees)</i>	8 251	18 936	19 936	21 936
Sales of goods and services other than capital assets	-	702	1 207	11 668
Transfers received	-39 123	-4 448	-75 825	-115 480
Fines, penalties and forfeits	-	948	1 210	1 433
Interest, dividends and rent on land	-	12	67	189
Sales of capital assets	-	-	-	-
Financial transactions in assets and liabilities	-	-20	586	3 639
Total provincial own receipts	-28 461	77 125	9 190	15 604

Motor vehicle licence fees

Motor vehicle licence (MVL) fees are projected to contribute R943.400 million, or 48.69 per cent, to the total provincial own receipts in 2012/13.

The Province has undertaken research into the socio-economic incidence analysis of the Western Cape's motor vehicle licencing structure and its implications. The purpose of the research is, to amongst others, obtain a better understanding of the negative impact of possible cross border licencing practices, the effects of changes in the structure of MVL fees, and the potential impacts it would have on provincial own receipts.

The Western Cape Province has not increased MVL fees for the past 7 years

The Western Cape Province has not increased MVL fees for the past 7 years. This was in response to MVL fees being initially higher in the Western Cape compared to other provinces. The preliminary findings indicate that the differential between MVL fees in the Western Cape and other provinces has been eroded, and as a result, there is greater harmonisation of MVL fees between the Western Cape and other Provinces. The research has also shown that there is no evidence of any statistically significant migration of vehicle registrations outside of the Western Cape since 2007. Furthermore, the growth in registrations mirrored the provincial economic growth trends and remained in line with other provinces.

The Department of Transport and Public Works has estimated the roads maintenance backlog at approximately R8 billion for 2011. It is comprised of road graveling, surfacing, resealing and rehabilitation. This figure has grown from an estimated R6 billion in 2009.

In light of the research findings and the need to maintain real expenditure of road infrastructure and maintenance, it is proposed that the MVL fees on average be increased at least in line with the expected general CPI of 5.3 per cent for the 2013/14 financial year. This increase is below the inflationary increases experienced for construction inflation which is currently estimated at 12.7 per cent for the third quarter 2012. This proposed increase in the MVL fees is anticipated to generate additional revenue of approximately R50 million in each year of the MTEF. MVL fees are therefore projected to generate R1.013 billion in 2013/14, R1.033 billion in 2014/15, and R1.064 billion in 2015/16. As before, the monies generated from MVL fees will be ring-fenced specifically for road maintenance, and construction.

Health own revenue

Health patient fees are included under the 'sales of goods and services other than capital assets' item reflected in Table 3.7 and are expected to contribute R284 million to provincial own receipts in 2012/13. This revenue item is expected to remain constant at this level for the length of the 2013 MTEF.

Continued funding from the Global Fund through the Rolling Continuation Channel (RCC) has been extended over the next three years which has boosted the growth rate of overall transfers received. Transfers from the Global Fund are expected to be terminated in March 2016. The Department has thus reduced its estimates of Global Fund donations over the 2013 MTEF period. The Global Fund envelope decreases year-on-year due to the arrangement between the Department and the donor. For 2013/14, the allocation is estimated to be R204.941 million. The reduction over the MTEF in donor funding from the Global Fund is due to the objective components being incrementally taken up by the Department as part of its exit strategy.

The Road Accident Fund (RAF) has improved its payments of claims to the hospitals, which improved from settling 43 per cent of claims in 2010/11, to 61 per cent in 2011/12, and 66 per cent of by August 2012. If this trend continues it will have a positive effect for revenue projections in the 2013 MTEF.

Casino and horse racing taxes

Casino taxes is the third largest contributor to provincial own receipts contributing almost 15 per cent in 2012/13. Casino taxes are projected to increase by R10 million to R287 million per annum over the 2013 MTEF. Horse racing taxes are projected to contribute R20 million, or 6.68 per cent, to total gambling revenues in 2012/13 and is expected to remain constant over the 2013 MTEF period.

Casino taxes contributes R287 million per annum to the Provincial Revenue Fund

Provincial Treasury has gazetted for comment proposed legislative amendments to the Western Cape Gambling and Racing Act, which is under discussion with key stakeholders in the industry. The proposed amendments provide for the possibility of opening the metro for an additional licence, i.e. the relocation of one of the outlying casino's to the metro. The proposed amendments also make provision for a flat rate increase of 2 percentage points on the current tax rate. Research examining the possibility of increasing the tax rate determined that there was sufficient tax headroom to increase

the tax rates by 2 percentage points without adversely affecting the sector. These changes, if enacted, are estimated to bring in an additional R25 million per year.

Liquor licence fees

Revenue for liquor fees is estimated to increase to R24 million in 2013/14

The promulgation of the new provincial Liquor Act was accompanied by increases in fees for the issuing and renewing of liquor licences. Over the 2013 MTEF, revenue for liquor fees is estimated to increase to R24 million in 2013/14, R25 million in 2014/15 and R27 million in 2015/16.

Financial transactions in assets and liabilities

Financial transactions in assets and liabilities is estimated to amount to R78.873 million in 2012/13 and is projected to remain fairly constant at that level over the 2013 MTEF period. These revenues are expected to primarily come from the Department of Human Settlements and the Departments of Education and Health. Financial transactions in assets and liabilities is composed of revenue items such as, 'recovery of previous year's expenditure', staff debt, and unallocated credits.

Financing

In order to ensure that the Province can sustainably finance future expenditure needs, it is necessary to free up as much resources as possible in the 2012/13 financial year to enable potential funding shortfalls to be absorbed in the 2013/14 financial year and beyond. This will help to ensure that departments' baselines are protected. The 2012/13 Adjustment Budget Process has been used as a base for protecting department's expenditure plans over the 2013 MTEF period. Where possible, decisions regarding rollover or revenue retention were deferred to the 2013/14 financial year in order to create additional fiscal space over the 2013 MTEF period.

Conclusion and impact on services

The 2013 MTEF fiscal framework has been developed within the context of limited prospects for growth in national revenue over the short term, government's commitment to maintain fiscal discipline and to rebuild the fiscal space. Within this context government departments have been required to identify savings within their budgets and to reprioritise spending that is supportive of infrastructure investment and economic growth without reducing social expenditure particularly for education and health. In addition the Province is targeting additional

expenditure towards those factors that have an upstream impact on achieving desirable health and education outcomes, such as additional expenditure on the Liquor Authority, drug prevention and treatment, and the Mass Opportunity and Development (MOD) centres to name a few.

Current additions to the PES provide for carry through costs of higher than anticipated salary adjustments in 2012/13. Additions to the conditional grants framework have been geared towards the Departments of Education, Cultural Affairs and Sport, and Human Settlements.

The release of Census 2011 results indicate a more rapid growth in the Western Cape and Gauteng population vis-à-vis the rest of South Africa. Funding of provinces is largely dependent on population data and therefore population shifts between Census 2001 and Census 2011 will impact on provinces' equitable share allocation.

Provincial own receipts are anticipated to increase marginally by an annual average of 2.01 per cent over the 2013 MTEF. An inflationary increase of 5.3 per cent on average is proposed for MVL fees as well as a flat 2 percentage point increase on casino gambling tax rates.

In aggregate, the fiscal envelope of the Western Cape Government is expected to grow at an annual average rate of 5.56 per cent to reach R42.526 billion in 2013/14; R45.343 billion in 2014/15 and R47.956 billion in 2015/16.

4

Expenditure trends

The 2012 financial year saw the dawn of what became known as the Corporate Governance Review and Outlook (CGRO). The CGRO is a continuous process aspiring to systematically achieving higher levels of governance maturity over the medium to long term. The previous Financial Governance Review and Outlook (FGRO) and Financial Management Improvement Plan (FMIP) processes have been collapsed into a Governance Action Plan (GAP) owned by accounting officers. The resultant action plans closes the gap between the present and the desired state over time, building on current achievements, initiatives and foundations already laid within departments, and ultimately attaining the provincial strategic objective 12 of being the best run regional government in the world.

The road map to achieve improved audit outcomes and move beyond level four maturity level is as follows:

- Understanding the current foundation already laid by accounting officers, together with innovative measures;
- The gap between these and the proximate target of clean audits;
- Critical risks and steps to effectively reduce/manage any current or expected governance risks preventing the attainment of the stated objective;
- The implementation of effective mechanisms to address compliance/conformance issues; and
- Building thereon and moving beyond conformance to further improve the performance part as an integral whole, aspiring to first sustainably attain Financial Management Capability (FMC) level 3 and then over the longer term moving to level 4.

An internal control as well as an integrated risk framework will be developed over the medium term. In addition financial delegations of departments will be reviewed to ensure the relevance and completeness thereof.

This chapter provides an overview of support initiatives to departments to achieve level 3 and 4 maturity levels over the medium term with exclusive focus on expenditure management; the required shift in the composition of expenditure, key infrastructure initiatives, expenditure outcomes for the 2011/12 financial year, efficiency in spending as well as highlighting key elements of the 2012/13 adjusted estimates.

Corporate Governance Framework

*Enhance accountability,
data integrity and
efficiency*

Over the medium term, in an attempt to enhance accountability, data integrity and efficiency, analysis of selected expenditure items and functions will be undertaken. In this regard, effective management of personnel expenditure is paramount due to the fact that provincial personnel expenditure accounts for 54.9 per cent of the consolidated provincial budget over the 2012 MTEF.

Given the nature of the service delivery function, specifically Education and Health being labour intensive, personnel expenditure will always consume the lion share of resources.

Nevertheless, personnel expenditure requires the greatest level of attention from a fiscal or budget management perspective in order to maintain and improve the performance of the provincial fiscal system.

Within the long term goal of achieving higher levels of governance, support is aiming at functional governance that focuses on performance (results) as well as conformance (compliance).

Process deficiencies identified will be dealt with at a systemic level. Four critical control risk weaknesses were identified by the Corporate Services Centre (CSC) component, namely:

- Leave management;
- Recruitment and selection;
- Document management; and
- The internal audit process.

Support to departments over the medium term includes the following:

- Personnel modeling – To model the impact of specific changes in the personnel size and profile of each department. The purpose is to project the specific financial implications of any proposed change in headcounts, salary structure, post upgrades, notch increases, and progressions;
- To ensure regular alignment of budgets with payroll requirements of current and future employees at each relevant salary level;
- To monitor and cost any policy changes in respect of the remuneration and benefits afforded to public service employees; and
- The optimal utilisation of PERSAL as a management tool is one of the major contributors to a continued stable control environment in the public service.

Shifting the composition of expenditure

In order to promote growth and development a shift in the composition of expenditure over the medium term is required.

A shift in the composition of expenditure over the medium term is required

In 2012, government and public service unions signed a three-year wage settlement. The agreement provides for cost-of-living adjustments of 7 per cent in 2012/13 and consumer price inflation (CPI) plus 1 per cent in both 2013/14 and 2014/15. Compensation of employees is to be limited to 34 per cent of total national government expenditure in 2015/16 as government intends to restrain growth in personnel numbers.

Simultaneously the level and pace of infrastructure delivery needs to be enhanced. This will be achieved through the institutionalisation of good practice, systems, tools and building capacity. The further roll out and implementation of the WC Infrastructure Delivery Management System (IDMS) that is aligned with principles of the Infrastructure Development Improvement Programme (IDIP) will become key.

Specific focus will be on improved project planning, budgeting and management as well as the implementation of improved infrastructure procurement systems and practices in accordance with legislative imperatives.

Investment in health infrastructure is designed to maximise the effectiveness and efficiency of health services

Infrastructure

Health infrastructure

Capital investment in health services takes the form of investment in hospital infrastructure, mental health centres, forensic pathology facilities, primary community health care, emergency medical service facilities and the use of medical technology to enhance the care of patients. Investment in health infrastructure is designed to maximise the effectiveness and efficiency of health services.

Alongside the very obvious social benefits, an improved stock in health capital can boost the performance of the health services and in turn can make a significant contribution to the economy. Based on this need for continued investment in health infrastructure, the User Asset Management Plans (U-AMP) includes a significant level of funding for investment in the health sector over the MTEF.

Close to R2.875 billion is to be invested in health capital infrastructure. This investment will encompass various projects of which are under construction and planned for construction over the MTEF:

- New community health and emergency centres;
- New Observatory Forensic Pathology Laboratory;
- Replacement of GF Jooste Hospital;
- Valkenburg Hospital Upgrading;
- Brooklyn Chest Hospital; and
- Lentegeur Laundry replacement.

In relation to priority areas of investment, the budgetary pressures that have manifested since these priorities were articulated, mean that it will not be possible to procure all of the projects through the planned capital envelope. A number of projects have been identified to progress through alternative finance means (PPPs) and can be expected to make a contribution to health infrastructure; of which the replacement of Tygerberg Hospital is but one.

Education infrastructure

Over the MTEF, in excess of R2.353 billion in capital spending will be invested in Education. An amount of R1.318 billion will be invested in new and replacement and expanding primary and secondary schools whilst R376.143 million will be improving the stock of primary and secondary schools in various districts.

R2.353 billion in capital spending will be invested in Education

Capital expenditure in Education is concentrated in three large programmes:

- Planning and construction of new primary and secondary schools;
- Construction of Grade R classrooms; and
- Replacement of inappropriate classrooms.

In addition, there is a renewed focus on the replacement of inappropriate primary schools. Furthermore, the plan is also to design strategies that will optimise the labour component in infrastructure investment and to maximise EPWP opportunities to assist with the creation of jobs and thus contributing to efforts addressing unemployment in the Province.

A renewed focus on replacement of inappropriate primary schools

Although huge backlogs exist in terms of new infrastructure requirements, Education has set up key infrastructure planning tools to progressively move to more credible and robust U-AMPs in future.

The Department has also piloted the process of mapping school infrastructure provision which will allow the testing, modification and ultimate adoption of Interim Planning Guidelines (norms and standards) as well as several other aspects of the planning process (procurement strategies, expansion at existing well performing schools rather than complete new schools, etc.). These initiatives should enable the Department to respond to infrastructure needs more efficiently and cost effectively in the future and optimising the investment in educational facilities.

Roads infrastructure

The Roads User Asset Management Plan (U-AMP) addresses infrastructure requirements for the full continuum of Roads Infrastructure through new and replacement assets; upgrades and additions; rehabilitation, renovations and refurbishments; and maintenance and repairs. A number of projects have been identified, where investment to Roads infrastructure is directed to specifically promote the economic growth initiatives in the

Province. This investment will encompass various projects as shown in Table 4.1 below.

Table 4.1 Roads infrastructure: Committed funding in the AFR

Projects R'000	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	Total
C1025 Wingfield interchange upgrade - planning phase	3 000	13 000	11 000	14 540	28 000			69 540
Construction Phase 1						552 820	632 260	1 185 080
C975 Road network improvement in support of the Saldanha IDZ and Port Expansion - planning phase	5 000	10 000	10 000	40 500				65 500
Construction Phase 1					72 954	52 976		125 930
Construction Phase 2						166 170		166 170
Construction Phase 3							166 710	166 710
C776.3 Gansbaai - Elim upgrade	6 960	105 000	106 000	75 000				292 960
Total	14 960	128 000	127 000	130 040	100 954	771 966	798 970	2 071 890
2013/14 - 2015/16 (financed)			385 040					

- Project C1025: Upgrade of the Wingfield Interchange at a total project cost of R1.255 billion for the period 2012/13 to 2018/19. This project will improve the accessibility into Cape Town CBD and Port on both the N1 and N2. However, the replacement of the interchange cannot be undertaken without affecting the adjacent road network and a feasibility study is to be undertaken to investigate the implementation strategies and improvement to the adjacent road network.
- Project C776.3: Upgrade of Divisional Road 1205 (between 7.1 km to 34.6 km) from gravel to surfaced at a total project cost of R292.96 million for the period 2012/13 to 2015/16. This road will be transformed from a rural route to a scenic route, which passes through the Elim Valley, linking Gordon's Bay to Cape Agulhas via Hermanus and Bredasdorp.
- Project C975: Road Network Improvements (Saldanha Bay IDZ and Port) will include upgrading of the regional freight links between Saldanha Bay and Vredenburg to ensure the success of the Saldanha Bay IDZ project at a total project cost of R524.31 million for the period 2012/13 to 2018/19. Planning will involve the following road network improvements:

- Construction of a new road link between TR85/1; will shorten the distance between the port to the N7 by approximately 12 km;
- The upgrading/rehabilitation of the R45 Freight Corridor as an abnormal load route servicing the Port to the N7; and
- The upgrading/rehabilitation of the R27 Freight Corridor the shortest route between the Cape Town and Saldanha Bay Port.

Roads infrastructure maintenance also provides opportunities to improve the economic prospects of the country and Province and contribute to the many socio-economic benefits, which they may hold. These opportunities include transformation in the procurement and delivery methods through, contractor development and graduation of contractors, skills development and employment.

The Provincial Government continuously strives towards improving the condition of the surfaced road as well as the gravel road networks.

Government has prioritised maintenance in an attempt to start addressing remaining backlogs. The emphasis on the backlog improvements follows the strategic thrust of reducing the road condition backlogs by 2014. The focal areas include keeping busy roads in a good condition but also to improve those that are in a poor and very poor condition that have socio-economic significance. Close to R1.516 billion, over the MTEF, has been directed towards maintenance of roads.

Government has prioritised maintenance in an attempt to start addressing remaining backlogs

Provincial Regeneration Programme

The Provincial Regeneration Programme (PRP) was approved by Cabinet in 2010 and aims to leverage provincial assets as a platform for new growth through attracting new investment, maximise the socio-economic footprint in terms of inner city renewal, bring about synergy with other mooted projects within the broader inner city precinct and have an added advantage of minimising the burgeoning rental costs for office accommodation.

Table 4.2 City regeneration projects: Committed funding in the AFR

Projects R'000	2012/13	2013/14	2014/15	2015/16	2016/17	Total
Artscape founders garden precinct						
Construction of parking garage	500	10 000	112 500	25 500		148 500
Artscape construction		20 000	40 000	22 634		82 634
Founders garden project (Zoning)		1 000				1 000
Sub-total	500	31 000	152 500	48 134		232 134
Somerset						
Relocation of NHLS	1 500	3 500	10 000	65 000	20 000	100 000
Somerset Rezoning and Communication		1 000	2 000			3 000
Somerset Precinct project		5 000	10 000	7 000		22 000
Sub-total	1 500	9 500	22 000	72 000	20 000	125 000
Government Head office precinct						
Transaction Advising services for the Development of Leeuwen/Loop						14 051
Sub-total	8 528	5 523				14 051
Prestwich precinct						
Relocation of soils lab	500	3 500	5 500	500		10 000
Prestwich project		10 000	7 000	5 000		22 000
Sub-total	500	13 500	12 500	5 500		32 000
Government garage precinct						
Acquisition/relocation of GMT		63 000	8 000			71 000
GMT project		7 000	10 000	5 000		22 000
Sub-total		70 000	18 000	5 000		93 000
Total	11 028	129 523	205 000	130 634	20 000	496 185

Over the next five years, more than R496 million will be directed to these regeneration projects as depicted in Table 4.2 above.

In addition, the Cape Town International Convention Centre (CTICC) forms part of the City Regeneration Programme. The CTICC have planned a Conceptual Expansion Development across a parcel of land on the Foreshore, located between Heerengracht and DF Malan Drives and bordered by the Western Boulevard (north). Over the MTEF R161.790 million has been set aside for this purpose.

Broadband

The Connected Cape vision is a vision for the Western Cape where every citizen in every town and village has access to affordable high speed broadband infrastructure and services, has the necessary skills to effectively utilise this infrastructure and is actively utilising this in their day to day lives to improve productivity and access to new markets. The broadband initiative is a medium to long term programme with multiple dependencies and timelines covering multiple financial years with short, medium and long term targets covering the period 2014 to 2030.

The programme consists of 6 core projects, namely:

- Connecting leadership;
- Connecting government, including connecting schools/hospitals;
- Connecting communities;
- Connecting households;
- Connecting business; and
- Connecting the world.

The project goes hand in glove with national government's targets namely universal broadband access by 2020 and public ICT access within a 2 km radius of anyone by 2019.

2011/12 expenditure outcomes

Details of the 2011/12 expenditure outcomes for the Province are set out in Table 4.3 below. In total, spending for the Province in 2011/12 amounted to R36.949 billion out of a total adjusted appropriation of R37.088 billion.

Table 4.3 Expenditure by votes, 2011/12 - 2012/13 financial years

Vote R'000	2011/12			2012/13		
	Adjusted Budget	Audited Outcome	Deviation from Adjusted Budget	Main budget	Adjusted budget	Actual Spending April 2012 to September 2012
1 Department of the Premier	694 018	692 445	0.2%	699 802	747 981	386 539
2 Provincial Parliament	88 716	77 741	12.4%	93 603	95 727	48 137
3 Provincial Treasury	143 420	142 619	0.6%	154 286	164 962	69 055
4 Community Safety	307 218	306 599	0.2%	358 414	364 626	158 144
5 Education	13 377 152	13 361 153	0.1%	14 229 057	14 360 243	6 803 251
6 Health	13 428 910	13 387 763	0.3%	14 632 361	14 743 832	6 880 311
7 Social Development	1 332 141	1 317 002	1.1%	1 411 512	1 409 712	615 693
8 Human Settlements	1 836 506	1 834 400	0.1%	1 920 894	1 987 582	738 309
9 Environmental Affairs and Development Planning	348 534	348 467	0.0%	379 273	377 209	179 792
10 Transport and Public Works	4 244 026	4 198 575	1.1%	4 608 897	4 498 613	1 977 262
11 Agriculture	517 192	514 559	0.5%	559 792	560 374	268 939
12 Economic Development and Tourism	257 070	256 089	0.4%	291 117	315 585	127 432
13 Cultural Affairs and Sport	352 480	351 888	0.2%	390 761	392 422	173 574
14 Local Government	129 997	129 825	0.1%	155 228	161 108	70 524
Sub-total	37 057 380	36 919 125	0.4%	39 884 997	40 179 976	18 496 962
Direct Charge	30 253	30 147		31 787	31 787	14 652
Total	37 087 633	36 949 272	0.4%	39 916 784	40 211 763	18 511 614

The 2011/12 under spending amounted to R138.361 million or 0.4 per cent of the total adjusted appropriation. The under spending is mainly due to delays in infrastructure spending and personnel related issues of R45.451 million in Public Works, Roads and Transport. In Health, the under spending amounted to R41.147 million and was mostly due to HIV and AIDS funding not received from the Global Fund.

Efficiency in spending

*Greater economy,
efficiency, effectiveness
and equity across votes*

During the 2013 MTEF, departments and public entities, in support of improved fiscal performance, continue to strive towards the achievement of greater economy, efficiency, effectiveness and equity across votes and within programmes. One of the main principles in the 2012 Adjusted Estimates and carried through to the 2013 MTEF centres around continued efficiency measures by improving input/output ratios and reducing frills expenditure. Departments had to find savings in the form of efficiency gains by reprioritising expenditure in an attempt to deal with the higher than anticipated wage agreement. In addition, Education and Health are instituting a number of efficiency measures as explored below:

- Education: the Department will be making tremendous strides in terms of its biggest resource, compensation of employees by reducing the number of temporary employees, relief teachers, excess educators and reducing the amount of overtime paid to employees. Head Office operating expenditure will be reduced by 10 per cent over the 2013 MTEF; and
- Health, amongst others intends to vet all requests for goods and services, developing standards for staffing per ward and clinic, more accurately forecast and monitor drug requirements and drug utilisation patterns.

Government Motor Transport

The main purpose of the Government Motor Transport (GMT) is to acquire vehicles and provide management services for state vehicles to provincial and national client departments and entities in order for each of these clients to carry out its services efficiently and effectively. Government Motor Transport is an important cost driver for government service delivery.

The Provincial Government of the Western Cape has undertaken research focused on analysing GMT within the Province. The strategic analysis is focused on the business model being used to provide government vehicles; examining alternative operating arrangements, measures aimed at enhancing efficiency such as vehicle replacement policies, vehicle utilisation policies, fleet size, fleet maintenance, vehicle age, fuel efficiency, driver training interventions; and recommendations regarding the GMT tariff structure.

Recommendations from the research are aimed at improving the efficiency of the current operating model and will provide savings to individual departments and the province as a whole.

2012/13 mid-year estimates

As at the second quarter of the 2012/13 financial year the provincial spending results, depicted in the table above, amounts to R18.512 billion or 46.4 per cent of the 2012 Main Budget.

It has become necessary to review departmental baselines year-on-year in order to stabilise and ensure sustainability of spend, given the uncertainty surrounding the global and domestic economies. This will require some expenditure/budget introspection to maintain a fine balance between recurrent expenditure (compensation of employees and goods and services) and capital and infrastructure expenditure in order to give effect to improved service delivery. It must be done in such a way as not to have a detrimental impact on service delivery, but promote responsive and effective governance.

Maintain a fine balance between recurrent expenditure (compensation of employees and goods and services) and capital expenditure

2012 Adjusted Budget

The 2012 Adjusted Budget proposes spending of an additional R292.206 million for the 2012/13 financial year. It provides provincial departments with an opportunity to make technical adjustments to the appropriations as voted in the 2012/13 Main Budget and forms the basis of the 2013 Medium Term Expenditure Framework (MTEF).

The main principles of the 2012 Adjusted Budget includes improved expenditure management practices to create space to deal with fiscal volatility; creating sustainable expenditure levels for the 2013 MTEF; to stretch available resources by shifting funds within and across votes and programmes and to provide, under exceptional circumstances, for policy priorities and cost pressure relief.

All departments, with exception of Education and Health, will absorb the costs of the 2012 wage agreement, which was 1.2 per cent higher than budgeted in the 2012 Main Budget as part of their reprioritisation or through improved efficiency measures.

The additions taken up in the 2012 Adjusted Budget, are mainly for the following:

- R163.158 million to cover the higher than anticipated wage settlement cost at Education and Health and Further Education and Training (FET) colleges;
- R44.997 million for ICT services including broadband connectivity;
- R50 million for capital roads infrastructure projects; and
- R60.388 million as financial assistance to various municipalities to provide bulk infrastructure to unlock housing delivery.

Conclusion

Given the current fiscal and economic environment, there is a need for departments to continue with improving spending plans to fulfil their core mandates and respond to the citizenry of the Western Cape's most pressing needs. In respect of current expenditure, i.e. goods and services and transfer payments, departments will do further work to improve internal efficiencies and to assess what combination of expenditure will give the greatest return with respect to services to the communities.

Glossary

Baseline	The initial allocations used during the budget process, derived from the previous year's forward estimates.
Basic prices	Basic prices is the measure of Gross Domestic Product that does not take into account the value of taxes levied and subsidies received on production.
Broad unemployment	Includes discouraged employment seekers in the labour force.
Budget policy	Budget policy is the means by which government directs and adjusts its overall and differentiated levels of spending in order to foster and influence a nation's economy and social welfare.
Burden of disease	Refers to the nature and drivers of the causes of mortality and morbidity.
Conditional Grants	Allocations of money from one sphere of government to another, conditional on certain services being delivered or on compliance with specified requirements.
Consumer price inflation (CPI)	The main measure of inflation, charting the price movements of a basket of consumer goods and services.
Countercyclical fiscal policy	Policy that has the opposite effect on economic activity to that caused by the business cycle, such as slowing spending growth in a boom period and accelerating spending in a recession.
Current account (of the balance of payments)	The difference between total exports and total imports, also taking into account service payments and receipts, interest, dividends and transfers. The current account can be in deficit or surplus. See <i>also trade balance</i> .
Discouraged work seekers	Individuals who want to work and are available to work, but who are not actively looking for work.

Division of revenue	The allocation of funds between the spheres of government as required by the Constitution.
Equitable share	The allocation of nationally raised revenue to provincial and local spheres of government as required by the Constitution.
Financial year	The 12 months according to which companies and organisations budget and account.
Fiscal framework	A framework for integrating fiscal policy and budgeting over the medium-term by linking a system of aggregate fiscal forecasting to a disciplined process of maintaining detailed medium-term budget estimates by ministries reflecting existing government policies.
Fiscal policy	Policy on taxation, spending and borrowing by government.
Fiscal space	The ability of a government's budget to provide additional programme resources without jeopardising fiscal sustainability.
Gini coefficient	The Gini coefficient is a measure of the inequality of a distribution, a value of 0 expressing total equality and a value of 1 maximal inequality.
Gross domestic product (GDP)	A measure of the total national output, income and expenditure in the economy. GDP per head is the simplest overall measure of welfare, although it does not take account of the distribution of income, nor of goods and services produced outside the market economy.
Headline CPI	The main measure of inflation, charting the price movements of a basket of consumer goods and services.
Industrial development zone	Designated sites linked to an international air or sea port, supported by incentives to encourage investment in export-oriented manufacturing and job creation.
Inflation	An increase in the general level of prices.
Labour absorptive capacity	Quantifies the difference between target employment growth rate and actual employment growth rate.
Labour force	Number of employed and unemployed individuals of working age.

Medium-term expenditure framework (MTEF)	The three-year spending plans of national and provincial governments published at the time of the Budget.
Narrow unemployment rate	Rate of unemployment that does not take into account the discouraged employment seekers from the labour force.
National budget	The projected revenue and expenditure that flow through the National Revenue Fund. It does not include spending by provinces or local government from their own revenues.
Provincial own receipts	Refers to taxes/fees and/or user charges, which a provincial department receives.
Public entities	Companies, agencies, funds and accounts that are fully or partly owned by government or public authorities and are regulated by law.
Real consumer spending	Expenditure on goods and services, including salaries, which are used up within a short period of time – usually a year.
Real interest rate	The level of interest after taking account of inflation.
Recession	Decline of Gross Domestic Product for two or more consecutive quarters.
Seasonally adjusted and annualised	The process of removing the seasonal volatility (monthly or quarterly) from a time series. This provides a measure of the underlying trend in the data. Annualised: to express a rate as if it were applied over one year.
Working age population	Individuals aged between 15 and 65.