

**Western Cape Government
Provincial Treasury**

**Medium Term
Budget Policy Statement
2017**

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PR338/2017

ISBN 978-0-621-45938-8

Foreword

The 2017 Western Cape Medium Term Budget Policy Statement (MTBPS) provides the framework within which the 2018 Budget will be formulated and sets the economic and fiscal context for the Medium Term Expenditure Framework (MTEF). While demonstrable progress has been made in achieving the policy objectives of the Province, the 2018 planning and budgeting process is framed within the context of slow economic growth and a fiscal framework which is hampered by national revenue shortfalls, rising debt and policy uncertainty. Amidst the challenging economic and fiscal environment, the Western Cape is experiencing a severe drought which has widespread economic and social implications, rising levels of crime affecting the most vulnerable and increasing demands for public services.

The current adverse circumstances have placed a strong emphasis on the need for measures to enhance fiscal sustainability and to strengthen our fiscal position. The 2017 Western Cape MTBPS highlights the Western Cape Government's Fiscal Strategy Response to the key provincial risks, which remains at the forefront of our budget policy agenda. The Western Cape Government, through this Budget Policy Statement continues to demonstrate its commitment to our Fiscal and Budget policy principles and Fiscal Strategy, which focuses on maintaining fiscal sustainability and managing key risks, while giving effect to the 2014 - 2019 Provincial Strategic Plan.

Despite the scale and scope of our challenges, the Western Cape Government maintains its commitment toward creating public value through budgets that are responsive to the socio-economic environment and are underpinned by the principles of good financial governance. Through the practice of integrated planning, budgeting and implementation, the Western Cape Government will continue to reaffirm the objective of creating service delivery impact whilst maintaining fiscal stability over the medium term. This year's Western Cape MTBPS therefore places a specific emphasis on maintaining sustainable budgeting practices to create certainty over the 2018 MTEF.

I would like to officially thank my colleagues in the Provincial Cabinet and the policy makers who have informed this MTBPS as well as the Heads of Department and staff who will give effect to and implement what is set out in the 2017 Western Cape MTBPS.



Dr Ivan Meyer
Minister of Finance

23 November 2017

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Acronyms

AIDS	Acquired Immune Deficiency Syndrome
ART	Antiretroviral
ASIDI	Accelerated Schools Infrastructure Delivery Initiative
BBBEE	Broad Based Black Economic Empowerment
BEPPs	Built Environment Performance Plans
C-AMP	Custodian Asset Management Plan
CCT	City of Cape Town
CIDB	Construction Industry Development Board
CPI	Consumer Price Index
DoRA	Division of Revenue Act
DRG	Diagnostic Related Group
ECD	Early Childhood Development
EmplA	Empowerment Impact Assessments
GDP	Gross Domestic Product
GDPR	Gross Domestic Product per Region
GVA	Gross Value Added
HIV	Human Immunodeficiency Virus
ICT	Information Communication Technology
IDPs	Integrated Development Plans
IDZ	Industrial Development Zone
IMF	International Monetary Fund
LURITS	Learner Unit Record Information Tracking System
MOD	Mass participation: opportunity and access; development and growth
MTBPS	Medium Term Budget Policy Statement
MTEF	Medium Term Expenditure Framework
MVL	Motor Vehicle Licence
NAGS	National Anti-gang strategy
NCDP	National Contractor Development Programme
NDP	National Development Plan
NIMS	National Infrastructure Maintenance Strategy

NPOs	Non-Profit Organisations
NSNP	National School Nutrition Programme
NSC	National Senior Certificate
PSDF	Provincial Spatial Development Framework
PSGs	Provincial Strategic Goals
PSP	Provincial Strategic Plan
RSEP	Regional Socio-Economic Projects
SARB	South African Reserve Bank
SDFs	Spatial Development Frameworks
SETAs	Skills, Education, and Training Authorities
SIPDM	Standard for Infrastructure Procurement and Delivery
Stats SA	Statistics South Africa
TB	Tuberculosis
TOD	Transit Orientated Development
U-AMP	User Asset Management Plan
US	United States
VPUU	Violence Prevention through Urban Upgrading
WC	Western Cape
WCG	Western Cape Government
WEO	World Economic Outlook
WoW	Western Cape on Wellness

1

Economic outlook

In summary

- The global economy has improved over the last year largely due to higher real activity in advanced economies.
- Economic growth in South Africa, however, has not kept pace. The national economy is expected to grow by less than 1 per cent in 2017.
- The economic performance has impacted on the South African Fiscal Framework with tax revenue shortfall of R50.8 billion forecast for 2017/18 and the budget deficit estimated at 4.3 per cent of GDP. This reflects a deterioration in the fiscal position since the 2017 National Budget.
- The Western Cape economy cannot escape the risks facing the national economy. The current drought and water crisis poses significant downside risks to the economic outlook. However, the Western Cape economy can benefit from the global upswing through export demand and continued focus on priority sectors.
- The Western Cape Government will focus on growing the economy in an inclusive manner.

■ Introduction

The pace of economic growth of the South African economy remains restrained. Lower business and consumer confidence coupled with perceived political and institutional uncertainty have weighed on economic performance in recent times. All this while the global economy enjoys one of its best growth phases post the global financial crisis. The national economy further faces predominantly downside risks. Among these are possible further credit rating downgrades on the back of what could be perceived as negative fiscal and political developments. The Western Cape cannot detach itself from risks facing the national economy. Therefore, driving economic opportunities and instilling business confidence remain key to enhancing growth.

■ Developments in the global economy

Global economic output expanded by 3.2 per cent in 2016

The outlook for global economic growth has slowly improved since the start of the year. The International Monetary Fund (IMF) in their October 2017 update of the World Economic Outlook upwardly adjusted the forecast for global output by 0.1 of a percentage point to 3.6 per cent and 3.7 per cent in 2017 and 2018, respectively. This represents an improvement from the growth of 3.2 per cent recorded in 2016.

Table 1.1 Global economic outlook, 2017 - 2018

	2016	Forecast		Difference from July 2017 forecast	
		2017	2018	2017	2018
World output	3.2	3.6	3.7	0.1	0.1
Advanced economies	1.7	2.2	2.0	0.2	0.1
Emerging and developing economies	4.3	4.6	4.9	0.0	0.1

Source: International Monetary Fund, 2017

Global outlook revised upward due to advanced economy growth

Much of the adjustment to global growth comes from a more robust view of growth in advanced economies which is expected to rise to 2.2 per cent in 2017 (from 1.7 per cent in 2016) before slowing to 2.0 per cent in 2018. This represents a 0.2 percentage point upwards adjustment to 2017 growth compared to the IMF's July 2017 forecast.

Of the key near term developments in advanced economies is the continued pace of United States (US) Gross Domestic Product (GDP) growth, supported by high business and consumer confidence. However, the fiscal stimulus which was punted for during the US election campaign in 2016 year is likely to be more muted than earlier predictions.

The most significant upward adjustment was in Canada where growth of 3.0 per cent and 2.1 per cent is predicted for 2017 and 2018, respectively. This represents an upward adjustment of 0.5 and 0.2 of a percentage point in 2017 and 2018, respectively, compared to July 2017. Across the Atlantic, conditions in the Eurozone, especially political, have improved. Pro-Euro election victories in key economies helped prop up sentiment at a time when the real economy in Europe is also gaining momentum.

Growth in emerging and developing economies expected to be flat in 2017

In contrast to the advanced economies, the outlook for emerging and developing economies in 2017 is unchanged from the previous estimates. The IMF expects output in emerging and developing economies to rise by 4.6 per cent in 2017 from 4.3 per cent in 2016. A further acceleration to 4.9 per cent is predicted for 2018.

Growth in China is predicted to improve marginally to 6.8 per cent in 2017 from 6.7 per cent in 2016 before slipping to 6.5 per cent in 2018. While lower than in the recent past, economic output in China has expanded more or less in line with authorities' expectations given the shift in emphasis to services and internal demand orientated growth, from infrastructure-led growth.

In contrast, economic activity in India is set to moderate to 6.7 per cent in 2017 from 7.1 per cent in 2016. A rebound to 7.4 per cent in 2018 is expected. The subdued growth outlook for 2017 is largely a consequence of the demonetisation¹ efforts implemented towards the end of 2016 while the uptick in 2018 assumes that this effect would have petered out and growth fundamentals, particularly structural reforms, will once again lift output (or potential output).

Growth in Sub-Saharan Africa is expected to accelerate to 2.6 per cent in 2017 and to 3.4 per cent in 2018 after a disappointing performance in 2016. Growth in the region is underpinned by improved output in its two largest economies, Nigeria and South Africa. Nigeria is expected to exit the recession of 2016 with growth of 0.8 per cent in 2017 and 1.9 per cent in 2018.

The risks to the domestic and regional outlook posed by the global environment, while broadly balanced, remain somewhat tilted to the downside including:

- Economic and policy uncertainty, especially with respect to the US. Also included in this uncertainty is the United Kingdom's relationship with the European Union once Brexit negotiations are complete.
- On the upside, higher business and consumer confidence in advanced economies could see GDP growth come in higher than currently predicted over the short term.

■ Developments in the South African economy

Growth in 2016 slowed to 0.3 per cent and remained weak during the first quarter of 2017 pushing South Africa (SA) into its first technical recession since 2009. However, growth rebounded by 2.5 per cent quarter-on-quarter in the second quarter of 2017. The main boost to the economy during the second quarter was the agricultural sector which recorded quarterly growth of 33.6 per cent as improved weather conditions in most of the country aided higher

¹ Demonetisation refers to the Government of India attempting to restrain the shadow economy and decrease the use of illicit and counterfeit money.

production. In addition, sectors such as trade and financial services saw a return to positive growth after contracting in the first quarter of 2017.

Data released for the third quarter of 2017 suggests the economy continued to expand albeit at a slower pace than in the second quarter. Overall, the National Treasury expects domestic economic output to rise by 0.7 per cent for the full year of 2017 with a further acceleration to 1.1 per cent in 2018. These projections were revised downward from 1.3 per cent in 2017 and 2.0 per cent in 2018 previously announced in the February 2017 National Budget.

Consumer spending registered subdued growth of only 1.1 per cent during the first half of 2017. This was largely due to the mixed performance by real disposable income which, after contracting by 2.1 per cent in the first quarter of 2017, expanded by 4.5 per cent in the second quarter. Growth in the second quarter of 2017 was supported by higher nominal wages, and also more benign inflation. For the full year of 2017, household consumption expenditure is predicted to rise by 1 per cent, boosted by lower inflation and somewhat lower interest rates. However, lower consumer confidence will still be a drag. A further acceleration is forecast for 2018 (see Table 1.2).

Low business confidence weighs on capital outlays by the private sector

Fixed investment outlays declined by 1.1 per cent in the first half of 2017 due to a contraction in investment spending by public corporations (-3.7 per cent) and private business enterprises (-2.5 per cent). A number of factors continue to weigh on fixed investment by the private sector (which accounts for 60 per cent of total investment) including policy uncertainty, weak domestic demand and low business confidence. In contrast, capital spending by general government recorded growth of 6.3 per cent in the first half of 2017. Looking ahead, total fixed investment is set to contract marginally by 0.6 per cent in 2017 with a mild expansion expected for 2018.

A rising trade surplus whilst the financial account remained in deficit

The trade surplus of the balance of payments rose to 1.3 per cent of GDP during the first half of 2017. This was due to a combination of higher exports (due to improved global growth) and declining imports (due to weak domestic demand). While the trade surplus widened, the financial account remained in deficit. Net services, income and transfer deficits were registered at 3.6 per cent in the first half of 2017. In all, the balance on the current account recorded a shortfall equal to 2.2 per cent of GDP in the first half of 2017.

Table 1.2 South African economic outlook, 2017 - 2020

	Actual 2016	Estimate 2017	Forecast		
			2018	2019	2020
<i>Percentage change unless otherwise indicated</i>					
Final household consumption	0.8	1.0	1.2	1.6	1.9
Final government consumption	2.0	0.9	1.7	1.0	1.0
Gross fixed capital formation	-3.9	-0.6	0.5	3.0	3.5
Exports	-0.1	2.5	3.2	3.4	3.5
Imports	-3.7	4.0	3.1	3.5	3.8
Real GDP growth	0.3	0.7	1.1	1.5	1.9
GDP at current prices (R billion)	4 338.9	4 601.8	4 888.8	5 222.3	5 611.9
CPI inflation	6.3	5.4	5.2	5.5	5.5
Current account balance (% of GDP)	-3.3	-2.3	-2.6	-2.9	-3.1

Source: Stats SA, South African Reserve Bank, National Treasury, 2017

Consumer inflation, as measured by the Consumer Price Index (CPI), accelerated to 5.1 per cent during the third quarter of 2017, after averaging 4.7 per cent during the first half of 2017. Rising global oil prices as a result of hurricane-related production outages in the US, as well as higher global demand saw the local petrol price rise by 19 cents and 67 cents in August and September 2017, respectively. However, lower food price inflation, due to higher agricultural output, provided some relief.

Higher global oil prices lift domestic inflation profile

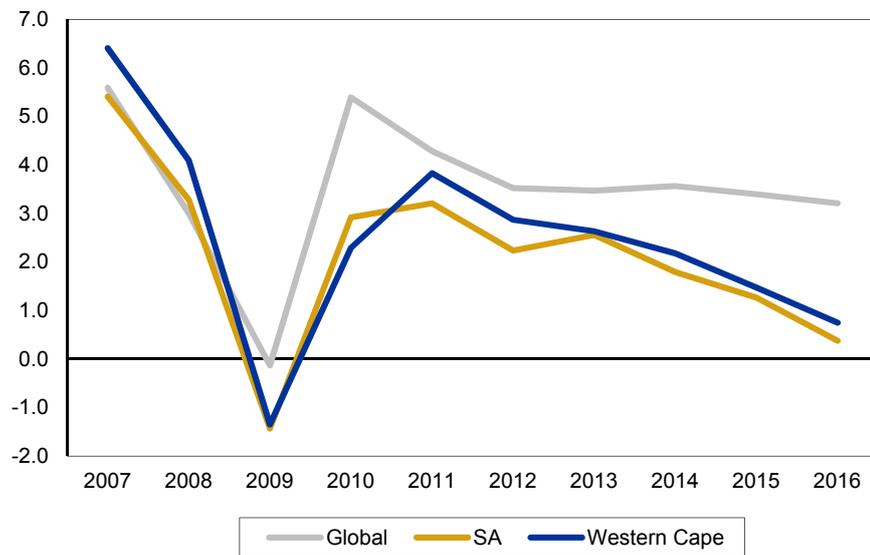
Going forward, consumer inflation is expected to remain subdued, rising to 5.4 per cent in 2017 before slowing to 5.2 per cent in 2018. The environment of contained inflation and sluggish GDP growth, particularly at the start of the year, prompted the South African Reserve Bank (SARB) to cut interest rates by 25 basis points in July 2017. However, the SARB decided against any changes to the repo rate at their September 2017 meeting. The implication of this is that the SARB foresees the inflation rate to remain within the target range of 3 to 6 per cent for the short to medium term.

Economic developments in the Western Cape

Over the past few years' the gap between the South African and Western Cape economic growth rates has narrowed. According to Statistics South Africa (Stats SA), economic output in the Western Cape rose by 1.5 per cent in 2015, compared to 1.3 per cent for the rest of SA. This is estimated to have tapered off to 0.8 per cent in 2017. The Western Cape is expected to outperform the rest of SA in 2016 largely due to further growth in the services sector and higher business confidence than the rest of SA. Growth in the Western Cape is predicted to moderate to 0.5 per cent in 2017 before recovering to 1 per cent in 2018.

Narrowing gap between SA and WC growth in GDP

Figure 1.1 Performance of the Western Cape economy relative to the global and national economies, 2007 - 2016



Source: International Monetary Fund, Stats SA, Provincial Treasury, 2017

Main downside risk relates to the persistent drought

It is expected that economic growth in the Western Cape will remain restrained over the short term due to, but not limited to the following:

- Muted consumer spending due to low consumer confidence and weaker growth in disposable income which could weigh on the retail sector.
- The strained national fiscus, which is unlikely to be a temporary phenomenon, could likely see lower growth in government services over the forecast horizon.

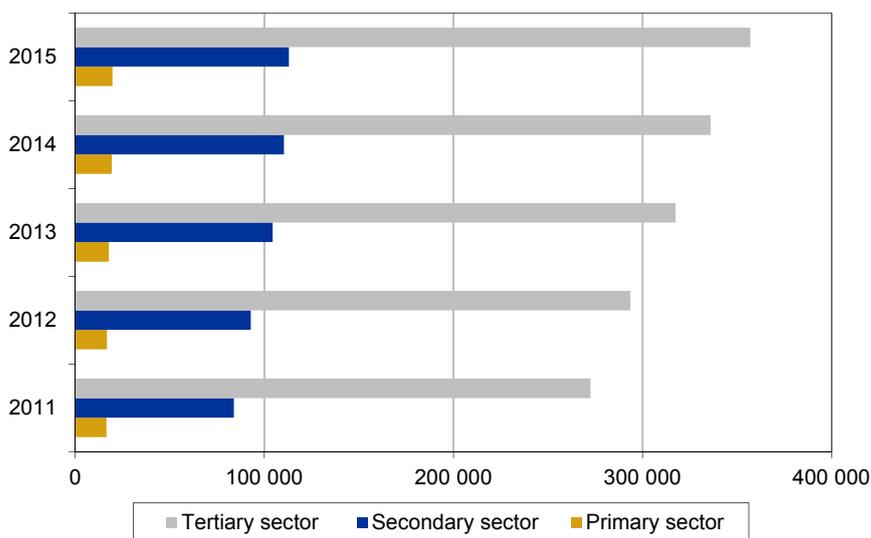
The main downside risk to the Province is the persistent drought in the Western Cape. The agricultural sector is dependent on water for irrigation. The Western Cape Water Supply System apportioned 216 million m³ of water to the agricultural sector in 2015 which is approximately 35 per cent of the total water supplied. Not only will the drought directly impact the agricultural sector, but also the rest of its value chain which includes the agri-processing sector. Further to this, additional negative effects in the form of employment losses and lower exports are expected. On the upside, growth in the Euro Area should disproportionately benefit the Western Cape. However, this is dependent on whether producers (particularly in agriculture) have production capacity to meet any increases in export demand.

Sectoral performance in the Western Cape

The share of the services sector's contribution to Regional Gross Domestic Product (GDPR) continues to grow and accounts for around two thirds of overall GDPR of the Western Cape. The growth in the services sector coincided with a contraction in the secondary sectors which eased to 21 per cent in 2015. The share of the contribution of manufacturing (a key industry in the secondary sector) declined in its overall contribution and dropped to 15 per cent in 2015. In terms of Regional output and Gross Value Added (GVA) at basic prices, the same pattern which shows growth in tertiary sectors at a national level persists provincially. Figure 1.2 shows the performance of primary, secondary and tertiary sectors in terms of output (GVA in millions of rands) between 2011 and 2015.

The services sector accounts for around two thirds of the overall GDPR

Figure 1.2 Western Cape sector performance (Gross Value Added), 2011 to 2015

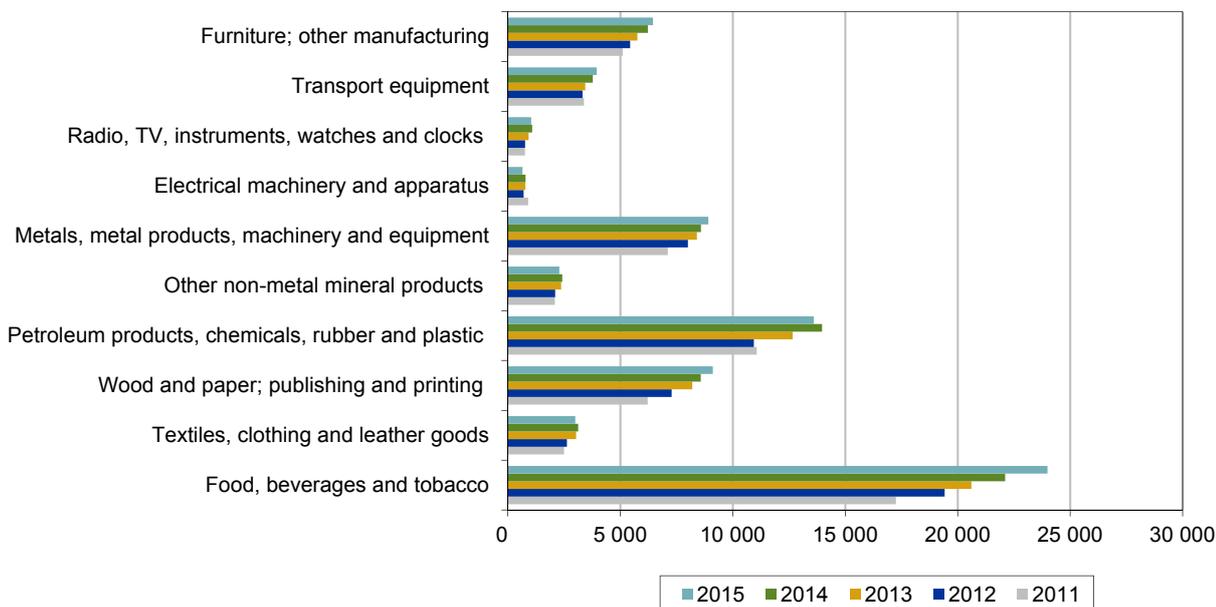


Note: Gross Value Added measured in R millions.

Source: Western Cape Department of Economic Development and Tourism, 2017

A review of the secondary sector shows that within the manufacturing sector, Food, beverages and tobacco is the largest sub-sector in the Western Cape, contributing 29 per cent in 2015 to GVA. This sector is threatened by the current water crisis and the Avian Influenza (hereafter referred to as the Avian Flu).

Figure 1.3 Western Cape industry performance (Gross Value Added), 2011 to 2015



Note: Gross Value Added measured in R millions.

Source: Western Cape Department of Economic Development and Tourism, 2017

Figure 1.3 tracks GVA performance in sub-sectors of the manufacturing sector. An increase in output and GVA in the Textiles, clothing and leather goods sub-sector between 2011 and 2015 can be observed, however the rate of increase is small when compared to other sub-sectors like Food, beverages and tobacco. Another key industry in the secondary sector which recorded significant increases in output and GVA is the construction sector, expanding from R18.933 billion in 2011 to R26.665 billion in 2015.

Developments in key priority sectors within the Western Cape

The oil, gas and marine services, agri-processing and tourism are key priority sectors in the Western Cape. The marine services sector contributed more than R1.5 billion to regional economy in 2016. However, the oil, gas and marine services sector was significantly affected by global trends. Crude oil reached record-high prices between 2011 and 2014 which resulted in sharp increases in upstream oil activity along the African coastline. But in 2015, the rig repair sub-sector suffered a severe slowdown after the weaker oil price.

The agri-processing sector contributed R21.966 billion to regional economy in 2015, an increase of R444 million from 2013. The sector accounted for 448 233 jobs in 2016. The Western Cape fruit exports (except for grapes) increased its share of world exports, increasing from R3 billion in 2001 to R25.9 billion in 2016. The global halal food market made up 16 per cent of total global food consumption (US\$7.049 trillion) in 2015. The Halal Value-Chain Study recognises that Western Cape’s most significant opportunity lies in manufactured food products.

Within the tourism sector, 1.56 million international tourists travelled to the Province in 2016, an annual increase of 18.5 per cent. The increased foreign arrivals resulted in foreign spend to increase by R18.1 billion, an annual increase of 21.6 per cent in 2016. Approximately 26 618 jobs were added to the sector between 2014 and 2016.

Source: 2017 Western Cape Provincial Economic Review and Outlook

Spatial aspects of the Western Cape economy

Economic activity in the Western Cape remains concentrated in the City of Cape Town accounting for 72 per cent of the Provincial economy, followed by the Cape Winelands District (11.4 per cent) and then the Eden District (7.6 per cent). Despite having the highest GDP contribution, the City of Cape Town grew on average between 2005 and 2015, at 2.9 per cent. The Overberg District grew the most on average over the 10-year period by 3.6 per cent, followed by the Cape Winelands District (3.3 per cent) and the Eden District (3.2 per cent).

72 per cent of economic activity concentrated in the City of Cape Town

Table 1.3 GDP growth rates of the Western Cape economy by district

Metro/District	Regional Gross Domestic Product (GDP)		
	GDP 2016 R'million	% of WC GDP	% GDP growth (2005 - 2015)
City of Cape Town	356 805.7	72.0	2.9
Cape Winelands	56 542.5	11.4	3.3
West Coast	25 097.9	5.1	3.0
Overberg	17 145.5	3.5	3.6
Eden	37 473.5	7.6	3.2
Central Karoo	2 626.3	0.5	3.0
Total	495 691.4	100	

Source: Quantec, 2017 Western Cape Municipal Economic Review and Outlook

Labour market trends

Within the Western Cape, employment growth has been recorded at 2.9 per cent per annum, while narrow unemployment is marginally lower in 2017 than in 2012. At the same time, the number of non-searching unemployed individuals in the Province grew rapidly (18.0 per cent per annum), accounting for the full increase in the size of this group at the national level. Non-searching unemployment remains less widespread in the Western Cape than is the case nationally.

Table 1.4 Labour market aggregates, 2012Q3 and 2017Q3

	2012Q3	2017Q3	Change	
	Thousands	Thousands	Thousands	Per cent
Western Cape				
Working age population	4 017	4 483	466	2.2 p.a.
Employment	2 077	2 399	323	2.9 p.a. *
Narrow unemployment	686	672	(15)	-0.4 p.a.
Narrow labour force	2 763	3 071	308	2.1 p.a. *
Expanded unemployment	747	810	64	1.7 p.a.
Expanded labour force	2 823	3 210	386	2.6 p.a. *
Non-searching unemployed	61	139	78	18.0 p.a. *
South Africa				
Working age population	34 253	37 373	3 121	1.8 p.a.
Employment	14 562	16 192	1 630	2.1 p.a. *
Narrow unemployment	4 901	6 210	1 309	4.8 p.a. *
Narrow labour force	19 463	22 402	2 939	2.9 p.a. *
Expanded unemployment	8 041	9 422	1 381	3.2 p.a. *
Expanded labour force	22 602	25 614	3 011	2.5 p.a. *
Non-searching unemployed	3 140	3 215	75	0.5 p.a.

Note: An asterisk (*) denotes a statistically significant change between 2011 and 2016 at the 95 per cent level of confidence. A dagger (†) denotes a statistically significant change between 2011 and 2016 at the 90 per cent level of confidence.

Source: Own calculations, Statistics South Africa (2011; 2016)

WC employment at
2.4 million in third quarter
of 2017

According to the Quarterly Labour Force Survey (Q3:2017), employment in the Western Cape is estimated at 2.4 million in the third quarter of 2017, 3.6 per cent higher than the same quarter in 2016, compared with the 2.3 per cent achieved nationally over the same period. Nationally, employment is estimated at 16.2 million in the third quarter of 2017. While employment is up quite strongly over the 12-month period, in both the Western Cape and the country as a whole, the bulk of this expansion occurred in the first half of the period.

WC unemployment rate
at 21.9 per cent in third
quarter of 2017

Approximately 6.2 million South Africans were unemployed in the third quarter of 2017, a 5.7 per cent increase from the same quarter in 2016. Unemployment has therefore grown by another 340 000 during the 12-month period. Of the 6.2 million unemployed, 670 000 are located in the Western Cape. The official unemployment rate in the Province is estimated at 21.9 per cent in the third quarter of 2017 (24.8 per cent in Q3:2012), and nearly 6 percentage points lower than the national rate of 27.7 per cent (25.6 per cent in Q3:2012).

Youth unemployment remains one of the biggest challenges facing the country. While 27.7 per cent of the labour force are unemployed nationally, this is true of 52.2 per cent of youth aged 15 to 24 years and 33.5 per cent of 25 to 34 year olds. The youth unemployment rate in SA is therefore almost twice the national unemployment rate. The Western Cape is no different. The youth unemployment rate is, in fact, slightly more than twice the provincial unemployment rate (44.0 per cent compared with 21.9 per cent).

Socio-economic developments

One of the key objectives of government is to improve the level of socio-economic development. Without the requisite level of education and health outcomes, a population's economic growth may be inhibited. Causality however runs both ways. Economic growth enhances socio-economic development through employment and income generation. It is when the benefits of economic growth benefit all, particularly the poor and most vulnerable, that inclusive economic growth is realised.

Table 1.5 Selected socio-economic indicators for the Western Cape

Year	Education				Health			Crime			
	Learner enrolment numbers in Public Ordinary Schools	Teacher/learner ratio	Learner numbers writing Grade 12	Learner numbers passing Grade 12	Financial year	Child (under 5-years) mortality rate per 1 000 live births	HIV mother-to-child transmission rate (in %)*	Financial year	Percentage of households and individuals affected by crime	Percentage of households satisfied with police services	Drug related crime (percentage increase from previous year)
2013	937 368	1: 33.0	47 636	40 558	2013/14	24.0	1.9	2013/14	13.4	59.4	4.1
2014	955 251	1: 35.0	47 709	39 237	2014/15	23.1	1.4	2014/15	13.9	56.9	3.9
2015	976 989	1: 34.8	53 721	45 496	2015/16	23.8	1.0	2015/16	11.1	58.8	5.9
2016	998 925	1: 35.8	50 847	43 725	2016/17	22.1	0.8	2016/17	9.0	57.3	14.2
2017	1 020 642	1: 36.6	*	*	2017/18	*	*	2017/18	*	*	*

* Data not available.

Source: Western Cape Education Department, Western Cape Department of Health, Victims of Crime Survey, South African Police Service, 2017

Education

The total number of learners enrolled in the Province has increased from 937 368 in 2013 to 1 020 642 in 2017 accounting for an 8.9 per cent increase. A further 20 256 additional learners are projected for 2018. Overall the annual growth rate of the number of learners in public ordinary schools over the past 5 years has significantly increased year-on-year resulting in a related growth in the teacher: learner ratio in the Province, which currently stands at 1:36.6 in 2017.

National Senior Certificate pass rates improved

The quality of education has been tracked via the performance of systemic testing of Grades 3, 6 and 9 Language and Mathematics in the Western Cape over the past 13 years. An overall improvement is evident in Mathematics for all grades from 2012 to 2016; the highest average pass rate across all 3 cohorts was achieved by Grade 3 with 57.7 per cent in 2016. Improved language results are also observed in Grades 3, 6 and 9 with an increase of 5.5 percentage points, 10.6 percentage points and 7.3 percentage points respectively between 2013 and 2016.

The National Senior Certificate (NSC) examination results display an upward trend between 2013 and 2016. While the number of learners who wrote and passed slightly decreased in 2016, the relative percentage of those who passed from those that wrote increased from 84.7 per cent in 2015 to 86 per cent in 2016. The Bachelor degree pass rate follows a similar trend increasing between 2013 and 2016. These improved education outcomes are complimented with improved learner retention. For the Grade 10 - 12 cohort, learner retention has improved from 57 per cent between 2009 and 2011 to 67 per cent between 2014 and 2016.

Health

Life expectancy in the Western Cape was estimated to improve to 66.8 years on average for males and 71.8 years on average for females between 2016 and 2021. Improving life expectancy is the result of positive developments in several key factors and indicators of improved health outcomes. These include declining maternal and child mortality, improved access to health care services including antiretroviral treatment (ART), improving education outcomes and the relatively high proportion of access to basic services.

The child (under-5 years) mortality rate has continued to decline in the Province to 22 per 1 000 live births in 2016/17, from 24 per 1 000 live births in 2013/14, as has the maternal mortality in-facility rate to 59 per 100 000 live births between 2016/17 from 66.8 per 100 000 live births in 2013/14.

ART has been expanded, reaching almost 231 000 clients by the end of March 2017. The programme, coupled with the focus on improved maternal, infant and child health has resulted in the consistent decline in the incidence of mother to child transmission to 0.8 per cent in 2016/17.

Diabetes mellitus, HIV and ischaemic heart disease were the primary natural causes of death in the Province in 2015, highlighting the continued burden of chronic diseases. The leading natural cause of death amongst women was diabetes mellitus, while tuberculosis (TB) was the leading cause amongst males. In respect of non-natural causes of death, assault and transport accidents accounted for 28.4 per cent of deaths in 2015.

Crime

Crime remains a serious socio-economic challenge in the Province with violent crime being a pertinent threat to the citizens of the Province. In 2016/17, the Victims of Crime Survey (the Survey) revealed that 47.12 per cent of households in the Province perceived violent crime to have increased in their area of residence, whereas 14 per cent perceived violent crime to have decreased in the past three years. Fortunately, the Survey has also highlighted some positive crime trends in the Western Cape. As such, the percentage of households and individuals affected by crime has declined from 13.4 per cent in 2013/14 to 9 per cent in 2016/17.

Crime remains a serious socio-economic challenge

Although the percentage of households who were satisfied with police services in their area declined in SA from 59.4 per cent in 2013/14 to 57.3 per cent in 2016/17, the Western Cape has some positive statistics in this regard. According to the Survey, households in the Western Cape (49.3 per cent) were relatively more satisfied with police services compared to the rest of the country (38.4 per cent) in 2016/17. Furthermore, the citizens of the Western Cape had the highest portion (87.4 per cent) of citizens which perceived the average time to reach the nearest police station as less than 30 minutes.

A large share of households in SA (44.4 per cent) perceived drugs as the most common motivation for crime in 2016/17 whereas 11 per cent was of the opinion that greed was the main motivational factor. Crime Statistics released by the South African Police Service for 2016/17 have also underlined the serious problem of drugs in the Western Cape. Drug related crime has increased by 14.2 per cent between 2015/16 and 2016/17, the highest annual increase in 6 years. The latest drug related crime statistics has also revealed that this type of crime was 41 per cent higher in 2016/17 compared to the 10-year average in the Province.

Crime categories with positive outcomes were Common assault and Burglary at residential premises, each recording annual declines of 3 per cent in 2016/17. After recording four consecutive years of decline, the category for Driving under the influence of

Driving under the influence of alcohol and drugs have increased by 10 per cent in 2016/17

alcohol and drugs have increased by 10 per cent in 2016/17. However, the category was still 9 per cent below its 10-year average in 2016/17. The category for Murder has increased moderately by 2.7 per cent in 2016/17 to 3 311 reported cases in the Province.

Implications of the economic outlook

South Africa's economic performance remains weak

The global economic outlook moderately improved since the beginning of the year. However, the South African economic growth projections have been revised downwards. Fiscal risks have increased including lower revenue collection, higher debt service costs, and an increasing public sector wage bill. The Western Cape economy cannot escape the risks facing the South African economy.

The weak economic performance and outlook has adversely affected the South African fiscal framework. The implementation of fiscal consolidation by the National Treasury, four years ago, led to a reduction in South Africa's primary deficit. However, debt as a share of GDP has continued to increase mainly due to the decline in economic growth rates coupled with rising debt levels.

Shortfall on tax revenue by R50.8 billion for 2017/18

For the 2016/17 financial year, customs duties, personal income tax, value-added tax (VAT) and corporate income tax performed below the 2017 Budget estimates. For 2017/18, the National Treasury forecasts a shortfall on tax revenue compared to the 2017 Budget estimate of R50.8 billion, increasing to R69.3 billion for 2018/19 and R89.4 billion for 2019/20.

Table 1.6 Consolidated government fiscal framework

R billion/ Percentage of GDP	2016/17 Outcome	2017/18 Revised	2018/19 2019/20 2020/21 Medium-term estimates		
Revenue	1 298.2 29.5%	1 363.6 29.2%	1 477.5 29.7%	1 594.2 30.0%	1 709.3 29.9%
Expenditure	1 445.7 32.8%	1 566.6 33.5%	1 670.6 33.6%	1 802.3 33.9%	1 935.1 33.9%
Budget balance	-147.5 -3.3%	-203.0 -4.3%	-193.1 -3.9%	-208.1 -3.9%	-225.8 -3.9%
Total gross loan debt	2 232.9 50.7%	2 530.5 54.2%	2 829.6 57.0%	3 094.2 58.2%	3 415.6 59.7%

Source: National Treasury, Medium Term Budget Policy Statement, 2017

Given the shortfall in tax revenue, Government will continue to protect expenditure that aims to deliver services to the poor despite its limited fiscal resources. According to the National Treasury, expenditure will grow from R1.6 trillion in 2017/18 to R1.9 trillion in 2020/21, a 7.3 per cent increase over the medium term with debt-service costs being the fastest growing category of expenditure.

The budget deficit is estimated at 4.3 per cent of GDP for 2017/18, compared to 3.1 per cent in the 2017 Budget estimate. This deficit is estimated to remain at its elevated level over the medium term. In contrast, gross national debt is estimated to increase reaching more than 60 per cent of GDP by 2022. The 2017 National MTBPS indicates that the only sustainable solution for the country's development and the sustainability of public finances is inclusive growth.

Budget deficit estimated at 4.3 per cent of GDP for 2017/18

In addition to the constrained national fiscal framework, the impact of the water crisis on the Western Cape economy is likely to be significant, both directly on consumers and businesses. The Western Cape agriculture and agri-processing export sectors - as well as construction and tourism - are particularly at risk. Added to this risk are the energy security, climate change, increased fire risks, and the outbreak of the Avian Flu.

For growth to be inclusive, improved labour market outcomes, such as increased employment amongst lower skilled workers, must become a much stronger driver of inclusivity in the Western Cape economy. However, given the weak economic performance, amongst others, unemployment has remained stubbornly high over the past few years.

The growing provincial population coupled with subdued economic conditions, will increase demand for public services such as education, healthcare as well as social development services. Despite the improvements in socio-economic conditions, social ills such as crime, remain a challenge. Faster and more inclusive economic growth is essential if these social ills are to be reduced.

Structural reforms in the labour market, the financial sector, the product markets, and in public institutions and enterprises, are required to increase innovation, productivity and potential output by reducing barriers and should be at the forefront of economic development agendas. A specific focus should be placed on growing the economy in an inclusive manner and continuing to focus on a sustainable fiscal framework through fiscal consolidation.

Structural reforms to increase innovation, productivity and potential output

Critical for the creation of an enabling environment for growth is the investment and maintenance of new and existing infrastructure. Infrastructure investment and infrastructure-led growth provides an effective mechanism to support socio-economic transformation and contributes to building economic resilience.

Conclusion

The economic outlook informs budget policy and decision-making. The weak economic outlook for the Western Cape places increasing pressure on the fiscus. This together with weak employment growth, increasing poverty and inequality leads to slower socio-economic development. In response, the Western Cape Government continues to implement fiscal consolidation which focuses on expenditure control and undertakes a holistic economic approach that aims to capitalise on strengths, instil confidence as well as drive economic opportunities in key sectors and through public infrastructure investment.

2

Western Cape Risks and Fiscal Strategy Response

In summary

- Several risks highlighted in the Provincial Risk Statement have materialised, including weaker economic growth, national fiscal risks due to lower national tax revenue, increased public service demand and water security.
- Further risks impacting on budget and policy implementation in the Province include crime and safety, ageing infrastructure and infrastructure backlogs, and impact of the Avian Influenza outbreak.
- These risks have highlighted the need to maintain the coordinated and integrated approach to government planning, budgeting and delivery, for optimal socio-economic impact.
- In response to the economic, fiscal and service delivery environment, the Western Cape Government will continue to implement its Fiscal Strategy to ensure fiscal consolidation, fiscal discipline and the fiscal sustainability of the Province, while maintaining the stability of the provincial budget process.

Introduction

The Western Cape's economic and fiscal environment directly connects with developments in the national economy and is thus not immune to the risks facing the South African economy. The Western Cape Medium Term Budget Policy Statement (MTBPS) tabled in 2016 outlined key risks for the Province in its Provincial Risk Statement. These risks include, amongst others, fragile economic growth, lower national tax revenue, an increased demand for frontline services and water security. Of these identified risks, some have materialised, the majority still remain, of which some have heightened.

These key developments, as they relate to the economic and fiscal environment, present the context in which the provincial budget policy is formulated. The Western Cape Government's Fiscal Strategy responds to this context through the implementation of the budget policy principles of allocative efficiency, fiscal sustainability, fiscal consolidation and fiscal discipline.

■ Medium term budget policy and budget implementation risks

Economic environment

South Africa's economic performance continues to reflect a protracted trend of subdued growth and this is expected to remain over the medium term. Continued structural constraints and low levels of investor and consumer confidence in the domestic economy are key factors contributing to the persistently muted economic growth. High levels of unemployment remain one of the most critical economic and social challenges in the country.

Fragile economic outlook remains

The contraction in the first quarter of 2017 plunged South Africa into a technical recession, before rebounding in the second quarter of 2017. Despite this rebound in growth, the economy remains fragile. This is reflected in the downward revision of overall growth forecast for 2017 to 0.7 per cent in the 2017 National MTBPS from 1.3 per cent in February 2017 at the time of 2017 National Budget.

Declining confidence and the current uncertainty regarding economic policy deters much needed investment, keeping South Africa on a low growth path. Key risks related to the economy include further possible credit rating downgrades, which may result in capital flight, rapid exchange rate depreciation and an increase in interest rates. The current constrained economic environment also holds serious implications for the fiscal policy context of the country as well as the Province, thus placing fiscal sustainability at risk.

National fiscal environment

Lower than expected economic growth has resulted in substantially lower tax revenue collection nationally, which limits government's ability to finance increasing service delivery demands and necessitates a continued focus on fiscal consolidation. The National Treasury's fiscal policy stance is to create conditions which are suitable for rapid growth through delivering a measured consolidation that avoids a sharp contraction in expenditure, continues to prioritise capital investment and stabilises national debt as a share of GDP.

Lower than anticipated national tax collection

Fiscal Risks as per the 2017 National Medium Term Budget Policy Statement

- While the national economic growth outlook is positive, lower than anticipated economic growth and resultant revenue projections would weigh significantly on the national fiscus.
- The new public-sector wage bill agreement could further crowd out other spending and limit government's ability to increase public employment.
- Debt-service costs as a share of revenue is expected to increase.
- Efforts to balance fiscal resources have led to funding gaps in both infrastructure and social services while the demand for public services increases.
- The continued financial deterioration of major state-owned companies remains a substantial risk to public finances.
- Additional spending commitments may emerge from policy processes under way, placing greater pressure on resources.

Source: National Treasury, 2017 Medium Term Budget Policy Statement

The key messages from the 2017 National MTBPS include:

- The mounting pressure on public finances and the series of risks that must be managed, which will require difficult trade-offs and compromises;
- Government remains committed to a path of fiscal consolidation. It is committed to maintain the expenditure ceiling over the medium term, and a Presidential Task Team has been appointed to develop proposals to restore fiscal sustainability; and
- The only sustainable solution for development and the health of South Africa's public finances is to grow the economy inclusively.

Budget implementation and delivery risks

Current economic and fiscal risks, coupled with socio-economic challenges in the Province has resulted in several policy and delivery risks coming to the fore.

Growing service delivery demands

The growing population coupled with prevailing economic conditions, characterised by slow economic growth, persistent high unemployment and increasing poverty has resulted in a growing demand for public services and delivery.

While investing in social services is a key input for economic development and plays a major role in assisting the poor and most vulnerable, especially during periods of hardship, the constrained fiscal environment has resulted in difficult decisions and trade-offs having to be made to stabilise service delivery and access. This included measures such as restraining the expansion of the public sector wage bill to a sustainable level. This in turn impacts on

Measures to curb government expenditure impacting on capacity to meet growing demand

government's capacity to expand services and access to meet the growing demand.

The increasing demand for public services is evident across all departments, especially in respect of education, health and social services. Learner enrolment at public schools increased from 937 368 in 2013 to 1 020 642 in 2017. By the end of 2016, the number of educator posts increased marginally to 32 320, impacting on teacher: learner ratios. A higher teacher: learner ratio will impact on effective teaching and learning, creating additional pressure on teachers. Additional resources, in the form of additional infrastructure to accommodate the learners as well as additional learning materials places further pressure on resources.

Similarly, the public health sector has experienced a growing demand for services. During 2016/17 almost 3.8 million patient day equivalents were recorded at public hospitals in the Province, with 14.4 million patient contacts recorded at public primary healthcare facilities in the same period. The increase in service demand is driven by the burden of disease of which chronic conditions, such as diabetes and cardiovascular diseases, are escalating in both size and complexity. In addition, currency fluctuations and higher-than-CPI medical inflation, has placed further pressure on public health resources. The fluctuating rand exchange rate has increased the cost of medicines, as most of the medicines are imported as are most medical equipment.

Deepening poverty, a key factor in a variety of social ills, has resulted in the increased demand for social services such as child care and protection, family preservation, support to victims of violence, substance abuse treatment and assisting families experiencing undue hardship. The majority of social services are provided through a network of subsidised, largely community-based Non-Profit Organisations (NPOs). Funding constraints, as a result of current economic conditions, has resulted in a greater reliance on the Province for funding and puts the sector under pressure to meet the needs of the vulnerable.

As part of the fiscal consolidation drive, Compensation of Employees ceilings were introduced in the 2016 Budget to improve the management of personnel headcounts and budgets. These limits on personnel expenditure, although necessary, impact on departments ability to respond to the increasing demand for public services in the Province.

*Deepening poverty
increasing demand for
social services*

Drought, Water Security and Climate Change

The World Economic Forum's Global Risks Report 2017 indicated that 3 of the top 5 global risks in terms of impact are environmental risks. These environmental risks are major natural disasters, extreme weather events and the failure of climate-change mitigation and adaptation. Water (supply) crises first appeared in the top 10 global risks in 2012 as an environmental risk, but was re-categorised as a societal risk in 2015 given its humanitarian impact.

Several environmental constraints and challenges are currently being experienced in the Province, including the effects of a prolonged drought and an increasing number of pollutants in rivers and wetlands.

Provincial dams were at 37.7 per cent capacity in mid-November 2017 compared to 57.4 per cent the previous year. The current water crisis will have a significant impact on the Western Cape economy. Although no industry will be unaffected, water intensive industries such as electricity, gas, agri-processing and agriculture will carry the greatest burden. The potential impact that even a short term water shortage might have on business reputation for reliability and quality (particularly for the export market), could be severe.

The current drought is posing an enormous risk on the agricultural industry. The agriculture sector's water allocation has declined by 30 per cent since March 2017. With the past winter season not having delivered the expected rainfall to sufficiently increase dam levels, it is expected that further restrictions of 50 per cent will be imposed, and in some cases even to 85 per cent of the normal allocation.

Significant drought impact on agriculture sector

The agricultural industry plays an important role in providing lower skilled employment opportunities and is a major contributor toward exports and tourism in the Province. The sector employs around 180 000 workers, whilst downstream industries in the agri-processing sector employs another 240 000 workers. An estimated 17 000 employment opportunities are at risk due to the drought. Additional spill-over effects include losses in international market share and possible investment losses of orchards dying (or being pulled out early), which will ultimately impact on businesses profitability in the sector.

While the current focus is largely on physical risk, financial risk is emerging as a concern, with increasing water tariffs resulting in higher costs for companies (and government departments) and a potential loss of competitiveness. These risks are likely to have a more disruptive impact on highly intensive water users. Heavily and

All sectors affected as usage tariffs increase

moderately water intensive businesses make up 30 per cent of the Western Cape economy in terms of Gross Value Added.

The drought will also increase veld fire risks, placing greater strain on public resources. The impact on school nutrition, for example, could be significant due to the increasing cost of feeding learners in schools. Furthermore, the uncertainty of the impact of the water crisis will affect the construction sector as water is a key input in the production process and may also impact on the cost of infrastructure delivery.

'New Normal' required different approach to plans, budgets and implementation

Climate change has been the primary driver of the 'New Normal' situation currently being experienced. The impact of the water crisis will challenge government operations and interventions, and will require a different approach of how the Western Cape Government plans, budgets and implements key projects and programmes going forward.

Reliable access to critical infrastructure services such as clean water, energy, shelter, transportation and medical care play a vital role in maintaining the minimum living standards for the poor. The 'New Normal' requires partnerships between all three spheres of government. The use and quality of infrastructure is dependent on how the three spheres of government approaches the transmission mechanisms of climate change.

The weak economic conditions and deteriorating climatic conditions have also affected municipal sustainability. High unemployment and growing poverty has affected municipalities' ability to raise revenue, negatively impacting on the sustainability of the municipalities. As the situation worsens, municipalities are facing a heightened risk of declining revenue.

Avian Influenza

In August 2017, a severe outbreak of Avian Influenza (commonly referred to as Avian Flu) has been confirmed in the Western Cape with 17 properties infected by the highly pathogenic virus. The size of the commercial poultry sector in the Western Cape is estimated at 29 million birds while there are approximately 185 000 backyard chickens.

To date, 12 commercial egg layer operations have been forced to compulsory cull around 2.7 million layers with their eggs at the time of culling. Current estimates from the Western Cape Department of Agriculture indicate that more than 60 per cent of all layers in the Province has been culled, with another 2 commercial broiler breeders and 2 duck operations also affected by the outbreak with

60 per cent of egg layers culled in Province

all birds culled. The virus outbreak also led to 46 ostrich farms being placed under quarantine.

The most pronounced impact of this outbreak will however be in the egg layer industry as the majority of birds have been culled. Immediate production losses in this industry is estimated at R818 million which includes the value of culled birds, their eggs and the value of eggs that would have been produced in the current 52-week cycle of production if none of these birds had been culled. Income losses are estimated at around R111.6 million. Another significant impact is on the livelihood of informal traders' employment in the industry.

While no new infections have been detected in the Province over the last month, the impact of the outbreak, and resultant culling, will still be felt over the short to medium term with food prices driven upward. This will continue to place pressure on poor consumers in the Province.

Youth unemployment

Increasing unemployment, and the risk of further job losses due to the impact of the drought on industries, is a key risk. The disproportionate unemployment on youth is of particular concern.

The youth unemployment rate in the Province is slightly more than twice the provincial unemployment rate (44.0 per cent compared with 21.9 per cent). The inability to actively participate in the economy could result in deepening poverty and inequality and other social ills, as well as social unrest. Strategies are needed to address high youth unemployment, skills development and vocational training to assist youth to find employment and inculcate a sense of entrepreneurship.

Youth unemployment rate more than double provincial unemployment rate

Crime and Safety

High levels of crime in the Western Cape have been highlighted as a key risk given the reputational impact it will have on the Province as a safe environment wherein citizens flourish, businesses can invest and tourists can visit. Within Education, satisfactory learner outcomes are negatively affected by increased gang activities, community protests, theft, vandalism, violence and learner intimidation at schools. Within Health, staff safety and security, particularly Emergency Medical Services, in certain hotspots, remain a key risk.

Crime impacting business, government services and personal safety

Youth unemployment is a major contributing factor toward the youth's potential to participate in crimes as supported by the 2011 study, Youth Unemployment and Crime: New Lessons Exploring

Longitudinal Register Data. The study found that as a result of unemployment, free time rather than lack of income is the main contributing factor toward youth crime.

Ageing infrastructure and infrastructure backlogs

The risks of ageing infrastructure and increased infrastructure backlogs could have direct consequences such as the loss of an assets, human injuries and possibly even death, as well as economic and socio-economic impacts. Ageing infrastructure facilities in Health and Education would most likely negatively impact the quality of services provided. Investment in infrastructure maintenance not only offers opportunities for economic growth but will create jobs, capital expenditure can go further, and sustainable delivery can be achieved.

Ageing infrastructure likely to affect service delivery

The historic maintenance backlog on critical infrastructure in the education sector requires intervention to preserve the critical role that education infrastructure plays in providing the workforce of the future. Ageing infrastructure within Health will result in an interruption in the provision of critical services to patients.

The strategy to address ageing infrastructure and infrastructure backlogs includes strengthening engineering capacity and increasing day to day and routine maintenance and repairs on existing infrastructure facilities.

■ Provincial response to budget policy and budget implementation risks

Given the risks to fiscal sustainability, the Provincial Government remains committed to a path of fiscal consolidation and ensuring that resources are applied toward key government policy priorities in a sustainable manner.

Resilience, sustainability, quality and inclusivity

The 2014 - 2019 Provincial Strategic Plan was crafted within the context of the National Development Plan and Medium Term Strategic Framework, while remaining responsive to the economic and socio-economic needs of the Province. As part of the Provincial Strategic Goals currently being implemented, the Province will continue to create an enabling environment conducive to attracting investment, growing the economy and creating jobs. The Province recognises that investment in and improving education outcomes also yields economic benefits and contributes towards cultivating social cohesion. Further to this, this government is committed to promoting safe, healthy and inclusive communities, where citizens take active ownership of their personal safety and wellness and, that of their families. This government's continued

commitment to improving the resilience, sustainability, quality and inclusivity of the urban and rural settlements in the Province is key to achieving its strategic goals while remaining committed to achieving an inclusive and well-governed province.

The risks mentioned earlier has further highlighted the need for the Western Cape Government to maintain its coordinated and integrated approach in government planning, budgeting and delivery, for maximum socio-economic impact. The continued focus on integrating the Province's planning and budgeting process promotes coordination in an identified geographic space, within a specific policy area/sector and on particular strategic issues for improved service delivery impact. Provincial departments are working closely with each other and municipalities in the Western Cape toward coordinated service delivery, the more optimal use of resources and better alignment of objectives and outcomes.

Coordinated, spatially-responsive service delivery

Key elements of an Integrated Management approach include:

- Policy Alignment - to promote alignment between departmental annual performance plans and policy priorities, outcomes and objectives with the Provincial Strategic Plan;
- Monitoring and Evaluation - for increased emphasis on performance towards achieving the desired outcomes, rather than merely focusing on only outputs;
- Integrated Planning and Budgeting;
- Spatial Governance and Alignment - to improve the responsiveness of government's plans and budgets to the spatial performance objectives;
- Integrated planning between Provincial and Local Government; and
- Collective delivery through Partnering and Partnerships.

The policy principles informing the Western Cape's 2018 Medium Term Expenditure Framework (MTEF) budget will build on the principles highlighted in the 2017 Budget. These policy principles include: Constitutionalism; Rule of Law; Creating Public Value; Partnerships; Evidence-Based; Whole-of-society approach and Citizen Centric approaches. The Game Changers, Provincial Strategic Plan and Goals continue to be the main policy priorities informing the plans and budgets of the Province and therefore provincial medium term budget policy priorities.

Policy principles provide foundation for 2018 MTEF

Sustainable public finances require economic growth that is inclusive, smart and sustainable. Spatial and targeted planning and investment is acknowledged as key to growth to ensure coordinated public investment in a geographic space in order to capitalise on existing and expected investment. The Western Cape Government remains focused on infrastructure-led growth specifically to support socio-economic development as well as building economic resilience.

Ensuring budget sustainability beyond 2019

The 2017 Western Cape MTBPS covers a period beyond the current Medium Term Strategic Framework in that the two outer financial years of the 2018 MTEF (i.e. 2019/20 and 2020/21) will fall within the ambit of a newly elected government post the 2019 general elections. For this reason, a smooth transition from one government to another is required in order to create a level of certainty and stability that is maintained amid these changes.

As part of the budget process, the Western Cape Government aims to prepare and manage the transition by focusing on establishing a sustainable fiscal base over the 2018 MTEF. Ensuring stability in the integrated planning and budgeting process will provide a continued focus on expenditure control within budget limits while embedding the Western Cape Government's fiscal and budget policy principles, as outlined in the Western Cape Government Fiscal Strategy.

Western Cape Government Fiscal Strategy

The Western Cape Government's Fiscal Strategy will continue to focus on maintaining a sustainable fiscal path by giving effect to policy priorities, while managing economic and fiscal risks. The Western Cape Government will continue to implement its Fiscal Strategy over the 2018 MTEF through applying the established Fiscal and Budget Policy principles.

The fiscal and budget policy principles which continue to underpin the 2018 planning and budgeting process are:

- **Allocative Efficiency** to achieve a balanced allocation of resources that reflects the priorities of government and considers programme effectiveness based on evidence, **with a much greater focus on reprioritisation and trade-offs.**
- **Fiscal Sustainability** from a provincial perspective focuses on maintaining stability in key government programmes and managing risks in a constrained economic and fiscal environment. Therefore, the focus is on the appropriate

Fiscal and budget policy principles underpin the 2018 planning and budgeting process

balancing of fiscal aggregates in a manner that ensures a sustainable fiscal position in the medium to long term.

- **Fiscal Consolidation** entails reducing government expenditure and/or increasing revenues. A key mechanism is the reduction of headcounts as personnel budgets are key to ensuring sustainable budgets.
- **Fiscal Discipline** ensures that all provincial departments and entities remain within budget limits and avoids irregular, fruitless and wasteful expenditure.

The constrained economic climate and uncertainty related to the fiscal environment requires that the provincial budget policy principles are reinforced while managing major risks. This context requires tough policy decisions and trade-offs to be made.

A Fiscal Strategy for Growth

The 2017 Western Cape Government's Fiscal Policy Seminar hosted by the Provincial Minister of Finance on 3 November 2017 aimed to stimulate *thinking* on recent economic and fiscal developments, inform fiscal and budget *policy* development and *action* particularly within a sub-national context to enhance growth.

The 2017 seminar focused on the areas of monetary policy, fiscal policy and structural reform as policy options for accelerated economic growth in light of the constrained economic and fiscal environment

Key points highlighted is that the South African economy continues to underperform, while the global economy is improving. Monetary policy is adequately responsive to the economic environment, while opportunities for structural reforms to increase productivity and potential output by reducing barriers should be at the forefront of economic development agendas. A specific focus should be placed on growing the economy in an inclusive manner and creating fiscal stability. For a province, proposed areas include strengthening the linkage between the micro and macro economy, assessing the economy wide effects of interventions, strengthening alignment between budgets, Integrated Development Plans and Spatial Development Frameworks, and focusing on urban and city development and spatial transformation.

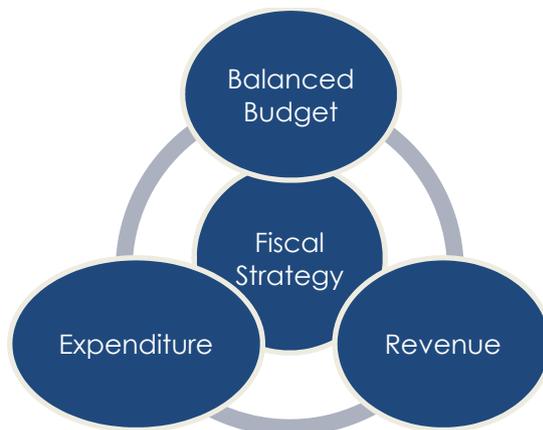
It was further highlighted that there is a need to continue the good governance agenda and restore the sustainability of fiscal policy to improve consumer and business confidence and create an environment conducive to attracting investment. A focus on these areas together with the delivery on the core functions of Health and Education can create enabling economic growth which results in employment opportunities. To improve implementation, we should innovate, integrate and improve.

The Western Cape Government's Fiscal Strategy is based on the following elements:

- **Balanced budget:** This approach aims to balance the budget between revenue and expenditure, taking into account transfers from the national fiscus, own revenue and the utilisation of own revenue to ensure sustainable service delivery and responsiveness to fiscal shocks.
- **Expenditure:** By managing Compensation of Employees and Goods and Services budgets and strengthening the rules on transfer payments, the appropriate expenditure mix can be optimised to achieve sustainability and efficiency in expenditure.

- Revenue:** This approach aims to enhance and optimise own revenue collection and scope as well as the use of own revenue and financing within the Province, in addition to continuous engagement with the National Treasury on the responsiveness of the fiscal framework.

Figure 2.1 Elements of the Western Cape Government Fiscal Strategy



Provisional fiscal framework

The Constitution establishes three autonomous spheres of government; national, provincial and local government that are distinct, interdependent and interrelated. Given the concentration of taxation revenue raising powers at the national level, South Africa’s fiscal system is based on a revenue-sharing model or intergovernmental fiscal transfers to address, among others, the “imbalances” across the different spheres of government. The equitable division of revenue therefore aims to provide each sphere of government with the necessary funds to provide the services and perform the functions assigned to it under the Constitution.

Over the medium term, national government proposes to allocate national departments 47.6 per cent of available non-interest expenditure, provinces 43.2 per cent and local governments 9.2 per cent. Medium term allocations to national departments increase by an average annual rate of 6.5 per cent, provincial resources increase by 7.2 per cent and local government resources by 8.3 per cent.

Faster growth in allocations to provincial and local government reflects the priority placed on front-line services such as health, education and basic services. Despite limited fiscal resources, government is protecting expenditure that aims to deliver services to low-income households. Changes to the 2018 MTEF have been kept to a minimum for provinces and local government. New

additions will assist provinces with the pressures they face in delivering their mandates. The growth in the allocation to local government is in response to rising bulk costs of electricity and water as well as household growth.

In light of the deteriorating economic and fiscal outlook, the Western Cape Government remains committed to the elements of the Fiscal Strategy. The table below provides the consolidated position of the provisional fiscal framework. National Transfers (which include the PES and conditional grants) are estimated at R63.387 billion in 2018/19, R67.503 billion in 2019/20 and R72.254 billion in 2020/21.

Continued commitment to the elements of the Fiscal Strategy

Table 2.1 Provincial budget summary

R'000	Adjusted Estimate	Medium-term estimate			Total
	2017/18	2018/19	2019/20	2020/21	2018 MTEF
Transfers from National	56 145 749	59 679 860	64 155 376	68 799 439	192 634 675
Equitable share	44 470 213	47 592 405	51 240 026	55 173 745	154 006 176
Conditional grants	11 620 005	12 087 455	12 915 350	13 625 694	38 628 499
Conditional grants rollover	55 531	-	-	-	-
Own receipts	2 676 644	2 859 859	2 855 639	3 012 699	8 728 197
Asset Financing Reserve	663 852	310 159	307 110	300 000	917 269
PRF Financing	1 292 305	536 651	184 948	142 205	863 804
Total	60 778 550	63 386 529	67 503 073	72 254 343	203 143 945

Moving forward, the Provincial budget priorities and sustainability of the current fiscal base needs to be maintained to ensure that current government commitments and established priorities are executable with available funding limits. However, managing the growth in the wage bill is key to ensure that Compensation of Employees remains at a sustainable level. Notwithstanding this, provisions for reserves is part of the strategy to withstand any further shocks to the provincial fiscus.

Provincial Equitable Share

The Provincial Equitable Share (PES) formula has been under review since 2016. The outcome of this process has resulted in a revision to the education component as well as all components affected by the Mid-Year Population Estimates.

More specifically, the 2017-phase of the PES Formula Review coincided with a change in methodology used to collect learner enrolment numbers. In previous years an annual survey, conducted on the 10th school day, was utilised to collate learner enrolment numbers for the Provinces. A new system, called the Learner Unit Record Information Tracking System (LURITS), will now be used going forward. This system allows for more detailed information to be gathered on the scholars, including progress through the schooling

Adoption of LURITS and mid-year population updates will result in adjustments to the PES

system. The migration to LURITS enables an efficient and factual collection of learner numbers to inform the PES allocation and thus national transfers to the Province.

In addition to the abovementioned adjustments, revisions to the PES are also informed by the 2016/17 weighted Mid-Year Population Estimates, data from the Census 2011 age cohorts, District Health Information Services for patient load data, 2011 risk adjusted index (risk equalisation fund), insured population (2016 General Household Survey), the 2015 Regional Gross Domestic Product and the 2010 Income and Expenditure Survey. A summary of the PES data updates is contained in Annexure A.

Preliminary adjustments to the equitable share for the 2018 MTEF to provinces takes account of provincial responsibilities aimed at preventing violence against women and children, and to support organisations that provide statutory social welfare services on behalf of provincial departments.

Provincial conditional grants

This section provides an overview of the indicative baseline conditional grant allocations for the Western Cape provincial departments in the 2018 Main Budget and is subject to finalisation.

Over the 2018 MTEF, the indicative conditional grant transfers for the Province is projected at R38.628 billion, with R12.087 billion in 2018/19, R12.915 billion in 2019/20 and R13.626 billion in 2020/21 (see Annexure B). The National Tertiary Services Grant, mainly for the provision of tertiary health services, and the Human Settlements Development Grant remain the two largest conditional grant transfers to the Province at 25 and 20 per cent respectively of the total conditional grant allocation over the 2018 MTEF.

Key policy changes to conditional grants as outlined in the 2017 National MTBPS include:

- Health: The scope for the Comprehensive HIV, AIDS and Tuberculosis Grant framework will be amended to include a window for the Malaria programme.
- Health: Direct allocations over the 2018 MTEF shall be made through the National Tertiary Services Grant in order for the Diagnostic Related Group (DRG) project to be expanded to the rest of the Province, and to capacitate other provinces in the DRG implementation.
- Health: A new sub-component ring-fenced within the current baseline of the Comprehensive HIV, AIDS and TB conditional grant for the community health worker programme.

*Changes to Health,
Education and Human
Settlements conditional
grants*

- Education: Funds to be reprioritised into the provincially-administered, incentivised, direct Education Infrastructure Grant as an earmarked allocation for maintenance and rehabilitation.
- Human Settlements: Two new human settlement grants are proposed, both to be funded through reprioritisation from the current Human Settlement Development Grant baseline:
 - Firstly, a new Title Deeds Restoration Grant for a three-year period to accelerate the processing of backlogs in title deeds registration. An indirect component will be established, administered by the national Department of Human Settlements.
 - Secondly, a new Emergency Housing Grant will be established to release funding to municipalities for the provision of land, municipal engineering services and shelter.

Provincial own receipts

Western Cape provincial departments have a 2017/18 own revenue adjusted budget of R2.677 billion which equates to less than 5 per cent of the total revenue envelope.

Own revenue comprises less than 5 per cent of total revenue envelope

Provincial own receipts are projected to increase by R336.055 million or an annual average growth rate of 4.02 per cent from R2.677 billion in the 2017 Adjusted Estimates to R3.013 billion in 2020/21.

Table 2.2 Estimated Western Cape own receipts by source 2017/18 - 2020/21

R'000	Adjusted Estimate	Medium Term Estimate		
	2017/18	2018/19	2019/20	2020/21
Tax receipts	1 927 546	2 035 340	2 145 387	2 263 383
Casino taxes	470 141	497 401	525 261	554 151
Motor vehicle licences	1 399 552	1 476 642	1 555 393	1 640 941
Horseracing taxes	28 000	29 616	31 280	33 000
Other taxes (Liquor licence fees)	29 853	31 681	33 453	35 291
Sales of goods and services other than capital assets	562 269	567 923	576 032	607 712
Transfers received	84 886	153 621	26 368	27 818
Fines, penalties and forfeits	5 089	5 238	5 531	5 836
Interest, dividends and rent on land	5 229	5 114	5 320	5 612
Sales of capital assets	-	-	-	-
Financial transactions in assets and liabilities	91 625	92 622	97 001	102 338
Total provincial own receipts	2 676 644	2 859 858	2 855 639	3 012 699

Transfers received are projected to decline notably from 2018/19 to 2019/20 where it's projected to remain at that lower level in 2020/21. The reason for the decline in transfers received is due to 'Global Fund' funding coming to an end in 2018/19. The remaining transfers received in 2019/20 and 2020/21 relates to amounts received from

universities with respect to joint staff establishments and the utilisation of hospital resources.

Motor vehicle licence fees is main contributor to growth in own revenue over 2018 MTEF

Motor vehicle licence (MVL) fees are projected to increase from an adjusted budget of R1.4 billion in 2017/18 to R1.641 billion in 2020/21. Growth in MVL fees is the main contributor to the growth in the own receipts budget. From the 2017/18 adjusted budget to 2020/21, MVL fees are projected to grow at an annual average growth rate of 5.45 per cent. Projections for the revenue growth over the period is derived from an expected growth in the motor vehicle population and an expected below inflationary increase in MVL fee tariffs in 2018/19 which aim to provide some relief to motor vehicle owners.

A key source included under sales of goods and services other than capital assets is hospital patient fees, which is projected to grow by an annual average growth rate of 1.8 per cent from R384.445 million in the 2017/18 adjusted budget to R405.589 million in 2020/21. Hospital patient fees are determined at a national level by means of the Uniform Patient Fee schedule which was developed to provide a better and more user friendly fee schedule for hospitals in the public sector. Medical aid payments, road accident fund payments, state department payments, and payments made by individuals comprise total hospital patient fees.

The budget for gambling taxes is projected to increase in line with inflation projections and the economic environment at an annual average growth rate of 5.63 per cent from R498.141 million in the 2017/18 adjusted budget to R587.151 million in 2020/21.

Inflationary adjustments made to liquor licence fee tariffs

The liquor licence fees budget, which falls under other taxes, is projected to increase at an annual average growth rate of 5.74 per cent from R29.853 million in the 2017/18 adjusted budget to R35.291 million in 2020/21. The Western Cape Government made amendments to the Western Cape Liquor regulations pertaining to the Western Cape Liquor Amendment Act of 2015 which was to expand the scope of the operations of the Western Cape Liquor Authority in line with the Alcohol Harms Game Changer in the Province. The amended regulations were made effective from the 1st of July 2017 and included inflationary adjustments to liquor licence fee tariff structures.

Domestic Resource Mobilisation

Although own revenue comprises a small proportion of the total revenue envelope, it is nonetheless important to continue with initiatives to boost own revenue generation as this contributes towards the fiscal sustainability and consolidation goals of the Province.

Initiatives currently being considered to optimise own revenue include the review and appropriate setting of tariffs, improved efficiencies in own revenue collections, and exploring additional sources of own revenue. Improving debt management and collection capacities of departments in collecting outstanding debt will also continue, as well as exploring further possibilities of donor funding.

Progress on domestic resource mobilisation initiatives includes the improved debt collection procedures to recover outstanding motor vehicle licence fees, annual increases made to motor vehicle licence fee tariffs, and the adjustments made to liquor licence fee tariffs during this financial year.

Domestic Resource Mobilisation initiatives to continue

Conclusion

The weak economic outlook will continue to place pressure on fiscal resources. The national fiscal risks pose a significant threat to transfers to provincial and local government through equitable shares and conditional grants. At a provincial level, this is exacerbated by further risks to fiscal sustainability which include the increased demand for public services, the drought and crime, amongst others.

The Western Cape Fiscal Strategy is the Western Cape Governments' fiscal response to these risks. Guided by the principles of allocative efficiency, fiscal sustainability, fiscal consolidation and fiscal discipline, the provincial budget policy priorities and resultant proposed allocations aim to ensure that rigorous policy decisions and trade-offs are made to optimise public value.

To further ensure stability within the budget process, putting in place a balanced budget strategy to optimise expenditure and revenue management are key building blocks. Further building blocks to maintain stability include adherence to the integrated planning, implementation and budgeting process.

3

Budget policy priorities

In summary

- The economic and fiscal context emphasises the need for budget policy to be responsive to the socio-economic environment and geared towards creating public value.
- The 2017 Adjusted Estimates provides the immediate response to the medium term provincial budget policy priorities and to managing provincial risks, while providing the basis for the 2018 Medium Term Expenditure Framework (MTEF).
- The Western Cape Government will continue its established fiscal and budget policy principles of allocative efficiency, fiscal sustainability, fiscal consolidation and fiscal discipline
- Budget policy priorities focuses on stimulating economic growth and providing opportunities for job creation, improving education outcomes, increasing wellness and safety, providing an inclusive and sustainable living environment and embedding the practice of good governance.

Introduction

The weak economic and fiscal environment highlights the importance of budget policy which is responsive to key socio-economic trends and is directed towards creating public value. The OneCape 2040 Strategy and 2014 - 2019 Provincial Strategic Plan (PSP) aligns to the National Development Plan 2030 and continues to provide the policy basis for the identified 2018 Medium Term Expenditure Framework's (MTEF) budget policy priorities. The budget is therefore the Province's key policy instrument to give effect to these government priorities. Amid the constrained economic and fiscal context, the overarching objective is to drive service delivery impact in line with key policy imperatives while maintaining fiscal sustainability.

Medium term provincial budget policy context

The Western Cape Government continues to implement its long term vision of a more resilient and inclusive economy as articulated within the OneCape 2040 strategy. Over the medium term, the 2014 - 2019 Provincial Strategic Plan, informed by the National Development Plan, will direct the provincial budget toward predetermined policy priorities, as captured in the five Provincial Strategic Goals (PSGs).



The PSP makes provision for seven Game Changers, which aims to make a meaningful impact on socio-economic well-being of the citizens of the Province. The Game Changers are bold and focused by nature, specifically designed to tackle current socio-economic challenges whilst ensuring a sound platform is provided to ensure future competitiveness and relevance of the provincial economy.

The Game Changers focus on Apprenticeships; Energy Security; Broadband; eLearning; After School Programme; Alcohol Harms Reduction; and a Better Living Model.

Through the five Provincial Strategic Goals contained in the PSP, the Western Cape Government strives to create an "open society for all" that will unlock the full potential of its people. The Provincial Strategic Goals are further divided into actionable and measurable key priority areas. A collaborative and coordinated approach has been taken in the Western Cape Government

towards collectively meeting the goals set out in the 2014 – 2019 Provincial Strategic Plan in a resource efficient manner.

■ 2017 Adjusted Estimates

The 2017 Adjusted Estimates provides the immediate and short term interventions as well as the foundation for continuous planning toward the medium term provincial budget policy priorities while managing provincial risks. To this end, the 2017 Adjusted Estimates, laid the basis for the 2018 Medium Term Expenditure Framework (MTEF). The Adjusted Estimates through in year adjustments to the budget, are intended to allow for service delivery challenges to be addressed, whilst implementing the 2017 Budget principles of fiscal consolidation, fiscal sustainability and fiscal discipline.

2017 Adjusted Estimates the immediate response to budget policy priorities and managing provincial risks

Section 31(2)(a) of the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA) stipulates that an adjusted budget of a province may provide for the appropriation of funds that have become available to the Province (such as over-collected own revenue). In terms of section 31(2)(g) of the PFMA, an adjusted budget of a province may also provide for the rollover of unspent funds from the previous financial year

Toward fiscal consolidation, reprioritisation and realignment of baselines to respond to key risks were made. In addition to this, current compensation of employees budgets has also been realigned in line with current implementation requirements towards key service delivery pressures. The 2017 Adjusted Estimates process and the realignment of budgets included reprioritisation of funding to address key risks such as the drought and to provide for baseline stabilisation over the 2018 MTEF.

The setting of personnel upper limits continues to be key in ensuring fiscal consolidation by curtailing and maintaining personnel headcounts and budgets respectively; while at the same time maintaining the relative share of the provincial budget. The impact of the personnel upper limits on departments further meant that departments prioritised the filling of critical posts. Managing the sustainability and efficiency of personnel budgets and expenditure plays a pivotal role in meeting the current fiscal objectives of the Western Cape Government.

The Province was severely affected by natural disasters during the month of June 2017, where funding amounting to R75 million was made available in order to address damages related to the storm, fire and drought disasters which impacted various areas across the Province. In order to expedite mitigation and support measures within the affected municipalities and departments, the emergency

Emergency funds made available for storm and fire damages and drought disasters

funds were appropriated as a direct charge against the Provincial Revenue Fund, and appropriated on 17 August 2017 in the Western Cape Adjustments Appropriation (Emergency Funds) Act, 2017 (Act 2 of 2017).

For the 2017 Adjusted Estimates, additional net spending amounting to R284.735 million is provided for in the 2017 Adjusted Estimates. Key in-year adjustments include R55.531 million for education infrastructure, R92.451 million for eLearning and R13.424 million for the Provincial Sustainable Transport and further allocations toward the drought. The Province received R40 million as disaster relief funds from National for the drought that started in 2015.

The provincial funding to the amount of R103.442 million sourced in terms of the realignment and reprioritisation of provincial budgets has been reserved in the 2017/18 and the 2018/19 financial years explicitly to address funding needs related to the implications of the drought which includes for drilling and maintenance of boreholes, water provision, the provision of fodder for animals on farms utilised for research purposes, drought relief, water augmentation initiatives, acquiring services of geohydrologists as well as capacity for the disaster management centre.

The Province was severely affected by natural disasters during the month of June 2017, where funding amounting to R75 million was made available in order to address damages related to the storm, fire and drought disasters which impacted various areas across the Province. In order to expedite mitigation and support measures within the affected municipalities and departments, the emergency funds were appropriated as a direct charge against the Provincial Revenue Fund, and appropriated on 17 August 2017 in the Western Cape Adjustments Appropriation (Emergency Funds) Act, 2017 (Act 2 of 2017).

Emergency funds made available for storm and fire damages and drought disasters

The total Adjusted Budget for 2017/18 is R59.716 billion. A summary of the provincial adjusted estimates per vote is provided in Annexure C.

Through the budget policy approach taken and allocations made during the 2017 Adjusted Estimates, the principles for the 2018 MTEF has been established and paves the way for a 2018 Budget which focuses on maintaining a sustainable fiscal path by giving effect to budget policy priorities outlined in the 2014 - 2019 PSP, while managing economic and fiscal risks.

Medium term budget policy priorities

The 2018 MTEF budget policy priorities aim to give effect to the policy context and are determined based on the principles outlined in the Western Cape's Fiscal Strategy and the objective of managing key provincial risks.

Key focus areas over the 2018 MTEF will include:	
PSG 1 Create opportunities for growth and jobs	<ul style="list-style-type: none"> • Project Khulisa - Agri-processing, Tourism, Oil and Gas • Green economy • Skills for growth • Ease of doing business • Nurture Innovation • Energy security • Broadband for business • Public Transport Interventions
PSG 2 Improve education outcomes and opportunities for youth development	<ul style="list-style-type: none"> • Improve the level of Language and Mathematics in all schools • Increase the number and quality of passes in the National Senior Certificate • Increase the quality of education provision in poorer communities • Provide more social and economic opportunities for youth • Improve family support to children and youth and facilitate development
PSG 3 Increase wellness, safety and tackle social ills	<ul style="list-style-type: none"> • Better Spaces model expansion • Community oriented priority care • Collaborative spatially oriented data research and intelligence generation • Alcohol Harms Reduction • Data/connectivity at the priority areas • Improve Leadership and Governance for each geographic area • Community engagement and capacity development • Social and economic/infrastructural needs/opportunities from community diagnosis
PSG 4 Enable a resilient, sustainable, quality and inclusive living environment	<ul style="list-style-type: none"> • Better Living Model • Strategic Ecological and Agricultural Resources • Climate Change Response • Integrated Planning and Spatial Targeting
PSG 5 Embed good governance and integrated service delivery through partnerships and spatial alignment	<ul style="list-style-type: none"> • Enhanced Governance • Data and Digital Governance • Broadband Rollout • Inclusive Society • Integrated Management

■ Create opportunities for growth and jobs

Within the context of a constrained economic environment, the Western Cape Government aims to provide support to key strategic sectors, enhance skills development and provide an enabling environment to grow the economy in an inclusive manner.

Project Khulisa

Project Khulisa identified agri-processing, tourism and the oil and gas services sectors as having the greatest potential for accelerated and sustained job creation. The Halal market, which currently makes up 16 per cent of global food consumption, has been identified as a favourable export opportunity for the Western Cape. Agri-processing initiatives will continue to focus on international market exposure for Western Cape produce, continued efforts to boost halal and wine exports (Angola and China) and creating an enabling environment for agri-processed products to develop rapidly. In support of the agri-processing sector, the expansion of the Brandvlei Dam project will increase water storage capacity and holds great potential to enhance the economy and contribute toward inclusive growth and job creation.

The tourism sector which employs over 200 000 people is one of the Province's most important sectors. To date, the Air Access project has made a significant impact in boosting arrivals in the Province, with ten new direct flights into Cape Town International Airport. Initiatives over the 2018 MTEF will include the continuation of positioning the Western Cape as the cycling capital in Africa and the Madiba Legacy tourism route.

*2018 MTEF to establish
Western Cape as cycling
capital in Africa*

Located in the West Coast region of the Province, the Saldanha Bay Industrial Development Zone (IDZ) is an important initiative in the oil and gas services sector with the Saldanha Bay IDZ Licensing Company being the implementing vehicle of the IDZ. Achievements to date include the completion of the back of port infrastructure, link bridge and road network; the launch of the supplier development portal; and commencement with the development of the ship repair berth. Going forward further infrastructure investment and support services will be established to complete the value offering of the Free Port concept. In addition, the designation of the Atlantis Special Economic Zone (SEZ) is expected during the 2017/18 financial year. Initiatives over the 2018 MTEF include attracting manufacturing and service companies in green technology to the Atlantis SEZ, establishing an operator for the Atlantis SEZ and providing support to potential investors.

Green economy

The Province will continue promoting and stimulating the green economy to increase investment into green industries and to improve the resource efficiency of businesses. Continuing initiatives over the 2018 MTEF include energy security, resource efficiency and leadership and coordination.

The Energy Security Game Changer aims to drive an energy future that ensures energy security for the Western Cape, by using energy efficiency and incorporating diversified low carbon sources of energy. Key focus areas over the 2018 MTEF include increased uptake of Photovoltaic (PV) through wheeling and energy trading as the main drivers for PV uptake, energy efficiency through continuing to decrease energy consumption in government facilities, load management which is mainly driven by the City of Cape Town through rolling out smart grids and time-of-use tariffs and the process of obtaining permission to have Power Purchase Agreements with Independent Power Producers is proceeding. Furthermore, identifying opportunities in the area of Liquefied Natural Gas will continue.

Further support to the green economy includes labour intensive projects such as alien vegetation clearing, fencing and river erosion protection projects, and providing green advice to agricultural stakeholders. In addition, key projects include alternative waste management mechanisms (Western Cape Industrial Symbioses Programme), provincial biodiversity economy strategy projects, and the Genius of Space project which focuses on grey water and solid waste management in Langrug Informal Settlement. It further supports the broader Berg River Improvement Programme, which includes water quality monitoring and bioremediation.

Skills for growth

Skills development is critical in addressing persistently high unemployment in the Province. The Apprenticeship game changer aims to ensure sufficient availability of key skills for the identified key growth sectors which include oil and gas, agri-processing, tourism, ICT and energy through facilitating the provision of apprenticeship opportunities. Key focus areas going forward include increasing the awareness of vocational careers within the key growth sectors and conducting a data informed employer engagement strategy to increase the number of learners being placed in apprenticeships. To further encourage workplace supply the mentorship training programme and Recognition of Prior Learning will continue and increased focus will be placed on encouraging employers to

implement work readiness training for learners being placed, to increase retention and learner productivity.

Other skills development initiatives address systemic challenges, such as current maths and science pass rates at schools, through school and college interventions; teaching of career awareness by focusing on areas of scarce skills and employment opportunities. Promising growth sectors specifically targeting youth employment include ICT and software development, and the Business Process Outsourcing sectors.

Agricultural Partnership for Youth Development to focus on skills and education of the rural youth

In response to the large-scale unemployment amongst the rural youth, as reflected in the Rural Development Farmworker (Agri-worker) Census, the Agricultural Partnership for Youth Development will focus on the development of skills and education of the rural youth.

Ease of doing business

The ease of doing business programme is a key priority toward improving the business and regulatory environment, and ultimately enabling an environment for broader economic growth and job creation. Progress on the Municipal Red tape interventions include the Red Tape Reduction Impact Assessment Instrument, a Business Support Helpline and provincial process improvements.

The Province will continue to support public sector procurement promotion which is aimed at enabling access to economic opportunities and the implementation of the Ease of Doing Business Costing Tool, which would quantify ad hoc and systemic red tape reduction interventions.

Nurturing Innovation

Innovation has been identified as a key enabler and the Western Cape Government embraces innovation as a principle and key outcome. Interventions are focussed on the development and implementation of collaborative projects in business, communities and government to stimulate the positive effects of design in the Province.

Collaboration projects which use design through Challenge Methodologies aim to find innovative solutions to socio economic challenges. Over the 2018 MTEF, initiatives include the Better Living Challenge 2 project, a collaborative project between the Western Cape Government and the Craft and Design Institute, which is aimed at addressing the challenges of finance and incremental improvements for informal and low income housing.

Digital economy

The Province will focus on driving the digital opportunities arising from the ever changing and hyper-connected digital economy. Initiatives over the 2018 MTEF through the Digital Opportunities Implementation Framework, will include:

- **Bandwidth Barn Khayelitsha:** A community based technology incubator that enhances technology entrepreneurship and innovation within the Khayelitsha and Mitchells Plain communities. The Province will continue supporting this initiative which aims to nurture the generation of young Information and Communications Technology (ICT) entrepreneurs.
- **Global Positioning and Promotion:** Aims to position the Western Cape as a leading global digital hub by developing promotional and marketing efforts within targeted markets.
- **2 specialised incubation hubs (Tech Hubs):** The Ed-Tech hub aims to support education and skills development while Media-tech is a foundational component aimed at improving digital embeddedness of sectors in the Province.
- **Interactive Community Access Nodes (I-CAN):** This initiative is aimed at improving digital skills and uptake and remains an important focus for the Province. The success of the ICAN Elsie River proof-of-concept will inform localised digital skills development and towards the roll out of basic youth entrepreneurial support.

Digital opportunities to be driven by Digital Opportunities Implementation Framework

Transport Infrastructure

The maintenance and delivery of transport infrastructure will continue over the 2018 MTEF and includes projects that aim to promote social and economic development and enables economic performance and a high economic multiplier effect. The Western Cape Government has made significant investment towards an integrated and service-oriented system that increases access for communities to opportunities and services. The Province will continue with the development of the GoGeorge Integrated Public Transport Network which will double the current service offering and connect Thembalethu and the neighbouring communities. The developments with Stellenbosch Municipality on the programme for sustainable transport initiatives will continue over the 2018 MTEF.

■ Improve education outcomes and opportunities for youth development

Creating opportunities for children to remain in quality schools for as long as possible and to enhance opportunities for the youth, particularly constructive after-school activities that provide cultural, sporting and educational activities, remains a priority over the 2018 MTEF.

Improving Language and Mathematics and the National Senior Certificate Pass Rate

The quality of education has been tracked via the programme of systemic testing of Grades 3, 6 and 9 Language and Mathematics over the past 13 years, which shows sustained improvement over the past five years.

Quality education shows sustained improvement over the past five years

Key focus areas include implementing the Curriculum and School Management strategies, in particular the Mathematics and Language strategies. The Language strategy aims to ensure that all learners meet the established reading fluency and writing norms per Grade in primary school. The Mathematics strategy is focused on the mastery of basic Mathematics concepts in the Foundation Phase. In the pre-school years particularly in Grade R, there is an emphasis on pre-numeracy skills. There remains a continued focus on improving the quality of Mathematics teaching throughout schooling, particularly on teaching in the Intermediate Phase.

The piloting of the Collaboration School model will continue. This project sources strong managerial and training resources from the private sector through school operating partnerships to strengthen education outcomes in public schools that require additional support. The pilot programme seeks to improve the quality of education at public schools; strengthen public school governance and accountability; develop educators; and implement interventions aimed at the improvement of the quality of public education for learners from low income communities. In 2016, five schools were included in the model and a further two schools were added in 2017, including one existing primary school and one new secondary school.

eLearning

The Western Cape Government's eLearning Game Changer takes a holistic approach to introducing an enhanced teaching and learning experience for over 1.021 million learners. Increasingly, the focus is on a quality and stable broadband infrastructure to all schools, combined with the necessary technological support to

ensure limited obstacles to eLearning integration. The development of skills and improved education outcomes provides for ample space for innovative solutions. Teacher development through eLearning and relevant digital content to support the learning experience remains a key priority. The Western Cape Government has therefore embraced the use of technology in schools by providing broadband connectivity at 1 278 schools by the end of the 2016/17 financial year. The cumulative total of 5 331 Smart Classrooms has been implemented between 2014 and 2017 across 391 schools.

Increasing the quality of education in poorer communities

The Western Cape Government will continue to implement programmes to limit the effects of poverty on learning through access to “no-fee” schools and fee exemption at fee paying schools, the provision of food through the National School Nutrition Programme (NSNP) and learner transport provision. In 2016, 579 844 learners specifically benefited from access to no-fee schools (excluding fee exemption), 473 915 learners benefited from the nutrition programme and 58 556 learners gained access to transport.

Safety at schools

The extent of crime in the Western Cape continues to impact on the socio-economic realities of the most vulnerable. Safety at schools has become a priority area due to crime being a key inhibiting factor in creating a safe environment for learning. A number of successful school safety initiatives exist and may be expanded. These include, amongst others, the implementation of the school safety plan, the Safety Kiosks in high risk schools, the use of safety marshals and the Walking Bus programme which is a form of student transport for school children who are escorted by adults to school. As part of the After School Game Changer, the Western Cape Government will continue to prioritise school safety through the Neighbourhood Watch patrols and Resource Officers at high risk schools.

Safety at schools is a key priority area

Early Childhood Development

The Western Cape Government continues to focus on increasing the quality of Grade R learning at public ordinary schools and independent sites to ensure that those who enter Grade 1 are well prepared for school. A focus area is providing new classrooms in areas of greatest need based on poverty indices, training students as ECD Practitioner Assistants and strengthening the implementation of the Curriculum and Assessment Policy Statement in Grade R

through the training of Grade R teachers and monitoring classroom practice.

A key intervention launched is the “Living Lab” which is a pilot project for Grades R - 3 in 103 schools to strengthen English and Mathematics. The programme includes providing structured and focused support for improved learning in the Foundation Phase in 103 schools in the Western Cape. It aims to ensure that all Grade 3 learners read and write at the required level. The participating schools are prioritised for technology as part of the Province's eLearning Game Changer.

ECD access for ages 0 to 4 will be expanded

Initiatives to expand ECD access include improved efficiency of the ECD registration process, while dedicated monitoring and evaluation teams ensure compliance with norms and standards at registered sites. ECD access (ages 0 to 4) will be expanded going forward, reaching 87 000 children annually by 2020.

Social and economic opportunities for the youth

Youth Development programmes and initiatives are across the five key pillars of family foundations, education and training, economic opportunities, identity and belonging and reconnection. An implementation plan has been developed to give effect to the Strategy. The main objective of the plan is to assist with standardising quality youth programme design and implementation across the Western Cape Government.

Giving effect to the Youth Development Strategy through After School Programmes remains a priority. The Mass participation; Opportunity and access; Development and growth (MOD) programme is a cornerstone after school offering of the Western Cape Government, with roughly 36 000 school going learners regularly and consistently attending the Programme.

The MOD programme provides opportunities to participate in sport, arts and cultural opportunities. The programme operates in previously disadvantaged and underserved localities across the Western Cape in 181 MOD Centres. The initiative is supported by the academic extension programme - Year Beyond (YeBo) which aims to provide support to 2 000 learners within the Metropolitan area. The YeBo programme is currently operating in 20 no-fee schools where approximately 100 learners benefit at each school.

Youth Cafés provide opportunities for young people to access skills development programmes, training workshops, seminars, and entrepreneurial opportunities. Youth cafés provide access to empowerment opportunities such as skills development programmes and training workshops to young people not in

education, employment or training. There are plans to expand the number of Youth Cafés in partnership with the private sector.

The Chrysalis Academy is an initiative to provide a social crime prevention and upliftment programme for youth at risk. Chrysalis offers a sustainable 5-year youth development programme starting with a 3-month empowerment training. The Academy focuses on the individual's physical, psychological and spiritual development, resulting in realistic and sustainable results.

■ Increase wellness, safety and tackling social ills

Wellness relates to aspects such as emotional, physical, intellectual, social and environmental well-being of the individual. Taking an integrated approach to wellness focuses on improving personal and community safety, encouraging better lifestyle choices, improving health outcomes from conception, building social cohesion and instilling a sense of belonging and promoting active citizenry.

Inclusive and Healthy communities

The size and complexity of the Burden of Disease in the Province has continued to grow. South Africa has 2 - 3 times the global average of non-communicable diseases and maternal and child health illnesses.

The Western Cape Government aims to create public value by providing patient-centred care and improved health outcomes with a strong focus on health promotion and prevention. One of the initiatives to achieve this outcome is the WoW campaign. This campaign empowers individuals and communities to improve their lifestyles through improved eating habits and increased physical activity. Reductions in weight, waist circumference and resting blood pressure as well as increases in general health status and quality of life have been recorded amongst participants. Going forward, the campaign will continue to assist in the establishment of new clubs, extend wellness screening, provide WoW Exercise kits, develop Healthy Tuck-shop guidelines and develop and test a WoW community cookbook.

Focus on patient-centred care and improved health outcomes

Further initiatives to improve community health outcomes include Community Oriented Primary Care, which pilots an integrated primary healthcare platform that strengthens the linkages between the home, community-based care, primary healthcare facilities and other healthcare services within a specific geographic area.

In pursuit of the Healthcare 2030 outcomes, the Management Efficiencies and Alignment Project (MEAP) has been implemented. This project aims to improve efficiencies and alignment of management structures by transitioning to a lean structure aligned to efficient and effective service delivery.

Protecting the rights of and providing services for persons with disabilities remains a provincial priority. In 2016/17 almost 100 000 clients accessed services for persons with disabilities. These services include protective workshops, empowerment opportunities for persons with disabilities, appropriate care through funded residential facilities and the Disability Desk within the Ministry of Social Development. The continued focus on prioritising referral pathways for children and youth with disabilities aims to improve retention in schools and enable vulnerable children and youth to complete their education.

Safer communities

In the pursuit of improved personal and community safety, the Western Cape government remains committed to promoting professional policing through effective oversight as legislated, capacitating safety partnerships with communities and other stakeholders, and promoting safety in all public buildings.

The successful Watching Briefs project will be expanded

In promoting professional policing, the Western Cape Ombudsman will continue to investigate the quality of police conduct and make recommendations to the Provincial Minister of Safety and Security. Professional Policing will be further enhanced through the annual Police Needs and Priority Reports which facilitates a collaborative approach in planning to improve police efficiency and effectiveness. The successful Watching Briefs project which ensures that serious crimes are placed back on the court roll, will be expanded.

Safer public spaces as a Western Cape Government priority will be maintained through the support of accredited Neighbourhood Watches, a unique initiative in the Western Cape, with training and equipment. Neighbourhood Watches play an important role in school safety, alcohol harms reduction projects and through good working relationships they provide valuable support to Community Police Forums. As an important element in promoting safer communities, the Western Cape Government will continue to form partnerships with religious fraternities that aim to keep youth off the streets during school holidays.

As part of the National Anti-Gang Strategy (NAGS), a Provincial Joint Priorities Committee has been formed, which will be responsible for developing an implementation plan for the NAGS in the Western Cape. The strategy will be built on the four pillars of Human Resources, Social partnerships, Spatial design and a criminal justice response in order to augment implementation of anti-gangsterism programmes in communities.

A provincial implementation plan for the National Anti-Gang Strategy will be developed

Whole of Society Approach - Better Spaces

The Better Spaces model embeds and institutionalises a collaborative approach to service delivery which includes local and provincial government, non-profit organisations and community-based organisations to address a community's specific needs, thereby creating "public value". A focus on the concept of "public value" allows for engagement with local communities in defining what constitutes "Public Value" from their perspective. The international, national, provincial and local policy environments increasingly focus on integrated problem identification and collaborative and whole of society solutions to respond to community needs.

Piloted in Paarl East, an area characterised by poverty, high levels of crime, gangsterism and violence, the Better Spaces project focused on ECD, Substance Abuse and Youth, Safety at Public Buildings and the Elderly. Upon reflection on the experience, a whole of society approach was developed towards better spaces and more resilient communities. Broad components of the better space model include: shared purpose and a detailed Situational Analysis and Gap Analysis, to inform the initiatives to be undertaken.

Strategy and policy alignment is also a key element and calls for "globally connected, locally relevant approach", this can be achieved through alignment of the Sustainable Development Goals, National Development Plan, Provincial Strategic Plan and Integrated Development Plans, through the lens of the Bill of Rights as contained in the Constitution of South Africa which focuses on both citizen participation and citizen-centric processes.

The Safely Home campaign, which is the road safety campaign of the Western Cape Government, utilises high impact messaging and communication aimed at changing the behaviour of our road users and reducing the incidence of road crashes, fatalities, and injuries of drivers, passengers and pedestrians.

Other initiatives over the 2018 MTEF include the roll-out of the District Safety Plan piloted in the Overberg district and the West Coast, which is an integrated, collaborative road safety initiative with the municipalities, the South African Police Services and Provincial Traffic.

The use of technology in gathering information and intelligence towards planning operations for improved transport regulation, road safety and traffic law enforcement will continue over the 2018 MTEF. Four incubator initiatives are prioritised, which include the Transport Data Hub, the Transport Intelligence Centre, the Enforce System, and the Government Motor Transport Enterprise Resource Planning solution for Repairs and Maintenance.

Safe and healthy children

The First 1000 Days, from conception to 2 years of age, focuses on the foundation for a child's cognitive and physical development impacting on their ability to grow, learn, and earn in the future. The First 1000 Days project provides education and awareness of improved maternal, infant and child health outcomes, support on parenting, nutrition and mental health, as well as improved diagnosis of disabilities amongst children. A key innovation in this area has been the development of a Social Impact Bond, which is an innovative financing mechanism that pays for outcomes and includes co-funding by the private sector.

The recently established pilot project to have a dedicated social worker stationed at Children's Courts is expected to reduce the current backlog and improve the pace of cases involving children. Child care and protection services, in line with the Children's Act and Child Justice Act, will continue to be prioritised. To address the growing need, the construction of an additional wing at the Clanwilliam Child and Youth Care Centre is planned to increase its capacity to cater for children in need of care and protection and children in conflict with the law.

Clanwilliam Child and Youth Care Centre is planned to cater for children in need and in conflict with the law

Engaged and healthy youth

The Young Women and Girls project is aimed at empowering young women and girls to make informed life choices. Four project areas are currently being implemented namely: The Soul Buddyz Programme aimed at 10 - 14 year olds and focuses on safety and life orientation; the Keeping Girls in School Programme (15 - 19 years) which is similar to the Soul Buddyz Programme and also provides homework support; the Teen Parenting Programme which provides support to teenage parents who are still in school; and the Rise Young Women Clubs and Women of Worth project, aimed at young women out of school.

The growing incidence of substance abuse amongst youth prompted the establishment of outpatient substance abuse interventions at 10 high risks schools in 2015/16. The programmes have seen an 80 per cent success rate thus far in retaining learners in school who were at risk of being expelled, with these learners completing their academic year with improvement in their marks. The programme has been extended to 15 schools, reaching an anticipated 590 learners in 2017/18.

Resilient and healthy families

Services and support to victims of domestic violence, sexual offences and human trafficking will continue to be prioritised by the Department of Social Development. These services and support include providing psychosocial support, expanding access to safe and secure shelters for victims, providing skills to empower victims for reintegration within their communities and continued psychosocial support during the reintegration process.

Alcohol Harms Reduction

In respect of reducing harm caused by alcohol, the Western Cape Government Cabinet adopted the Western Cape Alcohol-Related Harms Reduction Policy White Paper. The Policy aims to provide interventions to contribute to the reduction of alcohol-related harms in the Western Cape and to increase the efficiency and effectiveness of structures that are related to alcohol-related harms reduction. Short-, medium- and long-term plans are being identified to be rolled out and implemented over time. A working group is drafting a new Western Cape Liquor Act with an emphasis on alcohol-related harms reduction.

The Western Cape Alcohol-Related Harms Reduction Policy White Paper published for public comment

The Alcohol Harms Reduction Game Changer will continue to play an integral role in the reduction of alcohol misuse with the focus on targeted geographic areas. The Game Changer rests on three levers. The first lever focuses on reducing access to alcohol, specifically in Khayelitsha Sector 4, which will be achieved through the implementation of security infrastructure, the deployment of a dedicated law enforcement team as well as strengthening the working relationship between South African Police Service, City of Cape Town Law Enforcement, Western Cape Liquor Authority and the National Prosecuting Authority. The second lever focuses on enhanced recreational activities including a series of Hip Hop workshops in Nyanga, 4-a-side Soccer in Khayelitsha and Gugulethu, and the launch of Gaming Centres in Khayelitsha and Gugulethu. The third lever involves strengthening the health and social services available to those affected by alcohol abuse in Khayelitsha, Gugulethu and Paarl East.

■ Enable resilient, quality, sustainable and inclusive living environment

The Western Cape Government envisages a quality living environment with access to services, infrastructure and recreational facilities. This includes not only an environment where natural resources are protected but also where the necessary adjustments will be made in order to adapt to changing long term trends.

Climate Change

The need for a climate change adaptation and response has been acknowledged. As a result, the Western Cape Government has adopted a Climate Change Response Strategy and Implementation Framework. This Strategy guides the collective implementation of innovative projects and searches for opportunities that combine a low carbon development trajectory with increased climate resilience, enhancement of ecosystems and the services they provide, as well as economic growth and job creation.

The SmartAgri project which included developing a climate change framework and implementation plan for the agricultural sector, delivered a sector-focussed implementation plan and will set the roadmap for climate smart agricultural operations across the entire value chain.

Drought Management and Water Security

The Western Cape Government has prioritised water security given that the drought is one of the key risks facing the Province. In response to the current water crisis, proactive measures have been implemented to ensure business continuity of the Western Cape Government. An intergovernmental and a Drought Task Team has been established to support drought relief projects which include water augmentation projects, repair and improvement of boreholes and water supply systems as well as assistance to agriculture.

An Integrated Provincial Water Response Plan will respond to the current water crisis and natural disasters

An Integrated Provincial Water Response Plan is currently being compiled to address, amongst other, business continuity measures and plans to be put in place to address the key risks and actions or plans required to address the immediate, short, medium and long term impact of the drought and other crises such as fires and biological disasters including the Avian Flu, and future climate change challenges. The plan will also support businesses and municipalities in dealing with the impact of drought.

The Constitution sets out water resources management as a national competency. It also states that everyone has a right to an environment that is not harmful to their health or well-being and supports socially justifiable economic development. It indicates the rights of individuals to have access to basic water and sanitation and sets out the institutional framework for the provision of these services. It gives municipalities the executive authority and the right to administer the provision of water services within their areas of jurisdiction. It also gives national and provincial government authority to regulate local government in terms of water and

sanitation services. It further gives them the obligation to support and strengthen the capacity of local government to provide services. It further implies the need for an intergovernmental and participatory approach to managing water resources and water and sanitation services. This includes the clarification of the roles and functions, powers and authority of the different spheres of government and the institutions in delivering on this constitutional mandate. Responses from municipalities to deal with the water crisis should therefore guard against unfair and disproportionate burdens being placed on rate payers by incurring expenditure for which they are not constitutionally responsible for.

The Western Cape Government is focusing on the Breede River Environmental Resources Protection Plan, Berg River Water Quality Monitoring Programme, Berg River and Breede River Riparian Rehabilitation Programme as well as finalising the review of the Sustainable Water Management Plan. The Berg River "Genius of Place" Phase 4 project promotes efficient water usage through a greywater disposal prototype and a solid waste management system which focusses on upcycling and recycling.

The Western Cape Government will continue its current initiatives to improve agricultural sustainability over the 2018 MTEF. The Fruitlook project has proven to make a measurable impact on the water use efficiencies of Vineyards and deciduous fruit trees. The project is in high demand, with a continuous annual increase in covered hectares as a testament to the value of the project. The successful Green-Agri website will continue as an important information dissemination vehicle. Other water augmentation schemes include the Ebenhaezer irrigation scheme, the raised inlet of the Brandvlei Dam, the planned water usage of the Clanwilliam Dam and the SmartAgri project which includes the promotion of sustainable farming methods.

Fruitlook makes a measurable impact on water use efficiencies in agriculture

Disaster Preparedness and Relief

The strengthening and improvement of disaster preparedness and response plans have been prioritised. A Drought Register, identifying risk areas based on water availability and water use has been compiled.

As a short-term relief initiative, the Western Cape Government has supported farmers of the Central Karoo, West Coast, Kannaland and Witzenberg areas since early 2016 with more than 16 000 tons of fodder. By August 2017, 4 156 drought assistance transactions had taken place to a value of R59 million, supporting 1 482 farmers and 89 374 animals with plans to further extend the programme.

The drought assistance programme will be further expanded

Furthermore, the Province has experienced some of the most expensive and largest wildfires in its history. Given the state of the equipment of many fire services, particularly outside the metropolitan areas. Rural municipalities were supplied with 10 fully equipped, purpose built firefighting vehicles to augment their fire response capacity. Province will continue to support municipalities to provide firefighting capacity.

Integrated human settlements

The Western Cape Government has adopted the Living Cape Framework which speaks to three shifts that need to occur, from housing to human settlements, low value production to an urban dividend and state as provider to state as co-provider of infrastructure and an enabler of housing.

The Informal Settlement Support Plan advocates for mobilisation of communities, participatory planning or co-design and incremental development, putting people at the centre of all developments. It also focusses on a programmatic and area based approach that will benefit a community as a whole and improve the living conditions and quality of life of the inhabitants of informal settlements.

The Provincial Government will continue with the construction of catalytic projects. This includes the production of large numbers of housing opportunities whilst achieving economies of scale and improving the urban fabric by providing mixed use, income, tenure and different strata.

Affordable Housing opportunities will be enabled through a partnership strategy which focuses on housing opportunities to potential beneficiaries in the GAP/Affordable housing market. A green procurement policy guideline has been developed for all new human settlement developments, which aims to reduce water and energy consumption, minimise waste generation, and reduce greenhouse gas emissions. The guideline will also promote the utilisation of alternative technology and water sensitive urban design.

Spatial and development planning

A key policy adopted by the Provincial Cabinet in support of sustainable growth is the Provincial Spatial Development Framework (PSDF). The PSDF advocates the sustainable use of provincial spatial assets through managing and protecting our biodiversity and ecosystems, safeguarding coastal and inland water and managing the use of water. The express introduction of spatial and development planning, has been included as a key component of

the budget process to allow for implicit consideration of sustainability and spatial considerations within plans and budgets.

In partnership with the City of Cape Town, the Transit Oriented Development (TOD) is seeking to optimise the location of future residential areas for all income groups in relation to economic and work opportunities. The strategy seeks to promote development along transport corridors to enable people to live closer to transport corridors and access work opportunities at economic hubs near transport nodes. The Two Rivers Urban Park (TRUP) Project is an example of implementing the TOD strategy that envisages a mixed-use, transit-oriented development for sustainable living.

The Regional Socio-Economic Programme and Violence Prevention through Urban Upgrading Programme (RSEP/VPUU) aims to strengthen the Western Cape Government's role in providing municipal support for whole of society solutions in addressing socio-economic challenges at the local level.

RSEP/VPUU to strengthen municipal support for whole of society solutions

Components of the reconstruction framework include development of strategic vacant land, clustering facilities, providing affordable neighbourhood facilities, advocating for densification, and creating a pedestrian route and an integration zone. The Programme has proven to be a good vehicle for intergovernmental collaboration and crowding-in investments and provides the basis for joint and integrated planning to improve the safety of targeted areas.

Phase 2 of the RSEP will be rolled out in an additional town in the original 3 municipalities (Saldanha Bay, Swartland and Breede Valley) and 7 additional municipalities (Bergrivier, Witzenberg, Stellenbosch, Cape Agulhas, Prince Albert, Mossel Bay and Bitou).

Better Living Model

The Conradie Better Living Model Game Changer project envisages the development of the 22 hectare former Conradie Hospital site into an integrated, sustainable, and affordable residentially-led, mixed-use neighbourhood. The project will be looking to finalise the appointment of a development partner and break ground in 2018/19.

■ Embed good governance and integrated service delivery

Promoting good governance and sound management practices is key in support of service delivery impact. The effective, efficient and economic use of resources underpinned by transparent, accountable and responsive government is key to improve delivery. Partnerships and spatial alignment are also important elements in support of collective service delivery impact.

Enhanced Governance

The governance for service delivery's holistic strategic approach includes a robust Corporate Governance Framework and Maturity Model that drives the governance culture and embeds governance principles. Governance is inherently part of all departments operations and service delivery model. The Corporate Governance Framework and Maturity Assessment Tool aim to enable corporate governance for improved service delivery in the Western Cape Government. A particular focus will be placed on the development of a Governance Framework and Capability Maturity Model on corporate, stakeholder, financial, ICT and Infrastructure Governance as well as to improve the Governance Maturity of municipalities.

The Corporate Governance Framework and Maturity Assessment Tool aims to enable corporate governance for improved service delivery

Integrated Management Approach

Taking an integrated management approach to planning, budgeting and implementation will contribute towards ensuring optimal use of resources and further aligning objectives. This approach minimises the duplication of services within the different regions of the Western Cape, with the overarching objective of improving service delivery impact.

The Integrated Work Plan introduced in 2016 and updated in 2017 aims to strengthen integrated planning, budgeting and implementation between the Western Cape Government and the Western Cape municipalities. It also aims to facilitate interaction with national government departments on national government competencies that impact on service delivery within the Western Cape.

A particular focus is on streamlining processes of real joint planning and budgeting across the two spheres of government and the joint review of Municipal and Provincial implementation and performance in terms of plans, strategies, programmes and projects. The Integrated Management process involves a transition from the

current system towards a better coordinated planning, budgeting and governance process.

The focus areas have been on a “Sustainable Local Government” and some of the strategic matters identified for Province and Municipalities to address collaboratively, include skills development, joint infrastructure approaches, data and intelligence, regional economic development as well as water sustainability and waste and landfill related issues.

Provincial strategic responses include the roll-out of GoGeorge which is an integrated public transport network in the Eden District. On the West Coast the Province continues to implement the upgrading of the N1/N7 Wingfield interchange and N7 between Potsdam and Melkbosstrand to freeway standards and the Clanwilliam Dam wall rising project. Strategic responses also include the roll-out of the RSEP/VPUU programme to address spatial challenges and disparities in the Central Karoo and to provide support to the Overberg District through the SmartAgri Plan and looking at opportunities in the waste economy as well as overall waste management.

A key component of Integrated Management is strengthening evidence-based approaches for service delivery impact. The 2018 MTEF places a greater emphasis on promoting the use of evaluations across all departments for an objective analysis of the evidence on provincial policies, programmes and projects to determine their relevance, effectiveness, value for money, impact and sustainability; and for recommending ways to improve service delivery outcomes.

A key component of Integrated Management is strengthening evidenced based approaches for service delivery impact

Partnering Solutions for Service Delivery

Applying the partnering methodology in the Western Cape Government has assisted in identifying policy areas which can further benefit from partnerships or identified areas where partnering can be strengthened in order to improve collective impact.

Examples of key partnerships within each of the PSGs which foster collaboration and showcase collective service delivery include:

- PSG 1: Energy security efforts which involves all the Western Cape Government departments in the economic cluster as well as targeted municipalities.
- PSG 2: The after-schools programme and the rollout of eLearning.
- PSG 3: Better Spaces programme.
- PSG 4: Western Cape Government and City of Cape Town partnering on Transit-Oriented Development and Integrated Human Settlements.
- PSG 5: Integrated Work Plan which involves partnering between the Western Cape Government and municipalities for more integrated planning, budgeting and implementation.

*Western Cape
Government is moving
towards a data driven,
evidence based
organisation*

Province-wide Data Governance and Business Intelligence

The Western Cape Government is moving towards a data-driven organisation for better evidence to improve decision-making. The Province-wide Data Governance initiative aims to improve the overall management of the availability, usability, integrity, and security of data assets. It envisions that better data, information and decisions is known to all. A Province-wide Data Governance Framework provides the strategic direction for the promotion of data governance in the Western Cape Government. The strategic framework includes the following components: Architecture and Integration; Data Warehouse and Business Intelligence; Privacy, Compliance and Security; Policy, Standards and Strategy; Data Quality and Management Alignment. To this end, the stage of conceptualisation and planning has been completed and the intention is to shift towards pre-implementation which involves commencing with the Business Intelligence Maturity Assessment.

Digital Government

Digital Government aims to optimise and transform existing public services and to create new public services by maximising the value of data assets, digital technologies and people. The overarching objective will be an optimised, transformed, integrated and customer-centred service delivery through Digital Government. The approach is envisioned to include a focus on digitally empowered and informed citizens, data driven service delivery and decision-making, digitally empowered employees, optimised and integrated citizen-centric services as well as connected government and sound ICT governance.

Broadband rollout

The Western Cape's Broadband Strategy plans to improve broadband connection across the Province and to support the Provincial Spatial Development Framework. It is anticipated that all Western Cape Government sites will have been provided with broadband connectivity within the 2017/18 financial year. Government sites to be provided with access to Broadband infrastructure are expected to grow beyond 2 100 sites (includes schools, corporate sites, community health centres and hospitals). Options to assist the Local Government with Broadband connectivity is currently under review.

Procurement initiatives

Supply Chain Management, is one of the key mechanisms enabling government to implement policy and drive service delivery. Key initiatives in line with the new preferential procurement regulations gazetted in January 2017 and to ensure that Western Cape Government procurement initiatives impact directly on the lives of citizens include:

- Regional indicators to target local suppliers via our e-procurement system and rotation of suppliers;
- Empowerment assessments to be conducted for all procurement above R10 million; and
- Creating more opportunities for Western Cape Government suppliers by allowing the private sector access to the Western Cape Government supplier database.

Broad-based Black Economic Empowerment (BBBEE) has been prioritised over the last 10 years and in the 2016/17 financial year 85 per cent of all provincial contracts were awarded to BBBEE compliant suppliers. The Western Cape Government has also mobilised municipalities to develop local economic development policies on a regional level.

An Economic Procurement Policy will be developed over the 2018 MTEF which will relate to the impact of a regional economic procurement strategy to enhance the effectiveness of public sector procurement as a key lever in stimulating the achievement of broad-based regional economic transformation and inclusion through the development of small, medium and micro-sized enterprises (SMME) in particular.

An Economic Procurement Policy will be developed over the 2018 MTEF

Conclusion

The Western Cape Government maintains its commitment toward service delivery impact through budgets that are responsive to the socio-economic environment and are underpinned by the principles of good financial governance. The emergence of natural disasters has necessitated the prioritisation of drought relief and sustainable business practices. The Budget Policy Priorities, encapsulated within the five Provincial Strategic Goals, will continue to provide public value through an integrated and innovative approach based on sound partnerships and good governance.

4

Infrastructure

In summary

- Infrastructure investment is critical in promoting economic growth, unlocking economic opportunities, addressing socio-economic needs, and promoting job creation.
- The potential of infrastructure maintenance as a strategy for economic growth needs to be given more prominence, given the climate changes and water intensive nature of construction.
- Aligning land assembly and the long-term capital investment framework to the BEPP, IDPs, SDFs and longer term plans of municipalities through a joint planning mechanism is key.
- Empowerment Impact Assessment (EmplA) tools enables the empowerment impact of specific construction projects to be evaluated. It also provides the means for a qualitative assessment of the impact that the projects have on the quality of life of individuals and communities.

Introduction

Investment in infrastructure is critical for the delivery of education, road infrastructure and health services, creating economic opportunities for youth and providing jobs and access to broadband. In a constrained economic and fiscal environment, initiatives to enable growth through targeted and structured infrastructure delivery are key. Furthermore, the Province is in the midst of a severe drought and water crisis and the impact thereof on the Western Cape economy is likely to be significant, particular within the construction industry. Therefore, determining the most effective mechanism for investment aimed at realising maximum returns and positive knock-on effects to other forms of infrastructure is key. Innovative solutions are required to ensure the continued pursuit of delivering on the infrastructure-led growth strategy for the Province.

Infrastructure investment is critical in promoting economic growth and unlocking economic opportunities

■ Infrastructure-led growth

Infrastructure, in the provincial context, refers to assets in the built environment which facilitates service delivery and includes social services infrastructure, property and buildings, roads, human settlements, as well as communication networks. The investment in infrastructure is critical in promoting economic growth, unlocking economic opportunities, addressing socio-economic needs, and promoting job creation. It further aids in building a level of economic resilience in a constrained fiscal environment.

Public investment in bulk infrastructure and roads infrastructure boosts economic growth by crowding in private sector investments as well as providing a solid foundation for development.

Historical infrastructure maintenance backlogs (for existing infrastructure) and the growing need to prioritise maintenance of the provincial asset base, should be considered when compiling departmental budgets. Maintenance and Repairs is critical to ensure longevity of infrastructure, specifically water-related infrastructure to minimise water losses in light of the current drought and water crisis.

The Western Cape Government has adopted a more coordinated, integrated and strategic approach to planning and budgeting for infrastructure which aims to respond in an integrated and comprehensive manner to the public infrastructure challenges facing the Province.

■ Integrated Infrastructure Pipeline

The Western Cape Government continues to strengthen its approach to integrating policy alignment, planning, budgeting and implementation to improve service delivery. A key component of integration is impactful, citizen-centric service delivery which aims to create public value. Key aspects associated with this integrated management approach include sound data and spatial planning to improve evidence-based planning and budgeting for improved service delivery.

Enhanced data governance supports strategic planning and decision-making through the effective co-ordination of data sources across sectors. Improved spatial governance envisages transversal alignment of government's plans and budgets within a spatial context. A related concept is that of spatial targeting that is aimed at alignment of government's plans and budgets to target predetermined spatial locations for maximum impact.

At a provincial and strategic level, there is a need to align land assembly and a long term capital investment framework to the Built Environment Performance Plans (BEPPs), Integrated Development Plans (IDPs), Spatial Development Frameworks (SDFs) and longer term plans of municipalities through a joint planning mechanism.

Joint planning mechanism to align land assembly and long term capital investment with longer term municipal plans

There is a further need for a systematic analytical process which results in a long term integrated provincial infrastructure pipeline, as derived from the User Asset Management Plan (U-AMP) and Custodian Asset Management Plan (C-AMP). This is to be tabled for discussion between provincial infrastructure departments to ensure alignment to municipal and provincial spatial policy imperatives. Decision-making criteria must be aimed at delivering on national, provincial and regional priorities, the level of stakeholder support, legislative compliance, risk considerations and financial justification, amongst others.

The establishment of a Provincial Planning Committee where a pipeline analysis of potential health, education, public works, roads and human settlements projects could take place is being investigated. Such an assessment should result in an integrated provincial infrastructure pipeline where assurance is given of alignment to provincial and municipal spatial development frameworks and plans.

The Western Cape Ministerial Infrastructure Coordinating Committee (WCMICoCo) provides the political oversight over infrastructure delivery to enhance the coordination and unblocking of infrastructure delivery at a provincial level. This committee is chaired by the Western Cape Minister of Finance and its membership includes the Ministers of Education, Health, Transport and Public Works, Human Settlements, as well as the associated Heads of Department.

The Infrastructure Delivery Management System Coordinating Committee (IDMSCC) is the administrative body established to coordinate the implementation of the Infrastructure Delivery Management System in the provincial departments of Transport and Public Works, Health, Education, and Human Settlements. This committee serves in an advisory capacity to the ministerial committee.

The New Normal

The current service delivery and economic pressures coupled with resource and capacity constraints and the current drought and water crisis, highlights the fundamental need for integrated development planning, considered decision-making and the appropriate policy responses within the infrastructure environment, which would in turn stimulate economic growth.

Maintenance and Repairs

The importance of infrastructure to support growth has been recognised within the Province. The potential of infrastructure maintenance and repairs as an enabler for economic growth and service delivery needs to be given more prominence, especially given the water intensive and climate sensitive nature of construction and the potential local job and skills development opportunities that may be created.

Understanding the value and condition of public assets within the infrastructure portfolio enables decision-makers to allocate scarce financial resources to deliver public services in a more effective and efficient way. The Western Cape Government is pursuing a more holistic and detailed strategy for its property portfolio with the objective of cost effectiveness and efficient utilisation of facilities. The aim is to bring all buildings up to a minimum condition of C3 (fair) with the bulk directed to educational facilities.

The National Infrastructure Maintenance Strategy emphasises that operations and maintenance must be seen as an integral part of infrastructure delivery. It should not be seen as secondary importance to the acquisition of new infrastructure. The Western Cape Government has been progressively spending more on maintenance and repairs and will continue to do so over the medium term.

Climate change, drought and water crises

The Province is responding to the drought and water crisis by putting measures in place to ensure business continuity and to intensify water-saving interventions at public institutions such as hospitals and schools over the 2018 MTEF. Initiatives to improve the efficient and sustainable water usage in provincial buildings includes the installation of water saving devices such as waterless urinals, water cooled heat ventilation and air conditioning (HVAC), reticulation of existing borehole water to schools, new boreholes for education and health facilities and efficient utilisation of ground water. The design of new buildings is taking water saving and water harvesting

The Western Cape Government will continue to prioritise infrastructure maintenance and repairs

Initiatives to improve the efficient and sustainable water usage in provincial buildings includes the installation of water saving devices

measures into account as part of the new norm. Solutions such as the efficient utilisation of existing infrastructure, must be part of the option analysis when public sector infrastructure/accommodation requests are considered.

Alternative construction methods

The World Economic Forum's 2017 Global Risks Report highlights that environmental risks such as extreme weather events are in the top 5 global risks in terms of likelihood and impact.

The need for critical risk analysis and the creation of climate resilient infrastructure requires a careful balance between probability and consequence. The Western Cape Government will be conducting concerted efforts into research around alternative construction technologies and techniques that respond to and if proven feasible will be implemented over the 2018 MTEF and beyond.

The Western Cape Government will be conducting research around alternative construction techniques and technologies

Provincial procurement initiatives supporting economic development and transformation

Specific procurement strategies are being followed in the Province. Empowerment Impact Assessments (EmplA) have been introduced and need to be conducted for all procurement above R10 million to determine opportunities for local labour usage, local plant and material resources utilisation, and local supplier development. The EmplA is a tool consisting of quantitative and qualitative measures that enable the empowerment impact of specific construction projects to be evaluated. In addition, it provides the means for a qualitative assessment of the impact that the project in question has on the quality of life of individuals or communities. In compiling the EmplA the following are considered:

- The nature of empowerment opportunities;
- The capacity of local resources in relation to project requirements. This includes an assessment of any locally available raw materials that can be used in project implementation;
- Any locally appropriate technologies that can be used in the achievement of project aims;
- The appropriate training;
- The appropriate methodology to achieve required empowerment targets;
- Appropriate socio-economic factors that impacts on the project and that are impacted by the project; and

- Opportunities for meaningful exit strategies that could exist within the beneficiary community so that beneficiaries are able to take advantage of any opportunities for longer-term employment following the completion of the project.

Based on the empowerment goals, the utilisation of local labour and local suppliers in relation to the appropriate training are set and incorporated in bid documents.

Over the medium term, the EmplA will be institutionalised across institutions in the Province. The Western Cape Government is well aware of the need for well-designed public procurement programmes which focuses on the involvement of small, medium and micro-sized enterprises (SMMEs) in the construction sector particularly on a municipal level. These programmes will give rise to higher competition for public contracts, leading to better value for money and efficiencies for contracting authorities.

The Construction Industry Development Board (CIDB) in partnership with various provincial government departments produced guidelines and a framework document as a sustainable method of developing contracts. The Western Cape Government and its municipalities will implement the contractor development programmes aimed at increasing the capacity, equity ownership, sustainability, quality performance of CIDB registered contractors, and ultimately raising the construction industry to South Africa's accelerated and shared growth initiative. The outcome of the National Contractor Development Programme (NCDP) is aimed at increasing the number of eligible contractors to participate in the tender/bidding process and open a more competitive market for contractors to ensure value for money.

The Western Cape Government aims to promote construction sector transformation

Infrastructure Policy Priorities

The Western Cape Government will continue to invest in infrastructure as part of its infrastructure led growth agenda in the key social sectors such as education, health and human settlements and the economic sector (roads/transport) as per the constitutional mandates of provinces.

Education

The User Asset Management Plan of the Western Cape Department of Education prioritises the needs of learners that are not currently accommodated for (or who shortly will become part of the new enrolment pressure) over those currently accommodated for in terms of the Norms and Standards. Four main strategies have been adopted in an attempt to eliminate backlogs:

- Build new schools in areas where the highest pressure is felt;
- In order to meet the Norms and Standards, add classrooms and other facilities (halls, laboratories, libraries, connectivity and e-Learning, etc.) at existing schools where land is available;
- Provide temporary accommodation, usually in the form of mobile classrooms in "hot spot" areas; and
- Move excess demand to nearby under-utilised accommodation schools.

Maintenance remains a priority over the 2018 MTEF. Great strides have been made since the inception of Accelerated Schools Infrastructure Delivery Initiative (ASIDI) that has been implemented to replace a number of inappropriate school structures with newly built schools.

Accelerated delivery of schools in poorer areas

A focus area in responding to the impact of the drought and as such measures are being put in place to reduce and manage water consumption at education facilities.

Health

The population growth in the Western Cape, mostly in the City of Cape Town and the coastal areas, has resulted in increased densities, which places pressure on health facilities. Current planning of health facilities is based on this demographic reality and facilities in these areas will receive priority attention. Health's future investment, from a priority perspective, will focus on expanding capacity through new facilities and maintaining existing facilities, co-location and multi-level facilities. A number of hospitals and clinics within the health portfolio requires maintenance and thus will remain a priority. In responding to the impact of the drought, investments will also be made into water augmentation projects at health facilities to ensure business continuity as far as possible.

Population growth in the Western Cape places pressure on health facilities

Transport and Public Works

The Western Cape Government owns and maintains more than R200 billion worth of immovable assets (land, buildings and roads) for which the Department of Transport and Public Works is the appointed custodian in terms of the Government Immovable Asset Management Act, 2017 (GIAMA). This portfolio of assets is critical to the realisation of the Province's socio-economic, service delivery and growth objectives. It is of the utmost importance that these assets are properly maintained in order to maximise the return on investment and to preserve these assets for the benefit of future generations.

General Buildings

The demand for additional office accommodation and the cost of this accommodation have, amongst others necessitated the formulation of 15 m² (gross) norm per staff member as far as practically possible. The implementation of the modernisation programme, to achieve the aforementioned norm, has attained great efficiencies. The modernisation programme also favourably impacts on the maintenance requirements. This programme will continue over the 2018 MTEF.

A further initiative from a General Building perspective is to construct own office accommodation, such as the office block recently completed on a portion of the Karl Bremer Hospital site. The focus in future will be to invest even more in own accommodation. Although the owned office accommodation is in a fair to good condition, the focus will also be on maintaining these buildings and continuing with the implementation of measures to reduce water and electricity consumption.

Roads and Transport

Roads infrastructure is a key prerequisite for social and economic development. An efficient roads system gives the Province a competitive edge in moving goods and people.

The Department of Transport and Public Works is responsible for a proclaimed road network within the Western Cape comprising of 6 820 km of paved roads, 9 828 km of unpaved roads, approximately 15 339 km of unpaved minor roads and nine weighbridges. Given the nature of road infrastructure, the lack of maintenance will add significant cost in the future.

The investment in maintaining road infrastructure optimises economic opportunities

While new assets are required to support economic growth, considerable investment in maintaining the existing road infrastructure at standards that optimises the efficient and safe realisation of economic opportunities is central to the long-term economic sustainability of the Province. New investments should only be made where it best supports economic growth. The focus will thus remain to maintain the road network at best possible level with the limited resources.

Human Settlements

Key for the Western Cape Government is the development of sustainable integrated human settlements providing residents with access to social and economic opportunities close to where they live. The Department of Human Settlements has set three priority areas, on which to focus for the MTEF period:

- Directing more resources to the Upgrading of Informal Settlements and the provision of basic services;
- The development of various Catalytic Projects; and
- Implementing a Partnership Strategy to provide affordable housing opportunities.

Three priority areas for Human Settlements include the upgrading of informal settlements, catalytic projects and partnerships

The Department of Human Settlements will be implementing the upgrading of 60 informal settlements, which will be at different stages of completion, up until Upgrading of Informal Settlements Programme (UISP) Phase 3. This will be done in cooperation with other departments and non-governmental organisations.

The Department of Human Settlements will also develop a large number of housing opportunities whilst achieving economies of scale and improved urban fabric by providing mixed use, mixed income accommodation and security of tenure. The areas identified include amongst others: Transhex Worcester, Vlakkeland Paarl, Syferfontein and Wilderness Heights, Thembaletu George, and Belhar Cape Town.

In terms of the availability of land for Finance Linked Individual Subsidy Programme (FLISP) opportunities, all planning approvals have been received and will be in different stages of construction. It is scheduled to be completed by 2019 with a total yield of 8 815 housing opportunities developed. Employer assisted housing will be promoted.

Conclusion

The Western Cape Government has made positive strides in addressing current infrastructure needs and backlogs whilst finding a balance between the delivery of new and maintaining existing infrastructure. The use of infrastructure procurement to promote construction sector transformation will continue to be pursued to drive a sustainable public procurement agenda. The goal is to plan proactively for a desired future outcome, whilst simultaneously supporting socio-economic transformation and contributing to building economic resilience.

Annexures

Annexure A

Provincial Equitable Share

The provincial equitable share formula has been under review since 2016. A number of principles were agreed upfront to ensure that the review of the formula remains impartial. The principles underpinning the review of the formula include, but are not limited to ensuring that the formula is: Responsive to the changing needs and demands of each province; Equitable and fair to all provinces; Transparent and simple; Based on assigned function, and Predictable and stable.

As part of the review, data used for learner enrolment, previously based on an annual survey conducted on the 10th school day at public ordinary schools is replaced by learner enrolment based on a learner tracking system established by the Department of Basic Education.

The provincial equitable share formula is also subject to the normal technical data updates that are done annually. This helps to ensure that the formula remains responsive to population and service delivery changes.

The provincial equitable share is largely population driven with mid-year population estimates being used in the Health, Basic and Poverty components. The 2017 Mid-Year Population Estimates led to a sizable correction of the 2016 Mid-Year Population Estimates resulting in changes in provincial shares.

The following table summarises the data sources used to update the various components of the PES formula and the shares for the Western Cape over the 2018 MTEF. The impact of the data updates on the PES will be phased-in over the three year MTEF period (2018/19 to 2020/21), so as to smooth the impact of data changes on any one province.

The weighting allocated to each of the components is not indicative of how much a province should allocate to a specific area. Provincial Executive Councils, through their budget allocation procedures, determine allocations based on their own prioritisation process and specific circumstances.

Summary of Provincial Equitable Share data updates

PES component	Key determinants or variables	Data source	
Education (48%)	School age cohort	5 - 17 years from Census 2011	
	Learner enrolment data	Learner Unit Record Information Tracking System - 2017 September provisional and Learner	
Health (27%)	Uses a risk adjusted capitation index based on the Risk Equalisation Fund and output data from public hospitals	2016/17 Mid-Year Population Estimates	
		Medical Aid Insured population data from the 2015 General Household Survey	
		Risk adjusted index	
		Patient load data from the District Health Information Services as well as (average number of primary health care clinic visits between 2015/16 and 2016/17 data) and (average of each province's share of total patient-day equivalents from public hospitals between 2015/16 and 2016/17)	
Poverty (3%)	Share of households in the lowest two quintiles	2016/17 Mid-Year Population Estimates 2010/11 Income and Expenditure Survey	
Economic Activity (1%)	Provincial share of remuneration	GDP-R 2015	
Basic (16%)	Provincial share of population	2016/17 Mid-Year Population Estimates	
Institutional (5%)	Equal proportions of operational costs for provincial government	Data not used - Distributed equally	
	2018/19	2019/20	2020/21
2018 MTEF PES Percentages (new data updates/phased-in)	10.09	10.11	10.14

Annexure B

Conditional Grants

Conditional grant baseline allocations for the 2018 MTEF

R'000	2018/19	2019/20	2020/21	Total MTEF
Education	1 428 292	1 510 197	1 593 258	4 531 747
Maths, Science and Technology Grant	34 361	36 305	38 302	108 968
Education Infrastructure Grant	985 552	1 040 742	1 097 983	3 124 277
HIV and AIDS (Life Skills Education)	21 189	22 376	23 607	67 172
National School Nutrition Programme	357 097	374 952	395 574	1 127 623
Learners with Profound Intellectual Disabilities Grant	30 093	35 822	37 792	103 707
Health	5 877 780	6 290 783	6 636 776	18 805 338
Comprehensive HIV, AIDS and TB Grant	1 645 399	1 821 364	1 921 539	5 388 302
Health Facility Revitalisation Grant	595 363	628 703	663 282	1 887 348
Health Professions Training and Development Grant	574 177	606 334	639 682	1 820 193
National Tertiary Services Grant	3 043 242	3 213 685	3 390 438	9 647 365
Human Papillomavirus Vaccine Grant	19 599	20 697	21 835	62 130
Social Development	44 444	47 248	49 847	141 539
Early Childhood Development Grant	31 477	33 235	35 063	99 775
<i>Subsidy Component</i>	30 822	32 543	34 333	97 698
<i>Maintenance Component</i>	655	692	730	2 077
Social Worker Employment Grant	12 967	14 013	14 784	41 764
Human Settlements	2 389 056	2 544 641	2 684 596	7 618 293
Human Settlements Development Grant	2 389 056	2 544 641	2 684 596	7 618 293
Transport and Public Works	1 898 833	2 019 421	2 130 489	6 048 743
Provincial Roads Maintenance Grant	932 785	999 274	1 054 234	2 986 293
Public Transport Operations Grant	966 048	1 020 147	1 076 255	3 062 450
Agriculture	205 389	247 106	260 697	713 192
Comprehensive Agricultural Support Programme Grant	144 949	183 250	193 329	521 528
Ilima/Letsema Projects Grant	55 662	58 779	62 012	176 453
Land Care Programme Grant	4 778	5 077	5 356	15 211
Cultural Affairs and Sport	243 661	255 954	270 031	769 646
Community Library Services Grant	180 786	190 652	201 138	572 576
Mass Participation and Sport Development Grant	62 875	65 302	68 894	197 071
Total	12 087 455	12 915 350	13 625 694	38 628 499

Note: Allocations for conditional grants to provinces will be communicated once the National departments have finalised their respective conditional grant allocations in December 2017. This table excludes the policy changes to conditional grants as set out in Chapter 2.

Annexure C

2017 Adjusted Estimates

Summary of provincial adjusted estimates per vote

Vote (R'million)	Main Budget 2017	Adjustments 2017/18	Total Adjusted Estimates
Department of the Premier	1 440 749	(42 625)	1 398 124
Provincial Parliament	137 715	–	137 715
Provincial Treasury	308 184	(19 591)	288 593
Community Safety	302 296	2 060	304 356
Education	20 644 914	77 779	20 722 693
Health	21 699 266	(12 784)	21 686 482
Social Development	2 107 974	2 547	2 110 521
Human Settlements	2 543 587	49 731	2 593 318
Environmental Affairs and Development Planning	594 570	(38 850)	555 720
Transport and Public Works	7 432 379	116 209	7 548 588
Agriculture	803 179	74 469	877 648
Economic Development and Tourism	427 345	(22 001)	405 344
Cultural Affairs and Sport	725 049	2 284	727 333
Local Government	264 206	95 507	359 713
Total	59 431 413	284 735	59 716 148

Glossary

Agricultural Partnership for Youth Development

A project that specifically focuses on rural youth and children of farm workers. It offers bursaries/scholarships, internship, learnerships, a bridging course for mathematics and science learners and a summer/winter school at the Elsenburg College.

Avian Influenza

Caused by influenza A virus subtypes H5 and H7. It is a highly contagious viral disease with up to 100 per cent mortality in domestic fowl. Outbreaks occur mostly in chickens and turkeys however all types of birds are susceptible to the virus. Commonly referred to as avian flu and bird flu.

Brexit

The United Kingdom's prospective withdrawal from the European Union is widely known as Brexit, a portmanteau of "Britain" and "Exit".

Child (Under 5) mortality

The probability of a child born in a specific year dying before reaching the age of five, expressed per 1 000 live births.

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 Index (CPI)

The main measure of inflation, charting the price movements of a basket of consumer goods and services.

Domestic resource mobilisation

A comprehensive strategy targeted at identifying new or additional sources of revenue from domestic revenue bases and shifting these resources to investment in provincial and fiscal priorities.

Division of revenue

The allocation of funds between the spheres of government as required by the Constitution.

Empowerment impact assessment (EmPIA)	Enables the empowerment impact of specific construction projects to be evaluated. It also provides the means for a qualitative assessment of the impact that the projects have on the quality of life of individuals or communities.
Financial year	The 12 months according to which companies and organisations budget and account.
Fiscal policy	Policy on taxation, spending and borrowing by government.
Framework/envelope	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.
GoGeorge Integrated Public Transport Network	A project aimed at launching a new and improved public transport system for George and surrounding areas. Operated by the public transport operators with existing services in the George area. The aim is to provide a quality public transport service that is reliable, affordable, safe, convenient and accessible, and contributes to a better quality of life for all.
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.
Inclusive Growth	Embodies the commitment to strategic imperatives to grow the economy, create jobs, and provide opportunities for socio-economic inclusion. It emphasises the importance of structural transformation for economic diversification and constructive competition.
Indirect grant	A grant allowing a national department to perform a function on behalf of a province or municipality. No funds are transferred, but the end-product of the grant, such as infrastructure built, is generally transferred to provincial or municipal ownership.

Mass participation; Opportunity and access; Development and growth	A programme that complement the educational activities of schools by providing children with opportunities to develop their skills and interests after school. By supporting the holistic development of children through recreation and sport. MOD Centre's contribute to the human and social development of the communities in which they are located.
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.
Non-searching unemployed	Individuals who want to work and are available to work, but who are not actively looking for work.
Provincial Equitable Share	The allocation of nationally raised revenue to provincial government as required by the Constitution.
Provincial own receipts	Refers to taxes/fees and/or user charges, which a provincial department receives.