

Budget Main Points 2011

Introduction

The key policy thrusts that underpin the Western Cape Provincial Government's 2011 MTEF allocations can be divided into three broad categories: economic, governance and administration and social sector priorities.

Coming out of the economic recession in 2009, current forecasts for economic growth in the Western Cape are projected at 4.15 per cent in 2011, increasing to 4.6 per cent in 2013. This economic outlook will depend on government's efforts to encourage and facilitate an enabling environment for growth as well as promoting overall development in the Province. Government is investing more than a billion extra over the next three years to ensure that the foundations for economic growth and job creation are improved within the Western Cape. The inability to address poverty and persistently high unemployment rates, have in most instances, been the root cause of the many social ills plaguing the Province and the Country. Economic growth is considered the foundation of all successful development and is driven primarily by the business sector operating in a conducive environment. Provincial government initiatives focus on demand-led, private sector driven growth.

The Western Cape Provincial Government believes that it will achieve greater economic growth through: increased investment in infrastructure; the development of a Western Cape Economic Development Agency, skills development; expanding export opportunities for agricultural produce and increasing economic opportunities in rural areas, improving environmental services to optimise sustainability and by reducing bureaucratic red tape that hinders investment and entrepreneurial contributions to the economy of the Province. A Provincial Spatial Plan will be developed to serve as an instrument to ensure coordinated and sustainable investment in the Province.

The Province, in enhancing the institutional capacity of the provincial government, has set up a range of transversal policies, service delivery improvement initiatives, systems and procedures were developed in pursuit of institutional excellence. The focus is on a corruption-free, responsive and clean government.

The PGWC will continue to invest in education, health and other social, cultural and welfare services. The aim is to improve access to and quality of public services, address vulnerability and inequality through proper targeting of services; increase investment in communities to ensure sustainable livelihoods; and develop the skills needed for the economy through, amongst others, enhanced education and training.

Economic outlook

Global economic conditions have improved significantly during the second half of 2010 with better than expected growth in both advanced and emerging economies, despite a slow start to the year. Global growth is however expected to moderate over the short term owing to unresolved problems regarding Euro zone sovereign debt and relatively higher inflation in emerging markets.

National GDP growth for 2011 is forecasted at 3.8 per cent, led by increased household consumption. A more optimistic outlook is forecasted for the Western Cape with economic growth in the Province expected to exceed that of the national economy in 2011. This growth is expected to be largely driven by the service-orientated sectors such as wholesale and retail trade, catering and accommodation and finance, real estate, insurance and business services. The Western Cape economy is expected to grow by 4.1 per cent between 2010 and 2015.

Table 1 Growth Forecast for Western Cape GDP; 2010 - 2015 at constant 2005 prices

Description	Y-o-Y % change					
	2010	2011	2012	2013	2014	2015
	%	%	%	%	%	%
Agriculture, forestry & fishing	-4.83	2.94	4.56	5.50	6.00	6.10
Mining & quarrying	9.21	-53	0.59	1.40	1.70	1.90
Manufacturing	6.20	3.50	3.00	3.10	3.30	3.30
Electricity, gas & water	4.50	5.20	4.80	5.10	5.00	5.20
Construction	1.20	4.15	4.90	5.50	5.60	6.00
Wholesale & retail trade, catering & accommodation	2.20	4.30	4.80	5.10	4.90	5.10
Transport, storage & communication	3.15	5.40	5.22	6.20	5.70	6.20
Finance, insurance, real estate & business services	1.50	4.80	4.50	4.90	5.10	5.00
Community, social & personal services	.20	3.35	3.38	3.76	3.62	4.01
General government	3.00	2.57	3.19	3.50	3.70	3.70
Total	2.44	4.15	4.19	4.60	4.66	4.77

Although the growth prospects of the Western Cape economy are positive, there are still a number of socio-economic challenges that need to be addressed. Targeted government interventions and investment in respect of improving education outcomes of the labour force, skills development, increasing wellness amongst the population are expected to support long term and sustainable economic growth, which in turn will aid in reducing unemployment and alleviate poverty.

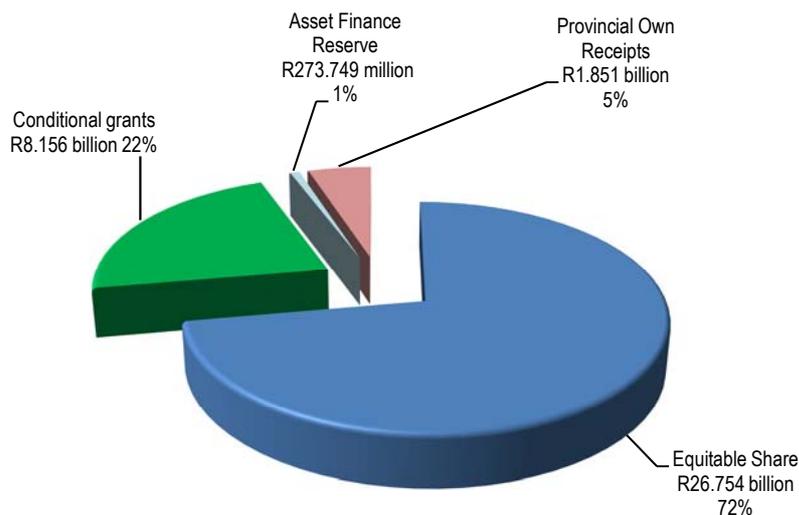
Provincial Revenue

The Western Cape Provincial Government finances its expenditure via three main sources, i.e. National Transfers; Provincial Own Receipts and the Asset Financing Reserve (AFR).

Transfers from National Government (i.e. Provincial Equitable Share and conditional grants) increase to R34.910 billion in 2011/12 and are estimated to grow to R37.253 billion in 2012/13 and R39.924 billion in 2013/14.

Figure 1 shows that Equitable Share (72 per cent) and Conditional Grants (22 per cent) contribute to 94 per cent of Provincial Revenue.

Figure 1 Shares of Provincial revenue sources – 2011/12



The three largest revenue item contributors in 2011/12 to provincial own receipts are Motor vehicle licence fees (49 per cent), Casino taxes (14.96 per cent) and Hospital fees (14.7 per cent).

Provincial Allocations

Figure 2 shows the relative shares of allocations to Provincial departments and the Provincial Parliament. The largest beneficiaries of the 2011/12 budget are Health (36.4 per cent share), Education (36.2 per cent share), Transport and Public Works (11.2 per cent share) and Human Settlements (5 per cent share).

Figure 2 Relative shares of allocations to Provincial Votes

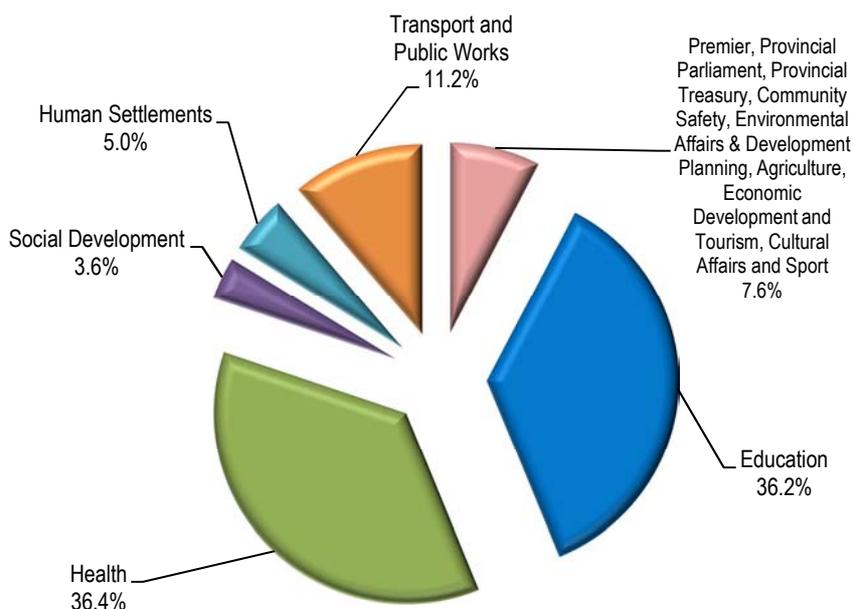


Table 2 Summary of payments and estimates for Provincial Departments and Provincial Parliament

Vote R'000	Revised estimate 2010/11	Medium-term estimate				Average Annual growth 2010/11 - 2013/14	Overall 3 year changes
		2011/12	Changes 2010/11 - 2011/12	2012/13	2013/14		
1. Department of the Premier	623 369	697 197	73 828	695 601	751 117	6.41%	459 137
2. Provincial Parliament	74 982	88 242	13 260	93 036	98 647	9.57%	29 026
3. Provincial Treasury	131 504	144 976	13 472	153 356	163 455	7.52%	(52 555)
4. Community Safety	288 911	310 978	22 067	348 864	367 743	8.37%	106 262
5. Education	11 998 212	13 331 843	1 333 631	14 074 353	14 898 037	7.48%	4 079 604
6. Health	12 376 883	13 395 060	1 018 177	14 390 940	15 666 204	8.17%	5 139 596
7. Social Development	1 233 817	1 331 611	97 794	1 399 686	1 477 118	6.18%	265 607
8. Human Settlements	2 192 395	1 836 006	(356 389)	1 897 019	1 997 605	(3.05)%	(865 715)
9. Environmental Affairs and Development Planning	301 425	351 262	49 837	369 851	387 033	8.69%	134 847
10. Transport and Public Works	3 897 827	4 116 260	218 433	4 154 026	4 358 668	3.80%	1 166 907
11. Agriculture	483 987	501 718	17 731	547 781	583 764	6.45%	194 624
12. Economic Development and Tourism	237 544	254 414	16 870	266 862	281 200	5.78%	32 321
13. Cultural Affairs and Sport	294 705	313 158	18 453	336 923	354 255	6.33%	98 237
14. Local Government	113 009	135 974	22 965	146 398	154 533	10.99%	116 429
Total provincial payments and estimates by vote	34 248 570	36 808 699	2 560 129	38 874 696	41 539 379	6.64%	10 904 327

Towards achieving the 12 Provincial Strategic Objectives

The Western Cape Government has identified 12 Provincial Strategic Objectives to give effect to Government's development goals. These objectives find expression in departmental strategies over the medium-term.

The Provincial Government believes that economic development is key to addressing the many challenges facing the Province and the adopted strategies subscribe to the paradigm that there cannot be development without economic growth. The Provincial Strategic Objectives are closely aligned to the national outcomes as encapsulated in the national Medium-Term Strategic Framework (MTSF), particularly in relation to functions (concurrent) which affect the Province.

Table 3 Western Cape Provincial Strategic Objectives

12 Provincial Strategic Objectives	
1. Increasing opportunities for growth and jobs	7. Mainstreaming sustainability and optimising resource-use efficiency
2. Improving education outcomes	8. Increasing social cohesion
3. Increasing access to safe and efficient transport	9. Reducing poverty
4. Increasing wellness	10. Integrated service delivery for maximum impact
5. Increasing safety	11. Increasing opportunities for growth and development in rural areas
6. Developing integrated and sustainable human settlements	12. Building the best-run regional government in the world

Efforts to bring about a greater balance in funding across the three priority areas: economic, governance and administration and social are expected to yield a different result as opposed to periods where almost all of the provincial funding was targeted towards

interventions mainly to address access and coverage in social services. Some of the more pertinent departmental and Provincial Parliament's expenditure plans and outputs over the medium-term that represents the key thrusts or goals of the 2011 budget and towards priority policy objectives are highlighted below. Some departments are taking the lead in driving particular objectives and others are playing a key role in supporting and collaborating on a number of cross cutting objectives.

The **Department of the Premier** receives R697.197 million in 2011/12 and R695.601 million and R751.117 million in 2012/13 and 2013/14 respectively. A key focus area of the Department of the Premier is the successful implementation of the modernisation programme. Modernisation is about improving service delivery through better co-ordination, monitoring and evaluation, accountability and standardisation across all the provincial departments. Information Communication Technology (ICT) plays an important role in facilitating growth and development. Additional resources amounting to R44 million over the 2011 MTEF have been allocated particularly for the PGWC to partner with the City of Cape Town (CoCT) on its fibre optic infrastructure to provide connectivity within the Cape Town metropolitan area. This investment will enhance the operation and management of the provincial government.

The **Western Cape Provincial Parliament (WCPP)** will continue with vigorous oversight over the Executive and the provincial organs of state, as well as ensuring that the public is educated on the workings of the WCPP and actively participate in its processes and procedures. The budget (excluding direct charges) amounts to R279.925 million over the three years of the 2011 MTEF. The Western Cape Provincial Parliament aims to finalise its financial management legislation and make provision for relevant structures to successfully implement this legislation.

The focus of **Provincial Treasury's** 2011 budget builds on promoting the optimal use of provincial and municipal financial resources and strengthening financial governance practices taking into account national and provincial government's desired outcomes. In line with its mandate, the Western Cape Provincial Treasury is tasked to support efforts to improve allocative efficiency, enforce fiscal discipline and improve operational efficiency. For these purposes the Provincial Treasury is allocated a budget of R144.976 million in 2011/12, R153.356 million for 2012/13 and R163.455 million in 2013/14.

Over the 2011 MTEF the **Department of Community Safety** receives total allocations of R310.978 million in 2011/12, R348.864 million in 2012/13 and R367.743 million in 2013/14. Key focus areas include increasing safety in the Western Cape through effective civilian oversight; facilitation and coordination of crime prevention initiatives such as improving community policing relations and ensuring a safe and secure service delivery environment by maximising safeguarding and protection of employees, information and assets of the PGWC. Additional funding of R43 million in the two outer years of the MTEF is to enhance Traffic Law Enforcement to increase road safety and to prepare for the implementation of the Administrative Adjudication of Road Traffic Offences Act (AARTO).

The **Western Cape Education Department (WCED)** is allocated an amount of R42.303 billion over the 2011 MTEF, with allocations of R13.332 billion in 2011/12, R14.074 billion in 2012/13 and R14.898 billion in 2013/14. The expenditure on education in the Province has grown by, on average, 14.6 per cent per annum in nominal terms since 2007/08. The Department's share of the Provincial budget is 36.2 per cent for the 2011/12 financial year. Priorities relate to improving education outcomes and delivery against the 3 departmental goals of improving performance in Literacy and Numeracy, improving National Senior Certificate Results and reducing the number of under-performing secondary schools. Seven key focus

areas have been identified as the main mechanisms for ensuring further improvement which are Knowledge Management; Curriculum and assessment; Finances; Human resources; Infrastructure; Textbooks and other learning material as well as Health, support and safety of learners.

The **Department of Health** is allocated R13.395 billion in 2011/12, R14.391 billion in 2012/13 and R15.666 billion in 2013/14. In 2011/12, the allocation to Health represents 36.4 per cent of the entire provincial budget. A total of R43.452 billion has thus been allocated over the 2011 MTEF to improve wellness within the Province. Priority focus areas are reducing injuries, promoting healthy lifestyles, improving women and child health and reducing the incidence of infectious diseases such as HIV and AIDS and Tuberculosis. Key success factors are the continued delivery of accessible and quality comprehensive health care – including the promotion of health, prevention of disease, curative care/rehabilitation and training/education delivered across all levels of care. The Department is to provide guidance and participate in transversal initiatives across government departments and broader society to address the upstream or contributory causes of disease. Focused attention is to be given to improving the quality of care (both at a clinical as well as patient experience level); with the continued emphasis on provision of Primary Health Care and District Health Services. Improving access to healthcare in the Cape Town Metro District will be through the commissioning of the Khayelitsha District Hospital in the second half of 2011 and Mitchell's Plain Hospital in 2012.

An amount of R4.208 billion is allocated to the **Department of Social Development** over the 2011 MTEF. The allocation comprises of R1.332 billion in 2011/12, R1.400 billion in 2012/13 and R1.477 billion in 2013/14. The Department committed to expanding social welfare services inclusive of substance abuse prevention and rehabilitation and Early Childhood Development (ECD). Expansion of the Department's own services is envisaged, towards a progressive increase in the number of local offices. Child care and protection services remain a priority as well as the Department taking a leading role in the implementation of the poverty reduction and alleviation objective. Additional amounts of R4.704 million in 2011/12; R5.734 million in 2012/13 and R6.721 million in 2013/14 are allocated for the three years specifically for job creation through the Expanded Public Works Programme (EPWP). Over the medium-term, the Department will put emphasis on creating opportunities for youth as Social Auxiliary Workers and Community Development Practitioners within the social sector.

R5.7 billion is allocated to the **Department of Human Settlements** over the 2011 MTEF. The budget allocated to the Department of Human Settlements amounts to R1.836 billion in 2011/12, R1.897 billion in 2012/13 and R1.997 billion in 2013/14. The budget provides for an increase in the provision of housing serviced sites which will increase access to services, water and sanitation and housing opportunities over the MTEF. Further focus areas include a transparent and fair policy and process for the selection of housing beneficiaries through more accurate tracking of backlog information, assisting municipalities to become accredited housing developers, increasing the rate of transfer of properties to qualifying beneficiaries and increasing beneficiary involvement in the People's Housing Process.

Key outputs for the **Department of Environmental Affairs and Development Planning** include a Provincial Spatial Plan and Built Environment Support Programme, a Provincial Energy Plan, improving air quality, waste and water management in the Province, promoting sustainable development and managing/controlling development in the coastal zone.

The development of a Provincial Spatial Plan as the first project in terms of the Provincial Spatial Development Framework (PSDF) initiative aims to build on the composite plan as contained in the PSDF, provide a more detailed scale to spatially reflect biodiversity elements, and spatially indicate capital investment of provincial and national departments in the Western Cape. The PSDF also serves as an instrument to ensure coordinated and sustainable investment in the Province.

Budget allocations are R351.262 million in 2011/12, R369.851 million in 2012/13 and R387.033 million in 2013/14.

More than R12.6 billion has been allocated towards the **Department of Transport and Public Works** over the three years of the Medium-Term Expenditure Framework. In 2011/12, Transport and Public Works receives an amount of R4.116 billion. The allocations to the Department will be utilised for maintaining and constructing public works and transport infrastructure as well as the coordination, regulation and monitoring of transport operations in the Province.

Other key deliverables over the medium-term include the Inner City Regeneration Programme; maintenance for general buildings, implementing the Government Immoveable Asset Management Act (GIAMA); reducing the number of kilometers of the road network that are in a poor or very poor condition; improve the monitoring of the subsidised scheduled public transport service and the roll out of the Safely Home Programme that aims to reduce road fatalities in the Province.

Infrastructure and Maintenance

The Province's capital investment programme is central to strengthening productive capacity and building a foundation for stronger economic growth. Infrastructure funding allocated per category for 2011/12 are as follows: new and replacement assets R1.081 billion (29.39 per cent); upgrades and additions R458.745 million (12.47 per cent); rehabilitation, renovations and refurbishments R1.191 million (32.39 per cent); maintenance and repairs R757.571 million (20.60 per cent), current infrastructure transfers R33.205 million (0.90 per cent); capital infrastructure transfers R144.832 million (3.94 per cent) and other capital R11.280 million (0.31 per cent).

The **Department of Agriculture** receives a budget of R1.633 billion over the 2011 MTEF, with amounts of R501.718 million in 2011/12, R547.781 million in 2012/13 and R583.764 million in 2013/14. The medium-term key priorities for the Department of Agriculture include protecting and enhancing natural resources in a sustainable manner; support farmers to become successful business enterprises through research, extension services and training; increasing market access for farmers and ensuring food safety through veterinary services; rural economic development to create jobs and reduce the skills deficit. Additional resources of R21.354 million have been provided to the Department over the medium-term to support and expand research and development efforts to increase agricultural production.

The **Department of Economic Development and Tourism** receives a total of R802.476 million over the 2011 MTEF. This total is allocated as follows: R254.414 million in 2011/12, R266.862 million in 2012/13 and R281.200 million in 2013/14. Key deliverables include creating an enabling environment for businesses to grow; developing government-leveraged strategic economic infrastructure in order to significantly stimulate growth within industries and the region and to improve competitiveness to allow for increased exports.

The **Department of Cultural Affairs and Sport** receives an amount of R1.004 billion over the 2011 MTEF. This amounts to R313.158 million in 2011/12, R336.923 million in 2012/13 and R354.255 million in 2013/14. The budget is targeted towards the Department fulfilling its responsibilities in Sport and Recreation, Arts and Culture, Libraries, Museums, Heritage and Archives and giving effect to a socially cohesive and creative Western Cape. Key focus areas are school sports, libraries, museums and support to arts and culture organisations. An amount of R126.770 million over the 2011 MTEF is allocated to supplement municipal investment in library services and to sustain the future professional delivery of library services in selected municipalities.

The **Department of Local Government** is allocated an amount of R436.905 million over the 2011 MTEF. This allocation includes amounts of R135.974 million in 2011/12, R146.398 million in 2012/13 and R154.533 million in 2013/14. The Department of Local Government will focus its efforts on supporting municipalities to be institutionally functional, increasing access to government services through Community Development Workers (CDW) and Thusong Centres, providing training and capacity building programmes for ward committee members, deploying experts to provide hands-on-support to municipalities and engaging municipalities and departments on IDP priorities, implementation and budget alignment.

Funds reserved

Over the next three years, total funding of R1.031 billion has been reserved to be appropriated at a later stage as follows:

- R204 million additional towards economic development and job creation projects;
- R300 million additional for investment in roads infrastructure;
- R400 million additional towards Inner City Regeneration; and
- R127 million additional towards Libraries for most vulnerable (C1 and B3 category) municipalities.

Payments by Economic Classification

The 2011/12 total provincial expenditure of R36.809 billion is an aggregation of:

- Current payments of R27.738 billion

Current payments account for 75.4 per cent of the total provincial expenditure, which mainly include Compensation of Employees (R20.151 billion) and Goods and Services (R7.586 billion). Compensation of Employees (COE) is the biggest item of expenditure at provincial level estimated to account for approximately R20.151 billion or 54.7 per cent of provincial expenditure in the 2011/12 financial year.

- Transfers and subsidies at R6.038 billion

Transfers and subsidies mainly consist of transfers to non-profit institutions (40.1 per cent or R2.421 billion) and households (29.4 per cent or R1.773 billion).

- Payments for Capital Assets at R3.029 billion

The majority of Payments for Capital Assets consists of payments for buildings and other fixed structures amounting to 83.9 per cent or R2.542 billion.

Transfers from the provincial government

Public Entities

A total of R356.991 million will be transferred in 2011/12 from various provincial departments to both national and provincial public entities, representing an increase of R13.696 million or 3.99 per cent from the 2010/11 revised estimates of R343.295 million.

The provincial public entities which will receive the majority of transfer funding in 2011/12 are the following: Western Cape Nature Conservation Board (CapeNature) (R192.202 million), Casidra (Pty) Ltd (R112.757 million), Destination Marketing Organisation (R32.440 million), and the Western Cape Investment and Trade Promotion Agency (Wesgro) (R12.250 million).

Local Government

Direct transfers by the Province to municipalities have been budgeted at R1.485 billion for 2011/12, R1.570 billion for 2012/13 and R1.697 billion for 2013/14. The majority of these funds will be transferred to the City of Cape Town. Of the R36.809 billion Provincial budget for 2011/12, a total of R25.496 billion or 69.3 per cent of total estimated provincial spending will take place within the boundaries of the Cape Town Metro. R1.935 billion or 5.3 per cent of the budget is estimated to be spent in the West Coast district; 12.4 per cent or R4.578 billion in the Cape Winelands; in Overberg R1.189 billion or 3.2 per cent; in Eden R3.067 billion or 8.3 per cent; and in Central Karoo R544.388 million or 1.5 per cent. The largest share of these budget allocations is attributed to the provincial social cluster, followed by the economic and governance clusters.

Conclusion

The Provincial investment in education, health, housing, transport and infrastructure accommodates the bulk of provincial expenditure. The focus in implementing Budget 2011 is on improving access, effectiveness, quality, efficiency and equity in service delivery.

Budget 2011 is to support the Province's economy whilst maintaining and in some cases strengthening priority government services. The departments have ensured that their budgets and plans are aligned towards achieving the 12 Provincial Strategic Objectives.