



# 2018 Budget Summary

## ■ Introduction

The 2018 Western Cape Budget places a particular importance on formulating a budget which places people and creating public value at the centre of budget policy. To this end, the 2018 Budget is firmly positioned to promote service delivery in the Western Cape while maintaining fiscal sustainability. Despite the marked progress in delivering on key policy imperatives, the Province continues to face a number of crucial service delivery and fiscal risks. The service delivery and fiscal risks which this budget takes into account includes the uncertainty in the economic climate and low levels of growth, the impact of the constrained fiscal environment on service delivery, the widespread impact of the current drought and resultant water crisis and the growing demand for provincial government services.

The Western Cape Government has developed a fiscal response to manage these provincial risks, including the continued protection of frontline services through investment in education, health and social development and the application and protection of provincial reserves. The 2018 Budget is responsive to the key priorities of this Province and particularly focuses on youth development, infrastructure-led growth and stimulating the economy.

In aggregate, the 2018 Provincial Budget provides for total expenditure amounting to R62.705 billion in 2018/19, R64.782 billion in 2019/20, and R68.558 billion in 2020/21.

## ■ Economic overview

### Macroeconomic prospects

The global economy expanded by 3.7 per cent in 2017, up from 3.2 per cent growth in 2016. Growth in advanced economies accelerated from 1.7 per cent to 2.3 per cent, while growth in emerging economies rose from 4.4 per cent to 4.7 per cent in 2017. Over the medium term, economic growth in advanced economies is expected to remain unchanged at 2.3 per cent in 2018 before slowing marginally to 2.2 per cent in 2019. In comparison, growth in developing economies is forecast to accelerate in 2018 reaching 4.9 per cent before accelerating further in 2019 reaching 5.0 per cent. This results in growth in world output of 3.9 per cent in both 2018 and 2019. In sub-Saharan Africa, growth is expected to pick up further and reach 3.3 per cent in 2018 and 3.5 per cent in 2019, partly due to the continued recovery in Nigeria from the 2016 recession.

**Table 1 Macroeconomic prospects, 2018 – 2019**

	2017e	2018f	2019f
<b>Global economy</b>	3.7	3.9	3.9
<b>Advanced economies</b>	2.3	2.3	2.2
<b>Developing economies</b>	4.7	4.9	5
<b>South Africa</b>	0.9	1.4	1.9
<b>Western Cape</b>	0.7f	-0.3	2.8

e denotes estimate and f denotes forecast

Source: International Monetary Fund, Bureau for Economic Research

South Africa's economic growth is estimated to have accelerated from a weak 0.3 per cent in 2016 to 0.9 per cent in 2017. Over the medium term, growth is forecast to recover and accelerate to 1.4 per cent in 2018 and further accelerate to 1.9 per cent in 2019. The National Treasury forecast growth in 2018 and 2019 to reach 1.5 per cent and 1.8 per cent, respectively.

The most prominent feature of the economic outlook for the Western Cape is the impact of the continuing drought and ensuing water crisis on the agricultural sector. The swings in the expected economic performance in the Western Cape will be explained by shifts in the performance of the agriculture sector. The National Treasury also views the drought in the Western Cape as a risk to the national economic outlook.

The short-term impact of the drought on the agricultural sector is severely negative in 2018, with a forecasted decline of 29.1 per cent in output. This results in a full-year decline in overall regional GDP of 0.3 per cent. The manufacturing sector is also set to fare poorly due to the dominance of the food and beverage manufacturing sector (the main component of agri-processing), which is also likely to be severely negatively affected by the drop in agricultural output in the region.

## Labour market

In the Western Cape, employment was just under 2.5 million in the fourth quarter of 2017, with approximately 603 000 unemployed according to the narrow definition of unemployment. Non-searching unemployment remains a rare phenomenon in the Western Cape, accounting for fewer than 60 000 individuals. The narrow unemployment rate was 19.5 per cent (26.5 per cent National) and the expanded unemployment rate was 23 per cent (36.3 per cent National).

## Socio-economic profile

Improvements in key socio-economic indicators have been recorded over the past few years in the Western Cape. However, the subdued economic performance and outlook have adversely affected the pace of socio-economic development in the Province. In 2017, the Western Cape population was estimated at 6.51 million people which accounts for 11.5 per cent of the South African population which was estimated at 56.52 million people.

Between 2013 and 2017 school enrolment increased by 74 446 learners from 947 046 learners in 2013 to 1 021 492 learners in 2017, which accounts for a 7.9 per cent increase over the reported period. Maintaining appropriate teacher/learner ratios are directly impacted by the rate of increase in learner numbers which has between 2016 and 2017 increased by 22 567 learners resulting in a reported teacher/learner ratio of 1:36.6 in 2017.

The average life expectancy for males is estimated to increase to 66.8 years, as will the estimate for females to 71.8 years between 2016 and 2021. Maternal (59 per 100 000 live births) and child under-5 years (22.1 per 1 000 live births) mortality rates in the Province at the end of 2016/17 have already exceeded the 2014 - 2019 Medium Term Strategic Framework targets (less than 100 per 100 000 live births and 33 per 1 000 live births, respectively) and Sustainable Development Goal targets (less than 70 per 100 000 live births and at least as low as 25 per 1 000 live births, respectively).

In 2016/17, the Victims of Crime Survey revealed that 47.1 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.

## **Fiscal approach and response**

The constrained economic context has directly impacted on the fiscal context of the Province. Lower than anticipated revenue collection nationally for the current financial year and projections over the 2018 Medium Term Expenditure Framework (MTEF), combined with rising public debt costs, the need to adhere to the additional expenditure ceiling and funding requirements for national priorities, has resulted in the introduction of additional fiscal consolidation measures by the National Treasury. Measures to curtail expenditure have included reductions in provincial equitable share and conditional grants, resulting in revisions to the provincial fiscal framework.

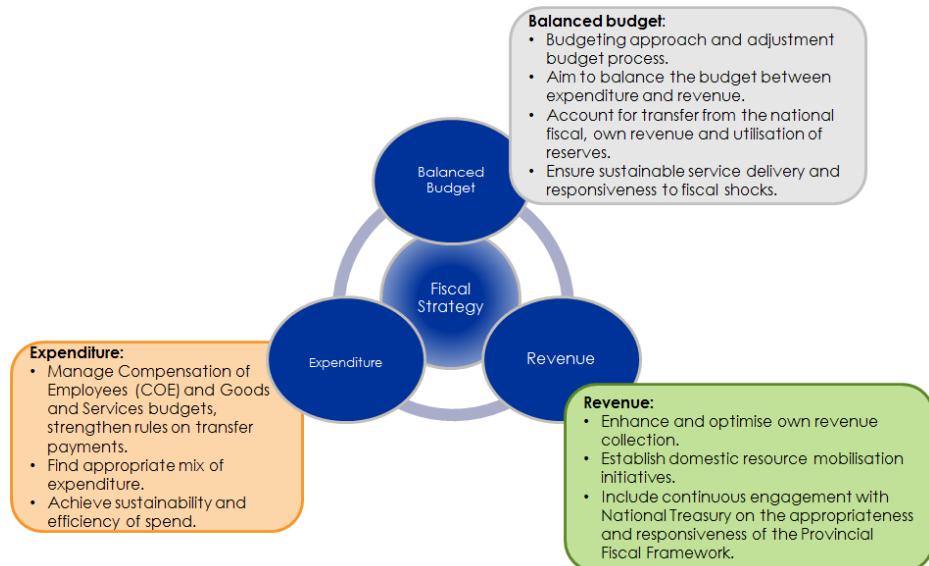
The 2018 Budget has also had to consider key service delivery and budgetary risks in aiming to maintain credibility and sustainability of the provincial budget while being responsive to policy priorities. The majority of the risks noted in the Fiscal Risk Statement (contained in the 2016 – 2019 Western Cape Medium Term Budget Policy Statement) have either materialised or remain over the 2018 MTEF. Emerging risks were also identified during the 2018 Budget process. Key provincial risks include:

- Increased service load pressures, particularly in social sector, due to increasing population and heightened levels of poverty and unemployment.
- Extent of crime.
- Risks to infrastructure delivery, including reductions to funding, bulk infrastructure shortfalls, maintenance backlogs and shortage of professional staff.
- Damage and destruction of public and economic infrastructure.
- Drought, water crisis, disasters and other issues relating to climate change particularly fire, water shortages and floods, waste management plan.

Risks going forward include the increase in the VAT rate and the outcome of the public sector wage negotiations in early 2018/19. The increase in the VAT rate will have a negative impact on the provincial government buying power, while the uncertainty in respect of the outcome of the wage negotiations, remains a major threat to the already constrained provincial fiscal framework.

The Fiscal Approach to dealing with these fiscal and service delivery risks lies in the consistent approach of the fiscal and budget policy principles of allocative efficiency fiscal consolidation, fiscal sustainability and fiscal discipline, as well as the continued implementation of the Western Cape Fiscal Strategy.

**Figure 1 Key elements of the Western Cape Fiscal Strategy**



Given the fiscal and economic context and risks identified, the following key budget allocation principles and considerations were applied in the Western Cape Fiscal Response:

- Giving effect to the Provincial Strategic Plan, underpinned by infrastructure-led growth.
- Managing and responding to drought and water crisis.
- Making provision for service load pressure, particularly social sector services.
- Managing risks related to wage negotiations.
- Maintaining a sustainable fiscal base by protecting fiscal reserves.
- Managing personnel budgets.
- Ensuring governance gains are not compromised.
- Balancing public finances.

Ensuring sustainability in provincial public finances necessitates providing sufficient policy room to respond to government's mandate and policy priorities to cope with adverse shocks resulting from the current economic, national and fiscal environment. Funding has therefore been set aside in a reserve to cater for fiscal stabilisation to deal with the potential volatility in the fiscal framework. Further, funding has also been placed in reserve for unforeseen and unavoidable expenditure. Maintaining sustainability in service delivery remains imperative. To protect frontline services, manage service load pressures and service delivery risks, allocations

have been made particularly in Health, Education and Social Development and ensure sustainability in service delivery over the 2018 MTEF. In addition, a reserve to deal with service load pressures has also been established in this Budget to cater for additional service load demands over the MTEF. Funding has also been set aside to mitigate and manage risk related to potential outcome of wage negotiations.

The worst drought in decades and the ensuing water crisis threatens not only the economic productivity of the Province, but also the socio-economic development of the people. To mitigate the impact of the water crisis on government services, the Western Cape Government has established a Joint Operations Committee to coordinate the provincial response. In the 2017 Adjusted Estimates, funding of R165.331 million for 2017/18 and R157.031 million for 2018/19 was made available for drought relief and mitigation initiatives. To date 2 653 farmers assisted with fodder relief (by the end of December 2017), drought-stricken municipalities have been assisted with disaster declarations and support in respect of drought mitigation and water augmentation, and work is currently underway to remove sand at the weir of the 24 Rivers Canal system that feeds the Voëlvlei Dam. Measures have also been implemented by provincial departments to decrease water consumption and mitigate the negative impact on service delivery.

Further initiatives include the appointment of relevant geohydrologists to mainstream the operational and maintenance features of existing community-based boreholes and wellfields (enhancing groundwater potential and formation) and the deployment of engineers and project managers in all 5 districts to coordinate provincial government response in all municipalities and ensure water security through proactive intervention. The Department of Local Government and Provincial Treasury will monitor drought and infrastructure spending in municipalities. Regular drought engagements and assessments will also provide all key stakeholders with regular updates on the drought status.

An additional R100 million has been placed in reserve, unallocated, for 2018/19 for drought relief and mitigation. Funding will be allocated in the 2018 Adjusted Estimates, subject to finalisation of plans.

## **Budget spending plans and priorities**

This chapter highlights the budget policy priorities and spending plans of the Western Cape Government over the 2018 MTEF, toward the progressive realisation of the 2014 - 2019 Provincial Strategic Plan.

### **Creating opportunities for growth and jobs**

**Supporting agriculture and agri-processing sectors:** The Department of Agriculture has received R2.642 billion over the 2018 MTEF. Agri-processing initiatives over the 2018 MTEF include promoting South African Halal products in strategically selected markets and the promotion of the Western Cape as a Halal hub, continuing to promote South African wine in China and Angola to increase the market penetration of South African wines and continuing to implement its commodity approach as a means to support farmers through a partnership between government and the private sector.

**Promoting economic development initiatives and tourism:** The Department of Economic Development and Tourism receives a budget of R1.313 billion over the 2018 MTEF. Of the initiatives planned over the 2018 MTEF to boost tourism include: securing new direct air routes to Cape Town International Airport via the Air Access project and continuing to position the Western Cape as the Cycling Capital of Africa. Operations at the Saldanha Bay IDZ are expected to commence in the 2018/19 financial year. Initiatives to enhance business through technology include the Digital Business Toolkit; the Bandwidth Barn Khayelitsha; and the establishment of an EdTech Hub to support education and skills development. In 2018/19, an additional allocation of R2 million has been made toward the Injini Ed-Tech Incubator which will enable entrepreneurs in Africa to enter the education system and reach scale.

**Project Good Hope**, through Wesgro, will be aggressively marketing the City of Cape Town and the Western Cape as an inspiring, safe place to do business and thereby increasing investor confidence in the Western Cape economy. The Province will continue to support the ease of doing business programme to improve the business and regulatory environment.

**Green Economy:** With the designation of the Atlantis Special Economic Zone (SEZ) expected in the 2017/18 financial year, the focus over the 2018 MTEF will be on attracting manufacturing and service companies in the green technology space and establishing an operator for the Atlantis SEZ. A Special Economic Development Infrastructure Company is being established to hold multiple infrastructure programmes.

**Energy Game Changer:** The Energy Security Game Changer was developed to ensure energy security in support of economic growth that incorporates diverse and low carbon sources of energy and improves energy efficiency. Efforts are placed in small scale embedded generation which can result in legal Rooftop PV to the electricity grid connections in 19 municipalities, of which 13 have nationally approved tariffs in place.

**Skills development:** The Youth Access Programme is a flagship project to be embarked upon over the 2018 MTEF, in partnership with the City of Cape Town and Business Process Enabling South Africa, which assists employers in the Business Process Outsourcing sector to implement a work integrated model for learners. In response to the outcomes of the Rural Development Farmworker (Agri-worker) Census, the Agricultural Partnership for Youth Development (APFYD) will focus on improving education and employment prospects of the rural youth.

**Apprenticeship Game Changer:** The aim is to introduce at least 11 300 qualified apprentices into the labour market by 2019 by working with schools, Technical and Vocational Education and Training (TVET) colleges and employers across the 5 priority sectors in the Province. To date the Game Changer has leveraged R2.2 million from merSETA to support Maths eLearning in 70 schools across the Province; in support of TVET colleges, nine maths assistants have been placed at various institutions to assist maths teachers and learners; and 1 100 learners have received Work Readiness training, including 250 artisanal learners.

**Infrastructure development:** The Department of Transport and Public Works receives R23.555 billion over the 2018 MTEF for delivery of government infrastructure and related services that promote socio-economic outcomes and safe, empowered and connected communities. This includes the provision and maintenance of public works and roads infrastructure, the facilitation of integrated land transport services, transport regulation and community based programmes.

## **Improving education outcomes and opportunities for youth development**

The Western Cape Education Department receives R69.870 billion over the 2018 MTEF. Efforts will continue to focus on improving the level of language and mathematics in all schools; increasing the number and quality of passes in the National Senior Certificate; and increasing the quality of education provision in poorer communities. The learner transport scheme is expected to be extended to 59 371 learners in 2018, while 604 486 learners are expected to benefit from the no-fee option, and 473 136 learners will benefit from the School Nutrition Programme. There will also be a particular focus on securing safety in schools, in co-operation with the South African Police Services, the City of Cape Town (Metro Police & Law Enforcement), and community involvement.

**eLearning Game Changer** aims to enhance the teaching and learning experience of learners predominantly in mathematics and languages, through the use of technology. This Game Changer focuses on improving digital infrastructure at schools. To date, 294 schools have a local area network, connecting every instruction room to the internet and 788 schools have connectivity coverage at a central venue for learners as well as an additional central venue for teachers.

**Early Childhood Development:** Within Education, the emphasis will be on improving the quality of learning in Grade R. This will be done through a focus on teacher skills, professional status and on early identification of those who need remedial assistance. The Department of Social Development will continue to focus on improving access to and quality of ECD education. This includes issues of safety, cognitive development, and nutrition which will increasingly become the focus of ECD interventions.

**After school programmes:** In 2017/18, approximately 36 000 learners attended MOD programmes regularly and consistently at 181 MOD Centres. Over the 2018 MTEF, R127.076 million has been allocated for the MOD Programme. Enhancing the quality of after school programmes is a specific focus of the **After School Game Changer**. The number of learners engaged in regular and consistent after school programming has increased to 72 043 learners, with 361 no- and low-fee schools having registered After School Programmes in 2017/18.

**Youth development:** The YEBO Programme placed over 100 volunteers, who received leadership development and training as part of the programme, at 22 no-fee schools to provide academic support in literacy and numeracy to 2 000 learners in 2017/18. Six Youth Cafés have been established across the Province in Rocklands, Vangate Mall, George, Nyanga, Oudtshoorn and Vrygrond. An additional four youth cafés are planned for 2018/19.

## **Increasing wellness and safety, and tackle social ills**

**Providing health services:** The Department of Health receives R23.064 billion in 2018/19, R23.965 billion in 2019/20 and R25.432 billion in 2020/21 to improve health outcomes. The Department will continue to pursue the implementation of the Western Cape on Wellness campaign, First 1000 Days project, 90-90-90 Strategy and the Community Oriented Primary Care initiative.

**The Whole-of-Society Approach** aims to provide safe, socially connected, resilient and empowered citizens and communities with equitable access to services and opportunities, achieved through the alignment of resources, synergised effort and investment, through collaboration and partnership by all spheres of government, the private sector, NGOs and civil society.

**Social development services for the poor and most vulnerable:** The Department of Social Development provides community and social welfare services to the most vulnerable in the Province, and receives R2.242 billion in 2018/19, R2.394 billion in 2019/20 and R2.527 billion in 2020/21. The Department receives an additional R21.665 million in 2019/20 and R22.914 million in 2020/21 for Child and Youth Care Centres to meet the growing need for bed spaces in these facilities and ensure compliance with relevant norms and standards. Care, support and protection of persons with disabilities remains a priority and R534.860 million has been budgeted for services for persons with disabilities over the 2018 MTEF.

**Arts, culture and sport:** The Department of Cultural Affairs and Sport receives R2.256 billion over the 2018 MTEF toward the promotion of arts, culture and sport in the Province. To facilitate the development, preservation and promotion of Arts and Culture, the Department focuses on early identification and development of talent through partnering with higher education institutions and arts organisations.

**Improving safety in communities:** The Department of Community Safety receives R963.551 million over the 2018 MTEF toward fulfilling its mandate of effective oversight of the South African Police Service and capacitating safety partnerships with communities toward safer resilient communities. Since the Police Ombudsman's inception in 2014, 1 338 complaints of unacceptable behaviour have been received and investigated, of which 727 have been finalised.

**Reducing alcohol harms:** The Western Cape Liquor Authority (WCLA) plays an important role in the prevention of alcohol misuse in the Province and receives a priority allocation of R126.415 million over the 2018 MTEF period. One of the key objectives of the WCLA is to reduce the number of illegal shebeens trading without liquor licences and to focus its law enforcement operations against distributors who sell liquor to unlicensed liquor traders. Aimed at reducing alcohol-related injuries and fatalities, the **Alcohol Harms Reduction Game Changer** has been implemented in three target areas namely, Khayelitsha Town 2, Guna and Paarl East.

**Improving road safety:** The Western Cape Provincial Traffic Services provides a 24-hour, 7 days a week service to ensure the safety of our road network, in cooperation with local law enforcement and key stakeholders. Over the 2018 MTEF, the road safety District Safety Plans will be extended to other areas in the Western Cape and innovative technology to gather information and intelligence will be used to plan operations for improved transport regulation, road safety and traffic law enforcement.

## **Enabling a resilient, sustainable, quality and inclusive living environment**

**Integrated human settlements:** The Department of Human Settlements is allocated R7.306 billion over the 2018 MTEF and will focus on three priority areas: Upgrading of informal settlements, the provision of Affordable/GAP Housing opportunities; and prioritising the most deserving for subsidised housing. In 2018/19, the Department aims to deliver 18 160 housing opportunities of which 9 567 will be housing units and 8 693 will be service sites.

**Spatial development:** The Department of Environmental Affairs and Development Planning receives R1.835 billion over the 2018 MTEF. Guiding the development of and optimal land use in the Province are the Provincial Spatial Development Framework (PSDF) and the Land Use Management Systems. The PSDF will inform municipalities Integrated Development Plans, while the Spatial Development Framework ensures consistency in spatial planning between different government spheres.

**The Better Living Model Game Changer:** This Game Changer proposes the development of the 22 hectare former Conradie Hospital site into an integrated, sustainable, and affordable residentially-led, mixed use neighbourhood. The project will provide 1 800 subsidised rental units and 1 800 open market units.

**Regional Socio-economic Project (RSEP)/Violence Prevention through Urban Upgrading (VPUU):** RSEP aims to improve quality of life through urban, social and spatial upgrading and build safe and sustainable neighbourhoods. Several projects have been completed in the Saldanha Bay, Swartland and Breede Valley municipalities. The Department will expand the RSEP to seven new municipalities over the 2018 MTEF, i.e. Bergvlier, Witzenberg, Stellenbosch, Cape Agulhas, Prince Albert, Mossel Bay and Bitou.

**Management of the ecological and agricultural resource base:** The Department of Environmental Affairs and Development Planning will continue to monitor the impact of climate change through the implementation of the Western Cape Climate Change Response Strategy.

**Water:** The SmartAgri project promotes the conservation of agriculture for all commodity groups; restores ecological infrastructure; is involved in integrated catchment management for improved water security (quality and quantity) and job creation; promotes energy efficiency and renewable energy case studies to inspire low carbon agriculture and implements climate proofing agri-processing and ensures climate smart extension services. As part of the Genius of Space project, the Biomimicry project has improved grey water management at the Langrug informal settlement. The Department of Agriculture will support the efficient use of agricultural water through the Fruitlook application, a satellite image technology that monitors nine parameters linked to crops, used specifically on vineyards and deciduous fruit trees. Fruitlook provides data for 381 000 hectares of fruit orchards and vineyards.

### **Embedding good governance and integrated service delivery through partnerships and spatial alignment**

**Digital Government:** The Department of the Premier is allocated R4.407 billion over the 2018 MTEF to provide strategic policy direction and maintain the provision of professional corporate services for the Province. The roll-out of Broadband is supported through an earmarked allocation of R956.235 million over the 2018 MTEF. The Western Cape Government has launched 178 WiFi hotspots across the province, benefitting over 250 000 citizens. Phase 2 of the Broadband project commenced in October 2017 and will run for a 5-year period.

**Enhanced Governance:** Provincial Treasury receives an allocation of R1.028 billion over the 2018 MTEF. The Department will continue to support provincial departments and municipalities in improving supply chain management processes and governance (particularly as a lever for economic development), including improved E-procurement; as well as the adoption of the District approach to drive SCM efficiencies within municipalities. In the Department of the

Premier, a Corporate Governance Framework and supporting maturity model is being developed.

**Improving government performance:** Toward improving performance, value for money, responsiveness and effectiveness of strategic provincial policies and budget priorities, 15 evaluations are to be conducted and are outlined in the 2018/19 Provincial Evaluation Plan.

**Supporting local government:** The Department of Local Government is allocated R791.872 million over the 2018 MTEF to monitor, coordinate and support municipalities to be effective in fulfilling their developmental mandate, and facilitate service delivery and disaster resilience through engagement with government spheres and social partners. Given the current drought and ensuing water crisis, the Department plans to support municipalities to prevent water shortages by providing technical and financial municipal assistance with regard to water augmentation programmes; as well as water conservation and demand management. The Department will also continue to implement the Thusong Centre and Community Development Worker Programmes over the 2018 MTEF in support of increased access to government services and assistance to municipalities.

**Strengthening partnerships for service delivery impact:** The Western Cape Government and the Economic Development Partnership has embarked on an integrated process to strengthen existing partnerships and identify policy areas which may benefit from partnering practices. An important element of partnering is the learning and sharing of best practices.

## Infrastructure investment for growth

### Infrastructure-led growth

The Western Cape Government will continue to deliver on the objectives of its infrastructure-led growth approach, which remains a key budget principle given the economic and social imperatives for infrastructure development.

### Trends in public infrastructure spending

Over the 2018 MTEF, R4.754 billion will be spent on Education infrastructure. The WCED will facilitate a number of drought interventions over the 2018 MTEF, with R490 million allocated.

Over the 2018 MTEF, R2.586 billion will be invested in Health infrastructure. The Department of Health is committed on reducing energy consumption at its facilities, will be installing and commissioning smart electrical meters at all hospitals. The water efficiency project aims to achieve a 10 per cent reduction in potable water consumption at health facilities over the next three years.

The introduction of the Early Childhood Development (ECD) Grant includes a component aimed at assisting conditionally registered ECD facilities to comply with Health and Safety Norms and Standards as determined by the National Department of Social Development. Provision has also been made for urgent maintenance work at Child and Youth Care Centres (CYCC) amounting to R61.320 million included in the budget of the Department of Transport and Public Works over the 2018 MTEF.

The investment in roads infrastructure amounts to R9.770 billion over the 2018 MTEF. Over the 2018 MTEF, Public Works will be spending R1.613 billion across the various districts of the Province in terms of the Provincial Property Portfolio.

A key priority for Western Cape Government is the development of sustainable integrated human settlements that will allow its residents access to social and economic opportunities close to where they live. To this end, approximately R6.362 billion will be spent on housing opportunities over the 2018 MTEF.

Three key initiatives underway and to be rolled-out over the 2018 MTEF include the upgrading of 60 informal settlements or a yield of 25 021 households with access to clean water, sanitation and electricity, the implementation of 16 land release projects with a yield of 9 951 housing opportunities or 133.29 hectares of land and the implementation of Provincial and City of Cape Town catalytic projects with a potential combined yield of 100 704 housing opportunities, depending on, amongst other, the availability of budget and bulk infrastructure.

CapeNature intends spending approximately R96.2 million on tourism infrastructure over the 2018 MTEF. CapeNature's infrastructure priorities over the 2018 MTEF include improvements at Kogelberg Nature Reserve: Phase 2. The new development consists of 8 new overnight accommodation facilities and an eco-pool.

### **Nature of infrastructure investment**

Funding for maintenance and repairs over the 2018 MTEF accounts for R5.289 billion of the total infrastructure budget, with the largest portion of investment directed to maintenance of road-based transport.

An amount of R2.979 billion of the total 2018 MTEF infrastructure budget, is allocated towards new and replacement assets. Within this category, the largest share is allocated towards Education (R1.956 billion), followed by Transport and Public Works (R560 million) and Health (R447.178 million).

Upgrades and additions account for R3.281 billion of the total infrastructure budget over the 2018 MTEF, of which Transport and Public Works is allocated R1.705 billion, Education R1.309 billion and Health R267.027 million. An amount of R6.227 billion of the total infrastructure allocation over the 2018 MTEF is assigned to rehabilitation, renovations and refurbishments.

An amount of R978.451 million of the total infrastructure allocation over the 2018 MTEF is assigned to non-infrastructure which, amongst other, provides for human resources capacity in Education and Health, the Operational Capital Budget Programme (OPSCAP) for Human Settlements to support the implementation of the approved provincial housing, accredited municipal programmes and priorities and Health Technology.

### **Broadband**

The Broadband Phase 1 rollout, which aims to provide Broadband connectivity to all Western Cape Government buildings included in the initial site list, was completed at the end of November 2017. Phase 1 of this project connects Western Cape Government buildings at minimum network speeds of 10 megabits per second. Phase 2 of the project commenced on 1 October 2017 and concludes on 30 September 2022. During this phase of the project the

minimum network speed at Western Cape Government buildings will be upgraded to 100 megabits per second.

The Western Cape Government is currently in the process of expanding the free public Wi-Fi initiative beyond the initial 384 sites which were identified. An amount of R1.457 billion is planned to be spent on broadband connectivity over the 2018 MTEF.

## Public Private Partnership

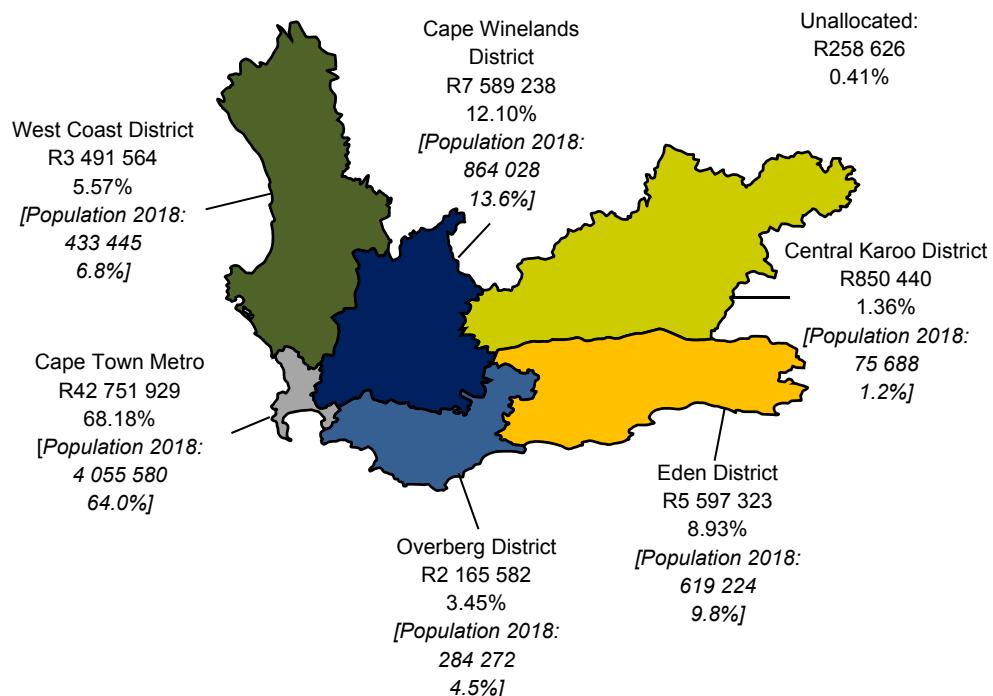
The closed PPP agreements in the Province include Chapman's Peak Drive - Toll operation and maintenance; Western Cape Rehabilitation Centre and Lentgeur Psychiatric Hospital - Facility management services; and De Hoop Nature Reserve's Eco-Tourism project.

## Spatial distribution of provincial expenditure

### Provincial payments and estimates by metro, district and local municipalities

The spatial distribution of expenditure demonstrates responsiveness to the socio-economic reality facing Western Cape citizens and the manner in which the Western Cape municipalities, through financial allocations, respond to key socio-economic and delivery challenges. The bulk of the provincial expenditure for 2018/19 occurs in the Cape Town Metro (68.2 per cent), followed by the Cape Winelands District (12.1 per cent), Eden District (8.9 per cent), West Coast District (5.6 per cent), Overberg District (3.5 per cent) and Central Karoo (1.4 per cent).

**Figure 2 Provincial payment percentages, Metro and Districts (R'000)**



In 2018/19, within the **Cape Winelands District**, the majority of provincial expenditure will occur in Drakenstein (24.4 per cent), Stellenbosch (23.2 per cent) and Breede Valley (21.9 per cent). In the **Eden District**, George will see the bulk of the expenditure (37 per cent), followed by Oudtshoorn (14.8 per cent) and Mossel Bay (12.1 per cent) in 2018/19.

In 2018/19, Swartland (24.9 per cent) and Saldanha Bay (24.3 per cent) will see the majority of the provincial expenditure in the **West Coast District**, while in the **Overberg District**, Theewaterskloof (35.3 per cent) and Overstrand (23.5 per cent) is where the Province will be spending most. In the **Central Karoo District**, the majority of the provincial expenditure will occur in Beaufort West (59.4 per cent), Prince Albert (14.5 per cent) and Laingsburg (8.5 per cent) in 2018/19.

### **Provincial payments and estimates per sector by district and local municipalities**

To enhance education, health and related social outcomes, the social sector receives the bulk of the provincial spending amounting to R50.896 billion in 2018/19.

The economic sector promotes economic growth and increased employment mainly facilitated through infrastructure-led growth. R9.343 billion or 14.9 per cent of the provincial budget in 2018/19 is directed toward this sector.

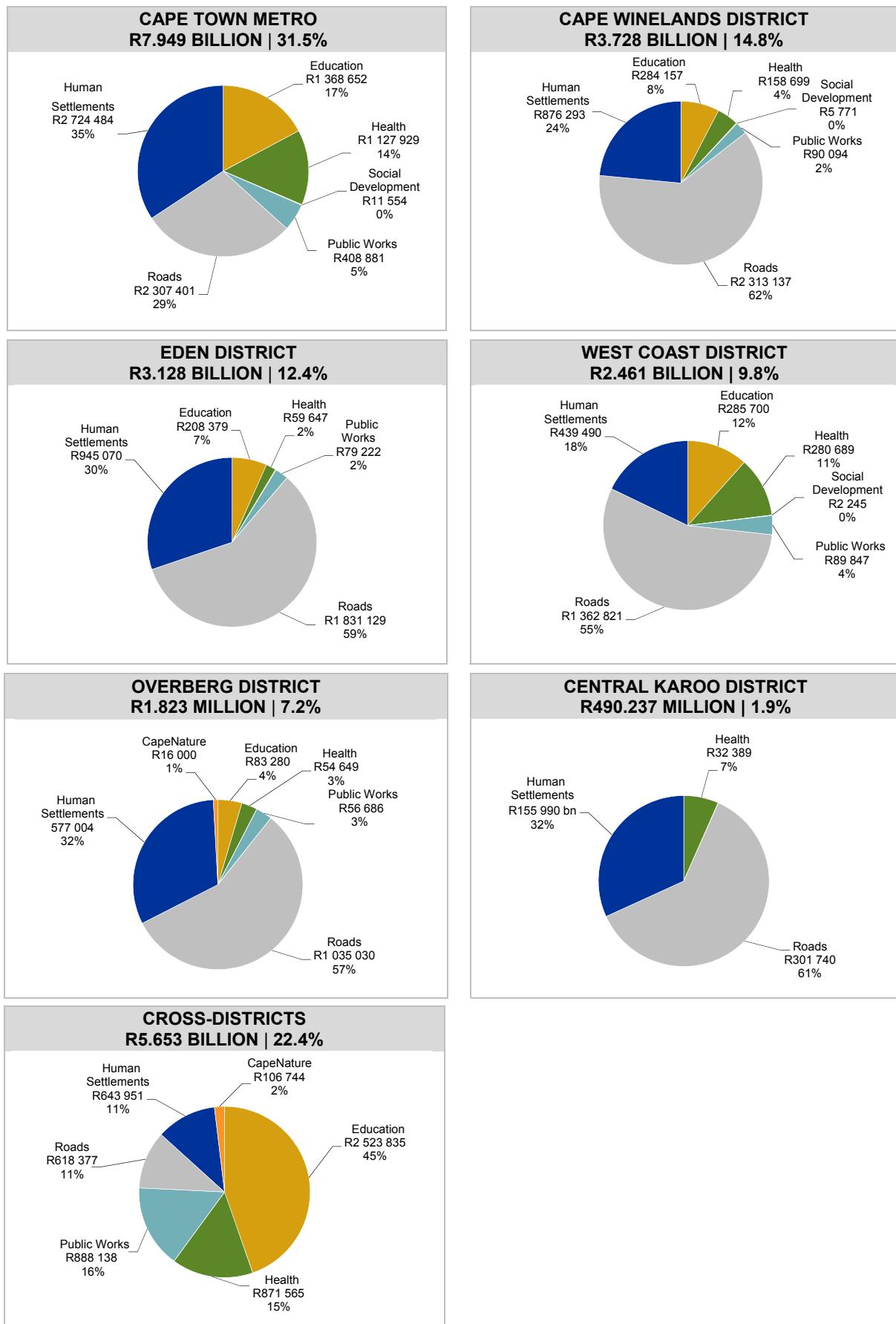
The governance and administration sector aims to create public value to advance sound governance, integration, partnerships, spatial targeting, active citizenry and enabling a capable state. R2.208 billion or 3.5 per cent of the provincial budget will be spent in this sector.

### **Provincial infrastructure spend**

The Western Cape Government's total 2018 MTEF physical infrastructure budget will amount to R25.232 billion, the bulk of which will be directed towards the Cape Town Metro (R7.949 billion; 31.5 per cent). Cape Winelands District and Eden District follows, with an estimated expenditure of R3.728 billion (14.8 per cent) and R3.128 billion (12.4 per cent) occurring in 2018/19, respectively.

The largest proportion of infrastructure expenditure across all districts is toward education (R2.524 billion), which is followed by public works (R888.138 million) and road projects (R618.377 million).

**Figure 3 2018/19 MTREF Municipal infrastructure spend**



## **Provincial transfers to local government**

The total provincial transfers to municipalities amounts to R2.451 billion in 2018/19. The funding to be spent in the Category A municipality (i.e. the Cape Town Metro) declines by 3.6 per cent to R1.020 billion in 2018/19 from the 2017/18 Revised Estimate of R1.058 billion. The allocation to Category B municipalities decreases by 3.15 per cent from the 2017/18 Revised Estimate of R1.429 billion to R1.384 billion in 2018/19. The allocation to Category C municipalities decreases from the 2017/18 Revised Estimate of R15.938 million to R9.863 million in 2018/19. A small portion (1.47 per cent) of the transfers to local government is reserved as unallocated for municipal support initiatives by the Provincial Treasury and the Department of Local Government.

## **Budget aggregates**

### **Revenue**

- **Provincial Equitable Share (PES):** The largest revenue share item for the Western Cape Government, PES account for **74.5 per cent or R47.447 billion** of the total 2018/19 Budget. Section 214 and 227 of the Constitution require that an equitable share of nationally raised revenue be allocated to provincial government to enable it to provide basic services and perform its allocated functions. The PES formula consists of six components informed by objective data that reflect the demand for services across provinces. These components are Health, Education, Basic, Poverty, Institutional and Economic activity.
- **Conditional Grants:** Account for **18.7 per cent or R11.904 billion** of the total 2018/19 Budget of which the majority is allocated to the Departments of Health, Human Settlements, Transport and Public Works and Education.
- **Provincial Own Receipts:** Account for **4.7 per cent or R3.023 billion** of the total 2018/19 Budget. Motor vehicle licence fees is the largest source of own revenue followed by gambling taxes and hospital patient fees. The remaining sources of receipts are derived from user charges for services rendered to citizens, transfers received and payments received from debtors, amongst other.
- **Financing:** The smallest revenue share item for the Western Cape Government, Financing account for **2 per cent or R1.301 billion** of the total 2018/19 Budget.

### **Expenditure by economic classification**

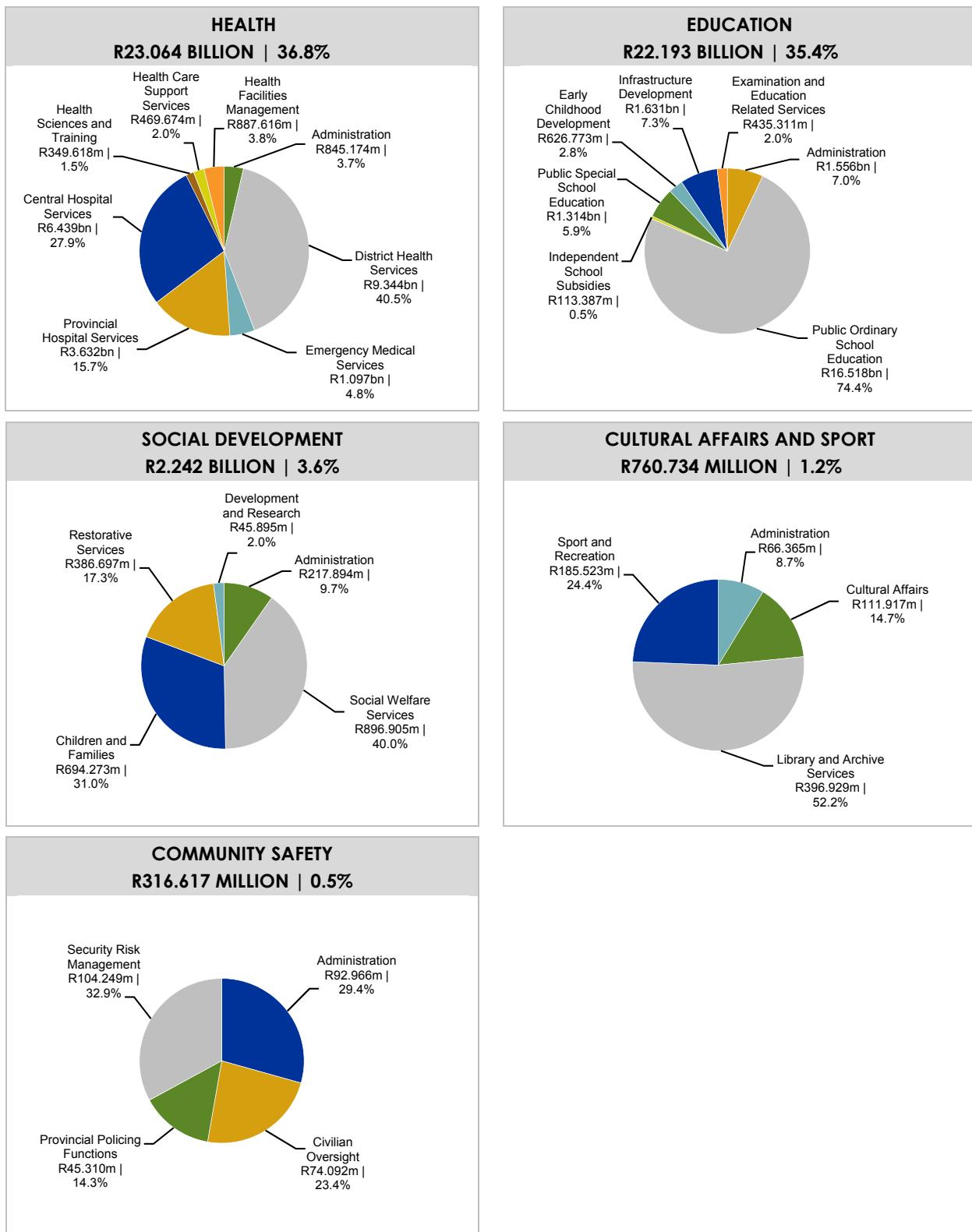
Over the 2018 MTEF, provincial expenditure allocations are expected to lead to enhanced public value and service delivery impact.

- **Compensation of employees:** The largest expenditure item for the Western Cape Government, personnel expenditure account for **54.6 per cent or R34.240 billion** of the total 2018/19 Budget. The implementation of personnel upper limits in 2016/17 had a stabilising effect on personnel headcount and shows a degree of fiscal prudence. Personnel budget upper limits will continue to be part of the Province's strategy in improving personnel management in bringing about fiscal consolidation, fiscal discipline and fiscal stabilisation. Departments will be required to implement further measures to contain the wage bill as part of fiscal consolidation initiatives.
- **Goods and services:** Accounting for **21.7 per cent** of expenditure or **R13.613 billion**, this budget is used to fund property payments, medical supplies, medicines, contractors and agency and outsourced services.
- **Transfers and subsidies:** At **15.8 per cent or R9.920 billion**, this consists mainly of expenditure transfers to non-profit institutions and transfers to households.

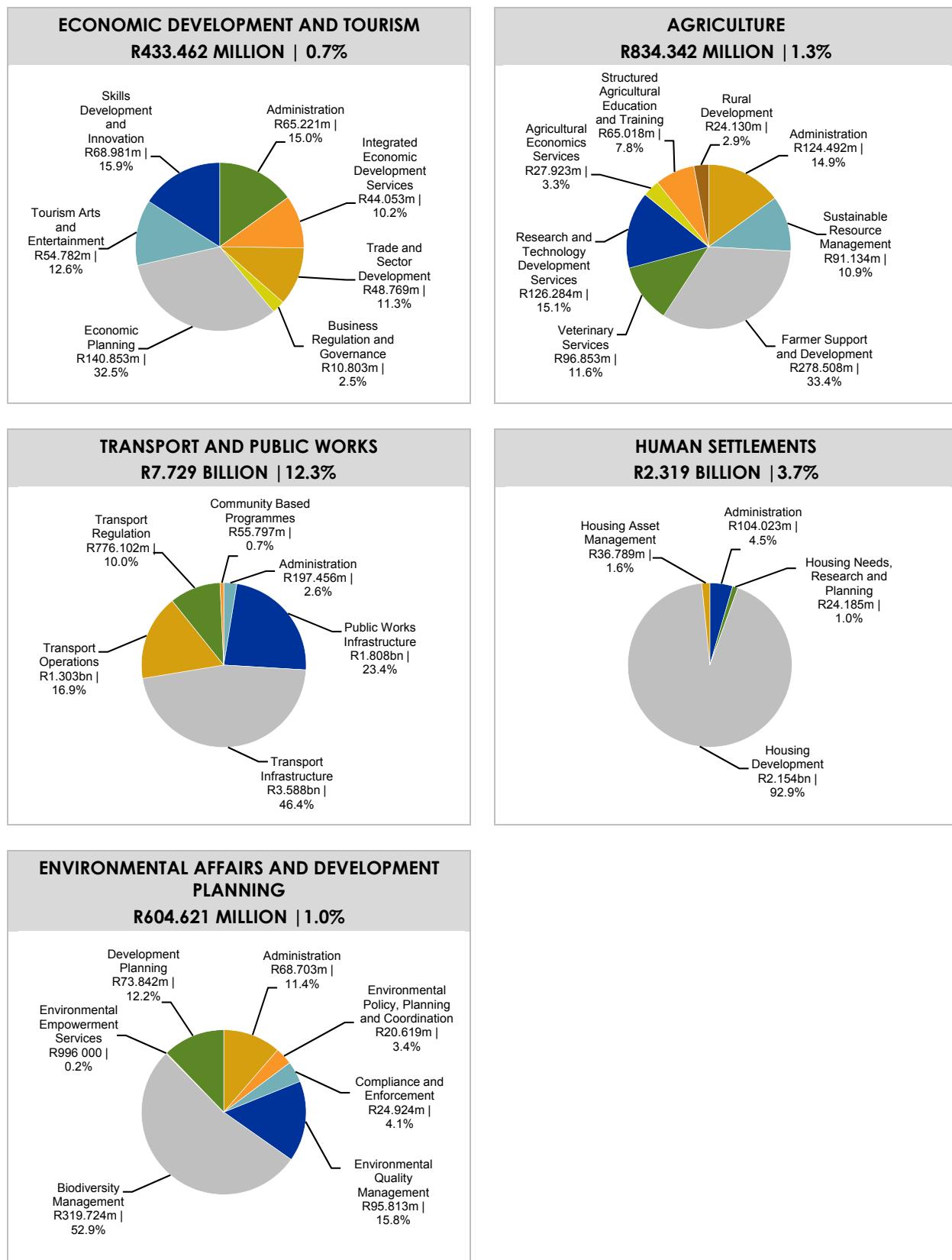
- Payments for capital assets:** The **7.9 per cent or R4.926 billion** expenditure is mostly allocated to the Departments of Education, Health and Transport and Public Works which accounts for 96.8 per cent of the total allocation. Infrastructure spending, reflected as buildings and other fixed structures, accounts for 83.5 per cent of the capital assets budget in 2018/19.

## Diagrammatic representation of sector budgets

### Social sector budget summary, 2018/19



## Economic sector budget summary, 2018/19



## Governance and Administration sector budget summary, 2018/19

