



Western Cape
Government

Provincial Treasury

Medium Term Budget Policy Statement, 2021

Western Cape

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**Medium Term
Budget Policy Statement
2021**

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PR342/2021
ISBN: 978-0-621-49906-3

Foreword

The 2021 Medium Term Budget Policy Statement sets out a plan to beat the pandemic, reopen and recover.

As we emerge from the pandemic, the focus will shift to supporting the Recovery Plan priorities of jobs, safety, and wellbeing.

To this end, the medium term budget objectives are to protect frontline services; support effective local governance; increase spending on infrastructure; ensure value for money in procurement; promote transparency of expenditure in procurement; mitigate risks including drought, fire and flooding and ensure long-term fiscal sustainability.

My sincere appreciation to the Provincial Treasury team, my fellow Cabinet members and officials from other Western Cape Government departments for their commitment and participation in this process as well as our research partners for their invaluable contribution to the 2021 MTBPS.

A handwritten signature in black ink, appearing to be 'D Maynier', with a small flourish at the end.

Mr D Maynier

Minister of Finance and Economic Opportunities

6 December 2021

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1

Overview and economic context

In summary

- The 2021 Western Cape Medium Term Budget Policy Statement outlines support for the Province to continue to reopen and recover, during a period of ongoing uncertainty.
- The forecast for global economic growth for 2021 is 5.9 per cent, up from the contraction of 3.1 per cent growth experienced in 2020. In 2021, the South African and Western Cape economies are forecast to rebound by 4.7 per cent and 5.3 per cent respectively, before slowing down to 1.7 per cent and 1.4 per cent in 2022. The rebound is clouded by ongoing developments in the COVID-19 pandemic, including the discovery of new variants.
- South African economic growth remains constrained by persistent power shortages and the recovery in employment opportunities has lagged behind the economic recovery.
- The Western Cape Recovery Plan themes of COVID-19 recovery, Jobs, Safety and Wellbeing remain at the centre of the provincial strategy and lay the foundation for faster long-run economic growth and poverty reduction in the Province.
- As of 2 December 2021, 4.208 million vaccinations have been administered. The Western Cape is currently the leading Province in terms of the share of adult population vaccinated (partially or fully) at 50.89 per cent.
- Massive investments in short term employment initiatives will provide 86 000 job opportunities in the education, infrastructure maintenance and other social services sectors in the first year of the 2022 MTEF.
- The 'social wage' is a cornerstone of the Western Cape Government's efforts to improve the lives of poor citizens of the Province.
- Safety initiatives include 1000 law enforcement officers deployed over the medium term.

Introduction

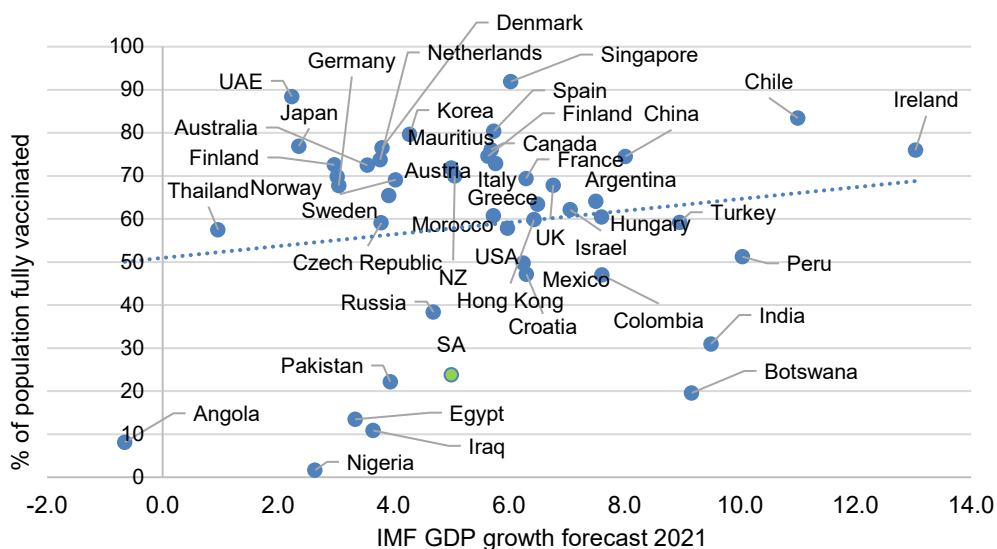
The world economy is forecast to expand by 5.9 per cent in 2021, which is one of the fastest periods of economic growth in history. This recovery reflects the depth of the global economic contraction that has occurred, as well as the effects of the swift rollout of vaccines that has allowed economic activity to resume.

South Africa and the Western Cape are also experiencing this economic recovery. In the Western Cape, the easing of COVID-19 restrictions and rising vaccination rates have been possible due to an unprecedented public and private sector collaboration that has led to 4.208 million vaccines (fully and partially) being administered by 02 December 2021 in the Western Cape to 50.89 per cent of adults.

However, risks remain. In particular, the very recent emergence of the Omicron variant raises significant uncertainties on the future trajectory of the pandemic. Sudden, new international travel restrictions placed on Southern African countries have undermined early progress in economic recovery, particularly in labour intensive industries such as tourism.

Accelerated vaccination coverage still remains the surest pathway to stabilisation and recovery. Figure 1.1 below depicts the relationship between the portion of fully vaccinated population per country and the International Monetary Fund's (IMF's) growth expectation for 2021. Overall, the trendline depicts a mild positive correlation between vaccination rates and expected economic growth, albeit with significant variances in the baseline for the recovery across countries and differences in the fiscal and monetary support measures adopted.

Figure 1.1 Share of fully vaccinated population and IMF GDP growth forecast for 2021 in 46 countries



Source: Quantec, Ourworldindata.org

This Medium Term Budget Policy Statement (MTBPS) sets out a path to enable businesses to reopen and families to recover in the Western Cape. The MTBPS ensures that spending is directed to the areas of greatest need – because despite this positive short-term

economic outlook, South Africa still faces the threat of a persistently high unemployment rate, higher inflation rates, structural growth challenges and growing socio-economic burdens.

In the short term, the Western Cape will remain prepared for ongoing changes in the trajectory of the pandemic. The recent emergence of the Omicron COVID-19 variant, first detected by South African scientists but present globally, highlights these uncertainties. The Omicron variant is likely to become more prevalent in the Western Cape, triggering a fourth wave of the pandemic, in the coming weeks. Already, international travel restrictions have been imposed, despite the lack of scientific evidence of their efficacy, and the inevitable negative impact this will have on South Africa and the Western Cape.

Summary

The MTBPS outlines how resources are allocated to both support the provincial economy during a period of uncertainty and position it for a recovery. This is achieved through preliminary allocations that:

- Sustain the fight against the COVID-19 pandemic, including the successful rollout of the vaccination programme. R800 million is kept in reserve as contingency for the fourth wave.
- Support the recovery plan priorities of Jobs, Safety and Wellbeing. To the Jobs priority, massive investments in short-term employment initiatives will provide 86 000 job opportunities in the education, infrastructure maintenance and other social services sectors in the first year of the 2022 MTEF. The Safety priority is allocated an additional R1.1 billion over the MTEF for an extension of city safety initiatives. Under the Wellbeing priority, education is allocated an additional R1.6 billion over the MTEF.
- Protect frontline services, including education, health and social development. In the 2021/22 Adjustments Budget, R1.8 billion is added to these three frontline departments. Over the 2022 MTEF, despite significant cuts to the provincial equitable share, these three areas receive an additional R350 million.
- Support effective local governance, particularly in the aftermath of the local government elections. An additional R30 million is added over the 2022 MTEF to the Department of Local Government and to Legal Services at the Department of the Premier for legal, governance and forensic support.
- Rebalance the composition of expenditure by increasing spending on infrastructure. Over the 2022 MTEF, R1.2 billion (R490 million and R705 million) is allocated for accelerated classroom building, education infrastructure, and roads, funded through savings from 2020/21.

- Significantly improve the efficiency of expenditure by driving value for money. Ongoing work on expenditure reviews and reforms to supply chain management will ensure additional savings which can be allocated to the provincial priorities and frontline services.
- Promote transparency of expenditure in procurement. The Western Cape will continue publishing details of all COVID-19 procurement to ensure transparency and accountability. This disclosure will be progressively expanded to include future procurement plans, all provincial procurement expenditure, and further information on procurement outcomes.
- Mitigate risks including drought, fire and flooding. Over and above the unforeseeable and unavoidable spending reserve of R250 million, an additional R11 million is added over the 2022 MTEF for key initiatives, including enhancing the disaster management centre and drought support funding.
- Ensure long-term fiscal sustainability through responding to likely fiscal futures, effectively managing long term expenditure pressures and risks, modernising service delivery models and maximising available own revenue sources.

The global economic context

A global recovery has begun, but risks remain, particularly the emergence of new strains of the COVID-19 virus such as the Omicron variant. Moreover, the divergence in recovery across countries as well as the significant lag in the resurgence of the labour market relative to rising output, remains a concern for most countries.

Growth in advanced economies is expected to be 5.2 per cent in 2021, or 0.4 percentage points lower than previously anticipated. This is in part due to supply chain disruptions characterised by higher product costs and slower delivery times. Most advanced economies are expected to return to their pre-pandemic trend paths in 2022.

There has been a rapid increase in headline inflation rates in the United States (US) and some emerging market and developing economies due to higher commodity prices and supply chain disruptions. The annual inflation rate in the US increased to 6.2 per cent in October 2021, the highest in over 30 years. Upward pressure was broad-based, with energy costs providing the largest contribution.

Inflation may be transitory with price pressures subsiding as demand and supply chains stabilise and economies return to normal. However, inflation may prove persistent, particularly in emerging

markets, on the back of higher food prices, the lagged effects of higher oil prices¹ and exchange rate depreciation.

The outlook for emerging and developing economies has been revised upwards by 0.1 percentage points to 6.4 per cent in 2021, based on increased external demand and higher commodity prices. However, persistent output losses are expected due to slower vaccine rollouts and the withdrawal of policy support, such as increased government expenditure, tax concessions and lowered prime lending rates. There remain significant trade-offs for emerging and developing economies to overcome the pandemic, return to pre-pandemic fiscal, monetary and economic policies, and rebuild their economies. These include the cost of sustaining higher national debt levels and higher inflation rates, and the risks of early economic reopening that could result in a resurgence of the pandemic and generate additional health care pressures.

Table 1.1 Global economic performance and outlook, 2019 – 2022

	GDP Growth (per cent)		GDP Forecast (per cent)		Difference from July 2021 WEO updates (per cent)		Difference from April 2021 WEO (per cent)	
	2019	2020	2021	2022	2021	2022	2021	2022
	World output	2.8	-3.1	5.9	4.9	-0.1	0.0	-0.1
Advanced economies	1.7	-4.5	5.2	4.5	-0.4	0.1	0.1	0.9
United States	2.3	-3.4	6.0	5.2	-1.0	0.3	-0.4	1.7
Emerging and developing economies	3.7	-2.1	6.4	5.1	0.1	-0.1	-0.3	0.1
China	6.0	2.3	8.0	5.6	-0.1	-0.1	-0.4	0.0

Source: International Monetary Fund, October 2021

Developments and outlook for the South African economy

The COVID-19 pandemic has underlined the limited fiscal space South Africa has to stimulate the economy in the event of a global economic shock. A large fiscal deficit and gross public debt stock require fiscal consolidation to reduce government spending levels and prevent rising debt servicing costs from crowding out spending on other essential services such as education and health. However, these adjustments come at a time of rising demand for public services, such as in the health sector. These spending pressures,

¹ There is a cause-and effect relationship between oil and inflation since oil is a major input into the economy. It is used in critical activities such as transportation, heating and also used to produce products such as plastics. There is generally a strong link between production price inflation and oil prices. The lagging effects of oil price increases on inflation stems from the use of lower priced oil stocks prior to higher priced oil stock.

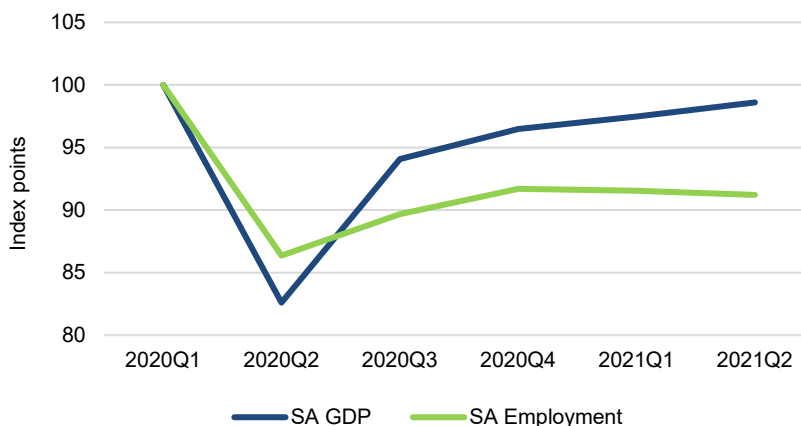
The national economy contracted by 6.4% in 2020

alongside the structural constraints to higher rates of growth, such as in the energy sector, create a narrow pathway for fiscal consolidation.

The national economic outlook has been significantly influenced by the 2020 recession, which sharply reduced economic activity and produced a low baseline from which recovery will occur. The national economy contracted by 6.4 per cent² in 2020 as a result of stringent COVID-19 lockdown measures adopted in the second quarter of 2020. The most severely affected sectors were Construction (-20.1 per cent), Transport, storage and communication (-16.2 per cent), Manufacturing (-12.3 per cent), Wholesale and retail trade, catering and accommodation (-12.6 per cent), and Mining and quarrying (-11.8 per cent). The Agriculture, forestry and fishing sector (13.8 per cent) was the only sector to expand in 2020. The Agriculture sector grew off a relative low base in 2018 and 2019 and was not as severely impacted by COVID-19 lockdown measures, since food supply was considered essential for livelihoods and therefore remained operational.

Economic recovery is measured against pre-pandemic GDP and employment levels in the first quarter of 2020. In the second quarter of 2020, the economy contracted by 17.4 per cent and employment levels declined by 13.6 per cent. Although quarterly economic activity had recovered almost fully by the second quarter of 2021, the recovery in employment levels has been more sluggish and has lagged behind GDP growth, (see Figure 1.2).

Figure 1.2 South Africa’s recovery in GDP and employment levels to pre-pandemic levels, (1st quarter 2020 – 2nd quarter 2021)



Note: Index points reflect GDP and employment levels relative to the first quarter of 2020 (2020 Quarter 1 =100 index points).

Source: Quantec own calculations

² Real GDP at market prices (2015 baseline)

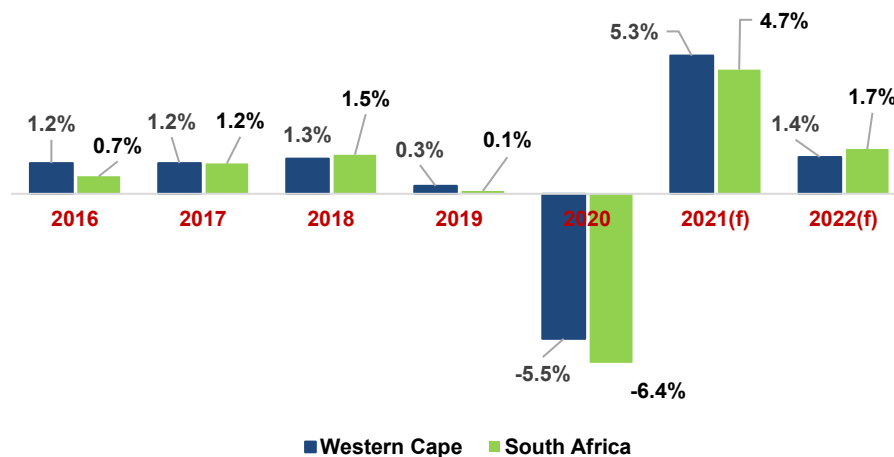
The bulk of the economic recovery from the economic slump in the second quarter of 2020 occurred in the third quarter of 2020, when 66 per cent of lost GDP was regained³. As a result, the third quarter GDP of 2020 reached 94 per cent of first quarter GDP, and by the second quarter of 2021 economic activity was at 98.6 per cent of the first quarter 2020 GDP levels.

By the second quarter of 2021, 92% of lost GDP was recovered

Employment levels have not recovered as quickly as GDP. In the fourth quarter of 2020, employment was 91.7 per cent of employment levels in the first quarter of 2020. However, the employment recovery lost steam in 2021, when first quarter recovery was only 37.9 per cent and second quarter recovery was only 35.5 per cent of employment losses incurred in the second quarter of 2020. Employment at the end of the second quarter of 2021 was thus only 91.2 per cent of employment levels in the first quarter of 2020, and the employment-to-population rate was 37.1 per cent compared to 42.1 per cent in the first quarter of 2020.

In the second quarter of 2021, the South African economy expanded by 1.2 per cent. The sectors with the largest positive contribution to GDP growth were Transport and communication (0.5 percentage points), Community, social and other personal services (0.4 percentage points) and Wholesale and retail, hotels and restaurants (0.3 percentage points). Although the national economic recovery was more robust than initially expected, the economy was still 1.4 per cent smaller than its pre-pandemic level in the second quarter of 2021.

Figure 1.3 GDP growth rates of South Africa and the Western Cape, (2016 - 2022)



Source: Quantec

³ The GDP in the second quarter of 2020 declined by R797.9 billion compared to the first quarter of 2020. By the third quarter of 2020, R526.4 billion of this loss had been recovered.

The national economy is expected to grow by 4.7 per cent in 2021, largely due to a low baseline, and revert back to sluggish growth of 1.7 per cent in 2022 due to inherent structural constraints such as unreliable and expensive electricity, (see, Table 1.3). Sectors that are expected to yield the highest growth rates in 2021 are Wholesale and retail, hotels and restaurants (12.3 per cent), Agriculture, forestry and fishing (9.5 per cent), Finance, Real estate and business services (5.8 per cent) and Manufacturing (5.3 per cent). The Mining and quarrying sector is expected to benefit from a surge in commodity prices and grow at 2.6 per cent in 2021.

Inflation pressure mounting

The South African headline inflation rate quickened to 5.0 per cent in September 2021 from 4.9 per cent in August 2021 and 4.6 per cent in July 2021. This marks the 5th consecutive month of the annual inflation rate being above the 4.5 per cent midpoint of the South African Reserve Bank's (SARB) monetary policy target range of 3 to 6 per cent. The last time the inflation rate was outside of the inflation target range was in March 2017, when it was recorded at 6.1 per cent. Rental prices, which make up 16.8 per cent of the Consumer Price Index (CPI) basket, had a dampening effect on inflation, counteracting the increase in fuel and food inflation. The higher inflation environment has led the SARB to increase the repo rate by 25 basis points to 3.75 per cent on 18 November 2021, indicating the start of a cycle of tightening monetary policy.

Economic developments in the Western Cape

The Western Cape economy is currently showing signs of recovery following the devastating recession in 2020. It is expected that the recovery will be led by the Private services sector, with strong support from the Agriculture, forestry and fishing, Manufacturing and Construction sectors. The provincial economy remains, however, constrained by the same structural challenges that existed prior to the pandemic, including energy and logistics systems constraints and regulatory rigidity, that are characterised by high unemployment and sluggish economic growth.

Although the Western Cape economy has outperformed that of South Africa as a whole, it has not substantially diverged from the national economic trajectory. Unless these structural challenges can be overcome, the Province will continue to experience high unemployment and rising poverty and inequality that will be accompanied by increases in crime levels, social service demands and other socio-economic challenges.

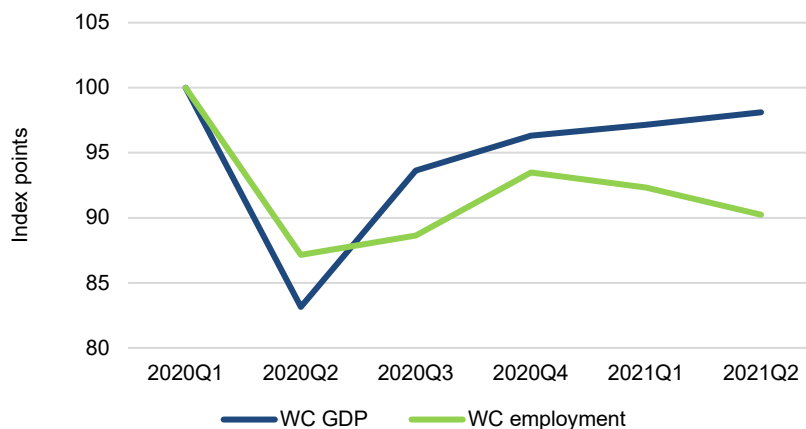
SA economy expected to grow at 4.7% in 2021 and 1.7% in 2022

The Western Cape economy contracted by 5.5 per cent⁴ in 2020 largely due to COVID-19 lockdown measures implemented in the second quarter of 2020. The sectors that made the largest contribution to the contraction were Wholesale and retail, hotels and restaurants (-1.8 percentage points), Transport and communication (-1.5 percentage points) and Manufacturing (-1.6 percentage points), whilst Agriculture, forestry and fishing (0.5 percentage points) and the Finance, real estate and business services (0.2 percentage points) sectors made positive growth contributions in the recession year.

The Western Cape economy contracted by 5.5 per cent in 2020

The quarterly recovery of the Western Cape economy will be measured against the pre-pandemic Regional Gross Domestic Product (GDPR) and employment levels in the first quarter of 2020, (see Figure 1.4). The provincial economy contracted by -16.3 per cent in the second quarter of 2020, accompanied by a significant decline in employment (-12.8 per cent). Like the national economy, the Western Cape GDPR recovered at a faster pace than employment levels.

Figure 1.4 Western Cape's recovery in GDPR and employment levels to pre-pandemic levels, (1st quarter 2020 – 2nd quarter 2021)



Source: Quantec Own calculations

The largest portion of economic recovery occurred in the third quarter of 2020 when 62.3 per cent of lost GDPR was recovered. At the end of the third quarter, the provincial economy was at 93.4 per cent of first quarter 2020 GDP levels. The rapid recovery was supported by three subsequent quarterly expansions of the provincial economy. By the end of the second quarter of 2021, GDPR was at 98.1 per cent of first quarter 2020 levels (88.8 per cent of lost GDPR).

Largest portion of economic recovery occurred in the third quarter of 2020

⁴ Based on constant GDPR values (2015 base year) in market prices

Employment achieved its highest level of recovery in the fourth quarter of 2020, when 49.3 per cent of lost employment opportunities were recovered. This represents 93.5 per cent of the employment levels of first quarter of 2020. However, employment recovery subsequently lost steam and ended the second quarter of 2021 with only 23.9 per cent of lost employment recovered and employment levels equal to 90.2 per cent of first quarter 2020 levels. This lost momentum of employment growth reflects the lagging nature of employment growth relative to GDP growth.

In the second quarter of 2021, the Western Cape economy expanded by 1.0 per cent⁵ after growth of 0.9 per cent recorded in the first quarter of 2021. Sectors that made the largest contributions to total growth in the quarter were Transport and communication (0.6 percentage points), Wholesale and retail, hotels and restaurants (0.4 percentage points) and Agriculture, forestry and fishing (0.3 percentage points). The second quarter GDP⁶ growth rate is the fourth consecutive positive quarterly growth rate following a 16.8 per cent contraction in the same quarter the previous year. The recovery was mainly driven by the reopening of the economy and the low GDP baseline.

The GDP in the second quarter of 2021 was comparable to levels in the same quarter of 2018

In the second quarter of 2021, the annualised GDP of the Western Cape (R648.830 billion) was similar to that of the second quarter of 2018 (R648.479 billion).

GDP per capita of the Western Cape

GDP per capita⁷ is considered as an important indicator to make cross country and regional comparisons of average living standards and economic wellbeing.

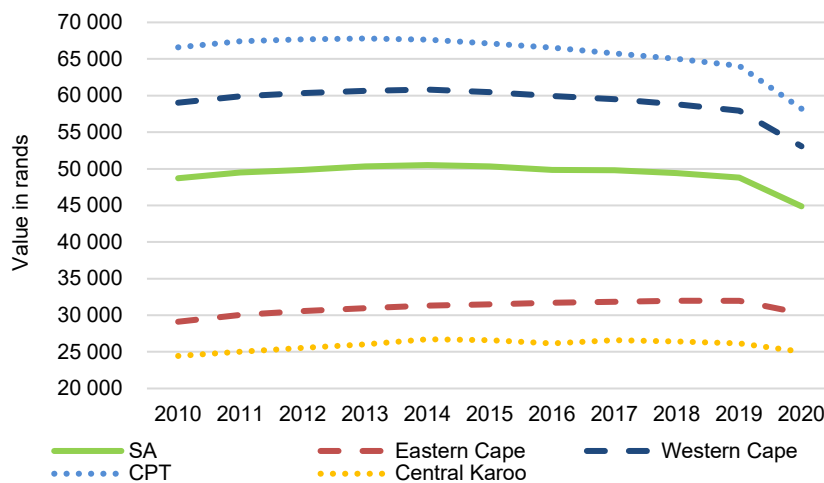
Figure 1.5 below shows that GDP per capita has deteriorated in South Africa, the Western Cape and Cape Town since 2015, whilst GDP per capita for the Eastern Cape expanded marginally and Central Karoo remained constant over this period, albeit off a lower base.

⁵ Western Cape GDP statistics from quarter 1 of 2020 onward are estimations

⁶ Regional Gross Domestic Product measured in constant (2015 base year) and market prices.

⁷ Real GDP at basic prices (2010 baseline prices).

Figure 1.5 GDP per capita for South Africa, Western Cape, Eastern Cape, City of Cape Town and Central Karoo, 2010 – 2020



Source: Quantec, own calculations

Over the past decade, the Western Cape reached its highest GDP per capita⁸ in 2014 at R60 823 and declined by 12.7 per cent to R53 077 in 2020. The decline is a result of average population growth (2.0 per cent, per annum) exceeding average GDP growth (1.0 per cent, per annum) over the same period.

GDP per capita in 2020 was lower than its 2010 levels in all provinces except the Eastern Cape. Between 2011 and 2019 the Eastern Cape recorded the largest average expansion in GDP per capita (1.0 per cent), largely due to recording the lowest average population growth over this period (0.2 per cent).

Within the Western Cape, the Central Karoo along with the Garden Route district recorded the highest average GDP per capita growth (0.8 per cent) between 2011 and 2019. The Central Karoo also recorded the lowest average population growth (0.6 per cent) over the same period. In contrast the City of Cape Town's GDP per capita declined on average by 0.4 per cent between 2011 and 2019, whilst the Metro's population increased on average by 2.1 per cent.

Outlook for the Western Cape economy

The Western Cape economy will follow the recovery path of the national economy with expected growth of 5.3 per cent in 2021 and 1.4 per cent in 2022, (see Table 1.2). Positive growth is anticipated in 2021 across all sectors, as sectors and regional economies are expected to open fully and gradually return to their pre-pandemic output levels.

The Western Cape economy is expected to expand with 5.3% in 2021 and 1.4% in 2022

⁸ Measured in constant values (2015 base year) in market prices.

The Agriculture sector is projected to record the highest growth rate of 11.3 per cent in 2021 following an estimated 12.4 per cent expansion in 2019. Other sectors expected to make a robust recovery in 2021, after large contractions in 2020, are Manufacturing (5.4 per cent), Private Services (5.3 per cent) and Construction (4.2 per cent). The General Government sector is expected to record the lowest growth rate in 2021 (0.1 per cent), largely due to expected fiscal consolidation measures over the medium term.

Table 1.2 Western Cape economic outlook, 2021 - 2022

Description	2019	2020e	Forecast average		
			2021f	2022f	(2020 - 2022)
Agriculture, forestry and fishing	-7.3	12.4	11.3	3.9	9.2
Manufacturing	-1.0	-10.6	5.4	2.2	-1.0
Construction	-2.0	-20.6	4.2	6.0	-3.5
Other	-2.9	-7.7	3.0	0.9	-1.3
General government services	1.9	0.0	0.1	0.8	0.3
Private services	1.2	-5.0	5.3	0.9	0.4
GDPR at Market Prices	0.3	-5.5	5.3	1.4	0.4
GDPR at Basic Prices	0.3	-5.0	5.0	1.3	0.4

Note: e denotes estimates and f denotes forecast, GDPR in Market prices and 2015 base year

Source: Quantec Research, 2021 (market prices, 2015 base year)

The outlook for the Tourism sector in 2022 remains slightly negative

The outlook for the Tourism sector in 2022 remains slightly negative due to the anticipated fourth wave, vaccine hesitancy and the possible impact of new Omicron variant. This might negatively impact the number of foreign tourists to the Province who, on average, spend almost four times as much as domestic tourists. However, the lifting of bans on international travel in most countries is expected to contribute towards improved economic activity in the sector.

Labour market trends

Positive growth anticipated in 2021 for all sectors

The COVID-19 pandemic and its associated lockdown measures have worsened the structural unemployment challenges in South Africa. Although the economic recovery is underway, a significant positive impact on employment has not yet materialised.

Employment

The growth in the number of employment opportunities is a key determinant in reducing unemployment levels, improving socio-economic conditions and general wellbeing, as well as reducing inequality.

According to the third quarter Quarterly Labour Force Survey (QLFS) of 2021, 14.282 million people were employed in South Africa of which 2.225 million were employed in the Western Cape. Nationally, these employment levels are still 2.246 million or 13.6 per cent lower than the highest employment levels reached over the past decade (fourth quarter of 2018). Similarly, the latest employment level in the Western Cape is 304 225 or 12.0 per cent lower than its peak employment level of the past decade reached in the first quarter of 2018.

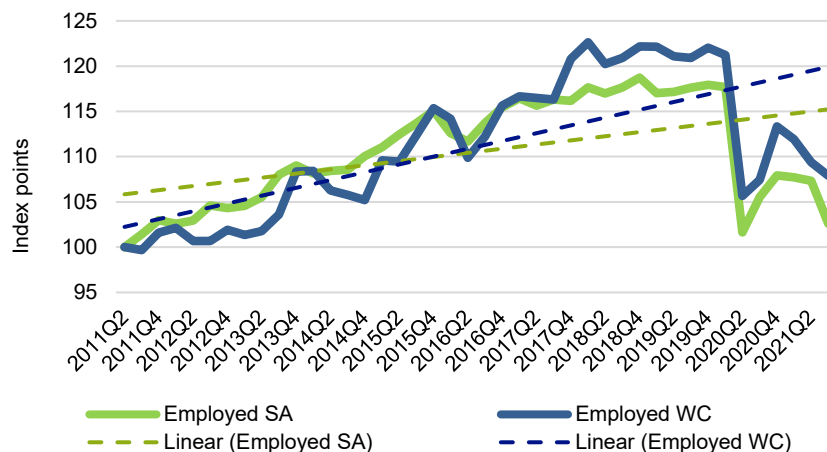
In the third quarter of 2021, employment levels in the Western Cape declined less severely than for South Africa. The reason for the smaller decline in employment numbers in the Province can be mainly attributed to sharper national declines in the quarterly employment performance of the Agriculture, forestry and fishing (Western Cape, South Africa 6.5 per cent vs South Africa - 3.8 per cent) and Manufacturing (Western Cape, South Africa 6.7 per cent vs South Africa -0.9 per cent) sectors.

The COVID-19 lockdown measures which were mainly implemented in the second quarter of 2020 had a substantially negative impact on employment levels in the Western Cape. During this quarter, 321 288 employment opportunities were lost, of which 45 976 jobs or 14.3 per cent were recovered by the third quarter of 2021.

Figure 1.6 below provides an overview of long-term employment trends in South Africa and the Western Cape. The figure shows employment growth between the first quarter of 2011 up to the first quarter of 2018, after which a two-year plateau was reached in the Western Cape. Nationally the employment plateau was reached earlier in the first quarter of 2017, after which employment growth was sluggish. The data shows a clear divergence in employment growth between South Africa and the Western Cape since the end of 2016.

A clear divergence in employment growth between South Africa and the Western Cape since the end of 2016

Figure 1.6 Cumulative growth of national and provincial employment, 3rd quarters of 2011 – 2021



Note: Index points measures cumulative growth from a predetermined time period while discarding scale. (100 index points = 2010).

Source: Stats SA, 2021

By the third quarter of 2021, the employment levels in the Western Cape were still marginally less than the employment levels in the fourth quarter of 2013 (2.235 million).

Unemployment

South Africa has among the highest unemployment rates in the world. High unemployment increases inequality, impacts the socio-economic fabric of society and weakens social cohesion.

By the third quarter of 2021, the narrow unemployment rate⁹ of South Africa was 34.9 per cent, the highest in the country’s history. This means that 7.643 million South Africans were available for work and were actively seeking employment opportunities but were unemployed during the quarter.

In the same quarter, the Western Cape’s unemployment rate was 26.3 per cent with 794 096 unemployed individuals actively seeking work. The provincial unemployment rate in the second quarter of 2021 was 9.7 percentage points higher than the unemployment rate in the second quarter of 2020 and at its highest level over the past decade.

Figure 1.7 shows the long-term unemployment trends for South Africa and the Western Cape between the third quarter of 2011 and 2021. The figure shows that over a ten-year period, the national

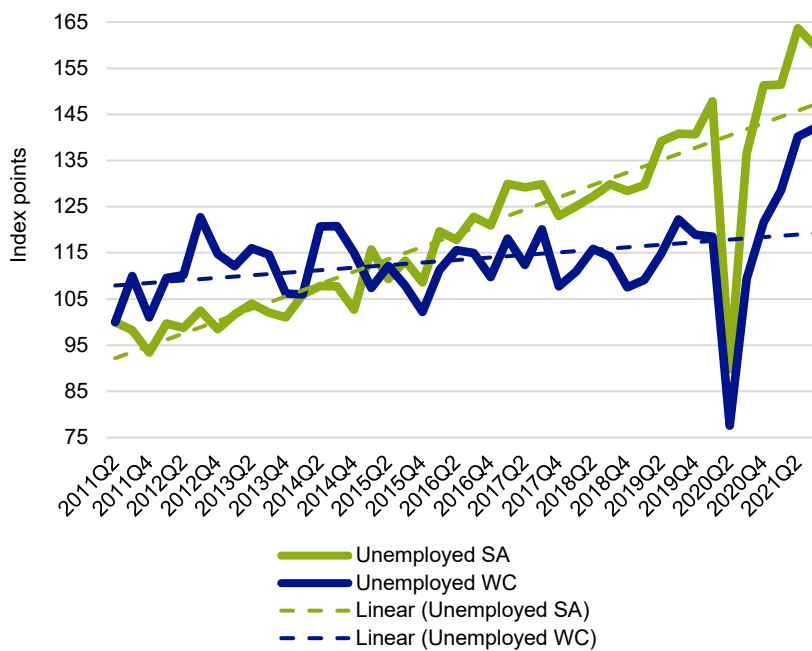
⁹ Comprises all persons who are employed, plus all persons who are narrowly unemployed.

In the third quarter 2021 the unemployment rate in the Western Cape was 26.3%

growth in unemployment was worse than that of the Western Cape. By the second quarter of 2015, a gap between the national and provincial unemployment growth rate had started to emerge. Over the period, national unemployment grew by 59.8 per cent whilst provincial unemployment increased by 42.0 per cent.

The Western Cape's relatively lower unemployment growth can be attributed to a lower narrow labour force growth (-2.1 percentage points) and higher employment growth (5.3 percentage points) over the same period. Between the second quarters of 2011 and 2021, the Western Cape's GDP also outperformed the national GDP by 2.7 percentage points.

Figure 1.7 Cumulative growth of national and provincial unemployment, 3rd quarters 2011 – 2021



Source: Stats SA, 2021

Education attainment

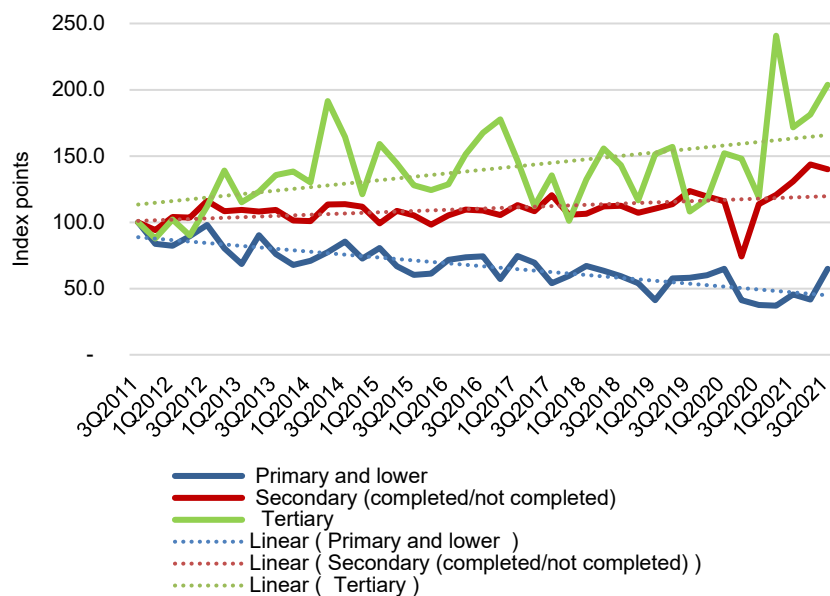
Education attainment levels play a key role in the probability of being unemployed. An individual with a tertiary qualification has a lower probability of being unemployed than an individual without a tertiary qualification.

In the third quarter of 2021, the unemployment rate in the Western Cape for those with tertiary qualification levels was 7.9 per cent. In comparison, the unemployment rate for individuals with secondary (completed/not completed) qualification levels¹⁰ was 31.1 per cent, and for those with primary and lower qualification levels¹¹ was 34.0 per cent.

However, unemployment among individuals with tertiary qualifications has grown the most over the last ten years (103.8 per cent). In comparison, unemployment levels for those with secondary (completed/not completed) qualifications grew at a slower rate (39.9 per cent), while the unemployment figures for those with primary and lower qualifications declined by 35.2 per cent (see Figure 1.8).

Unemployment among tertiary qualified has grown the most over the last ten years

Figure 1.8 Cumulative growth of unemployment per education levels in the Western Cape, (third quarters of 2011 - 2021)



Source: Stats SA, 2021

¹⁰ Refers to Grades 8 to 12

¹¹ Refers to Grades 0 to 7

The decline in the unemployment numbers for individuals with primary and lower educational qualification levels can largely be explained by their exiting the labour force as discouraged work seekers. Since the start of the fourth quarter of 2011, the participation in the labour force by the primary and lower education cohort has declined by 43.9 per cent, while participation has increased with those individuals holding tertiary qualifications (51.8 per cent) and secondary qualifications (completed/not completed), (15.1 per cent).

The labour force among the primary and lower education cohort has contracted by 43.9% since the fourth quarter of 2011

Since the start of the second quarter of 2020, the unemployment rates for the tertiary (1.3 percentage points), secondary (completed/not completed) (6.7 percentage points) and primary and lower (11.1 percentage points) education cohorts have deteriorated.

Youth unemployment

Youth unemployment remains a key challenge in the Western Cape and South Africa. The underlying unemployment statistics for the youth¹² highlights the vulnerability of young people in the labour market.

In the third quarter of 2021, the youth contributed 41.5 per cent of the labour force and 58.1 per cent of all unemployment in the Western Cape. The disproportionately large contribution of the youth to total unemployment was due to their relatively high unemployment rate of 36.8 per cent. However, the youth unemployment rate is significantly higher at a national level (49.3 per cent).

High youth unemployment rate for both the Western Cape (36.8%) and South Africa (49.3%)

The youth labour force had a notably smaller portion of individuals with tertiary qualifications (19.7 per cent) than older age cohorts¹³ (22.6 per cent). This is due to young people typically not yet attaining tertiary qualifications at such an early age.

However, the relatively smaller portion of the tertiary qualified labour force among the youth cannot explain its higher unemployment rate entirely. When compared with the older age cohort, the youth had higher unemployment rates within all the main education attainment cohorts. This includes individuals with tertiary qualifications (13.4 vs 4.5 per cent), secondary (completed/not completed) qualifications (42.5 vs 22.2 per cent) and primary and lower qualifications (48.3 vs 29.5 per cent) education cohorts.

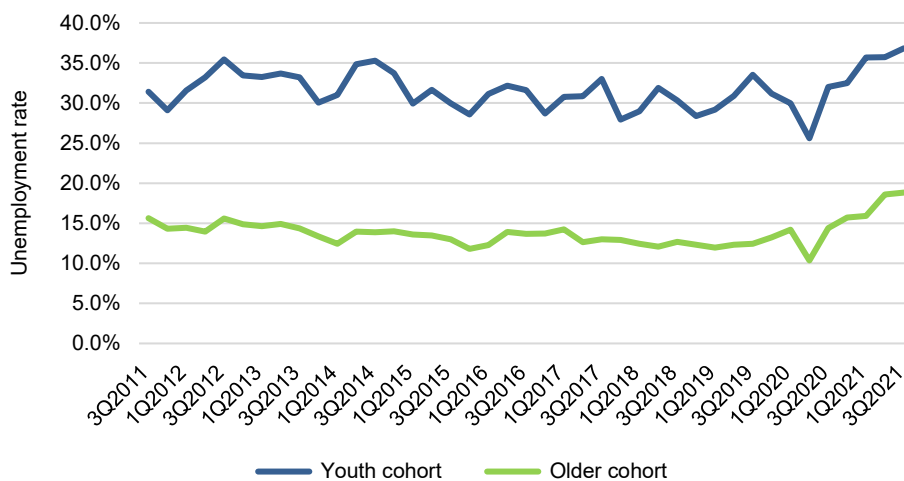
Between the third quarters of 2011 and 2021, the unemployment rates deteriorated for both the youth (5.3 percentage points) and older age cohorts (3.2 percentage points), (see Figure 1.9).

¹² Refers to ages 15 to 34.

¹³ Refers to all ages above 34 years.

Between the second quarter of 2020 and third quarter of 2021, the number of unemployed among the older age cohort deteriorated by 172 618, whilst the unemployment for the youth age cohort increased by 187 802. However, the older age cohort was relatively more severely affected in the aftermath of the economic slump in the second quarter of 2020, with unemployment that increased by 108 per cent compared to an increase of 68.6 per cent in the youth age cohort.

Figure 1.9 The unemployment rate for youth and older age cohorts in the Western Cape, (third quarters of 2011 - 2021)



Source: Stats SA, 2021

Socio-economic developments

With economic growth and prosperity comes potential increased employment, improved health, lower crime, and better living conditions. Communities with higher levels of education, good health and low crime rates are better equipped to take advantage of economic opportunities.

Inequality

Inequality fuelled by growing unemployment and sluggish economic growth, remains a persistent problem in the Province and South Africa. While the Gini index¹⁴ for the Western Cape remains marginally lower than the rest of the country from 2012 to 2020, rising inequality is still being experienced in the Province. The Gini index

¹⁴ The Gini index is a measure of the distribution of income across a population. A higher Gini index indicates greater inequality, with high-income individuals receiving much larger percentages of the total income of the population.

increased from 0.6 in 2012 to 0.625 in 2020 in the Western Cape but remains below South Africa's Gini index of 0.635.

Population dynamics

The age composition and growth rate of the Western Cape population plays an important role in both the economy and socio-economic dynamics. The Western Cape population in 2021 is estimated at 7.1 million, accounting for 11.8 per cent of the national population. Between 2016 and 2020, the Western Cape average population growth (1.9 per cent) exceeded the national average population growth (1.5 per cent). One of the potential outcomes of higher population growth is higher GDP growth due to a larger labour force and rising consumer demand.

WC population estimated at 7.1 million, 11.8% of the national population

The Western Cape is also experiencing population growth from in-migration on top of organic growth. Between 2016 and 2020, the Western Cape received a net in-migration of 292 521 people, representing 46 per cent of total population growth. This growth, often associated with informal dwelling increases, places increased pressure on the Province's health, education, municipal and social services, and associated public infrastructure.

Between 2016 and 2020, the Western Cape received a net in-migration of 292 521 people

The Western Cape consistently has the highest life expectancy at birth for both males and females, over time, compared to other provinces in South Africa. Between 2016 and 2021, average life expectancy for females is estimated at 70.3 years, while males is estimated at 64.9 years.

The Western Cape population is getting older. The share of the elderly people (60 years +) increased from 8.5 per cent in 2010 to 10.3 per cent in 2020, whilst the children's (ages 0 - 19) share of the total population declined from 63.6 per cent in 2010 to 58.2 per cent. With relatively fewer children and more elderly citizens, the growth in demand for healthcare may increase at a faster pace than education.

Education

Like the previous academic year, the 2021 academic year was interrupted due to the COVID-19 pandemic, with schools closing for extended periods. Learner enrolment in ordinary public schools increased from 999 914 in 2016 to 1 096 637 in 2021, increasing on average by 1.8 per cent per annum in the Province. Projections from the NIDS-CRAM¹⁵ surveys indicate that between March 2020 and June 2021, most primary school learners in South Africa lost between 70 and 100 per cent (i.e. a full year) of learning relative to the 2019 cohort. Cumulative learning losses (including both learning

¹⁵ The National Income Dynamics Study – Coronavirus Rapid Mobile Survey (NIDS-CRAM)

regression and forgetting) could exceed a full year of learning due to COVID-19, as learners move through the school system.

Despite the disruptions, 73 966 candidates wrote the 2021 November National Senior Certificate (NSC) exams in the Western Cape. This included 59 849 full-time candidates and 14 117 part-time candidates. This was an increase of 9.3 per cent in full-time candidates and 33.3 per cent in part-time candidates who wrote these exams in November 2020.

79.9% of the Western Cape candidates that wrote the NSC in 2020 passed

In 2020, 79.9 per cent of Western Cape candidates that wrote the NSC, passed. While all provinces recorded a decline in pass rates from 2019 to 2020, the Western Cape's pass rate declined the least of any province. The pass rate for the Province declined by 2.4 percentage points compared to 2019. This is in contrast to the average national decline of 5.1 percentage points.

Health

The Western Cape continues to analyse data to better understand the risks that COVID-19 presents to all its programmes, and particularly to health care services. According to Western Cape health data, those aged 50 years and older were 7.5 times more likely to die of COVID-19, compared to younger age groups. Men were 1.4 times more likely to die from the virus than women, and those with comorbidities have a much higher chance of dying. Premier Alan Winde also announced that the Western Cape exited the third wave of COVID-19 at the end of September 2021.

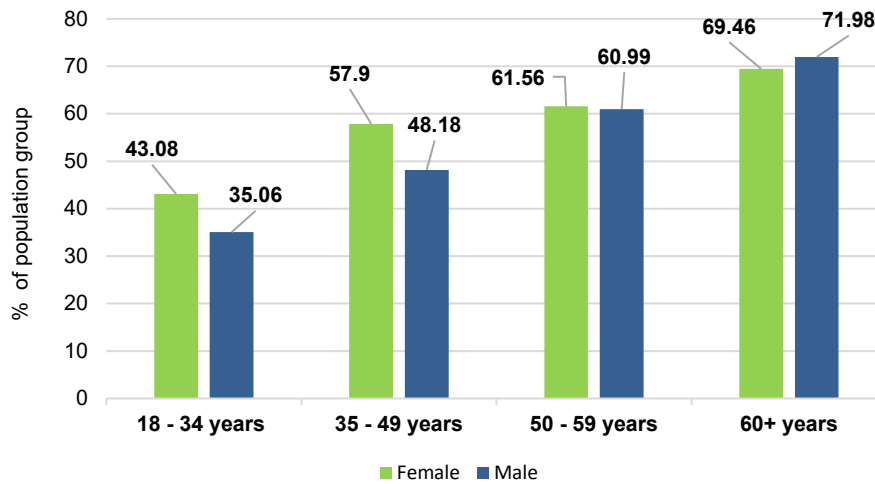
The latest COVID-19 variant (Omicron) was identified by South African scientists on 24 November 2021. The potential impact of the variant on the health system is still unknown. The Omicron variant is currently associated with mild symptoms and no hospitalisations.

As of 02 December 2021, the Western Cape had 519 797 cumulative confirmed cases of which 2 999 was active cases. A total of 20 252 deaths had been registered representing 22.5 per cent of national COVID-19 mortalities.

By 02 December 2021, 50.89 per cent of the adult population was vaccinated (fully or partially) in the Western Cape

The Western Cape has also reached an important milestone of administering over 4 million vaccines in the Province. As of 02 December 2021, 4.208 million vaccinations have been administered. The Western Cape is currently the leading Province in terms of the share of adult population vaccinated (fully or partially) at 50.89 per cent.

Figure 1.10 Vaccination percentage per age and gender group, Western Cape, 02 December 2021



Source: Western Cape Department of Health, 2021

The vaccination rate in the Western Cape increases with age, (see Figure 1.10). Females had the highest vaccination rate for the three younger age cohorts (18-59 years). Males aged 18 to 34 had the lowest share of vaccinations whilst males of 60+ years had the highest share of vaccinations.

With higher vaccination rates, there is a reduced burden on the health system to cater for critical care associated with COVID-19, allowing the economy to stay open for business even with higher infection rates, and thus aiding the economic recovery of the Province.

Burden of disease

The leading causes of deaths in the Western Cape were diabetes mellitus (7.6 per cent), followed by ischaemic heart diseases (6.1 per cent) and cardiovascular diseases (5.9 per cent). Non-communicable disease (measured in the years of life lost per 100 000 people) increased in most districts in the Western Cape by approximately 5 per cent. The Western Cape follows a similar pattern to the rest of the country in terms of life expectancy patterns and a surge in the aging population. The health system is thus paying increasing attention to the prevalence of non-communicable diseases (hypertension, diabetes, and cardiovascular diseases) that increase with age, and are known co-morbidities associated with the COVID-19 pandemic.

Mental Health

The COVID-19 pandemic has had a profound effect on mental health in the entire country. According to the Western Cape Department of Health, the loss of employment during the epidemic

has been associated with an increase in depressive symptoms among working-age people.

There has been a 52 per cent increase in depressive symptoms since the start of the pandemic. A survey conducted by Mudiriza and De Lannoy (2020) found that 72.2 per cent of South Africans between 18 - 35 year-olds manifested depressive symptoms. The Wave 2 NIDS CRAM survey reported that depressive symptoms were more prevalent amongst male workers.

Although lockdowns and social distancing measures were implemented to curb the transmission of the virus and ease the burden of COVID-19 on the healthcare system, the unintended consequences of these restrictions have given rise to an additional mental health burden in society with implications for the health system.

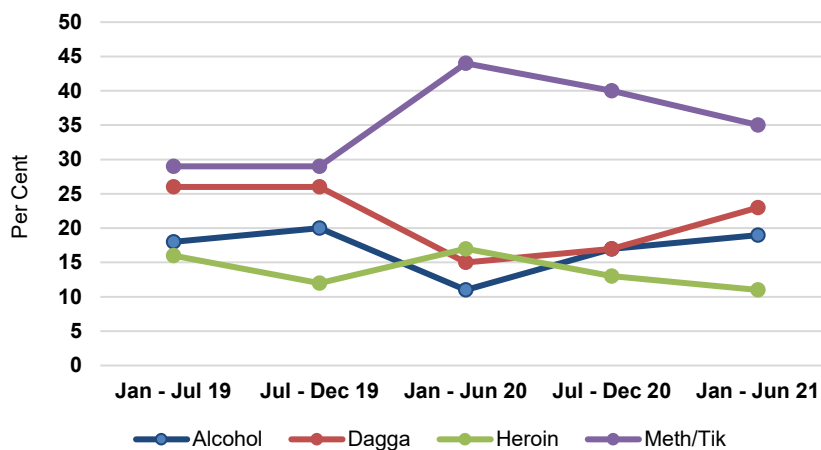
Substance abuse

Substance abuse remains a driver of crime in our communities and a significant contributor to social and health related problems. These include missing work or school, using these substances in dangerous situations such as driving a car, and damaging friendships and family-relationships. Substance abuse refers to the abuse of illegal substances, such as dagga (marijuana), heroin, cocaine or meth/tik (methamphetamine). It also refers to the abuse of legal substances, such as alcohol, nicotine or prescription medicines.

Between the first half of 2020 and 2021, an increase in patients accessing treatment for substance abuse was observed in the Province. Overall, 2 339 patients were treated across all treatment centres in the Western Cape between January to June 2021. The mean age of patients being treated for substance abuse in the Province was 32 years.

According to a study conducted by the Universities of Cape Town and Stellenbosch, there were on average 4.8 fewer trauma patients per day during lockdown levels, which included an outright alcohol sales ban, than corresponding periods in 2019. The study collected data from the emergency centre in Mitchells Plain Hospital between 01 March 2020 and 29 September 2020 and compared it to data from the same period in 2019. There was an 18.7 per cent reduction in trauma cases when the alcohol ban was reinstated during the subsequent level 3 lockdown.

Figure 1.11 Top four primary substance abuse admissions for treatment in the Western Cape, (first semester 2019 - 2021)



Source: SACEDU, 2021

The top four primary substances of use reported over this period were meth/tik (methamphetamine) (35 per cent), dagga (marijuana), (23 per cent), alcohol (19 per cent) and heroin (11 per cent) (see Figure 1.11). A significant increase in dagga patient admissions was observed for those younger than 20, from the start of the first half of 2020 and the first half of 2021. Patients aged 20 to 55 years old mainly reported using meth while those 56 and older were mainly linked to alcohol abuse (72 per cent).

Crime

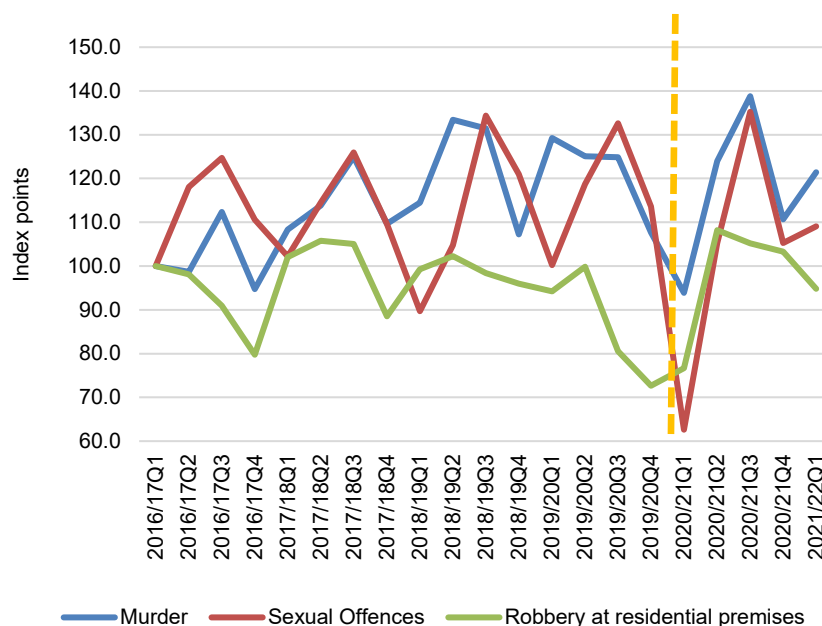
Crime has a negative effect on the quality of life, general wellbeing and economic development of a society. The adverse impacts of crime on individuals and communities includes increased fear, higher insurance premiums, lower property prices, deterrence of new business investments and closing of existing businesses.

Between the first quarters of 2016/17 and 2021/22, the number of murders and sexual offences increased by 21.4 per cent and 9.0 per cent respectively, while the number of robberies at residential premises declined by 5.2 per cent, (see Figure 1.12).

The COVID-19 lockdown measures (represented by the yellow line) had a substantial impact on general crime levels reported in the Province. In the first quarter of 2020/21, the number of murders (-12.8 per cent) and sexual offences (-44.9 per cent) declined while the number of robberies at residential premises (5.5 per cent) increased.

The lockdown in the first quarter of 2020/21 reduced reported sexual offences by 44.9%

Figure 1.12 Quarterly cumulative growth of crime reported in the Western Cape, (first quarters of 2016/17 to 2021/22)



Source: SAPS, own calculations

The decline in crime levels for most crime categories in the first quarter of 2020/21 was followed by a crime surge as lockdowns eased in subsequent quarters. Robberies at residential premises (752 cases) reached its highest level in five years in the second quarter of 2020/21, whilst murders (1 134 cases) and sexual offences (2 138) cases) reached its five-year peak levels in the third quarter of 2020/21.

The Law Enforcement Advancement Plan (LEAP) is part of the Western Cape Safety Plan to reduce crime rates in the Province by having “boots on the ground” in crime hotspot areas. To date, the total number of officers deployed is over 800 with a target of 1 000 officers deployed by the end of 2021. LEAP officers work to increase visible policing in the identified crime hotspots in the Metro. On a weekly basis, the law enforcement officers are searching more than 7 000 suspicious people and 700 vehicles in hotspot areas.

Conclusion

South Africa and the Western Cape is currently experiencing an economic recovery after the 2020 recession. However, employment growth is lagging, and unemployment remains stubbornly high. Economic and socio-economic recovery is further constrained by emergence of the Omicron variant, a possible COVID-19 fourth wave in December 2021 and surging crime levels.

2

Western Cape Government Fiscal Strategy

In summary

- The programme of national fiscal consolidation continues. Spending is forecast to decline from 30.7 per cent of GDP in 2021/22 to 28.6 per cent of GDP in 2024/25. This will reduce the projected consolidated budget deficit from 7.8 per cent of GDP in 2021/22, to 4.9 per cent in 2024/25.
- Key budgetary, service delivery and governance risks were identified for the 2022 MTEF, including the deterioration of the provincially-owned infrastructure asset base; unemployment, particularly among youth; the spread of COVID-19; and service delivery pressures. The Western Cape Government's Fiscal Strategy and related fiscal principles respond to the prevailing and emerging medium term budget and service delivery risks.
- The objective of the 2022 MTEF Budget is to support reopening and recovery in the Western Cape by supporting the budget priorities of the Province and applying the fiscal principles of the Western Cape Government's Fiscal Strategy.

Introduction

The Western Cape Government's (WCG) Fiscal Strategy responds to the economic context and the prevailing and emerging medium term budget policy risks facing the Province. The objective of the 2022 Medium Term Expenditure Framework (MTEF) Budget is to enable the Western Cape to be ready to reopen and recover.

The WCG will give effect to the budget objective by prioritising sustaining the fight against the COVID-19 pandemic, including the successful rollout of the vaccination programme; supporting the Western Cape Recovery Plan priorities of Jobs, Safety and Wellbeing; protecting frontline services, including education, health and social development; supporting effective local governance, particularly in the aftermath of the local government elections;

rebalancing the composition of expenditure by increasing spending on infrastructure; significantly improving the efficiency of expenditure by driving value for money; promoting transparency of expenditure in procurement; mitigating risks including drought, fire and flooding; and ensuring long-term fiscal sustainability through beginning to replenish provincial reserves.

■ Medium term national fiscal context and risks

National fiscal environment

National MTBPS aims to achieve long-term fiscal sustainability through reducing the budget deficit and stabilising debt

The overarching objective of the 2021 national Medium Term Budget Policy Statement (MTBPS) is to foster long-term fiscal sustainability, which is focused on fiscal consolidation by reducing the budget deficit and stabilising the debt-to-GDP ratio. Higher tax revenues associated with the recent commodity price surge will be utilised to narrow the budget deficit while supporting economic growth, job creation and social protection, and to cover the costs of the public-service wage agreement.

National gross debt-to-GDP has increased from 57.4 per cent in 2019/20 to 70.7 per cent in 2020/21. Since 2007/08, public debt has increased seven-fold, from R577 billion in 2007/08 to over R4 trillion in 2021/22. In 2020/21, revenue is projected to be R1.5 trillion compared to the R1.4 trillion tabled in the 2021 Budget in February this year. Gross loan debt amounts to 292.2 per cent of annual revenue. As part of government's commitment to narrow the budget deficit, the consolidated budget deficit is expected to be 7.8 per cent of GDP in 2021/22, gradually declining to 4.9 per cent in 2024/25.

In terms of the national primary balance, projections indicate a primary budget surplus – where revenue is higher than non-interest spending - by 2024/25. Gross loan debt is expected to stabilise at 78.1 per cent of GDP in 2025/26. This compares favourably with the 2021 Main Budget estimate of 88.9 per cent of GDP. Debt service costs are the fastest growing spending item on the fiscus, and debt financing is running behind schedule.

Risks to the fiscal outlook include weaker economic growth and increasing funding pressures

Significant risks to the national fiscal outlook arise from weaker domestic economic growth, revenue increases that could be short-term and increasing funding pressures from departments and state-owned companies, and adverse external conditions such as higher global interest rates, supply chain disruptions, higher inflation and tighter monetary policy.

Implications of Compensation of Employees

The 2021 Budget, which was tabled in February this year, proposed large reductions in employee compensation to ensure fiscal sustainability. Over the medium term, government institutions will continue to manage headcounts and compensation to remain within available budgets. However, the recent public service wage agreement breached the budget ceiling for Compensation of Employees (CoE) by R20.5 billion. A specific additional risk to the fiscal framework now lies with the judiciary. If the Constitutional Court overturns the Labour Appeal Court's decision that the 2018 wage agreement was unlawful and that government could not be compelled to honour it, the state may be required to implement that agreement retrospectively. This would have significant effects on the fiscal framework as government would have to consider a reduction in the size of the public service and other fiscal adjustments.

Western Cape Fiscal Risk Statement

Global risks

The top global risks as identified in the World Economic Forum (WEF) annual Global Risks Report, 2021, are categorised as Geopolitical, Economic, Social, Technological and Environmental (Figure 2.1).

Figure 2.1 World Economic Forum, 2021 Top Global Risks

Geopolitics	Economics	Social	Technological	Environmental
<ul style="list-style-type: none"> • Collapse of Multilateralism • Fracture of interstate relations • Geopoliticisation of strategic resources • Interstate conflict • State collapse • Terrorist attacks • Weapons of mass destruction 	<ul style="list-style-type: none"> • Asset bubble burst • Industry collapse • Debt Crisis • Failure to stabilise price trajectories • Illicit economic activity • Economic prolonged stagnation • Commodity shocks 	<ul style="list-style-type: none"> • Social security systems collapse • Livelihood crisis • Erosion of social cohesion • Failure of public infrastructure • Infectious diseases • Involuntary migration • Backlash against science • Mental Health deterioration • Youth disillusionment 	<ul style="list-style-type: none"> • Adverse technological advancements • Breakdown of information infrastructure • Digital inequality & Power concentration • Failure of technology governance 	<ul style="list-style-type: none"> • Biodiversity loss and ecosystem collapse • Climate action failure • Extreme weather events • Human environmental damage • Geophysical disasters • Natural resources crisis

Source: World Economic Forum Global Risks Report, 2021

Short-term risks include employment and livelihood crises and youth disillusionment

The WEF report categorises these risks into short-term (0 - 2 years), medium-term (3 - 5 years) and long-term risks (5 - 10 years).

The highest likelihood risks of the next ten years are extreme weather patterns, climate action failure and human-led environmental damage, digital inequality and cybersecurity failure. The highest impact risks of the next decade include infectious diseases followed by climate action failure and other environmental risks, weapons of mass destruction, livelihood crises, debt crises and Information Technology infrastructure breakdown.

In relation to the time-horizon within which these risks become a critical threat, those that are most likely over the short-term include employment and livelihood crises, widespread youth disillusionment, digital inequality, economic stagnation, human-led environmental damage, erosion of social cohesion and terrorist attacks.

Medium-term risks include asset bubbles, price instability, commodity shocks and debt crises

Over the medium term, economic risks feature more prominently, including asset bubbles, price instability, commodity shocks and debt crises, followed by geopolitical risks, including interstate relations and conflict. Over the long-term, environmental risks such as biodiversity loss, natural resource crises and climate action failure dominate, alongside weapons of mass destruction, adverse effects of technology and collapse of states or multilateral institutions.

These global risks affect the economic, fiscal and policy environments across the three spheres of government.

National risks

The Institute of Risk Management South Africa (IRMSA) reports annually on risks relevant to the South African landscape. In 2021, IRMSA identified the top risks facing South Africa as:

- Scarcity of unified, ethical and visionary leadership;
- Continuing private and public governance failures;
- Failure to root out and/or curb deeply entrenched corruption;
- Shifts in consumer behaviour;
- Failure to move forward in reforming the national health system;
- Deepening structural inequality;
- Failure to recalibrate education and skills development;
- Extreme weather events, natural disasters and climate change;
- Youth under increasing pressure – the lost generation;
- Disruptive technologies;

- Cyber risk; and
- Prolonged deep economic recession and/or economic collapse.

The global and national risks indicated above were, where relevant, taken up in the provincial risk profile and assessed based on the provincial mitigations in place.

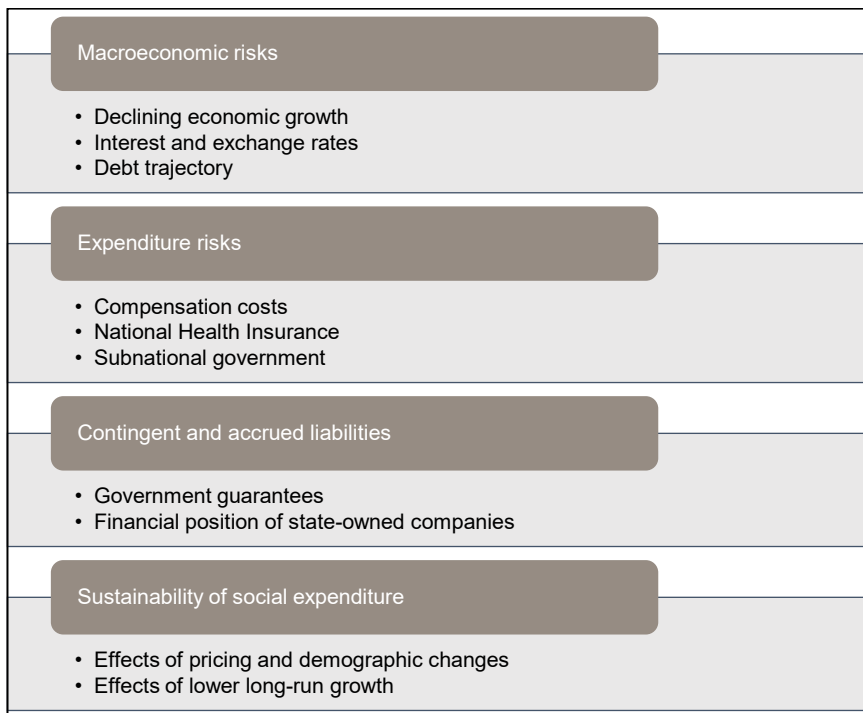
Global and national risks are included in the provincial risk profile

National fiscal risks

At a national level, the medium- and long-term risks to the public finances are outlined in Figure 2.2. The national economy has been declining since the 2008 global financial crisis. This has resulted in declining economic growth, weakening exchange rates, and an increase in the ratio of public sector debt-to-GDP. The downward economic trend has inevitably led to shortfalls in national tax revenue, and subsequent budget deficits. National fiscal risks directly impact on the fiscal framework of the Western Cape as the Province is dependent on 93.5 per cent of its revenue from national government over the 2022 MTEF.

National fiscal risks directly impact the Western Cape Fiscal Framework

Figure 2.2 National fiscal risk framework



Source: National Medium Term Budget Policy Statement

The most significant risks to the medium-term fiscal framework include:

- A slowdown in economic growth, a reversal of the commodity cycle or tightening of global financial conditions that would negatively affect government revenues.

- The evolution of COVID-19 and slow progress in vaccine rollout that reinforces uncertainty and poses risks to economic recovery.
- Slow implementation of structural reforms that continue to weigh on business confidence and private investment. Electricity supply constraints, which could worsen over the short term, are a drag on economic growth. In contrast, progress on energy reforms poses upside risks to fixed investment and the overall economic outlook.
- A further deterioration in the public finances due to various spending pressures and the materialisation of contingent liabilities that could trigger further credit rating downgrades. Contingent liabilities represent financial commitments that government may have to fulfil in future if particular events materialise. Contingent liabilities include government guarantees to state-owned companies, the Renewable Energy Independent Power Producer Programme, public-private partnerships and obligations to the Road Accident Fund and other social security funds.
- Pressures on the government wage bill ceiling that could undermine fiscal consolidation measures (National Treasury, 2021).

Western Cape medium term risks

Fiscal pressure and rising service delivery demands challenges the sustainability of current service delivery models

The economic, social and fiscal context has a direct, severe and negative impact on the provincial fiscal outlook. This fiscal pressure, alongside rising service delivery demands, has fundamentally challenged the sustainability of current models of service delivery.

All provincial departments are facing pressure to respond to the elevated service delivery demands, while remaining responsive to significant uncertainties and risks. The provincial fiscus is not able to respond to these demands and risks, given the sustained and increasingly rapid reduction in available resources.

ERM enables a more citizen-centric approach during risk identification

The WCG has aligned the provincial approach to risk management as part of the institutionalised Enterprise Risk Management (ERM) process. The ERM methodology identifies and assesses risks by likelihood and impact based on a pre-defined matrix. It requires the identification of mitigation measures (or controls) that can include, but are not limited to, changes to policy commitments and service delivery models. ERM enables a more citizen-centric approach during the identification of risks, while ensuring that the causes and impacts of risks are considered and assessed from a citizen perspective.

Key risks were identified for the 2022 MTEF under each of the Western Cape Recovery themes of Jobs, Safety and Wellbeing. The risk analysis process identified those risks requiring early mitigation through non-fiscal measures and those requiring a fiscal and budgetary response. These risks are summarised in Table 2.1.

Table 2.1 Provincial risks by recovery plan theme

Recovery Plan theme	Risks	Risks requiring early mitigation	Pressures
Jobs	Climate change and water security	<ul style="list-style-type: none"> Addressing climate change, water security, waste management, drought, fire and flooding. 	<ul style="list-style-type: none"> Growing maintenance backlogs for provincial roads. Need to accelerate regulatory reforms to enhance the ease of doing business. Volatility in funding for public employment programmes.
	Regression of provincially owned infrastructure asset base	<ul style="list-style-type: none"> Infrastructure Investment and growing maintenance backlog on WCG Facilities and Roads. Deteriorating public transport systems and urban mobility. 	
	Unemployment	<ul style="list-style-type: none"> Youth unemployment. 	
Safety	Safety	<ul style="list-style-type: none"> Rising crime levels, post pandemic. Security provision for Agriculture assets, social workers and in schools. 	<ul style="list-style-type: none"> Continued support for the Safety Plan, including maximizing impact of LEAP funding.
Wellbeing	Spread of COVID-19	<ul style="list-style-type: none"> Approach to mainstreaming COVID-19. Housing market failures and growth of informal settlements. Mental health pressures on individuals and families. Early Childhood Development (ECD) function shift, service access needs and the WCG's medium-term response. 	<ul style="list-style-type: none"> Learner enrolment growth, learning losses and learner retention. Requirement for a coordinated whole-of-society approach to mental health pressures. Rising medico-legal claims due to growing risks of adverse events in obstetric and neonatal services required. Financial pressures on Non-Profit organisations that deliver key social services. Sustainability of provincial human settlements programmes. Demand for humanitarian relief due to high and rising levels of community vulnerability.

Recovery Plan theme	Risks	Risks requiring early mitigation	Pressures
Transversal	Fiscal sustainability	<ul style="list-style-type: none"> • Oversight and establishment of provincial Public Entities. • Enhancing WCG governance and systems to enable departments to effectively deliver services and manage risks. 	<ul style="list-style-type: none"> • Increasing demand for investment in infrastructure to address maintenance backlogs and provide new assets to support growth. • Keeping up with inflation-related wage pressures. • Slow shifts towards desired organisational culture. • Enhanced demand for cyber-intrusion detection and response capability due to acceleration in digitisation of government. • Instability in local government resulting from local government elections.
	Cyber security Risk		
	Service delivery Pressures		
	Organisational culture		

With no additional resources available for the 2022 MTEF Budget, provincial departments are required to manage risks within existing baselines through proactive mitigation mechanisms.

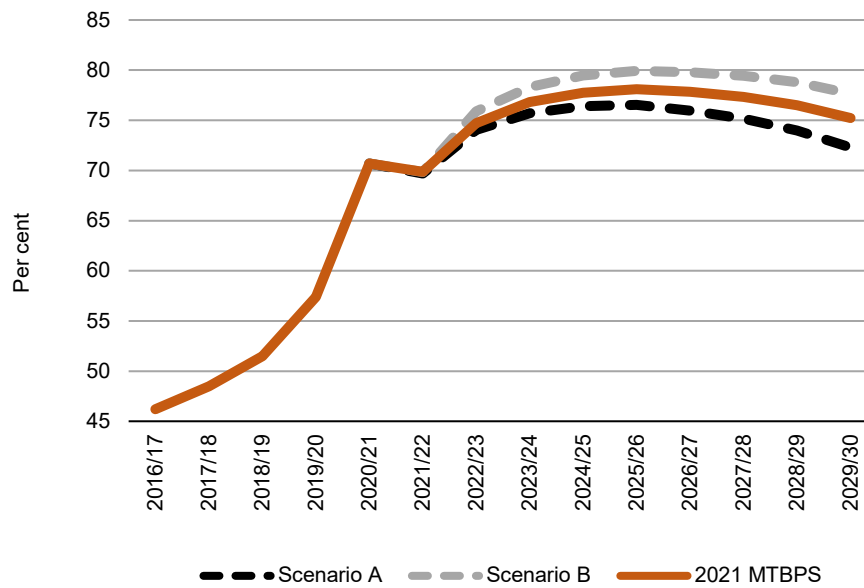
■ Fiscal Strategy Response

The long-term fiscal strategy is designed to take an active approach to manage risks.

Medium- to long-term fiscal approach: Fiscal Futures

As indicated in the 2021 MTEF Main Budget, the Provincial Treasury has initiated a future-oriented budget planning process, which complements the three-year planning framework by adding five-and ten-year planning horizons. The Fiscal Futures project looks beyond the immediate term and prepares and plans within the anticipated and projected budget trends. While short-term tactical reactions to the budget decisions are expedient, it is recognised that over the medium- to long-term, a short-term focus may prove unsustainable.

Given the extent of uncertainty, the WCG is dynamically modelling possible fiscal scenarios to better prepare for likely fiscal futures.

Figure 2.3 National Treasury scenarios

Source: National Treasury

The Fiscal Futures work has informed preparations of the preliminary 2022 MTEF Budget. Three scenarios for the Province have been outlined, building on the scenarios published by the National Treasury as part of the national fiscal risk statement. These include a baseline, pessimistic and optimistic scenarios. The baseline scenario assumes that compensation increases are absorbed by the Province and that the departments account for the wage agreement and service delivery pressures. The pessimistic scenario assumes the baseline scenario holds but with further reductions in the Provincial Equitable Share (PES), Conditional Grants and provincial Own Receipts. It also assumes an insufficient reach of vaccination programmes and the continuous mutation of the COVID-19 virus, ongoing load shedding that constrains economic recovery, and increasing vulnerability of municipalities. The optimistic scenario assumes the same three-year forecast for provincial departments as tabled in the 2021 MTEF Budget.

Under all scenarios, the PES grows slower than inflation, putting significant pressure on core areas of service delivery. Changes in economic, demographic or other factors will impact the ability of the WCG to deliver on its current policies.

The Fiscal futures work informed the preparations of the preliminary 2022 MTEF Budget

The objective of the 2022 MTEF budget is to support reopening and recovery in the Western Cape

2022 Budget Approach

The objective of the 2022 MTEF Budget is to support reopening and recovery in the Western Cape. To give effect to the budget objective, the WCG will:

- Prioritise the ongoing fight against the COVID-19 pandemic, including the successful rollout of the vaccination programme.
- Support the recovery plan priorities of Jobs, Safety and Wellbeing;
- Protect frontline services, including education, health and social development;
- Support effective local governance, particularly in the aftermath of the local government elections;
- Rebalance the composition of expenditure by increasing spending on infrastructure;
- Significantly improve the efficiency of expenditure by driving value for money;
- Promote transparency of expenditure in procurement;
- Mitigate risks including drought, fire and flooding; and
- Ensure long-term fiscal sustainability.

The fiscal principles guided decision-making during the budget process

The four key fiscal principles of the Western Cape Government's Fiscal Strategy that have guided decision-making as part of the budget process include:

- **Protecting basic services outcomes in line with the recovery plan:** The provincial government has core mandates to deliver basic social services in areas as diverse as, health care, basic education, community development, integrated human settlements, and social development. These functions are core elements of the Western Cape Recovery Plan and contain mandatory expenditure obligations. The budget will prioritise those basic services aligned to the recovery plan and build partnerships in their delivery.
- **Strengthening allocative efficiency:** Budget repositioning and trade-offs between programmes will maximise the outcomes and impacts of spending. This principle means that: (i) existing plans and budgets will be repositioned to respond to the change in the service delivery context, immediate and impending risks, and government priorities; (ii) no additional resources are available for the 2022 MTEF Budget. Provincial departments were informed that Provincial Treasury would not be accepting any requests for baseline increases and that any

such proposals should be funded through reductions within the department or from another department; and (iii) any additional revenue due to public institutions that receive funding from the fiscus may not be used for increased spending plans outside the spending framework.

- **Enhancing productive efficiency:** Maintaining or expanding service delivery outputs within a narrowing fiscal envelope will require a renewed focus on productive efficiency, in addition to cost containment, through re-evaluating the mix of inputs across major expenditure items such as compensation, goods and services, transfer payments and infrastructure investment and renewal. All programmes should demonstrate clear evidence of development impact and value for money. The duplication of functions and activities across government should be reduced through improved coordination and functional reassignment. Innovative and alternative methods to deliver services should be explored, including deepening partnerships with non-governmental agencies. New service delivery models that lower baseline costs, enhance impacts or introduce innovative service delivery solutions (particularly at facility level), may be eligible for transitional fiscal support.
- **Enabling long-run fiscal sustainability:** The proactive management of risks is necessary to protect the long-term fiscal sustainability of the Province. All public institutions should adhere to the fiscal consolidation framework in order to support this, and: (i) use existing resources to respond to all risks through the introduction of proactive or pre-emptive mitigation measures; (ii) apply a sustainable CoE management strategy guided by provincial directives and National Treasury Guidelines for the Costing and Budgeting of CoE; and (iii) advance opportunities to generate additional revenues, including reviewing existing charges and exploring new revenue sources. In addition, reserves will be rebuilt in the outer years of the 2022 MTEF, to maintain a sustainable fiscal base for the WCG.

New service delivery models that lower baseline costs and enhances impact are eligible for transitional fiscal support

Ensuring long-term fiscal sustainability includes replenishing provincial reserves

The 2021 Adjusted Budget makes provision for a net increase of R1.492 billion in the 2021/22 financial year

2021 Adjusted Budget

The 2021 Adjusted Budget builds on the original 2021 MTEF and responds to in-year pressures and risks, supports policy priorities, smooths infrastructure budgets and prepares the WCG for the 2022 MTEF. The 2021 Adjusted Budget makes provision for a net addition of R1.492 billion in expenditure for the 2021/22 financial year, which is summarised in Table 2.2. These include adjustments mainly related to:

- R603.034 million from the PES as part of the Presidential Employment Initiative to employ general school assistants at public ordinary and public special schools, and to support the Health sector with the employment of staff and assistant nurses who will fulfil COVID-19 responsibilities;
- R1.101 billion for the implementation of the 2021 public service wage agreement, allocated to the Departments of Education, Health and Social Development. A differentiated funding approach was applied after considering the current financial position and headcount intensity of departments;
- A net increase of R35.809 million in national conditional grant allocations. For Health, an increase of R20 million for the HIV, TB, Malaria and Community Outreach Grant for oncology services, and for Social Development a R17.228 million increase for the Early Childhood Development Grant;
- R403.777 million in the rollover of expenditures from the 2020/21 financial year. These include R189.060 million for infrastructure maintenance and fencing at schools, R76.675 million for the COVID-19 response in Health and R62.327 million for roads and public works;
- R186.681 million in additional expenditures self-financed from revenue retention in the revenue-generating activities of departments, which is retained by them to continue these activities. R101.864 million contributes towards the safety priority with R81.338 million for improving safety on Golden Arrow Bus Services and R20.526 million for operation and equipment costs for traffic services. A further R49.588 million to fund additional affordable housing projects;
- R189.467 million, mainly for COVID-19 activities amounting to R120.050 million and property acquisition of R45.540 million for Education and Health; and
- A decrease of R1.028 billion, due to the realignment and surrendering of funds in the current financial year R886.335 million of these funds have been realigned over the

2022 MTEF due to the continued impact of COVID-19 on the rollout of projects and infrastructure delivery. This is mainly related to the reprogramming of expenditures for the Law Enforcement Advancement Programme due to delays in hiring and training officers due to lockdown restrictions in 2020, and disruptions to infrastructure maintenance and road infrastructure projects, where funds have been realigned over the 2022 MTEF.

Table 2.2 Western Cape 2021 Adjusted Budget

R'000		2021/22		
		Main Budget	Total adjustments	Adjusted Budget
		1	2	1+2=3
1	Department of the Premier	1 748 562	(3 550)	1 745 012
2	Provincial Parliament	165 859	3 852	169 711
3	Provincial Treasury	319 608	(12 006)	307 602
4	Community Safety	739 049	(179 742)	559 307
5	Education	24 459 862	928 386	25 388 248
6	Health	27 391 897	798 266	28 190 163
7	Social Development	2 662 907	63 124	2 726 031
8	Human Settlements	2 353 171	57 088	2 410 259
9	Environmental Affairs and Development Planning	570 062	(4 645)	565 417
10	Transport and Public Works	9 265 029	(138 915)	9 126 114
11	Agriculture	909 086	1 803	910 889
12	Economic Development and Tourism	517 807	(17 908)	499 899
13	Cultural Affairs and Sport	897 510	2 599	900 109
14	Local Government	348 664	(6 018)	342 646
Total		72 349 073	1 492 334	73 841 407
Direct Charge		47 997	0	47 997

Source: Provincial Treasury

Further details on in-year spending adjustments for Western Cape departments are set out in the 2021 Western Cape Adjusted Estimates of Provincial Revenue and Expenditure.

The final phase of the 2022 Budget process will result in the tabling of the 2022 MTEF Main Budget.

■ Implementing the Western Cape Government Fiscal Strategy

Transversal commitments to drive effective delivery, achieve fiscal sustainability and manage risks

The medium term fiscal policy response that supports the Western Cape to be ready to reopen and recover, includes transversal commitments that are essential to drive effective delivery and to achieve a sustainable fiscal path, while managing key budgetary and service delivery risks.

WCG will continue to contain compensation budgets through expenditure ceilings and headcount management

Compensation of Employees Strategy

CoE, the largest provincial spending item, remains the key lever in achieving fiscal consolidation in the Province. Prudent CoE management in the past has resulted in the WCG having the lowest personnel per capita compared to the average for the other eight provinces. Over the medium term, the WCG will continue to contain CoE spending through CoE ceilings and headcount management.

The provincial CoE strategy takes a departmental differentiated approach and aims to manage targeted headcount. Each department will formulate their own CoE plan articulating headcount management over the medium term. Headcount growth should only be an option if it is aligned to policy imperatives as determined by the Executive. The departmental turnover rate will at this stage be used to manage headcount reductions through natural attrition of staff, early retirement, retirement, contract terminations and redeployment of staff over the medium term.

Provincial government services are inherently labour-intensive with approximately 91 per cent of WCG personnel providing education, health and social development services. The wellness of staff is of key importance for both the quality and efficiency of services provided. Over the medium term various initiatives and programmes will be rolled out in the areas of organisational culture and optimal utilisation of staff.

Risk adjustment through the Fiscal Transition Support Facility

Proactive mitigation and management of risks is required in a constrained fiscal environment and may require adjustments to approaches in achieving policy commitments, including service delivery models. These adjustments can be complex, take time to deliver results, and impose upfront or transitional costs in order to realise their benefits.

The Fiscal Transition Support Facility provides fiscal support for the once-off, upfront costs of investment in or implementation of new service delivery approaches and technologies that can achieve long-term savings and improved outcomes over time. Proposals will be assessed by the Provincial Treasury using the following criteria:

- A clear statement of project objectives that is responsive to key risks or development priorities and strategies of the Province;
- Evidence of significant innovation service delivery mechanisms;
- Costed, quantifiable evidence that these are once-off, upfront and/or transitional costs associated with the introduction of the proposal;
- Costed, quantifiable evidence that the proposal will achieve either long term savings or improvements in outcomes; and
- Readiness to implement either in the 2021 financial year or over the 2022 MTEF, including programme design, feasibility, phasing and timelines, governance, and mobilisation arrangements.

This facility can also be used to support the preparatory work to identify solutions to complex or high-risk problems that create significant fiscal pressures.

Infrastructure investment and development

To give effect to the fiscal objective of rebalancing the composition of the budget by increasing spending on infrastructure, the WCG remains committed to reforms designed to accelerate infrastructure investment, lower the cost of doing business and create a more competitive economy.

The impact of COVID-19 is still evident due to, amongst others, site closure delays and some supply shortages affecting the construction industry. This has contributed to slow spending on infrastructure programmes, which are already affected by a complex regulatory environment. The WCG welcomes the National Government's initiatives to improve the scale, speed, quality and efficiency of infrastructure spending. This mainly involves creating a credible pipeline of projects, conducting project appraisal and technical analysis, and attracting private-sector participation and financing.

The WCG has established a Project Preparation Facility (PPF) to support the provincial departments, entities and municipalities with project preparation costs of certain categories of infrastructure projects. This facility will assist to create a clear, well prepared pipeline of infrastructure projects for the Province, which is aligned to investments by other spheres of government. Funding was allocated from this facility for a limited number of projects during the

Fiscal transition support for new service delivery approaches that can achieve long-term savings and improve outcomes

Rebalancing the composition of expenditure by increasing infrastructure spend

2021/22 financial year. A draft PPF guideline document was developed that will assist interested institutions to submit project applications to the Facility for the 2022/23 financial year.

Despite a very challenging fiscal envelope, the WCG will protect its own (excluding national conditional grant allocations) infrastructure allocations to cater for real sustainable funding of infrastructure. Furthermore, the WCG will ensure a predictable level of funding for infrastructure. The focus of the infrastructure investment is on education infrastructure and provincial roads. Firstly, to protect the existing asset base and secondly, to add capacity in the education sector due to learner growth.

Crowding in private-sector financing for infrastructure

The 2021 National MTBPS noted that a “*review of the public-private partnership regulations¹ was completed in May 2021. Its recommendations include simplifying the regulations, eliminating delays in approval and implementation, and standardising project preparation; and building capacity at all levels of government. These will be implemented from early 2022*”.

At a provincial level, the WCG is looking forward to the implementation of the revised public-private partnership (PPP) regulations to support private sector financing for infrastructure.

Significant progress has already been made with the PPP for the new Tygerberg Central Hospital, including an updated feasibility study, advisory support from multilateral development agencies and initial discussions on funding support from international financial institutions.

Significant progress has already been made with the PPP for the new Tygerberg Central Hospital, including an updated feasibility study, advisory support from multilateral development agencies and initial discussions on funding support from international financial institutions.

¹ National Treasury Regulation 16 issued in terms of the Public Finance Management Act.

Investing in new hospitals in the Western Cape

Over the next decade, the WCG intends to build three new hospitals. Tygerberg Hospital will be replaced with two new hospitals, a new Tygerberg Central Hospital (893 beds) and a Belhar Tygerberg Regional Hospital (596 beds). The new Klipfontein Hospital Regional (594 beds) is planned for Manenberg.




The investment in the three hospitals will be more than R18 billion, spread over the next 10 years. The Klipfontein and Belhar Tygerberg regional hospitals receive funding through the Health Facility Revitalisation Grant from the National Treasury's Budget Facility for Infrastructure.

The Tygerberg Central Hospital is registered with the National Treasury as a Public Private Partnership (PPP) project and will be subject to the National Treasury's PPP prescripts. The Department of Health is finalising a revised feasibility study report that must be submitted to the National Treasury to obtain approval.

At a municipal level, under the auspices of the Department of Local Government, Phase 2 of the Sustainable Infrastructure Development and Finance Facility (SIDAFF) has kicked off. The SIDAFF was established to support and assist municipalities with project preparation for a pipeline of bankable projects to attract investors. Catalytic municipal infrastructure projects have been identified that will have a direct impact on unlocking economic and social development opportunities in selected qualifying secondary cities in the Province that have a strong governance and clean audit track record.

Figure 2.4 below provides the summary of municipal catalytic infrastructure projects identified in the Western Cape amounting to R1.779 billion, which includes energy projects (R257 million), water projects (R775 million) and wastewater projects (R747 million).

Figure 2.4 Summary of catalytic infrastructure projects

Sector	Projects ⁵	Approximate value	Concept stage	Pre-feasibility	Technical feasibility
Energy projects 	4	R 257m	R 78m	R 179m	-
Water projects 	12	R 775m	-	-	R 775m
Wastewater projects 	11	R 747m	-	-	R 747m
Totals	27	R 1, 779m	R 78m	R 179m	R 1, 522m

Phase 2 of SIDAFF includes taking the projects from feasibility to bankability and identifying sources of funding on a blended finance basis. Figure 2.5 outlines the project development cycle.

Figure 2.5 Project development cycle

1. Concept	2. Technical pre-feasibility	3. Technical feasibility	4. Financial pre-feasibility
Concept note or idea for a project (sometimes within a Master Plan or other municipal planning report).	High level assessment of possible & viable technical solutions.	Most viable technical solution tested more rigorously in the context of project objectives and site-specific conditions.	High level assessment of project finances (could include capex estimate, future cash-flows, and NPV calculations)
5. Financial model	6. Risk Management	7. Technical Design	8. Procurement & commissioning
Detailed financial modelling with accurate capex requirement, future cash flows (operational costs and cost recovery), financing costs, consideration of different procurement models and impact on municipal finances.	Full environmental and social risk assessments, followed by environmental and social management / risk mitigation plans.	Full and detailed technical design based on outcomes of technical feasibility, leading to tender specifications.	Tender documents, bid selection and procurement contracting.

Figure 2.6 provides the breakdown of these municipal catalytic infrastructure projects for the qualifying secondary cities in the Province.

Figure 2.6 Municipal catalytic infrastructure projects

Municipality	Project / Programme	Approximate Value	Sub-total
Mossel Bay	1.Wastewater Programme	R 47m	R 80m
	2.Bulk Water Programme	R 36m	
	3.Renewable Energy Project	R 78m	
	4.Renewable Energy (& storage) at informal settlements	R 19m	
Overstrand	5.Wastewater Programme	R 163m	R 470m
	6.Bulk Water Programme	R 53m	
	7.Hermanus Desalination Plant	R 94m	
	8.Overstrand Renewable Energy Project	R 160m	
Saldanha Bay	9.Wastewater Programme	R 184m	R 294m
	10.St. Helena Bay Desalination	R 20m	
	11.Smart Water Meter Project	R 90m	
Swartland	12.Bulk Water Programme	R 153m	R 153m
George	13.Wastewater Conveyance Upgrade	R 236m	R 682m
	14.Wastewater Treatment Upgrade	R 117m	
	15.Bulk Water Treatment Extension	R 329m	
Total			R 1, 779m

Local Government

On 01 November 2021, South Africa held its sixth democratic local government elections since 1994. Nationally, there are at least 66 hung councils, with 16 local municipalities in the Western Cape where no single party has a majority of seats. This is more than double the number following the 2016 local government elections.

The arrival of COVID-19 and worsening socio-economic conditions, which spilled over into South Africa in March 2020, exposed the weaknesses in some municipalities, including rising debtors, declining liquidity, governance failures, slow capital spending and ageing infrastructure.

COVID-19 exposed the fragilities of municipalities

Whilst internal governance challenges have a major impact on the operations of municipalities, deteriorating macroeconomic conditions, record levels of unemployment, natural disasters, and a rigid legislative environment places further strain on the sustainability of municipalities. The constrained economic environment has in recent years impacted significantly on individual households who find it more difficult to afford trading services. This negatively impacts on municipal revenue streams which compounds the financial sustainability challenges faced by municipalities.

Despite these challenges, most municipalities have seen a recovery in their revenues, following the sudden drop in revenues experienced during the initial COVID-19 lockdown in 2020. However, this recovery has not been experienced evenly across all municipalities. Preliminary results indicate that 13 municipalities achieved an increase in revenue in real terms in 2020/21, a further 4 achieved an increase in nominal terms but the remaining 13 reported a decline in revenue billed compared to the previous year. Collection rates also rebounded from the initial impacts of the pandemic; by the end of 2020/21 financial year, 18 municipalities had collection rates above 90 per cent. However initial in-year monitoring reports from 2021/22 indicate that some municipalities are struggling to sustain this improvement in collection rates.

*Uneven recovery of
municipal revenue*

Municipalities have responded to their constrained revenue by curtailing spending where possible (including by not filling vacant posts) and drawing down investments built up over previous years. While these are sound responses in the short term, they cannot be sustained indefinitely. Either municipal revenues will recover on the back of a broader economic recovery, or municipalities will have to make permanent reductions to their cost structures, which will likely impact the services they can deliver.

Taking an evidence-based approach to local government through the 2021 Municipal Economic Review and Outlook

The Municipal Economic Review and Outlook (MERO) is a socio-economic research publication produced annually by the Western Cape Provincial Treasury. Together with its companion publication, the Provincial Economic Review and Outlook (PERO), the MERO informs the Western Cape Government's (WCG) evidence-based approach towards integrated planning and budgeting whereby credible research guides the equitable and sustainable allocation of scarce resources.

Although the MERO is primarily a tool to inform planning and budgeting in the public sector, private business owners will also greatly benefit from the information presented, especially the data relating to sectoral comparative advantages (reflect investment opportunities) and tourism (informative data relating to the inflow of tourists, daily spend, duration of stay etc.). Previous editions also offered an extensive analysis on selected industry value chains which revealed forwards and backward linkages as well as sectoral dependencies. This information assisted private sector role-players to diversify their value chains thereby contributing towards economic growth and development.

Key to the success of the MERO in recent years has been the way the publication is able to convey complex economic data in a user-friendly and visually appealing manner. By making use of infographics, the MERO allows for the meaningful interpretation of socio-economic patterns and trends by public and private sector role-players alike.

In support of the Joint District and Metro Approach, the MERO has in 2021 been disaggregated into separate district-specific publications to provide a more focussed overview of the challenges facing district structures while simultaneously acknowledging the development potential and bespoke offerings of each district. The MERO will in early 2022 be rolled out to the various districts via the District Coordinating Forums.

The 2021 MERO is the 10th edition since its inception in 2012. The 2021 MERO, as well as previous editions, can be accessed by scanning the accompanying QR code with a cell phone camera or by clicking the following link: <https://www.westerncape.gov.za/provincial-treasury/investor-economic>



Support initiatives to municipalities to ensure operational and financial sustainability

The WCG offers an extensive range of support services to municipalities to ensure operational and financial sustainability. These include, but are not limited to, intervening where municipalities are at risk of financial distress; development of budget funding plans; promoting the Joint District and Metro Approach; the provision of socio-economic intelligence to inform integrated planning and budgeting; guidance in terms of legislative prescripts and compliance; accredited training initiatives to build multi-disciplined capacity and the facilitation of peer-to-peer training and learning opportunities.

The WCG will continue to closely monitor newly established councils, with a specific focus on providing assistance where a decline in financial health and good governance impacts negatively on the ability to deliver services to the citizen.

Responding to financial crises in municipalities

The Western Cape Government monitors and supports all municipalities in the Province. The Provincial Treasury and Department of Local Government pay particularly close attention to developments in municipalities experiencing financial and governance challenges and additional guidance and support is provided to these municipalities. Where provincial monitoring shows that a municipality is failing to deliver on its obligations or is facing serious financial problems, the Constitution requires that the Province intervene.

During 2021 the provincial government identified that Beaufort West Municipality was facing a financial crisis. The municipality's failure to fully implement credit control measures, combined with the tough economic climate led to the municipality not collecting sufficient funds to be able to pay their suppliers. This placed the sustained delivery of services at risk, as suppliers like Eskom threatened to stop trading with the municipality. As a result, the Provincial Cabinet resolved to intervene in terms of Section 139(5)(a) of the Constitution.

National Treasury's Municipal Financial Recovery Service has prepared a draft Financial Recovery Plan and this is currently being consulted on with the municipality and other stakeholders, in line with the requirements of the Municipal Financial Management Act (No. 56 of 2003). Once this plan is finalised and approved by the provincial Minister of Finance and Economic Opportunities, the limits on spending, revenue targets and supporting actions in the plan will be binding on the municipality. The draft plan sets out realistic measures that will enable the municipality to achieve a cash-backed budget surplus within three years. The municipality will be supported to implement the plan and will have to report monthly on progress with its implementation.

Value for Money

A major risk to the South African economy over the last decade has been that of rising government expenditure without corresponding growth in economic output, productivity or efficiency. Over the medium term, the WCG will use spending reviews as a tool to implement zero-based budgeting as outlined in the National Treasury's *Framework for Achieving Spending Efficiency in a Fiscally Constrained Environment*, which was tabled in May 2021. This approach will shift the budget process from incremental baseline funding towards a more stringent approach that scrutinises programme effectiveness and realises greater value for public money.

Spending reviews will realise greater value for public money

Over the medium term, the Provincial Treasury will be working with departments to assess the efficiency, effectiveness and performance of selected programmes. This year, the following spending reviews are being piloted:

- The learner transport programme in the Western Cape Education Department;
- Commuted overtime in the Department of Health;

- Transfers to non-profit institutions that provide foster care services in the Department of Social Development;
- Skills programmes and projects for youth in Business Process Outsourcing in the Department of Economic Development and Tourism; and
- Broadband in the Department of the Premier.

Key findings of spending reviews will inform the 2022 MTEF

Key findings from these spending reviews will be incorporated into the Western Cape 2022 MTEF, where appropriate. Spending reviews over the 2022 MTEF will cover areas such as roads infrastructure, youth and skills development.

Supply Chain Management

The primary function of public procurement is procuring goods and providing services and infrastructure on the best possible terms to fulfil government's mandate. It also has a secondary function to promote broader social, economic and environmental outcomes.

Public procurement is an important lever to improve the impact of public expenditure. Purchasing and procurement by the Province must enable progress on provincial priorities of Jobs, Safety and Wellbeing, which includes the preservation and creation of private sector jobs.

Driving value for money in procurement

In support of Vision-Inspired Priority 5, the WCG's Supply Chain Management (SCM) reform strategy has played a critical role in sustaining financial capability maturity and strengthening compliance with governance requirements in the Province. This is in line with government's overall strategy to continuously improve value for money, enhance competition between suppliers, and provide businesses with a convenient and effective medium to do business with the WCG.

Maintaining a resilient governance platform for continuous service delivery

The current context requires the prioritisation of SCM reform areas that are most likely to achieve rapid, high-impact results without adding significantly to administrative burdens or costs. Key priorities for the WCG are thus to:

- Maintaining a resilient SCM governance platform focused on continuous service delivery improvement;
- Leveraging data for analysis and transparency; and
- Enhancing the ease of doing business with WCG procurement by reducing red tape and improving access to procurement opportunities.

In order to maintain a resilient governance platform with a primary focus on continuous service delivery, it is critical to ensure that highly regulated and inefficient policy environments do not stifle government procurement. These include:

- Ensuring that goods and services are purchased under the constitutional mandate of Section 217 (1), in a fair equitable, transparent, competitive and cost-effective manner, with due regard to the subsidiary objectives in Section 217 (2) that allow for categories of preference in the allocation of contracts;
- Having a clear focus and involvement in national procurement policy development and prescripts issued to ensure that they are rational, implementable and economically viable. These would include the Procurement Bill and the awaited Constitutional Court judgment on preferential procurement.
- Leveraging technology to build a robust, re-imagined and responsive post-pandemic supply chain, that is cost effective, efficient, equitable and transparent. The Provincial Treasury has commenced with its phased-in rollout of its in-house developed e-Procurement Solution (ePS), which is a major asset that will be expanded further over the medium term to drive procurement efficiencies and embed good governance. An automated procurement planning toolkit has also been implemented, which enables departments to efficiently plan their procurement programmes and generate efficiencies in delivery and reporting.
- Supporting and building procurement capacity and capability across departments focused through ongoing programmes of support for provincial departments, public entities, municipalities and suppliers that are geared at addressing gaps, introducing improvements and maintaining a sustainable platform of institutional memory for our clients. This focusses on making sustainable procurement choices that account for the full value of a service or product over its whole lifecycle, including the costing of social and environmental risks and opportunities. Initiatives that were driven through this approach include specific commodity sourcing strategies, such as the provincial security strategy and provincial framework contract.

The e-Procurement Solution will be expanded over the medium term

The analysis of data extracted from systems and the use of business intelligence tools provide performance information to provincial departments to support SCM governance and improve management decision making. The monthly Procurement Disclosure Report has been progressively expanded to a quarterly and annual report on all COVID-19 procurement across provincial departments and public entities. The WCG will incrementally

Scaling red tape reduction and improving access to procurement opportunities

increase transparency in procurement to disclose procurement beyond COVID-19 expenditure, and to provide advance notice to prospective suppliers on the procurement intentions of the WCG. This will encourage citizen engagement, strengthen trust over the stewardship of public resources, and enhance competition in the supply chain.

Enhancing the ease of doing business includes a range of initiatives focused on red tape reduction and improving access to procurement opportunities and support for suppliers. This promotes small business, enables job creation and encourages continuous learning and development within supply chains through the use of technology as an enabler via the Western Cape e-Procurement System and Supplier Evidence Bank and redress through the Western Cape Procurement Client Centre.

Deepening Governance

Governance is a system, therefore an effective governance strategy requires a systematic approach that includes strategic planning, risk and performance management.

A commitment to good governance underpins all the priorities and initiatives of the WCG. The sustained high standards of governance in the Province, as evidenced in its audit outcomes, are the starting point for excellence and responsiveness in service delivery. Connecting governance systems with service delivery outcomes is vital to unlock the value of good governance, through building a resilient, effective and responsive public sector.

Good governance is built on a foundation of well-understood norms and standards. Deepening good governance in Western Cape requires investment in people, systems for collaboration and in the culture of departments and public entities.

The Integrated Talent Management Programme aims to improve financial management

Capacitated officials are a critical enabler to sustainably improve financial governance procedures and, as a result, financial performance. The emphasis is on implementing an Integrated Talent Management Programme that develops the current and future skills required by departments and entities.

Ongoing collaboration across government is a key enabler of good governance. Various fora have been established to reinforce commitment to continuous improvement, share good practice, encourage joint problem solving and solicit inputs to improve systems of internal control. This is based on a dynamic financial governance maturity model that caters to evolving needs and risks of various departments and entities.

Capacity and collaboration are reinforced by investments in organisational cultures that acknowledge and value performance,

encourage innovation and strengthen accountability for and commitment to improved service delivery outcomes.

Citizen engagement

The WCG will further expand meaningful citizen engagement on how public funds are allocated and spent in the provincial budget. Effective citizen engagement has multiple dimensions. This includes ensuring that citizens have access to information on resources available for service delivery, associated constraints and relevant information on the costs of services. It also requires that there are relevant and appropriate platforms for citizens to engage on the matters that concern them most. In many instances this is at a local level, such as in a particular settlement or in relation to a specific school or clinic. Finally, it requires opportunities for constructive engagement between citizens and service providers on the usefulness and quality of services that are being provided. Municipalities also play a critical role in engaging with citizens, and efforts to enhance citizen engagement must be closely coordinated between spheres of government.

Opportunities for constructive engagement between citizens and service providers

Conclusion

The WCGs Fiscal Strategy is a key driver to align the response of the Province to an evolving context. The constrained fiscal envelope necessitates the need to improve the quality and impact of public expenditure composition and accompanies the requirement for policy trade-offs to be made. Due to the shrinking PES, it has become more critical for the budget process to be dynamic in how decisions about priorities are made.

The key principles that inform the prioritisation process include ensuring the protection of basic service delivery outcomes; allocative efficiency; enhancing productive efficiency; and enabling long-run fiscal sustainability. This MTBPS balances a message of hope and readiness to reopen and recover with a clear plan for long-run fiscal sustainability. It provides the framework within which the WCG aims to enable long-run sustainability in a highly uncertain environment through managing key operational and policy risks and enhancing service delivery in policy areas of greatest impact.

3

Fiscal Framework

In summary

- The 2021 MTEF expenditure ceiling has been revised downward in response to the deterioration in the economic environment and worsening economic growth outlook. Over the 2022 MTEF transfers to provinces and municipalities will grow below inflation.
- The Province's commitment to support families and businesses to recover will see a continuation of aligning expenditure toward the Province's Recovery Plan. With a ceiling placed on additional expenditure, the main goal is to sustain the fight against COVID-19, protect basic service delivery by the Province and municipalities, invest in infrastructure that will support future growth, and remain prepared to respond to emerging risks.
- The Provincial Equitable Share (PES) is impacted over the 2022 MTEF by certain data updates and the introduction of a new Health Risk Adjusted Index sub-component to the distribution formula as part of the PES review process that was concluded in 2021.
- The declining resource envelope has highlighted the importance of protecting the Province's own revenues, monitoring the sustainability of provincial entities and maintaining provincial assets.

Introduction

The fiscal framework responds to the economic and fiscal context laid out in the previous chapters and prioritises support to businesses and families to recover from the impacts of the pandemic. The reduction in resources particularly once adjusted for inflation, require that all changes to spending must be funded within the existing resource envelope, through improved revenue performance or reprioritisation and reviewing existing programmes.

Improving the quality and impact of services and programmes is an important lever for the Province. Increasing service outputs and improving development outcomes requires the generation of efficiencies within existing service delivery models, introducing new, more resource efficient and integrated service delivery models, and trade-offs between programmes.

Overall Fiscal Framework

The failure of fiscal expansion to raise GDP growth between 2008/09 and 2018/19, and the resultant crowding out of non-interest expenditure, leaves little scope for the national government other than to contain expenditure growth to restore the health of public finances and reduce overall indebtedness. Fiscal consolidation will contribute towards reducing debt service costs by 2026/27 and will assist in improving South Africa's creditworthiness, bolster investor confidence and lower the cost of doing business. This fiscal space is essential to support capital investment in infrastructure that is necessary to support faster long-term growth. Some notable risks to fiscal consolidation and the medium-term fiscal framework are the impact of COVID-19 and the slow rollout of vaccines; a slowdown in economic growth; a turnaround in the commodity prices; deterioration in international economic conditions; slow structural reforms and electricity supply constraints; and further expenditure pressures, such as the wage bill.

Despite the windfall in commodity revenues, tax collection projections remain conservative. The national fiscal policy stance, adopted in 2012, anchors the budget within expenditure ceilings that provides the upper limit within which departments may prepare their budgets. Efforts to maximise the value of spending will require that government contains costs, exercises prudent and compliant financial management, and eliminates waste of public resources.

Shrinking national and provincial government share of available funding

No further spending reductions are expected over the medium term expenditure framework period. National and provincial spheres of government bore the brunt of governments efforts at reducing expenditure growth in 2021. Allocations to provinces are now, however, projected to increase by R15.7 billion to accommodate provisions for a cash gratuity in the 2021 wage agreement for the 2022/23 financial year, should no wage settlement be reached. Allocations to local government, who have significant powers to generate their own revenues, are budgeted to increase by R1 billion relative to the indicative allocations in the 2021 Budget.

Over the next three years, national government proposes to allocate 48.4 per cent of available non-interest expenditure to national departments, 42 per cent to provinces and 9.6 per cent to local government. Provinces continue to bear the impact of fiscal consolidation efforts with provincial resources projected to increase

by an annual average of 0.7 per cent, (or minus 3.6 per cent¹ in real terms), in contrast to 1.8 per cent for national departments and 4.1 per cent for local government (or minus 2.5 per cent and minus 0.2 per cent respectively in real terms). Provincial and municipal governments continue to face multiple pressures over the medium term, as national government reduces spending growth and poor economic performance affects other provincial and local government revenue and funding sources. Over the 2022 MTEF period, transfers to provinces and municipalities will grow below inflation.

National transfers are comprised of the Provincial Equitable Share (PES) and conditional grants, which make up the bulk of provincial receipts. The provincial equitable share accounts for 75.0 per cent and conditional grants for 18.5 per cent of available funding for the Western Cape Government over the 2022 MTEF. Table 3.1 shows this increasing reliance on transfers received from national government, which comprises 92.17 per cent of the total revenue envelope in 2022/23 and increases to 94.43 per cent in 2024/25. Transfers from national government are projected to grow at an average annual growth rate of 1.52 per cent driven by average annual growth rates of provincial equitable share and conditional grants of 1.11 per cent and 3.2 per cent respectively. In terms of sections 228 and 229 of the Constitution, provinces have limited revenue-raising options with provincial own revenue contributing less than 5 per cent of the total available funding envelope over the 2022 MTEF. Table 3.1 below provides the consolidated position of the Western Cape provincial funding envelope.

¹ Based on an average CPI inflation projection of 4.3 per cent in the National 2021 MTBPS (4.0 per cent in 2022/23, 4.4 per cent in 2023/24, and 4.5 per cent in 2024/25).

Table 3.1 Western Cape Provincial Funding Envelope

R'000	Adjusted Estimate	Medium term estimate			Total	Average Annual Growth Rate (2022 MTEF)
	2021/22	2022/23	2023/24	2024/25	2022 MTEF	
Transfers from National	70 061 081	69 871 329	68 857 754	72 004 646	210 733 729	1.52%
Equitable share	56 467 404	56 359 649	55 084 706	57 613 188	169 057 543	1.11%
Conditional grants	13 566 006	13 511 680	13 773 048	14 391 458	41 676 186	3.20%
Conditional grants rollover	27 671	-	-	-	-	
Own receipts	2 517 381	2 523 474	2 619 174	2 736 775	7 879 423	4.14%
Asset Financing Reserve	432 211	1 198 942	329 564	348 335	1 876 841	-46.10%
PRF Financing	2 550 405	1 688 668	1 076 036	597 988	3 362 692	-40.49%
Provincial Revenue Fund (Tax receipts)	503 765	522 548	541 810	566 137	1 630 495	4.09%
Total	76 064 843	75 804 961	73 424 338	76 253 881	225 483 180	0.30%
Percentages						
Transfers from National	92.11%	92.17%	93.78%	94.43%	93.46%	
Equitable share	74.24%	74.35%	75.02%	75.55%	74.98%	
Conditional grants	17.83%	17.82%	18.76%	18.87%	18.48%	
Conditional grants rollover	0.04%	0.00%	0.00%	0.00%	0.00%	
Own receipts	3.31%	3.33%	3.57%	3.59%	3.49%	
Asset Financing Reserve	0.57%	1.58%	0.45%	0.46%	0.83%	
PRF Financing	3.35%	2.23%	1.47%	0.78%	1.49%	
Provincial Revenue Fund (Tax receipts)	0.66%	0.69%	0.74%	0.74%	0.72%	
Total	100.00%	100.00%	100.00%	100.00%	100.00%	

Changes to the Provincial Equitable Share

The combined impact of the new Health Risk-Adjusted Index and data updates sees the Western Cape's share of the PES decline by 0.0483 per cent. This is as a result of the decline in the Western Cape's share of the Health Risk-Adjusted Index by 0.2889 percentage points and the marginal increases to other PES components as a result of the technical data updates.

The overall impact of the revision to the Health Risk-adjusted Index sub-component and PES formula data updates amount to a reduction of R540.431 million over the 2022 MTEF.

Table 3.2 Revisions to the provincial equitable share: 2022 MTEF

R' 000	2022 Medium-term expenditure framework			Total Revisions
	2022/23	2023/24	2024/25	
Provincial equitable share (PES) (as per final 2021 MTEF allocation letter)	54 876 103	55 390 321	57 877 870	168 144 294
Adjustments to baseline due to impact of new data updates in the PES formula (phased-in from 2022/23 of 2021 MTEF)	29 866	(305 615)	(264 682)	(540 431)
Total: Technically adjusted provincial equitable shares before Adjustments to Baselines	54 905 969	55 084 706	57 613 188	167 603 863
Adjustments to Baselines	1 453 680	-	-	1 453 680
Plus: Wage Agreement Additional Allocation: Cash Gratuity (2022/23)	1 453 680	-	-	1 453 680
2022 MTEF PES Percentages (new data updates (phased-in))	10.48%	10.49%	10.50%	
Total: Preliminary Provincial Equitable Share for 2022 MTEF	56 359 649	55 084 706	57 613 188	169 057 543

Source: National Treasury preliminary provincial equitable share allocations for the 2022/23 - 2024/25 MTEF

Adjustment to the Provincial Equitable Share Baseline

An amount of R1.453 billion is provisionally allocated in 2022/23 for a cash gratuity in the absence of a public sector wage agreement being finalised. A portion of this will, however, be allocated through the conditional grants and will be communicated as part of the finalisation of the conditional grants for 2022/23.

Provincial Equitable Share

The PES is the largest source of funding for the Province. Given the concentration of tax revenue raising powers at the national level, South Africa's fiscal system is based on a revenue-sharing model or intergovernmental fiscal transfer system. Sections 214 and 227 of the Constitution requires 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 funding received from PES is unconditional. This enables provinces, through their own budget processes, to determine allocations based on their own contexts and priorities, within the available fiscal envelope.

Annual Technical Data Updates impact on the PES

The PES formula is subjected to annual data updates to reflect changes to provincial population numbers and the demand for services. Table 3.3 summarises the data sources used to update the various components of the PES formula.

Table 3.3 Summary of PES data updates

Weight	Component	Data used
48%	Education	<ul style="list-style-type: none"> Mid-Year Population Estimates 2021 age cohorts (new data) 2021 LURITS School Enrolment (new data)
27%	Health	<ul style="list-style-type: none"> 2021 Mid-Year Population Estimates (new data) (Insured population (2019 GHS) (old data) Risk adjusted index (new formula) Patient load data (DHIS 2018/19 - 2019/20) (old data)
16%	Basic	<ul style="list-style-type: none"> 2021 Mid-Year Population Estimates (new data)
3%	Poverty	<ul style="list-style-type: none"> 2021 Mid-Year Population Estimates (new data) Income and Expenditure Survey 2010/11 (old data)
1%	Economic	<ul style="list-style-type: none"> GDP 2019 (new data)
5%	Institutional	<ul style="list-style-type: none"> Not applicable - distributed equally amongst provinces (data not used)

- The education component uses data on the school-age population (5 to 17 years old) that is drawn from the Mid-Year Population Estimate (MYPE, 2021) and school enrolment data (based on the 2021 Learner Unit Record Information and Tracking System (LURITS) data), which are given an equal weighting. The Western Cape's share has remained relatively unchanged, increasing marginally from 9.7868 per cent to 9.7904 per cent or 0.0036 percentage points.
- The health component, in addition to the adoption of the new risk adjusted index (see text box) has been subjected to limited annual data updates. The estimation of the population without medical aid uses data from the 2019 General Household Survey and the 2021 MYPE. The output sub-component remains unchanged and relies on the same data used in the 2021 PES formula. The Budget Council approved the use of the historical information, as the most recent patient load data from District Health Information Services showed a significant decline in the utilisation of health care facilities. This was as a result of the impact of COVID-19 and was considered unreliable.
- The remainder of the updates to the PES are informed by the data from the 2021 MYPE used in the Basic Component of the PES. The Western Cape's share increases marginally by 0.0451 percentage points. The Economic Activity Component uses the 2019 Gross Domestic Product per Region (GDP-R) and increases by 0.0184 percentage points. The Poverty Component is based on the 2010 Income and Expenditure Survey, weighted by population from the 2021 MYPE, and increases marginally by 0.0344 per cent. The new shares across provinces will be phased in over three years, with a special phase-in for the health component.

Updating the Health Risk Adjusted sub-component of the Health Component

The PES is impacted over the 2022 MTEF by the introduction of a new Health Risk Adjusted Index sub-component as part of the PES review process that was concluded in 2021.

The Health Component contributes 27 per cent to the overall PES, making it the second largest component after Education. The Health Component has two sub-components. The Risk-Adjusted Index is weighted at 75 per cent and is based on a province's health risk profile. The output component is weighted at 25 per cent and measures health system patient caseload, using data measuring average visits over two years to primary healthcare clinics (5 per cent of the overall health component) and a hospital component accounting for the total patient-day equivalents at public hospitals (20 per cent of the overall health component). The PES review only updates the risk adjusted component and retains the current 75/25 per cent split.

The new health risk-adjusted index replaces the current risk-adjusted index, which was last updated in 2010. The change seeks to account for changes in health risk profiles and the associated cost curves for age and sex thus making the formula more equitable by taking into account poverty and sparsity. The factors and their weights recognised to influence health spending include:

- *Age and Sex* (69%) - The majority of health spend can be attributed to age and sex. Demand for health care is higher amongst the very young, women of childbearing age and the elderly. For example, elderly men tend to be more prone to certain chronic illnesses and non-communicable diseases than elderly women thus incurring more health care costs;
- *Total Fertility Rate* (3%) – Accounts for the average number of children expected to be born to a woman in her lifetime. This variable is important given the health system focus on maternal and child health, and the additional costs associated with pregnancies, deliveries and child health. A separate weighting for this factor has been included to account for the substantial differences in total fertility rate between provinces;
- *Premature Mortality* (12%) – Is used to approximate the burden of disease and associated demands on the health care system. Higher premature mortality implies a higher rate of morbidity and therefore a higher need for health care resources. Causes of deaths include HIV, heart disease, road traffic accidents and violence. Higher levels of premature mortality are indicative of poor population health and therefore this factor is an adjustment intended to help those provinces to better care for their population in terms of current health status and improving on prevention efforts;
- *Multiple Deprivation Index* (11%) - Social determinants of health affect demand for health services and thus costs. These include education, access to water services, electricity, housing, and the extent of household asset ownership (e.g. refrigerator, stove, computer, cellphone etc.) This factor is impactful for deprived provinces and the costs associated with “whole of society” interventions.
- *Sparsity Adjustment* (5%) – Delivering health care in areas with low population density and that are geographically remote incurs additional costs. These areas are more difficult to access, and have lower utilisation levels that reduce economies of scale and make costs per capita higher than urban areas.

These alterations to the formula have seen a downward adjustment to the shares of both the Western Cape and Gauteng. The Western Cape's share of the risk adjusted index declines from 11.0 to 10.7 per cent. This impact is marginally mitigated as a result of the data adjustments to the Output sub-component, weighted 25 per cent of the Health component, resulting in a 0.2166 percentage point decline overall in the health component. This is because the Western Cape's share of the output component at 12.9 per cent is higher than its relative share of the risk adjusted component. The Western Cape's overall share of the Health Component declines from 11.4 to 11.2 per cent. Given the significance of the impact on provinces, the Health Component is subject to a special phase-in over the next three years, ending in 2024/25.

The Western Cape raised a number of concerns during consultations regarding the review of the Health Component. The concerns included:

- Data availability, which limited the Provinces' ability to engage with the quality, appropriateness and accuracy of the adjustments;
- Budget instability, as only the risk adjusted sub-component has been updated at this stage, while future planned revisions to other PES components may potentially offset these changes in subsequent years;
- The weighting of the output sub-component considering a number of provinces experiencing increased demand for health care from residents outside of their province;
- The inclusion of the sparsity indicator, which may be more appropriate to include in the output part of the health component rather than the risk-adjusted component in order to compensate for the actual cost of delivery of services; and
- That the review of the health formula cannot guarantee improvements in health care provision and consideration should be given to more targeted performance interventions through conditional grants.

Provincial conditional grants

Table 3.4 gives an overview of the indicative allocations for conditional grants over the 2022 MTEF for WCG departments. Indicative allocations at this stage are for planning and discussion purposes only. National departments must still, after consultation with relevant stakeholders, finalise their respective conditional grant allocations per province. In terms of Section 26(2)(e) of the 2021 Division of Revenue Act, national departments responsible for administering conditional grants must submit the allocations for each grant per province to the National Treasury by 02 December 2021. Allocations for conditional grants to the Western Cape will be communicated once this process has been finalised.

Conditional grant frameworks should support important public services such as education, health and welfare. While supporting these important services, frameworks should not negatively affect the discretion of provincial governments in how they direct expenditure as provincial governments are accountable to their electorates.

Conditional grant frameworks can be burdensome due to the number of conditions and criteria attached to the funding, particularly if the requirements are not in line with the social or economic needs of the Province. The formulas used to determine conditional grant allocations by the national sphere of government can also be opaque. This is a concern as the growth in conditional grant allocations over the 2022 MTEF is higher than the growth in PES, which increases the proportion of non-discretionary funding and reduces flexibility and autonomy in making budgetary decisions.

Table 3.4 Conditional grant baseline allocations for the 2022 MTEF

Vote and grant R'000	Medium-term estimate			Total 2022 MTEF	Average annual growth rate
	2022/23	2023/24	2024/25		
Vote 5: Education	1 764 507	1 841 145	1 923 812	5 529 464	4.42%
Education Infrastructure Grant	1 129 934	1 180 389	1 233 388	3 543 711	4.48%
Maths, Science and Technology Grant	37 184	38 135	39 847	115 166	3.52%
HIV and AIDS (Life Skills Education) Grant	17 719	18 071	18 882	54 672	3.23%
Learners with Profound Intellectual Disabilities Grant	29 216	31 069	32 464	92 749	5.41%
National School Nutrition Programme Grant	448 823	467 538	488 530	1 404 891	4.33%
Early Childhood Development Grant	101 631	105 943	110 700	318 274	4.37%
<i>of which:</i>					
<i>Subsidy Component</i>	99 789	104 023	108 694	312 506	4.37%
<i>Maintenance Component</i>	1 842	1 920	2 006	5 768	4.36%
Vote 6: Health	7 051 748	7 039 864	7 355 954	21 447 566	2.13%
National Tertiary Services Grant	3 318 681	3 332 007	3 481 614	10 132 302	2.43%
Health Facility Revitalisation Grant	742 492	819 190	855 972	2 417 654	7.37%
Human Resources and Training Grant	818 062	805 331	841 490	2 464 883	1.42%
<i>of which:</i>					
<i>Statutory Human Resources Component</i>	275 583	287 216	300 112	862 911	4.36%
<i>Training and Development Component</i>	542 479	518 115	541 378	1 601 972	-0.10%
National Health Insurance Grant	17 933	17 939	18 744	54 616	2.24%
Comprehensive HIV, AIDS and TB Grant	2 154 580	2 065 397	2 158 133	6 378 110	0.08%
<i>of which:</i>					
<i>Community Outreach Services Component</i>	194 913	195 662	204 447	595 022	2.42%
<i>Comprehensive HIV, AIDS Component</i>	1 759 314	1 763 115	1 842 279	5 364 708	2.33%
<i>Tuberculosis Component</i>	68 086	68 266	71 331	207 683	2.36%
<i>Human Papillomavirus Vaccine Component</i>	22 044	22 102	23 094	67 240	2.35%
<i>COVID-19 component</i>	94 014			94 014	-100.00%
<i>Mental Health Services Component</i>	16 209	16 252	16 982	49 443	2.36%
Vote 8: Human Settlements	2 113 056	2 207 509	2 306 626	6 627 191	4.48%
Human Settlements Development Grant	1 628 418	1 701 511	1 777 909	5 107 838	4.49%
Informal Settlements Upgrading Partnership Grant for Provinces	484 638	505 998	528 717	1 519 353	4.45%

Table 3.4 Conditional grant baseline allocations for the 2022 MTEF (continued)

Vote and grant R'000	Medium-term estimate			Total 2022 MTEF	Average annual growth rate
	2022/23	2023/24	2024/25		
Vote 10: Transport and Public Works	2 120 283	2 219 614	2 319 275	6 659 172	4.59%
Provincial Roads Maintenance Grant	992 470	1 042 094	1 088 884	3 123 448	4.74%
Public Transport Operations Grant	1 127 813	1 177 520	1 230 391	3 535 724	4.45%
Vote 11: Agriculture	184 222	187 311	195 721	567 254	3.07%
Land Care Programme Grant: Poverty Relief and Infrastructure Development	5 532	5 680	5 935	17 147	3.58%
Comprehensive Agricultural Support Programme (CASP) Grant	119 697	121 652	127 114	368 463	3.05%
Ilima/Letsema Projects Grant	58 993	59 979	62 672	181 644	3.07%
Vote 13: Cultural Affairs and Sport	277 864	277 605	290 069	845 538	2.17%
Mass Participation and Sport Development Grant	87 762	84 274	88 058	260 094	0.17%
Community Library Services Grant	190 102	193 331	202 012	585 445	3.08%
Total Conditional grants	13 511 680	13 773 048	14 391 458	41 676 186	3.20%
Conditional grants as a per cent of total revenue	17.82%	18.76%	18.87%		

Changes to the structure of provincial conditional grants over the medium term

Changes have been proposed to the structures of conditional grants for the 2022 MTEF, however allocations are still to be provided to provinces.

The *HIV, TB, Malaria and Community Outreach grant* will be renamed the *District Health Programme grant* from 2022/23. From 2022/23 the grant will consist of only a comprehensive HIV/AIDS component, funding HIV/AIDS and tuberculosis-related services; and a district health component, funding community outreach services and services related to COVID-19, human papillomavirus and malaria. The mental health and oncology components introduced in this grant in the 2021 MTEF will be shifted to the direct National Health Insurance grant.

The *Early Childhood Development (ECD) grant* will be moved from the Department of Social Development to the Department of Basic Education from 2022/23 to align with the shift of ECD functions from Social Development to Basic Education.

Similarly, the *Comprehensive Agricultural Support Programme grant* may shift from the colleges of agriculture to the national government. The Western Cape Department of Agriculture continues to engage with the Department of Agriculture, Land Reform and Rural Development (DALRRD) as a final determination regarding this shift has not yet been concluded.

The *Provincial Roads Maintenance grant* includes an incentive component that is allocated based on provincial performance. Due to delays in developing objective allocation criteria, the incentive component will be removed from the grant baseline for 2022/23. The National Treasury will continue to work with the Department of Transport to develop objective criteria for the incentive component.

Provincial own receipts

Provincial own revenue collected by Western Cape departments comprise approximately R2.5 billion, or less than 5 per cent of the total revenue funding envelope. Although own revenue is a relatively small component of total revenue, it remains an important source of income that enables additional expenditure to enhance service delivery and to further departmental mandates.

Departments have been incentivised to maximise own revenue collections through the implementation of efficiencies in the revenue collections process and to explore additional sources of own revenue. In cases where own revenue collections are in excess of what was originally budgeted for, over-collections are made available to departments, subject to revenue retention criteria, mainly through the revenue retention process.

Table 3.5 presents the own revenue budget by department for the 2021/22 adjusted budget and over the 2022 MTEF.

Total provincial own revenue collections are projected to increase at an average annual growth rate (AAGR) of 2.8 per cent from R2.517 billion in the 2021/22 adjusted budget to R2.737 billion in 2024/25. The largest contributors to own revenue in the Province are the Departments of Transport and Public Works (primarily motor vehicle licence fees) and Health (primarily patient fees). Motor vehicle licence fees and hospital patient fees are projected to comprise around 74.3 per cent and 11.4 per cent of total revenue on average over the 2022 MTEF, at an average annual growth rate of 3.1 per cent and 1.5 per cent respectively.

Table 3.5 Summary of estimated Provincial Receipts raised in the Province

Votes	2021/22	2022/23	2023/24	2024/25
R'000	Adjusted Budget	Medium Term Estimate		
Provincial Own Receipts raised by Departments	2 517 381	2 523 474	2 619 174	2 736 775
Department of the Premier	1 602	1 712	1 789	1 869
Provincial Parliament	75	78	82	85
Provincial Treasury	76	80	84	88
Community Safety	222	328	343	358
Education	25 171	25 693	26 849	28 054
Health	396 817	396 817	396 817	414 635
Social Development	1 192	1 258	1 315	1 374
Human Settlements	70 521	73 906	77 232	80 700
Environmental Affairs and Development Planning	2 783	2 917	3 048	3 185
Transport and Public Works	1 979 628	1 982 887	2 072 117	2 165 155
Agriculture	34 948	34 738	36 301	37 931
Economic Development and Tourism	2 302	388	405	423
Cultural Affairs and Sport	1 935	2 558	2 673	2 793
Local Government	109	114	119	125
Provincial Revenue Fund: Tax Receipts	503 765	522 548	541 810	566 137
Gambling Taxes	466 532	483 528	501 034	523 530
Liquor Licence Fees	37 233	39 020	40 776	42 607
Total	3 021 146	3 046 022	3 160 984	3 302 912

Gambling taxes and liquor licence fees are reported separately from departmental own receipts as both the Departments of Provincial Treasury and Community Safety act as conduits for gambling taxes collected by the Western Cape Gambling and Racing Board and liquor licence fees collected by the Western Cape Liquor Authority (WCLA) which are then transferred via the respective departments into the Provincial Revenue Fund (PRF). Gambling taxes and liquor licence fees are projected to average R502.698 million and R40.801 million respectively over the 2022 MTEF period.

Motor Vehicle Licence fees

Motor Vehicle Licence fees expected to increase over the MTEF

Motor Vehicle Licence fees are the single largest contributor to the total own revenue budget of the Province. This class of revenue is driven by growth in the motor vehicle population and annual inflationary increases in motor vehicle licence fees tariffs. Motor Vehicle Licence fees are projected to increase at an average annual growth rate of 3.1 per cent from R1.861 billion in the 2021/22 adjusted budget to R2.039 billion in 2024/25.

Hospital patient fees

Hospital patient fees are projected at R294.351 million in the 2021/22 adjusted budget and are expected to increase only marginally by an inflation rate of 4.5 per cent in 2024/25 to R307.567 million.

Patient fees are determined by the National Department of Health through the Uniform Patient Fee Schedule, which is intended to be more user friendly, particularly for hospitals in the private sector. Other components contributing to patient fees are payments received from medical aids, the Road Accident Fund (RAF), state departments, and individuals.

Liquor licence fees

Liquor licence fees are projected to increase at an average annual growth rate of 4.6 per cent from R37.233 million in the 2021/22 adjusted budget to R42.607 million in 2024/25.

The growth over the period is supported by annual inflationary increases in liquor licence fees that allow the WCLA to improve compliance and enforcement capacity. The WCLA is developing a differentiated pricing model for liquor licence fees, allowing for more categorisation and costing across licence holders, to enable the authority to expand its oversight function.

Casino and horseracing taxes

Gambling taxes are largely comprised of casino, limited payout machines and betting taxes. Gambling taxes from betting have increased steadily in 2021 and are projected to increase at an average annual growth rate of 3.9 per cent from R466.532 million in 2021/22 to R523.531 million in 2024/25.

Provincial Reserves

The Western Cape Government has built up its reserves over recent years in order to absorb fiscal and economic shocks which negatively impact the service delivery ability of government departments. Adverse economic developments, as precipitated by the COVID-19 pandemic have placed additional expenditure pressures on particularly the frontline and health related departments. And the utilisation of provincial reserves has enabled the Province to ensure continuity in rendering essential and frontline services. Going forward provincial reserves will allow the Province to remain responsive to unforeseen events that may generate additional expenditure demands on departments which were not originally budgeted for.

The Western Cape Government, as part of its budget objectives and principles, has undertaken to rebuild its reserves in the outer years of the 2022 MTEF after it utilised funding in response to impact of the COVID-19 pandemic. The rebuilding of reserves will enable the Province to continue to deal with unexpected events which threaten to have a negative impact on the budget. Additionally, there may be utility in expanding the use of reserves to include buffering strategic budgets such as education and health against national allocation reductions.

Conclusion

The uncertain economic and fiscal environment, coupled with rising service delivery demands has resulted in the PES being reduced over the 2022 MTEF in real terms. The PES is impacted by certain data updates and the introduction of a new Health Risk Adjusted Index sub-component to the distribution formula as part of the PES review process. This has been compounded by the declining resource envelope, which has highlighted the importance of ensuring long-term fiscal sustainability through beginning to replenish provincial reserves.

4

Budget policy priorities

In summary

- The medium term budget policy priorities give effect to the 2022 Budget objectives during uncertain times.
- The 'social wage' is a cornerstone of the Western Cape Government's efforts to improve the lives of the most vulnerable in society and accounts for 82 per cent of the total expenditure over the 2022 MTEF.
- The Western Cape Recovery Plan priorities are the COVID-19 recovery, Jobs, Safety, and Wellbeing enabled by a reimagined, modernised contemporary public service.
- The Western Cape Government's COVID-19 response aims to ensure a successful vaccination rollout, to mitigate the seriousness of subsequent coronavirus variants.
- The budget policy priorities will support economic growth and job creation; strengthen law enforcement; strengthen social protection; and ensure human dignity by protecting human rights and supporting mental wellbeing.
- The Western Cape Government will focus on innovation and culture that supports the implementation of the Western Cape Recovery Plan by placing the citizen at the centre of service delivery.

Introduction

During these unprecedented and uncertain times, the medium-term budget policy priorities deliver a message of hope as well as the readiness of the Western Cape to reopen and recover. The budget policy priorities provide the foundation for a growth recovery by giving effect to the Western Cape Government's (WCG) Fiscal Strategy objectives and responses of prioritising the fight against the ongoing COVID-19 pandemic, while giving effect to the Western Cape Recovery Plan's priorities of Jobs, Safety and Wellbeing. The budget policy priorities will continue to protect frontline services, including education, health, and social development as well as supporting effective infrastructure delivery across the Province.

Social wage contributes to improving the lives of the most vulnerable

■ Provincial social wage

The 'social wage' is a cornerstone of the WCGs efforts to improve the lives of the most vulnerable families and communities in the Province. This commitment includes free primary healthcare; no-fee schools; social protection; housing; and the provision of community amenities to vulnerable households. It gives effect to a key budget objective of the WCG by protecting key frontline services, and accounts for 82 per cent of total expenditure over the medium term, with healthcare and education making up the bulk of the expenditure (see Table 4.1).

Table 4.1 Provincial social wage package, 2022 MTEF

Policy area R'000	Medium-term estimate		
	2022/23	2023/24	2024/25
Health	27 329 557	26 686 683	27 199 615
Education	26 701 734	26 350 329	26 649 472
Social protection	2 212 024	2 234 859	2 293 246
Housing and community amenities	2 411 827	2 494 037	2 565 023
Recreation, culture and religion	870 546	855 724	884 194
Public order and safety	770 304	719 392	728 699
Local Government	302 232	297 600	299 124
Total payments and estimates by policy area	60 598 224	59 638 624	60 619 373

Note: Social wage expenditure estimates are aligned to the Government Financial Statistics (GFS) categories.

Over the past decade, access to services has improved, but financial wellbeing deteriorated significantly due to the impact and aftermath of the COVID-19 pandemic. The WCG is committed to preserving pro-poor interventions such as the nutrition programme, of which the National School Nutrition Programme is allocated a preliminary amount of R488.823 million for 2022/23; the learner transport programme; and fee exemptions at fee paying schools. The Province expects that the number of learners benefitting from the "no fee policy" will increase from 674 222 in 2022/23 to 708 294 in 2024/25.

The Province will continue to provide healthcare services to the uninsured population in the wake of the COVID-19 pandemic. More than 33 000 employees are employed in the healthcare sector, of which 65 per cent are health professionals, i.e., doctors, nurses, pharmacists, dentists. These health professionals are divided across 591 service points, which include 467 primary healthcare service points, 53 hospitals and 49 Emergency Medical Service (EMS) stations. Over the 2022 MTEF, R71.400 billion will be spent on primary healthcare and district health, emergency medical services, and

provincial and central hospital services, providing equitable access to all healthcare facilities across the Province.

The WCG will continue to provide social protection services through various programmes to the most vulnerable people in the Province. The expansion of services to vulnerable groups such as youth at risk, persons with disabilities, victims of gender-based violence and older persons will be delivered by social work professionals. Over the 2022 MTEF, the Province has an annual target of 876 social workers to be employed. Support will be provided to Non-governmental organisation (NGOs) in the form of transfers and subsidies and funding for capacity building and technical support. Over the 2022 MTEF, support to the NGO sector amounts to R132.7 million.

The Province will continue to expand access to adequate housing for those in need using a range of programmes that supports both home ownership and affordable rental opportunities. The Province expects to provide in excess of 30 000 housing opportunities and upgrade more than 60 informal settlements over the 2022 MTEF.

The WCG will continue to run a number of After School Programmes. The afterschool interventions include the Mass Opportunity and Development (MOD) Centres in 181 schools, the Neighbouring School programme in 134 sites, and the YearBeyond programme in 204 sites. Public libraries are also a key programme that not only provide access to books and spaces to convene for particularly vulnerable communities, but provide a safe learning and/or creative space and computer and internet access. Over the 2022 MTEF, the Province intends to increase the number of library service points from 375 in 2022/23 to 377 in 2024/25.

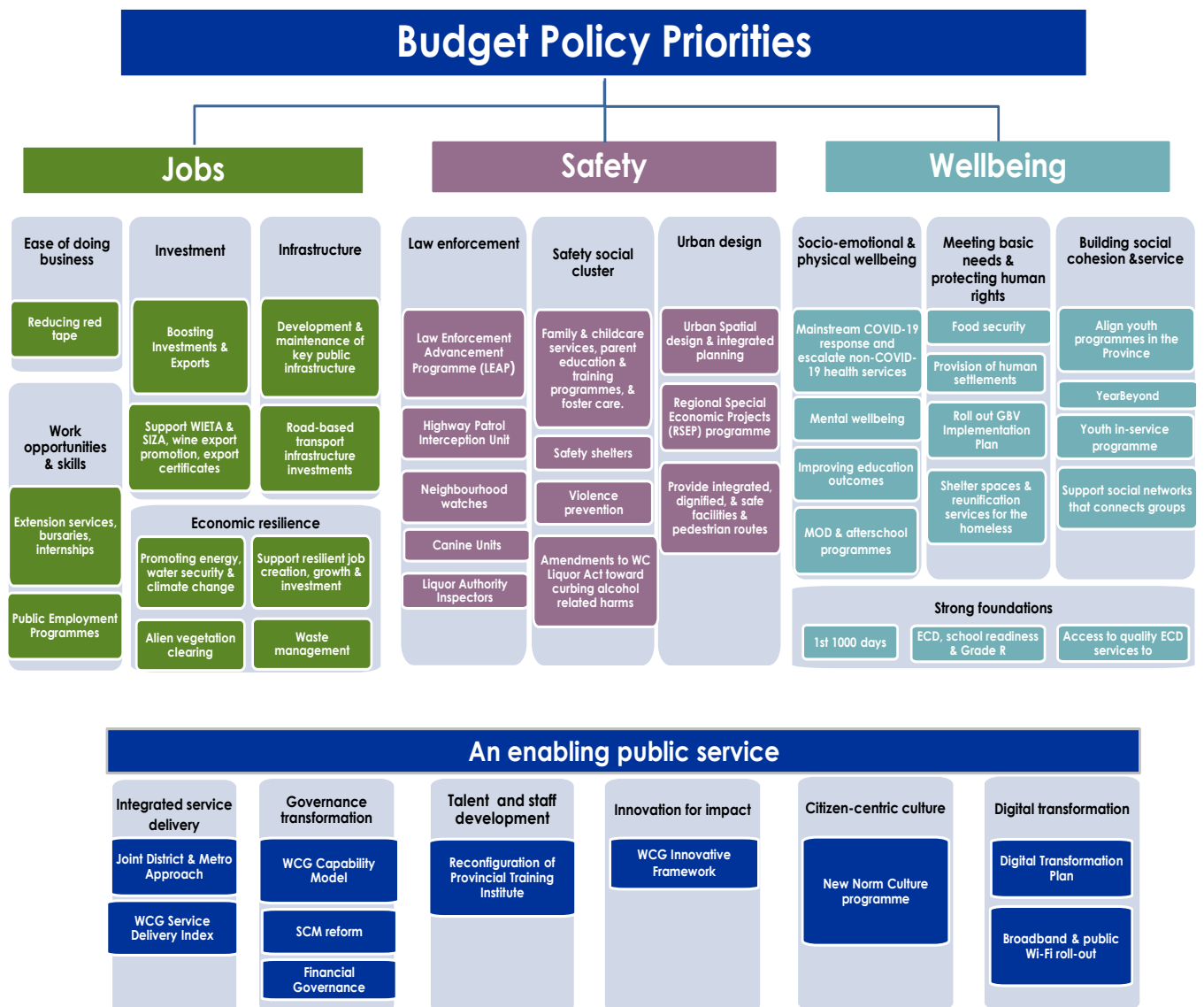
The Province will continue to prioritise safety. The Law Enforcement Advancement Plan (LEAP) is the most significant crime reduction programme in the Province. The LEAP programme aims to train and deploy additional law enforcement officers in the Province to address crime hotspots.

Post the local government elections, the WCG will continue to support municipalities to work with stakeholders within communities to explore sustainable ways of improving the living conditions and quality of life of those living in poverty. Poverty reduction through the implementation of the Thusong and the Community Development Worker programmes will focus on improving citizens' access to government services and information, thereby promoting opportunities to improving living conditions.

Medium term budget policy priorities

The medium term budget policy priorities aim to support the social and economic development of the Western Cape to unlock value from good governance and drive effective service delivery. The 2022 Budget Approach and objectives, as outlined in Chapter 2, have guided decision-making on the allocation of resources, based on key budget principles, with the objective of aligning spending towards budget policy priorities of the WCG to enable the Province to be ready to reopen and recover (See Figure 4.1).

Figure 4.1 2022 MTEF Budget Policy Priorities per theme of the Western Cape Recovery Plan



COVID-19 response

Over the past 22 months, the COVID-19 pandemic has caused unprecedented turmoil and disruption globally, nationally and in the Western Cape. Since the onset of the pandemic, the Province has experienced three waves of infections. The first wave spanned from May - August 2020, a second wave in December 2020 – January 2021, and a third wave in July - September 2021. As at 02 December 2021, the Western Cape recorded 519 797 COVID-19 cases, of which 496 546 were recoveries. A total of 20 252 deaths had been registered.

519 797 COVID-19 cases recorded in the WC

To give effect to the budget objective of supporting the reopening and recovery in the Western Cape, sustaining the fight against the pandemic will be prioritised, which includes the successful rollout of the vaccination programme. In this regard, the important next step of the Province's COVID-19 response is to vaccinate as many residents as possible in the shortest amount of time to mitigate the seriousness of subsequent coronavirus variants, like Omicron, and the likely 4th wave expected to occur in December 2021. The WCG has a tailored step-wise health and societal response that will trigger appropriate responses to detect and mitigate the impact of a 4th wave. By 02 December 2021, 4.208 million vaccinations have been administered (partially and fully) in the Western Cape, which includes 50.89 per cent of the adult population vaccinated in the Province. This is by far the largest vaccination programme the Western Cape has ever undertaken. The Department of Health is currently focusing on vaccinating residents aged 50+ who have not yet accessed a vaccination centre on their own initiative.

More than 2 million people fully vaccinated in the WC

The Department of Health has through the successive waves, refined its use of data and evidence to respond to the pandemic. It has also strengthened its agility by preparing the health system for the various waves, followed by decommissioning when the demand decreased. From the first wave to the third wave, the Department of Health has refined its bed and people management strategies for responding to the pandemic and is confident that it has adequately planned for ensuing waves of the pandemic. These learnings are also feeding into broader healthcare planning, particularly the need to maintain surge capacity and oxygen governance on the service platform.

Responding to the pandemic through the use of data and evidence

This said, the consecutive waves have had a negative impact on other healthcare services, which were de-escalated at certain points in the pandemic and are therefore suffering serious backlogs. This is particularly the case for TB and HIV testing and treatment, the

screening and treatment of non-communicable diseases such as cervical cancer screening, the drop in primary healthcare and outpatient department headcounts, and growing backlogs in elective surgical services.

Therefore, the COVID-19 recovery priority for the Department of Health over the 2022 MTEF will be to mainstream the COVID-19 response and all its components, continue the vaccination rollout, and address the cumulative backlogs in other services while re-introducing comprehensive healthcare services.

■ Theme 1: Jobs

The Western Cape Recovery Plan's Jobs priority builds on VIP 2: *Growth and Jobs*. It seeks to make the Province an investment destination of choice to enable economic growth, which leads to increased job opportunities. The WCG will continue to support the economic recovery and address some of the fundamental challenges to economic growth and job creation.

Ease of Doing Business

The WCG will prioritise four interventions for ease of doing business, namely, creating an environment that is conducive to business growth; supporting Small, Medium and Micro Enterprises (SMMEs) in navigating the policy and regulatory environment; tackling vaccine hesitancy; and addressing rail and ports inefficiencies in partnership with national government. These interventions are aimed at strengthening competitiveness and business confidence to allow for businesses to grow and create jobs. Furthermore, the WCG will assist in improving the capacity of formal and informal businesses, support start-up businesses, increase the number of businesses accessing public procurement opportunities, increase the uptake of businesses accessing national government support measures and increase and strengthen the number of partnerships in the business support ecosystem.

Investment

The WCG will continue to promote and enable investment into and exports out of the Province as well as support initiatives that can unlock and provide opportunities for investment and exports. In response to the global decline in economic growth and a decline in business confidence in the South African economy, the WCG will seek to strengthen market opportunities with Africa's rising middle class. The WCG will boost investment and exports in the Province through facilitating and recruiting committed investments, trade agreements, film and media productions and by building a strong regional economic brand for investment promotion and destination marketing. The Atlantis Special Economic Zone (ASEZ) and the

COVID-19 has exacerbated key challenges to economic growth

Conducive business environment to save time and resources and boost businesses' bottom-line

Retaining and increasing investment opportunities and expanding exports

Saldanha Bay Industrial Development Zone (SBIDZ) will be leveraged to attract investments by providing world-class green energy services and marine and shipyard services, respectively. These investments will facilitate economic growth and job creation opportunities. The maintenance of established exports markets and the development of new potential export markets in the agriculture sector has been prioritised and will ensure that local farmers adhere to acceptable international ethical standards.

Work opportunities and skills

By scaling up work opportunities and skills, the WCG will address the continued mismatch between skills supplied and those demanded by the economy as well as the low absorption rate of low skilled youth. This will be achieved by increasing access to technical and soft skills development across sectors through bursaries, internships, learnerships, digital skills development, formal and informal training development programmes and expanding public works programmes. The Business Process Outsourcing (BPO) project will enable youth to be trained and “work readied” for 12 months in the BPO sector. The Expanded Public Works Programme (EPWP) will facilitate the creation of short- and medium-term work opportunities for the unemployed through opportunities combined with training, which includes a Contractor Development Programme and the Foundation and Advanced Training and Mentoring Programme. The National Youth Service Programme will provide employment opportunities for young people aged 18 – 25 years in the social sector whilst imparting key skills. Opportunities for skills development will be leveraged from the Information and Communications Technology (ICT), artisans and other technical skills development programmes.

*Increase work readiness
and skills development*

Public Employment Programmes

The WCG will continue to implement Public Employment Programmes over the 2022 MTEF. Key Public Employment Programmes include the school assistant project, infrastructure maintenance at education facilities, training and placement of unemployed youth in business process services, ecological infrastructure restoration, river protection projects, and canal maintenance. Over the 2022 MTEF, the Expanded Public Works Programmes will add an estimated 66 000 employment opportunities per year through projects linked to infrastructure maintenance, cleaning services, river rehabilitation, fire management work, and fencing among others.

In the 2021 national adjustments budget, the WCG received R603.034 million through the Presidential Youth Employment Initiative of which R566.360 million was allocated toward the Western Cape Education Department and R36.404 million was allocated toward the Department of Health. The Western Cape Education Department will use its allocation to create an estimated 20 000 and 11 000 employment opportunities through its school assistant project for the 2022 and 2023 school years respectively.

Source: Western Cape Provincial Treasury

Infrastructure

Infrastructure as a lever to stimulate investment, boost business confidence and accelerate growth

The WCG will continue to prioritise infrastructure investment as both a short-term employment driver as well as a long-term catalyst for economic growth and social development. The provision and maintenance of infrastructure such as roads, rail, ports, water supply, and housing are key enablers to boost business confidence, stimulate investment, increase economic activity and create jobs. As part of the WCG fiscal response, the composition of expenditure will be rebalanced by increasing spending on infrastructure. The WCG established a Project Preparation Facility (PPF) to support and assist departments, public entities and municipalities with project preparation costs of certain categories of infrastructure projects. A detailed infrastructure project pipeline will be found in the 2022 Western Cape Overview of Provincial and Municipal Infrastructure and Investment publication.

Infrastructure as a lever for growth

Protecting, leveraging and providing infrastructure to facilitate service delivery has been flagged as a strategic priority at both a national and provincial level. Infrastructure is a key component of the South African growth strategy generally, and the Western Cape Recovery Plan specifically, and is central to tackling the triple challenge of poverty, unemployment and inequality. Infrastructure provides a strong foundation upon which economic activity can occur and social services can be provided, it provides a mechanism through which employment can be created, and it can reverse spatial inequality and rectify the wrongs of the past through promoting connectivity and access.

The infrastructure ecosystem faces many challenges, including a fragmented and often ill-defined assignment of functions and mandates across the three spheres of government and state-owned enterprises and entities. In addition to an increasingly complex intergovernmental cooperation space characterized by disparities in expenditure and priorities, the backlog in infrastructure maintenance across the various categories is increasing, placing a significant burden on an already stressed fiscal space and places parts of the infrastructure system at risk.

The challenge is four-fold: the historical context of spatial inequality and a growing backlog in infrastructure maintenance; providing an adequate infrastructure response to growing service delivery pressure; addressing infrastructure underspending in the local government space; and providing a fit-for-future infrastructure that will respond to changes in consumer behaviour and service delivery models as well as mitigate future risk (such as adequately responding to climate change). The context within which these challenges play out is one characterised by increased budgetary uncertainty (impacting on all four aspects and requiring a balancing of objectives) and an increased risk of failure within the broader infrastructure system as has been evident in some sectors such as wastewater and passenger rail.

The complexity of a multi-project, multi-year infrastructure delivery environment significantly impacts on the management of these challenges and requires a clear management of risks in a constrained funding environment. Doing so, requires the requisite systems to be in place to identify, compute and contextualise risk across the infrastructure system, the requisite technical competency to interpret the information, as well as leadership to ethically manage this risk. This challenge spans the three spheres of government and requires renewed and concerted collaboration.

All effort is being made by the WCG to bring higher levels of certainty into the infrastructure budgeting space, prioritise critical maintenance and facilitate new funding and partnership modalities while, at the same time, crafting a new overarching policy framework under the banner of the Western Cape Infrastructure Framework that intends to align the planning, delivery and management of infrastructure, provided by all stakeholders (national government, provincial government, local government, parastatals and the private sector), to the strategic agenda and vision for the Province.

Source: Western Cape Department of Transport and Public Works

Economic resilience

In light of the global emphasis on prioritising climate change as well as continued pressure on water and energy supply, the WCG will continue to prioritise environmental sustainability. Over the 2022 MTEF, the WCG will continue working towards diversifying the regional energy mix and reducing energy intensity, support Green Economy initiatives, developing ecological infrastructure that addresses climate change, support municipalities, agricultural enterprises and other businesses through technical, regulatory and knowledge development and sharing, and foster partnerships.

Promoting energy and water resilience and security

The Municipal Energy Resilience (MER) programme will improve energy resilience in municipalities through facilitating and supporting the implementation of energy infrastructure development. This includes project development support across the implementation phases of electricity and energy planning; electricity network capacity analyses; procurement/contracting/tariff mechanisms; project delivery pre-feasibility and feasibility studies; financial planning; and capacity building, amongst others. This will result in lower-carbon energy projects in municipalities, businesses and households that can generate, procure and sell their own power, including but not limited to municipalities transacting directly with Independent Power Producers (IPPs). The MER programme has been designed to enable the implementation of pioneering renewable energy projects in municipalities that will concept test and aim to challenge various regulatory and procurement mechanism barriers at a national level, while assessing and strengthening municipal capacity. A long-term programmatic approach is developed for the rollout of renewable energy at scale across the Western Cape. The programmatic approach will enable economies of scale, provide a clear market and policy signal, be attractive to financiers and enable streamlined procurement and access to finance.

Renewable Energy Independent Power Producer Procurement Programme Bid Window 5

The national government's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) Bid Window (BW) 5 results were announced on the evening of 29 October 2021. A total of 63 solar PV bids and 39 onshore wind projects were submitted, with a combined capacity of 9 644 MW. This is a significant over-subscription relative to the 1 000 MW allocation for solar PV and the 1 600 MW allocation for onshore wind under the REIPPPP BW5. From the projects submitted, 25 (12 wind and 13 PV) were approved, totalling 2 583 MW (1 608 MW wind and 975 PV).

Projects in the Western Cape:

Name	Technology	Bid price (R/MWh)	Size (MW)	Developer	Location
Grootfontein 1	PV	484.6	75	Scatec	Touws River
Grootfontein 1	PV	484.6	75	Scatec	Touws River
Grootfontein 1	PV	484.6	75	Scatec	Touws River
Brandvalley	Wind	496.9	140	Red Rocket (G7)	Komsberg
Rietkloof	Wind	502.7	140	Red Rocket (G7)	Komsberg
Beaufort West	Wind	427.41	140	Mainstream	Beaufort West
Trakas	Wind	427.41	140	Mainstream	Beaufort West

The release of BW 5 is regarded as a positive market signal, enough to get market going again (i.e., to invest locally). Despite the promising movement on BW5 (delivery expected in 2024/25) there is still a substantial energy shortfall in South Africa.

Source: Western Cape Department of Economic Development and Tourism

The Integrated Waste Management Plans will provide support to municipalities to render waste management services and regulate waste management activities while integrated pollution management will minimise the effects of climate change. The WCG will strengthen collaboration across its departments in the management of invasive alien plants in key catchments to safeguard water supply and strengthen water security and resilience. The WCG will continue with on-going support to municipalities through the implementation of the Drought Recovery Action Plan to ensure water security in towns that still experience the effects of drought, thereby upholding the fiscal objective of mitigating risks including drought.

Safety requires a whole-of-society and life-course approach

■ Theme 2: Safety

The Western Cape Recovery Plan's Safety priority builds on VIP 1: *Safe and Cohesive Communities*. It acknowledges that safety requires a whole of society and life-course approach that combines law enforcement and violence prevention by addressing risk factors for violence through a public health approach.

Building on a strong Theory of Change informed by international evidence of what works in reducing violence, the Safety priority focuses on strengthening law enforcement, the safety social cluster and urban design for safety. In addition, it has identified three enablers to support these areas of interventions: data surveillance, an area-based model for implementation, and stronger use of evidence to prioritise interventions and assess their impact. The WCG, through a prioritised, evidence-informed approach, has prioritised three spaces for intervention to reduce and prevent violence and strengthen protective factors in the medium to long term, namely, family strengthening, alcohol harms reduction, and targeted support to youth at risk.

Law enforcement

Between the first quarters of 2016/17 and 2021/22, the number of murders and sexual offences increased by 21.4 per cent and 9.0 per cent, respectively. Considering this, projects such as the Law Enforcement Advancement Programme (LEAP), the initiative to empower Neighbourhood Watches, as well as the support of the Canine Units (or K9) are all related to increasing the level of safety in the Western Cape, while giving rise to additional employment opportunities.

The capacity and effectiveness of policing and law enforcement will be enhanced through the use of data led and evidence-based policing, to strengthen crime prevention partnerships. With the support of the data stream, the LEAP officers' time and location of deployment is informed by trauma data collected by the Department of Health. LEAP will continue to focus on key drivers of crime, particularly firearms, alcohol, and drugs. Currently, the LEAP programme has deployed over 800 law enforcement officers to the top ten "murder hotspots" in the Western Cape. An additional 217 officers will complete their training in December 2021 and be deployed across the hotspot areas.

The WCG will strengthen transport safety with the launch of the Highway Patrol Interception Unit that will improve road safety and target trafficking associated with the illicit economy. Law enforcement capacity will be strengthened with the deployment of innovative technology such as hand-held and in-vehicle devices

that allow for the identification of infringements and the capability of recording evidence of infringements.

In support of the focus on liquor enforcement, the Western Cape Liquor Authority has appointed additional Junior Liquor Inspectors who are deployed to areas most impacted by alcohol-related violence.

Safety social cluster

In order to strengthen families at risk of experiencing violence, the WCG will provide essential services, such as family reunification and preservation services, parent education and training programmes, essential prevention and early intervention programmes, therapeutic programmes, mediation services, foster care, and adoption services.

The provision of safety shelters such as Child and Youth Care Centers (CYCCs) and the implementation of crime-prevention programmes are initiatives that the WCG will implement to give effect to the Safety priority. The Chrysalis Academy programme will be expanded and has an annual target of 285 students completing the course.

The WCG has led the development of amendments to the Western Cape Liquor Act (Liquor Act). This legislative intervention aims to bring positive changes to the over-consumption, illegal trading of alcohol, as well as curbing alcohol related harms. The WCG also aims to explore the impact of the minimum unit price (MUP) of alcohol alongside increasing liquor traders licencing fees, restricting trading times and the increase of fines for transgressions. The WCG will drive these legislative changes over the 2022 MTEF.

Urban design

The WCG will review and advise on appropriate settlement designs, plan layouts and typologies aiming to provide safe and cohesive communities. The WCG will contribute by increasing safe spaces through environmental design in all new developments. This includes spatial design of neighbourhoods, the planning of accessible roads, sites for the building of public schools, police stations, health facilities, community halls, recreational centres and public parks. Safety elements will be incorporated in projects, such as streetlighting and lighting in public open spaces and courtyards, and in the design and construction of houses.

The Regional Special Economic Projects (RSEP) programme will continue over the 2022 MTEF. This project is a multi-dimensional initiative aimed at providing integrated, dignified, and safe facilities and pedestrian routes benefitting disadvantaged communities and individuals, including women and children. Over the medium term,

collaboration with 12 beneficiary municipalities will continue. These municipalities are Saldanha Bay, Swartland, Bergrivier, Witzenberg, Breede Valley, Drakenstein, Stellenbosch, Theewaterskloof, Cape Agulhas, Prince Albert, Mossel Bay and Bitou.

Safety enablers

Data and evidence as key enablers for better impact

The WCG will establish an integrated safety data surveillance strategy to regularly assess the successes and failures of its interventions adapted from the Cardiff Model for violence prevention. To give effect to the Western Cape Safety Plan, 16 Area-Based Teams have been established within the priority areas. These will continue to strengthen relationships between safety stakeholders in high crime areas and respond to localised safety challenges, as informed by locally relevant data. The WCG will use Forensic Pathology Services data to analyse homicide patterns and inform LEAP deployment accordingly. It will continue to roll out the Hospital & Emergency Centre Tracking Information System (HECTIS) platform, which monitors trauma admissions in emergency centres in health facilities across the Western Cape to further inform short term and medium term safety initiatives.

Hospital & Emergency Centre Tracking Information System

Key recovery efforts for this provincial focal area includes an integrated law enforcement and violence prevention response; a geographical hotspot approach; and data lead, evidence informed decision-making. The intention is to accelerate the roll-out and implementation of the Hospital & Emergency Centre Tracking Information System (HECTIS), an electronic tool to track the number and movement of patients through the Emergency Centre.

The triage functionality in HECTIS is the most effective way to assess people entering the emergency units across the Province using the same criteria, irrespective of funding capability or type of emergency. It also helps to prioritise treatment and distribute the workload for better use of resources. The interoperability and effective information sharing functionalities play a pivotal role with decision support during the patient's journey.

The data collected will be incorporated into the Cardiff Violence Prevention Model and will assist the Province to gain a clearer indication of where violence is occurring by combining and mapping both hospital and law enforcement agency data. This will inform future interventions and violence prevention strategies including the titration of law enforcement capacity to hotspot areas.

Source: *Western Cape Department of Health*

Theme 3: Wellbeing

Wellbeing focuses on protecting human rights, and building social cohesion

The Western Cape Recovery Plan's Wellbeing priority elevates certain priorities in VIP 3: *Empowering People* and adds interventions to ensure human dignity in order to respond to the socio-economic consequences of the COVID-19 pandemic. The pandemic exacerbated food insecurity and increased homelessness which threaten the most basic needs of vulnerable communities.

Strong foundations

The WCG strives to ensure that our youngest residents have strong foundations and will do so through two main pillars: ensure that children have access to comprehensive and nurturing care by supporting child and maternal physical and mental health during the 1st 1000 days of a child's life; and ensure that children are able to access quality Early Childhood Development (ECD) services to improve cognitive and physical development for school readiness.

The WCG will achieve this through:

- A smooth ECD function shift from the Department of Social Development to the Western Cape Education Department on 01 April 2022;
- Actioning key takeaways from the ECD Summit of October 2021, including strengthening local partnerships and leveraging opportunities for further private sector support to the ECD sector;
- A continued ECD registration drive, and continuation of the specialised learner support programme at ECD centres, which makes provision for occupational therapy, speech therapy and related specialised support to ensure school readiness;
- Expanding book-sharing initiatives with libraries to encourage reading at an early age;
- Providing comprehensive 1st 1000 days services through a parent/caregiver support package, which is focused on ante-natal and post-natal care, the Better Birth Initiative (BBI), Mother Baby Friendly Initiative (MBFI), Kangaroo Mother Care (KMC) and the new Road to Health Booklet roll-out;
- A stunting baseline survey that will be conducted to better understand drivers of food insecurity; and
- Partnerships with NPOs that will be leveraged to support home and community support, relational enhancement capacity building, and book sharing programmes.

Strong foundations through improving the 1st 1000 days of life and supporting ECD

Wellbeing

The WCG approach to health and wellness over the next 3, 5, 10 years and beyond will follow a transformation process with three main elements known as resurgence, recovery, and reset. Over the short- to medium-term, focus will be placed on the COVID-19 response and the mainstreaming thereof; improving overall comprehensive health services; and escalating non-COVID-19 health services such as TB testing and treatment, and child immunisations. Over the long-term, focus will be placed on building

Wellbeing through supporting the schooling eco-system and prioritising mental wellbeing

forward - a reformed and responsive health system, which is based on citizen centricity, trust, and equity.

The continuous improvement of education outcomes is key in positioning the Western Cape on a path of long-term recovery. The Western Cape Education Department will continue to prioritise improved learner outcomes through their Back-to-Basics programme, by focusing on blended learning and on the foundation phase.

Growth Mindset programme, and an evidence-backed violence prevention initiative will be rolled out

The Western Cape Education Department will continue to support learner wellbeing through a range of initiatives. This includes the Transform to Perform Strategy to enhance learner resilience and hope, the Growth Mindset programme rollout in 240 schools, which aims to transform the mindset of learners from a fixed mindset, which believes that one is born with certain abilities that cannot be changed, to a growth mindset, where the belief is that effort and hard work can grow one's abilities. Building on a needs assessment and test phase conducted in 2021, the Western Cape Education Department will pilot an evidence-backed violence prevention initiative in priority schools to reduce learner-on-learner violence in schools. The programme gives young people the tools to regulate emotions and effectively slow down their automatic responses to violence. Additionally, preventative and pro-active psycho-social support will be provided to learners facing different levels of risk.

The WCG will continue to strengthen the After School programmes, including mental health support offered to learners attending after school programmes through the Treasure Box initiative, Thusong homework hubs in rural communities, and literacy programmes in public libraries across the Western Cape to encourage a reading culture from a young age.

Furthermore, the WCG has put in place measures to ensure that quality mental health support is available to support staff affected by the pressures and demands of the pandemic and a mental wellbeing campaign will be rolled out.

Mental Wellbeing

The COVID-19 pandemic has demonstrated the intrinsic link between health and the economy. People have had to contend with heightened levels of anxiety and grief, an economic disaster and profound social and cultural dislocation. The impacts of the pandemic have exacerbated the existing drivers of poor mental health, particularly for the vulnerable – young people, women, people living in poverty and the elderly. More recently the health system has experienced growing mental health service pressures. Most district hospitals are currently running in excess of 150 per cent bed occupancy rates and do not have adequate space or staffing numbers to cope with the demand.

Hunger is a key proximal environmental driver of poor mental health. According to the NIDS-CRAM data, people from households reporting hunger have higher levels of depression. Households that experienced hunger had a 5.5 – 7.3 percentage point higher probability of experiencing worse health outcomes. This increases to 17 percentage points higher probability of worse health outcomes when experiencing hunger every day, as is the case for between a quarter and a third of the population whose households experienced hunger.

The primary effect of the pandemic on mental health has been the triggering of feelings like fear and anxiety of becoming sick or losing a loved one, uncertainty about the future, and loss or grief. The lockdown restrictions resulted in key risk factors for mental health issues including suicide and self-harm, alcohol and substance misuse, and exposure to violence and abuse. For children and adolescents, the psychosocial risks range from mental distress, reduced development of social skills, lack of access to remote learning tools, missed school-based meals, family financial stress associated with unemployment, and homelessness.

Poor mental health is not limited to people with a psychosocial disability only, anyone can experience poor mental health when stressors become overwhelming. The response of the WCG will shift from pathologising (or over-medicalising) what we mean by mental health and recognise the need for both medical and community approaches to protect and nurture our psychosocial wellbeing. There is a need to build the resilience of people, both those with existing mental health challenges and those without, to live well in times of high stress. This calls for the re-design of mental health services not only within the health system but also the broader social care system.

In building forward, the WCG will leverage off the lesson's the COVID-19 pandemic has taught about how we can enhance our responsiveness to the mental health needs of the people we serve. The necessary interventions to positively influence the environmental and personal drivers of poor mental health cannot be addressed by the health system alone. It calls for an integrated, joined up, collaborative whole of government, whole of society approach. Exploring how we have coped, found meaning and connection during the pandemic may help us to find new ways to build collective resilience.

Source: Western Cape Department of Health

Meeting basic needs and protecting human rights

In order to tackle the consequences of poor nutrition and food insecurity, the WCG is developing an integrated approach to nutrition through its "Nourish to Flourish" campaign. Targeted food relief, school feeding schemes and feeding at afterschool programmes as well as rolling out community, school and household food gardens and developing a comprehensive food security surveillance system will be used to improve food security in communities. Currently learners are fed in all MOD Centres in 181 schools across the Western Cape. Also, 14 school food gardens are supported, which will increase to 16 in 2022/23, and to 25 in 2024/25.

Ensuring access to basic needs and fulfilling fundamental rights

The WCG will continue to provide basic services and sanitation in targeted informal settlements through a whole-of-society approach. This will include bulk infrastructure funding and implementation, including support to municipalities. Also, the WCG will re-focus its efforts towards the provision of serviced sites. Top structures will only be awarded to the most vulnerable such as military veterans, child-headed households, the elderly and people living with disabilities.

The WCG will rollout its Gender Based Violence (GBV) Implementation Plan, actioning the 2020 National Strategic Plan on GBV and femicide. It will also support GBV shelters and victim empowerment programmes at those shelters. In addition, the WCG will continue to provide shelter spaces and reunification services for the homeless.

Building social cohesion and service

Building social cohesion and service through youth in-service programmes and participatory planning

The envisaged social cohesion objectives of the WCG will be achieved through ensuring that the youth programmes are aligned to its norms and standards framework to maximise the impact of the programmes, a further expansion of the Youth in-service and YearBeyond programmes with a specific focus on NEET, and the EduCollaborate online information portal for all after-school practitioners.

Support social networks that connect people from different backgrounds

The WCG will support social networks that connect groups together and encourage participation and active engagement in safe spaces with people from different backgrounds. This will be done through introducing the Management Network Model that uses targeted cultural policies to address social issues such as intercultural dialogue and the integration of migrants.

■ An enabling public service

The COVID-19 pandemic and the constrained fiscal environment have provided impetus for a review of how the WCG delivers services to society in a way that allows for better prioritisation, improves coordination and impact, and reduces the costs, time and effort of residents and institutions when accessing government services. A focus on *Innovation and Culture* supports the implementation of the Western Cape Recovery Plan in a way that places the citizen at the centre of service delivery.

Integrated service delivery

Public services are delivered in an accessible, innovative, and citizen-centric way

The Integrated Service Delivery approach acknowledges that limited integration across the spheres of government and external partners is often cited as one of the causes of the slow pace of

service delivery and leads to duplication or wastage of limited resources. This focus area pulls together all inter-governmental relations efforts, spatial planning, citizen engagement and assurance of accountability for the delivery of the PSP.

The WCG has adopted the Joint District and Metro Approach (JDMA) as the model for integrated service delivery and has accelerated its implementation under the pandemic through the area-based Hotspot disaster and safety response plan. The JDMA structures have also been mobilised to facilitate a collective and holistic response to the pandemic in the district municipalities, ensuring close cooperation with the District JOCs and coordinated local government response. Also, area-based initiatives, building on WoSA and the Hotspot Strategy, have been incubated as part of the implementation of the Western Cape Recovery Plan.

The WCG focus is now on developing a WCG Service Delivery Index (SDI). SDI is premised on the idea of assessing the performance of WCG through a combination of citizen perceptions, government performance measures, and community outcomes. The SDI will thus link the evaluation of government services with the overall satisfaction assessment of citizens and will provide a robust channel for government to engage in performance dialogues that are integral to service delivery.

Governance transformation

The approach to governance transformation in the Western Cape will focus on strengthening and maintaining oversight and monitoring, reinforcing governance and accountability, setting and steering strategic direction, and improving policy and planning. Governance transformation denotes a shift in pursuing governance for the sake of compliance to governance that makes a difference in people's lives. A Theory of Change has been developed on the results that need to be attained to have the desired impact. The approach to Governance transformation ensures reliable and integrated systems; process optimisation and innovation; optimising assurance and oversight; culture interventions that encourage growth, change and innovation; and enhancing legally empowered actions and decisions. A key initiative of governance transformation is the institutionalisation of Combined Assurance across departments and a support role with Provincial Treasury to municipalities. A process is also underway to review the legislation and policy space impacting planning and business process optimisation.

As part of the WCG fiscal response, initiatives will be accelerated to modernise and reform supply chain management, including strengthening demand forecasting and management requirements

for procuring entities in the supply chain, through conducting baseline commodity and regional analyses to determine capacity and capability within areas. The WCG will be initiating strategic procurement initiatives for goods and services that are SMME focused.

Talent and staff development

The objective of developing Talent and Staff is to improve employee engagement and performance and, ultimately, to provide high quality services to our citizens, resulting in their satisfaction with the way they are governed. Initiatives in the process of implementation include the Future Skills Strategy – to have employees who are future-fit; Talent Retention - to create a talent-friendly culture and long-term stability; Talent Management - to embed a strategic talent management culture, thereby making it possible to arrive at smarter, faster, and data-driven decisions; Innovative and Responsive Training - to have skilled and capable employees to carry out the mandate of government, thereby contributing to a developed and ethical State; and Embedding Organisational Values and Culture - to make the WCG an employer of choice. A process is also underway to establish a citizen-centric Innovation Hub and to reconfigure the Provincial Training Institute to offer modern and innovative training solutions to WCG employees.

Innovation for impact

Innovation and strategic innovation are critically important key enablers to the new and more effective ways the WCG improves societal outcomes and solves complex issues.

The WCG Innovation Framework will prioritise the following focus areas: creating space for exploration and experimenting by facilitating the implementation of solution spaces geared towards creative problem-solving; equipping officials with the capacity to innovate through the use of innovative tools to improve service delivery to citizens; engaging multiple stakeholders to spur new and creative ideas and creating joint momentum; and enterprising resource and funding mobilisation so that innovation projects can be unlocked.

Citizen-centric culture

Citizens must always be at the centre of the WCG culture and mindset. This will enable government to meet the demands of new ways of working through fostering employee awareness and enablement, change management capabilities and leadership excellence in the organisation. This culture change will focus on leader and employee activation and enablement, and community-based activation and enablement.

New Norm culture programme aims to build on adaptability, innovation, collaboration, and data intelligence

The New Norm Culture programme aims to shift the culture to become more adaptive, stimulate innovation, harness data intelligence, and stimulate cross-group collaboration, continuous learning and a caring approach towards our employees and citizens. The New Norm Culture programme is at the heart of the new way the WCG works and it will direct the planning ethos.

Interventions to enhance participatory governance and to improve the living conditions of citizens includes creating opportunities for citizens to access government services and information; strengthening public participation by empowering citizens through civic education programmes; supporting and monitoring the implementation of infrastructure programmes aimed at improving basic services in municipalities; strengthening communication in municipalities; and implementing socio-economic projects to improve the lives of citizens.

Digital transformation

What is of paramount importance is the delivery of digital government services in a way that drives inclusion and access to communities while narrowing the digital divide. Equitable access is a key enabler, and the Broadband rollout plan is a mechanism to achieve this. In 2022/23, 1 258 WCG sites will be provided with free public Wi-Fi hotspots, 1 500 workplace sites will be connected with corporate Wi-Fi access points, and 1 450 sites will be upgraded to minimum network speeds of 100 mbps. A key part of digital transformation is to integrate the digital solutions of the WCG case management system on different platforms via the Oracle e-services portal, modernise the WCG Digital Experience Platform (portal), expand the portfolio of services accessible via the WCG mobile app, and implement a unified communication toolset for WCG employees.

*Digitising public services
for improved efficiency*

A key policy priority and budgetary decision in support of the Digital Transformation Plan (DTP) relates to the investment in more predictive hazard and threat intelligence services, to ensure continuous WCG business operations are less affected by cyber-attacks and connectivity issues. Blended learning will focus on availing electronic teaching and learning resources on the Education Library and Information Service (EDULIS), with the intention of improving the reading ability of learners and incrementally moving to an online reading platform and e-library.

■ Conclusion

The medium term budget policy priorities reflect the WCG's commitment to ensuring the dignity of every citizen, through the continued delivery of quality services and an innovative and agile response to the COVID-19 pandemic and its consequences, as articulated in the Western Cape Recovery Plan. Fiscal resources are aligned to the Western Cape Recovery Plan priorities of Jobs, Safety and Wellbeing, with the public service being enabled to ensure effective future of service delivery. Going forward, the WCG 2022 Budget will give effect to these budget objectives and responses.

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**Western Cape
Government**

PR 342/2021
ISBN: 978-0-621-49906-3