

**Western Cape Government
Provincial Treasury**

**Medium Term
Budget Policy Statement
2019**

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Foreword

The 2019 Medium Term Budget Policy Statement (MTBPS) is set within a context of pronounced fiscal uncertainty which is further hampered by a pessimistic national economic outlook.

Through the 2019 MTBPS, the Western Cape Government demonstrates its continued commitment to fiscal sustainability, and credible planning and budgeting practices.

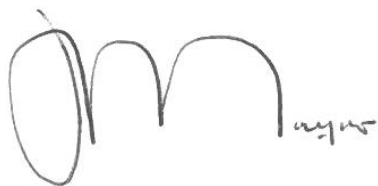
The 2019 MTBPS outlines the Western Cape's fiscal response to existing pressures and illustrates the budget policy priorities of this Province. Despite the unsustainable national fiscal environment, the Western Cape Government remains steadfast in its approach to managing key budgetary risks, responding to socio-economic dynamics and ensuring that service delivery in the Western Cape is not compromised by the implications of prevailing national economic and fiscal risks.

The upcoming 2019 – 2024 Provincial Strategic Plan, articulates the Western Cape Government's renewed commitment to building "A safe Western Cape where everyone prospers".

Through the Western Cape Government's five Vision Inspired Priorities, this government will work hard to ensure a Province that is safer, attracts investment, boosts economic growth and creates jobs, empowers people and that transforms the spaces we live in. These priorities are underpinned by a citizen-centric culture which encourages innovation and embeds the principles of good governance.

Strengthened collaboration and partnerships with the private sector, civil society and other spheres of government will play a pivotal role in delivering more efficient and effective services to ensure that we meet the needs of those living in the Western Cape.

I'd like to offer my sincere appreciation to my fellow Cabinet members, Provincial Treasury colleagues, officials from other Western Cape Government departments and our key partners for their valuable contributions to the 2019 Western Cape Medium Term Budget Policy Statement.

A handwritten signature in black ink, appearing to read 'Maynier', is positioned above the printed name and title.

Mr David Maynier
Minister of Finance and Economic Opportunities
26 November 2019

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Acronyms

AAGR	Average Annual Growth Rate
AFR	Asset Finance Reserve
AIDS	Acquired Immune Deficiency Syndrome
APFYD	Agricultural Partnership for Youth Development
ASEZ	Atlantis Special Economic Zone
BFI	Budget Facility for Infrastructure
COPC	Community Oriented Primary Care
CPI	Consumer Price Index
CYCCs	Child and Youth Care Centres
DGS	Digital Government Strategy
DHIS	District Health Information System
DOA	Department of Agriculture
DOCS	Department of Community Safety
DSP	District Safety Plans
DTPW	Department of Transport and Public Works
ECD	Early Childhood Development
EDB	Ease of Doing Business
EGRA	Early Grade Reading Assessment
EIF	Ecological Infrastructure Investment Framework
EMS	Emergency Medical Services
EPWP	Expanded Public Works Programme
EU	European Union
GDP	Gross Domestic Product
GDPR	Gross Domestic Product per Region
GHS	General Household Survey
HIV	Human Immunodeficiency Virus
HPV	Human Papillomavirus
ICT	Information Communication Technology
IDPs	Integrated Development Plans
IDZ	Industrial Development Zone
IMF	International Monetary Fund
IPP	Independent Power Producer

JDA	Joint District Approach
LEAP	Law Enforcement Advancement Plan
LURITS	Learner Unit Record Information Tracking System
MS2B	Municipal Service to Business
MTBPS	Medium Term Budget Policy Statement
MTEC	Medium Term Expenditure Committee
MTEF	Medium Term Expenditure Framework
MVL	Motor Vehicle Licence
MYPE	Mid-Year Population Estimates
NCDs	Non-communicable Diseases
NDP	National Development Plan
NHI	National Health Insurance
NHWs	Neighbourhood Watches
NPO	Non-Profit Organisation
NSC	National Senior Certificate
PPI	Producer Price Index
PPP	Public Private Partnership
PRASA	Passenger Rail Association of South Africa
PSDF	Provincial Spatial Development Framework
PSP	Provincial Strategic Plan
PV	Photovoltaic
RMB/BER	Rand Merchant Bank/Bureau for Economic Research
RSEP	Regional Socio-Economic Projects
RTR	Red-Tape Reduction
SANDF	South African National Defence Force
SARB	South African Reserve Bank
SBIDZ	Saldanha Bay Industrial Development Zone
SCOA	Standard Chart of Accounts
SDF	Spatial Development Framework
SDG	Sustainable Development Goals
SEA	School Evaluation Authority
SEZ	Specific Economic Zone
SOC	State Owned Company
SoS	School of Skills

Stats SA	Statistics South Africa
STEAMAC	Science, Technology, Engineering, Arts, Mathematics, Agriculture, Coding and Cloud Computing
STI	Sexually Transmitted Infection
TB	Tuberculosis
TVET	Technical and Vocational Education and Training
T2P	Transform to Perform
US	United States
VIP	Vision Inspired Priority
WC	Western Cape
WCCCRS	Western Cape Climate Change Response Strategy
WCED	Western Cape Education Department
WCG	Western Cape Government
WCIDWRP	Western Cape Integrated Drought and Water Response Plan
WCLA	Western Cape Liquor Authority
WoSA	Whole of Society Approach
WoW	Western Cape on Wellness

Economic context and outlook

In summary

- Global economic growth for 2019 is forecast to moderate to 3.0 per cent - the slowest rate since 2009.
- The South African economy is forecast to grow by 0.5 per cent in 2019, a downward revision from 1.5 per cent expected earlier in the year.
- Economic output in the Western Cape is projected to rise by 0.7 per cent in 2019, following an estimated increase of only 0.2 per cent in 2018, before accelerating to 1.2 per cent in 2020.
- While some progress has been made in respect of education and health outcomes, challenges such as unemployment and crime remain.

■ Introduction

The current economic environment and outlook, articulated in this chapter, sets the context for and informs the national and provincial fiscal policy and budget decisions. The global and national economies have deteriorated, with growth estimates for 2019, as well as the economic outlook revised downward. The Western Cape economic growth is expected to accelerate in 2019, buoyed by recovering agricultural output and the services sector. The provincial economy is forecast to grow in line with the national economy in 2020.

Progress has been made on several key education and health outcomes. While the Western Cape Government has implemented programmes to improve economic growth and socio-economic development in the Province, challenges such as unemployment and crime remain.

■ Developments in the global economy

In the October 2019 World Economic Outlook publication, the International Monetary Fund (IMF) lowered its forecast for global growth for 2019 by 0.2 percentage points from July 2019 to 3.0 per cent (see Table 1.1). The IMF cites the drag caused by trade policy uncertainty, mainly the ongoing tension between the US and China, as one of the key reasons behind the lower forecast. The IMF expects an acceleration to 3.4 per cent in 2020.

Table 1.1 Global economic outlook, 2019 - 2020

	2018	Forecast (% change)		Difference from July 2019 forecast (% points)	
		2019	2020	2019	2020
World output	3.6	3.0	3.4	-0.2	-0.1
Advanced economies	2.3	1.7	1.7	-0.2	0.0
Emerging and developing economies	4.5	3.9	4.6	-0.2	-0.1

Source: International Monetary Fund, 2019

*Economic growth in
advanced economies
adjusted lower for 2019*

Growth in advanced economies is set to slow from 2.3 per cent in 2018 to 1.7 per cent in both 2019 and 2020. The forecast for most economies was lowered for 2019, but no change was made to 2020 as upward revisions to some regions, mainly the United States (US), countered downward adjustments to others such as Europe. The US forecast for 2020 was lifted by 0.2 percentage points compared to the July 2019 forecast. This is, in part, because the US economy remains supported by accommodative monetary policy and a strong labour market which is supportive of consumer spending. However, there are increasing signs that retaliatory Chinese tariffs are hurting the US agricultural sector. Overall, US growth is expected to slow to 2.4 per cent in 2019 and 2.1 per cent by 2020 as the boost from earlier fiscal policy stimulus fades. In the Euro area, growth was adjusted downwards by 0.2 percentage points to 1.4 per cent for 2020, mainly driven by a lower forecast for Germany. The German economy is still negatively affected by the roll-out of new car emission standards in Europe - although the impact should fade through 2020 - and falling external demand.

In emerging markets, growth is expected to decline to 3.9 per cent in 2019 before accelerating to 4.6 per cent in 2020. Both the 2019 and the 2020 forecast were adjusted lower compared to the July 2019 forecast, mainly due to softer growth in China. Escalating trade tariffs and government measures to curtail debt accumulation have negatively impacted the Chinese economy. As such, the IMF forecast growth to slow to 5.8 per cent by 2020 – down from 6.6 per cent in 2018. The Indian economy, in contrast, is expected to grow at a faster pace of 7.0 per cent in 2020, from an expected

6.1 per cent in 2019. The economy is expected to be boosted by the lagged impact of monetary policy easing, tax cuts and broader regulation changes. Growth in sub-Saharan Africa is forecast to remain unchanged at 3.2 per cent in 2019 before accelerating to 3.6 per cent in 2020. Most oil-exporting nations, including Nigeria, are forecast to benefit from recent higher oil prices. The exception is Angola, where the economy is still forecast to contract in 2019 due to a fall in oil production.

Beyond 2020, the IMF expects growth in advanced economies to stabilise around 1.6 per cent as improved productivity growth will be countered by slower labour force growth, due to aging populations. Emerging market growth is forecast to settle around 4.8 per cent. However, this rate masks a divergence among regions with emerging and developing Asia anticipated to grow at a much faster rate than the other regions.

In addition to the downward revision to the growth outlook, the risks around the forecast identified by the IMF remain skewed to the downside. Most of the risks are of a geopolitical nature and include:

Most risks to the global outlook are of a geopolitical nature

- A further escalation of trade tensions resulting in disruptions to global supply chains. This also includes the continued possibility - although waning - of a no-deal Brexit.
- A sudden change in sentiment resulting in a loss in risk appetite. This could expose existing financial vulnerabilities worldwide and may result in significant capital outflows in emerging markets.
- Over the longer term, the threat posed by cyberattacks on financial infrastructure as well as the negative impact of climate change.

■ Developments in the South African economy

Economic growth eased to 0.8 per cent in 2018 from 1.4 per cent in 2017. During the first quarter of 2019, a 3.1 per cent quarter-on-quarter¹ contraction was recorded as activity in the primary sector², in particular, declined. This contraction was partly due to Eskom electricity outages. Economic growth rebounded to 3.1 per cent quarter-on-quarter in the second quarter of 2019. Leading the recovery were the mining sector and the tertiary sector, most notably the finance, insurance, real estate and business services sector.

¹ Seasonally adjusted and annualised.

² The primary sector consists of the agriculture, forestry and fisheries and mining and quarrying subsectors.

*Outlook for SA economy
adjusted downward for
2019 - 2021*

Data so far for the third quarter of 2019 suggests that the growth momentum eased substantially. This includes the RMB/BER Business Confidence Index which fell to a 20-year low of 21 in the third quarter of 2019, from 28 in the second quarter of 2019. Business confidence fell in four of the five sectors surveyed namely, retail, wholesale, manufacturing and building. Therefore, despite the sharp uptick in activity in the second quarter of 2019, the economy remains muted. According to the National Treasury, economic growth of only 0.5 per cent is expected for 2019 before accelerating to 1.2 per cent in 2020. This represents a downward revision of 1.0 and 0.5 percentage points for 2019 and 2020 respectively, relative to the February 2019 forecast. In all, the National Treasury expects economic growth to average 1.1 per cent between 2019 and 2021 compared to 1.8 per cent forecast in February 2019.

On an annual basis, household consumption rose by 1.0 per cent in the first half of 2019. While still growing, persistently high unemployment, increases in the fuel price and tax hikes have curtailed spending on non-essential items. Looking ahead, a mild acceleration in household consumption is expected as disposable income and employment gradually improve.

*Private sector fixed
investment rebounded
in the second quarter of
2019*

After contracting by 1.6 per cent in the first quarter of 2019, fixed investment spiked in the second quarter of 2019. This was largely due to a sharp rise in private sector fixed investment, in part due to further developments related to the Independent Power Producer (IPP) programme. Public sector fixed investment, in contrast, contracted in the first half of 2019. The National Treasury expects overall capital outlays to contract in 2019 before recovering in 2020. Growth in fixed investment is predicted to quicken thereafter through to 2022. This is expected to be as a result of a gradual improvement in business confidence and continued investment by the IPP programme.

Government consumption rose by 1.8 per cent in 2018 and is estimated to remain stable with similar growth projected for 2019. However, government expenditure is projected to slow noticeably in 2020 and 2021. This is in line with the National Treasury's aim to reduce spending on goods and services.

Table 1.2 South African economic outlook, 2019 - 2022

	Actual 2018	Estimate 2019	Forecast		
			2020	2021	2022
<i>Percentage change unless otherwise indicated</i>					
Final household consumption	1.8	1.3	1.3	1.5	1.7
Final government consumption	1.9	1.8	1.8	1.1	0.6
Gross fixed capital formation	-1.4	-0.8	0.8	1.3	1.8
Exports	2.6	-1.7	2.5	2.8	3.1
Imports	3.3	1.1	1.9	2.6	3.0
Real GDP growth	0.8	0.5	1.2	1.6	1.7
GDP at current prices (R billion)	4 874	5 132	5 449	5 804	6 187
CPI inflation	4.7	4.3	4.9	4.9	4.8
Current account balance (% of GDP)	-3.5	-3.4	-3.5	-3.5	-3.5

Source: South African Reserve Bank, National Treasury, 2019

Inflation has remained reasonably subdued thus far in 2019, with both CPI and PPI rising by 4.1 per cent year-on-year in September 2019. The National Treasury expects inflation to average 4.3 per cent in 2019 before accelerating to 4.9 per cent in 2020. The somewhat higher projected inflation in 2020 is mainly due to the likelihood of higher electricity tariffs as well as higher meat and grain prices, which would negatively impact on consumer spending.

Inflation well within target band thus far in 2019

Due to the benign inflation profile and domestic growth concerns, the South African Reserve Bank (SARB) lowered the repurchase rate by 25 basis points in July 2019 to 6.5 per cent. However, at the September 2019 meeting the SARB kept the rate unchanged. A significant risk to the interest outlook remains the movement in the rand exchange rate as a determinant of imported inflation.

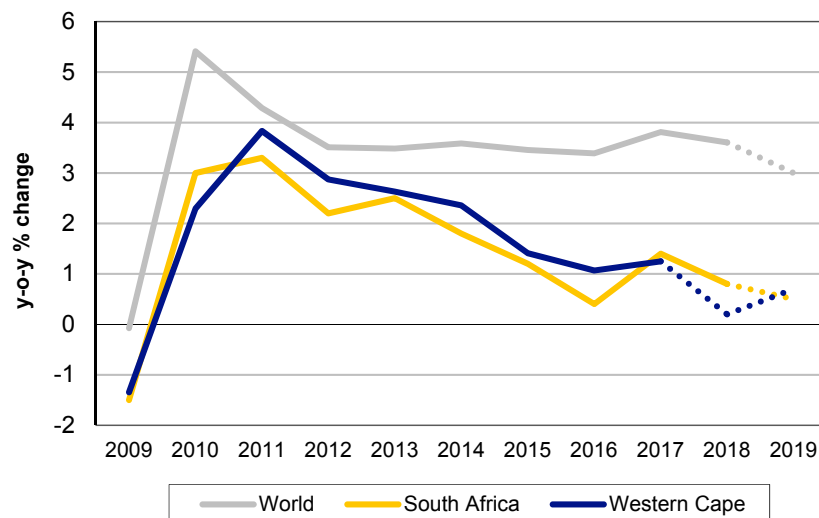
Several risks to the national economic outlook noted in the 2019 Provincial Economic Review and Outlook have already materialised. These include the further state intervention and financial support to state owned companies (SOCs) and tax revenue underperformance. Risks to the outlook include continued support to SOCs declining business confidence, the intensification of global trade tensions which will place additional pressure on the rand, and economic growth underperformance. Collectively, these risks have resulted in a downward revision of Moody's 2020 growth outlook for South Africa from 1.5 per cent to 1.0 per cent.

Economic developments in the Western Cape

WC growth slowed to 0.2 per cent in 2018

After slowing to 1.1 per cent in 2016, economic growth in the Western Cape edged somewhat higher to 1.2 per cent in 2017. Growth is estimated to have slowed to only 0.2 per cent in 2018. The economic slowdown nationally was exacerbated in the Province by the adverse supply shocks, particularly in the agriculture and related sectors.

Figure 1.1 Performance of the Western Cape economy relative to the global and national economies, 2009 - 2019



Notes: World and South Africa figures for 2019 are estimates.
Western Cape figures for 2018 and 2019 are estimates.

Source: International Monetary Fund, Statistics South Africa, Western Cape Provincial Treasury, 2019

WC economy to register mild acceleration in 2019

Economic output in the Western Cape is still expected to rise by 0.7 per cent in 2019, despite the downward adjustment to the National Treasury's forecast for the South African economy. A number of factors are expected to support growth in the Western Cape economy. Firstly, output in the agricultural sector in the Western Cape is likely to recover as drought conditions ease. The caveat is that part of this improvement is due to base effects and it is expected that a full recovery in agricultural production, to pre-drought levels, will be a gradual, multi-year process. Secondly, the Western Cape economy remains more services orientated than the rest of the economy. Within this, the finance, insurance, real estate and business services sectors dominate. During the first half of 2019, these sectors grew by 2.7 per cent year-on-year nationally. Given the sector's size in the Western Cape, it is likely that the Province benefitted more from the growth in this sector than the rest of the economy.

The Western Cape economy is forecast to expand by 1.2 per cent in 2020. This is in line with the National Treasury's forecast for South Africa's economic growth.

WC economy set to grow in line with national estimates in 2020

Spatial aspects of the Western Cape economy

The Cape Town Metropolitan Area is the hub of economic activity in the Province and accounted for 72.2 per cent of total provincial economic output in 2017. The second biggest district economy in the Province is that of the Cape Winelands (11.3 per cent), followed by the Garden Route (7.6 per cent). Between 2008 and 2017 the economy of the Western Cape grew by an average of 2.0 per cent per annum.

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

Metro/District	Real GDP 2017 R'billion	% of WC GDP	% GDP growth (2008 - 2017)
Cape Metro	284.7	72.2%	1.9
West Coast	19.5	4.9%	2.4
Cape Winelands	44.6	11.3%	2.4
Overberg	13.5	3.4%	2.8
Garden Route	29.9	7.6%	2.3
Central Karoo	2.0	0.5%	2.2
Western Cape	394.3	100.0%	2.0

Source: Quantec Research, 2019

Growth within the Cape Metro has been bolstered by the performance of the agriculture, forestry and fishing as well as the general government sectors that grew at an average annual rate of 4.4 and 3.2 per cent respectively between 2008 and 2017. Outside of the Cape Metro, all districts achieved growth above the provincial average. Although coming from a comparatively low base, the fastest growth over the reference period was recorded in the Overberg District, which grew at an average of 2.8 per cent. Growth within the Overberg District was largely driven by strong economic performance in the Swellendam (3.6 per cent) and Theewaterskloof (3.3 per cent) municipal areas. In turn, the growth within these two municipal areas were mostly supported by strong showings of the construction as well as the finance, insurance, real estate and business services sectors.

Overberg District registered fastest growth between 2008 and 2017

Labour market trends

National employment has grown by an annual average of 1.6 per cent per annum between the third quarters of 2014 and 2019 to almost 16.4 million. While this is marginally slower than the rate of growth of the working age population, the labour force has

however grown substantially faster. Western Cape employment grew by an average annual growth rate of 2.7 per cent over the same period, adding 312 000 jobs to the Province and bringing employment to almost 2.5 million. This represents growth that exceeded the rate of growth in both the Province's working age population and labour force.

SA unemployment rate at 29.1 per cent, while WC unemployment rate at 21.5 per cent

Nationally, narrow unemployment grew by almost 1.6 million over the 5-year period, equivalent to a growth rate of 5.5 per cent per annum. This translates into an increased national unemployment rate of 29.1 per cent in the third quarter of 2019 compared to 25.4 per cent five years earlier. In contrast, narrow unemployment in the Western Cape remained virtually constant and stood at 683 000 in the third quarter of 2019. This resulted in a two-percentage point decline in the provincial unemployment rate, from 23.6 per cent to 21.5 per cent over the same period. Thus, by the third quarter of 2019, while the Province accounted for 15.2 per cent of the country's employed population, it accounted for only 10.1 per cent of the unemployed.

Table 1.4 Labour market aggregates, 2014 and 2019

	2014Q3 Thousands	2019Q3 Thousands	Change	
			Thousands	Per cent
Western Cape				
Working age population	4 200	4 664	465	2.1 p.a.
Employment	2 182	2 494	312	2.7 p.a. *
Narrow unemployment	675	683	8	0.2 p.a.
Narrow labour force	2 857	3 177	320	2.1 p.a. *
Expanded unemployment	747	809	62	1.6 p.a.
Expanded labour force	2 928	3 303	374	2.4 p.a. *
Non-searching unemployed	71	125	54	11.9 p.a. *
Narrow unemployment rate	23.6%	21.5%	- 2.1 percentage points	
Expanded unemployment rate	25.2%	24.5%	- 0.7 percentage points	
South Africa				
Working age population	35 489	38 582	3 094	1.7 p.a.
Employment	15 117	16 375	1 258	1.6 p.a. *
Narrow unemployment	5 151	6 734	1 583	5.5 p.a. *
Narrow labour force	20 268	23 109	2 841	2.7 p.a. *
Expanded unemployment	8 436	10 272	1 836	4.0 p.a. *
Expanded labour force	23 552	26 647	3 094	2.5 p.a. *
Non-searching unemployed	3 285	3 538	253	1.5 p.a. *
Narrow unemployment rate	25.4%	29.1%	3.7 percentage points	
Expanded unemployment rate	35.8%	38.5%	2.7 percentage points	

Note: An asterisk (*) denotes a statistically significant change between 2014 and 2019 at the 95 per cent level of confidence.

Source: Development Policy Research Unit, Statistics South Africa (2014; 2019)

Expanded unemployment nationally grew by 1.8 million or at an average annual rate of 4.0 per cent over the last five years. This translates into an increase in the national expanded unemployment rate from 35.8 per cent in the third quarter of 2014 to 38.5 per cent in the third quarter of 2019. Provincially expanded unemployment grew by 62 000, or at an average annual rate of 1.6 per cent over the same period, however the Province's expanded unemployment rate decreased from 25.2 per to 24.5 per cent over this period.

Provincial expanded unemployment grew by only 1.6 per cent

The marginal growth in the number of expanded unemployed in the Province was driven by growth in the number of non-searching unemployed, which grew at an average annual rate of 11.9 per cent over the last five years, albeit from a low base of just 71 000. It is important to note that in the last two of those five years there has been a reversal in the growth trend, with non-searching unemployed decreasing by 2.5 per cent and 7.3 per cent respectively. The Province accounts for 3.5 per cent of the country's non-searching unemployed, up slightly from 2.2 per cent in 2014.

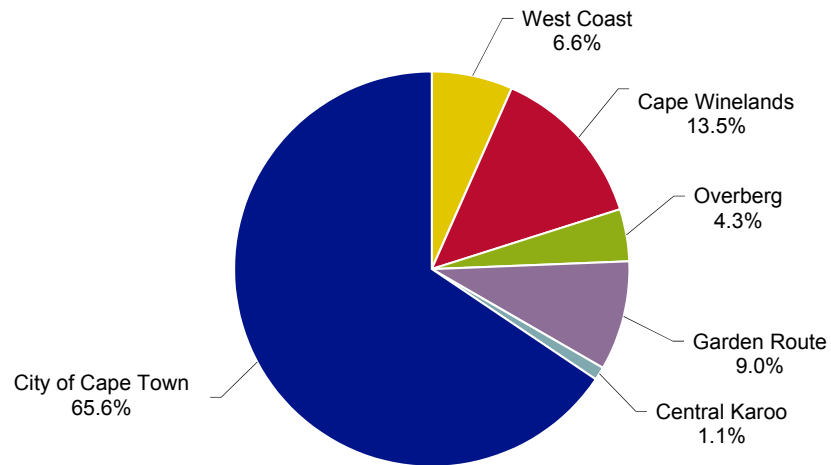
Working-age adults in the Western Cape are more likely to participate in the labour force than is the case nationally. The labour force participation rate is estimated at 68.1 per cent in the third quarter of 2019 in the Province, compared with 59.9 per cent nationally. Nationally, this is 0.4 percentage points higher than the third quarter of 2018, while provincially it is 0.4 percentage points lower. The relatively low unemployment rates combined with relatively high labour force participation rates ensure a relatively high employment-to-population ratio in the Western Cape. This ratio is estimated at 53.5 per cent in the third quarter of 2019, 1.0 percentage points down from a year earlier, but 11.1 percentage points higher than the national rate of 42.4 per cent. This means that, while more than half of the Province's working age population was employed in the third quarter of 2019, this was true of slightly more than two out of five of the national working age population.

Socio-economic developments

Population dynamics

Population dynamics have a big influence on socio-economic developments of the Province. The Western Cape accounts for 11.6 per cent of the national population with 6.844 million people living in the Province in 2019. The majority of the provincial population reside in the City of Cape Town, followed by the Cape Winelands, while the Central Karoo remains the least populous district.

WC population estimated at 6.8 million

Figure 1.2 Western Cape population by district, 2019

Source: Stats SA, 2019

Provincial population projected to grow to 7.6 million by 2025

At 28.8 per cent, the Province has a relatively large population below the age of 15 years. This population cohort is likely to slowly shrink due to the falling total fertility rate³ in the Province which is estimated to reach 2.00 between 2016 and 2021 from 2.33 per woman between 2001 and 2006. In-migration will thus play a larger role in population growth in the Province with an expected net inflow of more than 361 000 residents between 2016 and 2021. The provincial population is projected to grow at an average annual rate of 1.7 per cent to 7.586 million by 2025⁴. The spatial distribution of the provincial population is not expected to change substantially over the projected horizon.

Education

Almost 1.1 million learners enrolled in public ordinary schools in Western Cape

The number of learners enrolled in public ordinary schools in the Western Cape totalled 1 064 268 in 2019 – a 15.8 per cent increase from 2013. These learners are mostly concentrated in three metro education districts, which together accommodate more than 50 per cent of all learners enrolled in the Province. The Metro districts also contribute the most to the burgeoning learner enrolment numbers in the Province, with the same three districts accounting for an additional 23 539 learners into public education over the last three years. Preliminary projections estimate learner numbers to increase to 1.127 million by 2022⁵.

Learner performance in Mathematics and Language is tracked through the annual systemic tests conducted in Grades 3, 6 and 9. Since 2013, there have been significant improvements in learner

³ Number of live births per 1 000 women aged 15 to 44 in a calendar year.

⁴ Western Cape Department of Social Development, 2019

⁵ Western Cape Education Department, 2019

performance in Grade 6 and Grade 9 mathematics as well as Grade 6 language which improved by 14.1 percentage points, 8.7 percentage points and 15.5 percentage points respectively. However, in more recent years the incidence of decline in learner performance in both areas have become more frequent.

The percentage of learners who passed the National Senior Certificate (NSC) in 2018 was 81.5 per cent, compared to the 78.2 per cent national average. Despite a decline in the provincial pass rate, from 82.2 per cent in 2017, some notable improvements were recorded in the quality of passes of those who wrote the examination in 2018. Of the 41 350 candidates who wrote the exam, 21 492 (42.3 per cent) attained a B degree pass. This is an improvement from the 39.1 per cent who qualified in the previous year.

Increase in proportion of matriculants eligible for B degree programme entry in 2018

Health

Life expectancy in the Province continues to improve. Life expectancy amongst males in the Province is currently estimated at 65.7 years and females at 71.1 years, compared to 61.5 years for males and 67.7 years for females nationally.

Recent mortality trends in the Province shows that Ischaemic heart disease (8.2 per cent) was the leading cause of death in the Province in 2016, followed by diabetes mellitus and HIV/AIDS, respectively, at 8 per cent. Death as a result of HIV/AIDS declined from 8.5 per cent recorded in 2015. The decline may be partly due to the continued expansion of the HIV/AIDS programme over the last several years. This has led to consistent improvements in the proportion of HIV positive people knowing their status, receiving their treatment and achieving viral suppression from 42.6 per cent in 2016/17 to 46.6 per cent in 2018/19. The programme expansion has resulted in a low mother-to-child transmission rate of 0.3 per cent by 2018/19. It is projected that almost 315 500 public health service patients will be on antiretroviral treatment by 2022/23, up from just over 278 000 in 2018/19.

The leading causes of premature mortality during 2016 were interpersonal violence (11.3 per cent), HIV/AIDS (10.9 per cent) and Tuberculosis (7.6 per cent). The mortality trends continue to display a gender bias, with interpersonal violence being the leading cause of death and premature mortality amongst males in the Province.

Interpersonal violence was the leading cause of premature mortality in the Province in 2016

Crime

Crime has a negative effect on the quality of life and economic development. According to the most recent Stats SA Victims of Crime Survey, the Western Cape had the largest portion of

households exposed (1.32 per cent) to assaults in 2018/19. Households with younger heads were more likely to experience assault than households with elderly heads. The number of murders and culpable homicide reported to the South African Police Service in the Western Cape increased with 4.1 per cent between 2017/18 and 2018/19, the highest growth rate of all provinces.

The Survey further showed that 6.0 per cent of households in the Western Cape experienced incidences of housebreaking, while 1.4 per cent of households were exposed to home robbery in 2018/19. According to the survey, approximately 40 per cent of home robberies in South Africa remain unreported. Households in the lowest income bracket and those in the highest income bracket were found to be most likely to experience housebreaking. The likelihood of home robbery is however inversely related to the age of the head of the household.

WC had largest proportion of households exposed to street robbery

A large portion of South Africa's reported cases of malicious damage to property and arson were found to have occurred in the Western Cape (25.1 per cent). Only 41 per cent of victims were satisfied with police services after reporting of deliberate damaging, burning or destruction of residential dwellings. People in the Western Cape and Gauteng were more likely to be victims of theft of personal property than people in other provinces. The Western Cape had the largest portion of households exposed to street robbery (1.91 per cent) in the country, with males more likely to be victims of street robbery than females.

Conclusion

Despite a weaker national economy, the Western Cape economy is expected to recover in 2019 following the contraction in the previous year. Provincial employment has improved over the last 5 years, as has unemployment.

The national economic environment described in this chapter has significant implications for the national and provincial fiscal environment. To maintain fiscal stability, the Western Cape Government Fiscal Strategy continues to inform the provincial fiscal response. The chapters that follow outline the Western Cape Government's fiscal response to the current economic environment, as well as the strategic priorities and interventions to boost economic and employment growth and improve socio-economic development outcomes.

2

The Western Cape Fiscal Response

In summary

- The South African economic and fiscal outlook has significantly deteriorated.
- Struggling state-owned companies, specifically Eskom, remain a risk to the fiscal outlook.
- The Western Cape Government Fiscal Strategy provides stability, credibility, and transparency in the way the fiscal envelope is compiled while guiding key fiscal policy decisions.
- The Western Cape Government will continue to apply measures of fiscal consolidation to keep the Province on a sustainable fiscal path.
- Principles for determining the 2020 MTEF provisional fiscal framework include specific interventions to reduce expenditure and enhance revenue collection.

Introduction

This chapter provides an outline of the Western Cape Governments' fiscal response to the weaker economic and fiscal environment. The 2019 National Medium Term Budget Policy Statement confirmed the deteriorating national fiscal outlook, as the budget deficit and national debt continues to grow. The Western Cape Government Fiscal Strategy was proactively developed based on early market signals of prolonged weak economic growth to mitigate the potential impact on the sustainability of the provincial fiscal framework. The main objective of the Strategy is to ensure the sustainability and credibility of the provincial fiscus, while placing the citizen at the centre of delivery and supporting economic growth and socio-economic development.

Economic and Fiscal Risks

National economic environment

National economic growth fails to alleviate unemployment, poverty and inequality

South Africa's economic growth continues to fall short of what is needed to alleviate high unemployment, poverty and inequality. Despite the recovery from the first quarter contraction, the national economy remains fragile. The national economy is expected to grow by just 0.5 per cent in 2019, compared to the 1.5 per cent economic growth forecast at the time of the 2019 National Budget.

While growth is expected to improve to 1.2 per cent in 2020, it remains constrained by exposure to international geopolitical developments and declining business and consumer confidence. In addition, South Africa continues to face a number of structural problems such as high unemployment, low growth and decreasing competitiveness, which require urgent intervention. The most immediate and urgent risk to economic growth is that of Eskom and the related energy security issues and the solvency of other SOCs. This yields broad-based risks to economic growth over the short to medium term as well as risks for the national fiscal framework.

National fiscal environment

Growing national debt as revenue collection falls short

National Governments' countercyclical fiscal policy has not translated into stronger economic growth. The low economic growth has impacted on national revenue collection, requiring national government to increasingly finance the budget deficit. National debt and associated debt-service costs have increased to an expected 60.8 per cent of GDP in 2019/20 and 64.9 per cent in 2020/21. By 2022/23, debt-service costs are expected to exceed spending on health, community development and economic development.

The national expenditure outlook nonetheless sees non-interest expenditure increase by R23 billion in 2020/21, before decreasing by R8.2 billion in 2021/22, relative to the 2019 National Budget. These net changes include increases in non-interest spending for additional support to Eskom; and reductions mostly in goods and services, and current and capital transfers.

In a bid to narrow the revenue shortfall and slow spending growth over the 2020 MTEF, the National Treasury has reduced national departments' baselines and decreased planned transfers to local and provincial governments over the outer years of the MTEF. It must be noted, that the budget baseline reductions are to some extent contingent upon a wage agreement between the National Treasury and organised labour on future adjustments to wage bill

growth. Given recent tax increases, there is limited scope for further tax revenue bolstering.

The National Treasury has identified three primary fiscal risks over the medium term that, if realised, would have a significant impact on public finances. First; is lower than anticipated economic growth resulting in lower revenue collection, which would have a significant impact on service delivery. Second; is the inability to implement the governance and operational reform at SOCs, leading to further pressures on fiscal resources. Last; is increased pressures on provincial and municipal budgets, negatively impacting on their ability to meet debt obligations. Further risks include a significantly above inflation public sector wage agreement.

Lower growth, increased SOC dependency among primary risks to fiscal sustainability

To encourage robust debate on reforms required to stimulate the national economy, the National Treasury published a discussion paper titled “*Economic Transformation, Inclusive Growth, and Competitiveness: Towards an Economic Strategy for South Africa*” in August 2019. The paper identifies and supports short and medium-term policy priorities by thematic growth reforms which have the potential to boost economic growth.

Reforms to reduce the dependency of SOCs on the national fiscus are at various stages of development. The Department of Public Enterprises, in its recently released paper titled “*Road Map for Eskom in a Reformed Electricity Supply Industry*”, proposes to unbundle Eskom into three distinct entities, that is, generation, transmission and distribution. The reforms aim to ensure a sustainable electricity supply by addressing Eskom's operational and financial challenges.

■ Western Cape Fiscal Risk Statement

The Western Cape Fiscal Risk Statement was published in 2016 as part of the 2017 - 2020 Western Cape Medium Term Budget Policy Statement. The Statement outlined a number of risks such as the fragile economic growth, lower provincial own revenue collection, the changing provincial demographic profile, unsustainable government personnel expenditure, water security and the spillover effects of the drought. Since then, several risks have materialised and new emerging risks have been identified. These include increased safety concerns and incidents of violent crime as well as uncertainty regarding the fourth industrial revolution. At present, the greatest risk to the provincial fiscus is that of a reduced fiscal envelope. Should this risk materialise, the level of service delivery across all sectors of government could be compromised. This includes, amongst others:

Greatest risk to the Provincial fiscus is that of a reduced fiscal envelope

- The inability to appoint enough teachers to accommodate learner growth numbers resulting in an increasing teacher-learner ratio.
- Non-compliance with infrastructure norms and standards leading to overcrowding and the occupation of unsafe buildings.
- Decreased access to- and quality of- public health services and standards with longer waiting times for emergency services, and even longer waiting times for non-emerging medical treatments, resulting in declining health outcomes.
- The inability to adequately provide social services and support to vulnerable children, older persons, persons with disabilities and victims of violence and disasters.
- Scaling back of infrastructure services will adversely impact on construction, modernisation, refurbishments, and maintenance of provincial facilities and the provincial road network.

Western Cape Government Fiscal Strategy

WCG Fiscal Strategy provides stability, credibility, and transparency

The Western Cape Government will continue to implement the Western Cape Government Fiscal Strategy. The Strategy provides stability, credibility, and transparency in the way the fiscal envelope is compiled and guides key fiscal and budget policy decisions.

The Western Cape Government Fiscal Strategy is enabled through three budget elements:

- *Balanced budget* - ensures that sufficient room exists within provincial reserves to respond to its mandate and to deal with any shocks, while giving effect to its budget policy priorities.
- *Expenditure management* - ensures that Compensation of Employees, Goods and Services, Transfers, and Infrastructure budgets are within sustainable and credible levels and finding the appropriate mix of expenditure items to achieve the sustainability and efficiency of spend.
- *Revenue management* - enhance and optimise revenue collection and the application of own revenue for policy initiatives as well as revenue enhancement initiatives. It also includes engagements with the National Treasury on the appropriateness and responsiveness of the National Fiscal Transfer System.

WCG will continue to build on its established fiscal and budget policy principles

The Strategy is underpinned by four fiscal and budget policy principles:

- *Allocative efficiency* - ensures a balanced allocation of resources that reflects the priorities of the Western Cape Government and programme effectiveness based on evidence, with a greater focus on reprioritisation and trade-offs.
- *Fiscal sustainability* - ensures the continuous and stable delivery of services without major and/or sudden disruptions in budget allocations which could potentially be caused by economic and fiscal constraints.
- *Fiscal consolidation* - ensures the reduction of government expenditure or the rate by which government expenditure increases, in a responsible manner, whilst simultaneously increasing government revenues.
- *Fiscal discipline* - ensures that departments and enterprises remain within budget limits and avoid unauthorised, irregular, fruitless and wasteful expenditure.

■ Implementing the Western Cape Government Fiscal Strategy

The Western Cape Government has prepared for the eventuality of a weaker economic and fiscal environment by embedding the Western Cape Government Fiscal Strategy elements and implementing its principles in all budget decisions. This ensures the sustainability of public finances and makes provision for fiscal space to cope with any adverse supply shocks by building up provincial reserves.

WCG has prepared for the eventuality of weaker growth

The Western Cape Government will continue to focus on fiscal consolidation to keep the Province on a sustainable fiscal path. The adoption of measures to boost revenue collection and the implementation of proactive debt management are key to achieving sustainability. Further measures implemented include the Compensation of Employees reduction strategy and a review of procurement strategies, amongst others. In addition, the Province will continue to explore alternative measures to fund its infrastructure development, further details of which are contained in Chapter 3. Ongoing steps to strengthen oversight over departments and entities will be key over the medium term as well as strict adherence to budget policy principles.

*Integrated Service
Delivery key in
implementing WCG
Fiscal Strategy*

The Integrated Service Delivery approach is a key enabler of the Fiscal Strategy. The approach supports co-planning, co-budgeting and co-implementation across provincial departments and between spheres of government operating within the Western Cape, thereby facilitating greater efficiency, sustainability and responsiveness in service delivery. The 2020 MTEF Budget process will continue to take an Integrated Service Delivery approach, and in doing so, places the citizen at the centre of delivery through the Western Cape Government's Vision Inspired Priorities.

■ 2020 MTEF: Provisional Fiscal Framework

Overall fiscal framework

Due to the deteriorating economic and fiscal environment, higher interest payments, lower than anticipated tax returns and unbudgeted support to SOCs, transfers from national government will grow at a slower rate than in the past. Over the medium term, government proposes to allocate 48.1 per cent of available non-interest expenditure to national departments, 43 per cent to provinces and 8.9 per cent to local government.

*Provincial transfers will
be reduced by
R20.3 billion over the
2020 MTEF*

Over the 2020 MTEF, national government resources will grow at an annual average of 2.3 per cent, provincial resources by 6.1 per cent and local government resources by 6.2 per cent. Provincial transfers will be reduced by R20.3 billion over the 2020 MTEF, of which the Provincial Equitable Share is to be reduced by R7.3 billion and direct Conditional Grants are to be reduced by R13 billion.

Table 2.1 provides the consolidated position of the Western Cape provisional fiscal framework. Total national transfers, inclusive of the Provincial Equitable Share and Conditional Grants to the Province, amount to R68.454 billion in 2020/21, R73.438 billion in 2021/22 and R77.746 billion in 2022/23; which amounts to a total of R219.638 billion over the 2020 MTEF.

Table 2.1 Western Cape provisional fiscal framework

R'000	Adjusted Estimate	Medium term estimate			Total
	2019/20	2020/21	2021/22	2022/23	2020 MTEF
Transfers from National	64 247 630	68 454 210	73 437 703	77 746 242	219 638 155
Equitable share	51 290 593	55 464 365	59 551 995	63 194 020	178 210 380
Conditional grants*	12 843 082	12 989 845	13 885 708	14 552 222	41 427 775
Conditional grants rollover	113 955	-	-	-	-
Own receipts	2 406 216	2 384 540	2 487 954	2 607 376	7 479 870
Asset Financing Reserve	935 339	645 931	334 555	315 000	1 295 486
PRF Financing	1 027 570	719 739	375 363	402 000	1 497 102
Provincial Revenue Fund: Tax Receipts	602 305	633 321	668 154	700 225	2 001 700
Total	69 219 060	72 837 741	77 303 729	81 770 843	231 912 313
Percentages					
Transfers from National	92.8%	94.0%	95.0%	95.1%	94.7%
Equitable share	74.1%	76.2%	77.0%	77.3%	76.8%
Conditional grants	18.6%	17.8%	18.0%	17.8%	17.9%
Conditional grants rollover	0.2%	0.0%	0.0%	0.0%	0.0%
Own receipts	3.5%	3.3%	3.2%	3.2%	3.2%
Asset Financing Reserve	1.4%	0.9%	0.4%	0.4%	0.6%
PRF Financing	1.5%	1.0%	0.5%	0.5%	0.7%
Provincial Revenue Fund: Tax Receipts	0.9%	0.9%	0.9%	0.9%	0.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

* Conditional Grant Allocations to Provinces have yet to be determined.

The Western Cape draws its resources from the following four sources:

- Provincial Equitable Share transfer from national government;
- Conditional Grant transfers from national government;
- Provincial Own Revenue; and
- Accumulated Financing Reserves.

The Provincial Equitable Share transfer is an unconditional transfer allocated to provinces based on a redistributive formula, and is the Western Cape's principal revenue source. The scope with which to allocate the Provincial Equitable Share across priorities is constrained by the public service wage bill as well as the delivery of core social functions such as health and education, given their personnel intensity.

Conditional Grants is the second largest source of funding for the Western Cape. In the main, Conditional Grant funding is designed to fund national priorities and compensate provinces for cross-boundary population flows in respect of specialised services, such as tertiary health services.

Provincial Own Receipts important source of supplementary revenue for the Province

About 6 per cent of total provincial revenue is derived from Provincial Own Receipts and from Provincial Reserves built up over previous years. While small in comparison with national transfers, these are important supplementary revenue sources for the Western Cape fiscus.

■ Provincial Equitable Share

Provincial Equitable Share formula and data updates

Several key changes to the PES formula implemented

The Provincial Equitable Share formula has undergone a review process over the past few years. Key changes relate to the data sources used in the education component. The change from using the SNAP data to the Learner Unit Record Information Tracking System (LURITS) data to measure school enrolment commenced in the 2018 MTEF¹.

This change was implemented using a three-year phase-in, meaning that in the 2018 MTEF, the data comprised of two-thirds from the old SNAP data and one-third from LURITS. In the 2019 MTEF, the data comprised of two-thirds from LURITS and one-third from SNAP. As from 2020, the education component will be fully reliant on the LURITS data set.

In addition, the change to the age cohort data from using Census data to using data on the 5 - 17 age cohort data from the annual Stats SA Mid-Year Population Estimate commenced in the 2019 MTEF and will be fully phased-in by the 2021 MTEF. With this change it is possible to update the age component on an annual basis, unlike the previous reliance on Census data where such an update was only possible every 10 years.

PES data updates translated to an additional R2.188 billion for the WC over the 2020 MTEF

To ensure that the formula is reflective of inter-provincial changes, the individual Provincial Equitable Share components are subject to the annual technical data updates. In this way those provinces that experience higher growth in the demand for services and/or population changes relative to other provinces are compensated. For the Western Cape, these data updates translate to an additional R2.188 billion over the 2020 MTEF.

Table 2.2 summarises the various components of the Provincial Equitable Share formula and the data sources used. The impact of these data updates on the Provincial Equitable Share are phased-

¹ The key difference between these two datasets is that the LURITS tracks learners throughout their learning years, whereas SNAP data is a count of the number of learners present on the 10th day of each academic year.

in over the three-year MTEF period, to smooth the impact of these data changes on individual provinces.

Table 2.2 Summary of Provincial Equitable Share data updates

Weight	Component	Data used
48%	Education	<ul style="list-style-type: none"> 2019 Mid-Year Population Estimates 2019 LURITS
27%	Health	<ul style="list-style-type: none"> 2019 Mid-Year Population Estimates Insured population (2018 GHS) Risk adjusted index Patient load data (DHIS 2017/18 - 2018/19)
16%	Basic	<ul style="list-style-type: none"> 2019 Mid-Year Population Estimates
3%	Poverty	<ul style="list-style-type: none"> 2019 Mid-Year Population Estimates Income and Expenditure Survey 2010/11
1%	Economic	<ul style="list-style-type: none"> GDPR 2017
5%	Institutional	<ul style="list-style-type: none"> Distributed equally amongst provinces

Additional funding for policy priorities

The 2020 MTEF sees three new adjustments allocated outside of the Provincial Equitable Share formula to fund national policy priorities within the social development sphere. Although being funded separately to the Provincial Equitable Share formula, these funds are still transferred as part of the Provincial Equitable Share through additional funds reprioritised from national government.

Over the 2020 MTEF, R59.715 million has been allocated to the Western Cape to sustain the employment of social workers in areas with a high prevalence of gender-based violence, substance abuse and issues affecting children.

Additional funding received over 2020 MTEF to address social challenges

The Western Cape will receive R17.041 million over the 2020 MTEF to assist in efforts to address the social and structural drivers of HIV, TB and STIs and gender-based violence. This will enable the Province to continue to support non-profit organisations (NPOs) implementing Social Behaviour Change programmes.

Toward ensuring that provinces improve access to sanitary dignity for indigent girl learners, funds were added to the Provincial Equitable Share for 2019/20. Over the 2020 MTEF, R31.531 million has been provided to continue the rollout of this project. These funds were divided across provinces in terms of the proportion of Grade 4 – 12 girl learners in quintile 1 – 3 schools in each province.

Changes to national Conditional Grants proposed over the 2020 MTEF

The following section shows changes to national Conditional Grants, however allocations to provinces still need to be determined:

Comprehensive Agricultural Support Programme

Reforms to several conditional grants proposed

Funding over the 2020 MTEF will be reprioritised to fund improved laboratory capacity, border controls and inspections by the National Department. This is to support animal and plant health to maintain exports as exports depend upon sound biosecurity and the capacity to quarantine animal and plant products. Improvements to biosecurity capacity are important so that South Africa maintains sufficient quality in its exports to continue exporting to the European Union and other markets.

Reforming the funding of informal settlements upgrading

In the 2019 MTEF Budget, there was an introduction of dedicated windows for the upgrading of informal settlements where 20 per cent of the Human Settlements Development Grant and 30 per cent of the Urban Settlements Development Grant was ring-fenced for informal settlements upgrading, subject to new planning requirements. The planning requirements relate to having a province and/or city-wide plan for how informal settlements would be prioritised and sequenced for upgrading. Provinces and cities have however struggled to meet the planning requirements in the timelines that have been provided and have also been subject to technical issues relating to the new requirements.

Policy directive on Informal Settlements Upgrading and People's Housing Process programme to be finalised

Furthermore, the National Department of Human Settlements is still to finalise the policy directive on the Informal Settlements Upgrading programme and the Peoples Housing Process programme. The directive will give clarity on the programmes' intent and guidance on the design, purpose, conditions, and expected output and outcomes of the new grants.

The intention was to introduce the windows in the 2019 Budget for a period of one year then to divide the funds into separate informal settlements upgrading grants from 2020/21 onwards. However there has not been enough time to assess the performance of these new windows to decide whether the windows should become fully fledged grants for the upgrading of informal settlements. Several issues were raised at the City Budget Forum in August 2019 but most metros agreed that the informal settlements window should be extended for another year before a new informal settlements grant is introduced.

As a result, it has been proposed that the informal settlements upgrading windows be continued for another year in 2020/21 so that more time can be spent learning lessons regarding the performance of the window. This will assist provinces and metros to meet the additional planning conditions as set out in the window. Furthermore, the additional year will allow the National Department of Human Settlements and the National Treasury more time to consult and to design a good grant structure which meets all the technical requirements.

Title Deeds Restoration Grant

There has been a proposal by the National Department of Human Settlements to extend the Title Deeds Restoration Grant for another year as this grant has not achieved its objective of eradicating the backlog of providing title deeds to subsidised housing prior to 2014. The grant is scheduled to end in 2020/21 and funds from this grant have already been shifted into the Human Settlements Development Grant from 2021/22 onwards. Provinces must continue with their title deeds backlog eradication programmes funded from the Human Settlements Development Grant and once the backlog has been cleared, provinces may use the remaining funds for other housing related projects.

Proposal by the National Department of Human Settlements to extend the Title Deeds Restoration Grant for another year

Health

The Human Resource Capacitation Grant was created to respond to the challenge of a shortage of health professionals in provinces. The grant currently funds the appointment of statutory posts such as medical interns and community service workers as well as other critical positions that were identified within provincial departments of Health. A wide variety of posts including porters, clerical staff and medical professionals are now being funded through this grant. It is proposed that the grant only be utilised to fund these statutory posts and the remaining funds be shifted to the Provincial Equitable Share. Furthermore, it is proposed that the funding for statutory posts be shifted to a component in the Health Professions Training Development Grant as both grants serve a similar purpose regarding training and development in the health sector.

Proposal to use Human Resource Capacitation Grant solely for filling of statutory posts

If the decision is made to merge the Human Resource Capacitation Grant and the Health Professionals Training and Development Grant, the health professionals contracting sub-component of the National Health Insurance Indirect Grant will be shifted to the direct National Health Insurance Grant.

The HIV, TB, Malaria and Community Outreach Grant funds many of the largest programmes in the health sector. Over the 2020 MTEF,

additional programmes will be added to this grant, from 2021/22 funds for Human Papillomavirus (HPV) vaccines will be shifted from the direct HPV Vaccine Grant to this grant. From 2021/22 funds will be added for oncology and mental health (shifted from the NHI Indirect Grant).

Education

Changes to Maths, Science and Technology Grant being considered to allow for use in coding and robotics

Changes to the structure and rules of the Maths, Science and Technology Grant are being considered to allow for it to be used to support the rollout of coding and robotics in more schools as part of preparing learners for the 4th industrial revolution.

Early Childhood Development (ECD) is a national priority programme and to expand access, additional funds are being proposed to be reprioritised from within the national sphere towards the Early Childhood Development Grant over the 2020 MTEF. This will enable the grant to further expand its role in supplementing provincial budgets for ECD, including expanding infrastructure for ECD.

Provincial Own Receipts

Provincial Own Revenue comprises less than 5 per cent of the total revenue envelope but is still a significant supplementary source of revenue for the Western Cape Government. Provincial Own Revenue is collected by provincial departments, or by the provincial entities and municipalities on behalf of the departments, where the departments deposit the revenue into the Provincial Revenue Fund (PRF). A portion of the revenue collected is utilised by departments in terms of appropriated amounts in their budgets.

Motor vehicle license fees is largest source of Provincial Own Revenue

This source of revenue is generated mainly from Motor vehicle license fees (53.8 per cent of total revenue), Gambling taxes (18.9 per cent of total revenue), and Hospital patient fees (13.1 per cent of total revenue). In total, Provincial Own Revenue amounts to R3.009 billion in the 2019/20 Adjusted Budget, and increases by an annual growth rate of 0.3 per cent to R3.018 billion in 2020/21. Table 2.3 depicts the Provincial Own Revenue budget over the 2020 MTEF.

Table 2.3 Summary of estimated Provincial Receipts raised in the Province

Provincial Department R'000	Adjusted Budget	Medium Term Estimate		
	2019/20	2020/21	2021/22	2022/23
Provincial Own Receipts raised by Departments	2 406 216	2 384 540	2 487 954	2 607 376
Department of the Premier	1 899	2 002	2 112	2 213
Provincial Parliament	817	821	75	78
Provincial Treasury	1 411	1 489	1 570	1 646
Community Safety	444	469	495	519
Education	28 401	29 822	31 312	32 814
Health	544 178	485 142	485 142	508 429
Social Development	1 130	1 192	1 258	1 318
Human Settlements	63 360	66 845	70 521	73 906
Environmental Affairs and Development Planning	2 104	2 742	2 783	2 917
Transport and Public Works	1 727 943	1 759 248	1 856 007	1 945 097
Agriculture	30 576	31 419	33 147	34 738
Economic Development and Tourism	333	351	371	389
Cultural Affairs and Sport	3 517	2 889	3 047	3 193
Local Government	103	109	114	119
Provincial Revenue Fund: Tax Receipts	602 305	633 321	668 154	700 225
Gambling taxes	568 852	598 029	630 921	661 205
Liquor licence fees	33 453	35 292	37 233	39 020
Total	3 008 521	3 017 861	3 156 108	3 307 601

Table 2.3 presents Gambling taxes and Liquor licence fees separately from departmental receipts. These revenue sources were previously included as revenue for the Provincial Treasury and the Department of Community Safety, but were collected by the Western Cape Gambling and Racing Board and the Western Cape Liquor Authority respectively. A recent determination has however called for a different treatment of the revenue source. The Provincial Treasury and the Department of Community Safety will however continue to act as conduits where Gambling taxes and Liquor licence fees are received and paid into the Provincial Revenue Fund.

Average annual growth in Provincial Own Revenue from the 2019/20 Adjusted Budget to 2022/23 is projected to be 3.2 per cent from R3.009 billion to R3.308 billion, which equates to an actual increase of R299.080 million. Motor vehicle licence fees, Hospital patient fees, and Gambling taxes contribute R206.642 million, R18.924 million, and R92.353 million respectively to the total increase over the three-year period.

*Provincial Own Revenue
projected to grow by
3.2 per cent on average*

The Department of Health's share in the total Provincial Own Revenue of the Province is anticipated to decrease from 18.1 per cent in 2019/20 Adjusted Budget of total revenue to 15.4 per cent of own revenue in 2022/23.

Table 2.4 presents Provincial Own Revenue from the 2019/20 Adjusted Budget and over the 2020 MTEF according to the Standard Chart of Accounts (SCOA) classifications.

Table 2.4 Western Cape Provincial Receipts by source

Provincial Department R'000	Adjusted Budget	Medium Term Estimate		
	2019/20	2020/21	2021/22	2022/23
Tax receipts	2 219 787	2 283 153	2 408 728	2 524 349
Casino taxes	537 572	565 028	596 105	624 718
Motor vehicle licences	1 617 482	1 649 832	1 740 574	1 824 124
Horseracing taxes	31 280	33 001	34 816	36 487
Other taxes (Liquor licence fees)	33 453	35 292	37 233	39 020
Sales of goods and services other than capital assets	590 334	596 934	605 681	635 540
Transfers received	100 889	35 071	34 321	35 968
Fines, penalties and forfeits	3 405	4 111	4 222	4 106
Interest, dividends and rent on land	4 390	5 522	5 730	6 004
Sales of capital assets	-	-	-	-
Financial transactions in assets and liabilities	89 716	93 070	97 426	101 634
Total provincial own receipts	3 008 521	3 017 861	3 156 108	3 307 601

Motor vehicle licence fees

Motor vehicle licence fees are projected to grow at an average annual growth rate (AAGR) of 4.1 per cent from R1.617 billion in the 2019/20 Adjusted Budget to R1.824 billion in 2022/23. The growth of this item is primarily due to an increase in the motor vehicle population, implementation of revenue efficiency measures, and below inflation adjustments to Motor vehicle licence fee tariffs.

Hospital patient fees

Hospital patient fees are projected to increase at an AAGR of 1.6 per cent from R394.262 million in the 2019/20 Adjusted Budget to R413.186 million in 2022/23. The flat growth for Hospital patient fees over the period is due to a change in the *classification of patients for the determination of fees*. This means test is used to determine whether patients qualify for discounted or free tariffs when receiving health services at public hospitals to allow more low-income earners easier access to health care services. The *classification of patients for the determination of fees* was changed on the 1st of April 2017 and was previously amended in 2002.

*Hospital patient fees
determined nationally*

Liquor licence fees

Liquor licence fees are projected to increase by an AAGR of 5.3 per cent from R33.453 million in the 2019/20 Adjusted Budget to R39.020 million in 2022/23.

The Department of Community Safety (DoCS) has implemented increases in Liquor licence fees since July 2017 across all licence types. After a 5-year reprieve, liquor license fees were increased in an effort to enable the Western Cape Liquor Authority (WCLA) to increase its scope in addressing the negative effects of alcohol in the Province as well as increase the self-sustainability of the WCLA in carrying out its mandate. The WCLA and the Department of Community Safety are considering a differentiated tariff structure where tariffs are based on, for example volumes and types of traders. This approach to the tariff structure would be more equitable, while allowing the WCLA to become self-sustaining.

WCLA and DoCS considering a differentiated tariff structure for liquor traders

Casino and horseracing taxes

Gambling revenue is projected to increase at an AAGR of 5.1 per cent from R568.852 million in the 2019/20 Adjusted Budget to R661.205 million in 2022/23. Casino taxes are expected to average R595.284 million per annum over the 2020 MTEF while horse racing, limited pay-out machines, and sports betting taxes are expected to average R34.768 million per annum over the same period.

Financial transactions in assets and liabilities

This category of revenue relates mainly to items such as the recovery of the previous year's expenditure, recovery of staff debt and unallocated credits. Financial transactions in assets and liabilities have been projected to increase at an AAGR of 4.2 per cent from R89.716 million in the 2019/20 Adjusted Budget to R101.634 million in 2022/23.

Financing and reserves

Guided by the principles espoused in the Western Cape Government Fiscal Strategy, the Western Cape Government has taken a pragmatic stance in making provision for unexpected shortfalls resulting from the weaker economic and fiscal environment. Service delivery remains one of the core priorities for the Western Cape Government. Provincial reserves allow the Western Cape Government to be agile and responsive to the additional and unforeseen demands over the 2020 MTEF.

Provincial reserves enable fiscal agility during weaker economic times

*Service Load Pressure
Reserve in place for
increased service loads
and resultant shortfalls*

The Western Cape Government takes a systematic approach to responding to various fiscal risks. Possible unpredictability in the fiscal framework involving the Provincial Equitable Share and Conditional Grants is provided for by the Fiscal Stabilisation Reserve. To deal with risks that are completely unforeseen and unavoidable such as disasters and emergencies, the Western Cape Government has made provision in the form of the Unforeseen and Unavoidable Reserve. To address the increased demand for provincial government services, the Western Cape Government has provided for a Service Load Pressure Reserve.

Conclusion

The national fiscus is under significant pressure, with little room to bolster revenue and debt reaching unsustainable levels. Immediate and decisive action is required to return national public finances to a sustainable and credible position. Failure to act by National Government would have substantial consequences for the Western Cape, and for government as a whole.

The consistent implementation of the Western Cape Government Fiscal Strategy has prepared the Western Cape Government for the weak economic and fiscal environment. However, should the economic and fiscal risks materialise, it would have a significant impact on service delivery in the Province. The Western Cape Government will nonetheless continue to place the citizen at the centre of service delivery and pursue the Vision Inspired Priorities, articulated in the following chapter, while maintaining the sustainability and credibility of provincial public finances.

3

Budget policy priorities

In summary

- The weaker economic environment continues to place pressure on the fiscal framework, potentially impacting on service delivery in the Province.
- The Western Cape Government's budget policy priorities are responsive to the economic and socio-economic challenges facing the citizens of this Province.
- The Western Cape Government's vision is "*A Safe Western Cape where everyone Prospers*".
- The vision of the Western Cape Government is expressed in the five Vision Inspired Priorities for the next 5-year period, namely: safe and cohesive communities; economy and jobs; empowering people; mobility, spatial transformation and human settlements; and innovation and culture.
- The Western Cape Government's infrastructure development approach seeks to leverage public investment to amplify growth and development outcomes.
- The 2019 Adjusted Estimates addresses in-year and immediate service delivery challenges and reprioritises towards provincial priorities, whilst still achieving planned budget outcomes.

Introduction

The Western Cape Government's vision of "*A safe Western Cape where everyone prospers*" sets the context for the medium term budget policy priorities of this Province. The medium term budget policy priorities have been determined through an integrated planning and budgeting process, which aims to ensure that the credibility and sustainability of public finances is maintained while keeping the citizen at the centre of delivery through responsive fiscal and budget policy. Notwithstanding the complex economic and fiscal environment, the Western Cape Government remains committed to the objectives of the upcoming 2019 - 2024 Provincial Strategic Plan and its related Vision Inspired Priorities (VIPs) as reflected through these medium term budget policy priorities, while managing key budgetary and service delivery risks.

WCG priorities framed within the context of SDGs and AU Agenda 2063 goals

■ Global, national and provincial policy context

The priorities of the Western Cape Government are framed in the context of various long-term visions and strategies. The global strategic context is largely set within the objectives of the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs). The African Union (AU) Agenda 2063 Goals, which are aligned to the SDGs, mention seven aspirations for the continent: an integrated Africa, a prosperous Africa, a democratic Africa, a peaceful Africa, with a strong cultural identity, people driven and an international dynamic force.

The National Development Plan (NDP) 2030, which is aligned to the AU Agenda 2063 Goals and the SDGs, provides the country's detailed policy framework for eliminating poverty and reducing inequality by 2030. The Medium Term Strategic Framework 2019 - 2024 further guides the implementation and monitoring of the NDP and includes seven priorities:

- Economic Transformation and Job Creation;
- Education, Skills and Health;
- Consolidating the Social Wage through Reliable and Quality Basic Services;
- Spatial Integration, Human Settlements and Local Government;
- Social Cohesion and Safe Communities;
- A Capable, Ethical and Developmental State; and
- A better Africa and World.

WCG priorities aligned to NDP outcomes

The development of the 2019 - 2024 Provincial Strategic Plan (PSP) provides the strategic framework for the medium term budget policy priorities, which is aligned to the NDP strategic outcomes. The Provincial Spatial Development Framework serves as the spatial policy framework to deliver on the Western Cape Government priorities and focuses on spatial transitions for growing the economy, building better environmental resilience and pursuing better inclusivity.

■ Medium term provincial budget policy framework

Given the constrained fiscal environment, the 2020 integrated planning and budgeting process primarily focuses on strengthening measures of efficiency and effectiveness, identifying areas of rescheduling or termination, managing budgetary and service delivery risks and identifying areas to strengthen collaboration to

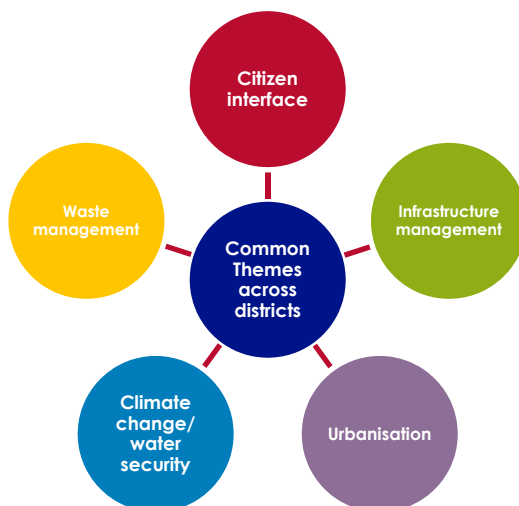
deliver services more efficiently and effectively. This requires tough policy and budgetary decisions, evidence-based decision-making and the need to reprioritise towards policy priorities as well as to prioritise within priorities.

To strengthen responsive planning and budgeting, the Western Cape Government builds on the practice of Integrated Service Delivery which is the shift from fragmented policy development and service delivery towards “governance for results”. The Western Cape Government acknowledges the complexity and interconnectedness of policy issues and therefore provides a holistic approach to policy planning, budgeting, implementation and ongoing review and adjustment through both vertical and horizontal integration.

To this end, the Western Cape Government aims to strengthen joint planning and collective impact in an identified geographic space, a specific policy area or strategic issue between all three spheres of government and between all the organs of state within each sphere. Based on the 2018/19 Integrated Provincial and Municipal Engagements, five common themes have been identified across all districts, which also cut across the provincial risks and priorities. These common themes are illustrated in Figure 3.1 below.

Strengthening joint planning and collective impact between all spheres of government

Figure 3.1 Common themes across all districts



- **Citizen Interface** - ensuring citizen-centric service delivery through the Joint District Approach (JDA) by promoting collaboration to strengthen service delivery.
- **Infrastructure Management** - the foundation of sound management of new and existing infrastructure requires effective and efficient asset management.

Common themes which cuts across provincial and local government risks and priorities

- **Urbanisation** - resulting in increased pressure on provincial and municipal service delivery as in-migration occurs.
- **Climate change/Water security** - a critical factor for a stable employment market and for the attraction of any investment into the Province.
- **Waste Management** - the increasing population, illegal dumping, declining landfill airspace, legislative requirements for waste facilities and the geographic size of the districts pose a problem for a district-based waste solution.

Similarly, the City of Cape Town and Western Cape Government have also identified areas for cooperation towards a shared purpose and collective impact. These themes are economy, empowering people, safety, mobility ecosystem, spatial transformation and environment, and governance and innovation. All of these will form part of the JDA towards the development of a single implementation / support plan within each district.

Building on the firm policy foundations that were put in place over the last ten years

The 2020 Integrated planning and budgeting process builds on the strengths of preceding cycles to ensure continuity while further refining processes and engagements for collective and joint impact. The Western Cape Government's approach to co-planning, co-budgeting and co-implementation across provincial departments, between provincial departments and municipalities and with national organs of state operating within the Western Cape, is firmly established in the JDA which is a geographic and team-based, citizen-focused approach to provide government services.

The 2019 – 2024 PSP articulates the Western Cape Government's commitment to prioritising and investing in initiatives that focus on safe and cohesive communities; economy and jobs; empowering people; mobility, spatial transformation and human settlements; and innovation and culture. These priorities will be underpinned by an environment that supports good governance, connectivity, evidence-based integrated planning and coordinated delivery.

Cross cutting themes identified through planning and budgeting processes

Some cross cutting themes were identified as part of the integrated planning and budgeting process:

- **Gender** - poverty, inequality and unemployment have a disproportionate impact on women and children, while gender-based violence remains a significant issue.
- **Youth** - tackling youth development requires a holistic approach that touches on all the VIPs of the Western Cape Government.

- **Climate Change** - the Western Cape is affected by Climate Change, and a proactive approach is required across sectors and priorities to seize the opportunities that a climate resilient economy and society present.
- **4th Industrial Revolution** - provides an opportunity for the Western Cape Government to improve service delivery responsiveness through Information and Communications Technology (ICT), broadband, software and cyber security.
- **Food Security** – most households in the Western Cape are dependent on cash income to buy food, this means low income households are particularly vulnerable to not having sufficient food to fulfil nutritional requirements.

Medium term budget policy priorities

The Western Cape Government is committed to a safe Western Cape where everyone prospers. This vision of the Western Cape Government is expressed through the five strategic priorities identified for the next 5-year period, the VIPs.

WCG's commitment expressed through its VIPs

Figure 3.2 Western Cape Government Vision Inspired Priorities



Source: Draft Provincial Strategic Plan, 2019 - 2024

Safe and Cohesive Communities

The high levels of crime experienced by many communities in the Western Cape is one of the most serious and complex challenges. As a result, enabling safe and cohesive communities is captured in a transversal safety plan where every provincial department is responsible for contributing to a safer Western Cape.

Enhanced capacity and effectiveness of policing and law enforcement

Refining and enhancing existing policing oversight programmes is a safety priority

A key intervention is to train and deploy additional law enforcement officers and investigators to increase law enforcement and investigation capacity in high crime priority areas. As an initial response, the Western Cape Government will prioritise the deployment of law enforcement officers and investigators, as part of the Law Enforcement Advancement Plan (LEAP), and review the Community Safety Act. This will be supported by key oversight mechanisms to improve evidence-based policing and police professionalism, including policing needs and priorities, Court Watching Briefs for priority crimes, monitoring police stations and improving the functioning of Community Policing Forums. The powers of the Western Cape Police Ombudsman will also be strengthened to investigate inefficient policing and to improve accountability.

Strengthen partnerships between government and non-government role players

The Western Cape Government will further strengthen partnerships, both within government and with non-government role players. This will be done through formal structures such as the Safety Cabinet, the Provincial Joint Operations and Intelligence Committee, as well as with a broader range of stakeholders such as accredited Neighbourhood Watches (NHW). During 2019/20, the Western Cape Government rolled-out the initiative for the professionalisation of NHW structures. For the coming financial year, the Western Cape Government will promote safe communities and cohesive public spaces by facilitating the process of accrediting NHW structures who play an integral role in the safety of communities. The Western Cape Government will also continue to offer basic training and support to NHWs and explore ways of enhancing the role of NHWs within the community. As a response to the need to improve rural safety in the Province, the Western Cape's District Rural Safety Plan will focus on improving collaboration on safety issues in rural areas.

Strengthened youth-at-risk referral pathways and child-and family-centred initiatives to reduce violence

It is critical to involve a wide range of stakeholders in crime prevention and safety

Reducing exposure to and the experience of violence by children is key to reducing high levels of violence and violent crime. In response, the Western Cape Government implements the Eye-on-the-Child project. This project aims to enhance current child abuse and neglect prevention services for children in rural and urban disadvantaged communities, by facilitating an effective response where risk of child abuse, neglect and exploitation has been identified. In partnership with Non-Profit Organisations (NPOs), the project trains and enlists community volunteers to assist in the

identification of children who are victims of various kinds of abuse, neglect and exploitation. The project also advocates increased awareness of the overall well-being and protection of children, enhancing community responsibility in this regard.

The Western Cape Government will continue to provide a 24-hour child care and protection service. This service aids children who are victims of abuse and neglect, as well as children in conflict with the law. Key reforms in child protection services have seen a substantive reduction in foster care backlogs and more responsive placement of children in foster care. This includes the development and implementation of Child and Youth Care Centres (CYCCs) best practice and the integration of systems to facilitate information sharing between departments in the Justice, Crime Prevention and Security cluster. The latter enables speedier placement of youth in conflict with the law in a safe and secure environment. The successful reintegration of youth and children in conflict with the law is key in enabling positive long-term outcomes for young offenders.

Successful reintegration of youth and children in conflict with the law is a priority

The Western Cape Government will also continue to provide essential services to families at risk. These services include early intervention programmes such as family preservation, marriage counselling and other psychosocial support services, formal mediation, parenting rights and responsibility agreements for child care, parenting plans, temporary and safe care of children, and adoption services.

The Western Cape Government will prioritise the reduction of violence and gang activities in the Province through the implementation of the Western Cape provincial response to the National Anti-Gang Strategy; targeted law enforcement operations in priority areas; removal of illegal firearms from communities using a reward system; amendments to the Western Cape Liquor Act to allow for the confiscation of illegal liquor by law enforcement; and improving the effectiveness and efficiency of the licensing of retail, sale and micro-manufacture of liquor.

Prioritising efforts towards reducing violence and gang activities

To enhance the creation of a pathway for children and youth to move away from violence into opportunities, the Western Cape Government aims to expand the Chrysalis Academy programme; coordinate Youth-in-Service programmes aimed at increasing work opportunities for youth aged 18 to 24; and place Chrysalis students on a 12-month Expanded Public Works Programme (EPWP) internship. The Youth-at-Risk Graduate Work Placement programme will further ensure that youth in Chrysalis programmes are provided with skills and work experience to increase their prospects of finding employment. During 2018/19, 1 006 youth were placed in work

Combat illegal alcohol trading

opportunities with partners which allowed youth at risk to gain the necessary skills to further enhance their workplace skillset.

Initiatives to address key upstream factors related to alcohol and drugs include the implementation of the Western Cape Government Alcohol-Related Harms Reduction Policy, including amendments to the Western Cape Liquor Act to combat illegal alcohol trading and reduce heavy and binge drinking; refined Random Breath Testing as one of the road safety initiatives which aim to reduce excessive consumption; and the implementation of the revised National Drug Master Plan, including providing drug treatment services for youth.

Increased social cohesion and safety of public spaces

In supporting the promotion of cohesive communities in safe spaces, the Western Cape Government will prioritise:

- Linking accredited NHW structures with 50 priority schools to provide a community owned solution to vandalism and crime;
- Implementing wide range NHW mobilisation programmes to be linked with the City of Cape Town Neighbourhood Safety Programme focuses on area safety opposed to the safety of particular buildings, in support of the South African National Defence Force (SANDF) deployments; and
- Safe schools, which includes:
 - Roll-out of the School Security Risk Assessment Tool;
 - A school-based violence prevention programme, which will be implemented to test, evaluate, and roll-out behavioural interventions to reduce physical violence between learners;
 - Maintenance of the 10 safe zone schools supported by deployments of School Resource Officers; and
 - Maintenance and enhancement of the Security Support Team.

Promoting safer neighbourhoods, communities and schools

Ensuring safe passage for Emergency Medical Services

The increased incidence of attacks on Emergency Medical Services (EMS) and community violence has a negative impact on both citizens, who wait longer for an ambulance; and staff, who are traumatised by the attacks. The Western Cape Government will continue to work with communities to reduce the incidence of attacks and ensure safe passage for EMS and improve response times.

The Western Cape Government will focus on the safety of road and public transport spaces, as well as adopt an area-based security risk

management approach to increase security in and around Western Cape Government buildings and facilities. There will be an increase in the number of identified schools provided with high security perimeter fencing each year. After-school programmes will be re-oriented to youth at risk to provide safe spaces for positive recreation activities, activation of public spaces, and fostering of social cohesion. Community-based sports and cultural activities in targeted precincts will also contribute to building social cohesion and creating safe spaces.

Improving rail safety within the Province is an essential contributor to resolve the ongoing rail crisis in Cape Town and to minimise the negative impact on citizens. In this regard, the Western Cape Government's Rail Enforcement Unit which is a collaboration between the Western Cape Government, the City of Cape Town, and the Passenger Rail Agency of South Africa (PRASA) has been established to address this ongoing crisis. Since the start of deployment, there has been an increase in the number of security officials on trains and arrests on a range of charges, which include cable theft and stolen goods. Hotspot areas and scrapyards are also investigated.

WC Government's Rail Enforcement Unit - a collaboration between CoCT, PRASA and the WCG

In contributing towards improving road safety in the Province, the Western Cape Government will continue to prioritise the rollout of District Safety Plans in collaboration with district municipalities, and the capacitation of municipalities for the establishment of K9 units. These units will see trained dogs and dog handlers assisting with law enforcement operations, safely home programmes, random breath alcohol testing, ongoing road improvements and increasing the number of successful responses to crime and serious traffic violations. In 2018/19, road fatalities declined by 6.6 per cent from 1 411 in 2017/18 to 1 317 people in 2018/19.

Economy and Jobs

To drive the competitiveness of the Province, one of the main objectives of the Western Cape Government is to provide an enabling environment which makes the Province an investment destination of choice to enable economic growth, leading to job opportunities with an appropriately skilled labour force, excellent infrastructure, and improved productivity. This will only be achieved through partnerships across government and across the economy.

Position the WC as an investment destination of choice.

Increase investment

The Western Cape Government aims to position the Province as a leading investment destination. Initiatives to target investment

recruitment and opportunities include the establishment of a Municipal District Unit, the One Stop Shop – Invest SA, and Project Good Hope, all of which aim to market Cape Town and the Western Cape as an inspiring and safe place to do business.

Upscale ease of doing business initiatives

The Western Cape Government will upscale ease of doing business initiatives to assist firms and government to reduce delays and costs, thereby removing obstacles to investment. The Western Cape Government will continue to prioritise, strengthen and build on current initiatives such as:

- Identifying, investigating and addressing problematic bureaucratic processes;
- Providing advocacy for a business friendly and competitive legislative environment particularly within the Small, Medium and Micro Enterprises (SMME) environment;
- Apply and continuously develop the Ease of Doing Business Costing Tool which will quantify the impact of red tape reduction and ease of doing business interventions; and
- Implement a Municipal-Service-To-Business (MS2B) programme that will target improving municipal business-facing services across the Province in a manner that supports the systemic change required to positively and methodically impact local business environments.

Unlock investment potential of the West Coast

Catalytic infrastructure such as the Saldanha Bay Industrial Development Zone (SBIDZ), aims to unlock the investment potential of the West Coast as a key driver of the oil, gas and marine engineering sector. Therefore, to support investment into the SBIDZ, ease of doing business initiatives in this space will continue. These initiatives include: freeport model, streamlined investor procedures; serviced land; skilled labour and quality suppliers; and land and quayside infrastructure.

The Atlantis Special Economic Zone (ASEZ) is centred on attracting manufacturing and service companies in the green technology space to the Zone and has been designated for the manufacturing of green technologies and related services. The Western Cape Government will continue to support the ASEZ to attract companies, establish the institutional arrangements required, and drive infrastructure development.

Develop and grow the local market

The Western Cape Government aims to develop and grow the local market, to create a region which is appropriately skilled and productive, while making the Western Cape the investment destination of choice. Initiatives in this regard include the promotion

of local products in various platforms (trade and consumer); integration of black smallholder farmers; increase agri-processing capacity; support retail-led market standards; and support industry-led market development initiatives e.g. local is lekker; and local investment expansion and retention.

The Western Cape Government will continue to support Wesgro's Agribusiness unit through the provision of market intelligence and funding to promote the agricultural sector in the Western Cape as a lucrative investment opportunity for foreign investors. In 2018/19, the unit managed to attract investment of R654 million into the sector and created an estimated 487 jobs.

Infrastructure investment and development

Infrastructure investment and development seeks to leverage public investment efforts to amplify growth and development outcomes to the greater society. The optimisation of investment efforts may be achieved through the alignment of strategies from the different spheres of government including but not limited to construction procurement as a lever for growth.

Infrastructure development seeks to leverage public investment to amplify growth and development

Strengthening infrastructure investment to support opportunities for growth and jobs

Infrastructure investment is a critical factor, which contributes towards the promotion of economic development, broadening the economic base and increasing economic growth within the Province. Infrastructure investment is a prerequisite for medium and long-term economic growth, whilst infrastructure spending has been used in short-term interventions to stimulate economic recovery.

Infrastructure investment promotes economic development

The wider benefit of infrastructure investment and development lies in its ability to fuel and shape economic growth, provided such infrastructure investment is targeted correctly. Properly executed, public infrastructure investment and development is a powerful instrument for job creation, for growing the economy and for reducing poverty and inequality by increasing employment amongst less skilled workers where unemployment is concentrated. It can also play an important role in upskilling the unemployed youth by providing them with skills for the future. The Western Cape Government is committed to spending its limited resources more efficiently and effectively and to maximise infrastructure investment and development within fiscal constraints.

There is growing recognition that municipal Integrated Development Plans (IDPs) and Spatial Development Frameworks

(SDFs) represent the strategic and operational plans within each municipal area. This directly impacts on those provincial departments delivering/maintaining and providing public facilities and services. Alignment of provincial infrastructure investment to the IDPs and SDFs therefore remains crucial.

Innovative models will be implemented to support municipal infrastructure funds to be spent more effectively and efficiently and ensure government assets are better utilised. Opportunities for innovative finance mechanisms and approaches for infrastructure provision will be explored.

Infrastructure financing options

Traditionally, government played an important role in infrastructure development. However, public deficits and increased public debt-to-GDP ratios have led to a reduction in the level of public funds available for infrastructure. Therefore, it is increasingly acknowledged that alternative sources of funding are required to support infrastructure development. Infrastructure investments facilitate economic activity and enable the Province to grow to its full potential in support of its infrastructure development approach.

Exploring various options to fund infrastructure

Over the medium term, the Western Cape Government will explore various options to fund infrastructure such as: Public Private Partnerships (PPPs); the use of Multilateral Development Banks (MDBs) and Development Finance Institutions (DFIs); Turnkey project financing; land-based financing tools such as land value capture and development charges; construction and revenue bonds; pooled financing and financing of bundled infrastructure projects.

■ Public Private Partnership

Partnerships between government and private sector to strengthen infrastructure investment

Government continues to work with the private sector to strengthen infrastructure investment. Efforts are focused on raising the efficiency of spending and crowding in private sector investment. The National Treasury has begun a review of PPP regulations aimed at merging approval processes and reducing implementation timeframes. This project is already under way and its findings will be published by September 2020. The Western Cape Provincial Treasury will actively partake in this review process as PPPs remain a funding option for infrastructure investment that is arguably underused in the Western Cape Government.

■ Budget Facility for Infrastructure

The Budget Facility for Infrastructure (BFI) is defined in the 2019 National MTBPS as “A reform to the budget process that establishes specialised structures, procedures and criteria for committing fiscal

resources to public infrastructure spending." The Western Cape Government has submitted proposals for large infrastructure projects to access funding from the BFI and will continue to do so to address infrastructure backlogs and to assist with funding in support of an infrastructure development approach.

■ **Project Finance**

Project finance refers to the practice of financing investment and relies on the projected cash flows of a project. Most PPPs use project finance as a source of funding. The key to project finance is that a lender or investor agrees that it will be repaid only to the extent that specified revenues from a project are sufficient. However, in instances where projected user charges are not enough to cover the debt service costs, the lender may require a guarantee of a revenue shortfall payment to mitigate against the risk.

Building and Maintaining Infrastructure

The Western Cape Government will continue to target infrastructure investment, as follows:

Capitalising on key infrastructure opportunities

- Creating a portfolio of assets to capitalise on key infrastructure opportunities through investment in a portfolio of assets.
- Maximising investment in infrastructure:
 - Focus will be placed on the maintenance and protection of core provincial infrastructure. The rehabilitation, renovation, and refurbishment of roads will continue and investment into new road networks such as the N1/N7 interchange and R62 extension;
 - Focus will also be placed on utilising water infrastructure to its full potential, as it is critical to enable economic growth and job creation in rural areas as well as export growth of farmed products. There will be two potential projects to increase irrigation water in the agricultural sector: developing a solution to allocate surplus water from the Buffeljags Dam, and making use of the Expanded Public Works Programme to line irrigation canals in the Little Karoo; and
 - Advocacy efforts with national government will be important with regards to infrastructure not currently in the Western Cape Government's control, such as the ports and the rail network.
- Catalytic Infrastructure: Implementation of the Better Living Model will continue, which includes developing the 22-hectare former Conradie Hospital site into an integrated, sustainable, and

Maintenance and protection of core provincial infrastructure

affordable residentially-led, mixed-use neighbourhood. This project is being developed through a partnership between the private sector, the Western Cape Government and the City of Cape Town. In addition, the Founders Garden/Artscape Precinct will be rolled-out in accordance with the Better Living Model methodology.

Boosting sport infrastructure in the Province

Sport infrastructure in the Province will also receive a boost through the planned construction of at least 30 new netball courts in preparation for the 2023 Netball World Cup which will be hosted in Cape Town. The building of these courts is in line with the legacy commitment made in the bid.

Climate-resilient infrastructure

Green infrastructure becoming a growing area of practice

The Western Cape Government is committed to going “green” with its investment and development in buildings. Climate-resilient infrastructure has the potential to improve the reliability of service provision, increase asset life and protect asset returns.

The following features will be applied in the design, construction and building renovations as far as possible:

- Efficient use of energy, water and other resources;
- Use of renewable energy, such as solar energy;
- Pollution and waste reduction measures, and the enabling of re-use and recycling;
- Good indoor environmental air quality;
- Use of materials that are non-toxic, ethical and sustainable;
- Consideration of the environment in design, construction and operation;
- Consideration of the quality of life of occupants in design, construction and operation; and
- A design that enables adaptation to a changing environment.

Growing the economy through export growth

The Western Cape Government aims to grow exports with an increased focus on trade promotion and to remove export obstacles. The economic resilience of firms in the Province will also be improved by strengthening productivity, competitiveness, and promoting initiatives which drives export growth.

The Western Cape Africa Trade and Investment Strategy aims to ensure that programmes are put in place which will add significantly to the positioning of the Western Cape as a key trading region for Africa. The strategy focuses on export readiness of SMMEs for trade into Africa; and the promotion of the region's capabilities to be a hub for African trade and a centre of excellence for housing global headquarters for multi-national firms wanting to do business on the African continent. The Western Cape Government will also explore the Western Cape's position in Africa's emerging clothing and textile industry, especially regarding sourcing and regional value chains.

Positioning the WC as a key trading region in Africa

The Western Cape Government will also implement interventions to improve agricultural exports, boost agricultural production, and increase demand both locally and globally. This includes the continued support for the Sustainability Initiative of South Africa (SIZA) and the Wine and Agricultural Ethical Trading Association (WIETA) to ensure farmers meet the necessary standards to maintain and gain access to international markets.

Focus will be placed on agriculture and agri-processing sectors

Creating opportunities for job creation through skills development

A key focus over the 2020 MTEF will be demand-led skills development and targeting an increased skills supply for tradable sectors. Key skills programmes include:

WCG prioritises demand-led skills development

- Working with schools, Technical and Vocational Education and Training (TVET) colleges, and employers to introduce qualified apprentices to the oil and gas, tourism, agri-processing, ICT/digital skills, and energy sectors, amongst others;
- Skills development in the rural landscape through the implementation of the Agricultural Partnership for Youth Development's (APFYD) programme, new agri-processing and value-adding curriculum content and short-term courses at the Elsenburg Agricultural Training Institute;
- A graduate intern programme, industry intern programme, and various skills and training programmes associated with the Expanded Public Works Programme (EPWP) built-environment sector;
- EPWP skills development, amongst other, is one of the important ways in which the Western Cape Government provides access to work opportunities to those who are unemployed;
- The continuation of the "Wastepreneurs" project, which allows for the creation of jobs while offsetting the expense of

developing new landfill spaces. The project is a support programme which aims to access resources for small and micro waste related enterprises and address the skills gap; and

- Continued support will be provided towards cultural tourism, which allows for opportunities for youth to obtain exposure in the industry and develop the relevant, skills making them more marketable in the labour market.

Creating an enabling environment for economic growth through resource resilience

The Western Cape Government will work with the private sector to improve its resource resilience through improved water use, energy efficiency, and waste reduction and resource development strategies.

Implementation of the WC Climate Change Response Strategy

The Western Cape Government will continue to implement the Western Cape Climate Change Response Strategy, considering the spatial impacts of climate change and the associated impact on assets. Initiatives which support the Green Economy, such as smart grids, large-scale rooftop photovoltaic (PV) systems, and green infrastructure development will be implemented. Municipalities will be supported to procure power from Independent Power Producers (IPPs), once this is legally possible. The implementation of the Sustainable Water Management Plan will continue to focus on demand- and supply-side interventions as well as governance and communication.

Municipalities and industry are supported to improve waste management in the Province

The Western Cape Government will also actively support municipalities and industry to improve resilience in waste management, including the exploration of alternative waste treatment technologies. In contributing toward the stimulation of the waste economy, the Western Cape Government participates in waste management governance platforms such as Western Cape Waste Management Officers and the Western Cape Recycling Action Group and Industry Waste Management Forum. These platforms are used to coordinate planning and to ensure that municipal integrated waste management plans, IDPs and the Western Cape Integrated Waste Management Plans are synchronised. Furthermore, the facilitation of regional/district waste development facilities (e.g. Garden Route, Cape Winelands) will be promoted.

As a primary economic driver, the development of land and water resources, and the planning and construction of infrastructure in the agricultural sector plays a pivotal role in food security, job creation and economic development. Furthermore, critical natural resources including priority biodiversity areas, ecological infrastructure and coast and estuaries are regarded as key strategic interests to the Province as it is necessary for inclusive economic growth and the sustainable delivery of basic services. The Western Cape Government responds to the continued loss of critical biodiversity and ecological infrastructure, through the Ecological Infrastructure Investment Framework (EIIF) which addresses conservation, restoration and alien clearing activities whilst delivering goods and services, jobs and safe living conditions.

Ecological infrastructure contributes towards inclusive growth and sustainable delivery of basic services

Empowering People

The Western Cape Government envisages that, through a life-course approach, residents will be empowered to seize the opportunities available to them. The life-course approach implies that strategies should be long term and holistic if they are to target the socio-economic challenges that accumulate over the lifetime of a person. The critical early stages of development are emphasised to ensure that a preventative approach is taken.

Children and families

Initiatives are geared toward infants in the cycle of preconception through to 2 years, as well as children aged 2 to 5. It aims to address the risk factors associated with early child malnutrition, a lack of stimulation, poor school readiness, and poor family well-being. The Western Cape Government will continue to focus on the First 1000 Days programme over the 2020 MTEF, which includes nutrition, health, nurturing care, and support, as well as safety and protection.

Early Childhood Development (ECD) initiatives will be centred around increasing ECD registration rates and the number of ECD priority sites from 65 to 130. For children to thrive in ECD, they will require adequate nutrition, thus feeding programmes will continue in the ECD space, particularly in Grade R.

Increasing access to quality ECD services

Family care and support services include the Western Cape Government's core interventions for vulnerable families, and will focus on the identification, referral, and delivery of specialised services for families. Family preservation services such as, therapeutic programmes, mediation services, parenting programmes, as well as programmes aimed at rehabilitating, reunifying and reintegrating homeless adults back into their families

Ensuring evidence-based care and services are provided to vulnerable families

and communities of origin will continue to be prioritised by the Western Cape Government.

Education and learning

For the 5 to 18-year life stage, initiatives include the development of workplace readiness, technical, vocational, and entrepreneurship skills and competencies through the expansion of curricula options. An emphasis is placed on socio-emotional skills development, such as accomplishing particular tasks, recognising and managing emotions, and coping successfully with conflict.

Improving the quality of school accountability, functionality, and support

The following initiatives will be prioritised by the Western Cape Government to strengthen and enhance the innovative adaptability and preparedness of the youth for the “*changing context*”:

- eLearning, aims to make ICT an integral part of the teaching, learning and school administration. This is done through a combination of providing schools with adequate broadband access, the requisite computer equipment and an array of electronic reading materials for learners and teachers. To date, at least 1 720 schools in the Province have access to broadband, 1 160 schools have appropriate end-user computer technology through the Slim Labs Project and 12 500 published resources are available from the Western Cape Education Department's e-Portal.
- Transform to Perform (T2P), will be expanded over the 2020 MTEF, to learners and teachers with the aim of instilling a growth mindset in learners, a readiness and willingness to embrace change in teachers and leadership development for all levels of leadership in education.
- Literacy is an important precondition for success throughout a child's academic career. Ongoing emphasis is placed on literacy outcomes supported by the foundation phase reading strategy and library reading initiatives such as the Early Grade Reading Assessment (EGRA) tool, which helps teachers measure basic foundation skills for reading acquisition on the early years.

Continue to prioritise the enhancement of learner performance

The Western Cape Government will continue to pursue enhanced learner performance through interventions aimed at improving foundation phase reading and education; performance in Grades 3, 6 and 9; and promoting STEAMAC (Science, Technology, Engineering, Arts, Mathematics, Agriculture and Coding and Cloud Computing). The intention of the Western Cape Government is to prioritise the creation of enabling learning environments with high

quality teaching in safe environments, with a focus on expanding services offered by technical schools and Schools of Skills (SoS) ensuring that rural schools are afforded the same opportunities as schools in urban areas. There has been an increasing emphasis on strengthening the functionality and accountability of the entire education system; in this regard the School Evaluation Authority (SEA) and collaboration schools pilot will play a critical role in improving schools.

Youth and skills

Skills development is a core element in building the economy and creating employment opportunities. In addition to the skills programmes outlined in the economy and jobs section, the Western Cape Government will introduce a Youth-in-Service programme, which will coordinate provincial youth employment and skills programmes. After School Programmes, focused on the holistic development of in- and out- of school youth at low resourced schools, will be expanded and further entrenched in the school system.

Youth in Service programme to be introduced

Health and wellness

In 2018/19, over 14 million patient contacts were registered at primary health facilities, 550 000 people were admitted at public hospitals, almost 485 000 patients were transported by emergency care services, 278 000 patients were on antiretroviral treatment and more than 96 000 babies were delivered across the public health platform. Access to quality care is key to effective health care provision, but it is affected by high patient volumes, limited resources, and the impact of crime and violence. Key improvements to the health system to overcome these challenges include cultural transformation, staff wellness, addressing management inefficiencies, and improving health technology to reduce the administrative burden.

Improving health systems and health technology

People with non-communicable diseases often develop co-morbidities and complications, negatively impacting on their quality of life. The prevention of non-communicable diseases requires the adoption of healthier lifestyles, including diet improvements, engaging in exercise, and reducing risky behaviour. The Western Cape on Wellness (WoW!) programme encourages the adoption of healthy lifestyles. It promotes increased physical activity, healthy eating, and healthy weight management. Going forward, the WoW! programme will be maintained and implemented in schools, workplaces, and communities, including within the provincial government.

The Community Oriented Primary Care programme (COPC) is a key initiative aimed at providing an integrated primary healthcare platform that strengthens the linkages between the home, community-based care, primary healthcare facilities and other healthcare services within a specific geographic area. In addition to enhancing access to public health services, Community Care Workers are also able to follow up on patients defaulting on treatment. In 2018/19, professional nurses were appointed at 16 rural COPC pilot sites to test and develop different strategies and models for a COPC package of care that can be rolled-out across the Province.

Older persons and Persons with disabilities

Providing programmes and support to over 25 000 older persons

The Western Cape has a relatively larger older population, resulting in a growing proportion of the people vulnerable to abuse, exploitation and neglect. The Western Cape Government will continue to provide programmes and support to over 25 000 older persons in residential care, assisted and independent living facilities as well as community based care. Further services include the registration and monitoring of funded and private facilities and centres to ensure a safe and caring environment for older persons.

Almost 100 000 persons with disabilities, their families and care givers could access Western Cape Government funded developmental social welfare services in the past financial year. These services include psychosocial support to persons with disabilities and their families, protective workshops, community based day care programmes and residential care for both children and adults. Services to persons with disabilities will be expanded going forward through the provision of additional beds in residential and day care centres, and transport subsidies to ensure children are transported in suitably adapted vehicles to and from centres.

Mobility, Spatial Transformation and Human Settlements

Addressing the spatial inefficiencies and inequities in the WC

The Western Cape Government aims to address the spatial inefficiencies and inequities in the Province. The goal is to create a spatially transformed Province in which residents live in well-connected, vibrant, climate resilient, and sustainable locations and move around efficiently on safe, affordable and low-carbon public transport.

Better linkages between places through public transport and mobility systems that work together

The Western Cape Government has committed itself to improve the rail service, which is the backbone of the public transport system in the greater Cape Town region. A priority is to get the Central Rail Line working effectively through partnerships with relevant stakeholders such as PRASA. The Western Cape Government intends to continue to support PRASA with the deployment of railway enforcement officers to protect commuters on trains and at stations and to safeguard rail infrastructure, enabling a safer transit system in the Province. The Western Cape Government also intends to establish a Transport Authority to drive an efficient and interconnected public transport system and promulgate a Provincial Transport Bill to support this intent.

Improving the rail service in the WC

The roll-out of the fourth and subsequent phases of the Go George bus transit system will provide linkages to more rural settlements in the George Municipality. Emphasis will also be placed on improving the quality and responsiveness of the minibus taxi service through technology. This intervention will be tested as a feasible public transport offering in and between smaller towns across the Province.

Key enablers of mobility and public transport include technology systems for planning, integration, and management of the transport ecosystem. An advanced technology system will be implemented for monitoring road safety and managing public transport.

Creating spatially and economically vibrant growth points

Built-environment and infrastructure investments will be directed to spatially targeted priority regions in terms of the Provincial Spatial Development Framework and regional planning. The Western Cape Government will support municipalities to produce spatially-targeted intergovernmental pipelines of transformative built-environment and infrastructure projects identified in their Municipal Spatial Development Frameworks.

Municipalities are supported to produce spatially-targeted intergovernmental pipelines

More opportunities for people to live in better locations

Nine Priority Housing Development Areas will be targeted for high density, mixed-use, mixed-income, and mixed-tenure developments, applying a range of programmes in the National Housing Code and partnering with the private sector to provide affordable housing stock and end-user finance. The Western Cape Government will use state-owned land and buildings as catalysts for integration and spatial transformation, implement a property partnership programme, collaborate with the National Department

To bridge the distance between historical centres and where people live and to bring opportunities closer to people

of Public Works and Infrastructure to release key national properties, and facilitate land assembly and the release of well-located land for inclusive development in spatially targeted areas.

Improving the places where people live

The Western Cape Government will continue to prioritise Informal Settlement Upgrading, which focuses on the enhancement of access to basic services and the creation of safe, dignified, climate-resilient settlements. The Western Cape Government will continue to facilitate and support the creation of sustainable, integrated and resilient human settlements through the upgrading of informal settlements; the provision of affordable/gap housing opportunities; and prioritising the most deserving for subsidised housing.

Continued roll-out of the Regional Socio-economic Programme

The Western Cape Government will also strengthen and expand programmes that encourage the participation of households and conduct education programmes on home ownership. Moreover, the Western Cape Government will continue to roll-out the Regional Socio-economic Programme (RSEP), with funded initiatives in municipalities aimed at local-level settlement restructuring and urban management to improve social cohesion, spatial functionality, and safety and increase economic opportunities.

Reducing impact of natural disasters in the Province

Reducing the impact of natural disasters such as wild fires and floods in the Province, will continue to be a priority for the Western Cape Government. With drought conditions continuing in certain areas in the Province, the Western Cape Government will provide support towards, ensuring readiness to manage wildfires, assist municipalities with clearing invasive alien vegetation and assist with fodder provision to farmers in declared disaster areas. Provincial risks related to natural disasters and biodiversity risks, amongst other, will be addressed through the Ecological Infrastructure Investment Framework of the Western Cape Government.

Innovation and Culture

The Western Cape Government will build on the foundation of a capable state and deliver accessible, innovative, and citizen-centric services to all the people of the Western Cape, thereby enabling an open-opportunity society for all.

Citizen-centric culture and innovation

The strategic intent is to improve service delivery by focusing on new, innovative ways of doing things and ensuring employees in the Western Cape Government understand and demonstrate the

values of caring, competence, accountability, integrity, responsiveness, and innovation. Key interventions include:

- A values-based leadership development programme;
- Embedding the practices of collaboration, ongoing learning, and adaptation across the entire organisation;
- Business capability to enable frontline innovation;
- Digital Government Strategy, continued implementation of broadband initiatives, province-wide data governance, and evidence-based policy, planning, and implementation;
- Embedding an organisational culture conducive to high employee engagement; and
- Integrated feedback systems such as the culture survey feedback, citizen feedback, and employee engagement.

Innovation for impact

This focus area challenges the status quo of government, particularly as the Western Cape Government will need to continually adapt and respond to more complex societal issues within a constrained fiscal envelope. The Western Cape Government will build on the capacity for innovation through establishing cross-departmental and external exchange programmes; driving innovative service delivery through innovative tools; and developing an innovative financing and procurement framework to assist with reducing barriers to service delivery.

WCG is adaptable and drives innovation

Integrated service delivery

The JDA will be implemented to give effect to integrated service delivery. It is a geographic and team-based, citizen-focused approach to provide integrated government services through a strengthened Western Cape Government and local government interface.

Joint District Approach for Integrated service delivery

A key element of the JDA is the Province's Whole of Society Approach (WOSA), which is citizen-centric and calls for a different way of creating change in society. It is about mobilising the resources, knowledge, and creativity of all role-players in government, the private sector, and civil society. Four WOSA Learning Sites across the Province will inform the Provinces' area-based collaboration.

Integrated service delivery and improved results will be driven through a Transversal Delivery and Accountability Framework,

underpinned by data-driven and evidence-based decision-making, informed planning, monitoring and evaluation, and learning. There will also be a focus on transforming the current Service Delivery Improvement Plan and aligning it with citizen engagement programmes.

Continued focus on the functions of the PFMA and MFMA

The Western Cape Government will continue to focus on core functions in relation to the Public Finance Management Act and Municipal Finance Management Act responsibilities while strengthening good financial governance in the Province. Moreover, continued support will be provided to provincial departments and municipalities in improving supply chain management processes and governance.

Key to the Western Cape Government's procurement focus is making sustainable procurement choices that account for the full value of a service or product over its entire lifecycle, including costing of social and environmental risk and opportunities. Initiatives that were driven through this approach include specific sourcing strategies to improve efficiencies within the provincial procurement environment, procurement planning, localisation of procurement to stimulate regional economic development, supplier development, green procurement, promoting the use of small business in procurement activities, E-procurement and Supplier Database Management, and sustainable procurement. Public procurement will focus on cost effectiveness, quality assurance, supplier relationships, industry innovation, procurement ethics, supply market analysis and sustainable procurement.

Good governance transformation

Good Governance Transformation Strategy will be developed and implemented

Good governance is a key enabler for service delivery. The Good Governance Transformation Strategy is the composite result of all governance efforts and programmes to ensure transparency, accountability, responsiveness, efficiency, effectiveness, upholding the rule of law, and public participation. Government will also improve citizen capacity and the capacity of partners to engage in services and processes. A Good Governance Index that measures the impact of service delivery through evidence-based data and user experience feedback will be developed. A Municipal Governance Framework will be implemented. This framework will incorporate various initiatives, including capacity building, fraud and corruption awareness programmes, and support initiatives that enable municipalities to practice good governance and ensure accountability.

2019 Adjusted Estimates

The 2019 Adjusted Estimates is the Western Cape Government's first response to the anticipated 2020 National Budget allocations. The weaker economic and fiscal environment has necessitated a robust reprioritisation of resources to ensure a stable fiscal base going forward.

The 2019 Adjusted Estimates allows for in-year resource reallocation and reprioritisation, considering the current budget performance and policy context, to address immediate service delivery challenges. This, whilst supporting provincial priorities and achieving the 2019 Budget outcomes. In doing so, it lays the basis for the Western Cape 2020 MTEF Budget. In total, an additional amount of R718.580 million has been included in the 2019 Adjusted Estimates in support of the provincial priorities outlined earlier in this chapter.

2019 Adjusted Estimates allows for in-year resource reallocation

In support of building safer and cohesive communities in the Province, an additional R130 million has been allocated in 2019/20 for the Law Enforcement Advancement Plan (LEAP), also referred to as 'Boots on the Ground'. The Project forms part of the larger transversal Safety Plan led by the Department of Community Safety.

R130 million allocated for the Law Enforcement Advancement Plan

Drought continues to plague various parts of the rural Western Cape. Emergency provision of R50 million has therefore been made in terms of section 25 of the PFMA for fodder support for these communities.

The Department of Transport and Public Works receives R194.548 million toward maintenance and the acquisition of properties for the Western Cape Department of Education. Toward enhanced mobility, the Department of Transport and Public Works also receives an additional R66 million to augment the Go George Integrated Public Transport Network operations. These allocations are financed from the Asset Finance Reserve.

R260.548 million from Asset Finance Reserve in support of enhanced mobility and infrastructure

In addition to these funds, R156.113 million unspent in 2018/19 has been rolled-over in 2019/20 mainly for the purpose of funding infrastructure related projects for emergency housing as part of the Provincial Emergency Housing National Grant. This also includes various Information Technology projects and social sector related (Education and Health) issues as well as funding augmented for drought.

Additional allocations in support of housing and health service delivery

*R145.011 million
projected to be
surrendered by
departments*

Over-collected revenue from 2018/19 amounting to R235.381 million has also been allocated to fund once off pressures linked to infrastructure for bulk services with regards to the catalytic projects within the Department of Human Settlements; a transport hub for the implementation of an integrated smart system to modernise and strengthen information management as well as to address security risks within the metro and rural areas for the Department of Health.

As part of achieving fiscal consolidation, departments will be surrendering R145.011 million projected underspending on Compensation of Employees to the Provincial Revenue Fund.

In conclusion, the 2019 Adjusted Estimates, on aggregate makes provision for the following, amongst other:

- R311.400 million for infrastructure related expenditure;
- R130 million toward the appointment, training, equipping and operation of Law Enforcement Officers at the City of Cape Town as part of LEAP;
- R170.632 million for Information Technology related issues; and
- R56.523 million for drought, of which R6.523 million relates to roll-over funds from the 2018/19 financial year by the Department of Agriculture.

Conclusion

The Western Cape Government recognises the complex environment in which it operates and the medium term budget policy priorities aims to mitigate the key budgetary and service delivery risks through a sound and firmly established integrated planning and budgeting process. The Western Cape Government is committed to ensure that resources are optimally directed towards creating a Province that is safer, attracts investment which boosts economic growth, ensures that citizens are empowered, improved linkages between places through spatial transformation, and entrenches a culture of innovation and good governance.

Glossary

Brexit	The United Kingdom's prospective withdrawal from the European Union is widely known as Brexit, a portmanteau of "Britain" and "Exit".
Division of revenue	The allocation of funds between the spheres of government as required by the Constitution.
Fiscal policy	Policy on taxation, spending and borrowing by government.
Framework/envelope	A framework for integrating fiscal policy and budgeting over the medium term by linking a system of aggregate fiscal forecasting to a disciplined process of maintaining detailed medium term budget estimates by ministries reflecting existing government policies.
Gross Domestic Product	The total market value of all goods and services produced within the borders of a nation during the specified period.
Indirect grant	A grant allowing a national department to perform a function on behalf of a province or municipality. No funds are transferred, but the end-product of the grant, such as infrastructure built, is generally transferred to provincial or municipal ownership.
Integrated Service Delivery	A service delivery approach that strengthens joint planning and collective impact in identified geographic spaces or specific policy areas between all organs of state. It is also the shift from fragmented policy development and service delivery towards "governance for results" through co-planning, co-budgeting implementation, and co-review and co-adjustment between all the organs of state with the overarching objective of ensuring that the citizen is at the centre of service delivery.
Medium Term Expenditure Framework	The three-year spending plans of national and provincial governments published at the time of the Budget.
Premature mortality	Premature mortality is a measure of unfulfilled life expectancy.
Provincial Equitable Share	The allocation of nationally raised revenue to provincial government as required by the Constitution.
Provincial own receipts	Refers to taxes/fees and/or user charges, which a provincial department receives.

RMB/BER Business Confidence Index

The RMB/BER Business Confidence Index tracks business sentiment across 5 sectors, by means of a survey wherein respondents are asked a series of questions to rate the relative satisfaction with prevailing conditions. The composite RMB/BER Business Confidence Index (BCI) is the unweighted mean of five sectoral indices, namely that of manufacturers, building contractors, retailers, wholesalers and new vehicle dealers.

Total fertility rate

The number of live births per 1 000 women aged 15 to 44 in a calendar year.