

# 2019 Budget Summary

## Introduction

The 2019 Budget is focused on “**Consolidation for Maximum Citizen Impact**”. This Budget provides opportunities for the youth; supports the creation of a safe and secure Province for the citizen; provides an enabling environment for job creation and skills development; builds and maintains economic and social infrastructure; and applies good governance standards to maximise service delivery and citizen impact.

Guided by the Western Cape Fiscal Strategy and budget and policy principles, the 2019 Budget draws on the collective insight of the Western Cape Government in response to the identified risks and gives effect to the strategic policy priorities as set out the 2014 - 2019 Provincial Strategic Plan. The 2019 Budget presents a credible, sustainable and responsive allocation of resources in support of improved service delivery and maximum impact.

In aggregate, the 2019 Provincial Budget provides for total expenditure amounting to R67.148 billion in 2019/20, R70.368 billion in 2020/21, and R74.611 billion in 2021/22.

## Economic overview

Global growth is estimated to have increased to 3.7 per cent in 2018. The global growth outlook has weakened as growth is forecast to slow to 3.5 per cent in 2019 before marginally improving to 3.6 per cent in 2020. The growth outlook is underpinned by weaker performance in advanced economies which are expected to grow to 2.0 per cent and 1.7 per cent respectively in 2019 and 2020. Emerging economies are also forecast to slow to 4.5 per cent in 2019 before picking up to 4.9 per cent in 2020. The biggest risks to global growth include the increasing trade tensions between the US and China and the impact of a disorderly Brexit on growth in the Eurozone.

Growth in South Africa is estimated to have slowed to 0.7 per cent in 2018 on the back of the technical recession and is forecast to grow to 1.3 per cent and 1.9 per cent respectively in 2019 and 2020. Consumer confidence has come down sharply from the record-high levels reached at the beginning of 2018 and growth in real household consumer expenditure is expected to moderate over the medium term. Although business confidence contracted in the fourth quarter of 2018, private investment is forecast to improve in 2019 and 2020 due to planned investments in green energy and mining. Over the medium term, the rand is forecast to trade between R14.00 and R14.50 to the US dollar largely due to domestic political uncertainty and the projected slowdown in the global economy while headline consumer

inflation is expected to increase only marginally but remaining well within the SARB target range of 3 - 6 per cent. Despite the projected rebound in growth, per capita income is expected to contract for the fifth consecutive year. The electricity supply crisis and the impending electricity tariff hikes proposed by Eskom pose the greatest risk to the growth outlook for South Africa.

The Western Cape economy is estimated to have contracted by 0.1 per cent in 2018, mainly as a result of the impact of the drought on the agricultural value chain. Gross value added in the agriculture, forestry and fishing sector is estimated to have shrunk by 21 per cent in 2018, with consequences on the directly linked agri-processing sector which recorded a contraction of 8.4 per cent in the period. Improved winter rainfall and water consumption have resulted in higher dam levels which have more than doubled since 2018. This relief is expected to cause a rebound in agricultural output growth in 2019. The Western Cape economy is forecast to grow to 1.9 per cent and 2.1 per cent in 2019 and 2020. The biggest risks to the provincial economy include the impact of climate change and the energy supply crisis on agriculture and agri-processing sectors.

In the last quarter of 2018, employment in the Western Cape amounted to just over 2.5 million people, with 601 000 unemployed. As such, the provincial unemployment was 19.3 per cent. An estimated 67.9 per cent of the working age population were active in the labour force resulting in an employment to population ratio of 54.8 per cent. Youth unemployment is a matter of concern for the Province as 63.6 per cent of the unemployed were between the ages of 15 and 34 years, while this cohort accounts for only 43.2 per cent of the narrow labour force.

The Western Cape had an estimated population of 6.621 million people in 2018. The average life expectancy in the Province improved steadily over time primarily through several health improvement interventions. Learner enrolment numbers have continued to increase as 23 103 additional learners were enrolled in public primary and secondary schools in 2018 in the Province. Crime has a negative impact on social and economic performance and although total crime incidents in the Western Cape have declined, violent crime such as murder has increased while drug-related crimes continues to be a prominent and escalating crime category in the Province.

## Fiscal Strategy and Response

Slower than anticipated economic growth has resulted in national tax revenue under-collection in 2018/19, with a knock-on effect on the national revenue base over the 2019 MTEF. This, coupled with funding requirements for national policy priorities, the rising public sector wage bill and the deteriorating financial position of State-Owned Enterprises, has necessitated further fiscal consolidation measures to be introduced by national government.

In addition to the national fiscal risks, the Western Cape Government has had to consider several provincial fiscal and transversal service delivery risks in crafting the 2019 Budget. These risks include:

- Population growth and an increase in the demand for government services;
- The energy supply crisis;
- Climate change and associated risks;

- Crime, service delivery protests and unrest;
- Municipal sustainability; and
- The ongoing investment into ICT and 4th Industrial Revolution requirements.

The Western Cape Fiscal Strategy guides the Western Cape Governments' response to the economic, fiscal and service delivery risks, underpinned by the continued application of the budget policy principles of fiscal consolidation, allocative efficiency, fiscal sustainability and fiscal discipline. The Strategy is applied through 3 elements, namely ensuring a balanced budget, the active management of expenditure and continued efficiency and innovation in revenue management.

Given the current economic, fiscal policy and service delivery context, the following budget allocation principles were applied in funding the 2019 Budget:

- Consideration of the current economic context and revised fiscal framework;
- Delivery on the 2014 - 2019 Provincial Strategic Plan remains a priority;
- The approach to managing and responding to climate change and energy security requirements;
- Increased service load pressures, particularly in the social sector and continued protection of direct service delivery/frontline services;
- Managing key service delivery risks whilst continuing to protect frontline services;
- Maintaining a sustainable fiscal base by providing reserves/fiscal buffers over the 2019 MTEF;
- The approach to managing Compensation of Employees and containing the wage bill specifically through applying personnel budget upper limits and further improving personnel management; and
- Continuing to give effect to the goals and objectives of the Infrastructure-led Growth Strategy.

The Western Cape Government has established a practice of providing for reserves to ensure that it has sufficient room to sustain service delivery and respond, while giving effect to budget policy priorities. The 2019 Budget therefore makes provision for reserves to deal with potential volatility in the fiscal framework, unforeseen and unavoidable events and expenditure, and the consequences of climate change. The sustainability of frontline services remains a priority for government. Reserves have also been made available to deal with service delivery pressures in health, education and social services.

## Budget spending plans and priorities

### Creating opportunities for growth and jobs

**Promoting economic development and job creation opportunities:** The Department of Economic Development and Tourism is allocated R1.607 billion over the 2019 MTEF - R132.750 million is to support emerging economic themes and job creation stimulus within the Province. Over the 2019 MTEF economic growth and job opportunities will be stimulated

through an increased support mechanism for Small, Medium, and Micro Enterprises (SMMEs). To facilitate the improvement of the Western Cape business environment, the Department of Economic Development and Tourism is allocated R38.347 million over the 2019 MTEF for ease of doing business interventions to address red tape.

**Rural Development Initiatives:** The Western Cape Government has allocated R91.047 million over the 2019 MTEF to coordinate the Comprehensive Rural Development Programme which encourages citizen involvement in partnership with all spheres of government, the private sector and communities to safeguard rural development.

**Trade and Investment Promotion:** The Department of Economic Development and Tourism is allocated R197.274 million over the 2019 MTEF towards the promotion of trade and investment activities in the Province - focus placed on the African market as a key investment and trade destination. Through Wesgro, investment promotion will be driven through the establishment of a Municipal District Unit and Project Good Hope, which aims to market the Province as an inspiring and safe place to do business. One Stop Shop – Invest SA, Project Khulisa (Oil and Gas and Agri-processing industries), green field investments and expansion agri-processing projects will be further strengthened over the 2019 MTEF.

**Energy Security:** Over the 2019 MTEF, the Western Cape Government will continue the roll-out of priority initiatives linked to energy security, through diversifying the energy mix. These initiatives include (but not limited to), the Smart Grid project which focuses on the development and implementation of tariffs and rules for rooftop Photovoltaic (PV). The Liquefied Natural Gas project, focusing on improving competitiveness of existing businesses and unlocking new manufacturing opportunities. Through GreenCape, attract investment and enabling the creation of jobs primarily in the manufacturing sector through engagements on local content in the Renewable Energy Independent Power Producer Procurement Programme. The annual Property Efficiency Report (PER) demonstrates the commitment to the management and improvement of the efficiency, effectiveness and sustainability of the Western Cape Government's property holdings.

**Supporting agriculture and agri-processing sectors:** The Department of Agriculture allocates R1.024 billion towards successful land reform over the 2019 MTEF. Market access is integral to successful land reform and the commercialisation of emerging farmers - the promotion of provincial agricultural produce at international promotional events in emerging markets such as China and Angola will continue. An allocation of R348.461 million has been made towards the Veterinary Services programme to protect market access of livestock farmers in the Province. A new Agri-processing sub-programme has been established in the Department of Agriculture (R7.171 million has been allocated over the 2019 MTEF) to provide technical and compliance support, enterprise and supplier development as well as to promote investment related to agri-processing businesses.

**Skills development:** The Department of Economic Development and Tourism has allocated R196.555 million over the 2019 MTEF towards the coordination, facilitation and implementation of skills development initiatives in the Province. These include, apprenticeships, artisan development, skills for the digital economy, financial and business sector skills, improving the quality of maths, science and engineering qualifications and developing entrepreneurial skills. Over the 2019 MTEF, R210.455 million has been allocated to the Structured Agricultural Education and Training programme of the Department of Agriculture.

**Infrastructure development:** The Department of Economic Development and Tourism has allocated R156.807 million over the 2019 MTEF towards the Saldanha Bay Industrial Development Zone (SBIDZ) as a key catalytic driver (in the Oil and Gas and Marine Engineering Sectors) for economic growth within the West Coast District. R96.562 million has been allocated towards the Atlantis Special Economic Zone (ASEZ), for the manufacturing of green technologies and related services. The Department of Transport and Public Works, is allocated R25.240 billion towards the construction and maintenance of public works and roads infrastructure, the facilitation of integrated transport services, transport regulation and community based programmes.

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

**Education outcomes:** Towards the delivery of quality education in the Province, R75.251 billion is allocated over the 2019 MTEF. An additional R1.214 billion has been allocated to accommodate increasing service load pressures, as a result of the year-on-year increases in learner numbers in the Province. Teacher development programmes has been prioritised with an allocation of R337.932 million over the 2019 MTEF. The institutionalisation of e-Learning through the continued support of e-Infrastructure, e-Technology, e-Culture, e-Content and e-Admin programmes is prioritised. In addition to existing Departmental contributions, R283.159 million is allocated specifically towards the implementation of e-Learning, as well as R23.402 million for broadband access for e-Education over the 2019 MTEF.

**Early Childhood Development:** Over the 2019 MTEF, R1.132 billion will be invested in ECD and Partial Care by the Department of Social Development. Within the WCED emphasis will be placed on improving and expanding access to quality education in Grade R. With a focus over the 2019 MTEF on improving teacher skills and their professional status, the WCED allocates a total of R2.310 billion towards ECD and Grade R expansion over the period.

**Safety in Schools:** Safety initiatives in schools will continue to be prioritised over the 2019 MTEF. The safe schools initiative within the WCED has been allocated a budget of R112.518 million over the 2019 MTEF. These include, installation of secure perimeter fencing, restricted electronic access, monitored alarm systems, Safe Schools Call Centre, Walking Bus programme, Security Resilience Scorecard, and strategic partnerships between schools and communities.

**After school programmes:** Over the 2019 MTEF, R142.442 million has been allocated for the MOD Programme. The number of learners engaged in regular and consistent after school programmes has increased to from 14 900 in 2014/15 to 81 120 learners in 2018/19. R18 million has been earmarked over the 2019 MTEF for infrastructure maintenance and related costs at MOD Centres.

**Youth development:** The YEBO programme is the academic pillar of the MOD programme, which provides volunteer opportunities to over 100 young people in recipient communities every year. To date, 61 per cent of the 2016 cohort of volunteers have transitioned into either employment or studies, and the remainder continue to volunteer. R40.278 million has been allocated over the 2019 MTEF for the YeBo programme.

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

**Providing health services:** The Department of Health is allocated R78.552 billion over the 2019 MTEF - R511 million over the 2019 MTEF towards managing the increased service load pressures on the health system. First 1000 days programme and the Western Cape on Wellness (WoW!) programme remains a priority. Continued investment into Health infrastructure and maintenance with R425 million allocated over the 2019 MTEF for capital infrastructure delivery and maintenance at Tygerberg Hospital. Department of Health is pursuing its e-Vision and its Service Strategy- aims to improve system performance, patient experience and quality of care

**Social development services for the poor and most vulnerable:** The Department of Social Development is allocated R7.872 billion over the 2019 MTEF - additional allocations totalling R132.750 million to ensure the sustainability of the current services and increasing demand. The Eye on the Child and Isibindi programmes are two key community-based programmes aimed at identifying and assisting children most vulnerable to abuse and neglect. R590.078 million over the 2019 MTEF has been budgeted for services to persons with disabilities. Department of Social Development is allocated R63.773 million over the 2019 MTEF towards piloting the Sanitary Dignity Project and to provide sanitary products to young women and girls.

**Arts, culture and sport:** The Department of Cultural Affairs and Sport is allocated R2.585 billion over the 2019 MTEF. Over the 2019 MTEF, R1.169 billion is allocated towards library services and Sport and Recreation is allocated R677.355 million over the 2019 MTEF to promote sport and recreation activities for the citizens of the Province.

**Improving safety in communities:** An allocation of R1.167 billion over the 2019 MTEF is made to the Department of Community Safety to ensure safer communities. R132.750 million is made over the 2019 MTEF to drive initiatives such as Safety Kiosks, use of surveillance technology and making Neighbourhood Watches more professional and efficient in maintaining citizen safety. Community Stabilisation Units are trained to assist the South African Police Services (SAPS) in crime hotspot areas, while the Chrysalis Training Academy facilitates a work training programme where students are placed for a minimum period of 12 months. The National Anti-Gangsterism Strategy (NAGS) will be implemented through a Prov-Joints Committee on gangs. A new K9 and highway patrol unit will be developed to safeguard the main routes of transport against the transfer of illegal drugs.

**Improving road and rail safety:** Provincial Sustainable Transport Programme will continue over the 2019 MTEF and focuses on the provision of a more reliable, safe and affordable public transport system. The Integrated Transport Intelligence Hub includes the integration of additional sub-systems with the aim of increasing the quality of the data and the functionality of the system. The Safety Home Calendar will continue to focus on effectively utilising high-impact messaging and communication with the aim of changing the behaviour of road users.

The Rail Enforcement Unit is a collaboration between the Western Cape Government, the City of Cape Town, and the Passenger Rail Agency of South Africa (PRASA) and aims to resolve the ongoing rail crisis in Cape Town. Since deployment there has been an increase in the number of security officials on trains with arrests on a range of charges. The Department of Transport and Public Works will receive an additional R255.500 million over the 2019 MTEF to address public transport requirements for rail enforcement teams. The Department of Transport and Public Works will continue to manage the subsidisation of bus operations in the Cape Town

Metro area and the implementation of sustainable transport systems will continue through the George Integrated Public Transport Network.

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

**Climate Change Response:** The Western Cape Government allocated R83.987 million towards enabling the promotion and stimulation of a greener economy and water secure Province. Drought support provided to municipalities by the Department of Local Government over the 2019 MTEF includes but is not limited to the provision of technical and geo-hydrological services to municipalities, provision of professional support and advice with the drilling and testing of boreholes, providing specialist consulting services and the provision of drought relief funding support. The Department of Local Government is allocated an additional R38.996 million over the 2019 MTEF to appoint capacity towards the management of the drought crisis. R25 million is allocated in 2019/20 to address the drought and the exploration of new wellfields in the Central Karoo District area.

The Department of the Premier is allocated R1.4 million in 2019/20 for the water security communications campaign, Fruitlook project will ensure water efficiency by providing registered farmers with actual crop water usage and crop requirements information. The Department of Environmental Affairs and Development Planning is allocated R37.129 million towards the Breede River Environmental Resource Protection Plans, The Berg River Improvement Plan (BRIP) and the Sustainable Water Management Plan (SWMP). The Climate Resilience in Upgrading of Informal Settlement Programme (CR-UISP) is being developed.

**Integrated human settlements:** The Department of Human Settlements is allocated R7.464 billion over the 2019 MTEF. Key projects over the 2019 MTEF include the Better Living Model – a focus on spatial integration and the Belhar CBD which is a government led catalytic mixed-use high density residential project - various types of residential units and forms of tenure that targets the subsidy market. The Department of Human Settlements is allocated an additional R56.100 million over the 2019 MTEF to increase catalytic project capacity and an additional R43 million in 2019/20 towards bulk infrastructure for catalytic projects.

**Regional Socio-economic Project/Violence Prevention through Urban Upgrading:** The Department of Environmental Affairs and Development Planning allocates R104.800 million towards RSEP/VPUU over the 2019 MTEF. The RSEP/VPUU Programme addresses the needs of communities and delivers visible service delivery projects, with a focus on poor communities. The RSEP Programme is implemented in seven municipalities - Bergrivier, Witzenberg, Cape Agulhas, Stellenbosch, Prince Albert, Mossel Bay and Bitou and RSEP to be rolled-out in Saldanha Bay, Drakenstein, Mannenberg, Hanover Park and Khayelitsha.

**Environmental Quality and Biodiversity Management:** The Department of Environmental Affairs and Development Planning is allocated R1.010 billion over the 2019 MTEF towards providing good ecological infrastructure for sustainable development in the Province. The implementation of the Western Cape Biodiversity Spatial Plan, management of coastal and estuarine resources and clearing of invasive alien species remains a priority.

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

**Integrated Planning Budgeting and Implementation:** The aim of Integrated Management is to strengthen joint planning and collective impact in an identified geographic space, specific policy area or strategic issue between the three spheres of government and between the

organs of state within each sphere. The Whole of Society Approach is an approach for government and non-government agencies to render integrated services that optimally meet the needs of citizens. The WoSA has since December 2017, been implemented and tested in four prioritised learning sites namely Saldanha, Drakenstein, Manenberg/Hanover Park and Khayelitsha.

**Strengthening the local government interface:** The Department of Local Government is allocated R982.065 million over the 2019 MTEF to support and strengthen the capacity of municipalities in fulfilling their developmental mandates. Over the 2019 MTEF, an additional amount of R29.864 million has been allocated to both the Provincial Treasury and the Department of Local Government towards strengthening support interventions in municipalities to enhance municipal oversight and governance.

**Digital Government:** The Centre for e-Innovation in the Department of the Premier is allocated R3.219 billion over the 2019 MTEF to enable service delivery through Information Communication Technology and to drive the e-Government agenda. To further support the growing demand for Information and Communications Technology services, related infrastructure, Transversal Applications Systems and to ensure cyber security an additional R284.131 million is allocated over the 2019 MTEF. The Western Cape's Broadband Strategy and Implementation Plan is intended to leverage capacity of all relevant departments and aims to ensure that provincial and local government can harness the benefits of broadband infrastructure. R1.358 billion is allocated over the 2019 MTEF towards the implementation of the Broadband Strategy which includes the contribution towards e-Learning. The Department of Economic Development and Tourism has begun the delivery of the Digital Opportunities Implementation Framework - digital adoption by businesses, global positioning, demand-stimulations within specialised sectors and digital skills development.

**Enhanced governance:** The Corporate Governance Framework, Municipal Corporate Governance Framework and the Financial Governance Capability Maturity Model aims to enhance governance for improved service delivery. The Provincial Treasury is allocated R1.127 billion to drive good financial governance in the Province. A Good Governance Grant of R30 million is introduced in 2019/20 to reward performing municipalities. R15 million is allocated over the 2019 MTEF to increase the technical capacity within infrastructure units for Infrastructure Development Improvement.

**Improving government performance and delivery:** Province-wide Data Governance (PWDG) includes the management of the availability, usability, integrity and security of data assets. An additional R93.951 million has been allocated towards the implementation, resourcing and support services for PWDG over the 2019 MTEF. Conducting evaluations remains a priority.

## **Infrastructure investment for growth**

### **Infrastructure-led growth**

The Provincial Infrastructure-led Growth Strategy seeks to facilitate economic and socio-economic progression at grassroots level with a focus on maximising citizen impact. The infrastructure-led growth strategy facilitates economic and socio-economic progression by improving productive capacity, attempts to investigate infrastructure spending patterns and determines if infrastructure spending is efficient and effective. Infrastructure investment considers the optimal investment location; i.e. finding a central point (place and space) of



investment which will yield maximum returns and positive impact to where other forms of enabling infrastructure is required.

## **Trends in public infrastructure spending**

Increased investment in social, economic and virtual infrastructure forms the focus of economic acceleration over the medium term. The Western Cape Government's Fiscal Strategy is premised on the principles of allocative efficiency, fiscal consolidation, fiscal sustainability and fiscal discipline has enabled the Province to create a long term financing plan to support an infrastructure-led growth strategy resulting in an additional investment of R6.8 billion over the ten-year period up to 2028/29. The Province plans to spend R28.606 billion on infrastructure inclusive of fixed assets that facilitates the delivery of services and unlocking economic and growth opportunities as well as virtual infrastructure in the form of information and communication technologies over the 2019 MTEF.

The performance and continued use of capital assets is essential to the health, safety, economic development and quality of life of recipients of these services. Immovable (fixed) assets are planned and budgeted for throughout their lifecycle. A key area of intervention is in **maintenance** as this will assist to derive maximum value from assets, protect the investment made in public sector immovable assets and ensure business continuity through the ongoing availability of such assets at reasonable cost and within acceptable risk parameters. It also enables and support economic development, social upliftment and environmental sustainability for the benefit of people in creating public value.

The shift in focus towards the investment in **existing infrastructure assets** is demonstrated with an 8.10 per cent increase from R5.231 billion from the 2018/19 Revised Estimate, to R5.654 billion in 2019/20; in comparison to the investment in **new infrastructure** with a 1.27 per cent increase from R924.078 million in the 2018/19 Revised Estimate, to R935.809 million in 2019/20. The Province view operations and maintenance of assets as an integral part of infrastructure delivery, and will continue to progressively spend more on maintenance over the medium term and beyond.

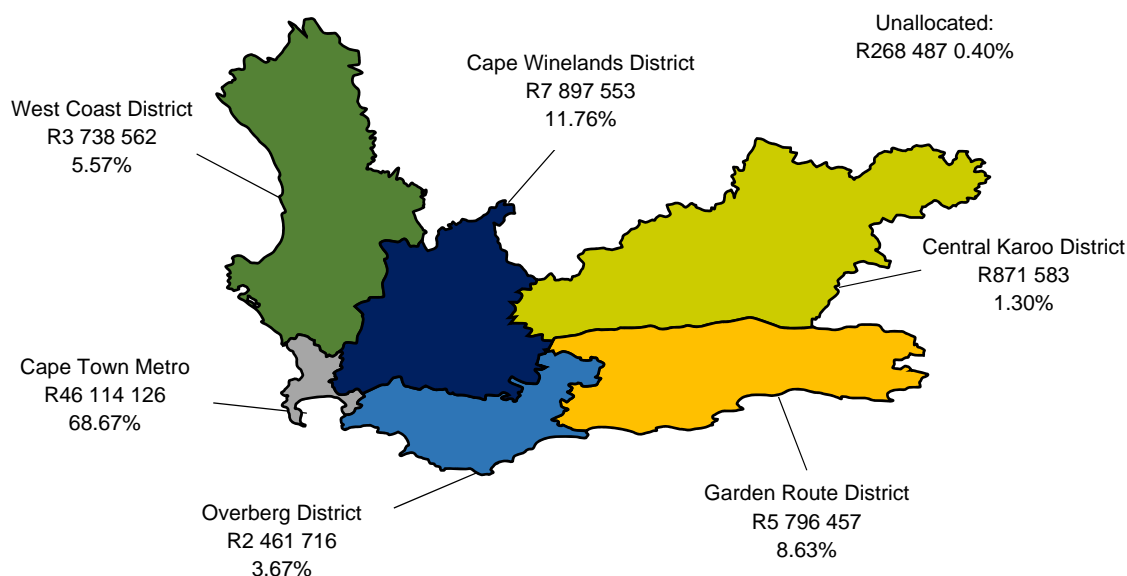
The total Public Private Partnership projects under implementation amount to R81.111 million in 2019/20 increasing to R87.619 million in 2021/22.

## **Spatial distribution of provincial expenditure**

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

The distribution of the provincial expenditure across the different regions are amongst others determined by provincial priorities and the prevailing socio-economic conditions in each region. The Cape Metro is the economic center of the Province and home to 64.0 per cent of the Western Cape's population. The Western Cape Government will spend R46.115 billion or 68.7 per cent of the total provincial expenditure in the Cape Metro in 2019/20, which is on par with the previous financial year's distribution.

**Figure 1 Provincial payment percentages, Metro and Districts (R'000)**



The **Cape Winelands District** is the second largest regional economy in the Province with 14.1 per cent of the Western Cape population residing within the District. R7.898 billion, or 11.8 per cent of the provincial expenditure budget. The **Garden Route District**, an important economic hub in the southeast parts of the Western Cape, will spend R5.796 billion or 8.6 per cent of the provincial budget. As one of the smaller districts in terms of population size, R3.739 billion or 5.6 per cent of the provincial expenditure will be directed to the **West Coast District**. The Western Cape Government will spend R2.462 billion or 3.7 per cent of the 2019/20 provincial budget in the **Overberg District**. R871.583 million or 1.3 per cent of the total provincial budget will be spend in the **Central Karoo District**. With Beaufort West being the largest town in the region, both in terms of its economic and demographic profile.

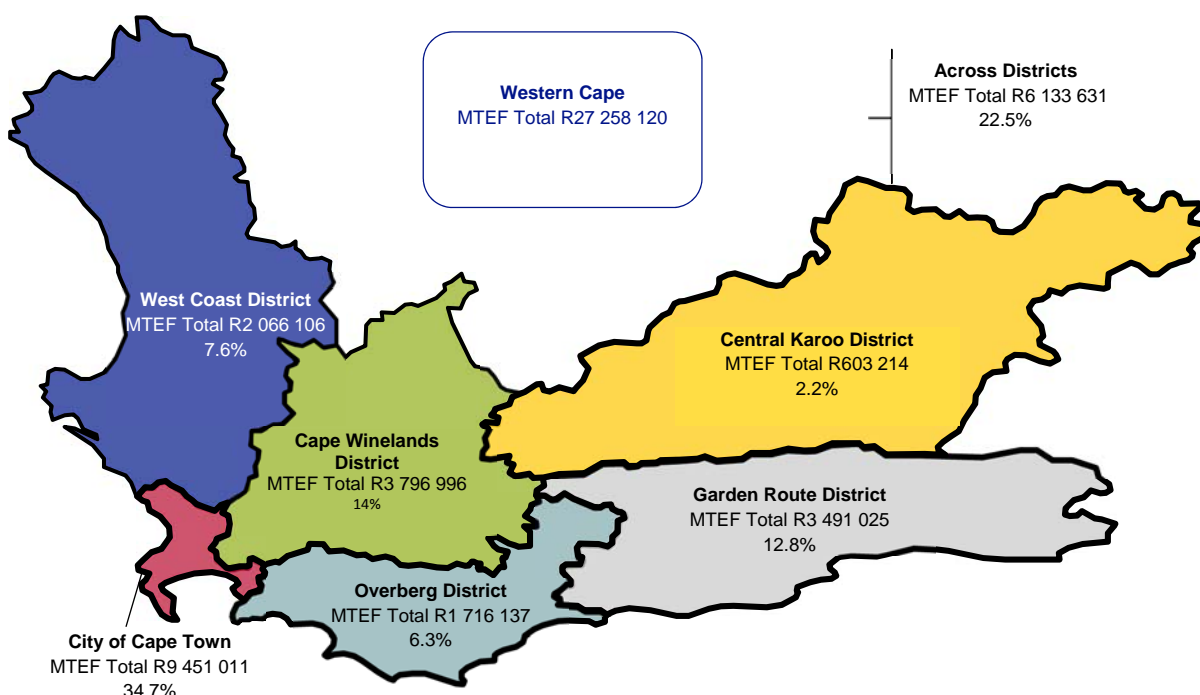
### **Provincial payments and estimates per sector by district and local municipalities**

The **Social sector**, which account for 81.2 per cent of total expenditure, will continue to receive the bulk of the provincial spending to enhance education, health and related social outcomes. The **Economic sector** is represented by departments responsible for the promotion of economic growth and increased employment, underpinned by an Infrastructure-led growth strategy. R9.923 billion or 14.8 per cent of the provincial budget in 2019/20 is directed toward this sector. The main goal of the **Governance and Administration sector** is to enable departments to deliver and create public value, advance sound governance, integration, partnerships, spatial targeting, active citizenry and enable a capable state. The sector is allocated R2.423 billion or 3.6 per cent of the provincial budget in 2019/20.

## Provincial transfers to local government

The total provincial transfers to municipalities amounts to R2.616 billion in 2019/20, which includes an amount of R74.052 million to be allocated later in the 2019/20 financial year. In 2019/20, the allocation towards the Category A municipality, i.e. the Cape Town Metro increases by 4.4 per cent to R1.111 billion from the 2018/19 Revised Estimate of R1.064 billion. The allocation to Category B municipalities decreases by 7.3 per cent from the 2018/19 Revised Estimate of R1.531 billion to R1.420 billion in 2019/20. The allocation to Category C municipalities decreases by 61.3 per cent from the 2018/19 Revised Estimate of R30.739 million to R11.892 million in 2019/20.

**Figure 2 Spatial distribution of planned infrastructure expenditure in the Western Cape, 2019 MTEF total (R'000)**



The strategic focus of the planned infrastructure investment over the medium term is to continue to create and maintain a transportation and movement network connecting the regional space economy, maintain and enhance delivery of quality and accessible services, whilst meeting growth demands. The Western Cape Government continues to improve the lives of its citizens through proactive and targeted investment in economic, social and operational infrastructure.

## Budget aggregates

### Revenue

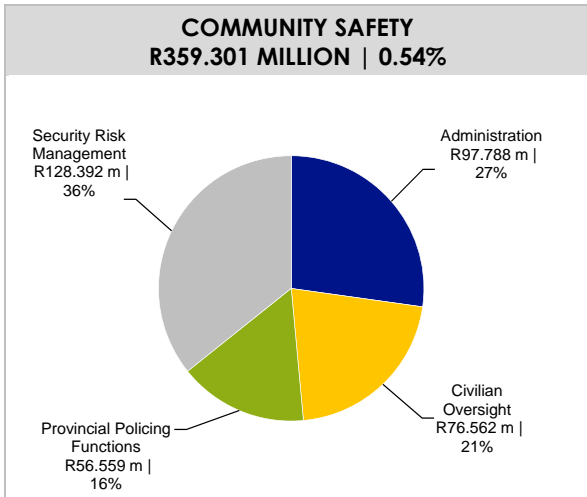
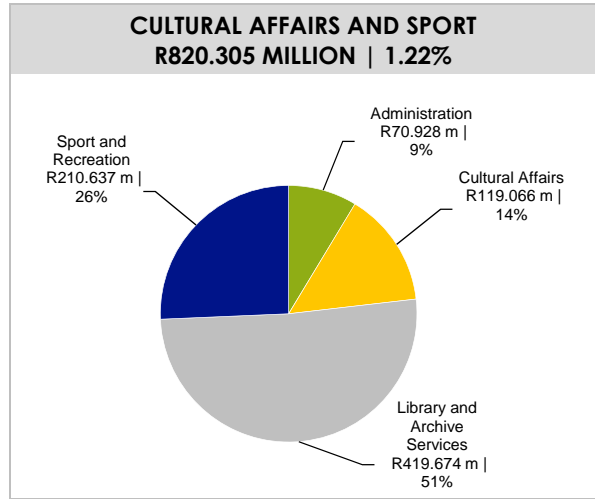
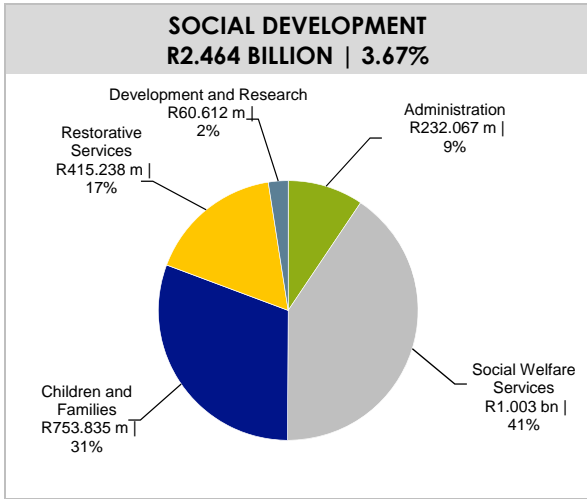
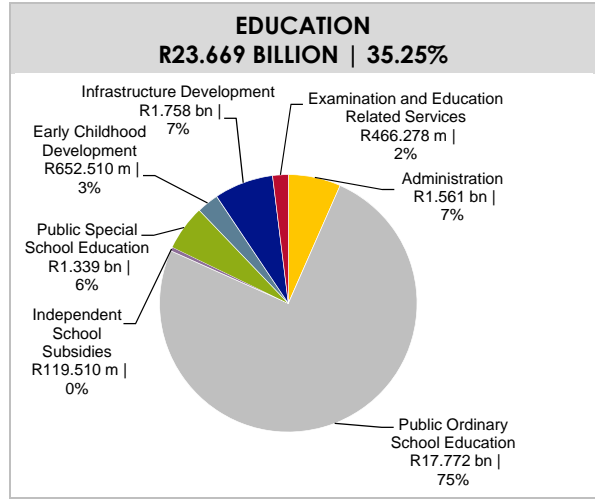
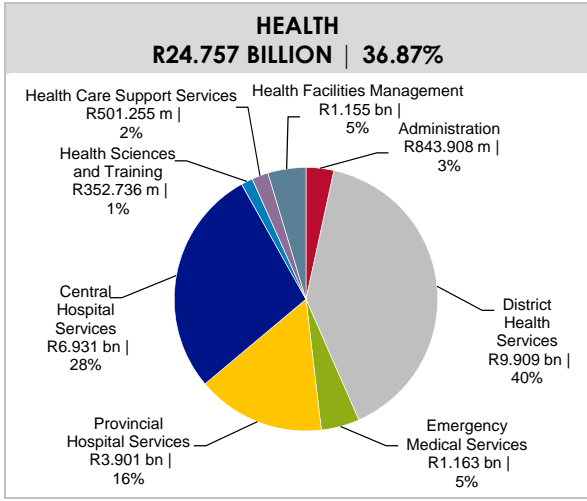
- **Provincial Equitable Share (PES):** The largest revenue share item for the Western Cape Government, PES account for **75.1 per cent or R51.290 billion** of the total 2019/20 Budget. Funding received through the equitable share formula is driven using objective and verifiable data to reflect the demand for services across all nine provinces. To ensure that the formula remains responsive to population shifts across provinces, the six components of the formula updated on an annual basis are Education, Health, Poverty, Economic activity, Basic and Institutional.
- **Conditional Grants:** Account for **18.7 per cent or R12.809 billion** of the total 2019/20 Budget of which the majority is allocated to the Departments of Health, Human Settlements, Transport and Public Works and Education.
- **Provincial Own Receipts:** Account for **4.3 per cent or R2.942 billion** of the total 2019/20 Budget. Motor vehicle licence fees is the largest source of own revenue followed by casino taxes and hospital patient fees.
- **Financing:** The smallest revenue share item for the Western Cape Government, Financing account for **1.9 per cent or R1.297 billion** of the total 2019/20 Budget.

### Expenditure by economic classification

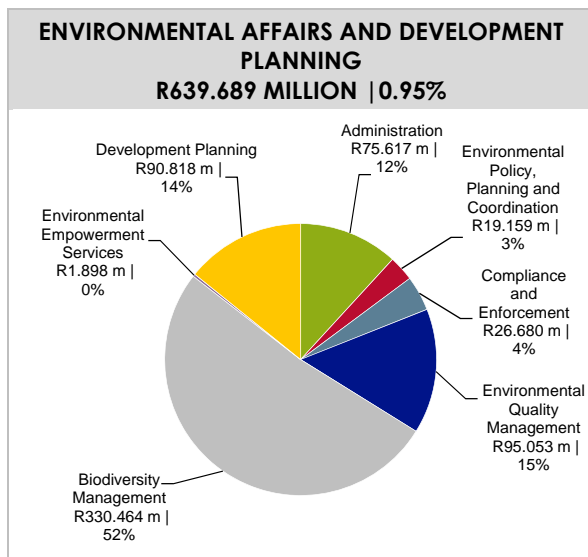
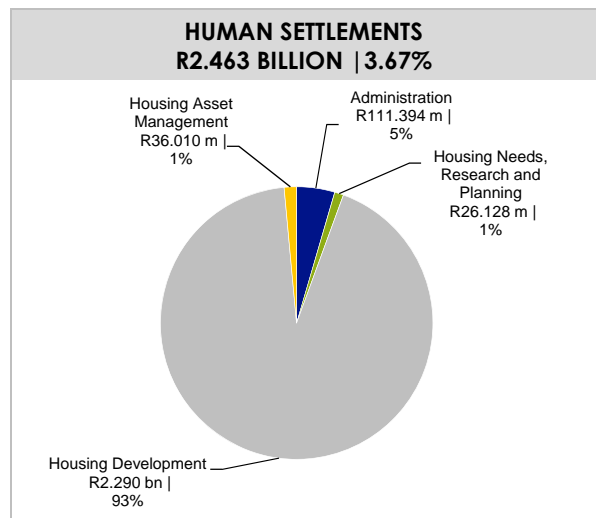
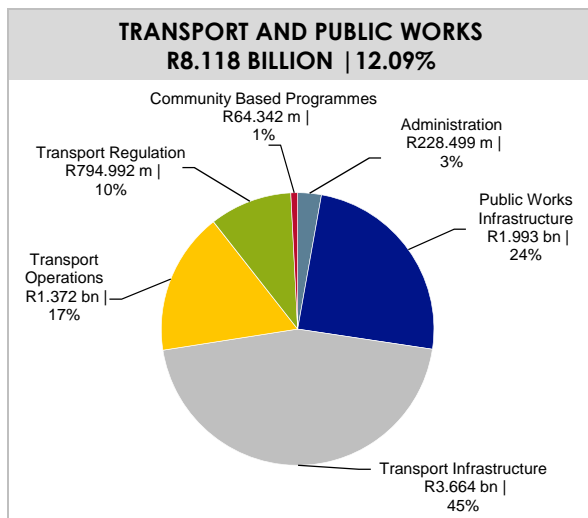
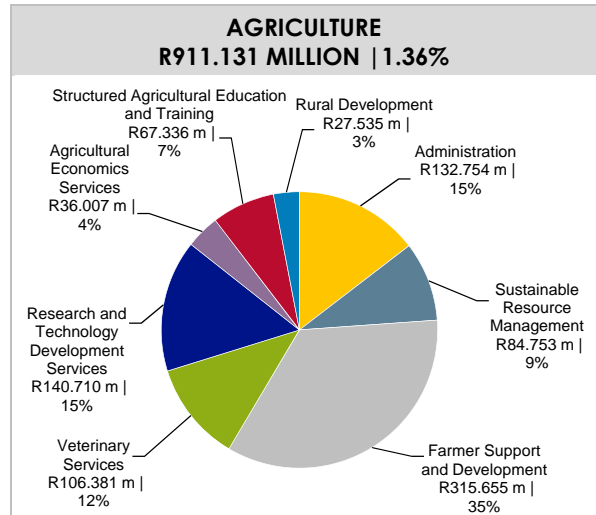
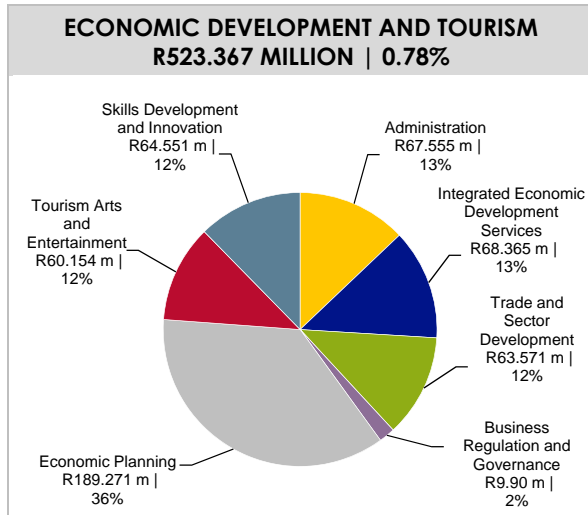
- **Compensation of employees:** The largest expenditure item for the Western Cape Government, personnel expenditure account for **54.8 per cent or R36.847 billion** of the total 2019/20 Budget. Spending on this item will continue to be key in the Province's strategy of fiscal consolidation, fiscal discipline and fiscal stabilisation. For this reason, personnel budget upper limits will continue over the 2019 MTEF with the Provincial Treasury together with the Department of the Premier exercising their budgetary and administrative oversight in accordance with the Public Finance Management Act and supporting regulations and treasury directives.
- **Goods and services:** Accounting for **21.7 per cent** of expenditure or **R14.580 billion**, this budget is used to fund property payments, medical supplies, medicines, contractors and agency and outsourced services.
- **Transfers and subsidies:** At **15.6 per cent or R10.451 billion** of the total 2019/20 Budget, this consists mainly of expenditure transfers to Non-Profit Institutions and transfers to households.
- **Payments for capital assets:** The **7.9 per cent or R5.263 billion** expenditure is mostly allocated to the Western Cape Department of Education and the Departments of Health and Transport and Public Works, which account for 96.7 per cent of the total allocation. Infrastructure spending, reflected as buildings and other fixed structures, accounts for 84.5 per cent of the capital assets budget in 2019/20.

# Diagrammatic representation of sector budgets

## Social sector budget summary, 2019/20



## Economic sector budget summary, 2019/20



## Governance and Administration sector budget summary, 2019/20

